

Results for
the year ended
31 December 2006

Building value for shareholders

Paul Pindar
Chief Executive

Business highlights

- Record major contract wins
- Strong ROCE, profits and cash
- Enhanced operational capability
- Accelerating development of India
- Buoyant markets

Agenda

- Financial results
- Operational update
- Markets and growth

Financial results

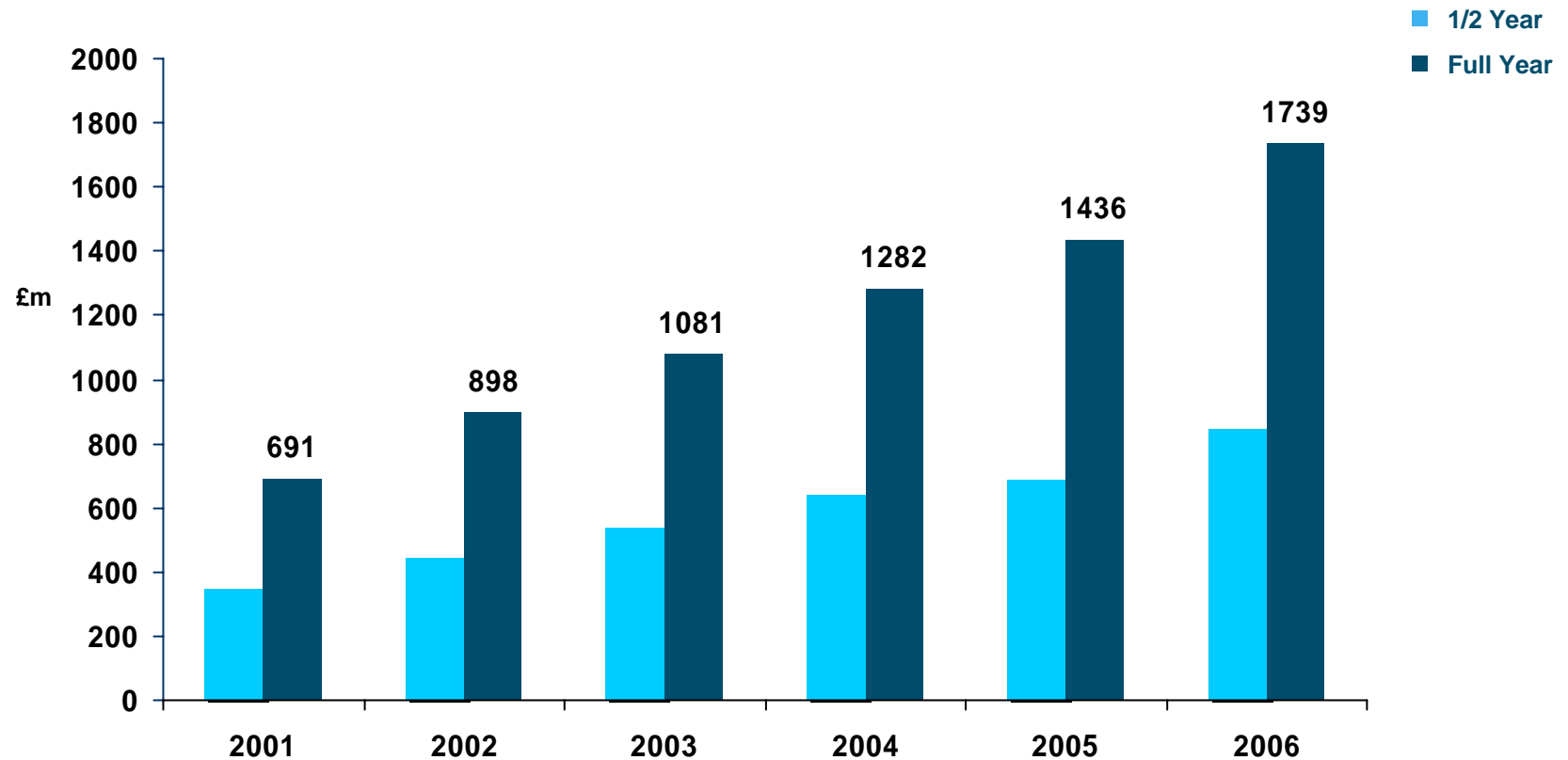
Gordon Hurst

Group Finance Director

Financial performance – turnover

Annual growth 21%

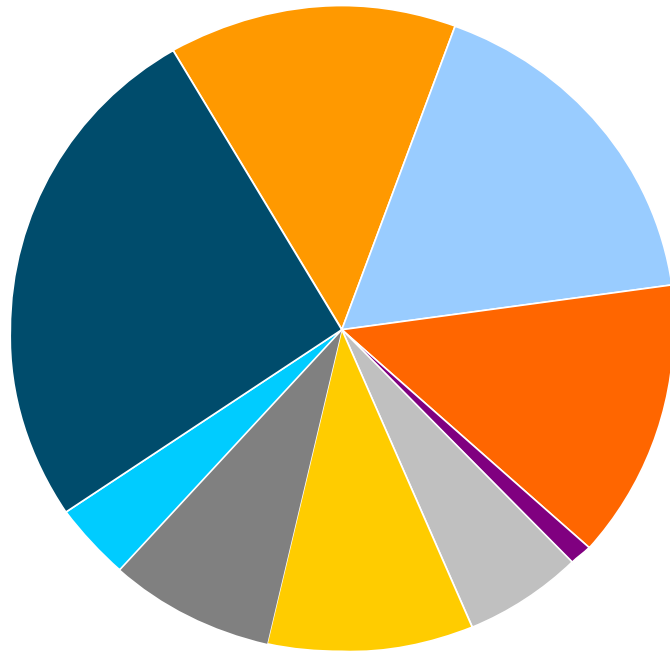
5 year compound growth 20%



Financial performance – turnover by market

Public sector 52% (2005: 53%)

Private sector 48% (2005: 47%)



Central government 14% (16%)

Local government 17% (15%)

Education 14% (14%)

Health 1% (1%)

Transport 6% (7%)

Insurance 10% (12%)

Life & pensions 8% (6%)

Financial services 4%

Other private sector 26%

(29%)

2006 year end (2005 year end)

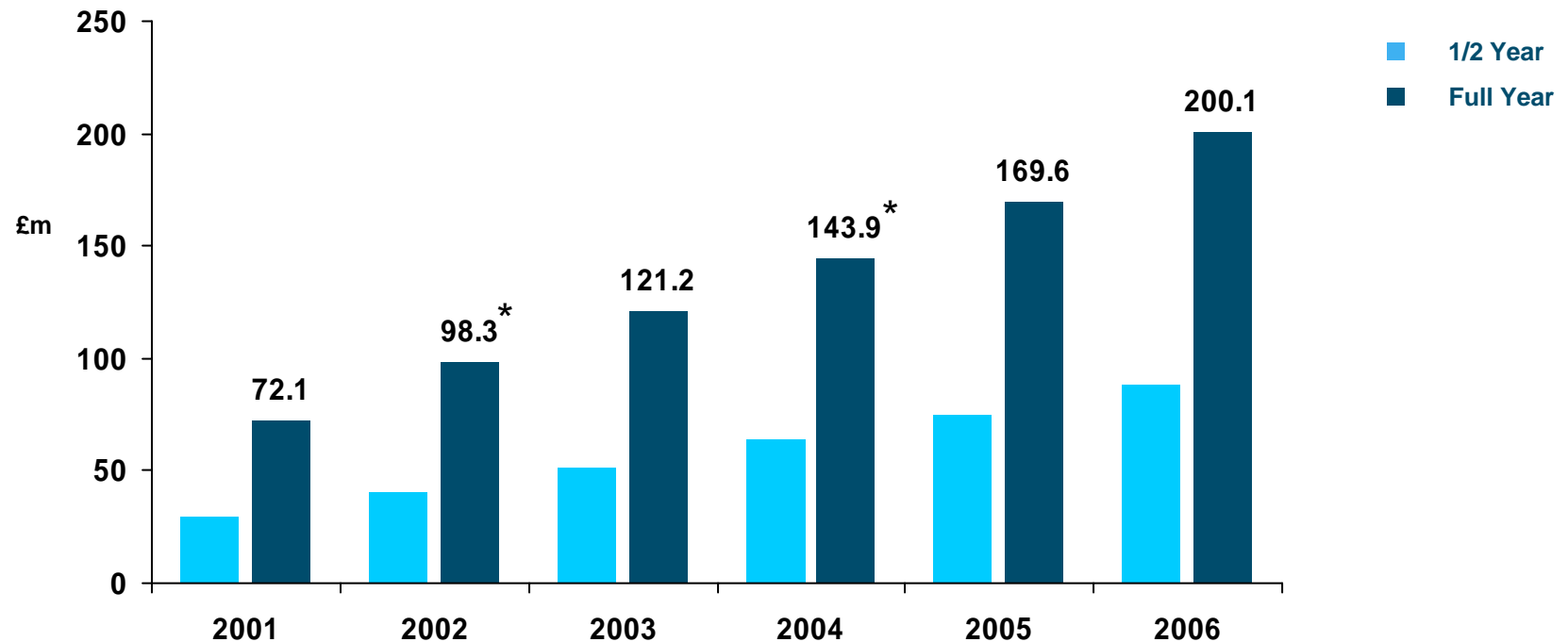
Financial performance – organic growth

	£m 2006	£m 2005	Growth %
Turnover	1739	1436	21%
2006 acquisitions	(28)	-	-
2005 acquisitions	(47)	-	-
Organic	1664	1436	16%

