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Confirmation of your representation: By accepting electronic delivery of this document, you are deemed to have represented to Citigroup Global Markets Limited, Goldman Sachs International, Banco Santander, S.A. and Barclays Bank PLC (together, the “Banks”), and the Issuer that: (i) you are acting on behalf of, or you are either (a) an investor outside the United States (as defined in Regulation S under the Securities Act, or (b) in the United States and a QIB that is acquiring securities for your own account or for the account of another

QIB; (ii) if you are in the UK, you are a relevant person; (iii) if you are in any member state of the EEA other than the UK, you are a Qualified Investor; (iv) the securities acquired by you in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, any person in circumstances which may give rise to an offer of any securities to the public other than their offer or resale in any member state of the EEA which has implemented the Prospectus Directive to Qualified Investors (as defined in the Prospectus Directive); and (v) if you are outside the US, UK and EEA (and the electronic mail addresses that you gave us and to which this document has been delivered are not located in such jurisdictions) you are a person into whose possession this document may lawfully be delivered in accordance with the laws of the jurisdiction in which you are located.

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The Banks are acting exclusively for the Issuer and no one else in connection with the offer. They will not regard any other person (whether or not a recipient of this document) as their client in relation to the offer and will not be responsible to anyone other than the Issuer for providing the protections afforded to their clients nor for giving advice in relation to the offer or any transaction or arrangement referred to herein.

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THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 (the “FSMA”) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

This document comprises: (i) a circular prepared in accordance with the Listing Rules made under section 73A of the FSMA for the purposes of the General Meeting convened pursuant to the Notice of General Meeting set out at the end of this document; and (ii) a prospectus relating to Capita plc (the “Company”) prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the “FCA”). This document has been approved by the FCA in accordance with section 85 of the FSMA, will be made available to the public and has been filed with the FCA in accordance with the Prospectus Rules. This document together with the documents incorporated into it by reference (as set out in Part XIX of this document) will be made available to the public in accordance with Prospectus Rule 3.2.1 by the same being made available, free of charge, at www.capita.com and at the Company’s registered office at 71 Victoria Street, London SW1H 0XA, United Kingdom.

If you sell or have sold or have otherwise transferred all of your Shares (other than ex-rights) held in certificated form before 8.00 a.m. (London time) on 10 May 2018 (the “Ex-Rights Date”), please send this document, together with any Provisional Allotment Letter, if and when received, at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee, except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to, the United States or any of the Restricted Territories. If you sell or have sold or have otherwise transferred all or some of your Existing Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee. If you sell or have sold or have otherwise transferred only part of your holding of Existing Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, you should refer to the instruction regarding split applications in Part IX of this document and in the Provisional Allotment Letter.

The distribution of this document, the Provisional Allotment Letter and the transfer of Nil Paid Rights, Fully Paid Rights and New Shares into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of such jurisdictions. In particular, subject to certain exceptions, this document, the enclosures and the Provisional Allotment Letter and any other such documents should not be distributed, forwarded to or transmitted in or into the United States or the Restricted Territories.

CAPITA

Capita plc

(incorporated and registered in England and Wales with registered number 02081330)

Proposed 3 for 2 Rights Issue of 1,001,032,281 New Shares at 70 pence per New Share to raise approximately £701 million

and

Notice of General Meeting

Joint Sponsor, Joint Global Co-ordinator and Joint Bookrunner *Joint Sponsor, Joint Global Co-ordinator and Joint Bookrunner*

Citigroup

Goldman Sachs International

Joint Bookrunner

Joint Bookrunner

Barclays

Banco Santander

A Notice of General Meeting of the Company, to be held at 11.00 a.m. on 9 May 2018, is set out at the end of this document. Whether or not you intend to be present at the General Meeting, you are asked to complete and return the enclosed Form of Proxy in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by the Registrar, Link Asset Services, PXS, at 34 Beckenham Road, Beckenham, Kent BR3 4TU, by not later than 11.00 a.m. on 4 May 2018 (or, in the case of an adjournment, at close of business two business days before the day of the adjourned general meeting).

The Shares are listed on the Official List maintained by the FCA and traded on the London Stock Exchange's main market for listed securities. Application will be made to the FCA and to the London Stock Exchange for the New Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, respectively (together, "Admission"). It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Shares (nil paid) will commence at 8.00 a.m. (London time) on 10 May 2018.

Your attention is drawn to the letter of recommendation from the Chairman which is set out in Part VII of this document. Your attention is also drawn to Part II of this document, which sets out certain risks and other factors that should be considered by Shareholders when deciding on what action to take in relation to the Rights Issue, and by others when deciding whether or not to purchase Nil Paid Rights, Fully Paid Rights or New Shares.

Citigroup Global Markets Limited ("Citi"), Goldman Sachs International ("GSI") and Barclays Bank PLC ("Barclays") are each authorised in the United Kingdom by the Prudential Regulation Authority (the "PRA") and regulated by the PRA and the FCA in the United Kingdom. Banco Santander, S.A. ("Santander" and, together with Citi, GSI and Barclays, the "Banks") is a Spanish public limited company, incorporated under the laws of Spain and lead regulated by the Bank of Spain and the Spanish Securities Market Commission, and in the United Kingdom authorised by the PRA and regulated by the FCA and the PRA. The Banks are each acting exclusively for the Company and no one else in connection with the Rights Issue and Admission, will not regard any other person (whether or not a recipient of this document) as a client in relation to the Rights Issue or Admission and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients, or for providing advice, in relation to the Rights Issue or Admission or any other transaction or arrangement referred to herein.

The Banks and their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to the Company, for which they would have received customary fees. The Banks and any of their respective affiliates may provide such services to the Company and any of its respective affiliates in the future. Save for the Joint Sponsors' responsibilities of Citi and GSI under the FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of the Banks nor any of their respective affiliates, directors, officers, employers or advisers accepts any responsibility whatsoever for the contents of this document, including its accuracy or completeness, or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Nil Paid Rights, the Fully Paid Rights, the New Shares, the Provisional Allotment Letters, the Rights Issue or Admission. The Banks accordingly disclaim to the fullest extent permitted by law all and any liability, whether arising in tort, contract or otherwise, which they might otherwise have in respect of this document or any such statement.

The Banks have given and not withdrawn their consent to the issue of this document with the inclusion of the references to their respective names in the form and context in which they are included.

Subject to, among other things, the passing of the Resolutions at the General Meeting, it is expected that Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, those with registered addresses in the United States or the Restricted Territories) will be sent a Provisional Allotment Letter on 9 May 2018, and that Qualifying CREST Shareholders (other than, subject to certain exceptions, those with registered addresses in the United States or the Restricted Territories) will receive a credit to their appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on 10 May 2018. The Nil Paid Rights so credited are expected to be enabled for settlement by Euroclear as soon as practicable after Admission.

The latest time and date for acceptance of and payment in full for the New Shares by holders of the Nil Paid Rights is expected to be 11.00 a.m. on 24 May 2018. The procedures for delivery of the Nil Paid Rights, acceptance and payment are set out in Part IX of this document and, for Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, those with registered addresses in the United States or the Restricted Territories) also in the Provisional Allotment Letter. Overseas Shareholders with registered addresses in the United States or the Restricted Territories should refer to paragraph 2.5 of Part IX of this document.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Rights Issue.

Notice to Overseas Shareholders

This document does not constitute an offer of Nil Paid Rights, Fully Paid Rights or New Shares to any person with a registered address, or who is located, in the United States or the Restricted Territories or in any other jurisdiction in which such an offer or solicitation is unlawful.

The Nil Paid Rights, the Fully Paid Rights and the New Shares have not been and will not be registered under the US Securities Act of 1933 (the “Securities Act”), and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, in or into the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. There will be no public offer of the Nil Paid Rights, the Fully Paid Rights or the New Shares in the United States.

The Nil Paid Rights, the Fully Paid Rights and the New Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state’s securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Nil Paid Rights, the Fully Paid Rights or the New Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence.

In addition, until 40 days after the commencement of the Rights Issue, an offer or sale of Nil Paid Rights, Fully Paid Rights or New Shares within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act.

The Banks may arrange for the offer of New Shares in the United States not taken up in the Rights Issue only to persons reasonably believed to be “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act in reliance on an exemption from or in a transaction not subject to the registration requirements of the Securities Act. The Nil Paid Rights, the Fully Paid Rights and the New Shares offered outside the United States are being offered in reliance on Regulation S under the Securities Act.

The Nil Paid Rights, the Fully Paid Rights and the New Shares have not been and will not be registered or qualified for distribution to the public under the relevant laws of any state, province or territory of any Restricted Territory and, subject to certain exceptions, may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within any Restricted Territory.

All Overseas Shareholders and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this document or any Provisional Allotment Letter, if and when received, or other document to a jurisdiction outside the United Kingdom should read the information set out in paragraph 2.5 of Part IX of this document.

Notice to all Investors

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering an investment in the Nil Paid Rights, the Fully Paid Rights or the New Shares is prohibited. By accepting delivery of this document, each offeree of the Nil Paid Rights, the Fully Paid Rights and/or the New Shares agrees to the foregoing.

The distribution of this document and/or the Provisional Allotment Letters and/or the transfer of the Nil Paid Rights, the Fully Paid Rights and/or the New Shares into jurisdictions other than the United Kingdom may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, subject to certain exceptions, such documents should not be distributed, forwarded to or transmitted in or into the United States or the Restricted Territories. The Nil Paid Rights, the Fully Paid Rights, the New Shares and the Provisional Allotment Letters are not transferable, except in accordance with, and the distribution of this document is subject to, the restrictions set out in paragraph 2.5 of Part IX of this document. No action has been taken by the Company or by the Banks that would permit an offer of the New Shares or rights thereto or possession or distribution of this document or any other offering or publicity material or the Provisional Allotment Letters, the Nil Paid Rights or the Fully Paid Rights in any jurisdiction where action for that purpose is required, other than in the United Kingdom.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company or by the Banks. Neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the

affairs of the Company since the date of this document or that the information in this document is correct as at any time subsequent to its date.

With the exception of those elements of the specific documents incorporated by reference into this document as described in Part XIX of this document, which will be made available on Capita's website, the content of the Company's website does not form part of this document.

Capitalised terms have the meanings ascribed to them in Part XX of this document.

Information to Distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("MiFID II"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "MiFID II Product Governance Requirements"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Nil Paid Rights, the Fully Paid Rights and the New Shares have been subject to a product approval process, which has determined that they each are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "Target Market Assessment"). Notwithstanding the Target Market Assessment, Distributors should note that: the price of the Nil Paid Rights, the Fully Paid Rights and/or the New Shares may decline and investors could lose all or part of their investment; the Nil Paid Rights, the Fully Paid Rights and the New Shares offer no guaranteed income and no capital protection; and an investment in the Nil Paid Rights, the Fully Paid Rights and/or the New Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the offer of New Shares. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Banks will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Nil Paid Rights, the Fully Paid Rights and/or the New Shares.

Each distributor is responsible for undertaking its own Target Market Assessment in respect of the Nil Paid Rights, the Fully Paid Rights and/or the New Shares and determining appropriate distribution channels.

WHERE TO FIND HELP

Part VIII of this document answers some of the questions most often asked by shareholders about rights issues. If you have further questions, please call Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

This document is dated 23 April 2018.

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PART I SUMMARY

Summaries are made up of disclosure requirements known as “Elements”. These elements are numbered in Sections A to E (A.1 to E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of “Not applicable”.

Section A—Introductions and warnings		
A.1	Warning	This summary should be read as an introduction to this document. Any decision to invest in the securities should be based on consideration of this document as a whole by the investor. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of a Member State, have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or if it does not provide, when read together with the other parts of this document, key information in order to aid investors when considering whether to invest in the securities.
A.2	Resale or final placement of securities through financial intermediaries	Not applicable. The Company is not engaging any financial intermediaries for any resale of securities or final placement of securities after publication of this document.

Section B—Issuer		
B.1	Legal and commercial name	Capita plc (the “Company” and, together with its subsidiaries and undertakings, “Capita” or the “Group”).
B.2	Domicile/legal form/legislation/country of incorporation	The Company is incorporated in England as a public limited company, limited by shares. Its registered office is situated in England and its registered number is 02081330. The principal legislation under which the Company operates is the Companies Act 2006.
B.3	Current operations/principal activities/principal markets	Capita is a leading provider of technology-enabled business process and customer management services in the United Kingdom. Capita seeks to solve the complex challenges of clients, increasing productivity, enhancing the use of technology and data, improving customer and public services, and adding value to the UK and local economies. Services provided by Capita include business process management, customer services, HR, software, IT and professional services. Capita operates primarily in the United Kingdom, with some international operations. Prior to the implementation of its new strategy, and the establishment of its new organisational structure, Capita managed its business through five market-facing divisions supported by a central team, operating across the private and public sectors.

Section B—Issuer		
B.4a	Most significant recent trends of the Company and its industry	<p>Capita has announced a new strategy which aims to simplify and strengthen the business in order to deliver future success. Capita's objective is to become a more focused and predictable, client-centric company, generating sustainable free cash flow. Capita believes that changes to its operating model under its new strategy will deliver enhanced performance through increased simplification, efficiency, standardisation and focus.</p> <p>Capita recognises that the markets in which it currently operates and client demands are changing. Clients in the business process outsourcing market are offering fewer long-term “mega deals” and more incremental sales on existing contracts, or smaller new contracts in which companies prove their value and grow over time. Clients are increasingly demanding flexible and as-a-service models, rather than one-time contracts. The services they are seeking place less reliance on generalist operational skills and more on the delivery of specialist digital platforms that deliver scale benefit and data insight. There is also an increasingly complex landscape of partners and collaborators across the value chain. Capita needs to continue to evolve its offering to stay ahead of these changing market trends, from simply improving productivity by providing an outsourcing solution to driving value through improving client experience and insight, using innovative digital solutions and analytics.</p> <p>Under its new strategy, Capita is targeting annualised initial cost savings of £175 million by the end of 2020. This includes £70 million which is expected to be realised in the year ending 31 December 2018, which is reflected in Capita's profit guidance. The cost to achieve these savings is expected to be £40 million for the year ending 31 December 2018 and £110 million in total in the following two years. Capita is also targeting double-digit EBIT margins within three years. Capita plans to increase investment in its business to upgrade key infrastructure and create differentiated offerings to drive future growth, and plans to invest a total of up to £500 million over the next three years. As announced on 31 January 2018, Capita intends, as a matter of good corporate responsibility, to reduce the remaining pension deficit in its defined benefit scheme. The current actuarial deficit is supported by an asset backed funding arrangement, the estimated value of which is £69 million, and which is not included in the last disclosed IAS19 deficit of £407 million as at 31 December 2017. The triennial actuarial valuation of the scheme as at 31 March 2017 is due to be completed by 30 June 2018. In addition to Capita's current annual contributions, further contributions totalling £21.5 million were paid in January 2018. Capita is fully committed to addressing the remainder of the deficit in the medium term. The successful implementation of the new strategy is expected to generate at least £200 million of sustainable annual, post-tax free cash flow in 2020 before exceptional and restructuring charges, and additional voluntary pension contributions.</p>
B.5	Group structure	The Company is the parent company of the Group.
B.6	Notifiable interests/ different voting rights/ controlling interests	As at 18 April 2018 (being the latest practicable date prior to the publication of this document), insofar as it is known to the Company by virtue of the notifications made pursuant to the Companies Act and/or Chapter 5 of the Disclosure Guidance and Transparency Rules, the name of each person who, directly or indirectly, has an interest in 3 per cent. or

Section B—Issuer																															
		<p>more of the total voting rights in respect of the Company's issued ordinary share capital, and the amount of such person's holding is as follows:</p> <table> <tr> <th rowspan="2">Name</th><th colspan="2">Shares</th></tr> <tr> <th>Number</th><th>%</th></tr> <tr> <td>Veritas Asset Management LLP⁽¹⁾</td><td>89,035,975</td><td>13.34</td></tr> <tr> <td>Woodford Investment Management LLP</td><td>66,758,754</td><td>10.00</td></tr> <tr> <td>Investec Asset Management Ltd</td><td>63,080,896</td><td>9.45</td></tr> <tr> <td>Invesco Ltd.</td><td>60,574,558</td><td>9.08</td></tr> <tr> <td>BlackRock, Inc.</td><td>44,104,108</td><td>6.61</td></tr> <tr> <td>Veritas Funds PLC</td><td>22,127,050</td><td>3.32</td></tr> <tr> <td>Marathon Asset Management LLP</td><td>21,694,771</td><td>3.25</td></tr> <tr> <td>Vanguard Group</td><td>20,654,592</td><td>3.09</td></tr> </table> <p>Note:</p> <p>(1) This includes the holding of Veritas Funds PLC.</p> <p>So far as the Company is aware, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government or any other natural or legal person, severally or jointly. None of the major Shareholders referred to above has different voting rights from other Shareholders.</p>	Name	Shares		Number	%	Veritas Asset Management LLP ⁽¹⁾	89,035,975	13.34	Woodford Investment Management LLP	66,758,754	10.00	Investec Asset Management Ltd	63,080,896	9.45	Invesco Ltd.	60,574,558	9.08	BlackRock, Inc.	44,104,108	6.61	Veritas Funds PLC	22,127,050	3.32	Marathon Asset Management LLP	21,694,771	3.25	Vanguard Group	20,654,592	3.09
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B.7	Selected historical key financial information	<p>The tables below summarise certain key financial information relating to Capita for the periods indicated. Capita adopted IFRS 15 effective 1 January 2017. Capita has applied IFRS 15 fully retrospectively and has restated its financial results for the year ended 31 December 2016 for the purposes of comparability against its financial results for the year ended 31 December 2017. The financial information in the tables below for the years ended 31 December 2017 and 2016 (on a restated basis) have been extracted without material adjustment from Capita's 2017 Annual Report and Accounts. The financial information in the tables below for the years ended 31 December 2016 (on a reported basis) and 2015 have been extracted without material adjustment from Capita's 2016 Annual Report and Accounts. The financial information for the periods presented has been prepared in accordance with IFRS as issued by the EU.</p>																													

Section B—Issuer

Summary Consolidated Income Statement

	Year ended 31 December			
	2017	2016 Restated ⁽¹⁾ (audited, £ millions)	2016 Reported (audited, £ millions)	2015
Continuing operations:				
Revenue	4,234.6	4,368.6	4,909.2	4,836.9
Cost of sales	(3,182.0)	(3,467.5)	(3,641.9)	(3,491.5)
Gross profit	1,052.6	901.1	1,267.3	1,345.4
Administrative expenses . . .	(1,472.7)	(917.2)	(1,119.0)	(1,138.8)
Operating profit/(loss) . . .	(420.1)	(16.1)	148.3	206.6
Net finance costs	(62.4)	(73.8)	(73.6)	(68.2)
Gain/(loss) on business disposal	(30.6)	(0.1)	0.1	(26.3)
Profit/(loss) before tax . . .	(513.1)	(89.8)	74.8	112.1
Income Tax expense	(14.0)	1.2	(32.5)	(56.5)
Profit/(loss) for the year . .	(527.1)	(88.6)	42.3	55.6

Note:

(1) Restated to reflect the adoption of IFRS 15 and the classification of Capita Asset Services as a discontinued operation.

Summary Consolidated Statement of Financial Position

	As at 31 December			
	2017	2016 Restated ⁽¹⁾ (audited, £ millions)	2016 Reported (audited, £ millions)	2015
Non-current assets	2,603.5	3,998.3	3,646.9	3,507.5
Current assets	1,817.7	2,207.2	2,340.5	1,836.0
Total assets	4,421.2	6,205.5	5,987.4	5,343.5
Current liabilities	2,830.8	3,413.3	2,359.0	2,141.2
Non-current liabilities	2,520.2	3,345.1	3,145.0	2,449.0
Total liabilities	5,351.0	6,758.4	5,504.0	4,590.2
Net assets/(liabilities)	(929.8)	(552.9)	483.4	753.3
Total equity attributable to equity holders of the Company	(999.0)	(621.3)	408.2	679.3
Non-controlling interests	69.2	68.4	75.2	74.0
Total equity/(deficit)	(929.8)	(552.9)	483.4	753.3

Note:

(1) Restated to reflect the adoption of IFRS 15 and the classification of Capita Asset Services as a discontinued operation.

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Summary Consolidated Cash Flow Statement

	Year ended 31 December			
	2017	2016 Restated ⁽¹⁾ (audited, £ millions)	2016 Reported	2015
Net cash from operating activities	158.5	563.2	563.2	501.8
Net cash from investing activities	730.5	(251.2)	(251.2)	(639)
Net cash from financing activities	(979.5)	155.6	155.6	194.5
Cash and cash equivalents at the beginning of year	565.8	85.3	85.3	29.1
Cash and cash equivalents at the end of year	478.4	565.8	565.8	85.3

Note:

(1) Restated to reflect the adoption of IFRS 15 and the classification of Capita Asset Services as a discontinued operation.

The following significant changes in the financial condition and operating results of Capita occurred during the years ended 31 December 2017, 2016 and 2015:

Total revenue for the year ended 31 December 2017 was £4,234.6 million, a decrease of 3.1 per cent. from £4,368.6 million for the year ended 31 December 2016 (on a restated basis). This decrease was largely due to challenging market conditions in a number of sectors negatively impacting demand for Capita's products and services, as well as a loss of revenue from the partial loss of Capita's contract with Civil Service Learning and the disposal of the specialist recruitment business. This was partially offset by the addition of a new contract with mobilcom-debitel in 2017 and improved performance and growth in other key contracts. Total revenue for the year ended 31 December 2016 (on a reported basis) was £4,909.2 million, an increase of 1.5 per cent. from £4,836.9 million for the year ended 31 December 2015. This increase was largely due to a number of contract wins during the year, which was partially offset by loss of revenue as transformation services that Capita had provided to O₂ completed.

Total operating loss for the year ended 31 December 2017 was £420.1 million compared to total operating loss for the year ended 31 December 2016 (on a restated basis) of £16.1 million. This was largely due to a number of impairments recorded during the year, in particular in relation to goodwill and acquired intangible assets, contract assets associated with a life and pensions business, and other non-current assets, which more than offset the increase in underlying operating profit over the year. Total operating profit for the year ended 31 December 2016 (on a reported basis) was £148.3 million, a decrease of 28.2 per cent., compared to £206.6 million for the year ended 31 December 2015. This decrease was largely due to lower profits on a number of contracts as a result of step-downs in pricing by transaction or activity for services provided, cost overruns and penalties. In some divisions, revenue increases were offset by increased costs, resulting in overall lower profitability.

Further to the announcement on 31 January 2018, Capita expects there to be a significant negative impact on underlying profits for 2018 from contract and volume attrition, the non-recurrence of certain specific items that benefitted Capita in 2017, and increases in some cost items. Capita also

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		<p>expects a free cash outflow in 2018, which will be impacted by a number of known restructuring costs presented within underlying results, non-underlying payments and working capital items. Capita expects to spend approximately £300 million in relation to known commitments, including £66 million cash costs in relation to the Connaught settlement, £51 million in relation to the separation of Capita Asset Services (including a pension contribution), £40 million in relation to realising cost savings and efficiencies from the transformation programme it is implementing as part of its strategy, £26 million restructuring costs relating to Capita's previously announced cost reduction plan, contingent and deferred considerations, professional fees in order to create and implement the proposed transformation plan and other items. In addition, Capita expects a £130 million cash outflow from the elimination of cyclical working capital management, and a £130 million cash outflow on continued reduction in deferred income, reflecting the ongoing low level of new business wins.</p> <p>Other than as described above, there has been no significant change in the financial condition or operating results of Capita since 31 December 2017, being the end of the period for which Capita's last audited financial statements were published.</p>
B.8	Unaudited <i>pro forma</i> financial information	<p>Selected key unaudited <i>pro forma</i> financial information is set out below. The unaudited <i>pro forma</i> net assets and liabilities statement of Capita set out below has been prepared on a voluntary basis and for illustrative purposes only in accordance with Annex II to the Prospectus Rules in accordance with Capita's accounting policies and on the basis of the notes set out below to illustrate the impact of the Rights Issue on Capita's net assets and liabilities as at 31 December 2017, as if the Rights Issue had been completed on that date.</p> <p>The unaudited <i>pro forma</i> net assets and liabilities statement of Capita, because of its nature, addresses a hypothetical situation and does not, therefore, represent Capita's actual financial position or results.</p>

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Unaudited *pro forma* net assets and liabilities statement

	Adjustments			
	As at 31 December 2017 ⁽¹⁾ (audited)	Rights Issue ⁽²⁾	Debt Repayment ⁽³⁾ (unaudited) (£ million)	Total ⁽⁴⁾⁽⁵⁾
ASSETS				
Non-current assets				
Property, plant and equipment	219.3	—	—	219.3
Intangible assets	1,812.1	—	—	1,812.1
Contract fulfilment assets	252.5	—	—	252.5
Financial assets	132.3	—	—	132.3
Deferred taxation	159.3	—	—	159.3
Trade and other receivables	28.0	—	—	28.0
	<u>2,603.5</u>	<u>—</u>	<u>—</u>	<u>2,603.5</u>
Current assets				
Financial assets	88.7	—	—	88.7
Disposal group assets held for sale	5.9	—	—	5.9
Trade and other receivables	775.8	—	—	775.8
Cash	921.7	662.0	(150.0)	1,433.7
Income tax receivable	25.6	—	—	25.6
	<u>1,817.7</u>	<u>662.0</u>	<u>(150.0)</u>	<u>2,329.7</u>
Total assets	4,421.2	662.0	(150.0)	4,933.2
LIABILITIES				
Current liabilities				
Trade and other payables	755.2	—	—	755.2
Deferred income	1,201.2	—	—	1,201.2
Overdrafts	443.3	—	—	443.3
Financial liabilities	265.5	—	—	265.5
Disposal group liabilities held for sale	1.4	—	—	1.4
Provisions	164.1	—	—	164.1
	<u>2,830.8</u>	<u>—</u>	<u>—</u>	<u>2,830.8</u>
Non-current liabilities				
Trade and other payables	17.0	—	—	17.0
Deferred income	314.0	—	—	314.0
Financial liabilities	1,721.7	—	(150.0)	1,571.7
Deferred taxation	12.2	—	—	12.2
Provisions	48.5	—	—	48.5
Employee benefits	406.8	—	—	406.8
	<u>2,520.2</u>	<u>—</u>	<u>(150.0)</u>	<u>2,370.2</u>
Total liabilities	5,351.0	—	(150.0)	5,201.0
NET ASSETS/(LIABILITIES)	<u>(929.8)</u>	<u>662.0</u>	<u>—</u>	<u>(267.8)</u>

Notes:

- (1) The information in this column has been extracted without adjustment from Capita's audited consolidated financial statements for the year ended 31 December 2017, which have been incorporated by reference as described in Part XIX of this document.
- (2) Reflects the net proceeds of the Rights Issue of approximately £662.0 million (being gross proceeds of approximately £701.0 million less estimated fees and expenses relating to the Rights Issue of approximately £39.0 million, including VAT).
- (3) Reflects the prepayment of the US Private Placement Notes upon successful completion of the Rights Issue.
- (4) Had the Rights Issue taken place as at the last balance sheet date, being 31 December 2017, Capita's *pro forma* adjusted net debt would have been £557.4 million. This represents £1,219.4 million of adjusted net debt as at 31 December 2017 plus the impact of the £662.0 million net proceeds of the Rights Issue detailed in note 2 above.
- (5) The *pro forma* net assets and liabilities statement has been prepared in a manner consistent with the accounting policies of Capita as at 31 December 2017.

Section B—Issuer		
B.9	Profit forecast and estimate	<p>The Directors have today re-issued guidance that, before the estimated impact of any disposals, their current expectations for the year ending 31 December 2018 are that Underlying Pre-Tax Profits, before significant new contracts, restructuring costs and implementation costs of the strategy, are expected to be between £270 million and £300 million (the “Profit Forecast”).</p> <p>“Underlying Pre-Tax Profits” is defined as profit before tax as calculated under IFRS, adjusted to exclude: (i) amortisation and impairment of intangibles arising on acquisition; (ii) acquisition contingent consideration movement; (iii) the financial impact of business exits or businesses in the process of being exited; (iv) acquisition expenses; (v) movements in the mark-to-market valuation of certain financial instruments; and (vi) certain other specific non-recurring items in the income statement. The Profit Forecast is expressed in terms of Underlying Pre-Tax Profits rather than profit before tax, as the Directors believe this metric is helpful to investors in understanding the business.</p> <p><i>Basis of Preparation</i></p> <p>The Profit Forecast has been properly compiled on the basis of the assumptions stated below and on a basis consistent with the accounting policies of Capita, which are in accordance with IFRS and are those which Capita anticipates will be applicable for the year ending 31 December 2018, subject to the early adoption of standards where the Directors believe this is appropriate.</p> <p>The Directors have prepared the Profit Forecast on the basis of (i) the audited financial statements contained in the 2017 Annual Report and Accounts; (ii) the unaudited management accounts for the two months ended 28 February 2018; (iii) a forecast for the ten months ended 31 December 2018; (iv) no disposals taking place during the year ending 31 December 2018; and (v) completion of the Rights Issue.</p> <p>While the Profit Forecast has been prepared on the assumption that no disposals take place during the year ending 31 December 2018, Capita intends to dispose of a number of businesses that are not core to its future strategy. If any of these proposed disposals were to complete during the year ending 31 December 2018, this would result in an impact on Capita’s profits (as compared with the Profit Forecast) for the year ending 31 December 2018 and, depending on the business being disposed of and the timing of the disposal, such reduction or increase may be material.</p> <p><i>Assumptions</i></p> <p>The Directors have prepared the Profit Forecast on the basis of the following assumptions:</p> <p>Factors outside the influence or control of the Directors</p> <p>During the year ending 31 December 2018:</p> <ul style="list-style-type: none"> • there will be: <ul style="list-style-type: none"> • no change to current prevailing global (in particular, the regions in which Capita operates) macroeconomic and political conditions; • no change in market conditions within the global outsourcing industry in relation to either client demand or competitive environment;

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		<ul style="list-style-type: none"> • no change in the exchange rates compared with the average foreign exchange rates assumed in the Profit Forecast; • no change in inflation, interest or tax rates in Capita's principal markets compared with Capita's budgeted estimates; • no change in Capita's labour costs, including medical and pension and other post-retirement benefits, driven by external parties or regulations; • no adverse event that will have an impact on Capita's financial performance; and • no change in legislation or regulatory requirements that impacts Capita's operations or the accounting principles and standards to which it is subject, <p>which is material in the context of the Profit Forecast;</p> <ul style="list-style-type: none"> • the announcement of the Rights Issue will not result in any change in Capita's obligations to clients or its ability to negotiate new business, resolve contract disputes or retain key management which is material in the context of the Profit Forecast; • no other issue which is material in the context of the Profit Forecast, beyond those issues that are already known to the Directors at the current time, will arise in respect of Capita's contracts; and • there will be no change in control of Capita. <p>Factors within the influence or control of the Directors</p> <p>During the year ending 31 December 2018:</p> <ul style="list-style-type: none"> • Capita's current and new contract negotiations, bids and tenders will conclude substantially as the Directors would reasonably expect based on Capita's past experience; • there will be no deterioration in Capita's relationship with any key clients which is material in the context of the Profit Forecast; • Capita will not carry out any acquisitions or disposals which are material in the context of the Profit Forecast (taking into account any potential related transaction or abortive costs); and • there will be no change in the current key management (including managers of key business units) of Capita.
B.10	Qualifications in the audit reports	<p>Not applicable. There are no qualifications in the auditor's reports on the historical financial information relating to Capita incorporated by reference in this document.</p> <p>However, the audit report on the financial statements for the year ended 31 December 2017 draws attention to a material uncertainty in respect of going concern:</p> <p><i>"We draw your attention to note 2(b) on pages 97 - 98 which indicates that there is a material uncertainty related to the Group and parent Company's ability to continue as a going concern.</i></p> <p><i>The Board's going concern assessment and conclusion includes the anticipated receipts from the rights issue, which is dependent, inter alia, on shareholder approval and the Underwriting Agreement.</i></p>

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		<i>The fact that a shareholder vote is required in order to raise additional cash through a rights issue, and that the Underwriting Agreement is subject to certain specific conditions which, although customary in nature, are outside the control of the Company. These events and conditions give rise to a material uncertainty that may cast significant doubt about the Group's and parent Company's ability to continue as a going concern."</i>
B.11	Insufficient working capital	Not applicable. Capita is of the opinion that, taking into account the net proceeds of the Rights Issue, the working capital available to Capita is sufficient for its present requirements, that is, for at least the next 12 months from the date of publication of this document.

Section C—Securities		
C.1	Type and the class of the securities	<p>Type and class of securities</p> <p>The Rights Issue is being made to all Shareholders on the register of members of the Company at close of business on 4 May 2018 (the "Record Date"). Pursuant to the Rights Issue, the Company is proposing to offer 1,001,032,281 New Shares to Qualifying Shareholders at 70 pence per New Share. Each New Share is expected to be issued at a premium of 67¹⁴/₁₅ pence to its nominal value of 2¹/₁₅ pence.</p> <p>When admitted to trading, the New Shares will be registered with ISIN number GB00B23K0M20.</p> <p>The ISIN for the Nil Paid Rights is GB00BFM6RT85 and the ISIN for the Fully Paid Rights is GB00BFM6RV08.</p>
C.2	Currency of the securities issue	United Kingdom pounds sterling.
C.3	Issued Share Capital	As at 20 April 2018 (being the latest practicable date before the publication of this document), the Company had in issue 670,241,242 Shares of 2 ¹ / ₁₅ pence each (fully paid), of which 2,886,388 Shares were registered as treasury shares retaining no voting rights.
C.4	Rights attaching to the securities	The New Shares will, when issued and fully paid, rank equally in all respects with the Existing Shares, including the right to receive all dividends and other distributions made, paid or declared after the date of the issue of the New Shares.
C.5	Restrictions on transfer of the securities	There are no restrictions on the free transferability of the Existing Shares or the New Shares.
C.6	Admission	Application will be made to the FCA and to the London Stock Exchange for the New Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, respectively. It is expected that Admission will become effective on 10 May 2018 and that dealings on the London Stock Exchange in New Shares (nil paid) will commence as soon as practicable after 8.00 a.m. on that date.
C.7	Dividend policy	The Board has decided to suspend dividend payments until the Company is generating sustainable free cash flow.

Section D—Risks		
D.1	Key information on the key risks that are specific to the Company or its industry	<ul style="list-style-type: none"> Capita has material credit facilities and indebtedness that contain various covenants that are tested semi-annually. In connection with the Rights Issue and the preparation of Capita's audited financial statements for the year ended 31 December 2017, the Board considered and approved its "base case" five-year financial forecasts, which are based on a current assessment of business prospects over the period, with an initial view over cost efficiencies identified to date. If Capita's results over the relevant period were to be in line with these base case forecasts, it would not be in breach of the financial covenants contained in its financing documents at any point within the 12-month period covered by the working capital statement, even if the Rights Issue does not proceed. If Capita's results were to fall short of these base case forecasts but instead were to reflect what the Board considers to be a reasonable downside scenario, and the Rights Issue were to proceed, Capita would still not be in breach of these financial covenants at any point within the 12-month period covered by the working capital statement. If, however, this reasonable downside scenario were to occur and the Rights Issue were not to proceed, and no other mitigating actions were to be taken by Capita, it would be in breach of the covenant in relation to its net debt ratio under its US private placement notes in respect of the next covenant testing date, being 30 June 2018. In this circumstance, Shareholders are at risk of losing all or a substantial amount of their investment. Certain of Capita's contracts contain provisions that require Capita to maintain required levels of financial stability, such as leverage ratios which are similar to, but less stringent than, those contained in Capita's debt financing agreements. Capita's inability to comply with these provisions could have contractual consequences that may range from changes in its fee structure to granting clients the right to early contract termination. Further, clients may require additional assurances as to Capita's financial stability and it may be placed at a competitive disadvantage when bidding for, or may even be excluded from, certain tenders for new or renewed contracts. Capita is subject to risks associated with bidding for and entering into multi-year and/or fixed-price contracts, including assessing and agreeing pricing terms that provide for a level of return appropriate for the contract and accurately predicting the costs associated with the contract, some of which are outside Capita's control. Failure to accurately predict the costs or revenue or identify or quantify all the risks associated with its contracts, the complexity of the services provided or the costs of terminating such contracts may result in lower than expected margins or losses under these contracts or the loss of clients. A significant number of Capita's contracts, including renewals and extensions of existing contracts, are awarded through formal competitive bidding processes. Failure to realise bid opportunities and to secure new contracts and contract renewals can involve significant wasted costs, missed opportunities for growth and loss of revenue and profit. Bidding for large and complex contracts is time-consuming, taking months or even years. Unsuccessful major bids or retenders could involve significant unrecovered bid costs and may affect the financial performance of Capita. The inability to secure a major new contract could represent a significant missed opportunity for growth, and failure to renew existing contracts could lead to loss of existing revenue and profit streams.

Section D—Risks

- Capita is subject to the risk of early termination of its contracts by clients. The majority of Capita’s contracts are for a fixed term. In some cases, these contracts may contain termination clauses permitting clients to cancel the contract at their discretion following the expiration of an agreed notice period. Clients may also terminate a contract early for breach of contract, including if it is determined that Capita is in “financial distress” under the terms of the contract. Early termination of a contract without compensation could result in lower than expected margins or losses under these contracts, which could have a material adverse effect on Capita’s business, results of operations and financial condition.
- Capita cannot guarantee that it will subsequently recognise as revenue the amounts that it anticipates from its order book due to a number of factors, including unforeseeable factors. In addition, a significant portion of Capita’s contracts are for services that it expects to perform over the course of multiple financial years. The ultimate scope, value and timing of performance of such services is often uncertain and may become subject to change thereafter.
- Capita’s success and results of operation are dependent, amongst other things, on the strength of its reputation. Capita may be vulnerable to adverse market perception, which could have a negative impact on its business. There may also be significant political or public scrutiny and/or controversy arising from the outsourcing of politically or socially sensitive services, and the increased use of social media in recent years has heightened this risk.
- As a provider of goods and services to central government and local authorities, other public sector bodies and agencies, and utilities, Capita is subject to public procurement regulations. These may increase Capita’s bidding, performance and compliance costs, even in respect of contracts which it fails to win.
- A substantial part of Capita’s business is derived from public sector clients. Capita’s clients may be affected by financial, budgetary, regulatory or political constraints or governmental policies which could have a significant impact on the size, scope, type, timing and duration of contracts and orders placed by them and, therefore, on the level of business which Capita will derive from such clients. Capita is also subject to risks and uncertainties associated with periodic changes in local and central governments following elections.
- Capita operates in competitive markets. Current and prospective clients evaluate Capita against the merits of its competitors. In addition, as a provider of goods and services to central government, local authorities and other public sector entities, Capita’s ability to compete for contracts may be influenced by government policies designed to promote greater diversity and/or new entrants to the market. If Capita is unable to continue to compete successfully against current or future competitors, it may experience declines in revenue and market share, which could have a material adverse effect on Capita’s business, results of operations and financial condition.
- Capita’s financial performance and future prospects depend significantly on its ability to successfully implement its multi-year transformation programme and revised strategy. In the event that Capita is unable to achieve the anticipated benefits of its new strategy, this could have a material adverse effect on its growth prospects and future profitability.

Section D—Risks		
		<ul style="list-style-type: none"> Capita relies on third parties for various aspects of its operations, including IT software and services. If these third parties fail to perform their obligations in a timely manner or at satisfactory quality and cost levels, Capita may fail to deliver on contracts successfully, and its reputation could suffer and its costs could increase. The ability of these third parties to perform may be largely outside Capita's control. Capita's operations and competitive position are dependent on the procurement, development and implementation of proprietary digital solutions. Capita may not be successful in anticipating, managing or adopting technological changes on a timely basis, which could reduce profitability or disrupt operations, and could negatively impact its ability to win new contracts and meet client expectations. IT, automation and digital technologies are evolving rapidly and are characterised by short product life cycles, and Capita's future growth may require significant additional investment in these systems. Capita's operations are dependent upon its internal IT infrastructure, as well as IT infrastructure maintained on behalf of clients. Failure of IT infrastructure, whether intentional or accidental, will be costly to repair, may result in the loss of sensitive internal and customer data held by them and may result in an interruption to Capita's operations, which could have a material adverse effect on its business, results of operations and financial condition. In addition, failure to comply with the EU General Data Protection Regulation and other data privacy laws and regulations may result in fines, penalties, claims and reputational damage. Capita's future success is dependent on its ability to attract and retain key management and suitably qualified people to execute its projects. The continuing success of Capita depends on its ability to retain qualified and experienced management and plan for management succession.
D.3	Key information on the key risks that are specific to the securities	<ul style="list-style-type: none"> The price of the Shares may fluctuate and the Company's decision to suspend the dividend until it generates sustainable free cash flow may affect the value of and market for the Shares and could significantly affect the value of a Shareholder's investment. A trading market for the New Shares, the Nil Paid Rights or the Fully Paid Rights may not develop. Shareholders who do not (or are not permitted to) take up their Nil Paid Rights or otherwise acquire New Shares may not receive compensation for their Nil Paid Rights and may be subject to a dilution of ownership of their Shares upon the issue of the New Shares. Shareholders located outside the United Kingdom may not be able to subscribe for New Shares in the Rights Issue.

Section E—Offer		
E.1	Net proceeds and costs	The net proceeds of the Rights Issue (assuming take-up in full of all New Shares) are expected to be approximately £662 million (net of estimated expenses). The total costs, charges and expenses payable by the Company in connection with the Rights Issue are estimated to be approximately £39 million (including VAT). No expenses will be charged by the Company to subscribers of the New Shares.
E.2	Reasons for the Rights Issue/use of the proceeds	<p>The Rights Issue will enable Capita to execute its new strategy and deliver its stated targets, including the cost reduction programme and the investment programme which is expected to, <i>inter alia</i>, result in the generation of at least £200 million of sustainable annual, post-tax free cash flow in 2020 before exceptional and restructuring charges, and the reduction of leverage.</p> <p>The net proceeds of £662 million from the Rights Issue will provide £220 million to fund Capita's transformation programme, which includes £150 million of cost to achieve an annualised cost competitiveness saving of £175 million; and £150 million for an agreed pre-payment of £150 million of US Private Placement Notes, plus an estimated make-whole payment of £7 million. The balance of proceeds will be used to support Capita's investment programme.</p>
E.3	Terms and conditions of the Rights Issue	<p>Pursuant to the Rights Issue, the Company is proposing to offer 1,001,032,281 New Shares to Qualifying Shareholders. The offer is to be made at 70 pence per New Share, payable in full on acceptance by no later than 11.00 a.m. on 24 May 2018. The Rights Issue is expected to raise gross proceeds of approximately £701 million. The Issue Price represents a 33.9 per cent. discount to the theoretical ex-rights price based on the closing middle-market price of 159.8 pence per Share on 20 April 2018 (being the last Business Day before the announcement of the terms of the Rights Issue).</p> <p>The Rights Issue will be made on the basis of:</p> <p>3 New Shares at 70 pence per New Share for every 2 Existing Shares held by Qualifying Shareholders at the Record Date.</p> <p>Entitlements to New Shares will be rounded down to the nearest whole number and fractional entitlements will not be allotted to Shareholders but will be aggregated and issued into the market for the benefit of the Company. Holdings of Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.</p> <p>The Rights Issue is fully underwritten by the Banks pursuant and subject to the principal terms of the Underwriting Agreement.</p> <p>The Rights Issue will result in 1,001,032,281 New Shares being issued (representing approximately 149.4 per cent. of the existing issued share capital and 59.9 per cent. of the enlarged issued share capital immediately following completion of the Rights Issue, assuming that no Shares are issued to satisfy the vesting of awards or the exercise of options under the Employee Share Plans between the date of this document and Admission becoming effective).</p>
		<p>The Rights Issue is conditional, <i>inter alia</i>, upon:</p> <ul style="list-style-type: none"> the Underwriting Agreement having become unconditional in all respects save for the condition relating to Admission;

Section E—Offer		
		<ul style="list-style-type: none"> Admission becoming effective by not later than 8.00 a.m. on 10 May 2018 (or such later time and date as the Banks and the Company may agree); and the passing, without material amendment, of the Resolutions. <p>Resolutions authorising the allotment of the New Shares and the waiver of pre-emption rights in connection with the Rights Issue are proposed to the Shareholders for approval at the General Meeting. These authorities, if passed, will be relied upon for the purposes of the Rights Issue.</p> <p>The New Shares, when issued and fully paid, will rank <i>pari passu</i> in all respects with the Existing Shares, including the right to receive dividends or distributions made, paid or declared after the date of issue of the New Shares. Application will be made to the FCA and to the London Stock Exchange for the New Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, respectively. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Shares (nil paid) will commence at 8.00 a.m. on 10 May 2018.</p>
E.4	Material Interests	Not applicable. There are no interests, including conflicting interests, which are material to the Rights Issue, other than those disclosed in Section B.6 above.
E.5	Selling Shareholder	Not applicable. The Rights Issue comprises an offer of New Shares to be issued by the Company.
E.6	Dilution	Qualifying Shareholders who do not take up their entitlements to New Shares will have their proportionate shareholdings in the Company diluted by approximately 59.9 per cent. as a consequence of the Rights Issue.
E.7	Estimated expenses charged to the investor	Qualifying Shareholders will not be charged expenses by the Company in respect of the Rights Issue, except in the following circumstance. Any Qualifying Non-CREST Shareholder who is an individual whose registered address is in the United Kingdom or in any other jurisdiction in the EEA may elect to sell all of their Nil Paid Rights, or effect a Cashless Take-up, using the Special Dealing Service. Link Asset Services will charge a commission of 1.5 per cent. of the gross proceeds of sale of the Nil Paid Rights which are the subject of the sale, subject to a minimum of £30.00 per holding.

PART II RISK FACTORS

Any investment in the Company and the New Shares carries a number of risks. Prospective investors should review this document carefully and in its entirety (together with any documents incorporated by reference in it) and consult with their professional advisers before acquiring any New Shares. You should carefully consider the risks and uncertainties described below, together with all other information in this document and the information incorporated into this document by reference, before making any investment decision.

A number of factors affect the operating results, financial condition and prospects of the Company and/or Capita. This section describes risk factors considered by the Directors to be material to the Company and/or Capita as a whole. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties that are not presently known to the Directors, or which they currently deem immaterial, may also have an adverse effect on the Company's operating results, financial condition or prospects. If any such risks were to materialise, the price of Shares could decline as a consequence and investors could lose all or part of their investment.

Risks related to Capita's debt

Capita has material credit facilities and indebtedness that contain various covenants which may limit its financial and operational flexibility and, if not complied with, could require accelerated repayment

Capita has a number of debt financing arrangements, namely the Debt Facility Agreement, the Revolving Credit Facility and the Private Placement Notes, which provide for certain financial covenants to which Capita is subject. Under the US Private Placement Notes, which contain financial covenants that are more restrictive than those contained in the Debt Facility Agreement and the Revolving Credit Facility, Capita is subject to the following provisions:

- Capita's ratio of adjusted net debt to adjusted EBITDA (the "Net Debt Ratio") must not exceed 3.0x; and
- Capita must maintain a leverage ratio of adjusted EBITA to borrowing costs (the "Net Finance Cost Ratio") of not less than 4.0x.

These financial covenants are tested semi-annually, on 30 June and 31 December. As at 31 December 2017, Capita's net debt was £1,117 million, its Net Debt Ratio was 2.27x and its Net Finance Cost Ratio was 8.6x.

In connection with the Rights Issue and the preparation of Capita's audited financial statements for the year ended 31 December 2017, the Board considered and approved its "base case" five-year financial forecasts, which are based on a current assessment of business prospects over the period, with an initial view over cost efficiencies identified to date.

If Capita's results over the relevant period were to be in line with these base case forecasts, it would not be in breach of the financial covenants contained in its financing documents at any point within the 12-month period covered by the working capital statement set out in Part XVIII of this document, even if the Rights Issue does not proceed. In addition, if Capita's results were to fall short of these base case forecasts but instead were to reflect what the Board considers to be a reasonable downside scenario, and the Rights Issue were to proceed, Capita would still not be in breach of these financial covenants at any point within the 12-month period covered by the working capital statement. If, however, this reasonable downside scenario were to occur and the Rights Issue were not to proceed, and no other mitigating actions were to be taken by Capita, it would be in breach of the covenant in relation to its Net Debt Ratio under the US Private Placement Notes in respect of the next covenant testing date, being 30 June 2018.

In preparing the financial statements on the going concern basis, the Board is required to take into account the reasonable downside scenario in assessing Capita's ability to continue as a going concern and, accordingly, the proceeds of the Rights Issue are required to support the going concern basis of preparation. As a result, the independent auditor's report for the 2017 Annual Report and Accounts draws attention to a material uncertainty which casts significant doubt about Capita's ability to continue as a going concern, given that a shareholder vote is required in order for the Rights Issue to proceed and that the Underwriting Agreement is subject to certain specific conditions which, although customary in nature, are outside the control of Capita.

If the Rights Issue does not proceed, and Capita were to anticipate that a covenant breach was likely to occur, it expects that it would seek to secure a waiver or amendment of the financial covenants for future covenant testing dates from noteholders under the US Private Placement Notes. Such amendments and waivers would likely require Capita to incur additional costs (including amendment fees, increased interest payments or additional restrictions on its business).

If Capita were unable to obtain such amendments and waivers, or take other action to avoid a breach of its financial covenants when tested (such as ceasing discretionary spending, delaying certain payments and/or accelerating cash receipts), noteholders would have the right to demand the accelerated payment in full of the relevant amounts (principal and other items) outstanding at the time of the breach and/or a cross-default in relation to Capita's other financing arrangements (such as the Revolving Credit Facility) may occur. In such case, Capita's noteholders would be entitled to make such a payment demand at any time after the 10-day grace period following an event of default under the US Private Placement Notes, at which time a cross-default in relation to Capita's other debt financing arrangements would occur. If such a repayment demand were to be made and a cross-default were to occur, Capita would not be able to draw under its Revolving Credit Facility or other debt financing arrangements, and does not expect that it would have access to funds immediately available to repay such amounts at that time. In this circumstance, Capita may take alternative measures, including a disposal of assets, seeking to secure other forms of funding (such as through a new equity restructuring either with private capital investors or by a conversion by Capita's lenders of existing debt into equity) or seeking to re-engage with noteholders to obtain an amendment or waiver. However, there is no guarantee that the aforementioned actions would succeed and, as a result, Shareholders would then be at risk of losing all or a substantial amount of their investment.

Even following the successful completion of the Rights Issue, Capita's ability to comply with the financial covenants in any of its debt financing arrangements in the long term (outside the 12-month period covered by the working capital statement set out in Part XVIII of this document), may be affected by events beyond its control, including general economic, financial and industry-related factors and conditions. Any of the above factors could have a material adverse effect on Capita's business, results of operations and financial condition.

Risks related to Capita's contracts

Failure to maintain required levels of financial stability may have a material adverse effect on Capita's business

Certain of Capita's contracts contain provisions that require Capita to maintain required levels of financial stability, such as leverage ratios which are similar to, but less stringent than, those contained in Capita's debt financing agreements. Capita may also be required to provide parent company guarantees to certain clients. In the event of a default, the guarantor entity will be required to satisfy the remaining liability and any additional costs. Capita's inability to comply with these provisions could have contractual consequences that may range from changes in its fee structure to granting clients the right to early contract termination. If Capita is not able to meet the financial covenants or other measures of financial stability required under its contracts, clients may require additional assurances as to Capita's financial stability and it may be placed at a competitive disadvantage or may not be considered when bidding for certain tenders for new contracts, and clients may choose not to renew existing contracts. Capita may enter into contracts with similar financial stability provisions in the future, and Capita's failure to comply with such provisions could have a material adverse effect on Capita's business, results of operation and financial condition.

Capita is subject to risks associated with bidding for and entering into multi-year and/or fixed-price contracts

The profitability of Capita's contracts depends, amongst other things, upon its ability to price contracts at a level that is competitive with other companies, while also taking into consideration various factors that impact the margins that Capita seeks to achieve on these contracts, some of which are outside Capita's control. This involves correctly assessing and agreeing pricing terms that provide for a fixed level of return on the contract, accurately anticipating the costs of performance (including, in particular, people and IT costs), anticipating the correct volume levels for the service in question, gauging employee and technology requirements and other obligations, evaluating contractual and operational risks, and the likelihood of change of scope by clients. Failure to do so may, in the absence of a contractual mechanism enabling recovery of such costs, expose Capita to, and require it to bear the risk of, cost overruns.

Upon entry into a long-term contract, Capita must also successfully manage both day-to-day and long-term operations in order to generate the targeted profit on these contracts, including adequately managing project costs. Capita may also be required to incur significant upfront costs to begin work on a new contract, which may be higher than originally contemplated and which Capita may be unable to recover. As a result, these contracts may be loss-making during their initial term.

For the year ended 31 December 2017, 70 per cent. of Capita's underlying revenue was derived from long-term contracts (defined as contracts of over two years). Bidding for long-term contracts typically requires

management to make judgements on, amongst other things, contract requirements, likely future revenue and costs incurred by Capita. Many factors may influence management's judgements, some of which will be unknowable at the time of bidding for and entering into the contract. For example, Capita may underestimate wages and other significant costs that may be subject to inflation or change in law, or overestimate volume or demand. As work under these contracts progresses, Capita may need to reduce costs in order to maintain profitability and margins at acceptable levels. Moreover, contracts may include provisions that prohibit Capita from relying on the information provided by a client in the tender, which would limit the remedies available to Capita to claim relief from the performance of contract obligations or recover any additional costs incurred if such information were to prove to be incorrect. Therefore, even where the bid assumptions prove to be materially different from the outcome, or where information provided by a client is incorrect or incomplete, Capita may be required to continue to deliver services under the contract. Such changes in costs or revenue may result in contracts being loss-making for a period of time, until Capita is able to either agree new contract terms to accommodate for the change in scope or take other actions to compensate for the increased costs and/or decreased revenue. In addition, many of Capita's contracts limit its ability to terminate the contract, for example permitting termination by Capita only in instances of fundamental breach or non-payment by the client. A contract that remains loss-making for longer than expected or which becomes loss-making for a prolonged period may negatively impact Capita's results of operations and profitability. Contracts that are profitable but may require Capita to recognise a cash outflow under IFRS 15, such as contracts in the life and pensions sector, may also negatively impact Capita's results of operations. Capita may seek to amend the terms of these contracts, however, that may not be possible. As an alternative, Capita may seek to terminate these contracts or to sell these contracts under a non-recourse factoring facility, although the costs of doing so may make these options unattractive. In addition, some loss-making contracts may have an evergreen feature, which means a client can renew them automatically, thereby extending the time during which Capita would need to provide services under a loss-making contract. As part of its work to improve the execution of its contracts under its new strategy, Capita intends to implement processes to monitor such costs and changes, enabling it to deliver more predictable performance over the life of the contract. However, there can be no assurance that such processes will be successful in mitigating the risk of inherently complex contracts.

Contracts may also include performance-related measures for services, with related penalties to be paid by Capita for non-performance or under-performance, which can severely impact the profitability of a contract. For example, the Company encountered delays on the implementation of the new IT system on the Transport for London ("TfL") congestion charge contract. As a result of the delays, costs of £25 million, including penalties for delays, were incurred in 2016, and has experienced significant cost overruns and delays on certain other key contracts, such as its contract with The Co-operative Bank and Capita's contract with NHS England for the delivery of primary care support services (the "PCSE contract"). In the case of contracts to replace in-house services or existing service providers, the contract may involve the transfer of existing employees to Capita and the integration of such employees into Capita's workforce and, in some circumstances, the requirement to change those employees' terms and conditions under their employment contracts. Some sectors in which Capita operates, such as central government and customer management, are intensely price competitive, and small increases in costs or decreases in revenue relative to the assumptions in the bid may materially impact the profitability of these contracts. Capita may be exposed to unforeseen changes in the scope, pricing or volumes of existing contracts that may occur as a result of changes in the general business or political landscape of its clients, or as a result of changes in end-customer behaviour, such as innovations in technology.

Capita may not be able to accurately predict the costs or revenue, or identify or quantify all the risks associated with its contracts, the complexity of the services provided, or the costs of terminating such contracts, which may result in lower than expected margins or losses under these contracts or the loss of clients, which could have a material adverse effect on Capita's business, results of operations and financial condition.

Failure to realise bid opportunities and to secure new contracts and contract renewals can involve significant wasted costs, missed opportunities for growth and loss of revenue and profit

A significant number of Capita's contracts, including renewals and extensions of existing contracts, are awarded through formal competitive bidding processes. The realisation of opportunities for new bids and tenders for existing contracts can involve a lengthy and costly bidding process, particularly for public sector clients. Win rates assess how many of these opportunities are realised and converted into profitable business. Also, by their nature, large, longer-term contracts are irregular and relatively infrequent in coming to market. In recent years, there have been fewer of these types of contract opportunities and, as Capita's clients have delayed decision-making in relation to contracting for services, there has been a general decline in opportunities.

Bidding for large and complex contracts is time-consuming, taking months or even years. In addition, there may be a long period between a successful tender and entering into definitive contractual documentation and the commencement of work on a contract, during which period the contract parameters may not be re-evaluated. Moreover, Capita will face competition in the bidding process from existing competitors or new market entrants, and may experience additional expense, delay or loss of awarded contracts if its competitors protest or challenge awards of contracts to Capita. If Capita fails to realise these opportunities, particularly having invested time and money in the bidding process, it could negatively impact Capita's business, results of operations and financial condition.

Unsuccessful major bids or retenders could involve significant unrecovered bid costs and may affect the financial performance of Capita. The inability to secure a major new contract could represent a significant missed opportunity for growth, and failure to renew existing contracts could lead to loss of significant existing revenue and profit streams. One of Capita's top 20 contracts by revenue for the year ended 31 December 2017 is due for renewal in 2019 and another is due in 2020, and there is no assurance that this contract will be renewed. Furthermore, Capita expects there to be continued contract and volume attrition in 2018, particularly in relation to private sector and IT services contracts, for a variety of reasons. This includes natural volume attrition, such as in the closed book life and pensions sector; contract attrition as contracts reach their expiry date or as a result of early termination; and changes in scope, such as the agreement to terminate the licence for the provision of mortgage administration software with The Co-operative Bank. There can be no assurance that Capita will be able to successfully retender for contracts as existing contracts come up for renewal, whether on equally attractive terms or at all. Clients, such as British Airways, have also recently deferred expected decisions on contracts for major projects for a variety of reasons, including market conditions, which has negatively impacted Capita's business. If Capita were unable to win new bids for contracts with clients or if its reputation or relationship with clients were impaired, there can be no assurance that it will be able to replace its order book with contracts of similar magnitude or with similar terms. Failure by Capita to replace key contracts and/or clients on equivalent terms or at all could have a negative impact on its business, results of operations and financial condition.

Capita is subject to the risk of early termination of its contracts by clients

The majority of Capita's contracts are for a fixed term. In some cases, these contracts may contain termination clauses permitting clients to cancel the contract at their discretion following the expiration of an agreed notice period. Clients may also terminate a contract early for breach of contract, including if it is determined that Capita is in "financial distress" under the terms of the contract.

There can be no assurance that clients will not exercise their rights to terminate their contracts prior to expiration, and Capita may be unsuccessful in securing new contracts with clients as such contracts expire, or in mitigating risks arising from such termination. For example, Prudential recently exercised its early termination right, electing to end its contract with Capita effective July 2018, four years earlier than the original expiration date, in order to enter into a contract with another outsourcing provider that included additional IT services that Prudential felt were key to achieving its strategy. Early termination of a contract without compensation could result in lower than expected margins or losses under these contracts, which could have a material adverse effect on Capita's business, results of operations and financial condition.

Capita is subject to additional risks as a result of the complex nature of some of its contracts

Capita manages a large number of highly complex major contracts and, as a result, unforeseen risks may materialise. Capita's financial and operating performance depends on identifying key issues and risks with respect to these projects and ensuring that the contractual arrangements adequately safeguard it against, or compensate it for, such risks. Capita's most significant contracts are long-term, and it must adapt to changes that occur over the life of such contracts. Unanticipated changes may result in a failure to fully realise contract benefits, lower than expected profitability, unexpected costs to deliver services or failure to perform in line with client expectations. For example, in 2017 Capita reached a resolution regarding its contract with The Co-operative Bank in which it agreed to continue providing mortgage administration services and certain related services for the bank and its clients, but would end the IT system transformation. This resulted in a charge of £18.4 million on Capita's income statement for the year ended 31 December 2017, arising out of a write-off of an IT technology solution designed for the contract. Capita may also be required under its contracts to fund the cost of adapting to, and complying with, regulatory changes.

In addition, contracts that are transactional in nature may not have guaranteed volume requirements and, therefore, Capita's revenue and costs can be impacted by fluctuations in volumes. Any failure to meet volume requirements or other service level targets could result in a loss of revenue, in reputational damage or in a

client exercising any number of remedies to which it may be entitled under the contract, including the right to terminate the contract or impose specific performance obligations, claim service credits or compel Capita to reimburse the client for the cost of remedial services. This could have a material adverse effect on Capita's business, results of operations and financial condition.

As a provider of services to central government, local authorities, other public sector bodies and agencies, and utilities, Capita is subject to procurement rules and regulations and procurement delays

For the year ended 31 December 2017, 46 per cent. of Capita's revenue was derived from services relating to all public sector bodies. As a provider of goods and services to central government, local authorities, other public sector bodies and agencies, and utilities, Capita must comply with specific public procurement regulations and other requirements, which are complex, subject to interpretation and can change from time to time. Compliance with these requirements, although mandatory when entering into certain contracts with public sector bodies and utilities, may increase Capita's bidding, performance and compliance costs, even on contracts which it fails to win. If procurement requirements or "eligibility to bid" criteria change, Capita's eligibility to bid for such contracts may be affected or the costs of bidding for or complying with such contracts could increase and have a negative effect on Capita's financial condition and results of operations.

Failure to comply with procurement rules and regulations could result in a reduction in the number or value of contracts awarded to Capita, exclusion from future tenders or retenders, or contract modifications or terminations. Failure to comply with these procurement rules and regulations could contribute to Capita being unable to contract with the public sector body or utility concerned either at all or for a period of time, and could negatively impact its reputation and ability to win work in the future.

In addition, public sector projects may require relevant approvals from central government ministers, senior civil servants, central government departments or other public sector entities. It is possible that, due to difficulties obtaining such approvals, certain significant projects may be delayed before the procurement process has started, during the tender stage, or during the period between being appointed as the preferred bidder and execution of final contracts. Delays in awarding public contracts may also arise from challenges to the award of the contracts by competitors. These matters are beyond Capita's control and any resulting delays could have a material adverse effect on Capita's business, financial condition and results of operations.

Capita cannot guarantee that it will subsequently recognise as revenue the amounts that it anticipates from its order book

As at 31 December 2017, Capita's order book, which represents the revenue which Capita will recognise from clients when it satisfies the remaining performance obligations in its contracts, had a total aggregate value of £8.2 billion. There can be no assurance that Capita will be able to realise the anticipated value of any individual contract in its order book as future revenue or recover the upfront cash outflow necessary prior to the commencement of a new contract. Capita may fail to recognise some or all of the related revenue or cash for a number of reasons, including:

- changes in the volume of demand or costs for goods and services (including Capita's anticipated staff costs) under the contract;
- failure to mobilise internal or third-party resources in the delivery of contracts;
- failure to deliver contracted services as agreed or at all;
- breach of contract by Capita;
- breach of contract by a client;
- governmental restrictions, including changes in law, policies, budgets and priorities, revocations of required governmental approvals and nationalisation of services, which occur after the date at which Capita calculates the value of its order book, or are imposed before such date without Capita's knowledge; and
- cancellation or termination of contracts on grounds of force majeure or for convenience, or the occurrence of any condition subsequent that results in cancellation or termination of a contract, after the date at which Capita calculates its order book.

In addition, a significant portion of Capita's contracts are for services that it expects to perform over the course of multiple financial years. The ultimate scope, value and timing of performance of such services is often

uncertain and may become subject to change. Therefore, management's expectations of revenue generation may not be a meaningful indicator of the related revenue in any given accounting period.

A portion of Capita's contracts are transactional in nature and are therefore not considered part of its contracted order book. These contracts do not typically have guaranteed volume requirements and, as a result, the revenue derived from these contracts may fluctuate and there is no guarantee that anticipated revenues will be received.

Capita's contracts may contain unfavourable provisions

Capita's contracts with central government, local authorities, public sector bodies and agencies or commercial clients with significant bargaining power may contain provisions that give such clients contractual rights and remedies, some of which may be unusual in typical commercial contracts, and which can be onerous for Capita. These provisions may sometimes include very high or uncapped liabilities (whether as a result of market practice or by operation of law), uncapped or potentially onerous volume provisions or key performance indicators, onerous remediation or maintenance costs, provisions with respect to liquidated damages, and provisions which provide clients with the right to take over the assets and/or the management of a contract. Certain contracts also allow clients to claim extensive costs in the event of termination and to terminate contracts at will (without cause), in whole or in part, without notice or after short notice periods. If Capita fails to meet any of the onerous obligations in its contracts, it would be likely to be subject to claims for significant damages, which could have a material adverse effect on its business, results of operations and financial condition.

Risk related to Capita's reputation

Damage to Capita's reputation or negative publicity could have a material adverse effect on Capita's business, results of operation and financial condition

Capita's business is dependent upon its ability to retain and develop long-term relationships with clients, which is in large part reliant on its reputation. Capita may be vulnerable to adverse market perception because it operates in sectors where integrity and client trust and confidence are particularly important. There has in recent years been significant public scrutiny and/or controversy arising from the outsourcing of politically or socially sensitive services, and the increased use of social media has heightened this risk.

Capita's reputation may suffer harm as a result of the actions of others that provide services in the same or similar sectors. For example, Capita's reputation may be affected by the negative publicity created by the compulsory liquidation of UK construction services company, Carillion, in January 2018. Capita may also attract attention from time to time where misconduct has been alleged and/or where claims have been made about operational performance. In the last five years, there has been a degree of negative publicity in relation to certain of Capita's public sector contracts and public sector contracts more generally, which has been focused on client policies and how such policies have been implemented, rather than company-specific operational issues. Actual or perceived defects in Capita's performance under any of its contracts could be used as evidence of the inappropriateness of outsourcing in general or to Capita specifically, which could have a negative impact on its business.

Capita's reputation may also be impacted by its failure to deliver contracts to the standards expected by its clients, which may lead to clients turning to Capita's competitors for tenders of new contracts or retenders of existing contracts or, in some cases, to seek to terminate contracts with Capita prior to their expiration.

Damage to Capita's reputation, whether as a result of actual or perceived issues with Capita's performance or otherwise, has the potential to severely impact its ability to bid on or retender for contracts and win or retain business streams, and therefore could have a material adverse effect on its business, financial condition and results of operations.

Capita's business could be adversely affected by a negative client audit or investigation by government entities, agencies or regulators

Capita may, in the ordinary course of business, directly or indirectly through its public sector and regulated clients, be subject to client audit and investigation by government bodies, agencies or regulators. For example, the BBC was subject to audit by the National Audit Office in 2017, which resulted in a degree of negative publicity because of Capita's role as a provider of TV licence collection services. Capita expects that certain of Capita's other contracts, including its contract with NHS England in relation to the PCSE contract, will be subject to audit during 2018. Depending on the type of audit or investigation, these entities and regulators may review Capita's performance under its contracts, cost structure and compliance with applicable laws,

regulations and standards. Such entities and regulators may also review the adequacy of, and compliance with, Capita's internal control systems and policies. If an audit uncovers inadequate internal control systems and policies, improper allocation of costs to a specific contract, or any improper or illegal activities, Capita may be subject to enhanced scrutiny, may be unable to obtain reimbursement for costs that have been deemed improperly allocated (or may be required to refund such amounts if already paid), or may have civil and criminal penalties and administrative sanctions imposed upon it, including termination of contracts, forfeitures of profits, suspension of payments, contractual penalties or other payments, fines and suspension or prohibition on doing business with the relevant central government or local authorities. In addition, Capita could suffer reputational harm if allegations of impropriety were made against it. Accordingly, any such negative audit or investigation could materially affect Capita's competitive position, financial condition and results of operations.

