

Corporate governance

The Capita Group Plc and its subsidiaries (the Group) continue to be committed to the principles of corporate governance contained in the Financial Reporting Council's Combined Code on Corporate Governance June 2008 (the Combined Code) for which the Board is accountable.

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

Composition of the Board (A.3.2) – This is shown in the table below:

Period	Balance of Board	Directors
1 January – 31 December 2009	Non-Executive Chairman 5 Executive Directors 3 Independent Non-Executive Directors	Eric Walters Paul Pindar, Gordon Hurst, Simon Pilling, Maggi Bell and Paddy Doyle Martin Bolland, Martina King and Bill Grimsey
From 1 January – 28 February 2010	Non-Executive Chairman 5 Executive Directors 2 Independent Non-Executive Directors	Martin Bolland Paul Pindar, Gordon Hurst, Simon Pilling, Maggi Bell and Paddy Doyle Martina King and Bill Grimsey
From 1 March 2010	Non-Executive Chairman 4 Executive Directors 2 Independent Non-Executive Directors 1 Non-Executive Director	Martin Bolland Paul Pindar, Gordon Hurst, Simon Pilling and Maggi Bell Martina King and Bill Grimsey Paddy Doyle

The Board continues to believe that the Board and its committees consist of directors with an appropriate balance of skills, experience, independence and knowledge of the Company to enable it to discharge its duties and responsibilities effectively.

Board changes in the year

There were no changes to the Board during the year as all changes described below became effective after the year-end.

Eric Walters stood down from the Board from 1 January 2010 and the Board appointed Martin Bolland as Non-Executive Chairman. Paddy Doyle is moving to a non-executive position from 1 March 2010. Following these changes the Board are actively recruiting further Independent Non-Executive Directors and once these have been appointed the relevant announcements will be made. Martin Bolland will continue as Senior Independent Director for the time being.

These changes were part of the Board's orderly succession planning and arrangements.

Martin Bolland, Martina King and Bill Grimsey are regarded as independent and free from any business or other relationship that could materially interfere with their judgement. The Board accepts that Paddy Doyle is not independent, but his experience of the Company means the Board feel the contribution he continues to make is valuable.

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

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 for the period under review and Martin Bolland from 1 January 2010) and Chief Executive (Paul Pindar) are separate.

Martin Bolland was appointed Non-Executive Chairman from 1 January 2010 and whilst a recruitment process is undertaken for new independent directors Martin has continued in his role of Senior Independent Director and Chairman of the Audit Committee. He is available as Non-Executive Chairman and Senior Independent Director, as necessary, to lead meetings of the Non-Executive Directors without the Executive Directors being present and is available to meet with shareholders to understand any concerns. Biographies of the Directors can be found on pages 70 to 71.

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 27 to 28.

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, shareholders, the community and other key stakeholders are understood and met.

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

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

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

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

Paul Pindar, as Chief Executive, is responsible for all aspects of the operation and management of the Group.

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

Directors and officer's liability insurance is maintained.

Director induction and professional development

On joining the Board, all Directors participate in an induction programme involving appropriate documentation, meetings and visits to Capita businesses with other Directors, attendance at monthly operational business (MOB) review meetings and discussions with advisers and senior management from across the Group.

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. Specific briefings were given to the Executive Directors on the Combined Code, Companies Act 2006 and Disclosure and Transparency Rules during the year.

An induction was also given to Martin Bolland on his appointment as Non-Executive Chairman.

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

The Board appointed a Deputy Company Secretary in 2008 to deal with the increase in size and diversity of this area. The duties of the Deputy Company Secretary include coordinating and managing the provision of company secretarial services to the Group on behalf of Gordon Hurst, the Group Finance Director and Company Secretary, and acting as Secretary to the Audit, Remuneration and Nomination Committees. The Deputy Company Secretary has direct access and responsibility to the Chairman and the Chairs of all the standing committees and open access to all the Directors. The Board continues to keep this under review and currently feel that this combination works best for the business as a whole.

Board performance evaluation

An evaluation of Board and committee effectiveness was conducted in 2009. The evaluation took the form of discussions and meetings with the Directors in relation to the Board and any committee of which they were a member at the time of the evaluation. The evaluation was continuous to ensure a full review was undertaken at points across the year. One area that was raised was the potential effects of changing legislation with the full implementation of the Companies Act 2006. In response to this feedback, additional briefings were offered on this area and undertaken in November 2009. The Board concluded that the Board and its committees continue to operate effectively in accordance with the Companies Act 2006 and good corporate governance.

