Capita plc

Full Year Results 2023

Stable revenue underpinned by strong contract wins, further accelerated efficiency measures to drive growth and improve cash flow

Capita plc CEO Adolfo Hernandez said:

"Since joining Capita I have spent time with colleagues and met a significant number of clients and other stakeholders. I have been hugely impressed with the strength and expertise of our employees, and the breadth and depth of our services. We have deep relationships across a compelling client list, and we operate in growing markets where our work matters to the lives of millions of people every day.

"I am excited about the opportunity for Capita and can already see a range of areas where we can unlock value. Our 2023 financial results have demonstrated some progress. However, we have yet to deliver the operational excellence that will enable us to create the right platform for future growth or achieve our full potential for the benefit of shareholders. Looking forward, we will focus on precision in execution, co-creating solutions with clients and accelerating the use of technology and leveraging our technology partnerships to drive improvement in our operating and financial performance.

"We need to deliver a rapid reduction in our cost base and are on track to deliver the net £60m annualised cost savings, from Q1 2024 as announced in November. Today we are announcing further material efficiency improvements of £100m to improve our competitive position.

"We have strong foundations and the opportunity for significant growth in the medium and longer-term. I look forward to sharing more details on Capita's future strategy in June."

2023 Financial Results

- Adjusted revenue[1] growth 1.3% to £2.6bn (2022: 1.7% growth)
  - Public Service marginal increase of 0.3%, Experience grew by 2.5% benefiting from one-off commercial settlement in H1
- Adjusted profit before tax[1] £56.5m (2022: £49.8m) up 14%, reflecting c.£20m profit benefit from commercial settlement in Experience
- Reported loss before tax of £106.6m (2022 profit: £61.4m) reflecting business exits, cost reduction programme expenses and 2023 cyber incident costs
- Free cash outflow[1,2], before the impact of business exits, of £115.5m (2022 outflow: £42.4m), including £30m pension deficit contribution, £20m cyber incident costs and £20m step up in technology investment
- Net financial debt (pre-IFRS 16)[1]: EBITDA ratio 1.2x at 31 December 2023 – proforma 0.9x if sale of Fera completed at year end

Contract wins

- Total contract value won £3,036m (2022: £2,593m) driven by strong performance in Public Service
- Book to bill ratio 1.1x (2022: 1.0x)
- Contract win rate across all opportunities improved to 62% from 57%. Material improvement in win rate on new and expanded scopes of work from 32% to 70%, reduced renewal rate reflecting pricing discipline across all bids

Outlook for 2024

- 2024 revenue expected to be broadly in line with 2023
- Modest improvement in operating margin
- Free cash outflow £70m to £90m after c.£50m cost of delivery of efficiency programmes

Clear pathway to deliver positive free cash flow in medium term

- Delivery of net £60m from Q1 2024 annualised cost reduction on track
- Triennial funding agreement with Pension Trustees - £30m reduction in deficit contributions by 2025
- Incremental £100m annualised cost reduction to be delivered over period to June 2025 – partially reinvested in growth

Financial highlights

	Reported results			Adjusted[1] results		
	31 December 2023	31 December 2022	Reported YoY change	**31 December 2023**	31 December 2022	Adjusted[1] YoY change
Revenue	**£2,814.6m**	£3,014.6m	(6.6)%	**£2,642.1m**	£2,609.0m	1.3%
Operating (loss)/profit	**£(52.0)m**	£(79.6)m	35%	**£106.5m**	£78.0m	37%
EBITDA	**£144.5m**	£235.7m	(39)%	**£214.6m**	£204.4m	5%
(Loss)/profit before tax	**£(106.6)m**	£61.4m	n/a	**£56.5m**	£49.8m	14%
Basic (loss)/earnings per share	**(10.60p)**	4.47p	n/a	**1.70p**	2.64p	(36)%
Operating cash flow*	**£81.2m**	£156.4m	(48)%	**£97.4m**	£128.4m	(24)%
Cash generated from operations*	**£8.7m**	£117.8m	(93)%	**£41.2m**	£98.4m	(58)%
Free cash flow*[,2]	**£(154.9)m**	£(31.5)m	(392)%	**£(115.5)m**	£(42.4)m	(172)%
Net debt	**£(545.5)m**	£(482.4)m	£(63.1)m	**£(545.5)m**	£(482.4)m	£(63.1)m
Net financial debt (pre-IFRS 16)	**£(182.1)m**	£(84.9)m	£(97.2)m	**£(182.1)m**	£(84.9)m	£(97.2)m

* Adjusted operating cash flow, cash generated from operations 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.
2. From 1 January 2023 free cash flow and free cash flow excluding business exits are presented after deducting the capital element of lease payments and receipts. Comparative amounts have been re-presented.

Investor presentation

A presentation for institutional investors and analysts hosted by Adolfo Hernandez, CEO and Tim Weller, CFO, will be held at 65 Gresham Street, London EC2V 7NQ at 09:00am UK time, 6 March 2024. 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.

Capita will present a strategy update on 13 June. Details will be made available nearer the time.

Participant webcast:
https://webcast.openbriefing.com/capita-fy23/

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Chief Executive Officer's review

Introduction

I am delighted to have joined Capita in the middle of January 2024. Capita plays an essential role in underpinning how millions of people's lives operate – every single day — and I am honoured to have been appointed as the leader of this business.

Much has been achieved in the transformation of the Group under Jon Lewis's leadership, with improvements in client satisfaction and contract delivery, the simplification of the business, with multiple unfocused business units reduced to two market focused divisions, and significant debt reduction. This has created a solid foundation to build on. We are now refocusing our operations and strengthening our execution capabilities, defining our future strategy and transforming into a more agile, client centric business that will ultimately deliver profitable cash-backed growth.

Over the last few weeks, I have spent time embedding myself within the organisation, meeting with stakeholders, the leadership team and colleagues around the world to better understand the strengths of Capita today and where there are opportunities to create value in the future.

It is clear that Capita is at an exciting point in its journey with attractive offerings in many segments, client satisfaction scores we can be proud of and a very talented and diverse workforce. Capita has a rich client base with multifaceted and deep relationships. I'm pleased to see that we have high quality people across the organisation who understand how to deliver complex services and are passionate and committed to our clients and their needs.

The evolving digital landscape (automation and generative AI) pose both a challenge and an opportunity that we intend to take advantage of in order to deliver better, more efficient services to our clients. Through our partnership with technology hyperscalers we will co-create and innovate solutions that solve our clients' needs for today and the future.

As we take the company to the next stage of its evolution, we have challenges we need to tackle. Our immediate focus is to deliver a rapid improvement in the financial performance of the business and, in particular, to realise our goal of sustainable positive free cash flow generation.

To win in our marketplace, we must ensure: our cost base is appropriate for the size of our business; our clients are advocates for Capita; we deliver and execute with precision; and, importantly, our colleagues throughout the Group are aligned with our vision, can grow their careers with Capita and are proud to be part of our organisation.

We need to grow our revenue by acquiring new clients and expanding our relationships with existing clients. But this revenue growth must generate an appropriate cash-backed financial return. Key to this is maintaining our contract bidding discipline and ensuring we execute for our clients with precision when it comes to delivery. We recognise that we will also need to curtail some existing activities that do not deliver this objective. To this end, we are conducting a review of our operations to help us identify these particular activities and an implementation plan to ensure continuity for our clients and their customers.

Over the next few months, I will work with the Board, my leadership team and our colleagues across the organisation to develop a clear roadmap to:

- Define and refine Capita's formula for winning in its markets;
- Ensure we deliver efficiently and effectively for our clients each and every time;
- Expand our current services to capture greater economic value from our core business;
- Identify opportunities where we can work with partners to develop and deliver technology solutions that will create cost efficiencies and a better customer experience;
- Enhance productivity through standardisation, replication and better use of tools and data;
- Rally our leadership team, motivate our colleagues and evolve our culture; and
- Embrace the changes we need to deliver on our objectives.

I am planning to set out our vision, strategy and associated medium-term financial and non-financial targets in detail at a Capital Markets Day in June 2024.

The rest of this CEO report summarises what has been achieved across the business in 2023. I'd like to thank my new colleagues for their hard work, dedication and professionalism through what has been a challenging year for many. I am very much looking forward to leading Capita on the next stage of its journey.

Summary of achievements in 2023

As a Group, we continue to put our clients and their customers first. Our customer net promoter score (cNPS) remains strong at +16 (+25, excluding the pensions administration business where a number of clients were impacted by the cyber incident in March 2023). While this is a ten-point reduction from 2022, it remains a creditable performance bearing in mind the impact of the cyber incident.

During 2023, we focused on creating a compelling working environment and meaningful careers for our colleagues across every geography and saw positive improvements in employee engagement, inclusion and wellbeing scores.

Our financial performance for the year was not where it needed to be. Revenue growth, profit margins and free cash flow remain behind our peers. We are committed to delivering a financial performance that enables us to achieve our goal of delivering sustainable positive free cash flow over the medium term.

Despite significant rationalisation over the past few years, our cost base is too high. In November 2023, the Group announced that it had launched a significant cost reduction programme expected to deliver annualised cost savings of £60m from Q1 2024. We have identified further material efficiency improvements which are essential to ensuring our competitive position in the market and during the remainder of 2024 we will be taking steps to realise a further £100m of annualised cost savings by mid 2025. A proportion of these further savings will be reinvested in the business to develop the Group's technology, service delivery and pricing. We expect to provide further detail about this at our Capital Markets Day in June 2024.

During 2023, the Group significantly extended its funding maturity profile. In June we extended our revolving credit facility to 2026 and in July we issued £101.9m of US private placement notes with a mixture of three and five-year maturities. We finalised our c.£500m Portfolio disposal programme with the announcement of the sale of Fera in December, a transaction that completed in January 2024.

The Group’s contract growth momentum across 2023 remained strong. We won contracts with a total contract value (TCV) of £3,036m, up by £443m from £2,593m in 2022 and saw a major improvement in the Group’s win rate for new scopes of work and expansions of existing scopes to 70%, up from 32% in 2022.

Creating better outcomes for all key stakeholders is Capita’s purpose and is our licence to operate. It underpins everything we do as a business.

Our people

During 2023, we focused on creating a compelling working environment and meaningful careers for our colleagues across every geography and saw positive employee engagement, inclusion and wellbeing scores.

In 2023, we saw a major improvement in the Group’s voluntary employee attrition rate which on a rolling 12-month basis reduced from 30% at the start of the year to 24% by year end. We implemented specific Group and local measures to reduce attrition including a Capita-wide induction programme to improve the employee onboarding process and a global line manager training programme to ensure consistent induction experiences. At a divisional level, we increased communications with all employees via newsletters and divisional town hall events to improve employees’ sense of belonging.

Our hybrid, virtual-first organisation continues to be an important factor in our ability to attract and retain talent, including in locations where we do not have a physical office location. In our annual people survey, 88% of respondents who work from home stated that the flexible working arrangements are a key motivator for them to stay with Capita.

At the end of 2023, we took the difficult decision to withdraw from the UK’s real living wage. Since 2020, the Group has increased the salaries of our lowest earners by 22% and the 2024 real living wage increase of 10.1% was not something we could commit to given the need for Capita to remain cost competitive and that this is not a cost we are able to pass on to our clients. We continue to apply global fair pay principles across all geographies to ensure we are able to attract and retain the colleagues we need to deliver our business commitments. In the UK, those paid a real living wage previously will continue to be paid higher than the national minimum wage.

We have supported colleagues through the cost-of-living challenges which each of our geographies has faced this year. In our annual salary review at the start of 2023, we prioritised salary increases to our lower earning colleagues with our highest earners asked to forgo a pay increase.

Diversity remains a key focus for the Group and at year end we had 40% female senior leadership (globally) and 14% ethnic diversity. At year end our Board was 56% female and our Executive Team at year end was 29% female, rising to 44% in early 2024. At year end, our Board and Executive Team were 22% and 14% ethnically diverse respectively.

In October, Capita was recognised as one of the top companies for women by Forbes, ranking 18th out of 400 global companies. This is a testament to our commitment to diversity, inclusion and equality in our workplace.

We continued with our roll out and embedding of the career path framework (CPF) in 2023, helping employees across every level and geography in the organisation build a meaningful, long-lasting career with Capita. CPF provides clarity about the skills and experience required for roles across the organisation – and ensures salaries are benchmarked to appropriate market rates.

We are building advocacy in Capita and are focused on ensuring that our people are proud to work for the organisation. This was evidenced in our annual people survey, where 84% of respondents said they can be themselves at work, higher than the global average, while 63% stated they feel proud to work for Capita, lower than the global average and something we are working to improve.

We continue to support community initiatives to help the most disadvantaged and vulnerable in society. Globally, colleagues completed almost 21,000 hours of volunteering, nearly three times the hours completed last year. We were pleased to retain our status as a gold award employer under the Armed Forces Covenant.

Cyber incident

In March 2023, a threat actor gained unauthorised access to certain of our systems which caused disruption to client services in some parts of our business. We worked closely and at speed with specialist advisers and forensic experts to investigate and resolve the incident.

Based on the forensic work performed, we confirmed that some data had been exfiltrated during the incident. Consequently, we took extensive steps in the immediate period after the incident to recover and secure the exfiltrated data. We continue to monitor the dark web and can confirm that we have seen no evidence, subsequent to our recovery activities, that any of the exfiltrated data is in circulation there or elsewhere in the online environment. As a precautionary measure, we offered a 12 month subscription to Identity Plus, a monitoring service provided by UK credit reference agency Experian. Our investigation is now complete and all affected clients, suppliers and employees are in the process of being contacted and we continue to support those whose data was exfiltrated.

As a result of the incident, we incurred net costs of £25m, comprising specialist professional fees, recovery and remediation costs and investment to reinforce Capita’s cyber security environment.

We have accelerated our previously planned investment to improve our cyber security maturity which has improved and is subject to external audit with reference to the National Institute of Standards and Technology cyber security framework.

The incident was a challenging experience for the Group, and we have taken steps to share our experience and learnings transparently with our clients, suppliers and other companies and plan to continue this good practice in the future. Since the incident we have continued to see good contract growth momentum with a 17% increase in TCV secured in 2023.

Growth

The Group's contract growth momentum across 2023 remained strong. We won contracts with a TCV of £3,036m, up £443m from £2,593m in 2022. There was a particularly strong performance in Public Service, where a number of deals previously scheduled to close in 2022 were delayed into 2023. While a number of these contracts have now been signed, the delays affected the division's revenue growth in 2023.

The book to bill ratio for the Group remains above 1.0x at 1.1x, with 1.3x in Public Service and 0.9x in Experience. As we look to build our revenue growth, maintaining this metric above 1.0x is a priority.

We saw a major improvement in the Group's win rate for new scopes of work and expansions of existing scopes to 70%, up from 32% in 2022. Significant new scopes of work in Experience include: the Civil Service Pension Scheme, which will start in 2025; the City of London Police, which will begin later in 2024; and the National Transport Authority of Ireland and Santander, which have now commenced. In Public Service, the Group won material expanded scopes of work with the Department for Work and Pensions to deliver Functional Assessment Service (FAS) and the Department for Education delivering Disabled Students Allowance (DSA).

Despite our strong TCV performance, revenue growth continues to be impacted by previously announced contract losses, including the Co-operative Bank contract in Experience and in Local Public Service. Consistent with our drive to ensure all contracts are bid at an appropriate margin, we saw a reduction in the Group's contract renewal rate to 52% from 96% in 2022. This decrease reflected the loss of the administration of the Teachers' Pension Scheme contract in Experience and the Electronic Monitoring Service and Standards and Testing Agency (STA) contracts in Public Service, all of which were lost on price and which will have a dampening impact on revenue growth. Material renewals secured in 2023 include Virgin Media O2 and the extension of the Recruiting Partnering Project (RPP) contract with the British Army.

Reflecting the strong TCV performance across 2023 and increased rigour across the qualification process, the unweighted pipeline for 2024 is at a lower level than at the start of 2023, with a total unweighted pipeline of £10,381m. Material contracts within the pipeline include opportunities with the Department for Work and Pensions, the Ministry of Defence, and a number of contracts within our International Markets in Experience.

In February 2024, Experience secured an extension and expansion with an existing client in the European telecoms business worth £220m.

At 31 December 2023, the Group's order book was £5,883m, an increase of £77m from 31 December 2022 with £2,417m order book additions, indexation and scope changes, offset by £2,101m revenue recognised and a £239m reduction from business disposals and contract terminations.

