CAPITA

25 February 2016

Full year results for the year ended 31 December 2015

Continuing to deliver shareholder value

Financial highlights	Underlying* 2015	Underlying* 2014	Underlying* YOY change	Reported
Revenue	£4,674m	£4,372m	+7%	£4,837m
Operating profit	£639.0m	£576.3m	+11%	£206.6m
Profit before tax	£585.5m	£535.7m	+9%	£112.1m
Earnings per share	70.73p	65.15p	+9%	7.96p
Total dividend per share	31.7p	29.2p	+9%	31.7p

Highlights

Good financial and operating performance in 2015

- Underlying revenue growth on a like for like basis** of 11.8% including 4.3% organic growth, excluding businesses exited and held for sale from both 2015 and 2014
- Underlying operating margin* 13.7% (2014 on a like for like basis**: 13.5%)
- Underlying profit before tax* up 9% to £585.5m (2014: £535.7m)
- Underlying earnings per share* up 9% to 70.73p (2014: 65.15p)
- Total dividend up 9% to 31.7p (2014: 29.2p)
- Underlying cash flow* from operations £687m (2014: £644m), a cash conversion ratio of 108% (2014: 112%)
- Post-tax ROCE* of 14.3% (2014: 14.8%) and 15.0% on a continuing basis
- Reported profit before tax £112.1m (2014: £292.4m), impacted by business exits and impairment charges

** Excludes non-underlying items detailed in notes 2, 3 and 4 to the preliminary statement*
*** The impact of restating 2014 for business exit and other non-underlying items as detailed in note 1 segmental information*

Major contract wins and acquisitions in 2015

- £1.8bn contract wins (2014: £1.7bn) in health, science, local government and financial services
- Contract win rate of 2 in 3 (by value)
- £402m spent on 17 acquisitions and our Fera partnership to enhance capability and facilitate future organic growth
- Largest acquisition, avocis, integrated well and providing strong platform for growth in Europe

A solid start to 2016

- £251m contracts secured to date (2015: £1.1bn)
- Bid pipeline total contract value £4.7bn (February 2015: £5.1bn), with a weighted average contract length of 6 years (February 2015: 8 years)
- Full year Group operating margin range increased to between 13.0% and 14.0%, expected for the foreseeable future (previously 12.5% to 13.5%)

Platform to drive further value creation

- We continue to manage the business to deliver strong EPS growth, cash flow and return on capital
- Dual strategy of organic and acquisitive growth, with continued focus on proprietary technology led and platform based solutions
- Remain UK centric, whilst gradually extending our footprint across growth markets, taking our existing services and following existing clients into new geographies.

Andy Parker, Chief Executive of Capita plc, commented:
"We delivered good financial results in 2015, including 4% organic revenue growth, an improvement in our operating margin and a high level of cash generation. Our largest ever acquisition, avocis, has provided a

strong growth platform in Europe. We have re-positioned the business away from certain non-core lower growth businesses and enter the current year in a strong strategic and financial position, enabling us to raise our margin target range to between 13.0% and 14.0%.

In 2016, we are targeting organic revenue growth of at least 4%, driven by the combination of growth from our divisional businesses and conversion of our bid pipeline. In the longer term, we remain excited about the significant structural growth opportunities in our markets and will continue to manage the business to deliver strong EPS growth, cash flow and return on capital."

Analyst & investor presentation:

Andy Parker, Chief Executive of Capita plc, will host an analyst presentation in London at 8am UK time today.

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

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

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

Replay: A replay of the conference call will be available for 7 days by dialing +44 (0)121 260 4861 (access code is 2604602#).

For further information:

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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 400 sites, including 80 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.co.uk/.

Capita plc

Full year results for the year ended 31 December 2015

Overview

Capita delivered good financial results for the full year in 2015, including 4% organic revenue growth, an improvement in our operating margin and a high level of cash generation. Our largest ever acquisition, avocis, has provided a strong growth platform in Europe. In the year, we have moved the business away from certain non-core lower growth businesses and reviewed our delivery platforms to better position the Group for the future.

The Group increased underlying[1] revenue by 7% to £4,674m (2014: £4,372m) and underlying revenue on a like for like[2] basis by 11.8%, comprised 4.3% organic growth and 7.5% from acquisitions. Organic growth was driven by the full benefit from 2014's contract gains, new contracts started in the second half of 2015 and good underlying performances from our Asset Services and Digital & Software Solutions divisions. Underlying operating profit[1] rose by 11% to £639.0m (2014: £576.3m) and underlying profit before tax[1] increased by 9% to £585.5m (2014: £535.7m). Reported profit before tax was £112.1m (2014: £292.4m), impacted by business exits and impairment charges. Underlying earnings per share[1] rose by 9% to 70.73p (2014: 65.15p) and we increased our dividend for the full year by 9% to 31.7p (2014: 29.2p).

The aggregate value of new and extended major contracts secured in 2015 was £1.8bn (2014: £1.7bn), comprising 78% new business and 22% extensions and renewals. Our win rate remained strong at around 2 in 3 by value. We have also made a solid start to 2016, securing contracts with an aggregate value of £251m in the year to date. The bid pipeline currently stands at £4.7bn (February 2015: £5.1bn), comprised of 37 bids with a weighted average contract length of 6 years, including 89% new business and 11% renewals and extensions. We continue to have a large active prospect list of opportunities behind the pipeline, a number of which are expected to enter the pipeline shortly.

Capita invested £402m, excluding deferred and contingent consideration, in acquiring 17 businesses and in our Fera Science public sector subsidiary partnership in 2015. We also exited a number of small businesses, which either lacked strategic fit or had limited growth potential. We have 3 further businesses for sale of which 1 disposal completed in January 2016. Acquired in February 2015, avocis provides a strong platform in Europe and we are now realising significant growth opportunities in this new region. We continue to assess many acquisition opportunities and, as evidenced by our decision not to revise our cash offer of 160 pence for each share in Xchanging in late 2015, remain a disciplined buyer.

Financial review

- **Revenue** - the Group increased underlying revenue[1] by 7% to £4,674m (2014: £4,372m). Underlying revenue on a like for like basis[2], excluding results from businesses exited and assets held for sale in both years, increased by 11.8% including 4.3% organic growth and 7.5% from acquisitions completed in 2014 (2.4%) and 2015 (5.1%). Organic growth was driven by the full benefit from 2014's contract gains, new contracts started in the second half of 2015 and good

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

[2] *The impact of restating 2014 for business exits and other non-underlying items as detailed in note 1 segmental information*

performances from our Asset Services and Digital & Software Solutions divisions, supported by new products and cross selling. Revenue declined in the Insurance & Benefits Services division, as a result of business exits and planned contract price step downs which have now come to an end.

- **Operating profit** - underlying operating profit[1] rose by 11% to £639.0m (2014: £576.3m). There were strong performances from our Asset Services, Digital & Software Solutions, Local Government, Health & Property and IT Enterprise Services divisions, the latter supported by acquisitions. Profits declined in the Insurance & Benefits Services division, as a result of the contract price step downs, and the Integrated Services division, due to the residual impact of the Disclosure and Barring Service contract and delivery of Department for Work and Pensions Personal Independence Payments (PIP) assessments.