The performance of individual Executive Directors is appraised annually by the Chief Executive, to whom they report. The performance of the Non-Executive Chairman, Eric Walters in 2009, was reviewed by the Non-Executive Directors, led by Martin Bolland, taking into account the views of the Executive Directors for the period ending December 2009.

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

The Board considered, as it had in previous years, the merit of using an external body to manage the performance evaluation process. It concluded that it remained appropriate for the Deputy Company Secretary to manage the performance evaluation process and act in accordance with the feedback received. This ensures that actions could be undertaken in line with the requirements of the business without incurring additional costs.

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 Act.

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

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

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

The Non-Executive Chairman and, where appropriate, the Non-Executive Directors have, following the evaluation process described above, considered the performance of Paul Pindar, Simon Pilling and Bill Grimsey, who are subject to re-election at the 2010 Annual General Meeting and are satisfied that they continue to be effective and demonstrate a clear commitment to the role.

Membership of the committees

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

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

(C) Chairman

Following changes to the Board on 1 January 2010 the committees are as follows:

	Martin Bolland	Martina King	Bill Grimsey
Nomination	(C)✓	✓	✓
Remuneration	✓	(C)✓	✓
Audit	(C)✓	✓	✓

(C) Chairman

Martin Bolland will stand down from both the Remuneration Committee and the Audit Committee once appropriate replacements are recruited to the Board. Paddy Doyle is not independent and therefore will only be appointed to the Nomination Committee, but will be available to the Audit and Remuneration Committee as required.

Nomination Committee

The Nomination Committee in 2009 comprised Eric Walters (Committee Chairman), Martin Bolland, Martina King and Bill Grimsey. The Committee reports to the Board and its role is to seek suitably skilled and experienced candidates to be Directors and ensure plans are in place for orderly succession of 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 a progressive refresh of the Board. Core competencies and attributes required to fill the roles are set out and independent external search consultants engaged, where appropriate, to identify potential candidates. The Chairman of the Company never takes part in any discussions regarding the consideration of the appointment of a new chairman.

During the year the Nomination Committee has considered the succession planning of the Board. Paddy Doyle was considering reducing further his business commitments; however the Committee felt that his experience continued to be of value to the Board going forward and therefore proposed to the Board that Paddy became a Non-Executive Director from 1 March 2010. Eric Walters decided in November 2009 that he wanted

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to stand down from the Board. Martin Bolland chaired the Nomination Committee regarding initial discussions concerning Eric Walters' succession. As Martin Bolland was proposed as a potential candidate for the role of Non-Executive Chairman, it was decided that the appointment of the Non-Executive Chairman should be discussed by the Board as a whole. Therefore the decision to appoint Martin Bolland as Non-Executive Chairman was taken by the Board. Martin Bolland and Eric Walters did not take part in this decision.

Audit Committee

The Audit Committee comprised the Non-Executive Directors throughout 2009. Martin Bolland was and remains Chairman of the Audit Committee and he has significant recent and relevant financial experience, including being a qualified Chartered Accountant. The other members of the Audit Committee are Martina King and Bill Grimsey. Audit Committee meetings are attended, by invitation, by the Non-Executive Chairman, Chief Executive, Group Finance Director, Director Group Compliance, Director Group Risk and Business Assurance and by representatives of the external Auditors.

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

The Chairman of the Committee is directly available to and holds regular meetings with the Director Group Compliance, Deputy Company Secretary, Director Group Risk and Business Assurance and external Auditors.

During the year, the Committee reviewed its terms of reference and ensured that these remained in line with the guidance given by the Financial Reporting Council and the Code. There were no proposed changes and this was presented to the meeting held in November 2009. The terms of reference include the approval of the appointment of the Director Group Risk and Business Assurance.

The Committee is also responsible for the policies on whistleblowing and the provision of the non-audit services by the external Auditors. Both policies are published on the Company's employee intranet.

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

The Committee reviewed a wide range of financial reporting and related matters during the year, including the half year and annual accounts prior to their submission to the Board. The Committee focused in particular on critical accounting policies and practices adopted by the Group and any significant areas of judgement that materially impact on reported results.