Financial performance – profit before tax and amortisation and after share based payment charge

Annual growth 18%

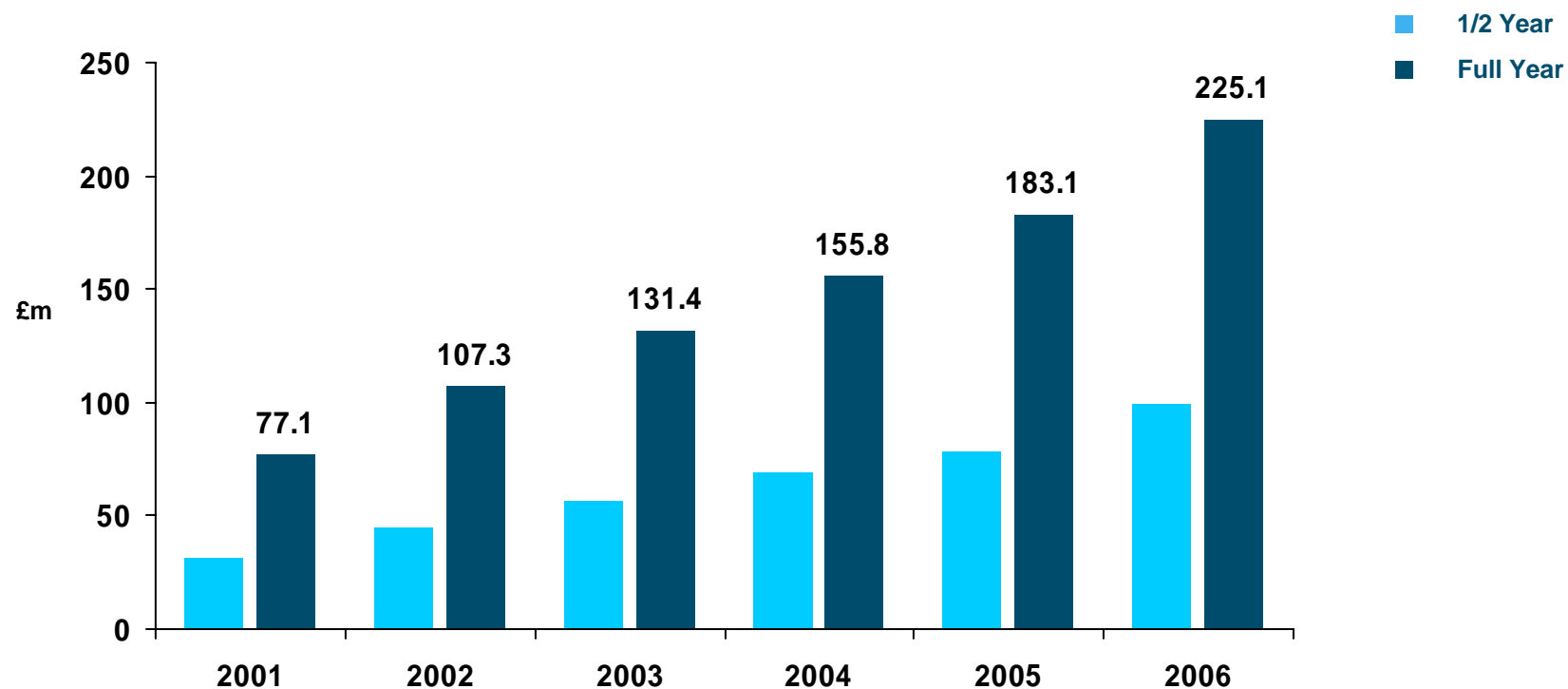
5 year compound growth 23%



Financial performance – operating profit before amortisation and after share based payment charge

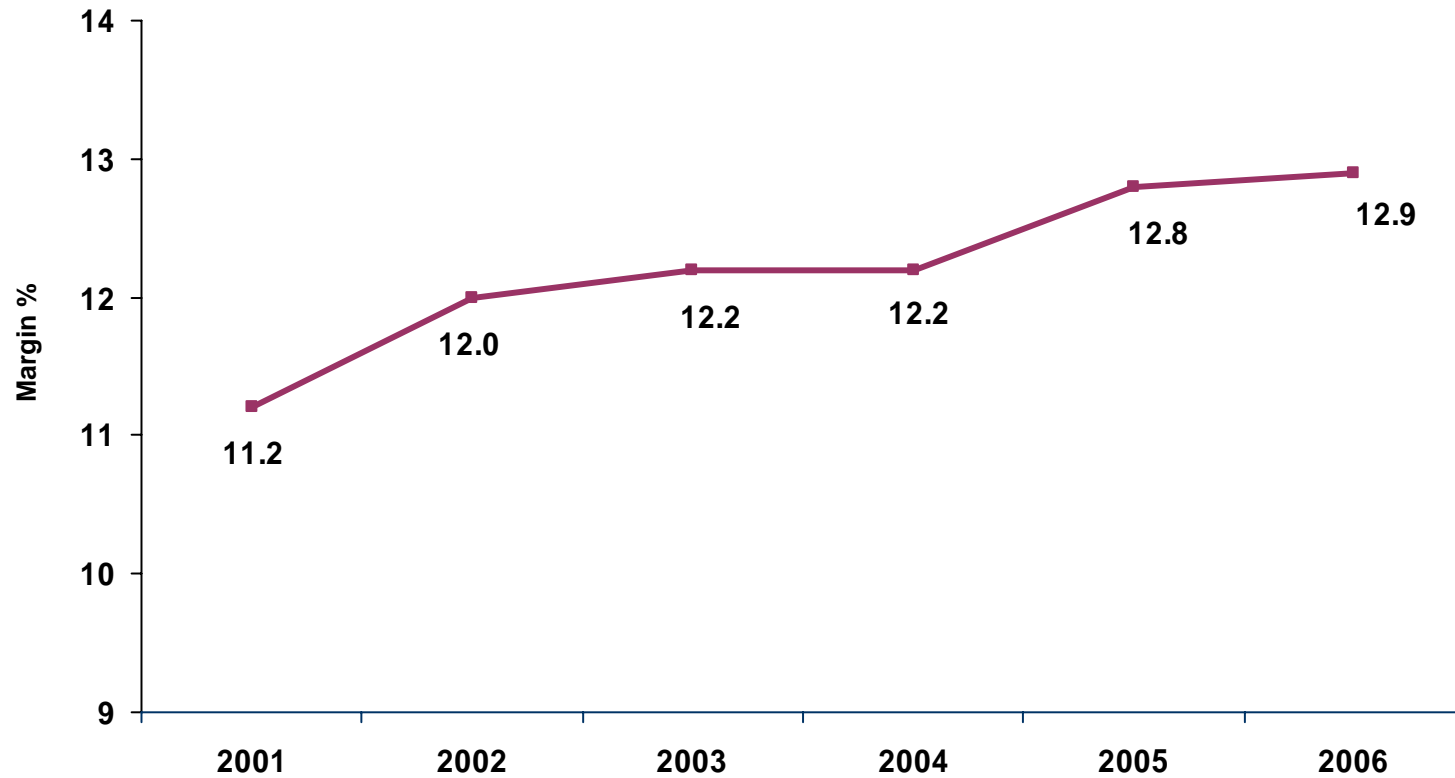
Annual growth 23%

5 year compound growth 24%



Operating margin (after share based payment charge)

