

11. Intangible assets

	Goodwill £m	Other ¹ £m	Total £m
Cost or valuation			
At 1 January 2007	9,204	657	9,861
Additions:			
Acquired separately	–	31	31
Acquisition of subsidiaries (note 31)	1,563	753	2,316
Disposals	(31)	(4)	(35)
Asset reclassifications	(2)	2	–
Reclassified as non-current assets and disposal groups held for sale (note 19)	(42)	–	(42)
Exchange adjustments	(31)	12	(19)
At 31 December 2007	10,661	1,451	12,112
Additions:			
Acquired separately	–	30	30
Internally developed	–	2	2
Acquisition of subsidiaries (note 31)	903	213	1,116
Adjustment on finalisation of provisional goodwill ³	6	–	6
Disposals	(251)	(15)	(266)
Asset reclassifications	–	5	5
Exchange adjustments	1,882	459	2,341
At 31 December 2008	13,201	2,145	15,346
Amortisation and impairment			
At 1 January 2007	2,071	195	2,266
Disposals	(1)	(4)	(5)
Amortisation charge ²	–	149	149
Impairment charge	148	–	148
Exchange adjustments	(5)	–	(5)
At 31 December 2007	2,213	340	2,553
Disposals	(59)	(11)	(70)
Amortisation charge ²	–	247	247
Impairment charge	54	2	56
Asset reclassifications	–	3	3
Exchange adjustments	125	126	251
At 31 December 2008	2,333	707	3,040
Net book value			
At 31 December 2008	10,868	1,438	12,306
At 31 December 2007	8,448	1,111	9,559
At 1 January 2007	7,133	462	7,595

1 Other intangibles includes internally funded development costs and intangible assets recognised on acquisition of subsidiary companies, of which the most significant are in respect of the acquired order book and of ongoing programme relationships.

2 Amortisation is included in operating costs in the income statement.

3 Adjustment on finalisation of provisional goodwill relating to the acquisition of Armor Holdings, Inc. in 2007. The amounts are not considered material for the restatement of comparative information.

The Group has no indefinite life intangible assets other than goodwill. The Group's approach to goodwill impairment testing is set out in the accounting policies on page 110.

The Group's goodwill of £10.9bn (2007 £8.4bn) is allocated across 16 cash-generating units. In order to calculate the recoverable amount of the Group's goodwill, all goodwill balances by cash-generating units have been considered with regard to value in use calculations. These calculations use risk-adjusted future cash flow projections based on the Group's five-year Integrated Business Plan (IBP) and include a terminal value based on the projections for the final year of that plan, with an inflationary growth rate assumption applied. Pre-tax discount rates derived from the Group's post-tax weighted average cost of capital of 8.19% (adjusted for risks specific to each cash-generating unit as appropriate) have been used in discounting these projected risk-adjusted cash flows.

The Group has two cash-generating units whose combined allocated goodwill exceeds 40% of the Group's total goodwill balance. These are both US operations within the Land & Armaments operating group acquired in 2005 and in 2007. The key assumption underpinning the cash flow projections for these operations is the continued demand in our home markets and from exports for existing and successor military land and tracked vehicles, upgrade programmes and support. Whilst there are no other cash-generating units with allocated goodwill balances exceeding 20% of the Group's total goodwill balance, the majority of the projected cash flows within the remaining cash-generating units are underpinned by the expected continuation of levels of US government spending on aerospace, defence and security.

11. Intangible assets *continued*

The directors have not identified any reasonably possible material changes relating either specifically to the global military vehicle market, or to the levels of defence spending in our home markets, particularly in the US, that would cause the carrying value of goodwill to exceed its recoverable amount. The result of the review of the carrying value of goodwill across the Group is an impairment charge of £54m (2007 £148m). This mainly reflects lower sales volumes in the US-based Products Group business (£40m against the £254m total goodwill), which was acquired with Armor Holdings, Inc. in 2007. The prior year charge included £145m in respect of the Insyte business.

In addition, an impairment of £120m has been taken in the year in respect of the Group's shareholding in Saab AB. See note 14.

12. Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Aircraft £m	Total £m
Cost				
At 1 January 2007	1,313	2,078	606	3,997
Additions	96	190	24	310
Acquisition of subsidiaries (note 31)	32	54	6	92
Transfers from inventories	–	5	–	5
Transfers to inventories	–	(6)	(1)	(7)
Reclassified as non-current assets and disposal groups held for sale (note 19)	(11)	(16)	–	(27)
Disposals	(24)	(172)	(25)	(221)
Disposal of subsidiaries	(10)	(29)	–	(39)
Exchange adjustments	(10)	(9)	(8)	(27)
At 31 December 2007	1,386	2,095	602	4,083
Additions	269	209	42	520
Acquisition of subsidiaries (note 31)	40	72	–	112
Transfers from inventories	2	–	–	2
Reclassification between balance sheet categories	5	(5)	–	–
Disposals	(15)	(69)	(12)	(96)
Disposal of subsidiaries	(46)	(76)	–	(122)
Exchange adjustments	331	303	194	828
At 31 December 2008	1,972	2,529	826	5,327
Depreciation and impairment				
At 1 January 2007	433	1,480	338	2,251
Depreciation charge for the year	67	155	32	254
Impairment loss for the year ¹	19	2	34	55
Transfers to inventories	–	(4)	–	(4)
Reclassified as non-current assets and disposal groups held for sale (note 19)	(5)	(13)	–	(18)
Disposals	(15)	(170)	(10)	(195)
Disposal of subsidiaries	(4)	(21)	–	(25)
Exchange adjustments	(1)	(3)	(5)	(9)
At 31 December 2007	494	1,426	389	2,309
Depreciation charge for the year	68	167	55	290
Impairment loss for the year	2	29	9	40
Reclassification between balance sheet categories	(3)	3	–	–
Disposals	(14)	(63)	(3)	(80)
Disposal of subsidiaries	(17)	(42)	–	(59)
Exchange adjustments	75	170	136	381
At 31 December 2008	605	1,690	586	2,881
Net book value				
At 31 December 2008	1,367	839	240	2,446
At 31 December 2007	892	669	213	1,774
At 1 January 2007	880	598	268	1,746

1 In 2007, the directors revised the valuation methodology used to determine the value of regional aircraft with a £34m impairment charge arising and a £45m increase to provisions in respect of residual value guarantees.

The impairment in 2008 mainly comprises charges in respect of the spares and support business, and aircraft carrying values within the Regional Aircraft business (£32m). The impairment impacts the HQ & Other Businesses (£36m), Programmes & Support (£3m) and International (£1m) segments.