- **Operating margin** - underlying operating margin[1] was 13.7% (2014: 13.2%), reflecting the positive impact on our margin of exiting businesses which lacked strategic fit. Underlying operating margin on a like for like basis[2] increased by 20bps to 13.7% (2014: 13.5%). The 2014 consolidated income statement has not been restated for the impact of business exits and other non-underlying items. If the 2014 underlying consolidated income statement was restated, revenue would be reduced by £192.8m and profit before tax would reduce by £10.9m. We now expect underlying full year Group operating margin to be maintained in the higher range of between 13.0% and 14.0% (previously 12.5% to 13.5%) for the foreseeable future.

- **Net finance costs** - the underlying net interest charge[1] was £53.5m (2014: £40.6m). We expect underlying interest costs to be in the range of £60m to £65m in 2016, reflecting a likely increase in our average borrowing and 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 9% to £585.5m (2014: £535.7m).

- **Business exits** - we exited a small number of non-core and low growth businesses, including the disposal of National Dental Plan in 2015 and a health business since the year end, and we are in an active process to sell a further specialist insurance business and a justice business. These businesses in aggregate generated revenue of £162.6m and a trading loss of £1.2m in 2015. Non-underlying charges in relation to these business exits include a £110.1m impairment of goodwill and other assets, a £26.8m provision in relation to disposal and closure costs and £26.3m loss on disposal. The net cash outflow from these business exits was £0.8m, as detailed in note 2 of the preliminary statement.

- **Other non-underlying charges** - other largely non cash non-underlying charges were £309.0m (2014: £218.4m), including the annual amortisation charge relating to the Group's intangible assets of £165.0m (2014: £147.1m), an impairment of assets in our life and pensions division of £76.7m as a result of changes in legislation in the life and pensions marketplace in the year as detailed in note 3 of the preliminary statement, a £28.3m impairment of goodwill in relation to the Group's insurance business as detailed in note 3 of the preliminary statement and a further £17.2m provision in relation to settlements in our Asset Services division as detailed in note 8 of the preliminary statement.

[1] *Excludes non-underlying items detailed in note 2 business exit, note 3 administrative expenses and note 4 net finance costs, in the notes to the preliminary statement*
[2] *The impact of restating 2014 for business exits and other non-underlying items as detailed in note 1 segmental information*

- **Reported profit before tax** - reported profit before tax was £112.1m (2014: £292.4m), reflecting the impact of non-underlying charges outlined above.
- **Earnings per share** - underlying earnings per share[1] increased by 9% to 70.73p (2014: 65.15p), after an increase of non-controlling interests to £8.8m (2014: £7.3m). Our underlying tax rate was 18.5% (2014: 18.5%). The Group's EPS has grown at a compound annual rate of 10% over the five years to 31 December 2015.
- **Cash flow** - underlying cash flow from operations[1] was £687m (2014: £644m), with an underlying operating profit to cash conversion ratio of 108% (2014: 112%). We continue to pro-actively manage working capital across the Group and expect our annual cash conversion ratio to remain at or around 100% for the foreseeable future. Net capital expenditure was £198m (2014: £146m), the increase of which was largely due to a £40m rise in investment in revenue generating software development. Underlying free cash flow[1], defined as operating cash flow less net capital expenditure, interest and taxation, was £348m (2014: £368m).
- **Net debt** - net debt at end December 2015 was £1,839m (2014: £1,491m) including £21m deferred consideration (2014: £23m) and £67m fixed rate swaps (2014: £63m). As at 31 December 2015, we had £1,529m of private placement bond debt of which £141m matures in 2016 and the remainder matures over the period up to 2027. In addition, we have £300m of bank debt, an undrawn £600m credit facility maturing in June 2017 and an undrawn £600m revolving credit facility which matures in August 2020.

  Our annualised net debt to EBITDA[1] ratio in 2015 was 2.5 (2014: 2.2) and interest cover[1] was 14 times (2014: 16 times). Our aim continues to be to keep the ratio of net debt to EBITDA in the range of 2 to 2.5 over the long term and we would be unlikely to incur borrowings which would reduce interest cover below 7 times.
- **Dividends** - the Board is recommending a final dividend of 21.2p per ordinary share (2014: 19.6p), making a total of 31.7p for the year (2014: 29.2p), representing an increase of 9%. Dividend cover[1] is 2.2 times for 2015. The final dividend will be payable on 31 May 2016 to shareholders on the register at the close of business on 21 April 2016. The Group's total dividend has grown at a compound annual rate of 10% over the five years to 31 December 2015.
- **Return on capital employed** - our post-tax return on average capital employed[1] (ROCE) in 2015 was 14.3% (2014: 14.8%), which compares to our estimated post-tax WACC of 7.3%. ROCE on a continuing basis, excluding businesses exited and being held for sale, was 15.0% in 2015.
- **Total shareholder returns** - over the 10-year period to 31 December 2015, Capita has delivered £1.7bn (net of £274m equity raising in April 2012) to shareholders through dividends, share buybacks and a special dividend. Capita's total shareholder return over the same period is 266% compared to 72% for the FTSE All Share Index.

Sales and business development review

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

[2] *The impact of restating 2014 for business exits and other non-underlying items as detailed in note 1 segmental information*

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 were pleased to announce new and extended contracts with a total aggregate value of £1.8bn in 2015 (2014: £1.7bn), comprising 78% new business and 22% extensions and renewals. Our win rate remained strong at around 2 in 3 by value. We have also made a good start to 2016, securing contracts with an aggregate value of £251m in the year to date.

Major contracts announced in 2015

Health

- **Primary Care Support England** - selected by NHS England to establish a single provider framework for administrative support functions for GP practices, dentists, opticians and pharmacies across the UK, with a maximum total value of £1bn. Our initial contract to deliver administrative services in England started on 1 September and is valued at up to £400m over 7 to 10 years. We expect to realise significant savings for NHS England through service transformation and investing in new technology, processes and operational improvements.
- **Central London Community Healthcare NHS Trust (CLCH)** - signed a contract with CLCH to form a strategic partnership to deliver corporate services including ICT, HR (payroll and recruitment), estates and facilities management, followed by the planned delivery of finance services. The contract is expected to be worth £80m over 10 years and started on 1 September 2015.
- **NHS England Support Services Framework** - approved by NHS England to join the Lead Provider Framework for Commissioning Support Services. We were selected as preferred bidder for our first contract under this framework with Barking and Dagenham, Havering and Redbridge in February 2016.

Science

- **Fera public sector subsidiary partnership and Department for Environment, Food & Rural Affairs (Defra) contract** - appointed by Defra to form a partnership (75% owned by Capita and 25% owned by Defra) to operate the Food and Environment Research Agency (Fera), including a service agreement with Defra and the Health & Safety Executive. Expected to achieve £700m revenue over its first 10 years, we have set up the venture and started to generate increased interest from existing and new commercial clients.

Europe

- **Unitymedia** - signed a contract to deliver customer management services for Unitymedia, Germany's second largest broadband and cable provider, worth €61m (£43.5m) over five years. We would anticipate growth in the contract as we deliver value.

Other major contracts

- **Sheffield City Council** - extended our Sheffield City Council contract by 6 years, worth £140m - £170m. Capita will continue to deliver core services including ICT, revenues, benefits, HR and payroll, and also work in partnership with the Council to define and deliver projects designed to raise revenue and generate additional savings over the life of the extended contract.
- **Rabobank owned ACCLM** - selected to provide debt administration and legacy banking services in Ireland, worth €55m (£38m) over 5 years.
- We have secured £326m of other contracts of between 3 and 9 years, including the extension and renewal of relationships with **British Gas**, the **Home Office** and **Marks & Spencer**.

