Experian Group Limited
Significant accounting policies

For the year ended 31 March 2007

Experian Group Limited issued its preliminary results for the year ended 31 March 2007 on 23 May 2007. The principal accounting policies applied by the Group in preparing those results are set out below.

Basis of consolidation

Subsidiaries

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They cease to be consolidated from the date that the Group no longer has control. Under the requirements of IFRS 3 all business combinations are accounted for using the purchase method.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of subsidiaries are consistent with the policies adopted by the Group for the purposes of the Group's consolidation. The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings for the financial year ended 31 March 2007.

Associates

Associates are entities over which the Group has significant influence but not control, generally achieved by a shareholding of between 20% and 50% of the voting rights. The equity method is used to account for investments in associates and investments are initially recognised at cost.

The Group's share of net assets of its associates and loans made to associates are included in the Group balance sheet. The Group's share of its associates' post-acquisition after tax profits or losses is recognised in the Group income statement, and its share of post-acquisition movements in equity is recognised in the Group's equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. The carrying amount of an investment in an associate is tested for impairment by comparing its recoverable amount to its carrying amount whenever there is an indication that the investment may be impaired.

Revenue recognition

Revenue represents the fair value of the sale of goods and services to external customers, net of value added tax and other sales taxes, rebates and discounts, including the provision and processing of data, subscriptions to services, software and database customisation and development and the sale of software licences, maintenance and related consulting services.

Revenue in respect of the provision and processing of data is recognised in the year in which the service is provided. Subscription revenues, and revenues in respect of services to be provided by an indeterminate number of acts over a specified period of time, are recognised on a straight line basis over those periods. Customisation, development and consulting revenues are recognised by reference to the stage of completion of the work. Revenue from software licences is recognised upon delivery. Revenue from maintenance agreements is recognised on a straight line basis over the term of the maintenance period.

Where a single arrangement comprises a number of individual elements which are capable of operating independently of one another, the total revenues are allocated amongst the individual elements based on an estimate of the fair value of each element. Where the elements are not capable of operating independently, or reasonable measures of fair value for each element are not available, total revenues are recognised on a straight line basis over the contract period.

Foreign currency translation

Presentation currency

The Group's financial statements are presented in US Dollars.

Transactions and balances

Transactions in foreign currencies are recorded in the functional currency of the relevant Group entity at the exchange rate prevailing on the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in

foreign currencies are retranslated at the exchange rate prevailing at the balance sheet date. Translation differences on monetary items are taken to net financing costs in the Group income statement except when deferred in equity, as qualifying net investment hedges or cash flow hedges.
Translation differences on non-monetary available for sale financial instruments are reported as part of the fair value gain or loss in equity.

Group undertakings

The results and financial position of Group undertakings whose functional currencies are not US Dollars are translated into US Dollars as follows:

- Assets and liabilities are translated at the closing rate at the balance sheet date;
- Income and expenses are translated at the average exchange rate for the year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments, primarily foreign exchange contracts, designated as hedges of such investments, are taken to equity. Tax charges and credits attributable to those exchange differences are taken directly to equity. When a foreign operation is sold, such exchange differences are recognised in the Group income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

Share-based payments

IFRS 2 'Share-based Payment' applies to equity instruments, such as share options, granted since 7 November 2002. The Group elected to adopt full retrospective application of the standard on all share options and awards granted to employees before 7 November 2002 but not vested at the date of transition to IFRS (1 April 2004).

The Group has a number of equity settled, share-based compensation plans. These include awards in respect of shares in Experian Group Limited made at or after demerger together with awards previously made in respect of shares in GUS plc which were rolled over into awards in respect of shares in Experian Group Limited at demerger. The fair value of options and shares granted is recognised as an expense in the income statement on a straight line basis over the vesting period after taking into account the Group's best estimate of the number of awards expected to vest. The Group revises the vesting estimate at each balance sheet date. Non-market performance conditions are included in the vesting estimates. Expenses are incurred over the vesting period. Fair value is measured at the date of grant using whichever of the Black-Scholes, Monte Carlo model and closing market price is most appropriate to the award. Market based performance conditions are included in the fair value measurement on grant date and are not revised for actual performance.

