

Corporate governance

The Capita Group Plc and its subsidiaries (“the Group”) continue to be committed to the principles of corporate governance contained in the Combined Code Principles of Good Governance and Code of Best Practice (“the Code”) for which the Board is accountable.

The Group has complied throughout the year with the provisions of Section 1 of the Code as updated in June 2008, except in respect of the composition of the Board.

Composition of the Board (A.3.2) – During the period under review the composition of the Board changed several times. This is shown in the table below:

Period	Description of change	Balance of Board
1 January – 29 February 2008		Non-Executive Chairman 4 Executive Directors 3 Non-Executive Directors
1 March – 31 July 2008	Appointment of Martin Bolland – 1 March 2008	Non-Executive Chairman 4 Executive Directors 4 Non-Executive Directors
1 August – 30 September 2008	Appointment of Maggi Bell – 1 August 2008	Non-Executive Chairman 5 Executive Directors 4 Non-Executive Directors
1 October – 31 December 2008	Resignation of Peter Cawdron – 30 September 2008	Non-Executive Chairman 5 Executive Directors 3 Non-Executive Directors

The Board believes that the current composition, as it is led by a Non-Executive Chairman, remains suitable for the nature and size of the Group. We believe that the collective skills, experience and approach to running the business are appropriate for driving the Group forward and achieving the Group’s goals. However, we constantly review the composition of the Board to ensure that it continues to meet the needs of the Group.

As explained in our half-yearly report, Paddy Doyle decided to move to a part-time role from January 2009. Paddy’s ability and judgement have played a key role in our success and we are therefore delighted that he agreed to remain as an Executive Director and moved to 2 days a week from 1 January 2009. The Board believes that the retention of Paddy Doyle as an Executive Director on a part-time basis is an asset to the business.

The Board’s Non-Executive Directors (Eric Walters, Martin Bolland, Martina King and Bill Grimsey) are regarded as independent and free from any business or other relationship that could materially interfere with their judgement.

Board Changes in the year

Martin Bolland was appointed Non-Executive Director with effect from 1 March 2008 and subsequently replaced Peter Cawdron as Senior Independent Director and Chairman of the Audit Committee on 1 October 2008. Martin’s appointment was made following a formal and rigorous recruitment process. When considering Martin’s appointment, the Nomination Committee met, with Eric Walters chairing the proceedings. Peter Cawdron took no part in the process.

Simon Pilling was appointed Chief Operating Officer with effect from 1 August 2008;

Maggi Bell was promoted to Business Development Director with effect from 1 August 2008;

Peter Cawdron retired as a Non-Executive Director with effect from 30 September 2008.

For each appointment the Board undertook a formal appointment process, led by the Nomination Committee and, where appropriate, with the assistance of independent external search consultants.

All these changes were part of the Board’s orderly succession planning and arrangements.

Board composition

The Directors acknowledge the need to segregate the responsibility for operating the Board from the management of the underlying business. Consequently, the roles of Non-Executive Chairman (Eric Walters) and Chief Executive (Paul Pindar) are separate.

The Board consists of Eric Walters (Non-Executive Chairman); 3 further independent Non-Executive Directors: Martin Bolland (Senior Independent Director), Martina King and Bill Grimsey; and 5 Executive Directors: Paul Pindar (Chief Executive), Gordon Hurst (Group Finance Director and Company Secretary), Simon Pilling (Chief Operating Officer), Maggi Bell (Business Development Director) and Paddy Doyle (Executive Director).

The Senior Independent Director is available, as necessary, to lead meetings of the Non-Executive Directors without the Executive Directors and/or the Chairman being present and is available to meet with shareholders to understand any concerns. Biographies of the Directors can be found on pages 62-63.

Board responsibilities and effectiveness

The Board is collectively responsible to shareholders for setting the direction of the business and monitoring the Group’s ongoing affairs. It is also responsible for ensuring an effective internal control environment that identifies and manages appropriately the risks associated with the business as set out on page 67.

The Board demonstrates its commitment to the strategic direction and control of the Group by scheduling a series of meetings in the year. It can meet as necessary outside of this schedule to consider any urgent matters that may arise. It sets the strategic objectives of the Group, ensuring sufficient financial and human resources are in place to meet those aims. The Board sets the Group’s values and standards and ensures that its obligations to clients, employees, suppliers, the community and other key stakeholders are understood and met.

