CAPITA

26 February 2015

Full year results for the year ended 31 December 2014

Continuing to deliver shareholder value

Financial highlights	Underlying* 2014	Underlying* 2013	Underlying* YOY change	Reported
Revenue	**£4,372m**	**£3,851m**	**+14%**	**£4,378m**
Operating profit	**£576.3m**	**£516.9m**	**+11%**	**£388.9m**
Profit before tax	**£535.7m**	**£475.0m**	**+13%**	**£292.4m**
Earnings per share	**65.15p**	**59.40p**	**+10%**	**35.79p**
Total dividend per share	**29.2p**	**26.5p**	**+10%**	**29.2p**

**Excludes non-underlying items detailed in note 2 business disposal, note 3 administrative expenses and note 4 net finance costs, in the notes to the preliminary statement.*

Highlights

Strong financial and operating performance in 2014
- Underlying revenue growth* of 14%, including 9% organic growth
- Underlying operating margin* 13.2% (2013: 13.4%)
- Underlying profit before tax* up 13% to £535.7m (2013: £475.0m)
- Underlying earnings per share* up 10% to 65.15p (2013: 59.4p)
- Total dividend up 10% to 29.2p (2013: 26.5p)
- Underlying operating cash* conversion rate of 112% (2013: 106%)
- Underlying free cash flow* up 18% to £368m (2013: £312m)
- Post-tax ROCE* 14.8% (2013: 15.5%)
- Reported profit before tax up 36% to £292.4m (2013: £215.0m)
- £1.7bn contract wins (2013: £3.3bn), with contract win rate of 1 in 2 (by value)
- £310m spent on 17 acquisitions to enhance capability and facilitate future organic growth

An excellent start to 2015
- £1.1bn contracts secured to date (2014: £588m), including Fera preferred bidder and Sheffield extension
- Bid pipeline increased to £5.1bn (November 2014: £4.1bn), 53% private and 47% public sector
- Agreement to acquire avocis adds significant future growth platform in Germany and Switzerland
- Good visibility of low double digit revenue growth in the full year

Platform to drive further value creation
- We operate in a large addressable market and have significant scope to increase penetration
- We focus upon leveraging our competitive advantages of scale, unique breadth of capabilities and experience in delivering transformational partnerships
- We continue to manage the business to deliver strong EPS growth, cash flow and return on capital.

Andy Parker, Chief Executive of Capita plc, commented:

“2014 was a year of excellent financial performance, with 9% organic revenue growth, sustained high returns and levels of cash generation, and an active year for acquisitions. We have good visibility of strong revenue growth in 2015, which will be driven by the conversion of our bid pipeline, acquisitions and the full benefit from last year's contract wins and acquisitions. We have significant scope to increase penetration of our large and growing addressable market, supported by a number of structural factors such as fiscal pressure, digitisation, regulation and demographics and our own competitive advantages. This leads us to look forward to the medium to long term with confidence.”

Analyst & investor presentation:

Andy Parker, Chief Executive of Capita plc, will host an analyst presentation in London at 8.30am UK time today.

There will be a conference call and live webcast of the full event. Details can be found at www.capita.co.uk/investors.

(Please dial into the call in time to allow for registration)

Participant Dial-in : +44 (0)20 3059 8125. Participant password: Capita

Replay: A replay of the conference call will be available for 7 days by dialing +44 (0)121 260 4861 (access code is 0258732 #).

For further information:

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About Capita

Capita plc is the UK's leading provider of customer and business process management (BPM) and integrated professional support service solutions. With 68,000 people at over 400 sites, including 80 business centres across the UK, Europe, India and South Africa, the Group uses its expertise, infrastructure and scale benefits to transform its clients' services, driving down costs and adding value. Capita is quoted on the London Stock Exchange (CPI.L), and is a constituent of the FTSE 100 with 2014 revenue of £4.4bn. Further information on Capita plc can be found at: www.capita.co.uk

CAPITA

Capita plc

Full year results for the year ended 31 December 2014

Overview

2014 was a year of double digit revenue and profit growth, with sustained high cash flow and returns, alongside strong acquisition activity.

Underlying revenue[1] increased by 14% to £4,372m[2] (2013: £3,851m[3]), including 9% organic and 5% acquisition growth. Underlying operating profit[1] rose by 11% to £576.3m[2] (2013: £516.9m[3]) and underlying profit before taxation[1] increased by 13% to £535.7m[2] (2013: £475.0m[3]). Underlying earnings per share[1] grew by 10% to 65.2p[2] (2013: 59.4p[3]). We increased our total dividend for the full year by 10% to 29.2p per share (2013: 26.5p). Underlying free cash flow[1] was up 18% to £368m[2] (2013: £312m[3]) and ROCE[1] was 14.8%[2] (2013: 15.5%[3]), which compares to our estimated post-tax WACC of 7.2%.

The majority of our divisions performed well in 2014, with strong growth particularly in Workplace Services and Justice & Secure Services, supported by new contracts, and significant improvements in the profitability of IT Services and Property & Infrastructure, helped by the macroeconomic backdrop. These positives were partially offset by Insurance & Benefits and Health & Wellbeing, and the end of the Disclosure and Barring contract in March 2014.

The aggregate value of new and extended major contracts secured in 2014 was £1.7bn, representing a 1 in 2 win rate. We are pleased to report that we have secured £1.1bn new business since the year end and an increase in the bid pipeline to £5.1bn since the IMS in November 2014 (£4.1bn). We are seeing good levels of activity in both the private sector, across telecoms, financial services and utilities, and the public sector, particularly in health, local government and defence.

We continued to focus upon acquiring small to medium sized businesses in 2014, to enter new markets, build capability in existing areas and enhance our sales propositions to facilitate future organic growth. We invested a total of £310m on acquisitions (excluding deferred and contingent considerations), acquiring 17 organisations in markets such as utilities and transport software, IT networking, mortgage administration and Germany.

Financial review

- **Revenue** - the Group increased underlying revenue[1] by 14% to £4,372m[2] (2013: £3,851m[3]). This comprised 9% organic growth (net of attrition) and 5% from acquisitions, comprising 3% from those completed within the year and the remainder from 2013 acquisitions. The most significant contributors to organic growth were the full year benefit from new contracts with Telefónica UK (O2), Ministry of Justice electronic monitoring, DWP Personal Independence Payment (PIP) assessments, London Borough of Barnet, npower and AXELOS, which drove strong underlying growth in Justice & Secure Services, Customer Management & International, Property & Infrastructure and Workplace Services.