Risks related to the markets in which Capita operates

General economic conditions could adversely affect Capita's financial performance and other aspects of its business

Capita may be affected by general economic factors outside its control, including political, financial and economic factors. These include inflation, business and government spending and potential economic deterioration. Worsening of these conditions may negatively impact the number of contracts available for bid in the sectors in which Capita operates. In particular, the adverse changes in global economic conditions and uncertainty arising from such changes could reduce access to capital or credit for clients, increase the cost of debt and limit the ability of clients to manage interest rate risks. These factors, combined with adverse changes in government policies, could negatively impact the degree to which Capita's clients, particularly public sector clients, contract for new business. Changes in general economic conditions may also result in higher operating costs, increased costs of debt and increased costs associated with retaining and recruiting key management and skilled employees.

Capita derives substantially all of its revenue from clients based in the United Kingdom. On 23 June 2016, the United Kingdom held a referendum in which British citizens approved an exit from the European Union, commonly referred to as "Brexit". Capita faces risks associated with Brexit. For example, because a significant proportion of the regulatory regime applicable to Capita in the United Kingdom is derived from European Union directives and regulations, Brexit could change the regulatory framework applicable to Capita's operations. In addition, Brexit could result in restrictions on the mobility of personnel, in addition to volatility in the sterling exchange rate against a number of currencies. There is also the risk that the UK government may decide not to seek external support from UK business process outsourcing ("BPO") providers for services previously provided by the European Union in the manner expected or at all. Any of these risks could result in higher operating costs, higher debt and reduced income and could have a negative impact on Capita's business, results of operations and financial condition.

Capita is subject to the risk of reduced public sector expenditure levels and budgets, elections, and changes in policies

For each of the years ended 31 December 2017 and 2016, 26 per cent. of Capita's revenue was derived from the Public Services Partnerships division. These clients may be affected by financial, budgetary, regulatory or political constraints or governmental policies which could have a significant impact on the size, scope, type, timing and duration of contracts and orders placed by them and, therefore, on the level of business which Capita will derive from such clients.

A substantial part of Capita's business is therefore dependent on, and susceptible to changes in, local and central government laws, policies, budget priorities and regulatory or political constraints, in particular those imposing more stringent requirements for providers of public services and the attitude to outsourcing of such services and activities to the private sector. This could be reflected through a decrease in the number and size of contracts awarded to private companies or more significant regulatory and legislative barriers. Such factors could also result in a suspension, cancellation, termination or non-renewal of existing contracts. As an outsourcing service provider to central government and local authorities, Capita is subject to risks and uncertainties associated with periodic changes in local and central government following elections, in particular in the United Kingdom, where Capita derives the majority of its revenue.

Governmental policy changes, public or political sentiment opposing public sector outsourcing, and public spending restrictions, reductions and constraints are potentially material risks for Capita as they could result in: decisions not to, or to no longer, outsource services or activities; delays in placing work; cancellation, abandonment or significant reduction in the scope of activities; pressure on pricing or margins; withdrawal of

projects; the bringing back “in-house” of services by clients; early termination of contracts; lower contract spend than anticipated; or adoption of less favourable contracting models. All of these developments could have a material adverse effect on Capita’s business, results of operations and financial condition.

Capita operates in competitive markets and any inability to successfully compete could result in a loss of market share and a decline in revenue and profitability

Capita operates in competitive markets and current and prospective clients evaluate Capita against the merits of its competitors. Capita primarily competes on the basis of performance, innovation of technology (including robotic process automation and the gathering and use of data analytics) and price. To implement its strategy, attract new clients and win new contracts, Capita will need to design, develop, market and support new services and technology on a timely and cost-competitive basis. In particular, Capita will need to focus on investing in processes and infrastructure to leverage growth in digital solutions. If clients perceive Capita to be less innovative than its competitors, they may choose to award contracts to other service providers as part of the bid tender or retender process. Given the lower level of new contract tenders in both the private and public sectors, Capita’s competitors may adopt more aggressive pricing in order to win business, which may impact the margin Capita is able to earn on its contracts.

In addition, as a provider of goods and services to central government, local authorities and other public sector entities, competition for Capita may be influenced by government policies designed to promote greater diversity of providers and/or new entrants to the market. Bids for public sector contracts are subject to a tender process and, in recent years, governments have sought to widen their choice of contractors, subjecting Capita to a more competitive bid process. Furthermore, policies giving preference to small and medium-sized enterprises or social enterprises and new procurement strategies implemented by clients (including governments) may place Capita at a competitive disadvantage and negatively impact its ability to win new bids and tenders of existing contracts.

If Capita is unable to continue to compete successfully against current or future competitors, it may experience declines in revenue and market share, which could have a material adverse effect on Capita’s business, results of operations and financial condition.

Risks related to Capita’s operations

Capita could be negatively impacted by a failure to meet contractual performance criteria or client expectations, including through a failure of subcontractors to fulfil their obligations

Capita’s success depends on its ability to meet the contractual requirements that it has entered into with its clients. Capita may, from time to time, employ subcontractors to assist in the delivery of goods and services under certain contracts. Capita is, therefore, reliant not only on the performance of its own employees but also on the performance of its subcontractors and, in particular, that they fulfil their obligations in a timely and satisfactory manner and in full compliance with applicable terms and conditions. The ability of subcontractors to do so may be affected by periods of economic slowdown or recession, which could impair their ability to meet their obligations. If this were to occur, Capita may be unable to complete its contractual obligations in a timely or satisfactory manner, which could result in additional costs in addressing such a problem, termination of contracts and damage to its reputation and relationships with its clients.

Failure to meet the performance criteria of a contract could result in:

- the cancellation of a contract, claims for loss, or compensation arrangements under the contract being triggered;
- reputational damage; and/or
- an adverse effect on the ability to win tenders for existing clients or new bids for contracts.

In addition, Capita is generally subject to specific procurement requirements, particularly in its contracts with public sector clients, which may, in effect, limit the subcontractors which it may use, particularly if the contract involves an area of expertise or specialisation. Therefore, if any of these subcontractors fail to meet its obligations, Capita may not have readily available alternatives. Any of these events could have a material adverse effect on Capita’s business, results of operations and financial condition.

If Capita is unable to achieve the anticipated benefits of its new strategy, its business, financial condition and results of operations could be adversely affected

Capita's financial performance and future prospects depend significantly on its ability to successfully implement its multi-year transformation programme and revised strategy. Capita's new strategy focuses on three discrete elements: simplify, strengthen and succeed. Underpinning these elements are initiatives focused on a number of fundamental themes, including a drive for increased simplification, efficiency, focus, standardisation and consistency of practices and culture, some or all of which may not come to fruition in a timely manner or at all.

One of Capita's key priorities will be focusing its business on the attractive, growing and profitable markets where it has an established leading market presence and offering. However, there can be no guarantee that these markets will grow at expected rates or provide the contract opportunities that Capita expects. One of the key findings of the recent strategy review was that Capita had become overly complex and there can be no assurance that Capita will be able to successfully deliver on its intention to "do fewer things, better" as part of its strategy. Capita also intends to make a number of improvements to, and investments in, its processes, including improvements in the contract award and monitoring processes intended to win work that it can execute well, and the implementation of an enhanced post-win operational process, designed to reduce the likelihood of unprofitable contracts. These processes will take time and cost money to implement and may not be wholly successful given the inherent uncertainties and complexities in Capita's contracts.

Capita's new strategy includes an investment of a total of up to £500 million over the next three years in a number of areas, including technology and software. If Capita fails to invest as expected or if it is delayed making such investments, it may be competitively disadvantaged and lose market share in one of its identified growth markets. The success of Capita's strategy is also contingent upon the continued ability of Capita's management and employees to deliver efficient services to clients, to meet client expectations and demands and to successfully bid for new contracts. There is a risk that clients may decide not to renew existing contracts as they expire or that Capita may be unable to win new contracts, either as a result of management time being diverted by implementation of the new strategy or a failure to achieve expected improvements from investments and/or improvements in processes as part of the new strategy.

In the event that Capita is unable to achieve one or more of the anticipated benefits of its new strategy, this could have a material adverse effect on its growth prospects and future profitability. Furthermore, depending on changing market, operational and financial conditions and management's future expectations, Capita may decide to alter or discontinue certain aspects of its stated strategy, which may have a negative impact on its results in the future.

Capita may be unable to achieve expected cost reductions and operational efficiencies

Part of Capita's new strategy involves improving Capita's cost competitiveness and operational efficiency, which includes reducing general and administrative expenses, centralising procurement, standardising and investing in processes and systems, and increasing the use of offshoring and automation. The Board is targeting annualised initial cost savings of £175 million by the end of 2020 from these initiatives, including £70 million which is expected to be realised in the year ending 31 December 2018. The cost to achieve these efficiencies is expected to be £40 million for the year ending 31 December 2018 and £110 million in total in the following two years. There can be no assurance that Capita will be successful in achieving these cost savings on the expected timetable, at expected levels or at all. In addition, Capita intends to invest in upgrading its IT systems and improving its processes, which will require Capita to incur costs that may offset the cost savings it aims to achieve. There can be no assurance that Capita's investments will be successful in achieving the anticipated operational efficiencies.

Capita is subject to risks associated with divesting non-core businesses

Capita's strategy aims to transform its business into a more focused and predictable business with improving returns and sustainable free cash flow. An important aspect of this strategy is its ongoing portfolio review and the disposal of non-core businesses, including ParkingEye and Constructionline, which poses a number of risks. In particular, Capita may be unable to find purchasers for businesses to be disposed, and Capita may not be able to meet its targets associated with any disposals. Furthermore, activities arising from the ongoing portfolio review and any subsequent disposals will require additional time and resources of key management. To the extent that Capita is unable to proceed with any disposals in the timeframe that it expects, or to raise the anticipated level of disposal proceeds, or if further management or other resources are required to carry out those activities than was initially anticipated, it may have a negative financial impact on the business. Capita

may not be able to achieve cost reductions or efficiencies in line with its disposal plans or at all and will also experience a decline in revenue from the sale of these businesses which may impact its ability to meet its financial covenants. Even if successful, these disposals will result in an initial reduction of revenue and cash flow as Capita exits these businesses.

Any disposal may also cause Capita to lose skilled employees and to incur additional costs replacing them. Capita may also be required by pension trustees to use a portion of the proceeds from any disposal to repay pension liabilities, which may divert proceeds from their intended use. Certain of Capita's clients may also decide not to renew its contracts as a result of certain disposals, which would negatively impact its order book and revenue.

Capita may remain at risk of potential litigation and business claims in relation to divested businesses where it has provided warranties and/or indemnities to the purchaser or has continuing obligations, such as the £66 million payment to settle the Connaught litigation associated with the sale of Capita Asset Services. There is a risk that a dispute may arise in relation to the timing of payment as the FCA has actively sought early repayment. Capita may also fail to dispose of pension or other liabilities as part of a disposal, such as the residual £17 million cash payment Capita paid in 2018 following its disposal of Capita Asset Services. Where appropriate, Capita has taken a provision for these obligations and liabilities, but it is possible that the actual costs incurred in settling any claims will materially exceed those provisions. Claims that may arise in connection with such obligations and liabilities may divert management's attention and may result in the incurrence of additional costs, all of which could have a material adverse effect on Capita's business, results of operations and financial condition.

Capita relies on vendors, suppliers and other third parties to conduct its operations and any failure on the part of these third parties could have a material adverse effect on Capita's business, results of operations and financial condition

Capita relies on third parties for various aspects of its operations, including IT software and services. If these third parties fail to perform their obligations in a timely manner or at satisfactory quality and cost levels, Capita may fail to deliver on contracts successfully, and its reputation could suffer and its costs could increase. The ability of these third parties to perform may be largely outside Capita's control.

Capita strives to formalise agreements with vendors, suppliers and other third parties that define their expected service levels. In the event that one or more of these third parties fails to perform, ceases operations or becomes insolvent, replacement services may not be readily available on equivalent terms, or at all. If one of these third parties fails to perform adequately, Capita may be required to incur remedial costs, experience delays or be subject to negative publicity. Moreover, regulatory compliance issues or significant changes in the competitive marketplace among vendors, suppliers or other third parties could force Capita to renegotiate existing agreements on less favourable terms.

Capita may not be able to successfully anticipate, manage or adapt to technological changes

Capita's operations and competitive position are dependent on the procurement, development and implementation of proprietary digital solutions. Capita may not be successful in anticipating, managing or adopting technological changes on a timely basis, which could reduce profitability or disrupt operations, and could negatively impact its ability to win new contracts and meet client expectations. Technological developments, such as automation and robotics, are evolving rapidly and are characterised by short product life cycles. Capita's future growth will require not only significant additional investment in these systems but also the ability to react quickly and innovate in response to changing customer needs. For example, there has been a recent push to implement cloud technology and automation as part of Capita's customer management offering. Capita will seek to balance the need to maintain its core infrastructure with the need to invest in new products, and plans to invest a total of up to £500 million over the next three years as part of its new strategy. There can be no assurance, however, that Capita will be successful in anticipating, managing or adapting to technological change in a successful manner or at all, whether due to lack of available capital resources, lack of management resources or otherwise. Furthermore, improvements in and changes to technology may be more costly than initially anticipated, or can lead to operational issues if new or upgraded systems fail to operate as expected. Any failure to implement or upgrade technology when needed, or cost overruns or operational issues arising in connection with such upgrades, could have a material adverse effect on Capita's business, results of operations and financial condition.

Failure of the Company's information technology ("IT") systems, data security and/or data protection policies may result in losses

Capita's operations are dependent on the efficient operation of its IT systems. Such systems, including those used internally and those provided externally to clients, may fail and/or sensitive data held by them may be lost or compromised.

Capita's operations are dependent upon its internal IT infrastructure, as well as IT infrastructure maintained on behalf of clients. Certain of Capita's IT platforms are soon to become obsolete and are susceptible to data centre outages. In addition, as these data centres continue to be upgraded, they are more likely to be subject to failure. Failure of IT infrastructure, whether intentional or accidental, will be costly to repair and may result in an interruption to Capita's operations, which could have a material adverse effect on its business, results of operations and financial condition.

Information and communication systems by their nature are susceptible to internal and external security breaches, including computer hacker and cyber-terrorist breaches, programming errors, breaches by employees, and employees succumbing to scams from external sources. These breaches may cause loss of data, or cause Capita's systems to fail or become unavailable for a significant period of time. A significant performance failure of Capita's information and communication systems could lead to loss of control over critical business information, project information and/or systems, resulting in an adverse impact on the ability to operate effectively or to fulfil contractual obligations. Such failure may, in turn, lead to a loss of clients, revenue and profitability, the incurring of significant remedial costs, reputational harm and terminated contracts.

As part of Capita's operations, it receives and may be responsible for customer and other sensitive data. Capita has incurred, and will continue to incur, expenses to comply with mandatory privacy and security standards and protocols imposed by law, regulation, industry standards or contractual obligations relating to the collection, use and security of personal information data. This includes compliance with the EU General Data Protection Regulation ("GDPR"), which was adopted in 2016 and comes into full effect in May 2018. Capita expects to incur significant costs to adopt policies to comply with GDPR. Failure to comply with GDPR and other data privacy laws and regulations may result in fines, penalties, claims and reputational damage. If data security controls fail while providing services to clients, there is a risk that Capita will unintentionally disclose protected, sensitive or personal data, which could lead to a breach of client confidentiality agreements, and, in turn, could lead to fines and/or claims. Under the new GDPR requirements, Capita will be required to notify the UK Supervisory Authority and, in some cases, the individual concerned, of personal data breaches. There is no assurance that such policies and procedures in relation to GDPR will be fully implemented by May 2018, or even if they were in place, that they will prevent all breaches of data security, in particular if they were to occur as a result of employee error such as succumbing to phishing scams. If a personal data breach were to occur, Capita could suffer reputational damage, may be ordered to compensate the individual concerned and may be subject to two levels of fines, (i) the higher of 2 per cent. of the previous year's annual turnover and €10 million or (ii) the higher of 4 per cent. of the previous year's annual turnover and €20 million.

Any of the foregoing risks could have a material adverse effect on Capita's business, results of operation and financial condition.

Failure to adequately defend intellectual property rights or third-party claims of intellectual property rights violations could result in a loss of future business to competitors

Capita's intellectual property consists mainly of trademarks in the jurisdictions in which it operates. Capita relies on a variety of laws and contractual restrictions to protect its intellectual property rights, including patent protection, laws governing trade secrets and unfair competition and non-disclosure and confidentiality provisions.

Capita protects its intellectual property using any available legal means, including, where necessary, pursuing legal action. However, these means may not adequately protect Capita's rights or permit it to gain or keep any competitive advantage. Capita may be required to defend claims of copyright or patent infringement, infringement of third-party proprietary rights or breach of confidence, and its success will depend on its ability to do so. Any claims, even if they are without merit, may be burdensome, expensive and time consuming to defend, subject Capita to damages, divert management time and attention and/or require it to develop new technologies to deliver services to clients, which could have a material adverse effect on its business, results of operation and financial condition.

Capita's operations are dependent upon its ability to retain key management, to attract skilled personnel and to maintain good employee relations

Capita's future success is dependent on its ability to attract and retain key management and suitably qualified people to execute its projects. In some of the sectors and jurisdictions in which Capita operates, there is a scarcity of resources for key positions and ongoing competition for suitably qualified and experienced personnel from other companies and organisations. Capita may be unable to provide compensation to such individuals at the same level as its competitors, which may put it at a competitive disadvantage. Furthermore, Capita's ongoing restructuring plans, such as the recent disposal of Capita Asset Services and the planned expansion of Capita's offshore capabilities in India as part of its new strategy, have resulted in, and may in the future result in, the loss of skilled employees, and Capita may not be able to find suitably qualified and experienced personnel to replace these employees and/or there may be a negative impact on employee morale, which in turn could have a negative impact on Capita's business.

Senior management has contributed to Capita's ability to obtain, generate, manage and develop customer relationships and revenue opportunities. Capita is therefore reliant on a defined group of key personnel and has in some areas of its business experienced the loss of key employees. This is a particular challenge in areas that require specialist knowledge and expertise. The continuing success of Capita depends on its ability to retain qualified and experienced management and plan for management succession. Capita has recently experienced, and may continue to experience, diversion of management time as it focuses on implementing its new strategy, which, together with increases in employee turnover and general attrition, could have a negative impact on Capita's business, results of operations and financial condition.

A number of Capita's employees operate under collective bargaining agreements or as part of works councils. These arrangements may result in additional labour costs or more extensive obligations and procedures in relation to employees. Capita may become subject to additional collective bargaining agreements in the future or its non-unionised workers may unionise, all of which may have an adverse effect on its costs, operations and business. Capita may also be subject to labour disputes with these employees. For example, in October 2017, Unite labour members voted in favour of a nine-day strike in response to a pension dispute. There can be no assurance that Capita will be able to manage labour relations to minimise disruption to customer service in the future.

Failure to comply with laws, regulations and restrictions may result in fines or other sanctions being levied on Capita

Capita is subject to the laws, regulations and restrictions of the United Kingdom (including as a consequence of its Shares being admitted to the premium listing segment of the Official List of the FCA) and the other countries in which it operates. These include anti-corruption laws (such as the UK Bribery Act 2010), economic sanctions programmes, tax laws, labour laws, data protection regulation, consumer protection regulations and regulations specific to participants in the defence and security sector. In addition, a number of the contracts entered into by Capita are subject to regulation by the FCA. For example, the FCA undertook a review of the activities of the operators of the Connaught Income Fund Series 1, including a subsidiary of Capita that was an operator through September 2009. Capita agreed a full and final settlement with the FCA to provide up to £66 million to former investors in the Fund. During the first half of 2018, Capita paid funds to the FCA for the purpose of making the redress payments in due course.

Capita incurs, and expects to continue to incur, substantial costs and expenditures, and commits a significant amount of management time and resources, to comply with increasingly complex and restrictive laws and regulations. It has also implemented codes of conduct, internal controls and other policies to ensure compliance. Changes in such laws and regulations may constrain Capita's ability to provide services to clients or increase the costs of providing such services. For example, one of Capita's subsidiaries will need to obtain anti-money laundering registration with the HMRC, which it has not previously required. Capita's systems may not detect all applicable new or amended laws and regulations or it may fail to implement all necessary changes, including by the effective date of such laws or regulations. It may also fail to implement such changes successfully across the entire Group, including in relation to newly acquired businesses. Furthermore, Capita's internal control systems, no matter how well designed and updated, can provide only reasonable assurance that compliance-related problems will be detected. Capita has, in the past, experienced such failures, including in relation to breaches of financial controls in certain contracts. A failure to comply with applicable laws and regulations could result in civil penalties, including fines, disgorgement of profits, denial of export privileges, injunctions, asset seizures, debarment from government contracts (and termination of existing contracts) and revocations or restrictions of licences, as well as criminal fines and imprisonment, and could negatively impact Capita's reputation. Due to the public nature of many of the services provided by Capita, actions by employees,

even outside the work environment, can affect its reputation. Failure of Capita's internal control system to manage such risks could have a material adverse effect on its business, results of operations and financial condition.

Capita may experience difficulties integrating acquired businesses and may not realise anticipated benefits or synergies

Although Capita's current strategy is focused on the disposal of non-core businesses, it has historically and may in the future make acquisitions. Capita may experience difficulties in integrating acquired businesses and the anticipated benefits of such acquisitions may not be realised fully, or may take longer to realise than expected. Failure to integrate acquired businesses effectively may give rise to a number of risks, including a failure to deliver as expected on contracts, to maintain effective internal controls or to assimilate the acquired business into existing systems and processes. The integration of acquired businesses and any unexpected delays may require the diversion of management and employee time and attention from other business concerns. In addition, it may be difficult to manage the integration without adversely affecting Capita's existing operations, client relationships and reputation. As a result, Capita may incur additional costs and may suffer reputational harm, which could have a material adverse effect on its business, results of operations and financial condition.

It can be difficult or expensive to obtain insurance coverage and there can be no assurance that sufficient coverage will be secured or maintained

Capita maintains commercial insurance to cover the risks associated with the ordinary operation of its business. However, there can be no assurance that Capita will be able to obtain similar levels of cover on acceptable terms going forward or at all. In addition, even with such insurance in place, the risk remains that Capita may incur liabilities to clients and other third parties which exceed the limits of such insurance cover or are not covered by it. If any of Capita's insurers fail, refuse to renew or revoke coverage or otherwise cannot satisfy their insurance requirements to Capita, then the overall risk exposure and operational expenses of Capita could increase and its business operations could be disrupted, which would have a material adverse effect on its business, results of operations and financial condition.

Risks related to Capita's financial information

Capita's estimates, assumptions and judgements underlying its stated financial objectives may prove inaccurate and as a result Capita may be unable to successfully meet its objectives or achieve desired financial results

The information in relation to Capita's financial objectives and targets set out in this document, including those underpinning Capita's new strategy, represents the Board's estimates and assumptions of various factors, many of which may be outside its control. These include growth estimates in the sectors Capita serves, the ability to retain existing clients and attract new clients, the ability to successfully tender for new contracts or renew existing contracts, regulatory changes, technological advances, the ability of Capita to effect its new strategy and changes in the needs and strategies of its clients which, if they prove to be incorrect, could have a material adverse effect on Capita's business, results of operations and financial condition.

Capita is subject to changes in accounting policies, which could have a material impact on its results of operation

The implementation of accounting policies continues to require significant management time and additional costs and may cause Capita's future results to differ materially from its results from prior years. Capita adopted IFRS 15 effective 1 January 2017 and has restated its results for 2016 in order to show the impact of IFRS 15 on its business for that year, and to aid comparability of results for the years ended 31 December 2017 and 2016. The adoption of IFRS 15 has had a number of impacts on Capita's results, including recognising revenue and costs more consistently across the life of a contract and the likelihood that Capita will recognise lower profits or make losses in the early years of large, transformation contracts. In addition, as a result of its adoption of IFRS 15, Capita recognises deferred income on its balance sheet, representing cash received from clients for services even though Capita has not yet satisfied the performance obligation under the contract. If those services are not provided, this could result in the recovery by the client of the cash advanced, except where specific milestone payments have been met that represent completion of the transformation services. For a further discussion of the impact of IFRS 15, see Part XIII of this document. Capita will also be required to adopt IFRS 16 from 1 January 2019. Under IFRS 16, assets and liabilities for all leases must be recognised, unless the lease term is less than 12 months or the underlying asset is of low value. The implementation of IFRS 16 is likely to have a significant impact on Capita's results of operations.

Capita's financial statements are prepared in conformity with accounting policies that require management to make estimates, assumptions and judgements that affect the amounts reported in its consolidated financial statements and accompanying notes. These accounting policies affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenue generated and expenses incurred during the reporting periods. Should the estimates, assumptions and judgements prove to be incorrect, this could have a negative impact on Capita's financial condition and results of operations.

Capita has recognised substantial impairments of the carrying value of goodwill and other assets, and may recognise additional impairments in the future

Capita recorded an impairment of goodwill of £551.6 million and an impairment on acquired intangibles of £14.0 million as at 31 December 2017 that arose following Capita's annual impairment review. The continued operational and external challenges faced by Capita have led to a further deterioration in new business opportunities. In addition, Capita has experienced contract terminations and attrition (in particular in the Private Sector Partnerships division) and the transformation programme has identified areas that need to be addressed to rebuild and reposition Capita. These events and circumstances have led to the recognition of the impairment charges. The valuation of goodwill is complex and typically requires a high level of judgement. The goodwill and intangible acquired in business combinations is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. Capita tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The annual impairment test is performed immediately prior to the year-end based on financial plans approved by senior management covering a five-year period. The recoverable amount of each CGU is based on "value-in-use" calculations derived from these plans. The plans include a terminal value based on the projections for the final year of that plan, with a growth rate assumption applied to subsequent periods. The results of the impairment test are further reviewed after the year end in light of any significant changes in the environment. The key assumptions affecting the CGUs within each division are short-term growth rates, terminal growth rates and discount rates. If Capita's assumptions are for any reason not met or change, the value of goodwill may need to be written off. There can be no assurance that Capita's current or future assumptions are correct and impairments of goodwill caused by, for example, a decrease in expected cash flows, deterioration in market conditions, adverse changes in actual or expected operational performance or external parameters such as changes in interest rates, could require Capita to record impairment charges which could have a material adverse effect on its business, results of operation and financial condition.

Fluctuations in exchange rates and interest rates, and any failure to hedge effectively against exchange rate and interest rate changes, could negatively impact Capita

Capita is subject to risks associated with fluctuations in exchange rates in the ordinary course of its business. Capita prepares its consolidated financial statements in pounds sterling. Accordingly, when preparing its consolidated financial statements, Capita translates the value of any assets, liabilities, revenue and costs that are reported or accounted for in other currencies into pounds sterling. Approximately 8 per cent. of Capita's revenue for the year ended 31 December 2017 was denominated in currencies other than pounds sterling. Capita is therefore subject to translational exchange rate risk, and increases and decreases in the value of the pound sterling against these other currencies will affect the amount of these items in Capita's consolidated financial statements, even if its value has not changed in its original currency. Capita is also subject to interest rate risk as a result of debt incurred at variable interest rates. As at 31 December 2017, 66 per cent. of Capita's debt was variable rate. As a result, Capita's interest costs will increase in the event of rising interest rates.

Capita seeks to hedge against these risks through the use of derivative instruments, such as forward exchange contracts and interest rate and currency swaps. However, there can be no assurance that any hedging strategy will be effective or that exchange rate and interest rate fluctuations will not have a material adverse effect on Capita's business, results of operation and financial condition.

Capita is exposed to funding risks in relation to its defined benefit pension schemes

Capita operates one main defined benefit pension scheme (the "Capita Pension and Life Assurance Scheme"), along with a number of smaller obligations. As at 31 December 2017, the estimated deficit for accounting purposes, which is the difference between the value of the schemes' assets and the present value of the future liabilities, was £407 million before deferred tax. The most recent funding assessment was commenced on 31 March 2017, and is due to be completed by 30 June 2018. There can be no assurance that further contributions will not be required in the future. A significant increase in the value of the liabilities of the

defined benefit pension schemes and/or a reduction in the value of the assets supporting such schemes can lead to increased deficits at future formal actuarial valuations, typically resulting in increased employer contributions, which could be material for Capita. In addition, the trustees of the Capita Pension and Life Assurance Scheme may determine that a portion of the proceeds from the Rights Issue or any disposal should be used to support the pension fund, which could have a material adverse effect on its business, results of operation and financial condition.

Capita is exposed to certain tax risks

Capita is subject to tax rules in the jurisdictions in which it operates. Changes in tax rates, tax relief and tax laws, changes in practice or interpretation of the law by the relevant tax authorities, increasing challenges by relevant tax authorities, or any failure to manage tax risks adequately could result in increased charges, financial loss, penalties and reputational damage. In addition, tax enforcement has become a higher priority for many tax authorities in jurisdictions in which Capita operates, which has led to an increase in tax audits, enquiries and challenges, or the testing through litigation of the boundaries of the correct interpretation of legislation. Tax authorities may also actively pursue additional taxes based on retroactive changes to tax laws and Capita may have disagreements with tax authorities which could result in a material restatement to its tax position. Any of these factors could have a negative impact on Capita's results of operation and financial condition.

Risks related to the Rights Issue

The price of the New Shares may fluctuate

The market price of the Nil Paid Rights, Fully Paid Rights or Shares could be subject to significant fluctuations due to a change in sentiment in the market or in response to various facts and events, including variations in the Company's operating results and/or business developments of the Company. Stock markets have, from time to time, experienced significant price and volume fluctuations that have affected the market prices for securities and which may be unrelated to the Company's operating performance or prospects. Furthermore, the Company's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Nil Paid Rights, Fully Paid Rights and/or New Shares. As a result, Shareholders may not be able to sell their New Shares at a price equal to or greater than the acquisition price for those New Shares.

The Board has also decided to suspend dividend payments to shareholders for the foreseeable future. The lack of dividend may affect the value of the Shares and could significantly affect the value of a Shareholder's investment. Furthermore, there can be no assurance whether and when the dividend will be reinstated.

A trading market for the New Shares, the Nil Paid Rights or the Fully Paid Rights may not develop

Application has been made to admit the Nil Paid Rights, Fully Paid Rights and New Shares to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective at 8.00 a.m. on 10 May 2018. There can be no assurance, however, that Admission will become effective or that an active trading market in the Nil Paid Rights, the Fully Paid Rights or the New Shares will develop upon or following Admission. In addition, because the trading price of the Nil Paid Rights and Fully Paid Rights depends on the trading price of the Shares, the Nil Paid Rights and the Fully Paid Rights prices may be volatile and subject to the same risks as noted above.

Shareholders who do not (or are not permitted to) take up their Nil Paid Rights may be subject to a dilution of ownership of their Shares upon the issue of New Shares

If a Shareholder, including a Shareholder with a registered address in the United States or the Restricted Territories, does not respond to the Rights Issue by 11.00 a.m. on 24 May 2018, being the latest time and date for acceptance and payment in full for that Shareholder's provisional allotment of New Shares, that Shareholder's Nil Paid Rights will lapse and the Company has made arrangements under which the Banks, within two Business Days following the expiration of the latest time and date for acceptance and payment, will endeavour to find subscribers for New Shares not taken up by Shareholders. There is no assurance that this procedure will be successful. Consequently, such Shareholders may not receive compensation for their Nil Paid Rights.

Such Shareholders' proportionate ownership and voting interests in Capita will be reduced by approximately 59.9 per cent. and the percentage that their existing Shares will represent of the total share capital of Capita will be reduced accordingly. Even if a Shareholder elects to sell its unexercised Nil Paid Rights, or such Nil

Paid Rights are sold on its behalf in accordance with the process described above, the consideration it receives may not be sufficient to compensate it fully for the dilution of its percentage ownership of Capita's share capital that will be caused as a result of the Rights Issue.

Shareholders located outside the United Kingdom may not be able to subscribe for New Shares in the Rights Issue

In the case of an allotment of Shares for cash, Shareholders have certain statutory pre-emption rights (unless those rights are disapplied by a special resolution of the Shareholders at a general meeting) and a non-pre-emptive issue could dilute the interests of Shareholders.

Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Shareholders in the Rights Issue. In particular, holders of Shares who are located in the United States may not be able to take up their rights under the Rights Issue unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirements is available thereunder. The Rights Issue will not be registered under the Securities Act. Securities laws of certain other jurisdictions may restrict the Company's ability to allow participation by Shareholders in such jurisdictions in any future issue of shares carried out by the Company. Qualifying Shareholders who have a registered address in or who are resident in, or who are citizens of, countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights or to acquire Fully Paid Rights or New Shares.

New Shares will be provisionally allotted (nil paid) to all Shareholders on the register at the Record Date, including Overseas Shareholders. The Company is seeking shareholder approval for the disapplication of pre-emption rights associated with the Rights Issue at the General Meeting in order to implement the Rights Issue in compliance with the regulatory constraints imposed by some jurisdictions. If a Shareholder is not able to (or does not) take up its Nil Paid Rights under the Rights Issue, then it will suffer dilution, as described above, and it may not receive the economic benefit of such Nil Paid Rights because there is no assurance that the procedure in respect of Nil Paid Rights not taken up, will be successful either in selling the Nil Paid Rights or in respect of the prices obtained.

Any future issue of Shares will further dilute the holdings of Shareholders and could adversely affect the market price of Shares

Other than the Rights Issue, the Company has no current plans for an offering of Shares. However, it is possible that the Company may decide to offer additional Shares in the future, either to raise capital or for other purposes. If Shareholders of the Company do not take up such offer of Shares or are not eligible to participate in such offering, their proportionate ownership and voting interests in the Company would be reduced and the percentage that their Shares would represent of the total share capital of the Company would be reduced accordingly. An additional offering, or significant sales of Shares by major Shareholders, could have a material adverse effect on the market price of Shares.

It may not be possible to effect service of process upon the Company or the Directors or enforce court judgments against the Company or the Directors

The Company is incorporated in England and Wales. A significant amount of the Company's assets is located in the United Kingdom. In addition, the majority of the Directors and senior management are located in the United Kingdom. As a result, it may not be possible for investors outside the United Kingdom to effect service of process against the Company or the Directors or to enforce the judgment of a court outside the United Kingdom against the Company or the Directors.

PART III

IMPORTANT INFORMATION

Notice to all investors

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor must rely on its own examination, analysis and enquiry of the Company and the terms of the Rights Issue. Neither the Company nor the Banks, nor any of their respective representatives, is making any representation to any offeree of the Nil Paid Rights, the Fully Paid Rights and/or the New Shares regarding the legality of an investment in the Nil Paid Rights, the Fully Paid Rights and/or the New Shares by such offeree. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice.

Investors should rely solely on the information contained in this document and the information incorporated by reference into this document (and any supplementary prospectus produced to supplement the information contained in this document) when making a decision as to whether to acquire New Shares, Nil Paid Rights or Fully Paid Rights. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company, the Directors or the Banks. In particular, the content of the Company's website does not form part of this document and prospective investors should not rely on such content, with the exception of those elements of the specific documents incorporated by reference into this document as described in Part XIX of this document, which will be made available on Capita's website. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G(1) of FSMA and Rule 3.4 of the Prospectus Rules, neither the delivery of this document nor any issue or sale made under this document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or of the Company and its subsidiaries taken as a whole since the date of this document or that the information contained herein is correct as at any time subsequent to its date.

None of the Banks, nor any of their respective affiliates, directors, officers, employees or advisers accept any responsibility whatsoever for, or make any representation or warranty, express or implied, as to the contents of this document, including as to the accuracy, completeness or verification of the information set forth in this document or for any other statement made or purported to be made by it or on behalf of it, the Company, the Directors or any other person, in connection with the Company, the New Shares, the Nil Paid Rights, the Fully Paid Rights, the Rights Issue or Admission, and nothing in this document should be relied upon as a promise of representation in this respect, whether as to the past or the future. Each of the Banks and their respective affiliates, directors, officers, employees and advisers accordingly disclaim to the fullest extent permitted by law all and any responsibility or liability whatsoever, whether arising in tort, contract or otherwise, which it might otherwise have in respect of this document or any such statement.

The prospective investors also acknowledge that: (i) they have not relied on the Banks or any person affiliated with the Banks in connection with any investigation of the accuracy of any information contained in this document or their investment decision; and (ii) they have relied only on the information contained in this document; and (iii) no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries or the New Shares, Nil Paid Rights or Fully Paid Rights (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Banks.

The Nil Paid Rights, the Fully Paid Rights and the New Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state's securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Nil Paid Rights, the Fully Paid Rights or the New Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence.

In connection with the Rights Issue, the Banks and any of their respective affiliates may take up a portion of the Nil Paid Rights, the Fully Paid Rights and the New Shares as a principal position and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for their own account in securities of the Company and related or other securities and instruments (including Shares, Nil Paid Rights and Fully Paid Rights) and may offer or sell such security otherwise than in connection with the Rights Issue. Accordingly, references in this document to Nil Paid Rights, Fully Paid Rights or New Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, the Banks and any of their affiliates acting as investors for their own account. In addition, certain of the Banks or their affiliates may enter into financing arrangements (including swaps or

contracts for differences) with investors in connection with which such Banks (or their affiliates) may from time to time acquire, hold or dispose of Shares. Except as required by applicable law or regulation, none of the Banks propose to make any public disclosure in relation to such transactions.

Presentation of financial information

Unless otherwise indicated, all references in this document to “sterling”, “pounds sterling”, “GBP”, “£” or “pence” are to the lawful currency of the United Kingdom. The Company prepares its financial statements in pounds sterling. All references to the “Euro”, “euro” or “€” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. All references to “US dollars”, “\$” or “US\$” are to the lawful currency of the United States.

The consolidated financial statements of Capita for the years ended 31 December 2017, 2016 and 2015, and the audit opinions thereon, have been incorporated by reference into this document by reference to the financial statements contained in the 2017 Annual Report and Accounts, the 2016 Annual Report and Accounts and the 2015 Annual Report and Accounts. In accordance with EU law (IAS Regulation EC 1606/2002), the consolidated financial statements of Capita presented and incorporated by reference in this document have been prepared in accordance with IFRS as adopted for use in the EU, International Financial Reporting Interpretations Committee interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies. The areas that require a high level of judgement or areas of judgement and estimation that are significant to Capita are disclosed in the notes accompanying its financial statements.

In preparing the financial statements on the going concern basis, the Board is required to take into account the reasonable downside scenario in assessing Capita’s ability to continue as a going concern and, accordingly, the proceeds of the Rights Issue are required to support the going concern basis of preparation. As a result, the independent auditor’s report for the 2017 Annual Report and Accounts draws attention to a material uncertainty which casts significant doubt about Capita’s ability to continue as a going concern, given that a shareholder vote is required in order for the Rights Issue to proceed and that the Underwriting Agreement is subject to certain specific conditions which, although customary in nature, are outside the control of Capita.

Effective 1 January 2017, Capita reorganised its reporting on the basis of six market-facing divisions, which included Capita Asset Services, which was subsequently sold at the end of 2017. From 1 January 2017 to 31 March 2018, Capita reported on the basis of these five divisions. Capita’s results of operation for years ended 31 December 2017 and 2016 have been reported on the basis of these five divisions and therefore have been used as the basis for the discussion of Capita’s business in Part X of this document and for the discussion of Capita’s financial performance in Part XIII of this document. Effective 1 April 2018, Capita has reorganised itself into six divisions (Customer Management, People Solutions, Software, Government Services, IT Services and Specialist Services) as discussed further in Part VII of this document. Capita presents unaudited revenue for the year ended 31 December 2017 for each of these divisions, as sourced from management accounting records.

The year ended 31 December 2017 was the first full year that Capita reported under this organisation. In addition, Capita adopted IFRS 15 from 1 January 2017. As a result, the consolidated financial statements for the year ended 31 December 2016 contained in the 2017 Annual Report and Accounts have been restated to reflect the reorganisation, the adoption of IFRS 15 and the exclusion of entities disposed of during 2017. Because of this, Capita’s financial information for the periods under review are not directly comparable. In this document, the consolidated financial statements for the year ended 31 December 2016 have been presented both on a restated basis as extracted from the 2017 Annual Report and Accounts and on a non-restated (or “reported”) basis as extracted from the 2016 Annual Report and Accounts.

The financial information presented and incorporated by reference in this document was not prepared in accordance with US Generally Accepted Accounting Principles (“US GAAP”) or audited in accordance with US Generally Accepted Auditing Standards (“US GAAS”) or the standards of the Public Company Accounting Oversight Board (“PCAOB Standards”). No opinion or any other assurance with regard to any financial information was expressed under US GAAP, US GAAS or PCAOB Standards, and the financial information is not intended to comply with SEC reporting requirements. Compliance with such requirements would require the modification, reformulation or exclusion of certain financial measures contained in this document. In

addition, changes would be required in the presentation of certain other information. In particular, no reconciliation to US GAAP is provided.

Unaudited *pro forma* financial information

In this document, any reference to “pro forma” financial information is to information which has been extracted without material adjustment from the unaudited *pro forma* financial information contained in Part XV of this document. The unaudited *pro forma* statement of assets and liabilities contained in that section is intended to show how the Rights Issue might have affected the net assets of Capita as if the Rights Issue had occurred on 31 December 2017.

The unaudited *pro forma* financial information is for illustrative purposes only. Because of its nature, the *pro forma* financial information addresses a hypothetical situation and, therefore, does not represent the Company’s financial position. Future results of operations may differ materially from those presented in the *pro forma* information due to various factors.

Rounding

The financial information and certain other information presented in a number of tables in this document has been rounded to the nearest whole number or the nearest decimal place. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Alternative performance measures

This document contains certain alternative performance measures that are not defined or recognised under IFRS as adopted by the European Union, including underlying revenue, underlying operating profit, underlying operating margin, underlying free cash flow, gearing and net return on capital employed. There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based require a level of judgement and can vary from company to company. For further information on these alternative performance measures, including reconciliations to their nearest IFRS measures, see Part XIII of this document.

These alternative performance measures include:

- Underlying revenue: defined as total revenue as reported excluding the impact of business exits and other non-underlying items;
- Underlying operating profit: defined as total operating profit as reported excluding the impact of business exits and other non-underlying items;
- Underlying operating margin: defined as underlying operating profit divided by underlying revenue;
- Underlying free cash flow: defined as net cash from operating activities less tax, interest, capital expenditure and those items identified as non-underlying (business exits or other specific items);
- Gearing: defined as net debt (adjusted for some debt-like items) divided by underlying EBITDA (adjusted for all items Capita believe are significant restructuring, non-underlying or non-cash in accordance with the terms of the relevant debt); and
- Net return on capital employed: defined as underlying operating profit after tax divided by average capital employed (adjusted for acquisition adjustments other than write-offs, the timing of cash deployed on in-year acquisitions and the defined benefit pension deficit, all net of tax).

These alternative performance measures are included because Capita believes that they are important supplemental measures of operating performance and give a balanced view of, and relevant information on, Capita’s financial performance, position and cash flows. These are not measures of operating performance derived in accordance with IFRS and should not be considered a substitute for Capita’s historical financial results based on IFRS. In addition, these measures are not intended to be an indication of Capita’s ability to fund its cash requirements. Consideration should be given to the types of events and transactions that are excluded from the calculation of underlying revenue, underlying operating profit and underlying operating margin. These alternative performance measures are not uniformly defined by all companies and therefore comparability may be limited.

Capita's alternative performance measures show the performance of Capita excluding specific items which the Directors believe do not directly reflect Capita's underlying operations. Such items include the financial impact of business exits or businesses in the process of being exited, intangible amortisation, asset impairments, acquisition contingent consideration movements, acquisition expenses, movements in the mark-to-market valuation of certain financial instruments and other specific items which are presented in the Group's consolidated income statement. For a more detailed description of non-underlying items arising from business exits and other specific items, see notes 4, 5 and 6 of Capita's consolidated financial statements for the year ended 31 December 2017 and notes 4 and 5 of Capita's consolidated financial statements for the years ended 31 December 2016 and 2015, which are incorporated by reference in this document as described in Part XIX of this document, as well as the discussion of alternative performance measures in Part XIII of this document.

Other operating data

This document also contains key performance indicators which are used by Capita to assess the operating performance of its businesses. These key performance indicators include:

- Order book: is comprised of short term contractual revenue (for contracts of a term of less than two years) and long term contractual revenue (for contracts of a term of longer than two years) and represents the revenue which Capita will recognise from clients when it satisfies the remaining performance obligations in its contracts. For long term contractual order book, Capita splits the expected timing of revenue recognition between (a) less than one year; (b) between one and five years; and (c) greater than five years; and
- Win rate: the number (and estimated nominal value) of opportunities divided by the number (and estimated nominal value) of opportunities for which a bid has been submitted and not withdrawn by either the potential client or Capita over the reporting period.

For additional disclosure, see Part XIII of this document.

Forward-looking statements

This document (including information incorporated by reference into this document) contains a number of "forward-looking statements", including statements about the financial condition, results of operations, financial forecasts and prospects of Capita. All statements, other than statements of historical fact, are, or may be deemed to be, forward-looking statements. Generally, words such as "may", "will", "would", "should", "expect", "intend", "estimate", "predict", "anticipate", "believe", "plan", "seek", "continue", "forecast" or similar expressions identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Capita and are difficult to predict, that may cause actual results or developments to differ materially from any future results or developments expressed or implied by the forward-looking statements. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include, among other factors:

- the ability to remain in compliance with financial covenants under its debt facilities and other debt instruments and comply with financial stability provisions in contracts;
- failure to assess and agree appropriate pricing terms for new contracts;
- early termination by clients and/or other unfavourable contract provisions;
- the ability to win new contracts and renew existing contracts;
- the impact of risks associated with large, complex contracts;
- failure to meet clients' expectations on project delivery and ongoing service provision;
- negative publicity regarding Capita or the industry in which it operates;
- negative results of audits or investigations by government agencies;
- macroeconomic developments in the markets and jurisdictions in which Capita operates;
- changes in attitudes to outsourcing and other services that impact demand for Capita's services;
- the ability to successfully execute its new strategy, including in particular its ability to address anticipated cost savings;

- the ability to divest non-core businesses in line with the targets identified in its disposal programme;
- the ability to anticipate and adapt to technological changes;
- failure or security breaches of IT systems and/or data security;
- the loss of senior management or difficulty attracting and retaining appropriately skilled personnel;
- failure to comply with regulations;
- inaccurate estimates and assumptions regarding Capita's financial performance and objectives;
- risks related to the Rights Issue; and
- other factors that are set forth in the section entitled "*Risk Factors*".

Additional factors could cause actual results to differ materially from those in the forward-looking statements, as described in Part II of this document. Subject to compliance with applicable laws and the rules and regulations of relevant stock exchanges, Capita does not undertake any obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Any forward-looking statements in this document speak only as at the date of this document, reflect the Company's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to operations, results of operations, implementation of strategy and the ability to achieve target leverage ratios and, except as required by the FCA, the London Stock Exchange, the Listing Rules, the Prospectus Rules, the Disclosure Guidance and Transparency Rules ("DTRs") or any other applicable law, will not be updated. Investors should specifically consider the factors identified in this document that could cause actual results to differ before making an investment decision. All of the forward-looking statements made in this document, except for the working capital statement, are qualified by these cautionary statements.

Market data

This document includes market data and projections about Capita's markets obtained from industry surveys, industry publications, market research and other publicly available third-party information, including reports independently produced by Nelson Hall and TechMarketView, to which Capita has access through the payment of a subscription fee. Where information has been sourced from a third party, Capita confirms that the information has been accurately reproduced and, as far as Capita is aware and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third-party information has been used, the source of such information has been identified wherever it appears in this document. Industry surveys and industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions. Capita has not independently verified this data or determined the reasonableness of such assumptions.

Definitions

Certain terms used in this document, including all capitalised terms and certain technical and other terms, are defined and explained in Part XX of this document.

No internet site is part of this document

Without prejudice to the documents incorporated by reference into this document, which will be made available on Capita's website, information contained in or otherwise accessible through the website of the Company is not a part of this document, and prospective investors should not rely on it. With the exception of those elements of the specific documents incorporated by reference into this document as described in Part XIX of this document, all references in this document to these internet sites are inactive textual references to these internet addresses and are for information only.

PART IV
EXPECTED TIMETABLE FOR THE RIGHTS ISSUE

Publication and posting of this document, the Notice of General Meeting and the Form of Proxy	23 April 2018⁽¹⁾⁽²⁾
Latest time and date for receipt of Forms of Proxy	11.00 a.m. on 4 May 2018
Record Date for entitlements under the Rights Issue	Close of business on 4 May 2018
General Meeting	11.00 a.m. on 9 May 2018
Despatch of Provisional Allotment Letters (to Qualifying Non-CREST Shareholders only) ⁽¹⁾	on or about 9 May 2018
Special Dealing Service open for applications	9 May 2018
Admission and Dealings in New Shares, nil paid, commence on the London Stock Exchange	8.00 a.m. on 10 May 2018
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Shareholders only)	As soon as practicable after 8.00 a.m. on 10 May 2018
Nil Paid Rights and Fully Paid Rights enabled in CREST	As soon as practicable after 8.00 a.m. on 10 May 2018
Ex-Rights Date	10 May 2018
Latest time and date for receipt of instructions under Special Dealing Service in respect of Cashless Take-up or disposal of Nil Paid Rights	11.00 a.m. on 18 May 2018
Dealings carried out in relation to Cashless Take-up or disposal of Nil Paid Rights under Special Dealing Service	22 May 2018
Recommended latest time for requesting withdrawal of Nil Paid Rights or Fully Paid Rights from CREST (i.e. if your Nil Paid Rights or Fully Paid Rights are in CREST and you wish to convert them into certificated form).	4.30 p.m. on 18 May 2018
Settlement of dealings in relation to Cashless Take-up or disposal of Nil Paid Rights under Special Dealing Service	23 May 2018
Latest time and date for depositing renounced Provisional Allotment Letters, nil paid or fully paid, into CREST or for dematerialising Nil Paid Rights into a CREST stock account	3.00 p.m. on 21 May 2018
Latest time and date for splitting Provisional Allotment Letters	3.00 p.m. on 22 May 2018
Latest time and date for acceptance in CREST and payment in full and registration of renounced Provisional Allotment Letters	11.00 a.m. on 24 May 2018
Despatch of cheques in relation to proceeds of disposal of Nil Paid Rights under Special Dealing Service	by no later than 24 May 2018
Expected date of announcement of results of the Rights Issue	25 May 2018
Dealings in the New Shares, fully paid, to commence on the London Stock Exchange	8.00 a.m. on 25 May 2018
New Shares credited to CREST stock accounts (uncertificated holders only) ⁽³⁾	As soon as practicable after 8.00 a.m. on 25 May 2018
Despatch of definitive share certificates for New Shares in certificated form (to Qualifying Non-CREST Shareholders only) and premium payments (if applicable) in respect of Nil Paid Rights not taken up. ⁽¹⁾	by no later than 4 June 2018

Notes:

- (1) The times and dates set out in the timetable above and referred to throughout this document and in the Provisional Allotment Letter may be adjusted by the Company by announcement through a Regulatory Information Service, in which event details of the new dates will also be notified to the Financial Conduct Authority, the London Stock Exchange and, where appropriate, Shareholders.
- (2) References to times in this document are to London time, unless otherwise stated.
- (3) Subject to certain restrictions relating to Overseas Shareholders. See paragraph 2.5 of Part IX of this document.

PART V
RIGHTS ISSUE STATISTICS

Price per New Share	70 pence
Basis of Rights Issue	3 New Shares at 70 pence per New Share for every 2 Existing Shares
Number of Shares in issue on 20 April 2018 ⁽¹⁾	670,241,242
Number of New Shares to be issued by the Company ⁽²⁾	1,001,032,281
Number of Shares in issue immediately following completion of the Rights Issue ⁽²⁾	1,671,273,523
New Shares as a percentage of enlarged issued share capital of the Company immediately following completion of the Rights Issue ⁽²⁾	59.9 per cent.
Estimated expenses in connection with the Rights Issue	£39 million
Estimated net proceeds receivable by the Company after expenses	£662 million

Notes:

- (1) Being the latest practicable date prior to the date of this document.
- (2) Assuming that no Shares are issued to satisfy the vesting of awards or the exercise of options under the Employee Share Plans between the date of this document and Admission becoming effective.

PART VI
DIRECTORS AND ADVISERS

Capita Directors	<p>Sir Ian Powell (<i>Chairman</i>)</p> <p>Jonathan Lewis (<i>Chief Executive Officer</i>)</p> <p>Nick Greatorex (<i>Chief Financial Officer</i>)</p> <p>Gillian Sheldon (<i>Senior Independent Director</i>)</p> <p>John Cresswell (<i>Non-Executive Director</i>)</p> <p>Matthew Lester (<i>Non-Executive Director</i>)</p> <p>Baroness Lucy Neville-Rolfe DBE CMG (<i>Non-Executive Director</i>)</p> <p>Andrew Williams (<i>Non-Executive Director</i>)</p>
Company Secretary	Francesca Todd
Registered and head office of the Company	<p>Capita plc</p> <p>71 Victoria Street</p> <p>London SW1H 0XA</p> <p>United Kingdom</p>
Joint Sponsor and Joint Global Co-ordinator	<p>Citigroup Global Markets Limited</p> <p>Citigroup Centre</p> <p>33 Canada Square</p> <p>Canary Wharf</p> <p>London E14 5LB</p> <p>United Kingdom</p>
Joint Sponsor and Joint Global Co-ordinator	<p>Goldman Sachs International</p> <p>Peterborough Court</p> <p>133 Fleet St</p> <p>London EC4A 2BB</p> <p>United Kingdom</p>
Joint Bookrunner	<p>Banco Santander, S.A.</p> <p>Paseo de Pereda, 9 - 12</p> <p>39004 Santander</p> <p>Spain</p>
Joint Bookrunner	<p>Barclays Bank PLC</p> <p>The North Colonnade</p> <p>London E14 4BB</p> <p>United Kingdom</p>
English and US legal advisers to the Company	<p>Linklaters LLP</p> <p>One Silk Street</p> <p>London EC2Y 8HQ</p> <p>United Kingdom</p>
English and US legal advisers to the Banks	<p>Allen & Overy LLP</p> <p>One Bishops Square</p> <p>London E1 6AD</p> <p>United Kingdom</p>
Registrar	<p>Link Asset Services</p> <p>The Registry</p> <p>34 Beckenham Road</p> <p>Beckenham</p> <p>Kent BR3 4TU</p> <p>United Kingdom</p>

Receiving Agent	Link Asset Services Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom
Reporting Accountant and Auditor	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL United Kingdom

PART VII
LETTER FROM THE CHAIRMAN OF CAPITA PLC

(Incorporated and registered in England and Wales with registered number 02081330)

Directors:
Sir Ian Powell (*Chairman*)
Jonathan Lewis (*Chief Executive Officer*)
Nick Greatorex (*Chief Financial Officer*)
Gillian Sheldon (*Senior Independent Director*)
John Cresswell (*Non-Executive Director*)
Matthew Lester (*Non-Executive Director*)
Baroness Lucy Neville-Rolfe DBE CMG
(*Non-Executive Director*)
Andrew Williams (*Non-Executive Director*)

Registered Office:
71 Victoria Street
London SW1H 0XA
United Kingdom

23 April 2018

Dear Shareholder

3 for 2 Rights Issue at 70 pence per New Share

1 Introduction

On 31 January 2018, Capita announced that it had commenced a multi-year transformation programme and was committed to a strategic review of the business. An immediate priority was to strengthen the balance sheet and, accordingly, Capita announced that it had put in place an underwriting facility ahead of the proposed Rights Issue.

The purpose of this letter is: (i) to provide an update on Capita's revised strategy, which has been announced today; (ii) to explain the background to and reasons for the proposed Rights Issue; (iii) to summarise the key terms and conditions of the proposed Rights Issue; and (iv) to explain why the Board considers that the proposed Rights Issue and the related Resolutions to be proposed at the General Meeting are in the best interests of Shareholders and why the Board unanimously recommends that Shareholders vote in favour of the Resolutions.

Your attention is drawn to paragraph 17 of this letter for more information on the importance of your vote.

In the opinion of the Directors, Capita has become too complex over the past few years. It has expanded beyond its core skills and failed to keep pace with a rapidly changing marketplace. It has lacked a clear medium and long-term strategy, instead taking short-term decisions to pursue near-term growth and in-year profitability at the expense of planning for long-term sustainability. Capita has taken on too many low-margin/high risk contracts and has amassed too much debt in support of acquisition-led growth. As a result, it was unable to invest in its infrastructure (especially in those functions that provide the oversight that a business of Capita's complexity requires) or to make sufficient investments in financial and operational controls for a business of its scale.

However, Capita has a strong platform on which to build. It has a leading market position in the UK, a blue-chip client base, a significant technology offering, a large number of high-performing contracts, approximately 70,000 skilled employees and an order book that is over £8 billion.

Over the past few months, Capita has strengthened its leadership and governance, announced non-core disposals and launched a multi-year transformation programme.

Capita has today announced its new strategy which aims to simplify and strengthen the business in order to deliver future success. Capita's objective is to become a more focused and predictable, client-centric company, generating sustainable free cash flow. Capita believes that changes to its operating model under its new strategy will deliver enhanced performance through increased simplification, efficiency, standardisation and focus.

The Directors believe that the financial impact of Capita's new strategy will be significant. Capita is targeting annualised initial cost savings of £175 million by the end of 2020, compared to the prior forecasted cost base. This includes £70 million which is expected to be realised in the year ending 31 December 2018, which is reflected in Capita's profit guidance that is set out in paragraph 6 below. The cost to achieve these savings is expected to be £40 million for the year ending 31 December 2018 and £110 million in total in the following two years. Capita is also targeting double-digit EBIT margins within three years.

Capita plans to increase investment in its business, as detailed below, to upgrade key infrastructure and create differentiated offerings to drive future growth, and plans to invest a total of up to £500 million over the next three years. Capita is also committed to reducing the remaining pension deficit in its defined benefit scheme over the medium term as a matter of good corporate responsibility.

The successful implementation of the new strategy is expected to generate at least £200 million of sustainable annual, post-tax free cash flow in 2020, before exceptional and restructuring charges, and additional voluntary pension contributions. Capita also expects to achieve proceeds of approximately £300 million from non-core disposals in 2018.

2 Background to and reasons for the Rights Issue

The completion of the Rights Issue forms a key component of the new strategy. If approved, the Rights Issue will raise approximately £701 million of gross proceeds. The Rights Issue is being undertaken in order to provide Capita with a sustainable capital base to support its clients and operations. The proceeds of the Rights Issue will therefore be used to: (i) support the delivery of Capita's new strategy; (ii) continue to make further investments in the business; and (iii) reduce its indebtedness and help achieve its target leverage ratio of between 1.0x and 2.0x adjusted net debt to adjusted EBITDA (prior to the adoption of IFRS 16), which the Board believes is the appropriate financial leverage for companies serving similar markets, of similar size and with similar operations to Capita.

2.1 Recent history

Capita reported strong growth for much of the last two decades, supported by positive market conditions and its entrepreneurial culture. However, in recent years, Capita has experienced virtually no organic growth, with reported growth largely driven by acquisitions. Since 2016, Capita's operational and financial performance has weakened further due to cost overruns, delays and other issues in some of its key contracts.

The business process management market was weaker than expected, which has resulted in a lower level of new business wins. Capita's weaker operational performance, expanding overhead costs and reduced cash generation also led to a significant increase in leverage.

In addition, Capita was impacted by a variety of execution issues on a number of major contracts across its businesses. These included cost overruns on the PCSE contract, penalties and additional costs in relation to the TfL congestion charge contract and contract disputes in connection with certain services provided as part of the contract with The Co-operative Bank.

These factors contributed to Capita reporting an operating loss of £16.1 million for the year ended 31 December 2016 and £420.1 million for the year ended 31 December 2017, which reflected a charge for other specific items (including impairment of goodwill, intangible assets and other non-current assets of £353.5 million and £852.8 million in 2016 and 2017, respectively). Total operating loss for the year ended 31 December 2017 was partially offset by an underlying operating profit of £447.4 million, an increase of £112.8 million from underlying operating profit of £334.6 million for the year ended 31 December 2016. This increase was driven by improvements in the performance of certain contracts, the non-repetition of one off costs that occurred in 2016 and reduced costs in relation to the restructuring plan implemented in 2016. Since mid-2017 Capita has continued to experience a higher level of revenue attrition than expected, and continued to experience delays in client decision making and weakness in new sales. The business plan for the divisions, produced between December 2017 and March 2018, indicates there is likely to be a significant negative impact upon profits from contract and volume attrition. In addition, this plan indicates a significant deterioration in new business opportunities from earlier positions. These events and circumstances have led to the recognition of the impairment charge referred to above. In addition, Capita adopted IFRS 15 from 1 January 2017, which gave rise to changes in the timing of revenue and cost recognition in respect of Capita's client contracts, and resulted in Capita recording consolidated net liabilities of £929.8 million as at 31 December 2017. As a result of IFRS 15, Capita's balance sheet includes new "contract fulfilment assets" created in the process of transforming services; and a significant increase in the level of deferred income in relation to contracts where payments have been received from clients to undertake work prior to the recognition of revenue and planned outcomes being delivered. For some contracts, in particular in the life and pensions business, there are instances where this creates future profits in excess of future cash inflows. The majority of deferred income will unwind within the following 12 months and Capita aims to replace this with similar advanced payments subject to additions or changes to its contract portfolio. The impact of impairments and IFRS 15 on Capita over the past two years are discussed in further detail in Part XIII of this document.

Further to the announcement on 31 January 2018, Capita expects there to be a significant negative impact on underlying profits for 2018 from contract and volume attrition, the non-recurrence of certain specific items that benefitted Capita in 2017, and increases in some cost items. Capita also expects a free cash outflow in 2018, which will be impacted by a number of known restructuring costs presented within underlying results, non-underlying payments and working capital items. Capita expects to spend approximately £300 million in relation to known commitments, including £66 million cash costs in relation to the Connaught settlement, £51 million in relation to the separation of Capita Asset Services (including a pension contribution), £40 million in relation to realising cost savings and efficiencies from the transformation programme it is implementing as part of its strategy, £26 million restructuring costs relating to Capita's previously announced cost reduction plan, contingent and deferred considerations, professional fees in order to create and implement the proposed transformation plan and other items. In addition, Capita expects a £130 million cash outflow from the elimination of cyclical working capital management, and a £130 million cash outflow on continued reduction in deferred income, reflecting the ongoing low level of new business wins.

2.2 Change in leadership and initial findings

The Board decided in 2017 that the Company needed a change of leadership and Jonathan Lewis was appointed as Chief Executive Officer from 1 December 2017. Under Jonathan's leadership, a new Executive Committee has been constituted, comprising some of the existing management team, together with three new senior managers. With his extensive technology background and strong track record in turnaround situations, the Board believes that Jonathan brings the skills, experience and energy required to lead Capita through its current period of transformation, and the management team as a whole have the credibility, knowledge, values and behaviours required to drive Capita's business forward and achieve success across its chosen markets.

Upon taking up the position of CEO, Jonathan initiated a thorough review of the overall state of the Capita business, the results of which have shaped the design and implementation of its new strategy.

The initial focus of this review was to identify the strengths and weaknesses of the current Capita structure and operations. This has involved a systematic market-by-market review of the current attractiveness and future competitive landscape of each market, an assessment and benchmarking of Capita's capabilities and propositions, a review of internal processes and cost structure and a thorough assessment of current and potential synergies across Capita.

The key findings of this review included the following:

- Until recently, Capita's perspective was focused on short-term growth and, whilst this short-term perspective, coupled with an entrepreneurial culture, had assisted in the delivery of rapid growth in the past, it was also characterised by a lack of long-term business planning and investment in the infrastructure and resources required to support a large-scale organisation servicing increasingly complex client needs.
- This short-term sales-led approach also resulted in a failure to keep up with longer-term trends in a rapidly changing marketplace.
- Capita had become overly complex, spanning multiple markets and services, making it more challenging to maintain a competitive advantage in every business. In addition, some of Capita's offerings have featured a low level of operational, technological and commercial integration, which has led to higher costs and inefficiencies.
- This low level of current integration across divisions and their markets provides a significant opportunity to improve Capita's operating efficiency, reducing its cost base to support profit margins, and to improve operating cash flow which would be available to invest in the business.
- Investment is required across all of Capita's shared services, including its finance, IT, human resources, commercial, legal and related functions, which in some cases were inadequate and in other cases did not function effectively.
- In recent years, Capita developed a large amount of bespoke software for clients which was not scalable or reusable for other clients and would often become obsolete within a relatively short period of time. This has led to write-offs on Capita's income statement once the software had no further value to Capita. The review suggested that Capita should change its approach to software development in order to focus on reusable software tools and repeatable, scalable software.
- Effective, efficient investment in Capita's client propositions and its infrastructure is also required. A historic focus on short-term performance, and a resulting under-investment in certain key IT systems, has

resulted in the current need for an increase in investment to upgrade Capita's enterprise-wide tools and software (including a more comprehensive customer relationship management ("CRM") system).

- Whilst the majority of Capita's contracts have exhibited expected performance, Capita's record of successful operational delivery has been challenged recently by a number of execution issues on some of its major contracts. A common underlying issue arises from the separation, and lack of coordination, between the sales, implementation and operations teams which has led to a lack of clear accountability across contracts. Capita needs to simplify its processes and procedures to enhance the way it bids, implements and manages its contracts.
- Capita is also seeking to strengthen its balance sheet, targeting a leverage ratio of between 1.0x and 2.0x adjusted net debt to adjusted EBITDA (prior to the adoption of IFRS 16), which can be achieved with the proceeds of the Rights Issue, the proceeds of certain non-core disposals expected later this year, and through further disposals over the next two to three years.
- Finally, it is important for Capita to develop new client offerings supporting data analytics, and to be at the forefront of business process automation in order to sharpen its competitive offering in current and future growth markets.

These initial findings have shaped and informed the design of the new strategy.

2.3 Introduction to the new strategy

Despite the recent shortcomings identified and outlined above, the Board believes Capita has a strong underlying platform upon which to build for the future:

- Capita has a leading position in the United Kingdom in many of its markets, including customer management, human resources ("HR"), and local government, and is also a leading strategic supplier to central government.
- In addition to the United Kingdom, Capita has a leading position in customer management across Germany and Switzerland.
- Capita has a balanced portfolio of public sector and private sector clients. Its blue-chip private sector clients view Capita as a partner who can create value as well as reduce costs, which supports profitable long-term relationships.
- Capita has a significant and differentiated technology offering in the customer management and HR markets, where it operates as a technology enabled digital platform for its clients. The market for complex digital solutions, where the vast majority of Capita's activities lie, is expected to be a large, long-term, secular growth segment. In addition, Capita is a leading independent software provider in its chosen markets including education and local government.
- As at and for the year ended 31 December 2017, Capita generated 70 per cent. of its revenue from long-term contracts (defined as contracts of over two years), and had an order book of £8.2 billion, which provides a degree of long-term revenue visibility.
- Capita has approximately 70,000 skilled employees across the UK, Europe, India and South Africa who provide value-added services.

Capita recognises that the markets in which it currently operates and client demands are changing. Clients in the business process outsourcing market are offering fewer long-term "mega deals" and more incremental sales on existing contracts, or smaller new contracts in which companies prove their value and grow over time. Clients are increasingly demanding flexible and as-a-service models, rather than one-time contracts. The services they are seeking place less reliance on generalist operational skills and more on the delivery of specialist digital platforms that deliver scale benefit and data insight. There is also an increasingly complex landscape of partners and collaborators across the value chain.

Capita needs to continue to evolve its offering to stay ahead of these changing market trends, from simply improving productivity by providing an outsourcing solution to driving value through improving client experience and insight, using innovative digital solutions and data analytics.

Underpinning all aspects of the new strategy are a number of fundamental themes, including a drive for increased simplification, efficiency, focus, standardisation and consistency of practices and culture. Capita intends to "do fewer things, better" and use a "build once, use many times" approach, which will enable Capita to take advantage of its scale in its markets and the breadth of its existing client relationships. The intended

output of Capita's new strategy is to become a more focused and predictable business with improved returns, stronger client relationships and sustainable free cash flow.

Capita's new strategy has been designed in three discrete elements, each of which is described in more detail below.



2.4 Strategy—Simplify

As outlined above, the markets in which Capita operates are changing quickly and new trends are emerging. The Board believes that Capita needs to be at the forefront of these changes rather than reacting to them. A key element of the new strategy is to “do fewer things, better”. Central to this will be the simplification and reorganisation of Capita's business portfolio to focus this on growth markets where Capita has an established leading market presence. There will be a simplification of the operating model, reducing reinvention, being more selective on contract tendering, and dramatically reducing the cost base while at the same time strengthening Capita's core client proposition, processes and tools.

