

Capita plc

Full Year Results 2024

Growing momentum against our strategic priorities; full year results in line with guidance and market expectations

Capita plc CEO Adolfo Hernandez said:

"2024 has been a transformative year for Capita as we position ourselves to take advantage of the tremendous opportunities that lie ahead. On joining the business a year ago, it was clear to me from my time in the technology industry that AI brings the potential to revolutionise how we deliver services to our customers. Everything we have seen since has only strengthened that belief. It was also clear that we needed to do much more to bring our costs down to enable the company to be more competitive.

"Today's results show progress on both fronts. We have accelerated our cost cutting, while nearly doubling our customer net promoter score. We have put in place a strong new management team dedicated to harnessing the transformative potential of AI and struck encouraging new collaborations with hyperscalers to bring cutting edge technology to some of the most important challenges our customers face.

"Our 'Better Capita' strategy - focusing on Better Technology, Better Delivery, Better Efficiency and Better Company - is bearing fruit but we must redouble our efforts to ensure this great business delivers the financial performance it is capable of."

2024 Financial Results

- Adjusted revenue¹ declined 8.0% to £2.4bn (2023: 1.1% growth), reflecting the impact of prior year losses, volume reductions in the Contact Centre business and cessation of lower margin service lines
 - Public Service division adjusted revenue¹ decreased by 0.9%,
 - Experience division now reporting under three segments:
 - Contact Centre adjusted revenue¹ decreased by 18.4% principally due to volume reductions in the telecommunications vertical
 - Pension Solutions adjusted revenue¹ grew 5.1% reflecting increased volumes and benefit from indexation, and
 - Regulated Services adjusted revenue¹ decreased 26.9% as we make good progress exiting the closed book Life & Pensions business
- Adjusted operating profit¹ increased 5.5% to £95.9m (2023: £90.9m), as the positive impact of the cost reduction programme of c.£90m more than offset the revenue reduction seen across the Group
- Reported operating loss of £9.9m (2023 loss: £52.0m) reflecting the £27.9m cost associated with our successful cost reduction programme and non-cash goodwill impairment of £75.1m recognised in the Contact Centre business reflecting lower volumes in the telecommunications vertical
- Reported profit before tax of £116.6m (2023 loss: £106.6m) boosted by the disposal of Capita One and Fera
- Free cash outflow, excluding the impact of business exits¹, of £122.3m (2023 outflow: £123.6m), including the final pension deficit payments, reduced costs associated with the cyber incident, the cash cost associated with the Group's cost reduction programme and a more prudent approach to working capital management
- Net financial debt (pre-IFRS 16) of £66.5m (2023: £182.1m), with net financial debt/adjusted EBITDA¹ (both pre-IFRS 16) ratio of 0.5x
- Following repayment of £53.6m of US private placement loan notes in January 2025, in March 2025, the Group issued £94.2m equivalent of US private placement loan notes across three tranches maturing between 2028 and 2030 with an average interest rate of 7.4%, to extend our funding maturity profile and underpin the Group's transformation strategy

Continued momentum to deliver positive free cash flow from the end of 2025

- Delivered annualised cost savings of £140m ahead of plan
- Underpinned by December 2024 announcement that total cost reduction target increased from £160m to up to £250m by December 2025, driven by increasing use of AI and generative AI which will fundamentally improve our operating model

Renewal rate significantly improved

- Total contract value won £1,513m (2023: £2,952m), reflecting lower level of contract bidding activity and focus on improving the Group's cost competitiveness
- Customer net promoter score improved to +28 points, up 12 points from 2023
- The Group's renewal rate grew to 92%, up from 51% in 2023, underlining strong client relationships and consistent delivery of high-quality solutions

Financial highlights

	Reported results			Adjusted ¹ results		
	31 December 2024	31 December 2023	Reported YoY change	31 December 2024	31 December 2023	Adjusted ¹ YoY change
Revenue	£2,421.6m	£2,814.6m	(14.0)%	£2,369.1m	£2,575.8m	(8.0)%
Operating (loss)/profit	£(9.9)m	£(52.0)m	81.0%	£95.9m	£90.9m	5.5%
Operating margin	(0.4)%	(1.8)%	140bps	4.0%	3.5%	50bps
EBITDA	£166.2m	£144.5m	15.0%	£186.1m	£196.5m	(5.3)%
Profit/(loss) before tax	£116.6m	£(106.6)m	n/a	£50.0m	£40.9m	22.2%
Basic earnings/(loss) per share	4.54p	(10.60p)	n/a	2.11p	(0.20p)	n/a
Operating cash flow*	£86.3m	£81.2m	6.3%	£72.0m	£82.7m	(12.9)%
Free cash flow*	£(122.7)m	£(154.9)m	20.8%	£(122.3)m	£(123.6)m	1.1%
Net debt	£(415.2)m	£(545.5)m	£130.3m	£(415.2)m	£(545.5)m	£130.3m
Net financial debt (pre-IFRS 16)	£(66.5)m	£(182.1)m	£115.6m	£(66.5)m	£(182.1)m	£115.6m

* Adjusted operating cash flow and free cash flow exclude the impact of business exits (refer to note 10).

1. Refer to the alternative performance measures (APMs) in the Appendix.

Outlook for 2025

Adolfo Hernandez said: “In 2025, the Better Capita strategy we set in 2024 continues. Our strategy strengthens our future prospects and confidence in our medium-term targets. We have leading market positions and are a critical supplier to the UK Government. We have long term customer focused relationships that are increasingly moving from transactional to more strategic.

We have strong technology partnerships with hyperscalers, which offers low risk access to new products and markets. We have a strong contract pipeline with £5bn of opportunities with an AI/technology underpin, are building a portfolio of reference cases for AI and have a proven ability to deliver large, complex, critical and selective bespoke services. Embedding technology and innovation will become a key growth driver, which combined with our cost saving programmes to drive further efficiencies will make Capita more competitive and aid its return to growth.”

Financial guidance for 2025

- Expect adjusted revenue¹ to be broadly in line with 2024 overall, with growth in Public Service and Pension Solutions offset by reduced revenue in Contact Centre and conscious decline in closed book Life & Pensions as we look to exit that business
- Small increase in adjusted operating margin¹, due to continued progress with the efficiency programmes, partly offset by agreed exits from closed book Life & Pensions contracts
- Free cash outflow, before the impact of business exits¹ of £45m – £65m, including a £55m outflow to deliver the cost reduction programme, with cash conversion 55 - 65%. We expect the group to be free cash flow positive, before the impact of business exits¹ from the end of 2025
- Medium term targets unchanged. Deliver an adjusted operating margin¹ of 6-8%, operating cash conversion of 65% to 75% and delivering low to mid-single digit adjusted revenue¹ growth per annum

This announcement contains inside information.

Investor presentation

A presentation for institutional investors and analysts hosted by Adolfo Hernandez, CEO and Pablo Andres, CFO, will be held at the Novotel, 3 Kingdom Street, Paddington London W2 6BD at 09:00am UK time, 5 March 2025. There will also be a live webcast (link below) which will subsequently be available on demand. The presentation slides will be published on our website at 07:00am and a full transcript will be available the following day.

Participant webcast:

<https://webcast.openbriefing.com/capita-fy24/>

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Chief Executive Officer's review

Introduction

Since joining Capita as CEO at the start of 2024, I have spent significant time engaging with key stakeholders of the Group, including customers and colleagues across all Capita geographies. I have seen the high value that we deliver consistently to customers, the criticality of our services and the skills and passion of our teams when it comes to delivering better outcomes on behalf of our customers. This is a great foundation to work from.

2024 has been a very busy year learning about the business, actioning many initiatives which will be key for Capita's business and financial improvement journey, and building new, strong partnerships with technology hyperscalers. This culminated in June with the launch of our new strategy, which redefines our focus to deliver a Better Capita underpinned by our strategic themes of Better Technology, Better Delivery, Better Efficiency and Better Company.

In short, our value proposition needs to be more competitive and differentiated, through a lower cost base, automation and innovation. We are removing unnecessary costs to put us in a position to fund our profitable growth. Better Capita means becoming more efficient and spending less, digitising our offerings by having more standardised and repeatable propositions, strongly leveraging technology partnerships, being more precise in our delivery, and evolving governance and our culture.

Our first medium-term financial target is to improve the adjusted operating margin¹ of the Group to between 6% and 8%, with sustainable positive free cash flow, excluding the impact of business exits¹, and adjusted revenue¹ growth to follow. I am therefore very pleased to report that we improved our adjusted operating margin¹ from 3.5% in 2023 to 4.0% in 2024. We expect this to increase further in 2025 as we see the positive impact from our cost reduction programme which continues to progress well.

In June we set out other medium-term financial targets to deliver: getting smaller to get stronger to then be able to deliver low to mid-single digit adjusted revenue¹ growth per annum; positive free cash flow, excluding the impact of business exits¹, from the end of 2025, with operating cash conversion of 65% to 75%; maintaining net financial debt leverage of ≤1x; and, importantly, a continued reduction in lease liabilities from the Group's ongoing property rationalisation.

There is still a lot to be done in 2025, but I am pleased to say that many of the changes made during 2024 are now beginning to bear fruit. We are making good progress in taking actions which will deliver our medium-term targets, but we recognise there is more to do to improve the Group's financial performance.

One of the achievements I am most proud of in 2024 is the improvement that we saw in our customer net promoter score across all areas of the business, with the Group score improving to +28 points, up from +16 points in 2023, one of the highest scores the Group has seen in a number of years. This is a critical achievement for us given the nature of our business.

A key priority for me is to support and accelerate Capita's transformation by embedding artificial intelligence and generative (gen) AI into both our internal operations and teams and into our offerings and customer delivery processes on behalf of our customers. We are not a technology company but we are building and leveraging our deep partnerships and solutions with technology hyperscalers such as Microsoft, AWS, ServiceNow and Salesforce to co-create solutions built around specific client needs, that we both know well and have strong leadership in, to fully leverage and complement Capita's reach, domain and sector knowledge. I'm pleased with the progress in this area to date, for example, in 2024 we developed and launched a number of products at speed that are already delivering for initial clients and these will be rolled out to a number of clients in 2025 and will be embedded in our contract tenders moving forward.

As we look forward to 2025 and beyond, we will continue with the same areas and themes unveiled at the Capital Markets Day in 2024, such as: finding additional efficiencies; improving our sales effectiveness; increasing differentiation of our services, products and value propositions through innovation, further automation, and higher quality of delivery; and continuing to build a better Capita, with and for our colleagues, after a challenging year of changes and difficult decisions.

I am increasingly confident in the progress and potential of our business improvement journey and the feedback we are receiving from our customers.

Our key strategic pillars

Better technology – partnering with hyperscalers

With gen AI driving a significant technological revolution globally, a critical part of our strategy moving forward is to enable our customers to take advantage of its possibilities, deploy it in their business processes and do it safely, ethically and supported by a national trusted partner like Capita. This will transform how we deliver complex processes at scale and will enable us to leverage our deep understanding of our customers' business processes. To accelerate this and leverage their wealth of capabilities and deep investments in AI, we are partnering with hyperscalers to extend their basic solutions with our expertise and data to deliver solutions that will improve productivity and reduce delivery costs. For example, AI is providing greater choice in servicing methods, reducing average handling times for customer calls and increasing first time resolutions in our contact centres. Partnering with hyperscalers while leveraging our process and sector knowledge is enabling us to offer best in class technology, both cost effectively and swiftly, ensuring we remain competitive in a rapidly changing market.

The adoption of AI across the Group will be the cornerstone of our operational evolution and in November we welcomed Sameer Vuyyuru to the Executive Team as Chief AI and Product Officer. Sameer's role will focus on driving product innovation and delivering scalable and repeatable products and AI solutions that deliver better outcomes for clients and Capita.

The key principle for our AI solutions is to augment and amplify humans. We are enhancing roles by removing repetitive tasks and streamlining workflows, allowing our people more time for human-centric tasks that require human empathy and judgement. We are already delivering a range of solutions across the contract portfolio, with a number of further solutions being designed in collaboration with our hyperscaler partners. Our new technology platforms are already creating a better

employment experience and greater job satisfaction as delivery teams provide a more productive and personalised experience to clients and their customers.

For example, earlier this year, following a successful design and pilot we launched the CapitaContact platform with the London Borough of Barnet in the Local Public Service part of Capita Public Service. This gen AI-powered contact centre solution leverages Amazon Connect to provide a simplified customer experience for a wide range of queries. Overall, our progress in technological and AI enablement positions Capita very well to meet our customers' evolving requirements. For example, the UK Government's priorities, as outlined in the recent budget and subsequent Blueprint for Modern Digital Government, are clearly focused on making people's lives easier, establishing firmer foundations, achieving smarter delivery and driving higher productivity and efficiency. Examples this year of our innovations in our Public Service business include the Capita Accelerate tool embedded in the Recruiting Partnering Project for the British Army, for which we have a number of potential other use cases, and our virtual wards capacity which reduces the strain on hospital beds and in-person treatment and therefore has the potential to reduce NHS waiting lists.

In the Contact Centre business, we have developed AgentSuite: a cutting-edge gen AI customer experience solution comprising two components, Agent Assist and Call Sight. These provide real time sentiment analysis, AI generated prompts to aid call handlers and reduce post-call administration time with automatically populated call notes. In the Contact Centre business, around 50% of agents are now utilising AI and gen AI technology in their day-to-day roles.

Within our Pension Solutions business we are transforming user experience with the creation of our new digital pensions platform. Incorporating technology from Microsoft Dynamics and Amazon Connect it will provide an improved and fully personalised experience for the pension member. This product will become part of our core offering for all future pension administration contract tenders.

We are also standardising and centralising high-volume, low-complexity sales processing across the Group through an enabling optimised sales (EOS) project. This will result in a scalable platform, integrated with Salesforce, to drive business value and aid growth in the long term.

In addition, I am very pleased with our recent announcement in January 2025, that the Group would be one of the first companies in Europe to use Salesforce's Agentforce AI for complex business tasks. Agentforce is a sophisticated AI system that creates 'Agents' capable of performing automated tasks and engaging in user conversations. Our initial release will introduce the Capita Career Assistant, an AI bot to aid our recruitment process, helping potential applicants find suitable jobs, and automating parts of the hiring process like matching skills, screening applications, scheduling interviews, and updating records. Through 2025, this solution will expand upstream to address additional steps in high-volume recruitment. For an organisation like Capita that hires around 10,000 colleagues each year this offers significant quality, speed, cost and candidate experience benefits. It is our intention to deliver this managed platform to customers who face similar challenges with high-volume recruitment.

We know our customers entrust us to hold, manage and process some of their most valuable and sensitive data and we are taking a responsible approach to AI to deliver leading and safe AI solutions working with trusted partners with appropriate governance as we continue to invest in our cyber security across the year. All AI adopted by Capita must adhere to our AI principles (inclusive, trustworthy, transparent, accountable, secure, governed and adaptive), which govern the secure, fair and ethical use of AI. Our principles reflect our values and incorporate worldwide recognised guidelines as well as compliance with the EU AI Act. We have further launched a gen AI oversight committee, ensuring human oversight of all critical decisions and appropriate ethics review at Executive level. We are committed to providing continuous training to colleagues across the organisation on the responsible use of AI.

Better delivery – a consistent approach

Delivering consistently and effectively for our customers is a key part of making a Better Capita. Delivering the right service the first time means a better service to the customer and reduced excess cost to us.

Across 2024, the Group maintained its KPI performance with an average performance above 90%. In areas where KPI performance was not met during the year, we implemented specific remediation actions to ensure we meet the high standards our customers expect.

As mentioned earlier, we saw our customer net promoter score improve across all areas of the business with the Group score improving to +28 points, up from +16 points in 2023. There was a particularly strong performance in the Experience businesses which saw a 19-point improvement. Areas where clients suggested improvement included further understanding of the Group's approach to AI and digital offerings, as well as some improvements to systems and processes, which was somewhat expected and our existing plans will address. Operational highlights in 2024 included:

- In Public Service, as part of the division's contract to deliver Royal Navy training, we partnered with Metaverse VR to deliver eleven new Warship Bridge Simulators across three Royal Navy locations in the UK, more than doubling the Navy's simulator capacity;
- Also in Public Service, on the Standards and Testing Agency contract, we printed and delivered 11 million test papers to schools for SATs week, hitting every milestone on time, including the marking and delivery of 99.9% of scripts;
- In Pension Solutions, we saw the number of members engaging with pensions via digital channels increase by more than 200%, allowing more efficient communication, while reducing our costs to deliver;
- In our Contact Centre business, across our delivery centres we handled more than 32 million calls for clients in the UK, Ireland, Germany and Switzerland; and
- To support future delivery and growth in the Contact Centre business, we opened two new global delivery centres in Bulgaria and South Africa. This expansion will enable the division to meet the increasing demand for multilingual services to broaden our market opportunities.

While our contract delivery has been largely consistent across 2024, there were two specific historic contracts where we encountered delays from our original planned mobilisation dates. They both had significant impacts on 2024 revenue and profit performance but will benefit 2025.

In the Contact Centre business, certain delivery issues have led to the reduction of volumes on one particular contract. Action was taken to remediate this swiftly and we have the opportunity to regain volumes in the future.

We've made good progress with the business areas we identified within our manage for value category at our Capital Markets Day in June 2024. In September 2024 we completed the disposal of Capita One, realising net proceeds of c. £180m and in December 2024 we announced the disposal of the Group's mortgage servicing business assets, a transaction which we expect to complete in Q2 2025.

In 2024, we agreed a number of transition agreements for contracts in the closed book Life & Pensions business unit, within the Regulated Services division, where we've seen continued volume reductions as expected. There is now one client remaining and we are actively engaged in discussions to resolve the challenges in this business. The division continues to have a cash cost to the Group of around £20m per annum.

Better efficiencies - moving at pace

At the start of the transformation, the Group established a programme management office to deliver the company-wide transformation and associated cost efficiency savings with the transformation split into three waves: funding the journey; back to basics; and building for the future.

In March 2024 we announced targeted cost savings of £160m to be delivered by June 2025, to help deliver a medium-term Group adjusted operating margin of 6 – 8%. So far, we have taken actions which will deliver annualised cost savings of £140m. The majority of these savings have been achieved through efficiencies and synergies in our processes and technology, property rationalisation, and organisational changes that align with the business we need to become.

During 2024, based on the positive results from the increasing use of AI and gen AI at the heart of this transformation, we continued to identify significant cost opportunities within the Group. As announced in December 2024, this enabled us to increase our cost reduction target from £160m to up to £250m to be delivered by December 2025, with a further £55m cash cost to achieve these savings to be incurred in 2025.

A proportion of the additional targeted savings will be delivered via natural employee attrition as we further simplify the business, particularly within the Contact Centre business where, in line with peers, employee attrition has historically been higher. For example, in December 2024 attrition was 29% on a 12-month rolling basis, compared to 16% for the rest of the Group. The additional savings will be achieved through further simplification and centralisation of internal processes and are expected to help offset the gross £16m of in-year incremental employers' National Insurance Contribution (£20m on an annualised basis) in 2025.

These savings provide further confidence in the delivery of our medium-term margin target and we expect to generate positive free cash flow from the end of 2025. We continue to expect a reinvestment of c.£50m of the savings across 2025, which will drive growth through technology and ensure the Group's ongoing price competitiveness moving forwards.

Better company - launching our culture change programme

This year I have spent a significant amount of time meeting colleagues across the geographies in which we operate, and I have seen first-hand the passion our colleagues have for the work they do. I am very impressed by that passion, and the skills and experience that our team bring to bear. Our colleagues, and the skills and talent they have, are a key enabler of our transformation and business improvement journey and they are highly valued by our customers.

With a major ongoing transformation programme, and many difficult decisions around pay reductions and reorganisation, this year was understandably difficult for our people. This was reflected in the Group's eNPS score which reduced by 29 points to -33 points (in particular recommending Capita as an employer to friends and family). More pleasingly we saw employee engagement, a more reflective measure during a transformation, of 64%, just a 3-point reduction on the prior year and 81% of employees feel they can be themselves at work. I am also pleased to see that the Group's rolling 12-month voluntary attrition at the end of December has reduced to 21.7% compared with 25.3% in the prior 12 months which, as previously outlined, will help deliver a proportion of our recently announced cost savings target.

Following completion of, and feedback from, our Group-wide culture survey in 2024, we have embarked on a multi-year culture improvement journey across all levels within the organisation aiming to build a culture in which everyone is united in achieving Capita's goals, while nurturing their individual career aspirations. As part of this journey, during the year we launched our leadership playbook and development programme which will help us nurture and develop talent through all levels of the organisation. This journey will be based on both local and Group led initiatives to ensure a personalised and tailored experience for all colleagues.

In 2025, our people agenda is a key priority and we have a plan to further improve the employee value proposition.

Total contract value and growth

Across 2024, we focused on both improving the Group's cost competitiveness and on maintaining rigour around bidding processes to ensure that contracts were bid at an acceptable margin. We expected revenue reductions while we strengthened capabilities and improved margins to enable profitable growth in the future.

As a result, we saw a lower level of contract bidding activity and the Group saw its total contract value (TCV) won reduce to £1,513m from £2,952m in 2023. With the lower TCV, the Group's book to bill reduced to 0.6x from 1.1x in the prior year, with 0.7x in Public Service, 0.7x in the Contact Centre business and 0.8x in Pension Solutions.

As a first step for future growth, the Group's renewal rate across 2024 improved strongly to 92%, up from 51% in 2023, following some material losses in 2023 which were lost on price. Public Service delivered an 87% renewal rate, up from 40% in the prior year, with Experience (across its three sub-divisions) at 95%, up from 61% in 2023. The Group's high renewal rate underlines our strong client relationships and consistent delivery of high-quality solutions. Maintaining a high renewal rate, while ensuring our margin target is met, is a priority looking forward.

There is a major opportunity to increase the Group's win rate on new and expanded scopes of work, which in 2024 reduced to 18% from 69% in 2023. In addition to greater focus on rebuilding the sales pipeline and a rejuvenated suite of AI/digital solutions, as we continue to improve efficiencies as part of the Group's cost reduction programme, we will become more price competitive which together will improve the Group's win rate on new and expanded scopes of work. Across all opportunities the win rate by value was 32% (2023: 62%), 23% in Public Service and 62% in Experience.

Significant contract wins in the year included the renewal of two European telecoms clients, one with an expanded scope, with a TCV of more than £250m TCV, a further extension on the Data Communications Company Licence with a TCV of £135m and a renewal with the Royal Mail in Pension Solutions with a TCV of more than £50m following a competitive tender. There were expansions of scope with contracts with the Royal Navy and in Local Public Service.

