9. Business combinations, goodwill and intangibles

9.1 Subsidiaries

A list of the Group's significant subsidiaries, their country of incorporation and principal place of business, the Group's percentage shareholding and an indication of their nature of business is included on *Annexure A* of these consolidated financial statements.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Non-controlling interest is initially measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Contribution to non-controlling interests	**2021 R'000**	2020 R'000
Profit allocated to non-controlling interests		
Adcock Ingram	**269 595**	284 773
Non-controlling interests of Adcock Ingram	**264 946**	279 379
Non-controlling interests of Adcock Ingram subsidiaries	**4 649**	5 394
Other non-controlling interests	**8 400**	(8 390)
Total profit allocated to non-controlling interests	**277 995**	276 383
Accumulated non-controlling interests		
Adcock Ingram	**3 059 003**	3 302 519
Non-controlling interests of Adcock Ingram	**3 058 213**	3 299 800
Non-controlling interests of Adcock Ingram subsidiaries	**790**	2 719
Other non-controlling interests	**193 932**	179 337
Total accumulated non-controlling interests	**3 252 935**	3 481 856

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE

9. Business combinations, goodwill and intangibles (continued)

9.1 Subsidiaries (continued)

The summarised financial information below of Adcock Ingram represents amounts before intergroup eliminations.

The Group's effective economic interest in Adcock Ingram increased from 53.6% to 57.9% as a result of the following transactions: On 26 October 2020 the Group purchased an additional 4 000 000 shares for R163 million; and during the period Adcock Ingram acquired 5 700 799 of its own shares for R255 million. In addition to the foregoing transactions Adcock Ingram Limited acquired, on 3 June 2021, the remaining 51% of the issued shares of Novartis Ophthalmics (Pty) Ltd ("Novartis") for R59 million. These transactions resulted in a R402 million reduction of the non-controlling interests and a R79 million decrease in the equity reserves of the Shareholders of the Group.

	2021 R'000	2020 R'000
Statement of financial position items		
Current assets	**3 678 486**	3 820 238
Non-current assets	**3 302 711**	3 317 325
Current liabilities	**(1 910 092)**	(2 149 409)
Non-current liabilities	**(387 998)**	(449 653)
Non-controlling interests	**(760)**	(2 719)
Equity attributable to the owners of the company	**(4 682 347)**	(4 535 782)
Statement of comprehensive income items		
Revenue	**7 776 854**	6 854 928
Expenses	**7 119 392**	6 214 078
Profit attributable to the owners of the company	**662 111**	646 244
Profit attributable to non-controlling interests	**(4 649)**	(5 394)
Profit for the year	**657 462**	640 850
Other comprehensive income attributable to owners of the company (will not subsequently be reclassified to profit or loss)	**(545)**	665
Other comprehensive income attributable to owners of the company (may subsequently be reclassified to profit or loss)	**(60 867)**	50 751
Total comprehensive income for the year	**596 050**	692 266
Dividends paid to non-controlling interests	**6 784**	6 713
Statement of cash flow items		
Cash inflow from operating activities	**329 339**	479 347
Cash (outflow) inflow from investing activities	**(251 263)**	11 670
Cash outflow from financing activities	**(343 640)**	(205 792)
Net cash inflow	**(265 564)**	285 225

9. Business combinations, goodwill and intangibles (continued)

9.2 Acquisition of businesses, subsidiaries and associates

Restatement of comparatives

As a result of a Purchase Price Allocation ("PPA") review finalised in the current year the R11 685 million goodwill provisionally recognised on the acquisition of the PHS Group has been partially derecognised. The PPA review resulted in the recognition at 30 June 2020 of an indefinite life Brand intangible asset in the amount of R2 336 million (£108,8 million), a 15-year definite life Customer Relationships intangible asset in the amount of R2 482 million (£115,6 million) and deferred tax liabilities of R915 million (£42,6 million), a resultant net R3 903 million (£181,7 million) goodwill has been de-recognised. The comparative condensed consolidated statement of financial position has been restated accordingly, the impact of which is illustrated in the table below. The impact of the PPA on the consolidated income statement and condensed consolidated statement of other comprehensive income was considered immaterial and these statements were not restated.

