

26 May 2010

Hogg Robinson Group plc
 ('HRG', 'the Company' or 'the Group')

Preliminary Results for the year ended 31 March 2010

Strong performance delivered in line with expectations
Early signs of recovery

Summary of results

Years ended 31 March

| | <u>2010</u> | <u>2009</u> | <u>Change</u> |
|------------------------------------|-------------|-------------|---------------|
| Revenue | £326.8m | £351.3m | -7.0% |
| Underlying earnings ⁽¹⁾ | | | |
| - Operating profit | £35.2m | £34.6m | +1.7% |
| - Operating profit margin | 10.8% | 9.8% | +1.0% |
| - Profit before tax | £28.4m | £24.7m | +15.0% |
| - Earnings per share | 6.3p | 4.7p | +34.0% |
| Reported earnings | | | |
| - Operating profit | £28.0m | £25.3m | +10.7% |
| - Profit before tax | £21.2m | £15.4m | +37.7% |
| - Earnings per share | 4.4p | 2.4p | +83.3% |
| Dividend per share | 1.2p | 1.2p | - |
| Net debt | £77.5m | £85.3m | -£7.8m |

Financial Highlights

- Revenue 7.0% lower at £327m
 - down by 11.6% at constant currency
- Underlying profit before tax up 15.0% (£3.7m) to £28.4m
 - underlying operating profit margin up by 1.0% to 10.8%
- Underlying EPS up by 34.0% reflecting lower effective tax rate
- Net debt down £7.8m to £77.5m
 - net debt to underlying EBITDA ⁽¹⁾ 1.7x (FY09: 2.0x); interest cover 13.9x (FY09: 5.0x)
 - free cash flow ⁽²⁾ of £16.2m (FY09: £44.0m); a return to more normal levels
 - bank facilities committed to September 2011; preparations underway for refinancing
- Full-year dividend maintained at 1.2p per share; dividend cover of 5.3x (FY09: 3.9x)

Notes:

⁽¹⁾ Before amortisation of acquired intangibles and exceptional items

⁽²⁾ Free cash flow is the change in net debt before acquisitions and disposals, dividends and the impact of foreign exchange movements

Operational Highlights

- Client activity levels are recovering
- Client retention rate remains above 90%
- Net new business wins and strong pipeline will help drive growth
- Cost base aligned to current volumes
- Europe – margin maintained despite lower travel activity; successful completion of Nordic branch network consolidation
- North America – moves into profit, reflecting full impact of cost reduction programme; margin approaching the Group average
- Sharp rise in client adoption of lower-cost technology solutions provides improved value proposition to clients

David Radcliffe, Chief Executive of Hogg Robinson Group plc, said:

"HRG delivered a strong performance in the face of very challenging conditions which is testimony to the resilience of the business model. We have continued to control our cost base tightly without damaging our ability to benefit from the upturn and by doing so delivered against expectations. Our fee-based business model allows us to deliver first-class service and value to a portfolio of clients who remain loyal to HRG. By focusing on excellent service and helping clients control their travel budgets we have maintained our strong client retention rate and secured net new wins.

"In the coming months, we anticipate an increase in travel activity from our existing client base as businesses generally begin to benefit from any economic recovery. Client revenues for April and May are expected to be similar to 2009 even despite the short-term closures of European airspace due to volcanic ash. Looking further into the future, we will also see the benefit of new clients coming on stream during the course of the year.

"While the pace and level of economic recovery remains unclear, the positive momentum we are seeing is encouraging and, for the full year, we expect to deliver further progress."

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Notes to Editors

Hogg Robinson Group plc (HRG) (LSE: HRG) was established in 1845 and is an international corporate travel services company with headquarters located in Basingstoke, Hampshire, UK. The HRG worldwide network, including contracted partners, extends to nearly 120 countries.

HRG's focus on its clients is underpinned by three differentiators – people, technology and breadth of service. The company has experienced management and skilled operators together with proprietary technology which has been developed in-house. HRG offers a range of services around the globe to deliver value, cost savings, efficiency and innovation, without compromise.

www.hoggrobinsongroup.com

A presentation for analysts and institutional investors will be held at 0900h BST today at Tulchan Communications, 85 Fleet Street, London EC4Y 1AE. (Pre-registration for this event is necessary to comply with security procedures at Tulchan Communications.) Copies of the presentation with audio commentary from HRG's presentation team will be available at www.hoggrobinsongroup.com by 1100h BST today or soon thereafter.

This announcement may contain forward-looking statements with respect to certain of the plans and current goals and expectations relating to the future financial conditions, business performance and results of Hogg Robinson Group Plc (HRG). By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of HRG, including amongst other things, HRG's future profitability, competition with the markets in which the Company operates and its ability to retain existing clients and win new clients, changes in economic conditions generally or in the travel and airline sectors, terrorist and geopolitical events, legislative and regulatory changes, the ability of its owned and licensed technology to continue to service developing demands, changes in taxation regimes, exchange rate fluctuations, and volatility in the Company's share price. As a result, HRG's actual future financial condition, business performance and results may differ materially from the plans, goals and expectations expressed or implied in these forward-looking statements. HRG undertakes no obligation to publicly update or revise forward-looking statements, except as may be required by applicable law and regulation (including the Listing Rules). No statement in this announcement is intended to be a profit forecast or be relied upon as a guide to future performance.

Chairman's Statement

The extraordinary financial crisis of the last 18 months and some tough winter operating conditions in the Northern Hemisphere have required a demonstration of the resilience we have assured shareholders, clients and staff that the Company is capable of.

In extremely challenging business conditions, Hogg Robinson Group has delivered another year of good performance. This has been achieved, not from growing revenues, although we continue to win new clients, but from effective management of the cost base. In practice this has meant taking tough decisions about the organisational structure and the number of people who work in it. I would like to pay tribute to the Executive team and staff who have made the sacrifices necessary to preserve profitability while still delivering the quality of service to our clients that they expect.

Results are in line with market expectations and underlying profit before tax is well above last year. Taking into account the exceptional charge associated with adjusting the business cost base, earnings are more than sufficient to support our recommendation of a final dividend of 0.8p per share. Together with the interim dividend of 0.4p per share, this maintains the payment to shareholders at the same level as last year. We remain committed to a progressive dividend policy and expect to increase dividends as soon as it is prudent to do so.

Cash generation and debt levels continue to be a key area of focus for us and whilst, as a result of management action, period end net debt is at an acceptable level, average debt through the year is somewhat higher. We are looking at ways to improve this. Meanwhile our existing bank facilities will continue to provide adequate funding until they expire in September 2011. Preparation is already underway for the renegotiation of these facilities, which is likely to result in an increase in the cost of funds.

Shareholders will be aware that, in common with most companies, the deficit on the Group's defined benefit pension schemes has risen substantially this year. It reflects principally the latest investment values and interest rates at 31 March 2010 together with actuarial assumptions about longevity and inflation over the life of the schemes. The deficit is inherently volatile. No new members have been admitted to the UK scheme since 2003 and we monitor the situation carefully having regard to the interests of the shareholders and members of the schemes.

Our Chief Executive, David Radcliffe, will deal with the detail of the business performance during the year in his Statement with further analysis in the Operational Review and Consolidated Financial Statements. Suffice it to say, without the decisive action taken by him and his colleagues responding to ever changing markets, this year's results would not have been as good as they are.

For the future you can be assured your company will continue to respond to market conditions and will place client satisfaction at the top of its agenda. Combined with a keen attention paid to costs and margins, this should provide the best possible result for you, the shareholders and the other stakeholders in the business, especially our employees. The economic and business situation has been improving, albeit at different rates in different markets and our business clients are travelling more. This remains a highly competitive service sector but with our best-in-class technology and highly committed staff, Hogg Robinson Group is in very good shape to take advantage of improving economic conditions.

My final words are to thank those who have left in the past year. Thank you for your service and best wishes for the future. To my Board, Executive and other colleagues, thank you for all your hard work, dedication often under great pressure, and commitment to excellence that typifies this company.

Chief Executive's Statement

Overview

The financial year to 31 March 2010 (FY10) was as challenging as many of us have seen. So, it is with great pride that I am able to report a set of results that show how well the HRG team has performed. Our business model has delivered for us at the same time as helping our clients reduce their travel spend. Despite a 12% reduction in client travel spend and a 7% reduction in our own revenues, we have managed our cost base to improve margins and deliver results that were in line with expectations. As difficult as some of these changes were, I am convinced that we now have a fitter company that is better able to serve its clients and deliver lasting value to its staff and shareholders.

The first half of our financial year was in many ways a continuation of what we experienced during the last six months of the previous year as our clients wrestled with the depth of the recession. They were increasingly willing to change their travel policies, and often this created further opportunities for HRG.

In the second half of the year, we saw the first signs that market conditions could be easing, as clients in Asia Pacific began to relax travel policies. Assuming that the global economy continues to recover, we expect a gradual return towards pre-recession levels of travel activity to follow in Europe and North America.

Two particular trends emerged during the year. Firstly, we saw a greater adoption of technology solutions and, in particular, lower cost, online self-booking tools, especially in North America. Secondly, even as clients sought ways to reduce their overall travel expenditure they continued to demand solutions that offered good value. We have continued to focus on delivering first-class bespoke solutions which combine products, services and geographies to achieve greater overall efficiencies and cost savings.

The question on most people's minds in this industry is not whether corporate travel spending will recover but how quickly it will do so. By its very nature, forward visibility of corporate travel bookings is relatively limited. As a result of the decisive actions that we have taken during the past year or so, coupled with our stable client base and new client contracts, I am convinced that HRG is very well positioned to grow. In doing so, we are determined to deliver value to our clients and positive returns to our shareholders.