Goodwill

Goodwill is the excess of the fair value of the consideration payable for an acquisition over the fair value of the Group's share of identifiable net assets of a subsidiary or associate acquired at the date of acquisition. Fair values are attributed to the identifiable assets, liabilities and contingent liabilities that existed at the date of acquisition, reflecting their condition at that date. Adjustments are made where necessary to bring the accounting policies of acquired businesses into alignment with those of the Group.

Goodwill on acquisitions of subsidiaries is separately recognised in the balance sheet. Goodwill on acquisitions of associates is included in the carrying amount of the investment. Goodwill is stated at cost less any impairment. Goodwill is not amortised but is tested annually for impairment. An impairment charge is recognised for any amount by which the carrying value of goodwill exceeds its recoverable amount.

Goodwill is allocated to cash generating units ('CGUs') and monitored for internal management purposes by geographical segment. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. Where the recoverable amount of the CGU is less than its carrying amount, including goodwill, an impairment loss is recognised in the Group income statement.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold, allocated where necessary on the basis of relative fair value.

Other intangible assets

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill, if those assets are identifiable, separable or arising from legal rights and their fair value can be measured reliably. Intangible assets acquired separately from the acquisition of a business are capitalised at cost. Certain costs incurred in the developmental phase of an internal project are capitalised as intangible assets provided that a number of criteria are satisfied. These include the technical feasibility of completing the asset so that it is available for use or sale, the availability of adequate resources to complete the development and to use or sell the asset and how the asset will generate probable future economic benefit.

The cost of other intangible assets with finite useful economic or contractual lives is amortised over those lives. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If impaired the carrying values are written down to the higher of fair value less costs to sell, and value-in-use. Value-in-use is determined by reference to projected future income streams using assumptions in respect of profitability and growth.

Research expenditure is charged in the Group income statement in the year in which it is incurred.

Databases and computer software

Databases

Capitalised databases comprise the fair value of databases acquired as part of a business combination or the data purchase and data capture costs of internally developed databases.

Databases are held at cost and are amortised on a straight line basis over three to seven years.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Computer software licences are held at cost and are amortised on a straight line basis over three to five years.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will generate economic benefits beyond one year, are recognised as intangible assets. Computer software development costs recognised as assets are amortised on a straight line basis over three to five years. Other costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Acquisition intangibles

Trade marks and licences

Trade marks and licences are carried at cost and are amortised on a straight line basis over their contractual lives, up to a maximum period of 20 years.

Trade names

Legally protected or otherwise separable trade names acquired as part of a business combination are capitalised at fair value on acquisition and amortised on a straight line basis over three to eight years based on management's expectations to retain trade names within the business.

Customer relationships

Contractual and non-contractual customer relationships acquired as part of a business combination are capitalised at fair value on acquisition and amortised on a straight line basis over three to eight years based on management's estimates of the average lives of customer relationships.

Completed technology

The fair value of completed technology acquired as part of a business combination is capitalised as an intangible asset. Completed technology is held at fair value on acquisition and amortised on a straight line basis over three to eight years based on the expected life of the asset.

Property, plant and equipment

Property, plant and equipment is held at cost less accumulated depreciation and any impairment in value.

Land is not depreciated.

Equipment on hire or lease is depreciated over the lower of the useful life and period of the lease.

Depreciation is provided on other property, plant and equipment at rates calculated to depreciate the cost, less estimated residual value based on prices prevailing at the balance sheet date, of each asset evenly over its expected useful life as follows:

- Freehold properties are depreciated over 50 years;
- Leasehold premises with lease terms of 50 years or less are depreciated over the remaining period of the lease; and
- Plant, vehicles and equipment are depreciated over two to ten years according to the estimated life of the asset.

Contingent consideration

Where part or all of the amount of purchase consideration is contingent on future events, the cost of the acquisition initially recorded includes a reasonable estimate of the fair value of the contingent amounts expected to be payable in the future. The cost of the acquisition is adjusted when revised estimates are made, with corresponding adjustments made to goodwill until the ultimate outcome is known.

