

13(a). Basic and diluted earnings per share

Basic earnings per share are based on the profit attributable to owners of the company and the weighted average number of ordinary shares in issue during the year, excluding the shares held by the EBT, 9,613,393 shares (2009: 9,314,386 shares).

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of dilutive potential ordinary shares, being the share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year and where performance conditions have been met.

The earnings and the shares used in the calculations are as follows:

	2010 Earnings £m	2010 Shares million	2010 EPS pence	2009 Earnings £m	2009 Shares million	2009 EPS pence
Basic earnings per share	25.0	122.2	20.5	8.9	122.7	7.3
Effect of additional shares issuable under option	–	4.2	(0.7)	–	5.8	(0.4)
Diluted earnings per share	25.0	126.4	19.8	8.9	128.5	6.9

13(b). Underlying basic and diluted earnings per share

Excludes profit/loss on disposals, share-based payments adjustment and impairment and amortisation of goodwill and intangibles (excluding software).

	2010 Earnings £m	2010 Shares million	2010 EPS pence	2009 Earnings £m	2009 Shares million	2009 EPS pence
Basic earnings per share	25.0	122.2	20.5	8.9	122.7	7.3
Amortisation of intangibles (excluding software) after tax	2.1	–	1.7	2.2	–	1.8
Impairment of goodwill and intangible assets after tax	4.4	–	3.6	4.3	–	3.5
Share-based payment adjustment after tax	2.5	–	2.1	3.4	–	2.8
Loss/(profit) on disposal of subsidiary, associate and available-for-sale investments after tax	0.1	–	–	(1.1)	–	(0.9)
Underlying basic earnings per share	34.1	122.2	27.9	17.7	122.7	14.5
Effect of additional shares issuable under option	–	4.2	(0.9)	–	5.8	(0.7)
Underlying diluted earnings per share	34.1	126.4	27.0	17.7	128.5	13.8

The Directors regard the above adjustments necessary to give a fair picture of the underlying results of the Group for the year. The adjustment for share-based payment relates to the impact of the accounting standard for share-based compensation.

The annual bonus is paid in a mixture of cash and deferred shares and the proportions can vary from one year to another. Under IFRS the deferred share element is amortised to the income statement over the vesting period whilst the cash element is expensed in the year. The adjustment above addresses this by adding to or deducting from profit the difference between the IFRS 2 charge and the effective value of the annual share award in order better to match the underlying staff costs in the year with the revenue recognised in the same period.

The gross amounts of the above adjustments (Note 7) are loss on disposal £0.1m (2009: £nil), share-based payment adjustment £3.3m (2009: £4.7m), add back of amortisation of intangibles (excluding software) £2.7m (2009: £2.7m) and impairment of goodwill and intangibles of £4.4m (2009: £4.3m).