The Board has a formal schedule of matters that can only be decided by the Board. This Schedule has been reviewed and updated during the year and the key matters reserved to the Board include:

- The Group’s business strategy
- Annual financial and operating plans
- Financial reporting
- Dividend policy
- Internal controls and risk management (via the Audit Committee)
- Remuneration policy (via the Remuneration Committee)
- Treasury policy and significant fundraising
- Appointment/removal of Directors and Company Secretary

The Board also considers regular reports from the Chief Executive, Group Finance Director, Chief Operating Officer and Business Development Director. The Board is provided with complete, timely and relevant information to ensure that informed judgements are made in pursuit of the Group’s objectives.

The Board also reviews the performance of management in meeting business objectives, plans the succession of key executives, and determines appropriate remuneration levels through the Remuneration Committee, a committee of the Board.

Paul Pindar, as Chief Executive, is responsible for all aspects of the operation and management of the Group. Following the change in the Board structure in August 2008 a review was undertaken of the reporting and communication lines. It was agreed that the Divisional Executive Board was duplicating our monthly operational business (MOB) review process and it was therefore agreed that the Divisional Executive Board was no longer required.

The Non-Executive Directors have a particular responsibility to challenge independently and constructively the business development plans that are proposed by executive management and monitor the performance of the management teams in the delivery of agreed business objectives and targets. The Non-Executive Chairman encourages and engages in an open dialogue with Non-Executive Directors in particular, who are at liberty to meet with him as a group or individually as they feel fit, without the presence of Executive Directors. The Non-Executive Directors meet at least once a year without the Executive Directors present.

Directors and officer's liability insurance is maintained.

Director induction and professional development

On joining the Board, all Directors participate in an induction programme involving appropriate documentation, meetings and visits to Capita businesses with other Directors, attendance at MOB review meetings and discussions with advisers and senior management from across the Group. Martin Bolland and Maggi Bell undertook induction training that was appropriate for their roles and responsibilities during the year.

All Board members have access to independent advice on any matters relating to their responsibilities as Directors and as members of the various committees of the Board, at the Group's expense. The Company Secretary, Gordon Hurst, who is also Group Finance Director, is available to all Directors and he is responsible for ensuring that all Board procedures are complied with.

The decision to combine the roles of Group Finance Director and Company Secretary was taken when Capita was a smaller entity and as the Group has evolved this approach has been regularly reviewed. During the year, the Board felt the Group had sufficiently evolved and increased in size and diversity to warrant the creation of the new role of Deputy Company Secretary. The duties of the Deputy Company Secretary include coordinating and managing the provision of company secretarial services to the Group on behalf of Gordon Hurst, the Group Finance Director and Company Secretary, and acting as Secretary to the Audit, Remuneration and Nomination Committees. The Deputy Company Secretary has direct access and responsibility to the Chairs of all the standing committees and open access to all the Directors.

During the year, the Directors received appropriate ongoing briefings and information, including updates on governance and regulatory issues, to enable them to perform their roles. This included specific briefings on the changes to the Companies Act 2006 and the transitional arrangements. They also attended external courses where appropriate.

Board performance evaluation

An evaluation of Board and Committee effectiveness was conducted in 2008. The evaluation took the form of detailed questionnaires completed by each Director in relation to the Board and any Committee of which they were a member at the time of the evaluation. The results of the evaluation were presented to the Board in December 2008. The Board concluded that the Board and its Committees continue to operate effectively.

The performance of individual Executive Directors is appraised annually by the Chief Executive, to whom they report. The performance of the Chairman is reviewed by the Non-Executive Directors, led by Martin Bolland, taking into account the views of the Executive Directors.

The performance review of the Chief Executive is conducted by the Non-Executive Chairman, taking into account the views of other Directors. Non-Executive Directors' performance is reviewed by the Non-Executive Chairman, taking into account the views of other Directors.

The Board considered, as it had in previous years, the merit of using an external body to manage the performance evaluation process. It concluded that it remained most appropriate for the Company Secretary and Deputy Company Secretary to issue the questionnaires and collate and analyse the results.

Appointment, re-appointment and removal of Directors

Directors are appointed and may be removed in accordance with the Articles of Association of the Company and the provisions of the Companies Acts.

All Directors are subject to election at the first Annual General Meeting after their appointment and to re-election at intervals of no more than 3 years in accordance with the Combined Code and the Company's Articles of Association. Accordingly Maggi Bell will retire and offer herself for election at the Annual General Meeting in 2009.

No person, other than a Director retiring at the meeting, shall be appointed or re-appointed a Director of the Company at any general meeting unless he/she is recommended by the Directors.

