Registered number: 03974519

Farnborough Limited

Annual Report & Accounts 2002

Farnborough Limited

ANNUAL REPORT AND ACCOUNTS
For the year ended 31 March 2002

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Farnborough Limited
Report of the Directors

The directors have pleasure in presenting their Report together with the audited accounts of the Group for the year ended 31 March 2002.

Principal Activities
The principal activities of the Group, of which Farnborough Limited is the holding company, are providing business services in two core activities: business travel and benefit and consulting services.

Review of the Business and Future Developments
The directors consider the results of the Group for the year ended 31 March 2002 to be satisfactory. The directors expect the level of activity sustained during the year to continue in the foreseeable future although some uncertainty as to future economic conditions exists following the tragic events in America on 11 September 2001.

Share Capital
During the year no ordinary shares were issued (2001: 51,593,950) (note 22).

Results and Dividends
The results for the Group are set out in the consolidated profit and loss account. No dividends were paid or proposed by the directors during the year.

Pensions
The Group accounts for pensions under FRS 17 ' Retirement Benefits'. On this basis the deficit in the Group's pensions schemes at 31 March 2002 was £74.7m gross (2001: 38.0m gross) (note 29). Since 31 March 2002, stock market valuations in the UK have fallen which has had an adverse affect on the scheme assets. As at 20 September 2002 the market value of UK assets in the scheme had fallen from £103.3m (£108.8m total market value of assets less £5.5m held in the Norwegian scheme) to £76.8m. Therefore, the estimated deficit in the scheme as at 20 September 2002 had risen to £105.5m gross, and £73.85m after accounting for the deferred tax asset. This assumes that the present value of UK and Norwegian scheme liabilities and the Norwegian scheme assets have remained as they were as at 31 March 2002. As with all pension schemes, assets are invested for the long term but the valuations referred to above only reflect current market conditions.

The FRS 17 deficit is not a measure of the Group's statutory funding obligation to its Pension Schemes. In relation to the UK Schemes, the statutory obligation is measured by reference to the Minimum Funding Requirement (MFR). On this measure, the deficit in the Schemes as at 31 March is £26m. As at 20 September 2002 the estimated deficit in the Schemes was £38m. The Group is funding this deficit and future accrual under the plans in accordance with contribution schedules agreed with the respective Trustee bodies as required under the MFR regime. Similarly, the Group is funding the Norwegian plan in accordance with statutory requirements.

Directors
The directors who held office during the year were as follows:

Dr N C Bain	(Chairman)
D J C Radcliffe	(Chief Executive Officer)
C P Fry	
M C Garland	
J F W Kennerley	
K Ruffles	
R M Westwood	

Directors' Interests

The beneficial interests of the directors in the shares of the Company are shown in note 3d of the Board Report on Remuneration Policy. Other than contracts for service, documents relating to the founding of Farnborough (Holdings) Limited, the ultimate holding company, and in connection with the management buy-out of the Company, there were no significant contracts between the directors and any member company of the Group during or at the end of the year.

Employees

Employees are informed of the performance of the Group and of any factors affecting their employment. Annual reports are made available to all staff and they are encouraged to assist the Group's onward development. Several employee-generated initiatives have reached fruition during the year having originated from a variety of open communication channels and quality circles.

Fair and full consideration is given to applications for employment from disabled persons having regard to their particular aptitudes and abilities. Efforts are made to continue the employment of those who become disabled. Training, career development and promotion are, as far as practicable, identical for all employees. The Group consistently seeks to recruit, develop and employ suitably qualified, capable and experienced people in an environment of equal opportunity.

The Group aims to maintain a high standard of safe and healthy working conditions comparable with the best practices in the particular industries in which it operates.

Environmental Policy

The Group's trading activities have only marginal direct impact on the environment and contribute minimally to pollution. The Group is committed to conducting its business in a manner that shows responsibility towards the environment and in ensuring high standards of health and safety for its employees. It complies with statutory and mandatory requirements and where practicable aims to exceed regulations applicable to its areas of business. Working practices are routinely monitored as improved techniques and technologies become available.

Policy for Paying Suppliers

The Company's current policy concerning the payment of its trade creditors and other suppliers is to:

(a) settle the terms of payment with those suppliers when agreeing the terms of each transaction;
(b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
(c) pay in accordance with its contractual and other legal obligations.

Wherever possible UK subsidiaries follow the same policy. Overseas subsidiaries are encouraged to adopt similar policies by applying local best practice. One effect of these policies is that the figure for trade creditors at the end of the financial years represents 10 days' purchases.

Farnborough Limited
Report of the Directors (continued)

Donations

The Group has made charitable donations during the year totalling £56,000 (2001: £52,000). No political donations were made during the year (2001: £nil).

Euro

The Company has been preparing for the introduction of a single currency since 1997. Preparations included ascertainment of client requirements, upgrading of systems and procedures where necessary, and training of staff. As a service organisation, our response is and will continue to be very much client driven in terms of any requirement to conduct business and supply information in euros as opposed to traditional currencies. Any decision on whether to adopt the euro as the Company's functional currency will principally depend on the timing of the UK joining the Euro.

The Company does not currently expect significant project costs to be incurred as a result of the introduction of the Euro.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing those financial statements, the directors are required to;

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint the auditors, PricewaterhouseCoopers, will be proposed at the Annual General Meeting.

By Order of the Board,

K J BURGESS
Company Secretary

Date: 30 September 2002

Farnborough Limited
Report on Remuneration Policy

1 Remuneration of Executive Directors

The remuneration of executive directors is determined by the Remuneration Committee of the ultimate holding company Farnborough (Holdings) Limited.

2 Remuneration Policy

When deciding appropriate levels of salary and other forms of remuneration, the Remuneration Committee took into account:

i) the annual and continuing performance of each director within his sphere of operation.
ii) the requirement to ensure that improving shareholders' returns are achieved.
iii) the Company's need to provide sufficiently attractive remuneration packages for the recruitment and retention of executives able to provide direction and motivation.

3 Elements of Remuneration

a|Basic Salaries

Individual base salaries are reviewed annually by the Remuneration Committee and takes into account related performance and any responsibility changes.

b|Non-cash benefits (other than pensions)

The Company provides a comprehensive package of employment benefits for executive directors. Principal elements include a fully expensed company car, life insurance, private health insurance, personal accident insurance and permanent disability insurance, none of which are pensionable.

c|Annual Bonus Plan

In addition to salary, all directors were eligible for an annual performance-related bonus, which is non-pensionable. The Board believes it is important that the directors have a substantial part of their annual remuneration based on performance. The bonus earnt by executive directors in relation to the Groups' results for the year ended 31 March 2002 is set out in the table in Section 4 below.

d|Share Interests

The directors of the Company and persons connected with them do not hold interests in the ordinary shares of the Company at 1 April 2001 and 31 March 2002.
The directors interests in the share capital of Farnborough (Holdings) Limited, the ultimate holding company, are shown in the accounts of that company.

e|Hogg Robinson 1987 Pension Scheme

With the exception of Dr N C Bain and Mr M C Garland the directors are members of the Company's defined benefit pension scheme (referred to in note 29 of the accounts) to which they contribute 6% of Pensionable Salary i.e. basic annual salary less the Lower Earnings Limit. The scheme provides an accrual rate of 2% of Pensionable Salary for each year of service, and certain of the longer serving directors have a five-year service credit. The pension which can be provided under the scheme is limited by Inland Revenue rules.

In respect of certain senior employees (who are otherwise limited as to the level of their potential pension), the Remuneration Committee has agreed an additional non-pensionable supplement representing a fixed 18% of their salary (30% if their normal retirement age is 60) insofar as it exceeds the permitted maximum.

Pensions in respect of service up to August 1999 are increased in payment, and in deferment after leaving service, at 5% per annum compound; pensions in respect of service after this date are increased in payment and deferment in line with inflation up to 5% p.a. The normal retirement age for Messrs Radcliffe, Fry, Kennerley, Ruffles and Westwood is 60. On death after retirement a spouse's pension of one half of the member's pension is payable.
Any transfer value calculations would make no allowance for discretionary benefits.
Information on Pension Entitlements for each executive directors is as follows:

	Age at 31 March 2002	Directors' contributions during the year £	Pension earned in year payable from normal retirement age £ p.a.	Total pension earned at year end payable from normal retirement age £ p.a.
D J C Radcliffe*	49	17,079	9,397	135,212
C P Fry	56	9,711	6,932	99,770
J F W Kennerley	52	5,724	1,974	3,657
K A Ruffles	49	8,252	4,488	70,602
R M Westwood	56	11,366	7,339	117,312

* Highest paid director

f | Service Agreements

All directors, with the exception of Mr M C Garland, have service agreements with Farnborough (Holdings) Limited, the ultimate parent company. With the exception of Mr J F W Kennerley and Dr N C Bain, service agreements are terminable on either side by two years notice. Mr J F W Kennerley and Dr N C Bain's service agreements are terminable on either side by eighteen months and six months notice respectively. The Company does not believe that reducing the contractual notice periods to one year would be in the best interests of the Company for the purposes of ensuring that the Company offers a competitive overall remuneration package.
None of the service contracts contain specific termination provisions, however any compensation claims from departing directors would be scrutinised by the Remuneration Committee to ensure that prospective losses were properly mitigated.
Mr M C Garland is not employed by the Group.

4 | Total Remuneration

The total remuneration received or receivable by the directors holding office during the year ended 31 March 2002 was as follows.
The remuneration was paid or is payable by a subsidiary company, Hogg Robinson plc.

	Salaries & Pension Supplement 2002 £	**Value of Benefits 2002 £**	**Bonus 2002 £**	**Total 2002 £**
Executive Directors:				
Dr N C Bain (Chairman)	**138,375**	**612**	**-**	**138,987**
D J C Radcliffe*	**288,220**	**18,276**	**122,142**	**428,638**
C P Fry	**165,833**	**10,261**	**70,134**	**246,228**
M C Garland	**-**	**-**	**-**	**-**
J F W Kennerley	**227,052**	**15,937**	**82,054**	**325,043**
K A Ruffles	**141,428**	**15,007**	**58,598**	**215,033**
R M Westwood	**193,129**	**15,680**	**78,429**	**287,238**
	1,154,037	**75,773**	**411,357**	**1,641,167**

	Salaries & Pension Supplement restated 2001 £	Value of Benefits 2001 £	Bonus 2001 £	Total 2001 £
Executive Directors:				
Dr N C Bain (Chairman)	135,000	750	-	135,750
D J C Radcliffe*	280,000	16,765	121,659	418,424
C P Fry	160,000	10,397	70,519	240,916
M C Garland	-	-	-	-
J F W Kennerley	207,288	15,380	81,367	304,035
K A Ruffles	137,500	14,438	51,149	203,087
R M Westwood	188,000	14,782	78,160	280,942
	1,107,788	72,512	402,854	1,583,154

Remuneration in 2001 has been restated to reflect the additional non-pensionable supplement.

An amount of £100,000 (2001: £75,000) was payable to a third party, Permira Advisers Limited, in respect of the services of Mr M C Garland as a Director of the Company and its holding company, Farnborough (Holdings) Limited. This was paid by Farnborough Limited.

