

Board members

The Board of Directors

To support our growth, we made some changes to the Board in 2008. In March 2008, Martin Bolland joined Capita as a Non-Executive Director and is now Senior Independent Director. He has already made an excellent contribution to the business.

At the end of September 2008, Peter Cawdron stepped down as Non-Executive Director, after serving 11 years on the Board. We thank him for his valuable contribution and wish him well.

In August 2008, Simon Pilling, who previously shared the role of Joint Chief Operating Officer with Paddy Doyle, took on this role exclusively and became Capita's Chief Operating Officer. Paddy Doyle decided to move to a part-time role and from 1 January 2009, he is working 2 days a week for Capita and remains an active Executive Board member.

Also in August 2008, Maggi Bell joined the Board as Business Development Director. She adds significant value to our Board as we continue to broaden and strengthen our Board's skills.

Eric Walters

Non-Executive Chairman, Age 64

Joined the Board in January 2001 and became Non-Executive Chairman with effect from 1 August 2006. Chair of the Nomination Committee and Member of the Remuneration Committee. He has held senior positions with Alchemy Partners LLP, Englefield Capital, Schroder Ventures, Grand Metropolitan plc and Lex Service plc.

Paul Pindar

Chief Executive, Age 49

Responsible for managing and developing Capita's operations to achieve the Group's strategic objectives. Joined the Group in 1987 from 3i, after advising Capita on its management buy-out. A chartered accountant since 1984, Paul is also Chair of the Great Ormond Street Hospital's Corporate Partnerships Board and Non-Executive Director of Debenhams Plc. Paul has overall responsibility for the Group's charitable and community approach.

Gordon Hurst

Group Finance Director, Age 47

Joined the Group in 1988 from Sun Microsystems Ltd. First appointed to the Board as Commercial Director in February 1995 and then as Group Finance Director in 1996. A chartered accountant since 1986, he is also Company Secretary. He has Board responsibility for the Group's overall corporate social responsibility policy and specific responsibility for our environment, health and safety approach and supplier relationships.



Paddy Doyle, Eric Walters



Simon Pilling, Gordon Hurst

Simon Pilling**Chief Operating Officer, Age 46**

Joined the Board on 1 August 2006 serving as Joint Chief Operating Officer alongside Paddy Doyle until August 2008. He is now Chief Operating Officer with overall responsibility for the management of the Group's operations. Simon has a strong background in managing major programme developments. He joined Capita in 1999 from Sema (now Atos Origin) and, prior to joining the Board, held various senior management positions across the Group. He has Board responsibility for client service quality and for our employee and human resources policies.

Maggi Bell**Business Development Director, Age 53**

Joined the Board on 1 August 2008. Moved to Capita in January 1999 from Manpower where she was UK Operations Director. She ran Capita's recruitment businesses until she was promoted to lead the Business Services Division in June 2001. In 2002, she moved to head the Corporate Services Division, which included responsibility for business development activity across the Group. Since January 2005, she has been head of the Group Sales & Marketing Division and continues to drive forward Capita's sales activity.

Paddy Doyle**Executive Director, Age 58**

Joined the Group in 1992 and was appointed to the Board in 1994. His background is in IT and outsourcing, previously with Cap Gemini UK (formerly Hoskyns). As Group Operations Director he was responsible for the ongoing operational management of the Group's business units. From 1 August 2006 to the end of August 2008 he was Joint Chief Operating Officer alongside Simon Pilling. With effect from 1 January 2009 Paddy has moved to a part-time role, spending 2 days per week continuing with his client facing activities and remaining an active member of the Board.

Martin Bolland**Senior Independent Director, Age 52**

Joined the Board on 1 March 2008. Chair of the Audit Committee and member of the Remuneration and Nomination Committees. Martin is a Chartered Accountant and is currently Chairman of QHotels, a privately owned UK hotel company. He previously held a number of positions including Chief Executive and Vice President Finance within Lonrho Hotels and was a founding partner of Alchemy Partners LLP. He was also Non-Executive Director at Jacques Vert plc from 2003 to 2004.

Martina King**Non-Executive Director, Age 47**

Joined the Board on 1 January 2005. Chair of the Remuneration Committee and member of the Audit and Nomination Committees. Former Yahoo! Managing Director for Europe, and the first Managing Director of Yahoo! UK and Ireland. A Non-Executive Director of Johnston Press plc and IMD PLC. Martina is also Treasurer of the Marketing Group of Great Britain, a Trustee of Coram, a Trustee of the Ahoy Centre and a Governor at Woodbridge School.

