CAPITA

27 July 2016

Half year results for the 6 months to 30 June 2016

Financial highlights	**Underlying[1] 2016**	**Underlying[1] 2015**	**YOY change**	**Reported 2016**
Revenue	£2,405m	£2,283m	+5%	£2,430m
Operating profit	£317.6m	£288.8m	+10%	£236.3m
Profit before tax	£285.3m	£264.9m	+8%	£186.1m
Earnings per share	34.2p	32.0p	+7%	22.4p
Interim dividend per share	11.1p	10.5p	+6%	11.1p

Highlights

Good financial results

- Underlying revenue growth on a like for like basis[1] of 8.8%, including 5.0% organic growth net of attrition
- Underlying operating margin[1] of 13.2% (H1 2015 on a like for like basis[1]: 12.9%)
- Underlying profit before tax[1] up 8% to £285.3m (H1 2015: £264.9m)
- Underlying earnings per share[1] up 7% to 34.2p (H1 2015: 32.0p)
- Interim dividend up 6% to 11.1p (H1 2015: 10.5p)
- Underlying cash flow[1] from operations £388m (H1 2015 £300m), a cash conversion ratio of 122% (H1 2015: 104%)
- Net debt to annualised EBITDA[1] of 2.49, with headroom of £1.1bn, at end June 2016
- Post tax ROCE[1] 15.0% (FY 2015: 15.0%)
- Reported profit before tax £186.1m (H1 2015: £146.1m)
- Reported earnings per share 22.4p (H1 2015 17.7p).

Steady flow of major contract wins and acquisitions

- £879m of major contract wins (H1 2015: £1.6bn) including:
  - Tesco Mobile customer management services, worth £140m over 5 years
  - Five Councils shared services platform, worth £139m over 9 years
  - Extension of our relationship with Department for Work and Pensions Personal Independence Payments (PIP) assessments, worth £210m (based on volume assumptions)
- Major contract win rate 1 in 2
- Bid pipeline £5.1bn (February 2016: £4.7bn), with a weighted average contract length of 7 years (February 2016: 6 years)
- 6 acquisitions for a total consideration of £84m, including Trustmarque, a leading software reseller and provider of cloud services.

Andy Parker, Chief Executive of Capita plc, commented:

"In the first half of 2016, Capita achieved good profit growth driven organically by major contracts and our trading businesses, and through acquisitions made part way through 2015. We also delivered strong cash flow and robust sales and operational performance.

While it is too early to know the impact of the recent EU referendum, it has created increased uncertainty, particularly in the financial services sector, and we are continuing to experience some delays in decision making in the short term. However, we expect this to be more than offset in the medium-term by incremental opportunities that arise as clients respond to the impacts of the UK leaving the EU.

The structural drivers for our services remain strong and Capita has a good track record of operating through political and economic cycles. We are making steady progress towards achieving around 4% organic growth in 2016 and remain confident of the strength of our business model in creating continued profitable growth into the future."

1 *Refer to appendix for calculation of Alternative Performance Measures*

Analyst & investor presentation:

Andy Parker, Chief Executive of Capita plc will host a presentation of our results in London at 08:30 UK time today.

There will be a conference call and live webcast of the event, with an on-demand version available later today at www.capita.com/investors.

Please dial into the call in time to allow for registration.

Conference Call:
Participant Dial-in: +44 20 3059 8125
Participant Password: Capita

Replay: A replay of the conference call will be available for 7 days after the event
Dial-in: + 44 121 260 4861
Access code: 3687471 #

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About Capita

Capita is a leading UK provider of technology enabled customer and business process services and integrated professional support services. With 75,000 people at over 500 sites, including 94 business centres across the UK, Europe, India and South Africa, Capita uses its expertise, infrastructure and scale benefits to transform its clients' services, driving down costs and adding value. Capita is quoted on the London Stock Exchange (CPI.L), and is a constituent of the FTSE 100 with 2015 underlying revenue of £4.7 billion. Further information on Capita can be found at: http://www.capita.com.

Capita plc

Results for the 6 months to 30 June 2016

Overview

Capita is today reporting good financial results for the first half in 2016. We extended and expanded a number of major contracts, delivered growth from our trading businesses and made a number of acquisitions which should enhance our growth going forward.

The Group increased underlying[1] revenue by 5% to £2,405m (H1 2015: £2,283m) and underlying revenue on a like for like[1] basis by 8.8%, comprised 5.0% organic growth net of attrition and 3.8% from acquisitions. Organic growth was driven by the benefit from new contracts started in the second half of 2015 and good underlying performances from our divisions. Underlying operating profit[1] rose by 10% to £317.6m (H1 2015: £288.8m) and underlying profit before tax[1] increased by 8% to £285.3m (H1 2015: £264.9m). Reported profit before tax was £186.1m (H1 2015: £146.1m), after the amortisation of intangibles. Underlying earnings per share[1] rose by 7% to 34.2p (H1 2015: 32.0p) and we increased our dividend for the half year by 6% to 11.1p (H1 2015: 10.5p).

To date this year, we have secured major contracts with an aggregate value of £879m (H1 2015: £1.6bn). Our win rate was 1 in 2 by value. The bid pipeline currently stands at £5.1bn (February 2016: £4.7bn), comprised of 36 bids with a weighted average contract length of 7 years. We continue to have a large active prospect list of opportunities behind the pipeline.

We invested a total of £84m, excluding deferred and contingent considerations, in acquiring 6 businesses in the period. The largest of these was Trustmarque, a software reseller and IT services provider, which sells, installs and manages software and cloud products and has a strong relationship with Microsoft. We also completed the disposals of Capita Medical Reporting and Fish Administration, both of which were considered to be non-core going forwards and were held for sale over the 2015 year end.

Financial review

Revenue – the Group increased underlying revenue[1] by 5% to £2,405m (H1 2015: £2,283m). Underlying revenue on a like for like basis[1], excluding results from businesses exited and assets held for sale in both years, increased by 8.8% including 5.0% organic growth net of attrition and 3.8% from acquisitions. Our Integrated Services, Digital & Software Solutions, Commercial Services and Asset Services divisions all delivered strong organic growth, driven by the benefit of new major contracts such as Primary Care Support England and The Co-operative Bank and good underlying trading. Attrition was 3.4%, including the planned completion of transformation work on Telefónica UK (O2), which resulted in a decline in revenue in the Customer Management division. Revenue also declined in the Insurance & Benefits Services division due to disposals.

Operating profit – underlying operating profit[1] increased by 10% to £317.6m (H1 2015: £288.8m). There were strong performances from our Strategic Services, Commercial Services and Digital & Software Solutions divisions and Asset Services also performed well. Profits declined in the Customer Management and Insurance & Benefits divisions, as a result of the aforementioned impacts from the end of transformation work and disposals, respectively.

Operating margin - underlying operating margin[1] was 13.2% (H1 2015: 12.7%), reflecting the positive impact of exiting businesses which lacked strategic fit. Underlying operating margin on a like for like basis[1] increased by 30bps to 13.2% (H1 2015: 12.9%). We expect underlying Group operating margin to be maintained in the range of 13.0% to 14.0% for the full year and the foreseeable future.

1 *Refer to appendix for calculation of Alternative Performance Measures*

Net finance costs - the underlying net interest charge[1] was £32.3m (H1 2015: £23.9m). We expect underlying interest costs to be in the range of £60m to £65m in 2016, reflecting an increase in our average cost of debt, as interest rate swaps run off on some of our private placement debt.

Profit before tax - underlying profit before tax[1] increased by 8% to £285.3m (H1 2015: £264.9m).

Non-underlying charges - non-underlying charges were £99.2m (H1 2015 £118.8m), including the amortisation of acquired intangibles and mark-to-market of fixed rate interest rate swaps.

Reported profit before tax - reported profit before tax[1] increased by 27% to £186.1m (H1 2015: £146.1m), reflecting the reduction in non-underlying charges outlined above.

Earnings per share - underlying earnings per share[1] rose by 7% to 34.2p (H1 2015: 32.0p), after non-controlling interests of £5.4m (H1 2015: £4.0m). Our underlying tax rate was 18.5% (H1 2015: 18.5%).