Where part or all of the amount of disposal consideration is contingent on future events, the disposal proceeds initially recorded include a reasonable estimate of the fair value of the contingent amounts expected to be receivable in the future. The proceeds are adjusted when revised estimates are made, with corresponding adjustments made to debtors, and profit and loss on disposal, until the ultimate outcome is known.

Trade receivables

Trade receivables are initially recognised at fair value and carried at the lower of fair value (original invoice amount) and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Any charge or credit in respect of such provisions is recognised in the Group income statement. The cost of any irrecoverable trade receivables is recognised in the Group income statement immediately.

Available for sale assets

Available for sale assets are non-derivative financial assets that are either designated to this category or not classified in any of the other financial asset categories. Available for sale assets are carried at fair value and are included in non-current assets unless management intends to dispose of the assets within 12 months of the balance sheet date. Unrealised gains and losses on available for sale assets are recognised directly in equity. On disposal or impairment of the assets, the gains and losses in equity are recycled through the income statement. At each balance sheet date, the Group assesses whether there is objective evidence to suggest that available for sale assets are impaired. In the case of equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the security is impaired. If any such evidence exists, the cumulative loss is removed from equity and recognised in the Group income statement. Impairment losses recognised in the Group income statement on equity instruments are not subsequently reversed through the Group income statement.

Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost unless they are part of a fair value hedge accounting relationship. Initial differences between the proceeds of fixed rate borrowings and the redemption values are recognised in the income statement over the period of the borrowings using the effective interest rate method. Borrowings that are subject to a fair value hedge accounting relationship are measured at amortised cost adjusted for the change in fair value attributable to hedged risks. Borrowings are classified as non-current to the extent that the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Incremental borrowing costs which are directly attributable to the issue of debt are capitalised and amortised over the expected life of the borrowing using the effective interest rate method. All other borrowing costs are expensed in the year in which they are incurred.

Accounting for derivative financial instruments and hedging activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates, interest rates and social security obligations in respect of share-based payments. Derivative instruments utilised by the Group include interest rate swaps, cross currency swaps, forward foreign exchange contracts and equity swaps.

Derivatives are recognised at cost, being the fair value at the date a contract is entered into and are subsequently remeasured at their fair value.

Amounts payable or receivable in respect of interest rate swaps are recognised as adjustments to net financing costs over the period of the contract. The interest differential reflected in forward foreign exchange contracts is taken to net financing costs.

Derivative assets and liabilities are classified as non-current unless they mature within 12 months after the balance sheet date.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the hedge relationship. The Group designates certain derivatives as:

- Fair value hedges - hedges of the fair value of recognised assets or liabilities or a firm commitment; or
- Cash flow hedges - hedges of highly probable forecast transactions; or
- Net investment hedges - hedges of net investments in foreign operations.

The Group documents the relationship between hedging instruments and hedged items at the hedge inception, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items. This effectiveness testing is performed at every reporting date throughout the life of the hedge to confirm that the hedge has remained and will continue to remain highly effective. Movements on the hedging reserve in equity are shown in the Group statement of recognised income and expense.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised or no longer qualifies for hedge accounting.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in the Group income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The ineffective portion of a fair value hedge is recognised in net financing costs in the Group income statement.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately within cost of sales or operating expenses, as appropriate, in the Group income statement.

Amounts accumulated in equity are recycled in the Group income statement in the period when the hedged item will affect the income statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Group income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred immediately to the Group income statement.

Net investment hedges

Any gain or loss on the hedging instrument relating to the effective portion of the hedge of a net investment in a foreign operation is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in net financing costs in the Group income statement. Gains and losses accumulated in equity are included in the Group income statement when the foreign operation is disposed of.

Non-hedging derivatives

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Group income statement. Costs in respect of derivatives entered into in connection with National Insurance liabilities on employee share incentive schemes are charged as an employment cost; other changes are charged within financing fair value remeasurements in the Group income statement.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts, and the host contracts are not carried at fair value with unrealised gains or losses reported in the Group income statement.