Annual increase 19 bpts



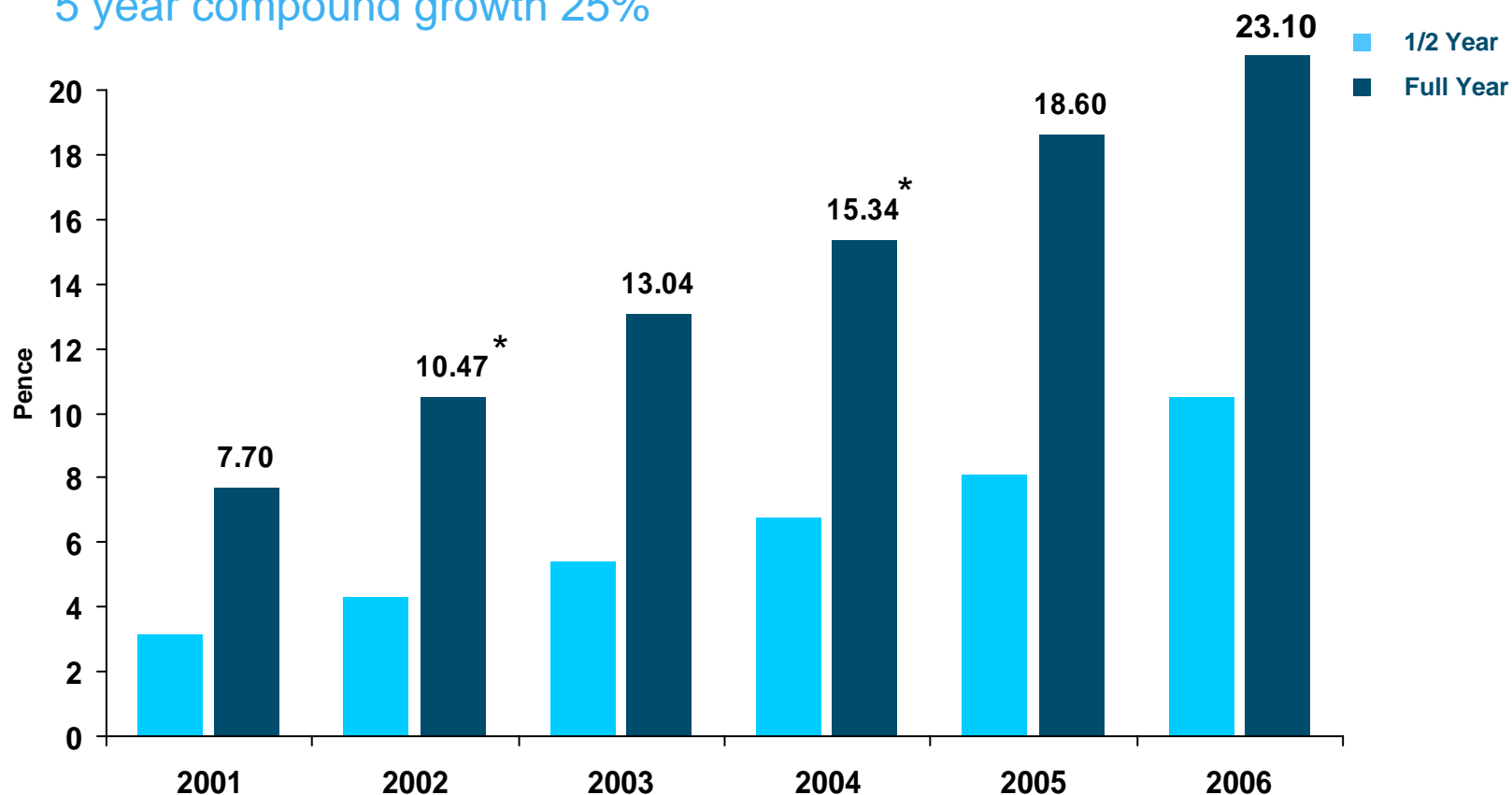
Operating margin – drivers behind widening margin

- Focus on adding value and innovation, not price
- Increasing economies of scale
- Unremitting focus on cost base
- Offshoring back office to India
- Increased utilisation of business centres
- Better use of technology

Financial performance – earnings per share before amortisation and after share based payment charge

