

14 Intangible assets

	Brands £m	Software and licences £m	Contracts and committed sales £m	Customer lists and relationships £m	Goodwill £m	Sub-total £m	Other intangibles £m	Total £m
Cost								
At 1 January 2006	5.3	2.0	6.7	26.7	562.1	602.8	12.0	614.8
Subsidiaries acquired	0.6	–	0.2	7.9	39.3	48.0	–	48.0
Additions	–	–	–	–	–	–	1.4	1.4
At 31 December 2006	5.9	2.0	6.9	34.6	601.4	650.8	13.4	664.2
Recognition of intangibles – prior year acquisitions	0.1	0.3	–	3.0	(2.4)	1.0	–	1.0
Subsidiaries acquired	2.8	3.7	–	8.6	105.8	120.9	–	120.9
Additions	–	–	5.0	–	–	5.0	–	5.0
At 31 December 2007	8.8	6.0	11.9	46.2	704.8	777.7	13.4	791.1
Amortisation and impairment								
At 1 January 2006	1.1	0.6	2.9	1.7	12.0	18.3	7.8	26.1
Amortisation during the year	1.2	0.4	0.9	4.4	–	6.9	1.2	8.1
At 31 December 2006	2.3	1.0	3.8	6.1	12.0	25.2	9.0	34.2
Amortisation during the year	1.6	1.1	0.9	6.1	–	9.7	1.5	11.2
At 31 December 2007	3.9	2.1	4.7	12.2	12.0	34.9	10.5	45.4
Net book value								
At 1 January 2006	4.2	1.4	3.8	25.0	550.1	584.5	4.2	588.7
At 31 December 2006	3.6	1.0	3.1	28.5	589.4	625.6	4.4	630.0
At 31 December 2007	4.9	3.9	7.2	34.0	692.8	742.8	2.9	745.7

During the year a total of £3.4m of intangible assets was recognised in respect of prior year acquisitions. This amount was previously reflected within goodwill. As required by IAS 12, deferred taxation is recognised in respect of these items, the impact of this was to increase goodwill in 2007 by £1.0m and to create a deferred tax liability of the same amount.

The amount in 'other intangibles' represents the consideration paid to AON to acquire the contract for the administration of the miners' personal injury liability claims on behalf of the Department of Trade and Industry.

15 Impairment of goodwill

Goodwill acquired through business combinations has been allocated for impairment testing purposes to the groups of cash generating units (CGUs) listed below. These represent the lowest level within the Group at which goodwill is monitored by management for internal reporting purposes.

The significant groups of CGUs identified are Property Consultancy, HR Solutions, Insurance & Specialist Services, Registrar Services, Financial Services and Life & Pensions. The remaining groups of CGUs are included in the 'balance of CGUs' column.

The recoverable amount of all the CGUs is based on a value in use calculation using cash flow projections based on the latest one year budget forecast extrapolated for four future years by a growth rate applicable to each unit; an appropriate terminal value based on a perpetuity calculation using nil real growth is then added. A discount rate of 11.1% is then applied to these projections.

Compound growth rates (years 2–5)	%
Property Consultancy	10.1
HR Solutions	10.1
Insurance & Specialist Services	9.9
Registrar Services	8.7
Financial Services	8.7
Life & Pensions	9.8
Balance of CGUs (weighted average growth rate)	8.5

The growth rates used do not exceed published industry estimates.

Carrying amount of goodwill allocated to groups of cash generating units

	Property Consultancy £m	HR Solutions £m	Insurance & Specialist Services £m	Registrar Services £m	Financial Services £m	Life & Pensions £m	Balance of CGUs £m	Total £m
2007								
Goodwill	47.0	82.0	202.0	105.4	81.2	48.2	127.0	692.8
2006								
Goodwill	46.1	80.7	167.7	93.6	77.3	26.5	97.5	589.4

Notes to the consolidated financial statements

15 Impairment of goodwill (continued)

The key assumptions used in the impairment testing were as follows:

- Profit before interest and taxation
- Discount rates
- Rates of growth in CGUs for the years 2 to 5.

Profit before interest and taxation

The profit before interest and taxation is based on the assumption that future margins will remain at the levels currently being achieved.

Discount rate

The discount rate reflects management's estimate of the gross cost of capital employed for the groups of CGUs listed above. This is the benchmark established to assess operating performance and to evaluate future capital investment proposals.

Rates of growth in cash generating units beyond the budget period

Growth rate assumptions are based on, as far as possible, published industry research.

Goodwill impairment

Management believes that no reasonably possible change in the key assumptions above would cause any of the identified CGUs to become impaired.

16 Financial assets

Current	2007 £m	2006 £m
Cash flow hedges	0.9	–
	0.9	–
	2007 £m	2006 £m
Non Current financial assets		
Available for sale investments ¹	0.3	0.3
Investment loan ²	29.1	12.5
Financial assets at fair value through the income statement ³	25.4	19.8
Cash flow hedges ⁴	4.7	–
Currency swaps ⁴	1.0	–
Interest rate swap ⁴	0.1	–
Investment in a joint venture ⁵	–	–
	60.6	32.6

¹Available for sale assets includes investments in unlisted ordinary shares. The unlisted ordinary shares, for which there is no immediately identifiable market and which have no fixed maturity date or coupon rate, are carried at cost less provision for any impairment.

²The Group has entered into a funding arrangement with Optima Legal Services Limited (OLSL) and during the year has provided it with an additional £16.6m (2006: £12.5m) to fund that company's acquisition of further volume legal services businesses. In addition, with regard to the prior year, the Group entered into an option agreement to acquire the shares of OLSL for £1 in the event that Law Society rules are amended to allow the Group to own the shares in this type of legal services company.

³Financial assets at fair value through the income statement include investments in units, held in the Group's insurance captives. The units are held in managed funds (comprising units of equities and other assets) which are traded with a quoted market price in an active market. An explanation of the Group's accounting policy with regard to these assets is contained in note 2(m) on page 71. These were classified as available-for-sale assets in the previous period. The reclassification was done as it properly reflects the nature of these assets.

⁴Details of the interest rate swap, currency swaps and cash flow hedges are contained in note 25.

⁵The investment in a joint venture disclosed above represents the Group's interest in a syndicate (for which the Group provides administrative outsourcing services) operating in the Lloyd's market, through its joint venture ownership of Cobex Corporate Member No 1 Limited (Cobex) in conjunction with the Group's insurance partners. The assets and liabilities of this syndicate are as follows: