| | Goodwill R'000 | Trademarks R'000 | Customer listing R'000 |
|---|---|---|---|
| **5. INTANGIBLE ASSETS AND GOODWILL** | | | |
| **Year ended 31 May 2015** | | | |
| Opening carrying amount | **423 384** | **1 298** | **1 031** |
| Additions | **—** | **—** | **—** |
| Acquisition of subsidiary | **185 967** | **—** | **—** |
| Disposals | **—** | **—** | **—** |
| Disposal of subsidiary | **(2 742)** | **—** | **—** |
| Amortisation charge | **—** | **(677)** | **(265)** |
| Closing carrying amount | **606 609** | **621** | **766** |
| **At 31 May 2015** | | | |
| Cost | **637 476** | **6 835** | **33 306** |
| Accumulated amortisation | **(4 747)** | **(6 214)** | **(32 540)** |
| Accumulated impairments | **(26 120)** | **—** | **—** |
| Carrying amount | **606 609** | **621** | **766** |
| **Year ended 31 May 2014** | | | |
| Opening carrying amount | 217 635 | 1 975 | 1 482 |
| Additions | — | — | 159 |
| Acquisition of subsidiary | 205 749 | — | — |
| Disposals | — | — | — |
| Amortisation charge | — | (677) | (610) |
| Impairment charges | — | — | — |
| Closing carrying amount | 423 384 | 1 298 | 1 031 |
| **At 31 May 2014** | | | |
| Cost | 454 250 | 6 835 | 33 306 |
| Accumulated amortisation | (4 746) | (5 537) | (32 275) |
| Accumulated impairments | (26 120) | — | — |
| Carrying amount | 423 384 | 1 298 | 1 031 |

* *Included in the amortisation charge is an amount of R73.5 million (2014: R69.8 million) in respect of the purchased starter pack bases and postpaid bases, which is charged to the changes in inventories of finished goods line in the statement of comprehensive income.*

** *The postpaid base acquired included a warranty clause pertaining to the initial performance of the base. The Group was entitled to a warranty refund on the initial cost of the base, which is disclosed as a reduction in the cost of the asset.*

*** *This represents independently distributed starter pack bases and postpaid bases purchased. The remaining amortisation periods range between 19 months and 91 months.*

| | Distribution agreement R'000 | Computer software R'000 | Internally generated software development costs R'000 | Franchise fees R'000 | Customer relationships R'000 | Purchased starter pack bases and postpaid bases*** R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|
| | **180 257** | **32 351** | **16 500** | **1 351** | **4 500** | **345 262** | **1 005 934** |
| | **35 907** | **22 146** | **14 073** | **—** | **—** | **53 240** | **125 366** |
| | **61 448** | **1 314** | **—** | **—** | **—** | **—** | **248 729** |
| | **—** | **(308)** | **—** | **—** | **—** | **—** | **(308)** |
| | **—** | **(267)** | **—** | **—** | **—** | **—** | **(3 009)** |
| | **(24 104)** | **(11 663)** | **(11 327)** | **(261)** | **—** | **(73 522)*** | **(121 819)** |
| | **253 508** | **43 573** | **19 246** | **1 090** | **4 500** | **324 980** | **1 254 893** |
| | **299 694** | **103 431** | **58 954** | **3 118** | **131 023** | **563 908** | **1 837 745** |
| | **(44 308)** | **(59 448)** | **(25 141)** | **(2 028)** | **(125 908)** | **(238 928)** | **(539 262)** |
| | **(1 878)** | **(410)** | **(14 567)** | **—** | **(615)** | **—** | **(43 590)** |
| | **253 508** | **43 573** | **19 246** | **1 090** | **4 500** | **324 980** | **1 254 893** |
| | 723 | 25 550 | 21 669 | 1 611 | 4 789 | 430 584 | 706 018 |
| | 89 359 | 10 306 | 2 954 | — | — | (15 501)** | 87 277 |
| | 101 174 | 24 | 2 979 | — | — | — | 309 926 |
| | — | — | (1 210) | — | — | — | (1 210) |
| | (10 999) | (3 452) | (9 095) | (260) | (90) | (69 821)* | (95 004) |
| | — | (77) | (797) | — | (199) | — | (1 073) |
| | 180 257 | 32 351 | 16 500 | 1 351 | 4 500 | 345 262 | 1 005 934 |
| | 202 339 | 82 078 | 44 881 | 3 118 | 131 023 | 510 668 | 1 468 498 |
| | (20 204) | (49 240) | (13 814) | (1 767) | (125 709) | (165 406) | (418 698) |
| | (1 878) | (487) | (14 567) | — | (814) | — | (43 866) |
| | 180 257 | 32 351 | 16 500 | 1 351 | 4 500 | 345 262 | 1 005 934 |

**5. INTANGIBLE ASSETS AND GOODWILL continued**

The carrying amount of goodwill and intangible assets was reduced to their recoverable amounts through recognition of an impairment loss when required (2015: nil (2014: R1 073 million)).

