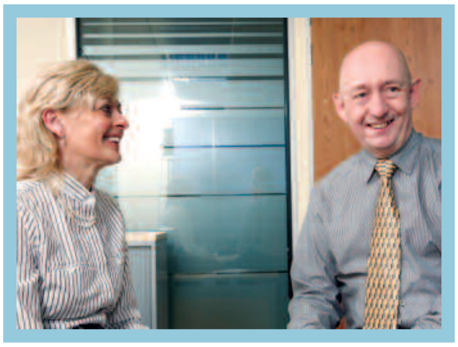
Board members

Paddy Doyle, Bill Grimsey, Simon Pilling

Gordon Hurst, David Rigby



Maggi Bell, Peter Kelly

Group Board

Eric Walters
Non-Executive Chairman, Age 63
Joined the Group 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. Joined the Group from Alchemy Partners LLP, where he was a senior partner. He has held senior positions with Englefield Capital, Schroder Ventures, Grand Metropolitan plc and Lex Service plc and is Non-Executive Director of a number of private companies.

Paul Pindar
Chief Executive, Age 48
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 community approach.

Gordon Hurst
Group Finance Director, Age 46
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 Capita's overall corporate social responsibility policy and our environment, health and safety approach and supplier relationships.

Paddy Doyle
Joint Chief Operating Officer, Age 57
Joined Capita in 1992 and was appointed to the Board in 1994. Jointly responsible for the ongoing operational management of the Group's business units. His background is in IT and outsourcing, previously with Cap Gemini UK (formerly Hoskyns) and AIG. Overall responsibility for our employee and human resources policies.

Simon Pilling
Joint Chief Operating Officer, Age 45
Joined the Group Board on 1 August 2006. He has joint responsibility for the operational management of the Group's operations. Moved to Capita in 1999 from Sema (now Atos Origin). In February 2002, he was promoted to the Divisional Executive Board heading the Professional Services Division. Since January 2005 he has led the Integrated Services Division. He has Board responsibility for client service quality.

Peter Cawdron
Senior Non-Executive Director, Age 64
Joined the Group Board in September 1997. Chair of the Audit Committee and member of the Remuneration and Nomination Committees. Former Group Strategy Development Director of Grand Metropolitan plc and Chief Financial Officer of D'Arcy MacManus & Masius Worldwide Inc. A chartered accountant, he is Chairman of Punch Taverns plc. Other non-executive directorships include Johnston Press plc, GCap Media plc, BUPA and ProStrakan Group plc. He retires from the Board on 30 September 2008.

Martina King
Non-Executive Director, Age 46
Joined the Group 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, appointed in 1999. A Non-Executive Director of Johnston Press plc and IMD PLC. Martina is also Treasurer of the Marketing Group of Great Britain, Chair of the Radio Advertising Bureau, a Trustee of the Ahoy Centre and a Governor at Woodbridge School.

Bill Grimsey
Non-Executive Director, Age 56
Joined the Group 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.

Kevin Dady, Robert Coyle

Peter Cawdron, Eric Walters

Paul Pindar, Martina King

Divisional Executive Board

David Rigby
Age 47
David joined Capita in 1994, initially as a Director in the Property Consultancy business and has headed up a number of different businesses in the Group. At the end of 1999, he was appointed Managing Director of the Property Consultancy Division, until being promoted to the Divisional Executive Board in July 2002. David has had responsibility for the Group's Life & Pensions business since Capita's entry into the market in August 2002.

Peter Kelly
Age 59
Moved to Capita in February 1994 from Cap Gemini UK (formerly Hoskyns). Joined as Managing Director of our local government software business until his appointment as head of our Software Services Division. In 2000 he was promoted to the Divisional Executive Board and has had responsibility for a number of divisions. He currently heads up the ICT & Advisory Services Division and is responsible for the Group's internal IT.

Maggi Bell
Age 52
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 the Divisional Executive Board to lead the Business Services Division in June 2001. In 2002, she moved to head the Corporate Services Division, with overall responsibility for business development activity across the Group. Since January 2005, she has been head of the Group Sales & Marketing Division.