2.4.1 Focus on growth markets

Capita's key priority will be to focus on the attractive, growing and profitable markets where it has an established leading market presence and offering. The Board continues to believe that Capita has a core of market-leading positions, with a portfolio of contracts with blue-chip clients that are performing well. Capita believes it can strengthen its client offering and grow its market positions further across the segments and markets it currently serves, including the following:

1. **Software:** Capita is one of the UK's largest software companies and is a market leader in several specialist areas such as education, utilities, local government and police and emergency services with a 3 per cent. market share as at 31 December 2017. The £15 billion market is forecast to grow at an annual growth rate of 8 per cent. through 2021. Client preferences are evolving with sector specific needs, which Capita believes will give rise to new opportunities in specialist areas. For example, “software as a service” providers have been gaining market share in recent years and Capita needs to adapt to this market trend. Capita expects to simplify its business by focusing on carefully selected specialist markets in the UK and internationally (including the market for “software as a service”), developing reusable software tools, and building a market-aligned sales force and improved go-to-market capability. Capita also intends to strengthen its offering by investing in core products with distinctive offerings to defend position, and grow in existing and adjacent markets. Capita will create scaled, integrated shared service functions as well as a best-in-class development centre for production of standardised software. It will also invest in expanding selected products into the US market.
2. **HR:** Capita provides a full suite of HR offerings, supporting the employment lifecycle from hiring to retiring, for 6,000 clients across the private and public sectors. It focuses on recruitment, learning and benefits, and pensions administration, supported by its proprietary digital platforms, Tesselo, Orbit and Hartlink. It also provides attraction, screening, performance management and payroll services. Capita believes there is opportunity to simplify this business by bringing together its current three HR offerings into one division across recruitment, learning and benefits. Capita will seek to create a sales culture which enables customers to access multiple HR services within its portfolio. Capita has decided to merge these three existing businesses into a single division, with a new leadership team,

and believes that by combining a broad capability across benefits, pensions, learning administration and recruitment outsourcing it can participate in a market valued at £5 billion in 2017 (of which it has a 10 per cent. market share), and is expected to grow at an annual growth rate of 5 per cent. through 2021. Capita is already a leading provider in most segments, such as benefits administration (where it has a 6 per cent. market share), learning process outsourcing (where it has a 21 per cent. market share) and recruitment process outsourcing (where it has a 12 per cent. market share). It will also endeavour to ensure that there are standard data extraction and management tools across all businesses. Capita intends to strengthen its value proposition in order to outperform the market by improving its core products and platforms, strengthening its analytics capability, and standardising existing solutions and technological partnerships with key ERP providers to ensure its solutions can integrate with existing customer infrastructure.

3. **Customer management:** Capita is a market leader in the UK with a 16 per cent. share of a £3.8 billion total market size as at 31 December 2017. Whilst the overall market is forecast to grow at an annual growth rate of 4 per cent. through 2021, close to double digit growth is expected in higher capability areas such as revenue support. Capita is using an increasingly digital and analytics-led approach that it believes will help to reinforce Capita's strong position in transformational outsourcing, and capture a greater share of those higher complexity transactions that are expected to grow fastest. Clients are increasingly seeing outsourcing as a partnership opportunity for value, rather than simply for transactional supply. As they look for new ways to improve their own customer management services, this provides new revenue opportunities for Capita. Capita has a leading track record in building such partnerships in the UK, and this year it is delivering the first such partnership in Germany. Capita is the second largest provider in the German and Swiss markets and expects these markets to offer a similar set of opportunities for transformational partnerships as the UK. Capita intends to exploit these opportunities to increase its market share by standardising best practices and service offerings for its clients, partnering with leading technology providers, and expanding its use of offshore resources in order to provide solutions cost effectively. It will also upgrade its infrastructure and tools, and continue to invest in its analytics capability, to expand further into sectors such as transport and travel, financial services and automotive.

4. **Government**

- (a) **Central government (includes health, defence and education markets):** Although the opportunities for new large, long-term contracts have reduced over recent years, the Board believes that Capita will be able to utilise its strong market position (with an 11 per cent. share of a £4 billion total market size as at 31 December 2017) and proven capabilities, in particular, in large scale national operations, to focus on retenders and carefully targeted growth opportunities, supported by high performing and disciplined low-risk contract implementation. For complex deals, Capita intends to seek to build solutions which bring a best in class offering. However, unlike in the case of its software business, where Capita provides its own proprietary software solutions, in the case of large and complex central government contracts, Capita is increasingly looking to partner with IT specialists in order to mitigate the development risks and costs of these new solutions and increase the likelihood of successful outcomes. Capita expects to simplify by focusing on its core capabilities (those where Capita has a distinct advantage), and will deprioritise and avoid smaller, fragmented activities. Capita believes the addressable pipeline for central government services, by total contract value, is £3.5 billion (excluding re-tenders) through 2020. Capita will only pursue opportunities where commercial terms are acceptable. Capita intends to strengthen its business by investing in transformation capabilities, analytics and automation as well as investing in business development. In addition, following the UK's exit from the European Union there may be additional opportunities as the UK government begins to develop new policies, require new services and establish new delivery requirements in a post Brexit environment.
- (b) **Local government:** Capita is the largest provider of outsourced services across local authorities in the United Kingdom, with around 15 per cent. market share of a £3 billion total market size as at 31 December 2017. It focuses on the delivery of support services to local authorities, schools and health organisations, including IT and digital transformation, collecting payments from and making payments to citizens, and back-office processing. While the number of new large deals for local authorities have been in decline in recent years, Capita believes that opportunities remain to shape the market by providing clients with a new commercial model focused on key services such as revenues and benefits, planning and regulatory services. Capita's strategic focus for local government includes

developing new scalable and repeatable solutions, focusing on core capabilities while de-prioritising smaller, fragmented services, and exploiting Capita's growing capabilities in data analytics, robotics and automation. It will also focus on business development, focussing the sales team on incremental/organic growth rather than relying on larger deals with clients.

5. **IT services:** Capita is one of the top ten suppliers of IT services in the United Kingdom. Capita's IT services business acts as a technology enabler across all of Capita's services both internally and externally. The UK IT services market is forecast to grow at an annual growth rate of 1 per cent. through 2020. Clients' needs are evolving as they seek value creation through digitisation and automation, more standardised offerings with modular add-ons and improved security. The Board believes that the breadth of Capita's portfolio enables it to maintain a competitive advantage across IT service provision, however it requires a simplified organisational structure, modernised offering and an optimised operating model to better serve selective external and internal clients. Capita needs to first strengthen its capability to suit the requirements of existing clients as well as to make technology and infrastructure investments.

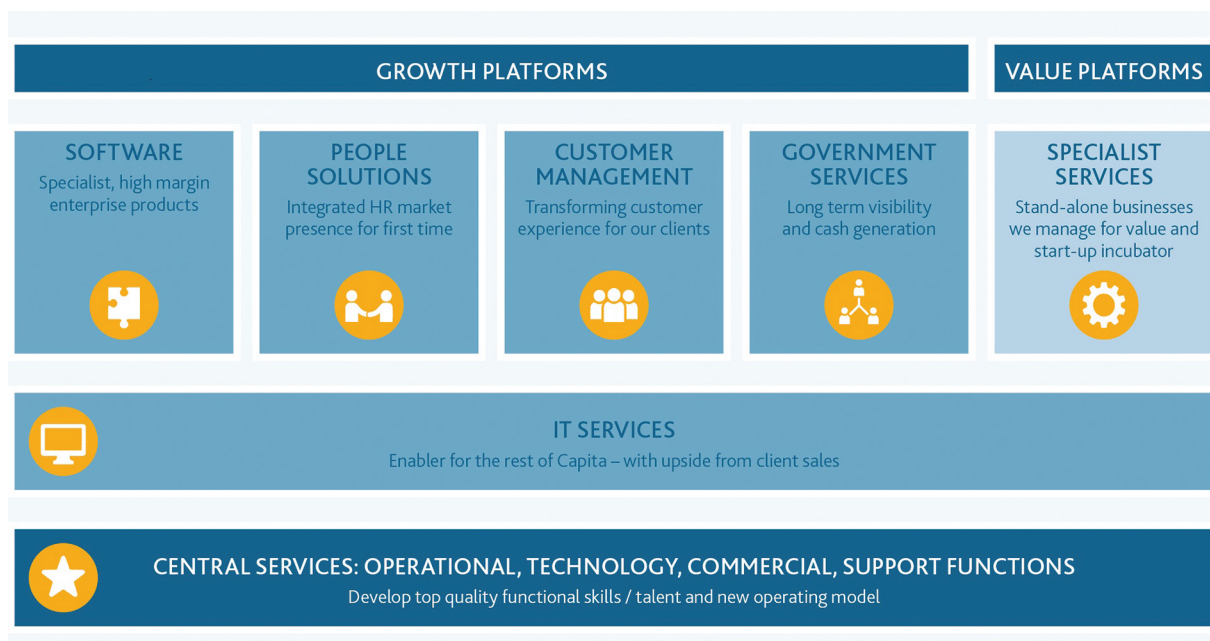
2.4.2 Realigned organisational structure

In line with its drive for simplification, Capita has reorganised its divisional structure around five markets: Software, HR, Customer Management, Government and IT Services. This will increase Capita's focus upon customer management, previously included in Private Sector Partnerships, and brings together Capita's HR businesses, previously split between Private Sector Partnerships and Professional Services, under dedicated management as a single division called People Solutions, for the first time.

The following table sets out the unaudited revenue for the year ended 31 December 2017 contributed by the businesses which make up each of these five divisions as sourced from management accounting records:

	Revenue (£ billions)
Software	0.4
People Solutions	0.5
Customer Management	0.8
Government Services	0.9
IT Services	0.4

Capita has also formed a sixth division, Specialist Services, which includes those businesses which either (a) are not within Capita's growth markets and/or (b) have little commonality with the other divisions and/or (c) are at an early phase in their development but may be scaled up in the future. The unaudited revenue for the year ended 31 December 2017 for Specialist Services is £1.1 billion, as sourced from management accounting records. The businesses within Specialist Services are mostly stand-alone operations and will be managed on a portfolio basis in order to maximise value. Capita has chosen to separate these businesses to avoid detracting from management focus on the other five growth divisions. Capita also sees real benefit in bringing these specialised businesses under dedicated management in one division.



The divisions will be supported by a common set of group capabilities including operations, sales and marketing, technology and support functions:

- Operational capabilities will be strengthened through improved contract take-on and execution processes, optimised use of offshore locations where possible and improved workforce optimisation.
- Technological capabilities will be strengthened through investing in better analytics, smarter use of data, improved proven digitisation and automation, and better technology integration.
- Sales and marketing capabilities including consistent processes around planning, project budgeting, marketing, consultative selling, account management and proposition management.
- Common and stronger support functions including HR, Finance, IT, Commercial and Legal.

2.4.3 Cost reduction

Capita has identified a significant multi-year opportunity to reduce costs and improve operational efficiency. Historically, Capita has had no ongoing structural cost management programme and has been focused on in-year profit delivery rather than long-term efficiencies and scale. The opportunity includes reductions in general and administrative expenses, which are substantially higher than Capita's peers, centralising more procurement to leverage Capita's scale, standardising and investing in its processes and systems, increasing the use of offshoring, including scaling up its presence in India, and by increasing automation.

The Board's target is annualised initial cost savings of £175 million from the above initiatives by the end of 2020. This includes £70 million which is expected to be realised in the year ending 31 December 2018, and is reflected in Capita's profit guidance that is in paragraph 6 below. The balance is expected to be realised by the end of 2020.

These savings will come from a number of key areas:

- Operations: cost savings through offshoring, automation and improved consistency of processes;
- SG&A: cost savings through offshoring, the optimisation of shared services and the implementation of a new CRM system;
- IT: cost savings through consolidation of supply chain, helpdesks and networks;
- Procurement: cost savings through professionalisation and adoption of best practices across Capita, along with rationalising the supply chain and renegotiating with vendors; and
- Property: costs savings are anticipated through the consolidation of Capita's 360 site property portfolio, increased utilisation and adoption of flexible work patterns as well as off-shoring to more cost-efficient locations and automation where appropriate.

The Board believes that the targeted efficiencies will not be detrimental to Capita's ability to serve its clients and its ability to win new contracts.

The cost to achieve these efficiencies is expected to be £40 million for the year ending 31 December 2018 and £110 million in total during the following two years.

Following the initial simplification of Capita's business and over the longer term, there could be potential to reduce costs further.

2.5 Strategy—Strengthen

A key aim of Capita's new strategy is to strengthen its businesses and capabilities by making selected investments in order to drive improvements to both Capita's expertise in digital, analytics and automation and its programme delivery and operational excellence. Capita will also seek to ensure that it has the right leadership team and capital structure in place to support the delivery of its new strategy.

2.5.1 Strengthened leadership team, culture and incentives

Capita has formed a new Executive Committee which will meet at least once a month and often more regularly. Led by Jonathan Lewis, this committee brings together the six divisional leaders of the new divisional structure and a number of new functional roles, such as a Chief Transformation Officer, Chief People Officer, Chief Corporate Development Officer, Chief Digital Officer, Chief Sales and Marketing Officer and Chief Legal Officer. These new roles include six new hires to Capita, of which three are already in place. A new performance review process and a new incentive arrangement have been put in place for the Executive Committee, and clear priorities have been set for 2018.

The Executive Committee will focus on improving culture and engagement across Capita's approximately 70,000 skilled employees, with the aim of harnessing the collective strength of Capita's talented pool of people across all levels of the organisation. Capita will introduce a single set of behavioural values across all of its businesses and look at ways to better develop its employees' skills and longer-term careers, with incentives aligned to implementation of Capita's new strategy and retention of key talent. The Directors believe that Capita's newly refreshed senior management team and the Executive Committee, in particular, will help drive a new culture across Capita, including better aligned behaviour around winning and execution of contracts.

This process will focus on four key areas:

- "Capita values for the future" are being identified and a programme is being rolled out to adopt these values through a network of change agents.
- A tailored, multi-channel communication plan is being developed to communicate more effectively, deep into the organisation.
- A "Managers and Leaders" programme is being developed to underscore the importance of leadership, to provide the right tools and technologies required to develop talent as well as to build a framework to reward positive behaviours.
- Finally, Capita believes that culture is inextricably linked to retention and, therefore, it is looking at improving retention. As part of this, Capita will define the right short-term and long-term incentivisation plans to retain and engage key talent. The aim is to ensure behaviours and culture are consistent with long-term shareholder value creation.

Diversity is an area of both Board and wider leadership focus for the future. Ensuring that all of Capita's people have the opportunity to fulfil their potential is an essential element of a successful organisation, both commercially and as a responsible and supportive employer. It is also the right thing to do. Under its new leadership, Capita looks forward to redoubling its diversity efforts at all levels, especially in senior leadership positions.

2.5.2 Focus on winning the work Capita can execute well

Capita has historically focused on short-term growth, with limited strategic business planning. It has sometimes taken on large contracts which, with hindsight, did not have the right level of planning ahead of commitment or proved to be too complex and were not executed well. In the future, Capita will be more focused on winning the work it is able to execute well and which has an acceptable risk and financial profile. Capita has established improved governance processes to support this approach.

A new pre-bid contract review committee has been formed which is led by the CEO and CFO. The committee reviews all contracts above set risk and financial thresholds and will evaluate these contracts to ensure a complete alignment with Capita's new strategy and financial goals, including an assessment of:

- Commercial terms;
- Capabilities;
- Intended operational plan;
- Life-time cash generation; and
- Potential risks and liabilities.

Post-bid, Capita has also put in place a process to ensure the work is done right, driving towards higher efficiency, lower risk and improved client satisfaction. This new post-win operational process will be used in the future for all major new contracts. The process provides a set of reusable services, capabilities, processes and tools. This process has been designed to deliver operational success for these new contracts, which in turn will allow Capita to have a better, more predictable and lower risk financial output.

2.5.3 Making targeted investments

As described in paragraph 2.4 above, in order for Capita to succeed in its growth markets, selected targeted investments are required to address historic under-investment and to allow growth to follow. Capita plans to invest a total of up to £500 million over the next three years in the following three key areas:

- Maintenance / infrastructure—These investments are partly business as usual in nature, but there is an element of investment to catch up underinvested areas of infrastructure. Investments will include upgrading SAP, HR capability including payroll and talent management systems, a single CRM system and data centre upgrades.
- Technology—Investments will include a group centre of excellence for analytics and system integration and automation across Capita covering over 1,000 FTEs and a dedicated software development group. Capita has created a new position, Chief Digital Officer, who will oversee technology investments across all divisions, including in respect of robotics and data analytics.
- Organisation—Investments will include the Capita Academy to build skills across the business, in improved programme management resources and methods and the design of a new target operating model.

2.5.4 Re-invigorating sales

Capita intends to make a number of changes in order to reduce complexity and improve the management of sales and the delivery of contracts. Focus on sales remains paramount and these improvements will require ongoing investment.

Capita has reallocated its centralised business development capability to the divisions, bringing it closer to each of the markets Capita serves and enabling the sales function to draw more fully on divisional expertise, resources and technology. This also ensures alignment of sales initiatives with innovations planned. Capita's divisions are now fully responsible for the bidding, implementation and management of contracts. This reduces complexity and risk and increases accountability for growth, client satisfaction and retention, as Capita seeks to invest in sales as well as to improve sales performance. This initiative is not anticipated to incur any material additional costs.

Capita is increasing the emphasis on account management across its divisions, ensuring that its clients get access to the full range of Capita's capabilities and services, with the goal of increasing the number of clients for whom Capita provides multiple products or services. Capita plans to achieve this in two ways: through the introduction of a single client relationship management system and through improved senior relationship management of key clients.

Capita is also committed to driving better sales performance. Prospects and order book tracking processes are being upgraded, initiatives have been put in place to drive cross selling in key accounts and sales team incentivisation plans have been updated accordingly.

2.5.5 Balance sheet and capital structure

Capita has carried out an assessment of the appropriate financial leverage over the medium term, to provide a sustainable capital base to support its clients and operations, increase investment in the business and deliver its future strategy.

The Board has determined that the appropriate financial leverage for the Company is between 1.0x and 2.0x adjusted net debt to adjusted EBITDA, prior to the adoption of IFRS 16 (compared to its existing leverage ratio of 2.27x adjusted net debt to adjusted EBITDA as at 31 December 2017) which the Board believes is the appropriate financial leverage for companies serving similar markets, of similar size and with similar operations to Capita.

As announced on 31 January 2018, Capita intends, as a matter of good corporate responsibility, to reduce the remaining pension deficit in its defined benefit scheme. The current actuarial deficit is supported by an asset backed funding arrangement, the estimated value of which is £69 million, and which is not included in the last disclosed IAS19 deficit of £407 million as at 31 December 2017. The triennial actuarial valuation of the scheme as at 31 March 2017 is due to be completed by 30 June 2018. In addition to Capita's current annual contributions, further contributions totalling £21.5 million were paid in January 2018. Capita is fully committed to addressing the remainder of the deficit in the medium term.

In addition, Capita currently expects to achieve proceeds of approximately £300 million from non-core disposals in 2018. Capita further intends to review the diversity of funding on its balance sheet over the next two years.

2.6 Strategy—Succeed

Capita will simplify its business by focusing on growth markets, realigning its organisational structure to mirror these markets and to significantly reduce costs at the same time as improving operational efficiency.

Capita will strengthen its businesses and capabilities by making selected investments in order to drive improvements to both Capita's expertise in digital, analytics and automation and its programme delivery and operational, commercial, and functional excellence. It will leverage off its investment in technology in order to win new customers and contracts. Capita will also ensure that it has the right leadership team and capital structure in place to support the delivery of the new strategy.

Capita has built a detailed, multi-year transformation plan in order to execute the strategy as outlined in paragraphs 2.4 and 2.5 above, encompassing strategy implementation, cost competitiveness, capital structure, targeted investment, organisational alignment and re-igniting sales. This plan is already being executed and is being managed by a dedicated and highly experienced transformation team, headed by the newly appointed Chief Transformation Officer.

Capita believes that the near-term parts of this transformation are driven mostly by elements in its control and that there is a great amount of value to be extracted just from doing the basics better. The strategy has been designed to win the business which Capita can execute well, which will help make Capita's business more predictable and lower risk. The investments made into the business are expected to provide a stable and strong platform for growth which in turn can provide sustainable free cash flow in the medium term.

The expected financial impact of the strategy on Capita is anticipated to be significant. Capita is targeting annualised initial cost savings of £175 million by the end of 2020. This includes £70 million which is expected to be realised in the year ending 31 December 2018, which is reflected in Capita's profit guidance that is set out in paragraph 6 below. The cost to achieve these savings is expected to be £40 million for the year ending 31 December 2018 and £110 million in total in the following two years. Capita is also targeting double-digit EBIT margins within three years.

Capita plans to increase investment in its business to upgrade key infrastructure and invest in differentiated capability in order to drive future growth. Capita plans to invest a total of up to £500 million over the next three years.

Capita expects to generate at least £200 million of sustainable annual post-tax free cash flow in 2020 before exceptional and restructuring charges, and additional voluntary pension contributions.

Capita's leverage will be reduced by the net proceeds of the rights issue and by non-core disposals, with the Company expecting to realise total proceeds of approximately £300 million in 2018. Capita has set a target range for leverage of between 1.0x and 2.0x adjusted net debt to adjusted EBITDA (prior to the adoption of IFRS 16).

Capita's transformation programme will be funded from a combination of existing resources, the net proceeds of the Rights Issue, the proceeds of any non-core disposals (subject to paragraph 7 below) and cash from operations.

3 Use of proceeds

The Rights Issue will enable Capita to execute its new strategy and deliver its stated targets, including the cost reduction programme and the investment programme which is expected to, *inter alia*, result in the generation of at least £200 million of sustainable annual, post-tax free cash flow in 2020 before exceptional and restructuring charges, and the reduction of leverage.

The net proceeds of £662 million from the Rights Issue will provide £220 million to fund Capita's transformation programme, which includes £150 million of cost to achieve an annualised cost competitiveness saving of £175 million; and £150 million for an agreed pre-payment of £150 million of US Private Placement Notes, plus an estimated make-whole payment of £7 million. The balance of proceeds will be used to support Capita's investment programme.

4 Financial impact of the Rights Issue

Had the Rights Issue taken place as at the last balance sheet date, being 31 December 2017, the effect on the balance sheet would have been an increase in cash of £512.0 million (being net proceeds of £662.0 million less £150.0 million for the prepayment of the US Private Placement Notes). Capita's *pro forma* adjusted net debt would have been £558.4 million.

Your attention is drawn to Part XV of this document, which contains an unaudited *pro forma* statement of net assets and liabilities of Capita plc that illustrates the impact of the Rights Issue on the net assets and liabilities of Capita plc as at 31 December 2017 as if it had taken place at that date.

5 Principal terms of the Rights Issue

Pursuant to the Rights Issue, the Company is proposing to offer 1,001,032,281 New Shares to Qualifying Shareholders. The offer is to be made at 70 pence per New Share, payable in full on acceptance by no later than 11.00 a.m. on 24 May 2018. The Rights Issue is expected to raise gross proceeds of approximately £701 million. The Issue Price represents a 33.9 per cent. discount to the theoretical ex-rights price based on the closing middle-market price of 159.8 pence per Share on 20 April 2018 (being the last Business Day before the announcement of the terms of the Rights Issue).

The Rights Issue will be made on the basis of:

3 New Shares at 70 pence per New Share for every 2 Existing Shares

held by Qualifying Shareholders at the close of business on the Record Date.

Entitlements to New Shares will be rounded down to the nearest whole number and fractional entitlements will not be allotted to Shareholders but will be aggregated and issued into the market for the benefit of the Company. Holdings of Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

The Rights Issue is fully underwritten by the Banks, pursuant to the terms of the Underwriting Agreement. The principal terms of the Underwriting Agreement are summarised in Part XVIII of this document.

The Rights Issue will result in 1,001,032,281 New Shares being issued (representing approximately 149.4 per cent. of the existing issued share capital and 59.9 per cent. of the enlarged issued share capital immediately following completion of the Rights Issue, assuming that no Shares are issued to satisfy the vesting of awards or the exercise of options under the Employee Share Plans between the date of this document and the Admission becoming effective).

The Rights Issue is conditional, *inter alia*, upon:

- the Underwriting Agreement having become unconditional in all respects save for the condition relating to Admission;
- Admission becoming effective by not later than 8.00 a.m. on 10 May 2018 (or such later time and date as the Joint Sponsors and the Company may agree); and
- the passing, without material amendment, of the Resolutions.

New Shares will be provisionally allotted (nil paid) to all Shareholders on the register at the Record Date, including Overseas Shareholders. Resolutions authorising the allotment of the New Shares and the waiver of pre-emption rights in connection with the Rights Issue are proposed to the Shareholders for approval at the General Meeting in order to implement the Rights Issue in compliance with the regulatory constraints imposed by some jurisdictions. If a Shareholder is not able to (or does not) take up his or her Nil Paid Rights under the Rights Issue, then his or her shareholding in the Company will be diluted as a result of the Rights Issue. These authorities, if passed, will be relied upon for the purposes of the Rights Issue.

The New Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Shares, including the right to receive dividends or distributions made, paid or declared after the date of issue of the New Shares. Application will be made to the FCA and to the London Stock Exchange for the New Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, respectively. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Shares (nil paid) will commence at 8.00 a.m. on 10 May 2018.

Some questions and answers, together with details of further terms and conditions of the Rights Issue, including the procedure for acceptance and payment and the procedure in respect of rights not taken up, are set out in Parts VIII and IX of this document and, where relevant, will also be set out in the Provisional Allotment Letter.

Overseas Shareholders should refer to paragraph 2.5 of Part IX of this document for further information on their ability to participate in the Rights Issue.

6 Current trading and prospects

On 31 January 2018, Capita highlighted that there is likely to be a significant negative impact on underlying profits for 2018 from contract and volume attrition, the non-recurrence of certain specific items that benefitted Capita in 2017, and increases in some cost items. Capita does not expect to be able to offset these challenges through the benefit of cost actions and new business wins. Capita expects that its Underlying Pre-Tax Profits, before significant new contracts, restructuring costs and implementation costs of the strategy will be between £270 million and £300 million for the year ending 31 December 2018. Capita's trading in the first quarter of 2018 was consistent with its full-year guidance.

7 Agreement reached with holders of Capita's US Private Placement Notes

Capita has reached a comprehensive arrangement with the holders of its US Private Placement Notes in order to address certain issues which arose from the early adoption of IFRS 15. The arrangement provides increased headroom and flexibility under Capita's financial covenants, and thereby sets up a robust framework to support the new strategy. In return for this increased flexibility, Capita has agreed, among other things, (i) to prepay £150 million of principal of the US Private Placement Notes (plus an estimated make-whole payment of £7 million) from the proceeds of the Rights Issue; (ii) to apply 50 per cent. of the net proceeds from future disposals to the prepayment of principal of the US Private Placement Notes, with payment of make-whole, until such time as an estimated £315 million of US Private Placement Notes have been prepaid; and (iii) to pay a coupon uplift of 75 basis points, representing approximately £5 million of incremental costs through 2018. For more detail in relation to this arrangement, see paragraph 17 of Part XVIII of this document.

8 Risk factors and further information

Shareholders should consider fully and carefully the risk factors associated with Capita, as set out in Part II of this document.

Shareholders should read the whole of this document and not rely solely on the information set out in this letter.

9 Dividend policy

Given the short-term outlook and level of indebtedness, the Board did not recommend the payment of a final dividend in respect of 2017. However, the Board recognises the importance of regular dividend payments to investors in forming part of their total shareholder return, and will consider the payment of dividends once Capita is generating sufficient sustainable free cash flow.

10 Employee Share Plans and Share Incentive Plans

The Directors believe that incentivisation of key employees is important to the successful implementation of the multi-year transformation programme and the new strategy, the execution of which will place significant future demands on Capita's management. Accordingly, the Directors have concluded that it is in the best interests of Shareholders to grant approximately 150 senior employees (including the executive directors) LTIP awards for 2018 of up to £21 million (representing approximately one per cent. of the market capitalisation of the Company following the Rights Issue using the theoretical ex-rights price based on the closing middle-market price of 159.8 pence per Share on 20 April 2018). Vesting of these awards will depend on a number of performance conditions related to the execution of the new strategy and delivery of stated targets measured over a three-year period, and/or continued employment. These performance conditions and targets will be set following consultation with Shareholders. The 2018 LTIP awards will be satisfied by the issuance of 6,700,000 new shares and using existing shares in the employee benefit trust, with the balance being purchased in the market for cash.

The number of Shares subject to awards or options outstanding under the Employee Share Plans and the exercise price (if any) may be adjusted, in accordance with the rules of the relevant Employee Share Plans, to take account of the issue of the New Shares pursuant to the Rights Issue. Holders of awards or options under the Employee Share Plans will be contacted separately and in due course with further information on how their awards and options may be affected by the Rights Issue.

Participants in the Share Incentive Plans will be able to instruct the plan trustee in relation to the rights attaching to their shares, in accordance with the rules. If no instructions are received, Cashless Take-up will be effected on the participants' behalf. Participants will be contacted separately and in due course with further information.

11 General meeting

You will find set out at the end of this document a notice convening a general meeting of Capita to be held at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ at 11.00 a.m. on 9 May 2018. The General Meeting is being held for the purpose of considering and, if thought fit, passing the Resolutions. A summary and explanation of the Resolutions is set out below, but please note that this does not contain the full text of the Resolutions and you should read this section in conjunction with the Resolutions in the Notice of General Meeting at the end of this document.

12 Resolutions

The resolution to provide the Directors with the necessary authority and power to allot sufficient ordinary shares to undertake the Rights Issue, to apply until the conclusion of the Annual General Meeting ("AGM") of the Company to be held in 2018, is to be proposed at the General Meeting as an ordinary resolution. This resolution will pass if more than 50.0 per cent. of the votes cast (either in person or by proxy) are in favour.

The resolution to provide the Directors with the necessary power and authority to allot sufficient ordinary shares to undertake the Rights Issue as if Section 561(1) of the Companies Act 2006 did not apply to such allotment, to apply until the conclusion of the AGM of the Company to be held in 2018, is to be proposed at the General Meeting as a special resolution. This resolution will pass, subject to the first resolution being passed, if at least 75.0 per cent. of the votes cast (either in person or by proxy) are in favour.

13 Overseas Shareholders

The ability of certain Shareholders to participate in the Rights Issue is restricted by the relevant securities laws of the jurisdictions in which they are located. The attention of Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of or located in countries other than the United Kingdom, is drawn to the information in paragraph 2.5 of Part IX of this document.

New Shares will be provisionally allotted (nil paid) to all Shareholders on the register at the Record Date, including Overseas Shareholders. However, subject to certain exceptions, Provisional Allotment Letters will only be sent to Qualifying Non-CREST Shareholders with registered addresses outside the United States and the Restricted Territories and only the CREST stock accounts of Qualifying CREST Shareholders with registered addresses outside the United States and the Restricted Territories will be credited.

Notwithstanding any other provision of this document or the Provisional Allotment Letter, the Company reserves the right to permit any Shareholder on the register at the Record Date to take up his or her rights if the

Company in its sole and absolute discretion is satisfied that the transaction in question will not violate applicable laws.

The provisions of paragraph 2.5 of Part IX of this document will apply generally to Overseas Shareholders who cannot or do not take up the New Shares provisionally allotted to them.

14 UK and US taxation

Certain information about UK and US taxation in relation to the Rights Issue is set out in Part XVII of this document. If you are in any doubt as to your tax position, or you are subject to tax in a jurisdiction other than the United Kingdom or the United States, you should consult your own independent tax adviser without delay.

15 Actions to be taken

15.1 Action to be taken in respect of the General Meeting

Set out at the end of this document is a notice convening the General Meeting to be held at 11.00 a.m. on 9 May 2018 at the offices of Linklaters LLP at One Silk Street, London EC2Y 8HQ. At the General Meeting, the Resolutions will be proposed for approval.

You will find enclosed with this document (unless you hold your Shares indirectly) a Form of Proxy for use at the General Meeting. Whether or not you propose to attend the General Meeting in person, you are asked to complete the Form of Proxy and return it to the Company's Registrars, Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU (using the enclosed prepaid envelope), so as to arrive as soon as possible, but in any event so as to be received by no later than 11.00 a.m. on 4 May 2018.

Alternatively, Shareholders can submit their proxy vote electronically using the share portal service at www.capitashares.co.uk. Shareholders can register for the share portal service by following the on-screen instructions at this site.

CREST members may also choose to utilise the CREST electronic proxy appointment service in accordance with the procedures set out in the notice convening the General Meeting at the end of this document.

Completion and return of a Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting at the General Meeting in person if you so wish.

Further details relating to voting by proxy are set out in the notes to the Notice of General Meeting at the end of this document.

15.2 Action to be taken in respect of the Rights Issue

If you are a Qualifying Non-CREST Shareholder with a registered address outside the United States and the Restricted Territories (subject to certain exceptions), you will be sent a Provisional Allotment Letter giving you details of your Nil Paid Rights by post on or about 9 May 2018. If you are a Qualifying CREST Shareholder, you will not be sent a Provisional Allotment Letter. Instead, provided that you have a registered address outside the United States and the Restricted Territories (subject to certain exceptions), you will receive a credit to your appropriate stock accounts in CREST in respect of Nil Paid Rights, which it is expected will take place as soon as practicable after 8.00 a.m. on 10 May 2018. Such crediting does not in itself constitute an offer of New Shares.

If you sell or have sold or otherwise transferred all of your Shares held (other than ex-rights) in certificated form before 10 May 2018, please forward this document and any Provisional Allotment Letter, if and when received, at once to the purchaser or transferee or the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee, except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to, the United States and the Restricted Territories.

If you sell or have sold or otherwise transferred all or some of your Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

If you sell or have sold or otherwise transferred only part of your holding of Existing Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, you should refer to the instruction regarding split applications in Part IX of this document and in the Provisional Allotment Letter.

The latest time and date for acceptance and payment in full in respect of the Rights Issue is expected to be 11.00 a.m. on 24 May 2018, unless otherwise announced by the Company. The procedure for acceptance and payment is set out in Part IX of this document and, if applicable, in the Provisional Allotment Letter.

For Qualifying Non-CREST Shareholders, the New Shares will be issued in certificated form and will be represented by definitive share certificates, which are expected to be despatched by no later than 4 June 2018 to the registered address of the person(s) entitled to them.

For Qualifying CREST Shareholders who take up their rights, the Receiving Agent will instruct CREST to credit the stock accounts of the Qualifying CREST Shareholders with their entitlements to New Shares. It is expected that this will take place by as soon as practicable after 8.00 a.m. on 25 May 2018.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsor regarding the action to be taken in connection with this document and the Rights Issue.

If you are in any doubt as to the action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the FSMA or, if you are outside the United Kingdom, by another appropriately authorised independent financial adviser.

15.3 Special Dealing Service

Capita has engaged Link Asset Services to make available the Special Dealing Service in order for Qualifying Non-CREST Shareholders (who are individuals and whose registered addresses are in the United Kingdom or any other jurisdiction in the EEA) to sell all of the Nil Paid Rights to which they are entitled or to effect a Cashless Take-up should they wish. Further information about the Special Dealing Service is set out in paragraph 2.1.5 of Part IX of this document and the Special Dealing Service Terms and Conditions will be posted to Qualifying Non-CREST Shareholders together with the Provisional Allotment Letter.

16 Directors' intentions and shareholder support

Each of the Directors who holds Shares intends to take up in full his or her rights in respect of his or her Shares to subscribe for New Shares under the Rights Issue. In addition, Jonathan Lewis has committed to invest £250,000 in Shares of the Company prior to the General Meeting and intends to take up in full his rights in respect of these Shares to subscribe for New Shares under the Rights Issue.

Certain discretionary managed investments funds (acting through Woodford Investment Management Limited as their agent and discretionary investment manager), who in aggregate hold Shares representing approximately 10 per cent. of the Shares, have informed Capita that they are supportive of Capita's plans and the Rights Issue. Invesco discretionary managed funds, who in aggregate hold Shares representing 9.08 per cent. of the Shares, have also informed Capita that they are supportive of Capita's plans and the Rights Issue.

17 Importance of your vote

Both of the Resolutions must be passed by Shareholders at the General Meeting in order for the Rights Issue to proceed. The Rights Issue will enable Capita to reduce its indebtedness and is intended to provide Capita with a sustainable capital base to support its operations. The Board believes that a strong balance sheet will bolster the confidence of its clients and other stakeholders, allow for the necessary level of investment in the business and provide Capita with the financial flexibility that it requires to support the delivery of its new strategy and the transformation programme.

The Company is of the opinion that, after taking into account the net proceeds of the Rights Issue, it has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this document.

In connection with the Rights Issue and the preparation of Capita's audited financial statements for the year ended 31 December 2017, the Board considered and approved its "base case" five-year financial forecasts, which are based on a current assessment of business prospects over the period, with an initial view over cost efficiencies identified to date.

If Capita's results over the relevant period were to be in line with these base case forecasts, it would not be in breach of the financial covenants contained in its financing documents at any point within the 12-month period covered by the working capital statement set out in Part XVIII of this document, even if the Rights Issue does not proceed. In addition, if Capita's results were to fall short of these base case forecasts but instead were to

reflect what the Board considers to be a reasonable downside scenario, and the Rights Issue were to proceed, Capita would still not be in breach of these financial covenants at any point within the 12-month period covered by the working capital statement. If, however, this reasonable downside scenario were to occur and the Rights Issue were not to proceed, and no other mitigating actions were to be taken by Capita, it would be in breach of the covenant in relation to its Net Debt Ratio under the US Private Placement Notes in respect of the next covenant testing date, being 30 June 2018.

In preparing the financial statements on the going concern basis, the Board is required to take into account the reasonable downside scenario in assessing Capita's ability to continue as a going concern and, accordingly, the proceeds of the Rights Issue are required to support the going concern basis of preparation. As a result, the independent auditor's report for the 2017 Annual Report and Accounts draws attention to a material uncertainty which casts significant doubt about Capita's ability to continue as a going concern, given that a shareholder vote is required in order for the Rights Issue to proceed and that the Underwriting Agreement is subject to certain specific conditions which, although customary in nature, are outside the control of Capita.

If the Rights Issue does not proceed, and Capita were to anticipate that a covenant breach was likely to occur, it expects that it would seek to secure a waiver or amendment of the financial covenants for future covenant testing dates from noteholders under the US Private Placement Notes. Such amendments and waivers would likely require Capita to incur additional costs (including amendment fees, increased interest payments or additional restrictions on its business).

If Capita were unable to obtain such amendments and waivers, or take other action to avoid a breach of its financial covenants when tested (such as ceasing discretionary spending, delaying certain payments and/or accelerating cash receipts), noteholders would have the right to demand the accelerated payment in full of the relevant amounts (principal and other items) outstanding at the time of the breach and/or a cross-default in relation to Capita's other financing arrangements may occur. In such case, Capita's noteholders would be entitled to make such a payment demand at any time after the 10-day grace period following an event of default under the US Private Placement Notes, at which time a cross-default in relation to Capita's other debt financing arrangements would occur. If such a repayment demand were to be made and a cross-default were to occur, Capita would not be able to draw under its Revolving Credit Facility or other debt financing arrangements, and does not expect that it would have access to funds immediately available to repay such amounts at that time. In this circumstance, Capita may take alternative measures, including a disposal of assets, seeking to secure other forms of funding (such as through a new equity restructuring either with private capital investors or by a conversion by Capita's lenders of existing debt into equity) or seeking to re-engage with noteholders to obtain an amendment or waiver. However, there is no guarantee that the aforementioned actions would succeed and, as a result, Shareholders would then be at risk of losing all or a substantial amount of their investment.

There can be no assurance that a reasonable downside scenario will be avoided and, if it is not, that the alternative actions outlined above would be capable of implementation in the time available and/or would ultimately be successful and, accordingly, the Board believes that the successful completion of the Rights Issue is in the best interests of Shareholders as a whole.

As such, Shareholders are asked to vote in favour of the Resolutions at the General Meeting so that, assuming that the other conditions to the Rights Issue are satisfied, the Rights Issue can proceed.

18 Board recommendation

The Board believes the Rights Issue to be in the best interests of Capita and the Shareholders as a whole and, accordingly, unanimously recommends that the Shareholders vote in favour of the Resolutions, as the Directors each intend to do in respect of their own legal and beneficial holdings, amounting to 54,962 Shares (representing approximately 0.01 per cent. of the Company's existing issued share capital as at 20 April 2018, being the latest practicable date prior to the date of this document).

Yours faithfully

Sir Ian Powell
Chairman

PART VIII

QUESTIONS AND ANSWERS ABOUT THE RIGHTS ISSUE

The questions and answers set out in this Part VIII are intended to be in general terms only and, as such, you should read Part IX of this document for full details of what action you should take. If you are in any doubt as to what action you should take, you are recommended to seek immediately your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser, duly authorised under the FSMA if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

This Part VIII deals with general questions relating to the Rights Issue and more specific questions relating to Shares held by persons resident in the United Kingdom who hold their Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 2.5 of Part IX of this document and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your rights. If you hold your Shares in uncertificated form (that is, through CREST) you should read Part IX of this document for full details of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor. If you do not know whether your Shares are in certificated or uncertificated form, please call Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Times and dates referred to in this Part VIII have been included on the basis of the expected timetable for the Rights Issue set out in Part IV of this document.

1 What is a rights issue?

A rights issue is a way for companies to raise money. Companies do this by giving their existing shareholders a right to buy further shares in proportion to their existing shareholdings.

The offer under this Rights Issue is at a price of 70 pence per New Share. If you hold Shares on the Record Date and, subject to certain exceptions, do not have a registered address in the United States or the Restricted Territories, you will be entitled to buy New Shares pursuant to the Rights Issue unless you have sold or otherwise transferred those Shares (other than ex-rights) prior to 8.00 a.m. (London time) on the Ex-Rights Date. If you hold your Existing Shares in certificated form, your entitlement will be set out in your Provisional Allotment Letter.

New Shares are being offered to Qualifying Shareholders in the Rights Issue at a discount to the Share price on the last dealing day before the details of the Rights Issue were announced on 23 April 2018. The Issue Price of 70 pence per New Share represents a 33.9 per cent. discount to the theoretical ex-rights price based on the closing middle-market price of 159.8 pence per Share on 20 April 2018 (being the last Business Day before the announcement of the terms of the Rights Issue). As a result of this discount and while the market value of the Existing Shares exceeds the Issue Price, the right to buy the New Shares is potentially valuable.

The Rights Issue is on the basis of 3 New Shares at 70 pence per New Share for every 2 Existing Shares held by Qualifying Shareholders as at the close of business on the Record Date.

If you are a Qualifying Shareholder and you do not want to buy the New Shares to which you are entitled, you can instead sell or transfer your rights (called Nil Paid Rights) to those New Shares and receive the net proceeds, if any, of the sale or transfer in cash. This is referred to as “dealing nil paid”.

2 What happens next?

The Company has called a General Meeting to be held at 11.00 a.m. on 9 May 2018 at the offices of Linklaters LLP at One Silk Street, London EC2Y 8HQ. Please see the Notice of General Meeting at the end of this document. As you will see from the contents of the Notice of General Meeting, the Board is seeking shareholder approval for the allotment of the New Shares and disapplication of pre-emption rights associated with the Rights Issue in order to implement the rights issue in compliance with the regulatory constraints imposed by some jurisdictions. If you are not able to (or do not) take up your Nil Paid Rights under the Rights Issue, then your shareholding in the Company will be diluted as a result of the Rights Issue.

You will find enclosed with this document (unless you hold your Shares indirectly) a Form of Proxy for use in relation to the General Meeting. Whether or not you propose to attend the General Meeting in person, you are

asked to complete the Form of Proxy and return it to the Company's Registrars, Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU (using the enclosed prepaid envelope), so as to arrive as soon as possible, but in any event so as to be received by no later than 11.00 a.m. on 4 May 2018.

Alternatively, Shareholders can submit their proxy vote electronically using the share portal service at www.capitashares.co.uk. Shareholders can register for the share portal service by following the on-screen instructions at this site.

CREST members may also choose to utilise the CREST electronic proxy appointment service in accordance with the procedures set out in the notice convening the General Meeting at the end of this document.

Completion and return of a Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting at the General Meeting in person if you so wish. If the Resolutions are approved at the General Meeting, the Rights Issue will proceed (subject to certain conditions). The Provisional Allotment Letters are due to be despatched on or about 9 May 2018 to Qualifying Non-CREST Shareholders with registered addresses outside the United States and the Restricted Territories (subject to certain exceptions) and the Nil Paid Rights are due to be credited to the CREST stock accounts of Qualifying CREST Shareholders with registered addresses outside the United States and the Restricted Territories (subject to certain exceptions) as soon as practicable after 8.00 a.m. on 10 May 2018.

3 Can I sell some rights and use the proceeds to take up my remaining rights?

This is known as a Cashless Take-up or "tail-swallowing". You should contact your stockbroker or financial adviser who may be able to help if you wish to do this. Alternatively, if you are an individual certificated shareholder whose registered address is in the United Kingdom or any other EEA country, you can use the Special Dealing Service (see paragraph 6(e) below). Please note that your ability to sell your rights is dependent on demand for such rights and that the price for Nil Paid Rights may fluctuate. Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 24 May 2018.

4 I hold my Existing Shares in certificated form. How do I know if I am able to acquire New Shares under the Rights Issue?

If you receive a Provisional Allotment Letter and are a Qualifying Non-CREST Shareholder with a registered address outside the United States and the Restricted Territories (subject to certain exceptions), then you should be eligible to acquire New Shares under the Rights Issue (as long as you have not sold or otherwise transferred all of your Existing Shares before 8.00 a.m. on the Ex-Rights Date, in which case you will need to follow the instructions on the front page of this document).

5 I hold my Existing Shares in certificated form. How will I be informed of how many New Shares I am entitled to buy?

Subject to Shareholders approving the Resolutions at the General Meeting to be held on 9 May 2018, if you hold your Existing Shares in certificated form and are a Qualifying Non-CREST Shareholder with a registered address outside the United States and the Restricted Territories (subject to certain exceptions), you will be sent a Provisional Allotment Letter that shows:

- how many Existing Shares you held at the close of business on 4 May 2018 (the Record Date for the Rights Issue);
- how many New Shares you are entitled to buy; and
- how much you need to pay if you want to take up your right to buy all the New Shares provisionally allotted to you in full.

Subject to certain exceptions, if you have a registered address in the United States or the Restricted Territories, you will not receive a Provisional Allotment Letter.

6 I am a Qualifying Shareholder with a registered address in the United Kingdom and I hold my Existing Shares in certificated form. What are my choices and what should I do with the Provisional Allotment Letter?

(a) If you want to take up all of your rights

If you want to take up all of your rights to acquire the New Shares to which you are entitled, all you need to do is send the Provisional Allotment Letter, together with your cheque or banker's draft for the full amount, payable to "Link Market Services Ltd. re: Capita plc—Rights Issue A/C" and crossed "A/C payee only", by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, to arrive by no later than 11.00 a.m. on 24 May 2018. Within the United Kingdom only, you can use the reply-paid envelope which will be enclosed with the Provisional Allotment Letter. Full instructions are set out in Part IX of this document and will be set out in the Provisional Allotment Letter.

Please note third-party cheques may not be accepted other than building society cheques or banker's drafts.

If payment is made by building society cheque (not being drawn on an account of the applicant) or a banker's draft, the building society or bank must endorse on the back of the cheque or draft the applicant's name and the number of an account held in the applicant's name at the building society or bank, such endorsement being validated by a stamp and an authorised signature. The account name should be the same as that shown on the application.

A definitive share certificate will then be sent to you for the New Shares that you take up. Your definitive share certificate for New Shares is expected to be despatched to you by no later than 4 June 2018. You will need your Provisional Allotment Letter to be returned to you if you want to deal in your Fully Paid Rights. Your Provisional Allotment Letter will not be returned to you unless you tick the appropriate box on the Provisional Allotment Letter.

(b) If you do not want to take up your rights at all

If you do not want to take up your rights, you do not need to do anything. If you do not return your Provisional Allotment Letter subscribing for the New Shares to which you are entitled by 11.00 a.m. on 24 May 2018, we have made arrangements under which the Banks will try to find investors to take up your rights and the rights of others who have not taken up their rights. If the Banks do find investors who agree to pay a premium above the Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of value added tax), you will be sent a cheque for your share of the amount of that premium, provided that this is £5.00 or more. Cheques will be sent to your existing address appearing on the Company's register of members (or to the first-named holder if you hold your Existing Shares jointly). If the Banks cannot find investors who agree to pay a premium over the Issue Price and related expenses so that your entitlement would be £5.00 or more, you will not receive any payment, and any amounts of less than £5.00 will be aggregated and donated to charity. Alternatively, if you do not want to take up your rights, you can sell or transfer your Nil Paid Rights (see paragraph (d) below).

(c) If you want to take up some but not all of your rights

If you want to take up some but not all of your rights and wish to sell some or all of those you do not want to take up, you should first apply to have your Provisional Allotment Letter split by completing Form X on the Provisional Allotment Letter (unless you wish to use the Special Dealing Service), and returning it by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, to be received by 3.00 p.m. on 22 May 2018, together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights to be comprised in each split Provisional Allotment Letter. You should then deliver the split Provisional Allotment Letter representing the New Shares that you wish to accept together with your cheque or banker's draft to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU to be received by 11.00 a.m. on 24 May 2018.

Please note that your ability to sell your rights is dependent on demand for such rights and that the price for Nil Paid Rights may fluctuate. Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 24 May 2018.

Further details are set out in Part IX of this document and will be set out in the Provisional Allotment Letter.

(d) If you want to sell all of your rights

If you want to sell all of your rights other than through the Special Dealing Service, you should complete and sign Form X on the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and pass the entire letter to your stockbroker, bank manager or other appropriate financial adviser or to the transferee (provided they are not in the United States or the Restricted Territories).

Please note that your ability to sell your rights is dependent on demand for such rights and that the price for Nil Paid Rights may fluctuate. Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 24 May 2018.

(e) If you want to use the Special Dealing Service

If you are an individual certificated shareholder whose registered address is in the United Kingdom or any other EEA country, you can use the Special Dealing Service to either (i) sell all of your Nil Paid Rights or (ii) sell a sufficient number of Nil Paid Rights to raise money to take up the remainder (that is, effect a Cashless Take-up).

If you want to use the Special Dealing Service to sell all of your Nil Paid Rights, you should tick Box C on the front page of your Provisional Allotment Letter, sign and date it and return the Provisional Allotment Letter by 11.00 a.m. on 18 May 2018.

If you want to effect a Cashless Take-up, you should tick Box D on the front page of your Provisional Allotment Letter, sign and date it and return the Provisional Allotment Letter by 11.00 a.m. on 18 May 2018.

Link Asset Services will charge a commission of 1.5 per cent. of the gross proceeds of any sale of Nil Paid Rights effected using the Special Dealing Service, subject to a minimum of £30.00 per holding.

You should be aware that by returning your Provisional Allotment Letter and electing to use the Special Dealing Service, you will be deemed to be agreeing to the terms and conditions of the Special Dealing Service and make a legally binding agreement with Link Asset Services on those terms. The terms and conditions of the Special Dealing Service will be posted to you together with the Provisional Allotment Letter if you hold your Shares in certificated form.

If you have any questions relating to the Special Dealing Service, please telephone Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Further details about the Special Dealing Service are set out in paragraph 2.1.5 of Part IX of this document.

7 I acquired my Existing Shares prior to the Record Date and hold my Existing Shares in certificated form. What if I do not receive a Provisional Allotment Letter?

If the Shareholders approve the Resolutions at the General Meeting to be held on 9 May 2018, and you do not receive a Provisional Allotment Letter but hold your Existing Shares in certificated form, this probably means that you are not able to acquire New Shares under the Rights Issue. Some Qualifying Non-CREST Shareholders, however, will not receive a Provisional Allotment Letter but may still be eligible to acquire New Shares under the Rights Issue, namely:

- Qualifying CREST Shareholders who held their Existing Shares in uncertificated form at close of business on 4 May 2018 and who have converted them to certificated form;

- Shareholders who bought Existing Shares before 10 May 2018 and who hold such Shares in certificated form but were not registered as the holders of those Shares at the close of business on 4 May 2018; and
- certain Overseas Shareholders.

If you do not receive a Provisional Allotment Letter but think that you should have received one, please call Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

8 If I buy Shares after the Record Date, will I be eligible to participate in the Rights Issue?

If you bought Shares after the Record Date but prior to 8.00 a.m. on the Ex-Rights Date, you may be eligible to participate in the Rights Issue.

If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

If you buy Shares on or after 8.00 a.m. on 10 May 2018, you will not be eligible to participate in the Rights Issue in respect of those Shares.

9 I hold my Existing Shares in certificated form. If I take up my rights, when will I receive the certificate representing my New Shares?

If you take up your rights under the Rights Issue, share certificates for the New Shares are expected to be posted by no later than 4 June 2018.

10 What if the number of New Shares to which I am entitled is not a whole number? Am I entitled to fractions of New Shares?

Your entitlement to New Shares will be calculated at the Record Date (other than in the case of those who bought Shares after the Record Date but prior to 8.00 a.m. on the Ex-Rights Date who are eligible to participate in the Rights Issue). If the result is not a whole number, you will not be provisionally allotted a New Share in respect of the fraction of a New Share and your entitlement will be rounded down to the nearest whole number. The New Shares representing the aggregated fractions that would otherwise be allotted to Shareholders will be issued in the market nil paid for the benefit of the Company.

11 Will I be taxed if I take up or sell my rights or if my rights are sold on my behalf?

If you are resident in the United Kingdom for tax purposes, you should not have to pay UK tax when you take up your rights, although the Rights Issue will affect the amount of UK tax you may pay when you subsequently sell your Shares.

However, assuming that you hold your Shares as an investment, rather than for the purposes of a trade, you may (subject to any available exemption or relief) be subject to tax on any proceeds that you receive from the sale of your rights as a chargeable gain. Similarly, assuming that you hold your Shares as an investment, if you allow, or are deemed to allow, your rights to lapse and receive a cash payment in respect of them, you may (subject to any available exemption or relief) be subject to tax on any proceeds as a chargeable gain.

However, if the proceeds are “small” as compared to the value of the Existing Shares in respect of which the rights arose (broadly, the proceeds do not exceed the greater of (a) £3,000 or (b) 5 per cent. of the value of the Existing Shares), a tax charge should not generally arise at that time. Rather, the proceeds will be deducted from the base cost of the holding of the Existing Shares for the purposes of computing a chargeable gain or allowable loss on a subsequent disposal. This treatment will not apply if the proceeds are greater than the base cost of the holding of Existing Shares.

Further information for Qualifying Shareholders who are resident in the United Kingdom for tax purposes is contained in Part XVII of this document. This information is intended as a general guide to the current tax position in the United Kingdom and Qualifying Shareholders should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances. Qualifying Shareholders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult an appropriate professional adviser as soon as possible. Please note that the Shareholder Helpline will not be able to assist you with taxation issues.

12 I understand that there is a period when there is trading in the Nil Paid Rights. What does this mean?

If you do not want to buy the New Shares being offered to you under the Rights Issue, you can instead sell or transfer your Nil Paid Rights and receive the net proceeds of the sale or transfer in cash. This is referred to as “dealing nil paid”. This means that during the Rights Issue (between 8.00 a.m. on 10 May 2018 and 11.00 a.m. on 24 May 2018) you can either purchase Shares (which will not carry any entitlement to participate in the Rights Issue) or you can trade in the Nil Paid Rights.

13 I hold my Existing Shares in certificated form. What if I want to sell the New Shares for which I have paid?

Provided that the New Shares have been paid for and you have requested the return of the receipted Provisional Allotment Letter, you can transfer the Fully Paid Rights by completing Form X (the form of renunciation) on the receipted Provisional Allotment Letter in accordance with the instructions set out in the Provisional Allotment Letter until 11.00 a.m. on 24 May 2018. After that time, you will be able to sell your New Shares in the normal way. The share certificate relating to your New Shares is expected to be despatched to you by no later than 4 June 2018. Pending despatch of the share certificate, instruments of transfer will be certified by the Registrar against the register.

Further details are set out in Part IX of this document.

14 What should I do if I live outside the United Kingdom?

While you have an entitlement to participate in the Rights Issue, your ability to take up or sell rights to New Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your rights. Shareholders with registered addresses in the United States or the Restricted Territories are, subject to certain exceptions, not able to subscribe for New Shares under the Rights Issue. Your attention is drawn to the information in paragraph 2.5 of Part IX of this document.

The Company has made arrangements under which the Banks will try to find investors to take up your rights and those of other Shareholders who have not taken up their rights. If the Banks do find investors who agree to pay a premium above the Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of value added tax), you will be sent a cheque for your share of the amount of that premium, provided that this is £5.00 or more. Cheques will be sent to your address appearing on the Company’s register of members (or to the first-named holder if you hold your Shares jointly). If the Banks cannot find investors who agree to pay a premium over the Issue Price and related expenses so that your entitlement would be £5.00 or more, you will not receive any payment and any such amount of less than £5.00 will be donated to charity.

15 Will the Rights Issue affect any future dividends the Company pays?

Following completion of the Rights Issue, any future dividend payments will be adjusted for the Rights Issue, taking into account the issued share capital of the Company as enlarged by the New Shares.

16 What if I hold awards and options under the Employee Share Plans?

Participants in the Employee Share Plans will be contacted separately and in due course with further information on how their awards and options granted under such plans may be affected by the Rights Issue.

17 How do I transfer my rights into the CREST system?

If you are a Qualifying Non-CREST Shareholder, but are a CREST member and want your New Shares to be in uncertificated form, you should complete Form X and the CREST Deposit Form (both on the Provisional Allotment Letter) and ensure they are delivered to CCSS to be received by 3.00 p.m. on 21 May 2018 at the latest. CREST sponsored members should arrange for their CREST sponsors to do this.

If you have transferred your rights into the CREST system, you should refer to paragraph 2.2 of Part IX of this document for details on how to pay for the New Shares.

18 What should I do if I think my holding of Shares is incorrect?

If you have recently bought or sold Shares, your transaction may not be entered on the register of members of the Company in time to appear on the register at the Record Date. If you are concerned about the figure in the Provisional Allotment Letter or otherwise concerned that your holding of Shares is incorrect, please call Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

PART IX

TERMS AND CONDITIONS OF THE RIGHTS ISSUE

1 Introduction

Pursuant to the Rights Issue, the Company is proposing to offer 1,001,032,281 New Shares to Qualifying Shareholders. The offer is to be made at 70 pence per New Share, payable in full on acceptance by no later than 11.00 a.m. on 24 May 2018. The Rights Issue is expected to raise gross proceeds of approximately £701 million. The Issue Price represents a 33.9 per cent. discount to the theoretical ex-rights price based on the closing middle-market price of 159.8 pence per Share on 20 April 2018 (being the last Business Day before the announcement of the terms of the Rights Issue).

The Rights Issue will be made on the basis of:

3 New Shares at 70 pence per New Share for every 2 Existing Shares

held by Qualifying Shareholders at the Record Date.

Times and dates referred to in this Part IX have been included on the basis of the expected timetable for the Rights Issue set out in Part IV of this document.

Qualifying Shareholders who do not or who are not permitted to take up their entitlements to New Shares will have their proportionate shareholdings in the Company diluted by approximately 59.9 per cent. Those Qualifying Shareholders who take up the New Shares provisionally allotted to them in full will, subject to the rounding down and sale of any fractions, retain the same proportionate voting and distribution rights as held by them at the Record Date. In each case, it is assumed that no Shares are issued to satisfy the vesting of awards or the exercise of options under the Employee Share Plans between the date of this document and Admission becoming effective.

The Nil Paid Rights (also described as New Shares, nil paid) are entitlements to acquire the New Shares subject to payment of the Issue Price. The Fully Paid Rights are entitlements to receive the New Shares, for which a subscription and payment has already been made.

Entitlements to New Shares will be rounded down to a whole number and fractions of New Shares will not be allotted to Qualifying Shareholders but will be aggregated and issued into the market for the benefit of the Company. Holdings of Existing Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

Shareholders or any persons (including, without limitation, custodians, nominees and trustees) who have a contractual or other legal obligation to forward this document into a jurisdiction other than the United Kingdom should consider paragraph 2.5 below. The offer of New Shares under the Rights Issue will not be made into certain territories. Subject to the provisions of paragraph 2.5 below, Shareholders with a registered address in the United States or the Restricted Territories are not being sent this document and will not be sent Provisional Allotment Letters.

Application will be made to the FCA and to the London Stock Exchange for the New Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, respectively. It is expected that Admission will become effective and dealings on the London Stock Exchange in the New Shares (nil paid) will commence at 8.00 a.m. on 10 May 2018.

The Existing Shares are already admitted to CREST. No further application for admission to CREST is required for the New Shares and all of the New Shares when issued and fully paid may be held and transferred by means of CREST.

Applications will be made for the Nil Paid Rights and the Fully Paid Rights to be admitted to CREST. Euroclear requires the Company to confirm to it that certain conditions (imposed by the CREST Manual) have been satisfied before Euroclear will admit any security to CREST. It is expected that these conditions will be satisfied, in respect of the Nil Paid Rights and the Fully Paid Rights, on Admission. As soon as practicable after satisfaction of the conditions, the Company will confirm this to Euroclear.

The ISIN for the New Shares will be the same as that of the Existing Shares, being GB00B23K0M20. The ISIN for the Nil Paid Rights will be GB00BFM6RT85 and the ISIN for the Fully Paid Rights will be GB00BFM6RV08.

The New Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Shares, including the right to receive dividends or distributions made, paid or declared after the date of issue of the New Shares.

The Rights Issue is fully underwritten by the Banks, pursuant to the terms of the Underwriting Agreement. The principal terms of the Underwriting Agreement are summarised in Part XVIII of this document.

The Rights Issue will result in 1,001,032,281 New Shares being issued (representing approximately 149.4 per cent. of the existing issued share capital and 59.9 per cent. of the enlarged issued share capital immediately following completion of the Rights Issue, assuming that no Shares are issued to satisfy the vesting of awards or the exercise of options under the Employee Share Plans between the date of this document and Admission becoming effective).

The Rights Issue is conditional, *inter alia*, upon:

- (i) the Underwriting Agreement having become unconditional in all respects save for the condition relating to Admission;
- (ii) Admission becoming effective by not later than 8.00 a.m. on 10 May 2018 (or such later time and date as the Joint Global Co-ordinators and the Company may agree); and
- (iii) the passing, without material amendment, of the Resolutions.

New Shares will be provisionally allotted (nil paid) to all Shareholders on the register at the Record Date, including Overseas Shareholders. Resolutions authorising the allotment of the New Shares and the waiver of pre-emption rights in connection with the Rights Issue are proposed to the Shareholders for approval at the General Meeting in order to implement the Rights issue in compliance with the regulatory constraints imposed by some jurisdictions. If a Shareholder is not able to (or does not) take up his or her Nil Paid Rights under the Rights Issue, then his or her shareholding in the Company will be diluted as a result of the Rights Issue. These authorities, if passed, will be relied upon for the purposes of the Rights Issue.

The Underwriting Agreement is conditional upon certain matters being satisfied or not breached prior to the General Meeting and may be terminated by the Banks prior to Admission becoming effective upon the occurrence of certain specified events, in which case the Rights Issue will not proceed. The Underwriting Agreement is not capable of termination following Admission. The Banks may arrange sub-underwriting for some, all or none of the New Shares. A summary of certain terms and conditions of the Underwriting Agreement is contained in paragraph 19 of Part XVIII of this document.

In connection with the Rights Issue, the Banks and any of their respective affiliates may take up a portion of the Nil Paid Rights, the Fully Paid Rights and the New Shares as a principal position and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for their own account in securities of the Company and related or other securities and instruments (including Shares, Nil Paid Rights and Fully Paid Rights) and may offer or sell such security otherwise than in connection with the Rights Issue. Accordingly, references in this document to Nil Paid Rights, Fully Paid Rights or New Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, the Banks and any of their affiliates acting as investors for their own account. In addition, certain of the Banks or their affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which such Banks (or their affiliates) may from time to time acquire, hold or dispose of Shares. Except as required by applicable law or regulation, none of the Banks propose to make any public disclosure in relation to such transactions.

In addition, the Company reserves the right to decide not to proceed with the Rights Issue if the Underwriting Agreement is terminated at any time prior to Admission and commencement of dealings in the New Shares (nil paid).

Subject, *inter alia*, to the conditions referred to above being satisfied (other than the condition relating to Admission) and save as provided in paragraph 2.5 below, it is intended that:

- (a) Provisional Allotment Letters in respect of Nil Paid Rights will be despatched to Qualifying Non-CREST Shareholders with registered addresses outside the United States and the Restricted Territories (subject to certain exceptions) on or about 9 May 2018;
- (b) the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of Qualifying CREST Shareholders with registered addresses outside the United States and the Restricted Territories (subject to certain exceptions) with such Shareholders' entitlements to Nil Paid Rights with effect from 8.00 a.m. on 10 May 2018;
- (c) the Nil Paid Rights and the Fully Paid Rights will be enabled for settlement by Euroclear as soon as practicable after the Company has confirmed to Euroclear that all the conditions for admission of such rights to CREST have been satisfied, which is expected to be by 8.00 a.m. on 10 May 2018;

- (d) New Shares will be credited to the appropriate stock accounts of the relevant Qualifying CREST Shareholders and/or purchasers of Nil Paid Rights (or their renounees) who validly take up their rights, and the purchasers of Fully Paid Rights, as soon as practicable after 8.00 a.m. on 25 May 2018; and
- (e) share certificates for the New Shares will be despatched to relevant Qualifying Non-CREST Shareholders or their renounees by no later than 4 June 2018.

The offer will be made to Qualifying Non-CREST Shareholders by way of the Provisional Allotment Letter (as described in step (a) above) and to Qualifying CREST Shareholders by way of the enablement of the Nil Paid Rights and the Fully Paid Rights (as described in step (c) above) (such Shareholders' stock accounts having been credited as described in step (b) above).

The New Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Shares, including the right to receive all dividends or other distributions made, paid or declared after the date of issue of the New Shares. There will be no restrictions on the free transferability of the New Shares save as provided in the Articles. The rights attaching to the New Shares are governed by the Articles, a summary of which is set out in paragraph 4 of Part XVIII of this document.

All documents, including Provisional Allotment Letters (which constitute temporary documents of title) and cheques and certificates posted to, by or from Qualifying Shareholders and/or their transferees or renounees (or their agents, as appropriate) will be posted at their own risk.

Shareholders taking up their rights by completing a Provisional Allotment Letter or by sending a Many-To-Many ("MTM") instruction to Euroclear will be deemed to have given the representations and warranties set out in paragraph 2.6 below, unless the requirement is waived by the Company.

2 Action to be taken

The action to be taken in respect of the New Shares depends on whether, at the relevant time, the Nil Paid Rights or the Fully Paid Rights in respect of which action is to be taken are in certificated form (that is, are represented by Provisional Allotment Letters) or are in uncertificated form (that is, are in CREST).

If you are a Qualifying Non-CREST Shareholder with a registered address outside the United States and the Restricted Territories, please refer to paragraph 2.1 and paragraphs 2.3 to 2.9 below.

If you are a Qualifying CREST Shareholder with a registered address outside the United States and the Restricted Territories, please refer to paragraphs 2.2 to 2.9 below and to the CREST Manual for further information on the CREST procedures referred to below.

If you are a Qualifying Shareholder either: (i) subject to certain exceptions, with a registered address in the United States or the Restricted Territories; or (ii) holding Shares on behalf of or for the account or benefit of any person on a non-discretionary basis who, subject to certain exceptions, has a registered address in the United States or the Restricted Territories, please refer to paragraph 2.5 below.

CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST sponsored members.

All enquiries in relation to the Provisional Allotment Letters should be addressed to Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

2.1 Action to be taken by Qualifying Non-CREST Shareholders in relation to the Nil Paid Rights represented by Provisional Allotment Letters

2.1.1 General

Provisional Allotment Letters are expected to be despatched to Qualifying Non-CREST Shareholders with registered addresses outside the United States and the Restricted Territories (subject to certain exceptions) on or about 9 May 2018. Each Provisional Allotment Letter will set out:

- (i) the holding at the close of business on the Record Date of Existing Shares in certificated form on which a Qualifying Non-CREST Shareholder's entitlement to New Shares has been based;
- (ii) the aggregate number of New Shares which have been provisionally allotted to that Qualifying Non-CREST Shareholder with respect to the Existing Shares referred to in paragraph (i) above;
- (iii) the amount payable by a Qualifying Non-CREST Shareholder at the Issue Price to take up his or her entitlement in full;
- (iv) the procedures to be followed if a Qualifying Non-CREST Shareholder wishes to dispose of all or part of his or her entitlement or to convert all or part of his or her entitlement into uncertificated form;
- (v) the procedures to be followed if a Qualifying Non-CREST Shareholder who is eligible to use the Special Dealing Service wishes to sell all of his or her Nil Paid Rights or to effect a Cashless Take-up using the Special Dealing Service; and
- (vi) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation (where applicable).