Operational delivery

Throughout 2023, we continued to maintain our focus on operational delivery for clients. By striving to deliver well for our clients and getting it right first time, we should reduce excess cost and avoid financial penalties. While we have made progress in this area, there is still work to do. We will be building on what has been achieved to date through strengthening and standardising our operational processes.

Our cNPS remains strong at +16 (+25, excluding the pensions administration business where a number of clients were impacted by the cyber incident in March).

Within the cNPS survey, our promoters spoke highly of our employees, citing the knowledge and relationships with the teams they work with at Capita and the quality of services delivered. However, we also received feedback from some clients around project delay and delivery issues and comments suggesting that certain teams could be more agile in service delivery. We will focus on improving in these areas in 2024, in line with our goal of ensuring we deliver efficiently and effectively for our clients each and every time.

Our KPI performance across 2023 remained above 90% in both divisions. Where KPI performance was not met at any point over the year, for example in respect of the particularly challenging 99.7% of exam scripts marked and returned in our contract for the STA, and recruitment targets in the RPP we are implementing specific remediation action to ensure we meet the high standards Capita expects to deliver.

Notable achievements across the contract portfolio in 2023, included:

- Within Public Service, on our Royal Navy training contract, we met our final milestones as set out in the original contract, concluding the transition of multiple legacy contracts.
- On the Job Entry Target Support contract in Scotland, we completed more than 200% of the targeted number of job starts across the contract period.
- Within the Experience division, on our Virgin Media O2 contract, we significantly increased the size of our offshore delivery team, with 1,000 full-time employees added, providing additional optionality to the client to service customers with digital enablement.
- Within the Energy & Utilities vertical of Experience, we successfully delivered a significant step-up in available hours around peak demand in Q4 to ensure efficient outcomes for clients and their customers.

As we move into 2024, we are focused on delivering the complex transition and mobilisation requirements of our new contracts with the City of London Police, DSA and National Transport Authority Ireland.

Consistently delivering for our clients is the cornerstone of our success. Effective, efficient client delivery and getting it right first time, reduce excess cost and allow us to grow revenue.

Digital transformation and artificial intelligence

We are taking a measured approach to artificial intelligence (AI) and generative AI (gen AI), working with our clients and partners to deliver effective and efficient solutions as the technology continues to evolve. We expect that gen AI will allow us to be more productive and offer our clients superior solutions.

We plan to turbo charge our relationships with a number of trusted hyperscale partners, including Microsoft, AWS, Salesforce and ServiceNow. We also plan to partner to develop and deliver solutions across a wider span, creating a more digital Capita, delivering an efficient and higher quality service and experience for our clients and their customers.

We have already integrated digital and AI solutions into a range of clients. For example in the Public Service division, we have utilised a new Metaverse virtual reality tool for submarine qualification training within the Royal Navy. This modernised solution improves the learning experience and enables better trained submariners to be on the front line faster.

Within the Experience division, AI and gen AI will augment our agents, upskill our people, provide critical information quickly, and enable our people to be more competent and capable, which will in turn deliver better customer experiences. AI has been implemented in the division across a number of contracts in four key capability areas: chatbot/conversation AI; conversation analysis; data observatory and analytics; and correspondence digitisation.

We are continuing to develop further AI and gen AI pilots across both divisions, for example on our BBC and Transport for London contracts.

Cost efficiency

In November 2023, the Group announced it had commenced employee redundancy programmes expected to deliver an annualised £60m of cost savings from Q1 2024. The organisational changes that we have implemented primarily affected around 900 indirect support function and overhead roles.

We have identified further material efficiency improvements which are essential to ensuring our competitive position in the market and during the remainder of 2024 we will be taking steps to realise a further £100m of annualised cost savings by mid 2025, which will be partially reinvested in growth. We expect to provide further detail on this at our Capital Markets Day in June 2024.

Our property footprint continues to reduce as we benefit from our virtual first working model. We are targeting savings by managing capacity around demand for office spaces across our geographies. We permanently closed 19 properties and consolidated a further 14 during 2023. This year we reduced the square footage of our total property portfolio by a further 9%.

The total footprint of the Group’s property portfolio has now reduced by 31% in the last three years. The IFRS 16 lease liability associated with our property portfolio reduced by £30m across 2023, reflecting the continued reduction in our leased property estate.

Financial results - revenue and results before tax

Adjusted revenue[1] growth for the year was 1.3% with adjusted revenue[1] of £2,642.1m (2022: £2,609.0m). This reflects underlying growth in contracts such as Personal Independence Payments, benefit from indexation and a commercial settlement in the closed book Life & Pensions business in Experience. This was partially offset by contract losses including the Co-operative Bank in Experience and in our Local Public Service business in the Public Service division.

Reported revenue declined by 7% to £2,814.6m as core business growth was more than offset by the disposal of non-core businesses.

Adjusted profit before tax[1] improved by £6.7m to £56.5m (2022: £49.8m). Profit benefited from revenue growth, in particular the commercial settlement in Experience noted above and a reduction in bonuses and variable pay, offset by increased financing costs.

The reported loss before tax was £106.6m as a result of the £38.8m loss incurred on business exits during the year, the goodwill impairment of £42.2m (recognised in respect of businesses in the Portfolio disposal programme), the expense associated with the Group’s cost reduction programme with £23.3m incurred in respect of employee consultation programmes and £31.1m of associated property related charges, and £25.3m of cost incurred in respect of the March 2023 cyber incident.

Financial results - free cash flow and net debt

The free cash outflow before the impact of business exits[1,2] was £115.5m (2022 outflow: £42.4m). The 2023 outflow was driven by an increased working capital outflow, principally reflecting a reduction in the in-period usage of the Group’s non-recourse invoice discounting facility and the non-cash nature of the commercial settlement in Experience. There were additional outflows reflecting the cash cost of the cyber incident and the expected increase in capital expenditure on technology investment across the Group.

The free cash outflow[1,2] for the Group was £154.9m (2022 outflow: £31.5m), reflecting the in-year cash impact of businesses exited or being exited of £23.1m and £16.3m of pension deficit contributions triggered by disposals.

We have now completed our c.£500m Portfolio non-core business disposal programme. In 2023 we completed the disposal of our People, Software, Business Solutions and Travel pillars realising net proceeds of £63.4m in the year. In December 2023, we announced the sale of Fera, our joint venture with DEFRA which completed in January 2024, realising gross proceeds of £62m (£51m net proceeds, after cash held by Fera at completion and disposal costs).

Net financial debt (pre-IFRS 16) was £182.1m (2022: £84.9m) reflecting the free cash outflow which more than offset the net proceeds realised on disposals. Proforma net financial debt (pre-IFRS 16) including the Fera net cash proceeds at 31 December 2023 would have been £132.0m, resulting in a year-end leverage of 0.9x[1] had the sale been completed in 2023.

Net debt, including the impact of property leases accounted for under IFRS 16 was £545.5m in 2023 (2022: £482.4m), reflecting the free cash outflow across the year. Our IFRS 16 lease liability has reduced to £363.4m from £397.5m, as we continue to optimise our property footprint.

We significantly extended our funding maturity profile in 2023 through the extension of the Group's revolving credit facility to 2026 and issuance of £101.9m equivalent of US private placement notes with a mixture of three and five-year maturities.

Outlook

Capita has a significant impact on the lives of citizens and we understand the importance of our impact on society. While we still have work to do to complete the turnaround of the Group, we have made good progress over the last few years and are committed to improving our operations across the board in 2024 and beyond.

We will develop our offerings and drive operating efficiency by leveraging technology and through the cost reduction programmes being implemented in 2024. Through rigorous project management we will be focused on delivering complex client requirements on time and budget.

For 2024, as a whole, on an adjusted basis, we currently expect that revenue will be broadly in line with 2023, and that operating profit margin and free cash flow will show modest improvement year on year.

We expect the Public Service division to deliver revenue growth in 2024 reflecting the significant contracts won in 2023 moving into their operational phase later this year whereas we expect the Experience division to show a reduction in revenue reflecting the non-recurrence of 2023's closed book Life & Pensions commercial settlement coupled with ongoing revenue attrition in the rest of the Life & Pensions business.

Notwithstanding our revenue expectations, the cost reduction programmes being implemented in 2024 are expected to result in a modest improvement in adjusted operating profit margins and free cash flow, albeit in the latter case, the cash flow benefit in the year will be reduced as a result of the redundancy and other costs required to deliver the cost reduction programmes.

We will be setting out our vision, strategy and associated medium-term targets in detail at a Capital Markets Day in June 2024.

1. Refer to alternative performance measures (APMs) in the Appendix.
2. From 1 January 2023 free cash flow and free cash flow excluding business exits are presented after deducting the capital element of lease payments and receipts. Comparative amounts have been re-presented.

Divisional performance review

The following divisional financial performance is presented on an adjusted[1] basis. The calculation of adjusted figures and our KPIs are contained in the APMs in the Appendix to this statement.

Public Service

Public Service is the number one strategic supplier of Software and IT Services (SITS)[2] and business process services (BPS)[2] to the UK Government.

Markets and growth drivers
In 2024, the division changed its structure to focus on three market verticals: Local Public Service; Central Government; and Defence, Fire, Security & Learning with these market verticals delivering to their respective client groups.

Our current core addressable SITS market is c.£15bn[2], growing at approximately 4%[2] per annum. Digital BPS is a fast-growing area, while traditional business process outsourcing (BPO) is currently shrinking, reflecting the UK Government's focus on digital enablement, as it looks to ensure the delivery of high-quality, cost-effective services to its citizens.

In 2022, the UK Government published the Roadmap for Digital and Data outlining its intention to spend up to an additional £8bn by 2025 to accelerate digital, data and technology transformation so that it can better respond to future macroeconomic challenges.

Public Service operates within a highly fragmented market. Across the varied services that it delivers we operate against a number of other providers including, but not limited to: Atos, G4S, Sopra Steria, CGI, TCS, Serco, Accenture and Maximus.

Strategy and digital transformation
Public Service is seen as a trusted delivery partner by its clients, with a high-quality offering and deep sector process knowledge in our chosen market verticals.

The division is focused on working with trusted technology partners such as Microsoft and AWS to harness digital ways of working and accelerate the transformation of our services, leveraging AI alongside the skills and capabilities of our people. We develop solutions around client needs and are progressing a number of digital proof of concepts where we've aligned digital transformation to future growth opportunities.

We have continued to simplify our operating model, removing organisational layers to improve efficiency and effectiveness across the division. We launched a second client advisory board in the Central Government sector, in addition to the previously established Defence client advisory board, to improve our understanding of Government bid processes and delivery priorities to help us become an even more effective service provider.

We continue to invest in our coverage on Government frameworks, through which companies are able to bid for Government contracts. We are included on a wide range of frameworks representing market access of up to £9.5bn including frameworks with the Crown Commercial Service, the Department for Work and Pensions and the NHS.

Looking forward, there is a significant growth opportunity to be the partner of choice – to drive efficiency, where the UK Government requires more cost-effective and efficient delivery solutions as the Public Sector invests more widely in digital, data and technology transformation.

Growth performance and key wins
Public Service won contracts with a TCV of £1,924m in 2023 (2022: £1,223m), a year-on-year increase of 57%. The TCV performance was in part driven by a small number of material contracts where award dates moved from 2022 into 2023, following a number of changes within the UK Government in 2022. The book to bill ratio for the year was 1.3x.

At 31 December 2023, the total unweighted pipeline for the division was £7,525m, a decrease of £333m from 2022 reflecting the anomalously high balance at the end of 2022 resulting from the award slippages noted above. The year end weighted pipeline was £1,266m (2022: £1,652m).

The division saw an improved win rate on new and expanded scopes at 78% from 53% in 2022. New scopes of work include City of London Police and expansions include those with the Department for Work and Pensions to deliver Functional Assessment Service (FAS) and the Disabled Students Allowance (DSA) contract for the Department for Education.

The renewal rate for the division reduced to 41% in the year from 91%, principally reflecting the loss of the Electronic Monitoring and Standards and Testing Agency contracts as the division maintained its pricing discipline. Material renewals in the year included with the British Army on the Recruiting Partnering Project. Across all opportunities bid for, the win rate was 65% (2022: 66%).

The order book at 31 December was £3,546m, an increase of £561m since 31 December 2022, reflecting the strong TCV performance in the year.

Operational excellence and cost efficiency
The division's operational delivery across the year has been good, with an average in-month KPI performance of 94%. The division's standalone cNPS decreased six points to an overall score of +27, which remains competitive.

Operational highlights across the year included:

- Delivery of the remaining service commencement dates on the Royal Navy training contract. We have now delivered all milestones under the original contract and continue to expand our scope on this contract;
- Completion of more than 200% of the targeted number of job starts across the contract period on the Job Entry Target Support contract in Scotland;
- Supporting major events in London, including the King's coronation, the London Marathon and London Pride, as part of our Transport for London contract; and
- In our Electranet business, over 1,000 projects were delivered across 2023, including defence secure Wi-Fi infrastructure across 130 military sites.

Our consistent delivery performance continues to drive expansions of existing scopes with clients such as with the Department for Work and Pensions, Transport for London and the Royal Navy.

Financial performance

Divisional financial summary	2023	2022	% change
Adjusted revenue[1] (£m)	1,458.6	1,454.8	0.3%
Adjusted operating profit[1] (£m)	89.3	93.7	(4.7)%
Adjusted operating margin[1] (%)	6.1%	6.4%	
Adjusted EBITDA[1] (£m)	133.3	131.9	1.1%
Operating cash flow excluding business exits[1] (£m)	107.1	102.3	4.7%
Order book (£m)	3,546.0	2,985.0	18.8%
Total contract value secured (£m)	1,923.8	1,222.5	57.4%

Adjusted revenue[1] at £1,458.6m, was marginally up on 2022 reflecting price indexation across the contract portfolio, growth on the Royal Navy training contract and additional volumes on the Personal Independence Payments contract offset by contract losses and hand-backs in Local Public Services, with this vertical 14% down year on year.

Adjusted operating profit[1] decreased by 4.7% to £89.3m reflecting contract losses in Local Public Service offset by the flow through of revenue growth across the wider contract portfolio as noted above.

Operating cash flow excluding business exits[1] increased by 4.7% to £107.1m reflecting the contract performance noted above and tight working capital management.

Outlook

Reflecting the strong TCV performance in 2023, we expect low to mid-single digit percentage revenue growth in 2024, as the division begins delivery of the FAS and DSA contracts. This growth is despite the continued revenue reductions in Local Public Service from previously announced contract losses.

We expect improvements in margin performance in 2024 and the medium term, as the division captures greater economic value from its business through economies of scale from revenue growth, curtailing low margin work and our ongoing efficiency programmes.

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

Experience

Experience is one of Europe's leading customer experience businesses. It is the market leader in the UK[2] and ranks fourth in Germany[2] and Europe[2].

Markets and growth drivers
The division is structured around four market sectors: Financial Services; Telecoms, Media & Technology; Energy & Utilities; and Retail (including charities). We have strong industry expertise and presence, with clients in the UK, Ireland, Germany and Switzerland, and services delivered across these geographies and in India, South Africa, Poland and Bulgaria. We operate in markets where we have a strong track record and where we see potential for growth.

The European customer experience market is worth $33bn a year[2] and the market is expected to grow at approximately 4% per annum[2]. The outsourced element of the global customer experience market represents around 30% of the overall market[2].

We are the largest provider of customer experience services in the UK and Ireland, with a market share of around 13%. Our competitors are mostly global and include entities such as Teleperformance, Concentrix & Webhelp, Tata Consulting Services and Foundever.

The customer experience market is trending to self-service with increasing levels of automation for less complex services. Increasingly clients are looking to use omnichannel offerings in a number of languages with agents working in onshore, nearshore and offshore locations.

Strategy and digital transformation
The Experience division is a customer experience business driven by data and technology powered by people, delivering services through a client centric environment. We operate as a leading regional player with global quality standards, and an ambition to become the partner of choice for companies in our chosen geographies.

The division's core activity is the provision of cost-effective customer experience contact centres, delivering services including voice and non voice; end-to-end customer management; collections; and sales and retention. Our services are supported by a wide range of capabilities, including conversational AI and real time feedback and automation to ensure customers get the best outcomes, efficiently. We equip and empower our colleagues across all our geographies to deliver to the highest level of service for our clients and their customers.

Within the customer experience market, as technology plays a bigger role in delivery, we have seen an increase in volumes through our automated delivery methods such as chat bots. We are leveraging technology to enhance the effectiveness and efficiency of our customer facing colleagues, particularly for complex customer experience activities such as sales as a service.

