



Governance

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Group Board



01 Eric Walters
Non-Executive Chairman
Age 62

Joined the Group Board in January 2001 and appointed Non Executive Chairman with effect from 1 August 2006. Member of the Remuneration, Audit and Nomination Committees. Joined the Group from Alchemy Partners, where he was a senior partner. Previously he held senior positions with Schroder Ventures, Grand Metropolitan Plc and Lex Service plc. He is a partner of private equity firm Englefield Capital and is Non Executive Director of a number of private companies.

02 Paul Pindar
Chief Executive
Age 47

Responsible for managing and developing Capita's operations to achieve the Group's strategic objectives, with specific responsibility for managing the Group's acquisition activity. Joined the Group in 1987 from 3i, after advising Capita on its management buy-out. A chartered accountant since 1984 and an associate member of the Institute of Taxation. Chair of the NSPCC's Corporate Development Board until 31 March 2007. Paul has overall responsibility for the Group's community approach.

03 Gordon Hurst
Group Finance Director
Age 45

Joined the Group in 1988 from Sun Micro Systems 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.

04 Paddy Doyle
Joint Chief Operating Officer
Age 56

Joined Capita in 1992 and was appointed to the Board in 1994. Responsible for the ongoing operational management of the Group's business units. His background is in IT and outsourcing, previously with Hoskyns and AIG, where he had responsibility for IT operations throughout Europe. Overall responsibility for our employees and human resources policies.

05 Simon Pilling
Joint Chief Operating Officer
Age 44

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.

06 Peter Cawdron
Non-Executive Director
Age 63

Joined the Group in September 1997. Chair of the Nomination and Audit Committees and member of the Remuneration Committee. Former Group Strategic Development Director of Grand Metropolitan PLC and Chief Financial Officer of D'Arcy MacManus & Masius Worldwide Inc. A chartered accountant, he is Chairman of GCap Media Plc and Punch Taverns plc. Other non-executive directorships include: Johnston Press plc and ProStrakan Group Plc. He is the Senior Non-Executive Director.

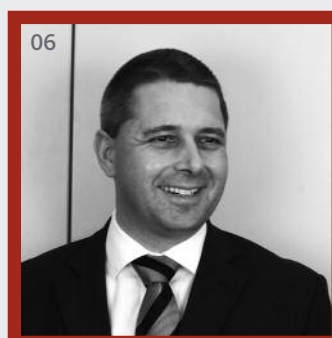
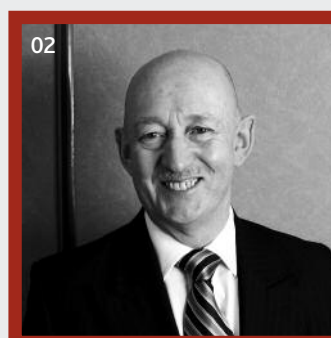
07 Martina King
Non-Executive Director
Age 45

Joined the Board on 1 January 2005. Chair of the Remuneration Committee and member of the Audit and Nomination Committees. Former Yahoo! Managing Director for Europe, and the first Managing Director of Yahoo! UK and Ireland, appointed in 1999. A Non-Executive Director of Johnston Press Plc and IMD Plc. Martina is also Board Director of the Prince's Trust Trading Board, Treasurer of the Marketing Group of Great Britain and Chair of the Radio Advertising Bureau.

08 Bill Grimsey
Non-Executive Director
Age 55

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

Divisional Executive Board



The Divisional Executive Board consists of the Group Board Executive Directors – Paul Pindar, Gordon Hurst, Paddy Doyle and Simon Pilling – and 7 Divisional Executive Directors (below).

01 David Rigby

Age 46

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 heading the Commercial Services Division. He now leads the Life & Pensions Division.

02 Peter Kelly

Age 58

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 now heads up the ICT & Advisory Services Division.

03 Maggi Bell

Age 51

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.

04 Bill Dye

Age 45

Appointed to the Divisional Executive Board on 1 January 2005 as head of the Business Services Division, now called HR Solutions & Property Consultancy. Prior to this he was Corporate Development Director, assisting the Group on its acquisition strategy. He joined Capita in February 2002 as head of Capita's Life & Pensions Services, where he helped launch Capita into this market. Prior to joining Capita he was the CEO of a US based international media services company.