It also monitored the internal controls that are operated by management to ensure the integrity of information reported to shareholders.

The Committee reviewed and approved the Representation Letter required by the Auditors.

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

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

At the meeting to review the 2009 Annual Report and Accounts, the Committee considered the level of non-audit services being provided by the Group's Auditors in order to satisfy itself that the objectivity and independence of the Auditors were safeguarded. Details of audit and non-audit fees are given in note 8 on page 101. The lead audit partner is rotated at least on a 5-yearly basis.

The Committee has responsibility for reviewing the annual business assurance programme and for ensuring that the Group Risk and Business Assurance function is adequately sponsored and resourced. The Committee is kept apprised of all key issues across the Group and the potential risks to the business. It also monitored the resourcing levels and performance of the Group's Compliance function. In November 2009 the Committee reviewed and approved these business plans.

Martin Bolland will continue to be Chairman of the Audit Committee until a new Independent Non-Executive Director with relevant financial experience is appointed. Although this is not compliant with the Combined Code, Martin Bolland does have the relevant financial experience and the other Non-Executive Directors at this time do not. It was therefore decided that the current arrangements were in the best interests of both the shareholders and the Company.

Remuneration Committee

Details of the Remuneration Committee and its activities are given in the Directors' remuneration report on pages 79 to 84.

The terms of reference of the Nomination, Remuneration and Audit Committees were reviewed during the year. 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 2009 the Board met 9 times, excluding ad hoc meetings, solely to deal with procedural matters. The Nomination Committee and the Remuneration Committee met once and 3 times during the year, respectively. The Audit Committee met 4 times during the year. Attendance is recorded in the table below.

	Board meetings	Nomination Committee meetings	Remuneration Committee meetings	Audit Committee meetings
Scheduled meetings	9	1	3	4
Eric Walters	9	1	–	–
Paul Pindar	9	–	–	–
Gordon Hurst	8	–	–	–
Paddy Doyle	9	–	–	–
Simon Pilling	7	–	–	–
Maggi Bell	9	–	–	–
Martina King	8	1	3	4
Bill Grimsey	8	1	3	4
Martin Bolland	9	1	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 a mutual understanding of objectives between the Group and its institutional shareholders. As part of this process the Executive Directors 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 is personally available to the significant shareholders in the Group.

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

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

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

Social and environmental responsibility

Details of how the Group manages its social and environmental responsibilities can be found on pages 32 to 40 and at www.capita.co.uk/corporate-responsibility.

Internal control

The Board is responsible for the Group's system of internal control and for regularly reviewing its effectiveness. Procedures have been designed for, inter alia, the safeguarding of assets against unauthorised use or disposition, maintaining proper accounting records and the reliability of financial information used within the business or for publication. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material errors, losses or fraud. There is an ongoing process of identifying, evaluating and managing the significant risks faced by the Group, which has been in place throughout the year under review and up to the date of approval of the 2009 Annual Report and Accounts. This process is regularly reviewed by the Board. The Group's key internal control procedures include the following:

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

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

The Board keeps under review the effectiveness of this system of internal control. The key mechanisms used by the Board to achieve this include regular MOB review reports, periodic updates from the Audit Committee based on its review of risk management, business assurance and compliance reports by the relevant Group functions; discussions with and reports from the 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 complies with the Internal Control Guidance for Directors in 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 performed a Group-wide review of the effectiveness of the internal control system, including financial, operational and compliance controls and risk management in accordance with the Combined Code for the period from 1 January 2009 to the date of approval of this Annual Report and Accounts.

The implications of the Arch cru situation are still being evaluated as explained in note 4 on page 97 and note 25 on page 111. Subject to this evaluation, no significant failings or weaknesses have been identified in the Group-wide review. Notwithstanding this, the controls within Capita Financial Managers have been reviewed and enhanced.

Risk management and governance is also referred to on pages 22 to 23 and 27 to 28 in this report.

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Group activities

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

On behalf of its clients, the Group aims to improve service quality, reduce costs of delivery and enable them to transform the way that they deliver services to their customers. The services that the Group provides are essential to the smooth running and success of its clients' operations. The Group designs, successfully implements and manages tailored service solutions, ranging across administration, information technology, financial, human resources, property and customer service functions. The Group maintains leading positions in the majority of its markets due to its scale and ability to draw on its wide base of professional services, detailed market knowledge and extensive business process transformation and change management skills.