Financial results

Revenue of £326.8m was down 7.0% as reported, or down 11.6% at constant exchange rates. Underlying operating profit, which is before the amortisation of acquired intangibles and exceptional items, was up by 1.7% to £35.2m, representing a margin improvement of 1.0% to 10.8%. These figures include a contribution of £1.4m from favourable movements in exchange rates. Aided by significantly lower net interest costs, underlying profit before tax was up by 15.0% to £28.4m. Underlying EPS increased by 34.0% from 4.7p to 6.3p.

After including the amortisation of acquired intangibles and exceptional items, reported operating profit was up by 10.7% to £28.0m; profit before tax was up by 37.7% to £21.2m; EPS increased by 83.3% from 2.4p to 4.4p.

The year-end net debt reduced by £7.8m to £77.5m and represented a healthy 1.7x underlying EBITDA (FY09: 2.0x), with interest cover of 13.9x (FY09: 5.0x).

Our existing bank facilities are committed until September 2011. Preparations to renew these facilities have begun, but based on current market conditions, we expect any renewal to be more expensive than today.

The Board is recommending a final dividend of 0.8p per share to leave the full-year dividend unchanged at 1.2p per share. Our dividend is covered 5.3x (FY09: 3.9x) by underlying EPS. The final dividend will be paid on 2 August 2010 to shareholders on the register at the close of business on 2 July 2010.

Outlook

In the coming months, we anticipate an increase in travel activity from our existing client base as businesses generally begin to benefit from the economic recovery. This should be supplemented as new clients come on stream during the course of the year. Despite the short-term closures of European airspace due to volcanic ash, client revenues for April and May are expected to be similar to 2009. For the full year, we expect to deliver further progress.

David Radcliffe
Chief Executive

Operational Review

Market overview

From a macro-economic perspective, data from the International Monetary Fund, the International Air Transport Association (IATA) and STR Global all suggested that the recession was easing as 2009 came to an end. While no one data set correlates directly with our business, we did see a similar pattern of recovery and the second half of our financial year was better than the first half.

Client activity

The two consistent priorities for our clients during the year were to reduce overall travel spend while retaining excellent service and value for money. Clearly, the pressure on airline ticket prices and hotel room rates has delivered major savings, but there were other opportunities as clients were increasingly prepared to change their own behaviour.

Travel spend across our global client base was down 12% compared to the prior year (down 17% at constant exchange rates) as most clients focussed on cost reduction. Lower volumes translated into a 7% reduction in our own revenue (down 12% at constant exchange rates). A number of specific trends emerged, including:

- Stronger compliance – through travel authorisation processes, pre-trip reporting tools and closer direction and control of hotel bookings comparable to that for air travel
- Improved data analysis – essential in the pursuit of savings opportunities
- Stronger control of meetings management
- More online and self-booking – particularly for less complex travel
- Increased use of regional service centres – offering lower cost options

The recent disruptions caused by the ash emitted by Iceland's Eyjafjallajökull volcano, which resulted in an unprecedented shutdown of European airspace, proved once again the value that our clients place on HRG, especially in a crisis. We estimate that about 40,000 clients' travellers were originally stranded as a result of the disruption. We worked tirelessly to provide our clients with alternative travel itineraries wherever possible. Clients now better appreciate the value we give to them and relationships have been cemented as they know they can turn to HRG when times get tough. We have received many accolades and notes of appreciation from our clients and have heard many incredible 'war stories' from our clients and staff on 'the front line'. Our warmest thanks and appreciation go to our staff for the efforts, often voluntarily, which they undertook.

As a direct result of our continuing client focus, we have enjoyed another successful year of client retention and new business. Our client retention rate remains above 90% and we continued to grow our client base with net new business wins over the year.

Amongst many new clients that we welcomed during the year were Altana, Bertelsmann, Department for International Development, Discovery Communications, Evonik, KKR, Novartis, Scottish Enterprise Department, Volkswagen, Wells Fargo and Wincanton. We also secured expanded contracts with existing clients such as Abbott Laboratories, BNP Paribas, Diageo, Ericsson, Ernst & Young, GDF Suez, Hess, HSBC, P&G, Pfizer, SGS Group and Wyeth.

Noteworthy contract renewals included Armani, BMW, Bombardier, British Energy, CMHC, Credit Suisse, Diehl Stiftung, DuPont, GFK, GTZ, Hess, KPMG, Lloyds Banking Group, MAN Group, National Australia Bank, Next, Nordea, Nycomed, Province of Ontario, Roche, Schlumberger, Tesco and Vinci.

Our sales pipeline remains strong and spans a range of industries. One of our key strengths is the breadth of our client portfolio, with no single client or client sector accounting for a significant share of client revenue.

Corporate Travel Management

Europe

| Years ended 31 March | 2010 | 2009 | Change |
|--|---------|---------|--------|
| Revenue | £229.6m | £257.9m | -11.0% |
| Operating profit | £21.9m | £25.0m | -£3.1m |
| Underlying operating profit ⁽¹⁾ | £28.1m | £32.0m | -£3.9m |
| Underlying margin ⁽¹⁾ | 12.2% | 12.4% | -0.2% |

(1) Before amortisation of acquired intangibles and exceptional items

Revenue was down by 14.2% at constant currency. Underlying operating profit fell by £3.9m, despite a £0.9m benefit from currency movements. The overall declines in revenue and operating profit reflect the impact of the global recession on our clients, with travel activity and patterns impacted by a combination of headcount reductions and travel embargoes.

Operational restructuring and cost reduction was a key focus during the second half of the previous financial year as corporate travel activity levels declined, and remained so in the period under review. We have reduced our operating costs to match lower client activity whilst at the same time ensuring service levels were maintained at high levels and not adversely impacted. We recognised an exceptional charge of £3.3m for restructuring initiatives to reduce costs in the Nordic region and the UK. Both of these initiatives are now complete and we are beginning to see the benefit of these actions. We continue to evaluate our network of branch offices throughout Europe, particularly those serving SME clients in the Nordic region, as we increasingly focus on large multinational managed clients.

Our UK business returned another steady performance in the face of challenging conditions despite lower revenue, particularly amongst its Banking and Finance clients. We doubled the number of our UK travel consultants working from home during the year and this, combined with increased flexibility of telephone call-flow switching, helped us to further develop our 'virtual' service network and reduce our operating costs. Branch network rationalisation continues with focus on core 'hub' and 'specialist' locations covering rail, hotel and 24/7 support.

In our German business we also reduced costs during the year in line with lower activity levels. Year-on-year performance during the first half was made more challenging given the benefit to prior-year results of the Euro 2008 football championships. However, the second half showed a strong recovery with increasing evidence of clients starting to return to pre-recession levels of travel activity. Excellent progress was made during the year in re-shaping and re-positioning our German operations to focus on the large managed corporate client market. This has already been rewarded with new client wins including Volkswagen and Evonik.

North America

| Years ended 31 March | 2010 | 2009 | Change |
|--|--------|---------|---------|
| Revenue | £69.3m | £67.6m | +2.5% |
| Operating profit/(loss) | £6.1m | (£1.3m) | +\$7.4m |
| Underlying operating profit ⁽¹⁾ | £6.8m | £0.7m | +\$6.1m |
| Underlying margin ⁽¹⁾ | 9.8% | 1.0% | +8.8% |

(1) Before amortisation of acquired intangibles and exceptional items

Revenue was down 4.9% at constant currency. Underlying operating profit grew by £6.1m, including a £0.6m gain from currency movements, as the benefits of our cost reduction programme began to flow through.

The decline in travel revenue on a constant currency basis reflects the impact of the global economic downturn on our clients, particularly during the first half of the financial year. Online travel bookings made by clients using HRG's booking tools rose from 29% to 41% year-on-year, providing further evidence of the change of business mix in this highly competitive market which tends to favour transaction fees. A general trend towards online booking necessitates efficient systems capable of dealing with high volumes of lower price transactions. HRG is well positioned to meet this challenge having invested in this area a few years ago.

We have restructured our North American operations through a variety of measures, including reducing the number of office locations, introducing more sophisticated and flexible telephony and transaction processing systems, and increasing the number and proportion of travel consultants working from home. All these initiatives have contributed to the sharp rise in underlying operating profit margin.

Our consumer business, which manages the redemption of credit card loyalty points for several Canadian banks, performed well during the year as an increasing number of cardholders redeemed their points for travel rewards. We have also recently launched a new online redemption product to help drive growth in this area.

Asia Pacific

| Years ended 31 March | 2010 | 2009 | Change |
|--|---------|---------|--------|
| Revenue | £16.7m | £16.0m | +4.4% |
| Operating loss | (£1.1m) | (£1.0m) | -£0.1m |
| Underlying operating loss ⁽¹⁾ | (£1.1m) | (£1.0m) | -£0.1m |
| Underlying margin ⁽¹⁾ | -6.6% | -6.3% | -0.3% |

(1) Before amortisation of acquired intangibles and exceptional items

Revenue was down by 8.0% at constant currency.

In Australia, our largest market in the region, we completed the changes to our management team and operational structure. We strengthened our sales teams in the key states of New South Wales, Western Australia, Queensland and Victoria. Our contract with the Queensland Government to provide a fully-integrated travel management system was implemented successfully with mandated roll-out to key departments. This is having a positive impact on this region's results as activity levels increase.

We have seen a strong recovery amongst our Singapore-based clients with activity levels returning to pre-recession levels. Clients in the Banking and Finance sectors have been the first to show volume recovery. Singapore is fast establishing itself as a key hub for client travel consolidation programmes with experienced staff, good language skills and a pro-business environment all acting as catalysts.

We are encouraged to note an increasing demand amongst our North American clients for consolidated travel service offerings across the Asia Pacific region. We are beginning to implement a multi-country service consolidation in Singapore for one of our larger Manufacturing sector clients, having overcome the inevitable complexities resulting from multiple language, cultures and GDS sources.