Kevin Dady
Age 43
Appointed to the Divisional Executive Board on 1 August 2006 with responsibility for the Professional Services Division, which includes all Capita's software and local government businesses as well as our strategic children's services offering. Kevin joined Capita in 1996, after working in local government for 12 years. In 2000, he was appointed Managing Director of the Group's local government software business.

Robert Coyle
Age 42
Appointed to the Divisional Executive Board on 1 August 2006 with responsibility for the Financial Services Division. He joined Capita in August 2000 from PwC where he was a director in their insolvency practice. Initially he was Finance Director and then head of our financial services businesses. He is a chartered accountant.

Corporate governance

The Group continues to be committed to the principles of corporate governance contained in the Combined Code (the Code) for which the Board is accountable.

The Group has complied throughout the year with the provisions of Section 1 of the Combined Code except in respect of the independence of the Board.

Independence of the Board (A.3.2) – Following the appointment of Eric Walters (a Non-Executive Director of The Capita Group Plc since January 2001) as Non-Executive Chairman on 1 August 2006, the Board, excluding the Chairman, consists of four Executive and three Non-Executive Directors and as such does not fully comply with the Code regarding the balance of the Board. However, the Board believes that the current composition is in line with the principles of the Code as it is led by a Non-Executive Chairman and its composition 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. We constantly review the composition of the Board to ensure that it continues to meet the needs of the Group.

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

The Code states that after nine years on the Board, non-executive directors cease to be independent. Although he has served for over 10 years, the Board is satisfied that Peter Cawdron remains independent with strong financial skills and a good knowledge of the business and its sectors and continues to enhance the overall balance of the Board. Peter Cawdron will retire as Senior Non-Executive Director on 30 September 2008.

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 pages 16, 20–21 and 54.

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 including the Group's business strategy, annual budget, annual and half-yearly financial results, dividends and major corporate activities. The Board also considers regular reports from the Chief Executive, Group Finance Director and Joint Chief Operating Officers. 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. The operational management of the Group is delegated to the Divisional Executive Board, which is comprised of the Group Executive Directors and five Divisional Executive Directors and meets on a monthly basis.

The Non-Executive Directors have a particular responsibility to challenge constructively and independently 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. Directors and officer's liability insurance is maintained. The Non-Executive Directors meet once a year without the Executive Directors present.

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 separated.

The Board consists of the Non-Executive Chairman, Eric Walters; three further independent Non-Executive Directors, Peter Cawdron (Senior Non-Executive Director), Martina King and Bill Grimsey; and four Executive Directors; Paul Pindar, Chief Executive, Gordon Hurst, Group Finance Director and Company Secretary and Paddy Doyle and Simon Pilling, Joint Chief Operating Officers.

Peter Cawdron will retire as Non-Executive Director on 30 September 2008 and as part of the Board's orderly succession planning, Martin Bolland was appointed as Non-Executive Director on 1 March 2008. Martin Bolland was appointed following a formal and rigorous recruitment process. When considering Mr Bolland's appointment, the Nomination Committee met, with Eric Walters chairing the proceedings, and Peter Cawdron took no part in the process. One-on-one meetings were also undertaken with the Group Finance Director and Chief Executive.

The Senior Non-Executive Director is available, as necessary, to lead meetings of the Non-Executive Directors without the Executive Directors and/or the Chairman being present and meets with shareholders to understand any concerns. Biographies of the Directors can be found on page 50.

Director induction and professional development

On joining the Board, all Directors receive an appropriate induction programme involving appropriate documentation, meetings and visits to Capita businesses with other Directors, attendance at Divisional Board meetings and discussions with advisers and senior management from across the Group.

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 Group 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 and has proven to work well. Capita owns a company secretarial business that provides services to numerous private and quoted companies and a team from this business directly supports Gordon Hurst in his role as Company Secretary.

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. They also attended external courses where appropriate.

