

Directors' remuneration report

As required by Section 234B of the Companies Act 1985, the Directors present the Report on Directors' Remuneration for the year ended 31 December 2007. In accordance with the requirements the report provides the disclosure in two parts: information that is not subject to audit and information that is subject to audit.

Information that is not subject to audit

The Capita Group Remuneration Committee (the Committee) is a sub-committee of the Group Board with terms of reference agreed with the Group Board. Its purpose is to determine the terms of employment and the remuneration of the Executive Directors. The terms of reference of the Committee are available on Capita's website (www.capita.co.uk) and on request.

The Committee was made up during the year of the following independent Non-Executive Directors: Martina King (Chairman), Peter Cawdron and Bill Grimsey. The Committee met three times during the year and all members attended each meeting.

The Committee consults the Chief Executive regarding proposals for remuneration of the Executive Directors and other senior executives, except when issues relating to his own remuneration are discussed. During the year, KPMG (UK) LLP (KPMG) acted as adviser to the Committee and they acted in this capacity until November 2007. KPMG has also provided tax advisory services to subsidiaries of the Company during the year under review. No other person or entity has provided material assistance to the Committee during the year. In November 2007, PricewaterhouseCoopers LLP (PwC) replaced KPMG as the Company's remuneration adviser to provide independent advice on executive remuneration and the structure of share schemes.

The Company has complied with the provisions set out in Section B of the Combined Code annexed to the Listing Rules of the Financial Services Authority as relating to Directors' remuneration.

Directors' remuneration

a) Overall policy

The Committee's overall policy is to provide a remuneration structure with a strong performance-related element which it feels is justified by the nature of the Group's activities, its growth and profit record and its developing characteristics.

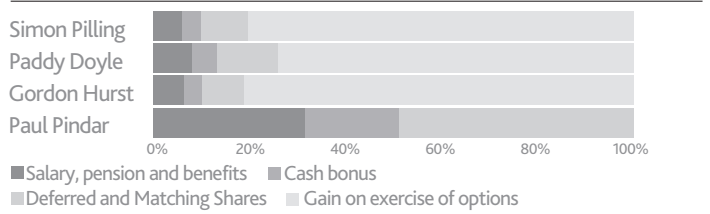
The overall package is weighted towards share-based incentives which the Committee strongly believes links the interests of the Executive Directors with those of shareholders in respect of shareholder value. The Committee is satisfied that the remuneration policy is appropriate, particularly with regard 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 would increase in the case of performance above target.

The Committee has engaged its independent advisers, PwC, to conduct a strategic review of current executive remuneration policy and package. The Committee is currently considering the findings of the review and will consult with the Company's largest shareholders prior to making any changes to the current remuneration package.

The remuneration package for the Executive Directors consists of salary, annual bonus, long term incentives, pension and other benefits.

The chart below shows the balance between the value of the fixed and variable compensation received by the Executive Directors for the period from 1 January 2007 to 31 December 2007.

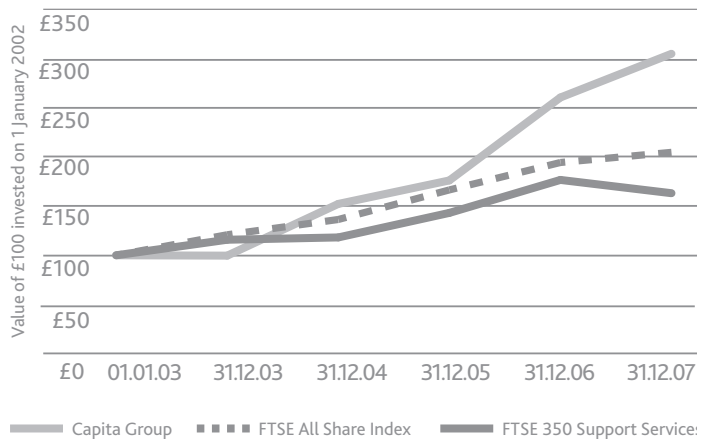
Percentage of total remuneration



The chart below 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 five years starting 1 January 2003 and ending 31 December 2007 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.