Our joint ventures in Hong Kong and mainland China both showed similar signs of recovery to that seen in Singapore. As associates, their results are not included in the table above.

Spendvision

| Years ended 31 March | 2010 | 2009 | Change |
|--|--------|-------|--------|
| Revenue | £11.2m | £9.8m | +14.3% |
| Operating profit | £1.1m | £2.6m | -£1.5m |
| Underlying operating profit ⁽¹⁾ | £1.4m | £2.9m | -£1.5m |
| Underlying margin ⁽¹⁾ | 12.5% | 29.6% | -17.1% |

(1) Before amortisation of acquired intangibles and exceptional items

Revenue was up 5.1% at constant currency. Underlying operating profit fell by £1.5m including a £0.2m benefit from currency movements, following a year of consolidation during which we increased investment in resources for product delivery and customer support.

Spendvision is our proprietary innovator of transaction management solutions including end-to-end expense management. Its online technology provides semi-automated expense claims processing to employees while offering a company enhanced control and visibility of its indirect expenses.

The Spendvision business continued to expand during the year. Spendvision technology is now operating with clients in nearly 130 countries and the software platform is available in 15 languages. During the year, we opened an office in Singapore to support growth in Asia Pacific and established a joint venture in Japan to drive the Spendvision platform into the Japanese market. We also introduced several new technology modules during the year.

In late September 2009, we announced an exciting partnership with Visa. Work has progressed well since then and Visa has now launched its IntelliLink Spend Management product, a white-label version of Spendvision's platform, providing a new global information tool which offers extensive reporting and expense management capabilities for organisations of all sizes on a single scalable platform, integrating with the entire suite of Visa B2B payment products. This is being rolled out to all Visa commercial card issuing banks around the world and is a ground-breaking development for Spendvision.

Technology

HRG is developing a number of client-facing tools, including those which not only allow clients to book travel quickly but which also focus on visibility and keeping track of travel spend. With constant changes by suppliers to travel content (e.g. real-time updates to fares and seat availability), coupled with the need for more efficient and cost effective processes, technology continues to remain a critical factor in the travel services market. With travel budgets tightening during the recession, companies have switched their focus from simply 'making booking easier and faster' to 'value' and, crucially, how technology can help them make savings. Our existing technology and new system developments allow us to demonstrate the value proposition to our clients and are key parts of our offering.

We continued to develop and deploy our own technology during the year. The focal point of our efforts in this area is HRG's Universal Super Platform (USP) upon which all our travel booking software sits, enabling clients and suppliers to fully integrate their systems seamlessly with HRG's software. The initial development phase in relation to USP is now complete and USP has entered operational use. Amongst a number of benefits, USP enables us to connect to various travel service providers, as well as to hold and compile various required data sets. USP thereby enables access to information and inventory from a number of sources rather than placing sole reliance on an industry platform. As suppliers explore new and different distribution methodologies, our independent platform is ready to interface with them.

This year saw the release of two new versions of HRG Online, our online booking tool. These were well received by clients and enhanced our capability of offering an independent integrated solution to our clients as required. Our product portal i-Suite, offering clients a gateway to HRG applications and third-party products, is now used by over 200,000 users. In addition, new releases of HRG Reporting (online tool providing clients with relevant key data about their travel programmes) were launched, and new products HRG Profiler (allowing the client to install and update their own travel profiles online), HRG TripPass™ (automatic online trip authority) and HRG Control Centre (product administration hub) were released.

The handling, capture and delivery of data have been vital to our clients this year in the drive to control costs. Our new reporting suite enables our clients to view critical data online in an intuitive way with both high level dashboards and more detailed data views. In addition to these initiatives, our own agency point-of-sale tool went into full operational use in one of our main business travel centres. This roll-out will continue during the current financial year.

At the end of the year we signed a deal with a customer to supply a branded version of our online booking tool together with access to our other corporate travel technology which will open new revenue streams for both parties. This transaction takes HRG's technology offering into a new arena and positions us well as an industry provider of selected technology products.

HRG's client-centric strategy means that we will work with any product that meets our clients' needs or has been explicitly selected by the client. We give our clients access to the self-booking tool where this is the most appropriate approach. Where the travel itinerary is relatively straightforward clients continue to make bookings directly. There are examples of clients who already make 90% of their bookings online. This allows HRG to deploy resources in other areas whilst allowing the client to manage their travel arrangements directly and receive additional benefits from their relationship with HRG.

We continue to improve the quality and reliability of our IT infrastructure. During the year we signed new contracts for global IP WAN (voice and data traffic) services and continue to roll out our strategy of virtualisation of our service structure.

HRG is focusing on products and solutions that meet the needs of the corporate traveller, such as mobile services, video conferencing and diary management.

We are leading the way in technology amongst the global travel management companies.

Additional Financial Disclosure

Revenue

The revenue decrease of 7.0% is comprised of a decrease of 11.6% at constant exchange rates offset by a 4.6% increase from favourable currency translation.

Operating expenses

Operating expenses before exceptional items decreased by 7.8% (£24.9m) to £295.5m. Personnel costs, which represent approximately two thirds of the total, were down by 7.2% (£15.0m) and other expenses were down by 8.9% (£9.9m).

At constant exchange rates, operating expenses before exceptional items decreased by 12.5%, which compares to a decrease of 14.7% in the average number of employees.

Underlying operating profit

Underlying operating profit, which is before amortisation of acquired intangibles and exceptional items, increased by 1.7% (£0.6m) to £35.2m. This includes a benefit of £1.4m from favourable currency translation. The underlying operating profit margin, which is not impacted by currency changes, increased from 9.8% to 10.8%.

Exceptional items

The cost of exceptional items was £3.3m for the year, compared to a cost of £5.6m in the prior year.

The prior year includes restructuring costs of £6.9m, a benefit of £1.6m from unutilised accruals related to acquisitions in prior years and a cost of £0.3m in respect of an adjustment to goodwill in Germany associated with recognition of additional deferred tax assets on acquisitions in earlier years. This latter item is offset by a deferred tax credit and therefore has no impact on net earnings for the year.

Net finance costs

Net finance costs reduced by £3.0m to £7.0m, with favourable interest rates reducing net external interest by £5.2m partially offset by £2.0m of higher costs relating to pension accounting under IAS 19, Employee Benefits. There was an additional cost of £0.2m due to changes in exchange rates.

Net external interest costs of £3.2m were covered 13.9 times by EBITDA (FY09: 5.0x). The average net debt during the year was very similar to the prior year, with typical working capital requirements being much higher than the levels reported at the year end.

The IAS 19 pension costs, which increased to £3.2m for the year, are expected to increase by a further £0.4m in the year to 31 March 2011.

Taxation

The tax charge for the year represents an overall effective tax rate of 33% of the reported profit before tax, compared to an overall rate of 41% in the prior year. The effective tax rate for the year on underlying profit before tax was 30% compared to 36% in the prior year, primarily as a result of resolving a number of open issues with tax authorities and the ability to recognise further deferred tax assets.

Return on capital employed

Return on capital employed is calculated by dividing underlying operating profit plus net share of the results of associates and joint ventures by average net assets. Average net assets are based on the 12 month ends for the financial year and exclude net debt, pension deficits and tax provisions. Average net assets amounted to £209.4m (FY09: £211.3m) compared with £165.9m at the year end (FY09: £173.8m). The return for the year was 16.9% (FY09: 16.4%).

Cash flow

Free cash flow, which includes all cash flow except acquisitions and disposals, dividends and the impact of foreign exchange movements, was £16.2m (FY09: £44.0m), primarily due to a fall in working capital and lower external interest. Typical working capital requirements are much higher than the levels reported at the year end. Capital expenditure increased by £1.7m to £11.1m due primarily to continuing investment in North America and the impact of changes in exchange rates.

In addition to free cash flow, the other major cash flow items are related to dividends. Dividends paid in cash to shareholders during the year were £1.2m compared to £12.0m in the prior year. Last year, only an interim dividend was paid in cash. Looking forward, the recommended final dividend of 0.8p per share will cost an additional £2.5m in cash.

Pension obligations

The Group's pension deficits under IAS 19 have increased by £61.1m to £126.4m before tax.

The UK scheme deficit increased by £64.6m to £115.9m. The scheme assets increased by £31.7m, primarily as a result of investment performance. The scheme liabilities increased by £96.3m, with a lower discount rate adding £66.7m and a higher inflation rate assumption adding £20.8m. Annual cash contributions amount to 15.2% of pensionable salaries plus a deficit reduction payment of £6.6m per annum. The total charge against profits increased by £1.2m to £4.2m.

The overseas schemes are primarily in Germany and Switzerland, where the year-end deficit decreased by £3.5m to £10.5m.

At the year end, there was a deferred tax asset of £32.4m (FY09: £14.4m) related to the UK deficit and a further £0.7m (FY09: £1.2m) related to the overseas schemes.

Funding and net debt

The Group's principal borrowing is from a £220m multi-currency revolving credit facility (RCF) that is committed until September 2011. The RCF is used for loans, letters of credit and guarantees with interest based on LIBOR/EURIBOR plus a margin and mandatory costs incurred by the lenders. In addition, there are uncommitted facilities, amounting to around £26m at the year end, which are used for local flexibility.

The principal banking covenants for the RCF are measured twice each year, at the end of March and the end of September, against EBITDA. The covenants require that net debt is less than 3.0 times EBITDA and net external interest is covered at least 4.0 times by EBITDA. The definition of EBITDA for covenant purposes is not materially different to the definition used in these financial statements.

Net debt at year end reduced by £7.8m to £77.5m, which was equivalent to 1.7 times EBITDA (FY09: 2.0x). Gearing was 45% (FY09: 47%), or 99% (FY09: 64%) including the pension deficits and related deferred tax assets.