Major contracts announced to date in 2016

- **South Oxfordshire, Vale of White Horse, Hart, Havant and Mendip District Councils** - preferred bidder to provide shared services to five district councils, worth £139m over nine years. Capita is to introduce an innovative shared services platform that also has the flexibility to meet the individual needs of each council, delivering a suite of corporate services including revenues and benefits, customer services, HR, ICT and procurement.
- **Blackburn with Darwen Council -** named as preferred bidder to become its technical services partner, the partnership is expected to be worth at least £60m for an initial term of five years, with the ability to extend for another five years. The core of the new contract includes technical services such as highways and property and includes a wider £2bn framework, which allows a number of other named public organisations to directly procure Capita's services for a wide range of infrastructure and development projects.
- We have also secured £52m of other contracts of between 2 and 9 years.

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

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 shortlisted to the last 4 or fewer. The total contract value of the bid pipeline currently stands at £4.7bn (February 2015: £5.1bn), comprised of 37 bids including 89% new business and 11% renewals and extensions, with a weighted average contract length of 6 years (Feb 2015: 8 years). We are seeing good levels of activity in the private sector (56% of the pipeline), particularly in telecoms and financial services, and steady activity in the public sector (44% of the pipeline) in defence, local government, science and health. Behind the pipeline is a large, active prospect list of opportunities, a number of which are expected to enter the pipeline shortly. We have no material contracts, defined as having forecast annual revenue in excess of 1% of 2015 revenue, up for rebid in 2016. The DWP PIP contract, which is expected to exceed 1% of group revenue this year, is due for renewal in 2017.

Market review

We operate predominantly in the customer management and business process management (BPM) markets in the private (53% of revenue) and public (47% of revenue) sectors in the UK, Ireland and Northern Europe. These are large addressable markets and there is significant scope for us to increase penetration of them to drive growth over the medium to long term. Structural drivers of growth include clients' need to commercialise and maximise the value of their assets, the transformation and modernisation of services, digitisation, regulation, competition and other changes in sector dynamics, which can be catalysts for outsourcing opportunities. We are also increasing the size of our addressable market over time, as we enter new segments through new contracts and acquisitions, such as our recent entry into science through Fera Science Ltd and expansion of customer management into Northern Europe.

We commission market research from Ovum, one of the UK's leading independent industry analysts. Ovum estimates that Capita's total addressable market for customer management and BPM services in the UK is £132bn per annum and that the value of outsourced services was £13.7bn in 2015

(2014: £13.0bn), with 72% in the private sector and 28% in the public sector. Outsourced customer management and BPM services growth was 5% last year and is expected to grow at a similar rate over the medium term. Ovum ranks Capita as the number one provider of customer management and BPM services in the UK by revenue, with an increased market share of 28.4% in 2015 (2014: 27%), significantly larger than its nearest competitors.

In the public sector, we see a number of thematic drivers which should drive interest in our services and support our growth over the coming years. The Government is committed to reducing the role of the State, maintaining tight control of spending, realising more value from asset disposals and driving better services through technology-enabled change. In health, demand for our services is increasing as the NHS responds to financial challenges by seeking administrative savings to fund better services for patients. The local government finance settlement mandates that local government will be 100% funded by council tax, business rates and other local revenue by 2020 and allows authorities to retain 100% of capital receipts from asset sales. Our skills in business transformation and asset commercialisation can play a key role in helping to drive revenue growth and efficiencies for our public sector customers.

Across the private sector, companies continue to face pressure to reduce costs, improve customer service, better utilise digital technologies and deal with changes in regulation and competition. This is particularly the case in markets such as financial services where there are significant opportunities to provide administration services to both established players and new entrants who are seeking an operations and technology partner. The vast amount of data generated by multi-channel engagement means that customer insight and analytics are becoming more important and we continue to invest in these areas for the benefit of our clients. In Northern Europe we have an opportunity to shift the customer management market from buying short term services on a volume basis from multiple vendors to buying multichannel, digitally focused services from a single partner on a multiyear basis, with new ways of working that improve efficiency and customer service.

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. We assess many acquisition opportunities over the course of a year and, as evidenced by our decision not to revise our cash offer of 160 pence for each share in Xchanging in late 2015, remain a disciplined buyer.

In 2015, we invested a total of £402m, excluding deferred and contingent considerations, in acquiring 17 businesses and setting up our Fera public sector subsidiary partnership. We also exited a number of small business, which either lacked strategic fit or had limited growth potential, the largest of which was National Dental Plan (NDP) which was sold for a cash consideration of £31.7 million on a cash-free, debt-free basis in September.

Establishing a new growth platform in Europe: having acquired **avocis** for €210m (£157m) in February, we subsequently formed Capita Europe, a new division consisting of avocis, our existing near-shore operation in Poland, tricontes and Scholand & Beiling. Capita Europe is a leading provider of customer contact management services in Germany, Switzerland and Austria, serving similar sectors to Capita's UK-based customer management business, particularly telecoms, e-commerce and utilities. We are very encouraged by activity and prospects in this region, with significant opportunities to grow through both expanding existing relationships and the addition of new clients.

Increasing our IT networking capabilities: in September we acquired **Electranet**, a leading supplier for the design, delivery and support of highly secure network and communication infrastructure in the UK, for a cash consideration of £37m on a cash/debt free basis. The business runs one of the few commercial sites that is approved to hold UK government protectively marked information, allowing it to support secure government projects.

Market leading mortgage administration software: in August, we acquired **Vertex Mortgage Services (Vertex MS)**, a provider of specialist mortgage administration software, for £35m on a cash/debt free basis. Coupled with Capita's experience in business process and customer service transformation, the acquisition supports our ambition to become the mortgage processing partner of choice for existing mortgage providers and challenger banks.

Adding critical mass to our real estate business: GL Hearn was acquired in July for £25m on a cash/debt free basis. An independent UK property consultancy providing commercial property services to occupiers, developers and investors, GL Hearn adds critical mass to our real estate business and immediately enhances our reputation in London. It is well positioned for growth and there are significant synergies that will be realised on integration into Capita.

Strengthening Capita Learning Services' digital capability: we acquired **Brightwave**, a digital learning business specialising in bespoke e-learning and content creation for large corporate clients, for £7.5m in December. Our existing digital business will be reversed into Brightwave to form an integral part of the overall Learning Services proposition, serving clients moving from face to face to e-learning.

Our Board and people

Today we are announcing that following nearly nine years as Non-Executive Director and latterly seven as Chairman, Martin Bolland has indicated to the Board that he intends to stand down by 31 December 2016, or on the earlier appointment of a successor. Martin has and continues to make an immense contribution to Capita and has built up and leads a strong Group Board. We are commencing a search process using external head hunters to identify and appoint a successor capable of providing the depth of commercial expertise and excellent leadership that we have received from Martin.

On 17 November 2015 we appointed John Cresswell as an Independent Non-Executive Director and to the Nomination, Remuneration and Audit and Risk Committees, taking over as Chair of the Remuneration Committee on 1 December 2015. John served four and a half years as CEO of Arqiva and previously held a number of executive director roles on the board of ITV plc.