R'000s	De-recognised at acquisition (1 May 2020)	Restated at acquisition (1 May 2020)	Movement in FCTR to 30 June 2020	**Net impact of restatement at 30 June 2020**
Deferred taxation	–	(1 006 737)	91 253	**(915 484)**
Intangible asset – PHS brand (indefinite life)	–	2 569 026	(232 863)	**2 336 163**
Intangible asset – Customer relationships (15-year life)	–	2 729 590	(247 416)	**2 482 174**
Goodwill	(11 685 164)	7 393 285	389 026	**(3 902 853)**
	(11 685 164)	11 685 164	–	**–**

The relief-from-royalty method was used to determine the value of the PHS brand. A royalty rate of 3.5% was applied after considering PHS's market-leading position, profitability levels and licensing transactions for similar entities. The Multi-Period Excess Earnings Method ("MPEEM"), an income-based valuation method that isolates the cash flow attributable to the customer related intangible asset, was used to value Customer Relationships, which were estimated to have a Remaining Useful Life ("RUL") of 15 years. A ratio of 92.5% was applied to forecasted revenues (representing the revenue remaining after removing revenue from new customers) in addition to an existing customer attrition rate of 13.5%. The Weighted Average Cost of Capital ("WACC") was calculated as 9.8%, to which a 0.25% intangible asset-specific risk premium was added to arrive at the discount rate of 10.05% used in valuation of the identified intangible assets. The residual Goodwill is supported by the identified trained and assembled workforce.

Acquisition of businesses, subsidiaries and associates	**2021 R'000**	Restated* 2020 R'000
Property, plant and equipment	**(39 069)**	(1 150 004)
Right-of-use assets	**(28 107)**	(922 448)
Deferred taxation	**195 096**	957 052
Interest in associates and joint ventures	**(100)**	(1 514)
Investments and advances	**(42)**	(4 728)
Inventories	**(1 479)**	(236 557)
Trade and other receivables	**(1 627 589)**	(1 659 738)
Cash and cash equivalents	**236 855**	(1 281 038)
Borrowings	**20 191**	12 390 274
Trade and other payables and provisions	**1 419 175**	3 124 936
Lease liabilities	**51 702**	907 877
Taxation	**37 044**	189 278
Net fair value of (assets) liabilities	**263 677**	12 313 390
Goodwill	**(401 943)**	(8 116 932)
Intangible assets	**(1 101 334)**	(5 795 482)
Non-controlling interest	**3 106**	–
Total value of acquisitions	**(1 236 494)**	(1 599 024)
Less: Cash and cash equivalents acquired	**(236 855)**	1 281 038
Vendors for acquisition at beginning of year	**(2 611)**	(518 231)
Vendors for acquisition at end of year	**752**	2 611
Costs incurred in respect of acquisitions	**(33 509)**	(178 179)
Net amounts paid	**(1 508 717)**	(1 011 785)

9. Business combinations, goodwill and intangibles (continued)

9.2 Acquisition of businesses, subsidiaries and associates (continued)

During the current period Bidvest Services' international operations, Noonan Services (UK) and Noonan Services (ROI), made a number of bolt-on acquisitions in the Untied Kingdom and Republic of Ireland, which have been collectively disclosed as the Bidvest Services international acquisitions. The acquired companies specialise in security, cleaning and other facilities management services throughout the United Kingdom and Republic of Ireland in the retail, transport, corporate and warehouse and distribution sectors. The acquisitions substantially add to the Bidvest Services division's facilities management offerings as a whole, and in the UK and ROI. The Group will gain and achieve substantial synergies from these bolt-on acquisitions, which have been funded using the Group's cash resources and existing facilities.

Acquisition	Effective acquisition date	Net identifiable assets	Goodwill	Cash and cash equivalents acquired	Net purchase price paid
Axis Group Limited (United Kingdom)	01-Feb-21	186 490	200 818	(12 734)	374 574
Cordant Group (United Kingdom)	01-Jun-21	484 309	116 056	292 767	893 132
Lynch Interact (Republic of Ireland)	01-May-21	116 499	64 863	(25 554)	155 808
Amber Cleaning (United Kingdom)	01-May-21	51 824	5 267	(17 300)	39 791
		839 122	387 004	237 179	1 463 305

The Group also made a number of less significant acquisitions during the year. These acquisitions were funded from existing cash≈resources.

