

## 7. Employees and directors

The weekly average and year end numbers of employees, excluding those in equity accounted investments, were as follows:

	Weekly average		At year end	
	2007 Number '000	Restated <sup>1</sup> 2006 Number '000	2007 Number '000	Restated <sup>1</sup> 2006 Number '000
Electronics, Intelligence & Support	31	32	31	32
Land & Armaments	16	11	21	12
Programmes & Support	27	26	27	26
International Businesses	7	8	7	7
HQ & Other Businesses	2	2	2	2
	<b>83</b>	<b>79</b>	<b>88</b>	<b>79</b>

1 restated following changes to the Group's organisational structure

The aggregate staff costs of Group employees, excluding employees of equity accounted investments, were:

	2007 £m	2006 £m
Wages and salaries	3,353	3,274
Social security costs	269	271
Share options granted to directors and employees – equity-settled	18	21
Share options granted to directors and employees – cash-settled	40	47
Pension costs – defined contribution plans	62	57
Pension costs – defined benefit plans	178	196
US healthcare plans	4	2
	<b>3,924</b>	<b>3,868</b>

The Group considers key management personnel as defined under IAS 24 Related Party Disclosures to be the members of the Group's Executive Committee and the Company's non-executive directors. Fuller disclosures on directors' remuneration are set out in the Remuneration report on pages 64 to 83. Total emoluments for directors and other key management personnel are £19,463,000 (2006 £23,095,000).

## 8. Tax

### Taxation expense

	2007 £m	2006 £m
<b>Current taxation expense</b>		
UK corporation tax		
Current tax	(140)	(91)
Double tax relief	29	35
Adjustment in respect of prior years	(21)	(93)
	<b>(132)</b>	<b>(149)</b>
Overseas tax charges		
Current year	(160)	(91)
Adjustment in respect of prior years	-	15
	<b>(160)</b>	<b>(76)</b>
	<b>(292)</b>	<b>(225)</b>
<b>Deferred taxation expense</b>		
UK		
Origination and reversal of temporary differences	(103)	25
Adjustment in respect of prior years	39	27
Tax rate adjustment <sup>1</sup>	(5)	-
Overseas		
Origination and reversal of temporary differences	22	(49)
Adjustment in respect of prior years	4	5
Attributable to recoverable deferred tax assets	-	4
	<b>(43)</b>	<b>12</b>
<b>Taxation expense</b>	<b>(335)</b>	<b>(213)</b>

1 The UK current tax rate will be reduced from 30% to 28% with effect from 1 April 2008. In line with this change, the rate applying to UK deferred tax assets and liabilities has also been reduced from 30% to 28%, creating a rate adjustment, which is partly reflected in the Consolidated income statement and partly in the Consolidated statement of recognised income and expense.

## Notes to the Group accounts (continued)

### 8. Tax (continued)

The following table shows a reconciliation from the theoretical income tax expense, using the UK corporation tax rate, to the reported tax expense. The reconciling items represent, besides the impact of tax rate differentials and changes, non-taxable benefits or non-deductible expenses arising from differences between the local tax base and the reported financial statements.

	2007 £m	2006 £m
<b>Profit before tax</b>	<b>1,235</b>	859
UK corporation tax rate	<b>30.0%</b>	30.0%
Expected income tax expense	<b>(371)</b>	(258)
Effect of tax rates in foreign jurisdictions	<b>(13)</b>	(20)
Expenses not tax effected	<b>(38)</b>	(50)
Income not subject to tax	<b>70</b>	69
Research and development tax credits	<b>39</b>	34
Goodwill	<b>(44)</b>	(9)
Chargeable gains	<b>(28)</b>	–
Utilisation of previously unrecognised tax losses	<b>23</b>	–
Recoverable deferred tax asset previously unrecognised	<b>–</b>	4
Current year losses not tax effected	<b>(11)</b>	(9)
Adjustments in respect of prior years	<b>22</b>	(46)
Adjustments in respect of equity accounted investments	<b>36</b>	34
Other	<b>(20)</b>	38
<b>Taxation expense</b>	<b>(335)</b>	(213)

#### Current tax taken in equity

	2007 £m	2006 £m
Relating to financial instruments	<b>(1)</b>	(1)
Relating to share-based payments	<b>28</b>	–
Relating to pensions	<b>69</b>	22
	<b>96</b>	21

