14 Goodwill and intangible assets continued

Trademarks comprise well-established and growing brands, except for trademarks with a carrying value of R194,0 million (2015: R195,0 million) which are amortised, the brand portfolio is considered to have indefinite useful lives and is therefore not amortised. Refer to the accounting policies for further details on amortisation.

		Goodwill		Indefinite useful life intangible assets	
	(R'million)	2016	2015	2016	2015
14.2	The carrying value is allocated to cash-generating units as follows:				
	Exports	1 056,6	1 056,6	473,8	473,8
	Central Africa	32,2	32,6	45,3	45,3
	East Africa	25,7	26,2	–	–
	Beverages	580,5	580,5	194,6	194,6
	Snacks & Treats	–	–	119,6	119,6
	Groceries	72,3	72,3	729,9	729,9
	Value Added Meat Products	16,4	6,0	–	–
	HPCB	314,9	464,9	74,1	224,1
		2 098,6	2 239,1	1 637,3	1 787,3

15 Impairment testing of non-financial assets

If there is an indication of impairment, or at least annually, all indefinite life intangible assets and goodwill are assessed for impairment unless stated otherwise. Goodwill acquired through business combinations, trademarks, licence agreements, supplier relationships and customer lists have been allocated to cash-generating units to facilitate this assessment.

The key assumptions disclosed below are based on management's experience and expectations. Based on this experience and the well-established brands the group owns, management considers forecast cash flow periods in excess of five years to be appropriate.

15.1 Methods and assumptions

The group applies a discounted cash flow methodology (value in use) to assess goodwill and certain indefinite life intangible assets for impairment. Where this results in a value lower than the carrying amount, the higher of this value or the fair value less cost of disposal is used. For the current year, all recoverable amounts were based on the value in use, being the higher value. This methodology entails a calculation of the present value of future cash flows generated by applicable cash-generating units over a period of five to 10 years and incorporates a terminal growth rate.

These cash flows have been based on the approved budget for the 2017 financial year which include assumptions on profit before interest and tax, depreciation, working capital movements, capital maintenance expenditure, an appropriate discount rate and a terminal growth rate. The terminal growth rate used is 1% (2015: 1%); however, it is dependent on the industry and maturity of the cash-generating unit.

15.2 Discount rates

The group has calculated a weighted average cost of capital (WACC) which is utilised as a basis for performing the value-in-use calculation. In cases where the CGU is deemed to be of greater risk than the group as a whole, a risk premium has been included within the discount rate applied. The discount rate utilised for the purposes of the impairment testing was between 11,5% and 17,0% (2015: 11,5% and 19,7%).

15.3 Growth rates

In determining the growth rate, consideration is given to the growth potential of the respective CGU. As part of this assessment, a prudent outlook is adopted that mirrors an inflationary increase in line with the consumer price index and real growth expected within the specific market. Based on these factors, the nominal price growth rates applied for the purposes of the impairment testing ranges between 6% and 9%. Volume growth assumptions are based on management's best estimates of known strategies and future plans to grow the business. The terminal growth rate applied was 1% (2015: 1% and 8%).

15 Impairment testing of non-financial assets continued

15.4 Specific impairments in the current year

The table below reflects the detail of the respective impairments for the year, with the comparatives noted.

(R'million)	2016	2015
HPCB – Goodwill and indefinite life intangible assets*	(300,0)	(29,6)
Grains – Property, plant and equipment**	(22,8)	(22,4)
Consumer Brands – Property, plant and equipment**	(12,0)	–
Nigeria – DFM property, plant and equipment	–	(1 371,1)
Nigeria – Deli Foods goodwill and intangible assets	–	(250,4)
Nigeria – Deli property, plant and equipment	–	(11,8)
International operations – Eastern Africa property, plant and equipment	–	(5,6)
Total	(334,8)	(1 690,9)

** This impairment was recognised as a result of the annual impairment assessment performed on goodwill and indefinite useful life intangible assets. These assets relate to the Personal care category where growth in the current year slowed, reflecting the pressure on consumer income exacerbated by competitors investing aggressively in pricing strategies and brand support. Given this, the specific goodwill and intangible assets were written down to their total recoverable amount of R213,4 million (R158,4 million for goodwill and R55,0 million on indefinite life intangible assets), being their value in use.*

*** As a result of the ongoing portfolio analysis and category optimisation processes, these assets were fully impaired down to a recoverable amount of Rnil, being their value in use. This is also representative of fair value less cost to sell given the nature of these assets.*

The impairments recognised in the prior year within the TBCG business arose as a result of the annual impairment assessments performed on goodwill and other intangible assets. These related impairments arose mainly as a result of macro-economic factors as well as a decline in volumes within the respective segments. Furthermore, the carrying value of the company's investment in TBCG had also been evaluated and an impairment of R678,8 million was recognised at a company level in the prior year.

15.5 Changes in key assumptions

The determined value in use of each CGU is most sensitive to the discount rate. No reasonably probable change in any of the above key valuation assumptions would cause the carrying amount of CGUs to materially exceed their recoverable amounts.

COMPANY				GROUP	
2016	2015		(R'million)	2016	2015
		16	**Investments in associated companies**		
		16.1	**(For more detail refer Annexure B)**		
967,6	967,6		Listed, at cost	1 472,1	1 472,1
421,1	421,1		Unlisted, at cost less amounts written off	1 005,8	1 005,8
			Share of accumulated other comprehensive income	409,4	281,7
			Share of accumulated profits since acquisition	1 845,4	1 391,1
1 388,7	1 388,7			4 732,7	4 150,7
6 598,4	6 570,6		Fair value of listed investments	6 598,4	6 570,6
			The trading results of the associate companies whose results are equity accounted in the consolidated financial statements are as follows:		
			Revenue (100%)	30 164,0	23 408,0
			Turnover (100%)	29 573,6	23 397,4
			Profit for the year (100%)	2 425,2	1 662,3