

(7) Segment reporting

Geographical segments

Vedior's primary segment is determined by geography.

The segments identified are France, United Kingdom, United States, Netherlands, Rest of Europe and Rest of World.

The Rest of Europe segment consist of the European countries not reported separately, including Belgium, Spain, Italy, Portugal, Germany, Switzerland, Eastern Europe and Scandinavia.

Rest of World includes non European countries and regions not reported separately including Australia, Asia, Canada and Latin America.

Segment assets are based on the geographical location of the assets.

	Sales	Operating income	Capital expenditure/acquisition	Depreciation and amortisation	Average number of full time equivalents	Total assets	Total liabilities
2006							
France	3,137	110	20	-12	3,894	983	-708
UK	977	57	88	-7	2,007	689	-121
USA	686	44	6	-2	1,478	411	-72
Netherlands	588	20	17	-4	1,571	108	-147
Rest of Europe	1,536	51	18	-7	2,611	590	-233
Rest of World	736	36	73	-4	2,805	391	-99
		318					
Corporate expenses		-29					
Unallocated assets/liabilities						33	-666
Total	7,660	289	222	-36	14,366	3,205	-2,046
Reconciliation to profit for the period							
Gain on disposal subsidiary		5					
Finance cost		-32					
Share of profit of associates (after tax)		-1					
Income tax expense		-75					
Profit for the period		186					

	Sales	Operating income	Capital expenditure/acquisition	Depreciation and amortisation	Average number of full time equivalents	Total assets	Total liabilities
2005							
France	2,991	96	12	-20	3,702	957	-661
UK	874	52	21	-7	1,752	549	-79
USA	579	35	36	-3	1,307	425	-51
Netherlands	518	14	4	-3	1,446	158	-117
Rest of Europe	1,368	37	12	-6	2,458	454	-236
Rest of World	521	24	9	-3	2,114	267	-69
		258					
Corporate expenses		-26					
Unallocated assets/liabilities						39	-606
Total	6,851	232	94	-42	12,779	2,849	-1,819
Reconciliation to profit for the period							
Finance cost		-26					
Share of profit of associates (after tax)		16					
Income tax expense		-64					
Profit for the period		158					

Business segments

Vedior provides both professional/executive as well as traditional recruitment services.

Professional/executive recruitment services include the provision of personnel within the Information technology, Engineering/Technical, Healthcare, Accounting/Finance, Education and Other sectors.

	Sales		Segment assets		Capital expenditure/ Acquisitions	
	2006	2005	2006	2005	2006	2005
Information technology	768	621	190	154	5	4
Engineering/Technical	463	410	126	104	3	3
Healthcare	437	424	118	113	3	3
Accounting/Finance	376	287	95	75	2	1
Education	126	111	31	26	1	1
Other sectors	543	408	143	103	4	3
Professional/executive	2,713	2,261	703	575	18	15
Traditional	4,947	4,590	1,387	1,295	35	23
Goodwill			1,082	940	169	56
Other unallocated assets			33	39		
Total	7,660	6,851	3,205	2,849	222	94

(8) Operating expenses

	2006	2005
Employee benefit costs	749	637
Depreciation, amortisation and impairment (2005)	36	42
Other operating expenses	355	316
	1,140	995

Employee benefit costs	2006	2005
Salaries and wages	598	502
Compulsory social security contributions	92	83
Contributions to defined contribution plans	7	5
Cost of defined benefit plans	3	3
Cost of share based payments plans	7	6
Other employee benefits	42	38
	749	637

Depreciation, amortisation and impairment	2006	2005
Depreciation of property and equipment	27	27
Amortisation of software	9	10
Impairment loss software		5
	36	42

(9) Finance Costs

	2006	2005
Interest income	2	2
Interest expense	-34	-28
	<u>-32</u>	<u>-26</u>

(10) Share of profit of associates (after tax)

	2006	2005
Share in associates' profit for the period	-1	1
Gain on disposal of TriNet		15
	<u>-1</u>	<u>16</u>

In June 2005 the investment in TriNet was disposed of realising a net profit of €15 million after tax.

(11) Income tax expense

Recognised in the income statement

	2006	2005
Current tax	72	67
Deferred tax (note 17) year	3	-3
	<u>75</u>	<u>64</u>

Vedior's operations are subject to income taxes in various foreign jurisdictions with a weighted average statutory income tax rate of 30.8% (2005: 30.0%).

Reconciliation of effective tax rate

The reconciliation between the effective tax rate and the weighted average statutory income tax rate is as follows:

	2006	2006	2005	2005
	€	% €	€	%
Profit before tax	261		222	
Share of profit of associates (after tax)	1		-16	
	<u>262</u>		<u>206</u>	
Weighted average income tax rate	81	30.8%	62	30.0%
Non-deductible expenses	4	1.6%	5	2.6%
Benefit from tax facilities	-5	-1.9%	-3	-1.7%
Loss carry forwards	-5	-1.9%		
Revaluation deferred tax years	1	0.3%	-1	-0.5%
Other	-1	-0.2%	1	0.6%
Effective tax rate	<u>75</u>	<u>28.7%</u>	<u>64</u>	<u>31.0%</u>

Deferred tax recognised directly in equity	2006	2005
Relating to share based payments	2	

(12) Earnings per share

For the effects on earnings per share caused by the accounting policy change in 2006, please refer to the paragraph 'change of accounting policy'.
The calculation of the basic and diluted earnings per share attributable to ordinary shares is based on the following data:

Earnings

<i>Profit attributable to holders of ordinary shares</i>	2006	2005
Profit for the period	186	158
shares		-2
Profit attributable to holders of ordinary shares	186	156
Special items (net of tax)	-5	-15
Profit excluding special items, attributable to holders of ordinary shares	181	141

Special items include the gains on the disposal of ISU in 2006 and in 2005 the disposal of TriNet.

Number of shares

<i>Weighted average number of ordinary shares in thousands</i>	2006	2005
ordinary shares for the purposes of basic earnings per share	170,694	167,893
Effect of dilutive potential ordinary shares from share based payment plans	2,283	2,380
ordinary shares for the purposes of diluted earnings per share	172,977	170,273