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[1] *Excludes non-underlying items being: intangible amortisation, acquisition expenses, net contingent consideration movements, Asset Services settlement provision, non-cash impact of mark-to-market finance costs*

[2] *2014 numbers exclude the sale of our Occupational Health business*

[3] *2013 numbers exclude the partial sale of our Insurance Distribution and planned SIP business closure*

- **Operating profit** - underlying operating profit[1] rose by 11% to £576.3m[2] (2013: £516.9m[3]). Strong performances from Workplace Services, Justice & Secure Services and Customer Management & International were driven by the aforementioned contracts and, following last year's management changes, there were significant improvements in trading in IT Services and Property & Infrastructure, supported by the macroeconomic backdrop. These positives were partially offset by the impact of planned step downs in Insurance & Benefits and contract churn in Health & Wellbeing (DWP PIP in; NHS Choices out).

- **Operating margin** - underlying operating margin[4] was 13.2%[5] (2013: 13.4%[6]), partly reflecting the end of the Disclosure and Barring contract in March 2014. We continue to closely manage operating costs to ensure that the business is growing profitably, leveraging our scale, purchasing power and lean corporate structure, and remain selective in bidding and delivering differentiated client propositions. This underpins our confidence that underlying Group operating margins will be maintained in the range of 12.5% to 13.5% for the foreseeable future.

- **Profit before tax** - underlying profit before tax[4] increased by 13% to £535.7m[5] (2013: £475m[6]). The net interest charge was £40.6m (2013: £41.9m).

- **Earnings per share** - underlying earnings per share[4] rose by 10% to 65.2p[5] in 2014 (2013: 59.4p[6]), after an increase in the underlying minority charge to £7.3m (2013: £(4.4)m) due to the initial contribution from AXELOS. Our underlying tax rate was 18.5% (2013: 19%). The Group's EPS has grown at a compound annual rate of 11% over the five years to 31 December 2014.

- **Cash flow** - underlying cash flow from operations[4] was £644m[5] (2013: £546m[6]), with an underlying operating profit to cash conversion ratio of 112%[5] (2013: 106%[6]). We continue to pro-actively manage working capital across the Group and expect our annual cash conversion ratio to remain at or above 100% for the foreseeable future.

  Net capital expenditure was £146m (2013: £144m), which represents 3.3% of revenue (2013: 3.7%). We aim to contain capex at or below 4% of revenue and there are currently no indications of significant capex requirements in our business forecasts or bid pipeline that would take us over this threshold. Underlying free cash flow[4] (defined as operating cash flow less net capital expenditure, interest and taxation) was £368m[5] (2013: £312m[6]).

- **Net debt** - net debt at end December 2014 was £1,405m (2013: £1,203m). As at 31 December 2014, we had £1,122m of private placement bond debt of which £97m matures in 2015 and the remainder gradually matures over the period up to 2021. In addition, we have £300m of bank debt, of which £200m matures in January 2016. In August 2014, we refinanced our £425m revolving credit facility with a new £600m 5+1+1 year revolving credit facility maturing in August 2019. This facility was unutilised at 31 December 2014.

  Our annualised net debt to EBITDA[4] ratio in 2014 was 2.1[5] (2013: 2.0[6]) and interest cover[4] was 14[5] times (2013: 12[6] times). Our aim continues to be to keep the ratio of net debt to EBITDA in the range of 2 to 2.5 over the long term and we would be unlikely to incur borrowings which would reduce interest cover below 7 times.

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[4] *Excludes non-underlying items being: intangible amortisation, acquisition expenses, net contingent consideration movements, Asset Services settlement provision, non-cash impact of mark-to-market finance costs*

[5] *2014 numbers exclude the sale of our Occupational Health business*

[6] *2013 numbers exclude the partial sale of our Insurance Distribution and planned SIP business closure*

- **Dividends** - the Board is recommending a final dividend of 19.6p per ordinary share (2013: 17.8p), making a total of 29.2p for the year (2013: 26.5p), representing an increase of 10%. Dividend cover[4] is 2.2 times[5] for 2014. The final dividend will be payable on 28 May 2015 to shareholders on the register at the close of business on 17 April 2015. The Group's total dividend has grown at a compound annual rate of 12% over the five years to 31 December 2014.

- **Return on capital employed** - our post-tax return on average capital employed (ROCE)[4] in 2014 was 14.8%[5] (2013: 15.5%[6]), which compares to our estimated post-tax WACC of 7.2%.

  ROCE reflects how productively we deploy capital to fuel future growth. In 2014, it was incorporated into senior management's long term incentives, 25% of which is now based upon performance against ROCE targets and 75% remains based upon EPS growth targets.

- **Total shareholder returns** - over the 10-year period to 31 December 2014, Capita has delivered £1.5bn (net of £274m equity raising in April 2012) to shareholders through dividends, share buybacks and a special dividend. Capita's total shareholder return over the same period is 269% compared to 108% for the FTSE All Share Index.

- **Reported profit before tax** - reported profit before tax, after the effect of non-underlying charges, increased by 36% to £292.4m (2013: £215.0m). Non-underlying charges included £25m in relation to business disposals and £218m in relation to those items detailed in notes 3 and 4 of the preliminary statement.

Sales and business development review

Our major sales team focuses upon value enhancing transformational outsourcing and partnering opportunities, where the Group has sustainable competitive advantage and can leverage its unique blend of commercial skills. We are also increasing our emphasis upon expanding existing client relationships in our targeted vertical markets. We have made a good start to 2015, with £1.1bn aggregate contracts secured to date, and are pleased to report that our bid pipeline has increased to £5.1bn from £4.1bn as reported in our IMS last November. The pipeline does not include frameworks.

Major contracts announced to date in 2015

- **Fera** - appointed preferred bidder by the Department for Environment, Food & Rural Affairs (Defra) to form a joint venture, operate and grow the Food and Environment Research Agency (Fera), which is expected to achieve at least £700m revenue over its first 10 years. Fera provides scientific services to government and commercial customers, such as food retailers and manufacturers of crop protection products, across the food and agriculture supply chains in the UK and overseas. The joint venture will utilise Capita's commercial expertise, Fera's scientific capability and partners such as Newcastle University to drive growth and efficiency. As part of the agreement, it has secured a long term 10 year service agreement with Defra and the Health & Safety Executive and a 10 year sole supplier framework for other Crown bodies. Capita is acquiring a 75% stake in the joint venture for £20m cash and expects to generate a post-tax ROCE in line with the Group's target in the first full year, increasing thereafter.

- **Sheffield extension** - we have extended our existing service delivery contract with Sheffield City Council by six years, worth around £140m - £170m from January 2016 to January 2022. Capita will continue to deliver the core range of services on behalf of the Council, including ICT, revenues, benefits, HR and payroll and financial business transactions and also provide additional business change capacity where it will work in partnership with the Council to define and deliver projects designed to raise revenue and generate additional savings over the life of the extended contract.

NHS Support Services Framework

- Capita has been approved by NHS England to join the new Lead Provider Framework for Commissioning Support Services. Clinical Commissioning Groups (CCGs) will be required to re-procure many of their support services by April 2016 in order to comply with EU procurement law. NHS England anticipates that between £3-5bn of services will be procured through the framework, including back office finance and HR, GP IT, contracting, engagement, business intelligence and services for commissioners to support medicines procurement.