On the basis that Provisional Allotment Letters are posted on or about 9 May 2018, and that dealings in Nil Paid Rights commence on 10 May 2018, the latest time and date for:

- (a) acceptance and payment in full will be 11.00 a.m. on 24 May 2018; and
- (b) receipt of instructions under the Special Dealing Service in respect of the sale of all Nil Paid Rights or a Cashless Take-up will be 11.00 a.m. on 18 May 2018.

If the Rights Issue is delayed so that Provisional Allotment Letters cannot be despatched on 9 May 2018 or if the timetable for the Rights Issue is otherwise amended, the expected timetable, as set out at the front of this document, will be adjusted accordingly, and the revised dates will be set out in the Provisional Allotment Letters and announced through a Regulatory Information Service. All references to times and/or dates in this Part IX should be read as being subject to such adjustment.

2.1.2 Procedure for acceptance and payment

(i) Qualifying Non-CREST Shareholders who wish to take up their entitlement in full

Holders of Provisional Allotment Letters who wish to take up all of their entitlement must complete and return the Provisional Allotment Letter, together with a cheque or banker's draft in pounds sterling, made payable to "*Link Market Services Ltd. re: Capita plc—Rights Issue A/C*" and crossed "A/C payee only" for the full amount payable on acceptance, in accordance with the instructions printed on the Provisional Allotment Letter, by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive as soon as possible and in any event so as to be received by not later than 11.00 a.m. on 24 May 2018. A reply-paid envelope will be enclosed with the Provisional Allotment Letter for this purpose and for use in the United Kingdom only. If you post your Provisional Allotment Letter within the United Kingdom by first-class post, it is recommended that you allow at least four days for delivery.

(ii) Qualifying Non-CREST Shareholders who wish to take up some (but not all) of their entitlement

Holders of Provisional Allotment Letters who wish to take up some but not all of their Nil Paid Rights and wish to sell some or all of those rights which they do not want to take up (other than by effecting a Cashless Take-up using the Special Dealing Service described in paragraph 2.1.5 below) should first apply for split Provisional Allotment Letters by completing Form X on the Provisional Allotment Letter and returning it, together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights or Fully Paid Rights (if appropriate) to be comprised in

each split Provisional Allotment Letter, by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 3.00 p.m. on 22 May 2018, the last date and time for splitting Provisional Allotment Letters. The Provisional Allotment Letter will then be cancelled and exchanged for the split Provisional Allotment Letters required. Such holders of Provisional Allotment Letters should then deliver the split Provisional Allotment Letter representing the rights they wish to take up together with a cheque or banker's draft in pounds sterling for this number of rights, payable to "*Link Market Services Ltd. re: Capita plc—Rights Issue A/C*" and crossed "A/C payee only" so as to be received by not later than 11.00 a.m. on 24 May 2018, the last date and time for acceptance. The further split Provisional Allotment Letters (representing the New Shares that the Shareholder does not wish to take up) will be required in order to sell those rights not being taken up.

Alternatively, Qualifying Non-CREST Shareholders who wish to take up some of their rights, without selling or transferring the remainder, should complete Form X on the original Provisional Allotment Letter and return it, confirming the number of rights to be taken up and a cheque or banker's draft in pounds sterling to pay for this number of Shares, by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In this case, the Provisional Allotment Letter and payment must be received by 11.00 a.m. on 24 May 2018, the last date and time for acceptance.

(iii) Company's discretion as to validity of acceptances

If the Provisional Allotment Letter, accompanied by payment in full, is not received by 11.00 a.m. on 24 May 2018, the provisional allotment will (unless the Company has exercised its right to treat as valid an acceptance, as set out below) be deemed to have been declined and will lapse. The Company may elect, with the agreement of the Joint Global Co-ordinators, but shall not be obliged, to treat as valid Provisional Allotment Letters and accompanying remittances for the full amount due which are received prior to 5.00 p.m. on 24 May 2018.

The Company may elect, but shall not be obliged, to treat as a valid acceptance the receipt of appropriate remittance by 5.00 p.m. on 24 May 2018 from an authorised person (as defined in the FSMA) specifying the number of New Shares to be acquired and containing an undertaking by that person to lodge the relevant Provisional Allotment Letters, duly completed, in due course.

The Company may also (in its sole discretion) treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required.

The Company reserves the right to treat as invalid any acceptance or purported acceptance of the New Shares that appears to the Company to have been executed in, despatched from or that provides an address for delivery of definitive share certificates for New Shares in the United States or the Restricted Territories unless the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

The provisions of this paragraph (iii) and any other terms of the Rights Issue relating to Qualifying Non-CREST Shareholders may be waived, varied or modified as regards specific Qualifying Non-CREST Shareholder(s) or on a general basis by the Company, with the agreement of the Banks.

A Qualifying Non-CREST Shareholder who makes a valid acceptance and payment in accordance with this paragraph 2.1.2 is deemed to request that the New Shares to which they will become entitled be issued to them on the terms and conditions set out in this document and subject to the Articles.

(iv) Payments

All payments must be in pounds sterling and made by cheque or banker's draft made payable to "*Link Market Services Ltd. re: Capita plc—Rights Issue A/C*" and crossed "A/C payee only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or the Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner. Cheques must be drawn on the personal account to which the Qualifying Non-CREST Shareholder (or their nominee) has sole or joint title to the funds. Third-party cheques may not be accepted with the exception of building society

cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the back of the cheque or draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted. Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agent to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments. It is a term of the Rights Issue that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. Return of a completed Provisional Allotment Letter will constitute a warranty that the cheque will be honoured on first presentation. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

If the New Shares have already been allotted to a Qualifying Non-CREST Shareholder prior to any payment not being so honoured upon first presentation or such acceptances being treated as invalid, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such New Shares on behalf of such Qualifying Non-CREST Shareholder and hold the proceeds of sale (net of the Company's reasonable estimate of any loss it has suffered as a result of the same and of the expenses of the sale, including, without limitation, any stamp duty or SDRT payable on the transfer of such New Shares, and of all amounts payable by such Qualifying Non-CREST Shareholder pursuant to the terms of the Rights Issue in respect of the acquisition of such New Shares) on behalf of such Qualifying Non-CREST Shareholder. Neither the Company nor the Banks nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Non-CREST Shareholder as a result.

(v) Holders of Provisional Allotment Letters who wish to take up any of their entitlements must make the representations and warranties set out in paragraph 2.6 below.

2.1.3 Money Laundering Regulations

It is a term of the Rights Issue that, to ensure compliance with the Money Laundering Regulations, the Registrar, Link Asset Services, may require verification of the identity of the person by whom or on whose behalf a Provisional Allotment Letter is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). If an application is made by a UK-regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements is the responsibility of such broker or intermediary and not of the Registrar. In such case, the lodging agent's stamp should be inserted on the Provisional Allotment Letter. The person(s) (the "acceptor") who, by lodging a Provisional Allotment Letter with payment, and in accordance with the other terms as described above, accept(s), directly or indirectly, the allotment of the New Shares (the "relevant shares") comprised in such Provisional Allotment Letter (being the provisional allottee or, in the case of renunciation, the person named in such Provisional Allotment Letter) shall thereby be deemed to agree to provide the Registrar and/or the Company with such information and other evidence as they or either of them may require to satisfy the verification of identity requirements and agree for the Registrar to make a search using a credit reference agency for the purpose of confirming such identity where deemed necessary. A record of the search will be retained.

If the Registrar determines that the verification of identity requirements applies to an acceptance of an allotment and the verification of identity requirements has not been satisfied (which the Registrar shall in its absolute discretion determine) by 11.00 a.m. on 24 May 2018, the Company may, in its absolute discretion, and without prejudice to any other rights of the Company, treat the acceptance as invalid, in which event the application monies will be returned (at the acceptor's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn, or may confirm the allotment of the relevant shares to the acceptor but (notwithstanding any other term of the Rights Issue) such shares will not be issued to him or her or registered in his or her name until the verification of identity requirements have been satisfied (which the Registrar shall in its absolute discretion determine). If the acceptance is not treated as invalid and the verification of identity requirements is not satisfied within such period as the Company may in its absolute discretion allow, being not less than seven days after a request for evidence of identity is despatched to the acceptor, the Company will be entitled to make arrangements (in its absolute discretion as to manner, timing and terms) to sell the relevant shares (and for that purpose the Company will be expressly authorised to act as agent of the acceptor). Any proceeds of sale (net of expenses) of the relevant shares which shall be issued to and registered in the name of the purchaser(s) or an amount equivalent to the original payment, whichever is the lower, will be held by the

Company on trust for the acceptor absolutely, subject to the requirements of the Money Laundering Regulations. The Registrar is entitled in its absolute discretion to determine whether the verification of identity requirements applies to any acceptor and whether such requirements have been satisfied. None of the Company, the Banks or the Registrar will be liable to any person for any loss suffered or incurred as a result of the exercise of any such discretion or as a result of any sale of relevant shares.

Return of a Provisional Allotment Letter with the appropriate remittance will constitute a warranty from the acceptor that the Money Laundering Regulations will not be breached by acceptance of such remittance and an undertaking to provide promptly to the Registrar such information as may be specified by the Registrar as being required for the purpose of the Money Laundering Regulations. If the verification of identity requirements applies, failure to provide the necessary evidence of identity may result in your acceptance being treated as invalid or in delays in the despatch of a receipted fully paid Provisional Allotment Letter, share certificate or other documents relating to the Rights Issue (as applicable).

The verification of identity requirements will not usually apply:

- (i) if the acceptor is an organisation required to comply with the Money Laundering Directive 2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing;
- (ii) if the acceptor is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;
- (iii) if the acceptor (not being an acceptor who delivers his or her acceptance in person) makes payment by way of a cheque drawn on an account in the name of such acceptor; or
- (iv) if the aggregate subscription price for the relevant shares is less than €15,000 (or its pounds sterling equivalent).

Where the verification of identity requirements applies, please note the following as this will assist in satisfying the requirements. Satisfaction of the verification of identity requirements may be facilitated in the following ways:

- (a) if payment is made by cheque or banker's draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society and bears a UK bank sort code number in the top right-hand corner, the following applies. Cheques or banker's drafts should be made payable to "*Link Market Services Ltd. re: Capita plc—Rights Issue A/C*" and crossed "A/C payee only". Third-party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the back of the building society cheque/banker's draft to such effect. The account name should be the same as that shown on the application;
- (b) if the Provisional Allotment Letter is lodged with payment by an agent which is an organisation of the kind referred to in paragraph (a) above or which is subject to anti-money-laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, China, Hong Kong, Iceland, India, Japan, the Republic of Korea, Mexico, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey, the United States of America and, by virtue of their membership of the Gulf Co-operation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE), the agent should provide written confirmation with the Provisional Allotment Letter that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the persons for whom it acts and that it will on demand make such evidence available to the Registrar or the relevant authority; or
- (c) if a Provisional Allotment Letter is lodged by hand by the acceptor in person, he or she should ensure that he or she has with him or her evidence of identity bearing his or her photograph (for example, his or her passport) and evidence of his or her address (for example, a recent bank statement).

In order to confirm the acceptability of any written assurance referred to in paragraph (b) above or any other case, the acceptor should contact the Receiving Agent, Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

2.1.4 Dealings in Nil Paid Rights

Assuming the Rights Issue becomes unconditional, dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 10 May 2018. A transfer of Nil Paid Rights can be made by renunciation of the Provisional Allotment Letter in accordance with the instructions printed on it and delivery of the letter to the transferee or to a stockbroker, bank or other appropriate financial adviser. The latest time and date for registration of renunciation of Provisional Allotment Letters, nil paid, is expected to be 11.00 a.m. on 24 May 2018.

In addition, Qualifying Non-CREST Shareholders who are individuals with a registered address in the United Kingdom or in any other jurisdiction in the EEA can elect to sell all of their Nil Paid Rights or to effect a Cashless Take-up, in each case using the Special Dealing Service, details of which are set out in paragraph 2.1.5 below.

2.1.5 Special Dealing Service

(i) Qualifying Non-CREST Shareholders who wish to sell all of their entitlement using the Special Dealing Service

Qualifying Non-CREST Shareholders who are individuals with a registered address in the United Kingdom or in any other jurisdiction in the EEA and who wish to sell all of the Nil Paid Rights to which they are entitled may elect to do so using the Special Dealing Service. Such Qualifying Non-CREST Shareholders should complete and return the Provisional Allotment Letter in accordance with the instructions printed thereon, by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by not later than 11.00 a.m. on 18 May 2018, the latest time and date for requesting the sale of Nil Paid Rights through the Special Dealing Service.

A reply-paid envelope will be enclosed with the Provisional Allotment Letter for this purpose. If you post your Provisional Allotment Letter within the United Kingdom by first-class post, it is recommended that you allow at least four days for delivery. Please note that Link Asset Services will charge a commission of 1.5 per cent. of the gross proceeds of sale of all of the Nil Paid Rights to which the Qualifying Non-CREST Shareholder is entitled, subject to a minimum of £30.00, for effecting such sale through the Special Dealing Service.

Under the Special Dealing Service, Link Asset Services will collate all the instructions from Qualifying Non-CREST Shareholders wishing to use the service to sell all their Nil Paid Rights up to 11.00 a.m. on 18 May 2018 and instruct a broker to sell all such Nil Paid Rights on 22 May 2018.

Link Asset Services will aggregate instructions from all Qualifying Non-CREST Shareholders who have elected to sell all of their Nil Paid Rights under the Special Dealing Service that are received (or are treated as having been received). Such Nil Paid Rights in respect of which an instruction is received may be sold in several transactions and on separate days. Qualifying Non-CREST Shareholders would receive the average price obtained for the sale of all of the Nil Paid Rights aggregated for sale purposes in accordance with the above. This may result in Qualifying Non-CREST Shareholders who choose to sell all of their Nil Paid Rights through the Special Dealing Service receiving a higher or lower price than if their Nil Paid Rights were sold separately. This may also result in Qualifying Non-CREST Shareholders who choose to sell all of their Nil Paid Rights through the Special Dealing Service receiving a higher or lower price for their Nil Paid Rights than if all of their Nil Paid Rights had been sold in a single transaction or on a single day and such Qualifying Non-CREST Shareholders may receive the proceeds of sale later than if their Nil Paid Rights had been sold by another broker on an individual basis.

A Qualifying Non-CREST Shareholder who is considering giving an instruction to sell all of their Nil Paid Rights under the Special Dealing Service should note that there is no guarantee that the sale of Nil Paid Rights will be effected under the Special Dealing Service in relation to their Nil Paid Rights.

Whether such Qualifying Non-CREST Shareholder's Nil Paid Rights will be sold under the Special Dealing Service will depend on whether it is expected that the proceeds from the sale of the Nil Paid Rights of the majority of the Qualifying Non-CREST Shareholders who elect to sell all of their Nil Paid Rights and whose instructions are aggregated for sales purposes will exceed the commissions referred to above. If a Qualifying Non-CREST Shareholder's Nil Paid Rights are sold but the proceeds obtained for the sale of such Nil Paid Rights are less than the commissions referred to above, such Qualifying Non-CREST Shareholder will not receive any proceeds.

(ii) Qualifying Non-CREST Shareholders who wish to effect a Cashless Take-up using the Special Dealing Service

Qualifying Non-CREST Shareholders who are individuals with a registered address in the United Kingdom or in any other jurisdiction in the EEA and who wish to effect a Cashless Take-up may elect to do so using the Special Dealing Service. Such Qualifying Non-CREST Shareholders should complete and return the Provisional Allotment Letter in accordance with the instructions printed thereon, by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by not later than 11.00 a.m. on 18 May 2018, the latest time and date for requesting a Cashless Take-up through the Special Dealing Service.

A reply-paid envelope will be enclosed with the Provisional Allotment Letter for this purpose. If you post your Provisional Allotment Letter within the United Kingdom by first-class post, it is recommended that you allow at least four days for delivery. Please note that Link Asset Services will charge a commission of 1.5 per cent. of the gross proceeds of sale of such number of Nil Paid Rights as is required to effect a Cashless Take-up for which a Qualifying Non-CREST Shareholder is entitled, subject to a minimum of £30.00.

Under the Special Dealing Service, Link Asset Services will collate all the instructions from Qualifying Shareholders wishing to use the service to effect a Cashless Take-up up to 11.00 a.m. on 18 May 2018 and instruct a broker to sell sufficient Nil Paid Rights for Qualifying Non-CREST Shareholders to take up the remainder of their Nil Paid Rights on 22 May 2018.

Link Asset Services will aggregate instructions from all Qualifying Non-CREST Shareholders who elect a Cashless Take-up under the Special Dealing Service that are received (or are treated as having been received). Such number of Nil Paid Rights which need to be sold to effect a Cashless Take-up for Qualifying Non-CREST Shareholders under the Special Dealing Service may be sold in several transactions and on separate days. Qualifying Non-CREST Shareholders would receive the average price obtained for the sale of all of the Nil Paid Rights aggregated for sale purposes in accordance with the above. This may result in Qualifying Non-CREST Shareholders who elect a Cashless Take-up under the Special Dealing Service receiving a higher or lower price than if their Nil Paid Rights were sold separately. This may also result in Qualifying Non-CREST Shareholders who choose to effect a Cashless Take-up under the Special Dealing Service receiving a higher or lower price for their Nil Paid Rights than if such Nil Paid Rights had been sold in a single transaction or on a single day.

A Qualifying Non-CREST Shareholder who is considering giving an instruction for Cashless Take-up under the Special Dealing Service should note that there is no guarantee that Cashless Take-up will be effected under the Special Dealing Service in relation to his or her Nil Paid Rights. Whether such Qualifying Non-CREST Shareholder's Nil Paid Rights will be sold under the Special Dealing Service will depend on whether it is expected that the proceeds from the sale of the Nil Paid Rights of the majority of the Qualifying Non-CREST Shareholders (the "Majority Shareholders") who elect for a Cashless Take-up under the Special Dealing Service and whose instructions are aggregated for sales purposes will be sufficient, after deducting the commissions referred to above, to take up one New Share for each of the Majority Shareholders. If a Qualifying Non-CREST Shareholder's Nil Paid Rights are sold, but the proceeds obtained for the sale of the Nil Paid Rights are not sufficient, after the deduction of the commissions referred to above, to acquire any New Shares at the Issue Price, such Qualifying Non-CREST Shareholder will not receive any New Shares.

(iii) General

By giving an instruction under the Special Dealing Service, a Qualifying Non-CREST Shareholder will be deemed to have represented, warranted and undertaken that he or she will not thereafter seek to take any action in respect of his or her Provisional Allotment Letter. By giving instruction under the Special Dealing Service, he or she will be deemed to have renounced his or her Nil Paid Rights, as applicable to his or her instruction.

The Special Dealing Service Terms and Conditions will be posted to Qualifying Non-CREST Shareholders together with the Provisional Allotment Letter. A Qualifying Non-CREST Shareholder who is eligible for and elects to use the Special Dealing Service agrees to the terms and conditions of the Rights Issue set out in this document and the Special Dealing Service Terms and Conditions (including how the price for the sale of their Nil Paid Rights is calculated and the commissions that will be deducted from the proceeds of their sale of such Nil Paid Rights). Qualifying Non-CREST Shareholders using the Special Dealing Service should note that they will be clients of Link Asset Services and not of the Company when using

such service. Link Asset Services' liability to such a Qualifying Non-CREST Shareholder and its responsibility for providing the protections afforded by the UK regulatory regime to clients for whom such services are provided is as set out in the Special Dealing Service Terms and Conditions and neither Link Asset Services nor the Company shall have any liability or responsibility to a Qualifying Non-CREST Shareholder using the Special Dealing Service, except as set out in those Special Dealing Service Terms and Conditions. None of the Company, Link Asset Services or their agents shall be responsible for any loss or damage (whether actual or alleged) arising from the terms or timing of any sale, any settlement issues arising from any sale, any exercise of discretion in relation to any sale, or any failure to procure any sale, of Nil Paid Rights pursuant to the Special Dealing Service.

The Company, Link Asset Services and/or their agents shall each have sole discretion to determine the eligibility of Qualifying Non-CREST Shareholders and may each in their sole discretion interpret instructions (including handwritten markings) on the Provisional Allotment Letter, and none of the Company, Link Asset Services or their agents shall be responsible for any loss or damage (whether actual or alleged) arising from any such exercise of discretion. All remittances will be sent by post, at the risk of the Qualifying Non-CREST Shareholder entitled thereto, to the registered address of the relevant Qualifying Non-CREST Shareholder (or, in the case of joint holders, to the address of the joint holder whose name stands first in the register of Shareholders). No interest will be payable on any proceeds received from the sale of Nil Paid Rights under the Special Dealing Service.

The Company, Link Asset Services and/or their agents cannot offer financial, legal, tax or investment advice on the Special Dealing Service. The Special Dealing Service is an "execution only" service and not a recommendation to buy or sell the Nil Paid Rights. The Special Dealing Service Terms and Conditions apply to the Special Dealing Service. The value of Shares and any income from them can fluctuate and, when sold, investors may receive less than the original amount invested. Past performance is not a guide to future returns. The Special Dealing Service is provided by Link Asset Services, a trading name of Link Market Services Limited, which is authorised by the FCA.

2.1.6 Dealings in Fully Paid Rights

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document and the Provisional Allotment Letter, the Fully Paid Rights may be transferred by renunciation of the relevant Provisional Allotment Letter and delivering it, by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received by not later than 11.00 a.m. on 24 May 2018. To do this, Qualifying Non-CREST Shareholders will need to have their fully paid Provisional Allotment Letters returned to them after acceptance has been effected by the Registrar. However, fully paid Provisional Allotment Letters will not be returned to Qualifying Non-CREST Shareholders unless their return is requested by ticking the appropriate box on the Provisional Allotment Letter. After 8:00 a.m. on 25 May 2018, the New Shares will be in registered form and transferable in the usual way (see paragraph 2.1.11 below).

2.1.7 Renunciation and splitting of Provisional Allotment Letters

Qualifying Non-CREST Shareholders who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights comprised in a Provisional Allotment Letter may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X on the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and passing the entire Provisional Allotment Letter to their stockbroker or bank or other appropriate financial adviser or to the transferee. Once a Provisional Allotment Letter has been renounced, the letter will become a negotiable instrument in bearer form and the Nil Paid Rights or Fully Paid Rights (as appropriate) comprised in the Provisional Allotment Letter may be transferred by delivery of the Provisional Allotment Letter to the transferee. The latest time and date for registration of renunciation of Provisional Allotment Letters, fully paid, is 11.00 a.m. on 24 May 2018.

If a holder of a Provisional Allotment Letter wishes to have only some of the New Shares registered in his or her name and to transfer the remainder, or wishes to transfer all the Nil Paid Rights or (if appropriate) Fully Paid Rights but to different persons, he or she may have the Provisional Allotment Letter split, for which purpose he or she, or his or her agent, must complete and sign Form X on the Provisional Allotment Letter. The Provisional Allotment Letter must then be delivered by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received by not later than 3.00 p.m. on 22 May 2018, to be

cancelled and exchanged for the number of split Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or (if appropriate) Fully Paid Rights to be comprised in each split letter should be stated in an accompanying letter. Form X on split Provisional Allotment Letters will be marked “Original Duly Renounced” before issue. The aggregate number of Nil Paid Rights or (as appropriate) Fully Paid Rights comprised in the split Provisional Allotment Letters must equal the number of New Shares set out in the original Provisional Allotment Letter (less the number of New Shares representing rights that the holder wishes to take up if taking up his or her entitlement in part). The split Provisional Allotment Letter(s) (representing the New Shares the Shareholder does not wish to take up) will be required in order to sell those rights not being taken up.

The Company reserves the right to refuse to register any renunciation in favour of any person in respect of which the Company believes such renunciation may violate applicable legal or regulatory requirements, including (without limitation) any renunciation in the name of any person with an address outside the United Kingdom.

Alternatively, Qualifying Non-CREST Shareholders who wish to take up some of their rights, without transferring the remainder, should complete Form X on the original Provisional Allotment Letter and return it, together with a covering letter confirming the number of rights to be taken up and a cheque or banker’s draft in pounds sterling to pay for this number of New Shares, by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In this case, the Provisional Allotment Letter and payment must be received by the Receiving Agent by 11.00 a.m. on 24 May 2018.

2.1.8 Registration in names of Qualifying Shareholders

A Qualifying Shareholder who wishes to have all the New Shares to which he or she is entitled registered in his or her name must accept and make payment for such allotment in accordance with the provisions set out in this document and the Provisional Allotment Letter, but need take no further action. A share certificate in respect of the New Shares subscribed for is expected to be sent to such Qualifying Shareholders by no later than 4 June 2018.

2.1.9 Registration in names of persons other than Qualifying Shareholders originally entitled

In order to register Fully Paid Rights in certificated form in the name of someone other than the Qualifying Shareholder(s) originally entitled, the renouncee or his or her agent(s) must complete Form Y on the Provisional Allotment Letter (unless the renouncee is a CREST member who wishes to hold such New Shares in uncertificated form, in which case Form X and the CREST Deposit Form must be completed (see paragraph 2.2 below)) and deliver the entire Provisional Allotment Letter, when fully paid, by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by not later than the latest time for registration of renunciations, which is expected to be 11.00 a.m. on 24 May 2018. Registration cannot be effected unless and until the New Shares comprised in a Provisional Allotment Letter are fully paid.

The New Shares comprised in several renounced Provisional Allotment Letters may be registered in the name of one holder (or joint holders) if Form Y on the Provisional Allotment Letter is completed on one Provisional Allotment Letter (the “Principal Letter”) and all the Provisional Allotment Letters are delivered in one batch. Details of each Provisional Allotment Letter (including the Principal Letter) should be listed in a separate letter.

2.1.10 Deposit of Nil Paid Rights or Fully Paid Rights into CREST

The Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be converted into uncertificated form, that is, deposited into CREST (whether such conversion arises as a result of a renunciation of those rights or otherwise). Similarly, Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Subject as provided in the next paragraph or in the Provisional Allotment Letter, normal CREST procedures and timings apply in relation to any such conversion. You are recommended to refer to the CREST Manual for details of such procedures.

The procedure for depositing the Nil Paid Rights represented by the Provisional Allotment Letter into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address(es) appear on page 1 of the Provisional Allotment Letter or in the name of a person or persons to whom the Provisional Allotment Letter has been renounced, is as follows: Form X

and the CREST Deposit Form (both on the Provisional Allotment Letter) will need to be completed and the Provisional Allotment Letter deposited with the CCSS. In addition, the normal CREST Stock Deposit procedures will need to be carried out, except that: (i) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS; and (ii) only the whole of the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letter may be deposited into CREST. If you wish to deposit only some of the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letter into CREST, you must first apply for split Provisional Allotment Letters by following the instructions in paragraph 2.1.2 above. If the rights represented by more than one Provisional Allotment Letter are to be deposited, the CREST Deposit Form on each Provisional Allotment Letter must be completed and deposited. The Consolidation Listing Form (as defined in the CREST Regulations) must not be used.

A holder of the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) represented by a Provisional Allotment Letter who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 24 May 2018. **In particular, having regard to processing times in CREST and on the part of the Receiving Agent, the latest recommended time for depositing a renounced Provisional Allotment Letter (with Form X and the CREST Deposit Form on the Provisional Allotment Letter duly completed) with the CCSS (to enable the person acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 24 May 2018) is 3.00 p.m. on 21 May 2018.**

When Form X and the CREST Deposit Form (on the Provisional Allotment Letter) have been completed, the title to the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letters will cease to be renounceable or transferable by delivery and, for the avoidance of doubt, any entries in Form Y will not subsequently be recognised or acted upon by the Receiving Agent. All renunciations or transfers of Nil Paid Rights or Fully Paid Rights must be effected through the CREST system once such Nil Paid Rights or Fully Paid Rights have been deposited into CREST.

CREST sponsored members should contact their CREST sponsor as only their CREST sponsor will be able to take the necessary action to take up the entitlement or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of the CREST sponsored member.

2.1.11 Issue of New Shares in definitive form

Definitive share certificates in respect of the New Shares to be held in certificated form are expected to be despatched by post by no later than 4 June 2018 at the risk of the persons entitled thereto to Qualifying Non-CREST Shareholders (or their transferees who hold Fully Paid Rights in certificated form), or, in the case of joint holdings, to the first-named Shareholders, at their registered address (unless lodging agent details have been completed on the Provisional Allotment Letter). After despatch of the definitive share certificates, Provisional Allotment Letters will cease to be valid for any purpose whatsoever. Pending despatch of definitive share certificates, instruments of transfer of the New Shares will be certified by the Receiving Agent against the register.

2.2 Action to be taken by Qualifying CREST Shareholders in relation to Nil Paid Rights and Fully Paid Rights in CREST

2.2.1 General

It is expected that each Qualifying CREST Shareholder will receive a credit to his or her stock account in CREST of his or her entitlement to Nil Paid Rights on 10 May 2018. It is expected that such rights will be enabled by 8.00 a.m. on 10 May 2018. The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Shares in uncertificated form held at the close of business on the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

The maximum number of New Shares that a Qualifying CREST Shareholder may take up is that which has been provisionally allotted to that Qualifying CREST Shareholder and for which he or she receives a credit of entitlement into his or her stock account in CREST. The minimum number of New Shares a Qualifying CREST Shareholder may take up is one.

The Nil Paid Rights will constitute a separate security for the purposes of CREST and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If, for any reason, it is impracticable to credit the stock accounts of Qualifying CREST Shareholders, or to enable the Nil Paid Rights by 8.00 a.m. on 10 May 2018, Provisional Allotment Letters shall, unless the Company determines otherwise, be sent out in substitution for the Nil Paid Rights which have not been so credited or enabled and the expected timetable as set out in this document will be adjusted as appropriate. **References to dates and times in this document should be read as subject to any such adjustment.** The Company will make an appropriate announcement to a Regulatory Information Service giving details of any revised dates **but Qualifying CREST Shareholders may not receive any further written communication.**

CREST members who wish to take up their entitlements in respect of or otherwise to transfer Nil Paid Rights or Fully Paid Rights held by them in CREST (including CREST members who wish to effect a Cashless Take-up of Nil Paid Rights) should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to take up your entitlement as only your CREST sponsor will be able to take the necessary action to take up your entitlements or otherwise to deal with your Nil Paid Rights or Fully Paid Rights (including effecting a Cashless Take-up of Nil Paid Rights).

2.2.2 Procedure for acceptance and payment

(i) MTM instructions

CREST members who wish to take up all or some of their entitlement in respect of Nil Paid Rights in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an MTM instruction to Euroclear that, on its settlement, will have the following effect:

- (a) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;
- (b) the creation of a settlement bank payment obligation (as this term is defined in the CREST Manual), in accordance with the RTGS payment mechanism (as this term is defined in the CREST Manual), in favour of the RTGS settlement bank (as this term is defined in the CREST Manual) of the Receiving Agent in pounds sterling in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in paragraph (a) above; and
- (c) the crediting of a stock account of the accepting CREST member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his or her Nil Paid Rights referred to in paragraph (a) above.

(ii) Contents of MTM instructions

The MTM instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (a) the number of Nil Paid Rights to which the acceptance relates;
- (b) the participant ID of the accepting CREST member;
- (c) the member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;
- (d) the participant ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 9RA01;
- (e) the member account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 29647CAP;

- (f) the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;
- (g) the amount payable by means of the CREST assured payment arrangements on settlement of the MTM instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights referred to in paragraph (a) above;
- (h) the intended settlement date. This must be on or before 11.00 a.m. on 24 May 2018;
- (i) the Nil Paid Rights ISIN number, which is GB00BFM6RT85;
- (j) the Fully Paid Rights ISIN number, which is GB00BFM6RV08;
- (k) the Corporate Action Number for the Rights Issue. This will be available by viewing the relevant corporate action details in CREST; and
- (l) a contact name and telephone number in the shared note field.

(iii) Valid acceptance

An MTM instruction complying with each of the requirements as to authentication and contents set out in paragraph (ii) above will constitute a valid acceptance where either:

- (a) the MTM instruction settles by not later than 11.00 a.m. on 24 May 2018; or
- (b) at the discretion of the Company:
 - (1) the MTM instruction is received by Euroclear by not later than 11.00 a.m. on 24 May 2018;
 - (2) a number of Nil Paid Rights at least equal to the number of Nil Paid Rights inserted in the MTM instruction is credited to the CREST stock member account of the accepting CREST member specified in the MTM instruction at 11.00 a.m. on 24 May 2018; and
 - (3) the relevant MTM instruction settles by 11.00 a.m. on 24 May 2018 (or such later time and/or date as the Company with agreement of the Joint Global Co-ordinators may determine).

An MTM instruction will be treated as having been received by Euroclear for these purposes at the time at which the instruction is processed by the Network Providers' Communications Host (as this term is defined in the CREST Manual) at Euroclear of the network provider used by the CREST member (or by the CREST sponsored member's CREST sponsor). This will be conclusively determined by the input time stamp applied to the MTM UK instruction by the Network Providers' Communications Host.

The provisions of this paragraph (iii) and any other terms of the Rights Issue relating to Qualifying CREST Shareholders may be waived, varied or modified as regards specific Qualifying CREST Shareholder(s) or on a general basis by the Company.

(iv) Representations, warranties and undertakings of CREST members

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with this paragraph 2.2.2 represents, warrants and undertakes to the Company and the Banks that he or she has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by him or her, or by his or her CREST sponsor (as appropriate) to ensure that the MTM instruction concerned is capable of settlement at 11.00 a.m. on 24 May 2018. In particular, the CREST member or CREST sponsored member represents, warrants and undertakes that, at 11.00 a.m. on 24 May 2018 (or until such later time and date as the Company may determine), there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in any doubt. Such CREST member or CREST sponsored member taking up entitlements must make the representations and warranties set out in paragraph 2.6 below.

If there is insufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account of a CREST member or CREST sponsored member for such amount to be debited or the CREST member's or CREST sponsored member's acceptance is otherwise treated as invalid and New Shares have already been allotted to such CREST member or CREST sponsored member, the Company may (in its absolute discretion as to the manner, timing and terms) make

arrangements for the sale of such New Shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale, including, without limitation, any stamp duty or SDRT payable on the transfer of such New Shares, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the Rights Issue in respect of the acquisition of such New Shares) on behalf of such CREST member or CREST sponsored member. Neither the Company nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such CREST member or CREST sponsored member as a result.

(v) CREST procedures and timings

CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of an MTM instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his or her CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 24 May 2018. In connection with this, CREST members and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(vi) CREST member's undertaking to pay

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this paragraph 2.2.2 undertakes to pay to the Receiving Agent, or procure the payment to the Receiving Agent of, the amount payable in pounds sterling on acceptance in accordance with the above procedures or in such other manner as the Receiving Agent may require, it being acknowledged that, where payment is made by means of the RTGS payment mechanism (as defined in the CREST Manual), the creation of an RTGS payment obligation in pounds sterling in favour of the Receiving Agent's RTGS settlement bank (as defined in the CREST Manual) in accordance with the RTGS payment mechanism shall, to the extent of the obligation so created (a) discharge in full the obligation of the CREST member (or CREST sponsored member) to pay the amount payable on acceptance and (b) request that the Fully Paid Rights and/or New Shares to which he or she will become entitled be issued to him or her on the terms set out in this document and subject to the Articles of Association of the Company. Such payment will be held by the Receiving Agent on trust for the Joint Global Co-ordinators, who are acting as principal on receipt of such monies.

If the payment obligations of the relevant CREST member or CREST sponsored member in relation to such New Shares are not discharged in full and such New Shares have already been allotted to the CREST member or CREST sponsored member, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such Shares on behalf of the CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss it has suffered as a result of the same and of the expenses of the sale, including, without limitation, any stamp duty or SDRT payable on the transfer of such Shares, and of all amounts payable by such CREST member or CREST sponsored member pursuant to the terms of the Rights Issue in respect of the acquisition of such Shares) or an amount equal to the original payment of the CREST member or CREST sponsored member. Neither the Company nor the Banks nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by the CREST member or CREST sponsored member as a result.

(vii) Company's discretion as to rejection and validity of acceptances

Having consulted with the Banks, the Company may agree in its absolute sole discretion to:

- (a) reject any acceptance constituted by an MTM instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in this paragraph 2.2.2. Where an acceptance is made as described in this paragraph 2.2.2, which is otherwise valid, and the MTM instruction concerned fails to settle by 11.00 a.m. on 24 May 2018 (or by such later time and date as the Company has determined), the Company shall be entitled to assume, for the purposes of its right to reject an acceptance contained in this paragraph 2.2.2, that there has been a breach of the representations, warranties and undertakings set out or referred to in

this paragraph 2.2.2 unless the Company is aware of any reason outside the control of the CREST member or CREST sponsor (as appropriate) for the failure to settle;

- (b) treat as valid (and binding on the CREST member or CREST sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 2.2.2;
- (c) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM instruction and subject to such further terms and conditions as the Company and the Banks may determine;
- (d) treat a properly authenticated dematerialised instruction in this paragraph (d) (the “first instruction”) as not constituting a valid acceptance if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (e) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of an MTM instruction or any alternative instruction or notification, if, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to take up all or part of his or her Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by the Receiving Agent in connection with CREST.

2.2.3 Money Laundering Regulations

If you hold your Nil Paid Rights in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Receiving Agent is entitled to take reasonable measures to establish the identity of the person or persons (or the ultimate controller of such person or persons) on whose behalf you are making the application and any submission of an MTM instruction constitutes agreement for the Receiving Agent to make a search via a credit reference agency where deemed necessary. A record of search results will be retained. You must therefore contact the Receiving Agent before sending any MTM instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent any information the Receiving Agent may specify as being required for the purposes of the verification of the identity requirements in the Money Laundering Regulations or the FSMA. Pending the provision of such information and other evidence as the Registrar may require to satisfy the verification of identity requirements, the Receiving Agent, having consulted with the Company, may take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM instruction. If such information and other evidence of identity has not been provided within a reasonable time, then the Receiving Agent will not permit the MTM instruction concerned to proceed to settlement but without prejudice to the right of the Company and/or the Banks to take proceedings to recover any loss suffered by any of them as a result of failure by the applicant to provide such information and other evidence.

2.2.4 Dealings in Nil Paid Rights in CREST

Assuming the Rights Issue becomes unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence as soon as practicable after 8.00 a.m. on 10 May 2018. A transfer (in whole or in part) of Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST after the close of CREST business on 24 May 2018.

2.2.5 Dealings in Fully Paid Rights in CREST

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document, the Fully Paid Rights may be transferred by means of CREST in the same manner as any other security that is admitted to CREST. The last time for settlement of any transfer of Fully Paid Rights in CREST is expected to be 11.00 a.m. on 24 May 2018. The Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 24 May 2018. From 25 May 2018, the New Shares will be registered in the name(s) of the person(s) entitled to them in the Company's register of members and will be transferable in the usual way (see paragraph 2.2.7 below).

2.2.6 Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by Euroclear of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights or, if appropriate, Fully Paid Rights from CREST is 4.30 p.m. on 18 May 2018, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights or, if appropriate, Fully Paid Rights following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 24 May 2018. You are recommended to refer to the CREST Manual for details of such procedures.

2.2.7 Issue of New Shares in CREST

Fully Paid Rights in CREST are expected to be disabled in CREST after the close of CREST business on 24 May 2018 (the latest date for settlement of transfers of Fully Paid Rights in CREST). New Shares (in definitive form) will be issued in uncertificated form to those persons registered as holding Fully Paid Rights in CREST no later than the close of business on the Business Day after the date on which the Fully Paid Rights are disabled. The Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to New Shares with effect as soon as practicable after 8.00 a.m. on 25 May 2018.

2.2.8 Right to allot/issue in certificated form

Despite any other provision of this document, the Company reserves the right to allot and/or issue any Nil Paid Rights, Fully Paid Rights or New Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

2.3 Procedure in respect of rights not taken up (whether certificated or in CREST) and withdrawal

2.3.1 Procedure in respect of New Shares not taken up

If an entitlement to New Shares is not validly taken up by 11.00 a.m. on 24 May 2018, in accordance with the procedure laid down for acceptance and payment, then that Provisional Allotment Letter will be deemed to have been declined and will lapse. The Banks will endeavour to procure, by not later than 5.00 p.m. on the second dealing day after the last date for acceptance under the Rights Issue, subscribers for all (or as many as possible) of those New Shares not taken up at a price per New Share which is at least equal to the aggregate of the Issue Price and the expenses of procuring such subscribers (including any applicable brokerage and commissions and amounts in respect of value added tax).

Notwithstanding the above, the Banks may cease to endeavour to procure any such subscribers if, in their opinion, it is unlikely that any such subscribers can be procured at such a price and by such a time. If and to the extent that subscribers for New Shares cannot be procured on the basis outlined above, the relevant New Shares will be subscribed for by the Banks or sub-underwriters (if any) at the Issue Price pursuant to the terms of the Underwriting Agreement.

Any premium over the aggregate of the Issue Price and the expenses of procuring subscribers (including any applicable brokerage and commissions and amounts in respect of irrecoverable value added tax) shall be held in trust absolutely for and paid (subject as provided in this paragraph 2.3) to:

- (i) where the Nil Paid Rights were, at the time they were not taken up, represented by a Provisional Allotment Letter, the person whose name and address appeared on the Provisional Allotment Letter;
- (ii) where the Nil Paid Rights were, at the time they were not taken up, in uncertificated form, the person registered as the holder of those Nil Paid Rights at the time of their disablement in CREST; and
- (iii) where an entitlement to New Shares was not taken up by an Overseas Shareholder, that Overseas Shareholder.

New Shares for which subscribers are procured on this basis will be reallocated to the subscribers and the aggregate of any premiums (being the amount paid by the subscribers after deducting the Issue Price and the expenses of procuring the subscribers, including any applicable brokerage and commissions and amounts in respect of irrecoverable value added tax), if any, will be paid (without interest) to those persons entitled (as referred to above) pro rata to the relevant provisional allotments not taken up, save that amounts of less than £5.00 per holding will not be so paid but will be aggregated and donated to charity. Cheques for the amounts due will be sent by post, at the risk of the person(s) entitled, to their registered addresses (the registered address of the first-named holder in the case of joint holders), provided that, where any entitlement concerned was held in CREST, the amount due will, unless the Company (in its absolute discretion) otherwise determines, be satisfied by the creation of an assured payment obligation in favour of the relevant CREST member's (or CREST sponsored member's) CREST settlement bank in respect of the cash amount concerned in accordance with the CREST payment mechanism.

Any transactions undertaken pursuant to this paragraph 2.3 or paragraph 2.5.1 below shall be deemed to have been undertaken at the request of the persons entitled to the rights not taken up or other entitlements and neither the Company nor the Banks nor any other person procuring subscribers shall be responsible for any loss, expense or damage (whether actual or alleged) arising from the terms or timing of any such subscription, any decision not to endeavour to procure subscribers or the failure to procure subscribers on the basis so described. The Banks will be entitled to retain any brokerage fees, commissions or other benefits received in connection with these arrangements.

It is a term of the Rights Issue that all New Shares validly taken up by subscribers under the Rights Issue may be allotted to such subscribers in the event that not all of the New Shares offered for subscription under the Rights Issue are taken up.

2.3.2 Withdrawal rights

Persons who have the right to withdraw their acceptances under section 87Q(4) of the FSMA after a supplementary prospectus (if any) has been published and who wish to exercise such right of withdrawal must do so by lodging a written notice of withdrawal (which shall not include a notice sent by facsimile), which must include the full name and address of the person wishing to exercise such statutory withdrawal rights and, if such person is a CREST member, the participant ID and the member account ID of such CREST member, with Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or email to withdraw@linkgroup.co.uk, so as to be received no later than two business days after the date on which the supplementary prospectus was published, withdrawal becoming effective on receipt of the written notice of withdrawal. Notice of withdrawal given by any other means or which is deposited with or received by Link Asset Services, Corporate Actions after the expiry of such period will not constitute a valid withdrawal. Furthermore, based on advice received by the Company as to the effect of statutory withdrawal rights where the allotment contract is fully performed, the Company will not permit the exercise of withdrawal rights after payment by the relevant Shareholder of its subscription amount in full and the allotment of the New Shares to such Shareholder becoming unconditional. In such circumstances, Shareholders are advised to consult their professional advisers, including their legal advisers, as this may be a matter of law.

Provisional allotments of entitlements to New Shares which are the subject of a valid withdrawal notice will be deemed to be declined. Such entitlements to New Shares will be subject to the provisions of paragraph 2.3.1 above as if the entitlement had not been validly taken up.

2.4 Taxation

The information contained in Part XVII of this document is intended only as a general guide to the current tax position in the United Kingdom and the United States, and Qualifying Shareholders should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances.

2.5 Overseas Shareholders

2.5.1 General

This document has been approved by the FCA, being the competent authority in the United Kingdom. The making or acceptance of the proposed offer of Nil Paid Rights, Fully Paid Rights and/or New Shares to persons who have registered addresses outside the United Kingdom, or who are resident in, or citizens of, countries other than the United Kingdom may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

It is also the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside the United Kingdom wishing to take up rights under or otherwise participate in the Rights Issue to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories.

The comments set out in this paragraph 2.5 are intended as a general guide only and any Overseas Shareholder who is in doubt as to his or her position should consult his or her professional adviser without delay.

Having considered the circumstances, the Board has formed the view that it is necessary or expedient to restrict the ability of persons in the Restricted Territories and the United States to take up rights to New Shares or otherwise participate in the Rights Issue due to the time and costs involved in the registration of this document and/or compliance with the relevant local legal or regulatory requirements in those jurisdictions.

Receipt of this document and/or Provisional Allotment Letter or the crediting of Nil Paid Rights to a stock account in CREST will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this document and/or a Provisional Allotment Letter must be treated as sent for information only and should not be copied or redistributed.

New Shares will be provisionally allotted (nil paid) to all Shareholders on the register at the Record Date, including Overseas Shareholders. However, Provisional Allotment Letters will not be sent to, and Nil Paid Rights will not be credited to CREST accounts of, Shareholders with registered addresses in the United States or the Restricted Territories or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

The crediting of Nil Paid Rights does not constitute an offer to Shareholders and, specifically, no offer is being made to Shareholders: (i) with a registered address in the United States or the Restricted Territories; or (ii) in any jurisdiction in which it is unlawful to make or accept an offer to acquire the Shares. CREST Shareholders will be entitled to take up rights in the Rights Issue only if such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this document and/or a Provisional Allotment Letter and/or receiving a credit of Nil Paid Rights to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use the Provisional Allotment Letter or deal in Nil Paid Rights or Fully Paid Rights in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her of the Nil Paid Rights and Fully Paid Rights. In such circumstances, this document and the Provisional Allotment Letter are to be treated as sent for information only and should not be copied or redistributed.

Persons (including, without limitation, custodians, nominees and trustees) receiving a copy of this document and/or a Provisional Allotment Letter or whose stock account is credited with Nil Paid Rights or Fully Paid Rights should not, in connection with the Rights Issue, distribute or send the same or transfer Nil Paid Rights or Fully Paid Rights in or into any jurisdiction where to do so would or might contravene

local security laws or regulations. If a Provisional Allotment Letter or a credit of Nil Paid Rights or Fully Paid Rights is received by any person in any such territory, or by his or her agent or nominee, he or she must not seek to take up the rights referred to in the Provisional Allotment Letter or in this document or renounce the Provisional Allotment Letter or transfer the Nil Paid Rights or Fully Paid Rights unless the Company determines that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, nominees and trustees) who does forward this document or a Provisional Allotment Letter or transfers Nil Paid Rights or Fully Paid Rights into any such territories (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 2.5.

The Company reserves the right to treat as invalid and will not be bound to allot or issue any New Shares in respect of any acceptance or purported acceptance of the offer of New Shares which:

- (i) appears to the Company or its agents to have been executed, effected or despatched from the United States or a Restricted Territory unless the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement;
- (ii) in the case of a Provisional Allotment Letter, provides an address for delivery of the share certificates or other statements of entitlement or advice in the United States or an Restricted Territory or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such certificates, statements or advice or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or
- (iii) in the case of a credit of New Shares in CREST, is to a CREST member or CREST sponsored member whose registered address would be in the United States or an Restricted Territory or any other jurisdiction outside the United Kingdom in which it would be unlawful to make such a credit or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements.

The attention of Overseas Shareholders with registered addresses in the United States and the Restricted Territories is drawn to paragraphs 2.3.1 above to 2.5.4 below.

The provisions of paragraph 2.3.1 above will apply to Overseas Shareholders who do not take up New Shares provisionally allotted to them or are unable to take up New Shares provisionally allotted to them because such action would result in a contravention of applicable law or regulatory requirements. Accordingly, such Shareholders will be treated as Shareholders that have not taken up their entitlement for the purposes of paragraph 2.3.1 above and the Banks will use reasonable endeavours to procure subscribers for the relevant New Shares. The net proceeds of such sales (after deduction of expenses) will be paid to the relevant Shareholders pro rata to their holdings of Existing Shares at the close of business on the Record Date as soon as practicable after receipt, except that (i) individual amounts of less than £5.00 per holding will not be distributed but will be aggregated and paid to charity and (ii) amounts in respect of fractions will not be distributed but will be retained for the benefit of the Company. None of the Company, the Banks or any other person shall be responsible or have any liability whatsoever for any loss or damage (actual or alleged) arising from the terms or the timing of the acquisition or the procuring of it or any failure to procure subscribers.

Notwithstanding any other provision of this document or the Provisional Allotment Letter, the Company reserves the right to permit any Shareholder to participate in the Rights Issue on the terms and conditions set out in this document as if it were a Qualifying Shareholder if the Company in its sole and absolute discretion is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question. If the Company is so satisfied, the Company will arrange for the relevant Shareholder to be sent a Provisional Allotment Letter if he or she is a Qualifying Non-CREST Shareholder or, if he or she is a Qualifying CREST Shareholder, arrange for Nil Paid Rights to be credited to the relevant CREST stock account.

Those Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraphs 2.1.2 and 2.2.2 above.

Overseas Shareholders should note that all subscription monies must be paid in pounds sterling by cheque or banker's draft and should be drawn on a bank in the United Kingdom, made payable to "Link Registrars Limited re: Capita plc—Rights Issue" and crossed "A/C payee only".

2.5.2 United States of America

The Nil Paid Rights, the Fully Paid Rights and the New Shares have not been and will not be registered under the Securities Act, and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, in or into the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. There will be no public offer of the Nil Paid Rights, the Fully Paid Rights or the New Shares in the United States.

Accordingly, the Company is not extending the offer under the Rights Issue into the United States and, subject to certain exceptions, none of this document or the Provisional Allotment Letter constitutes or will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any Nil Paid Rights, Fully Paid Rights or New Shares in the United States. Subject to certain exceptions, neither this document nor a Provisional Allotment Letter will be sent to any Shareholder with a registered address in the United States.

Subject to certain exceptions, Provisional Allotment Letters or renunciations thereof sent from or post marked in the United States will be deemed to be invalid and all persons acquiring New Shares and wishing to hold such Shares in registered form must provide an address for registration of the New Shares issued upon exercise thereof outside the United States.

Subject to certain exceptions, any person who acquires New Shares, Nil Paid Rights or Fully Paid Rights will be required to declare, warrant and agree that they have received a copy of this document and that they are not, and that, at the time of acquiring the New Shares, the Nil Paid Rights or the Fully Paid Rights, they will not be, in the United States or acting on behalf of or for the account or benefit of a person on a non-discretionary basis in the United States or any state of the United States.

The New Shares, Nil Paid Rights and Fully Paid Rights will not be made available to holders of Capita ADRs, but will be sold by the depositary (as the holder of the underlying Shares) and the net proceeds distributed to holders of Capita ADRs.

The Company reserves the right to treat as invalid any Provisional Allotment Letter (or renunciation thereof) that appears to the Company or its agents to have been executed in or despatched from the United States, or that provides an address in the United States for the acceptance or renunciation of the Rights Issue, or which does not make the warranty set out in the Provisional Allotment Letter to the effect that the person accepting and/or renouncing the Provisional Allotment Letter does not have a registered address and is not otherwise located in the United States and is not acquiring the Nil Paid Rights, the Fully Paid Rights or the New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Shares in the United States or where the Company believes acceptance of such Provisional Allotment Letter may infringe applicable legal or regulatory requirements. The Company will not be bound to allot (on a non-provisional basis) or issue any New Shares, Nil Paid Rights or Fully Paid Rights to any person with an address in, or who is otherwise located in, the United States in whose favour a Provisional Allotment Letter or any Nil Paid Rights, Fully Paid Rights or New Shares may be transferred or renounced. In addition, the Company and the Banks reserve the right to reject any MTM instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of the Nil Paid Rights.

In addition, until 40 days after the commencement of the Rights Issue, an offer or sale of Nil Paid Rights, Fully Paid Rights or New Shares within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act. The provisions of paragraph 2.3 above will apply to any rights not taken up. Accordingly, subject to certain exceptions, Shareholders with a registered address in the United States will be treated as unexercising holders and the Banks will endeavour to procure on behalf of such unexercising holders subscribers for the New Shares.

2.5.3 Restricted Territories and Other Overseas Territories

Provisional Allotment Letters will be posted to Qualifying Non-CREST Shareholders with registered addresses outside the United States and the Restricted Territories (subject to certain exceptions) and Nil Paid Rights will be credited to the CREST stock accounts of Qualifying CREST Shareholders with registered addresses outside the United States and the Restricted Territories (subject to certain exceptions). Such Qualifying Shareholders may, subject to the laws of the relevant jurisdictions, participate in the Rights Issue in accordance with the instructions set out in this document and, if relevant, the Provisional Allotment Letter. In cases where Overseas Shareholders do not take up Nil Paid Rights, their entitlements will be sold if possible in accordance with the provisions of paragraph 2.3.1 above.

Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of, all countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

If you are in any doubt as to your eligibility to accept the offer of New Shares or to deal with Nil Paid Rights or Fully Paid Rights, you should contact your appropriate professional adviser immediately.

(i) Canada

This document constitutes an “exempt offering document” as defined in and for the purpose of applicable Canadian securities laws. This document will not be filed as a prospectus or rights offering circular with the securities regulator of any province or territory of Canada. The Nil Paid Rights and Fully Paid Rights may not be offered, sold or exercised in Canada and the New Shares may not be offered or sold in Canada, unless an exemption from the prospectus requirements of applicable securities laws is available as set out below. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this document or on the merits of the offered securities and any representation to the contrary is an offence.

Each Canadian investor who purchases the New Shares, the Nil Paid Rights and the Fully Paid Rights will be deemed to have represented to the Company, the Banks or any affiliate of the Banks acting on behalf of the Banks, and to each dealer from whom a purchase confirmation is received, as applicable, that the investor is purchasing, as principal that are “accredited investors”, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are “permitted clients”, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations.

The offer and sale of the New Shares, Nil Paid Rights or Fully Paid Rights in Canada is being made on a private placement basis only and is exempt from the requirement that the Company prepares and files a prospectus under applicable Canadian securities laws. Any resale of the New Shares, Nil Paid Rights or Fully Paid Rights acquired by a Canadian investor in this offering must be made in accordance with applicable Canadian securities laws, which may vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with Canadian prospectus requirements, a statutory exemption from the prospectus requirements, in a transaction exempt from the prospectus requirements or otherwise under a discretionary exemption from the prospectus requirements granted by the applicable local Canadian securities regulatory authority. These resale restrictions may under certain circumstances apply to resales of the New Shares, Nil Paid Rights or Fully Paid Rights outside of Canada.

Any discussion of taxation and related matters contained in this document does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a Canadian investor when deciding to purchase the New Shares, the Nil Paid Rights and the Fully Paid Rights and, in particular, does not address any Canadian tax considerations. No representation or warranty is hereby made as to the tax consequences to a resident, or deemed resident, of Canada of an investment in the New Shares, the Nil Paid Rights and the Fully Paid Rights or with respect to the eligibility of the New Shares, Nil Paid Rights or Fully Paid Rights for investment by such investor under relevant Canadian federal and provincial legislation and regulations.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if the admission document (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal adviser.

Canadian investors are advised that this document has been prepared in reliance on section 3A.3 of National Instrument 33-105 Underwriting Conflicts (“NI 33-105”). Pursuant to section 3A.3 of NI 33-105, the Banks are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the Rights Issue.

The Nil Paid Rights and Fully Paid Rights may only be exercised by Shareholders in Canada that have executed and timely returned an investor letter to the Company and the Banks in the form of the investor letter for rights offering for investors located in Canada provided to such Shareholders by the Company

with this document. Further, the Company is entitled to request that a Shareholder in Canada provide documentation to evidence that the Shareholder is an accredited investor and permitted client before the investor is entitled to exercise the Nil Paid Rights and Fully Paid Rights.

Upon receipt of this document, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the New Shares, the Nil Paid Rights and the Fully Paid Rights described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

(ii) Singapore

The offer of Nil Paid Rights, Fully Paid Rights and New Shares by the Company is made only to and directed at, and the Nil Paid Rights, Fully Paid Rights and New Shares are only available to, persons in Singapore who are existing holders of Shares.

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, Nil Paid Rights or Fully Paid Rights may not be circulated or distributed, nor may New Shares, Nil Paid Rights or Fully Paid Rights be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where New Shares, Nil Paid Rights or Fully Paid Rights are subscribed for or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the New Shares pursuant to an offer made under Section 275 of the SFA except: (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; (2) where no consideration is or will be given for the transfer; (3) where the transfer is by operation of law; (4) as specified in Section 276(7) of the SFA; or (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Qualifying Shareholders and/or any holder of New Shares, Nil Paid Rights or Fully Paid Rights may only offer such New Shares, Nil Paid Rights or Fully Paid Rights in Singapore to (i) existing members of the Company under Section 273(1)(cd)(i) of the Securities and Futures Act, Chapter 289 of Singapore, or (ii) pursuant to, and in accordance with, the conditions of an exemption under Section 274 or Section 275, or, where applicable, Section 276, of the Securities and Futures Act, Chapter 289 of Singapore.

(iii) Australia

This document, and any other document issued by the Company in connection with this offer, does not constitute a disclosure document under Part 6D.2 of the Corporations Act 2001 of the Commonwealth of Australia (the "Corporations Act"). It does not and is not required to contain all the information which would be required under the Corporations Act to be included in such a disclosure document, and has not been lodged with the Australian Securities and Investments Commission. The offering to which this document relates is being made in Australia in reliance on ASIC Corporations (Foreign Rights Issues) Instrument 2015/356 issued by the Australian Securities and Investments Commission.

This document, and any other document issued by the Company in connection with the Rights Issue, only constitutes an offer in Australia to persons who are recorded as Australian resident shareholders as at the Record Date.

This document, and any other document issued by the Company in connection with the Rights Issue, contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person, and does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this document, and any other document issued by the Company in connection with the Rights Issue, is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

(iv) Switzerland

The Nil Paid Rights, Fully Paid Rights, New Shares and Provisional Allotment Letters or any related marketing materials may not and will not be publicly offered, sold, advertised, distributed or redistributed, directly or indirectly, in or from Switzerland. No solicitation for investments in the Shares may be extended, distributed or otherwise made available in Switzerland in any way that could constitute a public offering pursuant to articles 1156 or 652a of the Swiss Code of Obligations (“CO”). This document or any other offering or marketing materials relating to the Nil Paid Rights, Fully Paid Rights, New Shares or Provisional Allotment Letters does not constitute an offering prospectus pursuant to articles 652a and 1156 CO and may not comply with the information standards required thereunder. The New Shares will not be listed on the SIX Swiss Exchange (“SIX”) nor on any other stock exchange, multilateral or organised trading facility in Switzerland, and, consequently, the information presented in this document does not necessarily comply with the information standards set out in art. 27 ff. of the listing rules of the SIX or the listing rules of any other stock exchange, multilateral or organised trading facility in Switzerland. This document is addressed to a specifically named recipient and may not be copied, reproduced, distributed or passed on to third parties.

Neither this document nor any other offering or marketing material relating to the Rights Issue, the Company, the Nil Paid Rights, the Fully Paid Rights or the New Shares has been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Nil Paid Rights, Fully Paid Rights and New Shares will not be supervised by, FINMA. Neither the Company nor the Nil Paid Rights, Fully Paid Rights and New Shares have been or will be authorised under the Swiss Federal Act on Collective Investment Schemes of 23 June 2006 (“CISA”). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Nil Paid Rights, Fully Paid Rights and New Shares.

(v) South Africa

The Rights Issue is a non-renounceable offer as contemplated in section 96(1)(c) of the SA Companies Act, 71 of 2008 (“SA Companies Act”) accordingly, neither the Rights Issue nor the Prospectus constitute an “offer to the public” as defined in the SA Companies Act, for the sale of or subscription for, or the solicitation of an offer to buy and to subscribe for, the Nil Paid Rights, Fully Paid Rights or New Shares (including Provisional Allotment Letters).

The Rights Issue will not be made or distributed, as applicable, to any person in South Africa in any manner which could be construed as an offer to the public in terms of the SA Companies Act. Accordingly, this Prospectus does not, nor is it intended to, constitute a prospectus prepared and registered under the SA Companies Act.

This document may be communicated to certain Shareholders with registered addresses in South Africa. Each copy of this document and any other offering material in relation to the Nil Paid Rights, Fully Paid Rights or New Shares (including Provisional Allotment Letters) that is posted will be addressed to a specifically named recipient and may not be passed on or renounced to third parties.

Shareholders resident in and/or nationals or citizens of or who have emigrated from South Africa who participate in the Rights Issue should be aware that they may be required to comply with all applicable South African exchange control requirements relating to acquiring the New Shares and should seek advice from a person properly qualified to advise them if they are in any doubt as to what this may involve.

(vi) Cayman Islands

No invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for or purchase the Nil Paid Rights, the Fully Paid Rights or the New Shares, and no such invitation is hereby made. Pursuant to the Companies Law (2018 Revision) of the Cayman Islands, no invitation may be made to the public in the Cayman Islands to subscribe for or purchase the Nil Paid Rights, the Fully Paid Rights or the New Shares by or on behalf of the Company unless at the time of such invitation the Company is listed on the Cayman Islands Stock Exchange. The Company is not listed on the Cayman Islands Stock Exchange and, accordingly, no invitation to the public in the Cayman Islands is to be made by the Company. No such invitation is made to the public in the Cayman Islands hereby.

(vii) Member States of the EEA (other than the United Kingdom)

In relation to each member state of the EEA (except the United Kingdom) (each a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, none of the New Shares, the Nil Paid Rights or the Fully Paid Rights may be offered or sold to the public in that Relevant Member State prior to the publication of this document in relation to the New Shares, the Nil Paid Rights and the Fully Paid Rights, which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, other than the offers contemplated in this document in a Relevant Member State after the date of such publication or notification, and except that an offer of such Nil Paid Rights, Fully Paid Rights or New Shares may be made to the public in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of New Shares, the Nil Paid Rights or the Fully Paid Rights shall require the Company to publish a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State and each person who initially acquires any New Shares, Nil Paid Rights or Fully Paid Rights or to whom any offer is made under the Rights Issue will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive.

In the case of the New Shares, the Nil Paid Rights or Fully Paid Rights being offered to a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the New Shares, the Nil Paid Rights or the Fully Paid Rights acquired by it have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of New Shares, the Nil Paid Rights or the Fully Paid Rights to the public other than their offer or resale in a Relevant Member State to “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive. The Company, the Banks and their respective affiliates will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement.

For the purposes of this selling restriction, the expression “an offer of New Shares, the Nil Paid Rights or the Fully Paid Rights to the public” in relation to any New Shares, the Nil Paid Rights or the Fully Paid Rights in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the New Shares, the Nil Paid Rights or the Fully Paid Rights to be offered so as to enable an investor to decide to acquire the New Shares, the Nil Paid Rights or the Fully Paid Rights, as the same may be varied in that Relevant Member State, and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented by the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State, and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

(viii) Other Overseas Shareholders

Qualifying Shareholders who are located in other overseas territories should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights.

2.5.4 Waiver

The provisions of this paragraph 2.5 and of any other terms of the Rights Issue relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company in its absolute discretion. Subject to this, the provisions of this paragraph 2.5 supersede any terms of the Rights Issue inconsistent herewith. References in this paragraph 2.5 to Shareholders shall include references to the person or persons executing a Provisional Allotment Letter and, in the event of more than one person executing a Provisional Allotment Letter, the provisions of this paragraph 2.5 shall apply to them jointly and to each of them.

2.6 Representations and warranties relating to Shareholders

2.6.1 Qualifying Non-CREST Shareholders

Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of the New Shares comprised therein represents and warrants to the Company and the Banks that, except where proof has been provided to the Company's satisfaction that such person's use of the Provisional Allotment Letter will not result in the contravention of any applicable regulatory or legal requirement in any jurisdiction: (a) such person is not accepting and/or renouncing the Provisional Allotment Letter, or requesting registration of the relevant New Shares, from within the United States or the Restricted Territories; (b) such person is not in any territory in which it is unlawful to make or accept an offer to subscribe for New Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it; (c) such person is not acting on a non-discretionary basis on behalf of, or for the account or benefit of, a person located within the United States or any Restricted Territory or any territory referred to in (b) above at the time the instruction to accept or renounce was given; and (d) such person is not acquiring Nil Paid Rights, Fully Paid Rights or New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Shares into the United States or any Restricted Territory or any territory referred to in (b) above. The Company may treat as invalid any acceptance or purported acceptance of the allotment of New Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter if it: (a) appears to the Company to have been executed in or despatched from the United States or any Restricted Territory or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it believes the same may violate any applicable legal or regulatory requirement; (b) provides an address in the United States or any Restricted Territory (or any jurisdiction outside the United Kingdom in which it would be unlawful to deliver share certificates or sales advice); or (c) purports to exclude the warranty required by this paragraph 2.6.

2.6.2 Qualifying CREST Shareholders

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part IX represents and warrants to the Company and the Banks that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable regulatory or legal requirement in any jurisdiction: (a) he or she is not within the United States or any of the Restricted Territories; (b) he or she is not in any territory in which it is unlawful to make or accept an offer to subscribe for New Shares; (c) he or she is not accepting on a non-discretionary basis for, on behalf of, or for the account or benefit of, a person located within the United States or any Restricted Territory or any territory referred to in (b) above at the time the instruction to accept was given; and (d) he or she is not acquiring Nil Paid Rights, Fully Paid Rights or New Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Shares into the United States or any Restricted Territory or any territory referred to in (b) above.

2.7 Times and dates

The Company shall, in its discretion and after consultation with its financial and legal advisers, be entitled to amend the dates that Provisional Allotment Letters are despatched or dealings in Nil Paid Rights commence or amend or extend the latest time and date for acceptance under the Rights Issue and all related times and dates set out in this document and in such circumstances shall notify the UKLA, and make an announcement via a Regulatory Information Service approved by the UKLA.

In the event such an announcement is made, Qualifying Shareholders may not receive any further written communication in respect of such amendment or extension of the dates included in this document.

If a supplementary prospectus is issued by the Company two or fewer business days prior to the latest time and date for acceptance and payment in full under the Rights Issue specified in this document (or such later date as may be agreed between the Company and the Banks), the latest date for acceptance under the Rights Issue shall be extended to the date that is three business days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

2.8 Governing law

The terms and conditions of the Rights Issue as set out in this document and the Provisional Allotment Letter and any non-contractual obligations arising out of or in relation to the Rights Issue shall be governed by, and construed in accordance with, English law.

2.9 Jurisdiction

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this document or the Provisional Allotment Letter and any non-contractual obligations arising out of or in connection with them. By accepting rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders, the Provisional Allotment Letter, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART X INFORMATION ON CAPITA PLC

The selected historical financial information and other historical financial information in relation to Capita referred to in this Part X has, unless otherwise stated, been extracted without material adjustment from the 2017 Annual Report and Accounts, the 2016 Annual Report and Accounts and the 2015 Annual Report and Accounts.

Investors should read the whole of this document and the documents incorporated herein by reference and should not rely solely on the financial information set out in this Part X.

1 Overview

Capita is a leading provider of technology-enabled business process and customer management services in the United Kingdom. Capita seeks to solve the complex challenges of clients, increasing productivity, enhancing the use of technology and data, improving customer and public services, and adding value to the UK and local economies. Services provided by Capita include business process management, customer services, HR, software, IT and professional services.