We operate in a number of geographies which offer service delivery optionality to suit client needs. In 2023, we expanded our capability in South Africa, India and Poland, which together enable us to offer flexible 24/7 delivery to our clients, across their chosen delivery methods. We also expanded our Bulgarian operations, particularly in support of the Telecoms, Media & Technology vertical. In 2024, we will further expand our operations in Bulgaria and Poland opening additional offices in both geographies, expanding our multilingual capabilities and offerings to clients.

We are exploring opportunities in other nearshore international locations to underpin our growth ambitions and expansion of our existing client base. This allows flexibility to use onshore, nearshore or offshore delivery models when it comes to delivering our clients' service requirements.

Growth performance and key wins
In 2023, the division won TCV of £1,112m, a decrease of £258m from 2022. The division's book to bill ratio was 0.9x. Material wins in the year included contracts for the Civil Service Pension Scheme, National Transport Authority Ireland, and Santander, as well as a key renewal with Virgin Media O2.

At 31 December 2023, the division's unweighted pipeline was £2,856m, a decrease of £1,226m from 2022. The weighted pipeline at 31 December 2023 stood at £560m (2022: £1,114m) and, following the sales success achieved in 2023, we are devoting significant resources to growing our pipeline of opportunities, particularly for new and expanded scopes of work.

The renewal win rate reduced to 61% from 99% in the prior year principally reflecting the outcome of the Teachers' Pension Scheme contract tender process where we continued to maintain our commercial discipline. Our win rate for the division across all opportunities was 57%, up from 51% in 2022.

At the start of 2024, the division secured an extension and expansion with an existing client in the European telecoms business worth £220m.

The order book at year end was £2,299m, a decrease of £227m since 31 December 2022, reflecting the fact that the Virgin Media O2 contract is a framework agreement not meeting the accounting criteria for order book recognition.

Operational excellence and cost efficiency
Across the year, Experience has continued to deliver well operationally for clients with an average KPI delivery of 94%, excluding the pensions administration business. The average KPI delivery including the pensions administration business was 82%. The division's cNPS decreased by 11 points to +10 with the reduction largely in the pensions administration business which was heavily impacted by the cyber incident. Excluding the pensions administration business, the division's cNPS was +24, a three-point reduction from 2022, with a strong performance in account management and subject matter expertise.

In 2023, we focused on cost efficiency and right sizing of the business and are continuing to drive this efficiency programme as we progress into 2024.

In the Telecoms, Media & Technology vertical, we saw success in the year selling the services of our customers through peak sales periods. For one client, Capita employees sold more during Black Friday trading promotions than the telecoms provider's own employees. Within the Energy & Utilities vertical, we successfully delivered a significant step up in available hours around peak demand in Q4 to ensure efficient outcomes for clients and their customers.

Elsewhere, in the European Telecoms business we were selected as sole provider of one of our key client's customer experience activities reflecting our consistently strong operational delivery.

As expected, we have seen volume attrition within our closed book Life & Pensions business in the Financial Services vertical. We maintain our strong operational delivery in respect of these closed book contracts, but are actively engaged in discussions to resolve the challenges in this area with a view to mitigating the ongoing cash cost from the business.

Financial performance

Divisional financial summary	2023	2022	% change
Adjusted revenue[1] (£m)	1,183.5	1,154.2	2.5%
Adjusted operating profit[1] (£m)	50.9	35.7	42.6%
Adjusted operating margin[1] (%)	4.3%	3.1%	
Adjusted EBITDA[1] (£m)	111.3	109.9	1.3%
Operating cash flow excluding business exits[1] (£m)	32.7	36.1	(9.4)%
Order book (£m)	2,299.4	2,526.7	(9.0)%
Total contract value secured (£m)	1,112.3	1,370.6	(18.8)%

Adjusted revenue[1] grew by 2.5% to £1,183.5m, benefiting from the one-off effect of a commercial settlement in our closed book Life & Pensions business. There were wins within the division's international markets which offset contract losses and volume attrition in the Financial Services vertical, including the previously announced loss of our contract with the Co-operative Bank.

Adjusted operating profit[1] rose to £50.9m (2022: £35.7m). The division benefited from the profit impact of the commercial settlement noted above and higher interest receipts in the pensions business, which more than offset contract losses and continued attrition in the remaining closed book Life & Pensions business.

Operating cash flow excluding business exits[1] decreased by 9.4% to £32.7m, reflecting the non-cash nature of the commercial settlement, partially offset by timing of payments on the Virgin Media O2 contract.

Outlook

We expect a low to mid-single digit percentage revenue reduction in 2024 reflecting the non-repeat of the one-off revenue benefit in 2023 and ongoing attrition in the closed book Life & Pensions business.

We expect operating margins in 2024 to be broadly flat year on year as cost efficiencies offset the non-recurrence of the profit benefit from 2023's commercial settlement.

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

Chief Financial Officer's review

This preliminary announcement is extracted from Capita's financial statements for the year ended 31 December 2023 and the basis of its preparation can be found in the notes to the financial statements in this announcement.

Overview

Adjusted revenue[1] growth of 1.3% reflected underlying growth on contracts such as the Personal Independence Payments contract in Public Service, increases in indexation, and the one-off benefit relating to a commercial settlement in the closed book Life & Pensions business in Experience, partly offset by the impact of a number of contract losses.

Public Service revenue growth was underpinned by indexation, scope increases on the Royal Navy Training contract and increased volumes on the Personal Independence Payments contract, offset by contract hand-backs and losses in Local Public Services and a step down in revenues in Northern Ireland, which in 2022 benefited from the teachers' laptop contract. Experience revenue growth was driven by improved trading in its international business, indexation and the one-off benefit relating to a commercial settlement in the closed book Life & Pensions business, partly offset by contract losses including with the Co-operative Bank.

The 13.5% step-up in adjusted profit before tax[1] reflected the revenue trends noted above, in particular the commercial settlement in Experience, and a reduction in bonuses and variable pay, offset by increased financing costs.

Adjusted basic earnings per share[1] reduced to 1.70p (2022: 2.64p) as the increase in adjusted profit before tax[1] was offset by an increase in the adjusted current tax charge to £30.4m (2022: £6.4m). The adjusted current tax charge in 2023 reflects an £18.1m charge mainly in respect of losses not recognised for tax purposes which is shown in the income statement. There is an offsetting current tax credit arising on pension deficit contributions which is recognised in other comprehensive income rather than the income statement. While the adjusted earnings per share are impacted by a particularly high effective tax rate in 2023's income statement, the underlying rate of cash tax for the Group is much lower and we anticipate cash tax payments in 2024 of less than £10m.

The reported loss before tax of £106.6m (2022: profit £61.4m), reflects exceptional costs incurred in resolving the March 2023 cyber incident (£25.3m), costs incurred to deliver the significant cost reduction programme announced in November 2023 (£54.4m) and lower gains on the sale of businesses (2023: loss £2.4m; 2022: gain £166.9m). These negative year-on-year impacts were partially offset by the increase in adjusted profit before tax[1] (£6.7m) and lower goodwill impairment (2023: £42.2m; 2022: £169.0m).

The reduction from reported basic earnings per share to a reported loss per share reflects the reduction in reported profit before tax noted above, compounded by the swing from a reported income tax credit to an income tax charge. The reported income tax charge in 2023 reflects changes in the accounting estimate of recognised deferred tax assets, unrecognised current year tax losses and non-deductible goodwill impairment. The reported tax credit in the prior period reflected an increase in the recognised deferred tax asset.

Cash generated from operations excluding business exits[1] decreased, as expected, from £98.4m to £41.2m, driven by the cash costs of the cyber incident and higher working capital outflows partly offset by reduced outflows in respect of provisions.

Free cash flow excluding business exits[1,2] in the year ended 31 December 2023 was an outflow of £115.5m (2022: outflow £42.4m). This reflects the reduction in cash generated from operations and increased capital expenditure from technology investment across the Group.

The decrease in free cash flow[1,2] reflects the above reduction in free cash flow excluding business exits[1,2], a cash outflow from business exits, and an increase in pension deficit contributions triggered by disposals.

As part of our drive for simplification of the business, and strengthening the balance sheet, we have continued to dispose of non-core businesses. During 2023 we completed the disposal of the Resourcing, Security Watchdog, PageOne, Enforcement, Software, and Travel businesses, realising total proceeds net of disposal costs of £96.8m (including settlement of intercompany balances on completion) with net cash proceeds of £63.4m reflecting the cash held in the disposed entities on completion. On 4 December 2023, we announced the disposal of the Group's 75% shareholding in Fera Science Limited (Fera), realising gross proceeds of £62m. The Group received net cash proceeds of £51m reflecting the total proceeds less cash held in the entity when the disposal completed on 17 January 2024, and disposal costs.

These disposals completed the Board-approved Portfolio c.£500m business disposal programme. The Group is using the proceeds from this disposal programme to repay debt, to make further deficit reduction contributions to the Group's defined benefit pension scheme and to invest in driving growth in the remaining core businesses. In 2023, we repaid £112.5m of private placement loan notes and made pension deficit contributions of £46.3m (£30.0m regular contributions and £16.3m acceleration of agreed contributions triggered by disposals).

We have incurred costs associated with the cyber incident detailed in the Chief Executive Officer's Review. These costs comprise specialist professional fees, recovery and remediation costs and acceleration of investment to reinforce Capita's cyber security environment. A charge of £25.3m has been recognised in the year ended 31 December 2023 and has been excluded from adjusted profit. This excludes any potential insurance recovery as this had not yet met the criteria for recognition at the year end. The cash outflow in respect of the cyber incident in the year was £20.1m which is included within free cash flow and cash generated from operations excluding business exits[1].

We announced the implementation of a cost reduction programme in November 2023 which is expected to deliver annualised efficiencies of £60m from Q1 2024. Following the announcement, we commenced employee consultation programmes, and exited a number of leased properties. As a result, a charge of £54.4m has been recognised in the year ended 31 December 2023. As noted in November 2023, we have continued to evaluate additional cost saving opportunities and have identified further efficiency actions which we intend to take and which are expected to deliver an additional £100m of annualised cost savings by mid 2025. We expect to reinvest a proportion of these further savings back into the business to enhance the Group's technology, service delivery and pricing proposition.

The Group's committed bank facilities provide liquidity for the cash fluctuations of the business cycle and an allowance for contingencies. In June 2023, the Group's revolving credit facility (RCF) was extended to 31 December 2026 at £284m, reducing to £250m by 1 January 2025 as a consequence of specified transactions. As such at 31 December 2023 the RCF commitment had been reduced to £260.7m (2022: £288.4m) and was subsequently reduced to £250.0m on 23 January 2024 following receipt of proceeds from the Fera disposal. The RCF was not drawn upon at 31 December 2023 (2022: undrawn).

In July 2023 the Group issued £101.9m equivalent of US private placement loan notes across three tranches: £50m maturing 25 July 2026, USD45m maturing 25 July 2026 and USD23m maturing 25 July 2028.

The RCF extension and private placement loan note issuance are a demonstration of debt providers' confidence in Capita and have enabled us to extend significantly the average maturity of our debt funding.

The Group reached agreement with the Trustees of the Group's main pension scheme (the Scheme), in respect of the March 2023 triennial funding review. Given the healthy funding position of the Scheme, the 2023 agreement does not require any further deficit contributions from the Group other than those already committed as part of the 2020 triennial valuation. In accordance with the 2020 agreement, we have paid £30.0m of regular deficit contributions and £16.3m of contributions triggered by business disposals in 2023 and will pay a further £21m of contributions in 2024, with no further deficit contributions in 2025 and beyond.

Summary of financial performance

Financial highlights

	Reported results			Adjusted[1] results		
	31 December 2023	31 December 2022	Reported YoY change	**31 December 2023**	31 December 2022	Adjusted[1] YoY change
Revenue	**£2,814.6m**	£3,014.6m	(6.6)%	**£2,642.1m**	£2,609.0m	1.3%
Operating (loss)/profit	**£(52.0)m**	£(79.6)m	35%	**£106.5m**	£78.0m	37%
EBITDA	**£144.5m**	£235.7m	(39)%	**£214.6m**	£204.4m	5%
(Loss)/profit before tax	**£(106.6)m**	£61.4m	n/a	**£56.5m**	£49.8m	14%
Basic (loss)/earnings per share	**(10.60p)**	4.47p	n/a	**1.70p**	2.64p	(36)%
Operating cash flow*	**£81.2m**	£156.4m	(48)%	**£97.4m**	£128.4m	(24)%
Cash generated from operations*	**£8.7m**	£117.8m	(93)%	**£41.2m**	£98.4m	(58)%
Free cash flow*[,2]	**£(154.9)m**	£(31.5)m	(392)%	**£(115.5)m**	£(42.4)m	(172)%
Net debt	**£(545.5)m**	£(482.4)m	£(63.1)m	**£(545.5)m**	£(482.4)m	£(63.1)m
Net financial debt (pre-IFRS 16)	**£(182.1)m**	£(84.9)m	£(97.2)m	**£(182.1)m**	£(84.9)m	£(97.2)m

* Adjusted operating cash flow, cash generated from operations and free cash flow exclude the impact of business exits (refer to note 9).

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.

Following feedback from investors, the Board has revised its definition of free cash flow[1] and free cash flow excluding business exits[1] alternative performance measures. From 1 January 2023, both these metrics have been presented after deducting the capital element of lease payments and receipts, as this provides a more relevant and comparable measure of the cash generated by the Group's operations and available to fund operations, capital expenditure, non-lease debt obligations, and potential dividends. Comparative amounts have been re-presented.

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 2022 comparatives have been re-presented to exclude 2023 business exits. As at 31 December 2023, the following businesses met this threshold and were classified as business exits and therefore excluded from adjusted results in both 2023 and 2022: AMT Sybex, Secure Solutions and Services, the Speciality Insurance business, Trustmarque, Real Estate and Infrastructure Consultancy, Optima Legal Services, Pay360, Capita Translation and Interpreting, Resourcing, Security Watchdog, PageOne, Software, Enforcement, Travel and Fera.

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

Adjusted revenue

Adjusted revenue[1] bridge by division	Public Service £m	Experience £m	Total £m
Year ended 31 December 2022	1,454.8	1,154.2	2,609.0
Net growth	3.8	29.3	33.1
Year ended 31 December 2023	**1,458.6**	**1,183.5**	**2,642.1**

Adjusted revenue[1] growth was 1.3% year-on-year. The adjusted revenue[1] was impacted by the following:

- ***Public Service (0.3% growth):*** growth was underpinned by indexation, scope increases and improved trading on a number of contracts including the Royal Navy Training contract and the Personal Independence Payments contract. This was offset by contract hand-backs and losses in Local Public Services and non-recurrence of the contract to provide laptops to teachers in Northern Ireland in 2022; and
- ***Experience (2.5% growth):*** growth was driven by improved international trading, indexation, and the one-off benefit relating to a commercial settlement in the closed book Life & Pensions business, partly offset by contract losses, primarily the loss of the Co-operative Bank contract.

Order book

The Group's consolidated order book was £5,882.6m at 31 December 2023 (2022: £5,805.2m). Additions from contract wins, scope changes and indexation in 2023 totalled £2,417.5m. This includes in Experience new wins with the Civil Service Pension Scheme and the National Transport Authority of Ireland, as well as the renewal with Vattenfall. Public Service won new contracts including the Functional Assessment Service for the Department of Work and Pensions and a significant contract with the City of London Police, as well as an extension to the Recruiting Partnering Project with the British Army and expanded scope on the Transport for London contract. These additions were offset by the reduction from revenue recognised in the year (£2,101.0m), contract terminations (£174.7m) and business disposals (£64.4m).

The Group's order book does not include those contracts which are framework agreements such as the new Virgin Media O2 contract as these do not meet the accounting criteria for order book recognition.

Adjusted profit before tax

Adjusted profit before tax[1] bridge by division	Public Service £m	Experience £m	Capita plc £m	Total £m
Year ended 31 December 2022	93.7	35.7	(79.6)	49.8
Net growth/(reduction)	(4.4)	15.2	(4.1)	6.7
Year ended 31 December 2023	**89.3**	**50.9**	**(83.7)**	**56.5**

Adjusted profit before tax[1] increased in 2023. The adjusted profit before tax[1] was driven by the following:

- ***Public Service:*** the beneficial impact of the scope increases and improved trading on a number of contracts discussed above, offset by the impact of contract exits in Local Public Service;
- ***Experience:*** the flow through of the revenue benefits noted above, in particular the closed book Life & Pensions contract settlement, as well as higher interest receipts in our pension business, partly offset by flow through of prior year contract losses in particular the Co-operative Bank and continued attrition in the remaining Life & Pensions business; and
- ***Capita plc:*** the impact of the reallocation of central costs previously allocated to Capita Portfolio to Capita plc in 2022, increased financing cost and the non-recurrence of gains on investments in 2022.

