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).*

18. Goodwill

	2020 R'000	2019 Restated R'000
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:	**2020 R'000**	2019 Restated R'000
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.

18. Goodwill (continued)

Bidvest Services

Southern African projected future cashflows were determined using growth rates of between 6.5% to 7.5% over a five year period with a terminal growth rate of 6.5%, and applying a pre-tax discount rate of 15.75%. International projected future cashflows were determined using growth rates of between 2.0% and 7.8% with terminal rates of 2.0% and 3.5%, and applying a discount rate of 5.9%. The resulting recoverable amount is substantially higher than the carrying value. A 1% change in the five year growth rates, terminal growth rate and discount rate would not have a significant impact on the recoverable amount and would not result in an impairment of the carrying value of goodwill. R11 685 million goodwill was provisionally recognised on the acquisition of the PHS Group (refer *note 13 Acquisition of businesses, subsidiaries and associates*). The goodwill recognised for the PHS Group was tested at 30 June 2020 by applying the value-in-use method using the following inputs: A divisional pre-tax WACC of 9.26%; growth range of between 3.5% and 7.8%; a terminal growth rate of 3.5%; forecasted net working capital increased with estimated growth rates per year; and capital expenditure to maintain current capacity Recoverable value exceeded carrying value and no impairment was recognised (refer *note 13 Acquisition of businesses, subsidiaries and associates*.

Bidvest Freight

Projected future cash flows were calculated using growth rates of between 4.2% and 5.7% over a five year period with a terminal growth rate of 4.2% and applying a pre-tax discount rate of 15.34% resulting in a recoverable amount substantially higher than the carrying value. A 1% change in the five year growth rates, terminal growth rate and discount rate would not have a significant impact on the recoverable amount and would not result in an impairment of the carrying value of goodwill.

Bidvest Branded Products

Projected future cashflows were determined using growth rates of between 2.5% and 5.5% over five years with a terminal growth rates of 2.5% and 4.5% and applying a pre-tax discount rate of 19.85% resulting in a recoverable amount substantially higher than the carrying value. A 1% change in the five year growth rates, terminal growth rate and discount rate would not have a significant impact on the recoverable amount and would not result in an impairment of the carrying value of goodwill. R1 653 million goodwill was raised on the recognition of Adcock Ingram as a subsidiary (refer *note 28 Subsidiaries*).

Bidvest Commercial Products

Projected future cashflows were determined using growth rates of between 4.5% and 5.5% over five years with a terminal growth rate of 4.5% and applying a pre-tax discount rate of 20.42% resulting in a recoverable amount substantially higher than the carrying value. A 1% change in the five year growth rates, terminal growth rate and discount rate would not have a significant impact on the recoverable amount and would not result in an impairment of the carrying value of the goodwill.

Bidvest Automotive

The Automotive segment's operations in particular were the most exposed to economic uncertainty as a result of the COVID-19 pandemic which commenced during the 2020 financial year, and significant judgement was required in assessing the goodwill impairment calculation. Management's assessment of the Automotive segment indicated that goodwill may be impaired. Projected future cashflows were determined using growth rates of between 5.3% and 5.8% over five years with a terminal growth rate of 5.3% and applying a pre-tax discount rate of 14.47% resulting in a recoverable amount lower than the carrying value. A R427 million impairment of goodwill was recognised.

Bidvest Financial Services

Projected future cashflows were determined using growth rates of between 6.5% and 7.5% over five years with a terminal growth rate of 6.5% and applying a pre-tax discount rate of 13.15% resulting in a recoverable amount substantially higher than the carrying value. A 1% change in the five year growth rates, terminal growth rate and discount rate would not have a significant impact on the recoverable amount and would not result in an impairment of the carrying value of goodwill.

Bidvest Properties

Projected future cashflows were determined using growth rates of between 2.5% and 3.5% over five years with a terminal growth rate of 2.5% and applying a pre-tax discount rate of 12.92% resulting in a recoverable amount substantially higher than the carrying value. A 1% change in the five year growth rates, terminal growth rate and discount rate would not have a significant impact on the recoverable amount and would not result in an impairment of the carrying value of goodwill.

Bidvest Corporate and Investments

Projected future cashflows were determined using growth rates of between 2.0% and 3.0% over five years with a terminal growth rate of 2.5% and applying a pre-tax discount rate of 15.7% resulting in a recoverable amount which is lower than the carrying value. A R70 million impairment of goodwill was recognised.