Fair value estimation

The fair value of financial instruments traded in organised active financial markets is based on quoted market prices at the close of business on the balance sheet date. The appropriate quoted market price for financial liabilities is the current offer price and for financial assets the current bid price.

The fair value of financial instruments for which there is no quoted market price is determined by a variety of methods incorporating assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward foreign exchange market rates at the balance sheet date. The nominal value less estimated credit adjustments of short-term trade receivables and payables are assumed to approximate to their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Financial risk management

The Group’s activities expose it to a variety of financial risks: market risk including currency risk and interest rate risk, credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Group’s Treasury function seeks to reduce the Group’s exposure to foreign exchange, interest rate and other financial risks. It also ensures surplus funds are managed and controlled in a prudent manner which will protect capital sums invested and ensure adequate short-term liquidity, whist maximising returns. It does not operate as a profit centre and transacts only in relation to underlying business requirements. It operates policies and procedures which are periodically reviewed and approved by the directors and are subject to regular Group Internal Audit reviews.

Up to and including the year ended 31 March 2006, the Group transacted primarily in Pounds Sterling. The hedging and risk management strategies pursued for the years then ended reflected this. Policies adopted since demerger reflect the significance of its US Dollar operations.

Significant accounting policies (continued)

For the year ended 31 March 2007

Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk, primarily with respect to Pounds Sterling and the Euro. Foreign exchange risk arises from recognised assets and liabilities and net investments in foreign operations.

The Group has investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies and the use of forward foreign exchange contracts.

Interest rate risk

The Group has a policy of normally maintaining between 30% and 70% of net debt at rates that are fixed for more than one year. The Group's interest rate exposure is managed by the use of fixed and floating rate borrowings and by the use of interest rate swaps to adjust the balance of fixed and floating rate liabilities. It also mixes the duration of its borrowings to smooth the impact of interest rate fluctuations.

Credit risk

In the case of deposits and derivative financial instruments, the Group is exposed to a credit risk, which results from the non-performance of contractual agreements on the part of the contract party. This credit risk is minimised by a policy under which the Group only enters into such contracts with banks and financial institutions with strong credit ratings, within limits set for each organisation. Dealing activity is closely controlled and counterparty positions are monitored regularly. The general credit risk on derivative financial instruments utilised by the Group is therefore not considered to be significant. There is no significant concentration of credit risk with respect to trade and other receivables, as the Group has a large number of customers, internationally dispersed, with no concentration on particular industries or markets. The Group has implemented policies that require appropriate credit checks on potential customers before granting credit. The maximum credit risk of financial assets is represented by the carrying value of the asset net of any applicable provision for impairment.

Liquidity risk

The Group maintains long-term committed facilities that are managed to ensure it has sufficient available funds for operations and planned expansions.

Impairment of non-financial assets

Assets that are not subject to amortisation are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Cash and cash equivalents

Cash and cash equivalents include cash on hand, term and call deposits held with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the Group balance sheet. For the purposes of the Group cash flow statement, cash and cash equivalents are as defined above, net of outstanding bank overdrafts.

Deferred tax

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Provisions

Provisions are recognised when:

- The Group has a present legal or constructive obligation as a result of past events;
- It is more likely than not that an outflow of resources will be required to settle the obligation; and
- The amount has been reliably estimated.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset when the reimbursement is certain.

Leases

Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other payables. The interest element of the finance cost is charged in the Group income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases are charged in the Group income statement on a straight line basis over the period of the lease. Incentives from lessors are recognised as a systematic reduction of the charge over the period of the lease.

Employee benefits

Defined benefit pension arrangements

The pension liability recognised in the Group balance sheet, in respect of such arrangements, is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for past service costs. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields available at the assessment date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity consistent with the estimated average term of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the Group statement of recognised income and expense.

Past service costs are recognised immediately in the Group income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight line basis over the vesting period.