Annual growth 24%

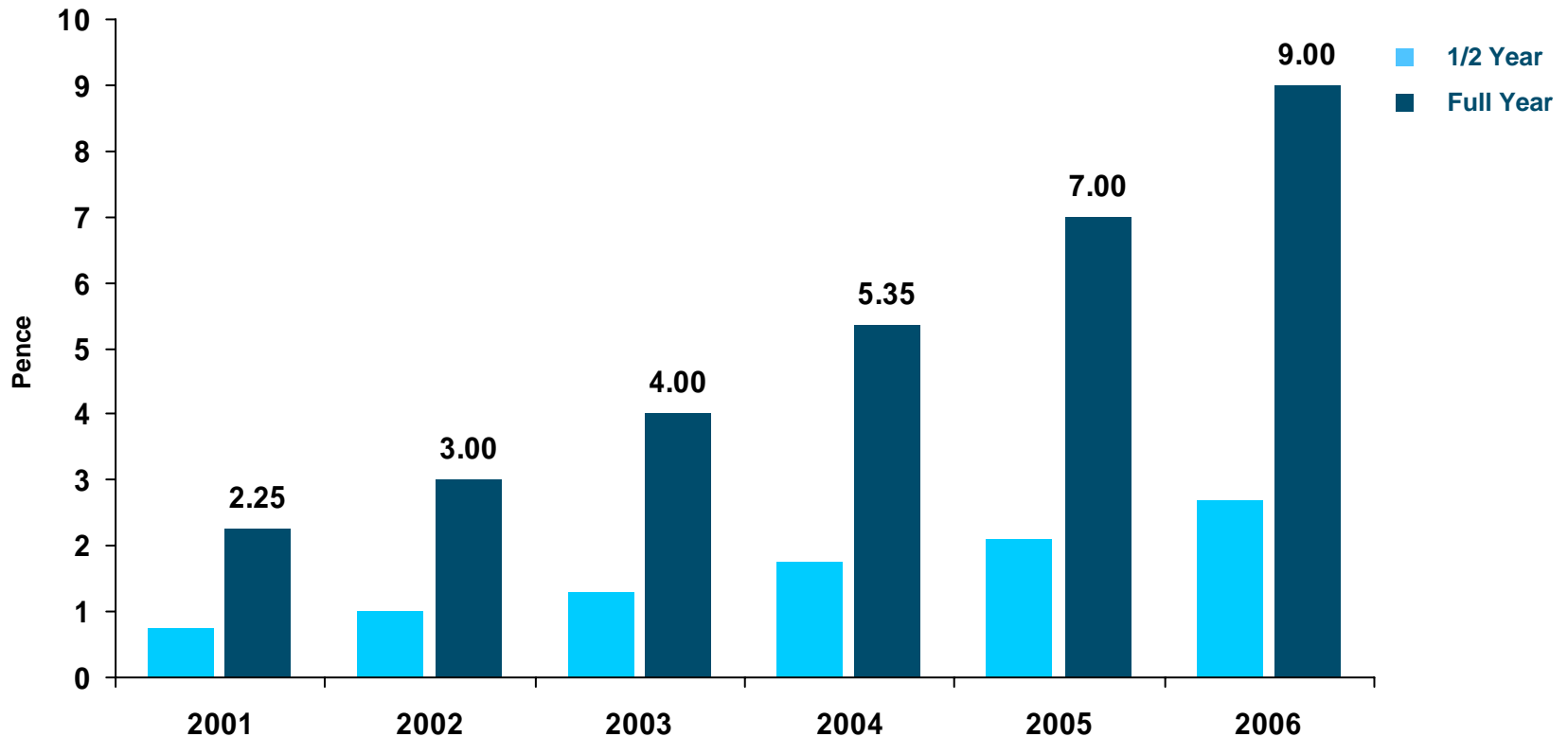
5 year compound growth 25%



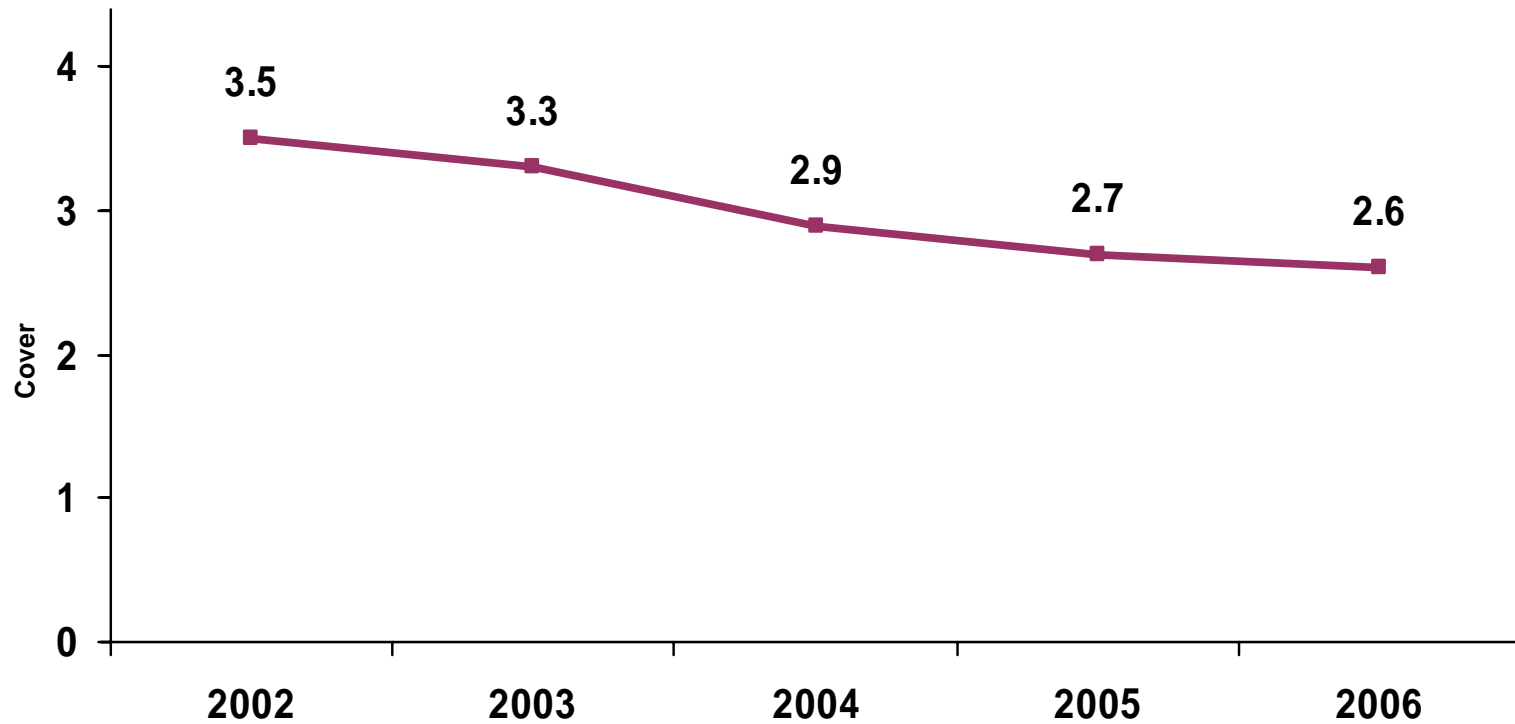
Financial performance – dividends

Annual growth 29% 5 year compound growth 32%

Dividend cover 2.6x



Financial performance – dividend cover



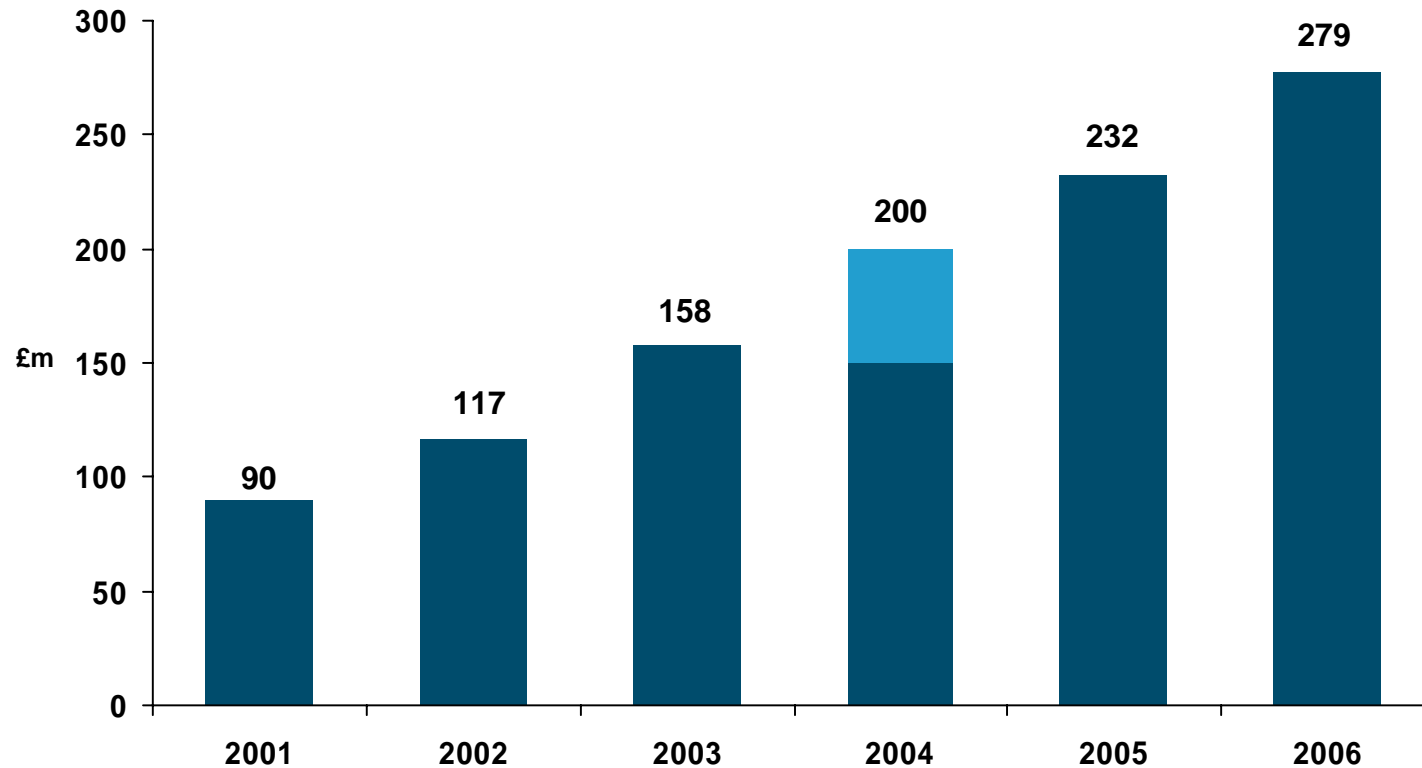
Financial performance – cash flow statement

	£m 2006	£m 2005
Underlying cash flow from operating activities	279	232
Net interest paid	(22)	(14)
Taxation paid	(40)	(38)
Capital expenditure	(63)	(53)
Underlying free cash flow	154	127
Acquisitions and disposals	(48)	(99)
Equity dividends paid	(48)	(38)
Share buybacks	(246)	(50)
Investments in insurance captive	(7)	(12)
Bond issue	179	75
Share option proceeds	50	10
Other financing	(5)	(6)
Increase in cash in the period	29	7