No person, other than a Director retiring at a general meeting as set out above, shall be appointed or re-appointed unless between 7 and 35 days' notice, executed by a member qualified to vote on the appointment or re-appointment, has been given to the Company of the intention to propose that person for appointment or re-appointment, together with notice executed by that person of his/her willingness to be appointed or re-appointed.

The Non-Executive Chairman and, where appropriate, the Non-Executive Directors have, following the evaluation process described above, considered the performance of Eric Walters, Gordon Hurst and Maggi Bell, who are subject to re-election and election at the 2009 Annual General Meeting and are satisfied that they continue to be effective and demonstrate a clear commitment to the role.

Eric Walters will have served 9 years as a Non-Executive Director in August 2009, and has served as Non-Executive Chairman since July 2006. Neither the Combined Code nor the Company's articles require the Company to make the post of Chairman subject to annual re-election. The Board have discussed this with Eric, and also in a Board meeting where Eric was not present, and it was agreed that he would not be subject to annual re-election.

Membership of the Committees

Membership of the Company's standing committees during the year is shown below:

	Eric Walters	Martin Bolland	Martina King	Bill Grimsey	Peter Cawdron
Nomination	(C)✓	✓	✓	✓	✓
Remuneration	✓	✓	(C)✓	✓	✓
Audit		(C)✓*	✓	✓	(C)✓*

(C) Chairman

*Martin Bolland was appointed Chair of the Audit Committee following the resignation of Peter Cawdron on 30 September 2008

Nomination Committee

The Nomination Committee comprised Eric Walters (Chairman), Peter Cawdron, Martin Bolland, Martina King and Bill Grimsey. Peter Cawdron retired from the Committee on 30 September 2008 and was replaced by Martin Bolland. The Committee reports to the Board and its role is to seek suitably skilled and experienced candidates to be Non-Executive Directors and ensure plans are in place for orderly succession of appointments to the Board.

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The Nomination Committee undertook to review their terms of reference and new terms of reference were recommended and approved by the Board in November 2008.

When considering the constitution of the Board, the Nomination Committee carries out a rigorous review, taking into account the need for a progressive refresh of the Board. Core competencies and attributes required to fill the roles are set out and independent external search consultants engaged, where appropriate, to identify potential candidates. The Chairman of the Company will not take part in any discussions regarding the consideration of the appointment of a new Chairman.

Audit Committee

The Audit Committee comprised the Non-Executive Directors throughout the year. Peter Cawdron retired as Chairman of the Committee on 30 September 2008 and was replaced by Martin Bolland, who has significant recent and relevant financial experience, including being a qualified Chartered Accountant. The other members of the Audit Committee are Martina King and Bill Grimsey. Audit Committee meetings are attended, by invitation, by the Non-Executive Chairman, Chief Executive, Group Finance Director, Group Compliance Director, Group Risk and Business Assurance Director and by representatives of the external Auditors.

The Committee met 4 times during the period. Meetings are planned around the financial calendar for the Company and the meeting held in May is specifically to focus on the risk, internal control and compliance agendas.

On appointment as Chairman, Martin Bolland held meetings with the Group Compliance Director, Deputy Company Secretary, Group Risk and Business Assurance Director and external auditors as part of his induction to the Committee. He was given a specific induction and training on appointment. He also reviewed the formats of all papers and reports presented to the Committee.

The Group Compliance Director, Deputy Company Secretary, Group Risk and Business Assurance Director and Auditors all have direct access to the Chairman of the Committee.

During the year, the Committee reviewed its terms of reference and ensured that these remain in line with the guidance given by the Financial Reporting Council and the Code. Revised terms of reference were proposed to the Board in November 2008. The terms of reference include the approval of the appointment of the Group Risk and Business Assurance Director.

The Committee also reviewed during the year the policy on whistleblowing and the policy on the provision of the non-audit services by the Auditors. Both policies were updated to reflect current good practice and are published on the Company's employee intranet.

In accordance with the terms of reference the Committee met separately with the Auditors independently of the Executive Directors and also with the Group Risk and Business Assurance Director.

The Committee reviewed a wide range of financial reporting and related matters during the year, including the half year and annual accounts prior to their submission to the Board. The Committee focused in particular on critical accounting policies and practices adopted by the Group and any significant areas of judgement that materially impact on reported results. It also monitored the internal controls that are operated by management to ensure the integrity of information reported to shareholders. The Committee also reviewed and approved the Representation Letter required by the Auditors.

