

**COMPLETED ACQUISITION BY CAPITA GROUP PLC OF
IBS OPENSYSYSTEMS PLC**

**DIRECTIONS ISSUED PURSUANT TO THE UNDERTAKINGS GIVEN BY
CAPITA GROUP PLC AND ADOPTED BY THE COMPETITION COMMISSION
ON 24 NOVEMBER 2008**

On 19 November 2008, the Office of Fair Trading (OFT) made a reference to the Competition Commission (CC) under section 22 of the Enterprise Act 2002 (the Act) concerning the completed acquisition by Capita Group plc (Capita) of IBS OPENSysystems Plc (IBS);

On 24 November 2008 the CC adopted undertakings originally accepted by the OFT on 11 September 2008 from Capita (the Undertakings) for the purpose of ensuring that no action is taken pending final determination of the reference which might prejudice that reference or impede the taking of any action by the CC under Part 3 of the Act which might be justified by the CC's decision on the reference;

The CC now issues written directions under paragraph 6 of the Undertakings, that for the purpose of preventing pre-emptive action (within the meaning of section 80(10) of the Act), Capita shall make changes to the arrangements currently in place for the management of IBS in accordance with the terms provided for in the Annex and the parties shall comply with the obligations set out in the Annex.

Signed by authority of the CC

CHRISTOPHER CLARKE
Group Chairman
13 February 2009

1. Within seven days of the date of these directions Capita shall ensure that the following arrangements will apply for the management structure of the IBS business for the specified period:
 - (a) Bill Loughrey will fulfil the role of Managing Director of IBS (the Managing Director);
 - (b) [REDACTED], [REDACTED] and [REDACTED] will report solely to the Managing Director;
 - (c) [REDACTED] will be relieved of all his current responsibilities in relation to the IBS business and will not have any access to information in relation to IBS for the specified period;
 - (d) a person with appropriate expertise and with no knowledge or involvement with the Capita CSS business will be appointed Finance Director of IBS for the specified period and the Finance Director's sole reporting line in relation to IBS matters will be to the Managing Director. The Finance Director will not discuss any matters relating to IBS with Capita officers or staff. An effective Confidentiality Agreement will be in place with the Finance Director in respect of any Confidential Information they receive in relation to the role and copies provided to the CC and the Monitoring Trustee; and
 - (e) [REDACTED] will be relieved of all his current responsibilities in relation to the IBS business and shall have no further involvement with IBS during the specified period (this does not preclude [REDACTED] from continuing to have a role in relation to Capita's submissions to and engagement with the CC for the purposes of this inquiry).
2. The primary function of the Managing Director will be to exercise day-to-day management and control of the IBS business so as to preserve the possibility of restoring effective competition in the markets affected by the merger through the separation from Capita of a viable, saleable, competitive IBS business. The Managing Director will exercise management and control of the IBS business in such a way as to ensure that it is held separate from the Capita business in line with the Undertakings.
3. In addition to the primary function, the Managing Director will also:
 - (a) provide the CC with compliance statements as set out in paragraph 13 below;
 - (b) assist the CC (at the request of the CC) to respond to any request that may be made by Capita to the CC for a consent under the Undertakings; and
 - (c) otherwise assist the CC to prevent Capita taking pre-emptive action within the Specified Period;and the 'Managing Director's functions' shall include the performance of the primary function, the performance of the functions in this paragraph 3, and the performance of any other act or task necessary for the performance of those functions of the Managing Director including the performance of the reporting obligations at paragraph 11 below.
4. Other than as provided in paragraph 5 the Managing Director shall carry out his functions independently of Capita.

5. The Managing Director (or in his absence an alternate selected by the Managing Director from among the key staff members of IBS) shall report to Capita on the overall performance of IBS and to the extent necessary to fulfil Capita's financial reporting obligations and to comply with any legal, regulatory or insurance requirements (including any requirements resulting from the Undertakings (including any directions)). All communications (including verbal) between the Managing Director and Capita shall be monitored by the Monitoring Trustee and logged by Capita. The log will be submitted to the CC with the fortnightly compliance statements provided for in the Undertakings and copied to the Monitoring Trustee.
6. Capita shall ensure that the Managing Director is granted all such rights, powers and authorities as are necessary for the performance of the Managing Director's functions.
7. Capita shall take all reasonable steps including offering reasonable additional incentives to encourage all key staff to remain with the IBS business, in particular the following staff are key to the ongoing operation of the IBS business and best efforts will be made to retain these staff:
 - (a) Bill Loughrey (Managing Director, IBS);
 - (b) [REDACTED];
 - (c) [REDACTED]; and
 - (d) [REDACTED].
8. Capita shall continue to provide human resources, invoicing and credit control functions on IBS's behalf in accordance with the current procedure in place and until final determination of the reference, and shall ensure effective Confidentiality Agreements are in place with all relevant Capita staff in respect of any Confidential Information they receive in relation to their respective roles and copies are provided to the CC and the Monitoring Trustee.
9. Capita shall ensure that effective protocols or procedures for the handling of confidential information and other working practices are in place at appropriate levels for all staff of IBS and Capita whose roles may be affected by the Undertakings (including these directions) and copies are provided to the CC and the Monitoring Trustee. Capita will maintain a log recording all communications (including verbal) between IBS and Capita. The log will be submitted to the CC with the fortnightly compliance statements provided for in the Undertakings and copied to the Monitoring Trustee.
10. Any IBS Confidential Information which has passed to Capita since the acquisition on 26 June 2008 and is currently in Capita's offices or systems shall be destroyed or returned. Electronic copies of Confidential Information shall be destroyed and hard copies of any Confidential Information shall be returned to IBS within 14 days of the date of these directions.
11. The Managing Director should notify the CC or the Monitoring Trustee immediately on the formation by the Managing Director of a reasonable suspicion that the Undertakings have been breached, or if the Managing Director is unable effectively to carry out the Managing Director's functions.
12. All communications between the Managing Director and the CC or the Monitoring Trustee (including the statements and reports of the Managing Director referred to in

