Notes to the financial statements

for the year ended 31 March 2015

03 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 estimated recoverable amount of the asset derived from the business, or part of the business, CGU, to which the non-current asset has been allocated. The value in use calculation requires an estimate of the present value of future cash flows expected to arise from the CGU, by applying an appropriate discount rate to the timing and amount of future cash flows.

The Directors are required to make judgements regarding the timing and amount of future cash flows applicable to the CGU, based on current budgets and forecasts, and extrapolated for an appropriate period taking into account growth rates and expected changes to selling prices and operating costs. The Directors estimate the appropriate discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the individual CGU. For further disclosure, see Note 14.

Post-employment benefits

The Group operates two defined benefit schemes. All post-employment benefits associated with these schemes have been accounted for in accordance with IAS 19 'Employee Benefits (revised)'. As detailed within the accounting policies note, 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 29.

Capitalisation of internal costs

The Group capitalises internal costs (which relates principally to IT salary costs on significant projects) from the development of intangible assets if, and only if, it can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The Directors are required to make judgements regarding whether an intangible asset has met all of the criteria above and are required to ensure the correct treatment has been applied in accordance with IAS 38 'Intangible Assets'. For further disclosure, see Note 15.