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

Summary and future prospects

We delivered good financial results in 2015, including 4% organic revenue growth, an improvement in our operating margin and high level of cash generation. Our largest ever acquisition, avocis, has provided a strong growth platform in Europe. We have re-positioned the business away from certain non-core lower growth businesses and enter the current year in a strong strategic and financial position, enabling us to raise our margin target range to between 13.0% and 14.0%.

In 2016, we are targeting organic revenue growth of at least 4%, driven by the combination of growth from our divisional businesses and conversion of our bid pipeline. In the longer term, we remain excited about the significant structural growth opportunities in our markets and will continue to manage the business to deliver strong EPS growth, cash flow and return on capital.

-Ends-

Consolidated income statement

for the year ended 31 December 2015

	Note	2015 Underlying £m	2015 Non-underlying: Business exit (note 2) £m	2015 Non-underlying: Other non-underlying(note 3) £m	2015 Total £m	2014 Underlying £m	2014 Non-underlying: Business exit £m	2014 Non-underlying: Other non-underlying £m	2014 Total £m
Continuing operations:									
Revenue	1	4,674.3	162.6	—	4,836.9	4,372.3	5.8	—	4,378.1
Cost of sales		(3,367.7)	(123.8)	—	(3,491.5)	(3,166.9)	(4.8)	—	(3,171.7)
Gross profit		1,306.6	38.8	—	1,345.4	1,205.4	1.0	—	1,206.4
Administrative expenses	2,3	(667.6)	(176.9)	(294.3)	(1,138.8)	(629.1)	(8.1)	(180.3)	(817.5)
Operating profit	2,3	639.0	(138.1)	(294.3)	206.6	576.3	(7.1)	(180.3)	388.9
Net finance costs	4	(53.5)	—	(14.7)	(68.2)	(40.6)	—	(38.1)	(78.7)
Loss on business disposal	2	—	(26.3)	—	(26.3)	—	(17.8)	—	(17.8)
Profit before tax		585.5	(164.4)	(309.0)	112.1	535.7	(24.9)	(218.4)	292.4
Income tax expense		(108.3)	2.4	49.4	(56.5)	(99.1)	1.8	44.8	(52.5)
Profit for the year		477.2	(162.0)	(259.6)	55.6	436.6	(23.1)	(173.6)	239.9
Attributable to:									
Owners of the Company		468.4	(162.0)	(253.7)	52.7	429.3	(23.1)	(170.3)	235.9
Non-controlling interests		8.8	—	(5.9)	2.9	7.3	—	(3.3)	4.0
		477.2	(162.0)	(259.6)	55.6	436.6	(23.1)	(173.6)	239.9
Earnings per share									
– basic	5	70.73p	(24.46)p	(38.31)p	7.96p	65.15p	(3.51)p	(25.85)p	35.79p
– diluted	5	69.85p	(24.16)p	(37.83)p	7.86p	64.58p	(3.48)p	(25.62)p	35.48p

Consolidated statement of comprehensive income

for the year ended 31 December 2015

	2015 £m	2015 £m	2014 £m	2014
Profit for the year		55.6		239.9
Other comprehensive expense:				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gain/(loss) on defined benefit pension schemes	13.0		(67.2)	
Deferred tax effect	(6.5)		12.8	
		6.5		(54.4)
Items that will or may be reclassified subsequently to profit or loss				
Exchange differences of translation of foreign operations		(14.0)		(6.3)
Net investment hedge of foreign operations	(3.5)		—	
Income tax effect	0.6		—	
		(2.9)		0.0
Gain on cash flow hedges arising during the year	0.8		5.6	
Reclassification adjustments for losses included in the income statement	3.1		6.0	
Income tax effect	(1.1)		(2.3)	
		2.8		9.3
		(14.1)		3.0
Other comprehensive expense for the year net of tax		(7.6)		(51.4)
Total comprehensive income for the year net of tax		48.0		188.5
Attributable to:				
Owners of the Company		45.1		184.5
Non-controlling interests		2.9		4.0
		48.0		188.5

Consolidated balance sheet

As at 31 December 2015

	Note	2015 £m	2014 £m
Non-current assets			
Property, plant and equipment		406.0	448.8
Intangible assets		2,810.0	2,619.4
Financial assets		186.6	178.2
Deferred taxation		18.8	12.5
Trade and other receivables		86.1	73.5
		3,507.5	3,332.4
Current assets			
Financial assets		44.3	14.7
Disposal group assets held for sale	2	84.1	—
Funds assets		161.7	118.2
Trade and other receivables		1,011.9	988.1
Cash		534.0	458.9
		1,836.0	1,579.9
Total assets		5,343.5	4,912.3
Current liabilities			
Trade and other payables		1,144.0	1,128.2
Overdrafts		448.7	429.8
Financial liabilities		230.8	164.8
Disposal group liabilities held for sale	2	40.4	—
Funds liabilities		161.7	118.2
Provisions	8	69.4	69.6
Income tax payable		46.2	42.6
		2,141.2	1,953.2
Non-current liabilities			
Trade and other payables		29.3	28.3
Financial liabilities		2,163.4	1,780.8
Deferred taxation		19.0	—
Provisions	8	49.0	42.0
Employee benefits		188.3	192.5
		2,449.0	2,043.6
Total liabilities		4,590.2	3,996.8
Net assets		753.3	915.5
Capital and reserves			
Issued share capital		13.8	13.8
Share premium		500.7	499.0
Employee benefit trust and treasury shares		(0.3)	(0.3)
Capital redemption reserve		1.8	1.8
Foreign currency translation reserve		(21.2)	(4.3)
Cash flow hedging reserve		(12.0)	(14.8)
Retained earnings		196.5	354.7
Equity attributable to owners of the Company		679.3	849.9
Non-controlling interests		74.0	65.6
Total equity		753.3	915.5

