Registered number: 03974519

FARNBOROUGH LIMITED

Annual Report & Accounts 2001

FARNBOROUGH LIMITED

ANNUAL REPORT AND ACCOUNTS
For the period from 17 April 2000 to 31 March 2001

CONTENTS

FARNBOROUGH LIMITED
Report of the Directors

The directors have pleasure in presenting their Report together with the audited accounts of the Group for the period from incorporation on 17 April 2000 to 31 March 2001. The company was incorporated under the name of Trushelfco (No.2633) Limited on 17 April 2000 and changed its name to Hogg Robinson Specialist Services Limited on 27 April 2000. On 3 May 2000 the company changed its name again to Farnborough Limited.

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 period ended 31 March 2001 to be satisfactory. The directors expect the level of activity sustained during the period 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.

On 10 May 2000, the Company, a management buy-out vehicle, made a cash offer of £2.85 per share to acquire all of the issued and to be issued share capital of Hogg Robinson plc. The offer became unconditional on 12 June 2000. Hogg Robinson plc de-listed from the London Stock Exchange with effect from 6 September 2000.

Post Balance Sheet Events

Post Balance Sheet events are detailed in note 31 to the financial statements.

Share Capital

During the period 51,593,950 ordinary shares were issued, 2 on incorporation and 51,593,948 on acquisition of Hogg Robinson plc (see note 21).

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 period.

The Group has adopted FRS 17 'Retirement Benefits' for these financial statements (see note 28). This has had a significant impact on the net assets of the group.

Directors

The directors who held office during the period, except as indicated, were as follows:

Ms DCJ Rowe		(appointed 17 April 2000, resigned 25 April 2000)
RD De Carle		(appointed 25 April 2000, resigned 5 May 2000)
CM Horton		(appointed 25 April 2000, resigned 5 May 2000)
ID Crabb		(appointed 5 May 2000, resigned 22 June 2000)
I Sellars		(appointed 5 May 2000, resigned 22 June 2000)
CH Parker		(appointed 5 May 2000, resigned 22 June 2000)
Dr N C Bain	(Chairman)	(appointed 22 June 2000)
D J C Radcliffe	(Chief Executive Officer)	(appointed 22 June 2000)
C P Fry		(appointed 22 June 2000)
MC Garland		(appointed 22 June 2000)
J F W Kennerley		(appointed 22 June 2000)
K Ruffles		(appointed 22 June 2000)
R M Westwood		(appointed 22 June 2000)

Directors' Interests

The beneficial interests of the directors in the shares of the Company are shown in note 3 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 period.

Employees

Employees of the Group 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 period 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, which 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 period represents 12 days' purchases.

Charitable Donations

The Group has made charitable donations during the period totalling £52,000.

Euro

Companies in the Group have 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 period 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 October 2001

Farnborough Limited
Report on Remuneration Policy

1 Committee Membership during the period

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

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 period ended 31 March 2001 is set out in the table in Section 4 below.

d|Share Interests

The Directors do not hold any interests in the shares of the Company.
The interests, all of which were beneficial, of the directors of the Company and persons connected with them in the shares of the of the ultimate holding company, Farnborough (Holdings) Limited, at 31 March 2001 are shown in the financial statements of that company.

e|Hogg Robinson 1987 Pension Scheme

With the exception of Dr NC Bain and Mr M C Garland the directors are members of the Company's defined benefit pension scheme (referred to in note 28 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. The Remuneration Committee is currently considering ways in which a supplementary pension may be secured or provided for those whose potential pension is limited in this way because their salary falls above the permitted maximum. It is expected that this will be resolved during the coming year.

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 2001	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*	48	16,590	11,572	125,811
C P Fry	55	9,340	7,835	92,836
J F W Kennerley	51	5,508	1,683	1,683
K A Ruffles	48	8,040	7,553	66,106
R M Westwood	55	11,070	9,995	109,967

* 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 JFW Kennerley and Dr NC Bain, service agreements are terminable on either side by two years notice. Mr JFW Kennerley and Dr NC 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 Committee to ensure that prospective losses were properly mitigated.
Mr M C Garland is not employed by the Group.

Farnborough Limited
Report on Remuneration Policy (Continued)

4 Total Remuneration

The total remuneration received by the directors holding office during the period ended 31 March 2001 is shown below. The remuneration shown relates to the full year to 31 March 2001 and was paid by a subsidiary company, Hogg Robinson Limited.

	Salaries	Value of Benefits	Bonus	Total
	2001	2001	2001	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	180,198	15,380	81,367	276,945
K A Ruffles	137,500	14,438	51,149	203,087
R M Westwood	188,000	14,782	78,160	280,942
	1,080,698	72,512	402,854	1,556,064

* Highest paid director

Independent auditors' report to the Farnborough Limited

We have audited the financial statements which comprise the primary financial statements such as the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

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.

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 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. The other information comprises only the directors' report and the report on remuneration policy.