The total unweighted pipeline across all years, as of 31 December 2024 was £11,121m, an increase from £10,329m at 31 December 2023, despite the unsuccessful outcome on the material opportunity to deliver the Armed Forces Recruitment Programme with the Ministry of Defence in 2024, which was lost on price and a bid we priced to deliver the highest quality, without risk to our Armed Forces. We will continue to deliver the Recruiting Partnering Programme for the British Army to the contract transition date in 2027.

Within the Group, there are material opportunities across 2025 with the Department for Work and Pensions, framework opportunities with the Crown Commercial Service and a number of UK-based utility companies.

Of the total unweighted pipeline of £11,121m, more than £5bn relates to opportunities with a significantly higher technology and AI/gen AI underpin including material opportunities with the Home Office, HMRC and Transport for London.

We have seen a number of early successes so far in 2025, with the renewal of the Gas Safe Register contract with a TCV of £89m and further expansion of scope with the Royal Navy in Public Service.

The Group's order book, as measured by IFRS 15, was £4,241m, at 31 December 2024, a reduction of £1,642m from £5,883m at 31 December 2023. This reduction reflected £809m order book additions, indexation and scope changes, offset by £1,838m revenue recognised and a £225m reduction from business disposals and contract terminations. In 2024, we won a number of material contracts which are framework agreements which do not meet the accounting criteria for order book recognition, and these contracts resulted in £388m being derecognised from the order book.

Financial results - revenue and operating profit

Adjusted revenue¹ declined 8.0% to £2,369.1m (2023: £2,575.8m). The decline reflected the continued impact of prior year losses including Electronic Monitoring Services and our focus on exiting lower margin services, the non-repeat of the one-off benefits from the Virgin Media O2 contract transition, and a commercial settlement within the Regulated Services business in 2023. The telecommunications vertical of the Contact Centre business also saw lower volumes in 2024. This was partially offset by volume improvements in Public Service contracts including with Transport for London and the benefit from indexation.

Reported revenue declined 14.0% to £2,421.6m (2023: £2,814.6m) reflecting the above contract movements and impact of business exits including the Capita One disposal.

Adjusted operating profit¹ increased by 5.5% to £95.9m (2023: £90.9m), as the c.£90m positive impact of the cost reduction programme more than offset the revenue reduction seen across the Group, including the non-repeat of one-offs from the prior year. The Group adjusted operating margin¹ improved to 4.0% from 3.5% in 2023.

Reported operating loss was £9.9m (2023 loss: £52.0m), largely reflecting £27.9m of costs to deliver the Group's successful cost reduction programme and a £75.1m goodwill impairment recognised within the Contact Centre business.

Financial results - free cash flow and net debt

Free cash flow excluding the impact of business exits¹ was an outflow of £122.3m (2023 outflow: £123.6m), reflecting the reduction in cash generated by operations and the cash cost to deliver the ongoing cost reduction programme which was partially offset by a reduction in cash flows related to the 2023 cyber incident and pension deficit contributions.

Free cash outflow¹ for the Group was £122.7m (2023 outflow: £154.9m), including the inflow from businesses exited, or being exited of £14.1m in year offset by £14.5m pension deficit contributions triggered by disposals.

Net financial debt (pre-IFRS 16) was £66.5m (2023: £182.1m) benefiting from net proceeds realised on the disposal of Capita One and Fera of £223.9m which more than offset the Group's free cash outflow across the year.

Net debt, including the impact of property leases accounted for under IFRS 16 was £415.2m in 2024 (2023: £545.5m). Our IFRS 16 lease liability was £348.7m (2023: £363.4m) reducing with property rationalisation programme and monthly lease payments. The lease asset receivable related to the lease liability was £95.7m (2023: £70.3m), reflecting the successful sub-letting of property the Group is not utilising.

Outlook

As we look forward to 2025 and beyond, we will continue to focus on the same areas and themes unveiled in June's Capital Markets Day. The continued growth of AI and what it can do for organisations and the UK Government AI plans align well with our strategy. As we continue to transform, we expect to see adjusted revenue¹ in 2025 to be broadly in line with that of 2024, with growth in Public Service and Pension Solutions, offset by revenue reductions in Contact Centre and Regulated Services, as we continue to actively exit contracts in this business.

I am increasingly confident in the progress and potential of our business improvement journey, the capabilities and engagement with our hyperscaler partners, the feedback we are receiving from our customers, all of which creates a strong foundation for 2025. Similarly, we are also focused on building a better Capita with, and for, our colleagues.

As we continue to see the benefit from our cost reduction programme we expect to see a small increase in the Group adjusted operating margin¹ overall, with good margin improvement in Public Service and Contact Centre, maintaining double digit margins in Pension Solutions, offset by a reduction in margin in Regulated Services as we exit contracts.

With the costs to achieve material cost savings heavily weighted to H1, we expect a free cash outflow before the impact of business exits¹ of between £45m – £65m including a £55m outflow to deliver the cost reduction programme, with an improved cash conversion¹ of 55% to 65%. We expect the group to be free cash flow positive, before the impact of business exits¹ from the end of 2025. Reflecting the free cash outflow, we expect net financial debt to increase. We expect to see a reduction in the Group's IFRS 16 lease liability as we continue our property rationalisation programme and make cash lease payments.

1. Refer to alternative performance measures (APMs) in the Appendix.

Divisional performance review

The following divisional financial performance is presented on an adjusted¹ basis. The calculation of adjusted figures and our KPIs are contained in the APMs in the Appendix to this statement.

Public Service

Markets and growth drivers

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

The division is structured around three market verticals: Local Public Service; Defence & National Preparedness (including Learning); and Central Government, delivering to their respective client groups.

Following a review of the industries served by Public Service, the division's core addressable market size is c.£25bn², growing at approximately 4% per annum. Digital BPS continues to be an area of fast growth, with traditional business process outsourcing currently shrinking. This trend is expected to continue, reflecting the UK Government's recent announcement on the use of AI in government processes to ensure delivery of high-quality, cost-effective services to its citizens.

Public Service operates in highly fragmented markets with a variety of services offered. Competitors within the market include but are not limited to: Atos, G4S, Sopra Steria, CGI, Tata Consulting Services, Serco, Accenture and Maximus.

Strategy and better technology

The division has identified four key propositions that offer substantial sales potential across the public sector client groups in the UK, through enhanced repeatability and cost-efficient delivery, particularly in the areas of modern, technology-enabled business process outsourcing and National Preparedness. These are Digital Business Services; Citizen Experience; Workforce Development; and Place.

Looking ahead, there is a significant opportunity to drive productivity and efficiency in line with the UK Government's strategy of integrating AI into public services. We are working with technology hyperscalers to co-create solutions based on our public sector process knowledge, blending together offerings which are both technology and people driven.

The division is focused on building standardised repeatable propositions, leveraging the scale of our hyperscaler partners while using our sector specific domain knowledge and expertise. This will in turn reduce cost to serve and improve market impact. We have a number of AI and gen AI products embedded in clients across the division, including the use of Capita Contact and Capita Accelerate, a natural language processing tool that we are using to analyse candidates' medical records to allow a faster processing time.

Our two client advisory boards, covering all sectors in which the division operates, continue to help us enhance customer centricity, improve strategic decision making, aid innovation and strengthen client relationships. We will continue to build on their use in 2025.

Operational performance and better delivery

Across the year, the division's average KPI performance was consistent at 94%. The division's standalone cNPS (customer satisfaction) performance was +28 points with specific positive feedback around account management and sector experience. An area of improvement was digital innovation and transformation, which will be a key area of focus for 2025 as we look to embed technology more consistently across the division.

The division saw a £15m cash overspend associated with the delayed mobilisation of two contracts over the year, which also impacted revenue growth. One of these contracts went live at the end of 2024.

Operational highlights across the year included:

- On the Standards and Testing Agency contract, we printed and delivered 11 million test papers to schools for SATs week hitting every milestone on time, including the marking and delivery of 99.9% of scripts;
- On the division's contract to deliver Royal Navy training, we partnered with Metaverse VR, to deliver eleven new Warship Bridge Simulators across three Royal Navy locations in the UK, more than doubling the Navy's simulator capacity; and
- Our British Army Recruitment Site won best 'Recruiting Website' at the RAD Awards with the site generating a 100% increase in registration conversion.

Our consistent delivery has been a key factor in expanding existing scopes with clients such as Transport for London and the Royal Navy. Looking to our long-term growth ambitions, we are exploring expansion into international markets using our existing infrastructure. We believe we can increase the division's addressable market and accelerate growth, particularly in the Defence and National Preparedness vertical.

Growth performance

In 2024, Public Service won TCV of £928.7m down 49.5% from that won in 2023. The decline was in part driven by lower levels of contract activity during a year of political transition, and the benefit in 2023 from contract award dates moving from 2022 into 2023.

We saw a further extension on the Data Communications Company Licence with a TCV of £135m and expansions with the Royal Navy and in Local Public Service. The division's book to bill ratio was 0.7x.

The total unweighted pipeline for Public Service at 31 December 2024 was £8,149m, an increase from £7,474m despite our unsuccessful armed forces recruitment bid, which we lost on price. The year end weighted pipeline stood at £1,206m, broadly similar to that in 2023 of £1,247m.

The divisional order book at 31 December 2024 was £2,923.4m, a decrease from £3,546.0m in the prior year, reflecting the revenue recognised in the period which more than offset wins in the period.

Financial performance

Divisional financial summary	2024	2023	% change
Adjusted revenue ¹ (£m)	1,387.2	1,399.9	(0.9)%
Adjusted operating profit ¹ (£m)	89.1	69.6	28.0%
Adjusted operating margin ¹ (%)	6.4%	5.0%	
Adjusted EBITDA ¹ (£m)	125.6	111.4	12.7%
Operating cash flow excluding business exits ¹ (£m)	92.1	88.5	4.1%
Order book (£m)	2,923.4	3,546.0	(17.6)%
Total contract value secured (£m)	928.7	1,840.1	(49.5)%

Adjusted revenue¹ decreased by 0.9% to £1,387.2m, reflecting the cessation in previous years of contracts in Local Public Service and Central Government. Revenue growth was impacted by a more disciplined approach to bidding and the delayed mobilisation of two contracts in the division. These offset additional volumes in our Transport for London contract and the benefit from indexation.

Adjusted operating profit¹ increased 28.0% to £89.1m, delivering an adjusted operating margin of 6.4%, as the division saw the positive benefit of the Group's cost-reduction programme which offset the impact of contract losses and the £15m profit impact from the conclusion of project work in 2023 and the impact of Ofgem's price control determination on the Smart DCC contract.

Operating cash flow excluding business exits¹ increased 4.1% to £92.1m with operating cash conversion of 73.3% (2023: 79.4%) impacted by the delayed mobilisation and more sustainable approach to working capital management.

Outlook

For 2025, we expect the division to deliver low to mid single digit revenue growth driven by the annualised benefit of new contracts, with growth expected across all Public Service verticals in 2025.

We expect a modest improvement in adjusted operating margin driven by revenue growth and continued benefit from the cost reduction programme.

1. Refer to alternative performance measures (APMs) in the Appendix.

2. TechMarketView.

Capita Experience

Following a review of the Group's offerings, Experience will now report under three segments, reflecting the different market sectors and end product offerings of its component parts: 1. Contact Centre; 2. Pension Solutions; and 3. Regulated Services, which includes closed book Life & Pensions.

1. Contact Centre

Markets and growth drivers

Contact Centre is one of Europe's leading customer experience businesses with a top three market share across EMEA, managing millions of interactions, with customers in the UK, Ireland, Germany and Switzerland and services delivered across these geographies and also in India, South Africa, Poland and Bulgaria.

The division is structured around the market sectors it serves: Financial Services; Telecoms, Media & Technology; Energy & Utilities; and Retail. The European customer experience market is worth £33bn² with the market expected to grow at 4%² per annum.

Our competitors are mostly global and include entities such as Teleperformance, Concentrix & Webhelp, Tata Consulting Services and Foundever.

The customer experience landscape is evolving at pace driven by changing technology and shifting consumer expectations. Customers demand an omni channel experience, multilingual support, and a flexible service model spanning onshore, nearshore, and offshore operations.

Strategy and better technology

Contact Centre is a customer experience business driven by data and technology powered by people, operating as a leading regional player with global quality standards.

This year, it launched nine customer service bundles including areas such as retail and collections, offering repeatable, modular and scalable solutions that can be easily tailored to markets needs and requirements, while providing quicker market entry. Since the launch, we have seen an increase in demand, particularly in the retail market, which has driven an increase in pipeline origination areas since the launch.

A key tool launched for the Contact Centre business in 2024 was AgentSuite, combining two elements of Agent Assist and Call Sight which provide real time sentiment analysis, AI generated prompts to aid call handlers and reduce post call administration time with call notes automatically populated. This tool will be used for the majority of our clients in the future, and we have seen significant productivity benefits from the early adopters of this technology.

We also launched Sanas, a noise cancellation and harmonisation technology which allows for clearer communication during traditional voice calls, improving agent confidence and customer satisfaction.

At the end of the year, around 50% of agents within the Contact Centre business were using our AI and gen AI solutions with significant further rollout to clients underway for 2025.

At the start of 2025, the Contact Centre business announced a partnership with GetVocal AI to drive further improvements in customer experience for clients. GetVocal AI provides virtual agents that will handle a range of customer interactions, with the oversight of experienced Capita agents who are ready to step in for complex queries, vulnerable customers or escalation.

With a 2024 operating loss of £5.9m, there is a significant opportunity for Contact Centre to improve its margins to be in line with those of its peers. The division is implementing a significant reorganisation, including delayering internal management structures and a digitisation plan to reduce costs.

A key element of the division's reorganisation is increasing the use of offshore and nearshore service delivery to meet client needs. In 2024 we opened two new global delivery centres in Bulgaria and South Africa. This expansion enabled the division to meet the increasing demand for multilingual services and will broaden our market opportunities going forward. The Contact Centre business also increased its offshoring use from 45% to 60% in the operational support function, which is closely aligned to peer benchmarks.

Operational performance and better delivery

Across the year, the division's average in-month KPI performance was consistent with 2023 at 93%. The division's standalone cNPS performance was +38 points an improvement of 19 points from the prior year with positive client feedback received on the division's account management and transparency of teams communication. While delivery and client sentiment has remained strong across the majority of the portfolio, certain delivery issues have led to the reduction of volumes on one particular contract. Action was taken to remediate this swiftly and we have the opportunity to regain volumes in the future.

Operational highlights for the year include:

- To support future delivery, we opened two new global delivery centres in Bulgaria and South Africa;
- We were awarded Best Network Customer Service for our work with Tesco Mobile;
- We handled more than 32 million calls for clients in the UK, Ireland, Germany and Switzerland;
- During peak season in South Africa our teams managed 3.2 million customer contacts; and
- Our teams won a number of awards across 2024 including Accomplished Leader and Emerging Leader at the CGA Global Women in Leadership Awards. We have also been nominated for awards such as Employee Engagement at the UK Customer Satisfaction Awards.

These achievements underscore our focus on operational excellence, scalability, and the delivery of quality customer experiences. As we continue to expand our global footprint and enhance our capabilities, we are well positioned to drive even greater value for our clients and their customers.

Growth performance and key wins

In 2024, Contact Centre won contracts with a value of £432.1m down from £746.5m in the prior year, as we saw a reduction in bid activity across the year. Material wins included two renewals with major European telecoms clients, one with an expanded scope, with a combined TCV of more than £250m and with Tesco Mobile in the UK. The division's book to bill was 0.7x. There has been a strong start to 2025 with renewals across all geographies we operate in.

At 31 December 2024, the division's unweighted pipeline was £2,243m, a decrease from £2,538m at the same point in 2023. The weighted pipeline was £295m, down from £429m in 2023. Increasing the divisional pipeline is a key area of focus in the medium term.

The order book at 31 December 2024 was £644.6m, a decrease from £1,399.6m at 31 December 2023, reflecting the revenue recognised in 2024 and the fact that the material contracts secured in 2024 are framework agreements that do not meet the IFRS 15 accounting criteria for order book recognition.

Financial performance

Divisional financial summary	2024	2023	% change
Adjusted revenue ¹ (£m)	650.9	797.6	(18.4)%
Adjusted operating profit ¹ (£m)	(5.9)	(4.0)	(47.5)%
Adjusted operating margin ¹ (%)	(0.9)%	(0.5)%	
Adjusted EBITDA ¹ (£m)	34.3	44.0	(22.0)%
Operating cash flow excluding business exits ¹ (£m)	0.1	20.9	(99.5)%
Order book (£m)	644.6	1,399.6	(53.9)%
Total contract value secured (£m)	432.1	746.5	(42.1)%

Adjusted revenue¹ decreased 18.4% to £650.9m, reflecting a number of prior year losses and the non-repeat of the one-off benefit from the Virgin Media O2 contract transition in 2023. The division also saw lower volumes in the Telecommunications vertical which are expected to remain subdued in 2025.

Adjusted operating loss¹ increased 47.5% to £5.9m as the successful cost savings and reduced overheads did not offset the prior year impact of the one-off benefit from the Virgin Media O2 contract transition and lower volumes in the Telecommunications vertical.

Operating cash flow excluding business exits¹ decreased 99.5% to £0.1m reflecting the decline in EBITDA and the benefit from payment phasing on the Virgin Media O2 contract in 2023.

Outlook

We expect a high single-digit revenue reduction in the Contact Centre business in 2025, reflecting previously announced contract losses and subdued volumes within the telecommunications vertical.

We expect a full year margin improvement as the division benefits from continued cost savings.

1. Refer to alternative performance measures (APMs) in the Appendix.

2. NelsonHall.

2. Pension Solutions

Markets and growth drivers

Pension Solutions is our pension administration and consulting business, with a focus on defined benefit schemes. It administers over 400 public and private sector pension schemes based in the UK in a market worth £3.6bn² and with a projected £1bn of total contract value expected to come to market in the next three years.

A key pensions industry trend is the increased member demand for a seamless user experience with tailored offerings from increased automation and self-service options around customer needs for a 24/7 service offering and Pension Solutions is well positioned to benefit from this.

Pension Solutions also provides consulting, actuarial and data services to its clients via its 500 expert pension consultants, which accounts for c.1/3 of its revenue.

Strategy and better technology

Pension Solutions has a roadmap to further improve and digitise operations with the launch of Capita Digital Pension Solutions which we expect to go live later in 2025. This tool, which utilises Capita Pension's existing infrastructure and Microsoft Dynamics, uses data to provide a hyper-personalised member experience. We are also piloting a number of AI based solutions to provide efficiencies and speed up member experience.

This is a step change in our service offering and will help the division to expand into adjacent segments. Changes in legislation will provide future opportunities to expand our share in the UK market.

Operational performance and better delivery

The KPI performance for Pension Solutions was 94% (2023: 86%). We saw further improvements in the division's cNPS with a 25 point improvement to -3 points.

This year Pension Solutions continued to increase its reach, completing 4.5 million transactions for members and 39 successful scheme implementations onto the Pension Solutions Hartlink digital platform and infrastructure.

Our digital pensions tool is already modernising how pensions are managed. In 2024 we saw the number of members engaging with pensions via digital channels increase by more than 200%, and in 2025 we will be transitioning all clients to paperless communications which we expect to allow for more efficient communication, while reducing our costs to deliver.

Growth performance

In 2024, Pension Solutions secured contracts with a TCV of £144.9m, down 55.8% from 2023, reflecting the material Civil Service Pension Scheme win in 2023. The book to bill for the division was 0.8x. In 2024, we saw contract success with the renewal of the Royal Mail Pension Scheme with a TCV of £53m.

The total unweighted pipeline for the Pension Solutions business at 31 December 2024 was £689m an increase from £231m in 2023, reflecting our focus on pipeline replenishment and increased tender opportunities.

The order book at 31 December 2024 was £441.3m, a small decrease from £461.8m at 31 December 2023, reflecting the revenue recognised in 2024 which was not offset by wins in 2024.

Financial performance

Divisional financial summary	2024	2023	% change
Adjusted revenue ¹ (£m)	179.0	170.3	5.1%
Adjusted operating profit ¹ (£m)	28.1	25.9	8.5%
Adjusted operating margin ¹ (%)	15.7%	15.2%	
Adjusted EBITDA ¹ (£m)	34.1	31.2	9.3%
Operating cash flow excluding business exits ¹ (£m)	33.3	21.9	52.1%
Order book (£m)	441.3	461.8	(4.4)%
Total contract value secured (£m)	144.9	327.6	(55.8)%

Adjusted revenue¹ increased 5.1% to £179.0m, reflecting volume increases across a number of clients including the Pension Insurance Corporation (PIC) contract and the benefit from indexation.

Adjusted operating profit¹ increased by 8.5% to £28.1m reflecting revenue growth and benefit from the cost reduction programme. The division delivered an adjusted operating margin of 15.7% (2023: 15.2%).

Operating cash flow excluding business exits¹ increased by 52.1% to £33.3m, driven by improved billing cycles.

Outlook

In 2025, we expect to see mid-single digit revenue growth across Pension Solutions driven by growth with existing clients, and the margin for the division stable.

1. Refer to alternative performance measures (APMs) in the Appendix.

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

3. Regulated Services

Regulated Services includes a number of 'manage for value' businesses where we are exploring exits. The largest of these is the closed book Life & Pensions business, for which we are making good progress exiting this business, with one client remaining and transition agreements for all other clients.

As expected, we have seen continued volume attrition within the closed book Life & Pensions business, although our delivery remains strong with KPI performance across 2024 of 98%. This year we agreed the hand back conditions for a number of clients, which will be transitioned over the coming years, and we expect to see a reduction in revenue as these are transitioned. We now have one remaining client and are actively engaged in discussion to resolve the challenges in this area. The division is forecast to have a cash cost to the Group of around £20m per annum in future years.

Financial performance

Divisional financial summary	2024	2023	% change
Adjusted revenue ¹ (£m)	152.0	208.0	(26.9)%
Adjusted operating profit ¹ (£m)	12.6	33.1	(61.9)%
Adjusted operating margin ¹ (%)	8.3%	15.9%	
Adjusted EBITDA ¹ (£m)	18.4	39.9	(53.9)%
Operating cash flow excluding business exits ¹ (£m)	(13.7)	(5.7)	(140.4)%
Order book (£m)	231.4	438.0	(47.2)%
Total contract value secured (£m)	7.2	38.1	(81.1)%

Adjusted revenue¹ decreased 26.9% to £152.0m, reflecting the non-repeat of the commercial settlement in the prior year, the impact of contract exits, and volume reductions as expected.

Adjusted operating profit¹ decreased 61.9% to £12.6m reflecting the non-repeat of the £24m commercial settlement in the prior year.