Bill Grimsey**Non-Executive Director, Age 57**

Joined the Board on 9 October 2006. Member of the Audit, Remuneration and Nomination Committees. Bill has held a number of senior positions across the retail sector over the past 20 years, including Chief Executive of The Big Food Group and Wickes Plc. Bill is currently Chief Executive of Focus DIY Limited. He does not hold any other Non-Executive positions.



Paul Pindar



Martin Bolland, Martina King



Bill Grimsey, Maggi Bell

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.

Corporate governance

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.

Corporate governance

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.

Directors' remuneration report

As required by Section 420 of the Companies Act 2006, the Directors present the report on Directors' remuneration for the year ended 31 December 2008. In accordance with the requirements the report provides the disclosure in 2 parts: information that is not subject to audit and information that is subject to audit.

The following information is not subject to audit.

Executive summary

This summary provides an overview of Directors' remuneration in 2008 and outlines the changes to the previous year.

The introduction of a new long term incentive plan (LTIP 2008) was approved at the last Annual General Meeting. Although long term incentives had been in place previously, there had been no grants to our Executive Directors since 2004. The performance of awards that will vest under this plan will be determined by the following schedule:

EPS growth of RPI + 4% per annum – 20% of the award vests

EPS growth of RPI +16% per annum – 100% of the award vests

Straight-line vesting occurs between these 2 points.

These are also subject to the share price performance. The option will lapse if the performance conditions are not met. See page 73 for details.

The grants made under this Long Term Incentive plan were:

Director	Number of options
Paul Pindar	165,000
Paddy Doyle	120,000
Simon Pilling	120,000
Gordon Hurst	120,000
Maggi Bell	30,000

Maggi Bell's award of 30,000 options under this plan was made prior to her promotion to the Board.

Base salaries

Individual salary increases for 2008 were between 4% and 7% for Executive Directors in 2008 and varied by individual based on external benchmarking, changes in their role and consideration of awards made within the businesses.

Due to the current volatile economic climate the basic salaries of Executive Directors, Non-Executive Directors and senior management have been held at 2008 levels, apart from those in executive positions who have been promoted or changed their responsibilities.

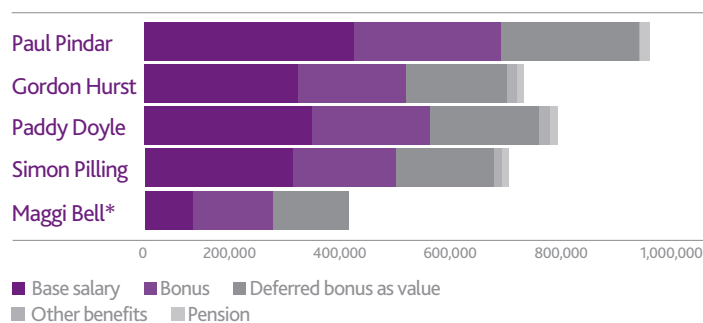
Annual bonuses

In 2008 the bonus awarded to each Executive Director was 140% of base salary as full achievement of the stretch target was met. This was split between 70% of the award payable in cash and the remaining 70% compulsorily placed into the Deferred Annual Bonus plan. The Deferred Annual Bonus plan also included a matching award of up to 1.5 shares for each deferred share dependent on the requirement to meet performance criteria. The bonuses are only awarded on the achievement of a set target on the profit before tax. These targets are set by the Remuneration Committee and approved by the Board.

The overall package is weighted towards long term share based incentives which strongly links the interests of the Executive Directors with those of the shareholders in respect of shareholder value.

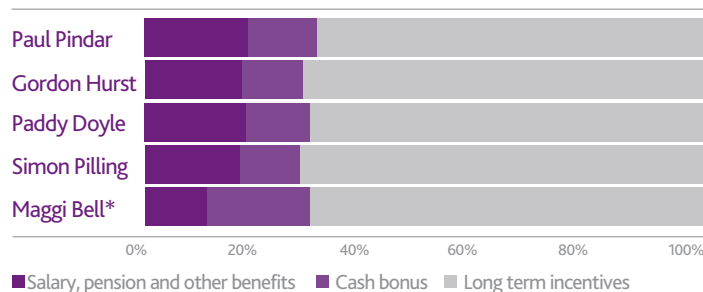
Maggi Bell was appointed during the year and her remuneration package was reviewed for the period beginning 1 January 2009 and this will be disclosed in the 2009 financial statements.