paragraphs 3 and 11) shall be confidential and shall not be disclosed to Capita by the Managing Director without the express written permission of the CC. In relation to the possibility of disclosure of such communications to persons other than Capita, the CC shall act in accordance with the provisions of Part 9 of the Act. The Managing Director shall not disclose such communications to third parties.

13. On 23 February 2009 and fortnightly after that on alternate Mondays (unless the obligation falls on a Bank Holiday in which case the working day after that) the Managing Director (or in his absence an alternate selected by the Managing Director from among the key staff members of IBS) shall provide a fortnightly statement to the CC in the form set out in Appendix 1 to these directions confirming compliance with the Undertakings.
14. The Managing Director of IBS will at all times actively keep the CC informed of any material developments relating to the IBS business which includes, but is not limited to:
 - (a) any material developments concerning financial and other resources made available to the IBS business;
 - (b) details of changes in the number of employees and details of key staff who leave or join the IBS business;
 - (c) all substantial customer volumes won or lost by the IBS business including any substantial changes in customers demand and details of tenders bid for; and/or
 - (d) substantial changes in the IBS business contractual arrangements or relationships with key suppliers.
15. In these directions, references to the 'Undertakings' are references to the undertakings adopted by the CC on 24 November 2008 which were originally accepted by the OFT on 11 September 2008 from Capita and any directions issued pursuant to those. Terms and expressions defined in the Undertakings (and any directions issued pursuant to those) shall have the same meaning in these directions, save as the context otherwise requires.

Compliance Statement for IBS OPENSystems Plc

I, *[insert name]*, confirm on behalf of IBS that since the issuing by the CC on 13 February of directions pursuant to the undertakings given by Capita and adopted by the CC on 24 November 2008 (the Undertakings):

- (a) The IBS business has been maintained as a going concern and sufficient resources have been made available for the maintenance of the IBS business as a going concern.
- (b) The IBS business's customer and supplier lists have been operated and updated purely for the purposes of the IBS business without any involvement of Capita.
- (c) The IBS business has been managed independently of Capita and all customer and supplier negotiations for the IBS business have been carried out independently of Capita or otherwise in accordance with the Undertakings.
- (d) There have been no substantive changes to the nature, description, range and quality of any goods and/or services currently supplied by the IBS business.

Assets-including facilities and goodwill

- (e) Except in accordance with the Undertakings, none of the assets of the IBS business have been disposed of.
- (f) Except in accordance with the Undertakings, no interest in the assets of the IBS business has been created or disposed of.
- (g) Except in accordance with the Undertakings, all of the assets of the IBS business have been maintained and preserved as they were before the merger.

Staff

- (h) No substantial changes have been made to the key staff or the organizational structure of the IBS business or to the management responsibilities within the IBS business.

Contracts

- (i) All existing contracts awarded to the IBS business continue to be serviced for their duration by IBS.

Information technology systems

- (j) There have been no changes to the software and hardware platforms of the IBS business other than routine changes and maintenance.

Material developments

- (k) Except as detailed in the table below there have been no:
 - (i) material developments concerning financial and other resources made available to the IBS business;

- (ii) changes to the total number of employees or the identities of key staff employed by the IBS business;
- (iii) substantial changes in the IBS business contractual arrangements or relationships with key suppliers;
- (iv) substantial customer volumes won or lost for the IBS business and no substantial changes to the IBS business's customer contracts and details of tenders bid for;
- (v) other material developments affecting the IBS business.

<i>Issue</i>	<i>Comment</i>
Material developments concerning financial and other resources	
Total number of employees	
Changes in key staff	
Changes in contractual arrangements or relationships with key suppliers	
Customer volumes won or lost	
Tenders bid for	
Other material developments	

Confidential information

(l) No business secrets, know-how, commercially sensitive information, intellectual property or any other information of a confidential or proprietary nature relating to the two businesses has passed, directly or indirectly, from IBS (or any of its employees, directors, agents or affiliates) to Capita (or any of its employees, directors, agents or affiliates), or vice versa save as permitted by the Undertakings.

Interpretation

(m) Words used in this Compliance Statement have the meaning given by the Undertakings.

I attach a record of the action points agreed at all meetings of the IBS management team since the last compliance statement was provided on *[insert date]*

FOR AND ON BEHALF OF IBS OPENSYSYSTEMS

Signature:.....

Name:.....

Title: Managing Director

Date:.....