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 2001 and of the loss and cash flows of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
Date: 30 OCTOBER 2001

FINANCIAL STATEMENTS

Farnborough Limited
Consolidated Profit and Loss Account
for the period from 17 April 2000 to 31 March 2001

		Continuing			
	Notes	Before Exceptional Items & Goodwill amortisation £'000	Goodwill amortisation £'000	Exceptional items £'000	Total £'000
Turnover (including share of joint venture):					
Continuing operations	1	1,822,280	-	-	1,822,280
Less : Share of turnover of joint venture		(7)	-	-	(7)
Total	1	1,822,273	-	-	1,822,273
Cost of sales		(1,624,042)	-	-	(1,624,042)
Gross Profit	1	198,231	-	-	198,231
Operating expenses:	3	(166,305)	(11,193)	-	(177,498)
Operating exceptional costs	5	-	-	(7,664)	(7,664)
Total operating expenses		(166,305)	(11,193)	(7,664)	(185,162)
Operating Profit		31,926	(11,193)	(7,664)	13,069
Share of operating loss in joint venture		(280)	-	-	(280)
Profit/(Loss) on ordinary activities before interest		31,646	(11,193)	(7,664)	12,789
Net interest payable	6	(18,324)	-	-	(18,324)
Profit/(Loss) on ordinary activities before taxation	2	13,322	(11,193)	(7,664)	(5,535)
Tax on profit on ordinary activities	7	(5,880)	-	2,299	(3,581)
Retained loss for the period	22	7,442	(11,193)	(5,365)	(9,116)
Earnings per share	9				
basic					(17.67)
diluted					(17.67)
Earnings per share before goodwill amortisation, and operating exceptionals :	9				
basic					14.42
diluted					14.42
Weighted average number of shares ('000)					
basic					51,594
diluted					51,594

Balance Sheets
at 31 March 2001

	Notes	Group 2001 £'000	Company 2001 £'000
Fixed Assets			
Intangible assets	10	254,737	-
Tangible assets	11	20,332	-
Investments			
Interests in joint ventures:	12	-	-
Other investments	12	18,380	240,932
Total investments	12	18,380	240,932
		293,449	240,932
Current assets			
Debtors			
- due after more than one year	13	70	63,652
- due within one year	13	128,606	12,675
		128,676	76,327
Cash at Bank and in hand		49,835	1,620
		178,511	77,947
Current liabilities			
Creditors: amounts falling due within one year	14	(144,379)	(23,900)
Net Current Assets		34,132	54,047
Total assets less Current Liabilities		327,581	294,979
Creditors: amounts falling due after more than one year	16	(263,486)	(262,156)
Provisions for liabilities and charges	19	(4,457)	-
Net Assets excluding pension liability		59,638	32,823
Pension liability	28	(26,603)	-
Net Assets including pension liability	20	33,035	32,823
Capital and Reserves			
Called up share capital	21	51,594	51,594
Exchange reserve	22	1,828	778
Profit and loss account	22	(20,387)	(19,549)
Equity Shareholders' Funds		33,035	32,823

The accounts on pages 9 to 43 were approved by the Directors and were signed on behalf of the Board by:

J F W Kennerley
Director

C P Fry
Director

Date: 30 October 2001

Statement of Group Total Recognised Gains and Losses
for the period ended 31 March 2001

	Note	2001 £'000
Loss attributable to shareholders		(9,116)
Currency translation loss on foreign currency net investments	22	1,828
Actuarial Pension loss	22	(15,352)
Deferred Tax asset movement re pension liability	22	4,081
Total recognised gains for the period		(18,559)

Reconciliation of Movements in Equity Shareholders' Funds
for the period ended 31 March 2001

	Note	2001 £'000
Loss attributable to shareholders		(9,116)
Currency translation loss on foreign currency net investments	22	1,828
Actuarial Pension loss	22	(15,352)
Deferred Tax asset movement re pension liability	22	4,081
Issue of shares	21	51,594
Net increase in equity shareholders' funds		33,035
Opening equity shareholders' funds		-
Closing equity shareholders' funds		33,035

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

Consolidated Cash Flow Statement
/ for the period ended 31 March 2001

	Note	2001 £'000
Net cash inflow from operating activities	A	30,659
Returns on investments and servicing of finance	B	(14,768)
Taxation		(4,773)
Capital expenditure and financial investment	C	(3,357)
		7,761
Acquisitions	D	(216,990)
Cash outflow before use of liquid resources and financing		(209,229)
Management of liquid resources - net (increase) / reduction in term deposits	F	(3,554)
Financing:		
Increase in net debt	E	207,613
Issue of shares	E	51,594
Increase in cash in the period	F	46,424

Reconciliation of Cash Flow to Movement in Net Debt
/ for the period ended 31 March 2001

	Note	2001 £'000
Increase in cash in the period	F	46,424
Borrowings net of short term deposits acquired with subsidiaries	F	(65,558)
Cash inflow from increase in debt and lease financing	F	(207,613)
Cash outflow from increase in liquid resources	F	3,554
Change in net debt resulting from cash flows	F	(223,193)
Foreign currency translation difference	F	(229)
Movement in net debt in the period		(223,422)
Opening net debt	F	-
Closing net debt	F	(223,422)

Note A / Reconciliation of Operating Profit to Operating Cashflows

	2001 £'000
Operating profit	13,069
Depreciation charge	5,475
Amortisation of goodwill	11,193
Profit on sale of tangible assets	(45)
Profit on sale of other assets	(883)
	28,809
(Increase)/ Decrease in debtors	(14,346)
Increase / (Decrease) in creditors	13,473
Effect of exchange rate movements	2,723
Net cash inflow from operating activities	30,659

