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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2019

13 Impairment testing of non-financial assets continued

13.4 Specific impairments in the current year

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

Group

(R'million)	2019	2018
Consumer Brands – goodwill and indefinite life intangible assets*	(6,0)	(144,3)
International and exports – property, plant and equipment	–	(63,2)
Consumer Brands food – property, plant and equipment**	(97,8)	(16,4)
Consumer Brands food – property, plant and equipment***	6,5	–
Grains – property, plant and equipment***	2,2	(3,7)
Other – property, plant and equipment	–	(20,0)
International and Exports – goodwill and indefinite life intangible assets****	(212,0)	–
Total	(307,1)	(247,6)

The impairments recognised in the current year are as a result of the annual impairment assessment performed on property, plant and equipment, goodwill and indefinite useful life intangible assets.

* *Impairment of Enterprise goodwill during the current year.*

** *Included in the Consumer Brands food segment is the impairment of value added meat products' (VAMP) property, plant and equipment which was evaluated and an impairment of R96,0 million was recorded. The impairment was due to the declining profits in the VAMP business during the current period. The five-year discounted cash flow model was compared to the valuation report (fair value less costs to sell) which resulted in a higher value and in terms of IAS 36, with the higher value being used in the impairment testing.*

*** *As part of the ongoing portfolio efficiency and capability analysis, prior years' impairment was reversed.*

**** *Impairment of the goodwill of the Davita business (R212,0 million). Davita is included in the Exports and International cash-generating unit. The impairment arose as a result of the consistent risks associated with key export markets, with lower sales projected for Nigeria and Mozambique, as well as lower sales forecast for the powdered seasoning brand, Benny. A five-year discounted cash flow model was used with the post-tax discount rate utilised for the purposes of impairment testing of 17,6% (2018: 17,9%). A +1%/-1% change in the post-tax discount rate would result in an approximately +/-R140,0 million change in the valuation. There is currently an ongoing legal dispute with a Nigerian distributor. The sales value in Nigeria in FY19 was R55,4 million.*

The impairments recognised in the prior year relate mainly to the Personal Care category within the HPCB business (R125,0 million) as well as the full impairment of the goodwill and the intangible assets of the Hercules business (R19,3 million). The impairments on property, plant and equipment in the prior year within International and Exports, Consumer Brands food and Grains were derived 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. Other impairments related to group infrastructure assets, which were identified as part of the ongoing portfolio efficiency and capability analysis.

13.5 Changes in key assumptions

The determined value in use of each cash-generating unit is sensitive to the discount rate. No reasonably probable change in any of the above key valuation assumptions would cause the carrying amount of cash-generating units to materially exceed their recoverable amounts, with the exception of the Crosse & Blackwell intangible asset, where a further 1% increase in the discount rate applied would result in an impairment of R4,3 million.

COMPANY			GROUP	
2019	2018	(R'million)	2019	2018
		14 Investments in associated companies		
		14.1 (For more detail, refer Annexure B)		
97,1	967,6	Listed, at cost	601,6	1 472,1
171,1	171,1	Unlisted, at cost less amounts written off*	755,8	755,8
		Share of accumulated other comprehensive income	(439,4)	152,1
		Share of accumulated profits since acquisition	1 356,1	2 530,2
268,2	1 138,7		2 274,1	4 910,2
		The trading results of the associate companies whose results are equity accounted in the consolidated financial statements are as follows:		
		Revenue (100%)	22 478,8	29 384,1
		Profit for the year (100%)	1 310,0	2 015,4

* *As part of the annual impairment assessment performed for all investments, using the methods and assumptions as noted in note 13.1, no impairment has been recognised in the current year.*