Dividend – the Board has declared an interim dividend of 11.1p per ordinary share (H1 2015: 10.5p), representing an increase of 6%. The interim dividend will be payable on 30 November 2016 to shareholders on the register at the close of business on 21 October 2016.

Cash flow – underlying cash flow from operations[1] was £388m (H1 2015: £300m), representing an underlying operating profit to cash conversion ratio of 122% (H1 2015: 104%). We continue to target annual cash conversion ratio at or above 100% for the foreseeable future. Net capital expenditure was £88m (H1 2015: £57m) and we continue to expect capital expenditure in the full year to be lower than in 2015. Underlying free cash flow[1] was £236m (H1 2015: £181m).

Net debt - net debt at end June 2016 was £1,901m (H1 2015: £1,761m) including £90m fixed rate interest rate swaps (H1 2015: £60m) and £15m deferred consideration (H1 2015: £16m). As at 30 June 2016 we had a total of £1,491m outstanding private placement bond debt, of which £105m matures in the next 12 months and the remainder at various maturities to 2027. In addition, we had £800m of drawn bank debt, of which £200m is repayable in the next 12 months. We had headroom of £1.1bn at end June 2016, including an undrawn £600m revolving credit facility which matures in August 2020.

At 30 June 2016, our net debt to annualised EBITDA[1] ratio was 2.49 (H1 2015: 2.52) and annualised interest cover[1] was 12.3 times (H1 2015: 16.5 times). We aim to keep the ratio of net debt to EBITDA in the range of 2 to 2.5 over the long term and we would be unlikely to incur borrowings which would reduce underlying interest cover below 7 times.

Return on capital employed – our post-tax return on average capital employed[1] (ROCE) was 15.0% (FY 2015: 15.0%), based upon the 12 month rolling position from our last reporting date to 30 June, which compares to our estimated post-tax weighted average cost of capital (WACC) of 7.1%.

1 *Refer to appendix for calculation of Alternative Performance Measures*

Our organisational structure

To further align ourselves and match relevant management expertise with clients and the markets in which we operate as we continue to grow, we have made a number of changes to our organisational structure. The key change is the formation of two divisions: Commercial Services, which includes a number of our high growth businesses and contracts, such as AXELOS and Constructionline; and Strategic Services, which includes several of our central government contracts, such as the Defence Infrastructure Organisation and our Indian offshore business. These changes are reflected in the segmental reporting in these results.

Sales and business development review

Our Group Business Development team focuses upon major outsourcing, partnering and asset commercialisation contracts, shaping and bidding for opportunities across our 11 target vertical markets. We have made a solid start to the year, securing 11 contracts with an aggregate value of £879m in the year to date. Our win rate was 1 in 2 by value.

Major contracts announced to date in 2016

Private sector

- **Tesco Mobile** - selected by leading mobile telecommunications company Tesco Mobile to form an initial 5 year strategic partnership for customer management services, including customer care, technical support, sales, upgrades and retention. The contract is expected to be worth £140m over 5 years, starting from 1 August.
- **Debenhams Retail plc** - extended its existing customer services partnership with Capita Customer Management, worth £72m to 1 September 2022.
- **Other private sector contracts** - we have also extended our contract with Volkswagen for customer management and extended a contract with a major financial services client.

Local government

- **Five Councils: South Oxfordshire, Vale of White Horse, Hart, Havant and Mendip District Councils** - selected to introduce an innovative flexible shared services platform, delivering a suite of corporate services, including revenues and benefits, customer services, HR, ICT and procurement, worth £139m over 9 years.
- **Blackburn with Darwen Council** - signed a new technical services partnership, expected to be worth at least £60m for an initial term of five years, with the ability to extend for another 5 years. The contract includes highways and property services and a wider £2bn framework, which allows other public organisations to directly procure Capita's services for infrastructure and development projects.
- **Urban Vision** - Salford City Council extended Urban Vision, a joint venture between itself, Capita and Galiford Try. The partnership delivers services such as property, regulatory planning, engineering infrastructure, and design and highway operations to over 240 clients across both the public and private sectors. The extension is expected to be worth £60m to Capita over 3 years to 2020.

Central government

- **Department for Work and Pensions** - agreed a 2 year extension of our PIP contract, worth £210m to 2019 (based on volume assumptions).
- **The Pensions Regulator** - agreed an extension to its partnership with Capita for a further three years to ensure the continued successful roll-out of automatic enrolment to small and micro employers. The contract extension is worth an additional £37m over three years and will run from October 2018.

Bid pipeline

Our bid pipeline shows the total contract value of our major sales bids at a specific point in time, which we disclose 3 times a year. It contains all bids with total contracted revenue worth between £25m and a capped ceiling of £1bn, where we have been short-listed to the last 4 or fewer. The total contract value of the bid pipeline currently stands at £5.1bn (February 2016: £4.7bn), comprised of 36 bids including 92% new business and 8% renewals and extensions, with a weighted average contract length of 7 years. We are seeing steady activity in both the private sector (50% of the pipeline), particularly in telecoms, retail and financial services, and the public sector (50% of the pipeline), in defence, local government, and transport and infrastructure. We continue to have a large, active prospect list of opportunities behind the pipeline and there are no material contracts, defined as having forecast annual revenue in excess of 1% of 2015 revenue, up for rebid until 2019.

Acquisitions support our growth strategy

Capita makes acquisitions to build capability in existing markets, enter new markets and enhance our future organic growth potential, largely focusing upon small to medium sized businesses. We aim to drive value creation for shareholders through our acquisition strategy and seek to achieve a 15% post tax ROCE after integration into the Group. In the first half of 2016 we invested a total of £84m, excluding deferred and contingent considerations, in acquiring 6 businesses. We also completed the disposals of Capita Medical Reporting and Fish Administration, both of which were considered to be non-core going forward and were held for sale over the 2015 year end.

Trustmarque adds capability in cloud computing: in June we acquired Trustmarque, a software reseller and provider of software asset management, IT and cloud services, for £57m. Trustmarque has a strong relationship with Microsoft, being the most accredited and largest Microsoft public sector licensing specialist and partner for public sector cloud in the UK. The business is targeting strong growth in strategic cloud consultancy and has identified a £5bn addressable UK market for these cloud services, including MS O365 and MS Azure. With benefits from cross selling, cost savings and market growth, Trustmarque is expected to achieve Capita's target post-tax return on investment of 15% in 2018.

Enhancing our payments offering: in January we acquired the online payments business of PayPoint plc, an eCommerce payment services provider to private sector customers, for £14m. Services include payment gateway, fraud management, data security and intelligent checkout reporting. These will enhance our existing payments business which processes some £3.5bn of transactions per annum in local government, housing, education, health, utilities and the private sector. The business will be combined with our existing Pay360 business which will help us to realise our full potential as a market leading independent payment service provider.

Orange Bus adds scale in digital transformation: in March we acquired Orange Bus, a specialist digital agency, which adds additional skills and scale to our existing digital transformation, business processing and CRM propositions. With this enhanced digital capability, we are ideally placed to help clients across both the public and private sectors to improve the use of their digital channels to benefit both their organisations and their end customers.

Building analytics and software capability in health: Health Analytics is an award-winning Cambridge-based company whose specialist software uses clinical and financial information to help Clinical Commissioning Groups and social care organisations to make more informed decisions about the care they deliver. In combination with our existing business intelligence and analytics services, the acquisition will enable Capita to grow its business across the NHS and support commissioners to deliver significant improvements in patient outcomes.

Group Board

On 4 July 2016, we announced the appointment of Ian Powell as Non-Executive Director and Chairman Designate from 1 September 2016. Ian will succeed Martin Bolland as Non-Executive Chairman on 1 January 2017. Until end of June 2016, Ian Powell was Chairman and Senior Partner of PricewaterhouseCoopers LLP (PwC) UK. He has broad financial, commercial and regulatory experience and led PwC's interactions with the UK Government and other public sector organisations. Martin Bolland, who announced his intention to stand down in February 2016, will step down after six years as Non-Executive Chairman and eight years as a Non-Executive Director of Capita plc on 31 December 2016.

Future prospects

In the first half of 2016, Capita achieved good profit growth driven organically by major contracts and our trading businesses, and through acquisitions made part way through 2015. We also delivered strong cash flow and robust sales and operational performance.

While it is too early to know the impact of the recent EU referendum, it has created increased uncertainty, particularly in the financial services sector, and we are continuing to experience some delays in decision making in the short term. However, we expect this to be more than offset in the medium-term by incremental opportunities that arise as clients respond to the impacts of the UK leaving the EU.

The structural drivers for our services remain strong and Capita has a good track record of operating through political and economic cycles. We are making steady progress towards achieving around 4% organic growth in 2016 and remain confident of the strength of our business model in creating continued profitable growth into the future.

-Ends-

Half year condensed consolidated income statement

for the 6 months ended 30 June 2016

		30 June 2016				30 June 2015			
			Non-underlying				Non-underlying		
	Notes	**Underlying £m**	**Business exit £m**	**Other non-underlying £m**	**Total £m**	Underlying £m	Business exit £m	Other non-underlying £m	Total £m
Continuing operations:									
Revenue	3	**2,405.4**	**24.6**	**—**	**2,430.0**	2,282.7	6.2	—	2,288.9
Cost of sales		**(1,716.9)**	**(17.9)**	**—**	**(1,734.8)**	(1,641.9)	(9.1)	—	(1,651.0)
Gross profit		**688.5**	**6.7**	**—**	**695.2**	640.8	(2.9)	—	637.9
Administrative expenses	4,5	**(370.9)**	**(6.7)**	**(81.3)**	**(458.9)**	(352.0)	(13.0)	(102.8)	(467.8)
Operating profit	3	**317.6**	**—**	**(81.3)**	**236.3**	288.8	(15.9)	(102.8)	170.1
Net finance costs	6	**(32.3)**	**—**	**(17.8)**	**(50.1)**	(23.9)	—	1.6	(22.3)
Loss on disposal	4	**—**	**(0.1)**	**—**	**(0.1)**	—	(1.7)	—	(1.7)
Profit before tax	3	**285.3**	**(0.1)**	**(99.1)**	**186.1**	264.9	(17.6)	(101.2)	146.1
Income tax expense		**(52.8)**	**—**	**18.7**	**(34.1)**	(49.0)	2.7	18.9	(27.4)
Profit for the period		**232.5**	**(0.1)**	**(80.4)**	**152.0**	215.9	(14.9)	(82.3)	118.7
Attributable to:									
Owners of the Company		**227.1**	**(0.1)**	**(78.1)**	**148.9**	211.9	(14.9)	(80.0)	117.0
Non-controlling interests		**5.4**	**—**	**(2.3)**	**3.1**	4.0	—	(2.3)	1.7
		232.5	**(0.1)**	**(80.4)**	**152.0**	215.9	(14.9)	(82.3)	118.7
Earnings per share	7								
– basic		**34.24p**	**(0.02)p**	**(11.78)p**	**22.44p**	32.03p	(2.25)p	(12.09)p	17.69p
– diluted		**34.05p**	**(0.01)p**	**(11.71)p**	**22.33p**	31.86p	(2.24)p	(12.03)p	17.59p

Half year condensed consolidated statement of comprehensive income

for the 6 months ended 30 June 2016

	30 June 2016		30 June 2015	
	£m	**£m**	£m	£m
Profit for the period		**152.0**		118.7
Other comprehensive (expense)/income				
Items that will not be reclassified subsequently to profit or loss				
Actuarial loss on defined benefit pension schemes	**(88.9)**		(31.3)	
Deferred tax effect	**16.0**		6.3	
		(72.9)		(25.0)
Items that will or may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations		**36.9**		(15.9)
Net investment hedge		**(20.0)**		—
Gain/(loss) on cash flow hedges	**4.2**		(1.0)	
Reclassification adjustments for losses included in the income statement	**1.5**		1.4	
Income tax effect	**(1.0)**		(0.1)	
		4.7		0.3
		21.6		(15.6)
Other comprehensive (expense)/income for the period net of tax		**(51.3)**		(40.6)
Total comprehensive income for the period net of tax		**100.7**		78.1
Attributable to:				
Owners of the Company		**97.6**		76.4
Non-controlling interests		**3.1**		1.7
		100.7		78.1

Half year condensed consolidated balance sheet
at 30 June 2016

	30 June 2016	31 December 2015
	£m	£m
Non-current assets		
Property, plant and equipment	417.1	406.0
Intangible assets	2,930.3	2,810.0
Financial assets	326.0	186.6
Deferred taxation	28.0	18.8
Trade and other receivables	80.8	86.1
	3,782.2	3,507.5
Current assets		
Financial assets	64.0	44.3
Disposal group assets held for sale	4.3	84.1
Funds assets	358.1	161.7
Trade and other receivables	1,078.0	1,011.9
Cash	935.0	534.0
	2,439.4	1,836.0
Total assets	6,221.6	5,343.5
Current liabilities		
Trade and other payables	1,240.1	1,144.0
Overdrafts	435.1	448.7
Financial liabilities	379.0	230.8
Disposal group liabilities held for sale	9.1	40.4
Funds liabilities	358.1	161.7
Provisions	57.9	69.4
Income tax payable	56.2	46.2
	2,535.5	2,141.2
Non-current liabilities		
Trade and other payables	35.0	29.3
Financial liabilities	2,626.7	2,163.4
Deferred taxation	18.9	19.0
Provisions	28.9	49.0
Employee benefits	275.3	188.3
	2,984.8	2,449.0
Total liabilities	5,520.3	4,590.2
Net assets	701.3	753.3
Capital and reserves		
Issued share capital	13.8	13.8
Share premium	501.3	500.7
Employee benefit trust and treasury shares	(0.3)	(0.3)
Capital redemption reserve	1.8	1.8
Foreign currency translation reserve	(4.3)	(21.2)
Cash flow hedging reserve	(7.3)	(12.0)
Retained earnings	123.4	196.5
Equity attributable to owners of the Company	628.4	679.3
Non-controlling interests	72.9	74.0
Total equity	701.3	753.3

Half year condensed consolidated statement of changes in equity

for the 6 months ended 30 June 2016

	Share capital	Share premium	Employee benefit trust & treasury shares	Capital redemption reserve	Retained earnings	Foreign currency translation reserve	Cash flow hedging reserve	Total	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2015	13.8	499.0	(0.3)	1.8	354.7	(4.3)	(14.8)	849.9	65.6	915.5
Profit for the period	—	—	—	—	117.0	—	—	117.0	1.7	118.7
Other comprehensive income/(expense)	—	—	—	—	(25.0)	(15.9)	0.3	(40.6)	—	(40.6)
Total comprehensive income/(expense) for the period	—	—	—	—	92.0	(15.9)	0.3	76.4	1.7	78.1
Share based payment	—	—	—	—	5.4	—	—	5.4	—	5.4
Income tax deduction on exercise of share options	—	—	—	—	1.4	—	—	1.4	—	1.4
Deferred income tax relating to share based payments	—	—	—	—	2.3	—	—	2.3	—	2.3
Investment in non-controlling interest	—	—	—	—	—	—	—	—	6.7	6.7
Put option of non-controlling interest acquired	—	—	—	—	(9.8)	—	—	(9.8)	—	(9.8)
Fair value movement in put option of non-controlling interest	—	—	—	—	(4.2)	—	—	(4.2)	—	(4.2)
Shares issued	—	1.9	—	—	—	—	—	1.9	—	1.9
Equity dividends paid	—	—	—	—	(129.7)	—	—	(129.7)	(1.2)	(130.9)
At 30 June 2015	13.8	500.9	(0.3)	1.8	312.1	(20.2)	(14.5)	793.6	72.8	866.4
At 1 January 2016	**13.8**	**500.7**	**(0.3)**	**1.8**	**196.5**	**(21.2)**	**(12.0)**	**679.3**	**74.0**	**753.3**
Profit for the period	**—**	**—**	**—**	**—**	**148.9**	**—**	**—**	**148.9**	**3.1**	**152.0**
Other comprehensive income/(expense)	**—**	**—**	**—**	**—**	**(72.9)**	**16.9**	**4.7**	**(51.3)**	**—**	**(51.3)**
Total comprehensive income/(expense) for the period	**—**	**—**	**—**	**—**	**76.0**	**16.9**	**4.7**	**97.6**	**3.1**	**100.7**
Share based payment	**—**	**—**	**—**	**—**	**5.0**	**—**	**—**	**5.0**	**—**	**5.0**
Income tax deduction on exercise of share options	**—**	**—**	**—**	**—**	**0.9**	**—**	**—**	**0.9**	**—**	**0.9**
Deferred income tax relating to share based payments	**—**	**—**	**—**	**—**	**(11.7)**	**—**	**—**	**(11.7)**	**—**	**(11.7)**
Fair value movement in put option of non-controlling interests	**—**	**—**	**—**	**—**	**(2.4)**	**—**	**—**	**(2.4)**	**—**	**(2.4)**
Shares issued	**—**	**0.6**	**—**	**—**	**—**	**—**	**—**	**0.6**	**—**	**0.6**
Equity dividends paid	**—**	**—**	**—**	**—**	**(140.9)**	**—**	**—**	**(140.9)**	**(4.2)**	**(145.1)**
At 30 June 2016	**13.8**	**501.3**	**(0.3)**	**1.8**	**123.4**	**(4.3)**	**(7.3)**	**628.4**	**72.9**	**701.3**