* Highest paid director

Independent auditors' report to the members of Farnborough Limited

We have audited the financial statements on pages 7 to 43 which have been prepared under the historical cost convention and the accounting policies set out on pages 14 to 16.

Respective responsibilities of directors and auditors

The directors` responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 March 2002 and of the loss and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
Date: 30 September 2002

Farnborough Limited
Consolidated Profit and Loss Account
for the year ended 31 March 2002

2002 — 12 months

	Notes	Continuing: Before Goodwill amortisation £'000	Continuing: Goodwill amortisation £'000	Continuing: Total £'000	Discontinued: Before Goodwill amortisation £'000	Total: Before Goodwill amortisation £'000	Total: Goodwill amortisation £'000	Total: Total £'000
Turnover (including share of joint venture):								
Continuing operations		2,050,869	-	2,050,869	1,429	2,052,298	-	2,052,298
Acquisitions		10,610	-	10,610	-	10,610	-	10,610
	1	2,061,479	-	2,061,479	1,429	2,062,908	-	2,062,908
Less : Share of turnover of joint venture		(1,568)	-	(1,568)	-	(1,568)	-	(1,568)
Total	1	2,059,911	-	2,059,911	1,429	2,061,340	-	2,061,340
Cost of sales		(1,819,625)	-	(1,819,625)	(998)	(1,820,623)	-	(1,820,623)
Gross Profit	1	240,286	-	240,286	431	240,717	-	240,717
Operating expenses:	3	(209,529)	(13,787)	(223,316)	(255)	(209,784)	(13,787)	(223,571)
Operating exceptionals	5	-	-	-	-	-	-	-
Total operating expenses		(209,529)	(13,787)	(223,316)	(255)	(209,784)	(13,787)	(223,571)
Operating Profit		30,757	(13,787)	16,970	176	30,933	(13,787)	17,146
Share of operating loss in joint venture		(544)	-	(544)	-	(544)	-	(544)
Total operating profit: including joint venture	2	30,213	(13,787)	16,426	176	30,389	(13,787)	16,602
Exceptional items	6	-	-	-	-	-	-	-
Profit/(Loss) on ordinary activities before interest		30,213	(13,787)	16,426	176	30,389	(13,787)	16,602
Net interest payable	7	(25,130)	-	(25,130)	-	(25,130)	-	(25,130)
Profit/(Loss) on ordinary activities before taxation	2	5,083	(13,787)	(8,704)	176	5,259	(13,787)	(8,528)
Tax on profit on ordinary activities	8	(158)	-	(158)	-	(158)	-	(158)
Profit/(Loss) on ordinary activities after taxation		4,925	(13,787)	(8,862)	176	5,101	(13,787)	(8,686)
Dividends								-
Retained profit for the financial year	23							(8,686)
(Loss)/Earnings per share	10							
basic				(17.18)	0.34			(16.84)
diluted				(17.18)	0.34			(16.84)
Earnings per share before goodwill amortisation, operating exceptionals and exceptionals	10							
basic				9.54	0.34			9.88
diluted				9.54	0.34			9.88
Weighted average number of shares ('000)								
basic								51,594
diluted								51,594

2001 — 10 months

	Notes	Continuing: Before Goodwill amortisation restated £'000	Continuing: Goodwill amortisation £'000	Continuing: Total £'000	Discontinued: Before Goodwill amortisation £'000	Total: Before Goodwill amortisation restated £'000	Total: Goodwill amortisation £'000	Total: Total restated £'000
Turnover (including share of joint venture):								
Continuing operations		1,812,774	-	1,812,774	9,506	1,822,280	-	1,822,280
Acquisitions		-	-	-	-	-	-	-
	1	1,812,774	-	1,812,774	9,506	1,822,280	-	1,822,280
Less : Share of turnover of joint venture		(7)	-	(7)	-	(7)	-	(7)
Total	1	1,812,767	-	1,812,767	9,506	1,822,273	-	1,822,273
Cost of sales		(1,617,577)	-	(1,617,577)	(6,465)	(1,624,042)	-	(1,624,042)
Gross Profit	1	195,190	-	195,190	3,041	198,231	-	198,231
Operating expenses:	3	(163,998)	(11,193)	(175,191)	(986)	(164,984)	(11,193)	(176,177)
Operating exceptionals	5	(7,664)	-	(7,664)	-	(7,664)	-	(7,664)
Total operating expenses		(171,662)	(11,193)	(182,855)	(986)	(172,648)	(11,193)	(183,841)
Operating Profit		23,528	(11,193)	12,335	2,055	25,583	(11,193)	14,390
Share of operating loss in joint venture		(280)	-	(280)	-	(280)	-	(280)
Total operating profit: including joint venture	2	23,248	(11,193)	12,055	2,055	25,303	(11,193)	14,110
Exceptional items	6	-	-	-	-	-	-	-
Profit/(Loss) on ordinary activities before interest		23,248	(11,193)	12,055	2,055	25,303	(11,193)	14,110
Net interest payable	7	(19,645)	-	(19,645)	-	(19,645)	-	(19,645)
Profit/(Loss) on ordinary activities before taxation	2	3,603	(11,193)	(7,590)	2,055	5,658	(11,193)	(5,535)
Tax on profit on ordinary activities	8	(3,581)	-	(3,581)	-	(3,581)	-	(3,581)
Profit/(Loss) on ordinary activities after taxation		22	(11,193)	(11,171)	2,055	2,077	(11,193)	(9,116)
Dividends								-
Retained profit for the financial year	23							(9,116)
(Loss)/Earnings per share	10							
basic				(21.65)	3.98			(17.67)
diluted				(21.65)	3.98			(17.67)
Earnings per share before goodwill amortisation, operating exceptionals and exceptionals	10							
basic				10.44	3.98			14.42
diluted				10.44	3.98			14.42
Weighted average number of shares ('000)								
basic								51,594
diluted								51,594

Farnborough Limited
Balance Sheets
at 31 March 2002

	Note	Group 2002 £'000	2001 £'000	Company 2002 £'000	2001 £'000
Fixed Assets					
Intangible assets	11	**247,814**	254,737	**-**	-
Tangible assets	12	**20,079**	20,332	**-**	-
Investments					
Interests in joint ventures:	13	**-**	-	**-**	-
Other investments	13	**19,465**	18,380	**240,291**	240,932
Total investments	13	**19,465**	18,380	**240,291**	240,932
		287,358	293,449	**240,291**	240,932
Current Assets					
Debtors					
- due after more than one year	14	**1,458**	70	**15,416**	63,652
- due within one year	14	**103,941**	128,606	**14,852**	12,675
		105,399	128,676	**30,268**	76,327
Cash at Bank and in hand		**43,581**	49,835	**-**	1,620
		148,980	178,511	**30,268**	77,947
Current Liabilities					
Creditors: amounts falling due within one year	15	**(129,402)**	(144,379)	**(27,251)**	(23,900)
Net Current Assets		**19,578**	34,132	**3,017**	54,047
Total Assets less Current Liabilities		**306,936**	327,581	**243,308**	294,979
Creditors: amounts falling due after more than one year	17	**(238,769)**	(263,486)	**(233,213)**	(262,156)
Provisions for liabilities and charges	20	**(16,893)**	(4,457)	**-**	-
Net Assets excluding pension liability		**51,274**	59,638	**10,095**	32,823
Pension liability	29	**(52,290)**	(26,603)	**-**	-
Net (Liabilities) / Assets including pension liability	21	**(1,016)**	33,035	**10,095**	32,823
Capital and Reserves					
Called up share capital	22	**51,594**	51,594	**51,594**	51,594
Exchange reserve	23	**1,998**	1,828	**968**	778
Profit and loss account	23	**(54,608)**	(20,387)	**(42,467)**	(19,549)
Equity Shareholders' (Deficit) / Funds		**(1,016)**	33,035	**10,095**	32,823

The accounts on pages 7 to 43 were approved by the Directors and were signed on behalf of the Board by:

D J C Radcliffe
Director

J F W Kennerley
Director

Date: 30 September 2002.

Statement of Group Total Recognised Gains and Losses
for the year ended 31 March 2002

	Notes	2002 £'000	2001 £'000
Loss attributable to shareholders		**(8,686)**	(9,116)
Currency translation gain on foreign currency net investments	23	**170**	1,828
Actuarial loss recognised in the pension scheme	23	**(36,544)**	(15,352)
Deferred Tax asset movement on pension liability	23	**11,009**	4,081
Total recognised losses for the year / period		**(34,051)**	(18,559)

Reconciliation of Movements in Equity Shareholders' Funds
for the year ended 31 March 2002

	Notes	2002 £'000	2001 £'000
Loss attributable to shareholders		**(8,686)**	(9,116)
Currency translation gain on foreign currency net investments	23	**170**	1,828
Actuarial loss recognised in the pension scheme	23	**(36,544)**	(15,352)
Deferred Tax asset movement on pension liability	23	**11,009**	4,081
Issue of shares		**-**	51,594
Net (decrease) / increase in equity shareholders' funds		**(34,051)**	33,035
Opening equity shareholders' funds		**33,035**	-
Closing equity shareholders' (deficit) / funds		**(1,016)**	33,035

There is no material difference between the profit on ordinary activities before taxation and the historical cost profit before taxation in both 2002 and 2001.

Farnborough Limited
Consolidated Cash Flow Statement / for the year ended 31 March 2002

	Notes	2002 £'000	2001 restated £'000
Net cash inflow from operating activities	A	**29,169**	31,980
Returns on investments and servicing of finance	B	**(12,017)**	*(16,089)*
Taxation		**(2,168)**	(4,773)
Capital expenditure and financial investment	C	**(6,568)**	(3,357)
		8,416	7,761
Acquisitions and disposals	D	**6,972**	(216,990)
Cash inflow / (outflow) before use of liquid resources and financing		**15,388**	(209,229)
Management of liquid resources - net decrease / (increase) in term deposits	F	**3,312**	(3,554)
Financing:			
(Decrease) / Increase in net debt	E	**(22,001)**	207,613
Issue of shares	E	**-**	51,594
(Decrease) / Increase in cash in the period	F	**(3,301)**	46,424

The 2001 results have been restated as finance charges relating to bank loans have been reallocated from operating expenses to interest.