Note B / Returns on Investments and Servicing of Finance

	2001 £'000
Interest paid	(10,008)
Interest received	1,723
Issue costs of new bank loans	(6,466)
Finance charges on finance leases	(17)
Net cash outflow from returns on investments and servicing of finance	(14,768)

Note C / Capital Expenditure and Financial Investment

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

Note D / Acquisitions

	Note	2001 Acquisitions £'000
Cash consideration paid:		
Shares in Hogg Robinson Limited acquired		(234,644)
Acquisition costs incurred		(6,289)
	23	(240,933)
Net cash acquired with subsidiary undertakings		23,943
Net cash outflow from acquisitions		**(216,990)**

Note E / Financing

	2001 £'000
Increase in bank loans	89,070
Increase in fixed rate subordinated unsecured loan notes	120,000
Capital element of finance lease rental payments	(1,457)
Increase in debt	**207,613**
Proceeds from issue of shares	51,594
Net cash inflow from increase in share capital	**51,594**
Net cash inflow from financing	**259,207**

Note F / Analysis of Net Debt

	Note	As at 17 April 2000 £'000	Acquisitions (excluding cash and overdrafts) £'000	Cashflow £'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 funds		-	(65,558)	(157,635)	(229)	(223,422)
Reconciliation:						
Cash at bank and deposits		-				49,835
Bank loans and overdrafts due within one year	15	-				(5,911)
Bank loans and overdrafts due after one year	17	-				(141,625)
Fixed rate subordinated unsecured loan notes	17	-				(120,000)
Exclude :Unamortised issue costs	17	-				(5,519)
Obligations under finance leases	18d	-				(202)
		-				(223,422)

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, Associated Companies and Investments
The Group's share of the results of joint venture and associate companies is included in the profit and loss account. The investments in joint venture and associate companies 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 net 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 sales, net of rebates and discounts, earned during the period. 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 premiüm 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 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.

Accounting Policies (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 and associated undertakings 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, joint ventures and associated undertakings 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 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	3-5 years
Motor vehicles	3-5 years

Accounting Policies (continued)

10 Deferred Taxation

Deferred taxation is calculated using the liability method on the excess of taxation allowances over depreciation charged on qualifying fixed assets and on other short-term timing differences to the extent to which they are expected to reverse in the foreseeable future.

11 Pensions and similar obligations

The group operates a number of pension arrangements, as described in note 28. It has adopted FRS 17 "Retirement Benefits".

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 the 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 the 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.

1 Turnover and Gross Profit

	2001 Turnover £'000	2001 Gross Profit £'000
Business Travel	1,765,267	145,256
Benefit & Consulting Services	57,013	52,975
	1,822,280	198,231

Subsidiary companies	1,822,273
Joint venture company	7
	1,822,280

	2001 £'000
Analysis of turnover by geographical destination:	
United Kingdom	885,038
Rest of Europe	573,886
North America	291,858
Australia	71,498
Total turnover	1,822,280

'Rest of Europe' includes Denmark, Finland, Norway, Sweden, France, Italy and Russia.

	2001 £'000
Analysis of turnover by geographical origin:	
United Kingdom	885,449
Rest of Europe	
Denmark	31,308
Finland	41,244
Norway	219,840
Sweden	206,024
France	40,192
Italy	31,279
Russia	3,974
North America	
Canada	283,182
USA	8,290
Rest of World	
Australia	71,498
Total turnover	1,822,280

2 Profit on Ordinary Activities Before Taxation

	Notes	2001 £'000
Divisional operating profit (inclusive of joint ventures):		
Business Travel		19,601
Benefit & Consulting Services		852
		20,453
Operating exceptional item	5	(7,664)
Total operating profit : including joint venture		12,789
Net interest payable	6	(18,324)
Loss on ordinary activities before taxation		(5,535)

Analysis by geographical origin:	
United Kingdom	(6,215)
United Kingdom - operating exceptional item	(7,664)
Rest of Europe	2,343
Australia	(280)
North America	6,281
Loss on ordinary activities before taxation	(5,535)

Divisional operating profit includes allocated central costs.

3 Operating Expenses (before Operating Exceptionals)

	Notes	2001 £'000
Continuing businesses:		
Staff costs	4	**110,826**
Audit fees (see below)		**971**
Depreciation of tangible fixed assets:		
Leased fixtures, fittings and vehicles		**118**
Other assets		**5,357**
Goodwill amortisation		**11,193**
Profit on sale of tangible fixed assets		**(45)**
Profit on sale of fixed assets investments		**(883)**
Operating lease rentals for:		
Buildings		**8,468**
Other assets		**814**
Other expenses		**40,679**
		177,498

All audit fees are bourne by a subsidiary of this Company, Hogg Robinson Limited.
Accounting and other advisory services provided to Group companies in the United Kingdom by PricewaterhouseCoopers amounted to £8,000. Included in audit fees in 2001 is £249,000 relating to the Management buy-out completion accounts audit.

Operating exceptionals are disclosed in note 5.