Summary table of remuneration for 2008 for Executive Directors



Maggi Bell's salary is only for the period since appointment to the end of the financial year. This graph does not show the Matching Award or LTIP awarded in the year that will mature in 2011.

Summary of salary, cash bonus and long term incentives for Executive Directors as percentage of overall remuneration package



*from date of appointment

Remuneration strategy and policy for Executive Directors

The table below shows our remuneration strategy and policy for our Executive Directors and how these link to the package of remuneration:

Strategy	Policy	Package
To provide a remuneration package that:		
– Is aligned to shareholders' interests	– Set base salary at lower quartile level	– Base salary
– Is competitive in the current market and our business sector	– Reward upper quartile performance with upper quartile rewards	– Annual bonus
– Encourages and supports a high performance culture	– Balance between short and long term rewards with a balance on longer term rewards	– Deferred bonus
– Attracts, retains and motivates	– Competitive package of benefits	– Long term incentive plan
		– Share matching plan
		– Pension provision
		– Car allowance
		– Health care
		– All employee share plans

Capita's Remuneration Committee is satisfied that the remuneration policy is appropriate, particularly with regard to total executive remuneration and Group performance. The Committee plans to continue to pursue this approach in its future remuneration policy. Consistent with this principle, approximately half of an Executive's target total remuneration is performance-linked and weighted to the long term. This percentage increases in the case of performance above target. For further information regarding the remuneration strategy for Directors and the wider workforce please see page 37.

Directors' remuneration report

Remuneration Committee membership

Martina King was Chairperson of the Remuneration Committee throughout the year. Membership of the Remuneration Committee during the year is shown below.

The Committee met 5 times and the attendance is shown below:

Name of Director	Number of meetings attended
Martina King	5
Eric Walters	4
Bill Grimsey	4
Martin Bolland (appointed 1 October 2008)	2
Peter Cawdron (retired 30 September 2008)	3

Terms of reference

The Remuneration Committee has formal terms of reference and these are agreed by the Board. These include:

- Setting and reviewing performance targets
- Determining remuneration and benefits for Executive Directors and senior management
- Determining contractual terms for Executive Directors
- Granting of long term incentive plan options.

The Committee also considers the remuneration packages within the organisation when reviewing the Executive Directors' remuneration.

The terms of reference for the Committee are reviewed annually and updated as required. These were reviewed in November 2008 and amended terms of reference were recommended and approved by the Board. These are available at www.capita.co.uk/investors or copies can be requested from the Company Secretary.

Advisers to the Committee

During 2008 the Committee sought advice from PricewaterhouseCoopers (PwC), the remuneration advisers, as required. Paul Pindar was invited to provide further information to the Committee on the performance and proposed remuneration for the Executive Directors and other senior management.

PwC also provide services in respect of overseas tax compliance and also other adhoc tax projects and share plans.

Combined Code

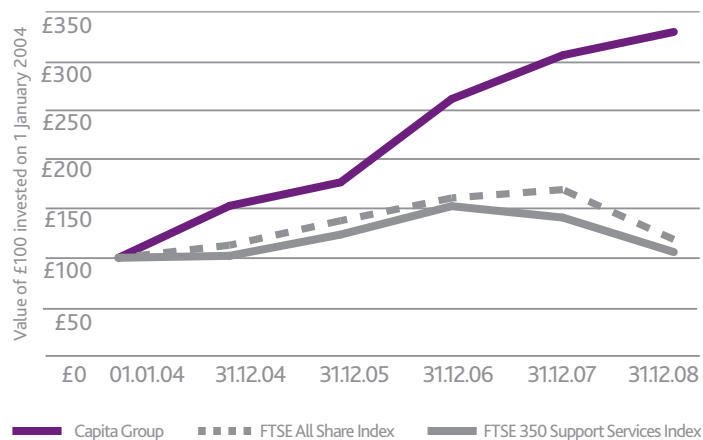
The Company has complied with the provisions set out in Section B of the Combined Code Principles of Good Governance and Code of Best Practice.

The Committee also reviewed the remuneration strategy and policies against the Financial Services Authority guidance, sent out in October 2008, and confirms that the Company's policies are in line with this guidance.