Adjusted tax charge/(credit)

The adjusted income tax charge for the year was £31.1m (2022: £4.4m) including £30.4m of current tax (2022: £6.4m). There is a current tax credit arising on pension deficit contributions recognised in other comprehensive income (OCI) rather than the income statement. If the current tax that is flowing through OCI is taken into account, the total current charge is more closely aligned to the current tax payable in respect of the year.

Cash generated from operations and free cash flow

Adjusted operating profit to free cash flow excluding business exits[1,2]	2023 £m	2022 £m
Adjusted operating profit[1]	**106.5**	78.0
Add: depreciation/amortisation and impairment of property, plant and equipment, right-of-use assets and intangible assets	108.1	126.4
Adjusted EBITDA[1]	**214.6**	204.4
Working capital	(110.7)	(30.7)
Non-cash and other adjustments	(6.5)	(45.3)
Operating cash flow excluding business exits[1]	**97.4**	128.4
Adjusted operating cash conversion[1]	**45%**	63%
Pension deficit contributions	(30.0)	(30.0)
Cyber incident	(20.1)	—
Cost reduction programme	(6.1)	—
Cash generated from operations excluding business exits[1]	**41.2**	98.4
Net capital expenditure	(58.9)	(38.0)
Interest/tax paid	(45.1)	(47.5)
Net capital lease payments	(52.7)	(55.3)
Free cash flow excluding business exits[1,2]	**(115.5)**	(42.4)

Adjusted operating cash conversion[1] decreased to 45% (2022 63%), driven by:

- the reduction in working capital, which reflects the £28m benefit in 2022 of a step-up in the usage of the Group's non-recourse facilities in 2022 whereas in 2023 there was a £9m reduction in usage, a reduction in the accrual for management bonuses and variable pay, and the non-cash nature of the commercial settlement in the closed book Life & Pensions business in Experience; and
- the lower outflow related to provisions in 2023 reflected in the movement in non-cash and other adjustments.

Cash generated from operations excluding business exits[1] reflects the above and the direct cash flow impact of the cyber incident (£20.1m). The £30.0m of pension deficit contributions are in line with the deficit funding contribution schedule previously agreed with the scheme trustees as part of the 2020 triennial valuation.

Free cash flow before business exits[1,2] for the year ended 31 December 2023 was an outflow of £115.5m (2022: outflow £42.4m). This reflects the reduction in cash generated from operations and increased capital expenditure on technology across the Group.

Reported results

Adjusted to reported profit
As noted above, to aid understanding of our underlying performance, adjusted operating profit[1] and adjusted profit before tax[1] exclude a number of specific items, including the amortisation and impairment of acquired intangibles and goodwill, the impact of business exits, and, in 2023, the impacts of the cyber incident and cost reduction programme.

Adjusted[1] to reported results bridge	Operating (loss)/profit		(Loss)/profit before tax	
	2023 £m	2022 £m	2023 £m	2022 £m
Adjusted[1]	**106.5**	78.0	**56.5**	49.8
Amortisation and impairment of acquired intangibles	**(0.2)**	(5.1)	**(0.2)**	(5.1)
Impairment of goodwill	**(42.2)**	(169.0)	**(42.2)**	(169.0)
Net finance costs/(income)	**—**	—	**(2.2)**	3.4
Business exits	**(36.4)**	16.5	**(38.8)**	182.3
Cyber incident	**(25.3)**	—	**(25.3)**	—
Cost reduction programme	**(54.4)**	—	**(54.4)**	—
Reported	**(52.0)**	(79.6)	**(106.6)**	61.4

Impairment of goodwill
In preparing its half yearly condensed consolidated financial statements at 30 June 2023, and these consolidated financial statements at 31 December 2023, the Group undertook detailed impairment reviews.

At 30 June 2023 a goodwill impairment of £42.2m was recognised. This comprised:

- £35.3m: in respect of CGUs in the Group's Portfolio division where the disposal processes of the businesses aligned to these CGUs were sufficiently advanced that the Board's judgement was that for impairment testing purposes the value in use of these CGUs should be determined based on the future cash flows of the CGUs from continuing use, up to the estimated date of disposal, plus an estimate of the sale proceeds less cost of disposal. The impairments arose primarily due to the expectation of acquirers factoring in additional investment and costs required to run the businesses outside the Group, and general macroeconomic conditions; and
- £6.9m: in respect of a business in the Business Solutions group of CGUs in Portfolio. The impairment arose primarily due to a negotiated exit of an end customer, which has negatively impacted the forecast financial performance of the business.

At 31 December 2023, no further goodwill impairment was identified.

Refer to note 11 for further details.

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 2022 comparatives have been re-presented to exclude the 2023 business exits.

At 31 December 2023 business exits primarily comprised the following business disposals:

Business	Disposal completed on
Resourcing	31 May 2023
Security Watchdog	31 May 2023
Page One	31 July 2023
Software	31 July 2023
Enforcement	31 July 2023
Travel	14 November 2023
Fera	17 January 2024

In addition to the above disposals, the Group decided to exit a small business in Public Service in the second half of the year, and the trading result and non-trading expenses of this business have been excluded from adjusted results.

Cyber incident
The Group has incurred exceptional costs associated with the cyber incident, reflecting the complexity of the forensic analysis of exfiltrated data. These costs comprise specialist professional fees, recovery and remediation costs and investment to reinforce Capita's cyber security environment. A charge of £25.3m has been recognised in the year ended 31 December 2023. This charge excludes any potential insurance recovery, as this had not yet met the criteria for recognition at the end of the year, and 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.

Further detail of the specific items charged in arriving at reported operating profit and profit before tax for 2023 is provided in note 5.

Cost reduction programme
We announced the implementation of a major cost reduction programme in November 2023 which is expected to deliver annualised efficiencies of £60m from Q1 2024. Following this announcement, we commenced employee consultation programmes and exited a number of leased properties. The organisational changes primarily impacted indirect support function and overhead roles.

A charge of £54.4m has been recognised in the year ended 31 December 2023, comprising £23m of redundancy and other costs, and impairments of right-of-use assets and property, plant and equipment and provisions of unavoidable running costs in respect of the property exits totalling £31m. The cash outflow in 2023 in respect of the cost reduction programme was £6.1m, which is included within free cash flow and cash generated from operations excluding business exits[1]. The Group continues to evaluate additional cost saving opportunities and expects to implement further cost reduction initiatives expected to deliver annualised efficiencies of £100m by the middle of 2025. These further cost reduction initiatives are expected to result in a step up in cost reduction programme cash costs in 2024 from £21m arising from the programme announced in November 2023 to an estimated £50m for the overall programme.

Net finance costs
Net finance costs increased by £20.5m to £52.2m (2022: £31.7m), primarily attributable to the higher interest rate environment and run-off of low-coupon debt.

Reported tax charge/(credit)
The reported income tax charge for the year of £74.0m (2022: credit £14.6m) reflects the changes in the accounting estimate of recognised deferred tax assets, unrecognised current year tax losses and non-deductible goodwill impairment. The prior period credit reflected an increase in the recognised deferred tax asset.

Free cash flow to free cash flow excluding business exits

Free cash flow[1,2] to free cash flow excluding business exits[1]	2023 £m	2022 £m
Free cash flow[1,2]	**(154.9)**	(31.5)
Business exits	**23.1**	(19.5)
Pension deficit contributions triggered by disposals	**16.3**	8.6
Free cash flow excluding business exits[1,2]	**(115.5)**	(42.4)

Free cash flow[1,2] was lower than free cash flow excluding business exits[1,2] reflecting free cash outflows generated by business exits, and pension deficit contributions triggered by the disposal of Pay360 and Capita Translation and Interpreting in the second half of 2022 and Resourcing in 2023.

Movements in net debt
Net debt at 31 December 2023 was £545.5m (2022: £482.4m). The increase in net debt over the year ended 31 December 2023 reflects the free cash outflow noted above offset by the continued reduction in our leased property estate. Net financial debt (pre-IFRS 16) at 31 December 2023 was £182.1m (2022: £84.9m).

Net debt	2023 £m	2022 £m
Opening net debt	**(482.4)**	(879.8)
Cash movement in net debt	(9.0)	438.2
Non-cash movements	(54.1)	(40.8)
Closing net debt	**(545.5)**	(482.4)
Remove closing IFRS 16 impact	363.4	397.5
Net financial debt (pre-IFRS 16)	**(182.1)**	(84.9)
Cash and cash equivalents net of overdrafts	67.6	177.2
Financial debt net of swaps	**(249.7)**	(262.1)
Net financial debt /adjusted EBITDA[1] (both pre-IFRS 16)	**1.2x**	0.5x
Net debt (post-IFRS 16)/adjusted EBITDA[1]	**2.4x**	2.0x

Net financial debt (pre-IFRS 16) increased by £97.2m to £182.1m at 31 December 2023, resulting in a net financial debt to adjusted EBITDA[1] (both pre-IFRS 16) ratio of 1.2x. Over the medium term, the Group is targeting a net financial debt to adjusted EBITDA[1] (both pre-IFRS 16) ratio of ≤1.0x. If the sale of the Group's investment in Fera had completed at 31 December 2023, the ratio would have been 0.9x[1].

The Group was compliant with all debt covenants at 31 December 2023.

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]	2023 £m	2022 £m
Revolving credit facility (RCF)	**260.7**	288.4
Less: drawing on committed facilities	—	—
Undrawn committed facilities	**260.7**	288.4
Cash and cash equivalents net of overdrafts	67.6	177.2
Less: restricted cash	(46.0)	(60.4)
Available liquidity[1]	**282.3**	405.2

The Group's committed bank facilities provide liquidity for the cash fluctuations of the business cycle and an allowance for contingencies. In June 2023, the RCF was extended to 31 December 2026 at £284m, reducing to £250m by 1 January 2025 as a consequence of specified transactions. As such at 31 December 2023 the RCF commitment had been reduced to £260.7m (2022: £288.4m) and was subsequently reduced to £250.0m on 23 January 2024 following receipt of proceeds from the Fera disposal.

The RCF was not drawn upon at 31 December 2023 (2022: 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. As such, the Group has continued its use of the facility across the year with the value of invoices sold under the facility at 31 December 2023 of £35.2m (2022: £44.4m).

In July 2023 the Group issued £101.9m equivalent of US private placement loan notes across three tranches: £50m maturing 25 July 2026, USD45m maturing 25 July 2026 and USD23m maturing 25 July 2028.

In 2023, the Group repaid £112.5m of private placement loan notes, including £30.3m of Euro private placement loan notes which were originally due in 2027, following which the next debt maturity is January 2025.

At 31 December 2023, the Group had £67.6m (2022: £177.2m) of cash and cash equivalents net of overdrafts, and £262.5m (2022: £285.5m) of private placement loan notes and fixed-rate bearer notes.

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 note 1.2(d) of 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 Group reached agreement with the Trustees of the Group's main pension scheme (the Scheme) in respect of the March 2023 triennial funding review. Given the healthy funding position of the Scheme, the 2023 agreement does not require any further deficit recovery contributions from the Group other than those already committed as part of the 2020 triennial valuation.

In accordance with the 2020 agreement, the Group paid £30.0m of regular deficit funding contributions in 2023 and will pay a further £21m of contributions in 2024, with no further deficit contributions in 2025 and beyond. In addition, the Group paid £16.3m of accelerated deficit reduction contributions triggered by the disposal of certain businesses in the second half of 2022 and in 2023.

The valuation of the Scheme liabilities (and assumptions used) for funding purposes (the actuarial valuation) is specific to the circumstances of the Scheme. 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 2023 the net asset of the Scheme 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 2023) was approximately £81.0m (2022: net asset £40.0m) on a technical provisions basis. The Trustee of the Scheme has also agreed a secondary more prudent funding target to enable it to reduce the reliance the Scheme has on the covenant of the Group. On this basis, at 31 December 2023, the funding level was around 99% (or a net liability of £6m). The deficit of £6m is expected to be met by the remaining deficit contributions.

The net defined benefit pension position of all reported defined benefit schemes for accounting purposes decreased from a surplus of £39.6m at 31 December 2022 to a surplus of £26.8m at 31 December 2023. The main reasons for this movement are the reduction in the discount rate applied to the schemes' liabilities following the fall in corporate bond yields in the final quarter of 2023 and assets returning less than expected over the period, partially offset by the above deficit funding contributions.

Consolidated balance sheet

At 31 December 2023 the Group's consolidated net assets were £114.9m (2022: net assets £352.7m).

The movement is predominantly driven by the reported loss before tax for the year as explained above, the actuarial loss on all reported defined benefit pension schemes, and the reduction in the amount of deferred tax assets recognised.

1. Refer to alternative performance measures in the Appendix.
2. From 1 January 2023 free cash flow and free cash flow excluding business exits are presented after deducting the capital element of lease payments and receipts. Comparative amounts have been re-presented

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code 2018, the Board has assessed the viability of the Group and Parent Company over the three-year period to 31 December 2026, 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 and Parent Company's prospects and facilitates the development of a robust base case set of financial projections against which severe but plausible downside scenario stress testing can be conducted.

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

- Adjusted revenue growth in 2023 of 1.3%.
- The cost reduction programmes being implemented during 2024.
- The completion of the Portfolio non-core business disposal programme in January 2024.
- The repayment of £113m of financial debt in 2023, with no further repayments scheduled in 2024.
- The renewal of the revolving credit facility in 2023 until 31 December 2026 and the issuance of £101.9m US private placement debt with a mixture of three and five-year maturities.
- 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 December 2023. The main assumptions underpinning the base case financial projections in the Group's business plan are set out below:

- Further adjusted revenue growth beyond 2024 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 cost savings.
- A transition to positive free cash flow generation reflecting the above assumptions and the cessation of pension deficit contributions with effect from 2025.

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

The three-year base case financial projections were used to assess covenant compliance and liquidity headroom under different scenarios. This analysis included assessing the sensitivity of the financial performance of the Group to changes in trading conditions in line with those considered in the severe but plausible downside case for the going concern assessment and from the crystallisation of specific risks including those set out in the principal risks section of the 2023 Annual Report and Accounts (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. These wide-ranging risks are unlikely to crystallise simultaneously and there are mitigations under the direct control of the Group, including reductions in capital investment, substantially reducing and (or removing in full) bonus and incentive payments and significantly reducing discretionary spend, that can be actioned to address a combination of risk crystallisations that may occur under a severe but plausible downside. These have been considered in the Board's viability assessment.

