

10 Income tax (continued)**Deferred income tax**

Deferred income tax at 31 December relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2007 £m	2006 £m	2007 £m	2006 £m
Deferred tax liabilities				
Accelerated capital allowances	(4.6)	(3.5)	3.2	0.9
Pension scheme's asset	(5.7)	–	–	–
Cash flow hedges	(1.6)	–	–	–
Fair value adjustments on acquisition	(12.6)	(10.6)	(3.3)	(1.9)
	(24.5)	(14.1)		
Deferred tax assets				
Share based payments	15.7	20.7	(0.8)	(2.6)
Pension schemes' liability	4.5	11.8	5.4	4.8
Provisions	5.0	3.4	(1.1)	3.3
Losses available for offset against future taxable income	0.7	0.3	0.3	0.5
	25.9	36.2		
Net deferred tax asset	1.4	22.1		
Deferred income tax expense			3.7	5.0

The Group has tax losses which arose in the UK of £11.0m (2006: £5.0m) that are available for offset against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of £8.5m (2006: £4.0m) of these losses, as their recoverability is uncertain.

The UK corporation tax rate will decrease from 30% to 28% from 1 April 2008. The deferred tax balance has been adjusted in the current year to reflect this change.

There are no income tax consequences attaching to the payment of dividends by The Capita Group Plc to its shareholders.

11 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2007 £m	2006 £m
Net profit attributable to ordinary equity holders of the parent from operations	166.2	139.8
	2007 Number million	2006 Number million
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	613.6	626.3
Dilutive potential ordinary shares:		
Employee share options	10.3	15.0
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of dilution	623.9	641.3

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

The following additional earnings per share figures are calculated based on earnings attributable to ordinary equity holders of the parent before amortisation of £172.4m (2006: £144.8m) and after amortisation of £166.2m (2006: £139.8m). They are included as they provide a better understanding of the underlying trading performance of the Group.

	2007 P	2006 P
Basic earnings per share – before amortisation	28.10	23.10
– after amortisation	27.09	22.32
Diluted earnings per share – before amortisation	27.63	22.56
– after amortisation	26.64	21.80