Financial performance – cash flow from operating activities

Annual growth 20%

5 year compound growth 25%

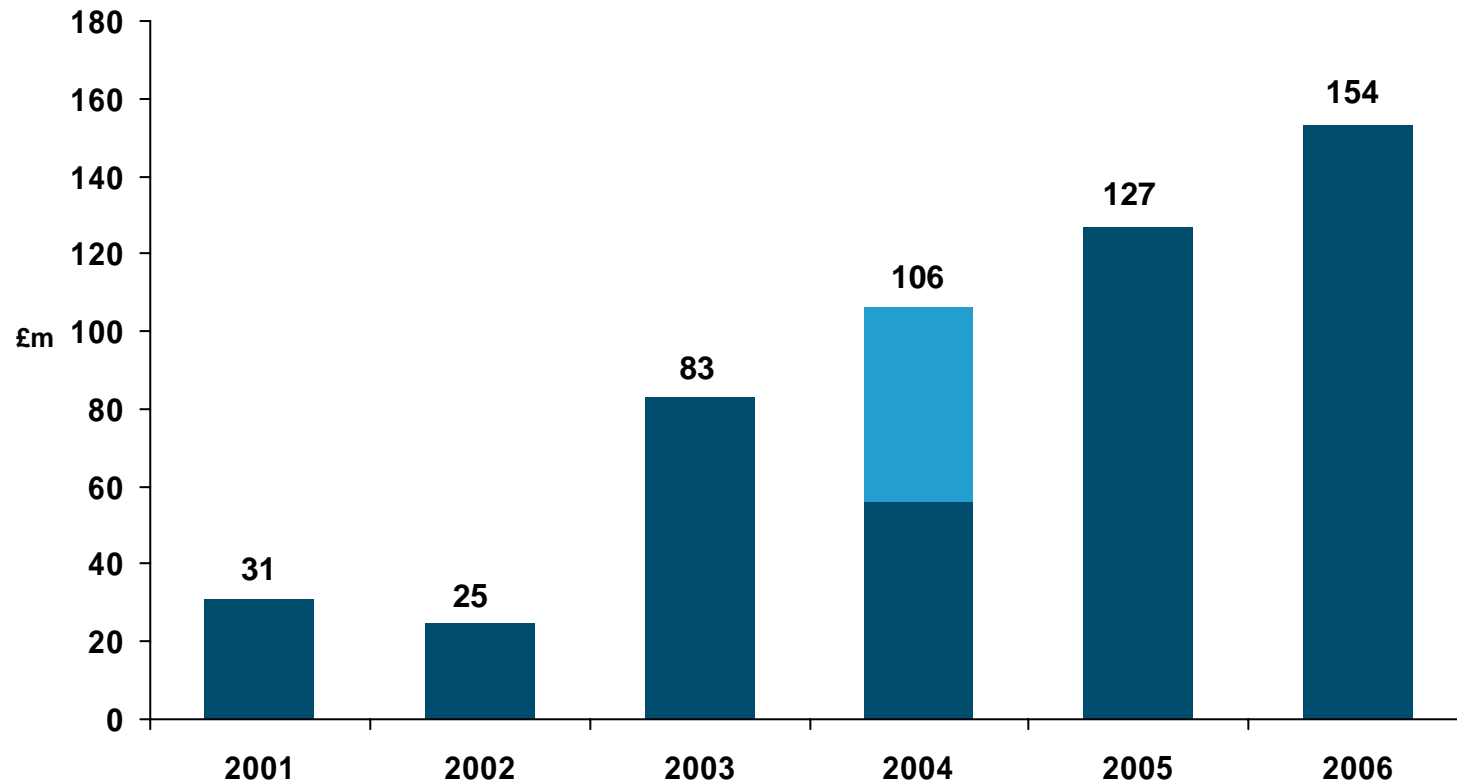


■ exceptional pension payment £50m

Financial performance – free cash flow

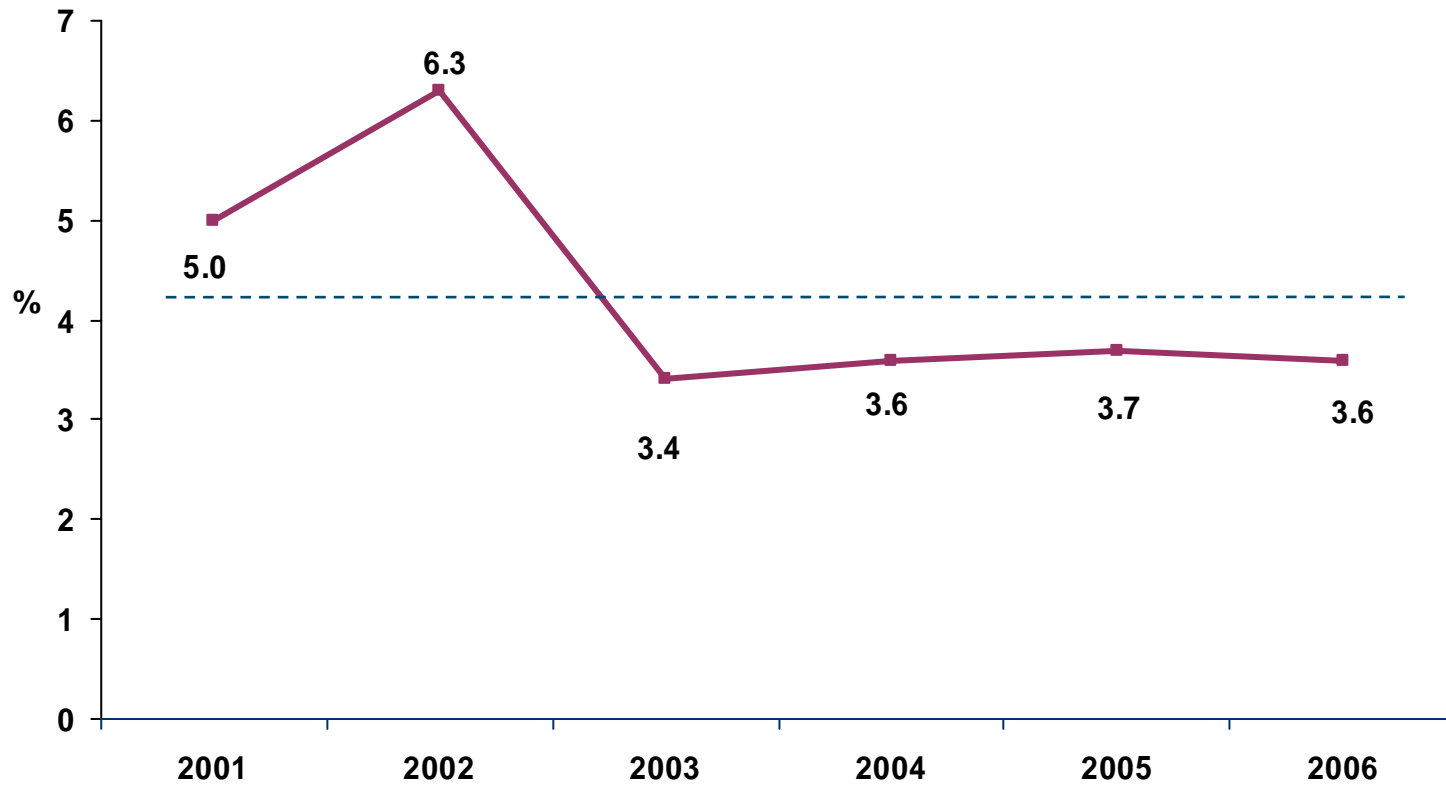
Annual growth 21%

5 year compound growth 38%

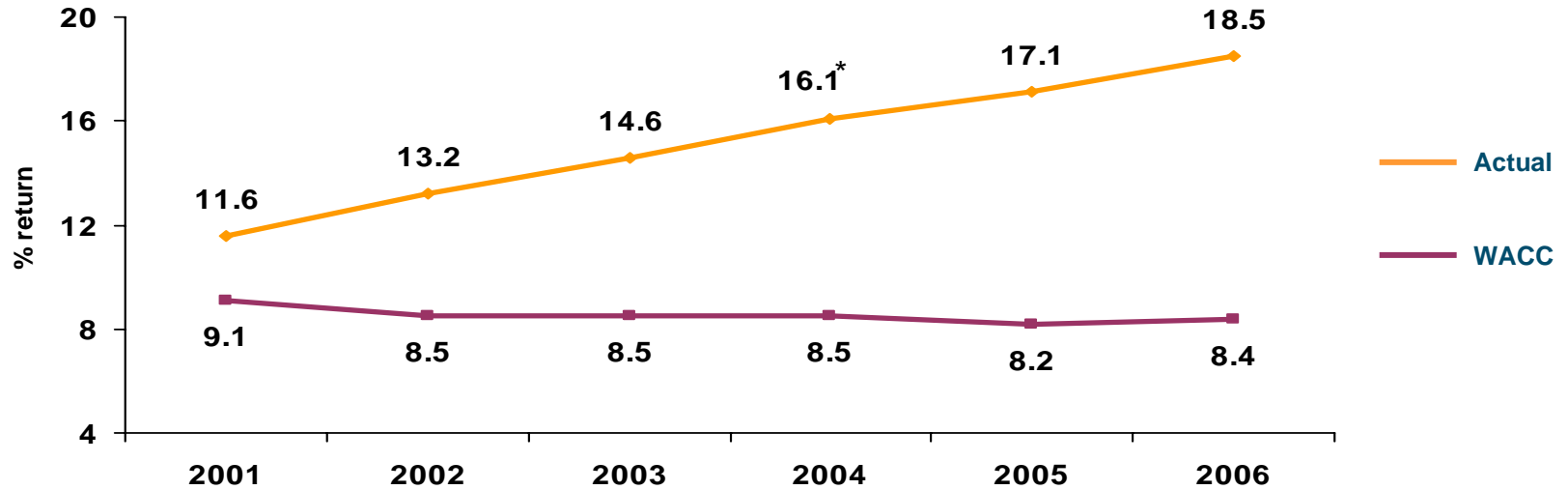


■ exceptional pension payment £50m

Capex as % turnover



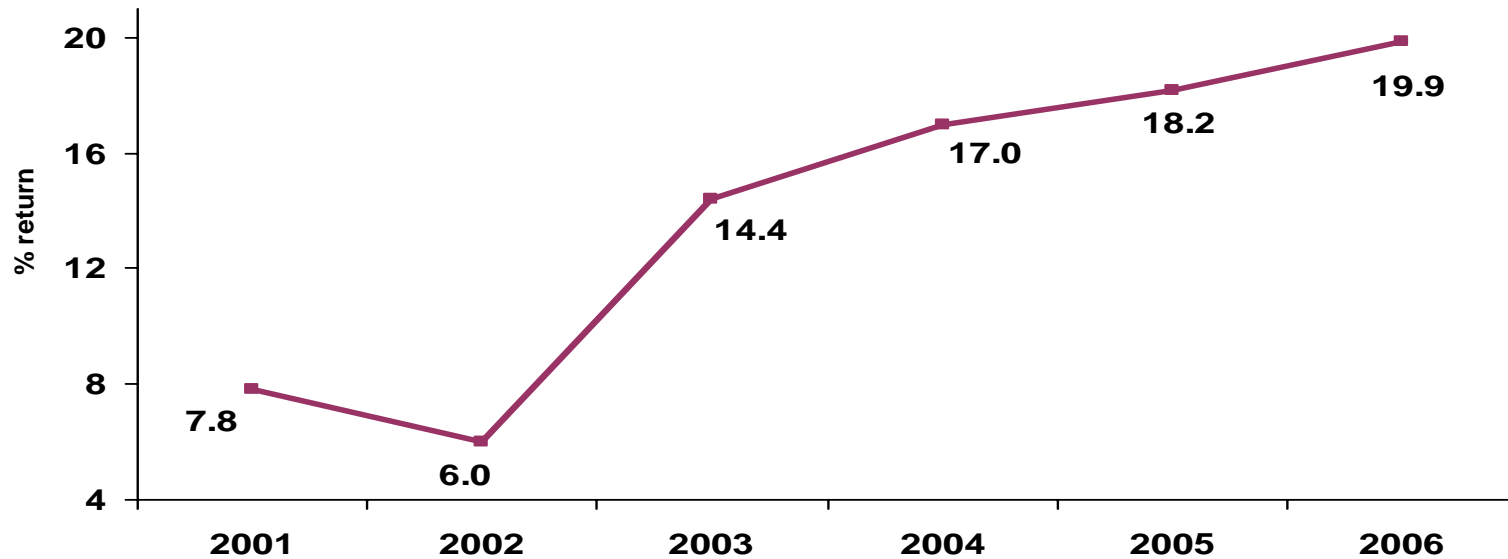
Net return on capital



	2001	2002	2003	2004	2005	2006
PBIT (normalised)	77	107*	131	156 *	183	225
Avg capital (£m)	464	575	645	696	776	880
Tax (%)	29.8	29.1	28.1	28.1	27.7	27.7