4 Staff Costs

	Notes	2001 £'000
Continuing businesses:		
Staff costs for the Group during the period were:		
Salaries		**89,204**
Redundancy and Termination costs		**1,375**
Social security costs		**10,686**
Other staff costs		**5,985**
Pension costs	28	**3,576**
		110,826

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

The average number of persons employed by the Group, including Executive Directors, during the year to 31 March 2001 was:

	2001 Number
Continuing businesses:	
Business Travel	**4,353**
Benefit & Consulting Services	**1,096**
	5,449

5 Operating Exceptional Items

	Note	2001 £'000
Expenses in relation to acquisition of the Hogg Robinson Group	23	(7,664)
		(7,664)

The tax credit relating to these costs is £2,299,000.

6 Interest and similar items

		2001 £'000
Interest payable on bank loans, overdrafts and other loans:		
Repayable within five years		(4,460)
Repayable in more than five years		(14,980)
		(19,440)
Interest payable on finance leases		(17)
Amortisation of issue costs on bank loans		(947)
		(20,404)
Interest receivable		1,728
Income from fixed asset investments		19
Other finance income	28	333
		2,080
Net interest payable and similar items		(18,324)

7 Taxation

	2001 £'000
Current:	
UK corporation tax at 30%	-
Double tax relief	-
Net UK corporation tax	-
Overseas tax	2,240
Deferred tax	428
Withholding Tax	35
UK Income Tax	963
Share of joint venture and associate companies	(85)
	3,581

8 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.

	2001 £'000
Loss on ordinary activities after taxation shown in the consolidated profit and loss account	(9,116)
Dealt with in the accounts of the parent company	(19,549)

9 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 period.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive ordinary shares. In 2001, the group had no dilutive ordinary shares.

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

	2001 £'000
Earnings Analysis	
Loss attributable to shareholders:	
Continuing businesses	(9,116)
	(9,116)
Add back/(deduct):	
Amortisation of goodwill	11,193
Exceptional items - continuing operations:	
before taxation	7,664
related taxation	(2,299)
Profit on continuing businesses before goodwill amortisation and operating exceptionals	7,442

	Basic 2001 pence	Diluted 2001 pence
Earnings per share:		
Continuing businesses	(17.67)	(17.67)
Total Earnings per share	(17.67)	(17.67)
Continuing operations:		
Earnings per share	(17.67)	(17.67)
Add back/(deduct):		
Effect of amortisation of goodwill	21.70	21.70
Effect of exceptional items:		
before taxation	14.85	14.85
related taxation	(4.46)	(4.46)
EPS on profits on continuing businesses before goodwill amortisation and operating exceptionals	14.42	14.42

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

Supplementary basic and diluted EPS calculations, excluding goodwill amortisation, and operating exceptionals have been disclosed. The adjusted EPS gives a more meaningful measure of underlying trading performance.

10 Intangible Fixed Assets

	Goodwill £'000
Group	
Cost	
On formation 17 April 2000	-
Additions	267,482
Exchange differences	(1,552)
At 31 March 2001	**265,930**
Aggregate amortisation	
On formation 17 April 2000	-
Charge for the period	11,193
At 31 March 2001	**11,193**
Net book value at 31 March 2001	**254,737**

Additions in the period relate to the acquisition of Hogg Robinson plc (note 23).

11 Tangible assets

Group	Note	Leased £'000	Fixtures, Fittings and Vehicles Owned £'000	Properties £'000	Total £'000
Cost:					
On formation 17 April 2000		-	-	-	-
On acquisition of Hogg Robinson Limited	23	3,238	42,417	7,998	53,653
Exchange differences		(19)	79	(1)	59
Additions		134	5,092	1,067	6,293
Disposals		(2,383)	(6,756)	(237)	(9,376)
At 31 March 2001		**970**	**40,832**	**8,827**	**50,629**
Depreciation:					
On formation 17 April 2000		-	-	-	-
On acquisition of Hogg Robinson Limited	23	2,980	28,097	2,756	33,833
Exchange difference		(18)	(15)	-	(33)
Charge for the year		118	5,015	342	5,475
Disposals		(2,299)	(6,443)	(236)	(8,978)
At 31 March 2001		**781**	**26,654**	**2,862**	**30,297**
Net book value at 31 March 2001		**189**	**14,178**	**5,965**	**20,332**

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

The Company has no tangible fixed assets.

12 Fixed Asset Investments

Group	Joint Venture £'000	Investment in TRX Inc £'000	Investment in Hogg Robinson plc own shares £'000	Other £'000	Total £'000
Cost:					
On formation 17 April 2000	-	-	-	-	-
On acquisition of Hogg Robinson Limited (note 23)	-	14,718	4,045	186	18,949
Exchange adjustments	-	863	-	42	905
Disposals	-	-	(4,045)	-	(4,045)
Additions	-	2,571	-	-	2,571
At 31 March 2001	-	**18,152**	-	**228**	**18,380**
Share of post acquisition reserves:					
On formation 17 April 2000	-	-	-	-	-
On acquisition of Hogg Robinson Limited	(113)	-	-	-	(113)
Net earnings	(163)	-	-	-	(163)
Transfer to provisions (note 19)	276	-	-	-	276
At 31 March 2001	-	-	-	-	-
Net Book Value at 31 March 2001	-	**18,152**	-	**228**	**18,380**

Company	Subsidiary Companies £'000
Cost:	
On formation 17 April 2000	-
Additions	240,932
At 31 March 2001	**240,932**

All investments are unlisted. In the opinion of the Directors the value of all interests are not less thanthe above stated carrying values. The investments in principal trading subsidiaries are set out in note 29. 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 joint venture company at 31 March 2001, shown above, represented a 50% interest in the issued share capital of E-TRX Limited, a business travel agent. The company is registered and operating in the United Kingdom. The shares are owned by an intermediate holding company.