The Committee provides a forum for reporting by the Group's Auditors, and it advised the Board on the appointment, independence and objectivity of the Auditors and on the remuneration for both statutory audit and non-audit work. It also discussed the nature, scope and timing of the statutory audit with the Auditors. The Audit Committee annually performs an independent assessment of the suitability and performance of the Auditors in making its recommendation to the Board for their re-appointment.

The Committee met with the Group Finance Director to discuss the re-appointment of the Auditors and their performance over the preceding 12 months. This discussion also included the scope of the audit that was required. This process meant the Committee could discuss in detail the re-appointment and recommend the re-appointment of the Auditors to the Board, which it did and found to be satisfactory.

The Committee has responsibility for reviewing the annual business assurance programme and for ensuring that the Group Risk and Business Assurance Function is adequately sponsored and resourced. It also monitored the resourcing levels and performance of the Group's Compliance function.

At the meeting to review the 2008 Annual Report and Accounts, the Committee considered the level of non-audit services being provided by the Group's Auditors in order to satisfy itself that the objectivity and independence of the Auditors were safeguarded. Details of audit and non-audit fees are given in note 6 on page 91. The lead audit partner is rotated at least on a 5-yearly basis.

Remuneration Committee

Details of the Remuneration Committee and its activities are given in the Directors' remuneration report on pages 71-76.

The terms of reference of the Nomination, Remuneration and Audit Committees were updated during the year to reflect changes in best practice. The terms of reference are displayed in the investor centre at www.capita.co.uk/investors.

Board and committee members, frequency of meetings and attendance

During 2008 the Board met 9 times, excluding ad hoc meetings, solely to deal with procedural matters. The Nomination Committee and the Remuneration Committee met 3 and 5 times during the year, respectively. The Audit Committee met 4 times during the year. Attendance is recorded in the table below.

	Board meetings	Nomination Committee meetings	Remuneration Committee meetings	Audit Committee meetings
Scheduled meetings	9	3	5	4
Eric Walters	9	3	4	–
Paul Pindar	8	–	–	–
Gordon Hurst	9	–	–	–
Paddy Doyle	8	–	–	–
Simon Pilling	8	–	–	–
Maggi Bell ¹	2	–	–	–
Peter Cawdron ²	7	1	3	3
Martina King	9	3	5	4
Bill Grimsey	7	3	4	4
Martin Bolland ³	7	1	2	1

1. Maggi Bell was appointed to the Board as an Executive Director on 1 August 2008

2. Peter Cawdron retired as a Director on 30 September 2008

3. Martin Bolland was appointed to the Board on 1 March 2008 and to the Nomination, Audit and Remuneration committees on 1 October 2008

Any Directors' non-attendance at Board meetings or meetings of the Audit, Remuneration or Nomination Committees was due to illness or an absence previously agreed with the Chairman of the Board, the Chief Executive or the Chairman of the relevant committee.

Dialogue with institutional shareholders

The Board encourages and seeks to build a mutual understanding of objectives between the Group and its institutional shareholders. As part of this process, the Non-Executive Chairman, Chief Executive, Group Finance Director and Chief Operating Officer make regular presentations and meet with institutional shareholders to discuss any issues of concern, to obtain feedback and to consider Corporate Governance issues. All the Non-Executive Directors are available to meet with shareholders to understand their views more fully. The Non-Executive Chairman and the Senior Independent Director are personally available to the significant shareholders in the Group.

The Corporate Communications team has effective day-to-day responsibility for managing shareholder communications and always acts in close consultation with the Board. A Disclosure Committee consisting of the Corporate Communications Director, Chief Executive and Group Finance Director ensures all appropriate communications are made to the London Stock Exchange and shareholders. Shareholders can also access up-to-date information through the investor centre section of the Group's website at www.capita.co.uk/investors. A telephone helpline, 0871 664 0300, provides a contact point directly to the Group's registrars.

All members of the Board, including the Non-Executive Directors, receive a report on any significant discussions with shareholders and the feedback, that follows the annual and half-yearly presentations to investment analysts and shareholders, is also circulated. All brokers' reports and analysts' briefings are circulated to the Directors.

The Board encourages shareholders to attend its Annual General Meeting. Directors, including the chairpersons of the various committees, are present to answer any questions. The Group uses the Annual General Meeting to communicate with private investors and encourages their participation.

Social and environmental responsibility

Details of how the Group manages its social and environmental responsibilities can be found on pages 34-44 and at www.capita.co.uk/corporate-responsibility.

