23 February 2011

Logica reports a strong finish to 2010

Headlines[1]

- Full year revenue up 1% pro forma at £3,697 million, with fourth quarter up 4%
  - Outsourcing Services revenue up 10% in 2010, while the decline in Consulting and Professional Services revenue slowed to 5%
  - Second half growth driven by a sharp recovery in Financial Services
- Adjusted operating margin in line with last year at 7.4% despite a challenging market in the Benelux
- Threefold increase in operating profit to £211 million due to reduction in amortisation and exceptional charges
- Net debt/EBITDA at 0.8x at year end, with net debt at £280 million (2009: £291 million)
- Full year dividend recommended to be 4.2p, up 27% over 2009
- Well positioned for growth and modest margin improvement as market recovers in 2011
  - Consulting and Professional Services book to bill at 105% (2009: 108%)
  - Major wins worth more than £475 million in the first two months of 2011, coupled with 2010 Outsourcing book to bill of 110%, underpin strong Outsourcing backlog
  - Continued benefit of overhead reduction

For the twelve months ended 31 December 2010, results were as follows:

CONTINUING OPERATIONS	FY 2010 ACTUAL	FY 2009 ACTUAL	FY 2009 PRO FORMA	GROWTH/(DECLINE)	
				ACTUAL	PRO FORMA
Book to bill	107%	114%			
Revenue	£3,697m	£3,702m	£3,668m	0%	+1%
Adjusted operating profit	£272m	£272m	£272m	0%	0%
Adjusted operating margin	7.4%	7.4%	7.4%	0%	
Basic adjusted EPS	12.3p	12.5p		(2%)	
Dividend per share	4.2p	3.3p		+27%	

Statutory results:				
Operating profit	£211m	£66m		+£145m
Profit before tax	£193m	£43m		+£150m
Basic EPS	9.6p	2.5p		+7.1p

For definition of pro forma, adjusted operating profit, adjusted operating margin and basic adjusted EPS, please see note on page 20.

Commenting on today's announcement, Andy Green, CEO, said:

"We finished 2010 in a strong position. The client and people focused strategy that we established at Logica three years ago has helped us to weather the downturn well. The well balanced nature of our business across geographies and industry sectors continues to bring us benefits, with a particularly strong performance in territories like France and the Nordics and a sharp recovery in Financial Services.

I am delighted with the significant contract wins of recent weeks with the Serious Organised Crime Agency (SOCA) in the UK, an important client in the Netherlands and Shell for commercial fleet fuel cards. These wins demonstrate our ability to compete successfully on some of the largest deals awarded so far in 2011.

Our good performance and strong order backlog allow us to look to the future with confidence. We are well positioned for revenue growth and modest margin improvement as the market recovers through 2011. We continue to invest in ensuring we are competitive and responsive to changing client needs, providing our people with the opportunity to build sustainable careers at Logica and delivering improving returns to our shareholders."

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[1] All numbers in this release relate to pro forma numbers as defined on page 20.

Financial overview

Group revenue was £3,697 million (2009 actual: £3,702 million). This represented a pro forma growth of 1%, slightly ahead of guidance. Our top 50 clients accounted for 42% of revenue (2009 actual: 42%).

Adjusted operating profit was £272 million (2009 actual: £272 million), representing an adjusted operating margin of 7.4% (2009: 7.4%). Basic adjusted EPS was 12.3p (2009 actual: 12.5p) on a weighted average number of shares of 1,589 million (2009: 1,586 million). Basic earnings per share was 9.6p (2009: 2.5p). Operating profit was £211 million, compared to £66 million on an actual basis for 2009. Profit before tax was £193 million (2009 actual: £43 million).

Net cash inflow from trading operations was £270 million (2009 actual: £354 million), resulting in cash conversion of 99% (2009: 130%). Closing net debt was £280 million (31 December 2009: £291 million) and represented net debt/EBITDA of 0.8x.

Market overview and outlook

Market overview

Growth patterns in 2010 have varied across our geographies. Among our large countries, we have seen particular strength in our Northern European geographies and France.

Demand was less robust in the UK and the Benelux, where elections held in 2010 and general macroeconomic uncertainty kept the pricing environment competitive. We expect the impact of 2010 elections and consequent changes of government to lessen through 2011. Our strong long term relationships should help us to take advantage of the opportunities that the current environment provides to transform government and reduce its longer term spending.

The most consistent and marked trend in all our markets has been the return of demand with Financial Services clients as they look to upgrade and refresh their systems and put in place risk management and compliance solutions.

Our Consulting and Professional Services business showed signs of improvement through the second half. Lead indicators like attrition and utilisation suggest that this market will further improve in 2011 in most of our geographies. Clients are showing increasing interest in taking advantage of the opportunities that security, sustainability and Cloud and Future IT offer.

The longer term driver of growth continues to be Outsourcing. Clients remain focused on the need to reduce costs and streamline their IT applications. The demand for blended delivery from nearshore and offshore centres is expected to accelerate through 2011.

Continued management of our skills base will be key to meeting demand. We are recruiting and hiring people both onshore and offshore to ensure we have the right skills in the right places to meet this demand.

Outlook

The balance of our business across markets and sectors will continue to be an asset in 2011. We will continue our investments in areas like Cloud and Future IT to position us for future growth. A healthy pipeline in Consulting and Professional Services, as well as significant Outsourcing orders in the first quarter of 2011 coupled with 2010 Outsourcing book to bill of 110%, have contributed to a good order backlog, which underpins our confidence that revenue will again grow faster than the market.

We expect modest operating margin improvement in 2011. A stronger market and the overhead reductions we have put in place over the last three years will contribute to improvements in operating margin through the year. Since the beginning of 2010, any ongoing costs associated with managing our skills base have been recorded as operating costs and not exceptional charges. In 2011, the £30 million of such costs we expect to incur will fall predominantly in the first half which means that first half operating margin will be behind last year. We expect around £15 to £20 million of benefit from these changes beginning in the second quarter.

Progress on longer term goals

Over the last three years, we have performed well across the group delivering stable revenue and operating margin. Our longer term focus remains on differentiating our offer to clients in order to continue to increase our market share in a tough market. We plan to lower overhead costs, work more efficiently and boost productivity. This should allow us to steadily move towards double digit margins as markets grow over the medium term.

Progress with clients

New orders totalled £3,972 million in the year (2009: £4,190 million), driven by the renewed demand in the Financial Services and TTI (Transport, Trade and Industrial) sectors. Book to bill was 107% (2009:114%), despite our £157 million contract with the UK's Serious Organised Crime Agency (SOCA) not being signed until January 2011. This contract with SOCA is a good example of the traction we are getting with differentiated offerings like secure solutions for our Public Sector clients.

Our clients continued to award us new Outsourcing business in 2010. The growth in orders in this part of the business reflects our ongoing investment in growing our position as a leader in applications management over the last three years as well as a more general market trend towards more outsourcing. We have had particularly good traction in the Nordics.

Our investments in building long term relationships are evidenced in our deal success over the last two years. Reflecting a changing market, there were fewer clients who contracted very large deals in 2010. Nevertheless, we secured 27 deals greater than £10 million, of which 10 were greater than £20 million. This compares favourably to 2009, when we had only 25 new deals greater than £10 million. The value of the larger deals was 13% above last year's level.

Our success is also being reflected in the size and nature of our opportunities pipeline. Our average pipeline through 2010 was 20% larger than in 2009. Our investment in Business Consulting is proving key to helping us identify new work.

The source of the deals by sector continued to fluctuate with market trends. 2010 saw renewed demand from Financial Services and TTI clients. We continue to benefit from having a business which is well balanced across sectors as well as geographies.

Managing our skills and our people

Maintaining and upgrading the domain expertise of our people and ensuring we have the right people in the right places for our clients is a key differentiator for us. At 31 December 2010, we had 39,284 employees (31 December 2009: 38,780). Around 90% of our people are directly engaged in delivery to clients and increasing numbers of them are based in our offshore centres.

We recruited around 6,500 people across the Group in 2010, with around 1,450 graduates joining Logica. France remained the most active recruiter after the offshore centres, with gross recruitment of around 1,600 in the year on the back of strong order and revenue growth.

In 2010, our recruitment in India, Morocco and the Philippines accelerated as European clients continued to adopt a blended delivery approach. We expanded the scope of activities with our remote infrastructure management production centre in Chennai to support clients in 10 countries. To support growth and compensate for attrition in line with industry averages,we had around 1,600 new joiners in our offshore locations. At the end of 2010, we had 5,800 people in these locations (15% of group permanent headcount) – compared to 5,100 at the end of 2009. In total, these now deliver to over 135 European clients in 13 countries.

As our markets recover, we expect to need to recruit more people in both our onshore and offshore locations. We will continue to enhance our capability mix and competitiveness. We continue to transform our skills mix and cost structure, balancing recruitment, training and development of our people, attrition and targeted pay increases to produce the optimum result.

Our annualised voluntary attrition was 14% at the end of 2010 (2009: 7%) although it remains below the 16% level we saw at the peak of the last cycle. The increase in attrition and modest wage inflation, which we expect to continue into 2011, will be tools we can use to help change the mix of our onshore headcount.

The Logica University has had a major refresh since 2008 and, combined with an increase in online training, is helping our people keep their skills relevant and up to date.

Progress on margin

Pricing pressure meant that we had to deliver more work for the same revenue in 2010 and so our direct costs rose to 72.2% (2009: 71.1%). The effect of annualised 2009 price reductions has lessened as we have come through 2010.

However, 2010 marked a further improvement in group overheads, benefiting from the actions implemented under the 2008 Programme for Growth. Overheads decreased to 13.0% of revenue (2009: 14.1%). The key drivers of our lower overheads have been lower real estate costs and the rationalisation and increased efficiency of our non billable functions. Our sales and marketing expense remained stable at 7.4% of revenue (2009: 7.4%).