Major contract awards in 2014

The aggregate value of new and extended major contracts secured in 2014 was £1.7bn (2013: £3.3bn), representing a 1 in 2 win rate for the Group by value. Contracts gained include:

- **Ministry of Defence (MOD)** - selected to be the Strategic Business Partner for the Defence Infrastructure Organisation (DIO). The 10 year contract is expected to be worth around £400m to Capita. The Group is leading a partnership comprising two integrated sub-contractors, URS and PA Consulting, to manage and transform the UK's national and international defence infrastructure. It will help to unlock the knowledge, skills and resources that already exist within the DIO while adding capability to tackle the significant cost-saving targets currently facing the MOD.

- **The Co-operative Bank** - selected preferred bidder to transform The Co-operative Bank's mortgage servicing operation in the UK. The contract is worth up to £325m over 10 years, subject to final terms and approvals. Under the terms of the deal, if agreed, Capita would take over and transform The Co-operative Bank's mortgage operations in Leek in Staffordshire and Plymouth, servicing more than 250,000 mortgage customers and £23bn of lending. Capita would install new systems, designed to drive efficiency while simplifying business processes in a regulated environment, to improve the experience for The Co-operative Bank's customers and support business growth. This represents good progress in establishing a strong presence in retail mortgage servicing and builds upon our recent acquisition of Crown Mortgage Services.

- **Scottish Wide Area Network (SWAN)** - signed a framework contract to deliver SWAN, a single public services network for the use of all public service organisations within Scotland. The contract value for SWAN is up to £325m over 9 years. More than 4,600 sites will be connected to the initial network including schools, hospitals, GP surgeries, pharmacists and local council offices. As part of the Scottish Government's national digital public services strategy, Capita will deliver a platform designed to support the ever increasing need for data sharing and tighter interworking requirements across the wider Scottish public sector.

- **Transport for London (TfL)** - secured a 5 year, £145m contract with TfL to operate and enforce the congestion charging, low emission zone and traffic enforcement notice processing schemes. Capita will take full responsibility for the schemes in November 2015, following a period of implementation which commenced in 2014. Capita has taken over the existing London Road User Charging agreement for both Congestion Charging and the Low Emission Zone ahead of go-live of the new contracts in November 2015, which is worth in excess of £30m in addition to the above.

- **Major contracts worth up to £100m including**: the John Lewis online contact centre contract worth £93.5m over 5 years, an IT services strategic partnership with BAE Systems Maritime worth between £60m and £70m over 5 years, a new contract with Genesis Housing Association and an extension to our Metropolitan Police radio managed services contract.

For further details on our contract wins, visit www.capita.co.uk

Bid pipeline replenished

Since our IMS in November 2014, we have worked hard to replenish the bid pipeline which now stands at £5.1bn (November 2014: £4.1bn). The pipeline is comprised of 28 bids with an average contract length of 8 years, including 94% new business and 6% renewals and extensions. We are seeing good levels of activity in both the private sector (53% of the pipeline), across telecoms, financial services and utilities, and the public sector (47% of the pipeline), particularly in health, local government and defence. Behind the pipeline is a larger active prospect list of opportunities, from which we expect to be able to replenish the pipeline as decisions come to fruition over the course of this year.

We have no material contracts (defined as having forecast annual revenue in excess of 1% of 2014 revenue) up for rebid for the next 4 years.

Our bid pipeline contains all bids worth £25m or above, with bids capped at £1bn and where we have been shortlisted to the last 4 or fewer. We announce the value of the pipeline three times a year and it is therefore a snapshot at a specific point in time.

Market review

We operate predominantly in the Customer Management (CM) and Business Process Management (BPM) market in the UK and Ireland, a large addressable market with significant scope to increase penetration and drive growth over the medium to long term. Additionally, we have recently increased our presence in Northern Europe. We continually look for changes in sector dynamics and management, which can act as agents of change and catalysts for potential outsourcing opportunities. Our addressable market is gradually increasing as we enter new market segments through new contracts and acquisitions, such as our entry into commercial and residential mortgage administration.

In 2014, we commissioned market research from Ovum, one of the UK's leading independent industry analysts. Ovum estimates that Capita's total addressable market for CM and BPM services in the UK is £129bn per annum and that the value of outsourced services was £13bn in 2014 (2013: £12bn), including 72% in the private sector and 28% in the public sector. Growth in BPM is expected to out-pace other outsourcing markets.

Ovum ranks Capita as the number one CM and BPM vendor by revenue, with 26.9% market share in 2014 (2013: 24.9%), a greater share than the rest of the top ten vendors combined. Capita's revenue mix in 2014 was 52% private and 48% public sector, similar to the breakdown of our current pipeline.

The rapid increase in digital communication, including the rise in use of mobile technology and social media, is having a significant impact on the behaviour and expectations of people and consequently our public and private sector clients need to adapt the way in which they communicate and deliver services. Alongside our existing skills, we have enhanced our digital, behavioural science, analytics and change management capabilities both internally and through acquisitions to address this need.

We are well placed to help organisations across both sectors to better meet their customers' needs and remain at the forefront of their markets.

In the private sector, commercial organisations are facing pressure to maintain their competitive position through better utilisation of digital technologies, driving down operating costs and introducing new products and services to market faster, while maintaining high levels of customer service and retention. Changing legislation and regulation, for example in the financial services and utilities sectors, is stimulating interest in our customer and administration services and we are constantly evolving our propositions to ensure that we can meet these changing requirements.

The public sector is facing many similar dynamics with ongoing pressure to reduce budgets while maintaining and adapting front-line services. This backdrop will remain irrespective of the type of Government that will be formed as a result of the 2015 general election. Demographic changes, including the ageing population and an increasing number of children in care, are also creating some specific challenges for public sector organisations, particularly local, health and education authorities, and they are therefore increasingly looking to partner with the private sector to find new service solutions. Outsourcing in all its various models is being used to address these challenges, from traditional models to partnerships and joint ventures. We expect more opportunities to emerge to help government deliver on its digital and channel shift objectives and secure greater commercial value from public assets.

Acquisitions review

Our strategy is to make acquisitions which enhance our future organic growth potential and drive value creation for shareholders, with a 15% post tax ROCE hurdle rate. We focus upon acquiring small to medium sized businesses, to enter new markets, build capability in existing areas and enhance our sales propositions to facilitate future organic growth. For example, following our acquisitions in the UK customer management sector we were able to secure contracts with Telefónica and npower and, more recently in mortgage administration, the acquisition of Crown Mortgage Management (now Capita Mortgage Services) was followed by our selection as preferred bidder on the Co-operative Bank opportunity.

avocis will add an exciting growth platform in an under-penetrated, increasingly receptive, European market: in February 2015, we announced an agreement to acquire avocis, a leading provider of customer contact management services in Germany, Switzerland and Austria (DACH), for €210m (£157m) on a cash/debt free basis, subject to completion of legal documentation. avocis has a strong position in the German speaking regions of Europe serving similar sectors to Capita's UK-based customer management business, with high quality, long term clients particularly in telecoms and utilities. There is strong appetite for customer management services in the DACH region and we are now positioned well to further support our existing clients, a number of whom have German or other European heritage. In the financial year ended 31 December 2014, avocis had pro forma revenues of €210m (2013: €173m) and EBITA of €25.4m (2013: €19.7m). avocis is expected to achieve Capita's post-tax ROCE target in its second full year under ownership.