Comparison of Total Shareholder Returns

The following chart compares the value of an investment of £100 in the Company's shares with an investment of the same amount in the FTSE All Share Index and the FTSE 350 Support Services Index over the 5 years starting 1 January 2004 and ending 31 December 2008 assuming that all dividend income is reinvested. The Committee is of the opinion that this comparison provides a clear picture of the performance of the Group relative to both a wide range of companies in the United Kingdom and also a specific group of companies within the same sector.

Capita vs. FTSE All Share Index and FTSE 350 Support Services Index, Value of investment of £100 on 1 January 2004.



A £100 investment in Capita shares on 1 January 2004 would be worth £330 at 31 December 2008 compared to £119 for an investment in the FTSE All Share Index and £106 for an investment in the FTSE 350 Support Services Index.

Elements of remuneration

Basic salary and benefits

The Committee regularly commissions independent reviews of the salaries and benefits of the Executive Directors. The policy adopted by the Committee requires that basic salaries and benefits be below those provided to comparable roles in comparable companies to enable the provision of a higher performance-related element of remuneration.

This low basic salary policy allows the Directors to provide a lead in terms of keeping fixed remuneration costs low across the Group as a whole and is reflective of the Group's remuneration policy in general. The continued success of the Group has enabled it to provide the benefits of a highly geared reward structure which delivers a competitive total remuneration package.

Annual bonus

The maximum annual bonus potential for Executive Directors is 140% of salary. The value of the annual bonus is determined at the start of the financial year and payment triggered at a pre-determined Group profit before tax target.

Half of the annual bonus entitlement will be paid in cash and the remainder will be compulsorily deferred on a gross-basis into Capita Shares (Deferred Shares).

Non-Executive Directors

Non-Executive Directors' fees reflect the time, commitment and responsibilities of the role. They are reviewed annually and determined by the Executive Directors. The fees paid to the Non-Executives include consideration of all the responsibilities that they are asked to undertake. The Non-Executives have equal responsibilities and therefore receive equal pay.

Non-Executive Directors are paid an annual fee and in 2008 this was set at £42,500. They are not paid further amounts for specific duties and responsibilities, such as chairing a committee. Eric Walters is paid £105,000 per annum as Chairman of the Group.

Service contracts

The service contracts for Executive Directors are for an indefinite period and provide for a 1 year notice period. They do not include provisions for predetermined compensation on termination that exceed 1 year's salary and benefits. There are no arrangements in place between the Company and its Directors that provide for compensation for loss of office following a takeover bid.

All Directors are appointed for an indefinite period but are subject to re-election at the Annual General Meeting every 3 years.

Details of the contracts are set out below:

Executive Directors	Date of contract	Notice period
Paul Pindar	17 December 2007	12 months
Gordon Hurst	17 December 2007	12 months
Paddy Doyle	17 December 2007	12 months
Simon Pilling	17 December 2007	12 months
Maggi Bell	1 August 2008	12 months

Non-Executive Directors	Date of Joining the Board
Eric Walters	1 January 2001
Martin Bolland	1 March 2008
Martina King	1 January 2005
Bill Grimsey	9 October 2006

*Peter Cawdron was appointed to the Board on 1 September 1997 and retired from the Board on 30 September 2008

Share Plans

Deferred Annual Bonus Plan (DAB)

The Deferred Annual Bonus Plan was approved and adopted at the Annual General Meeting on 28 April 2005. The DAB is comprised of Deferred Shares, which form part of the annual bonus scheme, and Matching Shares.

The Committee believes that this plan focuses participants on delivering strong year-on-year annual performance, which will in turn drive long term shareholder value creation. Executive Directors and Divisional Directors are eligible to participate in the DAB.

In March 2008, an aggregate of 142,985 Deferred Shares were awarded to Executive Directors (including Maggi Bell) at a price of £6.56, being the market price determined, as detailed on page 75.

The DAB operates as follows:

The value of Deferred Shares is determined by the entitlement under the annual bonus scheme: half of the bonus entitlement is paid in cash and the remainder is deferred, on a gross basis, into deferred shares. The Deferred Shares are held for a period of 3 years from the date of award. They are only forfeited in the case of dismissal for gross misconduct.

A conditional award of Matching Shares is made at the same time as the award of Deferred Shares. Participants are eligible to receive up to 1.5 matching shares for every Deferred Share. Matching Shares vest after the 3 year holding period to the extent to which performance criteria have been met. During the year an aggregate of 214,476 Matching Shares were awarded to Executive Directors (including Maggi Bell) as detailed on page 75 and subject to the following performance conditions.