As a result, we maintained our adjusted operating margin at 7.4%. The reduction in our exceptional costs meant that this represented a tripling of operating profit compared to 2009.
Overheads will reduce further in 2011. This, combined with improvement in gross margin, will help Logica move its operating margin over the medium term, from the 7.4% we delivered in 2010 towards double digit margins.

Operating performance – continuing operations

The basis on which we are reporting revenue and operating profit was changed at the beginning of 2010. As a consequence, prior year comparatives have been restated below:

- Northern and Central Europe and Sweden have been introduced as new segments to reflect the management structure put in place from the beginning of 2010. More detail on the countries in each segment was provided at our analyst day in March 2010.
- Outsourcing Services pro forma numbers for 2009 now reflect a refinement in our allocation of activities between service lines, in addition to exchange movements and disposals. These changes have resulted in a net increase of £81 million in the pro forma numbers cited below.
- Operating profit numbers for France in 2010 have improved in part due to a change in tax legislation which is not applied to 2009 numbers.
- The sector formerly known as Industry, Distribution and Transport (IDT) has been renamed to Transport, Trade and Industrial (TTI) to better reflect the nature of our client base in that sector. There has been no change to the classification of revenue as a result of this change.

Analysis of revenue performance

Revenue by service line

	FY'10 £'m	H2'10 Actual £'m	FY'09 Pro forma £'m	FY'09 Actual £'m	Growth FY'10 on FY'09 Pro forma %	Growth H2'10 on H2'09 Pro forma %	% of total
Outsourcing Services	1,601	809	1,461	1,380	10	10	43
Consulting and Professional Services	2,096	1,017	2,207	2,322	(5)	(3)	57
Total	**3,697**	**1,826**	**3,668**	**3,702**	**1**	**2**	**100**

Full year revenue was up 1% on a pro forma basis with Outsourcing Services revenue up 10% on a pro forma basis to £1,601 million. It now represents 43% of Group revenue (2009: 37%).

The trend in Consulting and Professional Services improved through 2010, with the full year decline halving from last year to 5% and a fourth quarter decline of only 3%. Utilisation in Consulting and Professional Services was stable at around 80% through the second half.

Within Consulting and Professional Services, we have established Business Consulting as a separate service line. At the end of the year, we had around 3,500 employees within Business Consulting, with France, Sweden and Finland our largest consulting businesses. Utilisation trends have remained stable during the last six months of the year as we added employees to the organisation through the second half.

Revenue by sector

	FY'10 Actual £'m	H2'10 Actual £'m	FY'09 Pro forma £'m	FY'09 Actual £'m	Growth FY'10 on FY'09 Pro forma %	Growth H2'10 on H2'09 Pro forma %	% of total
Public Sector	1,133	543	1,171	1,180	(3)	(5)	31
Transport, Trade and Industrial (TTI)	1,023	494	993	1,005	3	3	28
Energy and Utilities	638	318	656	650	(3)	(2)	17
Financial Services	596	306	539	553	11	18	16
Telecoms	307	165	309	314	(1)	6	8
Total	**3,697**	**1,826**	**3,668**	**3,702**	**1**	**2**	**100**

The balance of our business across sectors continued to be an asset. A more general trend of growth in the commercial sectors offset slower spending in the Public Sector. This was particularly marked in the second half of the year in our Northern European geographies with the growth rate across the commercial sectors overall doubling. This contributed to second half revenue up 2% on last year on a pro forma basis.

Strong performance in Financial Services and TTI against weaker 2009 comparatives offset slowing in other sectors. The return to growth in Financial Services was particularly strong, up 11% compared to a 20% decline in 2009. TTI was up 3% in the year compared to a 9% decline the previous year. New projects slipping into 2011 in the UK and the slowdown as a result of the extended delay in forming a new government in the Netherlands contributed to the Public Sector underperforming our expectations. Energy and Utilities and Telecoms both showed declines against strong 2009 comparatives.

Revenue by geography

	FY'10 Actual £'m	H2'10 Actual £'m	FY'09 Pro forma £'m	FY'09 Actual £'m	Growth FY'10 on FY'09 Pro forma %	Growth H2'10 on H2'09 Pro forma %	% of total
France	810	395	757	791	7	8	22
Northern and Central Europe	788	398	735	759	7	10	21
UK	709	342	750	750	(5)	(8)	19
Sweden	566	287	544	510	4	7	15
Benelux	488	231	543	574	(10)	(4)	14
International	336	173	339	318	(1)	(2)	9
Total	**3,697**	**1,826**	**3,668**	**3,702**	**1**	**2**	**100**

France was our most consistent performer through 2010, with revenue up 7% for the year. Growth in Northern and Central Europe and Sweden accelerated through the second half to end up 7% and 4% respectively. All of these segments grew above 7% in the second half.

The Benelux experienced the most significant decline but showed a marked improvement in the second half. UK revenue was slightly weaker than anticipated due to some projects not being signed until the first quarter of 2011.

Analysis of operating performance

Adjusted operating profit by service line

	FY'10 £'m	FY'10 Margin %	FY'09 Pro forma £'m	FY'09 Margin %
Outsourcing	112	7.0	102	7.0
Consulting and Professional Services	160	7.6	170	7.7
Total	**272**	**7.4**	**272**	**7.4**

Group adjusted operating margin reflected solid margins across both service lines.

Outsourcing Services adjusted operating profit was £112 million (2009: £102 million). The effect from profit phasing on the back of the strong growth we have seen in 2010 was offset by our continued focus on moving activities offshore and higher efficiency through more industrialised processes and tools, resulting in an adjusted operating margin of 7.0% (2009: 7.0%).

Consulting and Professional Services operating profit was £160 million (2009: £170 million). Adjusted operating margin was broadly maintained at 7.6% (2009: 7.7%) despite a challenging market environment, with improvements in utilisation offsetting the continued impact of 2009 price declines.

Adjusted operating profit by geography

	FY'10 £'m	FY'10 Margin %	FY'09 Pro forma £'m	FY'09 Pro forma Margin %	FY'09 Actual £'m	% of total
France	68	8.4	57	7.5	60	25
Northern and Central Europe	61	7.8	57	7.8	58	23
UK	60	8.5	64	8.5	64	22
Sweden	38	6.7	39	7.2	37	14
Benelux	14	2.9	23	4.3	24	5
International	31	9.0	32	9.2	29	11
Total	**272**	**7.4**	**272**	**7.4**	**272**	**100**

Adjusted operating profit before exceptional items and amortisation of intangibles initially recognised on acquisition was £272 million.

Adjusted operating margin was 7.4%, in line with last year. As expected, the impact of volume and pricing reductions agreed during the first half of 2009 had an impact on the first half margins, which was offset by cost reductions from actions taken in 2009. The second half saw margins stable or improving with the exception of the Benelux. The improvement in the French operating margin, due mainly to a change in French tax legislation, was a positive contributor, adding around 20 bps to Group margin.

Operating profit by geography (actual)

	FY'10 Adjusted operating profit £'m	FY'10 Amortisation of intangibles £'m	FY'10 Exceptional items £'m	FY'10 Operating profit £'m	FY'10 Operating Margin %
France	68	(19)	-	49	6.1
Northern and Central Europe	61	(18)	-	43	5.4
UK	60	-	-	60	8.5
Sweden	38	(21)	-	17	3.0
Benelux	14	-	(2)	12	2.6
International	31	(1)	-	30	8.7
Total	**272**	**(59)**	**(2)**	**211**	**5.7**

	FY'09 Adjusted operating profit £'m	FY'09 Amortisation of intangibles £'m	FY'09 Exceptional items £'m	FY'09 Operating profit £'m	FY'09 Operating Margin %
France	60	(29)	(12)	19	2.3
Northern and Central Europe	58	(26)	(14)	18	2.5
UK	64	-	(21)	43	5.7
Sweden	37	(32)	(18)	(13)	(2.5)
Benelux	24	-	(47)	(23)	(4.0)
International	29	(2)	(5)	22	7.0
Total	**272**	**(89)**	**(117)**	**66**	**1.8**

Lower amortisation and the absence of significant exceptional charges led to a threefold increase in our operating profit to £211 million (2009 actual: £66 million). Operating margin was 5.7% (2009: 1.8%).

Amortisation expense of £59 million (2009 actual: £89 million) mainly reflects the ongoing amortisation related to customer contracts. The reduction is related to the completion of amortisation of some brand names.

While we did not incur any exceptional charges for restructuring in 2010, we recorded an exceptional charge of £2 million in relation to our disposal of the payroll business in the Benelux. This compares to exceptional charges of £117 million in 2009, mainly related to restructuring incurred as part of the Programme for Growth.

Review of continuing operations – Outsourcing Services

Outsourcing Services orders and revenue by type

	FY'10 Orders £'m	FY'09 Orders Pro forma £'m	Growth FY'10 on FY'09 Pro forma %
Applications Management (AM)	949	934	2
Infrastructure Management (IM)	702	694	1
Business Process Outsourcing (BPO)	110	184	(40)
Total Outsourcing Services	**1,761**	**1,812**	**(3)**

Book to bill (%)	110	124

	FY'10 Revenue £'m	FY'09 Revenue Pro forma £'m	Growth FY'10 on FY'09 Pro forma %
Applications Management (AM)	823	701	17
Infrastructure Management (IM)	631	621	2
Business Process Outsourcing (BPO)	147	139	6
Total Outsourcing Services	**1,601**	**1,461**	**10**

Within Outsourcing Services, Applications Management (AM) continued to be the largest component of revenue as well as the fastest growing, up 17%. Business Process Outsourcing (BPO) also grew significantly, up 6%. Infrastructure Management (IM) was broadly stable, accounting for 40% of outsourcing revenue.

