NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2019

	Group (R'million)	Goodwill	Trademarks, licence agreements and other	Customer lists	Total
12	**Goodwill and intangible assets**				
12.1	**Movement of group goodwill and intangible assets**				
	2019				
	Carrying value at the beginning of the year				
	Cost	**2 568,6**	**1 756,3**	**542,3**	**4 867,2**
	Accumulated amortisation and impairment	**(873,2)**	**(474,7)**	**(72,1)**	**(1 420,0)**
	Net balance at the beginning of the year	**1 695,4**	**1 281,6**	**470,2**	**3 447,2**
	Current year movements – cost				
	Addition of trademark	**–**	**2,3**	**–**	**2,3**
	Exchange rate adjustments	**–**	**(0,5)**	**–**	**(0,5)**
	Cost movements for the current year	**–**	**1,8**	**–**	**1,8**
	Current year movements – accumulated amortisation and impairment				
	Amortisation	**–**	**(8,6)**	**(0,6)**	**(9,2)**
	Impairment (refer note 13)	**(218,0)**	**–**	**–**	**(218,0)**
	Accumulated amortisation and impairment movement for the current year	**(218,0)**	**(8,6)**	**(0,6)**	**(227,2)**
	Carrying value at the end of the year				
	Cost	**2 568,6**	**1 758,1**	**542,3**	**4 869,0**
	Accumulated amortisation and impairment	**(1 091,2)**	**(483,3)**	**(72,7)**	**(1 647,2)**
	Net balance at the end of the year	**1 477,4**	**1 274,8**	**469,6**	**3 221,8**
	2018				
	Carrying value at the beginning of the year				
	Cost	2 567,0	1 753,6	542,3	4 862,9
	Accumulated amortisation and impairment	(792,8)	(401,6)	(71,5)	(1 265,9)
	Net balance at the beginning of the year	1 774,2	1 352,0	470,8	3 597,0
	Current year movements – cost				
	Exchange rate adjustments	1,6	2,7	–	4,3
	Cost movements for the current year	1,6	2,7	–	4,3
	Current year movements – accumulated amortisation and impairment				
	Amortisation	–	(9,2)	(0,6)	(9,8)
	Impairment (refer note 13)	(80,4)	(63,9)	–	(144,3)
	Accumulated amortisation and impairment movement for the current year	(80,4)	(73,1)	(0,6)	(154,1)
	Carrying value at the end of the year				
	Cost	2 568,6	1 756,3	542,3	4 867,2
	Accumulated amortisation and impairment	(873,2)	(474,7)	(72,1)	(1 420,0)
	Net balance at the end of the year	1 695,4	1 281,6	470,2	3 447,2

12 Goodwill and intangible assets continued

12.1 Movement of group goodwill and intangible assets continued

Trademarks comprise well-established, growing brands. The brand portfolios are considered to have indefinite useful lives and are therefore not amortised, with the exception of trademarks with a carrying value of R65,0 million (2018: R74,6 million) which are viewed with a definite useful life and thus amortised. Refer to the accounting policies for further details on amortisation.

Group (R'million)	Goodwill 2019	Goodwill 2018	Indefinite useful life intangible asset 2019	Indefinite useful life intangible asset 2018
12.2 The carrying value is allocated to cash-generating units as follows:				
Exports and International	**579,7**	791,7	**519,1**	519,1
Beverages	**580,5**	580,5	**194,6**	194,6
Snacks and treats	**–**	–	**119,6**	119,6
Groceries	**72,3**	72,3	**725,0**	725,0
Value Added Meat Products	**–**	6,0	**–**	–
Home, Personal Care and Baby (HPCB)	**244,9**	244,9	**121,2**	118,9
	1 477,4	1 695,4	**1 679,5**	1 677,2

13 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 past 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.

13.1 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 costs 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 years and incorporates a terminal growth rate.

These cash flows have been based on the approved budget for the 2020 financial year which include assumptions on profit before interest and tax, depreciation, working capital movements, capital expenditure, an appropriate discount rate and a terminal growth rate. The terminal growth rate used is 5,5% (2018: 1,0% and 5,5%). However, it is dependent on the industry and maturity of the cash-generating unit (CGU).

13.2 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 cash-generating unit 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 13,5% and 17,6% (2018: 12,5% and 17,9%). A comparable pre-tax discount rate for purpose of the impairment testing would be between 14,3% and 18,5% (2018: 16,3% and 21,5%).

13.3 Growth rates

In determining the growth rate, consideration is given to the growth potential of the respective cash-generating unit. 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 growth rates applied for the purposes of the impairment testing ranges between 5% and 8%. Volume growth assumptions are based on management's best estimates of known strategies and future plans to grow the business.