Operating cash outflow excluding business exits¹ increased 140.4% to an outflow of £13.7m, driven by the non-repeat of one-offs in the prior year, including a receipt on a contract termination.

Outlook

As noted, this is an area where we are actively exploring exits, therefore we expect to see a continued revenue and profit decline as we hand back and transition contracts in this area.

1. Refer to alternative performance measures (APMs) in the Appendix.

Chief Financial Officer's review

This preliminary announcement is extracted from Capita's financial statements for the year ended 31 December 2024 and the basis of its preparation can be found in the notes to the financial statements in this announcement.

Overview

Adjusted revenue¹ decline of 8.0% reflects the impact of contract losses in prior years, the cessation of lower margin service lines, and the reduction in volumes in the Contact Centre telecommunications vertical.

Public Service revenue reduction reflects the continued impact of previously announced contract losses, delayed mobilisations of two contracts won in 2023, the double digit profit impact from the conclusion of project work in 2023 and the impact of Ofgem's price control determination on the Smart DCC contract, and a more focused approach to bidding which impacted current year revenue and profit. These factors offset additional volumes in our contract with Transport for London, and the benefit from indexation.

In Experience, the revenue reduction in the Contact Centre business reflects the one-off benefit from the Virgin Media O2 contract transition in 2023, the impact of prior year contract losses, and lower volumes in the telecommunications vertical. The revenue growth in the Pension Solutions business reflects volume increases across a number of clients, including the Pension Insurance Corporation contract, and the benefit from indexation. The revenue reduction in the Regulated Services business reflects the one-off benefit from the prior year commercial settlement, and progress being made on contract exits as we resolve legacy issues and look to exit the closed book Life & Pensions business.

The 5.5% step-up in adjusted operating profit¹ reflected the benefit from the ongoing cost reduction programme, more than offsetting the impact of the revenue trends noted above and the non repeat of one-offs from the prior year.

Adjusted basic earnings per share¹ increased to 2.11p (2023: loss per share 0.20p) reflecting the increase in adjusted operating profit¹, reduction in the net finance costs excluded from adjusted profit, and the adjusted current tax charge of £10.3m compared to the adjusted tax charge of £47.4m in the prior year. The adjusted tax charge in 2024 reflects the changes in the accounting estimate of recognised deferred tax assets, and a lower current income tax charge reflecting fewer current year losses carried forward.

The decline in reported revenue of 14.0% reflects the reduction in adjusted revenue¹ noted above, and the impact of businesses exited during 2024 and 2023.

The reported operating loss of £9.9m (2023: loss £52.0m), reflects the improvement in adjusted operating profit¹ detailed above, and lower costs incurred in resolving the March 2023 cyber incident (2024: £1.0m; 2023: £25.3m) and to deliver the significant cost reduction programme that commenced in the second half of 2023 (2024: £27.9m; 2023: £54.4m), offset by the increased goodwill impairment charge (2024: £75.1m; 2023: £42.2m).

The reported profit before tax of £116.6m (2023: loss £106.6m), reflects the improvement in reported operating profit detailed above, the gain from business exits in the year of £170.9m (2023: loss £23.2m) and reduced net finance costs of £46.3m (2023: £52.2m).

The increase from a reported basic loss per share to a reported basic earnings per share reflects the swing to a reported profit before tax noted above, compounded by the reduction in the reported income tax charge. The reduction in the reported income tax charge reflects the reduction in the adjusted tax charge noted above, and a smaller change in the accounting estimate of recognised deferred tax assets.

Cash generated from operations excluding business exits¹ decreased, as expected, from £26.5m to £16.2m, driven by the impact of mobilisation delays, a more sustainable approach to working capital, and an increase in cash costs to deliver the cost reduction programme, partly offset by a reduction in the direct cash cost of the 2023 cyber incident and pension deficit contributions.

Free cash flow excluding business exits¹ in the year ended 31 December 2024 was an outflow of £122.3m (2023: outflow £123.6m). This reflects the reduction in cash generated from operations, partly offset by lower net capital lease payments, following the rationalisation of our property estate, and lower tax outflows.

The improvement in free cash flow¹ reflects the above reduction in free cash outflow excluding business exits, and a reduction in pension deficit contributions triggered by disposals, partly offset by the outflow from those businesses being exited.

In January 2024, we completed the disposal of the of the Group's 75% shareholding in Fera Science Limited (Fera), realising gross proceeds of £62m. The Group received net cash proceeds of c.£50m reflecting the total proceeds less cash held in the entity when the disposal completed on 17 January 2024, and disposal costs. This was the final disposal of the c. £500m Board-approved Portfolio programme which was launched in 2021.

In June 2024, we held a Capital Markets Day outlining the Group's strategic themes and prioritised business sectors going forward. During the event, some areas of the Group were identified as being "managed for value", and we outlined the options being pursued, including exploring potential exits. Standalone software activities were identified as part of the Group's activities that are being "managed for value", and on 9 July 2024, we announced we had agreed the sale of Capita One, a standalone software business. The Group received net cash proceeds of c.£180m reflecting total proceeds less cash held in the entity when the disposal completed on 4 September 2024. The net cash proceeds provide the Group with additional resources to strengthen its financial position and further reduce indebtedness, as well as funding for its transformation journey.

In November 2023, we announced the implementation of a cost reduction programme expected to deliver annualised efficiencies of £60m from Q1 2024. In March 2024, we announced that we had identified additional cost saving opportunities expected to deliver an additional £100m of annualised cost savings by mid-2025. In December 2024, reflecting on the progress made ahead of schedule with £140m annualised savings already delivered, and increased confidence in the level of efficiencies that can be delivered, the cost reduction target increased from £160m to up to £250m by the end of 2025. We anticipate reinvesting around £50m of the total savings back into the business to enhance the Group's technology, service delivery and pricing proposition.

Liquidity as at 31 December 2024 was £397.2m, made up of £250.0m of undrawn revolving credit (RCF) and £147.2m of unrestricted cash and cash equivalents net of overdrafts. In June 2023, we extended the maturity of the RCF to 31 December 2026 and the RCF of £250.0m was not drawn upon at 31 December 2024 (2023: undrawn).

Net financial debt (pre-IFRS 16) decreased by £115.6m to £66.5m at 31 December 2024, resulting in a net financial debt to adjusted EBITDA¹ (both pre-IFRS 16) ratio of 0.5x, as a result of the benefit from the disposal proceeds from Capita One and Fera. This is in line with the Group's medium term target ratio of ≤1.0x.

In March 2025, the Group issued £94.2m equivalent of US private placement loan notes across three tranches maturing between 2028 and 2030 with an average interest rate across the maturities of 7.4%. The proceeds will be used to refinance the H1 2025 private placement maturities valued at £75.9m and it will also enhance the future maturity profile of the Group's debt and will offer medium term funding to underpin the Group's transformation strategy.

Summary of financial performance

Financial highlights

	Reported results			Adjusted ¹ results		
	31 December 2024	31 December 2023	Reported YoY change	31 December 2024	31 December 2023	Adjusted ¹ YoY change
Revenue	£2,421.6m	£2,814.6m	(14.0)%	£2,369.1m	£2,575.8m	(8.0)%
Operating (loss)/profit	£(9.9)m	£(52.0)m	81.0%	£95.9m	£90.9m	5.5%
Operating margin	(0.4)%	(1.8)%	140bps	4.0%	3.5%	50bps
EBITDA	£166.2m	£144.5m	15.0%	£186.1m	£196.5m	(5.3)%
Profit/(loss) before tax	£116.6m	£(106.6)m	n/a	£50.0m	£40.9m	22.2%
Basic earnings/(loss) per share	4.54p	(10.60p)	n/a	2.11p	(0.20p)	n/a
Operating cash flow*	£86.3m	£81.2m	6.3%	£72.0m	£82.7m	(12.9)%
Free cash flow*	£(122.7)m	£(154.9)m	20.8%	£(122.3)m	£(123.6)m	1.1%
Net debt	£(415.2)m	£(545.5)m	£130.3m	£(415.2)m	£(545.5)m	£130.3m
Net financial debt (pre-IFRS 16)	£(66.5)m	£(182.1)m	£115.6m	£(66.5)m	£(182.1)m	£115.6m

* Adjusted operating cash flow and free cash flow exclude the impact of business exits (refer to note 10).

Adjusted results

Capita reports results on an adjusted basis to aid understanding of business performance. The Board has adopted a policy of disclosing separately those items that it considers are outside the underlying operating results for the particular period under review and against which the Group's performance is assessed internally. In the directors' judgement, these items need to be disclosed separately by virtue of their nature, size and/or incidence for users of the financial statements to obtain an understanding of the financial information and the underlying in-period performance of the business. In general, the Board believes that alternative performance measures (APMs) are useful for investors because they provide further clarity and transparency of the Group's financial performance and are closely monitored by management to evaluate the Group's operating performance to facilitate financial, strategic and operating decisions.

In accordance with the above policy, the trading results of business exits, along with the non-trading expenses (including the income statement charges in respect of major cost reduction programmes) and gain or loss on disposals, have been excluded from adjusted results. To enable a like-for-like comparison of adjusted results, the 2023 comparatives have been re-presented to exclude 2024 business exits. As at 31 December 2024, the following businesses met this threshold and were classified as business exits and therefore excluded from adjusted results in both 2024 and 2023: Fera, Capita One, Mortgage Services, Capita Scaling Partner, and a further business from Capita Public Service.

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

Adjusted revenue

Adjusted revenue ¹ bridge by division	Capita Experience				Total £m
	Capita Public Service £m	Contact Centre £m	Pension Solutions £m	Regulated Services £m	
Year ended 31 December 2023	1,399.9	797.6	170.3	208.0	2,575.8
Net (reduction)/growth	(12.7)	(146.7)	8.7	(56.0)	(206.7)
Year ended 31 December 2024	1,387.2	650.9	179.0	152.0	2,369.1

Adjusted revenue¹ reduced 8.0% year-on-year. The adjusted revenue¹ was impacted by the following:

- **Public Service** (0.9% reduction): the continued impact of previously announced contract losses, such as Scottish Wide Area Network and Electronic Monitoring, the delayed mobilisations of two contracts won in 2023, the double digit profit impact from the conclusion of project work in 2023 and the impact of Ofgem's price control determination on the Smart DCC contract, and a more focused approach to bidding impacted the current year. These factors are partly offset by additional volumes in the division's contract with Transport for London, and the benefit from indexation;
- **Experience:**
 - **Contact Centre** (18.4% reduction): reflecting the one-off benefit from the Virgin Media O2 contract transition in the prior year, the impact of prior year contract losses, and lower volumes in the telecommunications vertical which we expect to remain subdued in 2025;
 - **Pension Solutions** (5.1% growth): reflecting volume increases across a number of clients, including Pension Insurance Corporation contract, and the benefit from indexation; and

- **Regulated Services** (26.9% reduction): reflecting the one-off benefit from the prior year commercial settlement, and the progress being made on contract exits as we resolve legacy issues and look to exit the closed book Life & Pension business.

Order book

The Group's consolidated order book was £4,240.7m at 31 December 2024 (2023: £5,882.6m). During 2024 two European telecommunications contracts were extended in the year with the contracts being recognised as framework contracts, which resulted in £388.1m being derecognised from the order book. Additions from contract wins, scope changes and indexation in 2024 totalled £808.8m, including expanded scope on the Royal Navy Training contract within Public Service and extension of the Royal Mail Statutory Pension Scheme contract in Pension Solutions, were offset by the reduction from revenue recognised in the year (£1,837.8m), contract terminations (£74.6m) and business disposals (£150.2m). Terminations primarily represent a contract exit within our close book Life & Pensions business in Regulated Services.

Adjusted operating profit¹

Adjusted operating profit ¹ bridge by division	Capita Public Service £m	Capita Experience			Capita plc £m	Total £m
		Contact Centre £m	Pension Solutions £m	Regulated Services £m		
Year ended 31 December 2023	69.6	(4.0)	25.9	33.1	(33.7)	90.9
Net growth/(reduction)	19.5	(1.9)	2.2	(20.5)	5.7	5.0
Year ended 31 December 2024	89.1	(5.9)	28.1	12.6	(28.0)	95.9

Adjusted operating profit¹ increased in 2024 driven by the following:

- **Public Service:** strong improvement reflects the successful implementation of the cost reduction programme, offset by the flow through of previously announced contract losses, and the double digit profit impact from the conclusion of project work in 2023 and the impact of Ofgem's price control determination on the Smart DCC contract;
- **Experience:**
 - **Contact Centre:** non-repeat of the 2023 one-off noted above (£10m), the flow through of revenue decline, lower volumes in the telecommunications vertical and continued investment in technology; partially offset by an underlying margin improvement from lower overheads, including reduced property footprint, from delivery of the cost reduction programme;
 - **Pension Solutions:** improved profit driven by savings from the cost reduction programme and volume growth;
 - **Regulated Services:** the one-off benefit from the prior year (£24m), the agreed exit of three clients resulting in reduced profit in 2024, and the 2023 and 2024 benefit from accelerated deferred income recognition; and
- **Capita plc:** reflects benefits from the cost reduction programme.

Adjusted profit before tax¹:

Adjusted profit before tax¹ increased year-on-year to £50.0m (2023: £40.9m) reflecting the above improvements in adjusted operating profit¹ and reduced net finance costs excluded from adjusted profit of £45.9m (2023: £50.0m). Lower net finance costs reflect reduced debt levels following proceeds received for business exits in the year and as a result of cost reduction initiatives.

Adjusted tax charge

The adjusted income tax charge for the year was £10.3m (2023: charge £47.4m). The reduction is mainly as a result of the changes in the accounting estimate of recognised deferred tax assets which had less of an impact in 2024 compared to 2023, and a lower current income tax charge as a result of fewer current year losses to be carried forward.

Operating cash flow excluding business exits¹

Operating cash flow excluding business exits ¹ by division	Capita Public Service £m	Capita Experience			Capita plc £m	Total £m
		Contact Centre £m	Pension Solutions £m	Regulated Services £m		
Year ended 31 December 2023	88.5	20.9	21.9	(5.7)	(42.9)	82.7
Net growth/(reduction)	3.6	(20.8)	11.4	(8.0)	3.1	(10.7)
Year ended 31 December 2024	92.1	0.1	33.3	(13.7)	(39.8)	72.0
<i>Operating cash conversion¹ year ended 31 December 2023</i>	79.4%	47.5%	70.2%	(14.3)%	(143.0)%	42.1%
<i>Operating cash conversion¹ year ended 31 December 2024</i>	73.3%	0.3%	97.7%	(74.5)%	(151.3)%	38.7%

Operating cash flow excluding business exits¹ and operating cash flow conversion¹ reduced in 2024 driven by the following:

- **Public Service:** operating cash conversion¹ impact by the delayed mobilisation and more sustainable approach to working capital management;
- **Experience:**
 - **Contact Centre:** operating cash flow excluding business exits¹ reduced reflecting the decline in EBITDA. 2023 also included a benefit of payment phasing on the new Virgin Media O2 contract which did not recur in 2024;
 - **Pension Solutions:** improvement in operating cash conversion¹ driven by improved billing cycles;
 - **Regulated Services:** decline in operating cash conversion¹ reflects the decline in operating cash flow excluding business exits¹ due to the one-offs in the prior year, including receipt on a contract termination; and
- **Capita plc:** the movement in the usage of the Group's non-recourse trade receivables financing facility.

Cash generated from operations and free cash flow

Adjusted operating profit ¹ to free cash flow excluding business exits ¹	2024 £m	2023 £m
Adjusted operating profit¹	95.9	90.9
Add: depreciation/amortisation and impairment of property, plant and equipment, right-of-use assets and intangible assets	90.2	105.6
Adjusted EBITDA¹	186.1	196.5
Working capital	(105.6)	(107.7)
Non-cash and other adjustments	(8.5)	(6.1)
Operating cash flow excluding business exits¹	72.0	82.7
Adjusted operating cash conversion¹	39%	42%
Pension deficit contributions	(6.3)	(30.0)
Cyber incident	(5.0)	(20.1)
Cost reduction programme	(44.5)	(6.1)
Cash generated from operations excluding business exits¹	16.2	26.5
Net capital expenditure	(49.5)	(52.6)
Interest/tax paid	(41.3)	(45.1)
Net capital lease payments	(47.7)	(52.4)
Free cash flow excluding business exits¹	(122.3)	(123.6)

Operating cash flow excluding business exits¹ reflect the impact of mobilisation delays and a more sustainable approach to working capital.

Cash generated from operations excluding business exits¹ reflects the above operating cash flow excluding business exits¹, the direct cash flow impact of the cyber incident (£5.0m), the cash cost of delivering the cost reduction programme (£44.5m), and final pension deficit contributions in respect of the Group's main defined benefit pension scheme (HPS) (£6.3m).

The pension deficit contributions are in line with the deficit funding contribution schedule previously agreed with the HPS Trustee as part of the 2020 triennial valuation. In aggregate, including accelerated pension deficit contributions resulting from business disposals, the Group has made pension deficit contributions of £20.8m in the year. Given the healthy funding position of HPS in its latest funding valuation (as at 31 March 2023), and the Group having paid all outstanding deficit contributions in 2024, there are no further agreed deficit contributions to be paid at this time.

Free cash flow excluding business exits¹ for the year ended 31 December 2024 was an outflow of £122.3m (2023: outflow £123.6m) reflecting the reduction in cash generated from operations, partly offset by lower net capital lease payments, following the rationalisation of our property estate, and lower tax outflows.

Reported results

Adjusted to reported profit

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

Adjusted ¹ to reported results bridge	Operating profit/(loss)		Profit/(loss) before tax	
	2024 £m	2023 £m	2024 £m	2023 £m
Adjusted¹	95.9	90.9	50.0	40.9
Amortisation of acquired intangibles	(0.2)	(0.2)	(0.2)	(0.2)
Impairment of goodwill	(75.1)	(42.2)	(75.1)	(42.2)
Net finance costs	—	—	(0.1)	(2.2)
Business exits	(1.6)	(20.8)	170.9	(23.2)
Cyber incident	(1.0)	(25.3)	(1.0)	(25.3)
Cost reduction programme	(27.9)	(54.4)	(27.9)	(54.4)
Reported	(9.9)	(52.0)	116.6	(106.6)

Impairment of goodwill

In preparing the consolidated financial statements at 31 December 2024, the Group undertook a detailed impairment review, following which a goodwill impairment of £75.1m was recognised in respect of the Contact Centre cash generating unit (CGU). As noted above the Contact Centre business has seen a reduction in adjusted revenue¹, increase in adjusted operating loss¹, and reduction in operating cash flow excluding business exits¹. These trends reflect the one-off benefit from the Virgin Media O2 contract transition in the prior year, and the impact of prior year contract losses, both of which were reflected in the financial projections used for impairment testing purposes previously, and lower than expected volumes in the telecommunications vertical in the second half of the year, which are expected to remain subdued during 2025. The profit and cash flow impact of these items was partially offset by an underlying margin improvement from lower overheads from delivery of the cost reduction programme.

The Contact Centre business also saw a reduction in bid activity across 2024, and although there has been a strong start to 2025, the business is expecting a high single-digit revenue reduction in 2025. In addition, the material contracts secured in 2024 are framework agreements, which enable the customer to both ramp up and ramp down volume, providing both an opportunity but also a risk to the business's forecast. Whilst delivery and client sentiment has remained strong across the majority of the portfolio, certain delivery issues have led to the reduction of volumes on one particular contract.

There is a significant opportunity for the Contact Centre business to improve its margins, to be in line with those of its peers, and is implementing a significant reorganisation, including layering internal management structures and a digitisation plan to reduce costs. A key element of its reorganisation is increasing the use of offshore and nearshore service delivery to meet client needs. In terms of its digitisation plan, the forecast for the business assumes an increase in the use of its new AI and generative AI solutions, such as AgentSuite, with significant rollout to clients underway for 2025. There is a risk with the assumed rollout of these new technology solutions, such as the pace of technological change, which brings increased uncertainty in delivery, and therefore a risk to the business's forecast.

To reflect these risks, for the purposes of the impairment test, the business plan cash flow projections have been risk adjusted in the Contact Centre CGU from 2025 onwards. This has resulted in the impairment noted above.

Business exits

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

In accordance with our policy, the trading results of these businesses, along with the non-trading expenses and gains/ (losses) recognised on business disposals, were classified as business exits and therefore excluded from adjusted results. To enable a like-for-like comparison of adjusted results, the 2023 comparatives have been re-presented to exclude the 2024 business exits.

At 31 December 2024 business exits primarily comprised of the disposal of:

- the Group's 75% shareholding in Fera Science Limited which completed on 17 January 2024, and which completed the Board-approved Portfolio business disposal programme; and
- the Capita One standalone business which was identified as a "managed for value" activity and which completed on 5 September 2024.

In addition to the above disposals, the Group intends to exit its corporate venture business, Capita Scaling Partner, in Capita Experience, and the trading results and non-trading expenses of this business has been excluded from adjusted results. The Capita Scaling Partner business manages the Group's investments in start-up and scale-up companies. Four of these investments were sold during the year, realising a net loss of £7.1m. Following the decision to exit this business and the losses realised on disposals during 2024, the Group has evolved its approach to valuing the remaining investments to take into account recent experiences, and to better reflect expected disposal proceeds. This has crystallised a net impairment loss of £4.6m. The Group will seek to maximise value from the remaining Capita Scaling Partner investments, which at 31 December 2024 had an aggregate carrying value of £4.8m, including loans receivable by Capita of £0.7m.

Cyber incident

The Group incurred residual exceptional costs associated with the March 2023 cyber incident. These costs comprise specialist professional fees, recovery and remediation costs, and investment to reinforce Capita's cyber security environment. A charge of £1.0m has been recognised in the year ended 31 December 2024, which is net of insurance receipts. The cumulative total net costs incurred in respect of the cyber incident are £26.3m. Further insurance receipts are anticipated but did not meet the criteria for recognition at 31 December 2024. No provision has been made for any costs in respect of potential claims or regulatory penalties in respect of the incident as it is not possible, at this stage, to reliably estimate their value.

Cost reduction programme

The Group implemented a multi-year cost reduction programme in November 2023 to deliver savings of £60m by Q1 2024. The programme was extended in March 2024, to deliver further savings of £100m by mid-2025. In December 2024, reflecting on the progress made ahead of schedule with £140m annualised savings already delivered, and increased confidence in the level of efficiencies that can be delivered, the cost reduction target increased from £160m to up to £250m by the end of 2025.