Comparison of total shareholder returns

Capita vs. FTSE All Share Index and FTSE 350 Support Services Index, Value of investment of £100 on 1 January 2003.



A £100 investment in Capita shares on 1 January 2003 would be worth £305 at 31 December 2007 compared to £205 for an investment in the FTSE All Share Index and £163 for an investment in the FTSE 350 Support Services Index.

Directors' remuneration report

b) 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.

c) Annual Bonus Scheme

The value of the annual bonus is determined at the start of each financial year and payment triggered at a predetermined Group profit before tax target. The Committee takes the view that this performance condition is relevant, challenging and designed to drive business enhancement.

The maximum annual bonus potential for Executive Directors is 140% of salary. 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). This reflects the Committee's policy of providing a significant proportion of performance-related remuneration whilst maintaining low basic salaries. The annual bonus is not pensionable.

For 2007 this resulted in a cash element payable of 70% of salary to all Executive Directors with the remainder of the performance related bonus being awarded in Deferred Shares. The number of shares awarded will be determined within 42 days of 29 February 2008, the date of the announcement of the Group's results for 2007.

d) Deferred Annual Bonus Plan (DAB)

The Deferred Annual Bonus Plan was approved and adopted at the AGM on 28 April 2005. The DAB is comprised of Deferred Shares, which form part of the Annual Bonus Scheme, and Matching Shares.

In February 2007, an aggregate of 112,271 Deferred Shares were awarded to Executive Directors at a price of £6.545, being the market price on the day, as detailed on page 61.

The Deferred Annual Bonus Plan 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 compulsorily deferred, on a gross basis, into Deferred Shares. The Deferred Shares are held for a period of three years from the date of award during which they will not be forfeitable, except 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 three year holding period to the extent to which performance criteria have been met. During the year an aggregate of 168,405 Matching Shares were awarded to Executive Directors as detailed on page 61 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:

Matching shares %



Increase in EPS over three years

The performance condition attached to the 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.

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 Executive Directors (pages 50–51) are eligible to participate in the DAB. No further awards are made to participants under any other long term incentive plan.

e) Long Term Indexed Share Appreciation Scheme (LTISAS)

The LTISAS was only open to the Executive Directors and the Divisional Executive Directors. Under the scheme, participants were provided with two 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.

Options became exercisable, if over the performance period, the Company's EPS exceeded certain targets as follows:

LTISAS %



Increase in EPS over three years

As growth in the Company's EPS over the three 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 will be made under this plan.

f) Share option schemes

The Group has two share option schemes: the 1997 Executive Share Option Scheme (including both HMRC approved and unapproved options) is a discretionary scheme for senior managers, in which the Executive Directors and Divisional Executive Directors no longer participate; and the Capita Sharesave Scheme which is open to all Capita's employees.

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 three year period from the date of grant.

Following shareholder approval at the 2006 AGM, the 1997 Executive Share Option Scheme, due to expire early in 2007, was renewed for a period of 10 years.

g) 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 one Matching Share for every 10 Participant Shares.

h) Satisfaction of Options

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

i) 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.

j) Service contracts

The service contracts for Group Board Executive Directors are for an indefinite period and provide for a one year notice period. They do not include provisions for predetermined compensation on termination that exceed one 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 three years.

Details of the contracts are set out below:

Executive Directors	Date of contract	Notice period
Paul Pindar	17.12.2007	12 months
Paddy Doyle	17.12.2007	12 months
Gordon Hurst	17.12.2007	12 months
Simon Pilling	17.12.2007	12 months

Non-Executive Directors	Date of joining Board
Peter Cawdron	01.09.1997
Eric Walters	01.01.2001
Martina King	01.01.2005
Bill Grimsey	09.10.2006

Directors' interests

The interests (all beneficial) of the Directors in the ordinary shares of the company were as follows:

	31 December 2007 or date of appointment if later ordinary shares of 2/1sp	31 December 2006 or date of appointment if later ordinary shares of 2/1sp
Eric Walters	50,230	49,326
Paul Pindar	1,451,612	1,850,000
Paddy Doyle	26,497	26,979
Gordon Hurst	10,181	28,221
Simon Pilling	–	–
Peter Cawdron	23,225	24,000
Martina King	–	–
Bill Grimsey	12,209	12,616

The Directors have no interests in the share capital of any other Group undertaking.