Based on our current forecasts, the Board believes that these facilities provide sufficient headroom. Preparation is already underway for a renegotiation of the Group's facilities which is likely to result in an increase in borrowing costs.

Share price

The closing mid-market price at the year end was 31.5p (FY09: 15.5p). During the year, the price ranged from 15.75p to 39.75p per share.

Summary income statement

| Years ended 31 March | 2010 | 2009 |
|--|--------------|--------------|
| | £m | £m |
| Revenue | 326.8 | 351.3 |
| EBITDA before exceptional items | 44.5 | 42.3 |
| Depreciation and amortisation ⁽¹⁾ | (9.3) | (7.7) |
| Underlying operating profit | 35.2 | 34.6 |
| Amortisation of acquired intangibles | (3.9) | (3.7) |
| Exceptional items | (3.3) | (5.6) |
| Share of associates and joint ventures | 0.2 | 0.1 |
| Net finance costs | (7.0) | (10.0) |
| Profit before tax | 21.2 | 15.4 |
| Taxation | (6.9) | (6.3) |
| Profit for the year | 14.3 | 9.1 |

Summary balance sheet

| As at 31 March | 2010 | 2009 |
|--|------------|-------------|
| | £m | £m |
| Goodwill and other intangible assets | 253.5 | 258.0 |
| Property, plant, equipment and investments | 17.5 | 17.9 |
| Working capital | (101.2) | (93.7) |
| Current tax liabilities (net) | (8.4) | (7.8) |
| Deferred tax assets (net) | 47.2 | 32.2 |
| Net debt | (77.5) | (85.3) |
| Pension liabilities (pre-tax) | (126.4) | (65.3) |
| Provisions and other items | (4.0) | (8.3) |
| Net assets | 0.7 | 47.7 |

Summary cash flow statement

| Years ended 31 March | 2010 | 2009 |
|--|-------------|----------------|
| | £m | restated £m |
| EBITDA before exceptional items | 44.5 | 42.3 |
| Cash flow from exceptional items | (7.0) | 0.6 |
| Working capital movements | 5.7 | 29.2 |
| Interest paid | (2.8) | (6.9) |
| Tax paid | (5.1) | (3.8) |
| Capital expenditure | (11.1) | (9.4) |
| Pension funding in excess of EBITDA charge | (7.6) | (7.2) |
| Other movements | (0.4) | (0.8) |
| Free cash inflow | 16.2 | 44.0 |
| Acquisitions and disposals | (0.3) | 0.1 |
| Dividends paid to external shareholders | (1.2) | (12.0) |
| Currency translation | (5.8) | (6.9) |
| Other movements | (1.1) | (0.1) |
| Decrease in net debt | 7.8 | 25.1 |

(1) Excluding amortisation of acquired intangibles

The comparatives in the summary cash flow statement have been restated to separately identify cash flow from exceptional items.

Hogg Robinson Group plc
Consolidated Income Statement
For the year ended 31 March 2010

| | Notes | Years ended 31 March | |
|--|-------|----------------------|---------|
| | | 2010 | 2009 |
| | | £m | £m |
| Revenue | 1 | 326.8 | 351.3 |
| Operating expenses | 2 | (298.8) | (326.0) |
| Operating profit | | 28.0 | 25.3 |
| Analysed as: | | | |
| Underlying operating profit | | 35.2 | 34.6 |
| Amortisation of acquired intangibles | 8 | (3.9) | (3.7) |
| Exceptional items | 2 | (3.3) | (5.6) |
| Operating profit | | 28.0 | 25.3 |
| Share of results of associates and joint ventures | | 0.2 | 0.1 |
| Finance income | 4 | 0.2 | 1.3 |
| Finance costs | 4 | (7.2) | (11.3) |
| Profit before tax | | 21.2 | 15.4 |
| Income tax expense | 5 | (6.9) | (6.3) |
| Profit for the financial year from continuing operations | | 14.3 | 9.1 |
| Profit attributable to: | | | |
| Equity Shareholders of the Company | | 13.4 | 7.4 |
| Minority interests | 13 | 0.9 | 1.7 |
| | | 14.3 | 9.1 |
| Earnings per share | 6 | pence | pence |
| Basic | | 4.4 | 2.4 |
| Diluted | | 4.3 | 2.4 |

Hogg Robinson Group plc
Consolidated Statement of Comprehensive Income
For the year ended 31 March 2010

| | Notes | Years ended 31 March | |
|--|-------|----------------------|------------|
| | | 2010 £m | 2009 £m |
| Profit for the financial year | | 14.3 | 9.1 |
| Other comprehensive income | | | |
| Currency translation differences | | (11.8) | 17.6 |
| Actuarial loss on pension schemes | 11 | (66.0) | (23.4) |
| Deferred tax movement on pension liability | | 18.7 | 5.9 |
| Other comprehensive (loss) / income for the year, net of tax | | (59.1) | 0.1 |
| Total comprehensive (loss) / income for the year | | (44.8) | 9.2 |
| Total comprehensive (loss) / income attributable to: | | | |
| Equity Shareholders of the Company | | (45.7) | 7.5 |
| Minority interests | 13 | 0.9 | 1.7 |
| | | (44.8) | 9.2 |

Hogg Robinson Group plc
Consolidated Balance Sheet
As at 31 March 2010

| | Notes | As at 31 March | |
|---|-------|----------------|----------------|
| | | 2010 £m | 2009 £m |
| Non current assets | | | |
| Goodwill and other intangible assets | 8 | 253.5 | 258.0 |
| Property, plant and equipment | 9 | 14.8 | 15.1 |
| investments accounted for using the equity method | | 2.7 | 2.8 |
| Trade and other receivables | | 0.1 | 0.2 |
| Deferred tax assets | | 48.8 | 33.8 |
| | | <u>319.9</u> | <u>309.9</u> |
| Current assets | | | |
| Trade and other receivables | | 115.4 | 102.6 |
| Financial assets - derivative financial instruments | | 0.2 | - |
| Current tax assets | | 1.0 | 1.5 |
| Cash and cash equivalent assets | | 58.8 | 68.5 |
| | | <u>175.4</u> | <u>172.6</u> |
| Total assets | 1 | <u>495.3</u> | <u>482.5</u> |
| Non current liabilities | | | |
| Financial liabilities - borrowings | | (135.1) | (144.4) |
| Deferred tax liabilities | | (1.6) | (1.6) |
| Retirement benefit obligations | 11 | (126.4) | (65.3) |
| Provisions | | (3.5) | (3.4) |
| | | <u>(266.6)</u> | <u>(214.7)</u> |
| Current liabilities | | | |
| Financial liabilities - borrowings | | (0.4) | (8.0) |
| Financial liabilities - derivative financial instruments | | - | (0.6) |
| Current tax liabilities | | (9.4) | (9.3) |
| Trade and other payables | | (216.7) | (196.5) |
| Provisions | | (1.5) | (5.7) |
| | | <u>(228.0)</u> | <u>(220.1)</u> |
| Total liabilities | | <u>(494.6)</u> | <u>(434.8)</u> |
| Net assets | | <u>0.7</u> | <u>47.7</u> |
| Capital and reserves attributable to Equity Shareholders | | | |
| Share capital | | 3.1 | 3.1 |
| Share premium | | 172.2 | 172.2 |
| Other reserves | 12 | 13.4 | 24.1 |
| Retained earnings | 12 | (191.4) | (155.2) |
| | | <u>(2.7)</u> | <u>44.2</u> |
| Minority interests | 13 | 3.4 | 3.5 |
| Total equity | | <u>0.7</u> | <u>47.7</u> |

Hogg Robinson Group plc
Consolidated Statement of Changes in Equity
As at 31 March 2010

| | Attributable to equity holders of the Company | | | | Total £m | Minority Interest £m | Total Equity £m |
|--|---|------------------------|-------------------------|----------------------------|-------------|----------------------------|-----------------------|
| | Share capital £m | Share Premium £m | Other reserves £m | Retained earnings £m | | | |
| Balance at 1 April 2008 | 3.1 | 171.9 | 5.3 | (132.8) | 47.5 | 2.5 | 50.0 |
| Retained profit for the financial year | - | - | - | 7.4 | 7.4 | 1.7 | 9.1 |
| Other comprehensive income: | | | | | | | |
| Actuarial loss on pension schemes | - | - | - | (23.4) | (23.4) | - | (23.4) |
| Deferred tax movement on pension liability | - | - | - | 5.9 | 5.9 | - | 5.9 |
| Currency translation differences | - | - | 17.6 | - | 17.6 | 0.1 | 17.7 |
| Total comprehensive income | - | - | 17.6 | (10.1) | 7.5 | 1.8 | 9.3 |
| Transactions with owners: | | | | | | | |
| Dividends | - | - | - | (12.3) | (12.3) | (0.8) | (13.1) |
| Scrip dividend issued in lieu of cash dividend | - | 0.3 | - | - | 0.3 | - | 0.3 |
| Share-based incentives | - | - | 1.2 | - | 1.2 | - | 1.2 |
| Total transactions with owners | - | 0.3 | 1.2 | (12.3) | (10.8) | (0.8) | (11.6) |
| Balance at 1 April 2009 | 3.1 | 172.2 | 24.1 | (155.2) | 44.2 | 3.5 | 47.7 |
| Retained profit for the financial year | - | - | - | 13.4 | 13.4 | 0.9 | 14.3 |
| Other comprehensive income: | | | | | | | |
| Actuarial loss on pension schemes | - | - | - | (66.0) | (66.0) | - | (66.0) |
| Deferred tax movement on pension liability | - | - | - | 18.7 | 18.7 | - | 18.7 |
| Currency translation differences | - | - | (11.8) | - | (11.8) | - | (11.8) |
| Total comprehensive income | - | - | (11.8) | (33.9) | (45.7) | 0.9 | (44.8) |
| Transactions with owners: | | | | | | | |
| Dividends | - | - | - | (1.2) | (1.2) | (1.0) | (2.2) |
| Shares purchased by Employee Benefits Trust | - | - | - | (1.1) | (1.1) | - | (1.1) |
| Share-based incentives | - | - | 1.1 | - | 1.1 | - | 1.1 |
| Total transactions with owners | - | - | 1.1 | (2.3) | (1.2) | (1.0) | (2.2) |
| Balance at 31 March 2010 | 3.1 | 172.2 | 13.4 | (191.4) | (2.7) | 3.4 | 0.7 |

Hogg Robinson Group plc
Consolidated Cash Flow Statement
For the year ended 31 March 2010

| | Notes | Years ended 31 March | |
|---|-------|----------------------|---------------|
| | | 2010 £m | 2009 £m |
| Cash flows from operating activities | | | |
| Cash generated from operations | 14 | 36.2 | 65.2 |
| Interest paid | | (3.6) | (8.6) |
| Tax paid | | (5.1) | (3.8) |
| | | <hr/> | <hr/> |
| Cash flows from operating activities – net | | 27.5 | 52.8 |
| | | <hr/> | <hr/> |
| Cash flows from investing activities | | | |
| Acquisition of subsidiaries, net of cash acquired | | - | (0.3) |
| Acquisition of associates, joint ventures and other investments | | (0.3) | - |
| Disposals of associates, joint ventures and other investments | | - | 0.4 |
| Purchase of property, plant and equipment | | (4.5) | (5.4) |
| Purchase and internal development of intangible assets | 8 | (6.7) | (4.1) |
| Proceeds from sale of property, plant and equipment | | 0.1 | 0.1 |
| Interest received | | 0.3 | 1.4 |
| Dividends received from associates and joint ventures | | 0.5 | 0.3 |
| | | <hr/> | <hr/> |
| Cash flows from investing activities – net | | (10.6) | (7.6) |
| | | <hr/> | <hr/> |
| Cash flows from financing activities | | | |
| Repayment of borrowings | | (40.3) | (34.0) |
| New borrowings | | 21.1 | 15.0 |
| Cash effect of currency swaps | | (1.2) | (3.9) |
| Employee Benefits Trust | | (1.1) | - |
| Dividends paid to external shareholders | | (1.2) | (12.0) |
| Dividends paid to minority interests | | (1.0) | (0.8) |
| | | <hr/> | <hr/> |
| Cash flows from financing activities - net | | (23.7) | (35.7) |
| | | <hr/> | <hr/> |
| Net (decrease) / increase in cash and cash equivalents | | (6.8) | 9.5 |
| Cash and cash equivalents at beginning of the year | | 63.3 | 48.5 |
| Exchange rate effects | | 1.7 | 5.3 |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at end of the year | | 58.2 | 63.3 |
| | | <hr/> | <hr/> |
| Cash and cash equivalent assets | | 58.8 | 68.5 |
| Overdrafts | | (0.6) | (5.2) |
| | | <hr/> | <hr/> |
| | | 58.2 | 63.3 |
| | | <hr/> | <hr/> |

Additional Financial Information

General information and basis of preparation

The financial information which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement and related notes do not constitute the Company's statutory accounts for the years ended 31 March 2010 and 2009, but is derived from those accounts. The auditors have reported on the Group's statutory accounts for each of the years ended 31 March 2009 and 31 March 2010. Their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of Companies Act 2006 or equivalent preceding legislation. The statutory accounts for the year ended 31 March 2009 have been delivered to the Registrar of Companies and the statutory accounts for the year ended 31 March 2010 will be filed with the registrar in due course.

The Consolidated Financial Statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the European Union, International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Consolidated Financial Statements have been prepared under the historical cost convention, as modified by the use of valuations for certain financial instruments, share-based payment incentives and retirement benefits.

Critical accounting policies and forward-looking statements

The preparation of the IFRS financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the year.

This Operational Review should be read in conjunction with the audited Consolidated Financial Statements. The discussions contain forward-looking statements that appear in a number of places and include statements regarding HRG's intentions, beliefs or current expectations concerning, among other things, results of operations, revenue, financial condition, liquidity, growth, strategies, new products and the markets in which HRG operates. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties.

Non-GAAP measures

Underlying operating profit is calculated as operating profit before amortisation of acquired intangibles and exceptional items

Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) is calculated as operating profit before exceptional items before net finance costs, income taxes, depreciation, amortisation and impairment.

The Directors believe that the presentation of underlying operating profit and EBITDA enhances an investor's understanding of HRG's financial performance. However, underlying operating profit and EBITDA should not be considered in isolation or viewed as substitutes for retained profit, cash flow from operations or other measures of performance as defined by IFRS. Underlying operating profit and EBITDA as used in this announcement is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the method of calculation and are unaudited line items but are derived from audited financial information. The Directors use underlying operating profit and EBITDA to assess HRG's operating performance and to make decisions about allocating resources among various reporting segments.

1 Segment information

The chief operating decision maker has been identified as the Executive Management Team, which reviews the Group's internal reporting in order to assess performance and allocate resources. The Executive Management Team has determined the operating segments based on these reports.

The Executive Management Team considers the business from the perspective of two core activities, Corporate Travel Management, which is analysed into three distinct geographic segments, and Spendvision. The Group's internal reporting processes do not distinguish between the numerous sources of income that comprise revenue for Corporate Travel Management. The performance of the operating segments is assessed based on a measure of operating profit excluding items of an exceptional nature. Interest income and expenditure and income tax expense are not included in the result for each operating segment that is reviewed by the Executive Management Team. Other information provided, except as noted below, to the Executive Management Team is measured in a manner consistent with that in the financial statements.

Total segment assets exclude cash and cash equivalent assets, current tax assets and deferred tax assets which are managed on a central basis. These are included as part of the reconciliation to total Consolidated Balance Sheet assets.

| | Corporate Travel Management | | | | Spendvision | Total |
|--|-----------------------------|------------------------|-----------------------|-------------|-------------|-------|
| | Europe £m | North America £m | Asia Pacific £m | Total £m | £m | £m |
| Year ended 31 March 2010 | | | | | | |
| Revenue from external customers | 229.6 | 69.3 | 16.7 | 315.6 | 11.2 | 326.8 |
| Underlying operating profit | 28.1 | 6.8 | (1.1) | 33.8 | 1.4 | 35.2 |
| Amortisation of acquired intangibles | (2.9) | (0.7) | - | (3.6) | (0.3) | (3.9) |
| Operating profit before exceptional items | 25.2 | 6.1 | (1.1) | 30.2 | 1.1 | 31.3 |
| Exceptional items | (3.3) | - | - | (3.3) | - | (3.3) |
| Operating profit | 21.9 | 6.1 | (1.1) | 26.9 | 1.1 | 28.0 |
| <i>Underlying margin</i> | 12.2% | 9.8% | -6.6% | 10.7% | 12.5% | 10.8% |
| Year ended 31 March 2009 (restated) | | | | | | |
| Revenue from external customers | 257.9 | 67.6 | 16.0 | 341.5 | 9.8 | 351.3 |
| Underlying operating profit | 32.0 | 0.7 | (1.0) | 31.7 | 2.9 | 34.6 |
| Amortisation of acquired intangibles | (2.7) | (0.7) | - | (3.4) | (0.3) | (3.7) |
| Operating profit before exceptional items | 29.3 | - | (1.0) | 28.3 | 2.6 | 30.9 |
| Exceptional items | (4.3) | (1.3) | - | (5.6) | - | (5.6) |
| Operating profit | 25.0 | (1.3) | (1.0) | 22.7 | 2.6 | 25.3 |
| <i>Underlying margin</i> | 12.4% | 1.0% | -6.3% | 9.3% | 29.6% | 9.8% |

The results for the year ended 31 March 2009 have been restated to reflect Spendvision as a separate operating segment.

External revenue from clients by geographical area (where the client is located) is not materially different from external revenue from clients by origin (where the Group's operations are located) disclosed above.

There is no material inter-segment revenue.

A reconciliation of operating profit to total profit before income tax expense is provided in the Consolidated Income Statement.

| | <u>Corporate Travel Management</u> | | | | <u>Spendvision</u> | <u>Total</u> |
|-----------------------------|------------------------------------|------------------------|-----------------------|-------------|--------------------|--------------|
| | Europe £m | North America £m | Asia Pacific £m | Total £m | £m | £m |
| Total segment assets | | | | | | |
| 31 March 2010 | 272.0 | 95.7 | 12.1 | 379.8 | 6.9 | 386.7 |
| 31 March 2009 (restated) | 275.1 | 87.6 | 11.5 | 374.2 | 4.5 | 378.7 |

The segment assets at 31 March 2009 have been restated to reflect Spendvision as a separate operating segment.

Reportable segments' assets are reconciled to total assets as follows:

| | 31 March 2010 £m | 31 March 2009 £m |
|---------------------------------|---------------------------------|---------------------------------|
| Total segment assets | 386.7 | 378.7 |
| Cash and cash equivalent assets | 58.8 | 68.5 |
| Current tax assets | 1.0 | 1.5 |
| Deferred tax assets | 48.8 | 33.8 |
| | <u>495.3</u> | <u>482.5</u> |

Capital expenditure by geographical location:

| | <u>Corporate Travel Management</u> | | | | <u>Spendvision</u> | <u>Total</u> |
|----------------------------|------------------------------------|------------------------|-----------------------|-------------|--------------------|--------------|
| | Europe £m | North America £m | Asia Pacific £m | Total £m | £m | £m |
| Capital expenditure | | | | | | |
| 31 March 2010 | 4.6 | 4.5 | 0.1 | 9.2 | 2.0 | 11.2 |
| 31 March 2009 (restated) | 5.6 | 2.9 | 0.4 | 8.9 | 0.9 | 9.8 |

Capital expenditure by operating segment for the year ended 31 March 2009 has been restated to reflect Spendvision as a separate operating segment.

