For the year ended 31 May 2016

4. Non-financial instruments continued

4.1 Goodwill continued

Critical accounting estimates and assumptions

Assessment of goodwill for impairment

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

	2016 R'000	2015 R'000
Year ended 31 May		
Opening carrying amount	**606 609**	423 384
Acquisition of subsidiary	**—**	185 967
Disposal of subsidiary	**(3 169)**	(2 742)
Closing carrying amount	**603 440**	606 609
At 31 May		
Cost	**615 568**	618 737
Accumulated impairments	**(12 128)**	(12 128)
Carrying amount	**603 440**	606 609

The carrying amount of goodwill and intangible assets was reduced to their recoverable amounts through recognition of an impairment loss when required 2016: nil (2015: nil).

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

	2016 R'000	2015 R'000
Blue Label Distribution Proprietary Limited	**36 364**	36 364
Cellfind Proprietary Limited	**21 406**	21 406
Viamedia Proprietary Limited	**185 967**	185 967
Blue Label Connect Proprietary Limited*	**205 749**	205 749
The Prepaid Company Proprietary Limited	**62 113**	62 113
Panacea Mobile Proprietary Limited	**6 883**	6 883
TicketPros Proprietary Limited	**5 104**	5 104
Datacel Group**	**79 854**	83 023
	603 440	606 609

* *Formerly known as Retail Mobile Credit Specialists Proprietary Limited.*

** *Velociti Proprietary Limited, a wholly owned subsidiary of Datacel, was disposed of during the year. Refer to note 2.2.*

4. Non-financial instruments continued

4.1 Goodwill continued

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

The recoverable amount 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:

	2016		2015	
	Terminal growth rate %	**Discount rate %**	Terminal growth rate %	Discount rate %
Blue Label Distribution Proprietary Limited	**4.2**	**17.54**	4.2	17.33
Cellfind Proprietary Limited	**4.0**	**19.24**	4.0	18.88
Viamedia Proprietary Limited	**4.0**	**17.74**	4.0	17.38
Blue Label Connect Proprietary Limited*	**4.2**	**17.54**	4.2	17.33
The Prepaid Company Proprietary Limited	**4.5**	**16.54**	4.5	16.33
Panacea Mobile Proprietary Limited	**4.0**	**19.24**	4.0	18.88
TicketPros Proprietary Limited	**4.2**	**17.54**	4.2	17.33
Datacel Group	**2.5**	**22.23**	2.5	21.87

** Formerly known as Retail Mobile Credit Specialists Proprietary Limited.*

The discount rates used are post-tax and reflect specific risks relating to the relevant companies. The growth rate is used to extrapolate cash flows beyond the budget period. The growth rates were consistent with publicly available information relating to long-term average growth rates for each of the markets in which the cash-generating units operate.

For The Prepaid Company Proprietary Limited, Blue Label Connect Proprietary Limited, Blue Label Distribution Proprietary Limited, TicketPros Proprietary Limited, Cellfind Proprietary Limited and Panacea Mobile 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 %
Viamedia Proprietary Limited	**3.4**
Datacel Group	**2.9**

The goodwill balances did not result in impairment charges for the year when compared to recoverable amounts (2015: nil).