* excluding exceptional items

Free cash flow return on capital



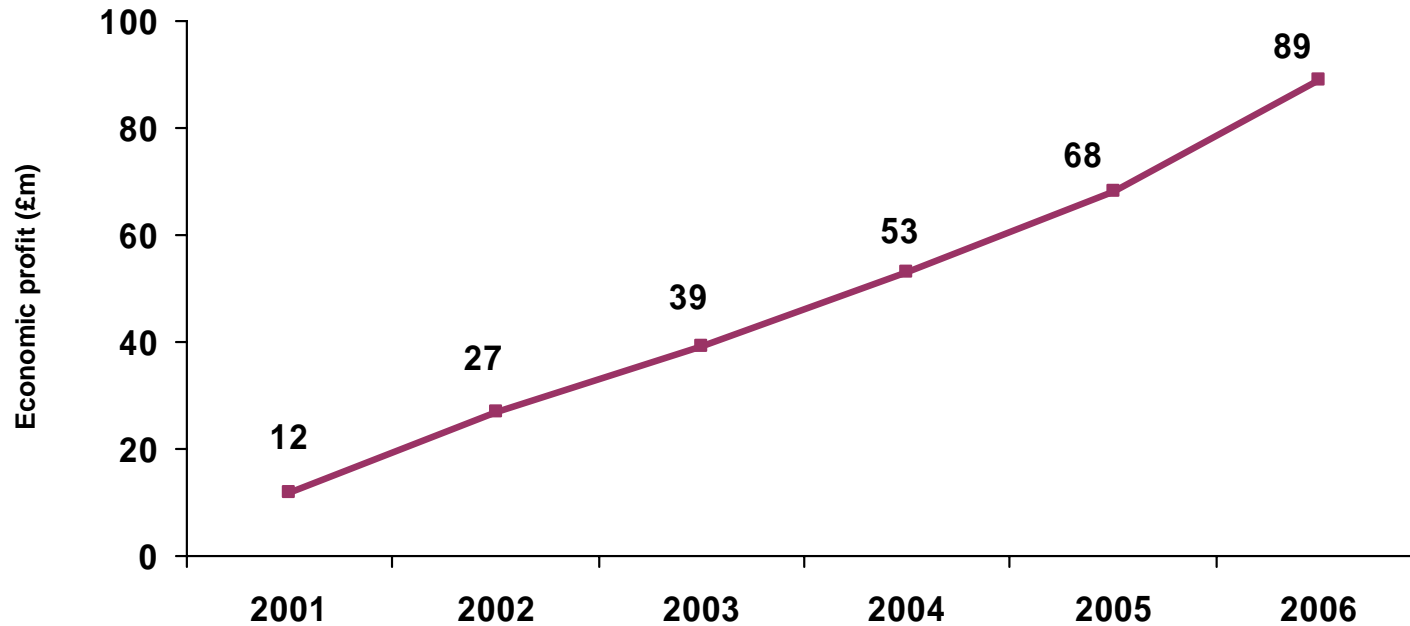
	2001	2002	2003	2004	2005	2006
FCF (pre interest)	36	34	93	118 *	141	176
Avg capital (£m)	464	575	645	696	776	880

* excluding exceptional pension payment

Group economic profit

Annual growth 31%

5 year compound growth 49%



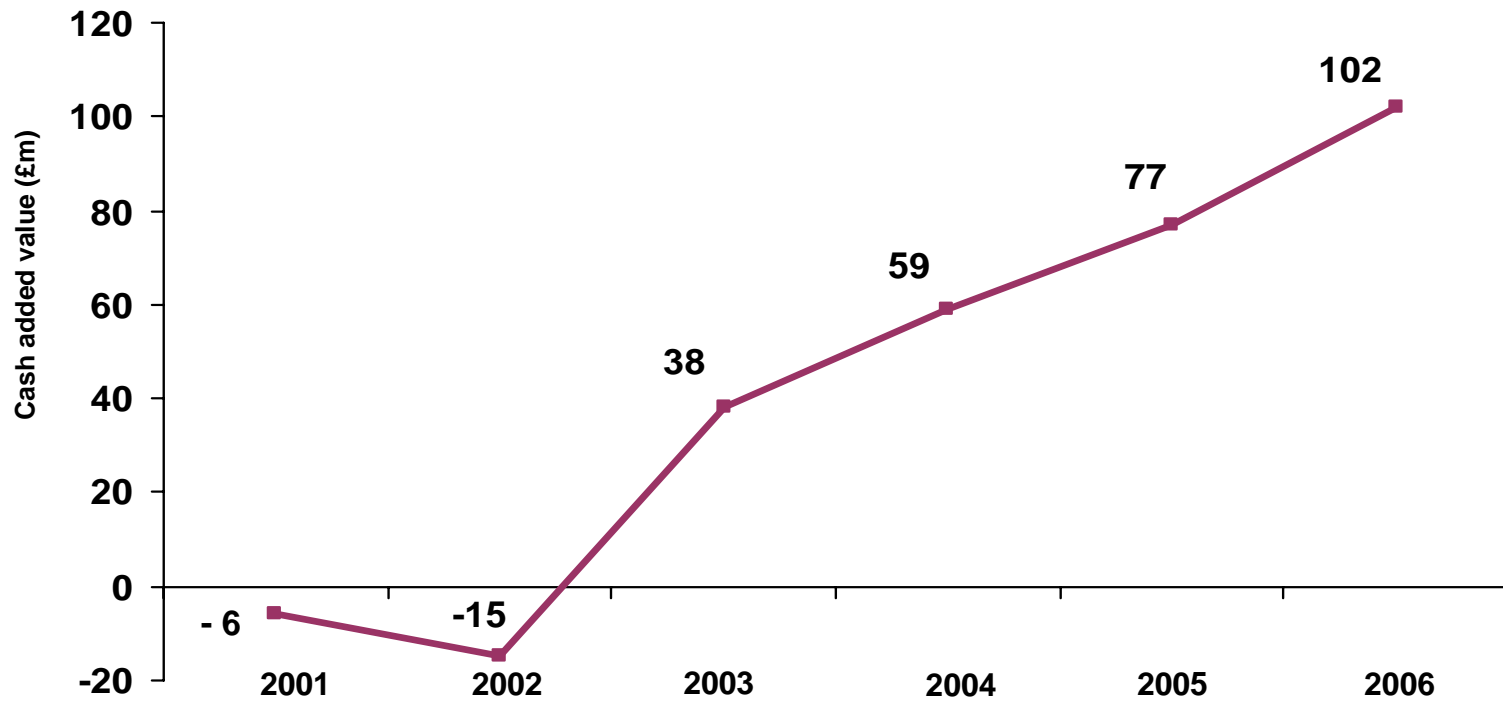
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Avg capital (£m)	464	575	645	696	776	880
Tax (%)	29.8	29.1	28.1	28.1	27.7	27.7
WACC (est. %)	9.1	8.5	8.5	8.5	8.2	8.4
Capital charge (£m)	(42)	(49)	(55)	(59)	(64)	(74)
Tax (£m)	(23)	(31)	(37)	(44)	(51)	(62)
Economic profit (£m)	12	27	39	53	68	89

* excluding exceptional items

Cash economic profit

Annual growth 32%



Cash economic profit

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WACC (est. %)	9.1	8.5	8.5	8.5	8.2	8.4
Capital charge (£m)	(42)	(49)	(55)	(59)	(64)	(74)
Cash economic profit (£m)	(6)	(15)	38	59	77	102

* excluding exceptional pension payment

Balance sheet gearing

	£m 2006	£m 2005
Net debt		
Bond debt	379	199
Bank facilities (deposit)/drawn	(9)	19
Loan notes	22	23
Total net debt	392	241
Interest cover	9x	13x
Net debt to EBITDA	1.5	1.1

Share buybacks in 2006

- 53m shares (7.9% of share capital) cancelled at average of £4.64
- Cost £246m (including stamp duty)
- Shares in issue at 31.12.06 – 617m
- Including proposed final dividend, £301m returned to shareholders

Operational update

Simon Pilling

Joint Chief Operating Officer

Operational structure

Integrated services <ul style="list-style-type: none">▪ BBC TVL▪ TfL▪ CRB▪ Central gov services▪ Admin services▪ Business travel▪ Offshore	Professional services <ul style="list-style-type: none">▪ Software services<ul style="list-style-type: none">- private sector- education▪ Local gov services▪ Strategic children's services	ICT & Advisory Services <ul style="list-style-type: none">▪ Service Birmingham▪ Harrow Council▪ Advisory services▪ Learning & development▪ IT services	
Life & Pensions <ul style="list-style-type: none">▪ Life & pensions▪ Capita Hartshead▪ SIP services	Insurance & Specialist Services <ul style="list-style-type: none">▪ Insurance services<ul style="list-style-type: none">- outsourced solutions- specialist services▪ Teceris▪ Legal services▪ Occupational health▪ Customer contact centres	Financial Services <ul style="list-style-type: none">▪ Shareholder services▪ Financial admin▪ Trust services▪ Sector	HR Solutions & Property Consultancy <ul style="list-style-type: none">▪ Integrated HR solutions▪ Resourcing▪ Veredus▪ Capita Symonds