Consolidated statement of changes in equity

for the year ended 31 December 2015

	Share capital £m	Share premium£m	Employee benefit trust & treasury shares £m	Capital redemption reserve £m	Retained earnings £m	Foreign currency translation reserve £m	Cash flow hedging reserve £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 January 2014	13.8	491.2	(0.4)	1.8	350.4	2.0	(24.1)	834.7	61.6	896.3
Profit for the year	—	—	—	—	235.9	—	—	235.9	4.0	239.9
Other comprehensive expense	—	—	—	—	(54.4)	(6.3)	9.3	(51.4)	—	(51.4)
Total comprehensive income for the year	—	—	—	—	181.5	(6.3)	9.3	184.5	4.0	188.5
Share based payment	—	—	—	—	11.0	—	—	11.0	—	11.0
Deferred income tax relating to share based payments	—	—	—	—	5.7	—	—	5.7	—	5.7
Shares issued	—	7.8	0.1	—	—	—	—	7.9	—	7.9
Equity dividends paid	—	—	—	—	(180.5)	—	—	(180.5)	—	(180.5)
Movement in put options held by non-controlling interest	—	—	—	—	(13.4)	—	—	(13.4)	—	(13.4)
At 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 year	**—**	**—**	**—**	**—**	**52.7**	**—**	**—**	**52.7**	**2.9**	**55.6**
Other comprehensive expense	**—**	**—**	**—**	**—**	**6.5**	**(16.9)**	**2.8**	**(7.6)**	**—**	**(7.6)**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**59.2**	**(16.9)**	**2.8**	**45.1**	**2.9**	**48.0**
Share based payment	**—**	**—**	**—**	**—**	**11.4**	**—**	**—**	**11.4**	**—**	**11.4**
Deferred income tax relating to share based payments	**—**	**—**	**—**	**—**	**(6.1)**	**—**	**—**	**(6.1)**	**—**	**(6.1)**
Income tax deduction on exercise of stock options	**—**	**—**	**—**	**—**	**3.8**	**—**	**—**	**3.8**	**—**	**3.8**
Shares issued	**—**	**1.7**	**—**	**—**	**—**	**—**	**—**	**1.7**	**—**	**1.7**
Equity dividends paid	**—**	**—**	**—**	**—**	**(199.3)**	**—**	**—**	**(199.3)**	**(1.2)**	**(200.5)**
Investment in non-controlling interest	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**6.7**	**6.7**
Put option of non-controlling interest acquired	**—**	**—**	**—**	**—**	**(9.8)**	**—**	**—**	**(9.8)**	**—**	**(9.8)**
Movement in put options held by non-controlling interest	**—**	**—**	**—**	**—**	**(17.4)**	**—**	**—**	**(17.4)**	**—**	**(17.4)**
At 31 December 2015	**13.8**	**500.7**	**(0.3)**	**1.8**	**196.5**	**(21.2)**	**(12.0)**	**679.3**	**74.0**	**753.3**

Consolidated cash flow statement

for the year ended 31 December 2015

	Note	2015 £m	2014 £m
Cash generated from operations before non-underlying cash items	9	**685.8**	641.2
Asset Services settlement provision cash paid	8	**(21.7)**	(4.3)
Business exit provision cash paid	8	**(21.6)**	(18.8)
Cash generated from operations		**642.5**	618.1
Income tax paid		**(93.5)**	(93.7)
Net interest paid		**(47.2)**	(35.6)
Net cash inflow from operating activities		**501.8**	488.8
Cash flows from investing activities			
Purchase of property, plant and equipment		**(118.5)**	(110.5)
Purchase of intangible assets		**(85.1)**	(40.8)
Proceeds from sale of property, plant and equipment		**5.9**	5.3
Acquisition of public sector subsidiary partnerships	7	**(20.0)**	—
Acquisition of subsidiary undertakings and businesses		**(376.8)**	(325.5)
Cash acquired with subsidiary undertakings	7	**20.2**	29.7
Debt repaid on acquisition of subsidiary undertakings	7	**(48.3)**	(21.5)
Proceeds on disposal of subsidiary undertakings	2	**34.7**	—
Cash disposed of with subsidiary undertakings	2	**(8.7)**	(2.8)
Deferred consideration	7	**(11.6)**	(35.5)
Contingent consideration	7	**(32.1)**	(9.2)
Purchase of financial assets		**(2.4)**	(1.0)
Xchanging transactions	3	**3.7**	—
Investment loan		**—**	(5.0)
Net cash outflow from investing activities		**(639.0)**	(516.8)
Cash flows from financing activities			
Issue of share capital		**1.7**	7.9
Dividends paid		**(200.5)**	(180.5)
Capital element of finance lease rental payments	9	**(5.0)**	(4.9)
Repayment of loan notes	9	**(0.2)**	(10.2)
Repayment of bonds	9	**(97.0)**	(10.6)
Proceeds on issue of term debt	9	**—**	100.0
Proceeds on issue of bonds	9	**496.6**	—
Financing arrangement costs		**(1.1)**	(0.3)
Net cash inflow/(outflow) from financing activities		**194.5**	(98.6)
Increase/(decrease) in cash and cash equivalents		**57.3**	(126.6)
Cash and cash equivalents at the beginning of the period		**29.1**	157.8
Impact of movement in exchange rates		**(1.1)**	(2.1)
Cash and cash equivalents at 31 December		**85.3**	29.1
Cash and cash equivalents comprise:			
Cash at bank and in hand		**534.0**	458.9
Overdrafts		**(448.7)**	(429.8)
Total		**85.3**	29.1

Notes to the financial statements

1 Segmental information

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

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

The tables below present revenue and result for the Group's business segments for the years 2015 and 2014. All operations are continuing. The 2014 consolidated income statement has not been restated for the impact of business exits and other non-underlying items. If the 2014 underlying consolidated income statement was restated, revenue would be reduced by £192.8m and profit before tax would reduce by £10.9m.

Year ended 31 December 2015

	Segment revenue					Segment profit		
Trading	Underlying trading revenue £m	Inter-segment revenue £m	Third party revenue £m	Non-underlying trading £m	Total segment revenue £m	Underlying trading profit £m	Non-underlying trading £m	Total trading profit £m
Digital & Software Solutions	**637.0**	**(69.0)**	**568.0**	**—**	**568.0**	**142.0**	**—**	**142.0**
Integrated Services	**503.6**	**(50.8)**	**452.8**	**84.4**	**537.2**	**51.2**	**(3.4)**	**47.8**
Local Government, Property & Health	**753.5**	**(73.2)**	**680.3**	**—**	**680.3**	**81.3**	**—**	**81.3**
Workplace Services	**650.6**	**(40.7)**	**609.9**	**—**	**609.9**	**75.7**	**—**	**75.7**
IT Enterprise Services	**707.9**	**(132.4)**	**575.5**	**—**	**575.5**	**54.9**	**—**	**54.9**
Asset Services	**451.0**	**(47.1)**	**403.9**	**—**	**403.9**	**100.3**	**—**	**100.3**
CM & International	**648.8**	**(58.2)**	**590.6**	**—**	**590.6**	**59.1**	**—**	**59.1**
Capita Europe	**180.2**	**(1.7)**	**178.5**	**—**	**178.5**	**19.8**	**—**	**19.8**
Insurance & Benefits Services	**741.7**	**(126.9)**	**614.8**	**78.2**	**693.0**	**54.7**	**2.2**	**56.9**
Total	**5,274.3**	**(600.0)**	**4,674.3**	**162.6**	**4,836.9**	**639.0**	**(1.2)**	**637.8**
Non-trading								
Business exit costs[1]								**(136.9)**
Intangible amortisation[2]								**(165.0)**
Impairment of property, plant, and equipment[2]								**(76.7)**
Impairment of goodwill[2]								**(28.3)**
Xchanging transaction[2]								**3.7**
Acquisition costs[2]								**(16.2)**
Contingent consideration movements[2]								**5.4**
Asset Services settlement provision[2]								**(17.2)**
Operating profit								**206.6**
Net finance costs [3]								**(68.2)**
Loss on business disposal [1]								**(26.3)**
Profit before tax								**112.1**
Income tax expense								**(56.5)**
Profit for the year								**55.6**