05 Dermot Joyce

Age 41

Appointed to the Divisional Executive Board on 1 January 2005 as head of the Commercial Services Division, now called Insurance & Specialist Services. He joined Capita in March 2004 as Managing Director of Capita Insurance Services. Previously he worked at Xansa Plc as Commercial Development Director and at Ernst & Young's Finance and performance Management practice.

06 Kevin Dady

Age 42

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 childrens' 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.

07 Robert Coyle

Age 41

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.

Directors' report

The Directors present their report and the audited Group accounts for the year ended 31 December 2006.

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 9 chosen markets are local government, central government, education, health, transport, life & pensions, insurance, financial services and other private sector.

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 7 operating divisions comprising HR Solutions & Property Consultancy, Insurance & Specialist Services, Financial Services, ICT & Advisory Services, Life & Pensions, Professional Services and Integrated Services, plus a 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 9-61.

Profits and dividends

The Group profit before taxation amounted to £193.2m (2005: £153.1m). The Directors recommend a final dividend of 6.3p per share (2005: 4.9p per share) to be paid on 4 May 2007 to ordinary shareholders on the register on 30 March 2007. This gives a total dividend for the year of 9.0p per share (2005: 7.0p per share).

Share repurchase

The company renewed its authority to repurchase up to 10% of its own issued share capital at the Annual General Meeting in April 2006 and during the year acquired 52.9 million (2005: 13.2 million) ordinary shares of 2p each (see note 25) all of which were cancelled. The shares acquired in previous years and held in treasury were cancelled and the company no longer has any holding of treasury shares.

Directors

The Directors of the company currently in office are listed on pages 64-65.

Paul Pindar and Peter Cawdron retire by rotation and, being eligible, offer themselves for re-election. Rod Aldridge stepped down from his role as Executive Chairman on 23 March 2006 to become Non-Executive Chairman until his retirement from the company on 31 July 2006. Eric Walters was appointed as Non-Executive Chairman with effect from 1 August 2006. His other significant commitments are a partnership in Englefield Capital, a private equity firm, and Non-Executive directorships of a number of private companies. Simon Pilling was appointed as an Executive Director with effect from 1 August 2006 and offers himself for election. Bill Grimsey was appointed as a Non-Executive Director with effect from 9 October 2006 and offers himself for election. 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.

Directors' interests

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

	31 December 2006 or date of appointment if later ordinary shares of 2p	31 December 2005 or date of appointment if later ordinary shares of 2p
Eric Walters	49,326	45,000
Paul Pindar	1,850,000	2,450,000
Paddy Doyle	26,979	26,664
Gordon Hurst	28,221	28,221
Simon Pilling	–	–
Peter Cawdron	24,000	24,000
Martina King	–	–
Bill Grimsey	12,616	–

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

The interests of the Directors under the share option schemes, the Deferred Annual Bonus Plan, the Long Term Incentive Plan and the Long Term Indexed Share Appreciation Scheme of the company are shown in the Directors' Remuneration Report.

Substantial shareholders

On 21 February 2007 the company had notifications that the following were interested in 3% or more of the company's ordinary share capital:

	No. of shares	Percentage
FMR Corp and Fidelity International Ltd	73,884,499	11.65%
Baile Gifford & Co	41,000,378	6.64%
Legal & General Group Plc	22,109,521	3.58%

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 any time 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.

Directors' report

Going concern

After making enquiries, the Group Board of Directors has a reasonable expectation that the Group and the company (The Capita Group Plc) 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. Capita 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, 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 our 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.

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 [P](#) pages 50-53.

Payment of suppliers

The company aims to pay suppliers in accordance with the suppliers' contract terms. The company had an average of 43 days' purchases (2005: 44 days' purchases) outstanding in trade creditors.

Charitable and political donations

During the year charitable donations amounted to £0.5m (2005: £0.4m). No political contributions were made.