Board performance evaluation

A full Board performance evaluation was conducted in 2006 and during the year to 31 December 2007, the Board continued to review outcomes of that evaluation, which were positive. A full Board appraisal will be conducted in the year to 31 December 2008.

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 Peter Cawdron, 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.

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 three years in accordance with the Combined Code and the Company's Articles of Association.

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 seven 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 Paddy Doyle and Martina King, who are subject to re-election at the 2008 Annual General Meeting and is satisfied that they continue to be effective and demonstrate a clear commitment to the role.

Nomination Committee

The Nomination Committee comprised Eric Walters (Chairman), Peter Cawdron, Martina King and Bill Grimsey throughout the year. The Committee reports to the Board and its duty is to seek suitably skilled and experienced candidates to be Non-Executive Directors and ensures plans are in place for orderly succession for appointments to the Board.

When considering the constitution of the Board, the Nomination Committee carries out a rigorous review, taking into account the need for progressive refreshing 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 and was chaired by Peter Cawdron, who has significant and recent relevant financial experience. 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.

At their meetings, the Committee reviewed a wide range of financial reporting and related matters 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 reported results. It also monitored the internal controls that are operated by management to ensure the integrity of information reported to shareholders.

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

The Committee has responsibility for reviewing the annual internal audit programme and for ensuring that the business risk management and internal audit functions are adequately sponsored and resourced. It also monitored the resourcing levels and performance of the Group's compliance function.

At the meeting to review the 2007 Annual Report and Accounts, the Committee considered the level of non-audit services being provided by the Group's external auditors in order to satisfy itself that the objectivity and independence of the external auditors was safeguarded. There is a policy in place to monitor and approve the use of the auditors for non-audit services. Details of audit and non-audit fees are given in note 6 on page 77. The lead audit partner is rotated on a five yearly basis.

Remuneration Committee

Details of the Remuneration Committee and its activities are given in the Directors' remuneration report on pages 57–62.

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 2007 the Board met nine times, excluding ad hoc meetings solely to deal with procedural matters. The Nomination Committee and the Remuneration Committee each met two and three times during the year, respectively. The Audit Committee met four 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	2	3	4
Eric Walters	8	2	3	–
Paul Pindar	8	–	–	–
Gordon Hurst	9	–	–	–
Paddy Doyle	7	–	–	–
Simon Pilling	8	–	–	–
Peter Cawdron	9	2	3	4
Martina King	9	2	3	4
Bill Grimsey	9	2	3	4

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 up 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 Joint Chief Operating Officers 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 Non-Executive 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 ensure 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. A telephone helpline, 0871 664 0300, provides a contact point directly to the Group's registrars.

All members of the Board, including 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 Directors.

The Board encourages shareholders to attend its Annual General Meeting. Directors, including the chairmen 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 30–33.

Corporate governance

Internal control

The Group 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 Divisional Executive 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
- 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 Divisional Executive Board under powers delegated by the Board. The appointment of executives to the most senior positions within the Group, other than Board appointments, requires the approval of the Divisional Executive Board. It establishes key operational, functional and financial reporting standards for application across the whole Group. 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 the Divisional and Group level. Financial plans are reviewed and approved by both the Divisional Executive Board and the Board. 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 members of the Board on a Group-wide basis 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 risks is monitored as an integral part of the monthly challenge to business results discussed above 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 reports from the Divisional Executive Board, 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 external 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 compliance 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 2007 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.

Additional Information

Group activities

The Capita Group Plc and its subsidiaries (the Group) is a leading UK provider of professional support services and business process outsourcing solutions to organisations across the public and private sectors. The Group's nine chosen markets are central government, local government, education, health, transport, life and pensions, insurance, financial services and other corporate organisations.

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 its markets due to its ability to draw on its wide base of professional services, detailed market knowledge and extensive business process transformation and change management skills. The Group's principal activities are managed through seven operating divisions comprising HR Solutions & Property Consultancy, Insurance & Specialist Services, Financial Services, ICT & Advisory Services, Life & Pensions, Professional Services and Integrated Services, plus the Group Sales and Marketing Division. 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 02–48.

