

Driving efficiency and innovation



“In December, reflecting on the progress made ahead of schedule with £140m annualised savings already delivered, and the opportunity to use AI and gen AI, we increased the cost reduction target further to £250m.”

Pablo Andres, Chief Financial Officer

Adjusted operating margin

4.0%

(2023: 3.5%)

Overview

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

Public Service revenue reduction reflects the continued impact of previously announced contract losses, delayed mobilisations of two contracts won in 2023, the double digit profit impact from the conclusion of project work in 2023 and the impact of Ofgem's price control

Financial highlights

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

* Adjusted operating cash flow and free cash flow exclude the impact of business exits (refer to note 2.9).

determination on the Smart DCC contract, and a more focused approach to bidding which impacted current year revenue and profit. These factors offset additional volumes in our contract with Transport for London, and the benefit from indexation.

In Experience, the revenue reduction in the Contact Centre business reflects the one-off benefit from the Virgin Media O2 contract transition in 2023, the impact of prior year contract losses, and lower volumes in the telecommunications vertical. The revenue growth in the Pension Solutions business reflects volume increases across a number of clients, including the Pension Insurance Corporation contract, and the benefit from indexation. The revenue reduction in the Regulated Services business reflects the one-off benefit from the prior year

commercial settlement, and progress being made on contract exits as we resolve legacy issues and look to exit the closed book Life & Pensions business.

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

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

a lower current income tax charge reflecting fewer current year losses carried forward.

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

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

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

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

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

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

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

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

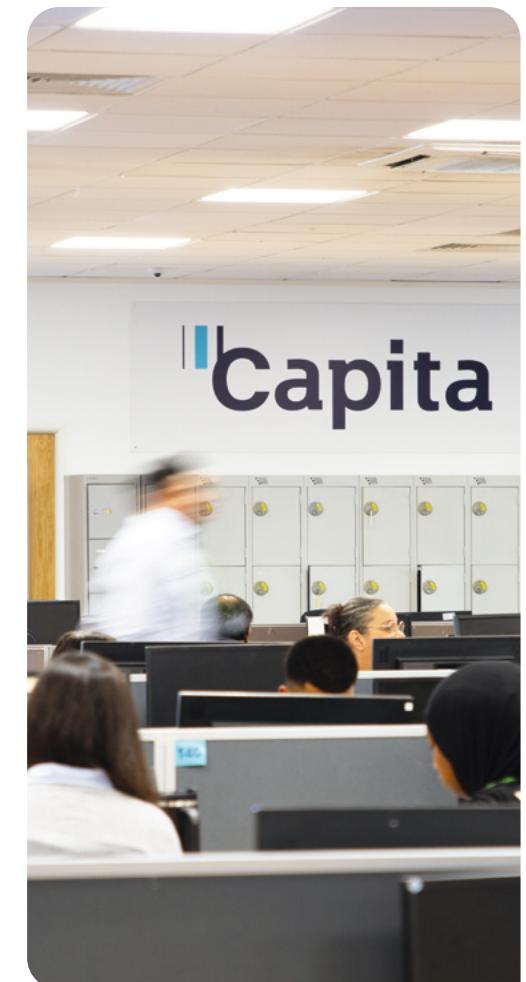
In June 2024, we held a Capital Markets Day outlining the Group's strategic themes and prioritised business sectors going forward. During the event, some areas of the Group were identified as being "managed for value", and we outlined the options being pursued, including exploring potential exits. Standalone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

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

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

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

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



1. Refer to APMs on pages 234 to 237.

Summary of financial performance

Adjusted results

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

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

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

1. Refer to APMs on pages 234 to 237.

Adjusted revenue

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

- **Public Service (0.9% reduction):** the continued impact of previously announced contract losses, such as Scottish Wide Area Network and Electronic Monitoring, the delayed mobilisations of two contracts won in 2023, the double digit impact from the conclusion of project work in 2023 and the impact of Ofgem's price control determination on the Smart DCC contract, and a more focused approach to bidding impacted the current year. These factors are partly offset by additional volumes in the division's contract with Transport for London, and the benefit from indexation;
- **Experience:**