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 and currency swaps, 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 and foreign currency risk. The Group borrows in desired currencies at fixed and floating rates of interest and makes use of interest rate swaps to generate the desired interest profile and to manage its exposure to interest rate fluctuations. In respect of liquidity risk, the Group aims to maintain a balance between continuity of funding and flexibility through the use of bonds, bank loans, unsecured loan notes, finance leases and overdrafts. The Group has exposure to foreign currency risk where it has limited investments in overseas operations which are affected by foreign exchange movements. The Group is not exposed to significant foreign currency risk nor does it intend to significantly increase its overseas operations, so only limited hedging of these exposures is executed.

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 AGM from 15 minutes before the meeting until it ends.

Auditors

In accordance with section 384 of the Companies Act 1985, 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 Manager 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. 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.

By order of the Board

Gordon Hurst

Company Secretary
21 February 2007

Corporate governance

Compliance with the Combined Code

The Group continues to be committed to the principles of corporate governance contained in the Combined Code for which the Board is accountable. In the year ended 31 December 2006 a number of changes to the Group Board had an impact on the Board's full compliance with the code.

Board changes in the year:

- Rod Aldridge stepped down as Executive Chairman to Non-Executive Chairman in March 2006 and retired from the Board on 31 July 2006
- Eric Walters was appointed as Non-Executive Chairman with effect from 1 August 2006
- Simon Pilling was promoted to become an Executive Director of the Group Board, having previously been a member of the Divisional Executive Board, with effect from 1 August 2006
- Bill Grimsey was appointed as Non-Executive Director with effect from 9 October 2006.

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

The Group has complied throughout the year with the provisions of Section 1 of the Combined Code except in 2 circumstances; in respect of the independence of the Board and in respect of the number of independent non-executive directors on the Audit and Remuneration Committees between 1 August to 9 October 2006, as follows:

- Independence of the Board (A.3.2) – following the retirement of Rod Aldridge as Non-Executive Chairman on 31 July 2006, Eric Walters was appointed as Non-Executive Chairman to the Board (a Non-Executive Director of The Capita Group Plc since January 2001) with effect from 1 August 2006 and on 9 October 2006, Bill Grimsey was appointed as a Non-Executive Director of the Board. We recognise that with 4 Executive Directors, excluding the Non-Executive Chairman, the Board does not fully comply with the Combined Code regarding the balance of the Board. However, the Board believes that the current composition of the Board is more 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 is 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 Code recommends 3 independent Non-Executive Directors be appointed to the Audit Committee (C.3.1) and the Remuneration Committee (B.2.1). Eric Walters had served on both committees. Therefore, following his appointment as the Group's Chairman, both committees comprised of 2 Non-Executive Directors for the period from 1 August to 9 October 2006. This position was resolved with the appointment of Bill Grimsey to the Audit and Remuneration Committees on 9 October 2006. However, the Audit and Remuneration Committees did not meet during this period.

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 judgment.

For the purposes of the Combined Code, Peter Cawdron has served on the Board for 9 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.

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 [pages 27 and 37](#).

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 specifically reserved to it for decision including the Group's business strategy, annual budget, annual and interim 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 meets monthly. Its composition is set out in the Divisional Executive Board section [page 65](#).

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.

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; 3 further independent Non-Executive Directors, Peter Cawdron (Senior Independent Director), Martina King and Bill Grimsey, 4 Executive Directors; Paul Pindar, Chief Executive, Gordon Hurst, Group Finance Director and Company Secretary and Paddy Doyle and Simon Pilling, Joint Chief Operating Officers.

The Senior Independent 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 meet with shareholders to understand any concerns. Biographies of the Directors can be found on [pages 64-65](#).

Director induction and professional development

Simon Pilling received an appropriate induction programme on joining the Group Board. Bill Grimsey received a comprehensive 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 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.

Corporate governance

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

At the January 2007 Board meeting the Board reviewed the report from the board performance evaluation process carried out for 2006, the outcome of which was positive.

The various Committees repeated the self-assessment exercise carried out last year in order to assess whether their terms of reference had been satisfactorily fulfilled and how their processes and methods could be improved.

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.

Re-appointment

All Directors are subject to election at the first Annual General Meeting after their appointment and to re-election at intervals of no more than 3 years in accordance with the Combined Code.