The pension cost recognised in the Group income statement comprises the cost of benefits accrued plus interest on the defined benefit obligation less expected return on the plan assets over the year.

Defined contribution pension arrangements

The assets of defined contribution schemes are held separately from those of the Group in independently administered funds. The pension cost recognised in the Group income statement represents the contributions paid by the Group to these funds over the year.

Other post-employment obligations—Post-retirement healthcare costs

The Group operates schemes which provide post-retirement healthcare benefits to certain retired employees and their dependent relatives. The principal scheme relates to former employees in the UK and, under this scheme, the Group has undertaken to meet the cost of post-retirement healthcare insurance for all eligible former employees and their dependants who retired prior to 1 April 1994.

The expected cost of these benefits is calculated using an actuarial methodology similar to that for defined benefit pension arrangements. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognised in the Group statement of recognised income and expense. The obligations are valued annually by independent qualified actuaries.

Critical accounting estimates and assumptions

In preparing the Group financial statements, management is required to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. The resulting accounting estimates, which are based on management's best judgment at the date of the Group financial statements, will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Taxes
The Group is subject to taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes as there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the results for the year and the respective income tax and deferred tax provisions in the year in which such determination is made.

Pension benefits
The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the defined benefit obligations and net pension costs include the expected long-term rate of return on the relevant plan assets and the discount rate. Any changes in these assumptions may impact on the amounts disclosed in the Group's balance sheet and income statement.

The expected return on plan assets is calculated by reference to the plan investments at the balance sheet date and is a weighted average of the expected returns on each main asset type (based on market yields available on these asset types at the balance sheet date).

The Group has determined the appropriate discount rate at the end of each year. This is the interest rate used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit obligations. In determining the appropriate discount rate, the Group has considered the market yields of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity consistent with the estimated average term of the related pension liability.

Other key assumptions for defined benefit obligations and pension costs are based in part on market conditions at the relevant balance sheet dates.

Fair value of derivatives or other financial instruments
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each balance sheet date.

Goodwill
Goodwill is allocated to CGUs and monitored for internal management purposes by geographical segment. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

The Group tests goodwill for impairment annually or more frequently if events or changes in circumstances indicate that the goodwill may be impaired. The recoverable amount of each CGU is determined based on value-in-use calculations.

These calculations require the use of cash flow projections based on financial budgets approved by management, looking forward up to five years. Cash flows are extrapolated using estimated growth rates beyond a five year period. The growth rates used do not exceed the long-term average growth rate for the businesses in which the segment operates.

Key assumptions used for value-in-use calculations for all CGUs are:
- Budgeted gross margin;
- Weighted average real growth rate of 2.25% used to extrapolate cash flows beyond the budget period; and
- Pre-tax discount rate of 11.4 % applied to the pre-tax cash flow projections.

Management determines budgeted gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used reflect the Group’s post-tax weighted average cost of capital of 8%.

Share-based payments
The Group has a number of equity settled share based payment arrangements in existence. The assumptions used in determining the amounts charged in the Group income statement include judgements in respect of performance conditions and length of service together with future share prices, dividend and interest yields and exercise patterns.

Critical judgements

Management has made certain judgements in the process of applying the Group's accounting policies set out above that have a significant effect on the amounts recognised in the Group financial statements. These include the classification of transactions between the Group income statement and the Group balance sheet. These accounting policy descriptions indicate where judgement needs exercising.

The most significant of these judgements is in respect of intangible assets where certain costs incurred in the developmental phase of an internal project are capitalised if a number of criteria are met. Management has made certain judgements and assumptions when assessing whether a project meets these criteria, and on measuring the costs and the economic life attributed to such projects. On acquisition, specific intangible assets are identified and recognised separately from goodwill and then amortised over their estimated useful lives. These include such items as brand names and customer lists, to which value is first attributed at the time of acquisition. The capitalisation of these assets and the related amortisation charges are based on uncertain judgements about the value and economic life of such items. The economic lives for intangible assets are estimated at between 3 and 7 years for internal projects, which include databases, internal use software and internally generated software, and 2 and 10 years for acquisition intangibles.