AM also accounted for the majority of our new orders in the first half of the year, with orders in this part of Outsourcing Services up 2%. We continually work to maintain our market leading share of the European applications management market and have identified a number of areas which we expect to drive further demand in this market, such as security management of applications placed on the cloud, mobile application management and globally blended shared services combining skills from both onshore and offshore regions.

Our Outsourcing order backlog was £2.3 billion at the end of 2010, with orders of £1.8 billion added in the year on the back of strong demand across most geographies. Significant contracts with Shell, the UK's Serious Organised Crime Agency and an important client in the Netherlands with a total value of over £475 million have also been added since the end of 2010. The additional sales effort we have invested in since 2008 is delivering healthy levels of contracted revenue in our backlog and increasing the number of opportunities in our pipeline. Book to bill was 110% (2009: 124%).

Outsourcing Services revenue by geography

	FY'10 Revenue £'m	H2'10 Actual Revenue £'m	FY'09 Pro forma Revenue £'m	FY'09 Actual Revenue £'m	Growth FY'10 on FY'09 Pro forma %	% of total
France	349	175	294	307	19	22
Northern and Central Europe	261	137	217	181	20	16
UK	377	183	392	367	(4)	24
Sweden	337	175	282	251	20	21
Benelux	84	37	86	118	(2)	5
International	193	102	190	156	2	12
Total Outsourcing Services	**1,601**	**809**	**1,461**	**1,380**	**10**	**100**

Outsourcing growth in Sweden accelerated during the second half, ending the year up 20%. This was in line with the strong levels of growth we saw in France and Northern and Central Europe and more than offset declines in the UK and the Benelux. The UK was down 4% against a very strong comparative in the second half of 2009.

Outsourcing Services adjusted operating profit

	FY'10	FY'09 Pro forma
Adjusted operating profit £'m	**112**	**102**
Adjusted operating margin %	**7.0**	**7.0**

Adjusted operating profit was £112 million. The phasing of profit recognition on the back of the strong growth we have seen in 2010 was offset by our continued focus on moving activities offshore and higher efficiency through more industrialised processes and tools, resulting in an adjusted operating margin of 7.0% (2009: 7.0%).

Review of continuing operations by geography

France

Revenue by market sector	FY'10 £'m	H2'10 Actual £'m	FY'09 Pro forma £'m	FY'09 Actual £'m	Growth FY'10 on FY'09 Pro forma %	Growth FY'10 on FY'09 Actual %
Transport, Trade and Industrial	308	148	288	300	7	3
Financial Services	208	105	192	200	8	4
Other sectors	294	142	277	291	6	1
Total	**810**	**395**	**757**	**791**	**7**	**2**

Outsourcing (%)	43		39
Book to bill (%)	115		140
Adjusted operating profit (£'m)	68	34	57
Adjusted operating margin (%)	8.4	8.7	7.5

Revenue was up 7% on a pro forma basis to £810 million. Our French business has been the most consistent performer across Logica in 2010 growing above the market on the back of strong client relationships. Despite a stronger comparative in the fourth quarter of 2009, revenue growth remained strong through the second half.

Our largest sectors, Financial Services and TTI, drove growth.

Among our smaller sectors, the fastest growing was the Public Sector, which was up 19% driven by the rollout of tax and payroll programmes for the Ministry of Finance. Energy and Utilities slowed on the back of a strong comparative and ahead of regulatory changes which should drive revenue growth in 2011.

Outsourcing revenue grew to 43% of total revenue as we undertook new contracts in a number of sectors including in the Public Sector.

Adjusted operating profit was £68 million. Margin at 8.4% benefited from the change in tax legislation from the beginning of 2010 which added around 110 bps to our reported margin, as well as strong utilisation and previous cost base reductions. The business is actively recruiting to lower the level of subcontractors taken on to respond to rapid growth in this business in 2010.

Book to bill was 115% (2009: 140%). We had a good second half order intake and have a good pipeline for 2011, driven by the increase in outsourcing activity.

Northern and Central Europe

Revenue by market sector	FY'10 £'m	H2'10 Actual £'m	FY'09 Pro forma £'m	FY'09 Actual £'m	Growth FY'10 on FY'09 Pro forma %	Growth FY'10 on FY'09 Actual %
Transport, Trade and Industrial	257	115	256	265	-	(3)
Public Sector	233	115	226	233	3	-
Other sectors	298	168	253	261	18	14
Total	**788**	**398**	**735**	**759**	**7**	**4**

Outsourcing (%)	33		30
Book to bill (%)	114		110
Adjusted operating profit (£'m)	61	35	57
Adjusted operating margin (%)	7.8	8.9	7.8

Revenue was up 7% on a pro forma basis to £788 million with a good performance across most geographies. We saw an acceleration through the second half with revenue up 10%.

Finland was the best performing country, with revenue up 11% driven by an increase from Outsourcing contracts signed in 2010. Revenue growth in our second largest country, Germany, was also strong, as it benefited from earlier investments and general strengthening across the economy. Denmark grew quickly from a smaller base as a result of the Posten Norden contract signed in early 2010.

Despite differing patterns across clients and geographies, we saw solid revenue performance in our two largest sectors, TTI and the Public Sector. As in our other geographies, Financial Services recovered strongly in 2010 and particularly so in Germany, where we were named a preferred supplier to a major Financial Services client. Second half growth was driven by the Telecoms sector under new contracts with major clients in Finland.

Adjusted operating profit was £61 million, which resulted in an adjusted operating margin of 7.8%. Cost reductions and good utilisation offset the impact of pricing pressure in the first half.

Book to bill for the period was 114% (2009: 110%). Order growth of 11% was driven by new contracts across the region and improving market positioning in Germany where we signed new outsourcing contracts. This included a five year contract with ArcelorMittal Bremen, signed at the end of 2010. This new deal will see Logica provide application management and infrastructure services for business applications ensuring our client's business benefits from service continuity and increased cost flexibility.

UK

Revenue by market sector	FY'10 £'m	H2'10 Actual £'m	FY'09 Pro forma £'m	FY'09 Actual £'m	Growth FY'10 on FY'09 Pro forma %	Growth FY'10 on FY'09 Actual %
Public Sector	439	209	467	467	(6)	(6)
Energy and Utilities	108	50	104	104	4	4
Other sectors	162	83	179	179	(9)	(9)
Total	**709**	**342**	**750**	**750**	**(5)**	**(5)**

Outsourcing (%)	53		52

Book to bill (%)	78		100

Adjusted operating profit (£'m)	60	34	64
Adjusted operating margin (%)	8.5	10.0	8.5

Revenue in the UK business was down 5% on a pro forma basis to £709 million. This was 2% below our previous guidance and a result of the delay of contracts which slipped into 2011 combined with weaker billing than we had expected across public and commercial sectors at the end of 2010.

Public Sector revenue was down 6% as a result of expected weakness following the election. Although there was good growth in Energy and Utilities and Financial Services, overall revenue in the commercial sectors declined. This was mainly due to weakness in Telecoms against a strong 2009 comparative, when the sector was up 57%.

Adjusted operating profit was £60 million (2009: £64 million), resulting in an adjusted operating margin of 8.5%. We are recruiting to refresh our skills base in a stronger employment market and working to improve utilisation.

With the £157 million Serious Organised Crime Agency (SOCA) contract not being signed until early 2011, the book to bill was 78%.

We expect the UK business to be growing as we exit 2011. The recovery will be second half weighted with the rollout of major contracts with SOCA and Shell and will be dependent on the pace of public sector spending decisions. Underpinning our confidence is an increase in demand in the commercial sectors, notably in Energy and Utilities and in Financial Services.

Sweden

Revenue by market sector	FY'10 £'m	H2'10 Actual £'m	FY'09 Pro forma £'m	FY'09 Actual £'m	Growth FY'10 on FY'09 Pro forma %	Growth FY'10 on FY'09 Actual %
Transport, Trade and Industrial	252	129	231	216	9	17
Public Sector	153	77	163	154	(6)	(1)
Other sectors	161	81	150	140	7	15
Total	**566**	**287**	**544**	**510**	**4**	**11**

Outsourcing (%)	60		52

Book to bill (%)	132		129

Adjusted operating profit (£'m)	38	23	39
Adjusted operating margin (%)	6.7	7.9	7.2

Revenue was £566 million, up 4% for the year on a pro forma basis. Revenue momentum was second half weighted, with second half revenue up 7% on the back of a weak comparative in 2009.

With the exception of the Public Sector, revenue improved in all sectors as a result of new Outsourcing contract wins. Our contract with Posten Norden drove TTI revenue in the second half. We began to deliver to Skandia in the Financial Services sector, while contracts with large clients like TeliaSonera drove growth in Telecoms. Activity in the Public Sector remained slow as a result of reduced spending and the completion of the final stage of a contract in the education sector.

Outsourcing will continue to drive growth in 2011 and we have been recruiting to help resource these outsourcing deals. Outsourcing now represents 60% of revenue with strong growth in 2010 due to a number of new contracts including Posten Norden.

Adjusted operating profit was £38 million. The decline in adjusted operating margin to 6.7% was due to a weaker first half margin on the back of pricing reductions agreed in 2009 and the phasing of profit as we rolled out new contracts in the second half. Improved utilisation rates and realignment of our cost base as we have come through 2010 have started to offset this.

Book to bill for the year was 132% (2009: 129%). As market sentiment has improved, we have been successful in winning new business in a competitive market. We have good order backlog for 2011, helped by new contract wins at Lantmänen, Scan and Posten Norden in 2010.