2 Operating expenses

| | Years ended 31 March | |
|--|----------------------|-------------|
| | 2010 | 2009 |
| | £m | £m |
| Underlying operating expenses | | |
| Staff costs (note 3) | 193.6 | 208.6 |
| Amortisation of other intangible assets | 4.2 | 3.1 |
| Depreciation of property, plant and equipment | 5.1 | 4.6 |
| Auditors' remuneration for audit services | 1.7 | 1.7 |
| Operating lease rentals - buildings | 14.7 | 14.6 |
| Operating lease rentals - other assets | 1.8 | 1.9 |
| Loss on disposal of property, plant and equipment | 0.1 | 0.1 |
| Currency translation differences | 0.2 | (0.2) |
| Other expenses | 70.2 | 82.3 |
| | <hr/> | <hr/> |
| | 291.6 | 316.7 |
| | <hr/> | <hr/> |
| Amortisation of acquired intangibles: | | |
| Amortisation of client relationships | 3.6 | 3.4 |
| Amortisation of other acquired intangible assets | 0.3 | 0.3 |
| | <hr/> | <hr/> |
| | 3.9 | 3.7 |
| | <hr/> | <hr/> |
| Exceptional items: | | |
| Restructuring costs: | | |
| - Staff costs (note 3) | 2.6 | 6.6 |
| - Other expenses | 0.7 | 0.3 |
| Release of unutilised accruals relating to acquisitions in prior years | - | (1.6) |
| Adjustments to goodwill on recognition of deferred tax assets | - | 0.3 |
| | <hr/> | <hr/> |
| | 3.3 | 5.6 |
| | <hr/> | <hr/> |
| Total operating expenses | <hr/> <hr/> | <hr/> <hr/> |
| | 298.8 | 326.0 |

Restructuring costs of £3.3m were incurred during the year (2009: £6.9m) and relate to planned cost reduction programmes in Europe (2009: Europe and North America). They are in respect of redundancy costs and onerous lease provisions.

Certain unutilised accruals relating to acquisitions in prior years were released in the year ended 31 March 2009.

3 Staff costs

| | Years ended 31 March | | | | | |
|-----------------------------------|--|------------------------------------|---------------------|--|------------------------------------|---------------------|
| | 2010 Before exceptional items £m | 2010 Exceptional items £m | 2010 Total £m | 2009 Before exceptional items £m | 2009 Exceptional items £m | 2009 Total £m |
| Salaries | 163.4 | - | 163.4 | 175.0 | - | 175.0 |
| Social security costs | 19.0 | - | 19.0 | 21.4 | - | 21.4 |
| Pension costs | 8.4 | - | 8.4 | 9.9 | - | 9.9 |
| Redundancy and termination costs | 1.7 | 2.6 | 4.3 | 1.1 | 6.6 | 7.7 |
| Share-based incentives | 1.1 | - | 1.1 | 1.2 | - | 1.2 |
| | <u>193.6</u> | <u>2.6</u> | <u>196.2</u> | <u>208.6</u> | <u>6.6</u> | <u>215.2</u> |
| Pension costs comprise: | | | | | | |
| Defined benefit schemes (note 11) | 2.3 | - | 2.3 | 3.4 | - | 3.4 |
| Defined contribution schemes | 6.1 | - | 6.1 | 6.5 | - | 6.5 |
| | <u>8.4</u> | <u>-</u> | <u>8.4</u> | <u>9.9</u> | <u>-</u> | <u>9.9</u> |

| | Years ended 31 March | |
|--|----------------------|----------------|
| | 2010 number | 2009 number |
| Average monthly number of staff employed by the Group including Key Management | 5,319 | 6,236 |

4 Finance income and finance costs

| | Years ended 31 March | |
|--|----------------------|---------------|
| | 2010 £m | 2009 £m |
| Finance income - bank interest | 0.2 | 1.3 |
| Interest on bank overdrafts and loans | (3.4) | (9.6) |
| Amortisation of issue costs on bank loans | (0.6) | (0.4) |
| Expected return on pension scheme assets less interest cost on pension scheme liabilities | (3.2) | (1.2) |
| Other finance charges | - | (0.1) |
| Finance costs | <u>(7.2)</u> | <u>(11.3)</u> |
| Net finance costs | <u>(7.0)</u> | <u>(10.0)</u> |

5 Income tax expense

| | Years ended 31 March | |
|---|----------------------|------------|
| | 2010 £m | 2009 £m |
| Current tax: | | |
| Tax on profits of the financial year | 6.1 | 3.8 |
| Adjustments in respect of previous years | (0.9) | (0.9) |
| Total current tax | 5.2 | 2.9 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 1.7 | 2.2 |
| Adjustments in respect of previous years | - | 1.4 |
| Adjustments to goodwill on recognition of deferred tax assets | - | (0.2) |
| Total deferred tax | 1.7 | 3.4 |
| Taxation charge | 6.9 | 6.3 |

The tax charge is split as follows:

| | Years ended 31 March | |
|---|----------------------|------------|
| | 2010 £m | 2009 £m |
| United Kingdom | 3.6 | 4.7 |
| Overseas | 3.3 | 1.8 |
| Adjustments to goodwill on recognition of deferred tax assets | - | (0.2) |
| Taxation charge | 6.9 | 6.3 |

| | Years ended 31 March | |
|---|----------------------|------------------------|
| | 2010 £m | 2009 restated £m |
| On recurring business | 8.4 | 8.8 |
| Tax on amortisation of acquired intangibles | (1.2) | (1.1) |
| Exceptional items | (0.3) | (1.4) |
| Taxation charge | 6.9 | 6.3 |

The analysis for the year ended 31 March 2009 has been restated to disclose the tax effect of amortisation of acquired intangibles.

6 Earnings per share

Basic earnings per share (EPS) is calculated by dividing the earnings attributable to Shareholders by the weighted average number of Ordinary shares outstanding during the year, excluding those purchased by the Company's Employee Benefits Trust.

For diluted earnings per share, the weighted average number of Ordinary shares in issue is adjusted to assume conversion of all dilutive potential Ordinary shares.

The following amounts have been used in the calculation of earnings per share:

| | Years ended 31 March | |
|---|----------------------|-------------|
| | 2010 | 2009 |
| | £m | £m |
| Earnings for the purposes of earnings per share: | | |
| Profit for the financial year | 14.3 | 9.1 |
| Less: amount attributable to minority interest | (0.9) | (1.7) |
| | <hr/> | <hr/> |
| Total | 13.4 | 7.4 |
| | <hr/> <hr/> | <hr/> <hr/> |

| | Years ended 31 March | |
|--|----------------------|-------------|
| | 2010 | 2009 |
| | number | number |
| | m | m |
| Weighted average number of Ordinary shares in issue | | |
| Issued (for basic EPS) | 301.5 | 304.2 |
| Dilutive potential Ordinary shares | 9.9 | 4.5 |
| | <hr/> | <hr/> |
| For diluted EPS | 311.4 | 308.7 |
| | <hr/> <hr/> | <hr/> <hr/> |

The weighted average number of issued Ordinary shares is lower in the year ended 31 March 2010 compared to the year ended 31 March 2009 due to the impact of the shares purchased by the Employee Benefits Trust.

The Employee Benefits Trust waived its rights to dividends in respect of 4,000,000 shares purchased in the year ended 31 March 2010.

Underlying earnings per share

Underlying earnings per share is calculated on the profit attributable to equity shareholders before amortisation of acquired intangibles and exceptional items after charging taxation associated with those profits of £19.1m (2009: £14.2m).

| | Years ended 31 March | |
|--|----------------------|-------------|
| | 2010 | 2009 |
| | £m | £m |
| Profit before tax | 21.2 | 15.4 |
| Add: amortisation of acquired intangibles | 3.9 | 3.7 |
| Add: exceptional items | 3.3 | 5.6 |
| | <hr/> | <hr/> |
| Underlying profit before tax | 28.4 | 24.7 |
| Underlying income tax expense | (8.4) | (8.8) |
| | <hr/> | <hr/> |
| Underlying profit for the financial year | 20.0 | 15.9 |
| Less: amounts attributable to minority interests | (0.9) | (1.7) |
| | <hr/> | <hr/> |
| Total | 19.1 | 14.2 |
| | <hr/> <hr/> | <hr/> <hr/> |

7 Dividends per share

The dividends to the Company's shareholders in the year ended 31 March 2010 were:

| | Years ended 31 March | |
|--|----------------------|------|
| | 2010 | 2009 |
| | £m | £m |
| Final dividend in respect of year ended 31 March 2009 0.0p per share (31 March 2008 2.8p per share) | - | 8.6 |
| Interim dividend in respect of year ended 31 March 2010 0.4p per share (31 March 2009 1.2p per share) | 1.2 | 3.7 |
| Total dividends to the Company's shareholders (note 23) | 1.2 | 12.3 |

A final dividend in respect of the year ended 31 March 2010 of 0.8p per Ordinary share, amounting to a total dividend of £2,430,103, is to be proposed at the Annual General Meeting on 26 July 2010. The Employee Benefits Trust has waived its rights to dividends in respect of 4,000,000 shares purchased in the year ended 31 March 2010.

Scrip dividends to the value of £0.1m in respect of the interim dividend for the year ended 31 March 2009 and to the value of £0.2m in respect of the final dividend for the year ended 31 March 2008 were taken instead of a cash payment.