Half year condensed consolidated cash flow statement
for the 6 months ended 30 June 2016

	Notes	30 June 2016 £m	30 June 2015 £m
Cash generated from operations before non-underlying cash items	11	**387.7**	300.3
Non-underlying trading		**—**	(3.1)
Asset Services settlement provision cash paid		**(22.2)**	(2.0)
Business exit provision cash paid		**(11.3)**	(7.0)
Gwent pension settlement		**(3.3)**	—
Cash generated from operations		**350.9**	288.2
Income tax paid		**(34.9)**	(41.9)
Net interest paid		**(29.1)**	(20.7)
Net cash inflow from operating activities		**286.9**	225.6
Cash flows from investing activities			
Purchase of property, plant and equipment		**(50.1)**	(41.9)
Purchase of intangible assets		**(37.8)**	(15.0)
Proceeds from sale of property, plant and equipment		**—**	0.2
Acquisition of public sector subsidiary partnerships		**—**	(20.0)
Acquisition of subsidiary undertakings and businesses		**(91.6)**	(232.6)
Debt repaid on acquisition of subsidiary undertakings		**—**	(41.5)
Cash acquired with subsidiary undertakings		**12.3**	11.8
Proceeds on disposal of subsidiary undertakings		**25.0**	—
Cash disposed of with subsidiary undertakings		**(5.4)**	(1.7)
Deferred consideration paid		**(6.7)**	(6.9)
Contingent consideration paid		**(9.0)**	(27.7)
Purchase of financial assets		**(1.0)**	(0.2)
Net cash outflow from investing activities		**(164.3)**	(375.5)
Cash flows from financing activities			
Issue of ordinary share capital		**0.6**	1.9
Dividends paid	8	**(145.1)**	(130.9)
Capital element of finance lease rental payments	11	**(2.4)**	(2.7)
Proceeds on issue of bonds	11	**—**	279.5
Proceeds from bank loans	11	**500.0**	80.0
Repayment of bonds	11	**(70.0)**	—
Repayment of loan note		**—**	(0.1)
Financing arrangement costs		**—**	(1.1)
Net cash inflow from financing activities		**283.1**	226.6
Net increase in cash and cash equivalents		**405.7**	76.7
Cash and cash equivalents at the beginning of the period		**85.3**	29.1
Impact of movement in exchange rates	11	**8.9**	(0.3)
Cash and cash equivalents at 30 June		**499.9**	105.5
Cash and cash equivalents comprise:			
Cash at bank and in hand		**935.0**	458.7
Overdraft		**(435.1)**	(353.2)
Total	11	**499.9**	105.5

Notes to the half year condensed consolidated financial statements

for the 6 months ended 30 June 2016

1 Corporate information

Capita plc is a public limited company incorporated in England and Wales whose shares are publicly traded. The half year condensed consolidated financial statements of the Company and its subsidiaries ('the Group') for the 6 months ended 30 June 2016 were authorised for issue in accordance with a resolution of the Directors on 26 July 2016.

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

(a) Basis of preparation

The half year condensed consolidated financial statements for the 6 months ended 30 June 2016 have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority and with IAS 34 Interim Financial Reporting.

The half year condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2015, which have been prepared in accordance with IFRSs as adopted by the European Union.

This condensed consolidated half year financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2015 were approved by the Board of Directors on 24 February 2016 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

The half year condensed consolidated financial statements for the 6 months ended 30 June 2016 have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information.

(b) Judgements and estimates

In preparing these half year condensed consolidated financial statements, management make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities and income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at the year ended 31 December 2015.

(c) Significant accounting policies

The accounting policies adopted in preparation of the half year condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015, except for the adoption of the following new amendments and improvements with an initial date of application of 1 January 2016. None of these amendments had any material impact on the consolidated financial statements of the Group.

IFRS 11 Amendments: Accounting for Acquisitions of Interests in Joint Operations The amendments require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles on business combinations accounting in IFRS 3 and other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements. In addition, entities are required to disclose the information required by IFRS 3 and other IFRSs on business combinations.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively.

Annual Improvements to IFRSs 2012-2014 Cycle As part of its annual improvements cycles the International Accounting Standards Board amended various standards primarily with a view to removing inconsistencies and clarifying wording.

Amendments to IAS 1 Disclosure Initiative The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to: materiality and aggregation; information to be presented in the statement of financial position and statement of profit or loss and other comprehensive income; the structure of the notes to the financial statements and the disclosure of accounting policies.

(d) Principal risks and uncertainties and going concern

The Directors have considered the principal risks and uncertainties affecting the Group's financial position and prospects in 2016. As described on pages 48 to 55 of the Group's Annual Report for 2015, the Group continues to be exposed to a number of risks and has well established systems and procedures in place to identify, assess and mitigate those risks.

The principal risks include those arising from: significant failures in internal control systems; lack of corporate financial stability; failures in information security controls; legal and regulatory risk; adverse financial/business performance; failure to innovate; increased internal business complexity; adverse changes in the national or international political landscape; operational issues leading to reputational risk; operational IT risks; failure to effectively manage the Group's talent and human resources; and weaknesses in the acquisition and contracting life cycle.

These risks have not changed significantly over the first 6 months of 2016, other than risks related to adverse changes in the national or international political landscape. These risks have increased in the first 6 months of 2016 as a result of the UK referendum decision to leave the European Union.

While it is too early to know the full impact it has created increased uncertainty, particularly in the financial services sector, and we are continuing to experience some delays in decision making in the short term. We expect this to be more than offset in the medium-term by incremental opportunities that arise as clients respond to the impacts of the UK leaving the EU.

The impact on these financial statements is primarily due to the increased volatility in the financial markets following the referendum result. The measurement of financial instruments at fair value at 30 June 2016 has increased the volatility of non-underlying net finance costs, principally due to weakness of sterling and lower UK gilt and swap yields. Operationally the Group continues to hedge to mitigate its exposure to financial market volatility.

The Group has considerable financial resources together with long term contracts with a wide range of public and private sector clients and suppliers. As a consequence, the Directors believe the Group is well placed to manage its business risks successfully.

After making enquiries and in accordance with the FRC's "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting 2014", the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they consider it appropriate to continue to adopt the going concern basis in preparing the half year condensed consolidated financial statements. There are no material uncertainties to the Group's ability to continue to do so over a period of not less than 12 months from the date of this report.

3 Segmental information

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2016 and 2015 respectively. The comparative figures have been restated due to a reorganisation of the Group's business segments and a consequent change in the way in which the results of the business are reported to the Group Board.