The cash-generating units to which goodwill is allocated are presented below:

| | **2015 R'000** | 2014 R'000 |
|---|---|---|
| Blue Label Distribution Proprietary Limited | **36 364** | 36 364 |
| Cellfind Proprietary Limited | **21 406** | 21 406 |
| Viamedia Proprietary Limited[1] | **185 967** | — |
| Retail Mobile Credit Specialists Proprietary Limited | **205 749** | 205 749 |
| The Prepaid Company Proprietary Limited[2] | **62 113** | 62 113 |
| Blue Label Engage Proprietary Limited[3] | **—** | 2 742 |
| Panacea Mobile Proprietary Limited | **6 883** | 6 883 |
| TicketPros Proprietary Limited | **5 104** | 5 104 |
| Datacel Group | **83 023** | 83 023 |
| | **606 609** | 423 384 |

[1] *Viamedia Proprietary Limited was acquired in the current year (refer to note 26).*
[2] *Previously this goodwill was allocated to Crown Cellular Proprietary Limited. Crown Cellular Proprietary Limited was deregistered and the business divisionalised into The Prepaid Company Proprietary Limited.*
[3] *Blue Label Engage Proprietary Limited was disposed of in the current year (refer to note 25).*

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The recoverable amount, which is the higher of fair value less cost of disposal and the value-in-use of CGUs, has been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the Board of Directors for the forthcoming year and forecasts for up to five years which are based on assumptions of the business, industry and economic growth. Cash flows beyond this period are extrapolated using terminal growth rates, which do not exceed the expected long-term economic growth rate.

The key assumptions used for the value-in-use calculations are as follows:

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **Terminal growth rate %** | **Discount rate %** | Terminal growth rate % | Discount rate % |
| Blue Label Distribution Proprietary Limited | **4.2** | **17.33** | 4.2 | 15.28 |
| Cellfind Proprietary Limited | **4.0** | **18.88** | 4 | 18.42 |
| Viamedia Proprietary Limited | **4.0** | **17.38** | — | — |
| Retail Mobile Credit Specialists Proprietary Limited | **4.2** | **17.33** | 4.2 | 15.28 |
| The Prepaid Company Proprietary Limited | **4.5** | **16.33** | 4.5 | 16.78 |
| Blue Label Engage Proprietary Limited | **—** | **—** | 4 | 18.92 |
| Panacea Mobile Proprietary Limited | **4.0** | **18.88** | 4 | 18.42 |
| TicketPros Proprietary Limited | **4.2** | **17.33** | 4.2 | 15.28 |
| Datacel Group | **2.5** | **21.87** | 2.5 | 21.42 |

## 5. INTANGIBLE ASSETS AND GOODWILL continued

The discount rates used are pre-tax and reflect specific risks relating to the relevant companies. The growth rate is used to extrapolate cash flows beyond the budget period.

For The Prepaid Company Proprietary Limited and TicketPros Proprietary Limited if one or more of the inputs were changed to a reasonable possible alternative assumption, there would be no impairments that would have to be recognised.

For the remaining balances of goodwill, the discount rate used when calculating the value-in-use calculations would need to be increased by the following amounts before any impairments would need to be recognised:

| | Increase in discount rate % |
|---|---|
| Blue Label Distribution Proprietary Limited | **7.3** |
| Cellfind Proprietary Limited | **1.7** |
| Viamedia Proprietary Limited | **3.8** |
| Retail Mobile Credit Specialists Proprietary Limited | **11.1** |
| Panacea Mobile Proprietary Limited | **15.3** |
| Datacel Group | **6.7** |

The goodwill balances did not result in impairment charges for the year when compared to recoverable amounts (2014: nil).

| | 2015 R'000 | 2014 R'000 |
|---|---|---|
| **6. INVESTMENTS IN AND LOANS TO ASSOCIATES AND JOINT VENTURES** | | |
| **Cost and share of reserves at the beginning of the year** | **444 309** | 396 721 |
| Acquisition of associates and joint ventures | **81 475** | 89 316 |
| Share of losses from associates and joint ventures | **(79 338)** | (56 873) |
| Share of results after tax | **(75 745)** | (53 558) |
| Amortisation of intangible assets | **(4 990)** | (4 604) |
| Deferred tax on intangible assets amortisation | **1 397** | 1 289 |
| Foreign currency translation reserve | **(10 497)** | 26 099 |
| Equity compensation benefit | **548** | 164 |
| Dividends received | **(1 388)** | (11 118) |
| Disposal of associate | **(93 623)** | — |
| **Cost and share of reserves at the end of the year** | **341 486** | 444 309 |
| **Loans at the beginning of the year** | **153 800** | 127 441 |
| Loans granted to associates and joint ventures | **77 601** | 99 217 |
| Loan granted to joint venture capitalised | **(50 033)** | (89 316)* |
| Unrealised foreign exchange profit on loans to associates and joint ventures | **25 718** | 16 458 |
| **Loans at the end of the year** | **207 086** | 153 800 |
| **Closing net book value** | **548 572** | 598 109 |

** On 10 September 2013, a loan of R85.8 million was advanced to Blue Label Mexico S.A. de C.V. (BLM). This loan was capitalised on 18 December 2013. The difference of R3.5 million relates to foreign exchange movements.*