- **Contact Centre (18.4% reduction):** reflecting the one-off benefit from the Virgin Media O2 contract transition in the prior year, the impact of prior year contract losses, and lower volumes in the telecommunications vertical which we expect to remain subdued in 2025;
- **Pension Solutions (5.1% growth):** reflecting volume increases across a number of clients, including the Pension Insurance Corporation contract, and the benefit from indexation; and
- **Regulated Services (26.9% reduction):** reflecting the one-off benefit from the prior year commercial settlement, and the progress being made on contract exits as we resolve legacy issues and look to exit the closed book Life & Pension business.

Order book

The Group's consolidated order book was £4,240.7m at 31 December 2024 (2023: £5,882.6m). During 2024 two European telecommunications contracts were extended

Adjusted revenue¹ bridge by division

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

Adjusted operating profit¹ bridge by division

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

in the year with the contracts being recognised as framework contracts, which resulted in £388.1m being derecognised from the order book. Additions from contract wins, scope changes and indexation in 2024 totalled £808.8m, including expanded scope on the Royal Navy Training contract within Public Service and extension of the Royal Mail Statutory Pension Scheme contract in Pension Solutions, were offset by the reduction from revenue recognised in the year (£1,837.8m), contract terminations (£74.6m) and business disposals (£150.2m). Terminations primarily represent a contract exit within our closed book Life & Pensions business in Regulated Services.

Adjusted operating profit¹

Adjusted operating profit¹ increased in 2024 driven by the following:

- **Public Service:** strong improvement reflects the successful implementation of the cost reduction programme, offset by the flow through of previously announced contract losses, and the double digit profit impact

from the conclusion of project work in 2023 and the impact of Ofgem's price control determination on the Smart DCC contract;

- **Experience:**

- **Contact Centre:** non-repeat of the 2023 one-off noted above (£10m), the flow through of revenue decline, lower volumes in the telecommunications vertical and continued investment in technology; partially offset by an underlying margin improvement from lower overheads, including reduced property footprint, from delivery of the cost reduction programme;

- **Pension Solutions:** improved profit driven by savings from the cost reduction programme and volume growth;

- **Regulated Services:** the one-off benefit from the prior year (£24m), the agreed exit of three clients resulting in reduced profit in 2024, and the 2023 and 2024 benefit from accelerated deferred income recognition; and

- **Capita plc:** reflects benefits from the cost reduction programme.

Adjusted profit before tax¹

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

Adjusted tax charge

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

Operating cash flow excluding business exits¹

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

- **Public Service:** operating cash conversion¹ was impacted by delayed contract mobilisation and a more sustainable approach to working capital management;
- **Experience:**
 - **Contact Centre:** operating cash flow excluding business exits¹ reduced reflecting the decline in EBITDA. 2023 also included a benefit of payment phasing on the new Virgin Media O2 contract which did not recur in 2024;
 - **Pension Solutions:** improvement in operating cash conversion¹ driven by improved billing cycles;
 - **Regulated Services:** decline in operating cash conversion¹ reflects the decline in operating cash flow excluding business exits¹ due to the one-offs in the prior year,

including receipt on a contract termination; and

- **Capita plc:** the movement in the usage of the Group's non-recourse trade receivables financing facility.

Cash generated from operations and free cash flow

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

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

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

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

Operating cash flow excluding business exits¹ by division

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

Adjusted operating profit¹ to free cash flow excluding business exits¹

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

1. Refer to APMs on pages 234 to 237.

Reported results

Adjusted to reported profit

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

Impairment of goodwill

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

The Contact Centre business also saw a reduction in bid activity across 2024, and although there has been a strong start to 2025, the business is expecting high single-digit revenue reduction in 2025. In addition, the material contracts secured in 2024 are framework agreements, which enable the customer to both ramp up and ramp down

volume, providing both an opportunity but also a risk to the business's forecast.

Whilst delivery and client sentiment has remained strong across the majority of the portfolio, certain delivery issues have led to the reduction of volumes on one particular contract.