Our business model – business centres

Onshore - UK

46 business centres

- Back office admin
- Customer services
- Life & pensions
- IT & software
- Resourcing & training
- Share registration
- Property consultancy
- Electronic document processing
- Claims & policy admin
- HR admin

Nearshore – Ireland and Channel Islands

4 business centres

- Customer services
- Life & pensions admin
- Financial services
- Corporate registrars

Offshore - India

2 business centres

- Data validation & entry
- Claims & policy admin
- Fund management admin
- Accounting & finance processing

Building scale – offshore

- Doubled the operation in the past 12 months
- 2 sites in Mumbai with 800 staff
- Seat capacity of 1,300
- By 2009, we anticipate 10% of current workforce will be based in India
- On schedule to secure a 3rd site by end of 2007
- Results:
 - More than just cost efficiency
 - Increased quality, flexibility and productivity
- Main client groups:
 - Internal: businesses back office functions – finance and HR & payroll admin
 - External:
 - Core functions for existing major contracts
 - Core functions for shared platform clients with split processes
 - New business

Building scale – offshore client update

- High diversification of current client base (% of business):
 - Public sector contracts (35%)
 - Financial services (25%)
 - Life & pensions administration (20%)
 - Private sector contracts (20%)
- Forecast growth
 - Significant growth in life and pension administration
 - Strong organic growth in all areas
 - Supporting Group and divisional sales opportunities
 - New areas including insurance services and local government

Outsourcing – evolving the offering

TRADITIONAL OUTSOURCING	TRANSFORMATIONAL OUTSOURCING / PARTNERSHIP
<p>Efficiency</p> <p>Cost savings</p> <p>Limited end customer interaction</p>	<p>Efficiency</p> <p>Cost savings</p> <p>End customer retention</p> <p>End customer satisfaction</p> <p>Revenue generation</p>
<p>Supports non-core activities</p>	<p>Supports core business activities</p>

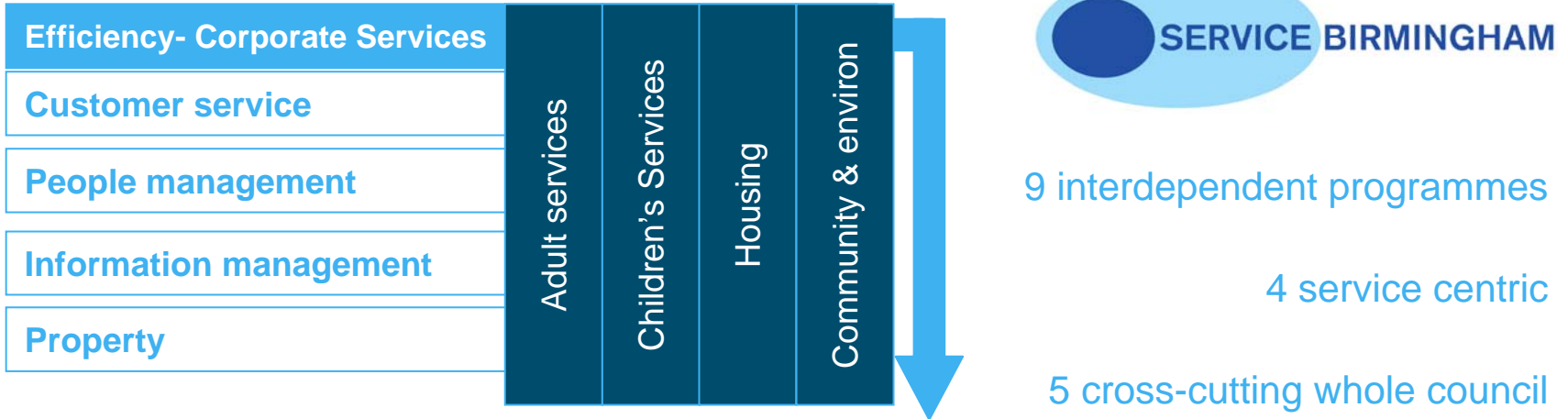
Transformational outsourcing – life & pensions: drivers

- Need to reduce operating costs while improving performance and customer retention
- Pressure on administration processes from increasingly complex regulation and initiatives such as Treating Customers Fairly
- Consumer and adviser demand for choice requires ability to bring new vehicles, such as wrap products, to market quickly
- Response to rapidly changing distribution marketplace – greater use of technology and ‘straight through processing’

Transformational outsourcing – local government partnerships: drivers

- Local government response to Varney Service Transformation report is to increasingly focus on new localism
- Local strategic partnership models and local area agreements: councils working with other public agencies, other councils, private and voluntary organisations
- Focus on economic and social regeneration of local communities
- Drive to free up spend in the back office in order to invest in improved front line services to the public

Transformation in Birmingham – background



Corporate Services Transformation Objectives

Birmingham Citizens

- More effective use of Council resources
- More investment available for frontline service development

Council Staff

- Less time & effort spent on administration
- Improved opportunities for personal and professional development
- Improved opportunities for career development

Council Suppliers

- More efficient and consistent interaction with BCC
- More imaginative win-win contract arrangements possible
- A better informed BCC procurement function

Council Management

- Public information environment focussed on performance
- Greater investment available for front line service improvement
- Transforming decision making

Transformation in Birmingham – activity so far

- Programme 1 - Corporate Services transformation:
 - Procurement
 - Finance
 - Business management
- Phases 1 & 2:
 - £88m of transformation services to generate c£800m of savings over 10 years
- Providing funding for investment in front line service improvement
- £9.5m savings delivered in first 9 months
- Development underway of business cases for:
 - Property
 - Customer service
 - Adult services



Operational update – Congestion Charging



- An extension to the existing 5 year contract to administer Central London Congestion Charging and Western Extension Zone, as allowed for under the original procurement and contract, to Nov 2009, £90m over 21.5 months
- A Supplemental Agreement to administer Low Emissions Zone (LEZ), providing substantially similar services as provided for the Congestion Charging Zone, £14m over 3 years
- Core contract progress:
 - Collected almost 20 million payments in 2006
 - Over 52% of payments made via the web or text
 - Almost 1 million images of vehicle movements captured daily

Operational update – Western Extension to the Congestion Charging Scheme



- All implementation milestones for WEZ have been delivered
 - high levels of residents pre-registered
 - recruitment and training of extra resources completed to schedule
 - Call centre operating smoothly on first two days of charging

“The Congestion Charging scheme has now been operating for four years, and is a proven success. The Western Extension Zone was smoothly implemented on February 19, 2007, in an effective and well-run process.”

Malcolm Murray-Clark, Transport for London

Maintaining and growing a quality workforce

- Senior management team:
 - £90k+ salaries = approx 250 people
 - Retention rate = 91%
 - Expansion of Divisional Executive Board
- Staff quality
 - 27,800 employees – (Dec 2005: 25,000)
 - Buoyant recruitment
 - Comprehensive skills and professional training
 - Enthusiastic, results orientated teams

Awards

- 'Best small call centre with less than 250 agents' in the world at the 2006 Contact Centre World Awards (CCWA) – *eircom* contract
- Contact centre of the year, best training programme and best telemarketing programme at the Irish Contact Centre Awards – *eircom* contract
- Best outsourced partnership and best outsourced contact centre, Customer Contact Centre Excellence Awards – DSGi contract
- Professional Pensions DC Scheme of the Year (for the First Choice Holidays plc Pension Scheme), UK Pensions Awards – Capita Hartshead
- Child Trust Fund Provider of the Year, Investment, Life & Pensions Moneyfacts – The Children's Mutual supported by Capita Life & Pensions
- BPO Service Provider of the Year, National Outsourcing Association Awards 2006 – Capita Insurance Services
- Major Consultant of the Year, New Civil Engineer magazine/Association for Consultancy & Engineering Consultant of the Year Awards 2006 – Capita Symonds

Markets and growth

Paul Pindar
Chief Executive

Markets and growth

- Market update
- Contracts
- Acquisitions

Market positioning of Capita

- Overall leading BPO company in UK
- No 1 in local government
- No 1 in central government
- No 1 in education
- No 1 in transport
- No 1 in life & pensions
- No 1 in insurance

Our marketplace – BPO rankings 2006

Company	Market share	Ranking '06	Ranking '05
Capita	21 %	1	1
Vertex	8 %	2	3
EDS	7 %	3	2
Accenture	7 %	4	8
Alexander Mann	6 %	5	n/a
Liberata	5 %	6	7
Siemens Business Services	5 %	7	10
Unisys	5 %	8	4
Atos Origin	4 %	9	5
Xchanging	3 %	10	6

Future market growth

Market sector	CAGR (2005 – 2009)
Central government	11%
Local government	9%
Other public sector	9%
Total public sector	10%
Financial services	7%
Life & pensions	16%
Other private sector (manufacturing, retail etc)	9%
Total private sector	9%
Total BPO market	9.5%

Total UK BPO market p.a.