The Non-Executive Chairman has, following the evaluation process described above, considered the performance of Paul Pindar and Peter Cawdron, who are subject to re-election at the 2007 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 Peter Cawdron (Chairman), Eric Walters and Martina King throughout the year and Bill Grimsey from October 2006. 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.

Due to Rod Aldridge's retirement from the Board, the Nomination Committee met during the year under review for the purposes of appointing a Non-Executive Chairman, an Executive and a Non-Executive Director to the Board.

A rigorous review, taking into account the need for progressive refreshing of the Board, was carried out. Core competencies and attributes required to fill the roles were set out. Independent external search consultants were engaged, where appropriate, to identify potential candidates. It should be noted that Eric Walters excused himself from the discussions regarding the consideration of his nomination and appointment as Non-Executive Chairman.

Audit Committee

The Audit Committee comprised the Non-Executive Directors throughout the year and was chaired by Peter Cawdron. He has significant and recent relevant financial experience. Audit Committee meetings are also attended, by invitation, by the Non-Executive Chairman, Chief Executive, Group Finance Director, Group Compliance Director, Head of Risk Management 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 reviewed the appropriateness of the annual internal audit programme for the Group, to ensure that the business risk management and internal audit functions are adequately sponsored and resourced. It also monitors the resourcing levels and performance of the Group's Financial Services Authority compliance function.

At the meeting to review the 2006 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 is 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 90. The lead partner is rotated on a 5 year basis and, consequently, a new lead partner was appointed for the 2006 audit process.

Remuneration Committee

Details of the Remuneration Committee and its activities are given in the Directors' Remuneration Report on pages 71-75.

The terms of reference of the Nomination, Remuneration and Audit Committees are displayed in the investor centre at www.capita.co.uk

Board and committee members, frequency of meetings and attendance

During 2006 the Board met 9 times, excluding ad hoc meetings solely to deal with procedural matters. The Nomination Committee and the Remuneration Committee met 3 times during the year. The Audit Committee met 4 times during the year. Attendance is recorded in the table below.

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.

	Scheduled Board meetings	Nomination Committee meetings	Remuneration Committee meetings	Audit Committee meetings
Eric Walters	8 (9)	3 (3)	3 (3)	3 (4)
Paul Pindar	7 (9)	–	–	–
Gordon Hurst	7 (9)	–	–	–
Paddy Doyle	8 (9)	–	–	–
Simon Pilling*	3 (3)	–	–	–
Peter Cawdron	8 (9)	3 (3)	3 (3)	4 (4)
Martina King	9 (9)	3 (3)	3 (3)	4 (4)
Bill Grimsey*	2 (2)	–	–	1 (1)
Rod Aldridge (retired July 2006)	4 (6)	–	–	–

Figures in brackets indicate the number of meetings held in the period in which the director was a member of the Board/Committee.

*Simon Pilling and Bill Grimsey's Board attendance following their appointments in August 2006 and October 2006 respectively. Bill Grimsey was also appointed to the Nomination and Remuneration Committee which have not met since his appointment.

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.

Corporate governance

The Corporate Communications team has effective day-to-day responsibility for managing shareholder communications and always acts in close consultation with the Board. A Disclosure Committee consisting of the Corporate Communications Director, Chief Executive and Group Finance Director ensures all appropriate communications are made to the London Stock Exchange and shareholders. Shareholders can also access up-to-date information through the investor centre section of the Group's website. A telephone helpline, 0870 162 3100, 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 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 from shareholders. The Group uses the Annual General Meeting to communicate with private investors and encourages their participation.

Social and environmental responsibility

Details of how we manage our social and environmental responsibilities can be found on [P](#) pages 54-57.

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 Group 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 Group Board. The appointment of executives to the most senior positions within the Group, other than Group 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 Group Board. Capital expenditure is subject to rigorous budgetary control beyond specified levels and detailed written proposals have to be submitted to the Group Board. Expenditure on acquisitions is the subject of appropriate consideration, review and approval by the Group Board
- results are monitored routinely by means of comprehensive management accounts and actual progress against plan is challenged directly by executive members of the Group 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, 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 Group Audit Committee

- the 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 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 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 Group 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 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 Group 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's risk framework

- both the Group Compliance function and the Group Risk and Business Assurance function routinely appraise the Group's senior management and the Group Audit Committee of their work programmes and findings.