Reconciliation of Cash Flow to Movement in Net Debt / for the year ended 31 March 2002

	Notes	2002 £'000	2001 £'000
(Decrease) / Increase in cash in the period	F	**(3,301)**	46,424
Borrowings net of short term deposits acquired with subsidiaries	F	**-**	(65,558)
Cash outflow / (inflow) from decrease / (increase) in debt and lease financing	F	**22,001**	(207,613)
Cash (inflow) / outflow from increase in liquid resources	F	**(3,312)**	3,554
Change in net debt resulting from cash flows	F	**15,388**	(223,193)
New finance leases	F	**(39)**	-
Foreign currency translation difference	F	**49**	(229)
Movement in net debt in the period		**15,398**	(223,422)
Opening net debt	F	**(223,422)**	-
Closing net debt	F	**(208,024)**	(223,422)

Farnborough Limited
Notes to the Consolidated Cash Flow Statement

Note A / Reconciliation of Operating Profit to Operating Cashflows

	2002	2001 restated
	£'000	£'000
Operating profit	**17,146**	14,390
Depreciation charge	**5,864**	5,475
Amortisation of goodwill	**13,787**	11,193
Loss / (Profit) on sale of tangible assets	**222**	(45)
Hindsight period adjustment to fixed assets (note 24)	**(580)**	-
Profit on sale of other assets	-	(883)
	36,439	30,130
Increase in termination/disposal provisions	**317**	-
Cash expenditure charged to provisions	**(3,473)**	-
	33,283	30,130
Decrease / (Increase) in debtors	**26,479**	(14,346)
(Decrease) / Increase in creditors	**(29,538)**	13,473
Effect of exchange rate movements	**(1,055)**	2,723
Net cash inflow from operating activities	**29,169**	31,980

Note B / Returns on Investments and Servicing of Finance

	2002	2001 restated
	£'000	£'000
Interest paid	**(14,531)**	(11,329)
Interest received	**2,520**	1,723
Issue costs of new bank loans	-	(6,466)
Finance charges on finance leases	**(6)**	(17)
Net cash outflow from returns on investments and servicing of finance	**(12,017)**	(16,089)

Note C / Capital Expenditure and Financial Investment

	2002	2001
	£'000	£'000
Purchase of tangible fixed assets	**(5,979)**	(6,159)
Purchase of other fixed asset investments	**(760)**	(2,571)
Proceeds from sale of tangible fixed assets	**171**	445
Proceeds from sale of fixed asset investments	-	4,928
Net cash outflow from capital expenditure and financial investments	**(6,568)**	(3,357)

Farnborough Limited
Notes to the Consolidated Cash Flow Statement

Note D / Acquisitions and Disposals

	Note	Acquisitions £'000	Disposals £'000	2002 Total £'000	2001 Total Acquisitions £'000
Total net consideration (payable) / proceeds receivable		(490)	4,900	4,410	-
Shares in Hogg Robinson plc acquired		-	-	-	(234,644)
Acquisition costs incurred		-	-	-	(6,289)
Deferred consideration		-	(400)	(400)	-
Disposal costs		-	(534)	(534)	-
Non cash		-	(70)	(70)	-
Cash consideration (paid) / proceeds received		(490)	3,896	3,406	(240,933)
Net (debt) / cash in companies acquired / disposed		-	-	-	23,943
Net cash (paid) / received		(490)	3,896	3,406	(216,990)
Items in respect of prior year transactions:					
Further cash received in relation to a prior year disposal		-	3,018	3,018	-
Deferred consideration		(93)	-	(93)	-
Acquisition costs incurred on purchase of Hogg Robinson plc	24	641	-	641	-
Net inflow / (outflow) from acquisitions and disposals		58	6,914	6,972	(216,990)

Note E / Financing

	2002 £'000	2001 £'000
(Decrease) / Increase in bank loans	(32,709)	89,070
Increase in fixed rate subordinated unsecured loan notes	10,800	120,000
Capital element of finance lease rental payments	(92)	(1,457)
(Decrease) / Increase in debt	(22,001)	207,613
Proceeds from issue of sharess	-	51,594
Net cash inflow from increase in share capital	-	51,594
Net cash (outflow) / inflow from financing	(22,001)	259,207

Note F / Analysis of Net Debt

	Note	As at 1 April 2001 £'000	Acq'ns/Disposals (excl. cash and overdrafts) £'000	Cashflow £'000	Other non-cash changes £'000	Exchange movements £'000	As at 31 March 2002 £'000
Cash in hand and at bank:							
Own funds		44,404	-	(1,339)	-	67	43,132
Restricted funds		1,877	-	(1,670)	-	-	207
		46,281	-	(3,009)	-	67	43,339
Overdrafts		-	-	(292)	-	(6)	(298)
		46,281	-	(3,301)	-	61	43,041
Bank loans		(153,055)	-	32,709	-	(11)	(120,357)
Fixed rate subordinated unsecured loan notes		(120,000)	-	(10,800)		-	(130,800)
Finance leases		(202)	-	92	(39)	(1)	(150)
		(273,257)	-	22,001	(39)	(12)	(251,307)
Term deposits		3,554	-	(3,312)	-	-	242
Net debt		(223,422)	-	15,388	(39)	49	(208,024)
Reconciliation:							
Cash at bank and deposits		49,835					43,581
Bank loans and overdrafts due within one year	19d	(5,911)					(9,229)
Bank loans and overdrafts due after one year		(141,625)					(106,971)
Exclude: unamortised issue costs		(5,519)					(4,455)
Fixed rate subordinated unsecured loan notes		(120,000)					(130,800)
Obligations under finance leases	19d	(202)					(150)
		(223,422)					(208,024)

	Note	As at 17 April 2000 £'000	Acquisitions (excl. cash and overdrafts) £'000	Cashflow £'000	Other non-cash changes £'000	Exchange movements £'000	As at 31 March 2001 £'000
Cash in hand and at bank:							
Own funds		-	-	44,547	-	(143)	44,404
Restricted funds		-	-	1,877	-	-	1,877
		-	-	46,424	-	(143)	46,281
Overdrafts		-	-	-	-	-	-
		-	-	46,424	-	(143)	46,281
Bank loans		-	(64,034)	(89,070)	-	49	(153,055)
Fixed rate subordinated unsecured loan notes		-	-	(120,000)	-	-	(120,000)
Finance leases		-	(1,524)	1,457	-	(135)	(202)
		-	(65,558)	(207,613)	-	(86)	(273,257)
Term deposits		-	-	3,554	-	-	3,554
Net debt		-	(65,558)	(157,635)	-	(229)	(223,422)
Reconciliation:							
Cash at bank and deposits		-					49,835
Bank loans and overdrafts due within one year		-					(5,911)
Bank loans and overdrafts due after one year		-					(141,625)
Exclude: unamortised issue costs		-					(5,519)
Fixed rate subordinated unsecured loan notes		-					(120,000)
Obligations under finance leases		-					(202)
		-					(223,422)

All exchange movements disclosed in the table above have been taken directly to the Exchange reserve.

Farnborough Limited
Accounting Policies

1 Basis of Accounting

The accounts have been prepared under the historical cost convention and conform with applicable United Kingdom accounting standards. The directors consider that the accounting policies set out below are suitable, have been consistently applied and are supported by reasonable and prudent judgments and estimates.

2 Consolidation

The Group accounts include the results and net assets of the Company and its subsidiaries. Subsidiary companies have been consolidated from the effective date of acquisition to that of disposal, with the purchase consideration allocated to the related assets on the basis of fair value.

3 Joint Ventures and Investments

The Group's share of the results of joint ventures is included in the profit and loss account. The investments in joint ventures are included in the balance sheet at the amount of the Group's share of net assets. Other investments are held at cost less any provisions for diminution in value.

4 Goodwill

Goodwill representing the surplus of the purchased consideration over the fair value of the separable net assets acquired is capitalised and amortised over an appropriate period not exceeding 20 years. The useful lives are estimated after taking into account factors such as *the nature of the acquisition, its importance to the group in the relevant market and the typical* lifespan of the business acquired. When a business is disposed of, goodwill where applicable, is charged to the consolidated profit and loss account.

5 Turnover

Turnover, excluding value added tax, represents ticketed income and invoiced sales, net of rebates and discounts, earned during the year. Turnover includes gross sales of Business Travel transactions.

6 Financial Instruments

The Group uses financial instruments to manage its exposure to fluctuations in currency exchange and interest rates. Principal instruments used are interest rate caps, cross currency swaps and forward currency exchange contracts.

Interest rate caps are used to establish a maximum interest rate on those elements of the Group's debt, which they cover, while enabling the Group to benefit from short-term interest rates at a level below that maximum rate. Premia paid to acquire interest rate caps are held as an asset in the balance sheet and amortised over the life of the interest rate cap. Any premium paid to acquire an interest rate cap which is unamortised at the time of sale or cancellation is immediately recognised in the profit and loss account.

Cross currency swaps are used to manage the currency profile of the Group's net debt. Currency assets and liabilities inherent in cross currency swaps used to hedge the net investment in foreign subsidiaries, joint ventures and associated undertakings are revalued at the closing rate of exchange with the resulting gain or loss recognised in the statement of total recognised gains and losses. In the event that cross currency swaps are not, or cease to be, treated as hedges of such net investments, the gain or loss on currency revaluation is recognised in the profit and loss account.

Farnborough Limited
Accounting Policies (continued)

6 Financial Instruments (continued)

Forward currency exchange contracts are used to fix the local currency value of cash flows arising other than in local currency. Assets and liabilities in anticipation of the relevant cash flows are valued at the relevant forward exchange rate, otherwise gains and losses associated with the forward contract are deferred until they are realised. Where such forward exchange contracts cease to hedge future cash flows they are revalued at market rate with any gain or loss recognised in the profit and loss account.

7 Foreign currencies

Assets and liabilities of subsidiaries and interests in joint ventures in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. The results of foreign subsidiaries and joint ventures are translated at the average rate of exchange for the year. Exchange differences arising on the retranslation to closing rates of opening net investments in subsidiary companies and from the translation of the results of those companies at average rates are taken to reserves and reported in the statement of total recognised gains and losses.

Transactions other than in local currency are translated at the exchange rate ruling at the date of the transaction or, where forward exchange contracts have been arranged, at the contractual rates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at the balance sheet date or at a contractual rate if applicable and any exchange differences arising are taken to the profit and loss account.

Exchange differences arising on the translation of foreign currency borrowings are dealt with through the exchange reserve to the extent that there is a corresponding exchange difference on the translation of the related net investments. Exchange differences on sterling denominated Group loans to overseas subsidiaries, which are of a permanent equity nature, are also dealt with through the exchange reserve.

Goodwill denominated in foreign currencies is retranslated at the balance sheet date with exchange differences arising dealt with through the exchange reserve.

8 Leasing

Assets held under finance leases and hire purchase agreements are included in tangible fixed assets and are depreciated using the appropriate rate. Obligations are stated net of finance charges attributable to future periods. Finance charges are allocated over the period of the lease. Operating lease rentals are charged to the profit and loss account over the life of the lease.

9 Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on the cost of all tangible fixed assets, less the estimated residual value, using the straight-line basis over the estimated useful lives.

Freehold properties and long-term leaseholds	50 years
Short-term leasehold premiums and structural leasehold improvements	the lease term
Other leasehold improvements	*the lesser of 7 years* or the lease term
Fixtures, fittings and equipment	4-7 years
Computers and associated externally purchased software	2-5 years
Motor vehicles	3-5 years

Farnborough Limited
Accounting Policies (continued)

10 Deferred Taxation
The Group has adopted Financial Reporting Standard 19 'Deferred Taxation' (FRS 19) during the 2002 financial year. Full provision is made where required by FRS 19 for deferred taxation on all timing differences, which have arisen but have not reversed at the balance sheet date. Prior to the adoption of FRS 19, the group provided for deferred taxation only to the extent that timing differences were expected to reverse in the foreseeable future.

11 Pensions and similar obligations
The group operates a number of pension arrangements, as described in note 29. FRS 17 "Retirement Benefits" was adopted, in full, by the Group in the 31 March 2001 Statutory Accounts.