Capita operates primarily in the United Kingdom, with some international operations. Prior to the implementation of its new strategy, and the establishment of its new organisational structure described in Part VII of this document, Capita managed its business through five market-facing divisions supported by a central team, operating across the private and public sectors. These five divisions are set out below:

- **Private Sector Partnerships:** focused on customer management services, such as the delivery and management of customer enquiries through contact centres, web chat and social media channels, primarily in the retail, utilities and telecommunications sectors in the United Kingdom, Ireland, Germany and Switzerland. This division also provided employee benefits services and consultancy, administration of third party corporate pension schemes, and administration of life, pensions, insurance and savings policies for private and public sector clients. Management believes that Capita is the largest provider of customer management services in the United Kingdom, with a 16 per cent. share, as at 31 December 2017, of a market which is expected to grow at an annual growth rate of 4 per cent. through 2021, based on data compiled by Nelson Hall. Management also believes that it is the UK's leading provider of corporate pensions administration and the fourth largest benefits advisory and benefits administration practice in the United Kingdom, based on data compiled by Nelson Hall.
- **Public Services Partnerships:** provided UK public sector clients, such as central government and local authorities, with business process services, including the management of council tax collections and housing benefits payments, and carrying out benefit assessments on behalf of local authorities. In addition, this division provided planning advice, design services and project and cost management services to local authorities and real estate, property and infrastructure solutions for clients operating in the commercial property sector. This division included Capita's largest contracts by revenue and its most complex central and local government contracts. Management believes that Capita is the largest provider of support services to local governments in the United Kingdom with an approximately 15 per cent. market share as at 31 December 2017, based on data compiled by Nelson Hall, and it is a strategic supplier to central government departments and agencies.
- **Professional Services:** offered corporate and specialist services, including human resource services, employee engagement and training, corporate travel services, and procurement services. In addition, this division included the management of government assets through commercial joint ventures, such as AXELOS and Fera.
- **Digital and Software Solutions:** provided sector-specific and task-specific software, digital solutions and services, including local government and education software, secure software and technologies, digital transformation and development, mobile and big data solutions, geospatial solutions, business management software, travel management software, enterprise resource planning, workforce and resource management and business analytics to both public and private sector clients. Management believes that, as at 31 December 2017, Capita is one of the top five providers of enterprise software products in the United Kingdom, a market that is expected to grow at an annual growth rate of 8 per cent. through 2021, based on data compiled by Gartner.
- **IT Services:** provided network, IT infrastructure and IT equipment solutions and consulting services to organisations across the public and private sectors. Capita is one of the top 10 providers of IT services, as at 31 December 2017, and has a strong presence in local government, education, health and customer

management services. The IT services market is expected to grow at an annual growth rate of 1 per cent. through 2020, based on data compiled by TechMarketView.

Capita's results of operation for years ended 31 December 2017 and 2016 have been reported on the basis of the five divisions described above and therefore have been used as the basis for the discussion of Capita's business in this Part X and for the discussion of Capita's financial performance in Part XIII of this document. As described in Part VII of this document, Capita has announced a new organisational structure, effective 1 April 2018. Under its new organisational structure, Capita's divisions will be Customer Management, People Solutions, Software, Government Services, IT Services and Specialist Services.

The following table sets forth Capita's financial performance for each of Capita's operating divisions for the years ended 31 December 2017 and 2016:

	Revenue				Operating Profit	
	Year ended 31 December					
	2017		2016		2016	
	(audited, £ million)	(%)	Restated ⁽¹⁾ (audited, £ million)	(%)	2017 (audited, £ million)	Restated ⁽¹⁾ (£ million)
Total reported	4,234.6	—	4,368.6	—	(420.1)	(16.1)
Business exit	66.7	100	11.3	100	(14.7)	2.8
Other specific items	—	—	—	—	(852.8)	(353.5)
Total underlying	4,167.9	100	4,357.3	100	447.4	334.6
Consisting of:						
Private Sector Partnerships	1,588.3	38.1	1,544.4	35.4	137.5	71.4
Public Services Partnerships	1,087.2	26.1	1,127.9	25.9	73.0	0.5
Professional Services	532.8	12.8	758.3	17.4	104.9	108.3
Digital and Software Solutions	410.9	9.9	420.3	9.6	113.9	134.4
IT Services	507.8	12.2	481.5	11.1	78.1	47.1
Group trading and central functions ⁽²⁾	40.9	1.0	24.9	0.6	(60.0)	(27.1)

Notes:

(1) Restated to reflect the adoption of IFRS 15 and the classification of Capita Asset Services as a discontinued operation.

(2) Group trading and central functions comprises both internal and external facing transformation and procurement businesses as well as all the central overheads that support the divisional businesses, such as the Board, group finance and treasury activity and corporate marketing and communications.

As at 31 December 2017, Capita had approximately 70,000 employees throughout its multi-service centres located in the United Kingdom, the Republic of Ireland, Northern Europe, South Africa and India, with approximately 73 per cent. of employees based in the United Kingdom.

Clients contract with Capita to operate and transform their business processes in order to reduce back-office administration costs and redesign and improve the way they service their end-customers. Capita's digital and software solutions, IT support and professional services are designed to address a range of challenges, such as managing an organisation's workforce to maximise operational efficiencies, providing specialist operational software products, IT, networking or cyber security, transforming digital capability, running core corporate functions and rationalising property portfolios. Through these services and solutions, Capita seeks to generate value for its clients and their businesses.

2 Strengths and Strategy

Following the appointment of Jonathan Lewis as Capita's Chief Executive Officer in December 2017, Capita announced, on 31 January 2018, a multi-year transformation programme, including the development of a multi-year strategy. Capita's new strategy has been designed in three discrete stages: simplify, strengthen and succeed. Underpinning all aspects of the new strategy are a number of fundamental themes, including a drive for increased simplification, efficiency, focus, standardisation and consistency of practices and culture. Capita intends to "do fewer things, better" and use a "build once, use many times" approach, which will enable Capita to take advantage of its scale in its markets and the breadth of its existing client relationships. The intended output of Capita's new strategy is to become a more focused and predictable business with improved returns, stronger client relationships and sustainable free cash flow.

Background to the new strategy

Capita reported strong growth for much of the last two decades, supported by positive market conditions and its entrepreneurial culture. However, in recent years, Capita has experienced virtually no organic growth, with reported growth largely driven by acquisitions. Since 2016, Capita's operational and financial performance has weakened further due to cost overruns, delays and other issues in some of Capita's key contracts.

The Board decided in 2017 that the Company needed a change of leadership and Jonathan Lewis was appointed as Chief Executive Officer from 1 December 2017, following which a number of new senior managers were appointed to the management team, three of whom now form part of the newly constituted Executive Committee. With his extensive technology background and strong track record in turnaround situations, the Board believes that Jonathan brings the skills, experience and energy required to lead Capita through its current period of transformation, and the management team as a whole now have the credibility, knowledge, values and behaviours required to drive Capita's business forward and achieve success across its chosen markets.

Upon taking up the position of CEO, Jonathan initiated a thorough review of the overall state of the Capita business, the results of which have shaped the design and implementation of its new strategy.

The initial focus of this review was to identify the strengths and weaknesses of the current Capita structure and operations. This has involved a systematic market-by-market review of market attractiveness, an assessment of the future competitive landscape by market, an assessment and benchmarking of Capita's capabilities and propositions, a review of internal processes and cost structure and a thorough assessment of current and potential synergies across Capita. The key findings of this review are summarised in paragraph 2.2 of Part VII of this document.

Introduction to the new strategy

Despite the recent shortcomings identified and outlined above, the Board believes Capita has a strong underlying platform upon which to build for the future:

- Capita has a leading position in the United Kingdom in many of its markets, including customer management, HR and local government, and is also a leading strategic supplier to central government.
- In addition to the United Kingdom, Capita has a leading position in customer management across Germany and Switzerland.
- Capita has a balanced portfolio of public sector and private sector clients. Its blue-chip private sector clients view Capita as a partner who can create value as well as reduce costs, which supports profitable long-term relationships.
- Capita has a significant and differentiated technology offering in the customer management and HR markets, where it operates a technology-enabled digital platform for its clients. In addition, Capita is a leading independent software provider in its chosen markets including education and local government.
- As at and for the year ended 30 December 2017, Capita generated 70 per cent. of its revenue from long-term contracts (defined as contracts of over two years), and had an order book of £8.2 billion.
- Capita has approximately 70,000 skilled employees who provide smart value-added services.

Capita recognises that the markets in which it currently operates and client demands are changing. Clients in the business process outsourcing market are offering fewer long-term "mega deals" and more incremental sales on existing contracts, or smaller new contracts where companies prove their value and grow over time. Clients are increasingly demanding flexible and as-a-service models, rather than one-time contracting. The services they are seeking place less reliance on generalist operational skills and more on the delivery of specialist digital platforms that deliver scale benefit and data insight. There is also an increasingly complex landscape of partners and collaborators across the value chain.

Capita needs to continue to evolve its vision to stay ahead of these changing market trends, from simply improving productivity by providing an outsourcing solution to driving value through improving client experience and insight, using innovative digital solutions and analytics.

Underpinning all aspects of the new strategy are a number of fundamental themes, including a drive for increased simplification, efficiency, focus, standardisation and consistency of practices and culture. Capita intends to "do fewer things, better" and use a "build once, use many times" approach, which will enable Capita to take advantage of its scale in its markets and the breadth of its existing client relationships. The intended

output of Capita's new strategy is to become a more focused and predictable business with improved returns, stronger client relationships and sustainable free cash flow.

Capita's new strategy has been designed in three discrete elements (simplify, strengthen and succeed), each of which is described in more detail in Part VII of this document.

3 History

Capita was formed in 1984 as a division of the Chartered Institute of Public Finance and Accountancy, to provide clients in the UK public sector with IT and technology support services. Capita was incorporated and registered in England and Wales as a public company limited by shares on 8 December 1986 with registered number 2081330. Capita was re-registered on 11 April 1989 as a public company limited by shares. Capita's shares were admitted to trading on the main market of the London Stock Exchange in 1991 under the symbol "CPI".

Capita has continued to grow its operations with the award of a number of large contracts with clients in the public and private sector. Capita has secured contracts with several significant public sector entities in the United Kingdom, including BBC TV Licensing, the Ministry of Defence, TfL and the National Health Service ("NHS"). Capita's presence in the private sector has also grown, allowing it to win major contracts with large organisations, such as The Co-operative Bank, Zurich Financial Services and Capita's largest client, O₂. In addition, particularly in recent years, Capita has sought to build its capabilities in existing markets and enter new markets through a variety of acquisitions.

Capita also, from time to time, considers disposals of businesses that no longer fit its core business strategy. In particular, in 2017, Capita completed the disposal of (i) its asset services business, which delivered shareholder, fund, debt and banking solutions and trust and corporate services, for £888 million, and (ii) its transactional specialist recruitment business, which encompassed Capita's education, health and social care resourcing businesses. Profit from these disposals was £416.4 million, consisting of a £445.4 million gain on the disposal of the asset services business, and losses from these disposals, including the transactional specialist recruitment business, of £29.0 million.

On 31 January 2018, Capita announced that it had commenced a multi-year transformation programme including the development of a multi-year strategy. Its new strategy is focused on three stages: (i) simplify—to become a more focused and predictable business with improved returns, stronger client relationships and strong sustainable free cash flow; (ii) strengthen—to strengthen its businesses and capabilities through making selected investments as well as ensuring that it has the right leadership team and capital structure to support the delivery of the new strategy; and (iii) succeed—to execute its strategy, encompassing strategy implementation, cost competitiveness, capital structure, organisational alignment and re-igniting sales.

4 Principal Services and Operating Sectors

Capita provides a range of business process and customer management services to its clients. Prior to the implementation of its new organisational structure on 1 April 2018, Capita operated across five divisions: Private Sector Partnerships, Public Services Partnerships, Professional Services, Digital and Software Solutions and IT Services.

Private Sector Partnerships

Capita's Private Sector Partnerships division included (i) the customer management business (focused primarily on the retail, utilities and telecommunications sectors in the United Kingdom); (ii) Capita Europe (which provides customer management in Germany and Switzerland); (iii) the insurance services business (which provides end-to-end policy administration of life insurance policies, general and specialist insurance administration and mortgage processing); and (iv) employee solutions (which provides employee benefits and corporate pensions administration). Capita assists clients in better serving their customers by becoming more efficient in their core processes and increasing workforce engagement and productivity.

Capita competes with local and global service providers in the United Kingdom and Europe for transactional contracts where clients pay for services on an as-needed basis, typically priced on a per FTE (full time employee) hour basis. Capita often engages with clients such as Debenhams, Marks & Spencer and Volkswagen Group, under multi-year contracts, which can include using new technology to transform clients' businesses. For many clients, such as Capita's largest client, O₂, Capita may contract on an outcome basis, meaning that Capita guarantees a reduction in cost over the life of the contract and its compensation is dependent on the number of new end-customers. For the year ended 31 December 2017, 4 per cent. of the revenue generated by

the Private Sector Partnerships division was attributable to transactional business, which are Capita's smaller scale offerings, 20 per cent. was attributable to contracts of a term of less than two years and 76 per cent. was attributable to contracts of a term of longer than two years. As at 31 December 2017, the order book for the Private Sector Partnerships division, comprised entirely of long term contractual revenue, was £4,002.0 million, of which £952.8 million (or 23.8 per cent.) is expected to be recognised within one year, £2,480.3 million (or 62.0 per cent.) is expected to be recognised between one and five years and £568.9 million (or 14.2 per cent.) is expected to be recognised in longer than five years.

The following table presents the underlying revenue, underlying operating profit, underlying operating margin and order book for the Private Sector Partnerships division as at and for the years ended 31 December 2017 and 2016.

	Year ended 31 December	
	2017	2016 Restated ⁽¹⁾
	(audited)	
Underlying revenue (£ million)	1,588.3	1,544.4
Underlying operating profit (£ million)	137.5	71.4
Underlying operating margin (%)	8.7	4.6
Order book (£ million)	4,002.0	—

Note:

(1) Restated to reflect the adoption of IFRS 15 and the classification of Capita Asset Services as a discontinued operation.

Key services

Customer Management UK & Europe

Capita's customer management services cover a range of customer interactions (such as in-person, web chat, social and contact centres) and are designed to improve responsiveness and the overall customer experience, while also reducing costs. Capita has over 40 years of experience in customer management, with sector specific understanding of solutions best suited to help clients achieve these goals. Capita's primary focus is servicing clients in the retail, utilities, telecommunications and media sectors. Capita provides customer management services for O₂, Dixons Carphone, Marks & Spencer, John Lewis, Volkswagen, British Gas and npower. Clients are supported by staff located in the United Kingdom, South Africa, India, Germany, Switzerland and Poland.

Capita provides clients with call centre support through outsourced call centres located in the United Kingdom or offshore and may also provide teams that are "insourced" to clients, as well as technical support on behalf of its clients. In addition, Capita assists clients in acquiring new customers and retaining existing customers through a variety of solutions. These include the use of sales campaigns, lead generation, telemarketing and account management skills to identify and acquire new customers; data analysis and training to better understand the customer life-cycle; and multi-channel document and information services (such as print and electronic mailings) to improve customer communication. Capita is increasingly using technology to help reduce client contract costs. Capita works with automation and robotic process automation partners to provide these services to customers. Capita also provides debt collection services on behalf of clients, that range from early stage debt recovery to legal proceedings and enforcement.

Insurance Services

Capita provides end-to-end policy administration for 15 million life, pensions and savings policies in the United Kingdom to clients including Zurich and Royal London. End-to-end administration encompasses a range of administrative services, from customer contact management to financial and regulatory reporting. It also provides general and specialist insurance administration services, handles complaints on behalf of retail banks, such as Lloyds Bank, and provides remediation services to UK retail banks for mis-selling rectification in relation to payment protection insurance. Capita also provides numerous digital solutions, such as turnkey digital protection, portals and applications and data analysis, to reduce policy administration costs, and business support and consulting services to assist clients in delivering bespoke, innovative products to their customers.

Employee Solutions

Capita manages over 1,500 pension schemes with 5.2 million members in the United Kingdom as at 31 December 2017, through its proprietary pensions platform, Hartlink. It helps clients to manage member

records and provides advice on various aspects of these schemes. Capita also provides HR consultancy and outsourcing services to assist clients to more efficiently manage their employees.

Market overview

Management estimates that the private sector accounted for 68 per cent. of spending in the UK business process outsourcing market (for a total market size of £14.5 billion), and the market is expected to grow at an annual growth rate of 4.5 per cent. through 2021, based on data compiled by Nelson Hall. The customer management service market in the United Kingdom was valued at approximately £3.8 billion and is expected to increase at an annual growth rate of 4 per cent. through 2021, based on data compiled by Nelson Hall, and management believes that Capita is the largest provider in the United Kingdom, with a 16 per cent. share of the market as at 31 December 2017. In Germany and Switzerland, where Capita has a 6 per cent. market share, management believes the market is valued at £3.7 billion and is increasing at an annual growth rate of 4.6 per cent. through 2021, based on data compiled by Nelson Hall. Capita is the second largest provider in the German and Swiss markets. Management believes that the use of outsourcing is not as mature in Germany or Switzerland compared to the United Kingdom, where slower growth is expected, and therefore opportunities for growth exist within these markets, primarily as a result of the increased adoption of digital services, pressure to improve customer experience and the ability to drive demand for higher value services and revenue-generating service lines.

The growth in digital channels has resulted in an increase in customer contact, and the need to invest in order to support multiple engagement channels, which has created a cost challenge for clients. Automation, artificial intelligence and data analytics technologies, as well as advancements in cloud technology, are revolutionising back-office and customer services. Transactional and easy-to-resolve interactions are increasingly handled through non-voice channels and customer service agents are able to focus on longer, more complex and higher-value interactions. Capita is able to use digital technology and position outsourcing as a solution for clients to free up capital for investment in new channels. In order to do so, Capita partners with a range of automation and robotic process automation providers, including Eckoh, Jacada, Blue Prism and Fusion.

The closed book life and pensions market in the United Kingdom is naturally declining as policies are surrendered and providers continue to consolidate. As a result, clients are looking to invest in technology to reduce policy administration costs to offset declining revenue. For the open book pensions market in the United Kingdom, changing customer expectations have driven life insurers to adopt digital channels for interacting with customers, providing opportunities for self-service and affordable advice.

The UK benefits and administration market was valued at £3.5 billion as at 31 December 2017, and the market is expected to grow at an annual growth rate of 4.1 per cent. through 2021, based on data compiled by Nelson Hall. There is a shift from defined benefits to defined contribution administration, in line with the broader shift in corporate pensions. Historically, companies providing outsourcing services in this market engaged in brokerage on behalf of benefits providers. Following a review led by the FCA, broking commissions are no longer permitted and providers now offer benefits advice on a fee basis and utilise benefits as a way to drive employee engagement and improve retention, providing opportunities for Capita through its proprietary technology and HR consultancy services.

Public Services Partnerships

Capita provides (i) business process management services to clients throughout the UK public sector, (ii) specialist advisory services to local authorities in the United Kingdom and (iii) real estate, property and infrastructure services to local governments and the commercial property market. This division included Capita's largest contracts by revenue and its most complex central and local government contracts. Capita works with public sector partners to modernise and improve the efficiency, quality and accessibility of services while providing value to UK taxpayers.

For the year ended 31 December 2017, 14 per cent. of the revenue generated by the Public Services Partnerships division was attributable to transactional business, 15 per cent. was attributable to contracts of a term of less than two years and 71 per cent. was attributable to contracts of a term of longer than two years. As at 31 December 2017, the order book for the Public Services Partnerships division was £2,764.9 million, of which £94.7 million was short term contractual revenue (contracts of a term of less than two years) and £2,670.2 million was long term contractual revenue (contracts of a term of longer than two years). Of the long term contractual order book as at 31 December 2017, £523.1 million (or 19.6 per cent.) is expected to be recognised within one year, £1,491.0 million (or 55.8 per cent.) is expected to be recognised between one and five years and £656.1 million (or 24.6 per cent.) is expected to be recognised in longer than five years.

The following table presents the underlying revenue, underlying operating profit, underlying operating margin and order book for the Public Services Partnerships division as at and for the years ended 31 December 2017 and 2016.

	Year ended 31 December	
	2017	2016 Restated ⁽¹⁾ (audited)
Underlying revenue (£ million)	1,087.2	1,127.9
Underlying operating profit (£ million)	73.0	0.5
Underlying operating margin (%)	6.7	—
Order book (£ million)	2,764.9	—

Note:

(1) Restated to reflect the adoption of IFRS 15 and the classification of Capita Asset Services as a discontinued operation.

Key services

Public sector contracting

Capita works with a range of public sector clients in local and central government and the wider public sector to design and deliver solutions to achieve the specific goals of each client. This includes designing and delivering innovative solutions aimed at transforming complex business processes to achieve specific policy outcomes for clients such as the Department for Work and Pensions, providing digital service access for clients such as the London Borough of Barnet and supporting the transformation of the energy sector.

Local public services

Capita provides local authorities with a wide range of specialist services to address the particular challenges of these entities. This includes services such as managing the collection of council tax and payment of housing benefits, carrying out benefit assessments on behalf of the Department for Work and Pensions and collecting and enforcing the London congestion charge. In addition, Capita provides IT and digital solutions, customer management, assistance in maximising revenue, assistance in managing benefits and finance functions, property development and regulatory services, education support and back-office processing. For example, Capita helps to support Staffordshire County Council through the provision of training, IT support, and finance and administration for all of the schools in the borough. Capita also has a number of long-standing relationships with other local authorities in the United Kingdom for which it provides similar services.

Real estate and property infrastructure

Capita is a top-10 real estate and engineering consultancy in the United Kingdom and provides real estate and property infrastructure consultancy services to local authorities and clients in the commercial property sector. Capita's real estate advisory services span the property life cycle from strategy to development, leveraging its employees' expertise in property, real estate and health infrastructure. Capita also provides planning advice, architecture, design services, and project and cost management services to clients in the construction industry and to local authorities.

Market overview

Management estimates that the public sector accounted for 32 per cent. of spending in the UK business process outsourcing market in 2017 (for a total market size of £7.0 billion), and expects the market to grow at an annual growth rate of 4 per cent. through 2021, based on data compiled by Nelson Hall. Growth is expected to be as a result of continued funding pressures, the need for improved efficiency and growth in client demand for outsourcing.

Recently, a number of factors have impacted the public sector. Large central government contracts have declined as a result of budget pressures, although Capita has been successful in contracting for smaller scale repeatable service offerings, such as digital services, property regeneration and procurement. Capita anticipates that this will become a part of its core platform, particularly for local governments. Capita has also seen an increase in new framework agreements with central governments over the last two years, which enables public entities to purchase services without the need for an extended procurement process. The UK's exit from the European Union continues to create uncertainty in the market and there is a reluctance to outsource until Brexit negotiations are complete. However, Capita believes that this is likely to give rise to opportunities as the UK

government starts to develop new policies, require new services and establish new delivery requirements in a post Brexit environment. The market has also suffered from negative publicity as a result of the collapse of Carillion.

Management believes that Capita is the largest provider of outsourced services across local government in the United Kingdom, based on data compiled by Nelson Hall, with around 15 per cent. market share as at 31 December 2017 and long-term partnerships with local authorities such as the London Borough of Barnet, Sheffield City Council, Birmingham City Council and Southampton City Council. Local authorities across the United Kingdom are under budgetary pressure with budgets significantly cut in the last five years. As a result, larger and/or multi-year contracts have decreased, although there has been an increase in contracts for digital solutions to achieve long-term cost savings, which has mitigated to some extent the challenges presented with respect to central government clients. Additionally, management anticipates that a number of opportunities to retender for existing public sector contracts (both contracts currently operated by Capita and those operated by other suppliers) will materialise over the coming years.

The UK property market has experienced ongoing challenges, including a housing shortage, an increase in regulation, building and planning controls, and estate rationalisation. However, these challenges and increased investment in the real estate sector are providing new opportunities for Capita's asset optimisation, development and specialist project expertise. Capita is adapting its offering so that it is more relevant to client needs and more focused on key segments within the market. Capita is one of the top 10 real estate and engineering consultants in the United Kingdom according to a Property Week 2017 Agent Survey.

Professional Services

Capita provides recruitment and HR services, employee engagement and branding, and learning services to public and private sector clients, such as the Essex County Council, Sky TV, Wickes, CYBG and TSB Bank. It also operates Capita's travel and events business, provides services under a recruitment contract with the Ministry of Defence and provides services through government commercial partnerships, including AXELOS and Fera. Capita focuses on improving the efficiency of its clients' corporate functions and growing government assets.

For the year ended 31 December 2017, 41 per cent. of the revenue generated by the Professional Services division was attributable to transactional business, 17 per cent. to contracts of a term of less than two years and 42 per cent. to contracts of a term of longer than two years. As at 31 December 2017, the order book for the Professional Services division was £350.3 million, of which £22.1 million was short term contractual revenue (contracts of a term of less than two years) and £328.2 million was long term contractual revenue (contracts of term of longer than two years). Of long term contractual order book as at 31 December 2017, £83.5 million (or 25.4 per cent.) is expected to be recognised within one year and £244.7 (or 74.6 per cent.) million is expected to be recognised between one and five years.

The following table presents the underlying revenue, underlying operating profit, underlying operating margin and order book for the Professional Services division as at and for the years ended 31 December 2017 and 2016.

	Year ended 31 December	
	2017	2016 Restated⁽¹⁾
	(audited)	
Underlying revenue (£ million)	532.8	758.3
Underlying operating profit (£ million)	104.9	108.3
Underlying operating margin (%)	19.7	14.3
Order book (£ million)	350.3	—

Note:

(1) Restated to reflect the adoption of IFRS 15 and the classification of Capita Asset Services as a discontinued operation.

Key services

HR solutions

Capita's HR solutions comprised the largest proportion of services provided by the Professional Services division. Capita provides full recruitment process outsourcing services and pre-employment vetting for individual projects to private and public sector clients. It can also act as a full outsourced recruitment service for clients. Working alongside Capita's employer branding, marketing and communications agency, it assists

some of the world's largest employers in their recruitment efforts. Capita's learning service business provides specialist training and development services and administers apprenticeship schemes for large corporates, central government and local authorities.

Travel and events

Capita's travel and events business uses its proprietary booking and ticketing system to provide end-to-end booking and ticketing services across rail, air and hotels, and also assists with event planning and design. Clients include Network Rail, National Grid, BAE Systems Ltd. and the Royal Mail Group.

RPP Army Recruiting

One of Capita's principal long-term service contracts is for the Ministry of Defence, providing a fully managed end-to-end recruitment service for the British Army, which includes the administration of its recruitment campaign and application process. The contract was signed in March 2012 and is expected to expire in 2022.

Commercial partnerships

AXELOS is a partnership with the Cabinet Office for the commercialisation of intellectual property designed to develop, enhance and promote a number of best practice methodologies. Capita has a 51 per cent. stake in the partnership and under the terms of the partnership, the Cabinet Office has the option, until 1 January 2019, to sell its stake to Capita. AXELOS manages and creates content for training companies and administers the accreditation process for Prince2 Project management, ITIL and Resilia. It also provides project, programme and IT service management guidance to help organisations, become more efficient.

Fera is a partnership with the Department for Environment, Food and Rural Affairs, in which Capita holds a 75 per cent. interest. Fera provides scientific services to government and commercial clients, such as food retailers and manufacturers of crop protection products in the United Kingdom and globally. It specialises in translating scientific knowledge into practical applications. It also plays a key role in the United Kingdom's ability to respond to, and recover from, emergency situations affecting the food chain and rural economy. Capita has an underlying 10-year contract with the Department for Environment, Food and Rural Affairs which expires in 2025.

Digital and Software Solutions

Capita provides application software and other solutions to clients in the public, utilities and financial services sectors, such as London Borough of Wandsworth Network Rail, NHS, the UK police, the UK fire and rescue, various utility companies, Tesco Bank, and in the education sector. Its industry- and function-specific products support critical public services and business processes. It offers a broad range of services that include local government and education software, digital transformation and development, secure software and technologies, mobile and big data solutions, geospatial solutions, business management software, travel management solutions, enterprise resource planning, workforce and resource management and business analytics. Capita has a product portfolio of over 140 software products and modules.

For the year ended 31 December 2017, 2 per cent. of the revenue generated by the Digital and Software Solutions division was attributable to transactional business, 8 per cent. to contracts of a term of less than two years and 90 per cent. to contracts of a term of longer than two years. As at 31 December 2017, the order book for the Digital and Software Solutions division, comprised entirely of long term contractual revenue, was £550.4 million, of which £269.7 million (or 49.0 per cent.) is expected to be recognised within one year, £268.6 million (or 48.8 per cent.) is expected to be recognised between one and five years and £12.1 million (or 2.2 per cent.) is expected to be recognised in longer than five years.

The following table presents the underlying revenue, underlying operating profit, underlying operating margin and order book for the Digital and Software Solutions division as at and for the years ended 31 December 2017 and 2016.

	Year ended 31 December	
	2017	2016 Restated ⁽¹⁾ (audited)
Underlying revenue (£ million)	410.9	420.3
Underlying operating profit (£ million)	113.9	134.4
Underlying operating margin (%)	27.7	32.0
Order book (£ million)	550.4	—

Note:

(1) Restated to reflect the adoption of IFRS 15 and the classification of Capita Asset Services as a discontinued operation.

Key services

Education

Capita is a leading provider of management information systems to schools, colleges and universities in the United Kingdom, with a growing client base in English-speaking overseas markets. Capita also provides software to more than 22,000 primary and secondary schools in the United Kingdom.

Local government

Capita provides software to over 95 per cent. of local authorities in the United Kingdom, and its software supports key finance functions, including benefits claims administration, council tax collection, housing management and debt management, as well as digital transformation solutions to revolutionise services and meet the evolving needs of citizens.

Emergency services

Capita is a leading provider of control room software to emergency services in the United Kingdom. Capita provides an extensive portfolio of solutions for fire, police and ambulance services support control rooms, and communication solutions for officers and staff in the field.

Utilities

Capita provides the software and technology that five of the UK's six largest energy retailers use to communicate with central industry systems, other market participants and their business' systems. Capita also provides software and technology that facilitates the inspection of over 15,000 kilometres of UK rail track and 7,000 kilometres of high pressure gas pipelines in the United Kingdom.

Mortgages

Capita delivers the latest customer-focused technology and end-to-end mortgage solutions for mortgage origination, services, administration and recovery to clients such as HSBC and Tesco Bank.

Market overview

Management believes that Capita is one of the top five providers of enterprise software products in the United Kingdom, based on data compiled by TechMarketView. The UK market is estimated to be valued at £15.0 billion in 2017 and is expected to grow at an annual growth rate of 8 per cent. through 2021 according to management estimates, based on data compiled by Gartner.

While the UK business environment has been challenging, Capita had a number of key contract wins in 2017 in the mortgage administration, police and justice sectors, which illustrates its continued product competitiveness and strong sector knowledge. Capita expects the United Kingdom to remain challenging for the foreseeable future as public and private organisations assess the current economic climate and, in particular, the impact of Brexit. Capita believes that there are good growth opportunities outside its core UK market and is focused on growing its international presence.

The increased focus on application development offshoring has allowed Capita to build a strong development skill base in India at a relatively lower cost base, with particular focus on key technologies such as cloud and

digital transformation. Management believes this will enable Capita to fully support its multi-year product development cycles, which is critical to supporting future opportunities.

IT Services

Capita delivers a portfolio of IT infrastructure and applications solutions and consulting services to clients in the public and private sectors in the United Kingdom such as TfL, NATS, SSE and Croydon Council. IT Services include cloud, security, networking and customer contact design and are supported by Capita's multi-service centre in India. Capita has strategic partnerships with leading IT vendors, such as Cisco, HPE, Microsoft and Avaya, along with its own portfolio of hosted platforms. It also operates its own IT network infrastructure and data centres. The division also provides IT infrastructure across Capita.

For the year ended 31 December 2017, 24 per cent. of the revenue for the IT Services division was attributable to transactional business, 12 per cent. to contracts of a term of less than two years and 64 per cent. to contracts of a term of longer than two years. As at 31 December 2017, the order book for the IT Services division was £514.3 million, of which £20.0 million as short term contractual revenue (contracts of a term of less than two years) and £494.3 million was long term contractual revenue (contracts of a term of longer than two years). Of long term contractual order book as at 31 December 2017, £166.1 million (or 33.6 per cent.) is expected to be recognised within one year, £240.8 million (or 48.7 per cent.) is expected to be recognised between one and five years and £87.4 (or 17.7 per cent.) million is expected to be recognised in longer than five years.

The following table presents the underlying revenue, underlying operating profit, underlying operating margin and order book for the IT Services division as at and for the years ended 31 December 2017 and 2016.

	Year ended 31 December	
	2017	2016 Restated⁽¹⁾
	(audited)	
Underlying revenue (£ million)	507.8	481.5
Underlying operating profit (£ million)	78.1	47.1
Underlying operating margin (%)	15.4	9.8
Order book (£ million)	514.3	—

Note:

(1) Restated to reflect the adoption of IFRS 15 and the classification of Capita Asset Services as a discontinued operation.

Key services

Enterprise Services

Capita's enterprise services business provides infrastructure, technology and application support services to major clients with complex and demanding business requirements. Capita offers end-to-end services to clients including core IT services, such as data and application management, service management and data centre and cloud capabilities. Capita ensures consistency of experience by consolidating its onshore and offshore capabilities into a single seamless project offering, such as Managed IT Solutions, which provides business critical IT operations, as well as support services to clients such as Viridian.

Network Solutions

Capita's network solutions business designs and delivers secure end-to-end voice customer contact, collaboration networking and security to support private and public sector clients, including NHS, BAE, Norfolk County Council, TfL and National Air Traffic Service. Capita uses an integration model to deliver high speed networks across the United Kingdom, allowing it to compete successfully against the larger carriers. Outside of networks, Capita has been successful in winning a number of contracts including the contract to provide advanced network monitoring, which will monitor internet traffic and block malicious content for the Health and Social Care Network.

Technology Solutions

Capita's technology solutions business is focused on the supply, selection, delivery and integration of IT hardware and infrastructure, including desktops and laptops, printers, networks and telephony, to clients in the public and private sectors. Its licensing division is one of the country's leading Microsoft partners, and, through this team, is able to deliver business intelligence, data management and analytics solutions.

Market overview

Management believes that it is one of the top 10 suppliers of IT services in the United Kingdom, a market valued at £27.9 billion in 2017, with an expected annual growth rate of 1 per cent. through 2020, based on data compiled by TechMarketView. Ongoing austerity within the public sector has led to clients looking for different funding models based on return on investment, profit or savings share. This has created opportunities for cloud technology, which enables greater control and flexibility over spend. Security remains a significant concern for clients and has now become an integral part of any IT strategy. Greater acceptance by the public sector of the security of cloud technology has removed a key barrier to adoption and has supported the development of Capita's cloud offering. However, the challenging government outsourcing environment has had a negative impact on sales growth. There has been some consolidation in the market, although market leaders are repositioning themselves to offer a broader range of services. The breadth of the division's portfolio enables it to maintain a competitive advantage in its key markets.

5 Order Book

As at 31 December 2017, Capita's order book had a total aggregate value of £8.2 billion, of which £0.1 billion was short term contractual revenue (contracts of a term of less than two years) and £8.1 billion was long term contractual revenue (contracts of a term of longer than two years). Of long term contractual order book as at 31 December 2017, 24.8 per cent. is expected to be recognised within one year; 58.7 per cent. is expected to be recognised between one and five years; and 16.5 per cent. is expected to be recognised in longer than five years. By division, 48.9 per cent. of the order book was attributable to Private Sector Partnerships, 33.8 per cent. to Public Services Partnerships, 4.3 per cent. to Professional Services, 6.7 per cent. to Digital and Software Solutions and 6.3 per cent. to IT Services. Of Capita's top 20 contracts for the year ended 31 December 2017, one contract has been terminated early as a result of a strategic decision by the customer to switch suppliers, one contract for which Capita has not retendered will expire in 2018, one contract is up for renewal in 2019 and another is due in 2020.

For the year ended 31 December 2017, Capita added £676 million in new and extended contracts, comprising of 41 per cent. new business and 59 per cent. extensions and renewals. Major contract wins during 2017 included a new contract to deliver apprenticeship services to the Civil Service and a contract for the management of the Wide Area Network service for TfL, extensions of existing contracts with the Department for Communities, Northern Ireland and the Northern Ireland Education Authority and a number of local government campaigns.

6 Employees

Capita employed approximately 70,000 staff worldwide as at 31 December 2017. As at 31 December 2017, the Private Sector Partnerships division had 44,500 employees, the Public Services Partnerships division had 12,500 employees, the Professional Services division had 4,000 employees, the Digital and Software Solutions division had 3,700 employees and the IT Services division had 4,200 employees. During 2017, the restructuring of Capita's operating divisions impacted many of its businesses. In addition, the disposal of a number of businesses resulted in 3,600 employees leaving Capita.

The majority of Capita's employees have joined following an acquisition or through an outsourcing arrangement for specific contracts. Approximately 73 per cent. of these employees are based in the United Kingdom and the remainder are located in the Republic of Ireland, Northern Europe, South Africa and India. The skills that these employees bring with them are critical to the success of Capita's operations, ensuring that it delivers excellence in service and positive outcomes for clients, and it seeks to continually develop these skills through a variety of learning and leadership initiatives.

7 Intellectual Property

Capita owns intellectual property in certain of the jurisdictions in which it operates, consisting of trademarks. Capita is not dependent to a material extent on its intellectual property.

8 Material Properties

As at 31 December 2017, Capita operated across 360 properties globally. Capita is able to leverage its scale and geographic reach to provide clients with the most flexible and cost-effective solutions, combining its onshore capability in the United Kingdom with nearshore or offshore facilities in the Republic of Ireland, Northern Europe, South Africa and India.

9 Insurance

Capita maintains insurance to cover risks associated with the ordinary operation of its business, including third-party liability, professional liability, directors' and officers' liability, crime, property damage/business interruption, employer's liability/workers' compensation and other general insurances. Capita periodically, and as part of the annual renewal process, conducts reviews to ensure that its insurance coverage satisfies the perceived risks associated with its operations subject to its risk appetite and the availability of insurance coverage for such risks.

10 Legal Proceedings and Investigations

Capita has and may in the future become involved in, from time to time, claims and lawsuits arising in the ordinary course of its business. Capita does not believe that any of these legal proceedings or investigations will have a material adverse effect on its financial position or results of operations. However, the outcome of legal proceedings can be extremely difficult to predict with certainty. Please refer to paragraph 23 of Part XVIII of this document.

11 Risk Management

The Board is responsible for the management of the risks that Capita faces. Capita's risk management framework and associated risk appetite (the degree of risk that Capita is prepared to accept in the pursuit of its objectives) is reviewed annually by the Board but significant risks can be introduced at any time.

It is the responsibility of the management of each division to monitor the contrast between the Board's risk appetite and the residual risks identified in any one business or contract. This in turn then acts as a catalyst for action, where required, to bring any "uncomfortable" or "critical" risk back within accepted parameters.

The Risk Management Framework is maintained by the Group Risk & Compliance function, which has unrestricted access to all business units and management. Group Risk & Compliance works to articulate the Board's risk appetite in its key mandatory policies and oversees the incident reporting and investigation process, which helps businesses within Capita to deal with operational incidents and ensures that the learning from those incidents is fed back into operational risk measurement and improvement. Group Risk & Compliance also undertakes major investigations.

Capita's Group Internal Audit function independently reports to the Audit and Risk Committee on the controls in place in the business, as well as management's awareness and responsiveness to risk. Group Internal Audit also has complete access to all parts of Capita, and the Head of Internal Audit has regular meetings with the Chair of the Audit and Risk Committee and members of the Board.

Each division within Capita operates its own risk committee to review and manage division-specific risks, and the outputs from these are also considered by the Executive Risk Committee. This in turn reports to the Audit and Risk Committee.

The Audit and Risk Committee oversees the whole risk management process. It approves Group Internal Audit and Group Risk & Compliance's annual plans and is provided with regular updates on progress throughout the year, with regular reports on findings, issues, risk incidents and themes for their attention.

12 Regulatory Overview

Capita operates in a number of jurisdictions and sectors. Capita's clients include central government, local authorities and departments and other public sector bodies that provide public services or operate in publicly regulated business environments. Capita may be subject to and seeks to comply with local, federal, national or international regulations and regulations related to providing services in the life, insurance and pensions sectors. In particular, Capita must comply with the GDPR, including new requirements regarding notification of personal data breaches that will come into effect in May 2018. In addition, Capita is subject to public procurement rules and regulations that must be complied with in order to contract with public sector entities. Furthermore, as a result of some of the services Capita provides to clients in the financial services market, certain Capita entities are FCA-regulated. There are currently no material breaches of applicable regulations.

Capita also requires numerous licences, permits and other consents granted by various regulatory and other public bodies in connection with its operations, which may require periodic renewal. There are currently no material breaches of applicable licences, permissions and other consents.

PART XI
HISTORICAL FINANCIAL INFORMATION

Financial statements relating to Capita as at and for the years ended 31 December 2017, 2016 and 2015 are incorporated into this document by reference to the 2017 Annual Report and Accounts, the 2016 Annual Report and Accounts and the 2015 Annual Report and Accounts, respectively, as described in Part XIX of this document.

PART XII

SELECTED FINANCIAL INFORMATION

The selected historical financial information and other historical financial information in relation to Capita referred to in this Part XII has, unless otherwise stated, been extracted without material adjustment from the 2017 Annual Report and Accounts, the 2016 Annual Report and Accounts and the 2015 Annual Report and Accounts. The selected financial information set out below has been presented in accordance with IFRS and Capita's accounting policies.

Investors should read the whole of this document and the documents incorporated herein by reference and should not rely solely on the financial information set out in this Part XII.

Selected Consolidated Income Statement

	Year ended 31 December			
	2017	2016 Restated ⁽¹⁾	2016 Reported	2015
		(audited, £	millions)	
Continuing operations:				
Revenue	4,234.6	4,368.6	4,909.2	4,836.9
Cost of sales	(3,182.0)	(3,467.5)	(3,641.9)	(3,491.5)
Gross profit	1,052.6	901.1	1,267.3	1,345.4
Administrative expenses	(1,472.7)	(917.2)	(1,119.0)	(1,138.8)
Operating profit/(loss)	(420.1)	(16.1)	148.3	206.6
Net finance costs	(62.4)	(73.8)	(73.6)	(68.2)
Gain/(loss) on business disposal	(30.6)	0.1	0.1	(26.3)
Profit/(loss) before tax	(513.1)	(89.8)	74.8	112.1
Income tax expense	(14.0)	1.2	(32.5)	(56.5)
Profit/(loss) for the year	(527.1)	(88.6)	42.3	55.6

Note:

(1) Restated to reflect the adoption of IFRS 15 and the classification of Capita Asset Services as a discontinued operation.

Selected Consolidated Statement of Financial Position

	Year ended 31 December			
	2017	2016 Restated ⁽¹⁾ (audited, £ millions)	2016 Reported	2015
Non-current assets				
Property, plant and equipment	219.3	394.7	394.7	406.0
Intangible assets	1,812.1	2,754.2	2,754.2	2,810.0
Contract fulfilment assets	252.5	240.6	—	—
Financial assets	132.3	337.6	337.6	186.6
Deferred taxation	159.3	222.4	32.0	18.8
Trade and other receivables	28.0	48.8	128.4	86.1
	<u>2,603.5</u>	<u>3,998.3</u>	<u>3,646.9</u>	<u>3,507.5</u>
Current assets				
Financial assets	88.7	92.6	92.6	44.3
Disposal group assets held for sale	5.9	—	—	84.1
Funds assets	—	173.6	173.6	161.7
Trade and other receivables	775.8	842.7	976.0	1,011.9
Cash	921.7	1,098.3	1,098.3	534.0
Income tax receivable	25.6	—	—	—
	<u>1,817.7</u>	<u>2,207.2</u>	<u>2,340.5</u>	<u>1,836.0</u>
Total assets	<u>4,421.2</u>	<u>6,205.5</u>	<u>5,987.4</u>	<u>5,343.5</u>
Current liabilities				
Trade and other payables	755.2	977.0	1,297.6	1,144.0
Deferred income	1,201.2	1,374.9	—	—
Overdrafts	443.3	532.5	532.5	448.7
Financial liabilities	265.6	224.2	224.2	230.8
Disposal group liabilities held for sale	1.4	—	—	40.4
Funds liabilities	—	173.6	173.6	161.7
Provisions	164.1	112.5	112.5	69.4
Income tax payable	—	18.6	18.6	46.2
	<u>2,830.8</u>	<u>3,413.3</u>	<u>2,359.0</u>	<u>2,141.2</u>
Non-current liabilities				
Trade and other payables	17.0	21.0	35.1	29.3
Deferred income	314.0	216.7	—	—
Financial liabilities	1,721.7	2,694.4	2,694.4	2,163.4
Deferred taxation	12.2	19.6	22.1	19.0
Provisions	48.5	48.2	48.2	49.0
Employee benefits	406.8	345.2	345.2	188.3
	<u>2,520.2</u>	<u>3,345.1</u>	<u>3,145.0</u>	<u>2,449.0</u>
Total liabilities	<u>5,351.0</u>	<u>6,758.4</u>	<u>5,504.0</u>	<u>4,590.2</u>
Net assets/(liabilities)	(929.8)	(552.9)	483.4	753.3
Capital and reserves				
Issued share capital	13.8	13.8	13.8	13.8
Share premium	501.3	501.3	501.3	500.7
Employee benefit trust and treasury shares	(0.2)	(0.2)	(0.2)	(0.3)
Capital redemption reserve	1.8	1.8	1.8	1.8
Foreign currency translation reserve	0.4	(6.2)	(6.2)	(21.2)
Cash flow hedging reserve	1.9	—	—	(12.0)
Retained earnings/(deficit)	(1,517.2)	(1,131.8)	(102.3)	196.5
Equity/(Deficit) attributable to owners of the Company	(999.0)	(621.3)	408.2	679.3
Non-controlling interests	69.2	68.4	75.2	74.0
Total equity/(deficit)	<u>(929.8)</u>	<u>(552.9)</u>	<u>483.4</u>	<u>753.3</u>

Note:

(1) Restated to reflect the adoption of IFRS 15 and the classification of Capita Asset Services as a discontinued operation.

Selected Consolidated Cash Flow Statement

	Year ended 31 December			
	2017	2016 Restated ⁽¹⁾ (audited, £ millions)	2016 Reported	2015
Cash generated from operations before non-underlying cash items . .	216.9	739.5	749.5	685.8
Non-underlying net movement in payables and receivables	2.5	(12.3)	(12.3)	—
Asset Services settlement provision cash paid	(18.5)	(23.2)	(23.2)	(21.7)
Business exit provision cash paid	(2.8)	(14.4)	(14.4)	(21.6)
Insurance asset recovery	8.2	—	—	—
Pension settlement	—	(3.3)	(3.3)	—
Restructuring cash paid	—	—	(10.0)	—
Cash generated from operations	206.3	686.3	686.3	642.5
Income tax paid/(received)	6.3	(63.7)	(63.7)	(93.5)
Net interest paid	(54.1)	(59.4)	(59.4)	(47.2)
Net cash inflow from operating activities	158.5	563.2	563.2	501.8
Cash flows from investing activities				
Purchase of property, plant and equipment	(68.9)	(82.4)	(82.4)	(118.5)
Purchase of intangible assets	(72.9)	(72.2)	(72.2)	(85.1)
Proceeds from sale of property, plant and equipment	23.1	0.6	0.6	5.9
Acquisition of public sector subsidiary partnerships	—	—	—	(20.0)
Acquisition of subsidiary undertakings and businesses	(24.5)	(100.5)	(100.5)	(376.8)
Cash acquired with subsidiary undertakings	4.5	4.0	4.0	20.2
Debt repaid on acquisition of subsidiary undertakings	—	—	—	(48.3)
Proceeds on disposal of subsidiary undertakings	926.5	30.6	30.6	34.7
Cash disposed of with subsidiary undertakings	(45.9)	(4.2)	(4.2)	(8.7)
Deferred consideration received	11.8	3.0	3.0	—
Deferred consideration paid	(10.8)	(10.7)	(10.7)	(11.6)
Contingent consideration	(11.7)	(18.5)	(18.5)	(32.1)
Purchase of financial assets	(0.7)	(0.9)	(0.9)	(2.4)
Xchanging transaction	—	—	—	3.7
Net cash inflow/(outflow) from investing activities	730.5	(251.2)	(251.2)	(639.0)
Cash flows from financing activities				
Issue of share capital	—	0.6	0.6	1.7
Dividends paid	(216.6)	(219.0)	(219.0)	(200.5)
Capital element of finance lease rental payments	(2.1)	(5.5)	(5.5)	(5.0)
Repayment of term debt	(550.0)	—	—	—
Repayment of loan notes	—	—	—	(0.2)
Repayment of bonds	(124.1)	(141.0)	(141.0)	(97.0)
Repayment of fixed rate swaps	(84.6)	—	—	—
Proceeds on issue of term debt	—	350.0	350.0	—
Proceeds on issue of bonds	—	170.8	170.8	496.6
Proceeds on issue of loan note	—	0.3	0.3	—
Financing arrangement costs	(2.1)	(0.6)	(0.6)	(1.1)
Net cash inflow/(outflow) from financing activities	(979.5)	155.6	155.6	194.5
Increase in cash and cash equivalents	(90.5)	467.6	467.6	57.3
Cash and cash equivalents at the beginning of the period	565.8	85.3	85.3	29.1
Impact of movement in exchange rates	3.1	12.9	12.9	(1.1)
Cash and cash equivalents at 31 December	478.4	565.8	565.8	85.3
Cash and cash equivalents comprise:				
Cash at bank and in hand	921.7	1,098.3	1,098.3	534.0
Overdrafts	(443.3)	(532.5)	(532.5)	(448.7)
Total	478.4	565.8	565.8	85.3

Note:

(1) Restated to reflect the impact of the movement of the restructuring charge from non-underlying to underlying.

PART XIII

OPERATING AND FINANCIAL REVIEW

The following review of Capita's financial condition and operating results should be read in conjunction with the historical financial information for the years ended 31 December 2017, 2016 and 2015 incorporated into this document by reference to the 2017 Annual Report and Accounts, the 2016 Annual Report and Accounts and the 2015 Annual Report and Accounts (see Part XIX: "Documents Incorporated by Reference" and Part XII: "Selected Financial Information"). Unless otherwise stated, the information in this Part XIII has been extracted without material adjustment from the 2017 Annual Report and Accounts, the 2016 Annual Report and Accounts and the 2015 Annual Report and Accounts. The historical financial information has been prepared in accordance with IFRS.

The following review contains forward-looking information that involves risks and uncertainties. Accordingly, the results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods, and Capita's actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including those set forth under Part II: "Risk Factors" of this document. Prospective investors should read the entire document and not just rely on the information set out below.

Overview

Capita is a leading provider of technology-enabled business process and customer management services in the United Kingdom. Capita seeks to solve the complex challenges of clients, increasing productivity, enhancing the use of technology and data, improving client and public services, and adding value to the UK and local economies. Services provided by Capita include business process management, customer services, HR, software, IT and professional services.

Capita operates primarily in the United Kingdom, with some international operations. Prior to the implementation of its new strategy, and the establishment of its new organisational structure described in Part VII of this document, Capita managed its business through five market-facing divisions supported by a central team, operating across the private and public sectors. These five divisions are set out below:

- **Private Sector Partnerships:** focused on customer management services, such as the delivery and management of customer enquiries through contact centres, web chat and social media channels, primarily in the retail, utilities and telecommunications sectors in the United Kingdom, Ireland, Germany and Switzerland. This division also provided employee benefits services and consultancy, administration of third party corporate pension schemes, and administration of life, pensions, insurance and savings policies for private and public sector clients. Management believes that Capita is the largest provider of customer management services in the United Kingdom, with a 16 per cent. share, as at 31 December 2017, of a market which is expected to grow at an annual growth rate of 4 per cent. through 2021, based on data compiled by Nelson Hall. Management also believes that it is the UK's leading provider of corporate pensions administration and the fourth largest benefits advisory practice and benefits administration in the United Kingdom, based on data compiled by Nelson Hall.
- **Public Services Partnerships:** provided UK public sector clients, such as central government and local authorities, with business process services, including the management of council tax collections and housing benefits payments, and carrying out benefit assessments on behalf of local authorities. In addition, this division provided planning advice, design services and project and cost management services to local authorities and real estate, property and infrastructure solutions for public sector clients operating in the commercial property sector. This division included Capita's largest contracts by revenue and its most complex central and local government contracts. Management believes that Capita is the largest provider of support services to local governments in the United Kingdom with an approximately 15 per cent. market share as at 31 December 2017, based on data compiled by Nelson Hall, and it is a strategic supplier to central government departments and agencies.
- **Professional Services:** offered corporate and specialist services, including human resource services, employee engagement and training, corporate travel services, and procurement services. In addition, this division included the management of government assets through commercial joint ventures, such as AXELOS and Fera.
- **Digital and Software Solutions:** provided sector-specific and task-specific software, digital solutions and services, including local government and education software, secure software and technologies, digital transformation and development, mobile and big data solutions, geospatial solutions, business management

software, travel management software, enterprise resource planning, workforce and resource management and business analytics to both public and private sector clients. Management believes that, as at 31 December 2017, Capita is one of the top five providers of enterprise software products in the United Kingdom, a market that is expected to grow at an annual growth rate of 7.9 per cent. through 2021, based on data compiled by Gartner.

- **IT Services:** provided network, IT infrastructure and IT equipment solutions and consulting services to organisations across the public and private sectors. Capita is one of the top 10 providers of IT services, as at 31 December 2017, and has a strong presence in local government, education, health and customer management services. The IT services market is expected to grow at an annual growth rate of 2 per cent. through 2020, based on data compiled by TechMarketView.

As described in Part VII of this document, Capita has announced a new organisational structure, effective 1 April 2018. Capita's results of operation for years ended 31 December 2017 and 2016 have been reported on the basis of the five divisions described above and therefore have been used as the basis for the discussion of Capita's financial performance in this Part XIII.

In addition, Capita has applied IFRS 15 retrospectively and has restated its financial results for the year ended 31 December 2016 for the purposes of comparability against its financial results for the year ended 31 December 2017. The financial results for the year ended 31 December 2015 have not been restated and are therefore not comparable to the financial results for the years ended 31 December 2017 and 2016 presented in this document.

Key factors affecting Capita's results of operation and financial position

Capita's results of operations and financial position have been affected, and are expected to be affected in the future by a variety of factors, including the following:

Revised strategy and transformation plan

On 31 January 2018, Capita announced a multi-year transformation plan. Its new strategy is focused on three elements: (i) simplify—to simplify and reorganise Capita's business portfolio to focus on growth markets where Capita has an established leading market presence; (ii) strengthen—to strengthen its businesses and capabilities by making selected investments as well as ensuring that it has the right leadership team and capital structure to support the delivery of the new strategy; and (iii) succeed—to execute its strategy, encompassing strategy implementation, cost competitiveness, capital structure, organisational alignment and re-igniting sales. Underpinning these workstreams are initiatives focused on a number of fundamental themes, including a drive for increased simplification, efficiency, focus, standardisation and consistency of practices and culture.

Part of Capita's new strategy involves improving Capita's cost competitiveness and operational efficiency, which includes reductions in general and administrative expenses, centralising more procurement to leverage its scale, standardising and investing in its processes and increasing the use of offshoring and automation. The Board is targeting annualised initial cost savings of £175 million by the end of 2020, including £70 million which is expected to be realised in the year ending 31 December 2018. The cost to achieve these efficiencies is expected to be £40 million for the year ending 31 December 2018 and £110 million for the years ending 31 December 2019 and 2020.

Capita's strategy will also involve other initiatives and investments designed to make Capita's business more predictable, lower risk and to provide sustainable free cashflow in the medium term. This includes targeting a financial leverage of between 1.0x and 2.0x adjusted net debt to adjusted EBITDA (before the adoption of IFRS 16) to ensure that it has the appropriate financial leverage in the medium term, the disposal of non-core business, which Capita expects will result in approximately £300 million in proceeds for the year ending 31 December 2018, and investing a total of up to £500 million on investments in infrastructure and support function improvement, technology and skills over the next three years. As a result of these actions, combined with natural attrition of contracts and loss of revenue from disposals, it is expected that in the short-term, Capita's revenues will decrease. However, Capita's key priorities will also focus on attractive, growing and profitable markets where Capita has an established leading market presence and offering, which it believes will improve revenues in the longer term.

Delivering against agreed pricing and service requirements

Capita's client contracts contain specific pricing terms and service requirements that it is required to meet and by which Capita's performance is measured on an ongoing basis. These terms are often fixed at the bidding

stage and remain in place for the duration of the contract unless there is a change in client requirements that requires a change in scope of contract terms and re-pricing. The terms of such contracts often include key performance indicators and stipulations that may lead to financial penalties or the ability of a client to terminate a contract early. As a result, a significant factor affecting Capita's performance is its ability to correctly assess, at the bid stage of a contract, the risks and costs inherent in its multi-year and/or fixed price contracts and fulfilling its obligations in a timely and satisfactory manner. For the year ended 31 December 2017, 70 per cent. of Capita's underlying revenue was derived from long-term contracts (defined as contracts of over two years). If the estimates and assumptions made by Capita in bidding for such contracts prove to be inaccurate, it may be required to incur additional costs and, as a result, significant financial losses. Capita may choose not to exit these contracts if the economic terms to do so are unfavourable or Capita's clients may choose to extend the contract unilaterally. In either case, Capita may be required to incur additional costs for a prolonged period. In addition, the outsourcing of services is often complex, both from an operational perspective, in terms of what services are to be provided and standards of service, as well as which risks are being passed on to service providers. As a result, clients may request services beyond the terms of the original bid. This would be subject to a review as to whether this is a change in scope of the contract terms or a clarification of the existing obligations and may give rise to contract disputes as a result of differing interpretations of contract terms.

Capita has in recent years experienced instances of such cost overruns and contract disputes. For example, in 2016 Capita encountered delays in the implementation of a new IT system under its contract with TfL for the administration of congestion charges. As a result of the delays, Capita incurred £25 million in costs, including penalties, which it recorded in costs of sales for the year ended 31 December 2016. However, Capita's relationship with TfL has remained strong overall and is expected to deliver improved performance in 2018. Capita's relationship with TfL has also contributed to new contract opportunities, such as an extension of the existing congestion charging zone contract to include ultra-low emission zones and a contract to transition existing TfL network services to a new network infrastructure that Capita will operate, monitor and maintain. In February 2017, Capita reached a resolution of its contractual differences with The Co-operative Bank, pursuant to which it agreed to continue providing mortgage administration services and new mortgage application processing for the bank and its clients, but ceased work on the IT system transformation. As a result, Capita incurred costs of £18.4 million, which it incurred in costs of sales for the year ended 31 December 2016, representing the write-off of accrued income relating to the restructuring. Capita has also experienced challenges in relation to the PCSE contract, although service delivery continues to improve. Capita has had to make investments in order to achieve these improvements. As Capita continues to invest in completing the transformation of services under the contract, it expects that the amount of costs that will be incurred in connection with performance of this contract will remain high through 2018.

As the contracts that have previously experienced cost overruns and delays, such as the PCSE contract, continue to improve, Capita expects revenue will continue to grow. In addition, as a source of revenue growth, Capita is frequently able to generate additional opportunities and revenue growth as a result of successful contract delivery. For example, its framework contract with the Department for Work and Pensions PIP ("DWP-PIP") was extended in 2017, and its relationship with DWP-PIP has also helped to support the award of a contract for PIP assessments on behalf of the Department for Communities in Northern Ireland. In addition, Capita's DCC Smart Metering Communication Licence contract, which encompassed the design and implementation of a smart metering infrastructure system for energy providers in the United Kingdom, has exceeded expected results and, as a result of gainshare arrangements whereby Capita and the client share the benefit of such overperformance, has resulted in additional revenue in 2017.

Macroeconomic conditions

Capita derives its revenue from services provided to both the private and public sectors, primarily in the United Kingdom and Europe. Underlying client demand for Capita's services is dependent upon a mix of macroeconomic factors, trade, monetary and fiscal policies and political sentiment in the United Kingdom and Europe, which has a corresponding impact on Capita's results of operations. The UK's exit from the European Union has created uncertainty regarding movement of capital and mobility of personnel, but it also potentially creates opportunities for Capita as the UK government may seek support from BPO providers for services that will be required to be provided by the UK government going forward. Increased volatility in the sterling exchange rate, in particular against the euro and Indian rupee, has had and could have an adverse effect on Capita's results of operation by decreasing the pound sterling value of consolidated European profits and increasing the cost of offshore service centres in India, although Capita aims to mitigate the effects of this volatility through the use of hedging, as described in "*Quantitative and qualitative disclosure about market risk—Foreign currency risk*" below.

During the periods under review, adverse changes in macroeconomic conditions, and uncertainty arising from such changes, has negatively impacted Capita's results of operations. Certain public and private sector clients have deferred decisions on contracts for major projects, have chosen to focus on smaller scale projects or have decided not to engage in new projects at all. In particular, the attention of some public sector clients has been diverted to other priorities, such as the impact of Brexit, although they, along with private sector clients, are still focused on cost reduction and improving the customer experience. While Capita's clients have always sought to balance quality and cost in their decision-making, a recent shift towards cost-centric models has increased pricing pressure on Capita's contracts, thereby impacting Capita's profitability.

However, there have also been a number of favourable market developments, which may positively impact demand for Capita's services. Clients' increased cost consciousness, particularly in the public sector, has also driven the need for operational efficiency and the use of technology-led solutions to transform businesses within budget constraints. Continued digitisation positively impacted growth in Capita's Digital and Software Solutions division, in Capita's customer management business (where there has been a shift away from traditional methods of customer interaction, such as call centres, while improving the customer experience) and in its employee benefits business (where applications are increasingly utilised to give individuals visibility and choice in how their benefits are structured). Capita's clients are increasingly seeking online solutions, such as websites, portals and mobile applications, to enable their customers to access information seamlessly and quickly, which can be difficult and costly to develop in-house. Capita's clients are also subject to an increasing number of regulations, which has resulted in rising compliance costs and the need to upgrade existing technologies, while retaining the flexibility to move between providers with the best data analysis and technology offering to provide the best customer experience possible, which have presented new business opportunities for Capita.

Order book

A key factor affecting Capita's results of operations is the realisation of opportunities for new bids and retender for existing contracts. Capita secures new business and revenues principally through (i) contract extensions, where the client extends the term of the contract as permitted under the existing terms and conditions; (ii) winning retenders, where, as contract expiry approaches, the client undertakes a tender or procurement process for a service where it is the incumbent; (iii) winning new bids in a tender or procurement process; and (iv) increasing the scope of existing contracts. A significant factor affecting Capita's performance is its "win rate", defined as the success rate of new bids, retenders and extensions. Win rates have historically been influenced by, among other things, Capita's reputation, client satisfaction with Capita's delivery on its existing contracts, Capita's expertise within a particular sector or service area and Capita's ability to competitively price bids. Win rates and, as a result, Capita's order book, can be affected by a number of external and internal factors, including macroeconomic conditions. A challenging economic environment may adversely impact prices and demand for Capita's services, particularly if budgets, spending and procurement are negatively affected. Capita's order book will be impacted by natural volume attrition, for example in the life and pensions sector, which is closed; contract attrition as contracts reach their expiry date or as a result of early termination; and changes in scope.

Capita calculates win rate as estimated nominal value of opportunities won divided by the estimated nominal value of opportunities for which a bid has been submitted and not withdrawn by either the potential customer or Capita over the reporting period. By contract value, Capita's win rate for the year ended 31 December 2017 was approximately one in two, compared to a win rate of approximately one in three for the year ended 31 December 2016 and approximately two in three for the year ended 31 December 2015. The changes in win rate are driven by a number of factors, including the value of the bids won, bid opportunities and its ability to replace these and how quickly a bid moves from origination to award.

Order book is comprised of short term contractual revenue (for contracts of a term of less than two years) and long term contractual revenue (for contracts of a term of longer than two years) and represents the revenue which Capita will recognise from clients when it satisfies the remaining performance obligations in its contracts. For long term contractual order book, Capita splits the expected timing of revenue recognition between (a) less than one year; (b) between one and five years; and (c) greater than five years. However, the total actual revenue that will be earned by Capita may vary as compared to the order book figure, and may include additional revenue from volume increases, new wins, scope changes and contract extensions. These elements have been excluded from the figure above as they are not contracted. Capita's order book also does not include revenue derived from transactional contracts. The size of the order book is dependent on Capita's ability to identify a consistent pipeline of new opportunities to maintain a win rate that delivers new contracted revenue at a rate that replenishes and grows its order book. As at 31 December 2017, Capita's order book had a

total aggregate value of £8.2 billion, of which £8.1 billion was long term contractual revenue (for contracts of a term of longer than two years). Of long term contractual order book as at 31 December 2017, 24.8 per cent. is expected to be recognised within one year; 58.7 per cent. is expected to be recognised between one and five years; and 16.5 per cent. is expected to be recognised in longer than five years.

The table below sets out order book for each of Capita's divisions as at 31 December 2017:

	As at 31 December 2017	
	Short term contractual	Long term contractual
	(£ millions)	
Private Sector Partnerships	—	4,002.0
Public Services Partnerships	94.7	2,670.2
Professional Services	22.1	328.2
Digital and Software Solutions	—	550.4
IT Services	20.0	494.3
Group trading and central functions ⁽¹⁾	2.7	6.4
Total	139.5	8,051.5

Note:

(1) Group trading and central functions comprises both internal and external facing transformation and procurement businesses as well as all the central overheads that support the divisional businesses, such as the Board, group finance and treasury activity and corporate marketing and communications.

UK public sector spending

For the years ended 31 December 2017 and 2016, 26 per cent. and 26 per cent. of Capita's revenue, respectively, was derived from the Public Services Partnerships division. These clients are affected by financial, budgetary, regulatory and political constraints and governmental policies that impact the size, scope, type, timing and duration of contracts for which Capita may tender, including a decline in funding for public services as a result of central and local government budget cuts. Recent negative publicity around the outsourcing of services and activities to the public sector, and the insolvency of certain high-profile service providers such as Carillion, has caused a degree of uncertainty through, among other things, increased focus on the financial health of BPO providers, in particular in relation to levels of indebtedness, cash reserves and liquidity. As a result, UK public sector clients have become more cautious in their decisions to enter into contracts for new services, particularly for larger projects, which has led to a reduction in new bid opportunities. As a result, fewer large scale contracts have been identified and it has become more difficult to replace existing contracts, resulting in a decline in revenue from public sector clients that Capita expects will continue for the near-term.

However, the need for public sector clients to be more cost efficient and improve interactions with customers is still a significant driver for public sector spending on outsourced activities. Outsourcing allows public sector clients to access technical expertise that may not be available or that may be too costly to maintain internally, which offers opportunities for Capita to provide a breadth of relevant experience in a cost-effective manner.

Restructuring

In 2016, Capita announced a restructuring of its organisational structure that was designed to simplify its business model, better align sales and operations and increase current management oversight of its operations. As a result, Capita reorganised its 11 divisions into six market-facing divisions (Asset Services, Private Sector Partnerships, Public Services Partnerships, Professional Services, Digital and Software Solutions and IT Services) with effect from 1 January 2017, although Asset Services was subsequently sold at the end of 2017. Capita incurred a charge of £9.7 million for the year ended 31 December 2017 as these changes continued to be implemented. Capita incurred a charge of £59.4 million for the year ended 31 December 2016, of which £10 million was used to implement early redundancy programmes, and a provision of £49.4 million for restructuring-related employee redundancies was carried over into 2017 and subsequently utilised to implement identified employee redundancies. In addition, the year ended 31 December 2017 was the first full year in which Capita reported under this structure and the year ended 31 December 2016 has been restated to reflect the new divisional organisation. As a result, Capita's financial information for the periods under review are not directly comparable.

Historical acquisitions and recent disposals

During the periods under review, Capita made certain acquisitions that enabled it to build capability in existing markets, enter new markets and enhance organic growth. For the years ended 31 December 2017, 2016 and 2015, Capita invested £20 million, £96.5 million and £424.9 million, respectively, in these acquisitions. Capita's largest acquisitions during the period were Trustmarque, a software reseller and provider of software asset management, IT and cloud services that was included within the IT Services division, for £57 million in June 2016 and avocis, a customer management business in Europe that was included within the Private Sector Partnerships division, for £157 million in March 2015.