Goodwill arose on the acquisitions as the anticipated value of future cash flows that were taken into account in determining the purchase consideration exceeded the net assets acquired at fair value. The Directors believe that the goodwill of the acquisitions reflects, the expectation that the businesses will continue to generate new customers over time, the acquired workforce (which is not an identifiable asset for financial reporting purposes), and the growth opportunities. The acquisitions have enabled the Group to expand its range of complementary products and services and, as a consequence, has broadened the Group's base and geographic reach in the market place.

Trade receivables acquired above are stated net of impairment allowances of R25 million (2020: R151 million). There were no significant contingent liabilities identified in the businesses acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE

9. Business combinations, goodwill and intangibles (continued)

9.2 Acquisition of businesses, subsidiaries and associates (continued)

The impact of the above acquisitions on the Group's results can be summarised as follows:

	Bidvest Services international acquisitions				
	Cordant Group R'000	Axis Group Limited R'000	Other Services int. acquisitions R'000	Other smaller acquisitions R'000	**Total R'000**
Identifiable assets and liabilities acquired					
Property, plant and equipment	18 894	8 663	10 875	637	**39 069**
Right-of-use assets	3 109	22 854	2 144	–	**28 107**
Deferred taxation	(110 394)	(57 374)	(25 281)	(2 047)	**(195 096)**
Interest in associates and joint ventures	–	–	–	100	**100**
Investments and advances	–	–	42	–	**42**
Inventories	–	692	–	787	**1 479**
Trade and other receivables	935 228	629 655	60 898	1 808	**1 627 589**
Cash and cash equivalents	(292 767)	12 734	42 854	324	**(236 855)**
Borrowings	–	–	(20 191)	–	**(20 191)**
Trade and other payables and provisions	(609 030)	(717 585)	(79 233)	(13 327)	**(1 419 175)**
Lease liabilities	(9 741)	(39 948)	(2 013)	–	**(51 702)**
Taxation	(32 011)	–	(5 192)	159	**(37 044)**
Intangible assets	581 021	326 799	183 420	10 094	**1 101 334**
	484 309	186 490	168 323	(1 465)	**837 657**
Non-controlling interest	–	–	–	(3 106)	**(3 106)**
Goodwill	116 056	200 818	70 130	14 939	**401 943**
Net assets acquired	600 365	387 308	238 453	10 368	**1 236 494**
Less: Cash and cash equivalents acquired	292 767	(12 734)	(42 854)	(324)	**236 855**
Net consideration	893 132	374 574	195 599	10 044	**1 473 349**
Contribution to results for the year					
Revenue	335 789	1 034 814	41 323	54 030	**1 465 956**
Profit or loss	29 242	52 228	16 581	(1 088)	**96 963**
Contribution to results for the year if the acquisitions had been effective on 1 July 2020					
Revenue	4 226 483	2 605 524	261 814	56 366	**7 150 187**
Profit or loss	191 026	119 147	18 003	(741)	**327 435**

9. Business combinations, goodwill and intangibles (continued)

9.3 Proceeds on disposal of interest in subsidiaries and associates, and disposal and closure of businesses

	2021 R'000	2020 R'000
Property, plant and equipment	**152 744**	161 376
Right-of-use assets	**42 817**	51 011
Intangibles	**887**	18 205
Goodwill	**22 753**	2 152
Deferred taxation	**1 595**	852
Interest in associates	**2 815**	3 049
Inventories	**13 870**	50 238
Trade and other receivables	**128 453**	274 319
Cash and cash equivalents and bank overdrafts	**(22 083)**	(3 702)
Borrowings	**(18 169)**	(24 289)
Lease liability	**(45 381)**	(47 991)
Trade and other payables and provisions	**(101 189)**	(99 807)
Taxation	**(4 258)**	12 580
Carrying value of net assets	**174 854**	397 993
Non-controlling interest	**227**	1 087
Realisation of foreign currency translation reserves	**52 954**	7 327
Realisation of share-based payments reserves	**1 733**	–
Net loss on disposal of interest in subsidiaries and associates, and disposal and closure of businesses	**(62 821)**	(261 155)
Cash and cash equivalents and bank overdrafts disposed of	**22 083**	3 702
Less: other investments arising on the disposal of subsidiaries and or associates	**(35 000)**	–
Net settlement of other receivables arising on disposal of subsidiaries and associates	**47 181**	(99 020)
Net cash impact	**201 211**	49 934

