

Financial review

Demerger

On 10 October 2006, the separation of Experian Group Limited and Home Retail Group was completed by way of demerger. As part of the demerger, Experian Group Limited became the ultimate holding company of GUS plc. The demerger transaction has been accounted for in accordance with the UK GAAP principles of merger accounting, which are not in conflict with IFRS and reflect the economic substance of the transaction. The distribution to GUS plc shareholders of shares in Home Retail Group plc has been accounted for as a dividend in specie in the financial statements. In addition the results of Home Retail Group have been represented as discontinued.

Sales

Group sales from continuing operations grew by 14% from \$3,064m to \$3,481m.

Profit

Benchmark profit before tax for continuing operations rose by \$87m to \$714m. The increase in benchmark profit is largely a result of the 14% increase in sales from continuing operations. Profit before tax from discontinued operations decreased by 74% to \$228m principally because the prior year includes a full year of the Home Retail Group results.

Taxation

The Group's effective rate of tax for the year was 22.4%, based on benchmark profit. This compares to 17.5% last year.

Shareholder return and dividends

Following the demerger and equity issue completed in October, Experian now has approximately 1,022m Ordinary shares in issue. The number of shares to be used for the purposes of calculating basic earnings per share going forward is 1,006m after deducting own shares held.

Basic earnings per share were 49.9c in the year to 31 March 2007. The basic earnings per share for the prior year of 107.5c includes 59.1c related to discontinued operations. Benchmark earnings per share increased to 59.7c from 54.5c last year. The Board has announced a dividend of 11.5c, giving a dividend of 17c for the full year. The dividend for the year is covered 3.5 times from benchmark earnings.

Share price and total shareholder return

On 6 October 2006 shares in GUS plc ceased to be listed on the London Stock Exchange's market for listed securities. Trading in shares in Experian Group Limited on the London Stock Exchange commenced on 11 October 2006. On that day, Experian Group Limited also raised £800m by way of a share offer at an offer price of 560p per share.

The share price of Experian ranged from a low of 559.5p to a high of 631.5p during the period since listing. On 31 March 2007, the mid market price was 585.5p, giving a market capitalisation of \$11.7bn at that date.

Shareholders' funds

Shareholders' funds amount to \$2,107m, equivalent to \$2.06 per share, a decrease of \$3,347m in the year. This principally reflects the reduction of net assets following the demerger of Home Retail Group (decrease of \$5,627m) offset by the proceeds of the equity issue (increase of \$1,441m).

Cash flow and net debt

The Group's free cash flow before acquisitions, divestments and dividends was \$577m compared with \$574m in 2006. Capital expenditure in 2007 was \$275m, \$63m higher than last year. Capital expenditure, which included accelerated spend of \$20m on data centre consolidation, was equivalent to 121% of the depreciation charge in 2007. Free cash flow was used to fund acquisitions of \$118m, the purchase of other financial assets and investment in associates of \$42m and dividends of \$401m (principally the final dividend paid by GUS plc). Cash outflow from exceptional items amounted to \$98m. After proceeds from disposals of businesses of \$258m, net cash inflow for the year was \$176m. Net debt at 31 March 2007 decreased by \$2,029m to \$1,408m, down from \$3,437m at 31 March 2006.

Acquisitions

Acquisition expenditure amounted to \$118m, including deferred and contingent consideration on prior year acquisitions.

Liquidity and funding

The maturity, currency and interest rate profile of the Group's borrowings are shown in note 26 to the financial statements. The maturity profile is spread over the next seven years, to avoid excessive concentration of re-financing needs. At 31 March 2007 undrawn committed borrowing facilities totalled \$2,450m.

Treasury and risk management

The Group's Treasury function seeks to reduce exposures to foreign exchange, interest rate and other financial risks, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. It does not operate as a profit centre and transacts only in relation to underlying business requirements. It operates policies and procedures which are periodically reviewed and approved by the Board and are subject to regular Group Internal Audit reviews.

£800m

At the time of the demerger, Experian raised £800 million to support future growth initiatives

	2007 \$m	2006 \$m
Group cash flow		
EBIT for continuing operations	825	727
Depreciation	237	204
Capital expenditure	(275)	(212)
Change in working capital	5	(12)
Retained in associate	(22)	(20)
Share option charge within benchmark profit	34	30
Operating cash flow	804	717
Interest	(106)	(111)
Corporation tax	(121)	(32)
Free cash flow	577	574
Net cash outflow from exceptionals	(98)	(7)
Acquisitions	(118)	(1,420)
Purchase of other financial assets and investment in associates	(42)	(41)
Disposal of subsidiary	258	643
Dividends	(401)	(508)
Net cash flow	176	(759)
Foreign exchange movements	166	(20)
Other investing related cash flows	121	618
Movement in cash and cash equivalents (continuing)	463	(161)
Net debt flow of discontinued activities	32	(188)
Movement in cash and cash equivalents	495	(349)