	£'000
Share of gross assets	670
Share of gross liabilities	(946)
	(276)

12 Fixed Asset Investments (continued)

Investment in TRX Inc

On acquisition of Hogg Robinson Limited, the group held 1,853,875 (19.43%) shares of the common stock of TRX Inc, a company registered in the USA. In addition, the Company also held $2,000,000 of convertible promissory notes.

On 3 August 2000, the Company acquired further $1,242,000 of convertible promissory notes (£830,000). During the year to 9 March 2001, interest of £127,000 was accrued on the convertible promissory notes.

On 9 March 2001 the following transactions took place;

1. The original $2,000,000 convertible promissory notes plus the accrued interest was converted into 186,309 additional shares.
2. The additional $1,242,000 convertible promissory notes plus the accrued interest was converted into 89,358 additional shares. These shares are held by the company.
3. A rights issue was taken up by the Group. 165,771 shares were aqcuired for $2,378,000. The shares are held by a group company.

At 31 March 2001 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 2000 showed the following:

	31 December 2000 £'000	**31 December 2000 $'000**	31 December 1999 £'000	31 December 1999 $'000
Capital and reserves	**13,620**	**19,364**	1,008	1,613
Loss for the year	**7,972**	**11,334**	1,026	1,642

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 BTI BV. Business Travel International (BTI) is a travel service and management organisation in which Hogg Robinson has a 46% (2000 - 21%) interest. Hogg Robinson is currently the managing partner. In this role Hogg Robinson (Travel) Limited (HRT) provides staff, premises and management expertise to BTI. All costs incurred by BTI BV are recharged to to the BTI partners.

The results of BTI BV are no longer treated as an investment and are equity accounted for. However the results are not material.

The amount charged for these services during the year to 31 March 2001 amounted to £1,422,000 (2000 £1,547,000). BTI is funded by its current partners and for HRT this amounted to £361,000 (2000 £646,000). At 31 March 2001 £865,000 (2000 £1,205,000) was due by BTI to HRT and £301,000 (2000 £240,000) was due by HRT to BTI.

13 Debtors

	Group 2001 £'000	Company 2001 £'000
Amounts falling due within one year:		
Trade debtors	92,152	-
Due from subsidiary companies	-	8,572
Corporation Tax debtor	966	-
Other debtors	14,342	4,103
Prepayments and accrued income	21,146	-
	128,606	12,675
Amounts falling due after more than one year:		
Due from parent companies	8	8
Due from subsidiary companies	-	63,644
Prepayments and accrued income	62	-
	70	63,652
Total debtors	128,676	76,327

14 Creditors: amounts falling due within one year

	Note	Group 2001 £'000	Company 2001 £'000
Trade Creditors		74,530	-
Due to parent companies		-	-
Due to subsidiary companies		-	7,662
Corporation tax		1,356	1,780
Social security and payroll taxes		5,733	-
Deferred consideration		307	-
Other creditors		11,718	100
Accruals and deferred income		44,738	10,475
Bank and other borrowings	15	5,997	3,883
		144,379	23,900

15 Bank and other borrowings due within one year

	Group 2001 £'000	Company 2001 £'000
Bank loans and overdrafts due within one year or on demand:		
Secured	5,911	3,883
	5,911	3,883
Finance lease obligations	86	-
	5,997	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.

16 Creditors: amounts falling due after more than one year

	Note	Group 2001 £'000	Company 2001 £'000
Due to parent companies		440	440
Due to subsidiary companies		-	54,368
Corporation tax		604	-
Deferred consideration		26	-
Other		675	-
Bank and other borrowings	17	261,741	207,348
		263,486	262,156

17 Bank and other borrowings due after one year

	Group 2001 £'000	Company 2001 £'000
Secured bank loans	141,625	207,348
Fixed rate subordinated unsecured loan notes	120,000	-
Finance lease obligations	116	-
	261,741	207,348

Bank loans are shown net of unamortised issue costs of £5,519,000.
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 10 years with an annual interest charge of 10%. A maximum of 1% of the interest is repayable in cash each year.

18 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 2001, after taking into account the interest rate and currency swaps used to manage the interest and currency profile, was :

	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	2001 Non Interest Bearing liabilities £'000
Currency				
Sterling	210,708	90,623	120,059	26
US Dollar	295	-	-	295
Canadian Dollar	17,868	17,868	-	-
French Francs	76	-	-	76
Euro	317	317	-	-
Swedish Krona	26,434	26,434	-	-
Norwegian Krone	9,471	9,266	-	205
Danish Krone	375	255	120	-
Australian Dollar	3,335	3,213	23	99
At 31 March 2001	**268,879**	**147,976**	**120,202**	**701**

Analysis:	Note	2001 £'000
Bank loans and other borrowings due within one year	15	5,997
Bank loans and other borrowings due after one year	16	261,741
Due to Parent companies - after one year	16	440
Deferred consideration - due after one year	16	26
Other creditors - due after one year	16	675
At 31 March 2001		**268,879**

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, such as tax balances.