On 23 December 2020 the Group disposed of 100% of the share capital and voting rights of OnTime. OnTime is a specialist in vehicle transport services and is Europe's largest enclosed car delivery operator. This disposal follows the prior period disposal of DH Mansfield and completes the divestiture of the Group's freight interests in the United Kingdom, which are considered non-core because of size, geographical isolation and lack of scalability.

On 4 June 2021 the Group disposed of its entire interest in BidAir Services (Pty) Ltd to National Aviation Services ("NAS"), Colossal Africa and a consortium comprising the BidAir Services executive management team. BidAir Services provides handling services, including passenger and ramp handling, load control and operations, cleaning, and toilet and water services, at nine South African airports. The decision to sell arose due to the advent of COVID-19 and the Group's reassessment of the suitability of this investment within its security and aviation portfolio.

9. Business combinations, goodwill and intangibles (continued)

9.3 Proceeds on disposal of interest in subsidiaries and associates, and disposal and closure of businesses (continued)

	OnTime Automotive R'000	BidAir Services R'000	Other smaller disposals R'000	**Total R'000**
Identifiable assets and liabilities disposed				
Property, plant and equipment	(140 601)	(66)	(12 077)	**(152 744)**
Right-of-use assets	(42 609)	–	(208)	**(42 817)**
Deferred taxation	(3 305)	(9)	1 719	**(1 595)**
Interest in associates	–	–	(2 815)	**(2 815)**
Inventories	(818)	(672)	(12 380)	**(13 870)**
Trade and other receivables	(74 493)	(45 157)	(8 803)	**(128 453)**
Cash and cash equivalents and bank overdrafts	31 262	(5 537)	(3 642)	**22 083**
Borrowings	18 169	–	–	**18 169**
Lease liability	45 151	–	230	**45 381**
Trade and other payables and provisions	52 965	31 374	16 850	**101 189**
Taxation	(162)	4 618	(198)	**4 258**
Intangible assets	(55)	(717)	(115)	**(887)**
Goodwill	–	(16 983)	(5 770)	**(22 753)**
Non-controlling interest	–	–	(227)	**(227)**
Realisation of foreign currency translation reserve	(62 143)	–	9 189	**(52 954)**
Realisation of share-based payment reserve	–	533	(2 266)	**(1 733)**
Total net assets disposed	(176 639)	(32 616)	(20 513)	**(229 768)**
Settled as follows:				
Cash and cash equivalents and bank overdrafts disposed of	(31 262)	5 537	3 642	**(22 083)**
Net (gain) loss on disposal of operations	96 580	(42 382)	8 623	**62 821**
Raising of other investment arising on disposal of subsidiaries and associates	–	35 000	–	**35 000**
Net receivable reversed on disposal of subsidiaries and associates	51 839	–	(99 020)	**(47 181)**
Net proceeds on disposal of businesses, subsidiaries, associates and investments	(59 482)	(34 461)	(107 268)	**(201 211)**

9. Business combinations, goodwill and intangibles (continued)

9.4 Intangible assets

Software development costs are capitalised and are stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure on research, internally generated goodwill and brands is recognised in the income statement as an expense as and when incurred. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are tested for impairment at each statement of financial position date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are currently:

Patents, trademarks, tradenames and other intangibles	Three to 20 years or indefinite life
Computer software	Three to 8 years

Useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Included in patents, trademarks, tradenames and other intangibles arising on the acquisition of businesses in the current year are indefinite life intangibles. There is no foreseeable limit to the period over which they are expected to generate net cash inflows. These are considered to have an indefinite life, given the strength and durability of the acquired brands and the level of marketing support.

Impairment of intangible assets

The recoverable amounts of the smallest identifiable CGUs or groups of CGUs were determined using the value-in-use method in order to identify impairment of related intangibles. In applying the value-in-use method discounted cash flows calculations were performed over a five-year period, net working capital increase were based on expected growth rates in revenue and capex based on maintaining the capital base.