A charge of £27.9m has been recognised in the year ended 31 December 2024 for the costs to deliver the cost reduction programme. This includes redundancy and other costs of £30.5m (2023: £23.3m) to deliver a significant reduction in headcount, partly offset by a credit of £2.6m reflecting the successful exit of a number of properties which had been provided for in the prior year (2023: charge of £31.1m arising from the rationalisation of the Group's property estate with impairment of right-of-use assets and property, plant & equipment, and provisions in respect of onerous property costs). The cumulative cost recognised since the commencement of the cost reduction programme is £82.3m (2023: £54.4m), which is included within administrative expenses.

The cash outflow in 2024 in respect of the cost reduction programme was £44.5m (2023: £6.1m), which is included within free cash flow and cash generated from operations excluding business exits¹. The cumulative cash outflow since the commencement of the cost reduction programme in the second half of 2023 is £50.6m. The additional cost reduction initiatives announced in December 2024, along with those already announced, are expected to result in cash costs during 2025 totalling an estimated £55m.

Further detail of the specific items charged in arriving at reported operating profit and profit before tax for 2024 is provided in note 5.

Net finance costs

Net finance costs decreased by £5.9m to £46.3m (2023: £52.2m), primarily attributable to reduced debt levels following proceeds received for business exits in the year and as a result of cost reduction initiatives.

Reported tax charge

The reported income tax charge for the year of £36.2m comprises a current tax charge of £17.8m, reflecting non-deductible goodwill impairments and non-taxable gains on business exits, plus a deferred tax charge of £18.4m arising from changes in the accounting estimate of recognised deferred tax assets and business exits. The prior period charge of £74.0m comprised a current tax charge of £30.2m, reflecting non-deductible goodwill impairments and unrecognised current year tax losses, plus a deferred tax charge of £43.8m, reflecting the changes in the accounting estimate of recognised deferred tax assets. The reduction in the reported income tax charge reflects the reduction in the adjusted tax charge noted above, and a smaller change in the accounting estimate of recognised deferred tax assets.

Free cash flow¹ to free cash flow excluding business exits¹

Free cash flow ¹ to free cash flow excluding business exits ¹	2024 £m	2023 £m
Free cash flow¹	(122.7)	(154.9)
Business exits	(14.1)	15.0
Pension deficit contributions triggered by disposals	14.5	16.3
Free cash flow excluding business exits¹	(122.3)	(123.6)

Free cash flow¹ was slightly higher than free cash flow excluding business exits¹ reflecting free cash flows generated by business exits, partly offset by pension deficit contributions triggered by the disposal of certain businesses.

Movements in net debt

Net debt at 31 December 2024 was £415.2m (2023: £545.5m). The decrease in net debt over the year ended 31 December 2024 reflects the free cash outflow noted above offset by the net cash proceeds from the disposal of Fera and Capita One in the year, and the continued reduction in the Group's leased property estate.

Net debt	2024 £m	2023 £m
Opening net debt	(545.5)	(482.4)
Cash movement in net debt	197.4	(9.0)
Non-cash movements	(67.1)	(54.1)
Closing net debt	(415.2)	(545.5)
Remove closing IFRS 16 impact	348.7	363.4
Net financial debt (pre-IFRS 16)	(66.5)	(182.1)
Cash and cash equivalents net of overdrafts	191.4	67.6
Financial debt net of swaps	(257.9)	(249.7)
Net financial debt/adjusted EBITDA¹ (both pre-IFRS 16)	0.5x	1.2x
Net debt (post-IFRS 16)/adjusted EBITDA¹	2.3x	2.4x

Net debt does not include finance lease receivables, which at 31 December 2024 were £95.7m (2023: £70.3m) reflecting the successful sub-letting of property the Group is not utilising.

Net financial debt (pre-IFRS 16) decreased by £115.6m to £66.5m at 31 December 2024, resulting in a net financial debt to adjusted EBITDA¹ (both pre-IFRS 16) ratio of 0.5x as a result of the benefit from the disposal proceeds from Capita One and Fera. Over the medium term, the Group is targeting a net financial debt to adjusted EBITDA¹ (both pre-IFRS 16) ratio of ≤1.0x.

The Group was compliant with all debt covenants at 31 December 2024.

Capital and financial risk management

Liquidity remains an area of focus for the Group. Financial instruments used to fund operations and to manage liquidity comprise US private placement loan notes, revolving credit facility (RCF) and overdrafts.

Available liquidity ¹	2024 £m	2023 £m
Revolving credit facility (RCF)	250.0	260.7
Less: drawing on committed facilities	—	—
Undrawn committed facilities	250.0	260.7
Cash and cash equivalents net of overdrafts	191.4	67.6
Less: restricted cash	(44.2)	(46.0)
Available liquidity¹	397.2	282.3

In June 2023, the Group extended its RCF to 31 December 2026. The RCF is for £250.0m and was undrawn at 31 December 2024 (2023: undrawn).

In addition, the Group has in place non-recourse trade receivable financing, utilisation of which has become economically more favourable than drawing under the RCF as prevailing interest rates have increased. The value of invoices sold under this arrangement at 31 December 2024 was £23.4m (2023: £35.2m). Also in 2024, the Group implemented a new credit card facility, the outstanding balance of which was £5.2m at 31 December 2024 (2023: £nil).

At 31 December 2024, the Group had £191.4m (2023: £67.6m) of cash and cash equivalents net of overdrafts, and £269.3m (2023: £262.5m) of private placement loan notes.

In March 2025, the Group issued £94.2m equivalent of US private placement loan notes across three tranches: £50m maturing 24 April 2028, USD13m maturing 24 April 2028 and USD43m maturing 24 April 2030, with an average interest rate of 7.4%. The notes rank pari passu with the existing indebtedness of the Group and include financial covenants at the same level as those under the revolving credit facility and existing US private placement loan notes. Additionally, the placement requires the Group to refinance or extend the Group's revolving credit facility, which matures on 31 December 2026, by 31 December 2025.

Going concern

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

The Group and Parent Company continue to adopt the going concern basis in preparing these consolidated financial statements as set out in Section 1 to the consolidated financial statements.

Viability assessment

The Board's assessment of viability over the Group's three-year business planning time horizon is summarised in the viability statement.

Pensions

The latest formal valuation for the Group's main defined benefit pension scheme (HPS), was carried out as at 31 March 2023. This identified a statutory funding surplus of £51.4m. Given the funding position, the Group and the HPS Trustee agreed that no further deficit contributions from the Group would be required other than those already committed as part of the 31 March 2020 actuarial valuation. In accordance with the schedule of contributions put in place following the 31 March 2020 actuarial valuation, the Group has paid £6.3m of regular deficit funding contributions in 2024 and £14.5m of accelerated deficit reduction contributions triggered by the disposal of Trustmarque in 2022.

The valuation of the HPS liabilities (and assumptions used) for funding purposes (the actuarial valuation) is specific to the circumstances of the HPS. It differs from the valuation and assumptions used for accounting purposes, which are set out in IAS 19 and shown in these consolidated financial statements. The main difference is in assumption principles being used which are a result of the different regulatory requirements of the valuations. Management estimates that at 31 December 2024 the net asset of the HPS on a funding basis (ie the funding assumption principles adopted for the full actuarial valuation at 31 March 2023 updated for market conditions at 31 December 2024) was approximately £80.0m (2023: net asset £81.0m) on a technical provisions basis. The HPS Trustee has also agreed a secondary more prudent funding target to enable it to reduce the reliance the HPS has on the covenant of the Group. On this basis, at 31 December 2024, the funding level was around 100%.

The net defined benefit pension position of all reported defined benefit schemes for accounting purposes increased from a surplus of £26.8m at 31 December 2023 to a surplus of £37.9m at 31 December 2024. The main reason for this movement is the payment of the above deficit funding contributions.

Consolidated balance sheet

At 31 December 2024 the Group's consolidated net assets were £195.7m (2023: net assets £114.9m).

The movement is predominantly driven by the reported profit before tax for the year as explained above, partially offset by the actuarial loss on the Group's defined benefit pension schemes.

Share premium reduction and share consolidation

The Board is tabling two additional resolutions to the shareholders at the April 2025 Annual General Meeting, which if approved, will cancel the entire amount standing to the credit of the Company's share premium account and consolidate the existing ordinary shares at a ratio of 15 for 1, which would involve every 15 ordinary shares of 2 1/15 pence held by a shareholder being consolidated into one ordinary share of 31 pence. The first resolution is being proposed to optimise the structure of the balance sheet and increase the Company's distributable reserves. The Board believe that consolidation of the Company's ordinary shares will improve marketability of its shares to investors.

1. Refer to alternative performance measures in the Appendix.

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code published by the Financial Reporting Council (FRC) in July 2018, and the FRC Guidance on Risk Management and Business Reporting, the Board has assessed the viability of the Group over the three-year period to 31 December 2027.

Period of assessment

Assessing the Group's viability over a three-year period is aligned with the period of the Group's business planning process. The Board believes that a three-year period provides sufficient clarity to consider the Group's prospects and facilitates the development of a robust base case set of financial projections against which the Group's viability can be assessed.

Capita's strategic plan and priorities

The Group's financial performance has not been where it needs to be. At the Group's Capital Markets Day in June 2024, the Executive Team announced forward-looking strategic priorities to improve both operational delivery and financial performance, alongside introducing the strategic themes of Better Technology, Better Delivery, Better Efficiencies and Better Company.

The Group's value proposition needs to be more competitive and differentiated, through a lower cost base, automation and innovation. Unnecessary costs are being removed to put the Group in a position to fund its profitable growth. In short, Better Capita means becoming more efficient and spending less, digitising the Group's offerings by having more standardised and repeatable propositions, strongly leveraging technology partnerships, being more precise in delivery, and evolving governance and culture.

The Group is prioritising business sectors where Capita has strong expertise and sees material opportunities in the future. They are Public Service, Contact Centre and Pension Solutions. Some areas of the Group are being managed for value, including Regulated Services, which primarily comprises the closed book Life & Pensions business.

The Group's medium-term targets, set at the Capital Markets Event in June 2024, are as follows:

- Grow adjusted revenue at low to mid-single digit per annum.
- Improve adjusted operating margin to between 6% and 8%.
- Deliver positive free cash flow, excluding the impact of business exits, from the end of 2025, with operating cash conversion of 65% to 75%.
- Maintaining net financial debt leverage $\leq 1x$.
- Continued reduction in lease liabilities from the Group's ongoing property rationalisation.

The base case financial projections

In its assessment of the Group's viability, the Board has considered the following:

- Adjusted revenue reduction in 2024 of 8.0%.
- Adjusted operating margin improvement from 3.5% to 4.0% in 2024.
- Free cash outflow, before the impact of business exits, of £122.3m, and operating cash conversion of 38.7% in 2024 (2023: £123.6m and 42.1% respectively).
- The £140m of annualised cost savings delivered, ahead of schedule, by 31 December 2024 from the cost reduction programme, and the announced increase in total annualised savings of up to £250m by the end of 2025.
- The revolving credit facility committed until 31 December 2026 (and assumed to be renewed and/or extended as required under the terms of the March 2025 private placement loan notes (see note 14) for the duration of the viability period) and the US private placement debt with maturities over the period to 2030.
- Agreement with the Trustees of the Group's main defined benefit pension scheme that no further deficit recovery contributions are required from the Group in 2025 and beyond.

The foregoing elements provide the backdrop to the three-year business plan approved by the Board in February 2025. The main assumptions underpinning the base case financial projections in the Group's business plan are set out below:

- Further adjusted revenue growth beyond 2025 broadly in line with market trends in each of the two core divisions.
- Operating profit margin expansion over the business plan period reflecting the benefit of operating leverage coupled with ongoing efficiency delivery.
- Delivery of further cost savings.
- A transition to positive free cash flow from the end of 2025.
- The cessation of pension deficit contributions with effect from 2024.

The most material assumptions, from a viability assessment perspective, relate to the delivery of adjusted revenue growth, operating profit margin expansion, and delivery of cost savings.

Principal risks

The Board and the Audit and Risk Committee monitor the principal risks facing the Group, including those that would threaten the execution of its strategy, financial performance, liquidity and compliance with debt covenants. The potential financial impacts of the principal risks crystallising have been taken into account when modelling sensitivities to assess the viability of the Group. The Group's risk review is set out in strategic report within the 2024 Annual Report and Accounts and outlines the Group's principal risks, including mitigating actions and future mitigations.

Viability scenarios

The three-year base case financial projections were used to assess debt covenant compliance and liquidity headroom under different scenarios. This analysis included assessing the financial impact of potential adverse financial impacts from the crystallisation of the principal risks and in line with those considered in the severe but plausible downside case for the going concern assessment (refer to section 1 of the consolidated financial statements).

The risks applied have not been probability weighted but rather consider the impact should each risk materialise by applying a 'more likely than not' test.

Mitigations

These wide-ranging risks are unlikely to crystallise simultaneously and there are mitigations under the direct control of the Group, including reductions or delays in capital investment, and substantially reducing (or removing in full) bonus and incentive payments, that can be actioned to address a combination of risk crystallisations that may occur under a stressed scenario. The Board has considered these mitigations in its viability assessment, however it acknowledges that a sustained use of the mitigations identified above could have an adverse impact on the Group being able to achieve its strategic priorities.

Conclusion

Reflecting the Board's expectations of improving financial performance, as set out above, and its confidence in the Group's ability to extend its revolving credit facility beyond its December 2026 maturity, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of the viability assessment.

Forward looking statements

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

This document and any materials distributed in connection with it may include forward-looking statements, beliefs or opinions, or statements concerning risks and uncertainties, including statements with respect to Capita's business, financial condition and results of operations. All statements other than historical facts included in this announcement may be forward-looking statements. Those statements and statements which contain the words "plan", "target", "aim", "continue", "hope", "may", "will", "would", "could", "should", "anticipate", "believe", "intend", "estimate", "expect" and words of similar meaning, or, in each case, their negative or other various or comparable terminology, reflect Capita's Directors' beliefs and expectations and involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future and which may cause results and developments to differ materially from those expressed or implied by those statements and forecasts.

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

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

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

Consolidated income statement

For the year ended 31 December 2024

	Notes	2024 £m	2023 £m
Revenue	4	2,421.6	2,814.6
Cost of sales		(1,905.1)	(2,222.5)
Gross profit		516.5	592.1
Administrative expenses (including goodwill impairment of £75.1m (2023: £42.2m))		(526.4)	(644.1)
Operating loss	4	(9.9)	(52.0)
Share of results in associates and losses on financial assets	9	(11.8)	—
Finance income ¹	6	10.0	8.7
Finance costs ¹	6	(56.3)	(60.9)
Gain/(loss) on disposal of businesses	9	184.6	(2.4)
Profit/(loss) before tax		116.6	(106.6)
Income tax charge	7	(36.2)	(74.0)
Total profit/(loss) for the year		80.4	(180.6)
Attributable to:			
Owners of the Company		76.7	(178.1)
Non-controlling interests		3.7	(2.5)
		80.4	(180.6)
Earnings/(loss) per share	8		
– basic		4.54p	(10.60)p
– diluted		4.41p	(10.60)p

Adjusted operating profit	5	95.9	90.9
Adjusted profit before tax	5	50.0	40.9
Adjusted basic earnings/(loss) per share	8	2.11p	(0.20)p
Adjusted diluted earnings/(loss) per share	8	2.05p	(0.20)p

1. Finance income and finance costs have been separately disclosed for the current year, with the prior year re-presented on the same basis. Previously these were presented as net finance expenses.

Consolidated statement of comprehensive income

For the year ended 31 December 2024

	2024 £m	2023 £m
Total profit/(loss) for the year	80.4	(180.6)
Other comprehensive income/(expense)		
Items that will not be reclassified subsequently to the income statement		
Actuarial loss on defined benefit pension schemes	(11.8)	(68.2)
Tax effect on defined benefit pension schemes	2.8	15.9
Loss on fair value of investments	—	(0.1)
Items that will or may be reclassified subsequently to the income statement		
Exchange differences on translation of foreign operations	0.2	(2.9)
Exchange differences realised on business disposals	—	0.2
Gain/(loss) on cash flow hedges	9.9	(8.5)
Cash flow hedges recycled to the income statement	(2.8)	(2.0)
Tax effect on cash flow hedges	(1.8)	2.6
Other comprehensive expense for the year net of tax	(3.5)	(63.0)
Total comprehensive income/(expense) for the year net of tax	76.9	(243.6)
Attributable to:		
Owners of the Company	73.2	(241.0)
Non-controlling interests	3.7	(2.6)
	76.9	(243.6)

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

Consolidated balance sheet

At 31 December 2024

	Notes	2024 £m	2023 £m
Non-current assets			
Property, plant and equipment		68.5	80.0
Intangible assets		79.8	90.0
Goodwill	11	372.4	495.7
Right-of-use assets		180.7	208.5
Investments in associates		—	0.2
Contract fulfilment assets		257.5	257.0
Financial assets		99.0	97.2
Deferred tax assets	7	111.6	140.3
Employee benefits		42.9	32.7
Trade and other receivables		10.0	12.3
		1,222.4	1,413.9
Current assets			
Financial assets		20.6	28.1
Income tax receivable		7.0	11.6
Disposal group assets held-for-sale	9	0.1	38.1
Trade and other receivables		335.3	350.7
Cash		253.6	155.4
		616.6	583.9
Total assets		1,839.0	1,997.8
Current liabilities			
Overdrafts		62.2	95.0
Trade and other payables		353.2	425.9
Disposal group liabilities held-for-sale	9	0.1	9.7
Income tax payable		3.8	1.3
Deferred income		435.4	501.3
Lease liabilities		42.9	51.1
Financial liabilities		88.2	10.8
Provisions	12	81.4	101.6
		1,067.2	1,196.7
Non-current liabilities			
Trade and other payables		6.7	8.5
Deferred income		30.5	36.2
Lease liabilities		305.8	312.3
Financial liabilities		183.2	267.5
Deferred tax liabilities	7	7.0	7.2
Provisions	12	37.9	48.6
Employee benefits		5.0	5.9
		576.1	686.2
Total liabilities		1,643.3	1,882.9
Net assets		195.7	114.9
Capital and reserves			
Share capital		35.2	35.2
Share premium		1,145.5	1,145.5
Employee benefit trust shares		(0.3)	(0.7)
Capital redemption reserve		1.8	1.8
Other reserves		(9.5)	(15.0)
Retained deficit		(972.8)	(1,053.8)
Equity attributable to owners of the Company		199.9	113.0
Non-controlling interests		(4.2)	1.9
Total equity		195.7	114.9

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

Consolidated statement of changes in equity

For the year ended 31 December 2024

	Share capital £m	Share premium £m	Employee benefit trust shares £m	Capital redemption reserve £m	Retained deficit £m	Other reserves £m	Total attributable to the owners of the parent £m	Non-controlling interests £m	Total equity £m
At 31 December 2022	34.8	1,145.5	(4.2)	1.8	(843.2)	(4.5)	330.2	22.5	352.7
Loss for the year	—	—	—	—	(178.1)	—	(178.1)	(2.5)	(180.6)
Other comprehensive expense	—	—	—	—	(52.4)	(10.5)	(62.9)	(0.1)	(63.0)
Total comprehensive expense for the year	—	—	—	—	(230.5)	(10.5)	(241.0)	(2.6)	(243.6)
Share-based payment	—	—	—	—	5.5	—	5.5	—	5.5
Tax effect of share based payment	—	—	—	—	0.3	—	0.3	—	0.3
Reclassification ²	—	—	—	—	15.9	—	15.9	(15.9)	—
Purchase of non-controlling interest	—	—	—	—	1.4	—	1.4	(1.4)	—
Exercise of share options under employee long term incentive plans	—	—	3.9	—	(3.9)	—	—	—	—
Shares issued	0.4	—	(0.4)	—	—	—	—	—	—
Dividends paid ¹	—	—	—	—	—	—	—	(0.7)	(0.7)
Changes in put-options held by non-controlling interests	—	—	—	—	0.7	—	0.7	—	0.7
At 31 December 2023	35.2	1,145.5	(0.7)	1.8	(1,053.8)	(15.0)	113.0	1.9	114.9
Profit for the year	—	—	—	—	76.7	—	76.7	3.7	80.4
Other comprehensive (expense)/income	—	—	—	—	(9.0)	5.5	(3.5)	—	(3.5)
Total comprehensive income for the year	—	—	—	—	67.7	5.5	73.2	3.7	76.9
Share-based payment	—	—	—	—	6.0	—	6.0	—	6.0
Tax effect of share based payment	—	—	—	—	(0.2)	—	(0.2)	—	(0.2)
Elimination of non-controlling interest on disposal of businesses	—	—	—	—	—	—	—	(9.1)	(9.1)
Exercise of share options under employee long-term incentive plans	—	—	1.0	—	(1.0)	—	—	—	—
Parent Company shares purchased	—	—	(0.6)	—	—	—	(0.6)	—	(0.6)
Dividends paid ¹	—	—	—	—	—	—	—	(0.7)	(0.7)
De-recognition of put-options held by non-controlling interests	—	—	—	—	8.5	—	8.5	—	8.5
At 31 December 2024	35.2	1,145.5	(0.3)	1.8	(972.8)	(9.5)	199.9	(4.2)	195.7

1. No dividends were declared, paid or proposed in 2024 or 2023 on the Parent Company's ordinary shares.

2. During the prior year it was identified that the non-controlling interest (NCI) proportion of a goodwill impairment charge, which was recognised in the year ended 31 December 2018, had not been previously allocated within the result for that year attributable to NCI. The NCI proportion of the impairment has been reclassified to the NCI reserve in the prior year.

Share capital – The balance classified as share capital is the nominal proceeds on issue of the Parent Company's equity share capital, comprising 2 1/15 pence ordinary shares.

Share premium – The amount paid to the Parent Company by shareholders, in cash or other consideration, over and above the nominal value of shares issued to them less issuance costs.

Employee benefit trust shares – Shares held in the employee benefit trust have no voting rights and no entitlement to a dividend.

Capital redemption reserve – The Parent Company can redeem shares by repaying the market value to shareholders, whereupon the shares are cancelled. Redemption must be from distributable profits. The Capital redemption reserve represents the nominal value of the shares redeemed.

Retained deficit – Net profits/(losses) accumulated in the Group after dividends are paid.

Other reserves – This consists of the foreign currency translation reserve deficit of £11.0m (2023: £11.2m deficit) and the cash flow hedging reserve surplus of £1.5m (2023: £3.8m deficit).

Non-controlling interests (NCI) – This represents equity in subsidiaries not attributable directly or indirectly to the Parent Company.

