

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

IMPAIRMENT OF NON-CURRENT ASSETS

Determining whether a non-current asset is impaired requires an estimation of the "value in use" and/or the "fair value less costs to sell" of the cash-generating units ("CGU") to which the non-current asset has been allocated. The value in use calculation requires an estimate of the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. The key assumptions for these value in use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs set out on page 89. The Directors estimate discount rates using pre tax rates that reflect current market assessments of the time value of money and the risks specific to the individual CGU.

Cash flow forecasts are prepared using the following year's operating budget approved by the Directors and an appropriate projection of cash flows based upon management forecasts for up to five years. After this period, the growth rates applied to the cash flow forecasts are no more than 2% and do not exceed the long term average growth rate for the industry.

The carrying amount of non-current assets at 31 December 2009 was £898.5m (2008: £1,028.5m). As a result of impairment reviews performed on all CGUs in the year, the Ireland CGU was impaired to reflect its recoverable amount. Details of the recoverable amount of the Ireland CGU are disclosed within Note 11 on page 89.

POST-EMPLOYMENT BENEFITS

The Group operates five defined benefit pension schemes. All post-employment benefits associated with these schemes have been accounted for in accordance with IAS 19 "Employee Benefits". As detailed within the Statement of Significant Accounting Policies on page 73, in accordance with IAS 19, all actuarial gains and losses have been recognised immediately through the Consolidated Statement of Comprehensive Income.

For all defined benefit pension schemes, pension valuations have been performed using specialist advice obtained from independent qualified actuaries. In performing these valuations, judgements, assumptions and estimates have been made. These assumptions have been disclosed within Note 27c on pages 103 to 106.

TAXATION

Accruals for corporation tax contingencies require the Directors to make judgements and estimates as to the level of corporation tax that will be payable based upon the interpretation of applicable tax legislation on a country by country basis and an assessment of the likely outcome of any open tax computations. All such accruals are included within current liabilities.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Therefore, judgements are required to establish whether deferred tax balances should be recognised.

SHARE-BASED PAYMENTS

The Company provides share-based payments under five separate schemes.

In accordance with IFRS 2, share options are measured at fair value at the date of grant. The fair value determined is then expensed in the Consolidated Income Statement on a straight line basis over the vesting period, with a corresponding increase in equity. The fair value of the options is measured by use of the Black-Scholes option pricing model.

The valuation of these share-based payments requires several judgements to be made in respect of the number of options that are expected to be exercised. Details of the assumptions made in respect of each of the five share-based payment schemes are disclosed in Note 9 on pages 83 to 87.

PROVISIONS

Using information available at the balance sheet date, the Directors make judgements based on experience on the level of provision required to satisfy all onerous lease and dilapidation commitments and to account for potential uncollectible receivables and unsaleable inventory.