

I Notes to the consolidated financial statements *continued*

Section 3: Operating assets and liabilities *continued*

3.4 Goodwill

AP Accounting policies

Following initial recognition, goodwill is stated at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill arising on acquisitions prior to 31 December 1997 remains set off directly against reserves and does not get recycled through the consolidated income statement.

At the acquisition date, any goodwill acquired is allocated to the cash-generating units (CGU) which are expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the CGU to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the Parent company.

Prior to the adoption of IAS 27 *Separate Financial Statements (Amended)*, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

Impairment of goodwill: the Group determines whether goodwill is impaired on an annual basis, or more frequently if required, and this requires an estimation of the recoverable amount of the CGUs to which the intangible assets are allocated utilising an estimation of future cash flows and choosing a suitable discount rate.

	2023 £m	2022 £m
Cost		
At 1 January	1,423.3	1,676.8
Disposal of businesses	(199.6)	(255.0)
Transfer to disposal group assets held for sale ¹	(149.0)	—
Exchange movement	(0.5)	1.5
At 31 December	1,074.2	1,423.3
Accumulated impairment		
At 1 January	817.4	725.1
Disposal of businesses	(196.4)	(76.7)
Transfer to disposal group assets held for sale ¹	(84.7)	—
Impairment – excluded from adjusted profit	42.2	169.0
At 31 December	578.5	817.4
Net book value		
At 1 January	605.9	951.7
At 31 December	495.7	605.9

1. Transfers to disposal group assets held for sale in the year ended 31 December 2023 includes £49.3m that was transferred at 30 June 2023 and subsequently sold during the second half of the year.