Benelux

Revenue by market sector	FY'10 £'m	H2'10 Actual £'m	FY'09 Pro forma £'m	FY'09 Actual £'m	Growth FY'10 on FY'09 Pro forma %	Growth FY'10 on FY'09 Actual %
Public Sector	161	72	190	200	(15)	(19)
Financial Services	146	73	137	145	7	1
Transport, Trade and Industrial	89	42	99	107	(10)	(17)
Other sectors	92	44	117	122	(21)	(25)
Total	**488**	**231**	**543**	**574**	**(10)**	**(15)**

Outsourcing (%)	17		16
Book to bill (%)	107		93
Adjusted operating profit (£'m)	14	2	23
Adjusted operating margin (%)	2.9	0.9	4.3

Revenue was down 10% on a pro forma basis to £488 million. As anticipated the rate of revenue decline continued to slow during the second half. Revenue was down 4% in the second half, compared to a 15% drop in the first half. Stable pricing levels and a continuing positive trend in Financial Services, where revenue was up 7% versus a decline of 31% in 2009 drove the second half improvement. Performance of Public Sector in the second half has been slower than we anticipated due to the delay in forming a Government. Outside Financial Services, clients remain cautious, focused on cost cutting with investment decisions being carefully considered.

Adjusted operating profit was £14 million (2009: £23 million). Adjusted operating margin was 2.9% (2009: 4.3%) and included a £5 million charge related to projects in the second half. Utilisation was around 75%, compared to the low 70s at the end of 2009. Following a change in management, we have put in place plans for driving further efficiencies through the organisation.

The most significant indication of the improving market in the Benelux was a book to bill of 107% (2009: 93%). Orders in the second half were up on 2009, with increases across most sectors. Wins since the end of 2010 include an €80 million, seven year win with an important client in the Netherlands for transition of their BPO and IT platform.

International

Revenue by area	FY'10 £'m	H2'10 Actual £'m	FY'09 Pro forma £'m	FY'09 Actual £'m	Growth FY'10 on FY'09 Pro forma %	Growth FY'10 on FY'09 Actual %
Iberia	101	51	103	108	(2)	(6)
Rest of World	235	122	236	210	-	12
Total	**336**	**173**	**339**	**318**	**(1)**	**6**

Revenue by market sector	FY'10 £'m	H2'10 Actual £'m	FY'09 Pro forma £'m	FY'09 Actual £'m	Growth FY'10 on FY'09 Pro forma %	Growth FY'10 on FY'09 Actual %
Transport, Trade and Industrial	29	15	28	26	4	12
Energy and Utilities	228	118	239	224	(5)	2
Financial Services	24	14	23	24	4	-
Other sectors	55	26	49	44	12	25
Total	**336**	**173**	**339**	**318**	**(1)**	**6**

Outsourcing (%)	57		56
Book to bill (%)	94		106
Adjusted operating profit (£'m)	31	19	32
Adjusted operating margin (%)	9.0	10.7	9.2

Revenue was down 1% on a pro forma basis to £336 million. On a revenue basis, Australia has become the largest country in the International cluster favoured by exchange rate movement and now represents 33% of the total (2009: 31%). Iberian revenue accounts for 30% of the total (2009: 34%).

Iberian revenue was down 2% to £101 million against a strong 2009 comparative and some slowing of discretionary work in a difficult economic environment in Portugal.

In the Rest of World (Australia, Brazil, USA, Middle East, Asia Pacific) revenue remained stable at £235 million. North America and Middle East were the stronger performers. The Energy and Utilities sector saw healthy growth in North America on the back of strong European client relationships while Public Sector projects increased significantly in the Middle East. Revenue in Brazil and Asia was down following a strong performance in 2009.

Adjusted operating profit was £31 million, resulting in an adjusted operating margin of 9.0%. We saw continued good margin performance in Australia. The slight decline in adjusted operating margin was due to a reduction in discretionary work and some project overruns in the Brazilian business. Utilisation remained strong and stable during the second half of the year.

Book to bill at 94% (2009: 106%) was mainly the reflection of projects slipping into 2011.

Financial position

Summary cash flow	FY'10 £'m	FY'09 £'m
Adjusted operating profit	**272**	**272**
Depreciation and amortisation of intangibles not recognised on acquisition	58	56
Movement in working capital	(56)	26
Other non-cash movements	(4)	-
Net cash inflow from continuing operations	270	354
Cash conversion	***99%***	***130%***
Cash outflow related to restructuring under the Programme for Growth	(37)	(67)
Cash outflow related to losses on business disposed of/ held for disposal	(5)	(6)
Net financing cost paid	(16)	(27)
Income tax paid	(51)	(19)
Capex less disposals of property, plant & equipment and intangible assets	(74)	(57)
Impact of acquisitions and disposals	(6)	(47)
Dividends paid to shareholders	(67)	(26)
Exchange differences and other	(3)	42
Opening net debt	(291)	(438)
Closing net debt	**(280)**	**(291)**

The net cash inflow from trading operations was £270 million (2009 actual: £354 million), leading to a cash conversion ratio of 99% (2009 actual: 130%), and a very strong cash conversion during the second half of the year.

One off items included an exceptional cash outflow of £37 million (2009 actual: £67 million), associated with the Programme for Growth costs expensed in 2009.

Net finance cost paid was below last year at £16 million (2009 actual: £27 million), reflecting a lower interest rate environment in 2010.

Payment in respect of dividends was £67 million (2009: £26 million) an increase on our 2009 outflows following our policy of increasing dividends to shareholders in 2010.

Logica has debt facilities of £712 million. Our facilities extending beyond 2012 are £536 million.

Group net debt at 31 December 2010 was £280 million (2009 actual: £291 million), leading to net debt/EBITDA of 0.8x in line with our 2010 guidance.

Other information

Taxation

The effective tax rate, before exceptional items and amortisation of intangible assets initially recognised on acquisition, was 23% (2009: 20%). The total tax charge was £41 million (2009: £3 million). The effective tax rate for 2011 is expected to be around 23%.

The overall tax rate for the period was 21% (2009: 6%) due to the absence of restructuring charges in 2010.

Disposals

The consideration for the disposal of our lower margin Dutch payroll processing business was £3 million in 2010.

Returns to shareholders

The Board's policy is to ensure that the progress we have made in improving the performance of the business over the last three years delivers a real return to shareholders which flows through our dividend policy, while continuing to provide sufficient funds to invest in future growth. As a result, the Board has recommended a steady increase in the dividend payout ratio from 2009 levels of 28% to at least 40% by 2012.

The directors are proposing a final dividend of 2.3p (2009: 2.3p) to be paid on 5 May 2011 to eligible shareholders on the register at the close of business on 8 April 2011. This would take the full year dividend to 4.2p (2009: 3.3p), which represents a payout of around a third of adjusted EPS of 12.3p and a 27% increase in the full year dividend over last year.

Our return on capital (ROCE) was 9%, in line with last year and our cost of capital.

Next financial calendar dates

Logica's next scheduled communications to the market are:

Wednesday 4 May 2011	Q1 2011 Interim Management Statement and AGM
Friday 5 August 2011	H1 2011 Interim results

Notes:

1. With the exception of adjusted operating margin percentages, all numbers in this release have been rounded to whole numbers. Adjusted operating margin reflects the adjusted operating margin reported in the consolidated financial statements.
2. Cash conversion represents net cash inflow from trading operations divided by adjusted operating profit. Net cash inflow from trading operations is cash generated from operations before cash flows from proceeds on forward contracts, the purchase of property, plant, equipment, intangibles and restructuring and integration activities.
3. Book to bill percentage is a measure of the level of orders relative to revenue in the period.
4. Unless otherwise stated, the comparatives in this release relate to pro forma results for 2009 which:
    a. reflect average 2010 exchange rates by retranslating prior period actual numbers at average 2010 exchange rates. This decreased FY'09 revenue by £22 million and had no impact on adjusted operating profit.
    b. are adjusted to include the disposals that took place during 2009 by adjusting the actual prior period numbers for the relevant period owned. This decreased FY'09 revenue by £12 million and had no impact on adjusted operating profit.
    c. includes a number of changes to the scope of outsourcing activities in some of our geographies.

5. Adjusted operating profit and margin are from continuing operations and before exceptional items and amortisation of intangible assets initially recognised at fair value in a business combination.

	FY '10 £'m	**H2 '10 £'m**	**FY '09 Pro forma £'m**	**FY '09 Actual £'m**	**Pro forma growth %**	**Actual growth %**
Operating profit	**211**	**118**		**66**		**220%**
Add back impact of:						
Exceptional items	2	2		117		
Amortisation of acquisition related intangibles	59	27		89		
Adjusted operating profit	**272**	**147**	**272**	**272**	**0%**	**0%**

6. Adjusted earnings per share is based on net profit attributable to ordinary shareholders, excluding the following items, whenever such items occur:
    a. discontinued operations
    b. exceptional items
    c. mark-to-market gains or losses on financial assets and financial liabilities designated at fair value through profit or loss
    d. amortisation of intangible assets initially recognised at fair value in a business combination
    e. tax on the items above

7. Exchange rates used are as follows:

	FY '10	**H1 '10**	**H2 '10**	**FY '09**	**H1 '09**	**H2 '09**
£1 / €						
Average	1.17	1.15	1.18	1.12	1.12	1.12
End of period	1.17	1.22	1.17	1.13	1.17	1.13
£1 / SEK						
Average	11.12	11.26	10.99	11.91	12.16	11.66
End of period	10.53	11.64	10.53	11.53	12.76	11.53

Consolidated statement of comprehensive income

For the year ended 31 December 2010

	Note	2010 £'m	2009 £'m
Revenue	2	**3,696.8**	3,701.6
Net operating costs		**(3,486.2)**	(3,635.3)
Operating profit		**210.6**	66.3
Analysed as:			
Operating profit before exceptional items		**212.3**	183.8
Exceptional items	3	**(1.7)**	(117.5)
Operating profit	2,4	**210.6**	66.3
Finance costs		**(27.2)**	(35.8)
Finance income		**8.9**	11.6
Share of post-tax profits from associates		**0.6**	0.5
Profit before tax		**192.9**	42.6
Taxation	6	**(40.8)**	(2.5)
Net profit for the year		**152.1**	40.1
Other comprehensive income/(expense)			
Exchange differences on translation of foreign operations		**11.4**	(93.4)
Interest rate swaps fair value difference		**(0.1)**	(0.2)
Actuarial losses on defined benefit plans		**(3.1)**	(58.9)
Tax on items taken directly to equity		**0.6**	15.8
Other comprehensive income/(expense) for the period, net of tax		**8.8**	(136.7)
Total comprehensive income/(expense) for the period		**160.9**	(96.6)
Profit attributable to:			
Owners of the parent		**152.1**	40.1
		152.1	40.1
Total comprehensive income/(expense) attributable to:			
Owners of the parent		**160.9**	(95.5)
Non-controlling interests		**-**	(1.1)
		160.9	(96.6)
Earnings per share		**p / share**	p / share
- Basic	8	**9.6**	2.5
- Diluted	8	**9.4**	2.5

Details of dividends paid and proposed are provided in Note 7.