#### Deferred tax assets/(liabilities)

	Deferred tax assets		Deferred tax liabilities		Net balance at 31 December	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
Property, plant and equipment	<b>1</b>	1	<b>(71)</b>	(68)	<b>(70)</b>	(67)
Intangible assets	–	–	<b>(372)</b>	(143)	<b>(372)</b>	(143)
Provisions	<b>271</b>	261	<b>(2)</b>	(1)	<b>269</b>	260
Goodwill	–	–	<b>(25)</b>	(17)	<b>(25)</b>	(17)
Pension/retirement plans:						
Deficits	<b>522</b>	793	–	(15)	<b>522</b>	778
Additional contributions	<b>106</b>	158	–	–	<b>106</b>	158
Share-based payments	<b>75</b>	82	–	–	<b>75</b>	82
Financial instruments	<b>6</b>	25	–	–	<b>6</b>	25
Other items	<b>16</b>	19	<b>(7)</b>	(47)	<b>9</b>	(28)
Rolled over capital gains	–	–	<b>(18)</b>	(19)	<b>(18)</b>	(19)
Capital losses carried forward	<b>18</b>	19	–	–	<b>18</b>	19
Unremitted overseas earnings	–	–	–	(1)	–	(1)
Trading losses carried forward	<b>7</b>	15	–	–	<b>7</b>	15
<b>Deferred tax assets/(liabilities)</b>	<b>1,022</b>	1,373	<b>(495)</b>	(311)	<b>527</b>	1,062
Set off of tax	<b>(455)</b>	(296)	<b>455</b>	296	–	–
<b>Net deferred tax assets/(liabilities)</b>	<b>567</b>	1,077	<b>(40)</b>	(15)	<b>527</b>	1,062

## 8. Tax (continued)

### Movement in temporary differences during the year

	At 1 January 2007 £m	Exchange movements £m	Acquisitions (note 31) £m	Other movements £m	Recognised in income £m	Recognised in equity £m	At 31 December 2007 £m
Property, plant and equipment	(67)	–	(8)	1	4	–	(70)
Intangible assets	(143)	(5)	(272)	–	47	1	(372)
Provisions	260	(2)	42	(3)	(28)	–	269
Goodwill	(17)	–	18	–	(26)	–	(25)
Pension/retirement plans:							
Deficits	778	(3)	7	–	(50)	(210)	522
Additional contributions	158	–	–	–	(1)	(51)	106
Share-based payments	82	–	–	–	1	(8)	75
Financial instruments	25	–	–	–	(7)	(12)	6
Other items	(28)	2	7	1	25	2	9
Rolled over capital gains	(19)	–	–	–	1	–	(18)
Capital losses carried forward	19	–	–	–	(1)	–	18
Unremitted overseas dividends	(1)	–	–	–	1	–	–
Trading losses carried forward	15	1	–	–	(9)	–	7
	1,062	(7)	(206)	(1)	(43)	(278)	527

	At 1 January 2006 £m	Exchange movements £m	Acquisitions £m	Other movements £m	Recognised in income £m	Recognised in equity £m	At 31 December 2006 £m
Property, plant and equipment	(66)	3	–	1	(5)	–	(67)
Intangible assets	(180)	15	–	(8)	30	–	(143)
Provisions	239	(21)	–	4	38	–	260
Goodwill	11	–	–	–	(28)	–	(17)
Pension/retirement plans:							
Deficits	1,313	(29)	–	6	(130)	(382)	778
Additional contributions	–	–	–	–	18	140	158
Share-based payments	59	(3)	–	(3)	21	8	82
Financial instruments	–	–	–	–	18	7	25
Other items	(57)	(1)	–	7	23	–	(28)
Rolled over capital gains	(24)	–	–	–	5	–	(19)
Capital losses carried forward	24	–	–	–	(5)	–	19
Unremitted overseas dividends	(27)	–	–	–	26	–	(1)
Trading losses carried forward	16	(1)	–	(1)	1	–	15
	1,308	(37)	–	6	12	(227)	1,062

### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2007 £m	2006 £m
Deductible temporary differences	22	28
Capital losses carried forward	59	60
Trading and other losses carried forward	140	130
	221	218

These assets have not been recognised as the precise incidence of future profits in the relevant countries and legal entities cannot be sufficiently accurately predicted at this time.

The aggregate temporary differences associated with investments in subsidiaries, branches, associates and joint ventures for which deferred tax liabilities have not been recognised is £847m (2006 £500m).