The assets of the defined benefit pension schemes are measured at their fair value at the balance sheet date and compared to the liabilities of those schemes at the same date, measured on an actuarial basis using the projected unit method. The discount rate used is the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The extent to which the schemes' assets exceed/fall short of their liabilities is shown as a surplus/deficit in the balance sheet to the extent that a surplus is recoverable by the group or that a deficit represents an obligation of the group. The surplus/deficit is shown net of the effect of deferred taxation.

The increase in the present value of pension scheme liabilities arising from employee service in the current period is charged to operating profit. The increase in the present value of pension scheme liabilities relating to employee service in prior periods but arising in the current period as a result of benefit improvements is charged to operating profit over the period during which such improvements vest. The expected return on the schemes' assets and the increase during the period in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

For defined contribution schemes, the profit and loss account reflects contributions payable or refunds receivable in the period.

12 Changes in presentation of financial information

FRS 18 ' Accounting Policies', has been adopted in the current year. This did not require any additional disclosure or change in accounting policy.

FRS 19 ' Deferred Tax', has been adopted in the current year. This only required additional disclosures.

1 Turnover and Gross Profit

	2002 12 months Turnover £'000	2002 12 months Gross Profit £'000	2001 10 months Turnover £'000	2001 10 months Gross Profit £'000
Continuing businesses:				
Business Travel	**1,994,702**	**176,855**	1,765,267	145,256
Benefit & Consulting Services	**66,777**	**63,431**	47,507	49,934
	2,061,479	**240,286**	1,812,774	195,190
Discontinued businesses:				
Benefit & Consulting Services	**1,429**	**431**	9,506	3,041
	1,429	**431**	9,506	3,041
	2,062,908	**240,717**	1,822,280	198,231

	2002	2001
Subsidiary companies	**2,061,340**	1,822,273
Joint venture company	**1,568**	7
	2,062,908	1,822,280

	2002 12 months £'000	2001 10 months £'000
Analysis of turnover by geographical destination:		
Continuing businesses:		
United Kingdom	**1,014,873**	875,532
Rest of Europe	**639,477**	573,886
North America	**336,353**	291,858
Australia	**60,166**	71,498
Singapore	**10,610**	-
	2,061,479	1,812,774
Discontinued businesses:		
United Kingdom	**1,429**	9,506
	1,429	9,506
Total turnover	**2,062,908**	1,822,280

	2002 12 months £'000	2001 10 months £'000
Analysis of turnover by geographical origin:		
Continuing businesses:		
United Kingdom	**1,015,149**	875,943
Rest of Europe		
Denmark	**38,096**	31,308
Finland	**44,383**	41,244
Norway	**270,769**	219,840
Sweden	**183,589**	206,024
France	**56,997**	40,192
Italy	**40,375**	31,279
Russia	**5,268**	3,974
North America		
Canada	**329,940**	283,182
USA	**6,137**	8,290
Rest of World		
Australia	**60,166**	71,498
Singapore	**10,610**	-
	2,061,479	1,812,774
Discontinued businesses:		
United Kingdom	**1,429**	9,506
	1,429	9,506
Total turnover	**2,062,908**	1,822,280

2 Profit on Ordinary Activities Before Taxation

	Notes	2002 12 months £'000	2001 10 months restated £'000
Divisional operating profit (inclusive of joint ventures):			
Continuing businesses:			
Business Travel		9,531	20,486
Benefit & Consulting Services		6,895	(767)
		16,426	19,719
Discontinued businesses:			
Benefit & Consulting Services		176	2,055
		16,602	21,774
Operating exceptional item - continuing business	5	-	(7,664)
Total operating profit : including joint venture		16,602	14,110
Exceptional items	6	-	-
Net interest payable	7	(25,130)	(19,645)
Loss on ordinary activities before taxation		(8,528)	(5,535)
Analysis by geographical origin:			
Continuing businesses:			
United Kingdom		(8,327)	(8,270)
United Kingdom - operating exceptional	5	-	(7,664)
Rest of Europe		(1,199)	2,343
North America		1,752	6,281
Australia		(843)	(280)
Singapore		(87)	-
Total continuing businesses		(8,704)	(7,590)
Discontinued businesses:			
United Kingdom		176	2,055
United Kingdom - exceptional items	6	-	-
Total discontinued businesses		176	2,055
Loss on ordinary activities before taxation		(8,528)	(5,535)

The 2001 results have been restated as finance charges relating to bank loans have been reallocated from operating expenses to interest.

Divisional operating profit includes allocated central costs.

3 Operating Expenses (before Operating Exceptionals)

	Notes	2002 12 months £'000	2001 10 months restated £'000
Staff costs	4	**139,938**	110,826
Audit fees (see below)		**817**	971
Depreciation of tangible fixed assets: Leased fixtures, fittings and vehicles		**71**	118
Depreciation of tangible fixed assets: Other assets		**5,793**	5,357
Goodwill amortisation	11	**13,787**	11,193
Loss / (Profit) on sale of tangible fixed assets		**222**	(45)
Profit on sale of fixed assets investments		**-**	(883)
Operating lease rentals for: Buildings		**9,846**	8,468
Operating lease rentals for: Other assets		**2,414**	814
Release of onerous contract provisions established under fair value		**2,082**	-
Other expenses		**48,601**	39,358
		223,571	176,177
Operating expenses:			
Continuing businesses		**223,316**	175,191
Discontinued businesses		**255**	986
		223,571	176,177

The 2001 results have been restated as finance charges relating to bank loans have been reallocated from operating expenses to interest.

All audit fees are borne by a subsidiary of this Company, Hogg Robinson plc.

Accounting and other advisory services provided to Group companies in the United Kingdom by PricewaterhouseCoopers amounted to £450,000 (2001: £8,000).

Operating exceptionals are disclosed in note 5.

4 Staff Costs

	Notes	2002 12 months £'000	2001 10 months £'000
Staff costs for the Group during the year / period were:			
Salaries		**119,819**	95,189
Redundancy and Termination costs		**1,160**	1,375
Social security costs		**13,976**	10,686
Pension costs	29A	**4,983**	3,576
		139,938	110,826
Staff costs :			
Continuing businesses		**139,809**	110,199
Discontinued businesses		**129**	627
		139,938	110,826

Directors emoluments

The emoluments of the Directors are detailed in note 4 of the report of the Remuneration Committee.

Staff Numbers

The average number of persons employed by the Group, including Executive Directors, during the year was:

	2002 Number	2001 Number
Continuing businesses:		
Business Travel	**4,381**	4,353
Benefit & Consulting Services	**1,376**	1,055
	5,757	5,408
Discontinued businesses:		
Benefit & Consulting Services	**-**	41
	5,757	5,449

5 Operating Exceptional Items

	2002 12 months £'000	2001 10 months £'000
Expenses in relation to acquisition of the Hogg Robinson Group	-	(7,664)
	-	(7,664)

The tax credit relating to the item in the period ended 31 March 2001 was £2,299,000.

6 Exceptional Items

	Note	2002 12 months £'000	2001 10 months £'000
Profit on sale of businesses:			
Gross sales proceeds		**4,900**	-
Fixed assets disposals		**(70)**	-
Disposal costs		**(534)**	-
Net sales proceeds		**4,296**	-
Goodwill written off on disposal	11	**(4,296)**	-
Profit on sale of businesses	24	**-**	-
		-	-

The profit on the sale of businesses in 2002 relates to the sale of general insurance business portfolios known as Wilsons' and 'Quotecheck' on 31 May 2001 acquired as part of the Hogg Robinson purchase . The total consideration was £5.3m. Of this consideration £4.5m was payable on sale and a further £0.4m was paid on 31 May 2002. A maximum of a further £0.4m is payable on 31 May 2003 but is conditional and has not been taken into consideration in the amount accounted for.

7 Interest and similar items

	Note	2002 12 months £'000	2001 10 months restated £'000
Interest payable on bank loans, overdrafts and other loans:			
Repayable within five years		**(4,698)**	(4,460)
Repayable in more than five years		**(18,843)**	(14,980)
		(23,541)	(19,440)
Interest payable on finance leases		**(6)**	(17)
Other finance charges		**(1,134)**	(1,321)
Other finance charges - FRS 17	29b	**(1,800)**	-
Amortisation of issue costs on bank loans		**(1,178)**	(947)
		(27,659)	(21,725)
Interest receivable		**2,489**	1,728
Income from fixed asset investments		**40**	19
Other finance income - FRS 17	29b	**-**	333
		2,529	2,080
Net interest payable and similar items		**(25,130)**	(19,645)
Continuing businesses		**(25,130)**	(19,645)
Discontinued businesses		**-**	-
		(25,130)	(19,645)

The 2001 results have been restated as finance charges relating to bank loans have been reallocated from operating expenses to interest.

8 Taxation

	2002 12 months £'000	2001 10 months £'000
Current tax:		
UK corporation tax on profits of the period	**-**	-
Adjustments in respect of the previous periods	**190**	-
Net UK corporation tax	**190**	-
UK Income Tax	**(34)**	963
Withholding Tax	**72**	35
Foreign tax:		
Foreign tax on profits of the period	**1,755**	2,240
Adjustments in respect of the previous periods	**(5)**	-
	1,750	2,240
Total current tax	**1,978**	3,238
Deferred tax:		
Origination and reversal of timing differences	**(1,304)**	428
Adjustments in respect of the previous periods	**(634)**	-
Total deferred tax	**(1,938)**	428
Share of joint venture and associate companies	**118**	(85)
Tax on profit on ordinary activities	**158**	3,581
The effective Group rate of tax on profits before goodwill amortisation	**3.00%**	63.29%

During the year the group changed its policy in relation to the payment of group relief. The group companies no longer make/receive payments for the value of the losses claimed/surrendered.

8 Taxation (continued)

Factors affecting the tax charge for the period
The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%).
The differences are explained below:

	2002 12 months £'000	2001 10 months £'000
Loss on ordinary activities before tax	**(8,528)**	(5,535)
Add back: goodwill amortisation	**13,787**	11,193
Profit on ordinary activities before tax and goodwill amortisation	**5,259**	5,658
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001: 30%)	**1,578**	1,697
Effects of:		
Losses brought forward ultilised in period	**(9)**	(4)
Expenses not deductible for tax purposes	**886**	1,690
Capital allowances for period in excess of depreciation	**(647)**	(287)
Other timing differences	**339**	357
Chargeable gains covered by capital losses brought forward	**(1,387)**	-
Balance sheet foreign exchange movements subject to tax	**(51)**	(548)
Overseas tax rate adjustments	**17**	254
Adjustments in respect of prior periods	**185**	-
Share of joint venture and associate companies	**118**	(85)
Losses carried forward / not recognised	**1,067**	79
Deferred tax movement	**(1,938)**	428
Current tax charge for the period	**158**	3,581

9 Profit Attributable to Shareholders

As permitted by Section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these accounts.