Internal control

The Board is responsible for the Group's system of internal control and for regularly reviewing its effectiveness. Procedures have been designed for, inter alia, the safeguarding of assets against unauthorised use or disposition, maintaining proper accounting records and the reliability of financial information used within the business or for publication. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material errors, losses or fraud. There is an ongoing process of identifying, evaluating and managing the significant risks faced by the Group, which has been in place throughout the year under review and up to the date of approval of the Annual Report and Accounts. This process is regularly reviewed by the Board. The Group's key internal control procedures include the following:

- The Board has responsibility to set, communicate and monitor the application of policies, procedures and standards in areas including operations, finance, legal, commercial and regulatory compliance, human resources and health and safety, information security and property management and corporate social responsibility and the environment and these policies are cascaded to the businesses via the MOB review process
- Authority to operate the individual businesses comprising the Divisions that make up the Group is delegated to their respective Managing Directors, within limits set by the Group. The MOB review process includes, through the Divisional Directors and their management teams, the appointment of executives to the most senior positions within the Group, other than Board appointments. The Board establishes key operational, functional and financial reporting standards for application across the whole Group and this is cascaded through the MOB review process. These are supplemented by operating standards set by local management teams, as required for the type of business and geographical location of each subsidiary and business unit
- Comprehensive annual financial plans are prepared at the individual business unit level and summarised at a Divisional and Group level. Financial plans are reviewed and approved by the Board following challenge within the MOB review process. Capital expenditure is subject to rigorous budgetary control beyond specified levels and detailed written proposals have to be submitted to the Board. Expenditure on acquisitions is the subject of appropriate consideration, review and approval by the Board.

- Results are monitored routinely by means of comprehensive management accounts and actual progress against plan is challenged directly by Executive Directors of the Board on a Group-wide basis and at the business unit level each month
- A framework is in place to identify, assess and mitigate the major business risks, including credit, liquidity, operations, reputation, information security, regulatory and fraud. The framework also includes specific provision for risk-based due diligence in respect of business acquisitions and new customer contracts. Exposure to business risk is monitored as an integral part of the MOB review process and by the Audit Committee
- The Group risk framework is supplemented in certain of the Group's businesses, including all financial services related business streams, by a number of formally constituted local boards, which in turn are underpinned by dedicated risk committees. These committees provide an appropriate means to routinely monitor the risk profile of these businesses, including regulatory risks, and for proposed mitigating actions to be challenged and tracked
- The Group risk management framework is monitored and developed as required by the Group Risk and Business Assurance function, in conjunction with the Group Compliance function, to ensure that it remains appropriate to business requirements and consistent with best practice
- The Group Risk and Business Assurance function reports to the Group Finance Director and independently to the Audit Committee. In addition to independently facilitating the Group's risk management framework, it delivers a risk-based internal audit programme, to provide assurance on the effectiveness of the internal control structures operating across the business. The annual audit programme is focused on areas of greatest risk to the Group, as determined by the Group risk framework, and the independent view of those risks is taken by the Group Risk and Business Assurance function
- In addition, regulatory risks and compliance matters are overseen by the Group Compliance function reporting through the Group Finance Director and independently to the Audit Committee. The Group Compliance team, in conjunction with dedicated compliance teams within the relevant businesses, independently monitor regulatory compliance by way of risk-based work programmes and support operations in identifying and mitigating regulatory risks as an integral part of the Group risk framework
- Both the Group Compliance function and the Group Risk and Business Assurance function routinely appraise the Group's senior management and the Audit Committee of their work programmes and findings.

The Board keeps under review the effectiveness of this system of internal control. The key mechanisms used by the Board to achieve this include regular MOB review reports, periodic updates from the Audit Committee based on its review of risk management, business assurance and compliance reports by the relevant Group functions; discussions with and reports from the Auditors and other advisers, and periodic reports from relevant regulators.

Based on the above, the Board has concluded that it is satisfied with the process of monitoring the effectiveness of internal controls and complies with the Internal Control Guidance for Directors on the Combined Code issued by the Institute of Chartered Accountants in England and Wales and in the revised Turnbull Guidance (2005). The Board and the Audit Committee have reviewed the effectiveness of the internal control system, including financial, operational and compliance controls and risk management in accordance with the Code for the period from 1 January 2008 to the date of approval of this Annual Report and Accounts. No significant failings or weaknesses were identified during this review; however had there been, the Board confirms that necessary actions would have been taken to remedy them.

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Group activities

The Group is a leading UK provider of business process outsourcing solutions and professional support services to organisations across the public and private sectors. The Group's 9 chosen markets are in the public sector: central government, local government, education, health and transport, and in the private sector: life and pensions, insurance, financial services and other corporates.