In 2014, we invested a total of £310m, excluding deferred and contingent considerations, in acquiring 17 organisations including:

Expanding our presence and capability in the utilities sector: to support our growing presence in the utilities sector and enhance our data management capabilities, we acquired **AMT-SYBEX**

Group (AMT) which provides proprietary software and related services in mobile technology and smart data management to the utilities and transport sectors. We acquired the business for an initial consideration of £82m on a cash free, debt free basis, plus a contingent consideration of up to £23m (based on the business reaching specific profit targets over the first 12 months).

Increasing our IT networking capabilities: *w*e extended our networking capabilities with the acquisition of IT network services provider **Updata Infrastructure (UK)** for a cash consideration of £80m. Updata provides a range of networking and connectivity services to mainly public sector clients and is working with Capita on the framework contract to deliver SWAN. Updata's fully accredited network provides a secure and trusted platform from which multiple services can be delivered across both the private and public sectors. Capita's existing networking business is being combined with Updata to create the UK's leading networking integrator.

Extending our capabilities into a new financial services segment: *w*e acquired **Crown Mortgage Management ('Crown')** a provider of residential and commercial mortgage administration services to banks and financial institutions for a cash consideration of £7.5m. Crown is one of the longest established residential and small balance commercial mortgage servicers in the UK and has significant experience in managing clients' strategies across both performing and non-performing mortgage assets. Capita currently processes £129bn of commercial loans on behalf of banks. The combination of Crown's specialist skills with Capita's large scale administration capability provides us with a strong platform for growth in this sector.

Taking customer management into a new geographic region: **tricontes**, a German customer management company, gave Capita an initial footprint in this new region. tricontes specialises in delivering a premium service to clients, including contact centre benchmarking and model office services across the retail, telecommunications, utilities and insurance industries. We have now secured further expertise in this region with the 2015 acquisitions of Scholand & Beiling and avocis.

Increasing depth in Ireland: we acquired SouthWestern, the leading domestic provider of outsourced managed services in Ireland, in August 2014. It provides customer relationship management, financial shared services, data processing and inspectorate services from offices in Ireland, the UK and Poland to clients such as the Department of Agriculture Food and Marine, Bord Gáis, the Department for Environment, Food and Rural Affairs, Bord Bia, eircom and Fáilte Ireland.

Our Board and people

The Board would like to take this opportunity to thank all our people for their hard work and dedication which ensures that we can continue to deliver quality services for clients. Our employees join us through direct recruitment, contracts or acquisitions and their commitment and enthusiasm play a vital role in helping us to meet client expectations and sustain our growth.

As announced in November 2014, Gordon Hurst will retire from Capita and step down as Group Finance Director and from the Group Board with effect from 28 February 2015, after 27 years with the Company. Gordon will remain employed by the Group as a consultant until 30 September 2015. The Board warmly thanks him for his significant contribution to the success of Capita and wishes him all the best for the future.

In line with Capita's senior management succession plan, Nick Greatorex, previously Executive Director of Capita's Insurance & Benefits Services division, will join the Group Board and succeed Gordon as Group Finance Director effective from 1 March 2015. Nick was released from his previous role from 1 December 2014, allowing him to work closely alongside Gordon through the 2014 annual results and 2015 annual business planning period.

On January 2015, we appointed Andrew Williams as an Independent Non-Executive Director and to the Nomination, Remuneration and Audit and Risk Committees. Andrew is Chief Executive of Halma plc, a leading specialist in safety, health and environmental technologies and a FTSE 250 company.

Future prospects

We have good visibility and are on track to deliver low double digit revenue growth in 2015, driven by the conversion of our bid pipeline, the timing of which is likely to be more evenly spread than last year, acquisitions and the full benefit from 2014's contract wins and acquisitions. We expect our operating margin to remain broadly stable and will continue to manage the business to deliver a combination of sustainable growth, high levels of cash flow and return on capital.

Capita operates in a large addressable market with scope to increase penetration supported by a number of structural factors such as fiscal pressure, digitisation, regulation and demographics and our own competitive advantages. We look forward to the medium to long term with confidence.

-Ends-

Consolidated income statement

for the year ended 31 December 2014

		2014				2013			
			Non-underlying				Non-underlying		
	Note	Underlying £m	Business disposal (note 2) £m	Other non-underlying(note 3) £m	Total £m	Underlying £m	Business disposal/ closure £m	Other non-underlying £m	Total £m
Continuing operations:									
Revenue		4,372.3	5.8	—	4,378.1	3,850.9	45.3	—	3,896.2
Cost of sales		(3,166.9)	(4.8)	—	(3,171.7)	(2,780.9)	(46.7)	—	(2,827.6)
Gross profit		1,205.4	1.0	—	1,206.4	1,070.0	(1.4)	—	1,068.6
Administrative expenses		(629.1)	(8.1)	(180.3)	(817.5)	(553.1)	(63.2)	(139.9)	(756.2)
Operating profit		576.3	(7.1)	(180.3)	388.9	516.9	(64.6)	(139.9)	312.4
Net finance costs	4	(40.6)	—	(38.1)	(78.7)	(41.9)	—	26.6	(15.3)
Loss on business disposal		—	(17.8)	—	(17.8)	—	(82.1)	—	(82.1)
Profit before tax		535.7	(24.9)	(218.4)	292.4	475.0	(146.7)	(113.3)	215.0
Income tax expense		(99.1)	1.8	44.8	(52.5)	(90.3)	14.8	32.4	(43.1)
Profit for the year		436.6	(23.1)	(173.6)	239.9	384.7	(131.9)	(80.9)	171.9
Attributable to:									
Owners of the Company		429.3	(23.1)	(170.3)	235.9	389.1	(131.9)	(80.0)	177.2
Non-controlling interests		7.3	—	(3.3)	4.0	(4.4)	—	(0.9)	(5.3)
		436.6	(23.1)	(173.6)	239.9	384.7	(131.9)	(80.9)	171.9
Earnings per share									
– basic	5	65.15p	(3.51)p	(25.85)p	35.79p	59.40p	(20.14)p	(12.21)p	27.05p
– diluted	5	64.58p	(3.48)p	(25.62)p	35.48p	58.71p	(19.90)p	(12.07)p	26.74p