Capita has also, from time to time, disposed of businesses that no longer fit its core business strategy. In particular, in November 2017, Capita completed the disposal of its asset services business, which delivered shareholder, fund, debt and banking solutions and trust and corporate services, for £888 million and its transactional specialist recruitment business, which encompassed Capita's education, health and social care resourcing businesses, in June 2017. Profit from these disposals in 2017 was £416.4 million, consisting of a £445.4 million gain on the disposal of the asset services business, and losses from other disposals, including the transactional specialist recruitment business, of £29.0 million. As part of Capita's new strategy, it intends to dispose of a number of non-core businesses, including ParkingEye and Constructionline. Capita expects to achieve proceeds of approximately £300 million from non-core disposals in 2018 and intends to review the diversity of funding on its balance sheet over the next two years.

Goodwill

Goodwill arising on acquisition is allocated, as at the acquisition date, to each of the CGUs which are expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the CGU to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. In recent years Capita has impaired goodwill for a number of reasons. For the year ended 31 December 2016, Capita recorded an impairment on goodwill of £66.6 million, arising from the review of its organisational structure and the simplification of its operating model to five divisions, and resulting in the reallocation of goodwill to these CGUs. For the year ended 31 December 2017, Capita recorded an impairment on goodwill of £551.6 million. Since mid-2017 Capita has continued to experience a higher level of revenue attrition than expected, and continued to experience delays in client decision-making and weakness in new sales. As announced on 31 January 2018, Capita has shifted its strategy, and set a plan which focuses on investing in people, sales capability and its transformation programme. The business plan for the divisions, produced between December 2017 and March 2018, indicates there is likely to be a significant negative impact upon profits from contract and volume attrition. In addition, this plan indicates a significant deterioration in new business opportunities from earlier positions. These events and circumstances have led to the recognition of the impairment charge.

Implementation of IFRS 15

Capita early adopted IFRS 15 effective 1 January 2017 and has restated its financial statements for the year ended 31 December 2016 to reflect this impact. Capita believes that this provides better transparency of how it delivers value to clients and how that value relates to the revenue recognised in its financial statements. IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with clients. The core principle of IFRS 15 is that entities should recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to a client. This is applied using a five-step model:

- identify the contract(s) with a client;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognise revenue when or as the entity satisfies its performance obligations.

As a result of these changes to revenue recognition, Capita's accounting policy has shifted from being based predominantly on percentage of completion revenue recognition to a methodology that is focused on aligning revenue recognition to the period within the life of the contract when solutions and value are delivered to its

clients. Under the previous methodology, higher levels of revenue would be recognised in the earlier stages of a contract in line with the profile of the costs incurred for that contract. Under IFRS 15, revenue is recognised in the period of specific outputs, as measured on a contract specific basis. As a result, revenue recognition is now spread over the expected life of the contract. In the case of large transformation contracts, such as the PCSE contract and Capita's contract with mobilcom-debitel, this generally will result in instances where the contract is loss-making during the initial term of the contract (while the early cost of delivery exceeds the revenue earned).

The result of Capita's early adoption of IFRS 15, and its application to its 2016 results, was a net increase in deferred/accrued income as at 1 January 2016 of £1,214.8 million and as at 31 December 2016 of £1,332.9 million, and a decrease in revenue for the year ended 31 December 2016 of £118.1 million. Deferred income represents cash received for services even though Capita has not yet satisfied the performance obligation under the contract. For example, while Capita may be paid at the time transformation services are performed, in its view the performance obligation is in relation to ongoing, post-transformation services, and it will realise cash over the lifetime of the contract as that service is provided. The balance of these amounts, included as deferred income on the face of Capita's balance sheet in both current and non-current liabilities, represents the value of Capita's obligations to provide services under its long term contracts. If those services are not provided, this could result in the recovery by the client of the cash advanced, except where specific milestone payments have been met that represent completion of the transformation services.

The implementation of IFRS 15 also resulted in the recognition of Contract Fulfilment Assets ("CFAs") on Capita's balance sheet from 1 January 2016. CFAs must relate directly to a contract, generate or enhance an existing resource to satisfy future performance conditions and be recoverable, for example through invoicing. A long-term CFA will encompass not only traditional fixed assets or intangible assets, such as IT servers or software, representing the development of a process or understanding utilised as part of the services provided to a client to enable it to move from transformation of processes to a target operating model (i.e., the cost efficient model for delivering a service). Short-term CFAs typically comprise the cost of installation of a software licence or delivering network connectivity. Upon implementation of IFRS 15, an asset of £318.0 million was added to the balance sheet and the asset was recognised at £282.2 million as at 31 December 2016. The movement represents new CFAs that have been invested in and the utilisation or impairment of existing CFAs.

Capita has applied IFRS 15 retrospectively and has restated its financial results for the year ended 31 December 2016 for the purposes of comparability against its financial results for the year ended 31 December 2017. The cumulative effect of the adoption of IFRS 15 resulted in a decrease in net assets of £942.3 million as at 1 January 2016. The financial results for the year ended 31 December 2015 have not been restated and are therefore not comparable to the financial results for the years ended 31 December 2017 and 2016 presented in this document.

Alternative performance measures

Capita tracks a number of key performance indicators in managing its business. These key performance indicators include alternative performance measures. Alternative performance measures should be viewed as supplemental to, but not as a substitute for, measures presented in the consolidated financial information relating to Capita, which are prepared in accordance with IFRS. Capita believes that these alternative performance measures are useful indicators of its performance. However, they may not be comparable to similarly-titled measures reported by other companies due to differences in the way they are calculated. See Part III of this document.

The table below sets out Capita's alternative performance measures for the years ended 31 December 2017, 2016 and 2015.

	Year ended 31 December			
	2017	2016 Restated ⁽¹⁾	2016 Reported	2015
	(audited, £ million, except as otherwise noted)			
Underlying revenue ⁽²⁾	4,167.9	4,357.3	4,897.9	4,674.3
Underlying operating profit ⁽³⁾	447.4	334.6	541.3	639.0
Underlying operating margin ⁽⁴⁾	10.7%	7.7%	11.1%	13.7%
Underlying free cash flow ⁽⁵⁾	38.0	397.3	472.4	347.4
Gearing ⁽⁶⁾	2.27x	2.89x	2.89x	2.45x
Net return on capital employed ⁽⁷⁾	19.2%	12.8%	12.7%	15.0%

Notes:

- (1) Restated, except for gearing, to reflect the adoption of IFRS 15 and reclassification of the restructuring provision.
- (2) Total revenue as reported excluding the impact of business exits and other specific items, as discussed further below.
- (3) Total operating profit as reported excluding the impact of business exits and other specific items, as discussed further below.
- (4) Underlying operating profit divided by underlying revenue.
- (5) Net cash from operating activities before non-underlying items less tax, interest and capital expenditure net of proceeds from sale.
- (6) Net debt (adjusted for some debt-like items) divided by underlying EBITDA (adjusted for all items Capita believe are significant restructuring, non-underlying or non-cash in accordance with the terms of the relevant debt).
- (7) Underlying operating profit after tax divided by average capital employed (adjusted for acquisition adjustments other than write-offs, the timing of cash deployed on in-year acquisitions and the defined benefit pension deficit, all net of tax).

Underlying revenue and underlying operating profit

The tables below set out a breakdown of underlying and non-underlying revenue, and underlying and non-underlying operating profit for the years ended 31 December 2017, 2016 and 2015.

	Year ended 31 December							
	2017				2016 Restated			
	Total	Non-underlying		Underlying	Total	Non-underlying		Underlying
		Business exit	Other specific	(audited, £ million)		Business exit	Other specific	
Continuing operations:								
Revenue	4,234.6	66.7	—	4,167.9	4,368.6	11.3	—	4,357.3
Cost of sales	(3,182.0)	(54.7)	(5.5)	(3,121.8)	(3,467.5)	(6.7)	(42.3)	(3,418.5)
Gross profit	1,052.6	12.0	(5.5)	1,046.1	901.1	4.6	(42.3)	938.8
Administrative expenses	(1,472.7)	(26.7)	(847.3)	(598.7)	(917.2)	(1.8)	(311.2)	(604.2)
Operating profit/(loss)	(420.1)	(14.7)	(852.8)	447.4	(16.1)	2.8	(353.5)	334.6
Net finance costs	(62.4)	(0.1)	2.1	(64.4)	(73.8)	—	(7.7)	(66.1)
Gain/(loss) on business disposal	(30.6)	(30.6)	—	—	0.1	0.1	—	—
Profit before tax	(513.1)	(45.4)	(850.7)	383.0	(89.8)	2.9	(361.2)	268.5
Income tax expense	(14.0)	—	54.0	(68.0)	1.2	0.5	47.1	(46.4)
Profit/(loss) for the year	(527.1)	(45.4)	(796.7)	315.0	(88.6)	3.4	(314.1)	222.1

	Year ended 31 December							
	2016 Reported				2015			
	Non-underlying			Underlying	Non-underlying			Underlying
	Business	Other	Total		Business	Other	Total	
	exit	specific			exit	specific		
	Total			(audited, £ million)				
Continuing operations:								
Revenue	4,909.2	11.3	—	4,897.9	4,836.9	162.6	—	4,674.3
Cost of sales	(3,641.9)	(6.7)	(7.5)	(3,627.7)	(3,491.5)	(123.8)	—	(3,367.7)
Gross profit	1,267.3	4.6	(7.5)	1,270.2	1,345.4	38.8	—	1,306.6
Administrative expenses	(1,119.0)	(1.8)	(388.3)	(728.9)	(1,138.8)	(176.9)	(294.3)	(667.6)
Operating profit	148.3	2.8	(395.8)	541.3	206.6	(138.1)	(294.3)	639.0
Net finance costs	(73.6)	—	(7.6)	(66.0)	(68.2)	—	(14.7)	(53.5)
Gain/(loss) on business disposal	0.1	0.1	—	—	(26.3)	(26.3)	—	—
Profit before tax	74.8	2.9	(403.4)	475.3	112.1	(164.4)	(309.0)	585.5
Income tax expense	(32.5)	0.5	54.9	(87.9)	(56.5)	2.4	49.4	(108.3)
Profit for the year	42.3	3.4	(348.5)	387.4	55.6	(162.0)	(259.6)	477.2

Capita distinguishes between underlying and non-underlying items to provide useful disclosure to aid the understanding of its financial performance. Capita's underlying financial performance excludes the impact of business exits and other specific items.

Business exits

Business exits include the profit or loss arising on the disposal of a business in the relevant period, as well as the results of any business that has been designated as "held for sale" during the relevant period. For the year ended 31 December 2017, business exits included the disposal of Capita's specialist recruitment business, along with a number of other small businesses. For the year ended 31 December 2016, business exits included the disposal of Capita's specialist insurance and health business and the disposal of other small businesses. For the year ended 31 December 2015, business exits included Capita's disposal of National Dental Plan Limited and other small health businesses.

Other specific items

Other specific items include intangible amortisation, asset impairments, acquisition contingent consideration movements, acquisition expenses, movements in the mark-to-market valuation of certain financial instruments, restructuring expenses, settlement provisions, and other specific items in the income statement which, in the Directors' judgement, need to be disclosed separately by virtue of their nature, size and incidence in order to provide a better understanding of the underlying performance of Capita's business. For the year ended 31 December 2017, the main component of other specific items included impairment of goodwill and amortisation of acquired intangibles. For the year ended 31 December 2016, other specific items included the impact of the dispute with The Co-operative Bank, amortisation of acquired intangibles and impairment of goodwill and acquired intangible assets. For the year ended 31 December 2015, the main components of other specific items included impairment of contract-related assets and amortisation of acquired intangibles.

For a more detailed description of non-underlying items arising from business exits and other specific items, see notes 4, 5 and 6 of Capita's consolidated financial statements for the year ended 31 December 2017 and notes 4 and 5 of Capita's consolidated financial statements for the years ended 31 December 2016 and 2015, which are incorporated by reference in this document as described in Part XIX of this document.

Underlying free cash flow

Underlying free cash flow is defined as net cash from operating activities less tax, interest, capital expenditure and those items identified as non-underlying (business exits or other specific items). The timing of recognition of items within free cash flow may not match with the timing of the same item's recognition on the income statement (if they are recognised on the income statement at all). In some cases, such as provisions, the recognition in the income statement may occur well in advance of when cash in relation to such item is paid.

Gearing

As at 31 December 2016, Capita's Net Debt Ratio was 2.89x, which was outside the range that the Board felt was appropriate for Capita's business. Following the application of the proceeds from the sale of the asset services business and other smaller businesses, the Net Debt Ratio decreased to 2.27x as at 31 December 2017.

Description of key income statement items

Revenue

Capita's revenue is derived from fees received from providing services to its clients. Revenue for the year ended 31 December 2017 and for the year ended 31 December 2016, on a restated basis, reflects the impact of IFRS 15 and is recognised when the performance obligations have been performed. Revenue for the year ended 31 December 2016, on a reported basis, and the year ended 31 December 2015 was primarily recognised on a percentage of completion methodology, as costs were incurred.

Cost of sales

Cost of sales consists of costs incurred in relation to the services provided to clients, including labour costs, property costs, IT costs directly linked with the provision of a service and the cost of acquiring products or services that are subsequently resold, as well as penalties, cost overruns and onerous contract provisions in relation to customer contracts.

Administrative expenses

Administrative expenses consist of costs related to the overall operation of Capita, including marketing costs, finance functions and HR costs, as well as impairments taken on contracts, assets and other items and provisions taken for restructuring and other material litigation.

Operating profit/(loss)

Operating profit/(loss) is calculated as revenue minus the cost of sales and administrative expenses.

Net finance costs

Net finance costs consist of interest expenses of Capita's debt obligations, interest costs on Capita's defined benefit pension scheme and mark-to-market movements on Capita's derivative arrangements, as well as make-whole costs in relation to the early settlement of debt liabilities.

Income tax expense

Income tax expense reflects corporation tax and deferred tax charges on Capita's profit for the year, as well as the tax impact of non-underlying items.

Results of consolidated operations

Results of consolidated operations for the year ended 31 December 2017 compared to the year ended 31 December 2016

Capita's results in 2017 were impacted by a variety of factors. Market conditions remained challenging as demand for services remained flat in many markets and declined in certain markets as clients remained cautious, and Capita continued to experience deferrals in client decisions regarding contracts. A number of new contract wins and increases in volumes and sales in existing contracts, particularly within the Private Sector Partnerships and IT Services divisions, helped to improve performance during the year, despite these challenging conditions. In addition, the performance of a number of Capita's contracts with clients such as NHS and The Co-operative Bank, which had previously experienced delays and cost overruns, improved during 2017. However, these improvements were offset by a number of specific items, which negatively impacted Capita's results, such as impairments recorded during 2017. Capita is in the process of implementing a new strategy, which will involve a number of actions designed to rebuild and reposition the business. This, together with other factors, including contract terminations and attrition resulted in Capita recording a significant impairment of goodwill, which Capita considers to be a non-underlying item. The disposal of Capita's specialist insurance business and a health business also impacted revenue in 2017.

Revenue

Total revenue was £4,234.6 million for the year ended 31 December 2017, a decrease of 3.1 per cent. from £4,368.6 million for the year ended 31 December 2016 (on a restated basis). This decrease was caused by a number of factors, including weaker performance in a number of Capita's divisions and markets, such as real estate, central government services, Managed IT Solutions and digital and software solutions, largely as a result of challenging market conditions impacting client demand for Capita's products and services. The decrease in

revenue was also impacted by the partial loss of the CSL contract which, following retender, was awarded to another provider, as well as the disposal of the specialist recruitment business in 2017, each of which contributed to revenue for the year ended 31 December 2016. However, the addition of Capita's new contract with mobilcom-debitel, improved performance in the DWP-PIP, smart metering and RPP Army Recruiting contracts and increased sales within Capita's Network Solutions business partially offset these decreases. The decrease in total revenue was also partially offset by the designation of Capita's specialist recruitment as a business held for sale in 2017.

Operating profit / (loss)

Total operating loss was £420.1 million for the year ended 31 December 2017, an increase from a total operating loss of £16.1 million for the year ended 31 December 2016. Although underlying operating profit increased, this was more than offset by certain items which Capita considers to be non-underlying. A new arrangement with The Co-operative Bank that included better profit margins, as well as other improvements in the performance of contracts within the Private Sector Partnerships and Public Services Partnerships divisions, and improved performance in a number of Capita's businesses, including IT services all contributed to the increase in underlying operating profit, which was partially offset by a decline in the performance of the Digital and Software Solutions division and increased costs across Capita's operations. However, Capita's operating loss was mainly attributable to a number of significant impairments taken during the year. The largest impairment, totalling £551.6 million, arises from the assessment of the impact Capita's new strategy, including the actions that will need to be taken to implement the strategy that may result in increased contract costs and decreased profits, and the expectation that Capita will continue to experience a higher level of revenue attrition than expected, and continue to experience delays in client decision making and weakness in new sales. This, along with certain other factors, resulted in the impairment of goodwill as at 31 December 2017. For further details, see note 16 to the consolidated financial statements for the year ended 31 December 2017. In total, impairments and amortisation in relation to intangible assets (including goodwill) was £725.1 million for the year ended 31 December 2017. Capita also recorded an impairment of £61.2 million in relation to a life and pensions platform that was developed to support a specific contract, but which Capita believed could provide services to multiple clients in the future. Capita's transformation programme has identified there is no longer a market for this platform and, accordingly, the carrying value of this and associated assets has been written off. In addition, Capita recorded a £63.5 million impairment in relation to other non-current assets associated with specific programmes resulting from changes in clients and strategy during 2017. For the year ended 31 December 2016, by comparison, Capita recorded a significantly lower £147.9 million impairment in relation to the amortisation related to acquired intangible assets and a £66.6 million impairment in relation to acquired goodwill. In addition, Capita recorded a £58.3 million impairment of contract-related assets arising from a review of its major contracts, following which Capita took the decision to impair a number of historical assets.

Net finance costs

Total net finance costs were £62.4 million in the year ended 31 December 2017, a decrease of 15.4 per cent. from £73.8 million for the year ended 31 December 2016. The decrease in net finance costs was primarily caused by a reduction in debt levels, following the disposal of the asset services business, a decrease in interest cost resulting from early repayment of fixed rate swaps in 2016, partially offset by an increase in the pension interest charge relating to the pension deficit. The decrease was also impacted by a portion of Capita's fixed-rate swaps reaching completion in 2016, which was offset by the mark-to-market impact of non-designated forward rate contracts used to hedge software purchased in the United States, both of which are considered to be non-underlying items by Capita.

Income tax expense

Total income tax charge was £14.0 million in the year ended 31 December 2017, an increase of £15.2 million from an income tax credit of £1.2 million for the year ended 31 December 2016. The increase in income tax expense was primarily caused by an increase in profit subject to income tax, as well as an increase in non-deductible expenses for income tax purposes (being mainly items included as business exits and certain other specific items), and an increase in the unrecognised deferred tax asset, which was offset by tax rate differences in the recognition of deferred tax. The increase was also impacted by a tax charge in 2016 not being repeated in 2017, which was offset by slightly lower tax deductible costs, both of which are considered to be non-underlying items by Capita.

Profit/(loss) for the year

Loss for the year ended 31 December 2017 was £527.1 million, an increase of £438.5 million from a loss for the year ended 31 December 2016 of £88.6 million as a result of the factors described above.

Results of operations by division

The table below sets out underlying revenue and underlying operating profit for each of Capita's divisions for the years ended 31 December 2017 and 2016:

	Revenue		Operating Profit	
	Year ended 31 December			
	2017	2016 Restated ⁽¹⁾ (audited, £ million)	2017	2016 Restated ⁽¹⁾
Total reported	4,234.6	4,368.6	(420.1)	(16.1)
Business exit	66.7	11.3	(14.7)	2.8
Other specific items	—	—	(852.8)	(353.5)
Total underlying	4,167.9	4,357.3	447.4	334.6
Consisting of:				
Private Sector Partnerships	1,588.3	1,544.4	137.5	71.4
Public Services partnerships	1,087.2	1,127.9	73.0	0.5
Professional Services	532.8	758.3	104.9	108.3
Digital and Software Solutions	410.9	420.3	113.9	134.4
IT Services	507.8	481.5	78.1	47.1
Group trading and central functions ⁽²⁾	40.9	24.9	(60.0)	(27.1)

Notes:

- (1) Restated to reflect the adoption of IFRS 15 and the classification of Capita Asset Services as a discontinued operation.
- (2) Group trading and central functions comprises both internal and external facing transformation and procurement businesses as well as all the central overheads that support the divisional businesses, such as the Board, group finance and treasury activity and corporate marketing and communications.

Private Sector Partnerships

Revenue was £1,588.3 million for the year ended 31 December 2017, an increase of 2.8 per cent. from £1,544.4 million for the year ended 31 December 2016. This increase was driven by growth in Capita Europe, including the benefit of a new contract with mobilcom-debitel and an increase in revenue from the BBC TV Licensing contract and The Co-Operative Bank contract. This was partially offset by weaker performance in the remediation business, which has historically delivered services for large scale financial claims management administration to UK retail banks, such as the mis-selling of payment protection insurance, in which the volume of claims has declined.

Operating profit was £137.5 million for the year ended 31 December 2017, an increase of 92.6 per cent. from £71.4 million for the year ended 31 December 2016. This increase was primarily the result of renegotiations of the Co-operative Bank contract and a £26 million movement from operating loss to operating profit on a major contract, which reflected the dropping out of one-off modification costs in 2016. This was partially offset by the commencement of work on the mobilcom-debitel contract, for which Capita's costs significantly exceeded revenues in 2017, as is typically the case during the transformational stage of the contract.

Public Services Partnerships

Revenue was £1,087.2 million for the year ended 31 December 2017, a decrease of 3.6 per cent. from £1,127.9 million for the year ended 31 December 2016. This decrease was primarily caused by decreased revenue from central government services and real estate as a result of decreased client demand, which was partially offset by the award of a contract for PIP assessments on behalf of the Department for Communities in Northern Ireland.

Operating profit was £73.0 million for the year ended 31 December 2017, an increase of 72.5 million from £0.5 million for the year ended 31 December 2016. This increase was primarily caused by improved performance in a number of key contracts, including PCSE, which experienced lower losses than in 2016, and TfL, which reached the inflection point of the contract (where revenue outweighs costs) in 2017. The division also recorded a £22 million benefit in the Defence Infrastructure Organisation contract resulting from the

recognition of deferred income that arose as Capita's existing services under the contract came to an end. Capita has modified its contract with the DIO in 2018 to provide specialist resources to support and guide operations and strategy, and the contract is expected to terminate in 2019.

Professional Services

Revenue was £532.8 million for the year ended 31 December 2017, a decrease of 29.7 per cent. from £758.3 million for the year ended 31 December 2016. This decrease was primarily caused by the loss of revenue resulting from the disposal of the specialist recruitment business in June 2017 (which was designated as "held for sale" for the first half of 2017) and the loss of part of the CSL contract. This loss was partially offset by improved performance within the RPP Army Recruiting contract and the Fera commercial partnership.

Operating profit was £104.9 million for the year ended 31 December 2017, a decrease of 3.1 per cent. from £108.3 million for the year ended 31 December 2016. This decrease was primarily caused by a decline in profit of £25.3 million from the asset commercialisation business, which involves investment in property assets for resale, which was offset by lower costs within the RPP Army Recruiting contract and growth in the Fera commercial partnership as a result of the implementation of technology improvements.

Digital and Software Solutions

Revenue was £410.9 million for the year ended 31 December 2017, a decrease of 2.2 per cent. from £420.3 million for the year ended 31 December 2016. This decrease was primarily caused by the termination of the licence for the provision of mortgage servicing software underpinning the contract with The Co-operative Bank to provide mortgage services, along with static or decreased demand for products in the education sector and from local authorities.

Operating profit was £113.9 million for the year ended 31 December 2017, a decrease of 15.3 per cent. from £134.4 million for the year ended 31 December 2016. This decrease was primarily caused by the termination of a portion of the contract with The Co-operative Bank discussed above, along with increased amortisation costs on newly introduced products and increased employee costs as a result of SIMS 8, a management information system for schools, becoming operational.

IT Services

Revenue was £507.8 million for the year ended 31 December 2017, an increase of 5.5 per cent. from £481.5 million for the year ended 31 December 2016. This increase was primarily caused by the recognition of a full year of revenue in 2017 following the acquisition of Trustmarque in 2016, as well as growth in the Network Solutions and Managed IT Solutions businesses.

Operating profit was £78.1 million in the year ended 31 December 2017, an increase of 65.8 per cent. from £47.1 million in the year ended 31 December 2016. This increase was primarily caused by cost savings as a result of the reorganisation of certain businesses and a settlement of £9.2 million for delays in circuit installations in relation to a number of contracts delivered by the Network Solutions business.

Results of consolidated operations for the year ended 31 December 2016 compared to the year ended 31 December 2015

Capita faced a challenging year in 2016, characterised by deferrals in client decisions regarding contracts, a decline in activity in Capita's transactional businesses, being those businesses that provide services to clients on a non-contracted basis, and challenges on a number of specific contracts. The business process management market was more subdued overall, resulting in a lower number of new contracts to bid for. In addition, Capita won a lower proportion of major bids than in previous years and its revenue in certain divisions declined as a result of the natural attrition of contracts due to expire. Capita also experienced contract disputes, delays and cost overruns on a number of contracts. In particular, Capita encountered delays implementing the new IT system for TfL, resulting in an increase in cost of sales as a result of penalties for missed milestones and the implementation of infrastructure; a change in the mix of services provided to O₂ under its contract, from transformation of processes to a target operating model, resulting in less revenue from the contract; Capita's decision to undertake a comprehensive review of its major contracts, resulting in the impairment of a number of historical accrued income balances; and the settlement of the contract dispute with The Co-operative Bank that resulted in non-underlying charges.

Revenue

Total revenue was £4,909.2 million for the year ended 31 December 2016, an increase of 1.5 per cent. from £4,836.9 million for the year ended 31 December 2015. The increase in revenue was primarily caused by a number of major contract wins during 2016, including the full benefit from Primary Care Support England and the continued expansion of the DWP-PIP assessment. This was offset by a loss of revenue as the transformation services provided to O₂ completed and mixed performance among Capita's divisions. The decrease in trading revenue from businesses being exited or disposed (being the specialist insurance, health and justice businesses in 2016 and the National Dental Plan and smaller health businesses in 2015), which Capita considers to be a non-underlying item, partially offset the increase in total revenue.

Operating profit / (loss)

Total operating profit was £148.3 million for the year ended 31 December 2016, a decrease of 28.2 per cent. from £206.6 million in the year ended 31 December 2015. The decrease in operating profit was primarily caused by a number of factors. Capita experienced lower profits on a number of contracts as a result of step-downs in pricing by transaction or activity for services provided, cost overruns and penalties. In some divisions, revenue increases were offset by increased costs, resulting in overall lower profitability. The comprehensive review of Capita's major contracts also resulted in a write-down of certain historical accrued income balances of £40 million, as Capita completed a revaluation of the assets associated with various contracts. The loss incurred on the disposal of the National Dental Plan, which was partially offset by profit arising out of the organisational restructuring that occurred in 2016, also contributed to the decrease in total operating profit.

Net finance costs

Total net finance costs were £73.6 million for the year ended 31 December 2016, an increase of 7.9 per cent. from £68.2 million for the year ended 31 December 2015. The increase in net finance costs was primarily caused by the issuance of additional loan notes in October 2016 and the replacement of existing swaps with new swaps with higher coupon rate. The decline in the value of certain foreign exchange forward contracts, which was offset by the mark-to-market impact of swaps with higher coupon rates, both of which are considered to be non-underlying items by Capita, partially offset the increase in total net finance costs.

Income tax expense

Total income tax expense was £32.5 million for the year ended 31 December 2016, a decrease of 42.5 per cent. from £56.5 million in the year ended 31 December 2015. The decrease in income tax expense was primarily caused by reduced profitability during the year, a tax credit arising from the resolution of certain items with the tax authorities and adjustments in relation to deferred tax. This was offset by an increase in items that Capita considers to be non-underlying, being tax on restructuring costs and impairment of contract-related assets that was partially offset by a tax charge in respect of prior year items.

Profit for the year

Profit for the year ended 31 December 2016 was £42.3 million, a decrease of 23.9 per cent. from £55.6 million for the year ended 31 December 2015 as a result of the factors described above.

Liquidity and capital resources

Capita generates cash from its operations which it uses to finance its debt obligations, pay corporate tax, service its dividend requirements, acquire new businesses to access new markets or grow market share and fund the capital expenditure requirements to fund new product developments, maintain infrastructure and cover contractual commitments. Historically, Capita has used debt financing arrangements to fund its acquisition activities. Capita has, in addition to other long-term debt financing arrangements, the Revolving Credit Facility to provide liquidity for working capital requirements. As at 31 December 2017, Capita had cash and cash equivalents of £478.4 million and an undrawn revolving credit facility of £600 million.

Capita also expects a free cash outflow in 2018, which will be impacted by a number of known restructuring costs presented within underlying results, non-underlying payments and working capital items. Capita expects to spend approximately £300 million in relation to known commitments, including £66 million cash costs on its settlement in relation to the Connaught settlement, £51 million in relation to the separation of Capita Asset Services (including a pension contribution), £40 million in relation to realising cost savings and efficiencies from the transformation programme, £26 million restructuring costs relating to Capita's previously announced

cost reduction plan, contingent considerations, professional fees in order to create and implement the transformation programme it is implementing as part of its strategy and other items. In addition, Capita expects a £130 million cash outflow from the elimination of cyclical working capital management, and a £130 million cash outflow on the continued reduction in deferred income, reflecting the ongoing low level of new business wins.

Working capital

The Company is of the opinion that, taking into account the net proceeds of the Rights Issue, the working capital available to Capita is sufficient for its present requirements, that is, for at least the next 12 months from the date of publication of this document.

Cash flows

The table below sets out Capita's cash flows for the years ended 31 December 2017, 2016 and 2015 (including discontinued activities):

	Year ended 31 December			
	2017	2016 Restated ⁽¹⁾ (audited, £ million)	2016 Reported	2015
Net cash inflow from operating activities	158.5	563.2	563.2	501.8
Net cash outflow from investing activities	730.5	(251.2)	(251.2)	(639.0)
Net cash inflow from financing activities	(979.5)	155.6	155.6	194.5
Net increase/decrease in cash	(90.5)	467.3	467.6	57.3
Cash and cash equivalents as at 31 December	478.4	565.8	565.8	85.3

Note:

(1) Restated to reflect the adoption of IFRS 15 and the classification of Capita Asset Services as a discontinued operation.

Net cash inflow from operating activities

Net cash inflow from operating activities was £158.5 million for the year ended 31 December 2017, a decrease of 71.9 per cent. from £563.2 million for the year ended 31 December 2016 (on a restated basis). This decrease was due to a number of factors, including a reduction in cash received from clients as a result of fewer contract wins and natural attrition in Capita's client base, increased investment in contracts in the transformation stage resulting in increased costs, an acceleration of payments to suppliers and additional payments made for employee taxes and in relation to the utilisation of the restructuring provision as headcount was reduced.

Net cash from operating activities was £563.2 million for the year ended 31 December 2016 (on a reported basis), an increase of 12.2 per cent. from £501.8 million for the year ended 31 December 2015. This increase was largely due to cash management of trade receivables trade and other payables, which was offset by payments made to an admitted body pension scheme upon the exit of the Gwent contract and cash paid in respect of the restructuring provision utilised in 2016.

As part of its liquidity management operations, Capita utilises non-recourse factoring facilities, whereby Capita's invoice receivables from clients are sold to participating banks for cash at a discount to their face value. The cash received from these sales are included as part of cash from operating activities. For the years ended 31 December 2017, 2016 and 2015, the cash received from these arrangements was £110.0 million, £133.6 million and £129.8 million, respectively.

Net cash outflow from investing activities

Net cash inflow from investing activities was £730.5 million for the year ended 31 December 2017, an increase of £981.7 million from a net cash outflow of £251.2 million for the year ended 31 December 2016 (on a restated basis). This increase was due to the receipt of proceeds for the sale of the asset services business of £888 million in 2017, a lower level of acquisitions during 2017 and a decrease in capital expenditure compared to 2016.

Net cash outflow from investing activities was £251.2 million in the year ended 31 December 2016 (on a reported basis), a decrease of 60.7 per cent. from £639.0 million for the year ended 31 December 2015. This decrease was primarily due to a significant decrease in acquisitions for the year ended 31 December 2016. For the year ended 31 December 2015, Capita completed a number of significant acquisitions in the customer management (avocis), mortgage servicing and IT service (Trustmarque) businesses. Payments made in relation

to the acquisition of subsidiary undertakings and businesses, including to repay debt, was £100.5 million for the year ended 31 December 2016, compared to £445.1 million for the year ended 31 December 2015.

Net cash inflow from financing activities

Net cash outflow from financing activities was £979.5 million for the year ended 31 December 2017, an increase of £1,135.1 million from a net cash inflow of £155.6 million for the year ended 31 December 2016 (on a restated basis). For the year ended 31 December 2017, Capita repaid £550.0 million of term debt, £124.1 million of existing bonds and settled £84.6 million of high-interest fixed rate swaps.

Net cash inflow from financing activities was £155.6 million for the year ended 31 December 2016 (on a reported basis), a decrease of 20.0 per cent. from £194.5 million for the year ended 31 December 2015. As at 31 December 2016, Capita had £350 million of term loans outstanding, including £200 million outstanding on a term loan facility expiring in July 2018. In 2016 Capita issued £170.8 million of new private placement loan notes, and repaid at maturity £141.0 million of loan notes. Capita also paid interim and full year dividends.

Underlying free cash flow

Underlying free cash flow was £38.0 million for the year ended 31 December 2017 compared to £397.3 million for the year ended 31 December 2016 (on a restated basis). This decrease was due to two changes in Capita's working capital position. Firstly, there was a cash outflow arising from the elimination of cyclical working capital management and, secondly, there was a reduction in deferred income in the second half of 2017, which reflects the relatively low level of new contracts signed in 2016 and 2017. Underlying free cash flow was £472.4 million for the year ended 31 December 2016 (on a reported basis) compared to £347.4 million for the year ended 31 December 2015. This increase was due to an improvement in working capital as a result of reductions in long term accrued income, including through the negotiation of improved terms for certain contracts, as well as a reduction in capital expenditure.

Indebtedness

	Year ended 31 December		
	2017	2016	2015
	(audited, £ million)		
Cash, cash equivalents and overdrafts	478.4	565.8	85.3
Other loan notes	(0.3)	(0.3)	—
Private Placement Notes ⁽¹⁾	(1,664.0)	(1,961.7)	(1,749.4)
Interest and currency swaps in relation to USD denominated loan notes . . .	176.8	357.9	213.9
Interest rate swaps in relation to GBP denominated loan notes	5.4	7.7	6.9
Term loan	(100.0)	(650.0)	(300.0)
Finance leases ⁽²⁾	(0.2)	(2.3)	(7.0)
Fixed rate interest rate swaps ⁽³⁾	—	(85.1)	67.0
Deferred consideration ⁽⁴⁾	(13.1)	(10.8)	(21.5)
Net debt	<u>(1,117.0)</u>	<u>(1,778.8)</u>	<u>(1,838.8)</u>

Notes:

(1) Net of the impact of currency and interest rate swaps.

(2) Represents equipment leases maturing in 2018.

(3) Represents fixed rate swaps which were used to convert floating rates to fixed rates in respect of a number of the Private Placement Notes.

(4) Represents cash due to be paid on the completion of previous acquisitions.

As at 31 December 2017, Capita's total net debt was £1,117.0 million. Capita had £417.5 million in outstanding US Private Placement Notes denominated in sterling, \$1,280.5 million in outstanding US Private Placement Notes denominated in US Dollars, €310 million in outstanding Euro Global Notes, an undrawn £600 million Revolving Credit Facility and a £650 million Debt Facility Agreement available for general corporate purposes, of which £550 million has been repaid and £100 million remains outstanding. Capita's principal indebtedness, along with relevant financial covenants and other provisions, is described in paragraph 17 of Part XVIII of this document.

Contractual obligations

The following table sets out Capita's outstanding loans and other obligations in respect of financial instruments as at 31 December 2017:

	Less than 1 year	Between 1 - 5 years	More than 5 years	Total
	(£ million)			
Private Placement Notes (fixed)	—	416.6	186.2	602.8
Private Placement Notes (floating)	224.1	661.2	175.9	1,061.2
Interest rate swap in relation to GBP denominated loan notes	—	(5.4)	—	(5.4)
Currency swaps in relation to USD denominated loan notes	(72.2)	(86.7)	(17.9)	(176.8)
Term loan	—	100	—	100
Total	151.9	1,085.7	344.2	1,581.8

The table below sets out Capita's contractual obligations and commitments as at 31 December 2017:

	Less than 1 year	Between 1 - 5 years	More than 5 years	Total
	(£ million)			
Finance lease arrangements	0.2	—	—	0.2
Operating lease arrangements	119.2	285.8	428.0	833.0
Total	119.4	285.8	428.0	833.2

The funds required to satisfy these obligations are expected to be derived from operating cash flows and from committed facilities (the Revolving Credit Facility).

Capital expenditure

Capita invests in capital expenditure in three ways: (a) discretionary spend on new product development; (b) maintenance expenditure on existing infrastructure to ensure continuity of service and (c) to cover contractual commitments. Capital expenditure is principally financed through cash flows from operations and bank borrowings.

The following table sets out Capita's capital expenditure for the years ended 31 December 2017 and 2016 (excluding discontinued activities) and for the year ended 31 December 2015 (including discontinued activities).

	Year ended 31 December			
	2017	2016 Restated ⁽¹⁾	2016 Reported	2015
	(unaudited, £ million)			
Discretionary	94	38	44	36
Maintenance	25	47	55	91
Contractual	18	55	55	71
Total	137	140	154	198

Notes:

(1) Restated to reflect the adoption of IFRS 15 and the classification of Capita Asset Services as a discontinued operation.

Capital expenditure for the year ended 31 December 2017 was £114 million, a decrease from capital expenditure for the year ended 31 December 2016 (on a restated basis) of £140 million. Discretionary capital expenditure was higher in 2017 due to investments in platforms to support the growth of Capita's business, whereas contractual capital expenditure was higher in 2016 as Capita focused on supporting contractual spend on larger bids. Capital expenditure for the year ended 31 December 2015 was £204 million, the majority of which was maintenance capital expenditure as Capita increased spending on its infrastructure. Capita plans to invest a total of up to £500 million in a number of areas, including technology and software, over the next three years. For further details see paragraph 2.5.3 of Part VII of this document.

Capita expects to have lower contract specific and maintenance expenditure for the year ending 31 December 2018, but intends, as part of its new strategy, to invest in other aspects of its operations, which may result in higher overall capital expenditure.

Off-balance sheet arrangements

As at 31 December 2017, Capita had no material off-balance sheet arrangements. Capita has non-recourse factoring facilities with Santander and Lloyds, as described above. The aggregate utilisation of these facilities as at 31 December 2017, 2016 and 2015 was £110.0 million, £133.6 million and £129.8 million, respectively.

Provisions

Capita recorded the following provisions for the year ended 31 December 2017.

	Restructuring provision	Business exit provision	Asset services settlement provision	Claim and litigation provision	Property provision	Other	Total
			(£ million)				
As at 1 January 2017	49.4	6.0	23.1	41.5	28.0	12.7	160.7
Provided/(released) in the year (net)	6.8	33.5	66.8	28.4	(3.7)	8.1	139.9
Utilisation	(45.5)	(2.8)	(18.5)	(5.6)	(1.5)	(10.7)	(84.6)
Reclassifications between categories	—	0.3	—	—	—	(0.3)	—
Disposal of subsidiaries	(0.1)	—	(2.3)	—	(0.1)	(0.7)	(3.2)
Transfer to held for sale	—	—	—	—	(0.2)	—	(0.2)
As at 31 December 2017 . . .	<u>10.6</u>	<u>37.0</u>	<u>69.1</u>	<u>64.3</u>	<u>22.5</u>	<u>9.1</u>	<u>212.6</u>

The restructuring provision relates to the cost of the restructuring activities undertaken by Capita beginning at the end of 2016. It includes the cost of employee redundancies where a constructive obligation has been created. In 2017, the affected employee headcount was largely reduced, which was reflected in the utilisation of the restructuring provision. It also reflects onerous property lease provisions arising out of the reduced requirement for space. During 2017, additional provisions have been made for costs as further related opportunities were identified.

The business exit provision relates to the expected cost of the exit of the various businesses through disposals or closures and the contractual cost of providing transitional service arrangements in respect of disposals completed in the year.

The asset services settlement provision relates to a number of legacy claims that were retained following the disposal of Capita Assets Services. These included provisions in relation to the CF Arch Cru Funds Group litigation and the Connaught Income Series 1 Fund litigation. CFM and Capita agreed a full and final settlement of the Connaught Income Series 1 Fund litigation, agreeing to make a payment of up to £66 million for the benefit of investors. During the first half of 2018, Capita paid funds to the FCA for the purpose of making the redress payments in due course. Capita also agreed a full and final settlement of the CF Arch Cru Funds Group litigation. The claims and litigation provisions relates to instances where Capita is also exposed to other claims and litigation. Capita 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 Capita's best estimate of the expenditure to be incurred. Capita 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. Capita has settled a number of liabilities for which it had provided in previous years, including in relation to real estate and the administration of a student loan book. In 2017, Capita made a provision of £30 million in relation to two claims arising out of its Private Sector Partnerships division and Public Services Partnerships divisions of £15 million each. Capita's exposure to claims is mitigated by having in place a number of large insurers providing cover for its activities, albeit insurance recoveries are only recognised as an asset at the point the recovery is virtually certain. Due to the nature of these claims, Capita cannot give an estimate of when this provision will settle. These provisions are considered non-underlying and are therefore not included in the underlying results of Capita.

Property provision relates to 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. The expectation is that this expenditure will be incurred over the remaining periods of the leases, which range from 1 to 24 years.

Other provisions relate to provisions in respect of other potential exposures arising due to the nature of some of the operations that Capita provides. These are likely to unwind over a period of one to three years.

Contingent liabilities

As at 31 December 2017, Capita had contingent liabilities of £88.4 million in the form of performance bonds and bank guarantees provided in the ordinary course of its business.

Quantitative and qualitative disclosure about market risk

Capita is exposed to a variety of market and financial risks, including interest rate risks, foreign currency risk, credit risk and liquidity risk.

Interest rate risk

Capita's exposure to the risk of changes in market interest rates arises primarily from its long-term debt. Capita's policy is to manage its interest cost using a mix of fixed and variable rate financial instruments to generate the desired interest rate profile and to manage its exposure to interest rate fluctuations.

Foreign currency risk

Capita has exposure to foreign currency risk where it has cash flows in overseas operations and foreign currency transactions in UK operations which are affected by foreign exchange movements. Capita is not generally exposed to significant foreign currency risk except in respect of its cash flows in overseas operations in Europe, India and South Africa, which generate exposure to movements in the euro, Swiss franc, Indian rupee and South African rand exchange rates against sterling. Capita seeks to mitigate the effect of this exposure by entering forward currency contracts (including non-deliverable forward contracts) to fix the sterling cost of highly probable forecast transactions denominated in Indian rupees and South African rand.

It is Capita's policy to negotiate the terms of the hedge derivatives to match the terms of the underlying cash flows in order to maximise hedge effectiveness. As at 31 December 2017, Capita had foreign exchange forwards against forecast monthly Indian rupee and South African rand costs in years up to and including 2022. These forecast costs have been determined on the basis of the underlying cash flows associated with the delivery of services under signed client contracts.

Credit risk

Capita trades only with recognised, creditworthy third parties. It is Capita's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, with the result that Capita's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of Capita, such as cash and cash equivalents, available-for-sale financial investments, investment loan and certain derivative instruments, Capita's exposure to credit risk arises from default of the counterparty. Capita manages its operations to avoid any excessive concentration of counterparty risk and takes all reasonable steps to seek assurance from the counterparties to ensure that they can fulfil their obligations.

Liquidity risk

Capita's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that it has available funds to meet its medium-term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. Capita holds cash and undrawn committed facilities and makes use of non-recourse trade receivable arrangements to enable it to manage its liquidity risk.

Capita's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding, including bonds, bank loans, term loans, loan notes, cash, overdrafts and finance leases over a broad spread of maturities to 2027.

Critical accounting policies

Critical accounting policies are those policies that require the application of management's most challenging, subjective or complex judgements, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Critical accounting policies involve judgements and uncertainties that are sufficiently sensitive to result in materially different results under different assumptions and conditions. A detailed description of certain of the main accounting policies used in preparing Capita's historical financial information is set forth in note 2 to Capita's consolidated audited financial statements included in the 2017 Annual Report and Accounts, which is incorporated by reference in this document as described in Part XIX of this document.

Future accounting pronouncements

The IASB have issued additional standards, amendments and interpretations with an effective date after the date of Capita's audited consolidated financial statements for the year ended 31 December 2017. In particular, IFRS 16 will be effective beginning 1 January 2019 with early adoption permitted for entities that apply IFRS 15. IFRS 16 sets out the principles for recognition, presentation and disclosure of leases. For further information, see note 2 to Capita's consolidated audited financial statements included in the 2017 Annual Report and Accounts, which is incorporated by reference in this document as described in part XIX of this document.

PART XIV
CAPITALISATION AND INDEBTEDNESS

The following tables set out Capita's capitalisation and indebtedness as at the dates indicated. The following tables do not reflect the impact of the Rights Issue.

(a) Capitalisation

The table below sets out the consolidated capitalisation of Capita as at 31 December 2017.

	As at 31 December 2017
	(£ million)
Current debt	
Guaranteed	224.1
Secured	—
Unguaranteed/unsecured	—
Total current debt	<u>224.1</u>
Non-current debt (excluding current portion of long-term debt)	
Guaranteed	1,439.9
Secured	—
Unguaranteed/unsecured	100.0
Total non-current debt	<u>1,539.9</u>
	As at 31 December 2017
	(£ million)
Shareholders' equity	
Share capital	13.8
Share premium	501.3
Employee benefit trust and treasury shares	(0.2)
Capital redemption reserve	1.8
Foreign currency translation reserve	(0.4)
Cash flow hedging reserve	1.9
Retained deficit	<u>(1,517.2)</u>
Deficit attributable to owners of the Company	(999.0)
Non-controlling interests	<u>69.2</u>
Total shareholders' equity	<u>(929.8)</u>

The table above excludes amounts owed under finance leases. There have been no material changes in Capita's capitalisation since 31 December 2017.

(b) Indebtedness

The following table sets out the consolidated net indebtedness of Capita as at 28 February 2018:

	As at 28 February 2018
	(£ million)
Cash at bank and in hand	476.7
Overdrafts	(391.6)
Liquidity	85.1
Interest and currency swaps in relation to USD denominated private placement loan notes	148.4
Interest rate swaps in relation to GBP denominated private placement loan notes	4.2
Current and non-current financial receivable	152.6
Private placement loan notes	(218.7)
Obligations under finance leases	(0.1)
Current financial debt	(218.8)
Net current financial indebtedness	(66.2)
Private placement loan notes	(1,403.5)
Other loan notes	(0.3)
Term loan	(100.0)
Deferred consideration	(2.0)
Interest and currency swaps in relation to USD denominated private placement loan notes	(11.1)
Non-current financial indebtedness	(1,516.9)
Net financial indebtedness	(1,498.0)

PART XV

UNAUDITED *PRO FORMA* FINANCIAL INFORMATION

SECTION A: UNAUDITED *PRO FORMA* FINANCIAL INFORMATION OF CAPITA

The unaudited *pro forma* statement of net assets and liabilities of Capita plc set out below has been prepared on the basis set out in the notes below to illustrate the impact of the Rights Issue on the net assets and liabilities of Capita plc as at 31 December 2017 as if it had taken place at that date.

The unaudited *pro forma* statement of net assets and liabilities has been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and does not, therefore, represent Capita plc's actual financial position or results.

The unaudited *pro forma* statement of net assets and liabilities of Capita plc in this Part XV has been prepared in accordance with Annex II to the Prospectus Directive and does not constitute financial statements within the meaning of section 434 of the Companies Act. Shareholders should read the whole of this document and not rely solely on the unaudited financial information in this Part XV. KPMG LLP's report on the unaudited *pro forma* financial information is set out in Section B of this Part XV.

The unaudited *pro forma* financial information has not been prepared, and shall not be construed as prepared, in accordance with Regulation S-X under the Securities Act. In addition, the unaudited *pro forma* financial information does not purport to represent what Capita plc's financial position and results of operations actually would have been if the Rights Issue had been completed on the date indicated, nor does it purport to represent the results of operations for any future period or the financial condition at any future date.

The unaudited *pro forma* financial information does not take into account trading of the Company subsequent to the period end balance sheet date of 31 December 2017.

Unaudited *pro forma* statement of net assets and liabilities as at 31 December 2017

	Adjustments			
	As at 31 December 2017 ⁽¹⁾ (audited)	Rights Issue ⁽²⁾ (£ million)	Debt Repayment ⁽³⁾ (unaudited) (£ million)	Total ⁽⁴⁾⁽⁵⁾
ASSETS				
Non-current assets				
Property, plant and equipment	219.3	—	—	219.3
Intangible assets	1,812.1	—	—	1,812.1
Contract fulfilment assets	252.5	—	—	252.5
Financial assets	132.3	—	—	132.3
Deferred taxation	159.3	—	—	159.3
Trade and other receivables	28.0	—	—	28.0
	2,603.5	—	—	2,603.5
Current assets				
Financial assets	88.7	—	—	88.7
Disposal group assets held for sale	5.9	—	—	5.9
Trade and other receivables	775.8	—	—	775.8
Cash	921.7	662.0	(150.0)	1,433.7
Income tax receivable	25.6	—	—	25.6
	1,817.7	662.0	(150.0)	2,329.7
Total assets	4,421.2	662.0	(150.0)	4,933.2
LIABILITIES				
Current liabilities				
Trade and other payables	755.2	—	—	755.2
Deferred income	1,201.2	—	—	1,201.2
Overdrafts	443.3	—	—	443.3
Financial liabilities	265.5	—	—	265.5
Disposal group liabilities held for sale	1.4	—	—	1.4
Provisions	164.1	—	—	164.1
	2,830.8	—	—	2,830.8
Non-current liabilities				
Trade and other payables	17.0	—	—	17.0
Deferred income	314.0	—	—	314.0
Financial liabilities	1,721.7	—	(150.0)	1,571.7
Deferred taxation	12.2	—	—	12.2
Provisions	48.5	—	—	48.5
Employee benefits	406.8	—	—	406.8
	2,520.2	—	(150.0)	2,370.2
Total liabilities	5,351.0	—	(150.0)	5,201.0
NET ASSETS/(LIABILITIES)	(929.8)	662.0	—	(267.8)

Notes:

- (1) The information in this column has been extracted without adjustment from Capita's audited consolidated financial statements for the year ended 31 December 2017, which have been incorporated by reference as described in Part XIX of this document.
- (2) Reflects the net proceeds of the Rights Issue of approximately £662.0 million (being gross proceeds of approximately £701.0 million less estimated fees and expenses relating to the Rights Issue of approximately £39.0 million, including VAT).
- (3) Reflects the prepayment of the US Private Placement Notes upon successful completion of the Rights Issue.
- (4) Had the Rights Issue taken place as at the last balance sheet date, being 31 December 2017, Capita's *pro forma* adjusted net debt would have been £557.4 million. This represents £1,219.4 million of adjusted net debt as at 31 December 2017 plus the impact of the £662.0 million net proceeds of the Rights Issue detailed in note (2) above.
- (5) The *pro forma* net assets and liabilities statement has been prepared in a manner consistent with the accounting policies of Capita as at 31 December 2017.

SECTION B: ACCOUNTANT'S REPORT ON THE UNAUDITED *PRO FORMA* FINANCIAL INFORMATION



KPMG LLP

15 Canada Square
London E14 5GL
United Kingdom

The Directors
Capita plc
71 Victoria Street
Westminster
London
SW1H 0XA

23 April 2018

Ladies and Gentlemen

Capita plc

We report on the pro forma financial information (the 'Pro forma financial information') set out in Section A of Part XV of the prospectus dated 23 April 2018, which has been prepared on the basis described in note 5, for illustrative purposes only, to provide information about how the rights issue might have affected the financial information presented on the basis of the accounting policies adopted by Capita plc in preparing the financial statements for the period ended 31 December 2017. This report is required by paragraph 7 of Annex II of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

It is the responsibility of the directors of Capita plc to prepare the Pro forma financial information in accordance with Annex II of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of Capita plc.



KPMG LLP

Capita plc

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Capita plc.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of Capita plc.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

PART XVI
PROFIT FORECAST FOR CAPITA

SECTION A: PROFIT FORECAST FOR CAPITA FOR THE YEAR ENDING 31 DECEMBER 2018

1 General

The Directors have today re-issued guidance, that, before the estimated impact of any disposals, their current expectations for the year ending 31 December 2018 are that Underlying Pre-Tax Profits, before significant new contracts, restructuring costs and implementation costs of the new strategy, are expected to be between £270 million and £300 million (the “Profit Forecast”).

“Underlying Pre-Tax Profits” is defined as profit before tax as calculated under IFRS, adjusted to exclude: (i) amortisation and impairment of intangibles arising on acquisition; (ii) acquisition contingent consideration movement; (iii) the financial impact of business exits or businesses in the process of being exited; (iv) acquisition expenses; (v) movements in the mark-to-market valuation of certain financial instruments; and (vi) certain other specific non-recurring items in the income statement. The Profit Forecast is expressed in terms of Underlying Pre-Tax Profits rather than profit before tax, as the Directors believe this metric is helpful to investors in understanding the business.

2 Basis of preparation

The Profit Forecast has been properly compiled on the basis of the assumptions stated below and on a basis consistent with the accounting policies of Capita, which are in accordance with IFRS and are those which Capita anticipates will be applicable for the year ending 31 December 2018, subject to the early adoption of the standards where the Directors believe it is appropriate.

The Directors have prepared the Profit Forecast on the basis of (i) the audited financial statements contained in the 2017 Annual Report and Accounts; (ii) the unaudited management accounts for the two months ended 28 February 2018; (iii) a forecast for the ten months ended 31 December 2018; (iv) no disposals taking place during the year ending 31 December 2018; and (v) completion of the Rights Issue.

While the Profit Forecast has been prepared on the assumption that no disposals take place during the year ending 31 December 2018, Capita intends to dispose of a number of businesses that are not core to its future strategy. If any of these proposed disposals were to complete during the year ending 31 December 2018, this would result in an impact on Capita’s profits (as compared with the Profit Forecast) for the year ending 31 December 2018 and, depending on the business being disposed of and the timing of the disposal, such reduction or increase may be material.

3 Assumptions

3.1 Factors outside the influence or control of the Directors

During the year ending 31 December 2018:

- there will be:
 - no change to current prevailing global (in particular, the regions in which Capita operates) macroeconomic and political conditions;
 - no change in market conditions within the global outsourcing industry in relation to either client demand or competitive environment;
 - no change in the exchange rates compared with the average foreign exchange rates assumed in the Profit Forecast;
 - no change in inflation, interest or tax rates in Capita’s principal markets compared with Capita’s budgeted estimates;
 - change in Capita’s labour costs, including medical and pension and other post-retirement benefits, driven by external parties or regulations;
 - no adverse event that will have an impact on Capita’s financial performance; and
 - no change in legislation or regulatory requirements that impacts Capita’s operations or the accounting principles and standards to which it is subject,

which is material in the context of the Profit Forecast;

- the announcement of the Rights Issue will not result in any change in Capita's obligations to clients or its ability to negotiate new business, resolve contract disputes or retain key management which is material in the context of the Profit Forecast;
- no other issue which is material in the context of the Profit Forecast, beyond those issues that are already known to the Directors at the current time, will arise in respect of Capita's contracts; and
- no change in control of Capita.

3.2 Factors within the influence or control of the Directors

During the year ending 31 December 2018:

- Capita's current and new contract negotiations, bids and tenders will conclude substantially as the Directors would reasonably expect based on Capita's past experience;
- there will be no deterioration in Capita's relationship with any key clients which is material in the context of the Profit Forecast;
- Capita will not carry out any acquisitions or disposals, which are material in the context of the Profit Forecast (taking into account any potential related transaction or abortive costs); and
- there will be no change in the current key management (including managers of key business units) of Capita.

SECTION B: ACCOUNTANT'S REPORT ON THE PROFIT FORECAST FOR CAPITA



KPMG LLP

15 Canada Square
London E14 5GL
United Kingdom

The Directors
Capita plc
71 Victoria Street
Westminster
London
SW1H 0XA

23 April 2018

Ladies and Gentlemen

Capita plc

We report on the profit forecast before the estimated impact of any disposals, comprising “Underlying Pre-Tax Profits before significant new contracts, restructuring costs and implementation costs of the strategy plan” of Capita plc (the ‘Company’) and its subsidiaries (the ‘Group’) for the year ending 31 December 2018 (the ‘Profit Forecast’). The Profit Forecast, and the material assumptions upon which it is based, are set out in section A of Part XVI of the prospectus issued by the Company dated 23 April 2018 (the ‘Document’). This report is required by paragraph 13.2 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Profit Forecast in accordance with the requirements of the Prospectus Directive Regulation.

It is our responsibility to form an opinion as required by the Prospectus Directive Regulation as to the proper compilation of the Profit Forecast and to report that opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of preparation of the Profit Forecast

The Profit Forecast has been prepared on the basis stated in section A of Part XVI of the Document and is based on the (i) the audited financial statements contained in the 2017 Annual Report and Accounts; (ii) the unaudited management accounts for the two months ended 28 February 2018; (iii) a forecast for the ten months ended 31 December 2018; (iv) no disposals taking place during the year ending 31 December 2018; and (v) completion of the Rights Issue. The Profit Forecast is required to be presented on a basis consistent with the accounting policies of the Group.

The directors of the Company have drawn attention to the fact that while the Profit Forecast has been prepared on the assumption that no disposals take place during the year ending 31 December 2018, Capita plc intends to dispose of a number of businesses that are not core to its future strategy, and that if any of these proposed disposals were to complete during the year ending 31 December 2018, this would result in an impact on Capita plc’s profits (as compared with the Profit Forecast) for the year ending 31 December 2018 and, depending on the business being disposed of and the timing of the disposal, such reduction or increase may be material.



KPMG LLP
Capita plc

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included evaluating the basis on which the historical financial information included in the Profit Forecast has been prepared and considering whether the Profit Forecast has been accurately computed based upon the disclosed assumptions and the accounting policies of the Group. Whilst the assumptions upon which the Profit Forecast are based are solely the responsibility of the directors of the Company, we considered whether anything came to our attention to indicate that any of the assumptions adopted by the directors of the Company which, in our opinion, are necessary for a proper understanding of the Profit Forecast have not been disclosed and whether any material assumption made by the directors of the Company appears to us to be unrealistic.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Profit Forecast has been properly compiled on the basis stated.

Since the Profit Forecast and the assumptions on which it is based relate to the future and may therefore be affected by unforeseen events, we can express no opinion as to whether the actual results reported will correspond to those shown in the Profit Forecast and differences may be material.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion the Profit Forecast has been properly compiled on the basis stated and the basis of accounting used is consistent with the accounting policies of the Group.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

PART XVII TAXATION

1 UK Taxation

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of New Shares, Nil Paid Rights or Fully Paid Rights. Prospective acquirers of New Shares, Nil Paid Rights or Fully Paid Rights are advised to consult their own professional advisers concerning the tax consequences of the acquisition, ownership and disposition of such shares or rights. The following statements are based on current UK tax legislation as applied in England and Wales and the current published practice of HM Revenue & Customs (which may not be binding on HM Revenue & Customs) as at the date of this document, both of which are subject to change at any time, possibly with retroactive effect. Save in respect of paragraph 1.3 below, they apply only to Shareholders who are resident, and in the case of individuals domiciled, for tax purposes in (and only in) the United Kingdom and to whom “split year” treatment does not apply (except insofar as express reference is made to the treatment of non-UK residents), who hold their Shares as an investment (other than in an individual savings account or a self-invested personal pension), and who are the absolute beneficial owners of both their Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring or deemed to acquire their New Shares, Nil Paid Rights or Fully Paid Rights in connection with employment, dealers in securities, insurance companies and collective investment schemes) is not considered.

Prospective acquirers of New Shares, Nil Paid Rights or Fully Paid Rights who are in any doubt about their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom are strongly recommended to consult their own professional advisers.

1.1 Taxation of Chargeable Gains

1.1.1 UK tax resident Shareholders

(a) New Shares acquired pursuant to the Rights Issue

For the purposes of UK taxation of chargeable gains (“CGT”), the issue of New Shares to existing Shareholders who take up their rights should be regarded as a reorganisation of the share capital of the Company. Accordingly, to the extent that an existing Shareholder takes up all or part of his or her entitlement under the Rights Issue, he or she should not be treated as making a disposal of all or part of his or her holding of Existing Shares and no liability to CGT should arise if he or she takes up his or her entitlement to New Shares in full. Instead, the New Shares acquired and the Existing Shares in respect of which they are issued should, for CGT purposes, be treated as the same asset and as having been acquired at the same time as the Existing Shares. The amount paid for the New Shares will be added to the base cost of the Existing Shares when computing any gain or loss on any subsequent disposal. In the case of corporate shareholders, for the purposes of calculating the indexation allowance, which would apply to reduce the amount of any chargeable gain, but not create or increase any loss, on a subsequent disposal of Shares, the amount paid will generally be taken into account only from the time that the payment was made. With effect from 1 January 2018, indexation allowance is no longer available, such that for disposals of assets made on or after 1 January 2018, indexation allowance will be calculated using the relevant index or factor for December 2017. In the case of non-corporate Shareholders, indexation allowance is not available.

(b) Disposals

If a Shareholder sells or otherwise disposes or is deemed to dispose of all or some of the New Shares allotted to him or her, or of his or her rights to subscribe for New Shares, or if he or she allows or is deemed to have allowed his or her rights to lapse and receives a cash payment in respect of them, he or she may, depending on his or her circumstances and subject to any available exemption or relief, incur a liability to CGT.

If a Shareholder disposes of all or part of his or her rights to subscribe for New Shares, or allows or is deemed to allow them to lapse and receives a cash payment, then, if the proceeds are “small” as compared to the value of the Existing Shares in respect of which the rights arose, the Shareholder should not generally be treated as making a disposal for CGT purposes. Instead, the proceeds will be deducted from the base cost of his or her holding of Existing Shares for the purpose of computing any chargeable gain or allowable loss on a subsequent disposal. HM Revenue & Customs currently regards a receipt as “small” if

its amount or value does not exceed the greater of (a) 5 per cent. of the value of the Existing Shares or (b) £3,000. This treatment will not apply if such proceeds are greater than the base cost of the holding of Existing Shares for CGT purposes.

1.1.2 Non-UK tax resident Shareholders

A Shareholder who is not resident for tax purposes in the United Kingdom will not generally be subject to CGT on the disposal or deemed disposal of New Shares unless the Shareholder is carrying on a trade, profession or vocation in the United Kingdom through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the New Shares are used, held or acquired. Non-UK tax resident Shareholders may be subject to non-UK taxation on any gain under local law.

An individual Shareholder who has ceased to be resident for tax purposes in the United Kingdom or is treated as resident outside the United Kingdom for the purposes of a double tax treaty for a period of five years or less and who disposes of all or part of his or her New Shares during that period may be liable to CGT, subject to any available exemptions or reliefs.

1.2 Taxation of Dividends

The Company is not required to withhold tax at source when paying a dividend in respect of New or Existing Shares. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder.

1.2.1 UK resident individual Shareholders

With effect from the tax year beginning 6 April 2018, a UK resident individual shareholder will not be subject to income tax on a dividend such individual shareholder receives from the Company if the total amount of dividend income received by the individual in the tax year (including the dividend from the Company) does not exceed a dividend allowance of £2,000, which will be taxed at a nil rate (the “Dividend Allowance”).

In determining the income tax rate or rates applicable to a UK resident individual shareholder’s taxable income, dividend income is treated as the highest part of such individual shareholder’s income. Dividend income that falls within the Dividend Allowance will count towards the basic or higher rate limits (as applicable) which may affect the rate of tax due on any dividend income in excess of the Dividend Allowance.

To the extent that a UK resident individual shareholder’s dividend income for the tax year exceeds the Dividend Allowance and, when treated as the top slice of such individual shareholder’s income, falls above such individual shareholder’s personal allowance but below the basic rate limit, such an individual shareholder will be subject to tax on that dividend income at the dividend basic rate of 7.5 per cent. To the extent that such dividend income falls above the basic rate limit but below the higher rate limit, such an individual shareholder will be subject to tax on that dividend income at the dividend upper rate of 32.5 per cent. To the extent that such dividend income falls above the higher rate limit, such an individual shareholder will be subject to tax on that dividend income at the dividend additional rate of 38.1 per cent.

1.2.2 UK resident corporate Shareholders

A Shareholder within the charge to UK corporation tax which is a “small company” for the purposes of the UK taxation of dividends legislation will not generally be subject to UK corporation tax on dividends from the Company, provided certain conditions are met, including consideration of anti-avoidance legislation. In general, where the following conditions are met, receipts of dividends by a “small company” should not be subject to corporation tax: (a) at the time of the receipt, the payer is resident in (and only in) the UK or a qualifying territory; (b) no deduction for the payment of the dividend is allowed to a resident of a territory outside the UK under the law of that territory; (c) the dividend is not in respect of any non-commercial or special securities, and (d) the dividend is not made as part of a tax advantage scheme (such terms, in each case having the meaning given to them for the purposes of the UK taxation on dividends legislation).

A Shareholder who is within the charge to UK corporation tax and who is not a “small company” for the purposes of the UK taxation of dividends legislation will be subject to corporation tax on dividends paid by the Company, unless the dividends fall within an exempt class and certain other conditions are met. In general, where the following other conditions are met (and the dividends fall within an exempt class),

receipts of dividends by a company which is not a “small company” should not be subject to corporation tax: (a) no deduction for the payment of the dividend is allowed to a resident of a territory outside the UK under the law of that territory; and (b) the dividend is not in respect of any non-commercial or special securities (such terms, in each case, having the meaning given to them for the purposes of the UK taxation on dividends legislation). As an example, (i) dividends paid on shares that are not redeemable and do not carry any present or future preferential rights to dividends or to the Company’s assets on its winding up, and (ii) dividends paid to a person holding less than a 10 per cent. interest in the Company, should, in each case, generally fall within an exempt class. However, it should be noted that the exemptions are not comprehensive, their applicability will depend on a Shareholder’s own circumstances and they are also subject to anti-avoidance rules. Shareholders within the charge to corporation tax should consult their own professional advisers.

1.2.3 Non-UK resident Shareholders

A shareholder resident or otherwise subject to tax outside the United Kingdom (whether an individual or a body corporate) may be subject to foreign taxation on dividend income under local law. Shareholders to whom this may apply should obtain their own tax advice concerning tax liabilities on dividends received from the Company.

1.3 UK Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

1.3.1 The Rights Issue

No stamp duty or SDRT will arise on the issue of New Shares pursuant to the Rights Issue, other than as explained in the paragraphs below.

No stamp duty or SDRT will generally arise on the issue of Provisional Allotment Letters or the crediting of Nil Paid Rights to accounts in CREST. Where New Shares represented by such documents or rights are registered in the name of the Shareholder entitled to such shares, or New Shares are credited in uncertificated form to CREST accounts, no liability to stamp duty or SDRT will generally arise.

A purchaser of rights to New Shares represented by Provisional Allotment Letters (whether nil or fully paid) or of Nil Paid Rights or Fully Paid Rights held in CREST on or before the latest time for registration or renunciation will not generally be liable to pay stamp duty, but the purchaser will normally be liable to pay SDRT at the rate of 0.5 per cent. of the value or amount of the consideration given.

Where such a purchase is effected through a stockbroker or other financial intermediary, that person will normally account for the SDRT and should indicate that this has been done in any contract note issued to the purchaser. In other cases, the purchaser of the rights to the New Shares represented by the Provisional Allotment Letter or Nil Paid Rights or Fully Paid Rights held in CREST is liable to pay the SDRT and must account for it to HM Revenue & Customs. In the case of transfers within CREST, any SDRT due should be collected through CREST in accordance with the CREST rules.

No stamp duty or SDRT will be payable on the registration of Provisional Allotment Letters or Nil Paid Rights or Fully Paid Rights, whether by the original holders or their renouncees.

1.3.2 Subsequent transfers

Stamp duty at the rate of 0.5 per cent. (rounded up to the next multiple of £5) of the amount or value of the consideration given is generally payable on an instrument transferring Shares. A charge to SDRT will also normally arise on an unconditional agreement to transfer Shares (at the rate of 0.5 per cent. of the amount or value of the consideration payable). However, if, within six years of the date of the agreement becoming unconditional, an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any SDRT already paid will be refunded (generally, but not necessarily, with interest), provided that a claim for repayment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee. An exemption from stamp duty is available on an instrument transferring Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

(a) Shares held through CREST

Paperless transfers of Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within the system. Under the CREST system, no stamp duty or SDRT will arise on a transfer of Shares into the system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent.) will arise.