	Note	**2002 12 months £'000**	2001 10 months £'000
Loss on ordinary activities after taxation shown in the consolidated profit and loss account		**(8,686)**	(9,116)
Dealt with in the accounts of the parent company	23	**(22,918)**	(19,549)

10 Earnings per share

Basic earnings per share is calculated by dividing the earnings attibutable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

	Note	2002 12 months £'000	2001 10 months £'000
Earnings Analysis - (Loss)/Profit attributable to shareholders:			
Continuing businesses		**(8,862)**	(11,171)
Discontinued businesses		**176**	2,055
		(8,686)	(9,116)
Add back/(deduct):			
Amortisation of goodwill	3	**13,787**	11,193
Exceptional items - continuing operations - before taxation	5	-	7,664
Exceptional items - continuing operations - related taxation	5	-	(2,299)
		5,101	7,442
Discontinued operations:			
Exceptional items	6	-	-
Total discontinued operations		-	-
Profits before goodwill amortisation, operating exceptional and exceptional items		**5,101**	7,442

	Basic & Diluted 2002 pence	Basic & Diluted 2001 pence
(Loss)/Earnings per share (EPS):		
Continuing businesses	**(17.18)**	(21.65)
Discontinued businesses	**0.34**	3.98
Total Loss per share	**(16.84)**	(17.67)
Continuing operations:		
Loss per share	**(17.18)**	(21.65)
Add back/(deduct):		
Effect of amortisation of goodwill	**26.72**	21.70
Effect of exceptional items- before taxation	-	14.85
Effect of exceptional items- related taxation	-	(4.46)
EPS on profits on continuing businesses before goodwill amortisation, operating exceptional and exceptional items	**9.54**	10.44
Discontinued operations:		
Earnings per share	**0.34**	3.98
Add back/(deduct):		
Effect of exceptional items	-	-
EPS on profits on discontinued businesses before goodwill amortisation, operating exceptional and exceptional items	**0.34**	3.98
EPS on profits before goodwill amortisation, operating exceptional and exceptional items	**9.88**	14.42

	Basic 2002 '000	Basic 2001 '000
Weighted average number of shares	**51,594**	51,594

Consistent with previous years, supplementary basic and diluted EPS calculations, excluding goodwill amortisation, operating exceptional and exceptional items, have been disclosed. The adjusted EPS gives a more meaningful measure of underlying trading performance.

11 Intangible Fixed Assets - Goodwill

	Note	Goodwill £'000
Group		
Cost:		
At 1 April 2001		265,930
Adjustment in respect of acquisitions in prior periods	24	10,363
Exchange differences		307
Disposals	24	(4,296)
Additions	24	490
At 31 March 2002		**272,794**
Aggregate amortisation:		
At 1 April 2001		11,193
Charge for the year	3	13,787
At 31 March 2002		**24,980**
Net book value at 31 March 2002		**247,814**
Net book value at 31 March 2001		254,737

The adjustment was made as a result of a reassessment of the net assets acquired on the acquisition of the Hogg Robinson plc Group in 2001.

Additions to goodwill in the year relate to the acquisition of BTI Singapore.

12 Tangible assets

Group	Fixtures, Fittings and Vehicles Leased £'000	Fixtures, Fittings and Vehicles Owned £'000	Properties £'000	Total £'000
Cost:				
At 1 April 2001	970	40,832	8,827	50,629
Exchange differences	-	(13)	-	(13)
Additions	38	5,611	368	6,017
Disposals	(262)	(2,119)	-	(2,381)
At 31 March 2002	**746**	**44,311**	**9,195**	**54,252**
Depreciation:				
At 1 April 2001	781	26,654	2,862	30,297
Exchange differences	-	-	-	-
Charge for the year	71	5,439	354	5,864
Disposals	(229)	(1,759)	-	(1,988)
At 31 March 2002	**623**	**30,334**	**3,216**	**34,173**
Net book value at 31 March 2002	**123**	**13,977**	**5,979**	**20,079**
Net book value at 31 March 2001	189	14,178	5,965	20,332

	2002 £'000	2001 £'000
Group properties at net book value comprise:		
Freeholds	**3,149**	3,117
Short leaseholds	**2,830**	2,848
	5,979	5,965

The Company has no tangible fixed assets.

13 Fixed Asset Investments

Group	Joint Venture £'000	Investment in TRX Inc £'000	Other £'000	Total £'000
Cost:				
At 1 April 2001	-	18,152	228	18,380
Exchange adjustments	-	325	-	325
Additions	-	729	31	760
At 31 March 2002	**-**	**19,206**	**259**	**19,465**
Share of post acquisition reserves:				
At 1 April 2001	-	-	-	-
Net earnings	(662)	-	-	(662)
Transfer to provisions (note 20)	662	-	-	662
At 31 March 2002	**-**	**-**	**-**	**-**
Net Book Value at 31 March 2002	**-**	**19,206**	**259**	**19,465**
Net Book Value at 31 March 2001	-	18,152	228	18,380

Company	Subsidiary Companies £'000
Cost:	
At 1 April 2001	240,932
Adjustments	(641)
At 31 March 2002	**240,291**

Adjustments to the company investment in subsidiaries relates to additional costs.

All investments are unlisted. In the opinion of the Directors the value of all interests are not less than the above stated carrying values. The investments in principal trading subsidiaries are set out in note 30. The distribution of the accumulated reserves of overseas associated companies would result in an additional UK tax charge which has not been provided for in the Group Accounts.

Joint venture company

The interests in the joint venture company at 31 March 2002, shown above, represented a 50% interest in the issued share capital of E-TRX Limited, whose business is to provide technology solutions to the travel industry. The company is registered and operating in the United Kingdom. The shares are owned by an intermediate holding company.

	£'000
Share of gross assets	1,362
Share of gross liabilities	(2,299)
	(937)

Investment in TRX Inc

In November 2001, the Group acquired a further $1,039,873 (£729,000) of convertible promissory notes of TRX Inc.

At 31 March 2002 the Group held 19.57% of the shares of TRX Inc. The Company does not participate in the commercial or financial policy decisions of this investment and so the directors do not consider it to be an associate.

The latest published financial statements of TRX Inc for the year ended 31 December 2001 showed the following:

	31/12/2001 £'000	**31/12/2001 $'000**	31/12/2000 £'000	31/12/2000 $'000
Capital and reserves	**5,972**	**8,504**	13,620	19,364
Loss for the year	**(8,135)**	**(11,584)**	(7,972)	(11,334)

Other Investments

Other fixed asset investments include holdings overseas in shares that are not significant in nature.

In addition the group also holds shares in Business Travel International (BTI BV) a travel service and management organisation in which Hogg Robinson has a 46% interest. Hogg Robinson is currently the managing partner. In this role Hogg Robinson (Travel) Limited (HRT) provides staff, premises and management expertise to BTI BV. All costs incurred by BTI BV are recharged to the BTI partners. The results of BTI BV are equity accounted. The results are not material.

The amount charged for these services during the year to 31 March 2002 amounted to £2,055,000 (2001 £1,422,000). BTI BV is funded by its current shareholders and for HRT this amounted to £203,000 (2001 £361,000). At 31 March 2002 £108,000 (2001 £865,000) was due by BTI BV to HRT and £30,000 (2001 £301,000) was due by HRT to BTI BV .

14 Debtors

	Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
Amounts falling due within one year:				
Trade debtors	**69,463**	92,152	**-**	-
Due from subsidiary companies	**-**	-	**13,885**	8,572
Due from joint ventures	**926**	718	**-**	-
Other debtors	**13,555**	13,624	**2**	2,615
Corporation tax	**776**	966	**-**	-
Prepayments and accrued income	**19,221**	21,146	**965**	1,488
	103,941	128,606	**14,852**	12,675
Amounts falling due after more than one year:				
Due from parent company	**-**	8	**-**	8
Due from subsidiary companies	**-**	-	**15,416**	63,644
Due from joint ventures	**1,238**	-	**-**	-
Other debtors	**65**	-	**-**	-
Prepayments and accrued income	**155**	62	**-**	-
	1,458	70	**15,416**	63,652
Total debtors	**105,399**	128,676	**30,268**	76,327

15 Creditors: amounts falling due within one year

	Note	Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
Trade Creditors		**59,889**	74,530	**-**	-
Due to subsidiary companies		**-**	-	**8,583**	7,662
Corporation tax		**2,253**	1,356	**-**	1,780
Social security and payroll taxes		**4,871**	5,733	**-**	-
Deferred consideration		**28**	307	**-**	-
Other creditors		**13,868**	11,718	**222**	100
Accruals and deferred income		**39,241**	44,738	**10,676**	10,475
Bank and other borrowings	16	**9,252**	5,997	**7,770**	3,883
		129,402	144,379	**27,251**	23,900

16 Bank and other borrowings due within one year

	Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
Bank loans and overdrafts due within one year or on demand:				
Secured	**9,229**	5,911	**7,770**	3,883
	9,229	5,911	**7,770**	3,883
Finance lease obligations	**23**	86	**-**	-
	9,252	5,997	**7,770**	3,883

Bank loans and other borrowings are denominated in a number of currencies and bear interest based on LIBOR or foreign equivalents appropriate to the country in which the borrowing is incurred.

The Group's principal bank facilities are secured by the assets of the Company and those of the majority of its subsidiaries. Repayment is also guaranteed by the Company and the majority of its subsidiaries.

17 Creditors: amounts falling due after more than one year

	Note	**Group 2002 £'000**	Group 2001 £'000	**Company 2002 £'000**	Company 2001 £'000
Due to parent company		**442**	440	**442**	440
Due to subsidiary companies		**-**	-	**44,051**	54,368
Corporation tax		**429**	604	**-**	-
Deferred consideration		**-**	26	**-**	-
Other		**-**	675	**-**	-
Bank and other borrowings	18	**237,898**	261,741	**188,720**	207,348
		238,769	263,486	**233,213**	262,156

18 Bank and other borrowings due after one year

	Group 2002 £'000	Group 2001 £'000	**Company 2002 £'000**	Company 2001 £'000
Secured bank loans	**106,971**	141,625	**57,920**	87,348
Fixed rate subordinated unsecured loan notes	**130,800**	120,000	**130,800**	120,000
Finance lease obligations	**127**	116	**-**	-
	237,898	261,741	**188,720**	207,348

Bank loans are shown net of unamortised issue costs of £4,455,000 (2001: £5,519,000). During the year a further £114,000 of issue costs were incurred.

Bank loans and other borrowings are denominated in a number of currencies and bear interest based on LIBOR or foreign equivalents appropriate to the country in which the borrowing is incurred.

The Group's principal bank facilities are secured by the assets of the Company and those of the majority of its subsidiaries. Repayment is also guaranteed by the Company and the majority of its subsidiaries.

The fixed rate subordinated unsecured loan notes are repayable after 9 years with an annual interest charge of 10%. A maximum of 1% of the interest is repayable in cash each year.

19 Financial Instruments

The Company's treasury policy and foreign exchange risk management is to avoid transactions of a speculative nature.