	2021		2020	
	Local	**International**	Local	International
Terminal rate (range)	**2% to 6.5%**	**3.9% to 4.7%**	2.5% to 6.5%	2% to 3.5%
Pre-tax discount rate (range)	**15% to 23%**	**7.9% to 9.4%**	7% to 15%	9% to 11%
Growth rate	**2% to 10%**	**3.9% to 8.8%**	2% to 7%	2% to 5%

The amortisation and impairment charges are included in operating expenses in the consolidated income statement (refer *note 5.5. Profit before finance charges and associate income*).

Carrying value of intangible assets	**2021 R'000**	2020 R'000
Patents, trademarks, tradenames and other intangibles	**13 172 907**	12 895 340
Cost	**14 819 204**	14 284 980
Accumulated amortisation and impairments	**(1 646 297)**	(1 389 640)
Computer software	**437 987**	374 937
Cost	**1 311 983**	1 174 030
Accumulated amortisation and impairments	**(873 996)**	(799 093)
Capital work-in-progress	**50 924**	42 880
	13 661 818	13 313 157

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE

9. Business combinations, goodwill and intangibles (continued)

9.4 Intangible assets (continued)

Movement in intangible assets	2021 R'000	2020 R'000
Carrying value at beginning of year	**13 313 157**	3 835 665
Additions	**328 710**	190 109
Patents, trademarks, tradenames and other intangibles	**158 351**	18 801
Computer software	**162 315**	160 115
Capital work-in-progress	**8 044**	11 193
Expenditure	**19 980**	25 185
Transfers to other categories	**(11 936)**	(13 992)
Acquisition of businesses and recognition of subsidiary	**1 101 334**	9 942 038
Patents, trademarks, tradenames and other intangibles	**1 097 053**	9 942 038
Computer software	**4 281**	–
Disposals	**(10 814)**	(18 018)
Patents, trademarks, tradenames and other intangibles	**(150)**	(8 949)
Computer software	**(10 664)**	(9 069)
Disposal and transfer to discontinued operations	**(887)**	(45 747)
Patents, trademarks, tradenames and other intangibles	**(2)**	(18 200)
Computer software	**(885)**	(27 547)
Exchange rate adjustments	**(653 272)**	(96 996)
Patents, trademarks, tradenames and other intangibles	**(651 365)**	(97 921)
Computer software	**(1 907)**	925
Amortisation	**(372 014)**	(171 770)
Patents, trademarks, tradenames and other intangibles	**(277 761)**	(77 704)
Computer software	**(94 253)**	(94 066)
Impairment	**(44 395)**	(322 124)
Patents, trademarks, tradenames and other intangibles	**(48 559)**	(277 328)
Computer software	**4 164**	(44 796)
Carrying value at end of year	**13 661 819**	13 313 157
Segmental intangible assets		
Services	**7 982 856**	7 787 295
Branded Products	**4 684 822**	4 583 892
Freight	**97 933**	97 290
Commercial Products	**602 392**	606 695
Financial Services	**240 067**	194 523
Automotive	**3 850**	4 483
Corporate and investments	**49 899**	38 979
	13 661 819	13 313 157
Geographic region		
Southern Africa	**6 483 413**	6 346 398
International	**7 178 406**	6 966 759
	13 661 819	13 313 157

9. Business combinations, goodwill and intangibles (continued)

9.4 Intangible assets (continued)

Segmental amortisation and impairments of intangible assets	2021 R'000	2020 R'000
Services	**296 410**	75 871
Branded Products	**59 325**	188 817
Freight	**17 952**	18 964
Commercial Products	**11 834**	126 642
Financial Services	**24 478**	79 937
Automotive	**633**	3 329
Corporate and investments	**5 777**	334
	416 409	493 894
Geographic region		
Southern Africa	**157 480**	437 370
International	**258 929**	56 524
	416 409	493 894

Indefinite life intangible assets arising on acquisition of subsidiaries and or recognition of subsidiaries:

2021

Cash generating unit	Opening balance R'000	Acquisitions R'000	Disposals R'000	Impairments R'000	Exchange rate adjustments R'000	Closing balance R'000
Bidvest Services	**4 116 094**	**–**	**–**	**(10 100)**	**(268 547)**	**3 837 447**
Bidvest Branded Products	**4 345 195**	**–**	**–**	**(35 904)**	**–**	**4 309 291**
Bidvest Commercial Products	**579 892**	**–**	**–**	**–**	**–**	**579 892**
	9 041 181	**–**	**–**	**(46 004)**	**(268 547)**	**8 726 630**

Impairments of indefinite life intangible assets were identified in Bidvest Services (R10 million) and Bidvest Branded Products (R36 million).