Fixed rate and non-interest bearing financial liabilities as at 31 March 2001

	Weighted average interest rate %	Weighted average period for which rate is fixed Years	2001 Weighted average period until materity for non-interest bearing liabilities Years
Currency			
Fixed rate liabilities:			
Sterling - HP & Finance Leases	7.9%	1.8	-
Sterling - Subordinated unsecured loan notes	10.0%	10.0	-
Danish Krone - HP & Finance Leases	6.7%	4.0	-
Australian Dollar - HP & Finance Leases	5.2%	2.3	-
Non-interest bearing liabilties:			
Sterling	-	-	1.0
Canadian Dollars	-	-	1.0
Australia 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.

18 Financial Instruments - continued

c Interest rate profile of financial assets

The interest rate risk profile of the group's financial assets at 31 March 2001 was:

Currency	Total £'000	Fixed Rate Assets £'000	Floating Rate Assets £'000	2001 Non-Interest Bearing Assets £'000
Sterling	31,030	-	31,003	27
Canadian & US Dollars	20,037	-	1,875	18,162
Other European Currencies	1,833	-	-1,345	488
Scandinavian Currencies	15,308	-	15,074	234
Other Currencies	15	-	13	2
At 31 March	68,223	-	49,310	18,913
Analysis:				
Cash at bank & in hand	49,835	-	49,302	533
Due from Parent Companies - after one year	8	-	8	-
Investment in TRX Inc	18,152	-	-	18,152
Other fixed asset investments	228	-	-	228
At 31 March	68,223	-	49,310	18,913

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 2001 was 5.6%.

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 2001 was as follows:

Group	Note	Debt £'000	Finance Leases £'000	Due to Parent Companies £'000	Other £'000	2001 Total £'000
Within 1 year or on demand		5,911	86	-	-	5,997
Between 1 and 2 years		8,764	47	-	701	9,512
Between 2 and 5 years		46,969	69	-	-	47,038
Over 5 years		211,411	-	440	-	211,851
		273,055	202	440	701	274,398
Analysis:						
Due within one year	15	5,911	86	-	-	5,997
Due after one year	16/17	261,625	116	440	701	262,882
Exclude: unamortised issue costs		5,519	-	-	-	5,519
		273,055	202	440	701	274,398

Company	Note	Debt £'000	Finance Leases £'000	Due to Parent Companies £'000	Other £'000	2001 Total £'000
Within 1 year or on demand		3,883	-	-	-	3,883
Between 1 and 2 years		7,766	-	-	-	7,766
Between 2 and 5 years		40,385	-	-	-	40,385
Over 5 years		164,716	-	440	-	165,156
		216,750	-	440	-	217,190
Analysis:						
Due within one year	15	3,883	-	-	-	3,883
Due after one year	16/17	207,348	-	440	-	207,788
Exclude: unamortised issue costs		5,519	-	-	-	5,519
		216,750	-	440	-	217,190

All debt maturing over 5 years is repayable by instalment.

18 Financial Instruments - continued

e Borrowing facilities

The Group has various committed, undrawn, floating rate overdraft and money market facilities at 31 March 2001 amounting to £53,680,000.

These facilities expire as follows;

	£'000
Less than one year	1,380
1-2 years	-
more than 2 years	52,300
	53,680

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.

Primary financial instruments held
or issued to finance the Group's operations:

	Note	Book value £'000	2001 Fair value £'000
Financial liabilities:			
Overdrafts and short-term borrowings	15	**5,997**	**5,997**
Fixed rate subordinated unsecured loan notes	17	**120,000**	**120,000**
Other Long-term borrowings	17	**141,625**	**141,625**
Due to Parent companies - after one year	16	**440**	**440**
Deferred consideration - due after one year	16	**26**	**26**
Other creditors - due after one year	16	**675**	**675**
Forward foreign exchange contracts	18h	**-**	**97**
		268,763	**268,860**
Financial assets:			
Cash at bank & in hand	18c	**49,835**	**49,835**
Due from Parent Companies - after one year	13	**8**	**8**
Investment in TRX Inc	12	**18,152**	**23,156**
Other fixed asset investments	12	**228**	**228**
Interest rate caps	18h	**1,488**	**301**
		69,711	**73,528**

The fair value of short-term deposits, loans and overdrafts approximates to the carrying amount because of the short maturity of these instruments.
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 18d.

18 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 2001 these exposures were as follows;

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	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 2001, in respect of US dollar that were to be remitted. These forward contracts matured in April 2001.

Two further short term foreign exchange contracts were outstanding at 31 March 2001 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 3.1 years at 31 March 2001. 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.

19 Provisions for Liabilities and Charges

Group	Note	Deferred Taxation £'000	Terminations and Disposals Provision £000	Reorganisation Provision £000	Other Provisions £000	Total £000
On formation 17 April 2000		-	-	-	-	-
On acquisition of Hogg Robinson Limited		3,469	290	893	113	4,765
Exchange adjustments		(118)	80	-	-	(38)
Charged/(released) to/from profit and loss account		(382)	(14)	-	-	(396)
Utilised during the year		-	(37)	-	-	(37)
Transfer from investment in joint venture companies	12	-	-	-	163	163
At 31 March 2001		**2,969**	**319**	**893**	**276**	**4,457**

Group	Provided **2001** **£'000**	Full Potential Liability **2001** **£'000**
Deferred taxation comprises:		
Accelerated capital allowances	**1,082**	**1,082**
Other timing differences	**1,887**	**1,887**
Deferred tax liability	**2,969**	**2,969**

Deferred taxation has not been provided on earnings retained overseas as a substantial proportion is restricted and therefore not distributable.