The Committee has decided that the performance condition that will apply to the Matching Shares is earnings per share (EPS) growth against the UK Retail Price Index (RPI). The Committee believes that long term EPS growth is the most appropriate performance condition for the Company as it is a key indicator of shareholder value creation. The EPS based performance conditions are as follows. The proportion of awards that vest will be determined by the following schedule:

- EPS growth of RPI + 6% per annum – 33% of the award vests
- EPS growth of RPI + 16% per annum – 100% of the award vests
- Straight line vesting occurs between these points.

The performance conditions attached to the Matching Shares awards made under the bonus scheme may be amended by the Committee from time to time, subject to the new performance condition being no less demanding than the original condition.

Long Term Incentive Plan (2008 LTIP)

The 2008 LTIP was approved and adopted at the Annual General Meeting on 6 May 2008. In calculating the LTIP awards granted to Executive Directors, the Committee considered that a fixed number of shares approach was preferable to fixing awards as a percentage of salary.

On 7 May 2008, an aggregate of 555,000 shares were awarded to the Executive Directors (including Maggi Bell), as detailed on page 75.

The vesting of awards made during 2008 will depend on share price growth and EPS growth targets measured over a 3 year period. An award will not vest if Capita's average share price at the date of vesting is below the average share price at the date of grant.

The proportion of awards that vest will be determined by the following schedule:

- EPS growth of RPI + 4% per annum – 20% of the award vests
- EPS growth of RPI + 16% per annum – 100% of the award vests
- Straight line vesting occurs between these points.

The Committee may vary the performance conditions if it considers that the original conditions are not appropriate and a fair measure of performance. Where the performance conditions are not met, the award will lapse. There will be no re-testing of performance.

Capita Share Ownership Plan (CSOP)

The CSOP is open to all employees of the Company under certain eligibility criteria, including Executive Directors. Under the plan, eligible employees may invest up to £125 per month in the Company's shares and the Company matches these at a ratio of 1 Matching Share for every 10 Participant Shares.

Save as you Earn (SAYE)

The SAYE is open to all employees of the Company, including Executive Directors, under certain eligibility criteria. Under the SAYE employees can save up to £250 per month for a period of 3 years and purchase shares at the price set at the beginning of the savings period.

Executive Share Scheme

The 1997 Executive Share Option Scheme (including both HMRC approved and unapproved elements) is a discretionary scheme for senior managers, in which the Executive Directors no longer participate.

Options granted under the 1997 Executive Share Option Scheme become exercisable if the growth in the Company's EPS exceeds growth in RPI by 8% over the 3 year period from the date of grant.

Long Term Indexed Share Appreciation Scheme (LTISAS)

The LTISAS was only open to the Executive Directors and Divisional Directors. Under the scheme, participants were provided with 2 equal tranches of 600,000 options. The criteria were the same for each of these grants and therefore both tranches had performance periods that ended on 31 December 2006. The exercise price of the option was adjusted in line with the movement in the FTSE All Share Index from the date of grant to 25 November 2007. The adjusted exercise prices were £3.48 for the 2002 award and £4.74 for the 2004 award. This feature ensured that participants only gained if the share price out-performed the index.

As growth in the Company's EPS over the 3 year period to 31 December 2006 exceeded RPI growth by 17.6%, 100% of the options vested (representing 1,200,000 shares per participant) and became exercisable on 25 November 2007.

The last award under the LTISAS was made in November 2004 and vested in full on 31 December 2006 and no further awards have or will be made under this plan.

Satisfaction of options

When satisfying awards made under its share plans and long term incentive plans, the Company uses newly issued, treasury shares or purchased shares as appropriate.

Dilution

All awards are made under plans that incorporate dilution limits as set out in the Guidelines for Share Incentive Schemes published by the Association of British Insurers. The current estimated dilution from subsisting awards, including executive and all-employee share awards, is approximately 9.1% of the Company's share capital as at 31 December 2008.