During the period under review, the Group's business divisions were reorganised. The Board decided the reorganisation was necessary to manage the continued growth in the business and to enhance service provisions across the Group. The Group's principal activities are now managed through 5 operating divisions comprising: Insurance & Investor Services; ICT, Health & Business Services; Life & Pensions; Professional Services and Integrated Services. Group support services report direct to Group Executive Directors.

A review of the development of the Group and its business activities during the year is contained in the Business Review on pages 1 to 40. Our divisional operations and financial performance are detailed on pages 58 to 64.

Profits and dividends

The Group underlying profit before taxation amounted to £325.1m (2008: £277.2m). The Directors recommend a final dividend of 11.2p per share (2008: 9.6p per share) to be paid on 24 May 2010 to ordinary shareholders on the Register on 16 April 2010. This gives a total dividend for the year of 16.8p per share (2008: 14.4p per share).

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

Directors

The Directors of the Company currently in office are listed on pages 70 to 71. Paul Pindar, Simon Pilling and Bill Grimsey will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. No Director has a service contract exceeding 1 year.

Conflicts policy

Under the Companies Act 2006, directors are under an obligation to avoid situations in which their interests can or do conflict, or may possibly conflict, with those of the Company. In response to the conflicts of interest provisions, a comprehensive project was undertaken in 2008 to identify and disclose any conflicts of interest that have arisen or may arise across the Group. Procedures were implemented for evaluating and managing conflicts that have been identified in a way that ensures that decisions are not compromised by a conflicted director. In addition, the Company's Articles of Association give the Board the power to authorise matters that give rise to actual or potential conflicts. The Board reports annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed. A policy for ongoing identification and disclosure of conflicts is in place and is kept under regular review.

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

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

Voting rights and share capital

On 19 February 2010 the Company had received notifications that the following were interested in accordance with DTR 5:

Shareholder	No. of shares	Percentage of ISC as at 19 Feb	No. of shares Direct	No. of shares Indirect
Invesco	90,928,607	14.55%		90,928,607
Baillie Gifford & Co	35,854,749	5.74%		35,854,749
Capital Research and Management Company	34,595,933	5.54%		34,595,933
FMR LLC & Fidelity International	28,476,638	4.56%		28,476,638
Legal & General	27,087,168	4.34%	24,009,959	3,077,209
Deutsche Bank	18,680,548	2.99%	18,680,548	

At the date of this report, 624,780,161 ordinary shares of 2¹/₁₅p each have been issued and are fully paid up and are quoted on the London Stock Exchange. During the year ended 31 December 2009, options were exercised pursuant to the Company's share option schemes, resulting in the allotment of 3,355,841 new ordinary shares. A further 195,823 new ordinary shares have been allotted under these schemes since the end of the financial year to the date of this report. 7,805,218 of the issued share capital is held within an Employee Benefit Trust for the use of satisfying employee share options.

The Company renewed its authority to repurchase up to 10% of its own issued share capital at the Annual General Meeting in May 2009. During the year the Company did not acquire any ordinary shares (2008: 10,355,046) ordinary shares. Therefore during the year no shares (2008: 10,355,046) were transferred to the Employee Benefit Trust. No shares were cancelled during the year and there are no shares held in treasury.

Rights and restrictions attaching to shares

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

At any General Meeting a resolution put to vote at the meeting shall be decided on a poll. This will be a change from previous years, but the Company feels that this is in line with best practice. On a poll every member who is present in person or by proxy shall have one vote for every share of which they are the holder.

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

Restrictions on transfer of shares

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

and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. They may also refuse to register any such transfer where it is in favour of more than 4 transferees or in respect of more than 1 class of shares.

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 1 to 68. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 22 to 26. In addition note 26 to the financial statements on page 111 includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

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

After making enquiries, and in accordance with the FRC's "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009", the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Disabled persons

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

Employee involvement

The Group is committed to involving all employees in the performance and development of the Group. Its approach to employee development offers continual challenges in the job, learning opportunities and personal development. The Group supports employees through a comprehensive range of key business and management skills courses and an annual management development programme. Capita Academy and Capita Managers Academy were launched at the end of 2009 to provide a more comprehensive approach to key skills training and personal development.