(b) Shares held through Clearance Systems or Depositary Receipt Arrangements

Special rules apply where Shares are issued or transferred to, or to a nominee or agent for, either a person whose business is or includes issuing depositary receipts within section 67 or section 93 of the Finance Act 1986 or a person providing a clearance service within section 70 or section 96 of the Finance Act 1986, under which SDRT or stamp duty may be charged at a rate of 1.5 per cent. Following the ECJ decision in *C-569/07 HSBC Holdings Plc, Vidacos Nominees Limited v The Commissioners of Her Majesty's Revenue & Customs* and the First-tier Tax Tribunal decision in *HSBC Holdings Plc and The Bank of New York Mellon Corporation v The Commissioners of Her Majesty's Revenue & Customs*, HM Revenue & Customs has confirmed that it will no longer seek to apply 1.5 per cent. SDRT on an issue of shares into a clearance service or depositary receipt arrangement on the basis that the charge is not compatible with EU law. It is not clear whether HM Revenue & Customs will continue to apply this treatment once the UK leaves the European Union. Professional advice should be sought in relation to a transaction to which a 1.5 per cent. stamp duty or stamp duty reserve tax charge may apply.

The statements in this paragraph 1.3 apply to any holders of Shares irrespective of their residence, summarise the current position according to HM Revenue & Customs' published practice (which may not be binding on HM Revenue & Customs) and are intended as a general guide only. Special rules apply to agreements made by, amongst others, intermediaries, and such rules are not covered by this summary.

2 United States Taxation

2.1 Certain US Federal Income Tax Considerations

The following is a summary of certain US federal income tax consequences of the receipt, exercise and disposition of rights to purchase New Shares pursuant to the Rights Issue ("Rights"), as well as the acquisition, ownership and disposition of New Shares by a US Holder (as defined below). This summary deals only with US Holders that will receive Rights in the Rights Issue and that will hold the Rights and New Shares as capital assets. The discussion does not cover all aspects of US federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the receipt, exercise or disposition of Rights pursuant to the Rights Issue or the acquisition, ownership or disposition of New Shares by particular investors (including consequences under the alternative minimum tax or Medicare tax on net investment income), and does not address state, local, non-US or other tax laws. This summary also does not address tax considerations applicable to investors that own (directly, indirectly or by attribution) 5 per cent. or more of the stock (by vote or value) of the Company, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the US federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Rights or New Shares as part of straddles, hedging transactions or conversion transactions for US federal income tax purposes, persons that have ceased to be US citizens or lawful permanent residents the United States, investors holding the Rights or New Shares in connection with a trade or business conducted outside of the United States, US citizens or lawful permanent residents living abroad or investors whose functional currency is not the US dollar).

As used herein, the term "US Holder" means a beneficial owner of the Rights or New Shares that is, for US federal income tax purposes, (a) an individual citizen or resident of the United States, (b) a corporation created or organised under the laws of the United States or any State thereof, (c) an estate the income of which is subject to US federal income tax without regard to its source or (d) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for US federal income tax purposes.

The US federal income tax treatment of a partner in an entity or arrangement treated as a partnership for US federal income tax purposes that holds the Rights or New Shares will depend on the status of the partner and

the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for US federal income tax purposes should consult their tax advisers concerning the US federal income tax consequences to them and their partners of the receipt, exercise and disposition of Rights and the acquisition, ownership and disposition of New Shares by the partnership.

Except as otherwise discussed herein, the summary assumes that the Company will not be a passive foreign investment company (a “PFIC”) for US federal income tax purposes for the current taxable year and will not become a PFIC in the foreseeable future. If the Company were to be a PFIC in any year, materially adverse consequences could result for US Holders. See paragraph 2.3.3 below.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and the United Kingdom (the “Treaty”), all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF RECEIVING, EXERCISING AND DISPOSING OF RIGHTS AND THE ACQUIRING, OWNING AND DISPOSING OF NEW SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-US AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

2.2 Rights

2.2.1 Receipt of Rights

The tax consequences of the receipt of Rights by a US Holder are not free from doubt. In particular, it is not clear whether the sale by the Banks of New Shares not taken up in the Rights Issue, and the remittance of any premiums from that sale (“Unexercised Rights Payment”) to US holders whose Rights were sold should be treated as a sale of New Shares and distribution of cash by the Company, or as a distribution of Rights by the Company and a subsequent sale of those Rights (or an exercise of the Rights and a subsequent sale of New Shares) by the relevant holders. If the sale and distribution were considered to be made by the Company, then the receipt of Nil Paid Rights would be taxable to US Holders as a dividend to the extent of the Company’s current or accumulated earnings and profits, as described in paragraph 2.3.1 below. However, based on the particular facts relating to the Rights and the sale of Rights by the Banks, we believe it is proper to take the position that a US Holder is not required to include any amount in income for US federal income tax purposes as a result of the receipt of the Rights. It is possible that the US Internal Revenue Service will take a contrary view and require a US Holder to include in income the fair market value of the Rights on the date of their distribution. The remainder of this discussion assumes that the receipt of the Rights will not be a taxable event for US federal income tax purposes.

If, on the date of distribution, the fair market value of the Rights is less than 15 per cent. of the fair market value of the Existing Shares with respect to which the Rights are received, the Rights will be allocated a zero tax basis unless the US Holder affirmatively elects to allocate its tax basis in the Existing Shares with respect to which the Rights are received between such Existing Shares and the Rights received in proportion to their relative fair market values determined on the date of distribution. This election must be made in the US Holder’s timely filed US federal income tax return for the taxable year in which the Rights are received, in respect of all Rights received by the US Holder, and is irrevocable.

If, on the date of distribution, the fair market value of the Rights is 15 per cent. or more of the fair market value of the Existing Shares with respect to which the Rights are received, then, except as discussed in paragraph 2.2.3 below, the basis in the US Holder’s Existing Shares with respect to which the Rights were received must be allocated between the Existing Shares and the Rights received in proportion to their relative fair market values determined on the date of distribution.

2.2.2 Sale or Other Disposition of Rights

Upon a sale or other disposition of Rights, a US Holder generally will recognise capital gain or loss equal to the difference, if any, between the US dollar value of the amount realised (as determined on the date of the sale or other disposition) and the US Holder’s adjusted tax basis in the Rights. Any gain or loss generally will be US source, and will be long-term capital gain or loss if the US Holder’s holding period

in the Rights exceeds one year. A US Holder's holding period in the Rights will include the US Holder's holding period in the Existing Shares with respect to which the Rights were distributed.

2.2.3 Expiration of Rights without Payment

If a US Holder allows the Rights to expire without selling or exercising them and does not receive any Unexercised Rights Payment, the holder will not recognise any loss upon the expiration of the Rights, and the holder will not be entitled to allocate any basis to the Rights.

2.2.4 Exercise of Rights

A US Holder will not recognise taxable income upon the receipt of New Shares pursuant to the exercise of Rights. A US Holder's basis in the New Shares will equal the sum of the US dollar value of the Issue Price determined at the spot rate on the date of exercise and the US Holder's basis, if any, in the Rights exercised to obtain the New Shares. A US Holder's holding period in each New Share acquired through the exercise of a Right will begin with and include the date of exercise.

2.2.5 Proceeds from Sale by Banks

The US federal income tax treatment of a US Holder that receives an Unexercised Rights Payment as a result of the sale by the Banks of New Shares in respect of such holder's Rights is not free from doubt. Generally, such a US Holder will be treated either as having sold the Rights (as described above) or as having exercised the Rights and sold the New Shares. A US Holder that is treated as having sold the New Shares will recognise a short-term capital gain or loss as described in paragraph 2.3.2 below, regardless of the holding period of the Rights. US Holders that receive amounts in respect of lapsed Rights should consult their own tax advisers regarding the US federal income tax treatment of such amounts.

2.3 New Shares

2.3.1 Dividends

Distributions paid by the Company out of current or accumulated earnings and profits (as determined for US federal income tax purposes) generally will be taxable to a US Holder as dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the US Holder's basis in the New Shares, and thereafter as capital gain. However, the Company does not maintain calculations of its earnings and profits in accordance with US federal income tax accounting principles. US Holders should therefore assume that any distribution by the Company with respect to New Shares will be reported as ordinary dividend income.

US Holders should consult their own tax advisers with respect to the appropriate US federal income tax treatment of any distribution received from the Company.

Dividends paid by the Company generally will be taxable to a non-corporate US Holder at the reduced rate normally applicable to long-term capital gains, provided the Company qualifies for the benefits of the Treaty and certain other requirements are met.

Dividends paid in pounds sterling will be included in income in a US dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the US Holder regardless of whether the pounds sterling are converted into US dollars at that time. If dividends received in pounds sterling are converted into US dollars on the day they are received, the US Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income.

US Holders should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to distributions received from the Company.

2.3.2 Sale or Other Taxable Disposition

Upon a sale or other taxable disposition of New Shares, a US Holder generally will recognise capital gain or loss for US federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other taxable disposition and the US Holder's adjusted tax basis in the New Shares (as determined pursuant to the rules discussed in paragraph 2.3.4 above, in each case as determined in US dollars. This capital gain or loss will be long-term capital gain or loss if the US Holder's holding period in the New Shares exceeds one year. The deductibility of capital losses is subject to limitations. Any gain or

loss generally will be US source. US Holders should consult their own tax advisers about how to account for proceeds received on the sale or other disposition of New Shares that are not paid in US dollars.

2.3.3 Passive Foreign Investment Company Considerations

A non-US corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable “look-through rules”, either (a) at least 75 per cent. of its gross income is “passive income” or (b) at least 50 per cent. of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. The Company believes that it was not a PFIC in its most recent taxable year and does not expect to become a PFIC in the current taxable year or in the foreseeable future. However, the Company’s possible status as a PFIC must be determined annually and therefore is subject to change.

If the Company were to be a PFIC for any taxable year during which a US Holder holds New Shares (or, under proposed Treasury regulations, the Rights), US Holders of New Shares (or, under proposed Treasury regulations, the Rights) would, among other things, be required to (i) pay a special US addition to tax on certain distributions with respect to, and gains on sale of, New Shares (or, under proposed Treasury regulations, the Rights), (ii) pay tax on any gain from such sale at ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain, and (iii) comply with additional reporting requirements in respect of their New Shares. For purposes of applying these rules, proposed Treasury regulations provide that a US Holder’s holding period for the New Shares includes its holding period for the Rights. Additionally, dividends paid by the Company would not be eligible for the reduced rate of tax described in paragraph 2.3.1 above. US Holders should consult their tax advisers regarding: the potential application of the PFIC regime to their investment in the Company; receiving, exercising and disposing of Rights; and acquiring, owning and disposing of New Shares.

2.3.4 Backup Withholding and Information Reporting

Payments of dividends and other proceeds with respect to New Shares by a US paying agent or other US intermediary will be reported to the US Internal Revenue Service (“IRS”) and to the US Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the US Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain US Holders are not subject to backup withholding. Backup withholding is not an additional tax. Any amounts of backup withholding will be allowed as a credit against a US Holder’s federal income tax liability, and may entitle the US Holder to a refund, provided that the required information is furnished to the IRS in a timely manner. US Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption and any other reporting obligations that may apply to the ownership or disposition of New Shares, including requirements related to the holding of certain “specified foreign financial assets”.

PART XVIII ADDITIONAL INFORMATION

1 Responsibility Statement

The Company and the Directors, whose names and principal functions are set out in paragraph 5 below, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 Incorporation

The Company was incorporated and registered in England and Wales on 8 December 1986 as a private company limited by shares under the Companies Act 1985 and with the registered number 2081330. The Company was re-registered on 11 April 1989 as a public company limited by shares under the Companies Act 1985.

The Company is domiciled in the United Kingdom and its registered office is at 71 Victoria Street, London SW1H 0XA, United Kingdom. The Company's main telephone number is +44 (0) 20 7799 1525.

The principal legislation under which the Company operates, and under which the New Shares will be created, is the Companies Act 2006 and regulations made thereunder.

The Shares are listed on the Official List of the FCA and admitted to trading on the main market of the London Stock Exchange. The ISIN of the Shares is GB00B23K0M20.

3 Share Capital

3.1 As at 20 April 2018 (being the latest practicable date prior to the date of this document), the issued share capital of the Company was £13,851,652, comprising 670,241,242 Shares, all of which were fully paid or credited as fully paid. The Shares have a nominal value of 2¹/₁₅ pence each and are admitted to the premium listing segment of the Official List and admitted to trading on the London Stock Exchange's main market for listed securities, respectively.

3.2 As at 1 January 2015 (being the first day covered by the historical financial statements incorporated by reference into this document), 670,087,433 Shares were in issue fully paid or credited as fully paid. Of this number, 8,275,576 were registered as treasury shares, representing 1.25 per cent. of the issued share capital of the Company (excluding such treasury shares) and leaving a balance of 661,811,857 Shares with voting rights. There have been the following changes in the share capital of the Company between 1 January 2015 and 20 April 2018 (being the latest practicable date prior to the date of this document):

	Year ended 31 December			31 December
	2015	2016	2017	2017 to 20 April 2018
Shares issued to satisfy the vesting of awards or the exercise of options under the Employee Share Plans and the 1997 Executive Share Option Scheme	22,772	131,037	—	—

3.3 The table set out below shows the issued share capital of the Company as at 20 April 2018 (being the latest practicable date prior to the date of this document) and as it is expected to be immediately following Admission:

	Shares in issue as at 20 April 2018		Shares in issue immediately following the Rights Issue ⁽¹⁾	
	Number	£	Number	£
Shares in issue	670,241,242	13,851,652	1,671,273,523	34,539,653

Note:

(1) Assuming that no Shares are issued to satisfy the vesting of awards or the exercise of options under the Employee Share Plans between the date of this document and Admission becoming effective.

3.4 The Company remains subject to the continuing obligations of the Listing Rules with regard to the issue of securities for cash, and the provisions of section 561 of the Companies Act 2006 (which confers on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be,

paid up in cash) apply to the issued share capital of the Company which is not the subject of the disapplication approved by the Shareholders in a general meeting of the Company.

- 3.5 Save as disclosed above, since 20 April 2018 (being the latest practicable date prior to the date of this document) there has been no issue of share capital of the Company, fully or partly paid, either in cash or for other consideration, and (other than in connection with the Rights Issue and the issue of Shares to satisfy the vesting of awards or the exercise of options under the Employee Share Plans) no such issues are proposed. As at 20 April 2018 (being the latest practicable date prior to the date of this document), the Company held 2,886,388 Shares in treasury.
- 3.6 Subject to Admission, pursuant to the Rights Issue, 1,001,032,281 New Shares will be issued at a price of 70 pence per New Share. This will result in the issued ordinary share capital of the Company increasing by approximately 149.4 per cent. Qualifying Shareholders who take up their pro rata entitlement in full will suffer no dilution to their interests in the Company. Qualifying Shareholders who do not take up any of their rights to subscribe for the New Shares will be diluted by 59.9 per cent. following the Rights Issue (assuming that no Shares are issued to satisfy the vesting of awards or the exercise of options under the Employee Share Plans between 20 April 2018 (being the latest practicable date prior to the date of this document) and Admission becoming effective).
- 3.7 At the General Meeting, a resolution is proposed to authorise the Directors, pursuant to section 551 of the Companies Act 2006, to allot Shares and to grant rights to subscribe for or convert any security into Shares up to a nominal amount of £20,688,001 pursuant to or in connection with the Rights Issue. Additionally, a resolution authorising the waiver of pre-emption rights in connection with such allotment is proposed, which, if approved by the Shareholders, will be relied upon for the purposes of the Rights Issue in order to implement the Rights Issue in compliance with the regulatory constraints imposed by some jurisdictions.
- 3.8 The New Shares will be provisionally allotted (nil paid) to all Qualifying Shareholders by a resolution of the Board and created in accordance with the laws of England.
- 3.9 The New Shares will have the same rights in all respects as the Existing Shares (including the right to receive all dividends or other distributions declared by the Company after the date of issue of the New Shares).
- 3.10 The ISIN for the New Shares will be the same as that of the Existing Shares, being GB00B23K0M20. The ISIN for the Nil Paid Rights is GB00BFM6RT85. The ISIN for the Fully Paid Rights is GB00BFM6RV08.

4 Articles of Association

The Articles of Association contain, among others, provisions to the following effect:

4.1 Objects and Purpose

The Company's objects are not restricted by its Articles of Association. Accordingly, pursuant to English law, the Company's objects are unrestricted.

4.2 Changes in Capital

- 4.2.1 The provisions of the Articles governing the conditions under which the Company may alter its share capital are no more stringent than the conditions imposed by the Companies Act 2006.
- 4.2.2 The Company can, by ordinary resolution, increase, consolidate, or consolidate and then subdivide, its shares. The Company may also, by special resolution and after following the requirements under the Companies Act 2006, reduce its share capital, share premium account, capital redemption reserve or any other undistributable reserve.

4.3 Respective Rights of Different Classes of Shares

Subject to any rights attached to any existing shares, the Company may issue shares with such rights or restrictions as determined by either the Company by ordinary resolution or, so far as the resolution does not make specific provision or if no such resolution has been passed, the Board. The Company may also, subject to legislation applicable to the Company, issue shares which are, or are liable to be, redeemed at the option of the Company or the holder, and the Directors may determine the terms, conditions and manner of redemption of any such shares.

4.4 Voting Rights

At a general meeting, subject to the Articles of Association and any special rights or restrictions attached to any class of shares:

- 4.4.1 every member present in person and every duly appointed proxy present has, on a show of hands, one vote;
- 4.4.2 on a poll, every member present in person and every duly appointed proxy has one vote for every share held by him; and
- 4.4.3 a proxy has one vote for and one vote against the resolution if he or she has been duly appointed by more than one member entitled to vote on the resolution and has been instructed (or exercises a discretion given) by one or more of those members to vote for it and by one or more other of those members to vote against it.

Neither English law nor the Articles of Association impose any limitation on the rights of non-UK residents or foreign shareholders to own Shares, including the rights to hold or exercise voting rights on the Shares.

4.5 Variation of Rights

Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class can only be changed as may be provided by those rights or with either:

- 4.5.1 the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class; or
- 4.5.2 the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

The special rights attached to any class of shares are not (unless otherwise expressly provided by the terms conferring such rights) deemed to be varied by the allotment or issue of new shares ranking in all respects equally with them.

4.6 Transfers of Shares

Shares may be held in either certificated or uncertificated form.

Transfers of certificated shares must be effected in writing in any usual form or in another form approved by the Board, signed by or on behalf of the transferor and, in the case of a share that is not fully paid, by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register of members in respect of those shares.

The Company may refuse to register any transfer of a certificated share, unless the instrument of transfer is: (a) presented for registration to the Company at the Company's registered office (or such other place as the Board may decide) and is properly stamped or is certified or otherwise shown to the Board's satisfaction to be exempt from stamp duty; (b) accompanied by the relevant share certificate(s); (c) accompanied by such other evidence reasonably required by the Board to show the transferor's right to make the transfer or, if the instrument of transfer is executed by some other person on the transferor's behalf, the authority of that person to do so; (d) in respect of only one class of share and all of those shares are fully paid; and (e) in favour of a single transferee or not more than four joint transferees, in each case being a natural or legal person.

Transfers of uncertificated shares may be effected in accordance with the CREST Regulations.

The registration of the transfer of an uncertificated share may be refused if it is in favour of more than four persons jointly or if any other circumstances apply in respect of which refusal to register a share transfer is permitted or required by the Uncertificated Securities Regulations, 2001.

4.7 Dividends

The Company may, by ordinary resolution, declare a dividend in accordance with the respective rights of members. A dividend may not be declared unless the Board has made a recommendation as to its amount and no dividend may exceed the amount recommended by the Board. Subject to legislation applicable to the Company, the Board may resolve that the Company pay an interim dividend on any shares and may resolve that the Company pay any dividend payable on any shares at a fixed rate at intervals settled by the Board. No dividends can be paid except out of the Company's distributable reserves, as required under the Companies Act.

Unless the Company's Articles of Association or the share rights provide otherwise, all dividends may be apportioned and paid pro rata according to the amounts paid on the shares during any portion of the period in respect of which the dividend is paid.

The Board may deduct from any dividend payable to any member any sum owed by that member to the Company in respect of any shares, and the Company may apply the deducted sum to pay the sum owed to it.

No dividend or other monies payable on or in respect of a share shall bear interest as against the Company, unless otherwise provided by the rights attached to the share.

Any unclaimed dividends may be invested or otherwise applied for the benefit of the Company until they are claimed. Any dividend unclaimed for 12 years from the date on which it was declared or became due for payment shall be forfeited and shall revert to the Company.

A general meeting declaring a dividend may, on the recommendation of the Board, direct that it is to be satisfied by the distribution of assets (including paid up shares or securities of any other body corporate). The Board may direct that any interim dividend be satisfied wholly or partly by the distribution of assets on the same basis.

4.8 Shareholder Meetings

An AGM of shareholders must be held every year within a period of six months of the day following the Company's accounting reference date (which is 31 December), at such place or places, date and time as may be decided by the Directors.

The Board may convene a general meeting whenever and wherever they think appropriate. The Directors are required to call a general meeting once the Company has received requests from its members to do so, in accordance with the Companies Act.

An AGM must be convened by giving at least 21 days' notice, while any other general meeting shall be called by notice of at least 21 days or, if the members have passed a special resolution under the Companies Act, at least 14 days. At the Company's last AGM on 13 June 2017, a special resolution was passed authorising a general meeting (other than an AGM) to be called by giving at least 14 clear days' notice. This approval is effective until the Company's next AGM, where it is intended that a similar resolution will be proposed.

Meetings may be called on shorter notice, in the case of an AGM, so long as 100 per cent. of the members entitled to attend and vote at that meeting so agree, or, in the case of any other general meeting, if 95 per cent. of the members entitled to attend and vote at that meeting so agree.

Notices of general meetings shall include all information required to be included by the Companies Act.

A notice of general meeting shall be given to each person who is a member at a time and date selected by the Board in accordance with Company's Articles of Association and legislation applicable to the Company. No business shall be transacted at any general meeting unless a quorum is present at the time when the meeting proceeds to business. Two members present and entitled to vote in person or by proxy shall be a quorum.

4.9 Conditions of Admission

Any of the Board, the Chairman and the secretary may require attendees to submit to searches or put in place such arrangements or restrictions as they think fit to ensure the proper and orderly conduct of the meeting or the safety and wellbeing of people arriving, attending or leaving a general meeting.

4.10 The Company's Directors

Under the Articles of Association, there shall be not fewer than two nor more than 15 directors (unless otherwise determined by the Company by ordinary resolution). The business and affairs of the Company are managed by the Directors, subject to the requirements of English law, the Articles of Association and any resolutions of shareholders.

No business shall be transacted at a meeting of the Board unless a quorum is present, which is two Directors or such higher number as the Board may decide. The Board resolutions require the approval of a simple majority of directors present and voting. In case of an equality of votes, the chairman of the meeting has a casting vote, and resolutions of the Board may be passed without a meeting by way of written consent by a majority of all directors, provided that the number of Directors who have signed it is not less than the quorum for the Board meetings.

4.11 Appointment of Directors

Subject to the Articles of Association, the Company may, by ordinary resolution, appoint as a Director a person who is willing to act as such, provided that: (a) notice is given of the resolution identifying the person; and (b) if the person is not recommended by the Board, the written confirmation of his or her willingness to be appointed is received. Subject to the Articles of Association, the Board may also appoint as a Director a person who is willing to act as such.

4.12 Directors' Fees, Expenses, Pensions and Other Benefits

The Company may pay to the Directors for their services as Directors such aggregate amount of fees as the Board decides of up to £1,000,000 per annum, or such larger amount as determined by ordinary resolution of the Company's shareholders. The aggregate fees may be divided among the Directors in such proportions as the Board decides or, if no decision is made, equally. Any such fee payable to a Director will be in addition to any salary, remuneration or other amount payable to him pursuant to other provisions in the Company's Articles of Association and shall accrue from day to day.

The remuneration of executive directors is set by the Remuneration Committee and the remuneration of Non-Executive Directors is set by the Directors, each within the constraints of the Company's directors' remuneration policy as approved from time to time by the Company's shareholders.

A Director who goes or resides abroad, makes a special journey or performs a special service for the Company (including services as a chairman or deputy-chairman of the Board, services as a member of any Board committee and services which the Board considers to be outside the scope of the ordinary duties of a Director) may be paid such additional remuneration as the Board or any Board committee decides.

The Board may exercise all the Company's powers to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances for a person who is or has been a Director, an officer or a director or an employee of a company which is or was a subsidiary or affiliate, a company which is or was allied to or associated with a subsidiary or affiliate or a predecessor in business of a subsidiary or affiliate. For this purpose, the Board may establish, maintain, subscribe and contribute to any scheme, trust or fund and pay premiums.

4.13 Executive Directors

The Directors may appoint any Director to hold any employment or executive office with the Company for such period and on such terms as the Board may decide. The Board may revoke, terminate or vary the terms of any such appointment.

A person who ceases to be a Director will, on such cessation, also cease to have any powers previously delegated to him by the Company other than pursuant to any terms on which he or she continues to be employed by it.

4.14 Directors' Retirement

Under the Articles of Association, each person who is a director on the date selected by the Board in relation to the AGM (that is no more than 14 days before, and no later than, the date of the notice of that AGM) and was appointed as such after the previous AGM is to be proposed for election as a Director at each AGM. Each person who is a Director and has remained as such without being appointed or elected or re-elected as such at one of the two previous AGMs is to be proposed for re-election as a Director.

Notwithstanding this provision in the Articles of Association, in line with the recommendations of the Corporate Governance Code, all of the Directors wishing to continue serving, and considered eligible by the Board, offer themselves for re-election at every AGM.

The person will remain in office and the retirement shall not have effect until the end of the meeting, or a resolution is passed to elect some other person in the place of the retiring Director. Accordingly, a retiring Director who is re-elected will continue in office without a break.

4.15 Removal of a Director by Resolution of the Company

The Company may, by special resolution or by ordinary resolution of which special notice is given, remove any Director before the expiration of his or her period of office under the Companies Act.

4.16 Directors' Interests

The Directors may authorise any situation or matter relating to a particular Director to which section 175 of the Companies Act applies. Before any such authorisation is given, a Director shall propose to the Directors, in accordance with the Board's procedures for approval at a meeting of the Board or by way of written resolution or with such other procedures as the Directors may determine, that the conflict be authorised.

Any terms of such authorisation may include, in each case at the Directors' discretion, that the Director concerned:

- is not obliged to disclose to the Company confidential information obtained by him where to do so would amount to a breach of a duty of confidence to any third party, where the Director concerned has previously disclosed to the Board the existence of the conflict and the third party's identity; and
- may absent himself from any Board discussions, and not receive documents and information relating to a matter that he or she has or may have a conflict of interest in respect of.

The Directors may also terminate any such authorisation at any time.

A Director is not required, by reason of being a Director, to account to the Company for any profit, remuneration or other benefit which he or she derives from or in connection with a potential conflict which has been authorised by the Board or the Company.

Provided that a Director has disclosed his or her interest in the matter, he or she is not required by reason of being a Director to account to the Company for any profit, remuneration or other benefit which he or she derives from or in connection with:

- being a party to or otherwise interested in any arrangement or transaction with the Company or in which the Company is otherwise interested;
- holding any other office or place of profit with the Company in conjunction with his or her office of Director;
- acting by himself or herself or through a firm with which he or she is associated in a professional capacity for the Company or any body corporate in which the Company is interested; or
- being a director or other officer of, or employed by or otherwise interested in, any body corporate in which the Company or any other Group Undertaking is interested or which has an interest in the Company or in any other undertaking.

A Director or former Director will not be accountable to the Company for any benefit provided to him or her or his or her dependants in accordance with any provision in the Company's Articles of Association.

Directors also have to comply with restrictions on related party transactions under English law.

4.17 Powers of the Directors

Subject to applicable law, the Articles of Association, and any shareholder resolutions, the business of the Company is managed by the Directors who can exercise all the powers of the Company.

The Board may establish any committee for the purposes of carrying out any exercise, function or task that the Board has the power to carry out itself.

The committees are allowed to have non-directors with voting rights, but only if:

- the number of non-director members is less than half of the total number of members of the committee; and
- no resolution of the committee shall be effective unless a majority of the members of the committee present when it is passed are Directors.

The Board has established three committees: audit and risk; nominations; and remuneration.

All acts by any meeting of Directors or of any committee would be valid as regards third parties dealing in good faith with the Company, even if there is some defect in any appointment or in the voting process of the Directors or of any committee.

4.18 Directors' Borrowing Powers

The Directors may exercise all the powers of the Company to borrow money, to mortgage, to guarantee, to indemnify or charge all or part of its undertaking, property and assets (present or future) and uncalled capital and to issue debentures and other securities and to give security, whether outright or as collateral security for any debt, liability or obligation of the Company or of a third party.

4.19 Communications with Members

Any document or information (including a share certificate) which is sent or supplied by or on behalf of the Company:

- by post, shall be deemed to have been received by the intended recipient at the expiration of 24 hours (or, where second class mail is employed, 48 hours) after the time it was posted, provided that the Company is able to show that it was properly addressed, pre-paid and posted;
- in hard copy by leaving it at the intended recipient's registered address or a postal address in the United Kingdom notified by him to the Company for the sending or supply of documents and information is deemed to have been received when it was left;
- by electronic means is deemed to have been received by the intended recipient on the day it was sent (provided it was properly addressed);
- by means of a website is deemed to have been received on the day the material was first made available on the website or, if later, when the recipient received notice of its availability on the Company's website; and
- by any other means authorised in writing by the intended recipient is deemed to have been received when the Company has carried out the action that it has been authorised to take for that purpose.

Any accidental failure on the part of the Company to send, or the non-receipt by any person entitled to, any document or information relating to any meeting or other proceeding will not invalidate the relevant meeting or proceeding.

A member who has no registered address within the United Kingdom and has not supplied to the Company an address within the United Kingdom for the service of notices will not be entitled to receive notices from the Company.

4.20 Disclosure of Shareholding Ownership

The DTRs require a member to notify the Company if the voting rights held by such member (including by way of certain financial instruments) reach, exceed or fall below 3 per cent. and each 1 per cent. threshold thereafter up to 100 per cent.

Pursuant to the Companies Act and the Articles of Association, the Company may send a notice to any person who appears to be interested in shares in the Company. If such person fails to give the Company the information required by such notice within 14 days after the date on which the notice was sent to the person, the holder of those shares shall not be entitled to be present or vote in respect of his or her shares at any general meeting or on a poll, or to exercise any other rights conferred by membership in relation to the meeting or poll.

The Directors may, in their absolute discretion, where those shares represent 0.25 per cent. or more of the issued shares of a relevant class, withhold a dividend (or any part of a dividend) or other distribution or amount payable in respect of those shares, and/or refuse to register the transfer of any of those shares.

4.21 Change of Control Provisions

There are no provisions in the Articles of Association that would have an effect of delaying, deferring or preventing a change in control of the Company. However, the change of control provisions under the UK Takeover Code, which applies to the Company, are discussed in paragraph 23.1 below.

5 Directors of the Company

The Directors are listed below:

Name	Position	Term Expires ⁽¹⁾
Sir Ian Powell	Chairman	31 December 2019
Jonathan Lewis	Chief Executive Officer	—
Nick Greatorex	Chief Financial Officer	—
Gillian Sheldon	Senior Independent Director	31 August 2018
John Cresswell	Non-Executive Director	16 November 2018
Matthew Lester	Non-Executive Director	28 February 2020
Baroness Lucy Neville-Rolfe DBE CMG	Non-Executive Director	5 December 2020
Andrew Williams	Non-Executive Director	31 December 2020

Note:

(1) All Directors put themselves up for re-election at each AGM, in accordance with the Corporate Governance Code.

Unless otherwise indicated, the business address of the Directors is 71 Victoria Street, London SW1H 0XA, United Kingdom, and their business telephone number is +44 (0) 20 7799 1525.

None of the current Directors was selected to be a director of the Company pursuant to any arrangement or understanding with any major client, supplier or other person having a business connection with Capita. There are no family relationships between any of the current Directors or senior management. There are no actual or potential conflicts of interest between any duties of Directors and their private interests and other duties.

Set forth below are brief biographical descriptions of the Directors.

1. Sir Ian Powell

Chairman of the Board and Chairman of the Nominations Committee. Sir Ian was appointed a Non-Executive Director on 1 September 2016 and Chairman of Capita on 1 January 2017. Sir Ian is a Chartered Accountant and, prior to his retirement from global professional services firm PwC in June 2016, was Chairman and Senior Partner of PwC UK for eight years between 2008 and 2016. He joined PwC in 1977, serving in various roles of increasing responsibility, including Head of Advisory, prior to being elected Chairman and Senior Partner. Sir Ian is Chairman of the Board of Trustees of Police Now and a Trustee of The Old Vic Theatre and Wellbeing of Woman. He was knighted in the 2017 New Year Honours list for services to professional services and voluntary service. Sir Ian is a fellow of the Institute of Chartered Accountants in England and Wales.

2. Jonathan Lewis

Chief Executive Officer. Jonathan was appointed Chief Executive Officer on 1 December 2017. Jonathan was previously the Chief Executive Officer of Amec Foster Wheeler plc. Prior to his role at Amec Foster Wheeler, Jonathan had a 20 year career at Halliburton Company Inc, where he held a number of senior roles, including Senior Vice President and member of the Halliburton Executive Committee.

3. Nick Greatorex

Chief Financial Officer. Nick was appointed Chief Financial Officer for Capita on 1 March 2015 and served as interim Chief Executive Officer from 15 September 2017 to 30 November 2017. Prior to his appointment as Chief Financial Officer, Nick was Executive Director for Life and Pensions and Insurance and Benefits Services and Commercial Director on major bids and contract implementations at Capita. Before joining Capita in 2006, Nick was Chief Financial Officer of Liberata plc (now owned by HCL) and served in senior merger and acquisition roles at a number of organisations, including Centrica plc. Nick qualified as a Chartered Accountant with Ernst & Young.

4. Gillian Sheldon

Senior Independent Director and member of the Audit and Risk, Remuneration and Nominations Committees. Gillian was appointed as Senior Independent Director on 1 January 2013 and was appointed to the Board of Capita on 1 September 2012. Gillian is a senior adviser in Credit Suisse's UK investment banking division. Prior to joining Credit Suisse in 1997, Gillian worked at NM Rothschild for seven years. Gillian is also a Trustee of BBC Children in Need.

5. John Cresswell

Non-Executive Director, Chairman of Remuneration Committee and member of the Audit and Risk and Nominations Committees. John was appointed as a Non-Executive Director on 17 November 2015. John has substantial experience leading, growing and advising media and broadcast organisations at CEO and executive director levels and has worked in the Technology, Media and Telecommunications sector for 25 years. Most recently, John has been appointed as CEO of Bibby Line Group. John was CEO of Arqiva from January 2011 to June 2015 and, prior to that, he held a number of executive director roles on the board of ITV plc, and was formerly a director of Liverpool Football and Athletic Grounds plc and a director of Ambassador Theatre Group. John qualified as a Chartered Accountant with KPMG.

6. Matthew Lester

Non-Executive Director, Chairman of the Audit and Risk Committee and member of the Remuneration and Nominations Committees. Matthew was appointed as a Non-Executive Director on 1 March 2017. Most recently, he was Group Chief Financial Officer for Royal Mail plc from November 2010 to July 2017. Matthew has also served as Group Chief Financial Officer for ICAP plc from May 2006 to November 2010. Prior to this Matthew held senior roles at Diageo plc and Kleinwort Benson. Alongside his role at Capita plc, Matthew is a Non-Executive Director at Man Group PLC and Barclays plc. Matthew qualified as a Chartered Accountant with Arthur Andersen in 1988.

7. Baroness Lucy Neville-Rolfe DBE CMG

Non-Executive Director and member of the Remuneration, Audit and Risk and Nominations Committees. Baroness Lucy Neville-Rolfe was appointed Non-Executive Director on 6 December 2017. Her key skills and experience are in international retail, governance, legal and regulatory issues and communications. She has been a member of the House of Lords since 2013 and served as a government Minister from 2014 to 2017: Commercial Secretary to the Treasury, Minister of State and Minister of State for Energy and Intellectual Property and Parliamentary Under Secretary in the departments for Business, Innovation & Skills and Digital, Culture, Media & Sport. She had a private sector career in Tesco from 1997 to 2013 and, from 2006, was a member of the Board of Tesco plc as Executive Director, Corporate & Legal Affairs. Before Tesco she was a member of the Home Civil Service including time as Director of the Deregulation Unit and as a Member of the Prime Minister's Policy Unit, 10 Downing Street. Her non-executive directorships included ITV plc and Metro AG. Baroness Neville-Rolfe was awarded the Companion of the Most Distinguished Order of Saint Michael and Saint George in 2005 for her service on the Foreign and Commonwealth Board, and in 2012 was awarded the Dame Commander of the Most Excellent Order of the British Empire. Baroness Neville-Rolfe is a Chartered Secretary and a Fellow of the Institute of Chartered Secretaries.

8. Andrew Williams

Non-Executive Director and member of the Remuneration, Audit and Risk and Nominations Committees. Andrew was appointed as a Non-Executive Director on 1 January 2015. Andrew is Chief Executive Officer of Halma plc, a leading specialist in safety, health and environmental technologies and a FTSE 100 company. He was appointed Chief Executive in February 2005. Andrew started his career at Halma in 1994 as Manufacturing Director of a subsidiary company and went on to hold a wide range of senior management positions across the group. Andrew is a Chartered Engineer.

Set out below are the directorships and partnerships held by the Directors (other than, where applicable, directorships held in subsidiaries of the Company) in the five years prior to the date of this document:

Name	Current directorships/partnerships	Past directorships/partnerships
Sir Ian Powell	Wellbeing Of Women The Old Vic Theatre Trust 2000 Police Now Enterprises Limited Police Now	PwC EMEA Limited PricewaterhouseCoopers (Resources) PricewaterhouseCoopers Services Limited PwC London Bridge Limited PricewaterhouseCoopers LLP
Jonathan Lewis	N/A	Amec Foster Wheeler plc CHC Group Ltd
Nick Greateorex	N/A	N/A

Name	Current directorships/partnerships	Past directorships/partnerships
Gillian Sheldon	BBC Children In Need	N/A
John Cresswell	N/A	<p>Imaginarium Holdings Limited</p> <p>Capablue Ltd</p> <p>ABHL Digital Radio Limited</p> <p>ABHL Digital Limited</p> <p>Arqiva Mobile Broadcast Limited</p> <p>Arqiva Transmission Limited</p> <p>Spectrum Interactive Limited</p> <p>Arqiva Digital Limited</p> <p>Arqiva Mobile Limited</p> <p>Spectrum Interactive (UK) Limited</p> <p>Selective Media Limited</p> <p>Cast Communications Limited</p> <p>NWP Street Limited</p> <p>NWP Spectrum Holdings Limited</p> <p>Now Digital (Southern) Limited</p> <p>Now Digital Limited</p> <p>ABHL Multiplex Limited</p> <p>Arqiva Broadcast Limited</p> <p>Arqiva Telecommunications Asset Development Company Limited</p> <p>Macropolitan Limited</p> <p>Inmedia Communications Limited</p> <p>J F M G Limited</p> <p>Connect TV Limited</p> <p>Inmedia Communications (Holdings) Limited</p> <p>Inmedia Communications Group Limited</p> <p>Arqiva Finance Limited</p> <p>Arqiva Swing Limited</p> <p>Arqiva Wifi Limited</p> <p>Arqiva No 11 Limited</p> <p>Arqiva No 10 Limited</p> <p>Arqiva Satellite Limited</p> <p>Arqiva Public Safety Limited</p> <p>Arqiva No 4 Limited</p> <p>Arqiva Wireless Limited</p> <p>Scanners (Europe) Limited</p> <p>Arqiva Communications Limited</p> <p>Arqiva Mobile TV Limited</p> <p>Now Digital (Oxford) Limited</p> <p>Aerial UK Limited</p> <p>Scanners Television Outside Broadcasts Limited</p> <p>Arqiva Media Limited</p> <p>Arqiva (Scotland) Limited</p> <p>Connect TV (Scotland) Ltd</p> <p>Primrose No.1 Limited</p> <p>Arqiva No 2 Limited</p> <p>Arqiva No 3 Limited</p> <p>Arqiva Aerial Sites Limited</p> <p>Arqiva Holdings Limited</p> <p>Arqiva Limited</p> <p>Arqiva Services Limited</p> <p>Arqiva Group Parent Limited</p> <p>Arqiva Group Intermediate Limited</p> <p>Arqiva Senior Finance Limited</p> <p>Arqiva Financing plc</p>

Name	Current directorships/partnerships	Past directorships/partnerships
		Arqiva Financing No 1 Limited Arqiva UK Broadcast Holdings Limited Arqiva Telecoms Investment Limited Arqiva Group Holdings Limited Arqiva PP Financing plc
Matthew Lester	Man Group plc Barclays plc John Lester & Son Limited	Royal Mail plc Royal Mail Group Limited Foyle Developments Limited Barclays Bank Plc
Baroness Lucy Neville-Rolfe DBE CMG	Assured Food Standards	ITV plc Boparan Holdings Limited Hermes Equity Ownership Services Limited China-Britain Business Council UK-India Business Council Metro AG
Andrew Williams	Halma Euro Trading Limited Halma Overseas Funding Limited Halma Resistors Unlimited Halma Financing Limited Halma Investment Holdings Limited Halma International Limited Halma Public Limited Company	Halma Switzerland Limited Halma BEA Limited

6 Senior Management

The Company considers its senior management to be composed of those persons discharging managerial responsibilities (“PDMRs”), excluding those PDMRs who are Directors. These individuals make up Capita’s new Executive Committee, led by Jonathan Lewis, which brings together the operational leadership of Capita and a number of new functional roles. The table below details the names of, and information about, the Company’s senior management:

Name	Position	Business Address
Chris Baker	Executive Officer, Software	71 Victoria Street, London SW1H 0XA
Erika Bannerman	Executive Officer, People Solutions	71 Victoria Street, London SW1H 0XA
Mike Barnard	Executive Officer, Customer Management	71 Victoria Street, London SW1H 0XA
Mark Brown	Chief Digital Officer	71 Victoria Street, London SW1H 0XA
Garry Dryburgh	Chief Transformation Officer	71 Victoria Street, London SW1H 0XA
Rupert Green	Chief Corporate Development Officer	71 Victoria Street, London SW1H 0XA
Joe Hemming	Executive Officer, IT Services	71 Victoria Street, London SW1H 0XA
Will Serle	Chief People Officer	71 Victoria Street, London SW1H 0XA
Steve Sharp	Executive Officer, Government Services	71 Victoria Street, London SW1H 0XA
Jim Vincent	Executive Officer, Specialist Services	71 Victoria Street, London SW1H 0XA

None of the current members of the Company’s senior management was selected for their role at the Company pursuant to any arrangement or understanding with any major client, supplier or other person having a business connection with the Company. There are no actual or potential conflicts of interest between any duties of the Company’s senior management and their private interests and other duties.

Set forth below are brief biographical descriptions of the persons named in the table above, including their current principal occupation or employment and material occupations, positions, offices or employment during the past five years.

1. Chris Baker

Executive Officer, Software. Chris was appointed to his current role as Executive Officer for the Software division in April 2018. Prior to that he was Executive Director for the Digital and Software Solutions from November 2016 to March 2018. Before joining Capita, he was Managing Director of Xuber Limited from July 2014 to November 2016. Chris also spent 17 years at Oracle, where he held various senior positions including

Senior Vice President, Core Technology and Innovation, EMEA from May 2008 to June 2011 and Senior Vice President, Worldwide ISV/OEM/Java Sales from June 2011 to May 2014.

2. Erika Bannerman

Executive Officer, People Solutions. Erika was appointed to her current role as Executive Officer for the People Solutions division in April 2018. Prior to that, she was Executive Director for the Workplace Services Division since she joined Capita in July 2017. Before joining Capita, she was a board member within the Manpower group of companies from October 2008 to June 2017 and held a number of roles, including Vice President within the Global Sales organisation and member of the Manpower Global Leadership Team.

3. Mike Barnard

Executive Officer, Customer Management. Mike was appointed to his current role as Executive Officer for the Customer Management division in April 2018. Before that appointment, Mike was Executive Director of the Private Sector Partnerships division, a role he held from January 2017, and an Executive Director of Capita's Customer Management & International business, a role he held from March 2012. Prior to joining Capita, Mike held various positions, including Strategy & Transformation Director and Director of Customer Services at Cable & Wireless Worldwide PLC from November 2005 to October 2011. Mike also served as Head of Corporate Strategy at Energis from April 2004 to November 2005 and Mike's earlier experience includes roles at The Boston Consulting Group, British Airways and Shell.

4. Mark Brown

Executive Director, Chief Digital Officer. Mark was appointed to his current role as Chief Digital Officer in April 2018.

Mark joined Capita in September 2001, initially working on the Transport for London Congestion Charge bid. Since then he has worked extensively with IT teams across Capita, and was Chief Technology Officer for Capita's Digital and Software Services division for a number of years. Prior to joining Capita, Mark held Solution Architect roles at Fujitsu and ICL.

5. Garry Dryburgh

Chief Transformation Officer. Garry was appointed to his current role as Chief Transformation Officer in December 2017. Prior to joining Capita, Garry was Chief Transformation Officer at Amec Foster Wheeler plc from 2016 to 2017, having previously held the positions of President, Middle East & Africa and Executive Vice President, Asia Pacific, Operational Excellence Director of Natural Resources and Interim President of Growth Regions during his time at Amec Foster Wheeler plc. Garry is a Fellow of the Institute of Directors, a Fellow of the Association for Project Management, a Member of the Institution of Mechanical Engineers, and a registered Chartered Engineer and Chartered Director.

6. Rupert Green

Chief Corporate Development Officer. Rupert is Chief Corporate Development Officer, and the member of the executive committee responsible for strategy, investor relations and mergers and acquisitions. He has more than 20 years' experience of capital markets and corporate transactions. Prior to joining Capita in January 2018, Rupert worked at Amec Foster Wheeler between 2013 and 2017, where he was also a member of the executive committee and responsible for strategy, investor relations and mergers and acquisitions. At Amec Foster Wheeler, Rupert was a senior member of the team that put in place a corporate refinancing and operational turnaround plan, before its agreed takeover by Wood plc. Prior to Amec Foster Wheeler, Rupert was a director in the UK investment banking team at Deutsche Bank for 15 years.

7. Joe Hemming

Executive Officer, IT Services. Joe was appointed to his current role as Executive Officer for the IT Services division in July 2017. Before that, he was the Chief Executive of Capita's Integrated Services Division from March 2016.

Prior to joining Capita in 2016, Joe worked in the IT services sector for 25 years. During that time he has fulfilled numerous roles, including executive positions with two large IT international outsourcing service providers. He has experience with numerous clients in both the private and public sectors.

8. Will Serle

Chief People Officer. Will was appointed Chief People Officer in April 2018. Before joining Capita, Will was Chief People Officer at Amec Foster Wheeler plc from 2014 to 2017 having previously held various divisional and Group Human Resources Director positions during his time at Amec Foster Wheeler.

9. Steve Sharp

Executive Officer, Government Services. Steve was appointed to his current role as Executive Officer for the Government Services division in April 2018, having previously held a number of positions with Capita over the last two decades. Steve's senior roles within Capita include roles as Executive Director for Capita Business Services, director of Integrated Services from October 2014 to December 2015 and director of Professional Services from September 2013 to October 2014. Steve was also Executive Director of Capita Employee Benefits from January 2011 to November 2013 and Managing Director of Capita Specialist Service and Health from January 2005 to December 2010.

10. Jim Vincent

Executive Officer, Specialist Services. Jim was appointed to his current role as Executive Officer for the Specialist Services division in April 2018. Jim joined Capita in July 2012, initially as Chair and CEO of Entrust Ltd, Capita's joint venture with Staffordshire County Council, which provides a wide range of education support services. Jim subsequently led a number of businesses in Capita including being Executive Director of the Health Division and the Insurance and Banking Division. He has a strong background in designing and delivering major change programmes across a variety of areas and industry sectors. Previously, Jim was a member of the UK Executive team of Sopra Steria, with responsibility for government, health and education services. He also led a number of BPO/IT joint ventures in the health and financial services sector. Prior to working in the outsourcing market Jim worked in the consulting, financial services and car manufacturing sectors across a variety of roles including business strategy and planning, change and programme management and functional leadership.

Set out below are the directorships and partnerships held by the Senior Managers (other than, where applicable, directorships held in subsidiaries of the Company) in the five years prior to the date of this document:

Name	Current directorships/partnerships	Past directorships/partnerships
Chris Baker	Curo Charlotte House LLP Curo Queen Street LLP Cumberland House BPRA Property Fund LLP Eclipse Film Partners No. 23 LLP The Invicta Film Partnership No. 20 LLP The Invicta Film Partnership No. 22 LLP	Xchanging Software Europe Limited Xchanging Software Europe (Regional Hub) Limited Total Objects Limited XLPRO Limited BT Objects Limited Oracle Corporation UK Ltd
Erika Bannerman	Brook Street (UK) Limited	BS Project Services Limited Brook Street Bureau plc
Mike Barnard	N/A	N/A
Mark Brown	MBAS Property Limited	N/A
Garry Dryburgh	N/A	AMEC Australia Finance Company Pty Ltd AMEC Australia Finance No. 2 Pty Ltd AMEC Australia Treasury Company Pty Ltd Amec Foster Wheeler Australia Holding Company Pty Ltd Amec Foster Wheeler Engineering & Consulting (Shanghai) Co., Ltd Amec Foster Wheeler Engineering Holdings Pty Ltd

Name	Current directorships/partnerships	Past directorships/partnerships
		Amec Foster Wheeler Engineering Pty Ltd Amec Foster Wheeler Environment & Infrastructure Pty Ltd Amec Foster Wheeler Zektin Architecture Pty Ltd Amec Foster Wheeler Zektin Pty Ltd AMEC Zektin Group Pty Ltd Beca AMEC Limited Clough AMEC Pty Ltd GRD Investments Pty Ltd GRD Pty Limited GRD Renewable Investments Pty Limited GRD Renewables Pty Ltd GRD Waste Holdings Pty Limited GRD Waste Investments Pty Limited Kirfield Pty Ltd Qedi Completions & Commissioning Pty Ltd S2V Consulting Pty Ltd Terra Nova Technologies Australia Pty Ltd
Rupert Green	N/A	N/A
Joe Hemming	N/A	Atos Pension Schemes Limited
Will Serle	WPO Consulting Ltd Engineers Against Poverty	N/A
Steve Sharp	N/A	N/A
Jim Vincent	N/A	N/A

7 Directors and Senior Managers

7.1 Save as disclosed in paragraphs 5 and 6 of this Part XVIII, as at the date of this document, none of the Directors or the Senior Managers has at any time within the past five years:

- 7.1.1 been a director or partner of any companies or partnerships;
- 7.1.2 had any convictions in relation to fraudulent offences (whether spent or unspent);
- 7.1.3 been adjudged bankrupt or entered into any individual voluntary arrangements;
- 7.1.4 been a director of any company at the time of or within a 12-month period preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with such company's creditors generally or with any class of creditors of such company;
- 7.1.5 been partner of any partnership at the time of or within a 12-month period preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
- 7.1.6 had his or her assets the subject of any receivership;
- 7.1.7 been partner of any partnership at the time of or within a 12-month period preceding any assets thereof being the subject of a receivership;
- 7.1.8 been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including any designated professional body); or
- 7.1.9 ever been disqualified by a court from acting as a director or other officer of any company or from acting in the management or conduct of the affairs of any company.

- 7.2 Save for in their capacities as persons legally and beneficially interested in Shares, there are:
- 7.2.1 no potential conflicts of interest between any duties to the Company of the Directors or the Senior Managers and their private interests and/or other duties; and
 - 7.2.2 no arrangements or understandings with major Shareholders, members, suppliers or others, pursuant to which any Director or Senior Manager was selected.
- 7.3 No restrictions have been agreed by any Director or Senior Manager on the disposal, within a certain period of time, of his or her holding in Shares.
- 7.4 There are no family relationships between any of the Directors or Senior Managers.

8 The Corporate Governance Code

The Company recognises the importance of, and is committed to, high standards of corporate governance. The following sections explain how the Company has applied the main and supporting principles set out in the Corporate Governance Code (April 2016 edition).

Since the date of the 2017 Annual Report and Accounts, the Company has continued to comply with the Corporate Governance Code (to the extent described in the 2017 Annual Report and Accounts).

9 The Board

Board Structure

The Company is led by the Board, comprising the Chairman, five other Non-Executive Directors and two Executive Directors. The Board considers that all of the Non-Executive Directors are independent and free from any relationships or circumstances that could affect their independent judgement.

The offices of Chairman and Chief Executive Officer are held separately, and both officers have clearly defined roles and responsibilities. The Senior Independent Non-Executive Director is Gillian Sheldon.

The Board is responsible to the Shareholders for the overall management of Capita. The Chairman and Senior Independent Director are available to meet major Shareholders, as required.

All Directors have access to the advice and services of Capita's Company Secretary. Any Director wishing to do so in furtherance of his or her duties may, with the Board's approval or in accordance with any procedures prescribed by the Board, take independent advice at the Company's expense.

The Company maintains directors' and officers' insurance in respect of legal actions against the Directors.

The interests of certain of the Directors in Shares are set out in paragraph 10 below.

The Board is supported in its work by three board committees (the Audit and Risk Committee, Nominations Committee and Remuneration Committee), chaired by either the Board Chairman or another Non-Executive Director.

Audit and Risk Committee

The purpose of the Audit and Risk Committee is to provide independent scrutiny of the Company's financial and non-financial performance and of the adequacy of the risk management framework and the internal controls and the performance of both the external and internal audit functions. The Audit and Risk Committee's members are Matthew Lester (Chair), Gillian Sheldon, John Cresswell, Andrew Williams and Baroness Lucy Neville-Rolfe.

Nominations Committee

The Nominations Committee leads the process for identifying, and makes recommendations to the Board concerning the appointment or termination of, any new director or the Company Secretary and, in the case of Non-Executive Directors and the Chairman, the extension of existing appointments. It makes recommendations to the Board on appointments to board committees. The Nominations Committee's members are Sir Ian Powell (Chair), Gillian Sheldon, John Cresswell, Andrew Williams, Baroness Lucy Neville-Rolfe and Matthew Lester.

Remuneration Committee

The Remuneration Committee is responsible for reviewing the Company's remuneration policy, recommending any changes to it and approving individual remuneration packages for the Executive Directors. The

Remuneration Committee's members are John Cresswell (Chair), Gillian Sheldon, Andrew Williams, Baroness Lucy Neville-Rolfe and Matthew Lester.

Disclosure Committee

The Disclosure Committee is responsible for the identification and management of the Company's inside information for the purposes of MAR, including any decision to delay public disclosure of such inside information. The Disclosure Committee is made up from time to time of any two of the Non-Executive Directors (which includes the Chairman), together with Capita's Executive Director for Corporate Development.

10 Directors' interests in, and awards and options over, Shares

10.1 Save as disclosed in this paragraph 10, no Director or Senior Manager has any interests (beneficial or non-beneficial) in the share capital of the Company or any of its subsidiaries.

10.2 The interests of the Directors and Senior Managers, and a person closely associated (within the meaning of MAR) with a Director or Senior Manager, in the share capital of the Company (all of which, unless otherwise stated, are beneficial) on 20 April 2018 (being the latest practicable date prior to the date of this document) and as they are expected to be immediately following the Rights Issue (assuming: (i) full take-up by the Directors and the Senior Managers of their entitlements under the Rights Issue (but no further subscription of Shares by them under the Rights Issue), other than in relation to Shares held under the Share Incentive Plan, where Cashless Take-up is assumed; and (ii) no Shares are issued to satisfy the vesting of awards or the exercise of options under the Employee Share Plans between the date of this document and Admission becoming effective), are as follows:

	Shares beneficially held at 20 April 2018 ⁽¹⁾		Shares beneficially held immediately following the Rights Issue	
	No.	%	No.	%
Directors				
Sir Ian Powell	8,400	0.00	29,000	0.00
Jonathan Lewis	369	0.00	236,949	0.00
Nick Greatorex	21,495	0.00	53,787	0.00
Gillian Sheldon	3,000	0.00	9,500	0.00
John Cresswell	3,000	0.00	10,500	0.00
Matthew Lester	8,698	0.00	21,745	0.00
Baroness Lucy Neville-Rolfe	0	0.00	9,441	0.00
Andrew Williams	10,000	0.00	55,000	0.00
Senior Managers				
Chris Baker	0	0.00	4,720	0.00
Erika Bannerman	0	0.00	23,602	0.00
Mike Barnard	4,911	0.00	31,159	0.00
Mark Brown	1,234	0.00	26,687	0.00
Garry Dryburgh	369	0.00	48,127	0.00
Rupert Green	0	0.00	47,205	0.00
Joe Hemming	0	0.00	23,602	0.00
Will Serle	0	0.00	9,441	0.00
Steve Sharp	1,648	0.00	27,722	0.00
Jim Vincent	0	0.00	18,882	0.00

Note:

(1) Includes Shares held under the Share Incentive Plans.

10.3 Taken together, the combined percentage interest of the Directors and Senior Managers in the issued ordinary share capital of the Company as at 20 April 2018 (being the latest practicable date before the publishing of this document) was approximately 0.01 per cent.

10.4 As at 20 April 2018 (being the latest practicable date prior to the date of this document), the awards and options held by the Directors and Senior Managers (as well as their immediate families) over the share

capital of the Company or (so far as is known or could with reasonable due diligence be ascertained by the relevant Director or Senior Manager) interests of a person closely associated (within the meaning of MAR) with a Director or Senior Manager and the existence of which was known to or could, with reasonable diligence, be ascertained by the Directors or Senior Managers as at 20 April 2018 (being the latest practicable date prior to publication of this document) is as follows:

Name	Date of grant	Plan	Shares subject to award/option	Option exercise price (£)	Market Price at date of award (£)	Vested or unvested	Exercise period/ vesting date
Executive Directors							
Nick Grestorex	27/02/15	LTIP	73,666	0	11.81	Unvested	3 years from grant for 3 months ⁽¹⁾
	26/02/16	LTIP	100,786	0	10.17	Unvested	3 years from grant for 12 months ⁽¹⁾
	02/03/17	LTIP	163,274	0	5.65	Unvested	3 years from grant for 12 months ⁽¹⁾
	26/02/16	DAB	17,109	0	10.17	Unvested	3 years from grant for 12 months
Senior Managers							
Chris Baker	08/03/17	LTIP	52,124	0	5.18	Unvested	3 years from grant for 12 months ⁽¹⁾
Erika Bannerman . . .	30/10/17	LTIP	38,095	0	5.25	Unvested	3 years from grant for 12 months ⁽¹⁾
Mike Barnard	27/02/15	LTIP	46,571	0	11.81	Unvested	3 years from grant for 3 months ⁽¹⁾
	26/02/16	LTIP	54,080	0	10.17	Unvested	3 years from grant for 12 months ⁽¹⁾
	08/03/17	LTIP	29,862	0	5.18	Unvested	3 years from grant for 12 months ⁽¹⁾
	08/03/17	LTIP	59,725	0	5.18	Unvested	3 years from grant for 12 months ⁽¹⁾
Mark Brown	27/02/15	LTIP	12,000	0	11.81	Unvested	3 years from grant for 3 months ⁽¹⁾
	26/02/16	LTIP	10,000	0	10.17	Unvested	3 years from grant for 12 months ⁽¹⁾
	08/03/17	LTIP	21,450	0	5.18	Unvested	3 years from grant for 12 months ⁽¹⁾
Garry Dryburgh	—	—	—	—	—	—	—
Rupert Green	—	—	—	—	—	—	—
Joe Hemming	26/02/16	LTIP	54,080	0	10.17	Unvested	3 years from grant for 12 months ⁽¹⁾
	08/03/17	LTIP	55,019	0	5.18	Unvested	3 years from grant for 12 months ⁽¹⁾
Steve Sharp	27/02/15	LTIP	46,571	0	11.81	Unvested	3 years from grant for 3 months ⁽¹⁾
	26/02/16	LTIP	54,080	0	10.17	Unvested	3 years from grant for 12 months ⁽¹⁾
	08/03/17	LTIP	59,725	0	5.18	Unvested	3 years from grant for 12 months ⁽¹⁾
Will Serle	—	—	—	—	—	—	—
Jim Vincent	27/02/15	LTIP	46,571	0	11.81	Unvested	3 years from grant for 3 months ⁽¹⁾
	26/02/16	LTIP	54,080	0	10.17	Unvested	3 years from grant for 12 months ⁽¹⁾
	08/03/17	LTIP	86,680	0	5.18	Unvested	3 years from grant for 12 months ⁽¹⁾

Note:

(1) Subject to satisfaction of performance conditions.

11 Significant Shareholders

Insofar as the Company has been notified under the Disclosure Guidance and Transparency Rules and MAR, the name of each person who, directly or indirectly, has an interest in 3 per cent. or more of the Company's

issued share capital, and the amount of such person's interest, as at 18 April (being the latest practicable date prior to the publication of this document) are as follows:

	<u>Ordinary shares</u>	<u>Percentage</u>
Beneficial owner		
Major shareholders		
Veritas Asset Management LLP ⁽¹⁾	89,035,975	13.34
Woodford Investment Management LLP	66,758,754	10.00
Investec Asset Management Ltd	63,080,896	9.45
Invesco Ltd.	60,574,558	9.08
BlackRock, Inc.	44,104,108	6.61
Veritas Funds PLC	22,127,050	3.32
Marathon Asset Management LLP	21,694,771	3.25
Vanguard Group	20,654,592	3.09

Note:

(1) This includes the holding of Veritas Funds PLC.

So far as the Company is aware, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government or any other natural or legal person, severally or jointly.

None of the major Shareholders referred to above has different voting rights from other Shareholders.

So far as the Company is aware, immediately following the Rights Issue, the interests of those persons set out above with an interest in 3 per cent. or more of the Company's issued share capital (assuming: (a) full take-up by such persons of their entitlements under the Rights Issue; and (b) that no Shares are issued to satisfy the vesting of awards or the exercise of options under the Employee Share Plans between the date of this document and Admission becoming effective) will be as follows:

	<u>Ordinary shares</u>	<u>Percentage</u>
Beneficial owner		
Major shareholders		
Veritas Asset Management LLP ⁽¹⁾	222,589,937	13.32
Woodford Investment Management LLP	166,896,885	9.99
Investec Asset Management Ltd	157,702,240	9.44
Invesco Ltd.	151,436,395	9.06
BlackRock, Inc.	110,260,270	6.60
Veritas Funds PLC	55,317,625	3.31
Marathon Asset Management LLP	54,236,927	3.25
Vanguard Group	51,636,480	3.09

Note:

(1) This includes the holding of Veritas Funds PLC.

12 Directors' Service Agreements and Letters of Appointment

Executive Directors

Any payments made to an Executive Director on termination of his or her service agreement will be subject to the Company's remuneration policy as approved by the Shareholders from time to time.

Jonathan Lewis

Jonathan is employed as Chief Executive Officer under a service agreement with the Company which took effect on 1 December 2017. He is entitled to a base salary of £725,000 per annum, fixed for three years. Jonathan's salary will be reviewed in the last quarter of 2020 and may, at the Company's sole discretion, be increased with effect from 1 January 2021. Jonathan is eligible to participate in the LTIP and annual performance related bonus plan with a maximum bonus opportunity of 200 per cent. of salary earned during the year, half of which will be paid in cash and half in shares, and he is eligible to be considered for an award under incentive plans operated by the Company from time to time. Jonathan's current LTIP award will be over shares worth 300 per cent. of salary earned during the year. The timing and conditions of any incentive

award(s) shall be at the discretion of the Remuneration Committee. Jonathan is entitled to 27 days' paid holiday per annum (in addition to public and statutory holidays in England and Wales). The Company pays Jonathan an annual taxable cash payment in lieu of his pension allowance equal to 5 per cent. of his base salary. He also receives a taxable non-pensionable car allowance, private health insurance, life insurance and access to other insurance schemes operated by the Company for himself, his spouse and his children, alongside a contribution of £5,000 towards the cost of an annual health assessment.

Jonathan's service agreement is terminable by the Company giving 12 months' notice to terminate or by Jonathan giving 12 months' notice to terminate. Alternatively, the Company may terminate his employment by making a payment in lieu of notice of a sum equal to 12 months' base salary and the value of contractual benefits and allowances (excluding bonus) in lieu of any unexpired period of notice. The Company may pay such payment in lieu of notice in equal monthly instalments. Jonathan will be under an obligation to seek alternative income during his notice period and must notify the Company of any income so received. Any outstanding monthly instalment(s) shall be reduced by the amount of any such alternative income. His service agreement contains a garden leave clause.

Nick Greatorex

Nick is employed as Chief Financial Officer under an executive employment agreement with the Company dated 10 January 2011. He is entitled to a salary of £410,000 per annum, which will be reviewed at the end of 2018. Nick is eligible to participate in an annual performance related bonus plan with a maximum bonus opportunity of 200 per cent. of salary earned during the year, half of which will be paid in cash and half in shares, and he is eligible to be considered for an award under incentive plans operated by the Company from time to time. The timing, size and conditions of any incentive award(s) shall be at the discretion of the Remuneration Committee.

Nick is entitled to 27 days' paid holiday per annum (in addition to public and statutory holidays in England and Wales). He receives a car allowance, private medical insurance and income protection insurance. The Company pays Nick an annual taxable pension allowance equal to 5 per cent. of his base salary.

Nick's employment agreement is terminable by the Company giving 12 months' notice to terminate or by Nick giving 12 months' notice to terminate or immediately upon payment in lieu of notice. Nick's contract permits for payment in lieu of all or part of the required notice period to be made at the Company's discretion, but there is no prescribed methodology for calculating such payment in lieu or applying mitigation. His service agreement contains a garden leave clause.

Non-Executive Directors

The appointments of all of the Non-Executive Directors may be terminated in accordance with the provisions of the Articles. The Non-Executive Directors are not entitled to receive any compensation on termination of their appointments (save for notice, where due). The Company will reimburse each Non-Executive Director for reasonable expenses properly incurred by them in performing their duties. The Company has customary directors' and officers' indemnity insurance in place in respect of each Non-Executive Director.

The following letters of appointment have been entered into with the Non-Executive Directors:

Chairman

Sir Ian Powell

Sir Ian's appointment as Chairman is subject to the terms of a letter of appointment agreed between him and the Company under which his appointment as Non-Executive Chairman Designate took effect from 1 September 2016, and his appointment as Chairman from 1 January 2017, for an initial term of three years. At the end of this term there will be an opportunity to review the arrangements of Sir Ian's appointment.

Sir Ian is entitled to an annual fee of £325,000 (or such higher amount as the Company may from time to time determine) in respect of his role as Chairman, for a time commitment of up to two days per week on average, which is inclusive of preparation time for each meeting.

Sir Ian is subject to confidentiality undertakings without limitation in time.

Sir Ian is subject to annual re-election by the Company in its AGM. His appointment may be terminated by either him or the Company at any time upon one month's written notice. The appointment may also be terminated pursuant to the Articles of Association of the Company.

Other Non-Executive Directors

Gillian Sheldon

Gillian has a letter of appointment with the Company under which her appointment as Non-Executive Director of the Company took effect from 1 September 2012. Gillian receives an annual fee of £75,000 for her role as Senior Independent Director, to which she was appointed on 1 January 2013.

Gillian's initial appointment was extended on 14 December 2015 for a further three-year term to 31 August 2018, subject to annual re-election at each intervening AGM. Gillian's appointment may be terminated by either her or the Company at any time upon one month's written notice, in which case the Company would pay her fees and any expenses up to the date on which her appointment terminates. The appointment may also be terminated pursuant to the Articles of Association of the Company.

John Cresswell

John has a letter of appointment with the Company under which his appointment as a Non-Executive Director of the Company took effect from 7 November 2015. John receives an annual fee of £64,500 in respect of his roles as a Non-Executive Director and Chair of the Remuneration Committee.

John's appointment is for an initial term of three years, which will end on 16 November 2018, subject to annual re-election at each intervening AGM. John's appointment may be terminated by either him or the Company at any time upon one month's written notice, in which case the Company would pay his fees and any expenses due up to the date on which his appointment terminates. The appointment may also be terminated pursuant to the Articles of Association of the Company.