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

Consolidated cash flow statement

For the year ended 31 December 2024

	Notes	2024 £m	2023 £m
Cash generated from operations	10	16.0	8.7
Income tax paid ¹		(4.0)	(8.1)
Income tax received ¹		5.1	0.6
Interest received		8.0	6.2
Interest paid		(50.3)	(47.7)
Net cash outflow from operating activities		(25.2)	(40.3)
Cash flows from investing activities			
Purchase of property, plant and equipment		(16.6)	(28.8)
Purchase of intangible assets		(33.5)	(32.8)
Proceeds from sale of property, plant and equipment and intangible assets		0.3	0.1
Proceeds from disposal of associates and joint ventures		0.3	—
Additions to originated loans receivable		(0.5)	—
Changes to investments at fair value through other comprehensive income		—	(0.1)
Proceeds from sale of investments held at fair value through profit and loss		1.4	—
Capital element of lease rental receipts		5.9	6.0
Deferred consideration from sale of subsidiary companies		20.0	1.9
Total proceeds received from disposal of businesses, net of disposal costs	9	249.1	96.8
Cash held by businesses when sold	9	(25.2)	(33.4)
Net cash inflow from investing activities		201.2	9.7
Cash flows from financing activities			
Dividends paid to non-controlling interests		(0.7)	(0.7)
Purchase of Parent Company shares by the Employee Benefit Trust		(0.6)	—
Capital element of lease rental payments		(53.6)	(59.1)
Proceeds on issue of private placement loan notes		—	103.5
Cost of cross-currency swaps		—	(1.6)
Repayment of private placement loan notes		—	(121.0)
Proceeds from cross-currency interest rate swaps		3.4	8.5
Repayment of other finance		—	(0.5)
Debt financing arrangement costs		—	(5.4)
Net cash outflow from financing activities		(51.5)	(76.3)
Increase/(decrease) in cash and cash equivalents		124.5	(106.9)
Cash and cash equivalents at the beginning of the year		67.6	177.2
Effect of exchange rates on cash and cash equivalents		(0.7)	(2.7)
Cash and cash equivalents at 31 December		191.4	67.6
Cash and cash equivalents comprise:			
Cash		253.6	155.4
Overdrafts		(62.2)	(95.0)
Cash, net of overdrafts, included in disposal group assets and liabilities held-for-sale		—	7.2
Total		191.4	67.6
Cash generated from operations excluding business exits	10	16.2	26.5
Free cash flow excluding business exits	10	(122.3)	(123.6)

1. Income tax paid and income tax received have been separately disclosed for the current year, with the prior year re-presented on the same basis. Previously these were presented as net income tax paid.

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

Notes to the consolidated financial statements

For the year ended 31 December 2024

1.1 Corporate information

Capita plc is a public limited company incorporated in England and Wales whose shares are publicly traded.

These consolidated financial statements of Capita plc for the year ended 31 December 2024 were authorised for issue in accordance with a resolution of the directors on 4 March 2025.

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

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards (UK-IFRS) and the Disclosure and Transparency Rules of the UK's Financial Conduct Authority.

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

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

(b) Adjusted results

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

The Board has adopted a policy to disclose separately those items that it considers are outside the underlying operating results for the particular year under review and against which the Group's performance is assessed internally. In the Board's judgement, these need to be disclosed separately by virtue of their nature, size and/or incidence, for users of the consolidated financial statements to obtain an understanding of the financial information and the underlying performance of the Group. In general, the Board believes that alternative performance measures (APMs) are useful for investors because they provide further clarity and transparency of the Group's financial performance and are closely monitored by management to evaluate the Group's operating performance to facilitate financial, strategic and operating decisions. Accordingly, these items are also excluded from the discussion of divisional performance in the strategic report. This policy is kept under review by the Board and the Audit and Risk Committee.

Those items excluded from the adjusted income statement are: business exits; amortisation and impairment of acquired intangibles; impairment of goodwill; certain mark-to-market valuation changes that impact net finance costs/income; the costs associated with the cyber incident in March 2023, and the costs associated with the cost reduction programme.

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

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

A reconciliation between reported and adjusted operating profit and profit before tax is provided in note 5, and a reconciliation between reported cash generated from operations and cash generated from operations before business exits together with the calculation of free cash flow as an APM is provided in the appendix.

(c) Judgements and estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the directors to make judgements and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported income and expense during the presented periods. Although these judgements and assumptions are based on the directors' best knowledge of the amount, events or actions, actual results may differ.

Given the level of judgement and estimation involved in assessing the future profitability of contracts, it is reasonably possible that outcomes within the next financial year may be different from management's assumptions which could require a material adjustment to the carrying amounts of contract fulfilment assets and onerous contract provisions.

The impact of climate change has been considered in the preparation of these consolidated financial statements across a number of areas, including our evaluation of the critical accounting estimates and assumptions which are consistent with the risks and opportunities set out in the strategic report in the Annual Report. None of these risks had a material effect on the critical accounting estimates and assumptions or on the consolidated financial statements of the Group.

(d) Going concern

In determining the appropriate basis of preparation of the financial statements for the year ended 31 December 2024, the Board is required to consider whether the Group and Parent Company can continue in operational existence for the foreseeable future. The Board has concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts, key uncertainties, sensitivities, and mitigations as set out below.

Accounting standards require that 'the foreseeable future' for going concern assessment covers a period of at least twelve months from the date of approval of these financial statements, although those standards do not specify how far beyond twelve months a Board should consider. In its going concern assessment, the Board has considered the period from the date of approval of these financial statements to 30 June 2026 ('the going concern period'), which aligns with a period end and covenant test date for the Group.

The base case financial forecasts used in the going concern assessment are derived from the 2025-2027 business plan as approved by the Board in February 2025.

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

Financial position at 31 December 2024

As detailed further in the Chief Financial Officer's review, at 31 December 2024 the Group had net debt of £415.2m (2023: £545.5m), net financial debt (pre-IFRS 16)¹ of £66.5m (2023: £182.1m), available liquidity¹ of £397.2m (2023: £282.3m) and was in compliance with all debt covenants.

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

Board assessment

Base case scenario

Under the base case scenario, the Group's transformation programme and completion of the Portfolio non-core business disposal programme in January 2024 together with the disposal of Capita One in September 2024, has simplified and strengthened the business and facilitates further efficiency savings enabling sustainable growth in revenue, profit and cash flow over the medium term, whilst acknowledging the expected free cash outflow for 2025. When combined with available committed facilities, this allows the Group to manage scheduled debt repayments. The most material sensitivities to the base case are the risk of not delivering the planned revenue growth and further efficiency savings being delayed or not delivered from the Group's previously announced cost reduction programme.

The base case projections used for going concern assessment purposes reflect business disposals completed up to the date of approval of these financial statements. The liquidity headroom assessment in the base case projections reflects the Group's existing committed financing facilities, including the £94.2m of US private placement loan notes issued in March 2025 (refer to note 14), debt redemptions, and the intended renewal or extension of the Group's RCF by 31 December 2025 to meet the requirements of the 2025 US private placement loan notes. The base case financial forecasts demonstrate liquidity headroom and compliance with all debt covenant measures throughout the going concern period to 30 June 2026.

Severe but plausible downside scenario

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

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

The likelihood of simultaneous crystallisation of the above risks is considered by the directors to be low. Nevertheless, in the event that simultaneous crystallisation were to occur, the Group would need to take action to ensure there is sufficient headroom for debt covenant purposes. In its assessment of going concern, the Board has considered the mitigations, under the direct control of the Group, that could be implemented including, but not limited to, reductions or delays in capital investment, and substantially reducing (or removing in full) bonus and incentive payments. The Board has also assumed that the intended renewal or extension of the Group's RCF by 31 December 2025 to meet the requirements of the March 2025 private placement loan notes is successful. Taking these considerations into account, the Group's financial forecasts, in a severe but plausible downside scenario, demonstrate sufficient liquidity headroom and compliance with all debt covenant measures throughout the going concern period to 30 June 2026.

Adoption of going concern basis

Reflecting the forecasts, coupled with the Board's ability to implement appropriate mitigations should the severe but plausible downside materialise, the Group and Parent Company continues to adopt the going concern basis in preparing these consolidated financial statements. The Board has concluded that the Group and Parent Company will be able to continue in operation and meet their liabilities as they fall due over the period to 30 June 2026.

2 Preliminary announcement

A duly appointed and authorised committee of the Board of Directors approved the preliminary announcement on 4 March 2025.

The financial information set out above does not constitute the Group's consolidated financial statements for the years ended 31 December 2024 or 2023 but is derived from those financial statements.

Statutory accounts for 2023 have been delivered to the Registrar of Companies and those for 2024 will be delivered in due course. The auditor has reported on those financial statements.

Their report for the accounts of 2024 was (i) unqualified, (ii) did not include a reference of any matters to which the auditor drew attention by way of emphasis without modifying their report and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Their report for the accounts of 2023 was (i) unqualified, (ii) did not include a reference of any matters to which the auditor drew attention by way of emphasis without modifying their report and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Copies of this announcement can be obtained from the Company's registered office at 2 Kingdom Street, London, W2 6BD, or on the Company's corporate website www.capita.com/investors.

It is intended that the Annual Report and Accounts will be posted to shareholders late March 2025. It will be available to members of the public at the registered office and on the Company's Corporate website <https://www.capita.com/investors> from that date.

1. Refer to the alternative performance measures (APMs) in the Appendix.

3 Contract accounting

At 31 December 2024, the Group had the following results and balance sheet items related to long-term contracts:

	Notes	2024 £m	2023 £m
Long-term contractual revenue	4	1,871.7	2,104.0
Contract fulfilment assets (non-current)		257.5	257.0
Accrued income		132.7	138.3
Deferred income		465.9	537.5
Onerous contract provisions		46.2	43.3

Background

The Group operates diverse businesses. The majority of the Group's revenue is from contracts greater than two years in duration (long-term contractual), representing 77% of Group revenue in 2024 (2023: 75%).

These long-term contracts can be complex in nature given the breadth of solutions the Group offers and the transformational activities involved. Typically, Capita takes a customer's process and transforms it into a more efficient and effective solution which is then operated for the customer. The outcome is a high quality solution that addresses a customer's needs and is delivered consistently over the life of the contract.

The Group recognises revenue on long-term contracts as the value is delivered to the customer, which is generally evenly over the contract term, regardless of any restructuring and transformation activity required to deliver the services to the customer. Capita will often incur greater costs during contract transformation phases with costs diminishing over time as the target operating model is implemented and efficiencies realised. This results in lower profits or losses in the early years of contracts and potentially higher profits in later years as the transformation activities are successfully completed and the target operating model fully implemented (the business as usual (BAU) phase). The inflection point is when the contract becomes profitable.

Non-current contract fulfilment assets are recognised for those costs qualifying for capitalisation. The utilisation of these assets is recognised over the contract term. The timing of cash receipts from customers typically matches when the costs are incurred to transform, restructure and run the service. This results in income being deferred and released when the Group delivers against its obligations to provide services and solutions to its customers.

Assessing contract profitability

In assessing a contract's future lifetime profitability, management must estimate forecast revenue and costs to both transform and run the service over the remaining contract term. The ability to accurately forecast the outcomes involves estimates in respect of: costs to be incurred; cost savings to be achieved; future performance against any contract-specific key performance indicators (KPIs) that could trigger variable consideration or service credits; outcome of any commercial negotiations; and impact of inflation on the cost base and the indexation of revenue.

The level of uncertainty in the estimated future profitability of a contract is directly related to the stage in the life-cycle of the contract and the complexity of the performance obligations. Contracts in the transformation stage are considered to have a higher level of uncertainty because of:

- the ability to accurately estimate the costs to deliver the transformed process;
- the dependency on the customer to agree to the specifics of the transformation: for example, where they are involved in certifying that the new process or, the new technical solution, designed by Capita meets their specific requirements;
- the requirement to deliver the key transformation milestones in accordance with timelines agreed with the customer; and
- the assumptions made to forecast expected savings in the target operating model.

Those contracts which are in BAU tend to have a much lower level of uncertainty in estimating future profitability.

Recoverability of non-current contract fulfilment assets and completeness of onerous contract provisions

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

The major contracts are rated by management according to their financial risk profile, which is linked to the level of uncertainty over future assumptions. During 2024 the process to determine which major contracts the Audit and Risk Committee review was updated to provide better focus, and at half year, the Audit and Risk Committee review those in the high or medium risk categories, and at full year those material by virtue of their size relative to the Group are also reviewed if not already identified.

An assessment of which contracts are major contracts is performed twice a year. Other contracts are reported to the Audit and Risk Committee as deemed appropriate. These contracts are collectively referred to as 'major contracts' in the remainder of this note.

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

The major contracts contributed £1.0 billion (2023: £1.1 billion) or 42% (2023: 42%) of Group adjusted revenue. Non-current contract fulfilment assets at 31 December 2024 were £257.5m (2023: £257.0m), of which £119.3m (2023: £125.1m) relates to major contracts with ongoing transformational activities. The remainder relates to contracts post transformation and includes non-major contracts.

As noted above, the major contracts, both pre- and post-transformation, are rated according to their financial risk profile. For those that are in the high and medium rated risk categories the associated non-current contract fulfilment assets were, in aggregate, £67.8m at 31 December 2024 (2023: £52.8m). The recoverability of these assets is dependent on no significant adverse change in the key contract assumptions arising. The balance of deferred income associated with these contracts was £95.9m at 31 December 2024 (2023: £109.5m) and is forecast to be recognised as performance obligations continue to be delivered over the life of the respective contracts. Onerous contract provisions associated with these contracts were £35.3m at 31 December 2024 (2023: £37.3m).

Following these reviews, and reviews of smaller contracts across the business, non-current contract fulfilment asset impairments of £0.7m (2023: £3.4m) were identified and recognised within adjusted cost of sales, of which £nil (2023: £nil) relates to non-current contract fulfilment assets added during the period. Additionally, net onerous contract provisions of £18.0m (2023: £9.4m), were identified and recognised in adjusted cost of sales with a further £4.1m (2023: £nil) excluded from adjusted cost of sales as part of business exits.

3 Contract accounting continued

Given the quantum of the relevant contract assets and liabilities, and the nature of the estimates noted above, management has concluded it is reasonably possible, that outcomes within the next financial year may be different from management's current assumptions and could require a material adjustment to the carrying amounts of contract fulfilment assets and onerous contract provisions. However, as noted above, £119.3m (2023: £125.1m) of non-current contract fulfilment assets relates to major contracts with ongoing transformational activities; and, £67.8m (2023: £52.8m) of non-current contract fulfilment assets and £35.3m (2023: £37.3m) of onerous contract provisions relate to the highest and medium rated risk category. Due to the level of uncertainty, combination of variables and timing across numerous contracts, it is not practical to provide a quantitative analysis of the aggregated judgements that are applied, and management do not believe that disclosing a potential range of outcomes on a consolidated basis would provide meaningful information to a user of the financial statements. Due to commercial sensitivities, the Group does not specifically disclose the amounts involved in any individual contract.

Certain major transformation contracts have key milestones during the next twelve months and an inability to meet these key milestones could lead to reduced profitability and a risk of impairment of the associated contract fulfilment assets. These include contracts with the City of London Police, BBC, Transport for London, Health Assessment Advisory Services and the Civil Service Pension Scheme.

Additional information, which does not form part of these consolidated financial statements, on the results and performance of the underlying divisions including the outlook on certain contracts is set out in the divisional performance review.

4 Revenue and segmental information

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

The tables below present revenue for the Group's operating segments as reported to the Chief Operating Decision Maker ('CODM'). The Group comprises two trading divisions – Capita Public Service and Capita Experience – and in prior periods the CODM viewed these as two operating segments because the CODM reviewed operating results to assess their performance and make decisions about allocation of resources at this level. Capita Public Service goes to market through three subdivisions – Local Public Service; Defence, Learning, Fire and Security; and Central Government – however, the CODM views these subdivisions as one operating segment. Capita Experience also comprises three subdivisions – Contact Centre; Pension Solutions; and Regulated Services. Following the completion of the exit of the non-core businesses in the Portfolio division, and the review of the Group's strategy conducted in 2024, the CODM now reviews the operating results for each of these three subdivisions in this division separately, and therefore each subdivision is now an operating segment. Comparative information has also been re-presented to reflect the change in operating segments and to reflect businesses exited during 2024.

Adjusted revenue, excluding results from businesses exited in both years (adjusting items), was £2,369.1m (2023: £2,575.8m), a decline of 8.0% (2023: increase 1.1%).

Year ended 31 December 2024	Notes	Capita Public Service £m	Capita Experience			Total adjusted £m	Adjusting items £m	Total reported £m
			Contact Centre £m	Pension Solutions £m	Regulated Services £m			
Continuing operations								
Long-term contractual		1,148.4	408.4	127.9	148.7	1,833.4	38.3	1,871.7
Short-term contractual		162.0	220.3	51.1	—	433.4	9.5	442.9
Transactional (point-in-time)		76.8	22.2	—	3.3	102.3	4.7	107.0
Total segment revenue		1,387.2	650.9	179.0	152.0	2,369.1	52.5	2,421.6
Trading revenue		1,409.9	676.7	179.8	153.8	2,420.2	51.8	2,472.0
Inter-segment revenue		(22.7)	(25.8)	(0.8)	(1.8)	(51.1)	0.7	(50.4)
Total adjusted segment revenue		1,387.2	650.9	179.0	152.0	2,369.1	—	2,369.1
Business exits – trading	9	—	—	—	—	—	52.5	52.5
Total segment revenue		1,387.2	650.9	179.0	152.0	2,369.1	52.5	2,421.6
Year ended 31 December 2023								
Continuing operations								
Long-term contractual		1,148.0	550.2	120.5	203.3	2,022.0	82.0	2,104.0
Short-term contractual		195.9	231.2	49.8	1.6	478.5	24.9	503.4
Transactional (point-in-time)		56.0	16.2	—	3.1	75.3	131.9	207.2
Total segment revenue		1,399.9	797.6	170.3	208.0	2,575.8	238.8	2,814.6
Trading revenue		1,422.2	830.8	170.7	209.4	2,633.1	267.1	2,900.2
Inter-segment revenue		(22.3)	(33.2)	(0.4)	(1.4)	(57.3)	(28.3)	(85.6)
Total adjusted segment revenue		1,399.9	797.6	170.3	208.0	2,575.8	—	2,575.8
Business exits – trading	9	—	—	—	—	—	238.8	238.8
Total segment revenue		1,399.9	797.6	170.3	208.0	2,575.8	238.8	2,814.6

4 Revenue and segmental information continued

Geographical location

The Group generates revenue largely in the UK and Europe. The table below presents revenue by geographical location.

	2024				2023			
	United Kingdom £m	Rest of Europe £m	Other £m	Total £m	United Kingdom £m	Rest of Europe £m	Other £m	Total £m
Revenue	2,150.3	271.3	—	2,421.6	2,526.0	282.5	6.1	2,814.6

Order book

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

Order book 31 December 2024	Capita Public Service £m	Capita Experience			Total £m
		Contact Centre £m	Pension Solutions £m	Regulated Services £m	
Long-term contractual	2,843.1	426.1	431.2	226.1	3,926.5
Short-term contractual	80.3	218.5	10.1	5.3	314.2
Total	2,923.4	644.6	441.3	231.4	4,240.7

Order book 31 December 2023	Capita Portfolio £m	Capita Public Service £m	Capita Experience			Total £m
			Contact Centre £m	Pension Solutions £m	Regulated Services £m	
Long-term contractual	—	3,381.1	1,236.3	444.3	430.6	5,492.3
Short-term contractual	37.2	164.9	163.3	17.5	7.4	390.3
Total	37.2	3,546.0	1,399.6	461.8	438.0	5,882.6

The table below shows the expected timing of revenue to be recognised from long-term contractual orders at 31 December 2024:

Time bands of expected revenue recognition from long-term contractual orders	Capita Public Service £m	Capita Experience			Total £m
		Contact Centre £m	Pension Solutions £m	Regulated Services £m	
< 1 year	807.6	182.9	84.3	95.0	1,169.8
1–5 years	1,545.3	225.0	168.2	120.1	2,058.6
> 5 years	490.2	18.2	178.7	11.0	698.1
Total	2,843.1	426.1	431.2	226.1	3,926.5

The Contact Centre order book reduction reflects two European telecommunications contracts that were extended in the period with the contracts being recognised as framework contracts. This resulted in £388.1m being derecognised from the order book.

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

The order book represents the consideration that the Group will be entitled to receive from customers when the Group satisfies its remaining performance obligations under the contracts. However, the total revenue that will be earned by the Group will also include non-contracted volumetric revenue, future indexation linked to an external metric, new wins, scope changes, and anticipated contract extensions. These elements have been excluded from the above tables because they are not contracted. Additionally, revenue from contract extensions is excluded from the order book unless they are pre-priced extensions whereby the Group has a legally binding obligation to deliver the performance obligations during the extension period. The total revenue related to pre-priced extensions for major contracts included in the tables above amounted to £309.0m (2023: £513.8m¹). The amounts presented do not include orders for which neither party has performed, and each party has the unilateral right to terminate a wholly unperformed contract without compensating the other party.

Of the £3.9 billion (2023: £5.5 billion) revenue to be earned on long-term contracts, £3.1 billion (2023: £3.4 billion¹) relates to major contracts. This amount excludes revenue that will be derived from frameworks, non-contracted volumetric revenue, non-contracted scope changes and future unforeseen volume changes from these major contracts, which together are anticipated to contribute an additional £0.8–£1.0 billion (2023: £0.5–£0.7 billion¹) of revenue to the Group over the life of these contracts.

The Group performs various services for a number of UK Government ministerial departments and considers these individual ministerial departments to be separate customers due to the limited economic integration between each ministerial department. Revenues of £325.8m from one customer in Capita Public Service represented more than 10% of the Group's total revenues (2023: £317.6m from one customer from the Capita Public Service division represented more than 10% of the Group's total revenues).

1. The prior year amounts in relation to major contracts are as previously presented, and as such reflect the major contracts reviewed by the Audit and Risk Committee for that year end (refer to note 3). Consequently, the prior year amounts are not directly comparable to those disclosed for the current period.

Deferred income

The Group's deferred income balances solely relate to revenue from contracts with customers. Revenue recognised in the reporting period that was included in the deferred income balance at the beginning of the period was £492.2m (2023: £599.0m).

Movements in the deferred income balances were driven by transactions entered into by the Group in the normal course of business during the current and prior year, other than accelerated revenue recognised of £9.2m (2023: £9.9m), which primarily related to an early termination of contracts in the Regulated Services business in Capita Experience.

4 Revenue and segmental information continued

Segmental profit

The table below presents profit by segment.

