

## Notes on the IFRS basis results continued

**M: Goodwill attributable to shareholders**

	2013 £m	2012 £m	
	Half year	Half year	Full year
<b>Cost</b>			
At beginning of period	1,589	1,585	1,585
Additional consideration paid on previously acquired business	–	–	2
Exchange differences	5	2	2
At end of period	1,594	1,587	1,589
Aggregate impairment	(120)	(120)	(120)
<b>Net book amount at end of period</b>	<b>1,474</b>	<b>1,467</b>	<b>1,469</b>

The amounts shown above at 30 June 2013 and for 2012 include £1,153 million in respect of the purchase of M&G in 1999.

Goodwill, other than for M&G, of £321 million at 30 June 2013 (30 June 2012: £314 million; 31 December 2012: £316 million) represents amounts allocated to entities in Asia and the US operations in respect of acquisitions made prior to 2012. There was no goodwill attached to the purchase of REALIC and Thanachart Life as discussed in note X. Other goodwill amounts by acquired operations are not individually material.

**N: Deferred acquisition costs and other intangible assets attributable to shareholders**

Except for acquisition costs of with-profits contracts of the UK regulated with-profits funds, which are accounted for under the realistic Prudential Regulation Authority (PRA) regime, costs of acquiring new insurance business are accounted for with deferral and amortisation against margins in future revenues on the related insurance policies. Costs of acquiring new insurance business, principally commissions, marketing and advertising and certain other costs associated with policy insurance and underwriting that are not reimbursed by policy charges, are specifically identified and capitalised as part of deferred acquisition costs (DAC). In general, this deferral is presentationally shown by an explicit carrying value for DAC in the balance sheet. However, in some Asia operations the deferral is implicit through the reserving methodology. The recoverability of the explicitly and implicitly deferred acquisition costs is measured, and the capitalised costs are deemed impaired if the projected margins are less than the carrying value. To the extent that the future margins differ from those anticipated, then an adjustment to the carrying value will be necessary.

For UK regulated with-profits funds where the realistic PRA regime is applied, the basis of setting liabilities is such that it would be inappropriate for acquisition costs to be deferred, therefore these costs are expensed as incurred. The majority of the UK shareholder-backed business is individual and Group annuity business where the incidence of acquisition costs is negligible.

The deferred acquisition costs and other intangible assets attributable to shareholders comprise:

	2013 £m	2012* £m	
	30 Jun	30 Jun	31 Dec
Deferred acquisition costs related to insurance contracts as classified under IFRS 4	4,851	3,824	3,776
Deferred acquisition costs related to investment management contracts, including life assurance contracts classified as financial instruments and investment management contracts under IFRS 4	97	103	100
	4,948	3,927	3,876
Present value of acquired in-force policies for insurance contracts as classified under IFRS 4 (PVIF)	85	62	64
Other intangibles	505	248	237
	590	310	301
<b>Total of deferred acquisition costs and other intangible assets</b>	<b>5,538</b>	<b>4,237</b>	<b>4,177</b>

\* The 2012 comparative results have been retrospectively adjusted from those previously published for the application of IFRS 11 described in note B whereby equity presentation rather than proportionate consolidation for joint venture operations applies.