Currency risk management

The Group's reported profit can be significantly affected by currency movements. In the year to 31 March 2007 approximately 35% of the Group's EBIT from continuing operations was earned in currencies other than the US dollar. In order to reduce the impact of currency fluctuations on the value of investments in overseas countries, the Group has a policy of borrowing in Sterling and Euros, as well as in US dollars, and of entering into forward foreign exchange contracts in its key overseas currencies. The Group's principal borrowings were originally undertaken in Sterling. During the year ended 31 March 2007, the Group continued to enter into forward foreign exchange contracts to sell the US dollar and the Euro against Sterling. Additionally, the Group has a policy of hedging foreign currency denominated transactions by entering into forward foreign exchange contracts.

Interest rate risk management

The Group's interest rate exposure is managed by the use of fixed and floating rate borrowings and by the use of interest rate swaps to adjust the balance of fixed and floating rate liabilities. The Group also spreads the duration of its borrowings to smooth the impact of interest rate fluctuations.

Credit risk

The Group's exposure to credit risk is managed by dealing only with banks and financial institutions with

strong credit ratings, within limits set for each organisation. Dealing activity is closely controlled and counter-party positions are monitored regularly.

Interest costs

At \$146m net finance costs were \$44m lower than last year. The changes in capital structure resulting from the settling of intra-group lending prior to the demerger, the demerger itself and the IPO mean that the prior year's interest cost is not comparable with the current year's. The reported net interest line benefits from a credit to interest of \$16m relating to the excess of the expected return on pension assets over the interest on pension liabilities (2006: \$9m).

At 31 March 2007, Experian had net debt of \$1,408m, including the net proceeds from the equity issue in October 2006 of \$1,441m.

Assuming the \$1.4bn equity had been raised at 1 April 2006, the pro forma net interest expense would have been \$65m (H1: \$30m; H2: \$35m), including a similar pension credit.

For the year to March 2008, Experian expects a net interest expense, including the pension credit, in the region of \$70m, based on acquisition spend since the year-end and forecast cash flows.

Financial review cont.

Exceptional items

The only costs treated as exceptional items are those associated with the disposal, demerger or closure of businesses. All other restructuring costs have been charged against EBIT in the divisions in which they were incurred.

The exceptional items during the year were costs incurred relating to the demerger of Experian and Home Retail Group, the charge on early vesting and modification of share awards at demerger, costs incurred in the closure of UK Account Processing and a gain arising in an associate from partial disposal of its subsidiary.

Other adjustment items

IFRS requires that, on acquisition, specific intangible assets are identified and recognised separately from goodwill and then amortised over their useful economic lives. These include items such as brand names and customer lists, to which value is first attributed at the time of acquisition. The Group has excluded amortisation of these acquisition intangibles from its definition of Benchmark PBT because such a charge is based on uncertain judgements about their value and economic life.

A goodwill adjustment of \$14m arose in accordance with IFRS 3 'Business Combinations' following the recognition of a benefit in respect of previously unrecognised tax losses relating to prior year acquisitions. The corresponding tax benefit reduces the tax charge in the year by \$14m.

Charges in respect of demerger-related equity incentive plans relate to one-off grants made to senior management and all other staff levels at the time of demerger under a number of equity incentive plans. The cost of these one-off grants will be charged to the Group income statement over the five years following the demerger, but excluded from the definition of Benchmark PBT. The cost of all other grants will be charged to the Group income statement and will be included in the definition of Benchmark PBT.

An element of the Group's derivatives is ineligible for hedge accounting under IFRS. Gains or losses on these derivatives arising from market movements are charged or credited to the income statement. In the year to 31 March 2007 this amounted to a charge of \$35m (2006: \$2m).

Pensions

Note 24 to the financial statements shows the assumptions used (including mortality assumptions) together with the other disclosures required in accordance with IAS 19.

At 31 March 2007 the Group has a net surplus for all retirement benefit schemes on an IAS 19 basis of \$85m (2006: \$31m).

Accounting policies and standards

The principal accounting policies used by the Group are shown in note 2 to the financial statements.

Exceptional items and other non-GAAP measures	2007	2006
	\$m	\$m
Exceptional items		
Continuing operations:		
Charge on early vesting and modification of share awards at demerger of Experian and Home Retail Group	23	-
Other costs incurred relating to the demerger of Experian and Home Retail Group	126	7
Costs incurred in the closure of UK Account Processing	26	-
Loss on disposal of businesses	2	-
Gain arising in associate on the partial disposal of its subsidiary	(15)	-
Total exceptional items	162	7
Other non-GAAP measures		
Continuing operations:		
Amortisation of acquisition intangibles	76	66
Goodwill adjustment	14	-
Charges in respect of the demerger-related equity incentive plans	24	-
Financing fair value remeasurements	35	2
Total other non-GAAP measures	149	68

Use of non-GAAP measures

Experian has identified certain measures that it believes provide additional useful information on the performance of the Group. As the measures are not defined under IFRS they may not be directly comparable with other companies' adjusted measures. The non-GAAP measures are not intended to be a substitute for, or superior to, any IFRS measures of performance. Certain non-GAAP measures identified by the Group are shown in note 2 to the financial statements. Further non-GAAP measures and reconciliations of those measures are set out below.