Directors' remuneration report

The following information is subject to audit

Directors' remuneration

The remuneration of the Directors, excluding gains made on the exercise of options, is made up as follows:

	Salary and fees £	Benefits £	Performance related bonus £	Total 2008 £	Total 2007 £	Gain on exercise of options 2008 £	Gain on exercise of options 2007 £	Pension 2008 £	Pension 2007 £
Eric Walters ¹	105,000	–	–	105,000	100,000	–	–	–	–
Paul Pindar	375,000	1,248	525,000	901,248	880,210	8,955,632	–	18,750	18,518
Gordon Hurst	257,000	17,148	385,000	659,148	605,079	38,495	4,151,912	46,270	53,703
Paddy Doyle	266,069	20,451	420,000	706,520	641,582	1,356,000	2,782,700	63,199	71,502
Simon Pilling	248,333	15,363	371,000	634,696	590,022	–	3,562,440	43,617	38,810
Maggi Bell ²	85,417	6,410	287,000	378,827	–	–	–	–	–
Martin Bolland ^{1 and 2}	35,417	–	–	35,417	–	–	–	–	–
Martina King ¹	42,500	–	–	42,500	40,000	–	–	–	–
Bill Grimsey ¹	42,500	–	–	42,500	40,000	–	–	–	–
Peter Cawdron ¹	31,875	–	–	31,875	40,000	–	–	–	–

Directors' interests

	31 December 2008 or date of appointment if later ordinary shares of 2 1/2p	31 December 2007 or date of appointment if later ordinary shares of 2 1/2p
Eric Walters ¹	51,158	50,230
Paul Pindar	1,451,612	1,451,612
Gordon Hurst	10,181	10,181
Paddy Doyle	26,741	26,497
Simon Pilling	0	0
Maggi Bell	0	0
Martin Bolland ^{1 and 2}	12,500	0
Martina King ¹	0	0
Bill Grimsey ¹	12,209	12,209
Peter Cawdron ¹	–	23,225

Directors' remuneration

	2008 £000s	2007 £000s
Basic salaries	1,227	1,038
Compensation	0	0
Benefits	61	76
Annual Bonus	1,988	1,603
Pension contributions to the Group's defined contribution scheme	–	53
Pension contributions to external defined contribution pension schemes	–	130
Fees	257	220
Total	3,533	3,120

¹ Non-Executive Directors.

² Maggi Bell and Martin Bolland's information is at date of appointment to the Board to the end of the financial period.

The sum disclosed above represents the total value of the performance related bonus payable in respect of the year ended 31 December 2008. 50% will be paid in cash and the remainder will be settled through the issue of Deferred Shares as explained on page 73.

In addition, by way of salary sacrifice, the base salaries of Gordon Hurst, Paddy Doyle and Simon Pilling have been reduced by £18,000 (2007: £36,000), £33,931 (2007: £50,897) and £16,666 (2007: £20,000) respectively and paid into separate defined contribution schemes.

The benefits of Gordon Hurst, Paddy Doyle and Simon Pilling are in respect of private health insurance and the provision of a company car allowance. The benefits of Paul Pindar, the highest paid Director, are in respect of a company car and private health insurance.

Paul Pindar was released by the Company to serve as a Non-Executive Director of Debenhams Plc with effect from 9 May 2006. He receives £50,000 per annum in fees from Debenhams Plc which he retains.

Share plan awards

Deferred Annual Bonus Plan (DAB)

Details regarding the DAB can be found on page 73. The information on page 73 is unaudited. The value of the Deferred Shares is included in the Performance Related Bonus figure in the first table on page 74.

	At 1 January 2008 or date of appointment	Awarded in the year	Matching Shares awarded in the year	At 31 December 2008
Paul Pindar	213,782	37,881	56,821	308,484
Paddy Doyle	169,767	29,878	44,817	244,462
Gordon Hurst	153,697	27,743	41,614	223,054
Simon Pilling	123,217	26,676	40,014	189,907
Maggi Bell*	171,779			171,779

*At date of appointment

The market price on the date of the award was £6.56.

Long Term Incentive Plan (2008 LTIP)

	At 1 January 2008	Date of award	Awarded in the year	Vesting date	At 31 December 2008
Paul Pindar	–	07.05.08	165,000	07.05.11	165,000
Paddy Doyle	–	07.05.08	120,000	07.05.11	120,000
Gordon Hurst	–	07.05.08	120,000	07.05.11	120,000
Simon Pilling	–	07.05.08	120,000	07.05.11	120,000
Maggi Bell*	30,000*	07.05.08	–	07.05.11	30,000

*At date of appointment.

Details regarding the 2008 LTIP can be found on page 73. The information on page 73 is unaudited.

