

Notes to the consolidated financial statements (continued)

16. Right-of-use assets (continued)

	Right-of-use asset 2020 R'000	Depreciation and impairment 2020 R'000
<i>Segmental analysis</i>		
Services	1 245 004	366 777
Branded Products	534 455	204 776
Freight	1 588 870	262 762
Commercial Products	693 461	166 663
Financial Services	344 359	109 876
Automotive	707 743	236 552
Corporate and investments	20 876	22 826
	5 134 768	1 370 232
<i>Geographic region</i>		
Southern Africa	4 240 134	1 276 573
International	894 634	93 659
	5 134 768	1 370 232

	2020 R'000	2019 Restated R'000
17. Intangible assets		
Patents, trademarks, tradenames and other intangibles	8 077 003	3 414 644
Cost	9 466 643	4 337 375
Accumulated amortisation and impairments	(1 389 640)	(922 731)
Computer software	374 937	389 291
Cost	1 174 030	1 098 140
Accumulated amortisation and impairments	(799 093)	(708 849)
Capital work-in-progress	42 880	31 730
	8 494 820	3 835 665
<i>Movement in intangible assets</i>		
Carrying value at beginning of year	3 835 665	3 367 806
Additions	190 109	165 118
Patents, trademarks, tradenames and other intangibles	18 801	14 581
Computer software	160 115	145 953
Capital work-in-progress	11 193	4 584
Expenditure	25 185	17 293
Transfers to other categories	(13 992)	(12 709)
Acquisition of businesses and recognition of subsidiary	4 643 422	460 128
Patents, trademarks, tradenames and other intangibles	4 643 422	460 018
Computer software	–	110

17. Intangible assets (continued)

	2020 R'000	2019 Restated R'000
Disposals	(18 018)	(623)
Patents, trademarks, tradenames and other intangibles	(8 949)	(8)
Computer software	(9 069)	(615)
Disposal and transfer to discontinued operations	(45 747)	(6 491)
Patents, trademarks, tradenames and other intangibles	(18 200)	–
Computer software	(27 547)	(6 491)
Exchange rate adjustments	383 283	(709)
Patents, trademarks, tradenames and other intangibles	382 358	(679)
Computer software	925	(30)
Amortisation – continuing operations (refer note 2 Profit before finance charges and associate income)	(171 770)	(145 282)
Amortisation – discontinued operations	–	(2 634)
Impairment – continuing operations (refer note 2 Profit before finance charges and associate income)	(322 124)	(1 648)
Carrying value at end of year	8 494 820	3 835 665

Indefinite life intangibles

During the current period, the prior year acquisition UDS was subject to a PPA review. The PPA review resulted in the recognition of an indefinite life intangible asset, beyond visual line of sight license in the amount of R457 million and the de-recognition of goodwill, provisionally recognised in the prior year, in the amount of R330 million. Goodwill amounting to R149 million was recognised based on the PPA performed. The prior year comparative consolidated statement of financial position has been restated accordingly. The following key assumptions were applied as part of the PPA process:

- the multi period excess earnings method (“MEEM”) has been used to perform the valuation of the intangible assets. MEEM measures the excess after tax cash flows attributable to the intangible asset being valued after providing for the appropriate returns on other identifiable assets;
- revenues attributable to the business were identified and valued with growth rates applied between the range 22% – 28%, based on historical information;
- an average discount rate of 24.2% was assumed in future cash flows;
- net working capital was determined based on historical actual figures and ranged between 8% – 12% of revenue going forward; and
- future capex is assumed to increase by 5.4% of revenue going forward.

During the current financial year, Future Cleaning was purchased with an effective date of 1 July 2019. Management performed a PPA on the date that effective control transferred to the Group. The following key assumptions were applied as part of the PPA process:

- an EBITDA multiple approach was used to determine the enterprise value;
- a discounted cash flow was used to value the intangible asset relating to customer contracts; and
- a revenue growth rate of 2% was applied, with a discount rate of 11% in the discounted cash flow.

At acquisition date and as part of the PPA process, the assets and liabilities were assessed to their fair values which approximated the carrying values. Consideration of R550 million was paid to acquire the business at 1 July 2019. As part of the PPA, intangible assets in the form of customer contracts to the total value of R236 million were identified and valued with a useful life of 20 years. Goodwill amounting to R296 million was recognised based on the PPA performed at acquisition date (refer note 13 Acquisition of businesses, subsidiaries and associates).

Notes to the consolidated financial statements (continued)

17. Intangible assets (continued)

The Group recorded indefinite life brand name and license agreement intangible assets in the amount of R3 353 million and R606 million respectively on recognition of Adcock Ingram as a subsidiary (refer *note 28 Subsidiaries*). Indefinite life intangibles arising on previous acquisitions amount to R2 138 million, R762 million relating to Bidvest Commercial Products, R247 million relating to Branded Products and R1 129 million to Bidvest Services. The Plush acquisition (refer *note 13 Acquisition of businesses, subsidiaries and associates*) resulted in the recognition of a R235 million indefinite life intangible asset, the Plush brand. Both the existing indefinite life intangible assets and acquired indefinite life assets were subject to review for impairment at 30 June 2020 using the value-in-use method, which resulted in the Group booking a current year impairment charge of R278 million for indefinite life intangibles acquired in prior periods.

On acquisition and on recognition as a subsidiary definite life intangible assets

On recognition of Adcock Ingram as a subsidiary the Group raised an definite life intangible asset, license agreements, of R188 million, with an expected life of 20 years (refer *note 28 Subsidiaries*). On acquisition of Future Cleaning and New Frontiers the Group recognised definite life intangible assets, customer relationships, in the amount of R236 million and R25 million respectively (refer *note 13 Acquisition of businesses, subsidiaries and associates*).

Impairment of intangible assets

The recoverable amounts of the CGUs were determined using the value-in-use method in order to identify impairment of related intangibles. In applying the value-in-use method the following assumptions were used:

- discounted cash flow performed at a CGU level;
- pre-tax discount rates determined per CGU within the range of 7% – 15%;
- growth rate per CGU within the range of 2% – 7%;
- net working capital increase based on expected growth rates in revenue; and
- capex based on maintaining the capital base.

Impairments of intangible assets were identified in the Bidvest Commercial Products (R183 million), Bidvest Branded Products CGUs (R 95 million) and other (R44 million).

The amortisation and impairment charges are included in operating expenses in the consolidated income statement (refer *note 2 Profit before finance charges and associate income*).

	2020 R'000	2019 Restated R'000
18. Goodwill		
Carrying value at beginning of year	5 094 959	4 447 769
Exchange rate adjustments	(696 412)	(9)
Acquisition of businesses and recognition of subsidiary	14 061 546	713 777
Disposal of businesses	(2 152)	(66 578)
Impairment of goodwill	(496 850)	–
	17 961 091	5 094 959

Goodwill acquired through business combinations is allocated for impairment testing purposes to CGUs which reflect how it is monitored for internal management purposes, namely the various segments of the Group. The carrying amount of goodwill was subject to an annual impairment test using the value-in-use method.

The carrying amount of goodwill was allocated to CGUs as follows:

Services	14 395 524	2 845 373
Branded Products	2 322 754	564 997
Freight	87 885	87 885
Commercial Products	883 151	882 671
Financial Services	244 580	238 485
Automotive	–	378 270
Properties	27 197	27 197
Corporate and investments	–	70 081
	17 961 091	5 094 959

The recoverable amounts of the CGUs were determined using the value-in-use method.