Information subject to audit

a) Directors' remuneration

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

	2007 £000s	2006 £000s
Basic salaries	1,038	1,151
Compensation	–	356
Benefits	76	109
Annual Bonus	1,603	1,615
Pension contributions to the Group's defined contribution scheme	53	65
Pension contributions to external defined contribution pension schemes	130	122
Fees	220	137
Total	3,120	3,555

Directors' remuneration report

Details of Group Board Directors' remuneration are as follows:

	Salary and fees £	Benefits £	Performance related bonus ² £	Total 2007 £	Total 2006 £	Gain on exercise of options 2007 £	Gain on exercise of options 2006 £	Pension 2007 ³ £	Pension 2006 £
Paul Pindar	355,000	28,210	497,000	880,210	836,675	–	1,160,880	18,518	16,869
Gordon Hurst	224,000	17,079	364,000	605,079	563,139	4,151,912	–	53,703	45,668
Paddy Doyle	229,103	20,479	392,000	641,582	612,548	2,782,700	–	71,502	77,871
Simon Pilling	230,000	10,022	350,000	590,022	475,451	3,562,440	266,076	38,810	18,912
Eric Walters ¹	100,000	–	–	100,000	60,333	–	–	–	–
Peter Cawdron ¹	40,000	–	–	40,000	34,000	–	–	–	–
Martina King ¹	40,000	–	–	40,000	34,000	–	–	–	–
Bill Grimsey ¹	40,000	–	–	40,000	8,788	–	–	–	–
Rod Aldridge	–	–	–	–	742,939	–	–	–	28,177

¹ Non-Executive Directors.

² The sum disclosed above represents the total value of the performance related bonus payable in respect of the year ended 31 December 2007. 50% will be paid in cash and the remainder will be settled through the issue of Deferred Shares as explained in d) on page 58.

³ In addition, by way of salary sacrifice, the base salaries of Gordon Hurst, Paddy Doyle and Simon Pilling have been reduced by £36,000 (2006: £36,000), £50,897 (2006: £50,897) and £20,000 (2006: £20,000) respectively and paid into separate defined contribution schemes.

The benefits of Gordon Hurst, the highest paid Director, 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 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.

b) Share option schemes

1997 Executive Share Option Scheme

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

	Exercise price £	At 1 January 2007	Granted in the year	Exercised in the year ¹	At 31 December 2007	Exercisable between ²
Paul Pindar	4.49	200,000	–	–	200,000	28.06.2004 to 28.06.2008
	4.36	100,000	–	–	100,000	22.05.2005 to 22.08.2009
Paddy Doyle	4.49	200,000	–	200,000	–	28.06.2004 to 28.06.2008
	4.36	100,000	–	100,000	–	22.05.2005 to 22.08.2009
Gordon Hurst	4.49	200,000	–	200,000	–	28.06.2004 to 28.06.2008
	4.36	100,000	–	100,000	–	22.05.2005 to 22.08.2009

¹ On 13 March 2007 and 22 March 2007 respectively, Gordon Hurst and Paddy Doyle exercised options as set out above selling all resulting shares. The market price on the day of exercise was 652p (13 March 2007) and 652.5p (22 March 2007).

² Details of the performance conditions attached to options granted under the 1997 Scheme can be found on page 59. The information on page 59 is unaudited.

No options have been granted to Group Board Directors since 2002.

The market value of an ordinary share of the company at 31 December 2007 was 698p, and the high and low values for the year were 597.5p (5 January 2007) and 779p (8 August 2007) respectively.