Consolidated statement of comprehensive income

for the year ended 31 December 2014

	2014		2013	
	£m	£m	£m	£m
Profit for the year		239.9		171.9
Other comprehensive (expense)/income:				
Items that will not be reclassified subsequently to profit or loss				
Actuarial (loss)/gain on defined benefit pension schemes	(67.2)		10.9	
Deferred tax effect	12.8		(9.2)	
		(54.4)		1.7
Items that will or may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations		(6.3)		0.3
Gain/(loss) on cash flow hedges	5.6		(10.3)	
Reclassification adjustments for losses included in the income statement	6.0		2.6	
Income tax effect	(2.3)		0.9	
		9.3		(6.8)
		3.0		(6.5)
Other comprehensive expense for the year net of tax		(51.4)		(4.8)
Total comprehensive income for the year net of tax		188.5		167.1
Attributable to:				
Owners of the Company		184.5		172.4
Non-controlling interests		4.0		(5.3)
		188.5		167.1

Consolidated balance sheet

As at 31 December 2014

	Note	2014 £m	2013 £m
Non-current assets			
Property, plant and equipment		**448.8**	419.8
Intangible assets		**2,619.4**	2,330.7
Financial assets		**178.2**	166.4
Deferred taxation		**12.5**	—
Trade and other receivables		**73.5**	77.6
		3,332.4	2,994.5
Current assets			
Financial assets		**14.7**	3.1
Funds assets		**118.2**	100.8
Trade and other receivables		**988.1**	892.9
Cash		**458.9**	610.8
		1,579.9	1,607.6
Total assets		**4,912.3**	4,602.1
Current liabilities			
Trade and other payables		**1,128.2**	1,023.5
Overdrafts		**429.8**	453.0
Financial liabilities		**164.8**	79.2
Funds liabilities		**118.2**	100.8
Provisions	8	**69.6**	62.2
Income tax payable		**42.6**	52.5
		1,953.2	1,771.2
Non-current liabilities			
Trade and other payables		**28.3**	26.5
Financial liabilities		**1,780.8**	1,729.9
Deferred taxation		**—**	7.1
Provisions	8	**42.0**	52.7
Employee benefits		**192.5**	118.4
		2,043.6	1,934.6
Total liabilities		**3,996.8**	3,705.8
Net assets		**915.5**	896.3
Capital and reserves			
Issued share capital		**13.8**	13.8
Share premium		**499.0**	491.2
Employee benefit trust and treasury shares		**(0.3)**	(0.4)
Capital redemption reserve		**1.8**	1.8
Foreign currency translation reserve		**(4.3)**	2.0
Cash flow hedging reserve		**(14.8)**	(24.1)
Retained earnings		**354.7**	350.4
Equity attributable to owners of the Company		**849.9**	834.7
Non-controlling interests		**65.6**	61.6
Total equity		**915.5**	896.3

Included in aggregate financial liabilities is an amount of £1,306.8m (2013: £1,267.3m) which represents the fair value of the Group's bonds which should be considered in conjunction with the aggregate value of currency and interest rate swaps of £185.4m included in financial assets and £0.6m included in financial liabilities (2013: £147.1m included in financial assets and £13.5m included in financial liabilities). Consequently, this gives an effective liability of £1,122.0m (2013: £1,133.7m).

Consolidated statement of changes in equity

for the year ended 31 December 2014

	Share capital £m	Share premium£m	Employee benefit trust & treasury shares £m	Capital redemption reserve £m	Retained earnings £m	Foreign currency translation reserve £m	Cash flow hedging reserve £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 January 2013	13.8	470.4	(0.4)	1.8	408.1	1.7	(17.3)	878.1	—	878.1
Profit for the year	—	—	—	—	177.2	—	—	177.2	(5.3)	171.9
Other comprehensive expense	—	—	—	—	1.7	0.3	(6.8)	(4.8)	—	(4.8)
Total comprehensive income for the year	—	—	—	—	178.9	0.3	(6.8)	172.4	(5.3)	167.1
Share based payment	—	—	—	—	10.5	—	—	10.5	—	10.5
Deferred income tax relating to share based payments	—	—	—	—	8.0	—	—	8.0	—	8.0
Shares issued	—	20.8	—	—	—	—	—	20.8	—	20.8
Equity dividends paid	—	—	—	—	(159.1)	—	—	(159.1)	—	(159.1)
Put option of non-controlling interest	—	—	—	—	(96.0)	—	—	(96.0)	—	(96.0)
Investment by non-controlling interest	—	—	—	—	—	—	—	—	66.9	66.9
At 1 January 2014	**13.8**	**491.2**	**(0.4)**	**1.8**	**350.4**	**2.0**	**(24.1)**	**834.7**	**61.6**	**896.3**
Profit for the year	**—**	**—**	**—**	**—**	**235.9**	**—**	**—**	**235.9**	**4.0**	**239.9**
Other comprehensive expense	**—**	**—**	**—**	**—**	**(54.4)**	**(6.4)**	**9.3**	**(51.4)**	**—**	**(51.4)**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**181.5**	**(6.3)**	**9.3**	**184.5**	**4.0**	**188.5**
Share based payment	**—**	**—**	**—**	**—**	**11.0**	**—**	**—**	**11.0**	**—**	**11.0**
Deferred income tax relating to share based payments	**—**	**—**	**—**	**—**	**5.7**	**—**	**—**	**5.7**	**—**	**5.7**
Shares issued	**—**	**7.8**	**0.1**	**—**	**—**	**—**	**—**	**7.9**	**—**	**7.9**
Equity dividends paid	**—**	**—**	**—**	**—**	**(180.5)**	**—**	**—**	**(180.5)**	**—**	**(180.5)**
Movement in put options held by non-controlling interest	**—**	**—**	**—**	**—**	**(13.4)**	**—**	**—**	**(13.4)**	**—**	**(13.4)**
At 31 December 2014	**13.8**	**499.0**	**(0.3)**	**1.8**	**354.7**	**(4.3)**	**(14.8)**	**849.9**	**65.6**	**915.5**