[1] **see note 2**

[2] **see note 3**

[3] **see note 4**

1 Segmental information (continued)

Year ended 31 December 2014

	Segment revenue					Segment profit		
Trading	Underlying trading revenue £m	Inter-segment revenue £m	Third party revenue £m	Non-underlying trading £m	Total segment revenue £m	Underlying trading profit £m	Non-underlying trading £m	Total trading profit £m
Digital & Software Solutions	547.3	(60.5)	486.8	—	486.8	120.8	—	120.8
Integrated Services	478.8	(44.5)	434.3	—	434.3	64.5	—	64.5
Local Government, Property & Health	735.6	(90.5)	645.1	5.8	650.9	71.3	(3.1)	68.2
Workplace Services	592.4	(35.7)	556.7	—	556.7	67.2	—	67.2
IT Enterprise Services	714.9	(133.5)	581.4	—	581.4	46.4	—	46.4
Asset Services	374.3	(41.8)	332.5	—	332.5	81.9	—	81.9
CM & International	611.6	(24.5)	587.1	—	587.1	60.7	—	60.7
Capita Europe	20.5	(0.8)	19.7	—	19.7	2.3	—	2.3
Insurance & Benefits Services	822.9	(94.2)	728.7	—	728.7	61.2	—	61.2
Total trading	4,898.3	(526.0)	4,372.3	5.8	4,378.1	576.3	(3.1)	573.2
Non-trading								
Business exit costs								(4.0)
Intangible amortisation [2]								(147.1)
Acquisition costs [2]								(14.2)
Contingent consideration movements [2]								9.4
Asset Services settlement provision [2]								(28.4)
Operating profit								388.9
Net finance costs [3]								(78.7)
Loss on business disposal								(17.8)
Profit before tax								292.4
Income tax expense								(52.5)
Profit for the year								239.9

[2] see note 3

[3] see note 4

2 Business exit

With the continued growth of Capita across our target markets and a greater focus on technology enabled solutions, we have reviewed a number of small low growth businesses which lack strategic fit and taken the decision to exit certain small health businesses and disposed of National Dental Plan Limited. In addition, the Group is in an active process to sell a further specialist insurance business, a health business and a justice business and is therefore treating these businesses as a disposal group held for sale. Since the year end, the health business has been sold (note 11) and the sale of the remaining two businesses is expected to complete in the next 12 months.

None of our 2015 business exits or businesses in the process of being exited 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 and comparatives have not been restated.

Income statement impact

		Non-trading			
	Trading £m	Cash £m	Non-cash £m	Total £m	Total £m
Revenue	162.6	—	—	—	162.6
Cost of sales	(123.8)	—	—	—	(123.8)
Gross profit	38.8	—	—	—	38.8
Administrative expenses	(40.0)	(26.8)	(110.1)	(136.9)	(176.9)
Operating loss	(1.2)	(26.8)	(110.1)	(136.9)	(138.1)
Loss on business disposal (see below)	—	26.0	(52.3)	(26.3)	(26.3)
Loss before tax	(1.2)	(0.8)	(162.4)	(163.2)	(164.4)
Taxation	0.2	1.7	0.5	2.2	2.4
Loss after tax	(1.0)	0.9	(161.9)	(161.0)	(162.0)

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

Non-trading administrative expenses

	Disposal/closure £m	Held for disposal £m	Total £m
Cash paid, or to be paid			
Provision in respect of disposal and closure costs	(16.8)	(10.0)	(26.8)
Non-cash			
Accelerated depreciation on property, plant and equipment	(0.1)	—	(0.1)
Accelerated amortisation on intangible assets	(2.2)	—	(2.2)
Other assets written-off	(1.4)	(23.5)	(24.9)
Goodwill impairment	—	(82.9)	(82.9)
	(3.7)	(106.4)	(110.1)
Loss before tax	(20.5)	(116.4)	(136.9)

Analysed above are non-trading administrative expenses which include cash costs from exiting the disposed businesses, the ongoing stranded costs such as property and redundancy payments and impairment losses recognised in the disposal group. The provision in respect of disposal/closure costs is expected to be utilised over 3 years.

The other assets impairment charge of £23.5m includes £14.1m of provisions for certain debtors unlikely to be recovered, mainly being in relation to a customer that entered administration during the year.

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

Where an asset has been presented as being held for sale it must be carried at the value that is expected to be recovered through sale. In the table above the amounts for goodwill impairment and other assets impairment represent the reduction in the carrying value of these assets. The carrying value of the assets and liabilities of the disposal group held for sale are shown overleaf.

Loss on business disposal

	Cash £m	Non-cash £m	Total £m
Property, plant and equipment	—	(0.2)	(0.2)
Intangible assets	—	(49.4)	(49.4)
Trade and other receivables	—	(6.0)	(6.0)
Trade and other payables	—	3.3	3.3
Cash disposed of	(8.7)	—	(8.7)
Total net assets disposed of	(8.7)	(52.3)	(61.0)
Proceeds received	34.7	—	34.7
Loss on business disposal	26.0	(52.3)	(26.3)

Assets and liabilities of disposal group held for sale

At 31 December 2015, the disposal group comprised the following assets and liabilities:

	2015 £m
Property, plant and equipment	0.7
Intangible assets	32.7
Trade and other receivables	50.7
Assets held for sale	**84.1**
Trade and other payables	(40.4)
Liabilities held for sale	**(40.4)**

3 Administrative expenses

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

	Cash in year £m	Cash in future £m	Non-cash £m	2015 Total £m	Cash in year £m	Cash in future £m	Non-cash £m	2014 Total £m
Amortisation of acquired intangibles	—	—	165.0	165.0	—	—	147.1	147.1
Contingent consideration movements	—	—	(5.4)	(5.4)	—	—	(9.4)	(9.4)
Asset Services settlement provision (see note 8)	11.5	5.7	—	17.2	3.6	24.8	—	28.4
Impairment of property, plant & equipment	—	—	76.7	76.7	—	—	—	—
Impairment of goodwill	—	—	28.3	28.3	—	—	—	—
Xchanging transaction	(3.7)	—	—	(3.7)	—	—	—	—
Professional fees re acquisitions	8.0	7.0	—	15.0	5.2	6.7	—	11.9
Stamp duty paid on acquisitions	1.2	—	—	1.2	2.3	—	—	2.3
Total	17.0	12.7	264.6	294.3	11.1	31.5	137.7	180.3

Impairment of property, plant and equipment

As a result of changes in the marketplace, including the introduction of new legislation in the form of the Pensions Freedom Act, Management conducted a review of the IT platform on which the Group delivers its Life and Pensions administration capability. This review led to assets with a total net book value of £76.7m being fully written down.

Impairment of goodwill

The impairment of goodwill is in relation to the Group's insurance business, which historically has been the most sensitive to changes in the underlying assumptions in calculating its value in use and thus its carrying value on the Group's balance sheet. Having reviewed the business, the assumptions and in light of disposals made and to be made, it was determined that goodwill exceeded the value that was recoverable through use and consequently has been impaired by £28.3m.

Xchanging transaction

The Xchanging transaction relates to the net gain on sale of our 9.9% Xchanging holding (purchased during 2015).