A hedging policy is followed, as appropriate, to protect profits and exchange movements on overseas assets as follows:
- Matching significant overseas net asset positions with equivalent currency loans.
- Forward cover for known major movements of funds between currencies.
- Minimising interest costs.

a Short-term debtors and creditors

Short-term debtors and creditors have been excluded from all the following disclosures, other than the currency risk disclosures.

b Interest rate risk profile of financial liabilities

The interest rate risk profile of the group's financial liabilities at 31 March, after taking into account the interest rate and currency swaps used to manage the interest and currency profile was :

2002 Currency	Fixed rate financial liabilities £'000	Non Interest Bearing liabilities £'000	Floating rate financial liabilities Excl Currency Swaps £'000	Subtotal £'000	Floating rate financial liabilities Currency Swaps £'000	2002 Total £'000
External:						
Sterling	130,811	-	65,842	196,653	(39,304)	157,349
US Dollar	-	-	-	-	18,854	18,854
Canadian Dollar	-	-	17,210	17,210	9,331	26,541
Euro	-	-	146	146	-	146
Swedish Krona	-	-	22,603	22,603	293	22,896
Norwegian Krone	-	-	8,394	8,394	7,658	16,052
Danish Krone	119	-	-	119	247	366
Singapore Dollar	-	-	-	-	1,047	1,047
Australian Dollar	20	-	2,005	2,025	1,874	3,899
Total external	130,950	-	116,200	247,150	-	247,150
Internal : Sterling	-	442	-	442	-	442
At 31 March 2002	130,950	442	116,200	247,592	-	247,592

Analysis:	Note	£'000
Bank loans and other borrowings due within one year	16	9,252
Bank loans and other borrowings due after one year	18	107,098
Fixed rate subordinated unsecured loan notes	18	130,800
Due to Parent company - after one year	17	442
At 31 March 2002		247,592

All the group's creditors falling due within one year (other than bank and borrowings) are excluded from the above tables either due to the exclusion of short-term items or because they do not meet the definition of a financial liability.

19 Financial Instruments - continued

b Interest rate risk profile of financial liabilities (continued)

2001 Currency	Fixed rate financial liabilities £'000	Non Interest Bearing liabilities £'000	Floating rate financial liabilities Excl Currency Swaps £'000	Subtotal £'000	Floating rate financial liabilities Currency Swaps £'000	2001 Total £'000
External:						
Sterling	120,059	26	90,754	210,839	(572)	210,267
US Dollar	-	295	-	295	-	295
Canadian Dollar	-	-	17,869	17,869	-	17,869
French Francs	-	76	-	76	-	76
Euro	-	-	-	-	317	317
Swedish Krona	-	-	26,434	26,434	-	26,434
Norwegian Krone	-	205	9,266	9,471	-	9,471
Danish Krone	120	-	-	120	255	375
Australian Dollar	23	99	3,213	3,335	-	3,335
Total external	120,202	701	147,536	268,439	-	268,439
Internal: Sterling	-	-	440	440	-	440
At 31 March 2001	120,202	701	147,976	268,879	-	268,879

Analysis:	Note	£'000
Bank loans and other borrowings due within one year	16	5,997
Bank loans and other borrowings due after one year	18	141,741
Fixed rate subordinated unsecured loan notes	18	120,000
Due to Parent companies - after one year	17	440
Deferred consideration - due after one year	17	26
Other creditors - due after one year	17	675
At 31 March 2001		268,879

Fixed rate and non-interest bearing financial liabilities as at 31 March

	2002			2001		
Currency	**Weighted average interest rate %**	**Weighted average period for which rate is fixed Years**	**Weighted av period to maturity for non-interest bearing liabs Years**	Weighted average interest rate %	Weighted average period for which rate is fixed Years	Weighted av period to maturity for non-interest bearing liabs Years
Fixed rate liabilities:						
Sterling - HP & Finance Leases	**7.5%**	**0.2**	-	7.9%	1.8	-
Sterling - Subordinated unsecured loan notes	**10.0%**	**9.0**	-	10.0%	10.0	-
Danish Krone - HP & Finance Leases	**3.8%**	**3.0**	-	3.8%	4.0	-
Australian Dollar - HP & Finance Leases	**5.2%**	**1.4**	-	5.2%	2.3	-
Non-interest bearing liabilties:						
Sterling	-	-	**7.0**	-	-	1.0
Canadian Dollars	-	-	-	-	-	1.0
Australian Dollars	-	-	-	-	-	1.0
US Dollars	-	-	-	-	-	1.1
French Francs	-	-	-	-	-	1.0
Norwegian Krone	-	-	-	-	-	1.0

Floating rate financial liabilities bear interest rates, based on relevant currency LIBOR equivalents, which are fixed in advance for up to one year.

19 Financial Instruments - continued

c Interest rate profile of financial assets

The interest rate risk profile of the group's financial liabilities at 31 March, after taking into account the interest rate and currency swaps used to manage the interest and currency profile was:

2002 Currency	Note	Non-Interest Bearing Assets £'000	Floating Rate Assets Excl Currency Swaps £'000	Subtotal £'000	Floating Rate Assets Currency Swaps £'000	2002 Total £'000
Sterling		111	31,038	31,149	(20,245)	10,904
Canadian & US Dollars		19,842	1,753	21,595	-	21,595
Other European Currencies		84	2,671	2,755	20,245	23,000
Scandinavian Currencies		237	7,949	8,186	-	8,186
Other Currencies		146	518	664	-	664
At 31 March 2002		20,420	43,929	64,349	-	64,349
Analysis:						
Cash at bank & in hand		955	42,626	43,581		
Investment in TRX Inc	13	19,206	-	19,206		
Other fixed asset investments	13	259	-	259		
Due from joint ventures - after one year	14	-	1,238	1,238		
Other debtors - after one year	14	-	65	65		
At 31 March 2002		20,420	43,929	64,349		

2001 Currency	Note	Non-Interest Bearing Assets £'000	Floating Rate Assets £'000	2001 Total £'000
Sterling		28	31,003	31,031
Canadian & US Dollars		18,162	1,875	20,037
Other European Currencies		488	1,345	1,833
Scandinavian Currencies		233	15,074	15,307
Other Currencies		2	13	15
At 31 March 2001		18,913	49,310	68,223
Analysis:				
Cash at bank & in hand		533	49,302	49,835
Investment in TRX Inc	13	18,152	-	18,152
Other fixed asset investments	13	228	-	228
Due from Parent Company - after one year	14	-	8	8
At 31 March 2001		18,913	49,310	68,223

There were no curency swaps relating to financial assets in 2001. There were no disclosable fixed rate assets for the year ended 31 March 2002 or 31 March 2001.
Any surplus cash is invested for periods up to one month. The average interest earnings achieved on Sterling deposits over the year ended 31 March 2002 was 4.65% (2001: 5.6%).

19 Financial Instruments - continued

d Maturity of financial liabilities

The maturity profile of the carrying amount of the group's financial liabilities, other than short-term creditors such as trade creditors and accruals, at 31 March was as follows:

		2002				2001				
		Debt	Finance Leases	Due to Parent Companies	Total	Debt	Finance Leases	Due to Parent Companies	Other	Total
Group	**Note**	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Within 1 year or on demand		9,229	23	-	9,252	5,911	86	-	-	5,997
Between 1 and 2 years		12,923	52	-	12,975	8,764	48	-	701	9,513
Between 2 and 5 years		25,574	75	-	25,649	46,969	68	-	-	47,037
Over 5 years		203,729	-	442	204,171	211,411	-	440	-	211,851
		251,455	150	442	252,047	273,055	202	440	701	274,398
Analysis:										
Due within one year	16	9,229	23	-	9,252	5,911	86	-	-	5,997
Due after one year	17/18	106,971	127	442	107,540	141,625	116	440	701	142,882
Fixed rate subordinated unsecured loan notes	18	130,800	-	-	130,800	120,000	-	-	-	120,000
Exclude: unamortised issue costs		4,455	-	-	4,455	5,519	-	-	-	5,519
		251,455	150	442	252,047	273,055	202	440	701	274,398
Company										
Within 1 year or on demand		7,770	-	-	7,770	3,883	-	-	-	3,883
Between 1 and 2 years		11,494	-	-	11,494	7,766	-	-	-	7,766
Between 2 and 5 years		20,064	-	-	20,064	40,385	-	-	-	40,385
Over 5 years		161,617	-	442	162,059	164,716	-	440	-	165,156
		200,945	-	442	201,387	216,750	-	440	-	217,190
Analysis:										
Due within one year	16	7,770	-	-	7,770	3,883	-	-	-	3,883
Due after one year	17/18	57,920	-	442	58,362	87,348	-	440	-	87,788
Fixed rate subordinated unsecured loan notes	18	130,800	-	-	130,800	120,000	-	-	-	120,000
Exclude: unamortised issue costs		4,455	-	-	4,455	5,519	-	-	-	5,519
		200,945	-	442	201,387	216,750	-	440	-	217,190

All debt maturing over 5 years is repayable by instalment except for the loan notes which are repayable on 22 June 2010.

19 Financial Instruments - continued

e Borrowing facilities

The Group has various committed, undrawn, floating rate overdraft and money market facilities at 31 March 2002 amounting to £42,271,000 (2001 £53,680,000). These facilities expire as follows;

	£'000
Less than one year	-
1-2 years	-
more than 2 years	42,271
	42,271

f Fair values of financial assets and financial liabilities

Set out below is a comparison by category of book values and fair values of all the Group's financial assets and financial liabilities as at 31 March.

	Note	2002 Book value £'000	2002 Fair value £'000	2001 Book value £'000	2001 Fair value restated £'000
Primary financial instruments held or issued to finance the Group's operations:					
Financial liabilities:					
Overdrafts and short-term borrowings	16	9,252	9,252	5,997	5,997
Fixed rate subordinated unsecured loan notes	18	130,800	129,697	120,000	124,729
Other long-term borrowings	18	107,098	107,098	141,741	141,741
Due to Parent companies - after one year	17	442	442	440	440
Deferred consideration - due after one year	17	-	-	26	26
Other creditors - due after one year	17	-	-	675	675
Forward foreign exchange contracts	19h	-	30	-	97
		247,592	246,519	268,879	273,705
Financial assets:					
Cash at bank & in hand	19c	43,581	43,581	49,835	49,835
Investment in TRX Inc	13	19,206	19,206	18,152	23,156
Other fixed asset investments	13	259	259	228	228
Due from Parent Company - after one year	14	-	-	8	8
Due from joint ventures - after one year	14	1,238	1,238	-	-
Other debtors - after one year	14	65	65	-	-
Forward foreign exchange contracts	19h	-	(21)	-	-
		64,349	64,328	68,223	73,227
Interest rate caps	19h	965	274	1,488	301
		65,314	64,602	69,711	73,528

The fair value of the fixed rate subordinated unsecured loan notes at 31 March 2001 has been restated to excluded interest accrued of £9,271,000.

The fair value of short-term deposits, loans and overdrafts approximates to the carrying amount because of the short maturity of these instruments.

The fair value of investments are based on market prices where available.

The difference between book values and fair values of long term borrowings takes into account the present value of the staged repayments of the loan facilities described in 19d.

19 Financial Instruments - continued

g Currency exposures

To mitigate the effect of the currency exposures arising from its net investments overseas the group either borrows in the local currency of its main operating units or swaps other borrowings, using currency swaps, into such local currencies.