The Group Board keeps under review the effectiveness of this system of internal control. The key mechanisms used by the Group 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 advisors and periodic reports from relevant Regulators. In addition, the Divisional Executive Directors and Divisional Finance Directors provide annual confirmation that the Divisions' internal controls and systems are designed:

- to provide accurate financial information
- to adequately safeguard, verify and maintain accountability of the Group's assets
- to ensure that provision is made for all amounts known to be irrecoverable at the balance sheet date
- to ensure that accruals are accurately stated and, to the extent that they are known, all potential liabilities have been notified.

At several of its meetings during the year, the Group Board considered the means by which it monitors the effectiveness of internal controls and concluded that it was satisfied with the process and its compliance with the Internal Control Guidance for Directors on the Combined Code issued by the Institute of Chartered Accountants in England and Wales.

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 2006. In accordance with the requirements the report provides the disclosure in 2 parts: information that is not subject to audit and information that is subject to audit.

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, Peter Cawdron and Bill Grimsey. Martina King replaced Eric Walters as Chairman of the Committee following his appointment as Non-Executive Chairman of the Board on 1 August 2006. Bill Grimsey was appointed a member of the Committee with effect from 9 October 2006. The Committee met 3 times during the year and all members attended each meeting.

The Committee consults the Chief Executive about proposals for remuneration of the Executive Directors and other senior executives, except when issues relating to his own remuneration are discussed. In 2004, KPMG (UK) LLP (KPMG) was appointed as advisers by the Committee to provide independent advice on executive remuneration and the structure of share schemes and they acted in this capacity throughout 2006. KPMG has 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.

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.

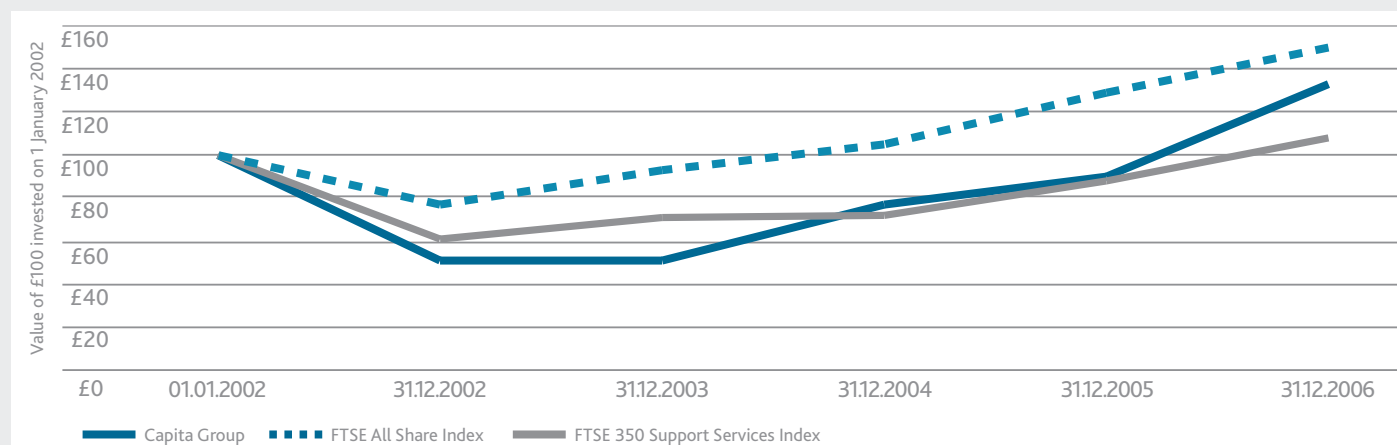
The overall package is weighted towards share-based incentives which the Committee strongly believes links the interests of the Executive Directors with those of shareholders in respect of shareholder value. The Committee is satisfied that the remuneration policy is appropriate, particularly with regard 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 remuneration package for the Executive Directors consists of salary, annual bonus, long term incentives, pension and other benefits.

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 5 years starting 1 January 2002 and ending 31 December 2006 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 2002.