8 Goodwill and other intangible assets

| | Years ended 31 March | |
|-------------------------|----------------------|-------|
| | 2010 | 2009 |
| | £m | £m |
| Goodwill | 221.8 | 225.6 |
| Other intangible assets | 31.7 | 32.4 |
| | 253.5 | 258.0 |

Other intangible assets

| | Other intangible assets | | | | |
|--|-------------------------|------------------------------|-------------------------------|-------------------------------|-------------|
| | Goodwill £m | Computer software | | Client relationships £m | Total £m |
| | | Externally acquired £m | Internally generated £m | | |
| Cost | | | | | |
| At 1 April 2008 | 229.5 | 16.2 | 6.1 | 31.4 | 283.2 |
| Additions | - | 0.8 | 3.3 | - | 4.1 |
| Reclassification of assets | - | - | 2.5 | - | 2.5 |
| Disposals | - | (1.4) | - | - | (1.4) |
| Adjustments to goodwill on recognition of tax assets | (0.3) | - | - | - | (0.3) |
| Adjustments to deferred consideration | (0.2) | - | - | - | (0.2) |
| Exchange differences | 23.0 | 1.3 | 0.2 | 6.7 | 31.2 |
| At 31 March 2009 | 252.0 | 16.9 | 12.1 | 38.1 | 319.1 |
| Additions | - | 1.6 | 5.1 | - | 6.7 |
| Disposals | - | (2.9) | - | - | (2.9) |
| Adjustments to deferred consideration | (0.2) | - | - | - | (0.2) |
| Exchange differences | (3.6) | 0.6 | 0.7 | (0.7) | (3.0) |
| At 31 March 2010 | 248.2 | 16.2 | 17.9 | 37.4 | 319.7 |
| Accumulated amortisation | | | | | |
| At 1 April 2008 | 26.4 | 10.5 | 3.0 | 11.9 | 51.8 |
| Amortisation charge for the year | - | 1.9 | 1.5 | 3.4 | 6.8 |
| Disposals | - | (1.4) | - | - | (1.4) |
| Exchange differences | - | 1.0 | - | 2.9 | 3.9 |
| At 31 March 2009 | 26.4 | 12.0 | 4.5 | 18.2 | 61.1 |
| Amortisation charge for the year | - | 1.9 | 2.6 | 3.6 | 8.1 |
| Disposals | - | (2.9) | - | - | (2.9) |
| Exchange differences | - | 0.2 | (0.1) | (0.2) | (0.1) |
| At 31 March 2010 | 26.4 | 11.2 | 7.0 | 21.6 | 66.2 |
| Carrying amount | | | | | |
| At 1 April 2008 | 203.1 | 5.7 | 3.1 | 19.5 | 231.4 |
| At 31 March 2009 | 225.6 | 4.9 | 7.6 | 19.9 | 258.0 |
| At 31 March 2010 | 221.8 | 5.0 | 10.9 | 15.8 | 253.5 |

The recoverable amount used in the assessment of goodwill for all cash generating units comprises value in use. During the year the Group reviewed its discount rate and long term growth rates and these have been applied in the assessment. The value in use has been calculated by discounting at 8% per annum (2009: 10% per annum) the anticipated post-tax cash flows. This equates to an estimated pre-tax discount rate of 8.3% per annum. The forecasts are prepared from management information taking into account historical trading performance and anticipated changes in future market conditions. The detailed forecasts cover a period of three years from the balance sheet date; cash flows are projected beyond that period based on anticipated long-term growth of 2% (2009: 2%).

The amortisation charge for the year of £8.1m (2009: £6.8m) is comprised of £3.9m (2009: £3.7m) in respect of intangible assets acquired via business combinations and £4.2m (2009: £3.1m) which relates to amortisation of software purchased and internally generated by existing businesses.

Goodwill consists of the following amounts related to cash generating units of the Group:

| | Years ended 31 March | |
|------------------------------------|----------------------|------------------|
| | 2010 | 2009 restated |
| | £m | £m |
| Corporate Travel Management | | |
| UK | 56.9 | 56.9 |
| Sweden | 14.6 | 14.6 |
| Norway | 17.9 | 17.9 |
| Germany | 45.7 | 47.4 |
| Switzerland | 20.0 | 19.6 |
| North America | 45.6 | 48.1 |
| Other | 17.6 | 17.6 |
| | <hr/> | <hr/> |
| | 218.3 | 222.1 |
| Spendvision | 3.5 | 3.5 |
| | <hr/> | <hr/> |
| | 221.8 | 225.6 |
| | <hr/> <hr/> | <hr/> <hr/> |

The analysis of goodwill at 31 March 2009 has been restated to reflect Spendvision as a separate operating segment.

9 Property, plant and equipment

| | Property £m | Plant and equipment £m | Total £m |
|----------------------------------|----------------|------------------------------|-------------|
| Cost | | | |
| At 1 April 2008 | 9.3 | 38.9 | 48.2 |
| Additions for the year | 0.5 | 5.2 | 5.7 |
| Disposals for the year | (0.2) | (3.1) | (3.3) |
| Exchange differences | 1.0 | 5.4 | 6.4 |
| | <hr/> | <hr/> | <hr/> |
| At 31 March 2009 | 10.6 | 46.4 | 57.0 |
| Additions for the year | 0.2 | 4.3 | 4.5 |
| Disposals for the year | (0.6) | (2.2) | (2.8) |
| Exchange differences | 0.3 | 1.3 | 1.6 |
| | <hr/> | <hr/> | <hr/> |
| At 31 March 2010 | 10.5 | 49.8 | 60.3 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| Accumulated depreciation | | | |
| At 1 April 2008 | 5.2 | 30.4 | 35.6 |
| Depreciation charge for the year | 0.9 | 3.7 | 4.6 |
| Disposals for the year | (0.1) | (2.8) | (2.9) |
| Exchange differences | 0.6 | 4.0 | 4.6 |
| | <hr/> | <hr/> | <hr/> |
| At 31 March 2009 | 6.6 | 35.3 | 41.9 |
| Depreciation charge for the year | 0.9 | 4.2 | 5.1 |
| Disposals for the year | (0.6) | (1.9) | (2.5) |
| Exchange differences | 0.3 | 0.7 | 1.0 |
| | <hr/> | <hr/> | <hr/> |
| At 31 March 2010 | 7.2 | 38.3 | 45.5 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| Carrying amount | | | |
| At 1 April 2008 | 4.1 | 8.5 | 12.6 |
| | <hr/> | <hr/> | <hr/> |
| At 31 March 2009 | 4.0 | 11.1 | 15.1 |
| | <hr/> | <hr/> | <hr/> |
| At 31 March 2010 | 3.3 | 11.5 | 14.8 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Property is comprised of leasehold properties and leasehold improvements. Plant and equipment is comprised of IT and office equipment.

| | Years ended 31 March | |
|--|----------------------|------------|
| | 2010 £m | 2009 £m |
| Contractual commitments for the acquisition of: | | |
| Property, plant and equipment | 0.1 | 1.5 |
| | <hr/> | <hr/> |
| Carrying amount of property, plant and equipment held under finance leases | 0.3 | 0.5 |
| | <hr/> | <hr/> |

10 Net debt

| | Years ended 31 March | |
|--|----------------------|--------|
| | 2010 | 2009 |
| | £m | £m |
| Total financial liabilities - borrowings | 135.5 | 152.4 |
| Add back: Unamortised loan issue costs | 0.8 | 1.4 |
| Cash and cash equivalent assets | (58.8) | (68.5) |
| Net debt | 77.5 | 85.3 |

Analysis by currency after currency swaps

| | Years ended 31 March | |
|---------------------------|----------------------|--------|
| | 2010 | 2009 |
| | £m | £m |
| Sterling | 48.6 | 66.2 |
| Euro | (11.6) | (15.1) |
| Swiss Franc | 11.0 | 14.9 |
| Other European currencies | 4.8 | (1.2) |
| Canadian Dollar | 21.4 | 18.2 |
| US Dollar | (0.4) | (0.8) |
| Other currencies | 3.7 | 3.1 |
| | 77.5 | 85.3 |

11 Retirement benefit obligations

Defined benefit pension arrangements

The Group's principal defined benefit pension arrangement is the Hogg Robinson (1987) Pension Scheme (the UK Scheme). The UK Scheme was available to most UK employees until it was closed to new members in March 2003. Its benefits are based on final pensionable salary. The increase in final pensionable salary since 31 March 2003 is limited to the lower of the increase in the Retail Prices Index and 5% per annum. The latest actuarial valuation of the scheme was carried out at 6 April 2008 by an independent qualified actuary.

The Group also operates defined benefit schemes in Norway, Switzerland, Germany and Italy.