Matthew Lester

Matthew has a letter of appointment with the Company under which his appointment as a Non-Executive Director took effect from 1 March 2017 and his appointment as Chair of the Audit and Risk Committee from 1 June 2017. Matthew receives an annual fee of £64,500 in respect of these roles.

Matthew's appointment is for an initial term of three years, which will end on 28 February 2020, subject to annual re-election at each intervening AGM. Matthew's appointment may be terminated by either him or the Company at any time upon one month's written notice, in which case the Company would pay his fees and any expenses due up to the date on which his appointment terminates. The appointment may also be terminated pursuant to the Articles of Association of the Company.

Baroness Lucy Neville-Rolfe DBE CMG

Baroness Neville-Rolfe has a letter of appointment with the Company under which her appointment took effect from 6 December 2017. Baroness Neville-Rolfe receives an annual fee of £64,500 for her role as a Non-Executive Director.

Baroness Neville-Rolfe's appointment is for an initial term of three years, which will end on 5 December 2020, subject to annual re-election at each intervening AGM. Her appointment may be terminated by either her or the Company at any time upon one month's written notice, in which case the Company would pay her fees and any expenses due up to the date on which her appointment terminates. The appointment may also be terminated pursuant to the Articles of Association of the Company.

Andrew Williams

Andrew has a letter of appointment with the Company under which his appointment took effect from 1 January 2015. Andrew receives an annual fee of £64,500 for his role as a Non-Executive Director.

Andrew's appointment was extended on 30 November 2017 for a second three-year term to 31 December 2020, subject to annual re-election at each intervening AGM. Andrew's appointment may be terminated by either him or the Company at any time upon one month's written notice, in which case the Company would pay his fees and any expenses due up to the date on which his appointment terminates. The appointment may also be terminated pursuant to the Articles of Association of the Company.

13 Directors' Remuneration

13.1 The amount of remuneration paid (including any contingent or deferred remuneration) and benefits in kind granted to those individuals who, during the year ended 31 December 2017, were directors of the Company for services in all capacities relating to Capita is as follows:

	Salaries/ total fees ⁽¹⁾⁽²⁾⁽³⁾	Bonus	Taxable benefits	LTIP vesting in year	All-employee schemes	Pensions and allowances ⁽⁴⁾	Total
Executive Directors							
Jonathan Lewis	60,417	0	41,216	0	0	3,021	104,654
Nick Greatorex	454,048	0	29,884	0	0	20,500	504,432
Non-Executive Directors							
Sir Ian Powell	325,000	0	216	0	0	0	325,216
Gillian Sheldon	75,000	0	216	0	0	0	75,216
John Cresswell	64,500	0	216	0	0	0	64,716
Matthew Lester	53,750	0	216	0	0	0	53,966
Baroness Lucy Neville-Rolfe .	4,607	0	0	0	0	0	4,607
Andrew Williams	64,500	0	0	0	0	0	64,500
Total	1,101,822	0	71,964	0	0	23,521	1,197,307

Notes:

- (1) Jonathan Lewis was appointed on 1 December 2017. The above amounts are in respect of the period from this date onwards.
- (2) Baroness Lucy Neville-Rolfe was appointed on 6 December 2017. The above amounts are in respect of the period from this date onwards.
- (3) Matthew Lester was appointed on 1 March 2017. The above amounts are in respect of the period from this date onwards.
- (4) Nick Greatorex was appointed interim CEO in respect of the period from 16 September 2017 to 30 November 2017 and was paid an allowance of £12,500 per month in respect of his additional responsibilities up to 31 December 2017 (including a 1month handover period to Jonathan Lewis).

13.2 Save as disclosed in this Part XVIII, none of the members of the administrative, management or supervisory bodies' service contracts with the Company or any of its subsidiaries provide for benefits upon termination of employment.

14 Employee Share Plans and Share Incentive Plans

The Company currently operates a number of employee share plans, the key features of which are described below. References to "Committee" for the purposes of this paragraph 14 shall mean the Board, a duly authorised committee appointed by the Board, the Remuneration Committee of the Company, or any other duly authorised person as appropriate.

Common terms

The following features are common to each of Capita's Employee Share Plans and the Share Incentive Plans.

Operation

Awards will normally only be granted within 42 days of the announcement of the Company's results for any period. Awards are personal to the participant and may generally not be transferred or assigned. Awards are not pensionable.

The Employee Share Plans and the Share Incentive Plans may be terminated by the Company at any time and in no event may new awards be granted more than 10 years after the date the relevant plan was last approved by the Company's shareholders.

Dilution limits

In any 10-year period, not more than 10 per cent. of the issued ordinary share capital of the Company may be issued or issuable under the Employee Share Plans and Share Incentive Plans, and, in respect of the Employee Share Plans only, not more than 1 per cent. may be issued or issuable in any 12-month period. If treasury shares are used to satisfy awards, the Company will, so long as required under the guidelines of the Investment Association, count them towards the dilution limits described above.

The estimated dilution from existing awards, including executive and all-employee share awards, is approximately 4.23 per cent. of the Company's share capital as at 31 December 2017.

Settlement of awards

Awards will normally only vest or become exercisable to the extent any relevant conditions are met. On or shortly after vesting or exercise, Shares will be issued, transferred or released to the participant (subject to any holding periods). In some cases the Committee may elect to settle awards by way of a cash equivalent.

Any Shares issued following the vesting of awards or exercise of options will rank equally with Shares of the same class in issue on the date of allotment, except in respect of rights arising by reference to a prior record date.

Variation of capital

The number of Shares subject to awards (and for options, the exercise price) may be adjusted following certain variations in share capital, including a capitalisation, rights issue, open offer or bonus issue, subdivision, consolidation or reduction.

Malus and clawback

Malus and clawback provisions apply to all discretionary incentive awards granted to Executive Directors. These provisions permit the Committee to recover bonus awards for up to three years after the determination of the annual bonus and up to the fifth anniversary of the grant of LTIP awards. The potential circumstances in which malus or clawback provisions can be applied include a material misstatement of Capita's financial results, if an individual deliberately misleads relevant parties regarding financial performance or if their actions cause reputational damage or amount to serious misconduct or conduct which causes significant financial loss.

Amendment power

The Committee has the power to amend the provisions of the Employee Share Plans in any way. However, the provisions relating to: eligibility; the limits on the number of Shares which may be issued under Employee Share Plans; any individual limit; the basis for determining a participant's entitlement to Shares or cash or the adjustments of awards in the event of a variation of capital; and the amendment rule, cannot be altered to the advantage of participants without prior approval of Shareholders in general meeting (except for minor amendments to benefit the administration of Employee Share Plans, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for the Company).

14.1 The Capita Sharesave Scheme

14.1.1 Overview

The Capita Sharesave Scheme is a save-as-you-earn scheme under which employees are granted share options at the market price at the date of grant. Under the Capita Sharesave Scheme, employees are granted an option to acquire Shares in the future. Participants are required to save monthly through a contractual savings arrangement over a period of three or five years. At the end of the savings contract, the participant may either exercise the option using the savings contributions (and interest, if any) or have the savings and any accrued interest repaid. The Capita Sharesave Scheme is not currently in active use and, although it was approved by shareholders at the 2017 AGM, there is no current intention to bring it into operation.

14.1.2 Eligibility

All UK tax resident Capita employees and full-time Directors of the Company may participate in the Capita Sharesave Scheme.

14.1.3 Employee contributions

The maximum amount a participant may save monthly over the three-year or five-year period is the maximum allowed under the relevant UK tax legislation, which is currently £500 per month. The minimum amount which may be saved is £5 per month (or any other amount specified not exceeding £10, as determined by the Committee).

14.1.4 Exercise of options

Options can normally only be exercised for six months starting three or five years after the start of the savings period.

14.1.5 Performance conditions

There are no performance conditions attached to the Capita Sharesave Scheme options.

14.1.6 Cessation of employment

Options may be exercised early in certain circumstances. These include termination of employment as a result of death, injury, disability, redundancy, retirement or the sale of the subsidiary or business for which the participant works and in the event of a takeover or liquidation of the Company.

14.2 The LTIP

14.2.1 Overview

The LTIP, which includes awards made under both the 2008 plan rules (which had a lifespan of 10 years) and the 2017 plan rules which replaced them, gives participants the right to receive Shares subject to the satisfaction of conditions, which may include performance conditions and/or continued employment.

14.2.2 Eligibility

The scheme is available to all senior Capita employees (including executive directors) and shares will vest according to performance criteria and/or continued employee requirements.

14.2.3 Grant of awards

Award levels are set by the Committee according to the individual's performance and experience.

For the executive directors, vesting is dependent on the achievement of the performance conditions usually measured over a three-year period. For other participants, vesting may be dependent on continued employment only. Under the current plan rules, awards of up to three times salary (and additionally, in the case of awards made under the 2008 plan rules only, up to 165,000 shares) can be made.

14.2.4 Performance conditions

The receipt of Shares on the vesting of an award may be subject to a performance condition set by the Committee at the time of grant which will normally be tested over at least three years.

Performance conditions applying to the LTIP awards are relevant to business plan priorities and aligned with shareholder interests. The vesting of awards will depend on factors such as: (a) share price growth; (b) earnings per share growth exceeding retail price index growth by a percentage as set by the Committee; and (c) the person's banding within the LTIP.

The performance conditions applying to awards granted in 2015, 2016, 2017 and intended to apply to awards to be granted in 2018 are set out in the Directors' Remuneration Report contained within the 2017 Annual Report and Accounts.

Performance targets are reviewed annually by the Committee.

14.2.5 Cessation of employment

For entitlement to unvested LTIP shares, the rules contain discretionary provisions setting out the treatment of awards where a participant leaves for designated reasons (i.e. participants who leave early on account of injury, disability or ill health, death, a sale of their employer or business in which they were employed, statutory redundancy etc.) or any other reason at the discretion of the Committee. In these circumstances, a participant's awards will not be forfeited on cessation of employment and instead will continue to vest on the normal vesting date or earlier at the discretion of the Committee, subject to the performance conditions attached to the relevant awards. The awards will, other than in exceptional circumstances, be scaled back on a time pro-rated basis. Any Options will lapse if not exercised within 12 months after vesting.

14.2.6 Holding period, malus and clawback

The Committee can apply malus (i.e. reduce the number of Shares in respect of which an award vests) or delay the vesting of awards or correct certain errors if it considers it appropriate for a period up to the fifth anniversary of the date the award was granted in the event of a materially adverse misstatement of the Company's financial statements, if an individual deliberately misleads relevant parties in relation to financial performance, if their actions cause reputational damage or amount to serious misconduct or conduct which causes significant financial loss, or where there have been overpayments due to material abnormal write-offs of an exceptional basis not included in the normal underlying profit before tax or earnings per share calculations.

Additionally, the LTIP allows awards to be subject to clawback provisions as determined by the Committee, which shall be up to the fifth anniversary of the date the award was granted. Clawback allows the Committee to require repayment (in Shares or cash) of amounts previously delivered under the LTIP in the event of a materially adverse misstatement of the Company's financial statements, if an individual deliberately misleads relevant parties in relation to financial performance, if their actions cause reputational damage or amount to serious misconduct or conduct which causes significant financial loss, or where there have been overpayments due to material abnormal write-offs of an exceptional basis not included in the normal underlying profit before tax or earnings per share calculations.

14.2.7 Change of control

In the event of a change of control, all unvested LTIP awards would vest, to the extent that any performance conditions attached to the relevant awards have been achieved. The LTIP awards will, other than if the Committee determines otherwise, be scaled back pro rata for the proportion of the performance period worked by the Director prior to the change of control. Any options would be exercisable for one month before lapsing.

14.3 The Deferred Annual Bonus Plan (the "DAB Plan")

14.3.1 Overview

The DAB Plan comprises two plans, approved by shareholders at Capita plc 2010 and 2017 AGMs, each consisting of two elements: (a) a deferred element of an individual's bonus; and (b) a matching award. Both plans operate on substantially the same terms, as set out below. The DAB Plan is designed to focus the participants on delivery of the business plan for the financial year. Under the DAB Plan, 50 per cent. of any bonus earned is normally delivered in shares deferred for three years under the DAB Plan (the "Deferred Shares"), with the remainder delivered in cash or Deferred Shares at the participant's discretion.

14.3.2 Eligibility

This scheme is operated in respect of the Executive Directors.

14.3.3 Grant of deferred awards

Awards will normally only be granted within 42 days of the announcement of the Company's results for any period and may be subject to any performance conditions beyond those that apply to the calculation of the bonus.

14.3.4 Matching awards

Matching awards are awarded at a ratio of a maximum of two shares for each gross share awarded under the deferred award. Matching awards vest after a three-year holding period (although the rules allow grants to be made in accordance with the timing of bonus entitlements) to the extent to which performance criteria have been met. No matching awards have been made since 2014 and it is not planned to award any further matching awards under the DAB Plan.

14.3.5 Performance condition

Performance conditions are set by the Committee with Executive Directors' performance measured over a one-year period relative to targets for selected measures of Capita's financial, strategic or individual performance. The majority of the award will be determined by measures of Capita's financial performance. The performance measures are reviewed annually to ensure that the bonus opportunities continue to support Capita's business plan. Targets are set at the start of each financial year.

14.3.6 Cessation of employment

The Deferred Shares are not forfeitable during the three years in which they are held after award, except in cases of dismissal for gross misconduct.

14.3.7 Change of control

Unvested Deferred Shares would vest in the event of a change of control.

14.3.8 Holding period, malus and clawback

Malus and clawback provisions apply to all annual bonus and DAB Plan awards for a period of up to three years after the determination of the annual bonus.

14.4 The Share Incentive Plans (“SIPs”)

14.4.1 Overview

The SIPs, also known as “buy as you earn” schemes, are schemes under which employees are able to purchase a certain number of Shares each month which are then subject to matching awards made by the Company in proportion to the number of Shares purchased. The SIPs are subject to a minimum monthly investment of £5 per month and a maximum monthly investment of £150 per month, provided that the amount does not exceed 10 per cent. of the participating employee’s pre-tax salary. Contributions are deducted each month from participating employees’ pre-tax salary and may be amended at any time.

14.4.2 Eligibility

All employees of the Company and any participating company are eligible. Eligible employees may join the scheme at any time.

14.4.3 Partnership Shares

Eligible employees may be offered the opportunity to purchase Shares out of their pre-tax salary up to the maximum permitted under the SIPs (currently £150 per month, or 10 per cent. of the eligible employee’s pre-tax salary, if less) (the “Partnership Shares”). The SIPs also have a minimum deduction for participating employees of £5 per month. At the end of each month the contributions are applied to purchase the maximum number of whole Partnership Shares. Any cash amounts remaining are carried over towards the following month’s contribution.

Partnership Shares may be withdrawn from the SIPs by participating employees at any time after they have been purchased and are not subject to any forfeiture provisions.

14.4.4 Matching Shares

Where participating employees acquire Partnership Shares they will be awarded additional shares by the Company on a matching basis, currently three Shares for every 20 Partnership Shares (the “Matching Shares”).

Each award of Matching Shares is subject to a holding period of not less than three years, subject to certain exceptions, nor more than five years from the date of the award. Subject to certain exceptions, where a participating employee leaves the Company within three years of the date of the award of Matching Shares, that employee will forfeit a proportion of those Matching Shares. Forfeiture provisions will not apply where the participating employee leaves the Company under special circumstances, including that employee’s injury, disability, redundancy, retirement, death or sale outside the Group of the employee’s employer or business.

14.4.5 Dividend Shares

Participating employees may decide that some or all of the cash dividends paid in respect of Shares held in the SIPs should be reinvested in the purchase of additional shares (the “Dividend Shares”). Dividend Shares are not subject to forfeiture provisions.

14.4.6 Leavers

In general, and subject to any applicable forfeiture provisions, if a participating employee leaves employment with the Company or other participating company within Capita, they will no longer be eligible to participate in the SIPs and will not be eligible for any further Partnership Shares or Matching Shares after any existing contributions have been used to acquire Partnership Shares under the terms of the SIPs.

15 Subsidiaries and Corporate Structure

15.1 Corporate Structure

The Company was incorporated in 1986 and is the ultimate parent company of the Group, which comprises the Company and its subsidiary undertakings.

15.2 Significant Subsidiary and Associated Undertakings

The significant subsidiary and associated undertakings of the Company are described on pages 192 and 196 - 200 of the 2017 Annual Report and Accounts. During the period from 31 December 2017 to 20 April 2018 (being the latest practicable date prior to the date of this document), no new significant subsidiaries or subsidiary undertakings were acquired. One subsidiary, Supplier Assessment Services Limited, was incorporated in the United Kingdom as a wholly-owned subsidiary of the Company. Supplier Assessment Services Limited serves as a holding company.

16 Pension Schemes

In relation to the last full financial year, save as described in paragraph 13 and 14 above, there are no amounts set aside or accrued by the Company to provide pension, retirement or similar benefits to the Directors and Senior Managers.

17 Banking Facilities, Private Placement Notes and Euro Global Notes

The Debt Facility Agreement

On 1 May 2014, the Company and certain of its subsidiaries entered into a £100 million credit facility agreement (the “Debt Facility”) with Sumitomo Mitsui Banking Corporation, Brussels Branch, as amended and restated on 24 September 2014 and 5 November 2015 and as amended on 13 June 2017 (the “Debt Facility Agreement”). The Debt Facility Agreement was entered into for general corporate purposes.

The Debt Facility is arranged as a single utilisation term loan facility. The Debt Facility terminates on 6 May 2019 and any amounts outstanding under the Debt Facility must be repaid in full on that date. Any part of the loan made under the Debt Facility may be voluntarily prepaid prior to 6 May 2019 subject to a minimum repayment amount of £5 million.

The interest rate under the Debt Facility Agreement is equal to the aggregate of the applicable margin plus LIBOR. The margin is determined by reference to the Company’s ratio of consolidated total net borrowings to adjusted consolidated EBITDA, and is between 1.00 per cent. and 1.55 per cent. per annum, subject to a set margin of 1.55 per cent. per annum in the event that the Company is in default of its obligation to provide a compliance certificate or relevant financial statements or an event of default is outstanding.

The Debt Facility Agreement contains certain financial covenants, including the following:

- (a) the Company’s Net Debt Ratio must not exceed 3.5x; and
- (b) the Company must maintain a Net Finance Cost Ratio of not less than 4.0x.

The Debt Facility Agreement contains certain events of default customary for financings of this nature, including payment defaults, breach of financial covenants, breach of other obligations, breach of representations and warranties, cross-default, insolvency (or analogous event), cessation of business, creditors’ processes, illegality, repudiation, guarantor default, acceleration and material adverse change.

Revolving Credit Facility

On 8 August 2014, the Company entered into a £600 million credit facility agreement, as amended and restated on 5 November 2015 and as amended on 13 June 2017 (the “Revolving Credit Facility”), with a syndicate of nine banks as original lenders (the “Revolving Credit Facility Agreement”).

The Revolving Credit Facility Agreement was entered into for general corporate purposes, including refinancing the Company's previous £425 million revolving credit facility dated 17 December 2010.

The Revolving Credit Facility is a multicurrency revolving loan facility up to a total amount of £600 million. The Revolving Credit Facility terminates on 8 August 2021. The Revolving Credit Facility is currently undrawn.

Under the terms of the Revolving Credit Facility Agreement, the borrower may voluntarily prepay any part of a loan made under the Revolving Credit Facility prior to the termination date, subject to a requirement that the prepayment reduces the base currency amount of the loan by a minimum of £5 million.

The interest rate under the Revolving Credit Facility Agreement is equal to the aggregate of the applicable margin plus LIBOR or EURIBOR. The margin is determined by reference to the Company's ratio of consolidated total net borrowings to adjusted consolidated EBITDA and is between 0.40 per cent. and 1.15 per cent. per year, subject to a set margin of 1.15 per cent. per annum in the event that the Company is in default of its obligation to provide a compliance certificate or relevant financial statements or an event of default is outstanding.

The Revolving Credit Facility Agreement contains certain financial covenants, including the following:

- (a) the Company's Net Debt Ratio must not exceed 3.5x; and
- (b) the Company must maintain a Net Finance Cost Ratio of not less than 4.0x.

The Revolving Credit Facility Agreement contains certain events of default customary for financings of this nature, including payment defaults, breach of financial covenants, breach of other obligations, breach of representations and warranties, cross-default, insolvency (or analogous event), cessation of business, creditors' processes, illegality, repudiation, guarantor default, acceleration and material adverse change.

The Private Placement Notes

Capita periodically issues private placement notes through its subsidiary, Capita Holdings Limited, which are guaranteed by Capita plc, denominated in pounds sterling or US dollars (the "US Private Placement Notes"), to institutional investors (the "Noteholders"). The terms and conditions of each of the US Private Placement Notes are broadly similar and contain mostly standard private placement market terms. Capita Holdings Limited has issued the following US Private Placement Notes:

- pursuant to a note purchase and guaranty agreement dated 15 September 2008 (as amended), US\$80,000,000 6.04 per cent. Series A Guaranteed Senior Unsecured Notes due 13 September 2015, US\$256,000,000 6.51 per cent. Series B Guaranteed Senior Unsecured Notes due 13 September 2018 and £32,000,000 7.187 per cent. Series C Guaranteed Senior Unsecured Notes due 13 September 2015 (the "2008 Note Purchase Agreement");
- pursuant to a note purchase and guaranty agreement dated 30 June 2010 (as amended), US\$50,000,000 4.15 per cent. Series A Guaranteed Senior Unsecured Notes due 30 June 2017, US\$250,000,000 4.80 per cent. Series B Guaranteed Senior Unsecured Notes due 30 June 2020 and £50,000,000 4.78 per cent. Series C Guaranteed Senior Unsecured Notes due 30 June 2020 (the "2010 Note Purchase Agreement");
- pursuant to a note purchase and guaranty agreement dated 20 January 2011 (as amended), £50,000,000 4.85 per cent. Series A Guaranteed Senior Unsecured Notes due 22 July 2019 and US\$80,000,000 4.65 per cent. Series B Guaranteed Senior Unsecured Notes due 22 July 2019 (the "First 2011 Note Purchase Agreement");
- pursuant to a note purchase and guaranty agreement dated 19 July 2011 (as amended), US\$40,000,000 3.72 per cent. Series A Guaranteed Senior Unsecured Notes due 19 July 2018, US\$236,000,000 4.50 per cent. Series B Guaranteed Senior Unsecured Notes due 19 July 2021 and £35,000,000 4.76 per cent. Series C Guaranteed Senior Unsecured Notes due 19 July 2021 (the "Second 2011 Note Purchase Agreement");
- pursuant to a note purchase and guaranty agreement dated 26 July 2011 (as amended), US\$50,000,000 4.75 per cent. Guaranteed Senior Unsecured Notes due 26 July 2021 (the "Third 2011 Note Purchase Agreement");

- pursuant to a note purchase and guaranty agreement dated 30 September 2013 (as amended), £75,000,000 3.73 per cent. Guaranteed Senior Unsecured Notes due 30 September 2020 (the “2013 Note Purchase Agreement”);
- pursuant to a note purchase and guaranty agreement dated 18 November 2014 (as amended), US\$40,000,000 3.33 per cent. Series A Guaranteed Senior Unsecured Notes due 22 January 2022, US\$65,000,000 3.43 per cent. Series B Guaranteed Senior Unsecured Notes due 22 April 2022, £25,000,000 3.26 per cent. Series C Guaranteed Senior Unsecured Notes due 22 January 2022, US\$53,000,000 3.45 per cent. Series D Guaranteed Senior Unsecured Notes due 22 January 2023, US\$98,500,000 3.65 per cent. Series E Guaranteed Senior Unsecured Notes due 22 January 2025, £10,000,000 3.54 per cent. Series F Guaranteed Senior Unsecured Notes due 22 January 2025, £30,000,000 3.67 per cent. Series G Guaranteed Senior Unsecured Notes due 22 April 2025, US\$37,000,000 3.80 per cent. Series H Guaranteed Senior Unsecured Notes due 22 January 2027 and £32,000,000 3.58 per cent. Series I Guaranteed Senior Unsecured Notes due 22 January 2027 (the “2014 Note Purchase Agreement”); and
- pursuant to a note purchase and guaranty agreement dated 27 October 2016 (as amended), US\$25,000,000 3.03 per cent. Series A Guaranteed Senior Unsecured Notes due 27 October 2021, £48,500,000 2.18 per cent. Series B Guaranteed Senior Unsecured Notes due 27 October 2021, US\$24,000,000 3.37 per cent. Series C Guaranteed Senior Unsecured Notes due 27 October 2023, £37,000,000 2.52 per cent. Series D Guaranteed Senior Unsecured Notes due 27 October 2023, US\$26,000,000 3.59 per cent. Series E Guaranteed Senior Unsecured Notes due 27 October 2026 and £25,000,000 2.77 per cent. Series F Guaranteed Senior Unsecured Notes due 27 October 2026 (the “2016 Note Purchase Agreement”),

(together the “Note Purchase Agreements”).

Interest

Interest under the US Private Placement Notes is payable by Capita Holdings Limited semi-annually in arrears.

Covenants and events of default

The Note Purchase Agreements require the Company to observe (and, in some cases, to ensure that certain subsidiaries observe) and, in some cases, Capita Holdings Limited to observe certain customary undertakings, including (among others) transactions with affiliates, mergers, consolidations and sales of assets, limitations on subsidiary debt, negative pledge and economic sanctions. The Note Purchase Agreements also require the Company to comply (and to ensure that certain subsidiaries comply) with certain customary negative covenants.

Each of the Note Purchase Agreements requires Capita to comply with two principal financial covenants:

- the Company’s Net Debt Ratio must not exceed 3.0x, provided that Capita may raise this ratio to 3.5x for up to two consecutive testing dates in certain circumstances; and
- the Company must maintain a Net Finance Cost Ratio of not less than 4.0x.

Additionally, the 2014 Note Purchase Agreement and the 2016 Note Purchase Agreement provide that, from and after the date that there is no longer any indebtedness outstanding under the Note Purchase Agreements other than the 2014 Note Purchase Agreement and the 2016 Note Purchase Agreement, at the end of each Measurement Period, the Company’s Net Debt Ratio must not exceed 3.5x.

The Note Purchase Agreements contain customary events of default:

- certain defaults (including, *inter alia*, insolvency or other analogous events) shall result in the US Private Placement Notes becoming immediately due and payable in full;
- a default in the payment by the borrower of any amount of interest or principal or make-whole amount due under any Note Purchase Agreement shall permit any Noteholder(s) under that Note Purchase Agreement to give notice declaring all notes held by it or them to be immediately due and payable;
- any other continuing default under any Note Purchase Agreement shall permit any Noteholder(s) holding more than $66\frac{2}{3}$ per cent. in principal amount of the notes under the affected Note Purchase Agreement to give notice declaring all notes issued under that Note Purchase Agreement to be immediately due and payable.

Any amounts payable as a result of a default as described above shall include the payment of all accrued and unpaid interest and a make-whole amount (if applicable).

The cross-default provision in the Note Purchase Agreements (other than the 2014 Note Purchase Agreement and the 2016 Note Purchase Agreement) contains a threshold figure of £20 million (or its equivalent in any other currency). The cross-default provision in the 2014 Note Purchase Agreement and the 2016 Note Purchase Agreement contains a threshold figure of £50 million (or its equivalent in any other currency).

Prepayment and make-whole

The US Private Placement Notes may be prepaid at any time in whole or in part (subject to a minimum amount of US\$5 million or, in the case of the pounds sterling denominated notes issued under the 2013 Note Purchase Agreement, the 2014 Note Purchase Agreement and the 2016 Note Purchase Agreement, £5,000,000) at par plus all accrued and unpaid interest plus a market make-whole premium, if any.

The make-whole amount is an amount intended to compensate investors for the difference in expected yield on the US Private Placement Notes to the yield if the principal is received earlier than scheduled and the reinvestment yield is lower than the interest rate that the US Private Placement Notes typically have. A make-whole would typically be payable if the reinvestment yields have gone down between the time of the initial placement of the US Private Placement Notes and the date of the prepayment. In general terms, the make-whole premium will be equal to the difference (but not less than zero) between (a) the present value of the remaining principal payments on the principal amount to be prepaid, discounted at a rate equal to the yield on the most actively-traded on the run US treasury note (or, in the case of pounds sterling denominated notes (other than certain swapped notes under the 2014 Note Purchase Agreement and the 2016 Note Purchase Agreement, which may have additional costs to compensate investors for any losses they incur upon the breakage or modification of their swaps), the actively-traded on the run UK gilt securities which most closely matches the maturity of the Private Placement Notes) plus 50 basis points and (b) the principal amount of the US Private Placement Notes to be prepaid.

The US Private Placement Notes are not subject to required prepayments prior to the final maturity date except in connection with a change of control or due to acceleration on event of default.

Amendments to the US Private Placement Notes

On 20 April 2018, Capita agreed the following with the Noteholders under its US Private Placement Notes:

- introduction of a minimum basket size of £50 million in relation to subsidiary indebtedness and permitted liens, and £100 million in respect of bonds and guarantees in line with the corresponding baskets under Capita's other financing arrangements;
- certain restructuring costs to be excluded from the calculation of the covenant test, and certain assets to be excluded from the restrictions on disposals; and
- the flexibility to increase the Net Debt Ratio under the terms of the US Private Placement Notes from 3.0x to 3.5x if Capita would otherwise breach the covenant as a result of first-year losses from significant new contract wins as a result of the adoption of IFRS 15.

In return for these amendments to the terms of the US Private Placement Notes, the noteholders received the following undertakings:

- to prepay £150 million principal of the US Private Placement Notes (plus an estimated make-whole payment of £7 million) from the proceeds of the Rights Issue;
- to apply 50 per cent. of the net proceeds from future disposals to the prepayment of principal of the US Private Placement Notes, with payment of make-whole, until such time as an estimated £315 million of US Private Placement Notes have been pre-paid;
- to pay a coupon uplift of 75 basis points, representing approximately £5 million of incremental costs through 2018; and
- to commit not to make individual acquisitions for more than £10 million of consideration and, in aggregate, not to make acquisitions for more than £50 million of consideration.

The coupon uplift and restrictions on acquisitions and disposals will remain in place until Capita has repaid a total of £520 million in principal (approximately £205 million of which represents notes due to mature in July and September 2018) under the US Private Placement Notes and satisfies a one-time only test of leverage being

less than 1.5x at the end of a testing period and for two further periods on a look-forward basis. The Noteholders have also agreed to afford Capita a limited ability to include the benefit of expected Rights Issue proceeds in the covenant measure of net debt in the event of the proceeds not being received by 30 June 2018.

The European Global Notes

Capita has issued certain private placement notes denominated in Euros (the “Euro Global Notes”) to institutional investors (the “Euro Noteholders”). The terms and conditions of each of the Euro Global Notes (as defined below) are broadly identical and contain standard market terms. Capita has issued the following Euro Global Notes:

- pursuant to a global note dated 10 November 2015 (as amended), EUR230,000,000 2.125 per cent. Fixed Rate Bearer Notes due 10 November 2022 in the form of 2,300 notes with denomination of EUR100,000 each (the “First Euro Global Note”); and
- pursuant to a global note dated 10 November 2015 (as amended), EUR60,000,000 2.875 per cent. Fixed Rate Bearer Notes due 10 November 2027 in the form of 600 notes with denomination of EUR100,000 each (the “Second Euro Global Note”),

(together the “Euro Global Notes”).

Interest

Interest under the Euro Global Notes is payable by Capita plc annually in arrears on 10 November of each year or, if that day is not a business day, the immediately following business day.

Covenants and events of default

The Euro Global Notes require the Company to comply with certain customary undertakings, negative covenants and events of default.

The Euro Global Notes require Capita to comply with two principal financial covenants: (i) a maximum Net Debt Ratio of 3.5x; and (ii) a minimum Net Finance Cost Ratio of 4.0x.

The Euro Global Notes contain customary events of default which shall permit any affected Euro Noteholder to demand the immediate redemption of their Euro Global Notes in full, together with any accrued interest due up to the date of such early redemption. These include non-payment, breach of other obligations under the Euro Global Notes, cross-default, insolvency, insolvency proceedings, the commencement of creditors’ processes, repudiation, cessation of business or unpermitted disposal of guarantors.

The cross-default provision in the Euro Global Notes contains a threshold figure of £50 million (or its equivalent in any other currency).

Early redemption

Capita plc may give notice to prepay the Euro Global Notes, together with any accrued interest due up to (but excluding) the date of such early redemption, on the occurrence of any change in or amendment to the laws or regulations prevailing in the United Kingdom (which becomes effective on or after the date of issue of the Euro Global Notes), or as a result of any application or official interpretation of such laws or regulations not generally known before that date, the result of which is that withholding taxes are or will be leviable on payments of principal or interest. Any such withholding taxes are to be borne by Capita plc.

The Euro Noteholders may also require early redemption of the Euro Global Notes, together with any accrued interest due up to (but excluding) the date of such early redemption, in certain circumstances upon a change of control of Capita plc.

18 Auditor

The auditor of the Company since 18 August 2010 is KPMG LLP. KPMG LLP is registered to perform audit work by the Institute of Chartered Accountants in England and Wales and its address is at 15 Canada Square, London E14 5GL, United Kingdom.

19 Underwriting Arrangements

Pursuant to an underwriting agreement dated 23 April 2018 between the Company and the Banks (in their capacity as underwriters and, in the case of Citi and GSI, as Joint Sponsors), the Banks have agreed severally

to procure subscribers for, or, failing which, themselves subscribe for (in proportion to their underwriting commitment), New Shares not taken up under the Rights Issue, in each case at the Issue Price.

In consideration of their services under the Underwriting Agreement, and subject to their obligations under the Underwriting Agreement having become unconditional and the Underwriting Agreement not having been terminated, the Company has agreed to pay the Banks an underwriting fee of 2.25 per cent. of the gross proceeds of the offer of New Shares, excluding amounts in respect of VAT (if applicable). This fee, which will not become payable if the Underwriting Agreement is terminated, will be shared between the Banks in proportion to their respective underwriting commitments. This fee was determined in accordance with market rates.

In addition, the Company has agreed to pay the Joint Sponsors a separate fee in respect of their sponsor-related services.

The Company shall pay (whether or not the Banks' obligations under the Underwriting Agreement become unconditional) the costs and expenses of, or in connection with, the Rights Issue, the allotment and issue of the New Shares and the Underwriting Agreement, including (but not limited to) the FCA and the LSE and trading fees, other regulatory fees and expenses, printing and advertising costs, postage, the Registrar's charges, its own and the Banks' legal and other out-of-pocket expenses, all accountancy and other professional fees, public relations fees and expenses and all stamp duty and stamp duty reserve tax (if any) and other duties and taxes.

The obligations of the Banks under the Underwriting Agreement are subject to certain conditions, including, amongst others:

- (i) Admission having occurred not later than 8.00 a.m. on 10 May 2018 or such later time and/or date as the parties may agree; and
- (ii) the warranties and representations on the part of the Company in the Underwriting Agreement being true and accurate on and as of the date of the Underwriting Agreement and immediately before Admission as if they had been given and made at such times by reference to the facts and circumstances then existing.

The Banks may terminate the Underwriting Agreement in certain circumstances prior to Admission, including the breach by the Company of any of the warranties contained in the Underwriting Agreement, where the effect of such breach would be material in the context of the Rights Issue or such as to make it, in the opinion of the Joint Global Co-ordinators (acting in good faith), inadvisable to proceed with the Rights Issue or the underwriting of the New Shares.

The Underwriting Agreement also contains lock-up arrangements pursuant to which the Company may not, without the prior written consent of the Banks, offer, issue, lend, sell or contract to sell or contract to sell or issue, issue options in respect of, or otherwise dispose of, or announce any offering or issue of any Shares or any securities exchangeable or convertible into, or substantially similar to Shares for a period of 180 days from (but not including) the date dealings of the New Shares commence on the London Stock Exchange fully paid, subject to certain customary exceptions. The Company has given certain undertakings, representations and warranties and indemnities to the Banks. The liabilities of the Company under the Underwriting Agreement are unlimited as to time and amount.

20 Material Contracts

20.1 Debt Facility

For a description of the principal terms of the Company's Banking Facility Agreements, the US Private Placement Notes and the Euro Global Notes, see paragraph 17 above.

20.2 Underwriting Agreement

For a description of the principal terms of the Underwriting Agreement, see paragraph 19 above.

20.3 Disposal of Capita Asset Services

On 23 June 2017, Capita entered into an agreement with Link Market Services (EMEA) Limited ("Link") and Link Administration Holdings Limited in respect of the disposal of Capita Asset Services to Link, a subsidiary of Link Group. The aggregate consideration for the transaction was £888 million, comprising a cash payment to Capita by Link. The transaction completed in November 2017. As part of the sale of Capita Asset Services to Link, it was agreed with the trustees of the Capita Pension and Life Assurance Scheme (the "Scheme") that a

cash contribution of £17.0m would be made to the Scheme by Capita. This contribution was made in January 2018.

20.4 Related Party Transactions

Details of the related party transactions between the Company and its subsidiaries that were entered into during the years ended 31 December 2017, 2016 and 2015 are incorporated into this document by reference to the 2017 Annual Report and Accounts, the 2016 Annual Report and Accounts and the 2015 Annual Report and Accounts, as described in Part XIX of this document. During the period from 31 December 2017 to 20 April 2018 (being the latest practicable date prior to the date of this document), there were no new related party transactions.

21 Description of Capita ADRs

The Company has an unsponsored ADR programme. An American depositary receipt is a negotiable US dollar-denominated certificate representing ownership of non-US equity securities. Capita ADRs are traded on the OTC market in US dollars. Each Capita ADR represents four Shares.

22 Litigation and Investigations

22.1 Capita Financial Managers Limited (“CFM”) was the operator of the Connaught Income Series 1 Fund (the “Fund”), from April 2008 and September 2009. It was then replaced by an unrelated company as operator, following which CFM had no further involvement with the Fund. The Fund went into liquidation in December 2012 and the liquidator brought a claim against both CFM and the other operator. Capita settled its portion of the claim in 2016 for a sum of £18.5 million. The FCA investigated CFM’s actions in its role as operator of the fund and, in November 2017, announced findings that CFM had breached Principle 2 and Principle 7 of the FCA’s Principles for Business between April 2008 to September 2009. CFM and Capita consequently agreed a full and final settlement with the FCA to provide up to £66 million to former investors in the Fund. The FCA considers that this payment will be sufficient to return the amount originally invested, taking into account any interest, distributions and other payments that have already been received, with the intention of placing investors as closely as possible back into the position they would have been in if they had never invested in the Fund. During the first half of 2018, Capita paid funds to the FCA for the purpose of making the redress payments in due course.

22.2 From 2006 through to 2010, CFM held the role of Authorised Corporate Director in the CF Arch cru Investment Funds and the CF Arch cru Diversified Funds (together, the “Arch cru Funds”), the investment management for which was delegated to another operator. The Arch cru Funds were wound up on an orderly realisation basis, which commenced in February 2010, following which claims were brought against both CFM and the other operator. The Financial Services Authority (the predecessor to the FCA) (the “FSA”) subsequently investigated both operators in respect of their roles as operators of the Arch cru Funds. Following its investigation, the FSA announced its findings in a statement dated 13 November 2012, concluding that CFM had not met all of its regulatory requirements, particularly in relation to CFM’s supervision of the other operator’s activities. The FSA’s notice stated that it did not consider CFM to have deliberately or recklessly breached regulatory requirements. Capita agreed to settle the dispute in the early stages of the FSA investigation and, as part of the settlement, Capita voluntarily contributed £32 million towards a £54 million payment scheme for investors, without admission of liability. CFM established and administered this payment scheme. CFM also paid £17.9 million towards one-off settlements in respect of Arch cru. The FSA decided not to impose a financial penalty on CFM in respect of its conduct, taking into account factors such as CFM’s disciplinary record, conduct following the breach (including CFM’s contribution to the investor scheme) and the nature, seriousness and impact of the breach, among other factors.

22.3 Save as disclosed above in this paragraph 22, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Capita is aware) during the 12 months preceding the date of this document which may have, or have had, significant effects on Capita’s financial position or profitability.

23 Mandatory Takeover Bids, Squeeze-out Rules, Sell-out Rules and Takeover Bids

23.1 Mandatory Takeover Bids

The UK Takeover Code applies to the Company. Under the UK Takeover Code, if an acquisition of interests in shares were to increase the aggregate holding of an acquirer and persons acting in concert with it to an interest

in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending upon the circumstances, persons acting in concert with it would be required (except with the consent of the UK Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares at a price not less than the highest price paid for any interest in shares by the acquirer or his or her concert parties during the previous 12 months. A similar obligation to make such a mandatory offer would also arise on the acquisition of an interest in shares by a person holding (together with any persons acting in concert) an interest in shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

23.2 Squeeze-out rules

Under the Companies Act, if a "takeover offer" (as defined in section 974 of the Companies Act) is made for the Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the shares to which the offer relates (the "Offer Shares") and not less than 90 per cent. of the voting rights attached to the Offer Shares, within three months of the last day on which its offer can be accepted, it could acquire compulsorily the outstanding shares not assented to the offer. It would do so by sending a notice to outstanding shareholders telling them that it will acquire compulsorily their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are acquired compulsorily under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

23.3 Sell-out rules

The Companies Act also gives minority shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Shares, and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Shares to which the offer relates, any holder of Shares to which the offer related who had not accepted the offer could, by a written communication to the offeror, require it to acquire those Shares. The offeror is required to give any shareholder notice of his or her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises his or her rights, the offeror is bound to acquire those Shares on the terms of the offer or on such other terms as may be agreed.

23.4 Takeover bids

No public takeover bid has been made in relation to the Company during the last financial year or the current financial year.

24 Working Capital

Capita is of the opinion that, taking into account the net proceeds of the Rights Issue, Capita has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this document.

25 No Significant Change

Further to the announcement on 31 January 2018, Capita expects there to be a significant negative impact on total and underlying profits for 2018 from contract and volume attrition, the non-recurrence of certain specific items that benefitted Capita in 2017, and increases in some cost items. Capita also expects a free cash outflow in 2018, which will be impacted by a number of known restructuring costs presented within underlying results, non-underlying payments and working capital items. Capita expects to spend approximately £300 million in relation to known commitments, including £66 million cash costs in relation to the Connaught settlement, £51 million in relation to the separation of Capita Asset Services (including a pension contribution), £40 million in relation to realising cost savings and efficiencies from the transformation programme it is implementing as part of its strategy, £26 million restructuring costs relating to Capita's previously announced cost reduction plan, contingent and deferred considerations, professional fees in order to create and implement the proposed transformation plan and other items. In addition, Capita expects a £130 million cash outflow from the elimination of cyclical working capital management, and a £130 million cash outflow on continued reduction in deferred income, reflecting the ongoing low level of new business wins.

Other than as described above, there has been no significant change in the financial or trading position of Capita since 31 December 2017, being the end of the period for which Capita's last audited financial statements were published.

26 Consents

- 26.1 Citigroup Global Markets Limited has given and has not withdrawn its written consent to the inclusion in this document of its name and the references to it in the form and context in which they appear.
- 26.2 Goldman Sachs International has given and has not withdrawn its written consent to the inclusion in this document of its name and the references to it in the form and context in which they appear.
- 26.3 Banco Santander, S.A. has given and has not withdrawn its written consent to the inclusion in this document of its name and the references to it in the form and context in which they appear.
- 26.4 Barclays Bank PLC has given and has not withdrawn its written consent to the inclusion in this document of its name and the references to it in the form and context in which they appear.
- 26.5 KPMG LLP has given and has not withdrawn its written consent to the inclusion of its reports set out in Section B of Part XV and Part XVI of this document in the form and context in which they appear and has authorised the contents of those reports solely for the purposes of item 5.5.3R(2)(f) of the Prospectus Rules.
- 26.6 A written consent under the Prospectus Rules is different from a consent filed with the SEC under Section 7 of the Securities Act. As the Shares have not been and will not be registered under the Securities Act, KPMG LLP has not filed and will not be required to file a consent under Section 7 of the Securities Act.

27 Sources and Bases of Selected Financial Information

- 27.1 Unless otherwise stated below, financial information relating to the Company has been extracted (without material adjustment) from the audited annual report and accounts for the Company for the years ended 31 December 2017, 2016 and 2015.
- 27.2 Where information has been sourced from a third party, the Company confirms that the information has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third-party information has been used, the source of such information has been identified wherever it appears in this document.

28 General

- 28.1 The total costs and expenses payable by the Company in connection with the Rights Issue (including the listing fees of the FCA and the London Stock Exchange, professional fees and expenses and the costs of printing and distribution of documents) are estimated to amount to approximately £39 million (including VAT).
- 28.2 Each New Share is expected to be issued at a premium of $67^{14}/_{15}$ pence to its nominal value of $2^{1}/_{15}$ pence.
- 28.3 The financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act.

29 Documents Available for Inspection

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of publication of this document until Admission at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ, and will also be available for inspection at the General Meeting for at least 15 minutes prior to and during the meeting:

- (a) the Articles of Association;
- (b) the 2017 Annual Report and Accounts, the 2016 Annual Report and Accounts and the 2015 Annual Report and Accounts;
- (c) the consent letters referred to in paragraph 26 above;

- (d) the Accountant's Report on the Unaudited *Pro Forma* Financial Information on Capita set out in Section B of Part XV of this document;
- (e) the Accountant's Report on the Profit Forecast for Capita set out in Part XVI of this document; and
- (f) this document.

PART XIX

DOCUMENTS INCORPORATED BY REFERENCE

The following documentation, which was sent to Shareholders at the relevant time and/or is available as described below, contains information that is relevant to the Rights Issue:

1 The 2017 Annual Report and Accounts, the 2016 Annual Report and Accounts and the 2015 Annual Report and Accounts

These contain the audited consolidated financial statements of the Company for the years ended 31 December 2017, 2016 and 2015, prepared in accordance with IFRS, together with audit reports in respect of each such year.

2 Other

The table below sets out the various sections of the documents referred to above which are incorporated by reference into this document, so as to provide the information required pursuant to Annex I and Annex III to the Prospectus Rules and to ensure that Shareholders and others are aware of all information which, according to the particular nature of the Company and of the New Shares, is necessary to enable Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company and of the rights attaching to the New Shares:

Reference document	Information incorporated by reference	Page number in reference document
2017 Annual Report and Accounts		
	Consolidated financial statements	91 - 95
	Notes to the consolidated financial statements	96 - 167
	Independent auditor's report to the members of Capita	170 - 184
	Company financial statements	185 - 186
	Notes to Company financial statements	187 - 200
	List of subsidiaries	192, 196 - 200
2016 Annual Report and Accounts		
	Consolidated financial statements	106 - 109
	Notes to the consolidated financial statements	110 - 165
	Independent auditor's report to the members of Capita	165 - 169
	Company financial statements	170 - 172
	Notes to Company financial statements	173 - 188
2015 Annual Report and Accounts		
	Financial statements	106 - 109
	Notes to the consolidated financial statements	110 - 157
	Independent auditor's report to the members of Capita	158 - 161
	Company financial statements	163 - 164
	Notes to Company financial statements	165 - 176

Where this information makes reference to other documents, such other documents are not incorporated into and do not form part of this document. Parts of the documents from which such information has been incorporated are not set out above and are either not relevant or are covered elsewhere in this document.

These documents are available on the Company's website at www.capita.com.

PART XX DEFINITIONS

In this document, the following expressions have the following meanings unless the context otherwise requires:

1997 Executive Share Option Scheme	the Capita 1997 Executive Share Option Scheme;
2008 Note Purchase Agreement	has the meaning given in paragraph 17 of Part XVIII;
2010 Note Purchase Agreement	has the meaning given in paragraph 17 of Part XVIII;
2013 Note Purchase Agreement	has the meaning given in paragraph 17 of Part XVIII;
2014 Note Purchase Agreement	has the meaning given in paragraph 17 of Part XVIII;
2015 Annual Report and Accounts	the annual report and accounts prepared by Capita for the year ended 31 December 2015;
2016 Annual Report and Accounts	the annual report and accounts prepared by Capita for the year ended 31 December 2016;
2016 Note Purchase Agreement	has the meaning given in paragraph 17 of Part XVIII;
2017 Annual Report and Accounts	the annual report and accounts prepared by Capita for the year ended 31 December 2017;
adjusted EBITA	income (or loss) from operations of the Company and the Group on a consolidated basis in accordance with UK GAAP plus, to the extent deducted in the calculation thereof, Consolidated Net Interest Expense, expenses for taxes paid or accrued and any non-cash share-based payments for the Rolling Twelve Months;
adjusted EBITDA	income (or loss) from operations of the Company and its subsidiaries on a consolidated basis in accordance with UK GAAP plus, to the extent deducted in the calculation thereof, Consolidated Net Interest Expense, expenses for taxes paid or accrued, depreciation and amortisation and any non-cash share-based payments, calculated on a <i>pro forma</i> basis so as to (a) include a full 12 months of historical operating results (including both income and expenses) of any company acquired by the group during the Rolling Twelve Months and (b) exclude any operating results of any subsidiary disposed of by the Company or the Group (whether by way of share sale or disposition of all or substantially all of such subsidiary's assets) during the Rolling Twelve Months;
adjusted net debt	all financial indebtedness of the Company and the Group on a consolidated basis minus the aggregate of all cash and cash equivalents of all members of the Group (determined in accordance with UK GAAP) at such time;
Admission	the admission of the New Shares (nil paid): (a) to the Official List; and (b) to trading on the London Stock Exchange's main market for listed securities, becoming effective in accordance with, respectively, the Listing Rules and the Admission and Disclosure Standards;
ADR	American Depositary Receipt;
Annual General Meeting or AGM	an annual general meeting of the Company;
Articles of Association or Articles	the articles of association of the Company, details of which are set out in paragraph 4 of Part XVIII of this document;
Audit and Risk Committee	the Company's audit and risk committee;

Banking Facility Agreements . . .	the Debt Facility Agreement and the Revolving Credit Facility Agreement;
Banks	Citigroup Global Markets Limited, Goldman Sachs International, Barclays Bank PLC and Banco Santander, S.A.;
Barclays	Barclays Bank PLC;
Board	the board of Directors, from time to time, of the Company;
Business Day	a day (excluding Saturdays and Sundays or public holidays in England and Wales) on which banks generally are open for business in London for the transaction of normal banking business;
Capita or Group	the Company and its subsidiary undertakings and, where the context requires, its associated undertakings;
Capita Asset Services	refers to the business comprising Capita's former Asset Services business which was sold to Link Group in June 2017;
Capita Pension and Life Assurance Scheme	a Capita defined benefit scheme;
Capita Sharesave Scheme	the Capita plc Savings Related Share Option Scheme 2017;
Cashless Take-up	the sale of such number of Nil Paid Rights as will generate sufficient sale proceeds to enable the direct or indirect holder thereof to take up all of their remaining Nil Paid Rights (or entitlements thereto) without being required to provide any further capital;
CCSS	the CREST Courier and Sorting Service established by Euroclear to facilitate, amongst other things, the deposit and withdrawal of securities;
certificated or in certificated form	where a share or other security is not in uncertificated form;
Chairman	the chairman of the Company;
Citi	Citigroup Global Markets Limited;
Companies Act 2006 or Companies Act	the UK Companies Act 2006, as amended;
Company	Capita plc with its registered office at 71 Victoria Street, London SW1H 0XA, United Kingdom and registered number 02081330;
Company Secretary	the company secretary of the Company;
Corporate Governance Code . . .	the UK Corporate Governance Code produced by the Financial Reporting Council;
CREST	the relevant system, as defined in the CREST Regulations (in respect of which Euroclear is the operator, as defined in the CREST Regulations);
CREST Deposit Form	the CREST Deposit Form set out on page 4 of the Provisional Allotment Letter;
CREST Manual	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 and as amended since);
CREST member	a person who has been admitted to Euroclear as a system member (as defined in the CREST Regulations);
CREST participant	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations);

CREST Proxy Instruction	the CREST message in order to make a valid proxy appointment or instruction;
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), as amended;
CREST sponsor	a CREST participant admitted to CREST as a CREST sponsor;
CREST sponsored member	a CREST member admitted to CREST as a sponsored member;
Debt Facility Agreement	the £100 million debt facility agreement dated 1 May 2014, as amended and restated on 24 September 2014 and 5 November 2015 and as amended on 13 June 2017 between the Company, its subsidiaries and Sumitomo Mitsui Banking Corporation, Brussels Branch;
Deferred Annual Bonus Plan or DAB Plan	each of the Capita plc Deferred Bonus Plan 2010 and the Capita plc Deferred Bonus Plan 2017;
Directors	the directors of the Company whose names appear on in paragraph 5 of Part XVIII of this document;
Disclosure Guidance and Transparency Rules or DTRs	the disclosure guidance and transparency rules of the FCA;
Distributor	a distributor for the purposes of MiFID II (EU Directive 2014/65/EU) and any subsequent technical advice or guidance issued by ESMA;
EEA	the European Union, Iceland, Norway and Liechtenstein;
Employee Share Plans	the LTIP, the Capita Sharesave Scheme, the Deferred Annual Bonus Plan and, in respect of unvested matching shares only, the Capita plc International Share Incentive Plan;
ESMA	the European Securities and Markets Authority;
euro or €	the single currency of the member states of the European Communities that adopt or have adopted the Euro as their lawful currency under the legislation of the EU or European Monetary Union;
Euro Global Notes	the First Euro Global Note and the Second Euro Global Note;
Euro Noteholders	the holders of the Euro Global Notes;
Euroclear	Euroclear UK & Ireland Limited, the operator (as defined in the CREST Regulations) of CREST;
European Union or EU	the European Union first established by treaty made at Maastricht on 7 February 1992;
Executive Directors	the executive directors of the Company;
Existing Shares	the Shares in issue immediately preceding the issue of the New Shares;
Ex-Rights Date	10 May 2018;
Financial Conduct Authority or FCA	the UK Financial Conduct Authority;
First 2011 Note Purchase Agreement	has the meaning given in paragraph 17 of Part XVIII;
First Euro Global Note	has the meaning given in paragraph 17 of Part XVIII;
FSMA	the Financial Services and Markets Act 2000, as amended;
Fully Paid Rights	rights to acquire New Shares, fully paid;
General Meeting	the general meeting of the Company to be held at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ, at 11.00 a.m. on 9 May 2018, notice of which is set out at the end of this document;

Group Internal Audit	Capita's Group internal audit function;
Group Risk & Compliance	Capita's Group risk and compliance function;
GSI	Goldman Sachs International;
HMRC	HM Revenue & Customs, the UK tax authority;
IFRS	International Financial Reporting Standards as adopted for use in the European Union;
IRS	the Internal Revenue Service;
ISIN	International Securities Identification Number;
Issue Price	70 pence;
Joint Global Co-ordinators	Citigroup Global Markets Limited and Goldman Sachs International;
Joint Sponsors	Citigroup Global Markets Limited and Goldman Sachs International;
LIBOR	The London interbank offered rate;
Link Asset Services	a trading name of Link Market Services Limited;
Listing Rules	the Listing Rules of the FCA;
London Stock Exchange or LSE	the London Stock Exchange plc;
LTIP	each of the Capita plc Long-Term Incentive Plan 2008 and Capita plc Long-Term Incentive Plan 2017
MAR	the Market Abuse Regulation (EU) No 596/2014;
Measurement Period	a period of 12 months ending on the last day of a financial year or half-year of Capita;
Member State	a member state of the EU;
Money Laundering Regulations	the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017;
Net Debt Ratio	adjusted net debt to adjusted EBITDA;
Net Finance Cost Ratio	adjusted EBITA to borrowing costs;
net interest expense	the sum for the Company and its subsidiaries on a consolidated basis, in accordance with UK GAAP, of (a) interest expense, plus (b) all amortisation of Financial Indebtedness discount and expense, less (c) interest income in accordance with UK GAAP;
New Shares	the 1,001,032,281 new Shares which the Company will allot and issue pursuant to the Rights Issue;
Nil Paid Rights	rights to acquire New Shares, nil paid;
Nominations Committee	the Company's nominations committee;
Non-Executive Directors	the non-executive directors of the Company;
Note Purchase Agreements	2008 Note Purchase Agreement, First 2011 Note Purchase Agreement, Second 2011 Note Purchase Agreement, Third 2011 Note Purchase Agreement, 2013 Note Purchase Agreement, 2014 Note Purchase Agreement, 2016 Note Purchase Agreement and 2020 Note Purchase Agreement;
Noteholders	holders of the US Private Placement Notes;
Notice of General Meeting	the notice of General Meeting set out at the end of this document;
Official List	the Official List of the FCA pursuant to Part VI of the FSMA;
order book	represents the remaining performance obligations under Capita's contracts. Amounts do not include orders for which neither party has

performed its obligations and where each party has the unilateral right to terminate a wholly unperformed contract without compensating the other party, nor does it represent Capita's future booking or backing. Order book is comprised of short term contractual revenue (for contracts of a term of less than two years) and long term contractual revenue (for contracts of a term of longer than two years) and represents the consideration which Capita will be entitled to receive from clients when it satisfies the remaining performance obligations in its contracts. For long term contractual order book, Capita splits the expected timing of revenue recognition between (a) less than one year; (b) between one and five years; and (c) greater than five years;

OTC	over the counter;
Overseas Shareholders	Qualifying Shareholders with registered addresses in, or who are citizens, residents or nationals of, jurisdictions outside the United Kingdom;
pounds sterling or £ or GBP	the lawful currency of the UK;
PRA	the Prudential Regulation Authority;
Private Placement Notes	US Private Placement Notes and Euro Global Notes;
Profit Forecast	the profit forecast for Capita for the year ending 31 December 2018 as set out in Section A of Part XVI of this document;
Prospectus or this document	this prospectus and circular issued by the Company in respect of the Rights Issue, together with any supplements or amendments thereto;
Prospectus Directive	2003/71/EC (and amendments thereto, including Directive 2010/73/EU), including any relevant implementing measure in each Relevant Member State;
Prospectus Rules	the Prospectus Rules of the FCA;
Provisional Allotment Letter	the provisional allotment letter to be issued to Qualifying Non-CREST Shareholders (other than certain Overseas Shareholders);
Qualifying CREST Shareholders	Qualifying Shareholders holding Shares in uncertificated form;
Qualifying Non-CREST Shareholders	Qualifying Shareholders holding Shares in certificated form;
Qualifying Shareholders	Shareholders on the register of members of the Company at the Record Date;
Receiving Agent	Link Asset Services;
Record Date	close of business on 4 May 2018;
Registrar	Link Asset Services;
Regulation S	Regulation S under the Securities Act;
Regulatory Information Service	one of the regulatory information services authorised by the UKLA to receive, process and disseminate regulatory information in respect of listed companies;
Relevant Member State	each Member State of the EEA that has implemented the Prospectus Directive;
Remuneration Committee	the Company's remuneration committee;
Resolutions	the resolutions to be proposed at the General Meeting in connection with the Rights Issue, notice of which is set out at the end of this document;
Restricted Territories	Canada, Singapore, Australia, Switzerland, South Africa, the Cayman Islands and any other jurisdiction where the allotment or issue of New Shares pursuant to the Rights Issue would or may infringe the relevant laws and regulations for such jurisdiction or would or may require

obtaining any governmental or other consent or to effect any registration, filing or other formality with which, in the opinion of the Company, it would be unable to comply or which is unduly onerous;

Revolving Credit Facility

Agreement	the £600 million credit facility agreement dated 8 August 2014 as amended and restated on 5 November 2015 and as amended on 13 June 2017 between the Company and a syndicate of nine banks as original lenders;
Rights Issue	the offer by way of rights to Qualifying Shareholders to subscribe for New Shares on the terms and conditions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter;
Rolling Twelve Months	for the purposes of the Note Purchase Agreements, as of any date, a period of two consecutive half-year periods then most recently ended treated as a single accounting period;
Santander	Banco Santander, S.A.;
SDRT	stamp duty reserve tax;
SEC	the United States Securities and Exchange Commission;
Second 2011 Note Purchase Agreement	has the meaning given in paragraph 17 of Part XVIII;
Second Euro Global Note	has the meaning given in paragraph 17 of Part XVIII;
Securities Act	the United States Securities Act of 1933;
Share	an ordinary share of 2 ¹ / ₁₅ pence each in the capital of the Company having the rights set out in the Articles, as described in paragraph 4 of Part XVIII of this document;
Share Incentive Plan	the Capita plc Share Incentive Plan 2017, the Capita Share Incentive Plan 2008 and, in respect of the Partnership Shares and vested matching shares only, the Capita plc International Share Incentive Plan 2016;
Shareholder(s)	holders of Shares;
Special Dealing Service	the dealing service being made available by Link Asset Services to Qualifying Non-CREST Shareholders who are individuals with a registered address in the United Kingdom or any other jurisdiction within the EEA who wish to sell all of their Nil Paid Rights or to effect a Cashless Take-up;
Special Dealing Service Terms and Conditions	the terms and conditions of the Special Dealing Service;
stock account	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited;
subsidiary undertaking	as defined in section 1162 of the Companies Act 2006;
Third 2011 Note Purchase Agreement	has the meaning given in paragraph 17 of Part XVIII;
UK GAAP	generally accepted accounting principles as in effect from time to time in the United Kingdom (including the international accounting standards adopted by the European Commission as its generally accepted accounting principles during any such time that the same is in effect);
UK Takeover Code	UK City Code on Takeovers and Mergers;
UKLA	the FCA in its capacity as the competent authority for the purposes of Part VI of the FSMA and in the exercise of its functions in respect of the

admission to the Official List otherwise than in accordance with Part VI of the FSMA;

uncertificated or in uncertificated form	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
Uncertificated Securities Regulations	the Uncertificated Securities Regulations 2001, as amended;
Underlying Pre-Tax Profits . . .	IFRS profit before tax adjusted to exclude: (a) amortisation and impairment of intangibles arising on acquisition; (b) acquisition contingent consideration movement; (c) the financial impact of business exits or businesses in the process of being exited; (d) acquisition expenses; (e) movements in the mark-to-market valuation of certain financial instruments; and (f) specific non-recurring items in the income statement;
Underwriting Agreement	the underwriting agreement described in paragraph 19 of Part XVIII of this document;
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland;
United States or US	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
US dollar or US\$	the lawful currency of the US;
US Private Placement Notes . . .	the private placement notes issued by the Company to various institutional investors, denominated in sterling or US Dollars;
VAT	value added tax or similar sales or turnover tax or levy imposed in any jurisdiction; and
win rate	the success rate of new bids, retenders and extensions, calculated as the number (and estimated nominal value) of opportunities divided by the number (and estimated nominal value) of opportunities for which a bid has been submitted and not withdrawn by either the potential client or Capita over the reporting period.

PART XXI
NOTICE OF GENERAL MEETING

CAPITA PLC

(Registered in England and Wales No. 02081330)

NOTICE IS HEREBY GIVEN that a GENERAL MEETING of Capita plc (the “Company”) shall be held at Linklaters LLP, One Silk Street, London EC2Y 8HQ on 9 May 2018 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

Resolution 1 (as an ordinary resolution)

That, subject to and conditional upon admission to the premium listing segment of the Official List and to trading on the London Stock Exchange plc’s main market for listed securities, respectively, of the new ordinary shares of 2¹/₁₅ pence each to be issued by the Company in connection with the issue by way of rights of up to 1,001,032,281 new ordinary shares at a price of 70 pence per new ordinary share to qualifying shareholders on the register of members of the Company at close of business on 4 May 2018 (the “Rights Issue”), and in addition to the existing authority conferred on the directors of the Company by Article 7 of the Company’s articles of association and approved by shareholders of the Company at the AGM of the Company held on 13 June 2017, the Directors of the Company be generally and unconditionally authorised, pursuant to and in accordance with section 551 of the Companies Act 2006, to:

- (i) exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £20,688,001 pursuant to or in connection with the Rights Issue, such authority to expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the AGM of the Company to be held in 2018; and
- (ii) make an offer or agreement in connection with the Rights Issue which would or might require shares to be allotted, or rights to subscribe for or to convert any security into shares to be granted, after expiry of this authority, and the directors of the Company may allot shares and grant rights in pursuance of that offer or agreement as if this authority had not expired.

Resolution 2 (as a special resolution)

That, subject to and conditional upon Resolution 1 above being duly passed and in addition to all existing powers, the Directors of the Company be generally empowered, pursuant to section 570 and section 573 of the Companies Act 2006, to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash, pursuant to the authority conferred by Resolution 1 above, as if section 561(1) of the Companies Act 2006 did not apply to the allotment, such power:

- (i) to expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the AGM of the Company to be held in 2018, but the Company may make an offer or agreement in connection with the Rights Issue which would or might require equity securities to be allotted after expiry of this power and the directors of the Company may allot equity securities in pursuance of that offer or agreement as if this power had not expired; and
- (ii) shall be limited to the allotment of equity securities in connection with the Rights Issue and so that the directors of the Company may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter.

By order of the Board

Francesca Todd

Company Secretary

23 April 2018

Registered in England and Wales No: 02081330

Registered office:

71 Victoria Street
London
SW1H 0XA
United Kingdom

NOTES:

1. A member is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the general meeting. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the general meetings, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.
2. A form of proxy is enclosed. The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting in person if they so wish. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Registrars, Link Asset Services, on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday, excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.
3. To appoint a proxy, the form of proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority) (a) must be either sent to the Registrars, Link Asset Services, (b) must be lodged using the CREST electronic proxy appointment service in accordance with Note 13 or (c) must be registered electronically on the website www.capitashares.co.uk, in each case so as to be received no later than 11.00 a.m. on 4 May 2018. If option (c) is used and the member has not previously registered to use the share portal, the member will first be asked to register as a new user, for which that member will require its investor code (which can be found on the enclosed proxy form, share certificate and dividend confirmation), family name and postcode (if resident in the United Kingdom).
4. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
5. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
6. The statement of the rights of members in relation to the appointment of proxies in Notes 1 and 2 above does not apply to nominated persons. The rights described in these paragraphs can only be exercised by members of the Company. Nominated persons are reminded that they should contact the registered holder of their shares (and not the Company) on matters relating to their investment in the Company.
7. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolutions. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion.
8. Holders of ordinary shares are entitled to attend and vote at general meetings of the Company. The total number of issued ordinary shares (excluding treasury shares) in the Company on 20 April 2018, being the latest practicable date before the publication of this document, is 667,354,854 carrying one vote each on a poll. Therefore, the total number of votes exercisable as at 20 April 2018 is 667,354,854.
9. Entitlement to attend and vote at the general meeting, and the number of votes which may be cast at the general meeting, will be determined by reference to the Company's register of members at close of business on 4 May 2018 or, if the meeting is adjourned, at close of business two business days before the day of the adjourned meeting (as the case may be). In each case, changes to the register of members after such time will be disregarded.

10. To facilitate entry to the general meeting, members are requested to bring with them the admission card which is attached to the proxy card.
11. Members should note that the doors to the general meeting will be open at 10.30 a.m.
12. Mobile phones may not be used in the general meeting hall and cameras, tape or video recorders are not allowed in the meeting hall.
13. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the general meeting (and any adjournment of the general meeting) by following the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members (and those CREST members who have appointed a voting service provider) should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.
14. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via <https://my.euroclear.com>). The message (regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy) must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID "RA10") by the latest time(s) for receipt of proxy appointments specified in Note 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to a proxy appointed through CREST should be communicated to him by other means.
15. CREST members (and, where applicable, their CREST sponsors or voting service providers) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his or her CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting service providers) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
16. The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
17. In each case, the proxy appointments must be received by the Company not less than 48 hours before the time appointed for holding the general meeting or any adjournment thereof.
18. In the case of joint members, where more than one of the joint members purports to appoint a proxy, only the appointment submitted by the most senior member will be accepted. Seniority is determined by the order in which the names of the joint members appear in the Company's Register of Members in respect of the joint shareholding (the first-named being the most senior).
19. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member, provided that, where more than one corporate representative is appointed, they do not do so in relation to the same shares.
20. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting, but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
21. A copy of this notice and other information required by section 311A of the Companies Act 2006 can be found at www.Capita.com.
22. All resolutions to be put to the meeting will be voted on by a poll and not by a show of hands. Members and proxies will be asked to complete a poll card to indicate how they wish to cast their votes. These

cards will be collected at the end of the meeting. The results of the poll will be published on the Company's website and notified to the UKLA once the votes have been counted and verified.

23. Except as provided above, shareholders who have general queries about the general meeting should use the following means of communication (no other methods of communication will be accepted), by contacting the Registrars, Link Asset Services, in writing at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by telephoning their shareholder helpline on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday, excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. Members may not use any electronic address provided in either this notice of meeting or any related documents (including the enclosed form of proxy) to communicate with the Company for any purposes other than those expressly stated.