Consolidated statement of financial position

31 December 2010

	Note	**2010 £'m**	2009 £'m
Non-current assets			
Goodwill		**1,906.5**	1,883.6
Other intangible assets		**200.7**	243.4
Property, plant and equipment		**138.5**	132.8
Investments in associates		**2.7**	2.6
Financial assets		**12.5**	12.4
Retirement benefit assets		**38.7**	27.4
Deferred tax assets		**70.3**	74.8
		2,369.9	2,377.0
Current assets			
Inventories		**1.0**	1.1
Trade and other receivables		**1,252.3**	1,130.1
Current tax assets		**11.4**	3.1
Assets classified as held-for-sale	15	**-**	1.5
Cash and cash equivalents	9	**56.4**	139.3
		1,321.1	1,275.1
Current liabilities			
Other borrowings	10	**(204.3)**	(247.9)
Trade and other payables		**(1,062.4)**	(992.7)
Current tax liabilities		**(66.6)**	(58.5)
Provisions	11	**(29.4)**	(68.3)
		(1,362.7)	(1,367.4)
Net current liabilities		**(41.6)**	(92.3)
Total assets less current liabilities		**2,328.3**	2,284.7
Non-current liabilities			
Borrowings	10	**(132.3)**	(182.0)
Retirement benefit obligations		**(95.2)**	(83.6)
Deferred tax liabilities		**(61.1)**	(75.3)
Provisions	11	**(37.1)**	(45.3)
Other non-current liabilities		**(1.4)**	(1.2)
		(327.1)	(387.4)
Net assets		**2,001.2**	1,897.3
Equity			
Share capital	12	**160.2**	160.0
Share premium account	13	**1,107.4**	1,107.1
Reserves		**733.5**	630.1
Total shareholders' equity		**2,001.1**	1,897.2
Non-controlling interests		**0.1**	0.1
Total equity		**2,001.2**	1,897.3

Consolidated statement of cash flows

For the year ended 31 December 2010

	Note	2010 £'m	2009 £'m
Cash flows from operating activities			
Net cash inflow from trading operations		**270.1**	353.5
Cash outflow related to restructuring and integration activities		**(36.8)**	(67.4)
Cash outflow related to business disposed of/held for disposal		**(4.8)**	(5.9)
Cash generated from operations	14	**228.5**	280.2
Finance costs paid		**(20.1)**	(33.5)
Income tax paid		**(50.9)**	(19.4)
Net cash inflow from operating activities		**157.5**	227.3
Cash flows from investing activities			
Finance income received		**3.8**	6.2
Dividends received from associates		**0.4**	0.7
Proceeds on disposal of property, plant and equipment		**0.2**	3.0
Purchases of property, plant and equipment		**(45.8)**	(34.4)
Expenditure on intangible assets		**(28.8)**	(24.8)
Purchase of non-controlling interests		**-**	(47.8)
Acquisition of subsidiaries and other businesses, net of cash acquired		**(8.9)**	-
Proceeds on disposal of subsidiaries and other businesses, net of cash disposed		**3.2**	0.7
Net cash outflow from investing activities		**(75.9)**	(96.4)
Cash flows from financing activities			
Proceeds from issue of shares allotted under share plans		**0.4**	-
Refund of expenses related to shares issued in prior years		**5.6**	-
Proceeds from bank borrowings		**230.9**	20.3
Repayments of bank borrowings		**(399.8)**	(134.0)
Proceeds from private placement debt notes		**88.9**	-
Repayments of finance leases		**(3.4)**	(3.1)
Repayments of other borrowings		**(0.7)**	(1.6)
Net proceeds from forward contracts		**(17.7)**	6.2
Dividends paid to the Company's shareholders		**(66.8)**	(26.0)
Net cash outflow from financing activities		**(162.6)**	(138.2)
Net decrease in cash, cash equivalents and bank overdrafts		**(81.0)**	(7.3)
Cash, cash equivalents and bank overdrafts at the beginning of the year	9	**110.1**	121.5
Net decrease in cash, cash equivalents and bank overdrafts	9	**(81.0)**	(7.3)
Effect of foreign exchange rates	9	**1.5**	(4.1)
Cash, cash equivalents and bank overdrafts at the end of the year		**30.6**	110.1

Consolidated statement of changes in equity

For the year ended 31 December 2010

	Note	Share capital £'m	Share premium £'m	Retained earnings £'m	Other reserves £'m	**Total Shareholder's Equity £'m**	Non-controlling interest £'m	**Total Equity £'m**
At 1 January 2010		160.0	1,107.1	(331.1)	961.2	**1,897.2**	0.1	**1,897.3**
Net profit for the year		-	-	152.1	-	**152.1**	-	**152.1**
Other comprehensive income/(expense):								
Actuarial losses		-	-	(3.1)	-	**(3.1)**	-	**(3.1)**
Tax on items taken to equity		-	-	0.6	-	**0.6**	-	**0.6**
Interest rate swaps fair value difference		-	-	(0.1)	-	**(0.1)**	-	**(0.1)**
Exchange differences		-	-	-	11.4	**11.4**	-	**11.4**
Total comprehensive income		-	-	149.5	11.4	**160.9**	-	**160.9**
Transactions with owners:								
Dividends paid	7	-	-	(66.8)	-	**(66.8)**	-	**(66.8)**
Share-based payment		-	-	9.4	-	**9.4**	-	**9.4**
Shares allotted under share plans		0.2	0.3	(0.1)	-	**0.4**	-	**0.4**
Total transactions with owners		0.2	0.3	(57.5)	-	**(57.0)**	-	**(57.0)**
At 31 December 2010		**160.2**	**1,107.4**	**(239.1)**	**972.6**	**2,001.1**	**0.1**	**2,001.2**
At 1 January 2009		159.8	1,101.5	(349.2)	1,129.4	2,041.5	13.4	2,054.9
Net profit for the year		-	-	40.1	-	40.1	-	40.1
Other comprehensive income/(expense):								
Actuarial losses		-	-	(58.9)	-	(58.9)	-	(58.9)
Tax on items taken to equity		-	-	15.8	-	15.8	-	15.8
Transfer of realised reserve				75.9	(75.9)	-	-	-
Interest rate swaps fair value difference		-	-	(0.2)	-	(0.2)	-	(0.2)
Exchange differences		-	-	-	(92.3)	(92.3)	(1.1)	(93.4)
Total comprehensive income/(expense)		-	-	72.7	(168.2)	(95.5)	(1.1)	(96.6)
Transactions with owners:								
Dividends paid	7	-	-	(26.0)	-	(26.0)	-	(26.0)
Share-based payment		-	-	7.8	-	7.8	-	7.8
Shares allotted under share plans		0.2	-	(0.2)	-	-	-	-
Non-controlling interest repurchases		-	-	(36.2)	-	(36.2)	(12.0)	(48.2)
Disposal of subsidiaries		-	-	-	-	-	(0.2)	(0.2)
Stamp duty refund		-	5.6	-	-	5.6	-	5.6
Total transactions with owners		0.2	5.6	(54.6)	-	(48.8)	(12.2)	(61.0)
At 31 December 2009		160.0	1,107.1	(331.1)	961.2	1,897.2	0.1	1,897.3
	Note	12	13					

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1. Accounting policies and basis of preparation

Basis of preparation

The financial information in this preliminary announcement has been extracted from the Group's consolidated financial statements for the year ended 31 December 2010. The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and those parts of the Companies Act 2006 ('the Act') that remain applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared on a going concern basis, and under the historical cost convention with the exception of forward contracts, interest rate swaps and retirement benefit scheme assets which are measured at fair value.

This preliminary announcement was approved by the Board of Directors on 22 February 2011. The financial information in this preliminary announcement does not constitute the statutory accounts of Logica plc ('the Company') within the meaning of section 435 of the Act.

The statutory accounts of the Company for the year ended 31 December 2010, which include the Group's consolidated financial statements for that year, were unaudited at the date of this announcement. The auditors' report on those accounts is expected to be signed following approval by the Board of Directors on 8 March 2011 and subsequently delivered to the Registrar of Companies after the Annual General Meeting on 4 May 2011. The statutory accounts for the year ended 31 December 2009, which were prepared under IFRS, have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under section 498(2) and 498(3) the Act.