The Group encourages all its employees to participate fully in the business through open dialogue. Employees receive news of the Group through: frequent email notices; internal notice board statements; Capita Connections, the Group employee intranet, and Capita Online, a regular email communication reviewing the performance of the Group from the perspective of the Directors. During 2009, the Company's intranet was redeveloped and re-launched to meet the needs of all our employees. These communication initiatives enable employees to manage their work more efficiently and to share information within and between business units and employees are encouraged to contribute news, views and feedback. The Group maintains a strong communications network and employees are encouraged, through its open door policy, to discuss with management matters of interest to the employee and subjects affecting day-to-day operations of the Group.

The Capita Sharesave Scheme, an employee Save As You Earn Scheme, and the Capita Share Ownership Plan, a share incentive plan, are both firmly established and are designed to promote employee share ownership and to give employees the opportunity to participate in the future success of the Group. Approximately 23% of the Group's eligible employees have share options or own Capita shares.

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

Payment of suppliers

The Company aims to pay suppliers in accordance with the suppliers' contract terms. In 2009 the Company had an average of 40 days' purchases (2008: 41 days' purchases) outstanding in trade creditors.

Charitable and political donations

During the year charitable donations amounted to £0.5m (2008: £0.6m). No political contributions were made. Further details of the Group's charitable donations and work within the community can be found on pages 39 and 40 and at www.capita.co.uk/corporate-responsibility.

Financial instruments

The Group's financial instruments primarily comprise bonds, 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, arising from the Group's operations and its sources of finance.

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 and currency 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 multiple sources of funding including bonds, bank loans, unsecured loan notes, finance leases and overdrafts, over a broad spread of maturities.

In respect of credit risk, the Group trades only with recognised, creditworthy third parties. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. With respect to credit risk arising from the other financial assets of the Group, such as cash, financial investments and derivative instruments, the Group's exposure to credit risk arises from default of the counterparty. The Group manages its operations to avoid any excessive concentration of counterparty risk and the Group takes all reasonable steps to seek assurance from the counterparties to ensure that they can fulfil their obligations.

The Group is not generally exposed to significant foreign currency risk, except in respect of its overseas operations in India, which generates exposure to movements in the Indian Rupee exchange rate. The Group seeks to mitigate the effect of this exposure by entering forward currency instruments, in the form of non-deliverable forward contracts, to fix the Sterling cost of highly probable forecast transactions denominated in Indian Rupees. Further details of the Group's financial instruments can be found in note 26 to the consolidated financial statements on page 111.

Corporate governance

Qualifying third party indemnity provisions for the benefit of Directors

Under the Companies Act 2006, companies are under an obligation to disclose any indemnities which are in force in favour of their directors. The current Articles of Association of the Company contain an indemnity in favour of the Directors of the Company which indemnifies them in respect of certain liabilities and costs that they might incur in the execution of their duties as Directors. Copies of the relevant extract from the Articles of Association are available for inspection at the registered office of the Company during normal business hours on any weekday and will be available at the venue of the 2010 Annual General Meeting from 15 minutes before the meeting until it ends.

Auditors

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

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

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

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

Powers of Directors

The business of the Company shall be managed by the Directors who are subject to the provisions of the Companies Act, the 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 Group's bank debt contains a change of control provision under which the banks may require immediate repayment in full on change of control. The bonds issued by the Group contain a change of control provision which requires the Group to offer to prepay the bonds in full if a change of control event occurs and the Group does not obtain an investment grade credit rating.

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

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

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

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

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

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

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

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

To the best of each Director's knowledge, the financial statements contained within this 2009 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 28.

Annual General Meeting

The 2010 Annual General Meeting (AGM) of the Company will be held at Deutsche Bank, Winchester House, 1 Great Winchester Street, London EC2N 2DB, on 11 May 2010. 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 2009 Annual Report and Accounts and includes notes explaining the business to be transacted. In May 2009, shareholders granted authority for the Company to purchase up to 62.1m ordinary shares which will expire at the conclusion of the 2010 AGM. No shares were purchased during 2009. A resolution to renew this authority will be put to shareholders at that meeting.

At the AGM in May 2009 the Directors proposed that the name of the Company be changed to Capita plc with effect from 31 December 2009. Unfortunately due to a change in the regulations implemented on 1 October 2009 and outside of our control, we are unable at this time to change the Company name. We will keep this potential change under review.