Source: KPMG and Datastream

A £100 investment in Capita shares on 1 January 2002 would be worth £133 at 31 December 2006 compared to £150 for an investment in the FTSE All Share Index and £108 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.

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.

For 2006 this resulted in a cash element payable of £734,823 with the remainder of the performance related bonus being awarded in deferred shares. The number of shares awarded is determined within 42 days of 22 February 2007, the date of the announcement of the Group's results for 2006.

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.

The first awards under the DAB were made in 2006, in respect of the 2005 financial year, amounting to 204,554 shares being awarded at a price of £4.55 per share (market price of a Capita share on 3 April 2006).

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 3 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 3 year holding period to the extent to which performance criteria have been met. No grant of Matching Shares have been made in the year.

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). 33.3% of the Matching Shares will vest if growth in the company's EPS over a 3 year period is equal to RPI growth plus 6% per annum, rising on a straight-line basis to 100% vesting if growth in the company's EPS is equal to or greater than growth in the RPI plus 16% per annum. The Committee believes that long term EPS growth is the most appropriate performance condition for Capita as it is a key indicator of shareholder value creation.

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 (see pages 64-65) 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 2 equal tranches of 600,000 options. The criteria were the same for each of these issues and therefore both tranches had performance periods that ended on 31 December 2006. The exercise price of the options moves in line with the FTSE All Share Index from the date of grant to 25 November 2007. This feature ensures that participants only gain if the share price out-performs the index. The final option price at which the awards can be exercised cannot be below the market value of the share at the date of grant.

Options became exercisable, over the performance period, subject to the growth in the company's EPS exceeding certain targets as follows: 25% of the options vesting if growth in the company's EPS exceeded RPI growth by 8% per annum, rising on a straight-line basis to 100% vesting if growth in the company's EPS exceeded growth in the RPI by 12% per annum. As growth in the company's EPS over the 3 year period to 31 December 2006 exceeded RPI growth by 17.6%, 100% of the options have vested (representing 1,200,000 shares per participant with the exception of Rod Aldridge who received 1,093,333) and will become exercisable from 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) Long-term Incentive Plan (LTIP)

Awards under the LTIP were structured either as Restricted Share Awards or Indexed Performance Share Appreciation Rights.

The last Restricted Share Awards and awards of IPSARs vested in full in May 2001 and May 2003 respectively. No further awards have been made under the LTIP.

Directors' remuneration report

Restricted share awards

Restricted Share Awards were designed to deliver shares to participants 3 years after the date of award. They would have been released if the company was ranked at or above the median in a comparator group selected from the support services sector. 5% of the awards would have been released at the 49th percentile, 50% at the 40th percentile and 100% at the 25th percentile or above. If the company's Total Shareholder Return (TSR) had been below the median at the end of the performance period, the Restricted Share Awards would have lapsed. In addition, no shares would have been released if the growth in the company's EPS had not exceeded the growth in RPI over the 3 year performance period.

Indexed performance share appreciation rights (IPSARs)

Only 1 award of IPSARs was made to participants under the LTIP and participation was limited to the Executive Directors. Such appreciation rights were designed like share options except that the exercise price to be paid by the participants increased pro rata to the FTSE All Share Index.

IPSARs became exercisable 5 years after the awards were granted, subject to the company's TSR ranking relative to the comparator group of companies. If the company's TSR had been at the upper quartile level, 40% of the IPSARs would have vested. For 100% of the awards to have vested the company's TSR had to be at the 10th percentile or better within the comparator group. If the company's TSR ranking had been below the upper quartile, the IPSARs would have lapsed. In addition no IPSARs would have been exercisable if growth in the company's EPS had not exceeded the growth in RPI over the 5 year performance period.

g) Share option schemes

The Group has 2 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 Scheme currently become exercisable if the growth in the company's EPS exceeds growth in RPI by 8% over the 3 year period from the date of grant. Following shareholder approval at the 2006 AGM, the 1997 Scheme, due to expire early in 2007, was renewed for a period of 10 years.

h) Non-Executive Directors

Non-Executive Directors' fees are reviewed annually and determined by the Executive Directors.

i) Service contracts

The service contracts for Group Board Executive Directors are for an indefinite period and provide for a 1 year notice period. They do not include provisions for pre-determined compensation on termination that exceed 1 year's salary and benefits.