Reflecting the Board's expectations of improving financial performance as set out above, and its confidence in the Group's ability to refinance maturing debt over the viability assessment period, the Board has a reasonable expectation that the Group and Parent Company will be able to continue in operation and meet their 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 2023

	Notes	2023 £m	2022 £m
Revenue	4	**2,814.6**	3,014.6
Cost of sales		**(2,222.5)**	(2,298.6)
Gross profit		**592.1**	716.0
Administrative expenses		**(644.1)**	(795.6)
Operating loss	4	**(52.0)**	(79.6)
Share of results in associates and investment gains		**—**	5.8
Net finance expense	6	**(52.2)**	(31.7)
(Loss)/gain on disposal of businesses	9	**(2.4)**	166.9
(Loss)/profit before tax		**(106.6)**	61.4
Income tax (charge)/credit	7	**(74.0)**	14.6
Total (loss)/profit for the year		**(180.6)**	76.0
Attributable to:			
Owners of the Company		**(178.1)**	74.8
Non-controlling interests		**(2.5)**	1.2
		(180.6)	76.0
Earnings per share	8		
– basic		**(10.60)p**	4.47p
– diluted		**(10.60)p**	4.40p

Adjusted operating profit	5	**106.5**	78.0
Adjusted profit before tax	5	**56.5**	49.8
Adjusted basic earnings per share	8	**1.70p**	2.64p
Adjusted diluted earnings per share	8	**1.70p**	2.60p

Consolidated statement of comprehensive income

For the year ended 31 December 2023

	2023 £m	2022 £m
Total (loss)/profit for the year	**(180.6)**	76.0
Other comprehensive expense		
Items that will not be reclassified subsequently to the income statement		
Actuarial loss on defined benefit pension schemes	**(68.2)**	(8.9)
Tax effect on defined benefit pension schemes	**15.9**	2.0
(Loss)/gain on fair value of investments	**(0.1)**	0.2
Items that will or may be reclassified subsequently to the income statement		
Exchange differences on translation of foreign operations	**(2.9)**	(0.6)
Exchange differences realised on business disposals	**0.2**	0.3
(Loss)/gain on cash flow hedges	**(8.5)**	11.5
Cash flow hedges recycled to the income statement	**(2.0)**	(5.1)
Tax effect on cash flow hedges	**2.6**	(1.6)
Other comprehensive expense for the year net of tax	**(63.0)**	(2.2)
Total comprehensive (expense)/income for the year net of tax	**(243.6)**	73.8
Attributable to:		
Owners of the Company	**(241.0)**	72.6
Non-controlling interests	**(2.6)**	1.2
	(243.6)	73.8

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

Consolidated balance sheet

At 31 December 2023

	Notes	2023 £m	2022 £m
Non-current assets			
Property, plant and equipment		**80.0**	101.1
Intangible assets		**90.0**	106.0
Goodwill	11	**495.7**	605.9
Right-of-use assets		**208.5**	249.5
Investments in associates		**0.2**	0.2
Contract fulfilment assets		**257.0**	263.0
Financial assets		**97.2**	118.2
Deferred tax assets	7	**140.3**	189.5
Employee benefits		**32.7**	42.7
Trade and other receivables		**12.3**	15.8
		1,413.9	1,691.9
Current assets			
Financial assets		**28.1**	23.6
Income tax receivable		**11.6**	9.9
Disposal group assets held for sale	9	**38.1**	—
Trade and other receivables		**350.7**	430.4
Cash		**155.4**	396.8
		583.9	860.7
Total assets		**1,997.8**	2,552.6
Current liabilities			
Overdrafts		**95.0**	219.6
Trade and other payables		**425.9**	492.5
Disposal group liabilities held-for-sale	9	**9.7**	—
Income tax payable		**1.3**	—
Deferred income		**501.3**	585.1
Lease liabilities		**51.1**	55.6
Financial liabilities		**10.8**	84.6
Provisions	12	**101.6**	75.7
		1,196.7	1,513.1
Non-current liabilities			
Trade and other payables		**8.5**	15.1
Deferred income		**36.2**	55.6
Lease liabilities		**312.3**	341.9
Financial liabilities		**267.5**	212.6
Deferred tax liabilities	7	**7.2**	6.9
Provisions	12	**48.6**	51.6
Employee benefits		**5.9**	3.1
		686.2	686.8
Total liabilities		**1,882.9**	2,199.9
Net assets		**114.9**	352.7
Capital and reserves			
Share capital		**35.2**	34.8
Share premium		**1,145.5**	1,145.5
Employee benefit trust shares		**(0.7)**	(4.2)
Capital redemption reserve		**1.8**	1.8
Other reserves		**(15.0)**	(4.5)
Retained deficit		**(1,053.8)**	(843.2)
Equity attributable to owners of the Company		**113.0**	330.2
Non-controlling interests		**1.9**	22.5
Total equity		**114.9**	352.7

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

Consolidated statement of changes in equity

For the year ended 31 December 2023

	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 (deficit)/ equity £m
At 31 December 2021	34.8	1,145.5	(8.0)	1.8	(890.6)	(9.0)	274.5	22.0	296.5
Impact of change in accounting standards – amendments to IAS 37[1]	—	—	—	—	(21.7)	—	(21.7)	—	(21.7)
At 1 January 2022 on adoption of IAS 37	34.8	1,145.5	(8.0)	1.8	(912.3)	(9.0)	252.8	22.0	274.8
Profit for the year	—	—	—	—	74.8	—	74.8	1.2	76.0
Other comprehensive income/(expense)	—	—	—	—	(6.7)	4.5	(2.2)	—	(2.2)
Total comprehensive income for the year	—	—	—	—	68.1	4.5	72.6	1.2	73.8
Share-based payment net of tax effects	—	—	—	—	5.4	—	5.4	—	5.4
Elimination of non-controlling interest on disposal (note 9)	—	—	—	—	—	—	—	(0.3)	(0.3)
Exercise of share options under employee long term incentive plans	—	—	3.8	—	(3.8)	—	—	—	—
Dividends paid[2]	—	—	—	—	—	—	—	(0.4)	(0.4)
Movement in put-options held by non-controlling interests	—	—	—	—	(0.6)	—	(0.6)	—	(0.6)
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 net of tax effects	—	—	—	—	**5.8**	—	**5.8**	—	**5.8**
Reclassification[3]	—	—	—	—	**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[2]	—	—	—	—	—	—	—	**(0.7)**	**(0.7)**
Movement 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**

1. The Group initially applied the amendments to IAS 37 on 1 January 2022 and the cumulative effect of applying the amendments was recognised as an opening balance adjustment to retained earnings.
2. No dividends were declared, paid or proposed in 2023 or 2022 on the Parent Company's ordinary shares.
3. During the current 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 current 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 (losses)/profits accumulated in the Group after dividends are paid.

Other reserves – This consists of the foreign currency translation reserve deficit of £11.2m (2022: £8.6m deficit) and the cash flow hedging reserve deficit of £3.8m (2022: £4.1m surplus).

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 2023

	Notes	2023 £m	2022 £m
Cash generated from operations	10	**8.7**	117.8
Income tax paid		**(7.5)**	(7.9)
Interest received		**6.2**	5.0
Interest paid		**(47.7)**	(43.0)
Net cash (outflow)/inflow from operating activities		**(40.3)**	71.9
Cash flows from investing activities			
Purchase of property, plant and equipment		**(28.8)**	(20.6)
Purchase of intangible assets		**(32.8)**	(27.3)
Proceeds from sale of property, plant and equipment and intangible assets		**0.1**	0.5
Additions to investments held at fair value through profit and loss		**—**	(2.4)
Changes to investments at fair value through other comprehensive income		**(0.1)**	0.2
Capital element of lease rental receipts		**6.0**	5.8
Deferred consideration from sale of subsidiary undertakings		**1.9**	—
Total proceeds received from disposal of businesses, net of disposal costs	9	**96.8**	463.4
Cash held by businesses when sold	9	**(33.4)**	(75.5)
Net cash inflow from investing activities		**9.7**	344.1
Cash flows from financing activities			
Dividends paid to non-controlling interests		**(0.7)**	(0.4)
Capital element of lease rental payments		**(59.1)**	(61.8)
Proceeds on issue of private placement loan notes		**103.5**	—
Cost of cross currency swaps		**(1.6)**	—
Repayment of private placement loan notes and other finance		**(121.5)**	(237.4)
Proceeds from cross-currency interest rate swaps		**8.5**	10.1
Repayment of credit facilities		**—**	(46.0)
Debt financing arrangement costs		**(5.4)**	(5.2)
Net cash outflow from financing activities		**(76.3)**	(340.7)
(Decrease)/increase in cash and cash equivalents		**(106.9)**	75.3
Cash and cash equivalents at the beginning of the year		**177.2**	101.5
Effect of exchange rates on cash and cash equivalents		**(2.7)**	0.4
Cash and cash equivalents at 31 December		**67.6**	177.2
Cash and cash equivalents comprise:			
Cash		**155.4**	396.8
Overdrafts		**(95.0)**	(219.6)
Cash, net of overdrafts, included in disposal group assets and liabilities held for sale		**7.2**	—
Total		**67.6**	177.2
Cash generated from operations before business exits[1]	10	**41.2**	98.4
Free cash flow before business exits[1]	10	**(115.5)**	(42.4)

1. From 1 January 2023 free cash flow and free cash flow excluding business exits are presented after deducting the capital element of lease payments and receipts. Comparative amounts have been re-presented.

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

Notes to the consolidated financial statements

For the year ended 31 December 2023

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 2023 were authorised for issue in accordance with a resolution of the directors on 5 March 2024.

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 Financial Reporting Standards (IFRSs) 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 2022.

(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 expense/income; the costs associated with the cyber incident in March 2023, and the costs associated with the cost reduction programme announced in November 2023.

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.

Following feedback from investors the Board has revised its definition of the free cash flow and free cash flow excluding business exits alternative performance measures. From 1 January 2023, both these metrics have been presented after deducting the capital element of lease payments and receipts, since this provides a more relevant and comparable measure of the cash generated by the Group's operations and available to fund operations, capital expenditure, non-lease debt obligations, and potential shareholder distributions.

The comparatives have been re-presented.

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 note 10.

(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 and could require a material adjustment to the carrying amounts of contract 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 2023, 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 2025 ('the going concern period'), which aligns with a period end and covenant test date for the Group, and has also allowed the Board to assess the liquidity impact of the borrowings that mature in January 2025 and April 2025. There are no other debt maturities in the period to 30 June 2025.

The base case financial forecasts used in the going concern assessment are derived from the 2024-2025 business plans as approved by the Board in December 2023.

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

(d) Going concern continued

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 £260.7m at 31 December 2023 having been extended to 31 December 2026. The original terms of the RCF are substantially unchanged. The value was subsequently reduced to £250m on 23 January 2024 following receipt of proceeds from the disposal of the Group's investment in Fera Science Limited.

In July the Group issued £101.9m equivalent of new private placement loan notes across three tranches: £50m maturing 25 July 2026, USD45m maturing 25 July 2026 and USD23m maturing 25 July 2028, with an average interest rate of 9.45%. The notes rank pari passu with the existing indebtedness of the Group and includes financial covenants determined on the same basis as those under the existing private placement loan notes.

Financial position at 31 December 2023

As detailed further in the Chief Financial Officer's review, at 31 December 2023 the Group had net debt of £545.5m (2022: £482.4m), net financial debt (pre-IFRS 16)[1] of £182.1m (2022: £84.9m), available liquidity[1] of £282.3m (2022: £405.2m) and was in compliance with all debt covenants.

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 has simplified and strengthened the business and facilitates further efficiency savings enabling sustainable growth in revenue, profit and cash flow over the medium term. 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 efficiency savings following the announcement of the Group's restructuring 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 and debt redemptions and does not reflect any potential future refinancing. The base case financial forecasts demonstrate liquidity headroom and compliance with all debt covenant measures throughout the going concern period to 30 June 2025.

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 profit margin expansion not being achieved;
- targeted cost savings delayed or not delivered;
- additional inflationary cost impacts which cannot be passed on to customers;
- unforeseen operational issues leading to contract losses and cash outflows;
- volatility in interest rates;
- 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 mitigate the risk of insufficient liquidity and covenant headroom. In its assessment of going concern, the Board has considered the mitigations, under the direct control of the Group, that could be implemented including reductions or delays in capital investment, and substantially reducing (or removing in full) bonus and incentive payments. Taking these mitigations 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 2025.

Adoption of going concern basis

Reflecting the continued benefits from the transformation programme delivered over the last few years and the Portfolio non-core business disposal programme completed in January 2024, coupled with the Board's ability to implement appropriate mitigations should the severe but plausible downside materialise, the Group 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 2025.

2 Preliminary announcement

A duly appointed and authorised committee of the Board of Directors approved the preliminary announcement on 5 March 2024.

The financial information set out above does not constitute the Group's consolidated financial statements for the years ended 31 December 2023 or 2022 but is derived from those financial statements.

Statutory accounts for 2022 have been delivered to the Registrar of Companies and those for 2023 will be delivered in due course. The auditor has reported on those financial statements.

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.

Their report for the accounts of 2022 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 65 Gresham Street, London EC2V 7NQ, 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 2024. 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 2023, the Group had the following results and balance sheet items related to long-term contracts:

	Notes	2023 £m	2022 £m
Long-term contractual revenue	4	**2,104.0**	2,236.2
Deferred income		**537.5**	640.7
Contract fulfilment assets (non-current)		**257.0**	263.0
Onerous contract provisions		**43.3**	52.8

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 75% of Group revenue in 2023 (2022: 74%).

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; 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. Major contracts include those that are material in size or risk to the Group's results. An assessment of which contracts are major contracts is performed twice a year, and to enable comparability the prior period amounts below are re-presented to reflect the same scope as the current period. 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.

The major contracts contributed £1.1 billion (2022: £1.1 billion) or 42% (2022: 42%) of Group adjusted revenue. Non-current contract fulfilment assets at 31 December 2023 were £257.0m (2022: £263.0m), of which £125.1m (2022: £109.7m) relates to major contracts with ongoing transformational activities. The remainder relates to contracts post transformation and includes non-major contracts.

The major contracts, both pre- and post-transformation, are rated according to their financial risk profile, which is linked to the level of uncertainty over future assumptions. For those that are in the high and medium rated risk categories the associated non-current contract fulfilment assets were, in aggregate, £52.8m at 31 December 2023 (2022: £42.2m). The recoverability of these assets is dependent on no significant adverse change in the key contract assumptions arising during the next financial year. The balance of deferred income associated with these contracts was £109.5m at 31 December 2023 (2022: £116.2m) 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 £37.3m at 31 December 2023 (2022: £42.5m).

Following these reviews, and reviews of smaller contracts across the business, non-current contract fulfilment asset impairments of £3.4m (2022: £3.8m) were identified and recognised within adjusted cost of sales, of which £nil (2022: £0.5m) relates to non-current contract fulfilment assets added during the period, and net onerous contract provisions of £7.1m (2022: £1.7m) were identified and recognised in adjusted cost of sales.

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 assets and onerous contract provisions. However, as noted above, £125.1m of non-current contract fulfilment assets relates to major contracts with ongoing transformational activities; and, £52.8m of non-current contract fulfilment assets and £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.

3 Contract accounting continued

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 assets. These include contracts with the BBC, Transport for London, Department for Work and Pensions and the City of London Police.

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 division 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 business segments as reported to the Chief Operating Decision Maker. The Group now comprises two divisions - Capita Public Service and Capita Experience - following the completion of the Group's exit of the non-core businesses in the Capita Portfolio division. Comparative information has been re-presented to reflect businesses exited during 2023, and accordingly the Capita Portfolio division is no longer disclosed as a division. Comparative information has also been re-presented to reflect the move of businesses between segments during 2023 to enable comparability.

Adjusted revenue, excluding results from businesses exited in both years (adjusting items), was £2,642.1m (2022: £2,609.0m), an increase of 1.3% (2022: increase 1.7%).

Year ended 31 December 2023	Notes	Capita Public Service £m	Capita Experience £m	Total adjusted £m	Adjusting items £m	Total reported £m
Continuing operations						
Long-term contractual		**1,206.6**	**875.9**	**2,082.5**	**21.5**	**2,104.0**
Short-term contractual		**195.9**	**288.4**	**484.3**	**19.1**	**503.4**
Transactional (point-in-time)		**56.1**	**19.2**	**75.3**	**131.9**	**207.2**
Total segment revenue		**1,458.6**	**1,183.5**	**2,642.1**	**172.5**	**2,814.6**
Trading revenue		**1,507.9**	**1,221.9**	**2,729.8**	**194.4**	**2,924.2**
Inter-segment revenue		**(49.3)**	**(38.4)**	**(87.7)**	**(21.9)**	**(109.6)**
Total adjusted segment revenue		**1,458.6**	**1,183.5**	**2,642.1**	**—**	**2,642.1**
Business exits – trading	9	**—**	**—**	**—**	**172.5**	**172.5**
Total segment revenue		**1,458.6**	**1,183.5**	**2,642.1**	**172.5**	**2,814.6**

Year ended 31 December 2022	Notes	Capita Public Service £m	Capita Experience £m	Total adjusted £m	Adjusting items £m	Total reported £m
Continuing operations						
Long-term contractual		1,166.8	987.6	2,154.4	81.8	2,236.2
Short-term contractual		236.8	150.5	387.3	107.5	494.8
Transactional (point-in-time)		51.2	16.1	67.3	216.3	283.6
Total segment revenue		1,454.8	1,154.2	2,609.0	405.6	3,014.6
Trading revenue		1,497.0	1,194.4	2,691.4	490.0	3,181.4
Inter-segment revenue		(42.2)	(40.2)	(82.4)	(84.4)	(166.8)
Total adjusted segment revenue		1,454.8	1,154.2	2,609.0	—	2,609.0
Business exits – trading	9	—	—	—	405.6	405.6
Total segment revenue		1,454.8	1,154.2	2,609.0	405.6	3,014.6

Geographical location

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

	2023				2022			
	United Kingdom £m	**Europe £m**	**Other £m**	**Total £m**	United Kingdom £m	Europe £m	Other £m	Total £m
Revenue	**2,526.0**	**282.5**	**6.1**	**2,814.6**	2,731.2	270.8	12.6	3,014.6

4 Revenue and segmental information continued

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 2023	Capita Public Service £m	Capita Experience £m	Capita Portfolio £m	Total £m
Long-term contractual	3,381.1	2,111.2	—	5,492.3
Short-term contractual	164.9	188.2	37.2	390.3
Total	3,546.0	2,299.4	37.2	5,882.6

Order book 31 December 2022	Capita Public Service £m	Capita Experience £m	Capita Portfolio £m	Total £m
Long-term contractual	2,916.7	2,465.3	201.9	5,583.9
Short-term contractual	68.3	61.4	91.6	221.3
Total	2,985.0	2,526.7	293.5	5,805.2

The table below shows the expected timing of revenue to be recognised from long-term contractual orders at 31 December 2023:

Time bands of expected revenue recognition from long-term contractual orders	Capita Public Service £m	Capita Experience £m	Total £m
< 1 year	765.2	574.2	1,339.4
1–5 years	2,155.6	1,378.5	3,534.1
> 5 years	460.3	158.5	618.8
Total	3,381.1	2,111.2	5,492.3

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 included in the tables above amounted to £513.8m (2022: £577.0m). 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 £5.5 billion (2022: £5.6 billion) revenue to be earned on long-term contracts, £3.4 billion (2022: £4.2 billion) relates to major contracts. This amount excludes revenue that will be derived from frameworks (transactional 'point-in-time' contracts), 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 £0.6 billion (2022: £0.7 billion) 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 £319.8m from one customer in the Capita Public Service division represented more than 10% of the Group's total revenues (2022: no customer represented more than 10% of the Group's total revenues)

In February 2024, the Group extended and expanded its contract with a major European telecoms provider. The new contract is based on expected volumes, and therefore treated as a framework contract under IFRS 15. As a result, £365m included in the Capita Experience order book at 31 December 2023 relating to the previous contract has been released. The new contract is expected to be worth up to £420m to 2030.