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

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

Business exits

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

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

Adjusted¹ to reported results bridge

	Operating profit/(loss)		Profit/Loss before tax	
	2024 £m	2023 £m	2024 £m	2023 £m
Adjusted¹	95.9	90.0	50.0	40.9
Amortisation of acquired intangibles	(0.2)	(0.2)	(0.2)	(0.2)
Impairment of goodwill	(75.1)	(42.2)	(75.1)	(42.2)
Net finance costs	—	—	(0.1)	(2.2)
Business exits	(1.6)	(20.8)	170.9	(23.2)
Cyber incident	(1.0)	(25.3)	(1.0)	(25.3)
Cost reduction programme	(27.9)	(54.4)	(27.9)	(54.4)
Reported	(9.9)	(52.0)	116.6	(106.6)

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

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

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

carrying value of £4.8m, including loans receivable by Capita of £0.7m.

Cyber incident

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

Cost reduction programme

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

1. Refer to APMs on pages 234 to 237.

confidence in the level of efficiencies that can be delivered, the cost reduction target increased from £160m to up to £250m by the end of 2025.

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

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

Further detail of the specific items charged in arriving at reported operating profit and profit before tax for 2024 is provided in note 2.4 to the consolidated financial statements.

Net finance costs

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

1. Refer to APMs on pages 234 to 237.

Reported tax charge

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

Free cash flow¹ to free cash flow excluding business exits¹

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

Movements in net debt

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

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

Net financial debt (pre-IFRS 16) decreased by £115.6m to £66.5m at 31 December 2024, resulting in a net financial debt to adjusted EBITDA¹ (both pre-IFRS 16) ratio of 0.5x as

Free cash flow¹ to free cash flow excluding business exits¹

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

Net debt

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

a result of the benefit from the disposal proceeds from Capita One and Fera. Over the medium term, the Group is targeting a net financial debt to adjusted EBITDA¹ (both pre-IFRS 16) ratio of ≤1.0x.

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

Capital and financial risk management

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

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

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

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

In March 2025, the Group issued £94.2m equivalent of US private placement loan notes across three tranches: £50m maturing 24 April 2028, USD13m maturing 24 April 2028 and

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

Going concern

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

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

Viability assessment

The Board's assessment of viability over the Group's three-year business planning time horizon is summarised in the viability statement on pages 75 and 76.

Pensions

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

actuarial valuation, the Group has paid £6.3m of regular deficit funding contributions in 2024 and £14.5m of accelerated deficit reduction contributions triggered by the disposal of Trustmarque in 2022.

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

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

Consolidated balance sheet

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

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

Available liquidity¹

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

Parent company balance sheet

The company's market capitalisation continues to be significantly less than the net assets of the parent company at 31 December 2024 and the directors gave consideration as to why this might be the case and whether assets on the parent company balance sheet might be impaired. The factors considered included: the differing basis of valuations (including that third parties value the services sector on income statement multiples versus long-term view using a discounted cash flow for the basis of impairment testing under accounting standards), sum-of-the-parts view and the multiples achieved on recent disposals, general market assumptions of the sector which can ignore the liquidity profile and specific risks of an entity, and other specific items impacting the market's view of the Group at the moment.

Management's estimate of the fair value less costs to sell of the Group used in the testing of goodwill for impairment at 31 December 2024 gave a value for the Group that exceeded the market capitalisation at that date, and supported the parent company net assets.

An impairment test was performed at 31 December 2024 in respect of the parent company's investments in subsidiaries and amounts owed by subsidiary undertakings. A total impairment charge of £27.8m was recognised in respect of the parent company's investments in subsidiaries, of which £19.8m was due to the return of capital from a subsidiary in advance of its liquidation, with impairment recognised being offset by dividend income received from the subsidiary, and £8.0m was as a result of the impairment test performed at 31 December 2024. A net impairment charge of £26.0m was identified in respect of amounts owed by subsidiaries.

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

1. Refer to APMs on pages 234 to 237.