Terminations and Disposals Provision
Termination and disposal provisions at 31 March 2001 includes:
- provisions in respect of a group company in liquidation.

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

Other Provisions
The other provision represents the Group's share of deficiency in net assets within a joint venture company.

20 Net Assets

	2001	2001	2001
	Net Assets	Goodwill Amortised	Net Assets Including Goodwill Amortised
	£'000	£'000	£'000
Business segment analysis:			
Business Travel	104,329	4,976	109,305
Benefit & Consulting Services	19,978	6,217	26,195
	124,307	11,193	135,500
Central - borrowings	(267,536)	-	(267,536)
Central - goodwill	256,287		256,287
Central - other	(80,023)	-	(80,023)
	33,035	11,193	44,228
Geographical segment analysis:			
United Kingdom	(29,580)	9,105	(20,475)
Rest of Europe	14,409	1,778	16,187
Australia	14,048	-	14,048
North America	34,158	310	34,468
	33,035	11,193	44,228

21 Share Capital

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

	Number	Share Capital Issued and fully paid up £'000
On formation 17 April 2000	2	-
Issued	51,593,948	51,594
At 31 March 2001	51,593,950	51,594

22 Reserves

Group	Note	Profit and Loss Account excluding pension liability £'000	Pension Reserve £'000	Profit and Loss Account including pension liability £'000	Exchange Reserve £'000
On formation 17 April 2000		-	-	-	-
Retained loss for the period		(9,116)	-	(9,116)	-
Currency translation loss on foreign currency net assets		-	-	-	1,828
Pension reserve movements:	28				
- Actuarial loss in STRGL		-	(15,352)	(15,352)	-
-Deferrred Tax asset movement in STRGL		-	4,081	4,081	
- Financing cost		(333)	333	-	-
- Current service cost		3,308	(3,308)	-	-
- Contributions		(4,968)	4,968	-	-
At 31 March 2001		(11,109)	(9,278)	(20,387)	1,828
Realised		(11,109)	-	(11,109)	
Unrealised		-	(9,278)	(9,278)	
		(11,109)	(9,278)	(20,387)	

Company	Profit and Loss Account excluding pension liability £'000	Exchange Reserve £'000
On formation 17 April 2000	-	-
Retained loss for the period	(19,549)	778
At 31 March 2001	(19,549)	778

The Group Profit and Loss Account at 31 March 2001 includes £5,098,000 of non-distributable or restricted overseas reserves.

23 Acquisitions

On 10 May 2000, the board of Hogg Robinson Limited (formerly Hogg Robinson plc) recommended a cash offer of £2.85 per share from the Company, a management buy-out vehicle, to acquire all of the issued and to be issued share capital of Hogg Robinson plc.

The offer became unconditional on 12 June 2000. Hogg Robinson plc delisted from the London Stock Exchange with effect from 6 September 2000. In accordance with FRS 10 goodwill has been capitalised as an intangible asset and amortised over its useful life. The directors have 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.

	Note	Hogg Robinson Limited Group £'000
Tangible fixed assets	11	19,820
Other investments	12	18,949
Debtors:		
Trade debtors		85,898
Other debtors and prepayments		27,690
		113,588
Cash at bank	D	34,784
Creditors:		
Trade creditors		(63,027)
Corporation tax		(2,556)
Finance Lease creditor		(1,524)
Other creditors and accruals		(49,863)
		(116,970)
Provisions	19	(1,296)
Deferred Tax Provisions	19	(3,469)
Bank loans	F	(64,034)
Bank overdrafts	D	(10,841)
Net assets acquired excluding pension liability		(9,469)
Pension Liability		(17,080)
Net Assets acquired		**(26,549)**
Consideration paid	D	**240,933**
Goodwill	10	**267,482**

Consideration consists of :	£'000
Shares in Hogg Robinson Limited	
82,330,917 shares @ £2.85 each	234,643
Acquisition expenses capitalised	6,290
	240,933

In addition, £7,664,000 of acquisition expenses were expensed in the period (see note 5). The fair value of assets stated above equates to book values.

The results of the Hogg Robinson Limited Group from 1 April 2000, the start of its financial year, to the date of acquisition were as follows;

	Period from 1 April 2000 to 12 June 2000 £'000	12 months to 31 March 2000 £'000
Turnover	374,350	1,832,231
Operating profit	(744)	30,074
Exceptional items	-	2,170
Net interest payable	(506)	(1,100)
Profit before tax	(1,250)	31,144
Taxation	(2,065)	(10,320)
Profit after taxation	(3,315)	20,824
Equity minority interest	-	(953)
Profit attributable to shareholders	(3,315)	19,871
Dividends	-	(9,100)
Retained profit	(3,315)	10,771

24 Capital Commitments

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

There were no capital commitments for the Company.

