

NOTES TO THE CONSOLIDATED ACCOUNTS

CONTINUED

5 SEGMENTAL ANALYSIS

The operating businesses are organised and managed separately according to the nature of the public transport services they provide and the geographical market they operate in. Due to the nature of the services the Group provides, the primary and secondary segments coincide. Commentary on the segments is included in the OFR.

Analysis by class and geography of business

	External revenue 2006 £m	Inter-segment sales 2006 £m	Segment revenue 2006 £m	External revenue 2005 £m	Inter-segment sales 2005 £m	Segment revenue 2005 £m
UK Bus	297.7	3.1	300.8	268.6	–	268.6
UK Trains	1,497.6	–	1,497.6	1,497.2	–	1,497.2
UK Coach	197.2	10.1	207.3	190.2	10.3	200.5
Inter-segment sales elimination	–	(13.2)	(13.2)	–	(10.3)	(10.3)
UK operations	1,992.5	–	1,992.5	1,956.0	–	1,956.0
North American Bus	283.7	–	283.7	241.8	–	241.8
European Coach & Bus (Alsa)	249.3	–	249.3	18.2	–	18.2
Revenue from continuing operations	2,525.5	–	2,525.5	2,216.0	–	2,216.0
Discontinued operations	–	–	–	100.8	–	100.8
Total	2,525.5	–	2,525.5	2,316.8	–	2,316.8

Inter-segment sales represent rail replacement services provided to UK Trains by UK Bus and UK Coach. Inter-segment trading is undertaken on standard arm's length commercial terms. Due to the nature of the Group's businesses, the origin and destination of revenue is the same.

	Continuing			Discontinued		Continuing		Discontinued
	Normalised operating profit 2006 £m	Goodwill impairment, intangible amortisation and exceptional items 2006 £m	Segment result 2006 £m	Segment result 2006 £m	Normalised operating profit 2005 £m	Goodwill impairment, intangible amortisation and exceptional items 2005 £m	Segment result 2005 £m	Segment result 2005 £m
UK Bus	40.7	2.3	43.0	–	41.5	(2.4)	39.1	–
UK Trains	49.1	(20.8)	28.3	–	64.2	(39.2)	25.0	–
UK Coach	23.7	1.3	25.0	–	21.5	–	21.5	–
UK operations	113.5	(17.2)	96.3	–	127.2	(41.6)	85.6	–
North American Bus	39.1	(4.5)	34.6	–	35.0	(4.4)	30.6	–
European Coach & Bus (Alsa)	44.3	(20.8)	23.5	–	2.6	–	2.6	–
Central functions	(12.1)	(0.7)	(12.8)	–	(9.3)	–	(9.3)	–
Result from continuing operations	184.8	(43.2)	141.6	–	155.5	(46.0)	109.5	–
Result from discontinued operations	–	–	–	–	–	–	–	(56.4)
Total result	184.8	(43.2)	141.6	–	155.5	(46.0)	109.5	(56.4)
Profit on disposal of non-current assets	–	–	16.9	–	–	–	–	–
Profit/(loss) from operations	–	–	158.5	–	–	–	109.5	(56.4)
Share of post tax results from associates and joint ventures	–	–	(29.5)	–	–	–	(8.8)	–
Loss on sale of discontinued operations	–	–	–	(3.2)	–	–	–	(6.6)
Cumulative exchange differences transferred from reserves	–	–	–	–	–	–	–	(1.5)
Net finance costs	–	–	(24.9)	–	–	–	(11.4)	(0.2)
Profit/(loss) before tax	–	–	104.1	(3.2)	–	–	89.3	(64.7)
Tax (expense)/credit	–	–	(23.6)	–	–	–	(27.5)	0.2
Profit/(loss) for the year	–	–	80.5	(3.2)	–	–	61.8	(64.5)

5 SEGMENTAL ANALYSIS (CONTINUED)

Goodwill impairment, intangible asset amortisation, property and exceptional items can be analysed by class and geography of business as follows:

	Goodwill impairment 2006 £m	Intangible asset amortisation 2006 £m	Exceptional items 2006 £m	Total other items 2006 £m
UK Bus	1.0	1.6	(4.9)	(2.3)
UK Trains	19.2	1.6	–	20.8
UK Coach	–	–	(1.3)	(1.3)
North American Bus	–	4.5	–	4.5
European Coach & Bus (Alsa)	–	20.1	1.9	22.0
Central functions	–	–	(0.5)	(0.5)
Total	20.2	27.8	(4.8)	43.2

	Goodwill impairment 2005 £m	Intangible asset amortisation 2005 £m	Exceptional items 2005 £m	Total 2005 £m
UK Bus	–	0.9	1.5	2.4
UK Trains	33.3	2.4	3.5	39.2
North American Bus	–	1.6	2.8	4.4
Total continuing operations	33.3	4.9	7.8	46.0
Discontinued operations	60.0	–	0.2	60.2
Total	93.3	4.9	8.0	106.2

In the year to 31 December 2006 exceptional income arose in UK Bus, UK Coach and Central Functions for the past service pension credit. Integration costs of £1.9m were incurred in Alsa.

In the year to 31 December 2005 exceptional items were incurred in UK Bus for business reorganisation costs, in UK Trains for staff redundancy programmes and business reorganisations and in North America in respect of the divisional head office relocation.