Discontinuing activities: Experian defines discontinuing activities as businesses sold, closed or identified for closure during a financial year. These are treated as discontinuing activities for both sales and EBIT purposes. Prior periods, where shown, are restated to exclude the results on discontinuing activities. This financial measure differs from the definition of discontinued operations set

out in IFRS 5 'Non-current assets held for sale and discontinued operations'. Under IFRS 5, a discontinued operation is: (i) a separate major line of business or geographical area of operations; (ii) part of a single plan to dispose of a major line of business or geographical area of operations; or (iii) a subsidiary acquired exclusively with a view to resale.

Continuing activities: Businesses trading at 31 March 2007 that have not been disclosed as discontinuing activities are treated as continuing activities.

Organic growth: This is the year-on-year change in continuing activities sales, at constant exchange rates, excluding acquisitions (other than affiliate credit bureaux) until the first anniversary date of consolidation.

Direct business: Direct business refers to Experian's business exclusive of financial results of FARES.

Reconciliation of sales and EBIT by geography

12 months to 31 March	2007			2006		
	Continuing activities \$m	Discontinuing activities \$m	Total \$m	Continuing activities \$m	Discontinuing activities \$m	Total \$m
Sales						
Americas	1,990	4	1,994	1,731	73	1,804
UK & Ireland	843	64	907	677	81	758
EMEA/Asia Pacific	591	-	591	522	-	522
Total sales	3,424	68	3,492	2,930	154	3,084
EBIT						
Americas – direct business	508	(7)	501	404	6	410
FARES	61	-	61	69	-	69
Total Americas	569	(7)	562	473	6	479
UK & Ireland	221	24	245	179	36	215
UK & Ireland restructuring charge	(8)	-	(8)	-	-	-
EMEA/Asia Pacific	74	-	74	64	-	64
Central activities	(47)	-	(47)	(31)	-	(31)
Total EBIT	808	17	825	685	42	727
Net interest			(111)			(100)
Benchmark PBT			714			627
Exceptional items			(162)			(7)
Amortisation of acquisition intangibles			(76)			(66)
Goodwill adjustment			(14)			-
Charges for demerger-related equity incentive plans			(24)			-
Financing fair value remeasurements			(35)			(2)
Tax expense of associates			(9)			(2)
Profit before tax			394			550

Financial review cont.

Reconciliation of sales and EBIT by business segment

12 months to 31 March	2007 \$m	2006 \$m	Total growth ⁴	Organic growth ⁴
Sales				
Credit Services	1,520	1,420	4%	3%
Decision Analytics	392	325	16%	15%
Marketing Solutions	728	627	13%	-
Interactive	784	558	40%	23%
Total – continuing activities	3,424	2,930	14%	8%
Discontinuing activities ¹	68	154	na	
Total	3,492	3,084	11%	
EBIT				
Credit Services				
Direct business	420	371	11%	
FARES	61	69	(11%)	
Total Credit Services	482	440	8%	
Decision Analytics	136	102	27%	
Marketing Solutions	73	57	24%	
Restructuring charge	(8)	-	na	
Total Marketing Solutions	65	57	10%	
Interactive	173	117	50%	
Central activities	(47)	(31)	na	
Total – continuing activities	808	685	16%	
Discontinuing activities ¹	17	42	na	
Total	825	727	11%	
EBIT margin				
Credit Services – direct business	27.6%	26.1%		
Decision Analytics	34.7%	31.5%		
Marketing Solutions ²	10.0%	9.1%		
Interactive	22.1%	21.0%		
Total EBIT margin³	21.8%	21.0%		

¹ Discontinuing activities include MetaReward and UK account processing

² Total EBIT margin for continuing direct business only, excludes FARES, includes restructuring charge and central activities

³ EBIT margin is for continuing direct business only, excluding FARES

⁴ Growth at constant FX rates

Basis of preparation for pro forma interest calculations

Equity proceeds

At demerger Experian raised £800m of new equity. For the purposes of preparing pro forma results, net interest has been calculated to illustrate the impact on Group financial performance as if this equity had been issued at 1 April 2006. The financial impact of this is a credit to interest of \$37m.

Management of bank balances

In the period prior to demerger, bank balances were managed centrally on a pooled basis in accordance with the normal treasury arrangements in groups of companies. Home Retail Group companies held bank balances in the pool and interest thereon is reported within discontinued activities. Experian will continue to use pooling arrangements but the arrangements prior to demerger result in an increase in the reported interest cost for the year for continuing operations of \$9m.