The following amounts have been included in the Consolidated Income Statement in respect of defined benefit pension arrangements:

| | Years ended 31 March | |
|---|----------------------|------------|
| | 2010 £m | 2009 £m |
| Current service charge | 2.8 | 3.4 |
| Curtailment gain | (0.5) | - |
| | <hr/> | <hr/> |
| Charge to operating profit | 2.3 | 3.4 |
| | <hr/> | <hr/> |
| Interest cost on pension scheme liabilities | 16.3 | 16.1 |
| Expected return on pension scheme assets | (13.1) | (14.9) |
| | <hr/> | <hr/> |
| Charge to finance costs | 3.2 | 1.2 |
| | <hr/> | <hr/> |
| Total charge to Consolidated Income Statement | 5.5 | 4.6 |
| | <hr/> | <hr/> |

The following amounts have been recognised as movements in equity:

| | Years ended 31 March | |
|--|----------------------|------------|
| | 2010 £m | 2009 £m |
| Actual return on scheme assets | 34.2 | (31.4) |
| Less: expected return on scheme assets | (13.1) | (14.9) |
| | <hr/> | <hr/> |
| | 21.1 | (46.3) |
| Experience gains and losses arising on scheme liabilities | 1.9 | 2.5 |
| Changes in assumptions underlying the present value of scheme liabilities | (89.2) | 21.9 |
| Exchange rate movement | 0.2 | (1.5) |
| | <hr/> | <hr/> |
| Movement in the year | (66.0) | (23.4) |
| | <hr/> | <hr/> |
| Cumulative amount recognised in the Consolidated Statement of Comprehensive Income since the transition date to IFRS, 1 April 2003 | (68.0) | (2.0) |
| | <hr/> | <hr/> |

The key assumptions used for the UK Scheme were:

| | Years ended 31 March | | |
|---|----------------------|-------|-------|
| | 2010 | 2009 | 2008 |
| Rate of increase in salary | 4.80% | 4.00% | 4.60% |
| Rate of increase in final pensionable salary | 3.50% | 2.70% | 3.30% |
| Rate of increase in pensions in payment - accrued before 1999 | 5.00% | 5.00% | 5.00% |
| Rate of increase in pensions in payment - accrued after 1999 | 3.50% | 2.70% | 3.30% |
| Discount rate | 5.50% | 6.70% | 6.30% |
| Inflation | 3.50% | 2.70% | 3.30% |
| Expected rate of return on plan assets: | | | |
| Equity instruments | 8.00% | 7.20% | 8.00% |
| Debt instruments | 4.50% | 6.70% | 5.30% |
| Property | 8.00% | 7.20% | 8.00% |
| Other assets | 4.40% | 5.00% | 5.40% |

The assumptions for the schemes in Norway, Switzerland, Germany and Italy do not produce materially different results from the assumptions used for the UK Scheme.

The expected rates of return have been set taking into account current market returns for each category of asset at the balance sheet dates.

The mortality assumptions for the UK Scheme are based on PMA/FA92 tables with 'medium cohort' projections and a 1% underpin in the rate of future improvements in mortality. Life expectancy at the age of 65 is assumed to be:

| | Years ended 31 March | |
|--------------------|----------------------|------|
| | 2010 | 2009 |
| Current Pensioners | | |
| Male | 22.7 | 22.6 |
| Female | 26.0 | 25.9 |
| Future retirements | | |
| Male | 24.7 | 24.1 |
| Female | 28.1 | 27.5 |

The UK liability is based on the assumption that active and deferred members will take 25% of the value of their pension as a lump sum on retirement.

The provision included in the Consolidated Balance Sheet arising from obligations in respect of defined benefit schemes is as follows:

| | Years ended 31 March | |
|--|----------------------|---------|
| | 2010 | 2009 |
| | £m | £m |
| Present value of defined benefit obligations | | |
| Unfunded scheme | 9.6 | 8.9 |
| Wholly or partly funded schemes | 350.7 | 254.1 |
| | 360.3 | 263.0 |
| Fair value of scheme assets | (233.9) | (197.7) |
| | 126.4 | 65.3 |

The net present value of defined benefit obligations has moved as follows:

| | Years ended 31 March | |
|------------------------------------|----------------------|--------|
| | 2010 | 2009 |
| | £m | £m |
| At beginning of year | 263.0 | 269.4 |
| Current service cost | 2.8 | 3.4 |
| Curtailment gain | (2.3) | - |
| Interest cost | 16.3 | 16.1 |
| Contributions by plan participants | 1.4 | 1.6 |
| Actuarial losses / (gains) | 87.3 | (24.4) |
| Foreign currency exchange changes | 0.3 | 6.8 |
| Benefits paid | (8.5) | (9.9) |
| | | |
| At end of year | 360.3 | 263.0 |

The fair value of scheme assets has moved as follows:

| | Years ended 31 March | |
|------------------------------------|----------------------|--------|
| | 2010 | 2009 |
| | £m | £m |
| At beginning of year | 197.7 | 221.3 |
| Curtailment loss | (1.8) | - |
| Expected returns on plan assets | 13.1 | 14.9 |
| Actuarial gains / (losses) | 21.1 | (46.3) |
| Foreign currency exchange changes | 0.5 | 5.3 |
| Contributions by the employer | 10.4 | 10.8 |
| Contributions by plan participants | 1.4 | 1.6 |
| Benefits paid | (8.5) | (9.9) |
| | | |
| At end of year | 233.9 | 197.7 |

The assets held in defined benefit schemes were as follows:

| | Years ended 31 March | |
|--------------------|----------------------|-------|
| | 2010 | 2009 |
| | £m | £m |
| Equity instruments | 123.7 | 110.5 |
| Debt instruments | 64.1 | 62.7 |
| Property | 33.2 | 12.5 |
| Other assets | 12.9 | 12.0 |
| | | |
| | 233.9 | 197.7 |

None of the plan assets are represented by financial instruments of the Group. None of the plan assets are occupied or used by the Group.

The schedule of contributions for the UK Scheme has been agreed with the Trustees at 15.2% of pensionable salaries plus £6.6m per annum with effect from April 2008. This is expected to amount to £8.7m for the year ending 31 March 2011.

The obligations and assets are split as follows:

| | Years ended 31 March | | | | | |
|-----------------------------|----------------------|------------------------|---------------------|------------------|------------------------|---------------------|
| | 2010 UK £m | 2010 Overseas £m | 2010 Total £m | 2009 UK £m | 2009 Overseas £m | 2009 Total £m |
| Defined benefit obligations | (319.3) | (41.0) | (360.3) | (223.0) | (40.0) | (263.0) |
| Fair value of plan assets | 203.4 | 30.5 | 233.9 | 171.7 | 26.0 | 197.7 |
| Deficit | (115.9) | (10.5) | (126.4) | (51.3) | (14.0) | (65.3) |

Five year experience

| | Years ended 31 March | | | | |
|--|----------------------|---------------|---------------|---------------|----------------|
| | 2010 £m | 2009 £m | 2008 £m | 2007 £m | 2006 £m |
| Defined benefit obligations | (360.3) | (263.0) | (269.4) | (274.8) | (310.2) |
| Fair value of plan assets | 233.9 | 197.7 | 221.3 | 214.9 | 185.7 |
| Deficit | (126.4) | (65.3) | (48.1) | (59.9) | (124.5) |
| Experience gains/(losses) on plan liabilities | 1.9 | 2.5 | (2.3) | (3.6) | (1.8) |
| on plan assets | 21.1 | (46.3) | (18.3) | 4.0 | 22.4 |

Pension funding in excess of the charge to operating profit is shown in the Consolidated Cash Flow Statement as follows:

| | Years ended 31 March | |
|---|----------------------|------------|
| | 2010 £m | 2009 £m |
| Contributions less service cost (note 14) | (7.6) | (7.2) |

12 Reserves

Retained earnings

| | Years ended 31 March | |
|---|----------------------|------------|
| | 2010 £m | 2009 £m |
| At 1 April | (155.2) | (132.8) |
| Retained profit for the financial year | 14.3 | 9.1 |
| Dividends (note 7) | (1.2) | (12.3) |
| Minority interest | (0.9) | (1.7) |
| Shares purchased by Employee Benefits Trust | (1.1) | - |
| Actuarial loss | (66.0) | (23.4) |
| Deferred tax movement on pension liability | 18.7 | 5.9 |
| | <hr/> | <hr/> |
| At 31 March | (191.4) | (155.2) |

Other reserves

| | Share-based incentives £m | Exchange reserve £m | Other reserves £m |
|----------------------------------|---------------------------------|---------------------------|-------------------------|
| Balance at 1 April 2008 | 0.9 | 4.4 | 5.3 |
| Other comprehensive income: | | | |
| Currency translation differences | - | 17.6 | 17.6 |
| Transactions with owners: | | | |
| Share-based incentives | 1.2 | - | 1.2 |
| | <hr/> | <hr/> | <hr/> |
| Balance at 1 April 2009 | 2.1 | 22.0 | 24.1 |
| Other comprehensive income: | | | |
| Currency translation differences | - | (11.8) | (11.8) |
| Transactions with owners: | | | |
| Share-based incentives | 1.1 | - | 1.1 |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 March 2010 | 3.2 | 10.2 | 13.4 |

13 Minority interests

| | Years ended 31 March | |
|---------------------------|----------------------|-------------|
| | 2010 | 2009 |
| | £m | £m |
| At 1 April | 3.5 | 2.5 |
| Exchange differences | - | 0.1 |
| Dividends paid | (1.0) | (0.8) |
| Share of profit after tax | 0.9 | 1.7 |
| | <hr/> | <hr/> |
| At 31 March | 3.4 | 3.5 |
| | <hr/> <hr/> | <hr/> <hr/> |

14 Cash generated from operations

| | Years ended 31 March | |
|--|----------------------|-------------|
| | 2010 | 2009 |
| | £m | £m |
| Profit before tax from continuing operations | 21.2 | 15.4 |
| Adjustments for: | | |
| Depreciation and amortisation (note 8 and 9) | 13.2 | 11.4 |
| Net increase in provisions | 4.4 | 7.2 |
| Share of results of associates and joint ventures | (0.2) | (0.1) |
| Net finance costs (note 4) | 7.0 | 10.0 |
| Adjustments to goodwill on recognition of deferred tax assets (note 2) | - | 0.3 |
| Pension curtailment credit | (0.5) | - |
| Other timing differences | 1.4 | 0.9 |
| | <hr/> | <hr/> |
| | 46.5 | 45.1 |
| Cash expenditure charged to provisions | (8.4) | (3.2) |
| Change in trade and other receivables | (10.5) | 27.3 |
| Change in trade and other payables | 16.2 | 3.2 |
| Pension funding in excess of charge to operating profit (note 11) | (7.6) | (7.2) |
| | <hr/> | <hr/> |
| Cash generated from operations | 36.2 | 65.2 |
| | <hr/> <hr/> | <hr/> <hr/> |