25 Operating Lease Commitments

Group	Land and Buildings 2001 £'000	Other 2001 £'000
To be paid in the following year in respect of leases expiring in:		
One year	984	402
Two to five years	5,873	1,852
After five years	2,693	26
	9,550	2,280

Included in the Group land and buildings are leases guaranteed by a subsidiary company amounting to £1,810,000.

26 Contingent Liabilities

	Group 2001 £'000	Company 2001 £'000
Guarantees made against bank overdrafts and terminable indemnities	13,174	6,755
Travel Industry Bonds	2,699	670
	15,873	7,425

On 28 June 2001, a subsidiary of this 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. The board has taken legal advice on the contents of the notice and has rejected the claims which were put forward by Towry Law plc. The board does not believe that the Company has breached any relevant warranty and further believes that any such claim would be without merit.

In 1994 Compaigne Dens Ocean NV (CDO), an indirectly owned subsidiary, received a claim from the Belgian Customs authorities and in 1995 a liquidator was appointed. 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.

The a subsidiary of this 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 2001. 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.

27 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.

28 Pensions

The Group has adopted FRS17 'Retirement Benefits' issued in November 2000 early and the following disclosures are required under this new standard. The comparatives shown for the position as at 31 May 2000 are on the acquisition date of Hogg Robinson plc.

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 was carried out as at 5 April 2001 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 its 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 31/03/01 UK	At 31/05/00 UK	At 31/03/01 Norway	At 31/05/00 Norway
Rate of increase in salaries	4.00%	4.00%	4.50%	4.50%
Rate of increase in pensions in payment	2.50%	2.50%	3.50%	3.50%
Discount rate	6.25%	6.25%	7.00%	7.00%
Inflation assumption	2.50%	2.50%	3.50%	3.50%

Note: Pensions earned for service before August 1999 in the Principal Scheme increase in payment and in deferment at 5%.
The assets in the scheme and the expected rate of return were:

	Value at 31/03/01 £'m	Long Term Rate of Return Expected at 31/03/01 %	Value at 31/05/00 £'m	Long Term Rate of Return Expected at 31/05/00 %
Bonds	8.5	5.00%	20.2	6.90%
Equities	90.1	7.50%	75.7	8.30%
Properties	0.0	0.00%	3.1	8.30%
Other	2.0	5.00%	6.1	8.00%
Norwegian Insurance Policy	5.2	6.50%	5.1	6.50%
Total market value of assets	105.8		110.2	
Present value of scheme liabilities	(143.8)		(134.6)	
Deficit in the scheme	(38.0)		(24.4)	
Related deferred tax asset	11.4		7.3	
Net pension liability	(26.6)		(17.1)	

Analysis of the amount charged to operating profit

	2001 £'000 Full Year	2001 £'000 10 Months
Current Service Cost of Defined Benefit Schemes	3,971	3,309
Defined contribution schemes	320	267
Total operating charge (see note 4)	4,291	3,576

28 Pensions (continued)

The group has no other exposure to post-retirement benefits obligations.
The contribution rates for 2001/2002 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.
Premiums are paid to the Norwegian scheme in accordance with statutory requirements.

Analysis of the amount credited to other finance income

	2001 £'m Full Year	2001 £'m 10 Months
Expected return on pension scheme assets	8.7	7.3
Interest on pension scheme liabilities	(8.3)	(7.0)
Net return	0.4	0.3

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

	2001 £'m
Actual return less expected return on pension scheme assets	(16.8)
Experience gains and losses arising on the scheme liabilities	1.3
Changes in assumptions underlying the present value of the scheme liabilities	0.0
Exchange rate movement	0.1
Actuarial loss recognised in STRGL	(15.4)

Movement in deficit during period

	2001 £'m
Deficit in scheme on acquisition of Hogg Robinson plc	(24.5)
Movement in year:	
Current service cost	(3.3)
Contributions	4.9
Other finance income	0.3
Actuarial gain / (loss) in STRGL	(15.4)
Deficit in scheme at end of the period	(38.0)

History of experience gains and losses

	2001
Difference between actual and expected returns on assets amount (£'m)	(16.8)
% of scheme assets	-15.9%
Experience gains and losses on liabilities amount (£'m)	1.3
% of scheme liabilities	0.9%
Total amount recognised in STRGL amount (£'m)	(15.4)
% of scheme liabilities	10.7%

29 Principal Trading Subsidiaries and Joint Ventures

The following were the principal trading subsidiaries and joint venture company of the Group as at 31 March 2001, all were wholly owned by Farnborough Limited unless otherwise stated;

Name	Business Activity	Country of Incorporation	Class of Shares
Subsidiaries			
Hogg Robinson Limited	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 *
Rider Travel Corp	Business Travel Agents	Canada	Ordinary *
BTI Australia Pty Limited	Business Travel Agents	Australia	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			
TRX Europe Limited	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.

30 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.

31 Post Balance Sheet Event

1 Acquisition of a Singapore Business Travel business

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 consideration paid was S$1,050,000. The acquisition was funded by taking out a local bank loan of S$1,050,000.
The share capital of HR Singapore Pte Limited of S$100,000 was also funded by the Group.

	S$'000
Consideration paid	1,050
Fixed Assets acquired (NBV)	-
Goodwill acquired	1,050

The goodwill acquired will be amortised over 5 years.

2 Disposal of 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 is due twelve months later. A maximum of a further £0.4m is payable twenty four months later but is conditional.

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