6 months ended 30 June			2016			2015
	Total revenue	Inter-segment revenue	External revenue	Total revenue	Inter-segment revenue	External revenue
Analysis of segment revenue	£m	£m	£m	£m	£m	£m
Digital & Software Solutions	**292.2**	**(35.8)**	**256.4**	249.6	(34.4)	215.2
Integrated Services	**173.7**	**(16.2)**	**157.5**	87.5	(15.6)	71.9
Commercial Services	**147.5**	**(11.2)**	**136.3**	132.6	(10.8)	121.8
Strategic Services	**217.8**	**(21.2)**	**196.6**	214.3	(20.4)	193.9
Local Government, Property & Health	**365.9**	**(44.6)**	**321.3**	343.8	(42.5)	301.3
Workplace Services	**260.8**	**(25.2)**	**235.6**	252.9	(24.1)	228.8
IT Enterprise Services	**334.5**	**(41.4)**	**293.1**	314.8	(39.7)	275.1
Asset Services	**264.3**	**(35.8)**	**228.5**	229.0	(34.3)	194.7
Customer Management	**270.3**	**(8.7)**	**261.6**	322.4	(8.4)	314.0
Capita Europe	**98.2**	**(0.3)**	**97.9**	82.3	(0.2)	82.1
Insurance & Benefits Services	**291.6**	**(71.0)**	**220.6**	351.5	(67.6)	283.9
Underlying segment revenue	**2,716.8**	**(311.4)**	**2,405.4**	2,580.7	(298.0)	2,282.7
Non-underlying revenue	**24.6**	**—**	**24.6**	6.2	—	6.2
Total segment revenue	**2,741.4**	**(311.4)**	**2,430.0**	2,586.9	(298.0)	2,288.9

Analysis of segment profit	Note	6 months to 30 June 2016 £m	6 months to 30 June 2015 £m
Digital & Software Solutions		65.0	53.8
Integrated Services		12.5	7.3
Commercial Services		23.2	18.9
Strategic Services		35.8	26.3
Local Government, Property & Health		32.6	30.8
Workplace Services		23.3	22.9
IT Enterprise Services		23.1	22.9
Asset Services		51.2	46.2
Customer Management		25.7	31.1
Capita Europe		10.3	8.4
Insurance & Benefits Services		14.9	20.2
Underlying trading result		**317.6**	288.8
- Non-underlying trading	4	—	(3.7)
Total trading result		**317.6**	285.1
Non-trading items:			
Intangible amortisation	5	(75.2)	(80.5)
Acquisition costs	5	(5.5)	(8.7)
Asset Services settlement provision		—	(12.3)
Business exit provision	4	—	(12.2)
Contingent consideration movement	5	(0.6)	(1.3)
Operating profit		**236.3**	170.1
Net finance cost	6	(50.1)	(22.3)
Loss on disposal	4	(0.1)	(1.7)
Profit before tax		**186.1**	146.1
Income tax expense		(34.1)	(27.4)
Profit for the period		**152.0**	118.7

4 Business exits

2016 business exits

In the 2015 Annual Report, we disclosed that the Group was in an active process to sell a specialist insurance business, a health business and a justice business and was therefore treating these businesses as a disposal group held for sale. During the period, the disposal of two of these businesses has been completed.

None of these business exits meet the definition of "discontinued operations" as stipulated by IFRS 5, which requires disclosure and comparatives to be restated where the relative size of a disposal or business closure is significant, which is normally understood to mean a reported segment. Accordingly, the separate presentation described below does not fall within the requirements of IFRS 5 concerning discontinued operations.

Income statement impact

		Non-trading			
	Trading £m	Cash £m	Non-cash £m	Total £m	Total £m
Revenue	**24.6**	**—**	**—**	**—**	**24.6**
Cost of sales	**(17.9)**	**—**	**—**	**—**	**(17.9)**
Gross profit	**6.7**	**—**	**—**	**—**	**6.7**
Administrative expenses	**(6.7)**	**—**	**—**	**—**	**(6.7)**
Operating profit	**—**	**—**	**—**	**—**	**—**
Profit/(loss) on business disposal (see below)		**39.6**	**(39.7)**	**(0.1)**	**(0.1)**
Profit/(loss) before tax	**—**	**39.6**	**(39.7)**	**(0.1)**	**(0.1)**
Taxation	**—**	**—**	**—**	**—**	**—**
Profit/(loss) after tax	**—**	**39.6**	**(39.7)**	**(0.1)**	**(0.1)**

Trading revenue and costs represent the current year trading performance of these businesses being exited or disposed.

There are no cumulative income or expenses included in Other Comprehensive Income relating to the disposal group.

Profit/(loss) on business disposal	Cash £m	Non-cash £m	Total £m
Disposal group assets	**—**	**63.7**	**63.7**
Disposal group liabilities	**—**	**(20.0)**	**(20.0)**
Total net assets disposed of	**—**	**43.7**	**43.7**
Cash (net of cash disposed of)	**19.6**	**—**	**19.6**
Deferred consideration receivable	**20.0**	**—**	**20.0**
Fair value of residual interest	**—**	**4.0**	**4.0**
Proceeds on disposal	**39.6**	**4.0**	**43.6**
Profit/(loss) on business disposal	**39.6**	**(39.7)**	**(0.1)**

Assets and liabilities of disposal group held for sale

	As at 30 June 2016 £m	As at 31 December 2015 £m
Property, plant and equipment	**0.1**	0.7
Intangible assets	**—**	32.7
Trade and other receivables	**4.2**	50.7
Assets held for sale	**4.3**	84.1
Trade and other payables	**(9.1)**	(40.4)
Liabilities held for sale	**(9.1)**	(40.4)

2015 business exits

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

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

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

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

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

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

The table below summarises the loss on disposal:

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

5 Administrative expenses

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

		6 months to 30 June 2016				6 months to 30 June 2015			
	Notes	**Cash in year £m**	**Cash in future £m**	**Non-cash £m**	**Total £m**	Cash in year £m	Cash in future £m	Non-cash £m	Total £m
Amortisation of acquired intangibles		**—**	**—**	**75.2**	**75.2**	—	—	80.5	80.5
Contingent consideration movements	12	**—**	**—**	**0.6**	**0.6**	—	—	1.3	1.3
Asset Services settlement provision	10	**—**	**—**	**—**	**—**	—	12.3	—	12.3
Professional fees regarding acquisitions		**3.3**	**2.0**	**—**	**5.3**	4.1	4.1	—	8.2
Stamp duty paid on acquisitions		**0.2**	**—**	**—**	**0.2**	0.5	—	—	0.5
Total		**3.5**	**2.0**	**75.8**	**81.3**	4.6	16.4	81.8	102.8

6 Net finance costs

	6 months to 30 June 2016 £m	6 months to 30 June 2015 £m
Interest receivable	(0.1)	(0.1)
Bonds	18.0	14.7
Fixed rate interest rate swaps - realised	5.9	1.8
Finance lease	0.1	0.2
Bank loans and overdrafts	5.2	4.1
Net interest cost on defined benefit pension schemes	3.2	3.2
Interest payable	32.4	24.0
Underlying net finance costs	32.3	23.9
Fixed rate interest rate swaps – mark to market	22.8	(3.3)
Discount unwind on public sector subsidiary partnership payment	1.1	1.1
Fair value movement in trade investments	0.1	—
Non-designated foreign exchange forward contracts – mark to market	(7.3)	0.5
Derivatives' counterparty credit risk adjustment – mark to market	0.9	0.2
Derivatives' own credit risk adjustment – mark to market	0.2	(0.1)
Non-underlying net finance costs	17.8	(1.6)
Total net finance costs	50.1	22.3

7 Earnings per share

Basic earnings per share have been calculated using the weighted average number of shares in issue during the period of 663.2m (30 June 2015: 661.6m). The diluted average number of shares is 666.9m (30 June 2015: 665.1m) having adjusted the weighted average number of shares for shares yet to be issued that will be dilutive.

The profits used to calculate the measures are the underlying profit attributable to shareholders of £227.1m (30 June 2015: £211.9m) and the total profit attributable to shareholders of £148.9m (30 June 2015: £117.0m).

As at 26 July 2016, there were 665.0m shares in issue.

8 Dividends

The interim dividend of 11.1p (2015: 10.5p) per share (not recognised as a liability at 30 June 2016) will be payable on 30 November 2016 to ordinary shareholders on the register at the close of business on 21 October 2016. The dividend disclosed in the statement of changes in equity represents the final ordinary dividend of 21.2p (2015: 19.6p) per share as proposed in the 31 December 2015 financial statements and approved at the Group's AGM (not recognised as a liability at 31 December 2015).