On behalf of its clients, the Group aims to improve service quality, reduce costs of delivery and enable them to transform the way that they deliver services to their customers. The services that the Group provides are essential to the smooth running and success of its clients' operations. The Group designs, successfully implements and manages tailored service solutions, ranging across administration, information technology, financial, human resources, property and customer service functions. The Group maintains leading positions in the majority of its markets due to its scale and ability to draw on its wide base of professional services, detailed market knowledge and extensive business process transformation and change management skills. During the period under review, the Group's business divisions were reorganised. The Board decided the reorganisation was necessary to manage the continued growth in the business and to enhance service provisions across the Group. The Group's principal activities are now managed through 5 operating divisions comprising: Insurance & Investor Services; ICT, Property & Partnerships; Life & Pensions; Professional Services and Integrated Services. Group support services report direct to Group Executive Directors. A review of the development of the Group and its business activities during the year is contained in the Business Review on pages 01-60. Our divisional operations and financial performance are detailed on pages 54-59.

Profits and dividends

The Group profit before taxation and after amortisation and callable swaps amounted to £226.6m (2007: £228.7m). The Directors recommend a final dividend of 9.6p per share (2007: 8.0p per share) to be paid on 18 May 2009 to ordinary shareholders on the Register on 14 April 2009. This gives a total dividend for the year of 14.4p per share (2007: 12.0p per share).

The Employee Benefit Trust has waived its right to receive a dividend on the shares being held within the Trust.

Directors

The Directors of the Company currently in office are listed on pages 62-63. Eric Walters, Gordon Hurst and Maggi Bell will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election and election. No Director has a service contract exceeding 1 year.

Conflicts policy

Under the Companies Act 2006, directors are under an obligation to avoid situations in which their interests can or do conflict, or may possibly conflict, with those of the company. In response to the conflicts of interest provisions, a comprehensive project was undertaken to identify and disclose any conflicts of interest that have arisen or may arise across the Group. Procedures were implemented for evaluating and managing conflicts that have been identified in a way that ensures that decisions are not compromised by a conflicted director. In addition, the Company's Articles of Association give the Board the power to authorise matters that give rise to actual or potential conflicts. The Board will report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed. A policy for ongoing identification and disclosure of conflicts is in place and is kept under regular review.

Following a review of Directors' conflicts of interest the Board authorised the conflict of Gordon Hurst being a trustee of both the Capita Pension and Life Assurance Scheme and the Capita Group Money Purchase Scheme, and gave specific guidance on this conflict going forward. Gordon Hurst did not participate in the discussion or vote on the guidance given. No other conflicts of interest declared were material to the Board. All conflicts of interest will be reviewed on an annual basis by the Nomination Committee and will be revisited as part of the year end process by the Directors.

None of the Directors of the Company had a material interest in any contract with the Company or its subsidiary undertakings other than their contracts of employment.

Voting rights and share capital

On 20 February 2009 the Company had received notifications that the following were interested in accordance with DTR 5:

Shareholder	No. of shares	Percentage of ISC as at 20 Feb	No. of shares Direct	No. of shares Indirect
Invesco Limited	75,606,954	12.16%		75,606,954
Baillie Gifford & Co	40,283,857	6.48%		40,283,857
Fidelity	35,911,427	5.78%		35,911,427
Legal & General	25,613,317	4.12%	25,613,317	

At the date of this report, 621,684,940 ordinary shares of 2¹/₁₅p each have been issued and are fully paid up and are quoted on the London Stock Exchange. During the year ended 31 December 2008, options were exercised pursuant to the Company's share option schemes, resulting in the allotment of 12,187,282 new ordinary shares. A further 456,443 new ordinary shares have been allotted under these schemes since the end of the financial year to the date of this report. 10,668,305 of the issued share capital is held within an Employee Benefit Trust for the use of satisfying employee share options.

The Company renewed its authority to repurchase up to 10% of its own issued share capital at the Annual General Meeting in May 2008. During the year the Company acquired 10,355,046 (2007: 6.6m) ordinary shares, representing 1.66% of the issued share capital (see note 25 on page 107). During the year 10,355,046 shares, were transferred to an Employee Benefit Trust. No shares were cancelled during the year and there are no shares held in treasury.

Rights and restrictions attaching to shares

Under the Company's Articles of Association, holders of ordinary shares are entitled to participate in the payment of dividends pro rata to their holding. The Board may propose and pay an interim dividend and recommend a final dividend, in respect of any accounting period out of the profits available for distribution under English law. A final dividend may be declared by the shareholders in the General Meeting by ordinary resolution, but no dividend may be declared in excess of the amount recommended by the Board.