The market price on the date of grant for this award was £6.83.

Capita Share Ownership Plan

Paddy Doyle participated in the Capita Share Ownership Plan during 2008. As a result of his participation, he was awarded 22 Matching Shares during the period to 31 December 2008. The Participant Shares and Matching Shares are included in the table of Directors' interests in shares on page 74.

Capita Sharesave Scheme

The Directors' interests in the Capita Sharesave Scheme are listed below:

	Exercise price £	At 1 January 2008	Granted in year	Exercised in year	Market price at exercise £	At 31 December 2008	Exercisable between
Paddy Doyle ¹	7.33	1,289	0	0		1,289	01.11.10 to 30.04.11
Gordon Hurst ²	1.88	8,430	0	8,430	£6.45	0	

¹ The exercise price quoted above was set at 100% of the market price at the date of grant.

² The exercise price quoted above was set at 80% of the market price at the date of grant.

There are no performance criteria to be satisfied under this scheme.

1997 Executive Share Option Scheme

The Directors' interests in the 1997 Executive Share Option Scheme are listed below:

	Exercise price £	At 1 January 2008	Granted in year	Exercised in year	Market price at exercise £	At 31 December 2008	Exercisable between
Paul Pindar	4.49	200,000	0	200,000	6.80	0	
	4.36	100,000	0	100,000	6.80	0	
Maggi Bell*	4.36	75,000*	0	0		75,000	22.02.05 to 22.03.09

*At date of appointment.

Details of the performance conditions attached to options granted under the 1997 Scheme can be found on page 73. The information on page 73 is unaudited.

No options under this scheme have been granted to Board Directors since 2002.

The market value of an ordinary share of the company at 31 December 2008 was 738p, and the high and low values for the year were 769.5p and 590.5p respectively.

Directors' remuneration report

Long Term Indexed Share Appreciation Scheme

The Executive Directors' interests in the LTISAS are listed below:

	Date of award	Price at date of grant £	Final exercise price £	At 1 January 2008	Exercised in year	Market price at exercise £	At 31 December 2008	Exercisable between
Paul Pindar	25.11.2002	2.16	3.48	600,000	600,000	715	0	
	25.11.2004	3.51	4.74	600,000			600,000	25.11.2007 to 25.11.2012
Paddy Doyle	25.11.2004	3.51	4.74	600,000	600,000	7.00	0	

The grant price was calculated based on the average of the closing share price over the month prior to the date of grant. The exercise price of the options increased in line with the FTSE All Share Index, measured from the date of grant to 25 November 2007. The adjusted exercise prices are set out above.

Paddy Doyle exercised LTISAS options, as specified above, on 24 June 2008, selling all resulting shares. The closing market price on the day of exercise was 698p.

Details of the performance conditions attached to awards made under the LTISAS can be found on page 73. The information on page 73 is unaudited.

At 31 December 2008, the market price for a Capita share was 738p.

Long Term Investment Plan

Awards under the LTIP were structured either as Restricted Share Awards or Indexed Performance Share Appreciation Rights (IPSARs). The last Restricted Share Awards and awards of IPSARs vested in full in May 2001 and 2003 respectively. No further awards were made under the LTIP. Only one award of IPSARs was made. The performance requirements in respect of the IPSARs were met in full on 4 May 2003 and the IPSARs are exercisable at a price of 169p per share.

IPSARs

	Number of shares 1 January 2008	Vesting date	Exercised in year	Market price at exercise	Number of shares at 31 December 2008
Paul Pindar	1,200,000	5.05.2003	1,200,000	6.805	0

Pensions

Pension contributions are made into the Group's defined contribution scheme. The Company makes contributions at a rate of 5% of basic salary. Gordon Hurst, Simon Pilling and Paddy Doyle made additional contributions, by way of salary sacrifice in the year, to a separate executive defined contribution scheme.

Changes in Directors' interests

Between the end of the financial year and 25 February 2009, Paddy Doyle acquired 39 shares under the Capita Share Ownership Plan, increasing his beneficial interest in ordinary shares of the Company to 26,780.

The remuneration report has been approved by the Board and has been signed on behalf of the Board by:

Eric Walters
Non-Executive Chairman
25 February 2009

Martina King
Chairperson of the Remuneration Committee
25 February 2009

The Directors' report from pages 01-76 was approved by the Board and has been signed on behalf of the Board by:

Gordon Hurst
Company Secretary
25 February 2009