Consolidated cash flow statement

for the year ended 31 December 2014

	Note	2014 £m	2013 £m
Cash flows from operating activities			
Operating profit before interest and taxation from continuing operations		**388.9**	312.4
Adjustment for underlying non-cash items:			
Depreciation		**77.8**	74.1
Amortisation of intangible assets (treated as depreciation)		**9.1**	3.3
Share based payment expense		**11.0**	10.5
Employee benefits		**(1.0)**	2.2
Loss/(profit) on sale of property, plant and equipment		**0.9**	2.1
Adjustment for non-underlying non-cash items:			
Accelerated depreciation on business closure		**—**	6.0
Accelerated amortisation of intangible assets on business closure		**—**	0.2
Amortisation of intangible assets recognised on acquisition		**147.1**	122.2
Contingent consideration	3	**(9.4)**	1.7
Non-underlying provisions expense	8	**32.4**	43.2
Movement in underlying provisions (net)	8	**(17.4)**	(11.0)
Net movement in payables and receivables		**1.8**	(28.4)
Cash generated from operations before non-underlying cash items		**641.2**	538.5
Asset Services settlement provision cash paid	8	**(4.3)**	(1.2)
Disposal/closure provision cash paid	8	**(18.8)**	(0.2)
Cash generated from operations		**618.1**	537.1
Income tax paid		**(93.7)**	(52.9)
Net interest paid		**(35.6)**	(37.2)
Net cash inflow from operating activities		**488.8**	447.0
Cash flows from investing activities			
Purchase of property, plant and equipment		**(110.5)**	(128.2)
Purchase of intangible assets		**(40.8)**	(16.9)
Proceeds from sale of property, plant and equipment		**5.3**	1.2
Acquisition of public sector subsidiary partnerships		**—**	(38.9)
Debt repaid on acquisition of public sector subsidiary partnerships		**—**	(9.1)
Acquisition of subsidiary undertakings and businesses		**(325.5)**	(243.2)
Cash acquired with subsidiary undertakings		**29.7**	15.8
Debt repaid on acquisition of subsidiaries undertakings		**(21.5)**	(5.1)
Cash disposed of with subsidiary undertakings		**(2.8)**	(6.0)
Deferred consideration		**(35.5)**	—
Contingent consideration		**(9.2)**	(14.4)
Purchase of financial assets		**(1.0)**	(0.7)
Trade investments		**(5.0)**	0.2
Net cash outflow from investing activities		**(516.8)**	(445.3)
Cash flows from financing activities			
Issue of share capital		**7.9**	16.7
Dividends paid		**(180.5)**	(159.1)
Capital element of finance lease rental payments	**4,9**	**(4.9)**	(10.0)
Repayment of loan notes	**9**	**(10.2)**	—
Repayment of term debt	**9**	**—**	(185.0)
Repayment of bonds	**9**	**(10.6)**	(88.1)
Proceeds on issue of term debt	**9**	**100.0**	200.0
Proceeds on issue of bonds	**9**	**—**	75.0
Financing arrangement costs		**(0.3)**	—
Net cash outflow from financing activities		**(98.6)**	(150.5)
Decrease in cash and cash equivalents		**(126.6)**	(148.8)
Cash and cash equivalents at the beginning of the period		**157.8**	306.7
Impact of movement in exchange rates		**(2.1)**	(0.1)
Cash and cash equivalents at 31 December		**29.1**	157.8
Cash and cash equivalents comprise:			
Cash at bank and in hand		**458.9**	610.8
Overdrafts		**(429.8)**	(453.0)
Total		**29.1**	157.8

Preliminary Statement

Notes to the financial statements

1 Segmental information

The Group's operations are organised and managed separately according to the nature of the services provided, with each segment representing a strategic business unit offering a different package of related services across the Group's markets. No operating segments have been aggregated to form the reportable operating segments below. The information disclosed below represents the way in which the results of the businesses were reported to the Group Board.

Before eliminating sales between business units on consolidation, the Group accounts for sales between business units as if they were to a third party at market rates.

Year ended 31 December 2014

	Health & Wellbeing £m	IT Services £m	Justice & Secure Services £m	Professional Services £m	Property & Infrastructure £m	Workplace Services £m	Asset Services £m	Customer Management & International £m	Insurance & Benefits Services £m	Total £m
Segment revenue - Underlying										
Total segment revenue	183.8	611.7	608.0	678.5	363.7	740.0	296.1	690.6	725.9	4,898.3
Inter-segment revenue	(25.0)	(128.0)	(42.2)	(104.9)	(34.9)	(44.4)	(33.4)	(27.7)	(85.5)	(526.0)
Third party revenue	158.8	483.7	565.8	573.6	328.8	695.6	262.7	662.9	640.4	4,372.3
- Non-underlying trading[1]	5.8	—	—	—	—	—	—	—	—	5.8
Total segment revenue	164.6	483.7	565.8	573.6	328.8	695.6	262.7	662.9	640.4	4,378.1
Segment result - Underlying										
Result after depreciation	15.7	38.6	78.7	135.1	27.2	93.1	64.4	77.3	57.2	587.3
Share based payment	(0.4)	(0.6)	(1.5)	(2.8)	(0.3)	(1.6)	(0.8)	(1.3)	(1.7)	(11.0)
Underlying trading result	15.3	38.0	77.2	132.3	26.9	91.5	63.6	76.0	55.5	576.3
- Non-underlying trading[1]	(3.1)	—	—	—	—	—	—	—	—	(3.1)
Total trading result	12.2	38.0	77.2	132.3	26.9	91.5	63.6	76.0	55.5	573.2
Non-trading										
Business disposal & closure costs[1]										(4.0)
Intangible amortisation[2]										(147.1)
Acquisition costs[2]										(14.2)
Contingent consideration movements[2]										9.4
Asset Services settlement provision[2]										(28.4)
Operating profit										388.9
Net finance costs[3]										(78.7)
Loss on business disposal[1]										(17.8)
Profit before tax										292.4
Income tax expense										(52.5)
Profit for the year										239.9

[1]See note 2
[2]See note 3
[3]See note 4

Preliminary Statement

1 Segmental information (continued)

Year ended 31 December 2013

	Health & Wellbeing £m	IT Services £m	Justice & Secure Services £m	Professional Services £m	Property & Infrastructure £m	Workplace Services £m	Asset Services £m	Customer Management & International £m	Insurance & Benefits Services £m	Total £m
Segment revenue - Underlying										
Total segment revenue	187.6	590.4	425.4	666.8	297.3	597.5	257.3	518.9	762.2	4,303.4
Inter-segment revenue	(24.8)	(132.8)	(14.0)	(110.3)	(20.0)	(31.5)	(10.7)	(13.2)	(95.2)	(452.5)
Third party revenue	162.8	457.6	411.4	556.5	277.3	566.0	246.6	505.7	667.0	3,850.9
- Non-underlying trading	—	—	—	—	—	—	—	—	45.3	45.3
Total segment revenue	162.8	457.6	411.4	556.5	277.3	566.0	246.6	505.7	712.3	3,896.2
Segment result - Underlying										
Result after depreciation	22.2	25.5	66.4	131.2	16.0	75.0	65.3	64.1	61.7	527.4
Share based payment	(0.4)	(0.5)	(1.5)	(2.7)	(0.3)	(1.5)	(1.3)	(1.2)	(1.1)	(10.5)
Underlying trading result	21.8	25.0	64.9	128.5	15.7	73.5	64.0	62.9	60.6	516.9
- Non-underlying trading									(14.4)	(14.4)
Total trading result	21.8	25.0	64.9	128.5	15.7	73.5	64.0	62.9	46.2	502.5
Non-trading										
Business disposal & closure costs										(50.2)
Intangible amortisation[2]										(122.2)
Acquisition costs[2]										(14.3)
Contingent consideration movements[2]										(1.7)
Asset Services settlement provision[2]										(1.7)
Operating profit										312.4
Net finance costs[3]										(15.3)
Loss on business disposal										(82.1)
Profit before tax										215.0
Income tax expense										(43.1)
Profit for the year										171.9

[2]See note 3
[3]See note 4

2 Business disposal

In the year the Group disposed of its occupational health business.