At any General Meeting a resolution put to vote at the meeting shall be decided on a show of hands unless (before or on the declaration of the results of a vote on a show of hands or on the withdrawal of any other demand for a poll) a poll is properly demanded. On a show of hands every member who is present in person or by proxy at a General Meeting of the Company shall have one vote. On a poll every member who is present in person or by proxy shall have one vote for every share of which they are the holder.

No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Restrictions on transfer of shares

The Company's Articles of Association allow Directors to, in their absolute discretion, refuse to register the transfer of a share in certificated form which is not fully paid. They may also refuse to register a transfer of a share in certificated form unless the instrument of transfer is lodged, duly stamped, at the registered office of the Company, or at such other place as the Directors may appoint and (except in the case of a transfer by a recognised person where a certificate has not been issued in respect of the share) is accompanied by the certificate for the share to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. They may also refuse to register any such transfer where it is in favour of more than 4 transferees or in respect of more than 1 class of shares.

The Directors may refuse to register a transfer of a share in uncertificated form in any case where the Company is entitled to refuse (or is excepted from the requirement) under the Uncertificated Securities Regulations to register the transfer.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 1-60. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 26-32. In addition note 24 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

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

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Disabled persons

It is the Group's policy to give full consideration to suitable applications for employment of disabled persons. Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees of the Group who become disabled to continue in their employment or to be retrained for other positions in the Group.

Employee involvement

The Group is committed to involving all employees in the performance and development of the Group. Its approach to employee development offers continual challenges in the job, learning opportunities and personal development. The Group supports employees through a comprehensive range of key business and management skills courses and an annual management development programme.

The Group encourages all its employees to participate fully in the business through open dialogue. Employees receive news of the Group through Recap, the Group's online staff newsletter, frequent email notices, internal notice board statements, the employee intranet, Capita Connect, and Capita Online, a regular email communication reviewing the performance of the Group from the perspective of the Directors. In 2009 there will be a full re-launch of the Company's intranet for all employees. These communication initiatives enable employees to share information within and between business units and employees are encouraged to contribute news, views and feedback. The Group maintains a strong communications network and employees are encouraged, through its open door policy, to discuss with management matters of interest to the employee and subjects affecting day-to-day operations of the Group.

The Capita Sharesave Scheme, an employee Save As You Earn Scheme, and the Capita Share Ownership Plan, a share incentive plan, are both firmly established and are designed to promote employee share ownership and to give employees the opportunity to participate in the future success of the Group. Approximately 23% of the Group's eligible employees have share options or own Capita shares. For the launch of the 2008 Sharesave Scheme a refresh of all the documentation for the scheme was undertaken and this helped to increase participation in the scheme by 19%.

In keeping with its belief that employees are the Group's most valuable asset, the Group operates employee awards schemes. These celebrate the core values that embody the organisation and reward employees for service excellence, effective teamwork, service to the community and innovation.

Further information can be found on pages 37-41.

Payment of suppliers

The Company aims to pay suppliers in accordance with the suppliers' contract terms. In 2008 the Company had an average of 41 days' purchases (2007: 42 days' purchases) outstanding in trade creditors.

Charitable and political donations

During the year charitable donations amounted to £0.6m (2007: £0.5m). No political contributions were made. Further details of the Group's charitable donations and work within the community can be found on pages 43-44 and at www.capita.co.uk/corporate-responsibility.

Financial instruments

The Group's financial instruments primarily comprise bonds, unsecured loan notes, bank loans, finance leases and overdrafts. The principal purpose of these is to raise funds for the Group's operations. In addition various other financial instruments such as trade creditors and trade debtors arise directly from its operations. From time to time, the Group also enters into derivative transactions, primarily interest rate swaps, currency swaps and forward exchange contracts, the purpose of which is to manage interest risk and currency risk.

The main financial risks, to which the Group has exposure, are interest rate risk, liquidity risk, credit risk and foreign currency risk.

The Group borrows in selected currencies at fixed and floating rates of interest and makes use of interest rate swaps to generate the desired interest profile and to manage its exposure to interest rate fluctuations.

In respect of liquidity risk, the Group aims to maintain a balance between continuity of funding and flexibility through the use of bonds, bank loans, unsecured loan notes, finance leases and overdrafts.