4 Net finance costs

	2015 £m	2014 £m
Interest receivable	—	(0.1)
Bonds	31.0	24.2
Fixed rate interest rate swaps – realised	5.4	1.8
Finance lease	0.4	0.6
Bank loans and overdrafts	10.3	9.1
Net interest cost on defined benefit pension schemes	6.4	5.0
Interest payable	53.5	40.7
Underlying net finance costs	53.5	40.6
Fixed rate interest rate swaps – mark to market	3.7	36.7
Discount unwind on public sector subsidiary partnership payment	2.2	2.1
Fair value movement in trade investments	0.3	—
Non-designated foreign exchange forward contracts – mark to market	8.0	(0.4)
Derivatives' counterparty credit risk adjustment – mark to market	0.4	(0.1)
Derivatives' own credit risk adjustment – mark to market	0.1	(0.2)
Non-underlying net finance costs	14.7	38.1
Total net finance costs	68.2	78.7

5 Earnings per share

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

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

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

	2015 £m	2014 £m
Net profit attributable to ordinary equity holders of the parent from operations	52.7	235.9

	2015 Number million	2014 Number million
Weighted average number of ordinary shares (excluding trust and treasury shares) for basic earnings per share	662.2	658.9
Dilutive potential ordinary shares:		
Employee share options	8.4	5.9
Weighted average number of ordinary shares (excluding trust and treasury shares) adjusted for the effect of dilution	670.6	664.8

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

The earnings per share figures are calculated based on underlying earnings attributable to ordinary equity holders of the parent of £468.4m (2014: £429.3m) and, after non-underlying costs, earnings of £52.7m (2014: £235.9m). They are both included to provide a better understanding of the trading performance of the Group.

	2015 p	2014 p
Basic earnings per share – underlying	70.73	65.15
– after non-underlying	7.96	35.79
Diluted earnings per share – underlying	69.85	64.58
– after non-underlying	7.86	35.48

6 Dividends paid and proposed

	2015 £m	2014 £m
Declared and paid during the year		
Ordinary shares (equity):		
Final for 2014 paid: 19.6p per share (2013: 17.8p per share)	**129.7**	117.2
Interim for 2015 paid: 10.5p per share (2014: 9.6p per share)	**69.6**	63.3
Dividends paid to shareholders	**199.3**	180.5
Dividends paid to non-controlling interest	**1.2**	—
Total dividend paid	**200.5**	180.5
Proposed for approval at AGM (not recognised as a liability at 31 December)		
Ordinary shares (equity):		
Final for 2015: 21.2p per share (2014: 19.6p per share)	**140.3**	129.7

7 Business combinations

2015 acquisitions

The Group made a number of acquisitions in 2015 which are shown in aggregate. The fair values of the identifiable assets and liabilities acquired are disclosed in the table below:

	avocis £m	Public sector subsidiary partnership - FERA £m	Other acquisitions £m	Fair value to Group recognised on acquisition £m
Property, plant and equipment	5.7	3.4	2.2	11.3
Intangible assets	105.1	10.9	102.7	218.7
Trade and other receivables due in less than one year	37.1	2.7	45.3	85.1
Corporation tax	(8.6)	—	(0.4)	(9.0)
Cash and cash equivalents	6.4	—	13.8	20.2
Trade and other payables (excluding accruals) due in less than one year	(9.5)	(1.8)	(21.4)	(32.7)
Accruals due in less than one year	(10.1)	(1.1)	(29.4)	(40.6)
Provisions	(3.6)	—	(3.7)	(7.3)
Deferred tax	(19.5)	(2.1)	(14.7)	(36.3)
Employee benefits liability	(4.3)	—	—	(4.3)
Finance leases	—	—	(0.1)	(0.1)
Long term debt	(39.3)	—	(9.0)	(48.3)
Net assets	59.4	12.0	85.3	156.7
Goodwill arising on acquisition	78.0	14.7	167.8	260.5
	137.4	26.7	253.1	417.2
Discharged by:				
Cash	137.4	20.0	230.2	387.6
Contingent consideration accrued	—	—	12.9	12.9
Deferred consideration accrued	—	—	10.0	10.0
Non-controlling interest	—	6.7	—	6.7
	137.4	26.7	253.1	417.2

"Public sector subsidiary partnership" represents a 75% controlling interest in Fera Science Limited. In all other cases 100% of the share capital or business assets and liabilities was acquired. The businesses acquired have been mainly in the areas of IT and software, customer and debt management, mortgage administration, and property services, which complement or extend the Group's existing skill sets and provide opportunities for growth into these markets. In addition during the year the Group settled £32.1m of contingent consideration and £11.6m of deferred consideration payments with regard to previous acquisitions, all of which had been accrued.

Goodwill has arisen on the acquisitions because the fair value of the acquired assets was lower than the consideration paid; the goodwill represents the value to the Group that can be driven from these underlying assets over the life of the acquired businesses, particularly from synergies, and the capabilities of the acquired workforce. The total amount of goodwill recognised in the period that is expected to be deductible for tax purposes is £44.4m (2014: £9.6m).

Contingent consideration

In respect of the acquisitions made in 2015, the Group has agreed to pay the vendors additional consideration dependent on the achievement of performance targets in the periods post acquisition. These performance periods are of up to 3 years in duration and will be settled in cash and loan notes on their payment date on achieving the relevant target. The range of the additional consideration payment is estimated to be between £5m and £22m. The Group has included £12.9m as contingent consideration related to the additional consideration, which represents its fair value at the acquisition date. Contingent consideration has been calculated based on the Group's expectation of what it will pay in relation to the post-acquisition performance of the acquired entities by weighting the probability of a range of payments to give an estimate of the final obligation.

Acquisition related costs

The Group incurred acquisition related costs of £16.2m related to professional fees paid for due diligence, general professional fees and legal related costs. These costs have been included in non-underlying administrative expenses in the Group's consolidated income statement.

8 Provisions

	Business exit provision £m	Asset Services settlement provision £m	Claims and litigation provision £m	Property provision £m	Other £m	Total £m
At 1 January 2015	26.5	24.8	22.5	35.4	2.4	111.6
Utilisation	**(21.6)**	**(21.7)**	**(4.3)**	**(5.1)**	**(1.8)**	**(54.5)**
Provided in the year (net)	**16.8**	**17.2**	**12.4**	**(2.3)**	**6.8**	**50.9**
Provisions acquired	**—**	**—**	**—**	**7.3**	**—**	**7.3**
Transfer from accruals	**—**	**3.1**	**—**	**—**	**—**	**3.1**
At 31 December 2015	**21.7**	**23.4**	**30.6**	**35.3**	**7.4**	**118.4**

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. As described in note 2, in 2015, additional provision was made in light of the program of business exits completed or in an active sales process. The provision is expected to unwind over the next 3 years.

Asset Services settlements provision: relates to two matters:

1. Arch Cru: The parties to the CF Arch Cru Funds group litigation have entered into a full and final settlement of the proceedings on confidential terms. It is expected this matter will be completed by the close of 2016.

2. Connaught: The potential costs in resolving the matter relating to Connaught Income Series 1 Fund ("The Fund"), of which CFM was the Operator until September 2009, when it was replaced by another Operator company unrelated to Capita (following which CFM had no further involvement with the Fund). The Fund went into liquidation in 2012 and its liquidator has bought a claim against both former Operators. The Financial Conduct Authority (FCA) was supporting the negotiations being undertaken between all parties but on 10 March 2015 confirmed that it had withdrawn from the negotiations and has decided to formally review the activities of both Operators. At this time no conclusion has been reached on whether any wrongdoing has occurred and whether any enforcement action will be taken. Whilst there can be no certainty that a liability will not 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, this matter is now likely to come to a conclusion later in 2016.

Giving due consideration to available information regarding these claims the Group has made a further provision of £17.2m representing an increased settlement value for the Arch Cru matter and further legal and professional fees. The Group has incurred £21.7m in respect of compensation payments and professional fees in relation to these matters in the year.