Year ended 31 December 2024	Notes	Capita Experience				Capita plc £m	Total adjusted £m	Adjusting items £m	Total reported £m
		Capita Public Service £m	Contact Centre £m	Pension Solutions £m	Regulated Services £m				
Adjusted operating profit/(loss)	5	89.1	(5.9)	28.1	12.6	(28.0)	95.9	—	95.9
Cost reduction programme		(11.3)	(5.3)	(0.8)	(0.5)	(10.0)	—	(27.9)	(27.9)
Business exits – trading	9	—	—			—	—	6.4	6.4
Total trading result		77.8	(11.2)	27.3	12.1	(38.0)	95.9	(21.5)	74.4
Non-trading items:									
Business exits – non-trading	9						—	(8.0)	(8.0)
Other adjusting items	5						—	(76.3)	(76.3)
Operating profit/(loss)							95.9	(105.8)	(9.9)
Interest income	6								10.0
Interest expense	6								(56.3)
Share of results in associates and losses on financial assets	9								(11.8)
Gain/(loss) on business disposal	9								184.6
Profit/(loss) before tax									116.6
Supplementary Information									
Depreciation and amortisation		35.8	39.3	6.0	5.2	1.7	88.0	1.9	89.9
Impairment of property, plant and equipment, intangible, right-of-use assets and goodwill		0.7	0.9	—	0.6	—	2.2	84.0	86.2
Non-current contract fulfilment assets utilisation, impairment and derecognition		57.2	5.1	3.9	0.8	—	67.0	1.3	68.3
Net onerous contract provisions		—	0.3	—	17.7	—	18.0	4.1	22.1
Year ended 31 December 2023	Notes	Capita Experience				Capita plc £m	Total adjusted £m	Adjusting items £m	Total reported £m
		Capita Public Service £m	Contact Centre £m	Pension Solutions £m	Regulated Services £m				
Adjusted operating profit/(loss)	5	69.6	(4.0)	25.9	33.1	(33.7)	90.9	—	90.9
Cost reduction programme		(7.0)	(35.9)	(0.5)	(0.9)	(10.1)	—	(54.4)	(54.4)
Business exits – trading	9	—	—			—	—	12.2	12.2
Total trading result		62.6	(39.9)	25.4	32.2	(43.8)	90.9	(42.2)	48.7
Non-trading items:									
Business exits – non-trading	9						—	(33.0)	(33.0)
Other adjusting items	5						—	(67.7)	(67.7)
Operating profit/(loss)							90.9	(142.9)	(52.0)
Interest income	6								8.7
Interest expense	6								(60.9)
Gain/(loss) on business disposal	9								(2.4)
Profit/(loss) before tax									(106.6)
Supplementary Information									
Depreciation and amortisation		40.3	45.5	5.3	6.7	3.6	101.4	7.4	108.8
Impairment of property, plant and equipment, intangible, right-of-use assets and goodwill		1.5	2.5	—	0.1	0.1	4.2	65.4	69.6
Non-current contract fulfilment assets utilisation, impairment and derecognition		57.8	6.1	4.3	5.6	—	73.8	10.7	84.5
Net onerous contract provisions		—	1.6	—	7.8	—	9.4	—	9.4

4 Revenue and segmental information continued

Geographical location

The table below presents the carrying amount of non-current assets (excluding deferred tax, financial assets and employee benefits) by the geographical location of those assets.

	2024				2023			
	United Kingdom £m	Europe £m	Other £m	Total £m	United Kingdom £m	Europe £m	Other £m	Total £m
Non-current assets	922.6	25.0	21.3	968.9	1,112.6	14.1	17.0	1,143.7

5 Adjusted operating profit and adjusted profit before tax

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

The Board has adopted a policy to disclose separately those items that it considers are outside the underlying operating results for the particular year under review and against which the Group's performance is assessed internally. In the Board's judgement, these need to be disclosed separately by virtue of their nature, size and/or incidence, for users of the consolidated financial statements to obtain an understanding of the financial information and the underlying performance of the Group. In general, the Board believes that alternative performance measures (APMs) are useful for investors because they provide further clarity and transparency of the Group's financial performance and are closely monitored by management to evaluate the Group's operating performance to facilitate financial, strategic and operating decisions. Accordingly, these items are also excluded from the discussion of divisional performance in the strategic report. This policy is kept under review by the Board and the Audit and Risk Committee.

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

Those items excluded from the adjusted income statement are: business exits; amortisation and impairment of acquired intangibles; impairment of goodwill; certain mark-to-market valuation changes that impact net finance costs/income; the costs associated with the cyber incident in March 2023, and the costs associated with the cost reduction programme.

The items below are excluded from the adjusted results:

	Notes	Operating profit/(loss)		Profit/(loss) before tax	
		2024 £m	2023 £m	2024 £m	2023 £m
Reported		(9.9)	(52.0)	116.6	(106.6)
Amortisation and impairment of acquired intangibles		0.2	0.2	0.2	0.2
Impairment of goodwill		75.1	42.2	75.1	42.2
Net finance costs	6	—	—	0.1	2.2
Business exits	9	1.6	20.8	(170.9)	23.2
Cyber incident		1.0	25.3	1.0	25.3
Cost reduction programme		27.9	54.4	27.9	54.4
Adjusted		95.9	90.9	50.0	40.9

1. Adjusted operating profit increased by 5.5% (2023: increased 36.5%) and adjusted profit before tax increased by 22.2% (2023: increased 13.5%). Adjusted operating profit of £95.9m (2023: profit £90.9m) was generated on adjusted revenue of £2,369.1m (2023: £2,575.8m) resulting in an adjusted operating margin of 4.0% (2023: 3.5%).

2. The tax charge on adjusted profit before tax is £10.3m (2023: £47.4m charge) resulting in adjusted profit after tax of £39.7m (2023: £6.5m loss).

3. The adjusted operating profit and adjusted profit before tax for 2023 has been re-presented for the impact of business exits during 2024 and the change in adjusting items. This has resulted in adjusted operating profit decreasing from £106.5m to £90.9m and adjusted profit before tax decreasing from £56.5m to £40.9m.

Amortisation and impairment of acquired intangible assets: the Group recognised acquired intangible amortisation of £0.2m (2023: £0.2m). These charges are excluded from the adjusted results of the Group because they are non-cash items generated from historical acquisition related activity. The charge is included within administrative expenses.

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

Net finance costs: net finance costs excluded from adjusted profits relate to movements in the mark-to-market value of forward foreign exchange contracts to cover anticipated future costs and therefore have no equivalent offsetting transaction in the accounting records, also refer to note 6.

Business exits: the trading result of businesses exited, or in the process of being exited, and the gain or loss on disposals are excluded from the Group's adjusted results. Note 9 provides further detail regarding which income statement line items are impacted by business exits.

Cyber incident: The Group has incurred exceptional costs associated with the March 2023 cyber incident. These costs comprise specialist professional fees, recovery and remediation costs and investment to reinforce Capita's cyber security environment. A charge of £1.0m, net of insurance receipts, has been recognised in the year ended 31 December 2024 (2023: charge of £25.3m). Cumulatively the net costs incurred total £26.3m and are included within administrative expenses. Further insurance receipts are anticipated but did not meet the criteria for recognition at 31 December 2024. Refer to note 13 contingent liabilities.

Cost reduction programme: The Group implemented a multi-year cost reduction programme in November 2023 to deliver savings of £60m by Q1 2024. The programme was extended in March 2024, to deliver further savings of £100m by mid-2025. In December 2024, reflecting on the progress made ahead of schedule with £140m annualised savings already delivered, and increased confidence in the level of efficiencies that can be delivered, the cost reduction target increased from £160m to £250m by the end of 2025.

The Group exercises judgement in assessing whether the actions being taken to deliver these savings are exceptional as opposed to business as usual, and therefore whether or not the costs to deliver the savings should be excluded from the Group's adjusted results. The assessment considers the nature of the activity being undertaken, in particular, whether it was anticipated in the original bid to win a customer contract. Investment in new technology that supports the delivery of customer contracts are considered business as usual and are not excluded from the Group's adjusted results.

5 Adjusted operating profit and adjusted profit before tax continued

A charge of £27.9m (2023: £54.4m) has been recognised in the year ended 31 December 2024 for the costs to deliver the cost reduction programme. This includes redundancy and other costs of £30.5m (2023: £23.3m) to deliver a significant reduction in headcount, partly offset by a credit of £2.6m reflecting the successful exit of a number of properties which had been provided for in the previous year (2023: charge of £31.1m arising from the rationalisation of the Group's property estate with impairment of right-of-use assets and property, plant & equipment, and provisions in respect of onerous property costs). The cumulative cost recognised since the commencement of the cost reduction programme is £82.3m (2023: £54.4m), which is included within administrative expenses.

Refer to note 10 for the cash flow impact of the above.

6 Net finance costs

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

	2024 £m	2023 £m
Finance income		
Interest income		
Interest on cash	(2.3)	(1.9)
Interest on finance lease assets	(5.6)	(4.1)
Net interest income on defined benefit pension schemes	(2.1)	(2.7)
Total finance income	(10.0)	(8.7)
Finance costs		
Interest expense		
Private placement loan notes ¹	20.0	16.3
Bank loans and overdrafts	8.5	14.1
Cost of non-recourse trade receivables financing	3.4	3.7
Interest on finance lease liabilities	22.4	22.3
Discount unwind on provisions	1.6	2.3
Total interest expense	55.9	58.7
Finance costs included within business exits		
Interest on finance lease liabilities	0.3	—
Finance costs excluded from adjusted profits		
Non-designated foreign exchange forward contracts – change in mark-to-market value	(0.4)	3.2
Fair value hedge ineffectiveness ²	0.5	(1.0)
Total finance costs excluded from adjusted profit	0.4	2.2
Total finance costs	56.3	60.9
Net finance costs included in adjusted profit	45.9	50.0
Total net finance costs	46.3	52.2

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

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

7 Taxation

Income tax charge

The reported income tax charge for the period is £36.2m on reported profit before tax of £116.6m (2023: reported income tax charge of £74.0m on reported loss of £106.6m), and an adjusted income tax charge for the period of £10.3m on adjusted profit before tax of £50.0m (2023: adjusted tax charge of £47.4m on adjusted profit of £40.9m). This includes £0.2m (2023: £nil) relating to Pillar Two current income taxes. The most significant reconciling items, explaining the difference from the standard UK corporation tax rate of 25.0% for the period (2023: 23.5%) are non-taxable profits on disposal of businesses, non-deductible impairments, changes in the accounting estimate of recognised deferred tax assets and unrecognised losses, and other temporary differences carried forward.

The forecast future adjusted effective tax rate, before and assuming no material changes to tax laws in the jurisdictions in which Capita operates, is expected to be broadly similar to the UK corporation tax rate, with an increase for taxable profits in higher tax rate jurisdictions.

The major components of the income tax charge are set out below:

Consolidated income statement	Total reported £m	2024 Included in adjusted profit £m	Not included in adjusted profit £m	Total reported £m	2023 Included in adjusted profit ¹ £m	Not included in adjusted profit ¹ £m
Current income tax						
Current income tax charge/(credit)	15.3	13.6	1.7	26.2	26.4	(0.2)
Adjustment in respect of prior years	2.5	2.5	—	4.0	4.0	—
Deferred tax						
On origination and reversal of temporary differences	19.5	(4.7)	24.2	43.9	17.1	26.8
Effect of changes in tax rate on deferred tax balances	—	—	—	(0.4)	(0.4)	—
Adjustment in respect of prior years	(1.1)	(1.1)	—	0.3	0.3	—
Total charge	36.2	10.3	25.9	74.0	47.4	26.6

1. To enable a like-for-like comparison of adjusted results, the 2023 comparatives have been re-presented to exclude the businesses classified as business exits during 2024 from adjusted profit. Refer to note 9.

Consolidated statement of comprehensive income and consolidated statement of changes in equity	2024 £m	2023 £m
Deferred tax movement on cash flow hedges	1.8	(2.6)
Deferred tax movement in relation to actuarial changes on defined benefit pension schemes	7.0	3.3
Current income tax movement on defined benefit pension scheme contributions	(9.8)	(19.2)
Deferred tax movement in relation to share-based payments	0.2	(0.1)
Current income tax deduction on the exercise of share options	—	(0.2)
Total credit	(0.8)	(18.8)

7 Taxation continued

The reconciliation between the total tax charge and the accounting profit multiplied by the UK weighted average corporation tax rate is as follows:

		Total tax		Current tax	
		2024 £m	2023 £m	2024 £m	2023 £m
Profit/(loss) before tax		116.6	(106.6)	116.6	(106.6)
Notional charge/(credit) at UK corporation tax rate of 25.0% (2023: 23.5%)		29.2	(25.1)	29.2	(25.1)
Adjustments in respect of current income tax of prior years	a	2.5	4.0	2.5	4.0
Adjustments in respect of deferred tax of prior years	b	(1.1)	0.3	—	—
Non-deductible expenses/(non-taxable income) – adjusted		5.0	0.2	5.0	0.2
Non-deductible expenses – business exit	c*	2.7	4.9	2.7	4.9
Non-deductible expenses – specific items		—	1.7	—	1.7
(Profit)/loss on disposal of businesses	d*	(46.1)	0.6	(46.1)	0.6
Pillar Two income taxes		0.2	—	0.2	—
Non-deductible goodwill impairment	e*	18.7	9.9	18.7	9.9
Difference in rate recognition of temporary differences		—	(0.4)	—	—
Tax provided on unremitted earnings	f	(0.5)	0.2	—	—
Attributable to different tax rates in overseas jurisdictions	g	(0.5)	(4.3)	(0.1)	(2.9)
Movement in unrecognised temporary differences		26.1	82.0	—	—
Fixed asset temporary differences		—	—	4.2	5.7
Current tax impact on other temporary differences		—	—	(3.5)	(0.4)
Carry forward of losses in current period	h	—	—	5.0	31.6
At the effective total tax rate of 31.0% (2023: (69.4)%) and the effective current tax rate of 15.3% (2023: (28.3)%)	i	36.2	74.0	17.8	30.2
Tax charge reported in the income statement		36.2	74.0	17.8	30.2

* These £(24.7)m (2023: £15.4m) of reconciling items relate to the reported tax charge only, with no impact on the adjusted tax charge. Further details are given below.

a The £2.5m prior year charge adjustment includes: (i) £1.1m charge which has a corresponding impact within deferred tax of prior years; and, (ii) a £1.4m charge to adjust for finalisation of submitted tax returns and withholding tax claims in Ireland for which there is no opposite deferred tax credit in relation to the temporary difference true-up because these are unrecognised.

b Adjustments in respect of deferred tax of prior years mainly relate to £1.1m of charges which have a corresponding impact within current income tax of prior years.

c* Business exit: relates to non-deductible closure costs associated with the sale of entities. Refer to note 9 for further details.

d* Relates to the gain/loss on disposal of entities in the current year. Refer to note 9 for further details.

e* Relates to the goodwill impairments as detailed further in note 11.

f Movement on the deferred tax liability recognised on the unremitted earnings of those subsidiaries affected by withholding taxes.

g Mainly relates to withholding tax and tax payable at rates which are lower than the UK such as Switzerland and Ireland.

h Relates to the carry forward of losses and non-deductible interest in the period.

i The current tax charge of £17.8m (2023: £30.2m) results in an effective current tax rate of 15.3%, which is different from the UK statutory rate of tax of 25% predominantly due to a non-taxable gain on the profit on disposal of businesses during the year, non-deductible goodwill impairment, unrecognised losses and interest disallowance carried forward, and expenses not deductible for tax purposes, including non-qualifying depreciation and capital related costs. The impact of differing overseas tax rates is covered in footnote g.

Deferred tax

Deferred tax relates to the following:

	At 1 January £m	Credited/(charged) to			At 31 December £m
		Income statement £m	OCI and changes in equity £m	Other movements ² £m	
Deferred tax assets					
Fixed assets which qualify for tax relief	87.2	(8.5)	—	(0.9)	77.8
Provisions and other temporary differences	11.3	(1.3)	(1.8)	—	8.2
Pension schemes	1.8	(3.4)	(7.0)	—	(8.6)
Share-based payments	1.5	—	(0.2)	—	1.3
Tax losses ¹	36.7	(6.0)	—	—	30.7
	138.5	(19.2)	(9.0)	(0.9)	109.4
Jurisdictional netting	1.8				2.2
Net deferred tax assets	140.3	(19.2)	(9.0)	(0.9)	111.6
Deferred tax liabilities					
Acquired intangibles	(0.1)	—	—	—	(0.1)
Contract fulfilment assets	(0.2)	0.1	—	—	(0.1)
Unremitted earnings	(5.1)	0.7	—	(0.2)	(4.6)
	(5.4)	0.8	—	(0.2)	(4.8)
Jurisdictional netting	(1.8)				(2.2)
Net deferred tax liabilities	(7.2)	0.8	—	(0.2)	(7.0)
Net deferred tax	133.1	(18.4)	(9.0)	(1.1)	104.6

1. Mainly trading losses available to shelter future profits and deferred interest.

2. Other movements includes business disposals.

7 Taxation continued

The main movement in the net deferred tax asset is the income statement tax charge arising on the change in the accounting estimate of deferred tax.

On 6 April 2024, it was announced that the free-standing tax charge that applies to authorised surplus payments to sponsoring employers of a registered defined benefit pension scheme will reduce from 35% to 25%. This was substantively enacted retrospectively from 11 March 2024. Therefore, for the purpose of recognising deferred tax on the pension scheme surplus, withholding tax at 25% (2023: 35%) would apply for any surplus being refunded to the Group at the end of the life of the scheme. Corporation tax at 25% would apply for any surplus expected to unwind over the life of the scheme. Management have concluded that the corporation tax rate should apply to the recognition of deferred tax on the pension scheme surplus, reflecting the Group's intention regarding the manner of recovery of the asset.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. The recoverability of deferred tax assets is supported by the deferred tax liabilities against which the reversal can be offset and the expected level of future taxable profits available to offset the assets when they reverse.

The recognition of deferred tax assets at 31 December 2024 has been based on the forecast accounting profits in the 2025-2027 business plan approved by the Board. This is the same plan used to derive forecast cash flows for the goodwill impairment test (refer to note 11). A long-term growth rate of 1.6%, as used for impairment test purposes, has been applied to the years beyond 2027. A reducing probability factor has also been applied to future profits for the potential decrease in reliability of forecasts extrapolated for later years, such that profits beyond seven years of the balance sheet date have not been considered probable for the purpose of assessing deferred tax asset recognition.

Unused tax losses make up a significant proportion of the temporary differences available to be utilised in future periods. These losses mainly arose due to the historic adoption of IFRS 15, previous Covid-19 related downward pressures on profits and tax deductible restructuring costs, cyber costs and pension contributions. Based on the forecast accounting profits, management have concluded that some of the deductible temporary differences and unused tax losses are not recognisable due to uncertainty in their recoverability. There is a decrease in the amounts previously recognised in respect of deferred tax assets and an increase in unrecognised temporary differences arising during the year. The impact of this is a debit to the income statement of £18.4m, and a debit to OCI and changes in equity of £9.0m. This is included in the movement in unrecognised temporary differences of £26.1m in the tax reconciliation table above, which also includes unrecognised current year temporary differences (mainly losses) of £5.7m. The reported income statement charge includes £26.0m change in the deferred tax asset estimate due to the reduction in future taxable profits on disposal of taxable subsidiaries, reflected in the tax arising on business exits (see note 9).

Deferred tax asset recognition depends on the reliability of management's forecasts and the assumptions that underlie them. Management have considered the severe but plausible downsides applied to the base-case projections for assessing going concern and viability, to gauge sensitivity and identify a reasonable possible alternative result. This scenario identified a further potential reduction in recognised deferred tax assets of approximately £7.6m.

The Group has unrecognised tax losses and other temporary differences that are available for offset against future taxable profits of the companies in which the losses or other temporary differences arose but have not been recognised because their recoverability is uncertain. The table below shows the amounts split between UK and non-UK jurisdictions.

	2024 £m Gross Amount	2023 £m Gross Amount
UK:		
Tax losses	667.6	628.7
Other temporary timing differences	239.2	140.2
	906.8	768.9
Non-UK:		
Tax losses	64.0	67.4
Other temporary timing differences	12.4	11.2
	76.4	78.6
Total	983.2	847.5

The £135.7m increase in unrecognised tax losses and other temporary differences reflects the decrease in amounts previously recognised in respect of deferred tax assets, and unrecognised temporary differences arising during the year due to: deferred interest; tax deductible cost reduction programme expenses; and pension contributions.

Assets have no time expiry, but some losses are subject to specific loss restriction rules. £41.8m (2023: £28.8m) of the losses were incurred by companies acquired by the Group and are not a result of the Group's trading performance.

Dividends received from subsidiaries are largely exempt from UK tax but may be subject to dividend withholding taxes levied by the overseas tax jurisdictions in which the subsidiaries operate. The gross temporary differences of those subsidiaries affected by such potential taxes is £45.6m (2023: £48.4m). A deferred tax liability of £4.5m (2023: £5.1m) has been recognised on the unremitted earnings of those subsidiaries affected by such potential taxes because the Group is able to control the timing of reversal and it is anticipating dividends to be distributed. The earnings remitted during the year have resulted in a reduction in the closing deferred tax liability.

8 Earnings/(loss) per share

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

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

		2024 pence	2023 pence
Basic earnings/(loss) per share	– reported	4.54	(10.60)
	– adjusted	2.11	(0.20)
Diluted earnings/(loss) per share	– reported	4.41	(10.60)
	– adjusted	2.05	(0.20)

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

		2024 £m	2023 £m
Reported profit/(loss) before tax for the period		116.6	(106.6)
Income tax (charge)/credit	7	(36.2)	(74.0)
Reported profit/(loss) for the period		80.4	(180.6)
Less: Non-controlling interest		(3.7)	2.5
Total profit/(loss) attributable to shareholders		76.7	(178.1)
Adjusted profit before tax ¹ for the period	5	50.0	40.9
Income tax (charge)/credit	7	(10.3)	(47.4)
Adjusted profit/(loss) for the period		39.7	(6.5)
Less: Non-controlling interest		(4.1)	3.1
Adjusted profit/(loss) attributable to shareholders		35.6	(3.4)

1. Definitions of the alternative performance measures and related key performance indicators (KPIs) can be found in the Appendix.

