

From: Clackson, Patrick: Finance (LDN)
Sent: Fri, 19 Sep 2008 19:06:07 GMT
To: Ricci, Rich: Barclays Capital
Subject: FW: Negative goodwill

the official line fyi

Some of comp relates to deferred plans so is accounted for over the deferral period

Cure payments are optional and tho some will be incurred, most will be covered by our ongoing supplier relationships and fall into monthly expenses

-----Original Message-----

From: Trevelyan, James:
Sent: 19 September 2008 15:29
To: Clackson, Patrick: Finance (LDN)
Subject: Negative goodwill

Patrick

As we talk to people we are still coming across quite some uncertainty around the negative goodwill. I think it boils down to one point which seems to be not well understood.

We understand broadly that the negative goodwill arises because the 2.25 cure payment and 2.0 comp provision won't be valued at that amount but instead c.1.3, the difference (2.95) giving rise to net assets for which we pay .25, leading to negative goodwill of 2.7.

What is not understood is why we are not recognising either the cure or the comp at their full amount. It would be really valuable to get an understanding of how this works.

Regards

James

Sent using BlackBerry