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

Details of the contracts are set out below:

Executive Directors	Date of contract	Notice period	Date of leaving
Rod Aldridge ¹	11.04.1989	12 months	31.07.2006
Paul Pindar	11.04.1989	12 months	–
Paddy Doyle	10.01.1996	12 months	–
Gordon Hurst	02.01.1990	12 months	–
Simon Pilling ²	26.07.1999	12 months	–

¹Rod Aldridge stepped down from his role as Executive Chairman on 23 March 2006 to become Non-Executive Chairman until his retirement from the company on 31 July 2006.

²Simon Pilling was appointed to the Group Board on 1 August 2006.

Non-Executive Directors	Date of appointment	Date of leaving
Peter Cawdron	01.09.1997	–
Eric Walters ¹	31.10.2000	–
Martina King	01.01.2005	–
Bill Grimsey	09.10.2006	–

¹Eric Walters was appointed as Non-Executive Chairman on 1 August 2006.

Information subject to audit

a) Directors' remuneration

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

	2006 £000s	2005 £000s
Basic salaries	1,151	1,063
Compensation	356	–
Benefits	109	99
Annual bonus	1,615	1,609
Pension contributions to the Group's defined contribution scheme	187	154
Fees	137	90
Total	3,555	3,015

Directors' remuneration report

Details of Group Board Directors' remuneration are as follows:

	Salary and fees £	Compensation £	Benefits £	Performance related bonus*** £	Total 2006 £	Total 2005 £	Pension 2006** £	Pension 2005** £
Rod Aldridge	207,731	356,110	33,686	145,412	386,829	855,156	28,177	16,558
Paul Pindar	337,370	–	26,987	472,318	836,675	798,629	16,869	15,690
Paddy Doyle	217,013	–	20,461	375,074	612,548	581,974	77,871	69,789
Gordon Hurst	206,550	–	17,019	339,570	563,139	535,096	45,668	51,783
Simon Pilling	181,917	–	10,851	282,683	475,451	–	18,912	–
Peter Cawdron*	34,000	–	–	–	34,000	30,000	–	–
Eric Walters*	60,333	–	–	–	60,333	30,000	–	–
Martina King*	34,000	–	–	–	34,000	30,000	–	–
Bill Grimsey*	8,788	–	–	–	8,788	–	–	–

*Non-Executive Directors

**Pension contributions to the Group's defined contribution scheme. In addition, by way of salary sacrifice, the base salaries of Gordon Hurst, Paddy Doyle and Simon Pilling have been reduced by £36,000 (2005:£36,000), £50,807 (2005:£50,897) and £20,000 (2005: £20,000) respectively and paid into separate defined contribution schemes.

***The sum disclosed above represents the total value of the performance related bonus. 50% will be paid in cash and the remainder will be settled through the issue of deferred shares as explained in d) on page 75.

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

Options were granted under the 1997 Scheme and consist of HMRC Approved and Unapproved share options. Options become exercisable if the growth in the company's EPS exceeds the growth in the RPI by 8% over the 3 year period from the date of grant. Since May 2002, the Directors became ineligible for further awards under this scheme.

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

	Exercise price £	At 1 January 2006	Granted in the year	Exercised in the year	At 31 December 2006	Exercisable between*
Rod Aldridge	0.71	225,000	–	–	225,000	25.02.2002 to 25.02.2007
	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
Paul Pindar	0.71	225,000	–	225,000	–	25.02.2002 to 25.02.2007
	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
Simon Pilling	4.36	75,000	–	75,000	–	22.05.2005 to 22.08.2009
	4.49	80,000	–	80,000	–	28.06.2004 to 28.06.2008
	4.54	50,000	–	50,000	–	26.02.2004 to 26.02.2008

*subject to performance

In 2006 the aggregate gain on the exercise of share options by Directors was £1.4million (2005: £nil).

The market value of an ordinary share of the company at 31 December 2006 was 611.0p, and the high and low values for the year were 619.0p and 413.3p respectively.