9 Business combinations

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

	Provisional fair value to Group £m
Property, plant and equipment	1.3
Intangible assets	28.0
Trade and other receivables < 1 year	40.4
Cash and cash equivalents	12.3
Trade and other payables < 1 year	(31.4)
Accruals < 1 year	(34.5)
Provisions	(1.4)
Income tax	(2.5)
Deferred tax	(3.3)
Employee benefits liability	(0.1)
Finance lease	(0.8)
Net assets	8.0
Goodwill arising on acquisition	88.3
	96.3
Discharged by:	
Cash consideration paid	88.1
Contingent consideration accrued	8.2
	96.3

The full exercise to determine the fair value of intangible assets acquired is still to be completed, thus the above numbers are provisional. In respect of the acquisitions made in 2016, the Group has agreed to pay the vendors additional consideration dependent on the achievement of performance targets in the periods post acquisition. These performance periods are of up to 4 years in duration and will be settled in cash and loan notes on their payment date on achieving the relevant target. The range of the additional consideration payment is estimated to be between £4m and £13m. The Group has included £8.2m as contingent consideration related to the additional consideration, which represents its fair value at the acquisition date. Contingent consideration has been calculated based on the Group's expectation of what it will pay in relation to the post-acquisition performance of the acquired entities by weighting the probability of a range of payments to give an estimate of the final obligation.

Further cash consideration was paid in respect of previous acquisitions of £15.7m.

10 Provisions

	Business exit provision £m	Asset services settlement provision £m	Claims and litigation provision £m	Property provision £m	Other £m	Total £m
At 1 January 2016	21.7	23.4	30.6	35.3	7.4	118.4
Utilisation	(11.3)	(22.2)	(3.7)	(2.7)	—	(39.9)
Provided in the period (net)	—	—	5.1	—	1.8	6.9
Provisions acquired	—	—	—	1.4	—	1.4
At 30 June 2016	10.4	1.2	32.0	34.0	9.2	86.8

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

Business exit provision: The provision relates to the cost of exiting businesses through disposal or closure. The provision is expected to unwind over 1-2 years.

Asset Services settlements relate to two matters:

1. Arch Cru: The parties to the CF Arch Cru Funds litigation have entered into a full and final settlement of the proceedings on confidential terms. It is expected this matter will be completed by the close of 2016.
2. Connaught: The potential costs in resolving matters relating to Connaught Income Series 1 Fund ("The Fund"), of which CFM was the Operator until September 2009, when it was replaced by an unrelated company as Operator. Following which CFM had no further involvement with the Fund. The Fund went into liquidation in 2012 and its liquidator has brought a claim against both former Operators, which for its part, the Group has settled in 2016 for a sum of £18.5m.

   The Financial Conduct Authority (FCA) has decided to formally review the activities of both operators. At this time no conclusion has been reached on whether any wrongdoing has occurred and whether any enforcement action will be taken.

Whilst there can be no certainty that a liability will arise in respect of this matter, the Group is unable to determine what the outcome of the FCA review might be and as such no provision for a potential outflow of funds has been made. Due to the requirement to await the outcome of the formal review commenced by the FCA, the likely timeline for conclusion of this matter is uncertain.

During the year, the Group has incurred £1.1m in respect of professional fees in relation to these matters.

Giving due consideration to these claims, the Group has a provision of £1.2m at 30 June 2016 (At 31 December 2015: £23.4m).

Claims and litigation provision: In addition to the Asset Services Settlement provision the Group is exposed to other claims and litigation. The Group makes a provision when a claim has been made where it is more probable than not that a loss might occur. These provisions are reassessed regularly to ensure that the level of provisioning is consistent with the claims that have been reported. The range of values attached to these claims can be significant and where obligations are probable and estimable, provisions are made representing the Group's best estimate of the expenditure to be incurred. The Group robustly defends its position on each claim and they are often settled for amounts significantly smaller than the initial claim and may result in no transfer of economic benefits.

In the period the Group has settled a number of insurance liabilities which it had provided for in previous years. Additionally, it has made provision for new claims, which originate due to the nature of the Group's operations and existing provisions where more information on the progress of the claim has become apparent. The Group's exposure to claims is mitigated by having a number of large insurers providing cover for the Group's activities, albeit insurance recoveries are only recognised as an asset at the point the recovery is virtually certain. No such assets are recognised currently. Due to the nature of these claims the Group can not give an estimate of the period over which the provision will unwind.

Property provisions: includes a discounted provision for the difference between the market value of the property leases acquired in 2011 with Ventura and Vertex Private Sector and the lease obligations committed to at the date the leases were signed by the previous owners. This is in accordance with IFRS 3 (revised) which requires the use of fair value measurement. The remaining property provision is made on a discounted basis for the future rent expense and related cost of leasehold property (net of estimated sub-lease income) where the space is vacant or currently not planned to be used for ongoing operations. The expectation is that this expenditure will be incurred over the remaining periods of the leases which range from 1 to 24 years.

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

11 Additional cash flow information

Operating cash flow for the 6 months ended 30 June	Note	2016 £m	2015 £m
Cash flows from operating activities			
Operating profit before interest and taxation from continuing operations		236.3	170.1
Adjustment for underlying non-cash items:			
Depreciation		40.8	43.3
Amortisation of intangible assets (treated as depreciation)		8.8	6.3
Share based payment expense		5.0	5.4
Employee benefits		(1.8)	(1.2)
(Profit)/loss on sale of property, plant and equipment		—	0.3
Adjustment for non-underlying non-cash items:			
Accelerated depreciation on business closure	4	—	1.0
Accelerated amortisation on business exit	4	—	2.2
Other assets written-off on business exit	4	—	1.3
Amortisation of intangible assets recognised on acquisition	5	75.2	80.5
Contingent consideration	5	0.6	1.3
Asset Services settlement provision		—	12.3
Business exit provision		—	7.7
Non-underlying trading		—	3.1
Movement in underlying provisions (net)		0.5	3.6
Net movement in payables and receivables		22.3	(36.9)
Cash generated from operations before non-underlying cash items (see cash flow statement)		387.7	300.3
Income tax paid		(34.9)	(41.9)
Net interest paid		(29.1)	(20.7)
Purchase of property, plant and equipment		(50.1)	(41.9)
Purchase of intangible assets		(37.8)	(15.0)
Proceeds from sale of property, plant and equipment		—	0.2
Free cash flow before non-underlying items		235.8	181.0

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

	Net debt at 1 January 2016 £m	Acquisitions in 2016 £m	Cash flow movements £m	Non-cash flow movements £m	Net debt at 30 June 2016 £m
Cash+	85.3	12.3	393.4	8.9	499.9
Bonds*	(1,749.4)	—	70.0	(163.7)	(1,843.1)
Currency swaps in relation to US $ denominated bonds*	213.9	—	—	128.7	342.6
Interest rate swaps in relation to GBP denominated bonds*	6.9	—	—	2.4	9.3
Long term bank loans	(300.0)	—	(500.0)	—	(800.0)
Obligations under finance leases	(7.0)	(0.8)	2.4	—	(5.4)
Underlying net debt	(1,750.3)	11.5	(34.2)	(23.7)	(1,796.7)
Fixed rate interest rate swaps	(67.0)	—	—	(22.8)	(89.8)
Deferred consideration	(21.5)	—	6.7	—	(14.8)
	(1,838.8)	11.5	(27.5)	(46.5)	(1,901.3)

+ Cash comprises cash, cash equivalents and overdrafts.

* The aggregate bond fair value above of £1,843.1m (30 June 2015: £1,567.2m) includes the GBP value of the US$ denominated bonds. To remove the Group's exposure to currency fluctuations it has entered into currency swaps which effectively hedge the movement in the underlying bond fair value. The interest rate swaps are being used to hedge the exposure to changes in the fair value of GBP denominated bonds. The sum of these items held at fair value equates to the underlying value of the Group's bond debt of £1,491.2m (30 June 2015: £1,400.9m).