Income statement impact

		Non-trading disposal			
	Trading £m	Cash £m	Non-cash £m	Total £m	Total £m
Revenue	5.8	—	—	—	5.8
Cost of sales	(4.8)	—	—	—	(4.8)
Gross profit	1.0	—	—	—	1.0
Administrative expenses	(4.1)	(4.0)	—	(4.0)	(8.1)
Operating loss	(3.1)	(4.0)	—	(4.0)	(7.1)
Loss on business disposal	—	(2.8)	(15.0)	(17.8)	(17.8)
Loss before tax	(3.1)	(6.8)	(15.0)	(21.8)	(24.9)
Taxation	0.6	0.8	0.4	1.2	1.8
Loss after tax	(2.5)	(6.0)	(14.6)	(20.6)	(23.1)

Trading revenue and costs represent the current year trading performance of this business.

Non-trading disposal and exit costs include the costs of exiting the occupational health business and the ongoing stranded costs such as property lease and redundancy payments. It is expected these expenses will be incurred over 2 years.

The table below summarises the loss on disposal:

	£m
Property, plant and equipment	0.5
Cash	2.8
Intangible assets	1.4
Goodwill	13.1
Total net assets disposed of	17.8
Net proceeds received £nil	—
Loss on business disposal	17.8

3 Administrative expenses

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

				2014				2013
	Cash in year £m	Cash in future £m	Non-cash £m	Total £m	Cash in year £m	Cash in future £m	Non-cash £m	Total £m
Amortisation of acquired intangibles	—	—	147.1	147.1	—	—	122.2	122.2
Contingent consideration movements	—	—	(9.4)	(9.4)	—	—	1.7	1.7
Asset Services settlement provision (see note 8)	3.6	24.8	—	28.4	1.2	0.5	—	1.7
Professional fees re acquisitions	5.2	6.7	—	11.9	12.9	—	—	12.9
Stamp duty paid on acquisitions	2.3	—	—	2.3	1.4	—	—	1.4
Total	11.1	31.5	137.7	180.3	15.5	0.5	123.9	139.9

4 Net finance costs

	2014 £m	2013 £m
Bank interest receivable	(0.1)	(0.1)
Other interest receivable	—	(0.1)
Interest receivable	(0.1)	(0.2)
Bonds	24.2	22.9
Fixed rate interest rate swaps – realised	1.8	6.0
Finance lease	0.6	0.8
Bank loans and overdrafts	9.1	7.7
Net interest cost on defined benefit pension schemes	5.0	4.7
Interest payable	40.7	42.1
Underlying net finance costs	40.6	41.9
Fixed rate interest rate swaps – mark to market	36.7	(26.3)
Discount unwind on subsidiary partnership payment	2.1	—
Non-designated foreign exchange forward contracts – mark to market	(0.4)	1.2
Derivatives' counterparty risk adjustment – mark to market	(0.2)	(1.4)
Derivatives' own credit risk adjustment – mark to market	(0.1)	(0.1)
Non-underlying net finance costs	38.1	(26.6)
Total net finance costs	78.7	15.3

5 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent 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.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2014 £m	2013 £m
Net profit attributable to ordinary equity holders of the parent from operations	235.9	177.2

	2014 Number million	2013 Number million
Weighted average number of ordinary shares (excluding trust and treasury shares) for basic earnings per share	658.9	655.1
Dilutive potential ordinary shares:		
Employee share options	5.9	7.7
Weighted average number of ordinary shares (excluding trust and treasury shares) adjusted for the effect of dilution	664.8	662.8

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

The following additional earnings per share figures are calculated based on underlying earnings attributable to ordinary equity holders of the parent of £429.3m (2013: £389.1m) and, after non-underlying costs, earnings of £235.9m (2013: £177.2m). They are included as they provide a better understanding of the underlying trading performance of the Group.

	2014 p	2013 p
Basic earnings per share – underlying	65.15	59.40
– after non-underlying	35.79	27.05
Diluted earnings per share – underlying	64.58	58.71
– after non-underlying	35.48	26.74

6 Dividends paid and proposed

	2014 £m	2013 £m
Declared and paid during the year		
Ordinary shares (equity):		
Final for 2013 paid: 17.8p per share (2012: 15.6p per share)	117.2	102.1
Interim for 2014 paid: 9.6p per share (2013: 8.7p per share)	63.3	57.0
	180.5	159.1
Proposed for approval at AGM (not recognised as a liability at 31 December)		
Ordinary shares (equity):		
Final for 2014: 19.6p per share (2013: 17.8p per share)	129.6	116.9

7 Business combinations

2014 acquisitions

The Group made a number of acquisitions in 2014 which are shown in aggregate. The fair values of the identifiable assets and liabilities acquired are disclosed in the table below:

	Fair value recognised on acquisition £m
Property, plant and equipment	11.6
Intangible assets	159.6
Trade and other receivables due in less than one year	56.6
Trade and other receivables due in more than one year	3.1
Corporation tax	(1.7)
Cash and cash equivalents	29.7
Trade and other payables (exc. accruals) due in less than one year	(43.6)
Accruals due in less than one year	(32.7)
Provisions	(4.8)
Deferred tax	(26.4)
Employee benefits liability	(2.9)
Finance leases	(0.1)
Long term debt	(21.5)
Net assets	126.9
Goodwill arising on acquisition	251.4
	378.3
Discharged by:	
Cash	318.0
Contingent consideration accrued	39.5
Investment loan note	20.8
	378.3

In all cases 100% of the ordinary share capital was acquired. The companies acquired have been mainly in the areas of IT and software, customer and debt management, legal and property services, resourcing, communication and printing which complement or extend the Group's existing skill sets and provide opportunities for growth into these markets. In addition during the year the Group settled £35.5m of deferred consideration and £9.2m of contingent consideration payments with regard to previous acquisitions, all of which had been accrued.

Goodwill has arisen on the acquisitions because the fair value of the acquired assets was lower than the consideration paid; the goodwill represents the value to the Group that can be driven from these underlying assets over the life of the acquired businesses, particularly from synergies, and the capabilities of the acquired workforce. The total amount of goodwill recognised in the period that is expected to be deductible for tax purposes is £9.6m (2013: £103.4m).