In respect of credit risk, the Group trades only with recognised, creditworthy third parties. It is the Group'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 the Group's exposure to bad debts is not significant. With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial investments and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty. The Group has a maximum exposure equal to the carrying amount of the above receivables and instruments. There is no concentration of counterparty risk and the Group takes all reasonable steps to seek assurance from the associated parties to ensure that it can manage any risk identified appropriately.

The Group has exposure to foreign currency risk where it has investments in overseas operations which are affected by foreign exchange movements. The Group is not generally exposed to significant foreign currency risk except in respect of its overseas operations in India which generate exposure to movements in the INR/GBP exchange rates. The Group seeks to mitigate the effect of this exposure by entering forward currency contracts (in the form of Non-deliverable Forward Contracts (NDFs)) to fix the GBP cost of highly probable forecast transactions denominated in INR. These non-deliverable forward contracts are designated as cash flow hedges and it is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged items in order to maximise hedge effectiveness.

Qualifying third party indemnity provisions for the benefit of Directors

Under the Companies Act 2006, companies are under an obligation to disclose any indemnities which are in force in favour of their directors. The current Articles of Association of the Company contain an indemnity in favour of the Directors of the Company which indemnifies them in respect of certain liabilities and costs that they might incur in the execution of their duties as Directors. Copies of the relevant extract from the Articles of Association are available for inspection at the registered office of the Company during normal business hours on any weekday and will be available at the venue of the Annual General Meeting from 15 minutes before the meeting until it ends.

Auditors

A resolution to re-appoint Ernst & Young LLP as the Auditors will be put forward at the forthcoming Annual General Meeting.

The Company is committed to ensuring appropriate independence in its relationship with the Auditors and the key safeguards are:

- The Group Finance Director monitors the independence of the Auditors as part of the Group's assessment of auditor effectiveness and reports to the Audit Committee
- The Audit Committee routinely benchmarks the level of the Audit fee against other comparable companies both within and outside of its sector, to ensure ongoing objectivity in the audit process
- The Group Finance Director monitors the level and nature of non-audit fees accruing to the Auditors, and specific assignments are discussed in advance with the Auditors and flagged for the approval of the Audit Committee as appropriate and in accordance with the Company's policy on the provision of non-audit services by the Auditors. The Audit Committee reviews, in aggregate, non-audit fees of this nature on an annual basis and considers implications for the objectivity and independence of the relationship with the Auditor.

Ensuring conflicts of interest are avoided is a fundamental criterion in the selection of any third party auditor for assignments with which the Group is involved. Such conflicts may arise across public or private sector customers and key supplier relationships, for example, and are a key determinant in the award process for external audit assignments.

Powers of Directors

The business of the Company shall be managed by the Directors who are subject to the provisions of the Companies Act, the Memorandum and the Articles of Association of the Company and to any directions given by special resolution, including the Company's power to repurchase its own shares.

The Company's Articles of Association may only be amended by a special resolution of the Company's shareholders.

Change of control

All of the Company's share schemes contain provisions relating to a change of control. Outstanding options and awards would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

The Group has a number of borrowing facilities provided by various banks and other financial institutions. The bonds issued by the Group contain a change of control provision which requires the Group to offer to prepay the bonds in full if a change of control event occurs and the Group is unable to obtain an investment grade credit rating.

There are no other significant contracts in place that would take effect, alter or terminate on the change of control of the Company.

Statement of Directors' responsibilities in respect of the financial statements and auditors

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those accounts, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

To the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's Auditors are unaware.

Each of the Directors has taken all steps that a Director might reasonably be expected to have taken to be aware of all relevant audit information and to establish that the Company's Auditors are aware of that information.

The Directors confirm that the financial statements comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at anytime the financial position of the Group and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

To the best of each Director's knowledge, the financial statements contained within this 2008 Annual Report and Accounts give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and the Directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face. Details of the principal risks and uncertainties can be found on page 32.

Annual General Meeting

The 2009 Annual General Meeting (AGM) of the Company will be held at Deutsche Bank, Winchester House, 1 Great Winchester Street, London EC2N 2DB, on 6 May 2009. At the AGM a number of resolutions will be proposed. The resolutions are set out in the Notice of Meeting, which was sent to shareholders with the 2008 Annual Report and Accounts and includes notes explaining the business to be transacted. In May 2008, shareholders granted authority for the Company to purchase up to 60.82m ordinary shares which will expire at the conclusion of the 2009 AGM. A resolution to renew this authority will be put to shareholders at that meeting.

At the AGM in May 2009 the Directors are proposing that the name of the Company be changed to Capita plc with effect from 31 December 2009. This brings our name in line with our branding and marketing strategy.