In June 2016, the Group repaid USD$130m of Series B private placement notes at maturity, equivalent to £70.0m. Of the Group's bond debt, £105m matures in the next 12 months and the remainder at various maturities to 2027. In the period ended 30 June 2016, the Group borrowed £500m on a term loan which matures in July 2017; of the £800m of Term Loans, £200m is repayable in the next 12 months. In addition as at 30th June, the Group had an undrawn £600m revolving credit facility which matures in August 2020.

	Net debt at 1 January 2015	Acquisitions in 2015	Cash flow movements	Non-cash flow movements	Net debt at 30 June 2015
	£m	£m	£m	£m	£m
Cash+	29.1	—	76.7	(0.3)	105.5
Unsecured loan notes	(0.2)	—	0.1	—	(0.1)
Bonds*	(1,306.8)	—	(279.5)	19.1	(1,567.2)
Currency swaps in relation to US $ denominated bonds*	175.0	—	—	(16.1)	158.9
Interest rate swaps in relation to GBP denominated bonds*	9.8	—	—	(2.4)	7.4
Long term bank loans	(300.0)	—	—	—	(300.0)
Short term bank loans	—	—	(80.0)	—	(80.0)
Acquired debt	—	(41.5)	41.5	—	—
Obligations under finance leases	(11.9)	—	2.7	(0.1)	(9.3)
Underlying net debt	(1,405.0)	(41.5)	(238.5)	0.2	(1,684.8)
Fixed rate interest rate swaps	(63.3)	—	—	3.3	(60.0)
Deferred consideration	(23.1)	—	6.9	—	(16.2)
	(1,491.4)	(41.5)	(231.6)	3.5	(1,761.0)

12 Financial instruments

Carrying values and fair values of financial instruments

The following table analyses by classification and category the Group's financial instruments (excluding short term debtors, creditors, fund payables/receivables and cash in hand) that are carried in the financial statements. The values below represent the carrying amounts. The fair values are the same as the carrying values other than nine fixed rate bonds totalling £477.0m

(31 December 2015: £445.9m), included below in the bond value of £1,843.1m (31 December 2015: £1,749.4m), with a carrying value of £477.0m (31 December 2015: £445.9m) and a fair value of £501.4m (31 December 2015 £445.0m).

As at 30 June 2016	**Available-for-sale**	**At fair value through the income statement**	**Loans and receivables**	**Derivatives used for hedging**	**Other financial liabilities**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Financial assets						
Unlisted equity securities	9.4	—	—	—	—	9.4
Investment loan	—	—	5.0	—	—	5.0
Deferred consideration receivable	—	—	20.0	—	—	20.0
Cash flow hedges	—	—	—	0.1	—	0.1
Non-designated foreign exchange forwards and swaps	—	3.6	—	—	—	3.6
Interest rate swaps in relation to GBP denominated bonds	—	—	—	9.3	—	9.3
Currency swaps in relation to US$ denominated bonds	—	—	—	342.6	—	342.6
	9.4	3.6	25.0	352.0	—	390.0
Financial liabilities						
Overdrafts	—	—	—	—	435.1	435.1
Bonds	—	—	—	—	1,843.1	1,843.1
Bank loans	—	—	—	—	800.0	800.0
Cash flow hedges	—	—	—	9.1	—	9.1
Non-designated foreign exchange forwards and swaps	—	6.8	—	—	—	6.8
Foreign exchange swaps held for foreign net investment	—	—	—	8.8	—	8.8
Contingent consideration	—	—	—	—	31.3	31.3
Deferred consideration	—	—	—	—	14.8	14.8
Obligations under finance leases	—	—	—	—	5.4	5.4
Public sector subsidiary partnership payment	—	—	—	—	57.6	57.6
Put options of non-controlling interests	—	—	—	—	139.0	139.0
Fixed rate interest rate swaps	—	89.8	—	—	—	89.8
	—	96.6	—	17.9	3,326.3	3,440.8

As at 31 December 2015	Available-for-sale	At fair value through the income statement	Loans and receivables	Derivatives used for hedging	Other financial liabilities	Total
	£m	£m	£m	£m	£m	£m
Financial assets						
Unlisted equity securities	4.6	—	—	—	—	4.6
Investment loan	—	—	5.0	—	—	5.0
Non-designated foreign exchange forwards and swaps	—	0.3	—	—	—	0.3
Foreign exchange swaps held for foreign net investment	—	—	—	0.2	—	0.2
Interest rate swaps in relation to GBP denominated bonds	—	—	—	6.9	—	6.9
Currency swaps in relation to US$ denominated bonds	—	—	—	213.9	—	213.9
	4.6	0.3	5.0	221.0	—	230.9
Financial liabilities						
Overdrafts	—	—	—	—	448.7	448.7
Bonds	—	—	—	—	1,749.4	1,749.4
Long term bank loans	—	—	—	—	300.0	300.0
Cash flow hedges	—	—	—	14.8	—	14.8
Non-designated foreign exchange forwards and swaps	—	9.9	—	—	—	9.9
Contingent consideration	—	—	—	—	31.5	31.5
Deferred consideration	—	—	—	—	21.5	21.5
Obligations under finance leases	—	—	—	—	7.0	7.0
Public sector subsidiary partnership payment	—	—	—	—	56.5	56.5
Put options of non-controlling interests	—	—	—	—	136.6	136.6
Fixed rate interest rate swaps	—	67.0	—	—	—	67.0
	—	76.9	—	14.8	2,751.2	2,842.9

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

Fair value hierarchy

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

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

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

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

As at 30 June 2016, the Group held the following financial instruments measured at fair value:

	30 June 2016 £m	31 December 2015 £m
Assets measured at fair value		
Disposal group assets held for sale	**4.3**	84.1
Cash flow hedges	**0.1**	—
Non-designated foreign exchange forwards and swaps	**3.6**	0.3
Foreign exchange swaps held for foreign net investment	**—**	0.2
Interest rate swaps in relation to GBP denominated bonds	**9.3**	6.9
Currency swaps in relation to US$ denominated bonds	**342.6**	213.9
	359.9	305.4
Liabilities measured at fair value		
Disposal group liabilities held for sale	**9.1**	40.4
Bonds	**1,366.1**	1,303.5
Cash flow hedges	**9.1**	14.8
Non-designated foreign exchange forwards and swaps	**6.8**	9.9
Foreign exchange swaps held for foreign net investment	**8.8**	—
Fixed rate interest rate swaps	**89.8**	67.0
Public sector subsidiary partnership payment	**57.6**	56.5
Put options of non-controlling interests	**139.0**	136.6
Contingent consideration	**31.3**	31.5
	1,717.6	1,660.2

During both periods the Group only had Level 2 assets or liabilities measured at fair value apart from disposal group assets and liabilities held for sale, contingent consideration, the public sector subsidiary partnership payment and the put options of non-controlling interests which are Level 3 liabilities. It is the Group's policy to recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer occurred. During the 6 months ended 30 June 2016, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into or out of Level 3 fair value measurements.

Contingent consideration arises in business acquisitions where the Group has agreed to pay the vendors additional consideration dependent on the achievement of performance targets in the periods post acquisition. These performance periods are of up to 4 years in duration and will be settled in cash on their payment date on achieving the performance criteria. The Group makes provision for such contingent consideration for each acquisition based on an assessment of its fair value at the acquisition date. Contingent consideration has been calculated based on the Group's expectation of what it will pay in relation to the post-acquisition performance of the acquired entities by weighting the probability of a range of payments to give an estimate of the final obligation. A sensitivity analysis was performed on the expected contingent consideration of £31.3m. The sensitivity analysis performed adjusted the probability of payment of the contingent amounts. A 10% increase in the probability of contingent consideration being paid results in an increase in potential contingent consideration of £3.5m. A 10% decrease in the probability of the contingent consideration being paid results in a decrease in potential contingent consideration of £4.0m.

The public sector subsidiary partnership payment liability is an estimate of the annual preferred payments to be made by Axelos Limited (the partnership formed with the Cabinet Office) to the Cabinet Office in years 2017 to 2022. This payment is funded by Axelos Limited and is contingent on profits. The fair value has been derived by discounting the expected payment at the Group cost of debt to arrive at its present value. If the discount rate was to increase/decrease by 1% the present value would decrease/increase by £2.2m.