Capita Sharesave Scheme

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

	Exercise price £	At 1 January 2007	Granted in the year	Exercised in the year	At 31 December 2007	Exercisable between
Gordon Hurst	1.88 ¹	8,430	–	–	8,430	31.10.2008 to 30.04.2009
Paddy Doyle	7.88 ²	–	1,289	–	1,289	01.11.2010 to 30.04.2011

¹ The exercise price quoted above was set at 80% of the market price at the date of grant.

² The exercise price quoted above was set at 100% of the market price at the date of grant.

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

c) Long Term Indexed Share Appreciation Scheme

The Directors' interests in the LTISAS are listed below:

	Date of award	Price at date of grant £	Final exercise price ¹ £	At 1 January 2007	Exercised ²	At 31 December 2007	Exercisable between ³
Paul Pindar	25.11.2002	2.16	3.48	600,000	–	600,000	25.11.2007 to 25.11.2012
	25.11.2004	3.51	4.74	600,000	–	600,000	25.11.2007 to 25.11.2012
Paddy Doyle	25.11.2002	2.16	3.48	600,000	600,000	–	25.11.2007 to 25.11.2012
	25.11.2004	3.51	4.74	600,000	–	600,000	25.11.2007 to 25.11.2012
Gordon Hurst	25.11.2002	2.16	3.48	600,000	600,000	–	25.11.2007 to 25.11.2012
	25.11.2004	3.51	4.74	600,000	600,000	–	25.11.2007 to 25.11.2012
Simon Pilling	25.11.2002	2.16	3.48	600,000	600,000	–	25.11.2007 to 25.11.2012
	25.11.2004	3.51	4.74	600,000	600,000	–	25.11.2007 to 25.11.2012

¹ 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.

² Simon Pilling, Gordon Hurst and Paddy Doyle each exercised LTISAS options, as specified above, on 5 December 2007, selling all resulting shares for 710p each. The closing market price on the day of exercise was 727.5p.

³ Subject to performance conditions being met. Details of the performance conditions attached to awards made under the LTISAS can be found on page 58. The information on page 58 is unaudited.

At 31 December 2007 the market price for a Capita share was 698p and the FTSE All Share Index stood at 3,287 (25 November 2002 – 1,980 and 25 November 2004 – 2,367).

d) 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.

IPSARs

	Number of shares 1 January 2007	Vesting date	Exercised in the year	Number of shares 31 December 2007	Latest exercise date
Paul Pindar	1,200,000	05.05.2003	–	1,200,000	05.05.2008

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.

e) Deferred Annual Bonus Plan (DAB)

	At 1 January 2007	Date of award	Awarded Deferred Shares	Matching Shares	At 31 December 2007
Paul Pindar	123,577	23.02.2007	36,082	54,123	213,782
Paddy Doyle	98,135	23.02.2007	28,653	42,979	169,767
Gordon Hurst	88,845	23.02.2007	25,941	38,911	153,697
Simon Pilling	69,230	23.02.2007	21,595	32,392	123,217

Details regarding the DAB can be found on page 58. The information on page 58 is unaudited. The value of the Deferred Shares is included in the Performance Related Bonus figure in table (a) on page 60.

Directors' remuneration report

(f) Capita Share Ownership Plan

Paddy Doyle participated in the Capita Share Ownership Plan during 2007. As a result of his participation, he was awarded 21 Matching Shares during the period to 31 December 2007. The Participant Shares and Matching Shares are included in the table of Directors' interests in shares on page 59.

g) 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 28 February 2008, Paddy Doyle acquired 42 shares under the Capita Share Ownership Plan, increasing his beneficial interest in ordinary shares of the Company to 26,539.

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

Eric Walters

Non-Executive Chairman
28 February 2008

Martina King

Chairman of the Remuneration Committee
28 February 2008

The Directors' report from pages 01–62 was approved by the Group Board and has been signed on behalf of the Board by:

Gordon Hurst

Company Secretary
28 February 2008