Today

£4.6bn

Public £1.63bn / 35.4%

Private £2.97bn / 64.6%

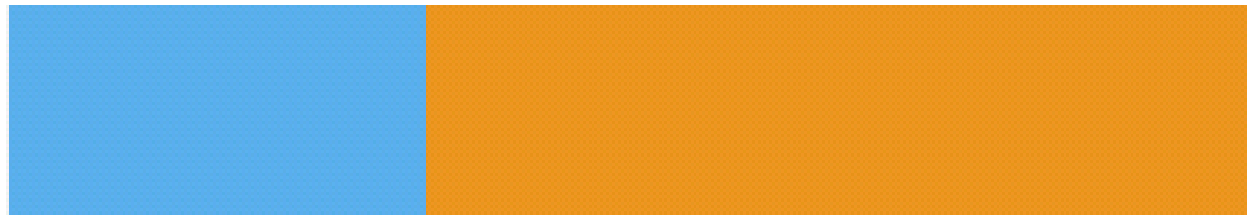


Potential

£94.8bn

Public £31.7bn / 33%

Private £63.1bn / 67%

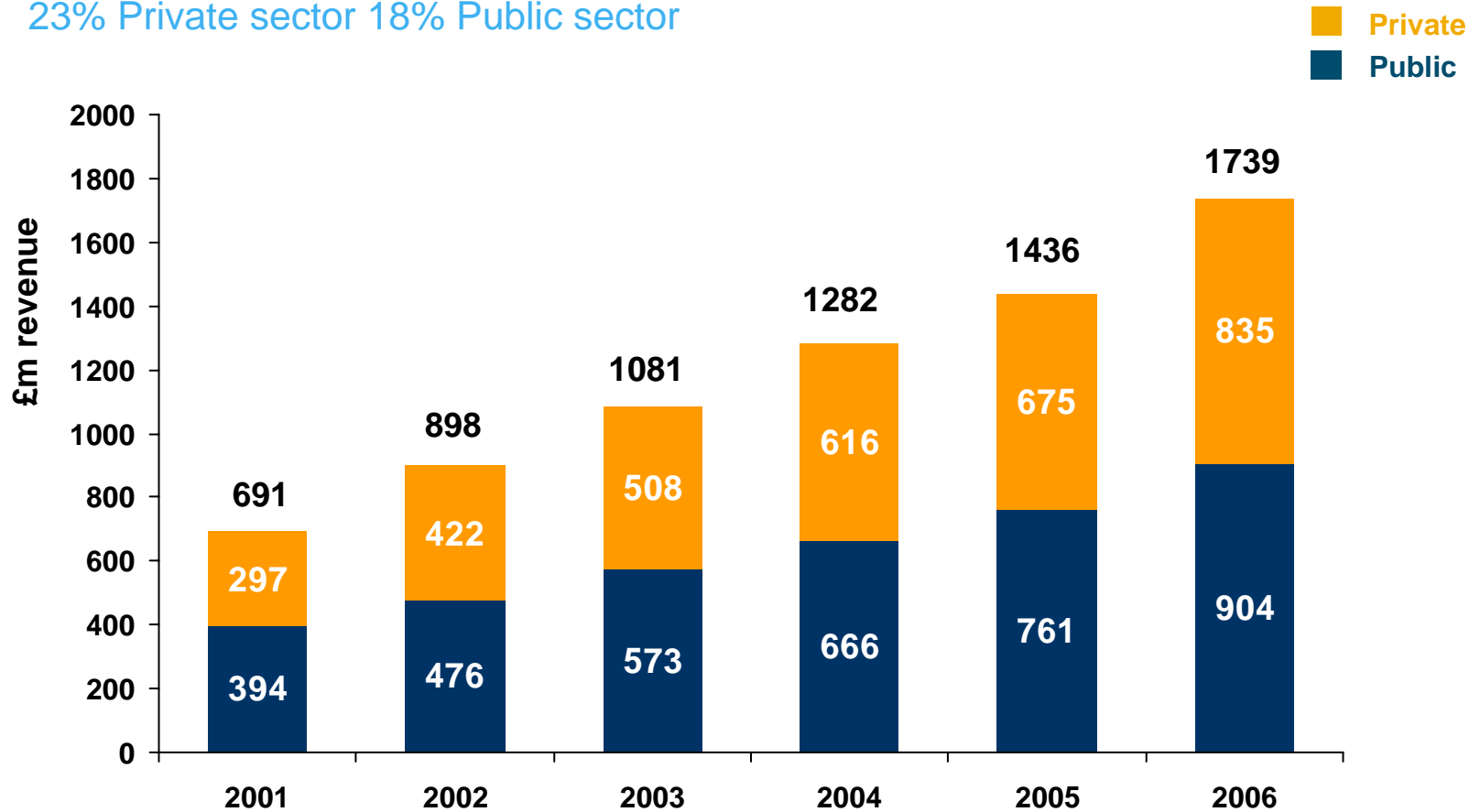


public
private

Capita's public/private split

5 year compound growth:

23% Private sector 18% Public sector



Contract wins announced in 2006

BBC HR	DTI	DSG international	Northern Ireland CS	Birmingham
New contract £132m 10 yrs	Re-award £120m 3 yrs	New contract £120m 7 yrs	New contract £100m 15 yrs	Updated value +£51m New total £475m / 10 yrs Corp Services £88m / 3yrs
SIPPs	TfL	Swindon	Co-op	Other < £100m
New contracts £100m 5 yrs	Core contract extension £90m / 21.5m LEZ new contract £14m / 3yrs	New contract Initial value £140m 10 yrs	New contract * £250m 10 yrs	7 contracts £164m

Total major contract wins & extensions in 2006: £1.37bn (2005: £1.14bn)

Contract wins announced to date in 2007

Countrywide	Swindon	DWP, DfES, HSE
New contracts £19m 15 years	Updated value Initial value: £140m / 10 yrs Now signed at: £243m /15 yrs	New contract * £10m 5 years

Wins announced to date in 2007: £132m

Business development – rebid of existing major contracts

2007	2008	2009
None	None	TfL: CC £56m p.a DSGi plc (Sheffield) £18m p.a
2010	2011	
DfES: National Strategies £35m p.a	None	

Criteria: more than 1% of 2006 turnover

Business development – bid activity

- Current bid pipeline – £2.6bn*
- Comprises 12 bids
- Private sector focus: life & pensions
- Public sector focus: local government
- Encouraging prospect pipeline and suspect list
- Focus on 2008

2006 major acquisitions & investments

Webline	Two Ten	DLA Direct
<i>software</i> £3m + £3m	<i>response management</i> £7m	<i>legal services admin</i> £12.5m
Sinclair Henderson	Synaptic Systems	Stirling Trustees
<i>investment fund admin</i> £10.5m + £1.5m	<i>Software</i> £3.3m	<i>Unit trust admin</i> £5m + £0.5m

■ acquisition
■ investment

Total spent on 11 acquisitions and investments in 2006: £48m

Acquisition update – Financial services distributor market

- Acquired 3 companies:
 - Quay, Webline, Synaptic Systems
- To provide an enhanced interface between providers and distributors
- Benefits:
 - Ability to bring new products to market swifter
 - Drives down the cost of distribution
- Increased number of Quay users by 50% since acquisition in 2005
- Webline now process in excess of 25m transactions p.a. through its portal
- 50% of IFA's in the UK utilise our software

Acquisition update – Channel Island Trust Services

- Capita Trust Company (Jersey) – acq'd in 2001 as part of Royal & Sun Alliance Trust acq'n
- Rebranded Capita Fiduciary Group following acq'n of Channel House Trustees in Sept 2005 & Stirling Trustees in Nov 2006
- 130 employees
- Institutional custodian & trustee services, registration, private client services, corporate & financial services and fund admin
- Act as registrar for 66% of all Channel Island 'Aim' listed companies
- 8th largest Custodian of all funds administered in Jersey.
- Top 10 provider of private client services in Jersey
- Jersey fund administration marketplace has increased by 50% in 2 years to \$147bn
- 20% p.a. compound organic growth

Acquisition update – Business travel administration market

- Nov 2005 - entered market with acq'n of Lonsdale (200 staff)
- Feb 2007 – acq'd Harry Weeks Travel:
 - Access to innovative rail ticketing software Evolvi and Travelpackonline
 - travel management and employee travel benefits service
 - 70 employees
- Travel management is an area of major spend
- UK domestic business travel market is worth £6.8bn (16% is rail travel)
- The rail market is due to grow at c 5% p.a.
- Current rail ticketing technology is due to be phased out by end of 2007 – Capita will have the capability to provide alternative solution

Prospects

- Capita enters 2007 with confidence
- Our markets continue to generate opportunity, our sales prospects are exciting and our operational performance is consistently strong
- Our successes in 2006 and progress in early 2007 mean that the ingredients for a successful year are already in place
- We anticipate delivering strong growth in 2007

Results for
the year ended
31 December 2006