Adoption of new and revised International Financial Reporting Standards

The accounting policies adopted in these consolidated financial statements are consistent with those of the annual financial statements for the year ended 31 December 2009, with the exception of the following standards, amendments to and interpretations of published standards adopted during the year:

(a) The following standards, interpretations, and amendments to standards were effective during the year ended 31 December 2010, but had no material impact on the Group:

- Amendments issued as part of annual improvements to IFRSs (April 2009);
- Amendments to IFRS 2 'Group cash-settled share-based payment transactions', effective on or after 1 January 2010;
- IFRIC 12, 'Service concession arrangements' effective on or after 30 March 2009. A service concession arrangement is an arrangement where a government or public sector body contracts with a private operator to develop, operate and maintain the grantor's infrastructure assets. The grantor controls or regulates what services the operator provides, the assets used and prices charged. The assets will also revert to the grantor at the end of the term. Although Logica has outsourcing contracts which involve public sector organisations these typically support back office processes and thus are not concession arrangements. This interpretation has not had a material impact on the Group;
- IFRIC 16, 'Hedges of a net investment in a foreign operation';
- IFRIC 18, 'Transfers of Assets from Customers'; effective for transfers of assets received on or after 1 July 2009. The interpretation clarifies the requirements of IFRS for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both). Although some outsourcing contracts may involve the transfer of computing equipment to Logica, the control of the asset usually remains with the customer and as such this interpretation has not had, nor is expected to have a material impact on the Group;
- IFRIC 17 'Distributions of non-cash assets to owners', effective for periods beginning on or after 1 July 2009, clarifies the accounting where assets other than cash are distributed to shareholders;
- IAS 28 'Investments in Associates', effective on or after 1 July 2009, amended to reflect changes to IFRS 3;
- IAS 31 'Interests in Joint Ventures', effective on or after 1 July 2009, amended to reflect changes to IFRS 3;
- IAS 39 'Financial Instruments: Recognition and Measurement', effective on or after 1 July 2009, amended to clarify how existing principles should be applied in respect of 'a one sided risk in a hedged item' and 'inflation in a financial hedged item'. Inflation risk can only be hedged if contractually specified and it is possible to use purchased options as a hedging instrument;
- Amendments to IFRS 1 'Additional Exemptions for First-time Adopters', effective on or after 1 January 2010.

1. Accounting policies and basis of preparation (continued)

(b) The following standards, interpretations, and amendments to existing standards are not yet effective and have not been early adopted by the Group:

- Amendment to IAS 32 'Classification of Rights Issues', effective for financial years beginning on or after 1 February 2010;
- IAS 24 R 'Related Party Disclosures', effective for financial years beginning on or after 1 January 2011;
- Amendment to IFRIC 14 'Prepayments of a Minimum Funding Requirement', effective for financial years beginning on or after 1 January 2011;
- Amendment to IFRS 1 'Limited exemptions from Comparative IFRS 7 Disclosures for First-time Adopters', effective for financial years beginning on or after 1 July 2010;
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments', effective for financial years beginning on or after 1 July 2010.

(c) The following standards, interpretations, and amendments to existing standards are not yet effective, have not yet been endorsed by the EU and have not been early adopted by the Group:

- Improvements to IFRSs issued as part of annual improvements to IFRSs (May 2010);
- Amendments to IFRS 7 Financial Instruments: Disclosures (issued 7 October 2010), effective on or after 1 July 2011;
- IFRS 9 'Financial Instruments', effective on or after 1 January 2013;
- Amendments to IAS 12 - Deferred Tax: Recovery of underlying assets, effective on or after 1 January 2012;
- Amendments to IFRS1 - Severe Hyperinflation and the removal of fixed dates for first-time adopters.

2. Segment information

In accordance with IFRS 8 'Operating Segments', Logica has derived the information for its operating segments using the information used by the Chief Operating Decision Maker. The Group has identified the Executive Committee as the Chief Operating Decision Maker as it is responsible for the allocation of resources to operating segments and assessing their performance. The profit measure used by the Executive Committee is the adjusted operating profit, as described in Note 4. Operating segments are reported in a manner which is consistent with the operating segments produced for internal management reporting.

During the current year there has been a change in how the operating segments are organised and in the internal management reporting that the Executive Committee uses to review the performance of the Group. During the current year the Swedish business is reported as a separate operating segment, which has resulted in reclassification of £510.4 million of revenue, £13.0 million of operating loss and £36.8 million of adjusted operating profit (Note 4) relating to financial year ended 31 December 2009 from the Nordics segment to the Sweden segment. Also, the German, Switzerland, and the Central and Eastern Europe businesses were consolidated in a newly created the Northern and Central Europe segment along with rest of the Nordics segment, which has resulted in reclassification of £236.9 million of revenue, £5.0 million of operating profit and £11.3 million of adjusted operating profit (Note 4) relating to financial year ended 31 December 2009 from the International segment to the Northern and Central Europe segment.

At 31 December 2010, Logica is organised into six operating segments based on the location of assets. Segment revenue and profit after tax are disclosed below:

	Revenue		Profit	
	2010 **£'m**	2009* £'m	**2010** **£'m**	2009 * £'m
France	**810.0**	790.8	**49.2**	18.5
Northern and Central Europe	**787.8**	758.5	**42.6**	18.7
United Kingdom	**709.4**	750.4	**60.2**	42.6
Sweden	**565.9**	510.4	**16.8**	(13.0)
Benelux	**488.0**	573.5	**12.5**	(22.9)
International	**335.7**	318.0	**29.3**	22.4
Revenue and operating profit	**3,696.8**	3,701.6	**210.6**	66.3
Finance costs			**(27.2)**	(35.8)
Finance income			**8.9**	11.6
Share of post-tax profits from associates			**0.6**	0.5
Taxation			**(40.8)**	(2.5)
Profit after tax			**152.1**	40.1

*2009 comparatives have been rearranged for current year presentation of operating segments.

The share of post-tax profits from associates in the years ended 31 December 2010 and 2009 was attributable to the Benelux and the Northern and Central Europe segments.

3. Exceptional items

The exceptional items recognised within operating profit were as follows:

	2010 **£'m**	2009 £'m
Restructuring costs	**-**	(95.1)
Business held for disposal (Note 15)	**-**	(18.9)
Disposal of businesses (Note 15)	**(1.7)**	(3.5)
	(1.7)	(117.5)

During the year ended 31 December 2010, the Group incurred no expenses relating to the restructuring of the business (2009: £95.1 million). The restructuring cost in prior year comprised costs associated with the closure of offices in the UK and France, and redundancy of staff across the Group.

This year, the Group completed the disposal of its HR Payroll business in the Netherlands. The disposal generated a net loss of £1.7 million (Note 15).

4. Adjusted operating profit

Adjusted operating profit excludes the results of discontinued operations, exceptional items and amortisation of intangible assets initially recognised at fair value in a business combination, whenever such items occur. Adjusted operating profit is not defined under IFRS and has been shown as the Directors consider this to be helpful for a better understanding of the performance of the Group's underlying business. It may not be comparable with similarly titled profit measurements reported by other companies and is not intended to be a substitute for, or superior to, IFRS measures of profit.

	2010	2009
	£'m	£'m
Operating profit	**210.6**	66.3
Exceptional items (Note 3)	**1.7**	117.5
Amortisation of intangible assets initially recognised on acquisition	**59.6**	88.5
Adjusted operating profit	**271.9**	272.3

Adjusted operating profit/(loss) analysis per operating segment was as follows:

	2010			
	Operating Profit £'m	**Exceptional items £'m**	**Amortisation of intangibles* £'m**	**Adjusted operating profit £'m**
France	**49.2**	**-**	**19.0**	**68.2**
Northern and Central Europe	**42.6**	**-**	**18.5**	**61.1**
United Kingdom	**60.2**	**-**	**-**	**60.2**
Sweden	**16.8**	**-**	**21.1**	**37.9**
Benelux	**12.5**	**1.7**	**-**	**14.2**
International	**29.3**	**-**	**1.0**	**30.3**
	210.6	**1.7**	**59.6**	**271.9**

	2009**			
	Operating Profit/(loss) £'m	Exceptional items £'m	Amortisation of intangibles* £'m	Adjusted operating profit £'m
France	18.5	12.1	28.9	59.5
Northern and Central Europe	18.7	13.7	26.4	58.8
United Kingdom	42.6	21.5	-	64.1
Sweden	(13.0)	17.8	32.0	36.8
Benelux	(22.9)	47.0	-	24.1
International	22.4	5.4	1.2	29.0
	66.3	117.5	88.5	272.3

* Amortisation of intangible assets initially recognised on acquisition.
**2009 comparatives have been rearranged for current year presentation of operating segments.

5. Employees

	Year end		**Average**	
	2010 Number	2009* Number	**2010 Number**	2009* Number
France	**9,215**	8,882	**8,982**	8,964
Northern and Central Europe	**6,997**	6,850	**6,961**	6,940
United Kingdom	**5,448**	5,365	**5,407**	5,388
Sweden	**5,256**	5,153	**5,222**	5,260
Benelux	**4,901**	5,490	**5,200**	5,872
International	**7,467**	7,040	**7,191**	7,077
	39,284	38,780	**38,963**	39,501

*2009 comparatives have been rearranged for current year presentation of operating segments.

The employee expense for the year amounted to:

	2010	2009
	£'m	£'m
Salaries and short-term employee benefits (including bonus)	**1,617.3**	1,638.2
Social security costs	**310.7**	313.5
Pension costs	**143.2**	135.5
Share-based payments	**12.1**	9.5
	2,083.3	2,096.7

6. Taxation

	2010 £'m	2009 £'m
Current tax:		
UK corporation tax	**15.7**	15.7
Overseas tax	**34.5**	25.5
	50.2	41.2
Deferred tax:		
UK corporation tax	**(1.2)**	(1.4)
Overseas tax	**(8.2)**	(37.3)
	(9.4)	(38.7)
	40.8	2.5

The effective tax rate on operations for the year, before the share of post-tax profits from associates, exceptional items and amortisation of intangible assets initially recognised on acquisition, was 23% (2009: 20.0%), of which a charge of £14.5 million (2009: £20.6 million) related to the United Kingdom. The effective tax rate for 2010 was higher than 2009 due to the one-off satisfactory closure of a number of outstanding prior year claims in 2009.