2020 (restated)

Cash generating unit	Opening balance R'000	Acquisitions R'000	Disposals R'000	Impairments R'000	Exchange rate adjustments R'000	Closing balance R'000
Bidvest Services	1 588 050	2 569 026	–	–	(40 982)	4 116 094
Bidvest Branded Products	247 148	4 194 291	–	(96 244)	–	4 345 195
Bidvest Commercial Products	761 618	–	–	(181 726)	–	579 892
	2 596 816	6 763 317	–	(277 970)	(40 982)	9 041 181

Bidvest Branded Products recorded indefinite life brand name and licence agreement intangible assets in the amount of R3 353 million and R606 million respectively on recognition of Adcock Ingram as a subsidiary. The Plush acquisition resulted in the recognition of a R235 million indefinite life intangible asset, the Plush brand. Bidvest Services recognised an indefinite life brand name intangible asset in the amount of R2 569 million (refer restatement) on the acquisition of PHS.

Impairments of indefinite life intangible assets were identified in Bidvest Commercial Products (R182 million) and Bidvest Branded Products (R96 million).

9. Business combinations, goodwill and intangibles (continued)

9.4 Intangible assets (continued)

Definite life intangible assets arising on acquisition and or recognition of subsidiaries:

2021

Group of CGUs	Opening balance R'000	Acquisitions R'000	Amortisation R'000	Impairments R'000	Exchange rate adjustments R'000	Closing balance R'000
Bidvest Services	3 555 878	1 095 422	(258 198)	–	(323 424)	4 069 678
Bidvest Branded Products	178 890	–	(9 374)	–	–	169 516
Bidvest Financial Services	27 625	1 631	(3 944)	(2 555)	–	22 757
	3 762 393	1 097 053	(271 516)	(2 555)	(323 424)	4 261 951

A PPA review of the Bidvest Services international acquisitions (refer *note 9.2. Acquisition of business, subsidiaries and associates*) resulted in the identification of definite life Customer Relationship intangible assets in the amount of R1 087 million (£47 million and €9 million). The Multi-Period Excess Earnings Method ("MPEEM") using cash flows attributable to the customer related intangible asset was used to value Customer Relationships, which were estimated to have a Remaining Useful Life ("RUL") of 20 years. An existing customer attrition rate of 5% was applied to forecasted existing customer revenues. A Weighted Average Cost of Capital ("WACC") of 11% was used in valuation. The residual Goodwill is supported by the identified trained and assembled workforce. The Bidvest Services division recognised an additional R8,5 million Customer Relationship intangible asset on the acquisition of a hygiene business client list. The Financial Services division recognised a Customer Relationship intangible asset of R1,6 million on acquisition of short-term insurance broker.

In Bidvest Financial Services a customer relationship intangible asset relating to a prior period acquisition was identified as impaired in the amount of R2,6 million.

2020 (restated)

Group of CGUs	Opening balance R'000	Acquisitions R'000	Amortisation R'000	Impairments R'000	Exchange rate adjustments R'000	Closing balance R'000
Bidvest Services	681 092	2 990 646	(57 748)	–	(58 112)	3 555 878
Bidvest Branded Products	–	187 483	(8 593)	–	–	178 890
Bidvest Financial Services	31 403	–	(3 779)	–	–	27 624
	712 495	3 178 129	(70 120)	–	(58 112)	3 762 392

Bidvest Services recognised 20-year useful life customer relationships intangible assets in the amount of R2 730 million (refer restatement) on the acquisition of PHS, R236 million on the acquisition of Future Cleaning and R25 million on the acquisition of New Frontiers. On recognition of Adcock Ingram as a subsidiary Bidvest Branded Products raised an definite life intangible asset, licence agreements, of R187 million, with an expected life of 20 years.