	2024 m	2023 m
Weighted average number of ordinary shares (excluding Employee Benefit Trust shares) for basic earnings per share	1,690.4	1,680.9
Dilutive potential ordinary shares:		
Employee share options	50.1	—
Weighted average number of ordinary shares (excluding Employee Benefit Trust shares) adjusted for the effect of dilution	1,740.5	1,680.9

At 31 December 2024 no (2023: 35,795,731) options were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti-dilutive. Under IAS 33 *Earnings per Share*, potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

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

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

9 Business exits and assets held-for-sale

Business exits

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

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

Assets held-for-sale

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

Based on the above requirements, individual businesses will only reach the criteria to be treated as held-for-sale where the disposal is seen to be highly probable and expected to complete within the following twelve months. At 31 December 2024 one business (the Group's mortgage servicing business) was deemed to have met this threshold. At 31 December 2023 one business (the Group's 75% shareholding in Fera Science Limited (Fera)) was deemed to have met this threshold.

2024 business exits

Business exits at 31 December 2024 primarily comprised the following business disposals:

Business	Disposal completed on
Fera	17 January 2024
Capita One	5 September 2024

In addition to the above disposals, as disclosed in the 2023 Annual Report, the Group decided to exit a business in Capita Public Service during 2023. During 2024, the Group decided to exit its corporate venture business (Capita Scaling Partner) in Capita Experience, and a further business from Capita Public Service. The trading results and non-trading expenses of these businesses have also been excluded from adjusted results.

The Capita Scaling Partner business manages the Group's investments in start-up and scale-up companies. Of these investments, during the year, two associates were sold realising a net gain of £0.3m and two other investments were sold realising a loss of £7.4m which are included within 'share of results in associates and losses on financial assets' in the table below. Also included is a net loss of £4.6m in relation to the revaluation of the remaining Capita Scaling Partner investments and a loss of £0.1m being the share of the results of the associates before they were sold. Following the decision to exit the Capita Scaling Partner business in the first half of the year and the losses realised on disposals in the second half of 2024, the Group has evolved its approach to valuing the remaining investments to take into account recent experiences, and to better reflect expected disposal proceeds. The Group will seek to maximise value from the remaining Capita Scaling Partner investments, which at 31 December 2024 had an aggregate carrying value of £4.8m (2023: £17.8m), including loans receivable by Capita of £0.7m (2023: £0.7m).

Income statement impact	2024			2023 (Re-presented) ¹		
	Trading £m	Non-trading £m	Total £m	Trading £m	Non-trading £m	Total £m
Revenue	52.5	—	52.5	238.8	—	238.8
Cost of sales	(44.5)	—	(44.5)	(160.0)	—	(160.0)
Gross profit	8.0	—	8.0	78.8	—	78.8
Administrative expenses	(1.6)	(8.0)	(9.6)	(66.6)	(33.0)	(99.6)
Operating profit/(loss)	6.4	(8.0)	(1.6)	12.2	(33.0)	(20.8)
Share of results in associates and losses on financial assets	—	(11.8)	(11.8)	—	—	—
Finance costs	(0.3)	—	(0.3)	—	—	—
Gain/(loss) on disposal of businesses	—	184.6	184.6	—	(2.4)	(2.4)
Profit/(loss) before tax	6.1	164.8	170.9	12.2	(35.4)	(23.2)
Taxation	(1.7)	(24.3)	(26.0)	0.3	(27.6)	(27.3)
Profit/(loss) after tax	4.4	140.5	144.9	12.5	(63.0)	(50.5)

1. To enable a like-for-like comparison of adjusted results, the 2023 comparatives have been re-presented to include the businesses classified as business exits during 2024.

Trading revenue and costs represent the trading performance of the above businesses up to the point of being disposed or exited, and in the comparative period also those businesses disposed of during 2023 (being: Resourcing, Security Watchdog, PageOne, Software, Enforcement, and Travel).

Trading expenses primarily comprise payroll costs of £29.4m (2023: £152.4m) and information technology costs of £15.8m (2023: £39.2m), and in the comparative period, the de-recognition of non-current contract fulfilment assets of £8.2m on the early termination of a customer contract for a business in Capita Public Service that was first treated as a business exit in 2023.

Non-trading administrative expenses include: asset impairments of £8.7m (2023: £25.4m); disposal project costs of £1.1m (2023: £5.6m); other costs including staff and redundancy costs of £nil (2023: £2.6m); and, other income of £1.8m (2023: £0.6m). The asset impairments include goodwill within assets held-for-sale of £nil (2023: £18.1m); property, plant and equipment of £0.2m (2023: £7.1m); intangible assets of £8.5m (2023: £nil); and, right-of-use-assets of £nil (2023: £0.2m).

9 Business exits and assets held-for-sale continued

2024 disposals

During 2024 the Group disposed of two businesses: the Group's 75% shareholding in Fera, and Capita One. During 2023 the Group disposed of six businesses: Resourcing, Security Watchdog, PageOne, Software, Enforcement and Travel.

The gain/(loss) arising was determined as follows:

	2024 £m	2023 £m
Property, plant and equipment	—	0.3
Intangible assets	—	8.6
Goodwill	—	3.2
Right-of-use assets	—	0.2
Income tax recoverable and deferred tax assets	—	0.8
Trade and other receivables	—	78.6
Cash and cash equivalents	—	14.6
Disposal group assets held-for-sale ¹	157.8	78.2
Trade and other payables	—	(36.6)
Deferred income	—	(3.9)
Lease liabilities	—	(0.2)
Capita group loan balances	—	(42.7)
Income tax payable and deferred tax liabilities	—	(1.1)
Disposal group liabilities held-for-sale ¹	(82.9)	(33.5)
Net identifiable assets sold	74.9	66.5
Non-controlling interests	(9.1)	—
	65.8	66.5
Sales price:		
received in cash	269.8	68.4
deferred receivable	—	11.4
Less: disposal costs	(19.4)	(15.5)
Net sales price	250.4	64.3
Realisation of cumulative currency translation difference	—	(0.2)
Gain/(loss) on disposal of businesses	184.6	(2.4)
Net cash inflow		
Proceeds received	269.8	68.4
Less disposal costs:		
income statement charge	(19.4)	(15.5)
change in accrued disposal costs during the year	(1.3)	(8.1)
Settlement of receivables due from disposed businesses:		
disposal of businesses in the period	—	42.7
disposal of businesses classified as held-for-sale	—	9.3
Total proceeds received net of disposal costs paid	249.1	96.8
Total cash held by businesses when sold		
Cash held by businesses when sold	—	(14.6)
Cash held by businesses classified as held-for-sale	(25.2)	(18.8)
Total cash held by businesses when sold	(25.2)	(33.4)
Net cash inflow	223.9	63.4

1. 2024 balances in respect of disposal group assets and liabilities held-for-sale relate to Fera and Capita One which were transferred to held-for-sale on 31 December 2023 and 30 June 2024 respectively, prior to their disposals in 2024. The 2023 balances relate to three businesses (PageOne, Software and Enforcement) that were transferred to held-for-sale on 30 June 2023, and were subsequently sold on 31 July 2023.

Disposal costs of £3.5m, relating to businesses disposed of in the year, were recognised in prior years and are excluded from the above gain on disposal of businesses.

9 Business exits and assets held-for-sale continued

Disposal group assets and liabilities

At 31 December 2024, the mortgage servicing business was deemed to have met the threshold to be treated as held-for-sale (2023: the Fera business was deemed to have met the held-for-sale threshold).

	2024 £m	2023 £m
Property, plant and equipment	0.1	5.1
Goodwill	—	15.0
Trade and other receivables	—	3.3
Accrued income	—	6.1
Prepayments	—	1.4
Cash and cash equivalents	—	7.2
Disposal group assets held-for-sale	0.1	38.1
Trade and other payables	—	2.1
Other taxes and social security	—	1.6
Accruals	0.1	1.8
Deferred income	—	3.6
Income tax payable and deferred tax liabilities	—	0.6
Disposal group liabilities held-for-sale	0.1	9.7

Business exit cash flows

Businesses exited and being exited had a cash generated from operations inflow of £14.3m up to the date of exit (2023: cash outflow of £1.5m). A reconciliation of cash generated from/(used) by operations excluding business exits, is included within note 10.

10 Cash flow information

Additional cash flow information

		2024		2023	
	Notes	Reported £m	Excluding business exits ¹ £m	Reported £m	Excluding business exits ¹ £m
Cash flows from operating activities:					
Reported operating loss	5	(9.9)	(9.9)	(52.0)	(52.0)
Less: business exit operating loss	9	—	1.6	—	20.8
Total operating loss		(9.9)	(8.3)	(52.0)	(31.2)
Adjustments for non-cash items:					
Depreciation		66.5	66.4	79.5	77.9
Amortisation of intangible assets		23.4	21.8	29.3	23.7
Share-based payment expense		6.0	6.0	5.5	5.5
Employee benefits		8.5	8.5	7.7	7.7
Loss on sale of property, plant and equipment and intangible assets		1.7	1.7	0.7	0.7
Amendments and early terminations of leases		(6.8)	(6.8)	3.0	3.0
Impairment of assets held-for-sale		—	—	18.1	—
Impairment of non-current assets		86.2	77.5	69.6	62.3
Other adjustments:					
Movement in provisions ²		(31.2)	(29.9)	23.0	15.7
Pension deficit contributions		(20.8)	(6.3)	(46.3)	(30.0)
Other contributions into pension schemes		(8.4)	(8.4)	(9.2)	(9.2)
Movements in working capital²:					
Trade and other receivables		16.4	18.3	(30.1)	(4.1)
Non-recourse trade receivables financing		(11.8)	(11.8)	(9.2)	(9.2)
Trade and other payables		(65.2)	(60.6)	(8.5)	(5.5)
Deferred income		(33.2)	(46.4)	(77.4)	(80.5)
Contract fulfilment assets (non-current)		(5.4)	(5.5)	5.0	(0.3)
Cash generated from operations		16.0	16.2	8.7	26.5
Adjustments for free cash flows:					
Income tax paid ³		(4.0)	(4.0)	(8.1)	(4.2)
Income tax received ³		5.1	5.1	0.6	0.6
Interest received		8.0	7.9	6.2	6.2
Interest paid		(50.3)	(50.3)	(47.7)	(47.7)
Net cash outflow from operating activities		(25.2)	(25.1)	(40.3)	(18.6)
Purchase of property, plant and equipment		(16.6)	(16.3)	(28.8)	(26.4)
Purchase of intangible assets		(33.5)	(33.5)	(32.8)	(26.3)
Proceeds from sale of property, plant and equipment and intangible assets		0.3	0.3	0.1	0.1
Capital element of lease rental receipts		5.9	5.9	6.0	6.0
Capital element of lease rental payments		(53.6)	(53.6)	(59.1)	(58.4)
Free cash flow¹		(122.7)	(122.3)	(154.9)	(123.6)

1. Definitions of the alternative performance measures and related key performance indicators (KPIs) can be found in the Appendix.

2. These movements exclude items that have been adjusted for elsewhere within the cash flow statement. For example, balances transferred to held-for-sale or relate to a business disposal. As such these movements may not directly agree to the year-on-year movements within the balance sheet.

3. Income tax paid and income tax received have been separately disclosed for the current year, with the prior year re-presented on the same basis. Previously these were presented as net income tax paid.

Cyber incident: In relation to the exceptional cyber incident costs referred to in note 5, the net cash outflow during the year ended 31 December 2024 was £5.0m (2023: £20.1m) and is included within free cash flow excluding business exits, and cash generated from operations excluding business exits. The cumulative net cash outflow since the incident in the first half of 2023 is £25.1m.

Cost reduction programme: In relation to the implementation of the cost reduction programme detailed in note 5, the cash outflow during the year ended 31 December 2024 was £44.5m (2023: £6.1m), and is included within free cash flow excluding business exits, and cash generated from operations excluding business exits. The outflow in the current year was less than the expected outflow included in the 2023 Annual Report of £50m due to a delay in the timing of some payments. The cumulative cash outflow since the commencement of the cost reduction programme in the second half of 2023 is £50.6m. The cost reduction initiatives are expected to result in cash costs during 2025 totalling an estimated £55m.

10 Cash flow information continued

Free cash flow and cash generated from operations (alternative performance measures - refer to Appendix)

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

These measures are analysed below:

	Free cash flow		Cash generated/(used) by operations	
	2024 £m	2023 £m	2024 £m	2023 £m
Reported (including business exits)	(122.7)	(154.9)	16.0	8.7
Business exits	(14.1)	15.0	(14.3)	1.5
Pension deficit contributions triggered by disposals	14.5	16.3	14.5	16.3
Excluding business exits	(122.3)	(123.6)	16.2	26.5

A reconciliation of net cash flow to movement in net debt is included below.

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

Pension deficit contributions triggered by disposals: the Trustee of the Group's main defined benefit pension scheme (HPS) has an agreement with the Group that if there is a future deficit in the scheme, the Group will accelerate the payment of future agreed deficit contributions on a pound for pound basis in the event of disposal proceeds being used to fund mandatory prepayments of debt. The Trustmarque disposal in March 2022 resulted in an accelerated deficit contribution of £14.5m being paid during 2024. The disposal of Pay360 and Capita Translation and Interpreting in the second half of 2022 and Resourcing in 2023 resulted in accelerated deficit contributions of £16.3m being paid during 2023. Given the healthy funding position of HPS in its latest funding valuation, the Group has paid all outstanding deficit contributions at this time.

Reconciliation of net cash flow to movement in net debt

	Net debt at 1 January £m	Cash flow movements £m	Total Non-cash movement £m	Net debt at 31 December £m
Year ended 31 December 2024				
Cash, cash equivalents and overdrafts	67.6	124.5	(0.7)	191.4
Private placement loan notes	(267.0)	—	(4.9)	(271.9)
Unamortised transaction costs on debt issuance	4.5	—	(1.9)	2.6
Carrying value of private placement loan notes	(262.5)	—	(6.8)	(269.3)
Cross-currency interest rate swaps	13.6	(3.4)	2.0	12.2
Fair value of private placement loan notes	(248.9)	(3.4)	(4.8)	(257.1)
Other finance	(0.1)	—	—	(0.1)
Lease liabilities	(363.4)	76.3	(61.6)	(348.7)
Total net liabilities from financing activities	(612.4)	72.9	(66.4)	(605.9)
Deferred consideration payable	(0.7)	—	—	(0.7)
Net debt	(545.5)	197.4	(67.1)	(415.2)
Year ended 31 December 2023				
Cash, cash equivalents and overdrafts	177.2	(106.9)	(2.7)	67.6
Private placement loan notes	(289.5)	17.5	5.0	(267.0)
Unamortised transaction costs on debt issuance	4.0	5.4	(4.9)	4.5
Carrying value of private placement loan notes	(285.5)	22.9	0.1	(262.5)
Cross-currency interest rate swaps	24.8	(6.9)	(4.3)	13.6
Fair value of private placement loan notes	(260.7)	16.0	(4.2)	(248.9)
Other finance	(0.7)	0.5	0.1	(0.1)
Lease liabilities	(397.5)	81.4	(47.3)	(363.4)
Total net liabilities from financing activities	(658.9)	97.9	(51.4)	(612.4)
Deferred consideration payable	(0.7)	—	—	(0.7)
Net debt	(482.4)	(9.0)	(54.1)	(545.5)

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

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

11 Goodwill

At 31 December 2024, the carrying value of goodwill was £372.4m (2023: £495.7m). The decrease is primarily due to a £75.1m impairment of the Contact Centre cash generating unit (CGU) and the disposal of Capita One (£47.0m).

Cash-generating units

In line with the determination in the second half of the year that the Capita Experience division comprises three operating segments: Contact Centre, Pension Solutions and Regulated Services (refer to the divisional performance), the Group has reviewed the historical assessment of CGUs and the allocation of goodwill. Reflecting the way management now exercises oversight and monitors the Group's performance, the Board concluded that the lowest level at which goodwill is monitored is at the divisional level for Capita Public Service, and at a sub-divisional level for Capita Experience in line with the aforementioned operating segments, and goodwill has been reallocated to these groups of CGUs (hereafter referred to as CGU) accordingly.

Where possible, goodwill was reallocated to the new CGUs by transferring the goodwill balance created on acquisition of the business to the CGU in which the business now primarily resides under the new organisational structure. In some cases, it was not possible to clearly determine a single CGU in which the acquired business now primarily resides, and in these instances the relevant goodwill was allocated to the CGU that best reflected the original balance. The opening goodwill balance as at 1 January 2024 has been reallocated to these CGUs for comparable purposes.

Carrying amount of goodwill allocated to CGUs:

CGU	Capita Public Service £m	Capita Experience			Total £m
		Contact Centre £m	Pension Solutions £m	Regulated Services £m	
At 1 January	286.4	148.6	60.7	—	495.7
Transfer to assets held-for-sale ¹	(47.0)	—	—	—	(47.0)
Impairment – excluded from adjusted profit	—	(75.1)	—	—	(75.1)
Exchange movement	—	(1.2)	—	—	(1.2)
At 31 December	239.4	72.3	60.7	—	372.4

1. Transfers to disposal group assets held-for-sale in the year ended 31 December 2024 is in respect of Capita One that was transferred at 30 June 2024 and subsequently sold during the second half of the year.

The impairment test

The Group's impairment test compares the carrying value of each CGU with its recoverable amount. The recoverable amount of a CGU is the higher of fair value less cost of disposal, and its value in use. As the Group continues to implement the Group-wide cost reduction programme first announced in November 2023 and referred to in note 5, and continues to be committed to evaluating additional cost savings opportunities, it has been determined that at 31 December 2024, fair value less costs of disposal will generate the higher recoverable amount.

The valuation of CGUs under fair value less costs of disposal assumes that a third-party acquirer will undertake a similar plan to derive similar benefits in the business going forward. The enterprise value of each CGU is dependent on the successful implementation of the cost reduction programme.

Fair value less costs of disposal for each CGU has been estimated using discounted cash flows. The fair value measurement was categorised as a Level-3 fair value based on the inputs in the valuation technique used. The costs of disposal have been estimated based on the Groups' significant disposals in recent years.

In 2024, the Contact Centre business has seen a reduction in its adjusted revenue¹, increase in its adjusted operating loss¹ and reduction in its operating cash flow excluding business exits¹. These trends reflect the one-off benefit from the Virgin Media O2 contract transition in the prior year and the impact of prior year contract losses, both of which were reflected in the financial projections used for impairment testing purposes previously, and lower than expected volumes in the telecommunications vertical in the second half of 2024, which are expected to remain subdued during 2025. The profit and cash flow impact of these items was partially offset by an underlying margin improvement from lower overheads from delivery of the cost reduction programme.

The Contact Centre business also saw a reduction in bid activity across 2024, and although there has been a strong start to 2025, the business is expecting a high single-digit revenue reduction in 2025. In addition, the material contracts secured in 2024 are framework agreements, which enable the customer to both ramp-up and ramp-down volume, providing both an opportunity but also a risk to the business's forecast. Whilst delivery and client sentiment has remained strong across the majority of the portfolio, certain delivery issues have led to the reduction of volumes on one particular contract.

As detailed in the strategic review, there is a significant opportunity for the Contact Centre business to improve its margins to be in line with those of its peers, and it is implementing a significant reorganisation, including delayering internal management structures and a digitisation plan to reduce costs. A key element of its reorganisation is increasing the use of offshore and nearshore service delivery to meet client needs. In terms of its digitisation plan, the forecast for the business assumes an increase in the use of its new AI and generative AI solutions, such as AgentSuite, with significant rollout to clients underway for 2025. There is a risk with the assumed rollout of these new technology solutions, such as the pace of technological change, which brings increased uncertainty in delivery, and therefore a risk to the business's forecast.

To reflect these risks from the perspective of a market participant perspective, and taking account of the historical performance of the business and inherent uncertainty in forecasting, for the purposes of the impairment test, the business plan cash flow projections have been risk adjusted in the Contact Centre CGU from 2025 onwards.

Forecast cash flows

The cash flow projections prepared for the impairment test are derived from the 2025-2027 business plan approved by the Board, which are prepared on a nominal basis. Key assumptions in the business plan include the delivery of planned revenue growth and the benefits that the cost reduction programme is anticipated to deliver. As noted above, for the purposes of the impairment test, the business plan cash flow projections have been risk adjusted in the Contact Centre CGU from 2025 onwards.

The going concern severe but plausible downside scenarios have taken account of the potential adverse financial impacts resulting from the following risks, which include the key assumptions noted above:

- revenue growth falling materially short of plan;
- operating margin expansion not being achieved;
- targeted cost savings delayed or not delivered;
- unforeseen operational issues leading to contract losses and cash outflows; and
- unexpected financial costs linked to incidents such as data breaches and/or cyber-attacks.

11 Goodwill continued

As such, the below sensitivity analysis includes assessing the impact of these crystallising on the impairment test performed.

Forecast cash flows have been adjusted for movements in deferred income and contract fulfilment assets. An adjustment has also been made to the 2025 cash flows to reflect the assumed build-up in working capital to reach a normalised working capital position for each CGU.

Allocation of central function costs

The Board has considered an appropriate methodology to apply when allocating central function costs. The methodology applied for the 2024 impairment test was aligned to that applied in reporting segmental performance (refer to note 4). The remaining Group related costs of Capita plc, which have not been allocated as part of segmental reporting, are allocated to CGUs for impairment testing purposes based on 2025 forecast earnings before interest, tax, depreciation and amortisation (EBITDA).

Long-term growth rate

The long-term growth rate is based on economic growth forecasts by recognised bodies and this has been applied to forecast cash flows for years four and five (2028 and 2029) and for the terminal period. The 2024 long-term growth rate is 1.6% (2023: 1.7%).

Discount rates

Management estimates discount rates using nominal pre-tax rates of comparator companies for each CGU. The discount rates reflect the latest market assumptions for the risk-free rate, the equity risk premium and the net cost of debt, and which are all based on publicly available external sources.

The pre-tax discount rates applied to the Contact Centre cash flows for 2024 was 11.2% (2023: 9.2% being that used for the aggregated Capita Experience group of CGUs at 31 December 2023).

Sensitivity analysis

The impairment testing as described is reliant on the reliability of management's forecasts and the assumptions that underlie them; and on the selection of the discount and growth rates to be applied. To gauge the sensitivity of the result to a change in any one, or combination of the assumptions that underlie the model, a number of scenarios were developed to identify the range of reasonably possible alternatives and measure which CGUs are the most susceptible to an impairment should the assumptions used be varied. The most material sensitivities to the cash flow forecasts are the risk of not delivering the planned revenue growth and efficiency savings from the Group's cost reduction programme.

The table below shows the additional impairment required (with all other variables being equal) through: an increase in discount rate of 1%, or a decrease of 1% in the long-term growth rate (for the terminal period) for the Contact Centre CGU; or, through the severe but plausible downsides applied to the base-case projections for assessing going concern and viability, without mitigations, for 2025 to 2027, and the long-term growth rate (1.6%) applied to the 2027 downside cash flows to generate projected cash flows for 2028, 2029, and the terminal period. We have also considered the impact of all the scenarios together, which is also a reasonable possible alternative.