Profits and dividends

The Group profit before taxation and after amortisation amounted to £228.7m (2006: £193.2m). The Directors recommend a final dividend of 8.0p per share (2006: 6.3p per share) to be paid on 9 May 2008 to ordinary shareholders on the Register on 28 March 2008. This gives a total dividend for the year of 12.0p per share (2006: 9.0p per share). Additionally, a special dividend of 25.0p per share was paid in October 2007.

Directors

The Directors of the Company currently in office are listed on page 50. Paddy Doyle and Martina King will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. Non-Executive Chairman Eric Walters' other significant commitments are a partnership in Englefield Capital, a private equity firm, and non-executive directorships of a number of private companies. 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 and no Director has a service contract exceeding one year.

Voting rights and share capital

On 28 February 2008 the Company had received notifications that the following were interested in 3% or more of the voting rights attached to the Company's ordinary share capital:

	Percentage of total shares	Nature of holding
Baille Gifford & Co	4.94	Indirect
FMR LLC	4.78	Indirect
Fidelity International Limited	3.93	Indirect
Lloyds TSB Group Plc	3.93	Indirect
Legal & General Group Plc	3.58	Direct

At the date of this report, 609.3m ordinary shares of 2$^{1}/_{15}$p each have been issued and are fully paid up and are quoted on the London Stock Exchange. During the year ended 31 December 2007, options were exercised pursuant to the Company's share option schemes, resulting in the allotment of 18.1m new ordinary shares. A further 0.3m new ordinary shares have been allotted under these schemes since the end of the financial year to the date of this report.

The Company renewed its authority to repurchase up to 10% of its own issued share capital at the Annual General Meeting in May 2007 and again at the Extraordinary General Meeting in September 2007. During the year the Company acquired 6.6m (2006: 52.9m) ordinary shares, representing 1% of the issued share capital (see note 26 on page 93). During the year 6.55m shares, representing 1% of the issued share capital, were cancelled and the remaining 41,163 share are held in treasury.

The Company's share capital was consolidated on 17 September 2007, with every 31 existing ordinary shares replaced with 30 new ordinary shares. The consolidation resulted in a reduction in the number of shares in issue by 19.96m shares.

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 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 of the meeting shall be decided on a show of hands unless (before or on the declaration of the results of the show of the 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 instrumented form 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.

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; and they may refuse to register any such transfer in favour of more than four transferees.

Going concern

The Board of Directors has a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the 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 newsletter, frequent email notices, internal notice board statements, and Capita Online, a regular communication reviewing the performance of the Group from the perspective of the Directors. 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 Group grants share options to senior employees, on a discretionary basis, in order to reward their long term commitment to the Group. The granting of all share options is subject to the approval of the Remuneration Committee. The share option schemes have been a key factor in attracting, retaining and motivating senior employees across 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. 20% of the Group's eligible employees have share options or own Capita shares.

In keeping with its belief that employees are the Group's most valuable asset, the Group operates an annual employee awards scheme, celebrating the core values that embody the organisation and rewarding employees for service excellence, effective teamwork, service to the community and innovation.

Further information on our employee initiatives can be found on pages 27–29.

Payment of suppliers

The Company aims to pay suppliers in accordance with the suppliers' contract terms. The Company had an average of 42 days' purchases (2006: 43 days' purchases) outstanding in trade creditors.

Charitable and political donations

During the year charitable donations amounted to £0.5m (2006: £0.5m). No political contributions were made. Further details of the Group's charitable donations and work within the community can be found on page 32.

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.

Corporate governance

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 customers 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.

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 executing forward currency contracts to fix the GBP cost of highly probable forecast transactions denominated in INR. These forward currency 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 (Audit, Investigations and Community Enterprise) Act 2004 (which amends the Companies Act 1985), 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 external auditors will be put to the forthcoming Annual General Meeting.