The table below shows the extent to which group companies have monetary assets and liabilities in currencies other than their local currency. As at 31 March these exposures were as follows;

Net foreign currency monetary assets/(liabilities)

2002	Sterling £'000	US & Can dollars £'000	Scandinavian currencies £'000	Euro £'000	Other European currencies £'000	Australian dollars £'000	Singapore dollars £'000	Total £'000
Functional currency of operations:								
Sterling	-	3,010	4	324	11	133	109	3,591
Scandinavian currencies	27	1	(809)	147	-	-	-	(634)
Other European currencies	(767)	1,343	-	-	-	(1,874)	(98)	(1,396)
Other currencies	977	-	-	-	-	-	-	977
Total	237	4,354	(805)	471	11	(1,741)	11	2,538

Net foreign currency monetary assets/(liabilities)

2001	Sterling £'000	US & Can dollars £'000	Scandinavian currencies £'000	Euro £'000	Other European currencies £'000	Australian dollars £'000	Singapore dollars £'000	Total £'000
Functional currency of operations:								
Sterling	-	(1,010)	1,909	6,975	-	157	-	8,031
Scandinavian currencies	(8,572)	97	-	-	37	-	-	(8,438)
Other European currencies	(1,820)	12,522	(35)	(3,327)	-	-	-	7,340
Other currencies	1,001	-	-	-	-	-	-	1,001
Total	(9,391)	11,609	1,874	3,648	37	157	-	7,934

h Hedges

It is policy to use, where appropriate, currency forward contracts to mitigate exchange fluctuations on funds remitted between currencies.
All the gains and losses on these hedging instruments are expected to be matched by losses and gains on the hedged transactions or positions.

Consequently, two short-term forward foreign exchange contracts were outstanding at 31 March 2002, in respect of US dollars that were to be remitted and one in respect of US Dollars to be paid. These forward contracts matured in April and May 2002.

Several further short term foreign exchange contracts were outstanding at 31 March 2002 with the purpose of hedging receivables from subsidiary companies.

Farnborough Limited has used interest rate caps to protect itself from increases in interest rates. The caps were designed to cover 75% of Farnborough Limited's variable rate borrowings in each of the currencies borrowed and have a maturity of 2.1 years at 31 March 2002. The cost of the caps is charged to the profit and loss account over their life.

I Financial instruments held for trading purposes

The group does not trade in financial instruments.

20 Provisions for Liabilities and Charges

	Note	Deferred Taxation £'000	Terminations and Disposals Provision £000	Reorganisation Provision £000	Joint Venture Provision £000	Other Provisions £000	Total £000
Group							
At 1 April 2001		2,969	319	893	276	-	4,457
Transfer from other creditors at 1 April		-	-	-	-	2,405	2,405
Exchange adjustments		(14)	-	25	-	(54)	(43)
Charged/(released) to/from profit and loss account		(1,938)	317	-	-	14,809	13,188
Transfer to goodwill		(303)	-	-	-	-	(303)
Utilised during the year	A	-	-	(918)	-	(2,555)	(3,473)
Transfer from investment in joint venture companies	13	-	-	-	662	-	662
At 31 March 2002		**714**	**636**	**-**	**938**	**14,605**	**16,893**

There are no provisions in the company.

Terminations and Disposals Provision
Termination and disposal provisions at 31 March 2002 includes provisions in respect of a group company in liquidation and a business closure.

Reorganisation Provision
The reorganisation provision at 31 March 2001 relates to a subsidiary in Canada.

Joint Venture Provisions
This represents the Group's share of deficiency in net assets within a joint venture company.

Other Provisions
The other provisions includes amounts arising from the assessment for fair value of Hogg Robinson plc on acquisition by its parent company, Farnborough Limited, in May 2000. This includes provisions for onerous contracts, disputed balances in various territories and settlement of pension misselling liabilities.

Provision for Deferred Taxation

	Note	Group 2002 £'000	Group 2001 £'000
At 1 April		**2,969**	2,624
Exchange adjustments		**(14)**	(83)
Transfer to goodwill		**(303)**	-
Deferred tax charge in profit & loss account	8	**(1,938)**	428
At 31 March		**714**	2,969
Deferred tax charge in profit & loss account comprises:			
Accelerated capital allowances		**(222)**	-
Other		**(1,716)**	428
Undiscounted provision for deferred tax		**(1,938)**	428

The Group has an unrecognised UK Deferred Tax asset of £2,373,000 (2001: £329,000) relating to excess depreciation over capital allowances. The asset has not been recognised as the balance of probability is that the group will not be in a UK tax paying position for the foreseeable future due to tax losses brought forward and a high tax written down value of its fixed assets.

21 Net Assets

Group	Net Assets £'000	Goodwill Amortised £'000	2002 Net Assets Including Goodwill Amortised £'000	Net Assets restated £'000	Goodwill Amortised £'000	2001 Net Assets Including Goodwill Amortised £'000
Business segment analysis:						
Business Travel	14,054	11,147	25,201	66,575	4,976	71,551
Benefit & Consulting Services	40,078	13,505	53,583	19,978	6,217	26,195
	54,132	24,652	78,784	86,553	11,193	97,746
Central - borrowings	(251,454)	-	(251,454)	(267,536)	-	(267,536)
Central - pension liability	(52,290)	-	(52,290)	(26,603)		(26,603)
Central- goodwill	244,561	-	244,561	254,737	-	254,737
Central - other	4,035	-	4,035	(14,116)	-	(14,116)
	(1,016)	24,652	23,636	33,035	11,193	44,228
Geographical segment analysis:						
United Kingdom	(8,031)	19,415	11,384	(29,580)	9,073	(20,507)
Rest of Europe	(5,720)	4,471	(1,249)	14,409	1,778	16,187
Rest of World	11,648	93	11,741	14,048	32	14,080
North America	1,087	673	1,760	34,158	310	34,468
	(1,016)	24,652	23,636	33,035	11,193	44,228

Net assets disclosures in 2001 have been restated to reflect the reclassification of a group company from business travel to central.

22 Share Capital

	2002 £'000	2001 £'000
Authorised 60,000,000 ordinary shares of £1 each	60,000	60,000

	Number	Share Capital Issued and fully paid up £'000
At 1 April 2001 and 31 March 2002	51,593,950	51,594

23 Reserves

	Note	Profit and Loss Account excluding pension liability £'000	Pension Reserve £'000	Profit and Loss Account including pension liability £'000	Exchange Reserve £'000
Group					
At 1 April 2001		**(11,109)**	**(9,278)**	**(20,387)**	**1,828**
					-
Retained loss for the year		**(8,686)**	-	**(8,686)**	-
Currency translation gain on foreign currency net assets		-	-	-	**170**
Pension reserve movements:	29				-
- Actuarial loss in STRGL		-	**(36,544)**	**(36,544)**	-
- Deferred Tax asset movement in STRGL		-	**11,009**	**11,009**	-
- Financing cost		**1,800**	**(1,800)**	-	-
- Current service cost		**4,462**	**(4,462)**	-	-
- Contributions		**(6,110)**	**6,110**	-	-
At 31 March 2002		**(19,643)**	**(34,965)**	**(54,608)**	**1,998**
Realised		**(19,643)**	-	**(19,643)**	
Unrealised		-	**(34,965)**	**(34,965)**	
		(19,643)	**(34,965)**	**(54,608)**	

Company	Note	Profit and Loss Account £'000	Exchange Reserve £'000
At 1 April 2001		**(19,549)**	**778**
Retained loss for the year	9	**(22,918)**	-
Exchange reserve movement in the year		-	**190**
At 31 March 2002		**(42,467)**	**968**

24 Acquisitions and Disposals

1 Acquisitions - BTI Singapore Pte Limited

On 1 June 2001, the Group acquired the business and certain fixed assets of a business travel company in Singapore. A new subsidiary, HR Singapore Pte Limited, was formed to act as the acquiring vehicle. The acquisition was funded by a local bank loan of S$1,050,000. The share capital of HR Singapore Pte Limited of S$100,000 was funded by the Group.

	Note	£'000
Consideration paid		402
Acquisition expenses		88
Fixed Assets acquired (NBV)		-
Goodwill acquired	11	490

In accordance with FRS 10 goodwill has been capitalised as an intangible asset and amortised over its useful life, being 20 years. The acquisition has been accounted for using the acquisition method.

2 Disposals - two Benefit and Consulting Services general insurance businesses

On 31 May 2001, a subsidiary company Call Centre Enterprises Limited sold the general insurance business portfolios known as 'Wilsons' and 'Quotecheck'. The total consideration agreed was £5.3m. Of this consideration £4.5m was payable on sale and a further £0.4m was paid due twelve months later. A maximum of a further £0.4m is payable twenty four months later but is conditional.

	Note	£'000
Proceeds		4,900
Fixed assets disposed		(70)
Disposal costs		(534)
Profit before goodwill		4,296
Goodwill written off on disposal	11	(4,296)
Profit on disposal	6	-

24 Acquisitions - continued

3 Goodwill on acquisition of Hogg Robinson plc

On 10 May 2000, the board of Hogg Robinson plc recommended a cash offer of £2.85 per share from Farnborough Limited, a management buy-out vehicle and wholly owned subsidiary of Farnborough (Holdings) Limited to acquire all of the issued and to be issued share capital of Hogg Robinson plc. In accordance with FRS 10 goodwill has been capitalised as an intangible asset and amortised over its useful life. The directors decided to amortise this goodwill arising on the acquisition over 20 years.

All acquisitions have been accounted for using the acquisition method. The fair value of assets acquired and the goodwill attributed thereto is analysed below.

	Provisional Fair Value to the Group £'000	Hindsight Period Adjustments £'000	Final Fair Value to the Group £'000
Tangible fixed assets	19,820	(580)	19,240
Other investments	18,949	-	18,949
Debtors:			
Trade debtors	85,898	-	85,898
Other debtors and prepayments	27,690	2,657	30,347
	113,588	2,657	116,245
Cash at bank	34,784	3,018	37,802
Creditors:			
Trade creditors	(63,027)	-	(63,027)
Corporation tax	(2,556)	(1,100)	(3,656)
Finance Lease creditor	(1,524)	-	(1,524)
Other creditors and accruals	(49,864)	(493)	(50,357)
	(116,971)	(1,593)	(118,564)
Provisions	(1,296)	(14,809)	(16,105)
Deferred Tax Provisions	(3,469)	303	(3,166)
Bank loans	(64,034)	-	(64,034)
Bank overdrafts	(10,841)	-	(10,841)
Net assets acquired excluding pension liability	(9,470)	(11,004)	(20,474)
Pension Liability	(17,080)	-	(17,080)
Net Assets acquired	**(26,550)**	**(11,004)**	**(37,554)**
Consideration paid	**240,932**	**(641)**	**240,291**
Goodwill	**267,482**	**10,363**	**277,845**

Consideration consists of :	£'000
Shares in Hogg Robinson plc	
82,330,917 shares @ £2.85 each	234,643
Acquisition expenses capitalised	5,648
	240,291

Fair Value adjustments on acquisitions of Hogg Robinson plc

As permitted under FRS 7 ' Fair Values in Acquisition Accounting', the company has reassessed the fair value of net assets acquired at the time of acquisition of Hogg Robinson plc. The fair value reassessments have resulted in the adjustments as shown above.

The adjustment to fixed assets relates to IT equipment subsequently being identified as having a nil net book value to the group.

The adjustment to corporation tax relates to a reassessment of tax balances at the MBO date.

The adjustments to creditors includes costs incurred in relation to the elimination of asbestos in a group company's premises.

The adjustments to provisions included provisions for onerous contracts, disputed balances in various territories and settlement of pension misselling liabilities.

25 Capital Commitments

Group	2002 £'000	2001 £'000
Capital expenditure contracted for but not provided for in these accounts amounted to:	**610**	267

There were no capital commitments for the Company.