Interests in Capita Sharesave Scheme

	Exercise price £	At 1 January 2006	Granted in the year	Exercised in the year	At 31 December 2006	Exercisable between
Paddy Doyle	1.88	4,906	–	4,906	–	31.10.2006 to 30.04.2007
Paul Pindar	1.88	4,906	–	4,906	–	31.10.2006 to 30.04.2007
Gordon Hurst	1.88	8,430	–	–	8,430	31.10.2008 to 30.04.2009
Eric Walters*	3.90	4,326	–	4,326	–	31.10.2006 to 30.04.2007
Simon Pilling	1.88	4,906	–	4,906	–	31.10.2006 to 30.04.2007

* Non-Executive Director

Directors' remuneration report

The exercise prices quoted above are set at 80% of the market price at the date of grant. The options are exercisable in the period given above after having completed a 3 or 5 year savings period. There are no performance criteria to be satisfied under this scheme.

c) Shares awarded under the Long Term Indexed Share Appreciation Scheme

	At 1 January 2006	Date of award	Price at date of grant £	Option forfeited	At 31 December 2006	Exercisable between
Rod Aldridge	600,000	25.11.2002	2.16	40,000	560,000	25.11.2007 to 25.11.2012
	600,000	25.11.2004	3.51	66,667	533,333	25.11.2007 to 25.11.2012
Paul Pindar	600,000	25.11.2002	2.16	–	600,000	25.11.2007 to 25.11.2012
	600,000	25.11.2004	3.51	–	600,000	25.11.2007 to 25.11.2012
Paddy Doyle	600,000	25.11.2002	2.16	–	600,000	25.11.2007 to 25.11.2012
	600,000	25.11.2004	3.51	–	600,000	25.11.2007 to 25.11.2012
Gordon Hurst	600,000	25.11.2002	2.16	–	600,000	25.11.2007 to 25.11.2012
	600,000	25.11.2004	3.51	–	600,000	25.11.2007 to 25.11.2012
Simon Pilling	600,000	25.11.2002	2.16	–	600,000	25.11.2007 to 25.11.2012
	600,000	25.11.2004	3.51	–	600,000	25.11.2007 to 25.11.2012

The grant price for each tranche 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 increases in line with the FTSE All Share Index, measured from the date of grant to 25 November 2007.

Options became exercisable, if over the 3 year performance period to 31 December 2006, the growth in the company's EPS exceeded certain targets as follows: 25% of the options vest if growth in the company's EPS exceeded RPI growth by 8% per annum, rising on a straight-line basis to 100% vesting if growth in the company's EPS exceeded growth in the RPI by 12% per annum. As the Group met the performance criteria in full, 100% of the options vested on 31 December 2006 and become exercisable on 25 November 2007.

At 31 December 2006 the market price for a Capita share was 611p and the FTSE All Share Index stood at 3221 (25 November 2002 – 1980 and 25 November 2004 – 2367).

Rod Aldridge will retain his entitlement to 1,093,333 shares under the scheme, the exercise dates remaining as above.

d) Shares awarded under the Long Term Investment Plan Restricted Share Awards

Restricted Share Awards were designed to deliver shares to participants 3 years after the date of award subject to the company's TSR ranking relative to a comparator group of companies and the growth in the company's EPS exceeding the growth in RPI over the 3 year performance period, as described on page 71.

The performance requirements were met in full on 4 May 2001.

Rod Aldridge has not exercised his right of transfer in respect of these shares and therefore has an entitlement to 279,069 shares. Had he exercised his right to transfer on 5 May 2001 when the shares vested, the share price would have been 509p and the gain would have been £1,420,461.

IPSARs

	Number of shares at 1 January 2006	Vesting date	Exercised in year	Number of shares at 31 December 2006	Latest exercise date
Rod Aldridge	1,200,000	05.05.2003	–	1,200,000	05.05.2008
Paul Pindar	1,200,000	05.05.2003	–	1,200,000	05.05.2008

IPSARs became exercisable 5 years after the awards were granted, subject to the company's TSR ranking relative to a comparator group of companies and the growth in the company's EPS exceeding the growth in RPI over the 5 year performance period. 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) 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.

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

Eric Walters
Non-Executive Chairman
21 February 2007

Martina King
Chairman Remuneration Committee
21 February 2007