The effective tax rate on exceptional items was 23.5% (2009: 18.3%) and the effective tax rate on amortisation of intangible assets initially recognised on acquisition was 28.9% (2009: 28.9%).

The tax charge from operations is lower than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below.

	2010 £'m	2009 £'m
Profit before tax	**192.9**	42.6
Less: share of post-tax profits from associates	**(0.6)**	(0.5)
Profit before tax excluding share of post-tax profits from associates	**192.3**	42.1
Tax at the UK corporation tax rate of 28% (2009: 28%)	**53.8**	11.8
Adjustments in respect of previous years	**(12.3)**	0.2
Adjustment for foreign tax rates	**11.8**	5.6
Tax loss utilisation	**(7.1)**	(10.0)
Income not taxable	**(16.5)**	(13.1)
Deferred tax assets not recognised	**11.1**	8.0
Tax charge	**40.8**	2.5

The current tax related to exceptional items for the year ended 31 December 2010 was a tax credit of £0.4 million (2009: £21.5 million).

7. Dividends

The Directors are proposing a final dividend in respect of the year ended 31 December 2010 of 2.3 pence per share, which would reduce shareholders' funds by approximately £36.6 million. The proposed dividend is subject to approval at the AGM on 4 May 2011 and has not been recognised as a liability in these financial statements. The final dividend will be paid on 5 May 2011 to shareholders listed on the share register on 8 April 2011.

The amounts recognised as distributions to equity holders were as follows:

	2010 p / share	2009 p / share	2010 £'m	2009 £'m
Interim dividend, relating to 2010 / 2009	**1.90**	1.00	**30.3**	16.5
Final dividend, relating to 2009 / 2008	**2.30**	0.60	**36.5**	9.5
	4.20	1.60	**66.8**	26.0

Dividends payable to employee share ownership trusts are excluded from the amounts recognised as distributions in the table above.

8. Earnings per share

Earnings per share	**Earnings £'m**	**2010 Weighted average number of shares million**	**Earnings per Share pence**
Profit for the year	**152.1**		
Earnings attributable to ordinary shareholders	**152.1**	**1,589.4**	**9.6**
Basic EPS	**152.1**	**1,589.4**	**9.6**
Effect of share options and share awards	**-**	**35.7**	**(0.2)**
Diluted EPS	**152.1**	**1,625.1**	**9.4**
Adjusted earnings per share			
Earnings attributable to ordinary shareholders	**152.1**	**1,589.4**	**9.6**
Add back:			
Exceptional items, net of tax	**1.3**	**-**	**-**
Amortisation of intangible assets initially recognised on acquisition, net of tax	**42.4**	**-**	**2.7**
Basic adjusted EPS	**195.8**	**1,589.4**	**12.3**
Effect of share options and share awards	**-**	**35.7**	**(0.2)**
Diluted adjusted EPS	**195.8**	**1,625.1**	**12.1**

Earnings per share	Earnings £'m	2009 Weighted average number of shares million	Earnings per Share Pence
Profit for the year	40.1		
Earnings attributable to ordinary shareholders	40.1	1,586.2	2.5
Basic EPS	40.1	1,586.2	2.5
Effect of share options and share awards	-	23.4	-
Diluted EPS	40.1	1,609.6	2.5
Adjusted earnings per share			
Earnings attributable to ordinary shareholders	40.1	1,586.2	2.5
Add back:			
Exceptional items, net of tax	96.0	-	6.0
Amortisation of intangible assets initially recognised on acquisition, net of tax	62.9	-	4.0
Basic adjusted EPS	199.0	1,586.2	12.5
Effect of share options and share awards	-	23.4	(0.1)
Diluted adjusted EPS	199.0	1,609.6	12.4

All operations as at 31 December 2010 and 2009 were continuing.

Adjusted earnings per share, both basic and diluted, have been shown as the Directors consider this to be helpful for a better understanding of the performance of the Group's underlying business. The earnings measure used in adjusted earnings per share excludes, whenever such items occur: the results of discontinued operations; exceptional items; mark-to-market gains or losses on financial assets and financial liabilities designated at fair value through profit or loss; and amortisation of intangible assets initially recognised at fair value in a business combination. All items adjusted are net of tax where applicable.

The weighted average number of shares excludes the shares held by employee share ownership plan (ESOP) trusts, which are treated as cancelled.

9. Reconciliation of movements in net debt

	At 1 January 2010 £'m	Cash flows £'m	Other non-cash movements £'m	Exchange differences £'m	**At 31 December 2010 £'m**
Cash and cash equivalents	139.3	(84.3)	-	1.4	**56.4**
Bank overdrafts	(29.2)	3.3	-	0.1	**(25.8)**
	110.1	(81.0)		1.5	**30.6**
Finance leases	(6.2)	3.4	(1.3)	(0.1)	**(4.2)**
Bank loans	(392.2)	168.9	(2.7)	9.7	**(216.3)**
Private placement debt notes	-	(88.9)	(0.7)	0.9	**(88.7)**
Other loans	(2.3)	0.7	-	-	**(1.6)**
Net debt	(290.6)	3.1	(4.7)	12.0	**(280.2)**

10. Borrowings

	2010 £'m	2009 £'m
Current		
Bank overdrafts	**25.8**	29.2
Bank loans	**175.2**	215.0
Finance lease obligations	**2.7**	3.0
Other borrowings	**0.6**	0.7
	204.3	247.9
Presented as:		
Other borrowings	**204.3**	247.9
	204.3	247.9
Non-current		
Bank loans	**41.1**	177.2
Private placement debt notes	**88.7**	-
Finance lease obligations	**1.5**	3.2
Other borrowings	**1.0**	1.6
	132.3	182.0

Bank loans

At 31 December 2010, the Group had the following unsecured principal debt facilities:

- a €512.5 million syndicated multi-currency bank facility. The facility consists of a €205 million term loan maturing 26 November 2011 and a €307.5 million revolving credit facility maturing on 26 November 2013. At 31 December 2010, €205 million (£175.2 million) was drawn down under the facility (2009: £181.4 million) and paid interest at an average rate of 2.67% (2009: 4.65%).
- a £100 million receivables facility signed on 22 July 2009. The facility matures on 22 July 2015 and was undrawn at both 31 December 2010 and 31 December 2009.
- a €50 million bilateral term loan signed in July 2009. The term loan matures 26 January 2014. The term loan was available from 10th September 2010, and was fully drawn at 31 December 2010.
- a €25 million bilateral revolving credit facility maturing on 21 December 2013. The facility was undrawn at 31 December 2010 and 31 December 2009.
- a €25 million bilateral revolving credit facility signed 13 August 2010. The facility reduces in annual increments from 1 August 2013, with a final maturity of 31 July 2016. The facility was undrawn at 31 December 2010.
- a €56.2 million (£48.0 million) private placement signed on 21 April 2010. Tranche A €18.7 million (£16.0 million) matures on 21 April 2015 and pays interest at 4.5175%, Tranche B €18.7 million (£16.0 million) matures on 21 April 2016 and pays interest at 4.85% and Tranche C €18.7 million (£16.0 million) matures on 21 April 2017 and pays interest at 5.2075%.
- a £40 million private placement signed on 25 November 2010. The debt pays interest at 5.26% and matures on 25 November 2020.

The obligations of the borrowers listed above are guaranteed by the principal UK subsidiary, Logica UK Limited.

11. Provisions

	Vacant properties £'m	Restructuring £'m	Other £'m	Total £'m
At 1 January 2010	46.8	45.7	21.1	113.6
Charged in the year	2.5	-	3.8	6.3
Utilised in the year	(18.2)	(29.6)	(6.5)	(54.3)
Unused amounts reversed	(0.8)	-	(0.1)	(0.9)
Unwinding of discount	1.7	-	-	1.7
Exchange differences	(0.1)	0.3	(0.1)	0.1
At 31 December 2010	**31.9**	**16.4**	**18.2**	**66.5**

Analysed as:	
Current liabilities	**29.4**
Non-current liabilities	**37.1**
	66.5

Vacant properties
At 31 December 2010, provisions for vacant properties represented residual lease commitments, together with associated outgoings, for the remaining period on certain property leases, after taking into account sub-tenant arrangements. The property costs provided for are mainly related to properties located in the United Kingdom. At 31 December 2010, non-current vacant property provisions amounted to £23.4 million (2009: £30.8 million) of which £17.4 million (2009: £22.9 million) was payable within five years and the balance thereafter.

Restructuring
At 31 December 2010, the restructuring provision mainly related to the restructuring of the businesses following the outcome of the Group's business review announced on 22 April 2008. The restructuring programme comprised property rationalisation, a reduction in headcount and other measures to reduce the cost base. Where appropriate, provisions arising from the property rationalisation are categorised as vacant property. At 31 December 2010, £15.5 million of the restructuring provision was payable within one year, with the remaining balance payable between two and five years.

Other
At 31 December 2010, the other provisions related to the value of legal claims and business disposal provisions. At 31 December 2010, £5.4 million of the other provision was payable within one year, with the remaining balance payable between two and five years.

12. Share Capital

	2010		2009	
Allotted, called-up and fully paid	**Number**	**£'m**	Number	£'m
At 1 January	**1,600,615,806**	**160.0**	1,598,359,521	159.8
Allotted under share plans	**1,325,689**	**0.2**	2,256,285	0.2
At 31 December	**1,601,941,495**	**160.2**	1,600,615,806	160.0

The Company has one class of issued share capital, comprising ordinary shares of 10p each. Subject to the Company's Articles of Association and applicable law, the Company's ordinary shares confer on the holder: the right to receive notice of and vote at general meetings of the Company; the right to receive any surplus assets on a winding-up of the Company; and an entitlement to receive any dividend declared on ordinary shares.