26 Operating Lease Commitments

	Land and Buildings 2002 £'000	Other 2002 £'000	Land and Buildings 2001 £'000	Other 2001 £'000
To be paid in the following year in respect of leases expiring in:				
Within one year	**697**	**671**	984	402
Within two to five years	**5,829**	**1,271**	5,873	1,852
After five years	**3,614**	**2,529**	2,693	26
	10,140	**4,471**	9,550	2,280

Included in the Group land and buildings are leases guaranteed by a subsidiary company amounting to £1,854,000 (2001: £1,854,000).

27 Contingent Liabilities

	Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
Guarantees and terminable indemnities	**8,699**	2,699	**7,289**	670
Travel Industry Bonds	**7,787**	13,174	**5,294**	6,755
	16,486	15,873	**12,583**	7,425

On 28 June 2001, a subsidiary of the Company received a notice from Towry Law plc purporting to give notice of claims arising from alleged breaches of warranties made at the time that the Company disposed of Advizas Limited to Towry Law plc in January 2000. Formal proceedings were issued by Towry Law on 26 March 2002 for £28.5m in respect of the alleged breaches of warranty. The board has been taking legal advice on the contents of these claims since they were first raised and has served a detailed defence to the claims on 19 July 2002. The board does not believe that the Company has breached any material warranty and therefore any such claim would be without merit. The board will vigorously resist these claims.

In 1994 Compagnie Dens Ocean NV (CDO), an indirectly owned subsidiary, received a claim from the Belgian Customs authorities resulting in a liquidator being appointed in 1995. Civil litigation is in process with criminal proceedings being considered pending the final outcome of the civil action. The liquidator is defending the civil action vigorously and has received strong legal advice on the strength of CDO's case. The Directors continue to believe, on the basis of such advice, that any future impact on the net assets of the Group would not exceed the existing provision.

A subsidiary of the Company has agreed to provide financial assistance to a joint venture company, in proportion to its equity participation to enable it to meet its liabilities as and when they fall due during a period of at least twelve months or until such time that the company no longer holds shares in the company, whichever is earlier.

In addition to the above, there were other contingent liabilities arising in the ordinary course of business at 31 March 2002. These are not expected to give rise to any significant loss.

The Group's principal bank facilities are secured by the assets of the Company and those of the majority of its subsidiaries. Repayment is also guaranteed by the Company and the majority of its subsidiaries.

28 Related Party Transactions

During the year, Directors of both the Company and its various subsidiaries have availed themselves of travel and insurance broking services at rates generally available to Group employees. The aggregate of such transactions is not material.

The company is a wholly owned subsidiary of Farnborough (Holdings) Limited. Consequently the company is exempt, under the provisions of Financial Reporting Standard 8, from disclosing the details of any transactions with Group related parties.

29 Pensions

The Group provides pension arrangements for its employees in the United Kingdom and in its overseas operations. With the exception of a plan in Norway and the UK, pension arrangements are defined contribution in nature. There are two defined benefit schemes operating in the UK, one covering ex public sector employees and one covering all other employees. The second of these is the principal arrangement. A full actuarial valuation is being carried out as at 5 April 2002 by an actuary who is a group employee. The scheme covering ex public sector employees was established on 1 June 2000 at which time its funding requirement was assessed by an actuary who was a group employee. The results of the draft valuation and assessment have been updated as appropriate in accordance with the requirements of FRS 17.

The major assumptions used by the actuary were:

	At 31/03/02 UK	At 31/03/01 UK	At 31/05/00 UK	**At 31/03/02 Norway**	At 31/03/01 Norway	At 31/05/00 Norway
Rate of increase in salaries	**4.00%**	4.00%	4.00%	**4.00%**	4.50%	4.50%
Rate of increase in pensions in payment	**2.70%**	2.50%	2.50%	**3.50%**	3.50%	3.50%
Discount rate	**5.96%**	6.25%	6.25%	**7.40%**	7.00%	7.00%
Inflation assumption	**2.70%**	2.50%	2.50%	**3.50%**	3.50%	3.50%

Note: Pensions earned for service before August 1999 in the Principal Scheme increase in payment and in deferment at 5%. Pensions in respect of service after this date are increased in payment and deferment in line with inflation up to 5% p.a.
The comparatives shown for the position as at 31 May 2000 are at the acquisition date of Hogg Robinson plc.

The Directors believe it is appropriate to use tables to derive the FRS 17 liabilities which project that a man aged 45 will live for a further 34 years. The tables used last year project that the same man would live a further 35 years. If these tables had been used this year the liabilities as at 31 March 2002 would have increased by £8m. The more recently published tables project that the same man will live a further 37 years and had these tables been used to calculate the FRS 17 liability it would have increased by £14m (2001: £5m).

The assets in the scheme and the expected rate of return were:

	Value at 31/03/02 £'000	**Long Term Rate of Return Expected at 31/03/02 %**	Value at 31/03/01 £'000	Long Term Rate of Return Expected at 31/03/01 %	Value at 31/05/00 £'000	Long Term Rate of Return Expected 31/05/00 %
Bonds	**10,200**	**5.50%**	8,500	5.00%	20,141	6.90%
Equities	**91,100**	**7.50%**	90,100	7.50%	75,606	8.30%
Properties	**-**	**0.00%**	-	0.00%	3,050	8.30%
Other	**2,000**	**5.00%**	2,000	5.00%	6,055	8.00%
Norwegian Insurance Policy	**5,500**	**7.00%**	5,200	6.50%	5,050	6.50%
Total market value of assets	**108,800**		105,800		109,902	
Present value of scheme liabilities	**(183,500)**		(143,804)		(134,650)	
Deficit in the scheme	**(74,700)**		(38,004)		(24,748)	
Related deferred tax asset	**22,410**		11,401		7,423	
Net pension liability	**(52,290)**		(26,603)		(17,325)	
Analysed as:						
Pension Asset - Norway Scheme	**620**		490		490	
Pension Liability - UK Schemes	**(52,910)**		(27,093)		(17,815)	
	(52,290)		(26,603)		(17,325)	

Since 31 March 2002, stock market valuations in the UK have fallen which has had an adverse affect on the scheme assets.
As at 20 September 2002 the market value of UK assets in the scheme had fallen from £103.3m (£108.8m total market value of assets less £5.5m held in the Norwegian scheme) to £76.8m. Therefore, the estimated deficit in the scheme as at 20 September 2002 had risen to £105.5m gross, and £73.85m after accounting for the deferred tax asset. This assumes that the present value of UK and Norwegian scheme liabilities and the Norwegian scheme assets have remained as they were as at 31 March 2002. As with all pension schemes, assets are invested for the long term and reflect market conditions.

A Analysis of the amount charged to operating profit

	Note	**2002 12 months £'000**	2001 10 months £'000
Current Service Cost of Defined Benefit Schemes		**4,462**	3,309
Defined contribution schemes		**521**	267
Total operating charge	4	**4,983**	3,576

The group has no significant exposure to other post-retirement benefits obligations.
The contribution rates for 2002/2003 will be 13.5% and 14.5% of pensionable salaries of members of the scheme for ex public sector employees and the principle scheme respectively.
Premia are paid to the Norwegian scheme in accordance with statutory requirements.

29 Pensions (continued)

B Analysis of the amount credited to other finance income

	Note	2002 12 months £'000	2001 10 months £'000
Expected return on pension scheme assets		7,300	7,333
Interest on pension scheme liabilities		(9,100)	(7,000)
Net return	7	(1,800)	333

C Amount recognised in the statement of total recognised gains and losses (STRGL)

	2002 £'000	2001 £'000
Actual return less expected return on pension scheme assets	(9,300)	(16,580)
Experience gains and losses arising on the scheme liabilities	(24,144)	1,300
Changes in assumptions underlying the present value of the scheme liabilities	(3,200)	-
Exchange rate movement	100	100
Actuarial loss recognised in STRGL	(36,544)	(15,180)

D Movement in deficit during year

	2002 £'000	2001 £'000
Deficit in scheme at beginning of the year	(38,004)	-
Deficit in scheme on acquisition of Hogg Robinson plc		(24,748)
Movement in year:		
Current service cost	(4,462)	(3,309)
Contributions	6,110	4,900
Other finance (expenses) / income	(1,800)	333
Actuarial loss in STRGL	(36,544)	(15,180)
Deficit in scheme at end of the year	(74,700)	(38,004)

E History of experience gains and losses

	2002	2001
Difference between actual and expected returns on assets amount (£'000)	(9,300)	(16,580)
% of scheme assets	-8.5%	-15.7%
Experience gains and losses on liabilities amount (£'000)	(24,144)	1,300
% of scheme liabilities	-13.2%	0.9%
Total amount recognised in STRGL amount (£'000)	(36,544)	(15,180)
% of scheme liabilities	19.9%	10.6%

30 Principal Trading Subsidiaries and Joint Ventures

The following were the principal trading subsidiaries and joint venture company of the Group as at 31 March 2002, all were wholly owned by Farnborough Limited unless otherwise stated;

Name	Business Activity	Country of Incorporation	Class of Shares
Subsidiaries			
Hogg Robinson plc	Holding Company	Great Britain	Ordinary
Hogg Robinson (Travel) Limited	Business Travel Agents	Great Britain	Ordinary*
Bennett BTI Nordic Sverige AB	Business Travel Agents	Sweden	Ordinary*
Bennett BTI Nordic Norge AS	Business Travel Agents	Norway	Ordinary*
Bennett BTI Nordic, Danmark A/S	Business Travel Agents	Denmark	Ordinary*
Bennet Matkatoimisto OY	Business Travel Agents	Finland	Ordinary*
BTI France SA	Business Travel Agents	France	Ordinary*
BTI Italia SpA	Business Travel Agents	Italy	Ordinary*
ZAO BTI Russia	Business Travel Agents	Russia	Ordinary*
BTI Canada Inc.	Business Travel Agents	Canada	Ordinary*
BTI Australia Pty Limited	Business Travel Agents	Australia	Ordinary*
BTI Singapore Pte Ltd	Business Travel Agents	Singapore	Ordinary*
Entegria Limited	Benefit & Consulting Services	Great Britain	Ordinary*
Paymaster (1836) Limited	Pension administration services	Great Britain	Ordinary*
Claybrook Computing Limited	Pension administration services	Great Britain	Ordinary*
Global Events Solutions Limited	Event management and Corporate Entertainment	Great Britain	Ordinary*
Call Centre Enterprises Limited	Flexible resourcing & training consultants	Great Britain	Ordinary*
Joint Ventures			
E-TRX Limited (50%)	Business Travel Agents	Great Britain	Ordinary*

* Shares owned by intermediary holding companies.

All subsidiary companies have been consolidated in the Group accounts.
All subsidiary companies have 31 March year ends except ZAO BTI Russia which is required by local law to have a 31 December year end.

31 Ultimate parent undertaking

The ultimate parent undertaking and controlling party is Farnborough (Holdings) Limited a company registered in England and Wales. Copies of the report and accounts of Farnborough (Holdings) Limited are available from The Secretary, Farnborough (Holdings) Limited, Global House, Victoria Street, Basingstoke, Hampshire, RG21 3BT.