

NOTES TO THE CONSOLIDATED ACCOUNTS

CONTINUED

10 TAXATION

a) Analysis of taxation charge/(credit) in the year

	2006 £m	2005 £m
Current taxation:		
UK corporation tax – continuing operations	10.0	19.5
Overseas taxation – continuing operations	8.8	(1.2)
Overseas taxation – discontinued operations	–	(0.2)
Current income tax charge	18.8	18.1
Amounts overprovided in prior years – UK	(4.8)	(9.5)
Amounts overprovided in prior years – Overseas	(0.2)	–
Total current income tax	13.8	8.6
Deferred taxation (see note 27):		
Origination and reversal of temporary differences – continuing operations	9.8	18.7
Total tax charge	23.6	27.3
The tax charge in the income statement is disclosed as follows:		
Income tax expense on continuing operations	23.6	27.5
Income tax credit on discontinued operations	–	(0.2)
	23.6	27.3
The tax expense on continuing operations is disclosed as follows:		
Tax charge on profit before goodwill impairment, intangible asset amortisation and exceptional items	39.2	29.5
Tax credit on intangible asset amortisation and exceptional items	(15.6)	(2.0)
	23.6	27.5

b) Tax on items charged to equity

	2006 £m	2005 £m
Current taxation:		
(Charge)/credit on exchange movements offset in reserves	(0.8)	7.1
Credit on share-based payment	2.7	–
	1.9	7.1
Deferred taxation:		
Deferred tax (charge)/credit on share-based payments	(0.3)	1.4
Deferred tax (charge)/credit on actuarial gains/(losses)	(6.2)	9.0
Deferred tax charge on exchange movements on cash flow hedges	(0.5)	–
Deferred tax credit/(charge) on cash flow hedges	3.7	(1.4)
	(3.3)	9.0

c) Reconciliation of the total tax charge

	2006 £m	2005 £m
Profit from continuing operations before income tax	104.1	89.3
(Loss)/profit from discontinued operations before income tax	(3.2)	(64.7)
Accounting profit before income tax	100.9	24.6
Notional charge at UK corporation tax rate of 30%	30.3	7.4
Non-deductible goodwill impairment and intangible amortisation	7.2	11.5
Utilisation of unrecognised tax losses	(0.5)	–
Prior year adjustments within current and deferred tax	(8.9)	(12.0)
Non-deductible losses from associates	1.2	–
Effect of overseas tax rates including effect of rate reductions	0.4	2.3
Reinvestment relief	(2.3)	(2.8)
Non taxable loss on sale of businesses	–	20.4
Non taxable profit on sale of non-current assets	(3.2)	–
Overseas financing deduction	(2.1)	(0.9)
Non deductible expenditure	1.5	1.4
Total tax charge reported in the income statement	23.6	27.3

10 TAXATION (CONTINUED)

d) Temporary differences associated with Group investments

No deferred tax (2005: £nil) is recognised on the unremitted earnings of subsidiaries, associates and joint ventures, as the Group has determined that these undistributed profits will not be distributed in the near future. The temporary differences associated with investments in subsidiaries, associates and joint ventures, for which deferred tax liability has not been recognised totals £33.8m (2005: £32.8m).

e) Unrecognised tax losses

There is no recognition of the deferred tax asset in relation to the excess overseas tax losses on the grounds that there is insufficient evidence to determine that they are recoverable. Overseas deferred tax assets that the Group has not recognised in the accounts amount to £34.8m (2005: £37.6m), of which £0.8m will expire between 2012 and 2020. In addition, there are capital losses of £26.4m (2005: £30.2m) which have not been recognised, recoverability of which is dependent on capital gains arising.

f) Deferred tax included in the income statement

	2006 £m	2005 £m
Accelerated capital allowances	5.0	14.3
Short-term temporary differences	1.8	5.2
Utilisation/(recognition) of losses	3.0	(0.8)
	9.8	18.7

Details on the balance sheet position of deferred tax are included in note 27.

11 DISCONTINUED OPERATIONS

The Group had no discontinued operations in the year to 31 December 2006. The charge in the year of £3.2m represents an increase to the disposal provision (see note 26) following the Group's disposal of its North American Public Transit operation (trading as ATC) on 1 September 2005.

In the year to 31 December 2005, in addition to the disposal of North American Public Transit, the Group also announced the voluntary administration of the Bosnjak Holdings Group (comprising the Group's remaining operations in Australia) on 31 January 2005.

The results of the Group's discontinued operations in 2005 are presented below. The results for the Bosnjak Group were immaterial in 2005 other than the proceeds from the administration as disclosed in note 19.

	2005 North American Public Transit £m
Revenue	100.8
Operating expenses	(97.0)
Normalised operating profit	3.8
Finance costs	(0.2)
Normalised profit before tax	3.6
Tax on normalised profit	0.2
Normalised profit	3.8
Goodwill impairment	(60.0)
Exceptional items	(0.2)
	(60.2)
Loss on sale of discontinued operations	(6.6)
Cumulative exchange differences transferred from reserves	(1.5)
	(68.3)
Tax on exceptional and other items	-
	(68.3)
Loss for the period from discontinued operations	(64.5)