13. Share premium

	2010 £'m	2009 £'m
At 1 January	**1,107.1**	1,101.5
Premium on shares allotted under share plans	**0.3**	-
Stamp duty refund	**-**	5.6
At 31 December	**1,107.4**	1,107.1

During the year ended 31 December 2009, the share premium account was increased by £5.6 million due to the refund of stamp duty related to the issuance of ordinary shares to acquire a 95.33% equity interest in WM-data in 2006.

14. Reconciliation of operating profit to cash generated from operations

	2010 £'m	2009 £'m
Operating profit from operations	**210.6**	66.3
Adjustments for:		
Share-based payment expense	**12.1**	9.5
Depreciation of property, plant and equipment	**42.7**	43.7
Loss on disposal of non-current assets	**2.5**	0.3
Loss on sale of subsidiaries and disposed of/held-for-sale businesses	**1.7**	16.7
Amortisation of intangible assets	**74.9**	101.2
Non-cash element of expense for defined benefit plans	**(7.1)**	(8.2)
	126.8	163.2
Net movements in provisions	**(52.7)**	25.4
Movements in working capital:		
Financial assets	**(0.1)**	0.9
Inventories	**0.1**	(0.3)
Trade and other receivables	**(116.1)**	143.5
Trade and other payables	**59.9**	(118.8)
	(56.2)	25.3
Cash generated from operations	**228.5**	280.2
Add back: Cash outflow related to restructuring and integration activities	**36.8**	67.4
Add back: Cash outflow related to business disposed of/held for disposal	**4.8**	5.9
Net cash inflow from trading operations	**270.1**	353.5

15. Assets classified as held-for-sale and disposed of

At 31 December 2009 the Board of Directors had decided to sell the Group's payroll processing division in the Netherlands. The sale of the business completed on 16 July 2010 for £3.2 million leading to a loss on disposal of £1.7 million. No other businesses have been disposed of during the year.

The disposal does not match the criteria of IFRS 5 'Non-current assets held-for-sale and discontinued operations' as the disposal does not represent a separate major line of business or geographical area of operations and hence has not been treated as a discontinued operation.

16. Acquisitions

During the year the Group has completed two minor acquisitions of businesses in Sweden and Denmark. These acquisitions were in connection with outsourcing contract wins. The acquisitions have involved taking over people and in some cases also certain fixed assets. The Group has invested £9.1 million (including £0.2 million deferred consideration) to acquire these businesses and recognised goodwill of £6.8 million.

17. Contingent liabilities

The size, structure and geographic spread of the Group and its activities naturally exposes it to potential scrutiny and possible legal claims including tax and other regulatory authorities in the normal course of operations. The results of tax audits and other similar enquiries are normally reflected in the accounts on an accruals basis where a recovery or liability can be predicted with reasonable certainty. Occasionally claims may be levied against the Group by such authorities, the outcomes of which cannot be predicted with reasonable certainty. While Logica strongly believes it complies with all relevant laws and regulations, and would vigorously defend itself against any such claims, if it was unsuccessful the enforcement of such claims could from time to time have a potentially material impact on the Group's results and financial position. In 2009, the Group received a €46 million, which is net of €13 million tax, VAT claim from the French tax authorities. The claim relates to the VAT treatment of goods exported from France during the years 2004-2006. The Group has carefully analysed these claims and obtained external experts' advice, as a result of which it considers that they are without merit. The Group is robustly contesting these claims through the appropriate channels albeit this is expected to be a protracted process.

Euro translation of selected financial information

The Group has presented a translation of the consolidated statement of comprehensive income, statement of financial position and statement of cash flows into euros to assist users of the financial statements more familiar with that currency. The statement of comprehensive income and statement of cash flows in euros have been calculated by converting the consolidated sterling figures to euros at an average rate of €1.17 to £1 (2009: €1.12 to £1) except the opening and closing net cash balance in the statement of cash flow, which uses the same rates as used in the statement of financial position as mentioned below. The statement of financial position has been calculated by converting the pound sterling figures to euros at the closing rate of €1.17 to £1 (2009: €1.13 to £1).

Euro translation of consolidated statement of comprehensive income

For the year ended 31 December 2010

	2010 €'m	2009 €'m
Revenue	**4,325.3**	4,145.8
Net operating costs	**(4,078.9)**	(4,071.5)
Operating profit	**246.4**	74.3
Analysed as:		
Operating profit before exceptional items	**248.4**	205.9
Exceptional items	**(2.0)**	(131.6)
Operating profit	**246.4**	74.3
Finance costs	**(31.8)**	(40.1)
Finance income	**10.4**	12.9
Share of post-tax profits from associates	**0.7**	0.6
Profit before tax	**225.7**	47.7
Taxation	**(47.7)**	(2.8)
Net profit for the year	**178.0**	44.9
Other comprehensive income/(expense)		
Exchange differences on translation of foreign operations	**13.3**	(104.6)
Interest rate swaps fair value difference	**(0.1)**	(0.2)
Actuarial losses on defined benefit plans	**(3.6)**	(66.0)
Tax on items taken directly to equity	**0.7**	17.7
Other comprehensive income/(expense) for the period, net of tax	**10.3**	(153.1)
Total comprehensive income/(expense) for the period	**188.3**	(108.2)
Profit attributable to:		
Owners of the parent	**178.0**	44.9
	178.0	44.9
Total comprehensive income/(expense) attributable to:		
Owners of the parent	**188.3**	(107.0)
Non-controlling interests	**-**	(1.2)
	188.3	(108.2)
Earnings per share	**cents/ share**	cents/ share
- Basic	**11.2**	2.8
- Diluted	**11.0**	2.8

Euro translation of consolidated statement of financial position

31 December 2010

See page 34 for basis of translation.

	2010 €'m	2009 €'m
Non-current assets		
Goodwill	**2,230.6**	2,128.5
Other intangible assets	**234.8**	275.0
Property, plant and equipment	**162.0**	150.1
Investments in associates	**3.2**	2.9
Financial assets	**14.6**	14.0
Retirement benefit assets	**45.3**	31.0
Deferred tax assets	**82.3**	84.5
	2,772.8	2,686.0
Current assets		
Inventories	**1.2**	1.2
Trade and other receivables	**1,465.2**	1,277.1
Current tax assets	**13.3**	3.5
Assets classified as held-for-sale	**-**	1.7
Cash and cash equivalents	**66.0**	157.4
	1,545.7	1,440.9
Current liabilities		
Other borrowings	**(239.1)**	(280.1)
Trade and other payables	**(1,243.0)**	(1,121.7)
Current tax liabilities	**(77.9)**	(66.1)
Provisions	**(34.4)**	(77.2)
	(1,594.4)	(1,545.1)
Net current liabilities	**(48.7)**	(104.2)
Total assets less current liabilities	**2,724.1**	2,581.8
Non-current liabilities		
Borrowings	**(154.8)**	(205.7)
Retirement benefit obligations	**(111.4)**	(94.5)
Deferred tax liabilities	**(71.5)**	(85.1)
Provisions	**(43.4)**	(51.2)
Other non-current liabilities	**(1.6)**	(1.4)
	(382.7)	(437.9)
Net assets	**2,341.4**	2,143.9
Equity		
Share capital	**187.4**	180.8
Share premium account	**1,295.7**	1,251.0
Reserves	**858.2**	712.0
Total shareholders' equity	**2,341.3**	2,143.8
Non-controlling interests	**0.1**	0.1
Total equity	**2,341.4**	2,143.9

Euro translation of consolidated statement of cash flows
For the year ended 31 December 2010

See page 34 for basis of translation.

	2010 €'m	2009 €'m
Cash flows from operating activities		
Net cash inflow from trading operations	**316.0**	395.9
Cash outflow related to restructuring and integration activities	**(43.1)**	(75.5)
Cash outflow related to business disposed of/held for disposal	**(5.6)**	(6.6)
Cash generated from operations	**267.3**	313.8
Finance costs paid	**(23.4)**	(37.6)
Income tax paid	**(59.6)**	(21.7)
Net cash inflow from operating activities	**184.3**	254.5
Cash flows from investing activities		
Finance income received	**4.4**	6.9
Dividends received from associates	**0.5**	0.8
Proceeds on disposal of property, plant and equipment	**0.2**	3.4
Purchases of property, plant and equipment	**(53.5)**	(38.5)
Expenditure on intangible assets	**(33.7)**	(27.8)
Purchase of non-controlling interests	**-**	(53.5)
Acquisition of subsidiaries and other businesses, net of cash acquired	**(10.4)**	-
Proceeds on disposal of subsidiaries and other businesses, net of cash disposed	**3.7**	0.8
Net cash outflow from investing activities	**(88.8)**	(107.9)
Cash flows from financing activities		
Proceeds from issue of shares allotted under share plans	**0.5**	-
Refund of expenses related to shares issued in prior years	**6.6**	-
Proceeds from bank borrowings	**270.1**	22.7
Repayments of bank borrowings	**(467.8)**	(150.1)
Proceeds from private placement debt notes	**104.0**	-
Repayments of finance leases	**(4.0)**	(3.5)
Repayments of other borrowings	**(0.8)**	(1.8)
Net proceeds from forward contracts	**(20.7)**	7.0
Dividends paid to the Company's shareholders	**(78.2)**	(29.1)
Net cash outflow from financing activities	**(190.3)**	(154.8)
Net decrease in cash, cash equivalents and bank overdrafts	**(94.8)**	(8.2)
Cash, cash equivalents and bank overdrafts at the beginning of the year	**124.4**	125.1
Net decrease in cash, cash equivalents and bank overdrafts	**(94.8)**	(8.2)
Effect of foreign exchange rates	**6.2**	7.5
Cash, cash equivalents and bank overdrafts at the end of the year	**35.8**	124.4