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

- The Group Risk and Business Assurance Director monitors the independence of the auditor 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 external Audit fee against other comparable companies both within and without 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 external auditor, and specific assignments are discussed in advance with the external auditor 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 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 external 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 prepayment of the full facility amount in the event that a change of control occurs and the Group's credit rating falls below investment grade. The Group currently has £461.1m of bonds in issue.

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 accounts and auditors
Company law requires the Directors to prepare accounts 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 accounts 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 to enable them to ensure that the accounts comply with the Companies Act 1985. 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 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 21.

Annual General Meeting
The 2008 Annual General Meeting of the Company will be held at Deutsche Bank, Winchester House, 1 Great Winchester Street, London, EC2N 2DB, on 6 May 2008. 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 Annual Report and Accounts and includes notes explaining the business to be transacted. In May 2007, shareholders granted authority for the Company to purchase up to 59.88m ordinary shares. This authority was renewed at the EGM in September 2007 and will expire at the conclusion of the 2008 Annual General Meeting. A resolution to renew this authority will be put to shareholders at that meeting.

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.

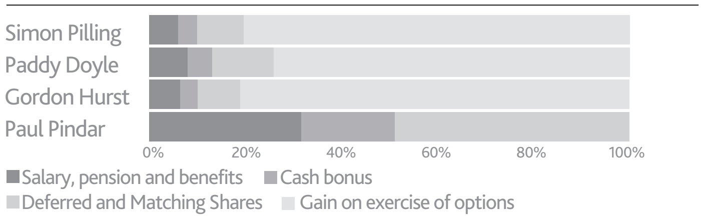
The overall package is weighted towards share-based incentives which the Committee strongly believes links the interests of the Executive Directors with those of shareholders in respect of shareholder value. The Committee is satisfied that the remuneration policy is appropriate, particularly with regard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

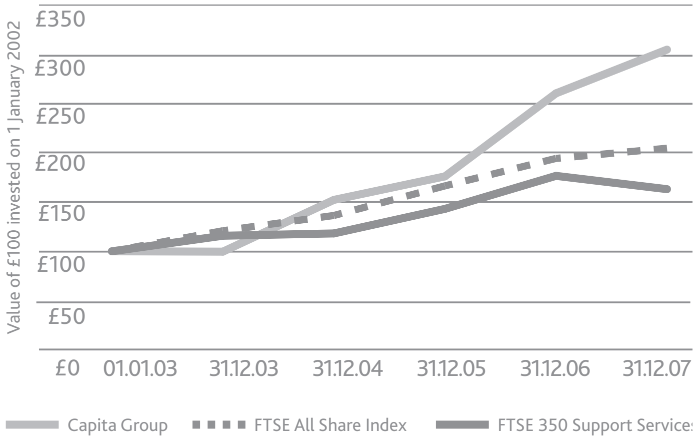
Percentage of total remuneration



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.

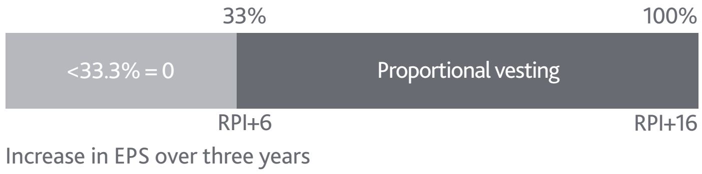
The Deferred Annual Bonus Plan operates as follows:

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 %



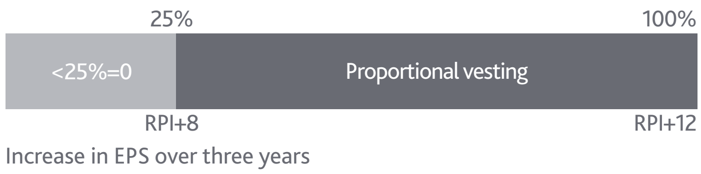
The performance condition attached to the awards made under the bonus scheme may be amended by the Committee from time to time, subject to the new performance condition being no less demanding than the original condition.

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 %



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 $2^1/_{15}$p	31 December 2006 or date of appointment if later ordinary shares of $2^1/_{15}$p
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