Non-operating exceptional items comprise £7.5m (2005: £nil) of profit on the disposal of property and £9.4m (2005: £nil) of profit on disposal of investments, both items relate to the UK Trains division.

Assets, liabilities and capital expenditure can be analysed by class and geography of business as follows:

	Assets 2006 £m	Liabilities 2006 £m	Capital expenditure 2006 £m	Assets 2005* £m	Liabilities 2005* £m	Capital expenditure 2005 £m
UK Bus	197.4	(129.4)	16.6	203.0	(174.8)	46.8
UK Trains	236.7	(373.2)	12.5	290.5	(411.6)	28.3
UK Coach	47.0	(47.8)	6.0	48.1	(45.1)	10.1
Intercompany elimination	(1.4)	1.4	–	(2.5)	2.5	–
UK operations	479.7	(549.0)	35.4	539.1	(629.0)	85.2
North American Bus	444.7	(84.4)	39.6	473.9	(77.0)	34.7
European Coach & Bus (Alsa)	593.8	(63.9)	23.5	613.1	(62.8)	0.6
Central functions	(4.3)	(72.1)	0.3	39.6	(55.7)	0.2
Unallocated	202.5	(619.2)	–	199.5	(728.4)	–
Intercompany elimination	(13.8)	13.8	–	(34.5)	34.5	–
Total continuing operations	1,702.6	(1,374.8)	98.8	1,830.7	(1,518.4)	120.7
Disposals group assets/(liabilities directly associated with disposal) classified as held for sale	20.1	(2.4)	–	–	–	1.4
Total	1,722.7	(1,377.2)	98.5	1,830.7	(1,518.4)	122.1

*Adjusted for Alsa fair value movements as required by IFRS 3.

Capital expenditure comprises property, plant and equipment additions as disclosed above and in note 15 and £0.3m of intangible asset additions in UK Trains as disclosed in note 14.

NOTES TO THE CONSOLIDATED ACCOUNTS

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5 SEGMENTAL ANALYSIS (CONTINUED)

Unallocated assets and liabilities comprise the following items:

	Unallocated assets 2006 £m	Unallocated liabilities 2006 £m	Unallocated assets 2005 £m	Unallocated liabilities 2005 £m
Cash	143.6	–	145.5	–
Other debt receivables	–	–	1.0	–
Current tax	26.4	(40.9)	11.3	(24.0)
Available for sale investments	13.5	–	11.4	–
Derivative financial assets/(liabilities)	8.4	(14.7)	7.3	(21.7)
Borrowings, excluding finance leases	–	(478.9)	–	(600.8)
Dividend payable	–	(0.4)	–	–
Deferred tax	10.6	(84.3)	23.0	(81.9)
Total	202.5	(619.2)	199.5	(728.4)

An operating cash flow and significant non-cash expenditure items by segment are included in the OFR.

6 OPERATING COSTS

	2006 £m	2005 £m
Materials and consumables	108.2	83.1
Staff costs (including exceptional income of £6.7m (2005: expense of £3.0m))	775.1	711.7
Depreciation – Owned assets	70.3	46.8
– Leased assets	11.4	8.7
Amortisation of leasehold property prepayment	0.6	0.8
Amortisation of fixed asset grants	(2.0)	(0.9)
Operating lease charges	168.8	175.9
Rolling stock: capital element	68.1	76.7
Rolling stock: non-capital element	4.6	8.9
Public service vehicles	5.8	6.6
Other	247.3	268.1
– Plant and equipment	309.0	189.1
Fixed track access	74.3	82.4
Other	383.3	271.5
– Land and buildings	9.8	6.1
Pre-contract bid costs: UK Trains	731.9	672.4
Other charges (including exceptional expense of £1.9m (2005: £4.8m))		
Operating costs before amortisation and impairment	2,335.9	2,068.3
Goodwill impairment	20.2	33.3
Intangible asset amortisation	27.8	4.9
Total operating costs – continuing operations	2,383.9	2,106.5

The TOCs have fixed track access contracts with Network Rail Infrastructure Limited for access to the railway infrastructure (tracks, stations and depots). The TOCs also have contracts under which rolling stock is leased. The capital element of the rolling stock lease charge is based on the purchase price, capital funded refurbishments and modifications, and the non-capital element of the lease charge includes heavy maintenance charges, risk and charges based on mileage.

Total depreciation of £nil (2005: £1.3m) not included above was charged as part of discontinued operations.

An analysis of fees paid to the Group's auditors is provided below:

	2006 £m	2005 £m
Fees payable to the Company's auditors for the audit of the consolidated company's annual accounts	0.3	0.3
Fees payable to the Company's auditors and its associates for other services:		
The audit of the Company's subsidiaries	0.9	1.0
Other services pursuant to legislation	0.1	0.1
Tax services	0.9	0.2
Corporate finance services	–	1.2
Other services	–	0.1
	2.2	2.9

Included in the above fees paid to the Group's auditors are £11,000 (2005: £1,212,000) of fees capitalised with respect to acquisitions. Fees charged to the income statement for corporate finance services are £5,000 (2005: £12,800) and for other services £17,000 (2005: £63,000).

In addition to the above fees paid to the auditors for the Group's continuing operations which were included within profit before taxation, £nil (2005: £15,000) was incurred in relation to our disposed North American business comprising £nil (2005: £15,000) for statutory audit services which is included within loss for the year from discontinued operations.