	1% increase in discount rate	Long-term growth rate decrease by 1%	Severe but plausible downside	Combination sensitivity
	£m	£m	£m	£m
Contact Centre	(23.2)	(17.4)	(18.1)	(55.1)

Comparison to share price and market capitalisation

The company's market capitalisation indicates an enterprise value that continues to be significantly less than the Group's sum-of-the-parts CGU valuation based upon the model prepared for impairment testing purposes at 31 December 2024. The directors gave consideration as to why this might be the case and the reasonableness of the assumptions used in the impairment model, and whether these points could indicate additional indicators of impairment in respect of the Group's goodwill balances.

The factors considered included: the differing basis of valuations (including that third parties value the services sector on income statement multiples versus long-term view using a discounted cash flow for the basis of impairment testing under accounting standards), sum-of-the-parts view and the multiples achieved on recent disposals, general market assumptions of the sector which can ignore the liquidity profile and specific risks of an entity, and other specific items impacting the market's view of the Group at the moment, including the on-going cost reduction programme.

Taking these points into consideration, the Board is comfortable that there is no further impairment in respect of goodwill to be recognised at 31 December 2024, despite the continuing low market capitalisation of the Group.

12 Provisions

The movements in provisions during the year are as follows:

	Cost reduction provision £m	Business exit provision £m	Claims and litigation provision £m	Property provision £m	Customer contract provision £m	Other provisions £m	Total £m
At 1 January	29.5	7.8	41.4	7.8	58.5	5.2	150.2
Reclassification between categories	—	—	—	—	0.2	(0.2)	—
Provisions in the year	19.7	7.0	5.6	7.4	28.4	4.6	72.7
Releases in the year	(5.0)	(1.8)	(11.4)	(1.9)	(6.4)	(2.9)	(29.4)
Utilisation	(34.9)	(6.6)	(5.4)	(6.9)	(19.0)	(1.7)	(74.5)
Unwinding of discount and changes in the discount rate	—	—	—	—	0.4	—	0.4
Exchange movement	(0.2)	—	—	—	0.1	—	(0.1)
At 31 December	9.1	6.4	30.2	6.4	62.2	5.0	119.3

	31 December 2024 £m	31 December 2023 £m
Current	81.4	101.6
Non-current	37.9	48.6
	119.3	150.2

Cost reduction provision: The provision represents the cost of reducing headcount where communication to affected employees has crystallised a valid expectation that roles are at risk and it is likely to unwind over the next twelve months. Additionally, it relates to unavoidable running costs of leasehold properties (such as insurance and security) and dilapidation provisions, where properties are exited as a result of the cost reduction programme. These provisions are likely to unwind over periods of up to four years. Refer to note 5 for further details on the cost reduction programme.

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

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

Property provision: The provision relates to unavoidable running costs, such as insurance and security, of leasehold property where the space is vacant or currently not planned to be used, and dilapidation costs, for ongoing operations, and not the cost reduction programme detailed in note 5 (where such costs are included in the cost reduction provision). The expectation is that this expenditure will be incurred over the remaining periods of the leases which vary up to 22 years.

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

The customer contract provision includes £43.9m (2023: £40.5m) in respect of contracts in the closed book Life & Pensions business, which the Group is seeking to exit, in the Regulated Services business in Capita Experience. The closed books and contractual dynamics have led to onerous conditions to service certain of these contracts. Management has been required to assess the likely length of these contracts, given the pattern and experience of contract terminations while also recognising the evergreen clauses (which potentially allow the customer to extend the contracts indefinitely until the run-off of the underlying life and pension books is complete). Accordingly, the Group has, as in prior years, provided for the onerous contract conditions based on the best estimate of the remaining contract terms and the period until the final handover of services. At 31 December 2024, £35.4m of the provision, which is in respect of contracts with the one remaining customer where an earlier exit is not yet highly probable, was increased to provide cover for the contracts to extend out to December 2029 (ie a five year rolling period), reflecting the current best estimate of the remaining term and likely costs to continue service delivery. The remaining £8.5m of the provision relates to a contract where the earlier exit is highly probable at 31 December 2024, and comprises an onerous contract provision for the remaining term and likely costs to continue service delivery, and a provision to cover the cost to exit the contract and handover these services.

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

13 Contingent liabilities

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

The Group has provided, through the normal course of its business, performance bonds and bank guarantees of £24.7m (2023: £22.5m). On adoption of IFRS 17 the Group had the option to apply either IFRS 17 or IFRS 9 for external debt guarantees, of which the Group elected to apply IFRS 9. The Group accounts for performance guarantees under IAS 37 as they do not meet the criteria to be recognised as an insurance contract.

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

13 Contingent liabilities continued

At the date of approval of these consolidated financial statements, we remain in dialogue with the Information Commissioner's Office (ICO) and are responding to the ICO's information requests following the cyber incident in March 2023. No formal action has been taken by the ICO in connection with the cyber incident and there have been no preliminary findings regarding fault that could lead to any potential regulatory penalty. The Group has received notification of potential claims for damages by or on behalf of individuals whose data may have been exfiltrated as part of the incident. The Group has received only one substantive claim in relation to the cyber incident, which was issued by Barings Law on 4 April 2024. The Group continues to vigorously defend itself against this and any other claims which may be issued. At the date of these financial statements, the Group do not consider future cash outflows in relation to the one substantive claim issued by Barings Law to be probable, and consequently no provision has been recorded. At the date of approval of these financial statements, it is not possible to reliably estimate the value of any existing, potential or future claim or penalty against the Group.

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

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

14 Post balance sheet events

The following events occurred after 31 December 2024, and before the approval of these consolidated financial statements, but have not resulted in adjustment to the 2024 financial results:

Repayment of private placement loan notes

US dollar and British pound sterling private placement loan notes of USD74.3m and £7.4m respectively were repaid at maturity on 22 January 2025, as per their contractual values. Net of swaps the repayments were £53.6m.

Issue of private placement loan notes

In March 2025, the Group issued £94.2m equivalent of US private placement loan notes across three tranches: £50m maturing 24 April 2028, USD13m maturing 24 April 2028 and USD43m maturing 24 April 2030, with an average interest rate of 7.4%. The notes rank pari passu with the existing indebtedness of the Group and include financial covenants at the same level as those under the revolving credit facility and existing US private placement loan notes. Additionally, the placement requires the Group to refinance or extend the Group's revolving credit facility, which matures on 31 December 2026, by 31 December 2025.

Appendix - Alternative performance measures

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

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

APM	Closest equivalent IFRS measure	Definition, Purpose and Reconciliation																																													
Income statement																																															
Adjusted revenue R	Revenue	Calculated as revenue less any revenue relating to businesses that have been sold, or exited during the year or prior year; or, are in the process of being sold, or exited. This measure of revenue is used internally in respect of the Group's continuing business (being the Group's continuing activities, which exclude business exits) and the Board believes it is a good indication of ongoing performance. The table below shows a reconciliation between reported and adjusted revenue, as well as adjusted revenue reduction: <table><tr><td></td><td>2024</td><td>2023</td></tr><tr><td>Reported revenue per the income statement</td><td>£2,421.6m</td><td>£2,814.6m</td></tr><tr><td>Deduct: business exits (note 9)</td><td>£(52.5)m</td><td>£(238.8)m</td></tr><tr><td>Adjusted revenue</td><td>£2,369.1m</td><td>£2,575.8m</td></tr><tr><td>Adjusted revenue (reduction)/growth</td><td>(8.0)%</td><td>1.1%</td></tr></table>		2024	2023	Reported revenue per the income statement	£2,421.6m	£2,814.6m	Deduct: business exits (note 9)	£(52.5)m	£(238.8)m	Adjusted revenue	£2,369.1m	£2,575.8m	Adjusted revenue (reduction)/growth	(8.0)%	1.1%																														
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Adjusted revenue (reduction)/growth	(8.0)%	1.1%																																													
Adjusted operating profit R	Operating profit	Calculated as reported operating profit excluding items determined by the Board to be outside underlying operations. These items are detailed in note 5. A reconciliation of reported to adjusted operating profit is provided in note 5.																																													
Adjusted operating profit margin R	Operating margin	Calculated as the adjusted operating profit divided by adjusted revenue. This measure is an indicator of the Group's operating efficiency. The table below shows the components, and calculation, of adjusted operating margin: <table><tr><td></td><td>2024</td><td>2023</td></tr><tr><td>Adjusted revenue</td><td>a £2,369.1m</td><td>£2,575.8m</td></tr><tr><td>Adjusted operating profit (note 5)</td><td>b £95.9m</td><td>£90.9m</td></tr><tr><td>Adjusted operating margin</td><td>b/a 4.0%</td><td>3.5%</td></tr></table>		2024	2023	Adjusted revenue	a £2,369.1m	£2,575.8m	Adjusted operating profit (note 5)	b £95.9m	£90.9m	Adjusted operating margin	b/a 4.0%	3.5%																																	
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Adjusted EBITDA R	No direct equivalent	Calculated as adjusted operating profit for the last twelve months before: depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets; net finance costs; and the share of results in associates and losses on financial assets (other than those already excluded from adjusted operating profit). The directors believe that adjusted Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) is a useful measure for investors because it is closely monitored by management to evaluate Group and divisional operating performance. This measure has been calculated pre and post the impact of IFRS 16 to enable investors to understand the impact of the Group's lease portfolio on adjusted EBITDA. The table below shows the calculation of adjusted EBITDA: <table><tr><td></td><td colspan="2">Post IFRS 16</td><td colspan="2">Pre IFRS 16</td></tr><tr><td></td><td>2024</td><td>2023</td><td>2024</td><td>2023</td></tr><tr><td>Adjusted profit before tax</td><td>£50.0m</td><td>£40.9m</td><td>£58.0m</td><td>£41.4m</td></tr><tr><td>Add back: adjusted net finance costs (note 6)</td><td>£45.9m</td><td>£50.0m</td><td>£29.1m</td><td>£31.8m</td></tr><tr><td>Add back: adjusted depreciation and impairment of property, plant and equipment</td><td>£25.8m</td><td>£30.7m</td><td>£25.8m</td><td>£30.7m</td></tr><tr><td>Add back: depreciation and impairment of right-of-use assets</td><td>£42.2m</td><td>£50.5m</td><td>£—m</td><td>£—m</td></tr><tr><td>Add back: adjusted amortisation and impairment of intangibles</td><td>£22.2m</td><td>£24.4m</td><td>£22.2m</td><td>£24.4m</td></tr><tr><td>Adjusted EBITDA</td><td>£186.1m</td><td>£196.5m</td><td>£135.1m</td><td>£128.3m</td></tr><tr><td>Adjusted EBITDA margin</td><td>7.9%</td><td>7.6%</td><td>5.7%</td><td>5.0%</td></tr></table>		Post IFRS 16		Pre IFRS 16			2024	2023	2024	2023	Adjusted profit before tax	£50.0m	£40.9m	£58.0m	£41.4m	Add back: adjusted net finance costs (note 6)	£45.9m	£50.0m	£29.1m	£31.8m	Add back: adjusted depreciation and impairment of property, plant and equipment	£25.8m	£30.7m	£25.8m	£30.7m	Add back: depreciation and impairment of right-of-use assets	£42.2m	£50.5m	£—m	£—m	Add back: adjusted amortisation and impairment of intangibles	£22.2m	£24.4m	£22.2m	£24.4m	Adjusted EBITDA	£186.1m	£196.5m	£135.1m	£128.3m	Adjusted EBITDA margin	7.9%	7.6%	5.7%	5.0%
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Alternative performance measures continued

APM	Closest equivalent IFRS measure	Definition, Purpose and Reconciliation												
Income statement continued														
Adjusted profit/(loss) before tax R	Profit/(loss) before tax	Calculated as profit or loss before tax excluding the items detailed in note 5, which include: business exits (trading results, non-trading expenses, and any gain/(loss) on business disposal); acquired intangible amortisation; impairment of goodwill and acquired intangibles; costs of the cyber incident in March 2023; and expenses associated with the cost reduction programme. A reconciliation of reported to adjusted profit before tax is provided in note 5.												
Adjusted profit/(loss) after tax R	Profit/(loss) after tax	Calculated as the above adjusted profit or loss before tax, less the tax expense on adjusted profit or loss. The table below shows a reconciliation: <table> <tr> <th></th><th>2024</th><th>2023</th></tr> <tr> <td>Adjusted profit before tax (note 5)</td><td>£50.0m</td><td>£40.9m</td></tr> <tr> <td>Tax on adjusted profit (note 7)</td><td>£(10.3)m</td><td>£(47.4)m</td></tr> <tr> <td>Adjusted profit/(loss) after tax</td><td>£39.7m</td><td>£(6.5)m</td></tr> </table>		2024	2023	Adjusted profit before tax (note 5)	£50.0m	£40.9m	Tax on adjusted profit (note 7)	£(10.3)m	£(47.4)m	Adjusted profit/(loss) after tax	£39.7m	£(6.5)m
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Tax on adjusted profit (note 7)	£(10.3)m	£(47.4)m												
Adjusted profit/(loss) after tax	£39.7m	£(6.5)m												
Adjusted basic earnings per share R	Basic earnings per share	Calculated as the adjusted profit or loss for the year after tax less non-controlling interests divided by the weighted average number of ordinary shares outstanding during the year. The Board believes that this provides an indication of basic earnings per share of the Group on adjusted profit after tax. For the calculation of adjusted basic earnings per share refer to note 8.												
Adjusted diluted earnings per share R	Diluted earnings per share	Calculated as the adjusted profit or loss for the year after tax less non-controlling interests divided by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would have been issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The Board believes that this provides an indication of diluted earnings per share of the Group on adjusted profit after tax. For the calculation of adjusted diluted earnings per share refer to note 8.												
Cash flows and net debt														
Cash flows generated/(used) by operations excluding business exits R	Cash generated/(used) by operations	Calculated as the cash flows generated from operations excluding the items detailed in note 10 which includes: business exits (trading results, non-trading expenses) and pension deficit contributions which have been triggered by disposals. A reconciliation of reported to cash generated/(used) by operations excluding business exits is provided in note 10.												
Free cash flow and free cash flow excluding business exits R	Net cash flows from operating activities	Free cash flow is calculated as cash generated from operations after: capital expenditure; income tax and interest; and the proceeds from the sale of property, plant and equipment and intangible assets; and the capital element of lease payments and receipts. Free cash flow excluding business exits has the same calculation but is excluding the impact of business exits. Free cash flow and free cash flow excluding business exits are measures used to show how effective the Group is at generating cash and the Board believes they are useful for investors and management to measure whether the Group is generating sufficient cash flow to fund operations, capital expenditure, non-lease debt obligations, and dividends. A reconciliation of net cash flows from operating activities to free cash flow and free cash flow excluding business exits and a reconciliation of free cash flow to free cash flow excluding business exits are provided in note 10.												

Alternative performance measures continued

APM	Closest equivalent IFRS measure	Definition, Purpose and Reconciliation
Cash flows and net debt continued		
Operating cash flow and operating cash conversion	No direct equivalent	Operating cash flow calculated as reported/adjusted EBITDA less working capital and non-cash and other adjustments excluding business exits, pension deficit contributions, cyber incident and cost reduction programme.
		Operating cash conversion calculated as operating cash flow divided by adjusted EBITDA.
R		The Board believes that this measure is useful for investors because it is closely monitored by management to evaluate the Group's operating performance and to make financial, strategic and operating decisions.

Alternative performance measures continued

APM	Closest equivalent IFRS measure	Definition, Purpose and Reconciliation																																			
Cash flows and net debt continued																																					
Net financial debt (pre-IFRS 16)	No direct equivalent	Calculated as the sum of the Group's: cash, cash equivalents and overdrafts; the fair value of the Group's private placement loan notes; other loan notes; and deferred consideration. The Board believes that this measure of net debt allows investors to see the Group's net debt position excluding its IFRS 16 lease liabilities. <table><tr><td></td><td>2024</td><td>2023</td></tr><tr><td>Net debt (note 10)</td><td>£415.2m</td><td>£545.5m</td></tr><tr><td>Remove: IFRS16 impact</td><td>£(348.7)m</td><td>£(363.4)m</td></tr><tr><td>Net financial debt (pre-IFRS 16)</td><td>£66.5m</td><td>£182.1m</td></tr></table>		2024	2023	Net debt (note 10)	£415.2m	£545.5m	Remove: IFRS16 impact	£(348.7)m	£(363.4)m	Net financial debt (pre-IFRS 16)	£66.5m	£182.1m																							
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Remove: IFRS16 impact	£(348.7)m	£(363.4)m																																			
Net financial debt (pre-IFRS 16)	£66.5m	£182.1m																																			
Gearing: net debt to adjusted EBITDA ratio	No direct equivalent	This ratio is calculated as net debt divided by adjusted EBITDA over a rolling twelve month period including business exits not yet completed at the balance sheet date. The Board believes that this ratio is useful because it shows how significant net debt is relative to adjusted EBITDA. This measure has been calculated including and excluding the impact of IFRS 16 leases on EBITDA and net debt because the Board believes this provides useful information to enable investors to understand the impact of the Group's lease portfolio on its gearing ratio. The table below shows the components, and calculation, of the net debt / net financial debt (post and pre IFRS 16) to adjusted EBITDA ratio: <table><tr><td></td><td colspan="2">Post IFRS 16</td><td colspan="2">Pre IFRS 16</td></tr><tr><td></td><td>2024</td><td>2023 ¹</td><td>2024</td><td>2023 ¹</td></tr><tr><td>Adjusted EBITDA</td><td>£186.1m</td><td>£214.6m</td><td>£135.1m</td><td>£146.2m</td></tr><tr><td>EBITDA in respect of business exits not yet completed</td><td>£(7.7)m</td><td>£8.2m</td><td>£(7.7)m</td><td>£8.2m</td></tr><tr><td>Adjusted EBITDA (including business exits not yet completed)</td><td>£178.4m</td><td>£222.8m</td><td>£127.4m</td><td>£154.4m</td></tr><tr><td>Net debt/net financial debt</td><td>£415.2m</td><td>£545.5m</td><td>£66.5m</td><td>£182.1m</td></tr><tr><td>Net debt/net financial debt to adjusted EBITDA ratio</td><td>2.3x</td><td>2.4x</td><td>0.5x</td><td>1.2x</td></tr></table>		Post IFRS 16		Pre IFRS 16			2024	2023 ¹	2024	2023 ¹	Adjusted EBITDA	£186.1m	£214.6m	£135.1m	£146.2m	EBITDA in respect of business exits not yet completed	£(7.7)m	£8.2m	£(7.7)m	£8.2m	Adjusted EBITDA (including business exits not yet completed)	£178.4m	£222.8m	£127.4m	£154.4m	Net debt/net financial debt	£415.2m	£545.5m	£66.5m	£182.1m	Net debt/net financial debt to adjusted EBITDA ratio	2.3x	2.4x	0.5x	1.2x
	Post IFRS 16		Pre IFRS 16																																		
	2024	2023 ¹	2024	2023 ¹																																	
Adjusted EBITDA	£186.1m	£214.6m	£135.1m	£146.2m																																	
EBITDA in respect of business exits not yet completed	£(7.7)m	£8.2m	£(7.7)m	£8.2m																																	
Adjusted EBITDA (including business exits not yet completed)	£178.4m	£222.8m	£127.4m	£154.4m																																	
Net debt/net financial debt	£415.2m	£545.5m	£66.5m	£182.1m																																	
Net debt/net financial debt to adjusted EBITDA ratio	2.3x	2.4x	0.5x	1.2x																																	

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



New APM in the year



Definition updated in the year



Comparatives re-presented

Appendix - Covenants

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

		2024	2023	Source
Covenants				
Adjusted operating profit ¹		£95.9m	£106.5m	Line information in note 5
Add back: covenant adjustments ² and amortisation		£54.1m	£64.1m	
Adjusted EBITA	a1	£150.0m	£170.6m	
Less: IFRS 16 impact		£(8.8)m	£(17.7)m	
Adjusted EBITA (excluding IFRS 16)	a2	£141.2m	£152.9m	
Adjusted EBITA		£150.0m	£170.6m	Line item above
Add back: covenant adjustments ³ and amortisation		£55.8m	£70.9m	
Covenant calculation – adjusted EBITDA	b1	£205.8m	£241.5m	
Less: IFRS 16 impact		£(51.1)m	£(68.4)m	
Covenant calculation – adjusted EBITDA (excluding IFRS 16)	b2	£154.7m	£173.1m	
Adjusted EBITA (US PP covenants)	a3	£150.0m	£162.4m	Adjusted for difference in exceptional items treatment
Adjusted EBITDA (US PP covenants)	b3	£205.8m	£233.3m	Adjusted for difference in exceptional items treatment
Adjusted interest charge		£(45.9)m	£(50.0)m	Line information in note 6
Add back: covenant adjustments ⁴		£2.0m	£3.8m	
Borrowing costs	c1	£(43.9)m	£(46.2)m	
Less: IFRS 16 impact		£16.8m	£18.2m	
Borrowing costs (excluding IFRS 16)	c2	£(27.1)m	£(28.0)m	
5.1 Interest cover (US PP covenant)	a3/c2	5.5x	5.8x	Adjusted EBITA/Borrowing costs with adjusted EBITA including the impact of IFRS 16 and the borrowing costs excluding the impact of IFRS 16. Minimum permitted value of 4.0
5.2 Interest cover (other financing agreements)	a2/c2	5.2x	5.5x	Adjusted EBITA/Borrowing costs with both variables excluding IFRS 16. Minimum permitted value of 4.0
Net debt		£415.2m	£545.5m	Line information in note 10
Add back: covenant adjustments ⁵		£44.2m	£53.2m	
Less: IFRS 16 impact		£(348.7)m	£(363.4)m	
Covenant calculation - adjusted net debt (excluding IFRS 16)	d1	£110.7m	£235.3m	
6.1 Adjusted net debt to post IFRS 16 adjusted EBITDA ratio (US PP covenant)	d1/b3	0.5x	1.0x	Adjusted net debt/adjusted EBITDA with adjusted net debt excluding the impact of IFRS 16 and adjusted EBITDA including the impact of IFRS 16. Maximum permitted value of 3.0
6.2 Adjusted net debt to adjusted EBITDA ratio (other financing agreements)	d1/b2	0.7x	1.4x	Adjusted net debt/adjusted EBITDA with both variables excluding IFRS 16. Maximum permitted value of 3.0

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

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

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

4. Covenant adjustments include adjustments for interest income and interest expense.

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