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 £599.0m (2022: £744.2.m).

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 the accelerated revenue recognised of £9.9m which primarily relates to an early termination of a contract in Capita Experience (2022: nil).

4 Revenue and segmental information continued

Segmental profit

The table below presents profit by segment.

Year ended 31 December 2023	Notes	**Capita Public Service £m**	**Capita Experience £m**	**Capita plc £m**	**Total adjusted £m**	**Adjusting items £m**	**Total reported £m**
Adjusted operating profit	5	**89.3**	**50.9**	**(33.7)**	**106.5**	**—**	**106.5**
Cost reduction programme		**(7.0)**	**(37.3)**	**(10.1)**	**—**	**(54.4)**	**(54.4)**
Business exits – trading	9	**—**	**—**	**—**	**—**	**(3.4)**	**(3.4)**
Total trading result		**82.3**	**13.6**	**(43.8)**	**106.5**	**(57.8)**	**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)					**106.5**	**(158.5)**	**(52.0)**
Interest income	6						**8.7**
Interest expense	6						**(60.9)**
Share of results in associates and investment gains							**—**
Loss on business disposal	9						**(2.4)**
Loss before tax							**(106.6)**
Supplementary Information							
Depreciation and amortisation		**42.5**	**57.8**	**3.6**	**103.9**	**4.9**	**108.8**
Impairment of property, plant and equipment, intangible assets and right-of-use assets		**1.5**	**2.6**	**0.1**	**4.2**	**23.2**	**27.4**
Non-current contract fulfilment assets utilisation, impairment and derecognition		**59.8**	**16.0**	**—**	**75.8**	**8.7**	**84.5**
Onerous contract provisions		**—**	**7.1**	**—**	**7.1**	**—**	**7.1**

Year ended 31 December 2022	Notes	Capita Public Service £m	Capita Experience £m	Capita plc £m	Total adjusted £m	Adjusting items £m	Total reported £m
Adjusted operating profit	5	93.7	35.7	(51.4)	78.0	—	78.0
Cost reduction programme		—	—	—	—	—	—
Business exits – trading	9	—	—	—	—	39.7	39.7
Total trading result		93.7	35.7	(51.4)	78.0	39.7	117.7
Non-trading items:							
Business exits – non-trading	9				—	(23.2)	(23.2)
Other adjusting items	5				—	(174.1)	(174.1)
Operating profit/(loss)					78.0	(157.6)	(79.6)
Interest income	6						8.9
Interest expense	6						(40.6)
Share of results in associates and investment gains							5.8
Gain on business disposal	9						166.9
Profit before tax							61.4
Supplementary Information							
Depreciation and amortisation		38.2	66.5	14.6	119.3	19.1	138.4
Impairment of property, plant and equipment, intangible assets and right-of-use assets		—	7.7	(0.6)	7.1	0.8	7.9
Non-current contract fulfilment assets utilisation, impairment and derecognition		67.2	16.3	—	83.5	2.2	85.7
Onerous contract provisions		—	1.7	—	1.7	—	1.7

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.

	2023				2022			
	United Kingdom £m	**Europe £m**	**Other £m**	**Total £m**	United Kingdom £m	Europe £m	Other £m	Total £m
Non-current assets	**1,112.6**	**14.1**	**17.0**	**1,143.7**	1,320.9	11.7	8.9	1,341.5

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 expense/income; the costs associated with the cyber incident in March 2023, and the costs associated with the cost reduction programme announced in November 2023.

The items below are excluded from the adjusted results:		Operating (loss)/ profit		(Loss)/profit before tax	
	Notes	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Reported		**(52.0)**	(79.6)	**(106.6)**	61.4
Amortisation and impairment of acquired intangibles		**0.2**	5.1	**0.2**	5.1
Impairment of goodwill		**42.2**	169.0	**42.2**	169.0
Net finance costs/(income)	6	**—**	—	**2.2**	(3.4)
Business exits	9	**36.4**	(16.5)	**38.8**	(182.3)
Cyber incident		**25.3**	—	**25.3**	—
Cost reduction programme		**54.4**	—	**54.4**	—
Adjusted		**106.5**	78.0	**56.5**	49.8

1. Adjusted operating profit increased by 36.5% (2022: increased 232.4%) and adjusted profit before tax increased by 13.5% (2022: increased 160.1%). Adjusted operating profit of £106.5m (2022: profit £78.0m) was generated on adjusted revenue of £2,642.1m (2022: £2,609.0m) resulting in an adjusted operating margin of 4.0% (2022: 3.0%).
2. The tax charge on adjusted profit before tax is £31.1m (2022: £4.4m charge) resulting in adjusted profit after tax of £25.4m (2022: £45.4m profit).
3. The adjusted operating profit and adjusted profit before tax for 2022 have been re-presented for the impact of business exits during 2023 and the change in adjusting items. This has resulted in adjusted operating profit decreasing from £102.9m to £78.0m and adjusted profit before tax decreasing from £73.8m to £49.8m

Amortisation and impairment of acquired intangible assets: the Group recognised acquired intangible amortisation of £0.2m (2022: £5.1m). 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 balances related to goodwill. Goodwill is subject to annual impairment testing and any impairment charges 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: As detailed in the Chief Financial Officer's review, the Group has incurred exceptional costs associated with the cyber incident. These costs comprise specialist professional fees, recovery and remediation costs and investment to reinforce Capita's cyber security environment. A charge of £25.3m has been recognised in the year ended 31 December 2023, which excludes any potential insurance receipts because they had not met the criteria for recognition. Please also refer to note 13 contingent liabilities. The charge is included within administrative expenses.

Cost reduction programme: As detailed in the Chief Financial Officer's review, the Group announced the implementation of a significant cost reduction programme in November 2023. A charge of £54.4m has been recognised in the year ended 31 December 2023 for the costs to deliver the cost reduction programme. This includes redundancy and other costs of £23m to deliver a significant reduction in indirect support function and overhead roles, and property related costs of £31m arising from the associated 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 charge is included within administrative expenses.

6 Net finance costs

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

	2023 £m	2022 £m
Interest income		
Interest on cash	**(1.9)**	(1.1)
Interest on finance lease assets	**(4.1)**	(4.2)
Net interest income on defined benefit pension schemes	**(2.7)**	(3.6)
Total interest income	**(8.7)**	(8.9)
Interest expense		
Private placement loan notes[1]	**16.3**	12.0
Bank loans and overdrafts	**14.1**	8.4
Cost of non-recourse trade receivables financing	**3.7**	—
Interest on finance lease liabilities	**22.3**	22.5
Discount unwind on provisions	**2.3**	—
Total interest expense	**58.7**	42.9
Net finance expense included in adjusted profit	**50.0**	34.0
Included within business exits		
Bank loans and overdrafts	**—**	1.0
Interest on finance lease liabilities	**—**	0.1
Other items excluded from adjusted profits		
Non-designated foreign exchange forward contracts – change in mark-to-market value	**3.2**	(3.6)
Fair value hedge ineffectiveness[2]	**(1.0)**	0.2
Net finance expense/(income) excluded from adjusted profit	**2.2**	(2.3)
Total net finance expense	**52.2**	31.7

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 £74.0m on reported loss before tax of £106.6m (2022: reported income tax credit of £14.6m on reported profit of £61.4m), and an adjusted income tax charge for the period of £31.1m on adjusted profit before tax of £56.5m (2022: adjusted tax charge of £4.4m on adjusted profit of £49.8m). The most significant reconciling items, explaining the difference from the standard UK weighted average corporation tax rate of 23.5% for the period (2022: 19.0%) are changes in the accounting estimate of recognised deferred tax assets, unrecognised current year tax losses carried forward and non-deductible goodwill impairment.

The forecast future adjusted effective tax rates, before and assuming no material changes to tax laws in the jurisdictions in which Capita operates, are 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/(credit) are set out below:

	2023			2022		
Consolidated income statement	**Total reported £m**	**Included in adjusted profit £m**	**Not included in adjusted profit £m**	Total reported £m	Included in adjusted profit[1] £m	Not included in adjusted profit[1] £m
Current income tax						
Current income tax charge	**26.2**	**26.4**	**(0.2)**	14.0	7.6	6.4
Adjustment in respect of prior years	**4.0**	**4.0**	**—**	(1.2)	(1.2)	—
Deferred tax						
On origination and reversal of temporary differences	**43.9**	**0.8**	**43.1**	(36.7)	(11.3)	(25.4)
Effect of changes in tax rate on deferred tax balances	**(0.4)**	**(0.4)**	**—**	3.0	3.0	—
Adjustment in respect of prior years	**0.3**	**0.3**	**—**	6.3	6.3	—
Total charge/(credit)	**74.0**	**31.1**	**42.9**	(14.6)	4.4	(19.0)

1. To enable a like-for-like comparison of adjusted results, the 2022 comparatives have been re-presented to exclude the businesses classified as business exits during 2023 from adjusted profit. Refer to note 9.

Consolidated statement of comprehensive income and consolidated statement of changes in equity	**2023 £m**	2022 £m
Deferred tax movement on cash flow hedges	**(2.6)**	1.6
Deferred tax movement in relation to actuarial changes on defined benefit pension schemes	**3.3**	5.2
Current income tax movement on defined benefit pension scheme contributions	**(19.2)**	(7.2)
Deferred tax movement in relation to share-based payments	**(0.1)**	—
Current income tax deduction on the exercise of share options	**(0.2)**	—
Total credit	**(18.8)**	(0.4)

7 Taxation continued

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

		Total tax		Current tax	
		2023 £m	2022 £m	**2023 £m**	2022 £m
(Loss)/profit before tax		**(106.6)**	61.4	**(106.6)**	61.4
Notional (credit)/charge at UK weighted average corporation tax rate of 23.5% (2022: 19.0%)		**(25.1)**	11.7	**(25.1)**	11.7
Adjustments in respect of current income tax of prior years	a	**4.0**	(1.2)	**4.0**	(1.2)
Adjustments in respect of deferred tax of prior years	b	**0.3**	6.3	**—**	—
Non-deductible expenses/(non-taxable income) – adjusted		**0.2**	(2.3)	**0.2**	(2.3)
Non-deductible expenses – business exit	c*	**4.9**	2.3	**4.9**	2.3
Non-deductible expenses – specific items		**1.7**	—	**1.7**	—
Loss/(profit) on disposal of businesses	d*	**0.6**	(31.6)	**0.6**	(31.6)
Non-deductible goodwill impairment	e*	**9.9**	32.0	**9.9**	32.0
Difference in rate recognition of temporary differences		**(0.4)**	3.0	**—**	—
Tax provided on unremitted earnings	f	**0.2**	1.4	**—**	—
Attributable to different tax rates in overseas jurisdictions	g	**(4.3)**	0.5	**(2.9)**	0.5
Movement in unrecognised temporary differences		**82.0**	(36.7)	**—**	—
Fixed asset temporary differences		**—**	—	**5.7**	6.8
Current tax impact on other temporary differences		**—**	—	**(0.4)**	(6.4)
Carry forward of losses in current period	h	**—**	—	**31.6**	1.0
At the effective total tax rate of (69.4)% (2022: (23.8)%) and the effective current tax rate of (28.3)% (2022: 20.8%)	i	**74.0**	(14.6)	**30.2**	12.8
Tax charge/(credit) reported in the income statement		**74.0**	(14.6)	**30.2**	12.8

* These £15.4m (2022: £2.7m) 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 £4.0m prior year charge adjustment includes: (i) £0.2m for additional uncertain tax positions provided against; (ii) £0.3m credit which has a corresponding impact within deferred tax of prior years; and (iii) a £4.1m charge to adjust for finalisation of submitted tax returns 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 £0.3m 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 application of the tax exemption on accounting losses from the sale of entities. 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 tax payable at lower rates, eg in the Isle of Man.

h Relates to the carry forward of tax losses in the current period, most of which arise in relation to adjusting items (cost reduction programme and cyber incident) and deductible pension contributions in the period.

i The current tax charge of £30.2m (2022: £12.8m) results in an effective current tax rate of (28.3)%, which is different from the UK weighted average statutory rate of tax of 23.5% predominantly due to: non-deductible goodwill impairment; and unrecognised losses carried forward. The impact of differing overseas tax rates is covered in footnote (g).

Deferred tax

A change to the main UK statutory corporation tax rate was substantively enacted on 24 May 2021. The rate applicable from 1 April 2023 increased from 19% to 25%. The net UK deferred tax assets for the period to 31 December 2023, and the prior period, have been calculated based on this rate.

Deferred tax relates to the following:

7 Taxation continued

	At 1 January £m	Credited/(charged) to Income statement £m	OCI and changes in equity £m	Other movements[2] £m	At 31 December £m
Deferred tax assets					
Fixed assets which qualify for tax relief	90.8	**(1.2)**	**—**	**(2.4)**	**87.2**
Provisions and other temporary differences	10.5	**(1.5)**	**2.6**	**(0.3)**	**11.3**
Pension schemes	5.9	**(0.6)**	**(3.3)**	**(0.2)**	**1.8**
Share-based payments	1.3	**0.1**	**0.1**	**—**	**1.5**
Tax losses[1]	81.4	**(42.5)**	**—**	**(2.2)**	**36.7**
	189.9	**(45.7)**	**(0.6)**	**(5.1)**	**138.5**
Jurisdictional netting	(0.4)				**1.8**
Net deferred tax assets	189.5	**(45.7)**	**(0.6)**	**(5.1)**	**140.3**
Deferred tax liabilities					
Acquired intangibles	(0.2)	**0.1**	**—**	**—**	**(0.1)**
Contract fulfilment assets	(2.2)	**2.0**	**—**	**—**	**(0.2)**
Unremitted earnings	(4.9)	**(0.2)**	**—**	**—**	**(5.1)**
	(7.3)	**1.9**	**—**	**—**	**(5.4)**
Jurisdictional netting	0.4				**(1.8)**
Net deferred tax liabilities	(6.9)	**1.9**	**—**	**—**	**(7.2)**
Net deferred tax	182.6	**(43.8)**	**(0.6)**	**(5.1)**	**133.1**

1. Mainly trading losses available to shelter future profits and deferred interest.
2. Other movements includes business disposals.

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.

For the purpose of recognising deferred tax on the pension scheme surplus, withholding tax at 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 2023 has been based on the forecast accounting profits in the 2024-2026 business plans (BP) 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 1.7%, as used for impairment test purposes, has been applied to the years beyond 2026. 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 the majority 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, and in the current year due to tax deductible cost reduction programme expenses, 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. Therefore, there is a decrease in the amounts previously recognised in respect of deferred tax assets, along with further unrecognised temporary differences arising during the year. The impact of this is a charge to the income statement of £45.2m. This is included in the movement in unrecognised temporary differences of £82.0m in the tax reconciliation table above, which also includes unrecognised current year temporary differences (mainly losses) of £36.8m. The reported income statement charge includes £45.5m 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 £16m.

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.