9. Business combinations, goodwill and intangibles (continued)

9.5 Goodwill

	2021 R'000	Restated* 2020 R'000
Carrying value at beginning of year	**14 058 238**	5 094 959
Exchange rate adjustments	**(758 721)**	(307 386)
Acquisition of businesses and recognition of subsidiary	**401 943**	9 769 667
Disposal of businesses	**(22 753)**	(2 152)
Impairment of goodwill	**–**	(496 850)
Carrying value at end of year	**13 678 707**	14 058 238

** refer note 9.2. Acquisition of businesses, subsidiaries and associates.*

Goodwill acquired through business combinations, is allocated for impairment testing purposes to CGU 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 Group segments as follows:

	R'000	R'000
Services	**10 094 371**	10 492 671
Branded Products	**2 322 754**	2 322 754
Freight	**87 885**	87 885
Commercial Products	**892 672**	883 151
Financial Services	**253 828**	244 580
Properties	**27 197**	27 197
	13 678 707	14 058 238
Geographic region		
Southern Africa	**5 407 844**	5 416 786
International	**8 270 863**	8 641 452
	13 678 707	14 058 238

The recoverable amounts of the Group segments were determined using the value-in-use method with the following inputs:

2021

Group segment	DCF growth rate	DCF terminal rate	Pre-tax discount rate	Impairment R'000	Reasons	Sensitivity*
Bidvest Services	3.9% to 8.8%	3.9% to 5.8%	7.9% to 17.3%	–	Carry value < recoverable amount	No significant impact
Bidvest Freight	6.4% to 7.6%	6.4%	15.4%	–	Carry value < recoverable amount	No significant impact
Bidvest Branded Products	4.7% to 7.1%	5.8% to 6.4%	15.9% to 21%	–	Carry value < recoverable amount	No significant impact
Bidvest Commercial Products	5.8% to 7.1%	5.8%	22.90%	–	Carry value < recoverable amount	No significant impact
Bidvest Financial Services	4.7% to 5.8%	5.8%	15.00%	–	Carry value < recoverable amount	No significant impact
Bidvest Properties	1.3% to 2.0%	2.0%	15.50%	–	Carry value < recoverable amount	No significant impact

9. Business combinations, goodwill and intangibles (continued)

9.5 Goodwill (continued)

The recoverable amounts of the Group segments were determined using the value-in-use method with the following inputs (continued)

2020

Group segment	DCF growth rate	DCF terminal rate	Pre-tax discount rate	Impairment R'000	Reasons	Sensitivity*
Bidvest Services SA	6.5% to 7.5%	6.5%	15.75%	–	Carry value < recoverable amount	No significant impact
Bidvest Services International	2.0% to 7.8%	2.0% to 3.5%	5.90%	–	Carry value < recoverable amount	No significant impact
Bidvest Freight	4.2% to 5.7%	4.2%	15.34%	–	Carry value < recoverable amount	No significant impact
Bidvest Branded Products	2.5% to 5.5%	2.5% to 4.5%	19.85%	–	Carry value < recoverable amount	No significant impact
Bidvest Commercial Products	4.5% to 5.5%	4.2%	20.42%	–	Carry value < recoverable amount	No significant impact
Bidvest Automotive	5.3% to 5.8%	5.3%	14.47%	426 850	Carry value > recoverable amount	No significant impact
Bidvest Financial Services	6.5% to 7.5%	6.5%	13.15%	–	Carry value < recoverable amount	No significant impact
Bidvest Properties	2.5% to 3.5%	2.5%	12.92%	–	Carry value < recoverable amount	No significant impact
Bidvest Corporate	2.0% to 3.0%	2.5%	15.70%	70 000	Carry value > recoverable amount	No significant impact
Total impairment of goodwill				496 850		

* *The impact of 1% change in the five year growth rates, terminal growth rate and discount rate on the recoverable amount.*

Restatement of comparatives

As a result of a current period PPA review performed on the prior period PHS Group acquisition R3 903 million was de-recognised and the comparative consolidated statement of financial position has been restated accordingly (for further details refer *note 9.2. Acquisition of businesses, subsidiaries and associates – restatement of comparatives*).