The put options of the non-controlling interests are measured at amortised cost based on the expected redemption value of the shares that will be paid in cash by the Group. This value is determined by reference to the expected date of exercise of the options, which is then discounted to arrive at a present value. The sensitivity of the valuation to movements in both the discount rate and the cash flows that have been used to calculate it, are as follows: a 10% increase/decrease in the earnings potential of the business results in a £13.7m increase/decrease in the valuation; a 1% increase/decrease in the discount rate applied to the valuation results in a £4.0m decrease/£4.2m increase in the valuation.

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

	Contingent consideration	Subsidiary partnership payment	Put options of non-controlling interests	Disposal group held for sale - assets	Disposal group held for sale - liabilities
	£m	£m	£m	£m	£m
At 1 January 2016	31.5	56.5	136.6	(84.1)	40.4
Arising from business combinations in the period	**8.2**	—	—	—	—
Profit and loss movement - administrative expenses	**0.6**	—	—	—	—
Discount unwind - net finance costs	—	**1.1**	—	—	—
Movement of put options recognised in equity	—	—	**2.4**	—	—
Fair value of assets and liabilities transferred	—	—	—	**79.8**	**(31.3)**
Utilised	**(9.0)**	—	—	—	—
At 30 June 2016	**31.3**	**57.6**	**139.0**	**(4.3)**	**9.1**

13 Capital commitments

At 30 June 2016, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £0.2m (30 June 2015: £0.2m).

14 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

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

	6 months 30 June 2016	6 months 30 June 2015
	£m	£m
Short term employment benefits	**3.5**	3.3
Post employment benefits	**0.1**	0.1
Share based payments	**2.4**	3.9
	6.0	7.3

Gains on share options exercised in the period by key management personnel totalled £9.9m (30 June 2015: £7.1m).

The following companies are substantial shareholders in the Company and therefore a related party of the Company (in each case, for the purposes of the Listing Rules of the UK Listing Authority). The number of shares held on 17 July 2016 was as below:

Shareholder	**No. of shares**	**% of voting rights**
Invesco Asset Management	**61,616,805**	**9.24%**
The Capital Group Companies, Inc.	**55,981,114**	**8.39%**
Veritas Asset Management LLP	**48,834,701**	**7.32%**
Woodford Investment Management LLP	**44,910,793**	**6.73%**
BlackRock, Inc.	**38,001,975**	**5.70%**
Baillie Gifford & Co Limited	**36,621,386**	**5.49%**

15 Contingent liabilities

The Group has provided, through the normal course of its business, performance bonds and bank guarantees of £97.4m (31 December 2015: £88.1m).

Statement of Directors' responsibilities

The Directors confirm, to the best of their knowledge, that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union and that the Half Year Management Report includes a fair review of the information required by Rules 4.2.4, 4.2.7 and 4.2.8 of the Disclosure and Transparency Rules of the United Kingdom Financial Conduct Authority.

The names and functions of the Directors of Capita plc are as listed in the Group's Annual Report for 2015. A list of current Directors is maintained on the Group website: www.capita.com.

By order of the Board

A Parker	A N Greatorex
Chief Executive	Group Finance Director
26 July 2016	

Appendix - Alternative Performance Measures (APMs) used in the half yearly report for the 6 months to 30 June 2016

The Group presents various APMs as the Directors believe that these are useful for users of the financial statements in helping to provide a balanced view of, and relevant information on, the Group's financial performance, position and cash flows. These APMs are mainly measures which disclose the 'underlying' performance of the Group excluding specific items which are regarded as non-underlying. The Group separately presents intangible amortisation, asset impairments, acquisition contingent consideration movements, acquisition expenses, the financial impact of business exits or businesses in the process of being exited, movements in the mark to market valuation of certain financial instruments and other specific items in the income statement which, in the Directors' judgement, need to be disclosed separately (see notes 4, 5 and 6) by virtue of their nature, size and incidence in order for users of the financial statements to obtain a proper understanding of the financial information and the underlying performance of the business.

In addition, the Group presents other APMs including Key Performance Indicators (KPIs) such as return on capital employed and interest cover by which we monitor our performance and others such as organic and acquisition revenue growth which provide useful information to users which is not otherwise readily available from the financial statements.

APMs presented in HY 2016	2016	2015	% change	Source or calculation
Total revenue as reported	**£2,430.0m**	**£2,288.9m**	**6.2 %**	**Line item in income statement**
Businesses held for sale	(£24.6m)	(£6.2m)		Line item in income statement
Underlying revenue	**£2,405.4m**	**£2,282.7m**	**5.4 %**	**Line item in income statement**
Small non-core health & insurance disposals in H2 2015	—	(£18.7m)		Businesses reported in H1 2015 as underlying reported in H1 2016 as non-underlying
Businesses held for sale like-for-like comparison	—	(£54.0m)		Businesses reported in H1 2015 as underlying reported in H1 2016 as non-underlying
Underlying revenue on a like-for-like basis	**£2,405.4m**	**£2,210.0m**	**8.8 %**	**Underlying revenue excluding businesses exited**
2015 acquisitions	(£67.4m)	—	(3.0)%	Additional contribution in H1 2016 of acquisitions acquired in 2015
2016 acquisitions	(£17.0m)	—	(0.8)%	Contribution in H1 2016 of acquisitions acquired in 2016
Underlying organic revenue	**£2,321.0m**	**£2,210.0m**	**5.0 %**	**Underlying revenue excluding businesses exited and acquired**
Underlying operating profit	**£317.6m**	**£288.8m**	**10.0 %**	**Line item in income statement**
Businesses held for sale like-for-like comparison	n/a	(£4.3m)		Businesses reported in H1 2015 as underlying reported in H1 2016 as non-underlying
Like-for-like operating profit	n/a	£284.5m		Underlying operating profit excluding businesses exited
Underlying operating margin	**13.2 %**	**12.7 %**		**Calculation (underlying operating profit/underlying revenue)**
Like-for-like operating margin	**13.2 %**	**12.9 %**	**30 b.p.**	**Calculation (like-for-like operating profit/like-for-like underlying revenue)**
Underlying profit before tax	**£285.3m**	**£264.9m**	**7.7 %**	**Line item in income statement**
Underlying earnings per share	**34.24p**	**32.03p**	**6.9 %**	**Line item in income statement and note 7**
Cash generated by operations before non-underlying cash items	**£387.7m**	**£300.3m**		**Line item in cash flow statement**
Underlying operating profit to cash conversion rate	**122 %**	**104 %**		**Calculation (cash generated from operations before non-underlying cash items/underlying operating profit)**
Underlying free cash flow	**£235.8m**	**£181.0m**		**Line item in note 11 – additional cash flow information**
Underlying net interest charge	**£32.3m**	**£23.9m**		**Line item in income statement and note 6**
Annualised underlying EBITDA	£763.1m	£699.1m		This is underlying profit before tax plus underlying interest plus depreciation and amortisation treated as depreciation. To arrive at an annualised figure, HY1 results are added to the prior year's HY2 results which can be deduced by subtracting the prior year's HY1 results from the FY results.
Annualised underlying interest charge	£61.9m	£42.3m		Annualised calculation per EBITDA above
Annualised underlying interest cover	**12.3x**	**16.5x**		**Calculation (annualised underlying EBITDA / annualised Interest charge)**
Net debt	**1,901.3m**	**1,761.0m**		**Line item in note 11 – additional cash flow information**
Annualised net debt to EBITDA ratio	**2.49**	**2.52**		**Calculation (Net debt / annualised underlying EBITDA)**
Post-tax return on average capital employed (ROCE)	**15.0 %**	**15.0 %**		**This is calculated as annualised underlying operating profit after tax divided by average capital employed. Capital employed is the total of equity shareholders' funds, net debt and pension deficit adjusted for the cumulative impact of non-underlying items such as amortisation of acquired intangibles. The average is calculated based on the capital employed at the beginning and end of the 12 month period to the reporting date. Capital employed is also adjusted to reflect the timing of acquisitions during the 12 month period. Annualised operating profit is calculated by adding the HY1 figure to the prior year's HY2 figure calculated as noted above by subtracting the prior year's HY1 figure from the FY figure.**