	2023 £m Gross Amount	2022 £m Gross Amount
UK:		
Tax losses	**628.7**	332.7
Other temporary timing differences	**140.2**	113.9
	768.9	446.6
Non-UK:		
Tax losses	**67.4**	60.8
Other temporary timing differences	**11.2**	11.6
	78.6	72.4
Total	**847.5**	519.0

7 Taxation continued

The £328.5m increase in unrecognised tax losses and other temporary differences reflects the decrease in the amounts previously recognised in respect of deferred tax assets, and unrecognised temporary differences arising during the year due to tax deductible cost reduction programme expenses, cyber costs and pension contributions.

Assets have no time expiry, but some losses are subject to specific loss restriction rules. £28.8m (2022: £39.9m) 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 £48.4m (2022: £58.4m). A deferred tax liability of £5.1m (2022: £4.9m) 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 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 (loss)/profit 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.

		2023 **pence**	2022 pence
Basic earnings/(loss) per share	– reported	**(10.60)**	4.47
	– adjusted	**1.70**	2.64
Diluted earnings/(loss) per share	– reported	**(10.60)**	4.40
	– adjusted	**1.70**	2.60

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

		2023 **£m**	2022 £m
Reported (loss)/profit before tax for the period		**(106.6)**	61.4
Income tax (charge)/credit	7	**(74.0)**	14.6
Reported (loss)/profit for the period		**(180.6)**	76.0
Less: Non-controlling interest		**2.5**	(1.2)
Total (loss)/profit attributable to shareholders		**(178.1)**	74.8
Adjusted profit before tax[1] for the period	5	**56.5**	49.8
Income tax (charge)/credit	7	**(31.1)**	(4.4)
Adjusted profit for the period		**25.4**	45.4
Less: Non-controlling interest		**3.1**	(1.2)
Adjusted profit attributable to shareholders		**28.5**	44.2

1.Definitions of the alternative performance measures and related Key Performance Indicators (KPIs) can be found in the Appendix.

	2023 **m**	2022 m
Weighted average number of ordinary shares (excluding Employee Benefit Trust shares) for basic earnings per share	**1,680.9**	1,671.7
Dilutive potential ordinary shares:		
Employee share options	**—**	30.0
Weighted average number of ordinary shares (excluding Employee Benefit Trust shares) adjusted for the effect of dilution	**1,680.9**	1,701.7

At 31 December 2023 35,795,731 (2022: nil) 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 into 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 2022 comparatives have been re-presented to exclude the businesses classified as business exits during 2023.

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 rather than 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 when their disposal is seen to be highly probable, and expected to complete within the following twelve months. At 31 December 2023 one business (the Group's 75% shareholding in Fera Science Limited (Fera)) was deemed to have met this threshold. At 31 December 2022 no disposals were deemed to have met this threshold.

2023 business exits

Business exits at 31 December 2023 primarily comprised the following business disposals:

Business	Disposal completed on
Resourcing	31 May 2023
Security Watchdog	31 May 2023
PageOne	31 July 2023
Software	31 July 2023
Enforcement	31 July 2023
Travel	14 November 2023
Fera	17 January 2024

In addition to the above disposals, the Group decided to exit a business in Capita Public Service in the second half of the year, and the trading result and non-trading expenses of this business have been excluded from adjusted results.

	2023			2022 (Re-presented)[1]		
Income statement impact	**Trading £m**	**Non-trading £m**	**Total £m**	Trading £m	Non-trading £m	Total £m
Revenue	**172.5**	**—**	**172.5**	405.6	—	405.6
Cost of sales	**(110.7)**	**—**	**(110.7)**	(284.6)	—	(284.6)
Gross profit	**61.8**	**—**	**61.8**	121.0	—	121.0
Administrative expenses	**(65.2)**	**(33.0)**	**(98.2)**	(81.3)	(23.2)	(104.5)
Operating (loss)/profit	**(3.4)**	**(33.0)**	**(36.4)**	39.7	(23.2)	16.5
Net finance costs	**—**	**—**	**—**	(1.1)	—	(1.1)
(Loss)/gain on business disposal	**—**	**(2.4)**	**(2.4)**	—	166.9	166.9
(Loss)/profit before tax	**(3.4)**	**(35.4)**	**(38.8)**	38.6	143.7	182.3
Taxation	**0.3**	**(43.9)**	**(43.6)**	(7.3)	26.0	18.7
(Loss)/profit after tax	**(3.1)**	**(79.3)**	**(82.4)**	31.3	169.7	201.0

1. To enable a like-for-like comparison of adjusted results, the 2022 comparatives have been re-presented to include the businesses classified as business exits during 2023.

Trading revenue and costs represent the current period trading performance of the above businesses up to the point of being disposed or exited, and in the comparative period those businesses disposed of during 2022 (AMT Sybex, Secure Solutions and Services, Trustmarque, Speciality Insurance, Real estate and infrastructure consultancy, Optima Legal Services, Pay360, and Capita Translation and Interpreting).

Trading expenses primarily comprise payroll costs of £121.0m (2022: £307.2m), information technology costs of £18.5m (2022: £50.0m), and the de-recognition of non-current contract fulfilment assets on the early termination of a customer contract within the business being exited in Capita Public Service of £8.2m (2022: £nil).

Non-trading administrative expenses include: asset impairments of £25.4m (2022: £nil); disposal project costs of £5.6m (2022: £14.4m); other costs including staff and redundancy costs of £2.6m (2022: £8.7m); and, other income of £0.6m (2022: £nil). The asset impairments arising in 2023 include goodwill within assets held for sale of £18.1m, property, plant and equipment of £7.1m and right-of-use-assets of £0.2m.

9 Business exits and assets held for sale continued

2023 disposals

During 2023 the Group disposed of six businesses: Resourcing, Security Watchdog, PageOne, Software, Enforcement and Travel. During 2022 the Group disposed of eight businesses: AMT Sybex, Secure Solutions and Services, Trustmarque, Speciality Insurance, Real estate and infrastructure consultancy, Optima Legal Services, Pay360 and Capita Translation and Interpreting.

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

	2023 £m	2022 £m
Property, plant and equipment	**0.3**	0.2
Intangible assets	**8.6**	20.4
Goodwill	**3.2**	178.3
Right-of-use assets	**0.2**	0.2
Income tax recoverable and deferred tax assets	**0.8**	7.6
Contract fulfilment assets	**—**	2.8
Trade and other receivables	**78.6**	136.6
Cash and cash equivalents	**14.6**	55.9
Disposal group assets held for sale[1]	**78.2**	143.0
Trade and other payables	**(36.6)**	(127.0)
Deferred income	**(3.9)**	(38.6)
Lease liabilities	**(0.2)**	(0.3)
Capita group loan balances	**(42.7)**	(102.3)
Income tax payable and deferred tax liabilities	**(1.1)**	(0.7)
Provisions	**—**	(0.4)
Disposal group liabilities held for sale[1]	**(33.5)**	(135.4)
Net identifiable assets sold	**66.5**	140.3
Non-controlling interests	**—**	(0.3)
	66.5	140.0
Sales price:		
received in cash	**68.4**	330.0
deferred receivable	**11.4**	10.5
Less: disposal costs	**(15.5)**	(33.3)
Net sales price	**64.3**	307.2
Realisation of cumulative currency translation difference	**(0.2)**	(0.3)
(Loss)/gain on disposal of businesses	**(2.4)**	166.9
Net cash inflow		
Proceeds received	**68.4**	330.0
Less disposal costs:		
income statement charge	**(15.5)**	(33.3)
change in accrued disposal costs during the year	**(8.1)**	9.9
Settlement of receivables due from disposed businesses:		
disposal of businesses in the period	**52.0**	102.3
disposal of businesses classified as held for sale	**—**	54.5
Total proceeds received net of disposal costs paid	**96.8**	463.4
Total cash held by businesses when sold		
Cash held by businesses when sold	**(33.4)**	(55.9)
Cash held by businesses classified as held for sale	**—**	(19.6)
Total cash held by businesses when sold	**(33.4)**	(75.5)
Net cash inflow	**63.4**	387.9

1. 2023 balances in respect of disposal group assets and liabilities held for sale 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. 2022 balances relate to three businesses (AMT Sybex software, Secure Solutions and Services (SSS), and Speciality Insurance) that were held for sale at 31 December 2021, and were subsequently sold during 2022.

Disposal costs of £11.0m, relating to businesses disposed of in the year, were recognised in prior years and are excluded from the above loss on disposal of businesses.

9 Business exits and assets held for sale continued

Disposal group assets and liabilities held for sale

At 31 December 2023, the Fera business was deemed to have met the threshold to be treated as held for sale (2022: no disposals were deemed to have met the held for sale threshold).

	2023 £m	2022 £m
Property, plant and equipment	**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	**38.1**	—
Trade and other payables	**2.1**	—
Other taxes and social security	**1.6**	—
Accruals	**1.8**	—
Deferred income	**3.6**	—
Income tax payable and deferred tax liabilities	**0.6**	—
Disposal group liabilities held for sale	**9.7**	—

Business exit cash flows

Businesses exited and being exited had a cash generated from operations outflow of £16.2m (2022: cash inflow of £28.0m).

10 Cash flow information

Additional cash flow information

	Notes	2023 Reported £m	2023 Excluding business exits[2] £m	2022 Reported £m	2022 Excluding business exits[2] £m
Cash flows from operating activities:					
Reported operating loss	5	**(52.0)**	**(52.0)**	(79.6)	(79.6)
Less: business exit operating loss/(profit)	9	**—**	**36.4**	—	(16.5)
Total operating loss		**(52.0)**	**(15.6)**	(79.6)	(96.1)
Adjustments for non-cash items:					
Depreciation		**79.5**	**78.1**	96.9	93.8
Amortisation of intangible assets		**29.3**	**26.0**	41.5	30.6
Share-based payment expense		**5.5**	**5.5**	5.4	5.4
Employee benefits		**7.7**	**7.7**	9.0	9.0
Loss on sale of property, plant and equipment and intangible assets		**0.7**	**0.7**	3.5	3.5
Amendments and early terminations of leases		**3.0**	**3.0**	(4.7)	(4.7)
Impairment of assets held for sale		**18.1**	**—**	—	—
Impairment of non-current assets		**69.6**	**62.3**	176.9	176.1
Other adjustments:					
Movement in provisions		**23.0**	**15.3**	(42.1)	(48.5)
Pension deficit contributions		**(46.3)**	**(30.0)**	(38.6)	(30.0)
Other contributions into pension schemes		**(9.2)**	**(9.2)**	(10.0)	(10.0)
Movements in working capital:					
Trade and other receivables		**(30.1)**	**(5.6)**	(41.0)	37.0
Non-recourse trade receivables financing		**(9.2)**	**(9.2)**	28.0	28.0
Trade and other payables		**(8.5)**	**(6.0)**	84.8	20.9
VAT deferral		**—**	**—**	(14.9)	(14.9)
Deferred income		**(77.4)**	**(81.8)**	(116.0)	(122.0)
Contract fulfilment assets (non-current)		**5.0**	**—**	18.7	20.3
Cash generated from operations		**8.7**	**41.2**	117.8	98.4
Adjustments for free cash flows:					
Income tax paid		**(7.5)**	**(3.6)**	(7.9)	(10.9)
Interest received		**6.2**	**6.2**	5.0	5.0
Interest paid		**(47.7)**	**(47.7)**	(43.0)	(41.6)
Net cash (outflow)/inflow from operating activities		**(40.3)**	**(3.9)**	71.9	50.9
Purchase of property, plant and equipment		**(28.8)**	**(27.4)**	(20.6)	(11.2)
Purchase of intangible assets		**(32.8)**	**(31.6)**	(27.3)	(27.3)
Proceeds from sale of property, plant and equipment and intangible assets		**0.1**	**0.1**	0.5	0.5
Capital element of lease rental receipts		**6.0**	**6.0**	5.8	5.8
Capital element of lease rental payments		**(59.1)**	**(58.7)**	(61.8)	(61.1)
Free cash flow[2]		**(154.9)**	**(115.5)**	(31.5)	(42.4)

1. Definitions of the alternative performance measures and related Key Performance Indicators (KPIs) can be found in the Appendix.
2. From 1 January 2023 free cash flow and free cash flow excluding business exits are presented after deducting the capital element of lease payments and receipts. Comparative amounts have been re-presented.

Cyber incident: In relation to the exceptional cyber incident costs referred to in note 5, the cash outflow during the year ended 31 December 2023 was £20.1m and is included within free cash flow excluding business exits, and cash generated from operations excluding business exits.

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 2023 was £6.1m and is included within free cash flow excluding business exits, and cash generated from operations excluding business exits. A further outflow of approximately £21m associated with the programme announced in November 2023 is expected in 2024.

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.

Following feedback from investors the Board has revised its definition of the free cash flow and free cash flow excluding business exits alternative performance measures. From 1 January 2023, both these metrics have been presented after deducting the capital element of lease payments and receipts, since this provides a more relevant and comparable measure of the cash generated by the Group's operations and available to fund operations, capital expenditure, non-lease debt obligations, and potential shareholder distributions. Comparative amounts have been re-presented.

These measures are analysed below:

	Free cash flow		Cash generated/(used) by operations	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Reported (including business exits)	**(154.9)**	(31.5)	**8.7**	117.8
Business exits	**23.1**	(19.5)	**16.2**	(28.0)
Pension deficit contributions triggered by disposals	**16.3**	8.6	**16.3**	8.6
Excluding business exits	**(115.5)**	(42.4)	**41.2**	98.4

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 2022 results have been re-presented for those businesses exited, or in the process of being exited, during 2023 to enable comparability of the adjusted results.

Pension deficit contributions triggered by disposals: the Trustee of the Group's main defined benefit pension scheme has agreed with the Group to 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 disposal of Pay360 and Capita Translation and Interpreting in the second half of 2022 and Resourcing in 2023 resulted in accelerated deficit contributions totalling £16.3m being paid into the Scheme during 2023. Additionally, as a result of the Trustmarque disposal in March 2022, a further £14.5m of accelerated deficit contributions is required by March 2024 (2022: Pension deficit contributions of £8.6m triggered by: the disposal of the Trustmarque business which led to accelerated deficit contributions of £5.9m; and the disposal of the Axelos business in 2021 which led to accelerated deficit contributions of £2.7m).

Reconciliation of net cash flow to movement in net debt

Year ended 31 December 2023	Net debt at 1 January £m	Cash flow movements £m	Total Non-cash movement £m	Net debt at 31 December £m
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)**

Year ended 31 December 2022	Net debt at 1 January £m	Cash flow movements £m	Total Non-cash movement £m	Net debt at 31 December £m
Cash, cash equivalents and overdrafts	101.5	75.3	0.4	177.2
Private placement loan notes	(513.4)	236.8	(12.9)	(289.5)
Unamortised discount on debt issuance	(2.1)	—	2.1	—
Unamortised transaction costs on debt issuance	2.6	5.2	(3.8)	4.0
Carrying value of private placement loan notes	(512.9)	242.0	(14.6)	(285.5)
Cross-currency interest rate swaps	28.0	(10.1)	6.9	24.8
Fair value of private placement loan notes	(484.9)	231.9	(7.7)	(260.7)
Other finance	(1.3)	0.6	—	(0.7)
Credit facilities	(46.0)	46.0	—	—
Lease liabilities	(448.4)	84.4	(33.5)	(397.5)
Total net liabilities from financing activities	(980.6)	362.9	(41.2)	(658.9)
Deferred consideration payable	(0.7)	—	—	(0.7)
Net debt	(879.8)	438.2	(40.8)	(482.4)

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 2023, the Group's £260.7m committed revolving credit facility was undrawn (31 December 2022: undrawn).

11 Goodwill

	2023 £m	2022 £m
Cost		
At 1 January	**1,423.3**	1,676.8
Disposal of businesses	**(199.6)**	(255.0)
Transfer to disposal group assets held for sale[1]	**(149.0)**	—
Exchange movement	**(0.5)**	1.5
At 31 December	**1,074.2**	1,423.3
Accumulated impairment		
At 1 January	**817.4**	725.1
Disposal of businesses	**(196.4)**	(76.7)
Transfer to disposal group assets held for sale[1]	**(84.7)**	—
Impairment – excluded from adjusted profit	**42.2**	169.0
At 31 December	**578.5**	817.4
Net book value		
At 1 January	**605.9**	951.7
At 31 December	**495.7**	605.9

1. Transfers to disposal group assets held for sale in the year ended 31 December 2023 includes £49.3m that was transferred at 30 June 2023 and subsequently sold during the second half of the year.