Contingent consideration

In respect of the acquisitions made in 2014, the Group has agreed to pay the vendors additional consideration dependent on the achievement of performance targets in the periods post acquisition. These performance periods are of up to 3 years in duration and will be settled in cash and loan notes on their payment date on achieving the relevant target. The range of the additional consideration payment is estimated to be between £30m and £48m. The Group has included £39.5m as contingent consideration related to the additional consideration, which represents its fair value at the acquisition date. Contingent consideration has been calculated based on the Group's expectation of what it will pay in relation to the post-acquisition performance of the acquired entities by weighting the probability of a range of payments to give an estimate of the final obligation.

Acquisition related costs

The Group incurred acquisition related costs of £14.2m related to professional fees paid for due diligence, general professional fees and legal related costs. These costs have been included in non-underlying administrative expenses in the Group's consolidated income statement.

8 Provisions

	Disposal/closure provision £m	Asset Services settlement provision £m	Insurance provision £m	Property provision £m	Other £m	Total £m
At 1 January 2014	41.3	0.7	25.1	36.6	11.2	114.9
Utilisation	(18.8)	(4.3)	(9.6)	(5.8)	(9.0)	(47.5)
Provided in the year (net)	4.0	28.4	7.0	(0.1)	0.1	39.4
Provisions acquired	—	—	—	4.7	0.1	4.8
At 31 December 2014	26.5	24.8	22.5	35.4	2.4	111.6

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

The utilisation of the disposal/closure provision relates to ongoing costs incurred subsequent to the decision in 2013 to dispose of its insurance distribution business and close its SIP business. The additional provision provided for in 2014 relates to the additional costs that will be incurred as part of the disposal of its occupational health business. The provision is expected to unwind over 2 years.

Asset Services settlements relate to two matters:

1. The potential costs in resolving a claim by those investors who did not choose to accept the Arch Cru Payment Scheme established in 2011. The Payment Scheme has had an 87% acceptance rate.

2. The potential costs in resolving matters relating to a fund, of which CFM was the Operator until September 2009, when it was replaced by an unrelated company as Operator (following which CFM had no further involvement with the fund). The fund went into liquidation in 2012 and its liquidator has brought a claim against both former Operators.

Giving due consideration to these claims the Group has made a provision of £24.8m at 31 December 2014 (2013: £0.7m). During the year the Group has incurred £4.3m in respect of professional fees in relation to these matters. The claims are expected to unwind within one year.

9 Additional cash flow information

Reconciliation of net cash flow to movement in net funds/(debt)

	Net debt at 1 January 2014 £m	Acquisitions in 2014 (exc. cash) £m	Cash flow movements £m	Non-cash flow movements £m	Net debt at 31 December 2014 £m
Cash, cash equivalents and overdrafts	157.8	—	(126.6)	(2.1)	29.1
Loan notes	(10.4)	—	10.2	—	(0.2)
Bonds[1]	(1,267.3)	—	10.6	(50.1)	(1,306.8)
Currency swaps in relation to US$ denominated bonds[1]	125.9	—	—	49.1	175.0
Interest rate swaps in relation to GBP denominated bonds[1]	7.7	—	—	2.1	9.8
Long term debt	—	(21.5)	21.5	—	—
Term loan	(200.0)	—	(100.0)	—	(300.0)
Finance leases	(17.3)	(0.1)	5.5	—	(11.9)
Underlying net debt	(1,203.6)	(21.6)	(178.8)	(1.0)	(1,405.0)
Fixed rate interest rate swaps	(26.6)	—	—	(36.7)	(63.3)
	(1,230.2)	(21.6)	(178.8)	(37.7)	(1,468.3)

	Net debt at 1 January 2013	Acquisitions in 2013 (exc. cash)	Cash flow movements	Non-cash flow movements	Net debt at 31 December 2013
	£m	£m	£m	£m	£m
Cash, cash equivalents and overdrafts	306.7	—	(148.8)	(0.1)	157.8
Loan notes	(0.5)	—	0.1	(10.0)	(10.4)
Bonds[1]	(1,370.1)	—	13.1	89.7	(1,267.3)
Currency swaps in relation to US$ denominated bonds[1]	206.2	—	—	(80.3)	125.9
Interest rate swaps in relation to GBP denominated bonds[1]	15.9	—	—	(8.2)	7.7
Long term debt	—	(14.2)	14.2	—	—
Term loan	(185.0)	—	185.0	—	—
New term loan	—	—	(200.0)	—	(200.0)
Finance leases	(2.7)	(25.4)	10.8	—	(17.3)
Underlying net debt	(1,029.5)	(39.6)	(125.6)	(8.9)	(1,203.6)
Fixed rate interest rate swaps	(52.9)	—	—	26.3	(26.6)
	(1,082.4)	(39.6)	(125.6)	17.4	(1,230.2)

[1] The sum of these items held at fair value equates to the underlying value of the Group's bond debt of £1,122.0m (2013: £1,133.7m).

The aggregate bond fair value above of £1,306.8m (2013: £1,267.3m) includes the GBP value of the US$ denominated bonds at 31 December 2014. To remove the Group's exposure to currency fluctuations it has entered into currency swaps which effectively hedge the movement in the underlying bond fair value. The interest rate swap is being used to hedge the exposure to changes in the fair value of GBP denominated bonds.

10 Related party transactions

Compensation of key management personnel

	2014 £m	2013 £m
Short term employment benefits	**9.0**	8.1
Pension	**0.2**	0.2
Share based payments	**6.8**	6.0
	16.0	14.3

The following companies are substantial shareholders in the Company and therefore a related party of the Company (in each case, for the purposes of the Listing Rules of the UK Listing Authority). The number of shares held on 18th February 2015 was as below:

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

11 Post balance sheet event

Subsequent to the balance sheet date, the Group is in the process of acquiring Avocis, a leading provider of customer contact management services in Germany, Switzerland and Austria, for a consideration of £157m on a cash/debt free basis.

12 Preliminary announcement

The preliminary announcement is prepared in accordance with International Financial Reporting Standards as adopted by the European Union. A duly appointed and authorised committee of the Board of Directors approved the preliminary announcement on 25th February 2015. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2014 or 2013 but is derived from those accounts. Statutory accounts for 2013 have been delivered to the registrar of companies, and those for 2014 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Copies of the announcement can be obtained from the Company's registered office at 71 Victoria Street, Westminster, London SW1H 0XA, or on the Company's corporate website www.capita.co.uk/investors/Pages/Investors.aspx.

It is intended that the Annual Report and Accounts will be posted to shareholders in April 2015. It will be available to members of the public at the registered office and on the Company's Corporate website www.capita.co.uk/investors/Pages/Investors.aspx from that date.

13 Statement of Directors responsibilities

The Directors confirm that, to the best of their knowledge the extracts from the consolidated financial statements included in this report, which have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, (IFRS), IFRIC interpretations, and those parts of the Companies Act 2006 applicable to companies reporting under IFRS, fairly presents the assets, liabilities, financial position and profit of the Group taken as a whole and that the management report contained in this report includes a fair review of the development and performance of the business.

By order of the Board

A Parker
Chief Executive

G M Hurst
Group Finance Director

25 February 2015