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 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 activities and revised existing provisions where more information on the progress of the claim has become apparent. The Group's exposure to claims is mitigated by having in place 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 cannot give an estimate of the period over which this provision will unwind.

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

Other provision: relates to provisions in respect of other potential exposures 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.

9 Additional cash flow information

Operating cash flow for the year ended 31 December 2015

	Note	2015 £m	2014 £m
Cash flows from operating activities			
Operating profit before interest and taxation from continuing operations		**206.6**	388.9
Adjustment for underlying non-cash items:			
Depreciation		**82.1**	77.8
Amortisation of intangible assets (treated as depreciation)		**13.2**	9.1
Share based payment expense		**11.4**	11.0
Employee benefits		**(1.9)**	(1.0)
(Profit)/loss on sale of property, plant and equipment		**(1.2)**	0.9
Adjustment for non-underlying non-cash items:			
Accelerated depreciation on business closure		**0.1**	—
Accelerated amortisation on business exit	2	**2.2**	—
Other assets written-off on business exit	2	**1.4**	—
Re-measurement of businesses held for disposal	2	**116.4**	—
Amortisation of intangible assets recognised on acquisition	3	**165.0**	147.1
Impairment of property, plant & equipment	3	**76.7**	—
Impairment of goodwill	3	**28.3**	—
Contingent consideration	3	**(5.4)**	(9.4)
Asset Services settlement provision	8	**17.2**	32.4
Business exit provision	8	**16.8**	—
Movement in underlying provisions (net)	8	**5.7**	(17.4)
Xchanging transactions	3	**(3.7)**	—
Net movement in payables and receivables		**(45.1)**	1.8
Cash generated from operations before non-underlying cash items		**685.8**	641.2

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

	Net debt at 1 January 2015 £m	Acquisitions in 2015 (exc. cash) £m	Cash flow movements £m	Non-cash flow movements £m	Net debt at 31 December 2015 £m
Cash, cash equivalents and overdrafts	**29.1**	**—**	**57.3**	**(1.1)**	**85.3**
Loan notes	**(0.2)**	**—**	**0.2**	**—**	**—**
Bonds[1]	**(1,306.8)**	**—**	**(399.6)**	**(43.0)**	**(1,749.4)**
Currency swaps in relation to US$ denominated bonds[1]	**175.0**	**—**	**—**	**38.9**	**213.9**
Interest rate swaps in relation to GBP denominated bonds[1]	**9.8**	**—**	**—**	**(2.9)**	**6.9**
Long term debt	**—**	**48.3**	**(48.3)**	**—**	**—**
Term loan	**(300.0)**	**—**	**—**	**—**	**(300.0)**
Finance leases	**(11.9)**	**(0.1)**	**5.0**	**—**	**(7.0)**
Underlying net debt	**(1,405.0)**	**48.2**	**(385.4)**	**(8.1)**	**(1,750.3)**
Fixed rate interest rate swaps	**(63.3)**	**—**	**—**	**(3.7)**	**(67.0)**
Deferred consideration	**(23.1)**	**(10.0)**	**11.6**	**—**	**(21.5)**
	(1,491.4)	**38.2**	**(373.8)**	**(11.8)**	**(1,838.8)**

	Net debt at 1 January 2014 £m	Acquisitions in 2014 (exc. cash) £m	Cash flow movements £m	Non-cash flow movements £m	Net debt at 31 December 2014 £m
Cash, cash equivalents and overdrafts	157.8	—	(126.6)	(2.1)	29.1
Loan notes	(10.4)	—	10.2	—	(0.2)
Bonds[1]	(1,267.3)	—	10.6	(50.1)	(1,306.8)
Currency swaps in relation to US$ denominated bonds[1]	125.9	—	—	49.1	175.0
Interest rate swaps in relation to GBP denominated bonds[1]	7.7	—	—	2.1	9.8
Long term debt	—	(21.5)	21.5	—	—
Term loan	(200.0)	—	(100.0)	—	(300.0)
New term loan	—	—	—	—	—
Finance leases	(17.3)	(0.1)	5.5	—	(11.9)
Underlying net debt	(1,203.6)	(21.6)	(178.8)	(1.0)	(1,405.0)
Fixed rate interest rate swaps	(26.6)	—	—	(36.7)	(63.3)
Deferred consideration	(58.6)	—	35.5	—	(23.1)
	(1,288.8)	(21.6)	(143.3)	(37.7)	(1,491.4)

[1] The sum of these items held at fair value equates to the underlying value of the Group's bond debt of £1,528.6m (2014: £1,122.0m).

The aggregate bond fair value above of £1,749.4m (2014: £1,306.8m) includes the GBP value of the US$ denominated bonds at 31 December 2015. To remove the Group's exposure to currency fluctuations it has entered into currency swaps which effectively hedge the movement in the underlying bond fair value. The interest rate swap is being used to hedge the exposure to changes in the fair value of GBP denominated bonds.

During the year the Group issued US$294m, £97m and EUR310m of bond debt (combined value of £496.6m) with a maturity profile between 7 and 12 years. Additionally it extended the maturity of £200m of its existing term loan debt to January 2017. The Group repaid US$80m and £57m of its bond debt (combined value £97m) on maturity in the year.

The Group has available to it a committed Revolving Credit Facility of £600m maturing in August 2020. In addition in December 2015, the Group negotiated a £600m Credit Facility maturing in June 2017. Both of these facilities are available for the Group's immediate use and in both cases £nil was drawn down at 31 December 2015 (2014: £nil drawn down on the £600m Revolving Credit Facility).

10 Related party transactions

Compensation of key management personnel

	2015 £m	2014 £m
Short term employment benefits	**11.9**	9.0
Pension	**0.2**	0.2
Share based payments	**6.0**	6.8
	18.1	16.0

The following companies are substantial shareholders in the Company and therefore a related party of the Company (in each case, for the purposes of the Listing Rules of the UK Listing Authority). The number of shares held on 18th February 2016 was as below:

Shareholder	No. of shares	% of voting rights
Invesco Asset Management	53,674,295	8.08
Veritas Asset Management LLP	41,859,611	6.30
BlackRock Inc	37,899,583	5.70
Woodford Investment Management LLP	36,810,693	5.54

11 Post balance sheet event

Subsequent to the balance sheet date, the Group disposed of 80.1% of the shares in a health business, Capita Medical Reporting Limited for a cash consideration of £1 and £20m deferred consideration. The remaining 19.9% will be recorded as a financial asset as the Group does not retain any significant influence over the business.

12 Preliminary announcement

The preliminary announcement is prepared in accordance with International Financial Reporting Standards as adopted by the European Union. A duly appointed and authorised committee of the Board of Directors approved the preliminary announcement on 24th February 2016. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2015 or 2014 but is derived from those accounts. Statutory accounts for 2014 have been delivered to the registrar of companies, and those for 2015 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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

It is intended that the Annual Report and Accounts will be posted to shareholders in April 2016. It will be available to members of the public at the registered office and on the Company's Corporate website www.capita.co.uk/investors/Pages/Investors.aspx from that date.

13 Statement of Directors responsibilities

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

By order of the Board

A Parker
Chief Executive

N Greatorex
Group Finance Director

24th *February 2016*