Cash-generating units

Reflecting the way management exercises oversight and monitors the Group's performance, the lowest level at which goodwill is monitored is at the divisional level for Capita Public Service and Capita Experience, and at a sub-divisional level for Capita Portfolio. At 31 December 2023, following the disposal, transfer to assets held for sale or transfer to another division of all the businesses that were under Capita Portfolio, the Group has two remaining CGUs or groups of CGUs for the purpose of impairment testing of goodwill.

Carrying amount of goodwill allocated to groups of CGUs:

			Capita Portfolio					
CGU	Capita Public Service £m	Capita Experience £m	People £m	Software £m	Business Solutions £m	Travel £m	Fera £m	Total £m
At 1 January	284.6	209.8	1.7	36.3	21.7	36.8	15.0	605.9
Reclassifications	**1.8**	**—**	**—**	**—**	**(1.8)**	**—**	**—**	**—**
Disposal of businesses	**—**	**—**	**(1.7)**	**—**	**—**	**(1.5)**	**—**	**(3.2)**
Transfer to assets held for sale[1]	**—**	**—**	**—**	**(36.3)**	**(13.0)**	**—**	**(15.0)**	**(64.3)**
Impairment – excluded from adjusted profit	**—**	**—**	**—**	**—**	**(6.9)**	**(35.3)**	**—**	**(42.2)**
Exchange movement	**—**	**(0.5)**	**—**	**—**	**—**	**—**	**—**	**(0.5)**
At 31 December	**286.4**	**209.3**	**—**	**—**	**—**	**—**	**—**	**495.7**

1. Transfers to disposal group assets held for sale in the year ended 31 December 2023 includes £49.3m that was transferred at 30 June 2023 and subsequently sold during the second half of the year.

Business exits

As set out in note 9, six businesses were fully disposed of during the year. Goodwill relating to all of these businesses is included within the Group's brought forward goodwill balances at 1 January 2023, and has either been impaired during the course of the year, or derecognised as part of business disposals.

The Group's shareholding in Fera Science Limited was deemed to have met the threshold to be treated as held for sale at 31 December 2023, with goodwill relating to this business (Fera) reclassified to disposal group assets held for sale.

One business within the Capita Public Service division met the criteria to be treated as a business exit at 31 December 2023, however there is no goodwill attributable to this business.

The impairment test

In undertaking the annual impairment review, the directors considered both internal and external sources of information, and any observable indications that may suggest that the carrying value of goodwill may be impaired. This included a comparison with the Group's share price and market capitalisation.

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 implements the Group-wide cost reduction programme 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 2023, 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.

At 30 June 2023, a goodwill impairment of £35.3m was recognised in respect of the Travel CGU. This impairment arose primarily due to the expectation of acquirers factoring in additional investment and costs required to run the businesses outside of the Group, and general macroeconomic conditions. The Travel CGU was disposed of in the second half of 2023.

11 Goodwill continued

In addition, an impairment of £6.9m was recognised at 30 June 2023 in respect of a business in the Business Solutions group of CGUs in Capita Portfolio. Since the disposal process for this business was less far advanced, the recoverable amount of the CGU, being its value-in-use, was calculated based on operating the business into perpetuity. The goodwill impairment arose primarily due to a negotiated exit of an end customer, which negatively impacted the forecast financial performance of the business. In the second half of 2023 this business was moved into the Capita Public Service division and CGU.

At 31 December 2023, the estimated recoverable amount of each remaining Group of CGUs exceeded its respective carrying value. The key inputs to the calculations are described below, including changes in market conditions.

Forecast cash flows

The cash flow projections prepared for the impairment test are derived from the 2024-2026 business plans (BP) approved by the Board, which are prepared on a nominal basis. Key assumptions in the BP include the delivery of planned revenue growth and the benefits that the cost reduction programme is anticipated to deliver, in particular in the Capita Experience CGU given recent past performance.

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 profit margin expansion not being achieved;
- targeted cost savings delayed or not delivered;
- additional inflationary cost impacts which cannot be passed on to customers;
- 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.

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

Other than for movements in deferred income and contract fulfilment assets, cash flows are adjusted to exclude working capital movements since the corresponding balances are not included in the CGU carrying amount.

Allocation of central function costs
The Board has considered an appropriate methodology to apply when allocating central function costs. The methodology applied for the 2023 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 2024 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 (2027 and 2028) and for the terminal period. The 2023 long-term growth rate is 1.7% (2022: 2.2%).

Discount rates
Management estimates discount rates using nominal pre-tax rates of comparator companies for each CGU or group of CGUs. 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 table below presents the pre-tax discount rates applied to the cash flows for 2023 and 2022.

	Capita Public Service	Capita Experience
2023	11.0%	9.2%
2022	11.8%	10.4%

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 sensitivity scenarios applied estimate potential impairments 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 Group in total and each of the CGUs; or, through the severe but plausible downsides applied to the base-case projections for assessing going concern and viability, without mitigations, for 2024 to 2026, and the long-term growth rate (1.7%) applied to the 2026 downside cash flows to generate projected cash flows for 2027, 2028, and the terminal period. We have also considered the impact of all of the scenarios together, which is also a reasonable possible alternative.

No potential impairments have been identified under any of these sensitivity scenarios, including the combination sensitivity scenario.

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 2023. The directors gave consideration as to why this might be the case and the reasonableness of the assumptions used within 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.

Taking these points into consideration, the Board are comfortable that there is no impairment in respect of goodwill to be recognised at 31 December 2023, despite the continuing low market capitalisation of the Group.

12 Provisions

	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	—	10.7	17.0	18.7	73.5	7.4	127.3
Provisions in the year	**35.6**	**10.6**	**29.9**	**3.9**	**16.5**	**7.5**	**104.0**
Releases in the year	**—**	**(3.3)**	**(3.5)**	**(6.3)**	**(12.3)**	**(2.7)**	**(28.1)**
Utilisation	**(6.1)**	**(10.2)**	**(2.8)**	**(7.4)**	**(21.4)**	**(6.9)**	**(54.8)**
Discount unwind on provisions	**—**	**—**	**—**	**—**	**2.3**	**—**	**2.3**
Transfer to disposal group liabilities held for sale[1]	**—**	**—**	**—**	**(0.5)**	**—**	**—**	**(0.5)**
Reclassification between categories	**—**	**—**	**0.8**	**(0.6)**	**(0.1)**	**(0.1)**	**—**
At 31 December	**29.5**	**7.8**	**41.4**	**7.8**	**58.5**	**5.2**	**150.2**

	31 December 2023 £m	31 December 2022 £m
Current	**101.6**	75.7
Non-current	**48.6**	51.6
	150.2	127.3

1. Transfers to disposal group assets held for sale in the year ended 31 December 2023 includes £0.5m that was transferred at 30 June 2023 and subsequently sold during the second half of the year.

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 including professional fees related to business exits 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 based on 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 23 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 six years.

The customer contract provision includes £53.3m (2022: £59.7m) in respect of closed book Life & Pensions contracts 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, in prior years, provided for the onerous contract conditions based on the best estimate of the remaining contract terms and the period and likely costs to support the final handover of services. At 31 December 2023, the provision was increased to provide cover for contracts to extend out to December 2028 (ie a five year rolling period).

Other provisions: Relates to provisions in respect of other potential exposures arising as a result of the nature of some of the operations that the Group provides, including supplier audit and regulatory provisions. 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 £22.5m (2022: £34.0m). At 31 December 2023 there was an additional guarantee of £15m in relation to the disposed Travel businesses, which has since reduced to £9.5m in January 2024. Capita plc's exposure is counter-indemnified by Clarity Travel Limited.

The Group is reviewing its position in respect of a number of 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 assets.

Following the cyber incident in March 2023 detailed in the Chief Executive Officer's Review, Capita has been working closely with all appropriate regulatory authorities and with customers, suppliers and employees to notify those affected and take any remaining necessary steps to address the incident. 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 their information requests. While we anticipate that there will be further additional requests as part of ICO's review, 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. At the date of approval of these consolidated financial statements, the Group has received no substantive claims in relation to the cyber incident. Whether any such claims will be received is uncertain, but the Group will vigorously defend any such claims and, at the date of approval of these financial statements, it is not possible to reliably estimate the potential value of any potential 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 2023, and before the approval of these consolidated financial statements, but have not resulted in adjustment to the 2023 financial results:

Disposal of Fera

The disposal of the Group's 75% shareholding in Fera Science Limited (Fera) to a fund managed by Bridgepoint Development Capital completed on 17 January 2024.

Cash proceeds of £62m were received on completion, which included the settlement of intercompany balances owed by Fera to the Group of £0.1m. Net assets of c.£28m were disposed of on completion, alongside the derecognition of non-controlling interests of c.£9m. Total costs of disposal are estimated to be c.£9m, of which £3.5m were recognised in 2022 and 2023.

Contract with major European telecoms provider

In February 2024, the Group extended and expanded its contract with a major European telecoms provider. The new contract is based on expected volumes, and therefore treated as a framework contract under IFRS 15. As a result, £365m included in the Capita Experience order book at 31 December 2023 relating to the previous contract has been released. The new contract is expected to be worth up to £420m to 2030.

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 announced in November 2023 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 growth:

	2023	2022
Reported revenue per the income statement	**£2,814.6m**	£3,014.6m
Deduct: business exits (note 9)	**£(172.5)m**	£(405.6)m
Adjusted revenue	**£2,642.1m**	£2,609.0m
Adjusted revenue growth	**1.3%**	1.7%

APM	Closest equivalent IFRS measure	Definition, Purpose and Reconciliation
Adjusted operating profit U	**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 U	**Operating profit 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 profit margin:

		2023	2022
Adjusted revenue	a	**£2,642.1m**	£2,609.0m
Adjusted operating profit (note 5)	b	**£106.5m**	£78.0m
Adjusted operating profit margin	b/a	**4.0%**	3.0%

APM	Closest equivalent IFRS measure	Definition, Purpose and Reconciliation
Adjusted EBITDA U	**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 investment gains (other than those already excluded from adjusted operating profit). The directors believe that adjusted Earnings before Interest, Tax, Depreciation and Amortization (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:

	Post IFRS 16		Pre IFRS 16	
	2023	2022	**2023**	2022
Adjusted profit before tax	**£56.5m**	£49.8m	**£57.0m**	£55.0m
Add back: adjusted net finance costs (note 6)	**£50.0m**	£34.0m	**£31.8m**	£15.7m
Add back: adjusted depreciation and impairment of property, plant and equipment	**£30.7m**	£43.1m	**£30.7m**	£43.1m
Add back: depreciation and impairment of right-of-use assets	**£50.7m**	£52.7m	**£—m**	£—m
Add back: adjusted amortisation and impairment of intangibles	**£26.7m**	£30.6m	**£26.7m**	£30.6m
Remove: Share of results in associates and investment gains (income statement)	**£—m**	£(5.8)m	**£—m**	£(5.8)m
Adjusted EBITDA	**£214.6m**	£204.4m	**£146.2m**	£138.6m
Adjusted EBITDA margin	**8.1%**	7.8%	**5.5%**	5.3%

Alternative performance measures continued

APM	Closest equivalent IFRS measure	Definition, Purpose and Reconciliation
Income statement continued		
Adjusted profit before tax U	**Profit before tax**	Calculated as profit or loss before tax excluding the items detailed in note 5, which includes: 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 announced in November 2023. A reconciliation of reported to adjusted profit before tax is provided in note 5.
Adjusted profit after tax U	**Profit/(loss) after tax**	Calculated as the above adjusted profit or loss before tax, less the tax credit or expense on adjusted profit or loss. The table below shows a reconciliation:

	2023	2022
Adjusted profit before tax (note 5)	**£56.5m**	£49.8m
Tax on adjusted profit (note 7)	**£(31.1)m**	£(4.4)m
Adjusted profit after tax	**£25.4m**	£45.4m

APM	Closest equivalent IFRS measure	Definition, Purpose and Reconciliation
Adjusted basic earnings per share U	**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 U	**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 period 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 U	**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**

R

Calculated as operating cash flow excluding business exits divided by adjusted EBITDA.

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

		Reported		Excluding business exits	
		2023	2022	**2023**	2022
EBITDA	a	**£144.5m**	£235.7m	**£214.6m**	£204.4m
Add back: EBITDA element of cyber incident and cost reduction programme		**£63.8m**	£—m	**£—m**	£—m
Working capital (note 10)		**£(120.2)m**	£(40.4)m	**£(102.6)m**	£(30.7)m
Add back: Working capital element of cyber incident and cost reduction programme		**£(8.1)m**	£—m	**£(8.1)m**	£—m
Non-cash and other adjustments (note 10)		**£30.7m**	£(38.9)m	**£23.0m**	£(45.3)m
Add back: Non-cash element of cyber attack and cost reduction programme (note 12)		**£(29.5)m**	£—m	**£(29.5)m**	£—m
Operating cash flow	b	**£81.2m**	£156.4m	**£97.4m**	£128.4m
Operating cash conversion	b/a	**56.2%**	66.4%	**45.4%**	62.8%

Available liquidity — **No direct equivalent**

Calculated as the sum of any undrawn committed facilities and the net cash, cash equivalents net of overdrafts, less any restricted cash. Restricted cash is defined as any cash required to be held under FCA regulations, cash held in foreign bank accounts, and cash represented by non-controlling interests.

	2023	2022
Revolving credit facility (RCF)	**£260.7m**	£288.4m
Less: drawing on committed facilities	**£—m**	£—m
Undrawn committed facilities	**£260.7m**	£288.4m
Cash and cash equivalents net of overdrafts	**£67.6m**	£177.2m
Less: restricted cash	**£(46.0)m**	£(60.4)m
Available liquidity	**£282.3m**	£405.2m

Net debt — **Borrowings, cash, derivatives, lease liabilities and deferred consideration**

Calculated as the net of the Group's: cash, cash equivalents and overdrafts; private placement loan notes; other finance; currency and interest rate swaps; lease liabilities; and deferred consideration.

The Board believes that net debt enables investors to see the economic effect of debt, related hedges and cash and cash equivalents in total and shows the indebtedness of the Group.

The calculation of net debt is provided in note 10.

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 finance; 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.

	2023	2022
Net debt	**£545.5m**	£482.4m
Remove: IFRS16 impact	**£(363.4)m**	£(397.5)m
Net financial debt (pre-IFRS 16)	**£182.1m**	£84.9m

Alternative performance measures continued

APM	Closest equivalent IFRS measure	Definition, Purpose and Reconciliation
Cash flows and net debt continued		
Gearing: net debt to adjusted EBITDA ratio U	**No direct equivalent**	This ratio is calculated as net financial debt (pre-IFRS 16) 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 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 (pre-IFRS 16) to adjusted EBITDA ratio:

	Post IFRS 16		Pre IFRS 16	
	2023	2022 [1]	**2023**	2022 [1]
Adjusted EBITDA	**£214.6m**	£238.8m	**£146.2m**	£172.3m
EBITDA in respect of business exits not yet completed	**£8.2m**	£1.3m	**£8.2m**	£1.3m
Adjusted EBITDA (including business exits not yet completed)	**£222.8m**	£240.1m	**£154.4m**	£173.6m
Net debt / net financial debt (pre-IFRS 16)	**£545.5m**	£482.4m	**£182.1m**	£84.9m
Net debt / net financial debt (pre-IFRS 16) to adjusted EBITDA ratio	**2.4x**	2.0x	**1.2x**	0.5x

APM	Closest equivalent IFRS measure	Definition, Purpose and Reconciliation
Gearing including Fera proceeds: net debt to adjusted EBITDA ratio N	**No direct equivalent**	This ratio is calculated in the same way gearing above but includes the net proceeds received from the disposal of the Fera business in January 2024. The Board believes that this ratio is useful because it shows that the gearing ratio would have been below the medium term aim of 1.0x had the proceeds from the disposal of the Fera business been received in December 2023 when the sale was agreed.

		Pre IFRS 16
		2023
Adjusted EBITDA	a	**£146.2m**
Net financial debt	b	**£182.1m**
Cash proceeds received in January on disposal of Fera (note 14)		**£61.9m**
Cash held by Fera at 31 December 23 (note 9)		**£(7.2)m**
Cash disposal costs expected in 2024 related to Fera disposal		**£(4.6)m**
Net proceeds received from Fera disposal in January 2024	c	**£50.1m**
Net financial debt including net proceeds received in January 2024	d = b-c	**£132.0m**
Net financial debt including net proceeds received to adjusted EBITDA ratio	d/a	**0.9x**

1.To ensure consistent presentation of the ratios between years, the 2022 comparatives have not been restated.

N New APM in the year U Definition updated in the year R Comparatives re-presented