4. NON-FINANCIAL INSTRUMENTS continued

Impairment of non-financial assets continued

An impairment loss is recognised in the income statement when the carrying amount of an asset exceeds its recoverable amount. An asset's recoverable amount is the higher of the fair value less cost of disposal (the amount obtainable from the sale of an asset in an arm's-length transaction between knowledgeable willing parties), or its value-in-use. Value-in-use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss recognised for an asset, other than goodwill, in prior years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised and the recoverable amount exceeds the new carrying amount. The reversal of the impairment is limited to the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior years. The reversal of such an impairment loss is recognised in the income statement in the same line item as the original impairment charge.

4.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is attributable to synergies that the Group expects to derive from the transaction. If the cost of acquisition is less than the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Goodwill on the acquisition of subsidiaries is included in "Goodwill" in the statement of financial position. Goodwill on acquisitions of associates and joint ventures is included in "Investments in and loans to associates and joint ventures".

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment is recognised.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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.

	2019 R'000	2018 R'000
Year ended 31 May		
Opening carrying amount	**1 036 243**	604 590
Acquisition of subsidiary	**313 664**	433 686
Impairment of goodwill	**(124 400)**	—
FCTR on goodwill	**9 488**	(2 033)
Closing carrying amount	**1 234 995**	1 036 243
At 31 May		
Cost	**1 371 523**	1 048 371
Accumulated impairments	**(136 528)**	(12 128)
Carrying amount	**1 234 995**	1 036 243

The carrying amount of goodwill and intangible assets was reduced to their recoverable amounts through recognition of an impairment loss of R124.4 million (2018: nil).

4. NON-FINANCIAL INSTRUMENTS continued

4.1 Goodwill continued

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

	2019 R'000	2018 R'000
3G Mobile Proprietary Limited	47 212	43 478
Airvantage Proprietary Limited	52 707	52 707
AV Technology Limited	55 053	—
Blue Label Connect Proprietary Limited	156 501	205 749
Blue Label Distribution Proprietary Limited	36 364	36 364
CEC Proprietary Limited	335 468	335 468
Cellfind Proprietary Limited	21 406	21 406
Datacel Group	79 854	79 854
Glocell Distribution Proprietary Limited	218 779	—
Panacea Mobile Proprietary Limited	6 883	6 883
Reware Proprietary Limited	—	1 150
The Prepaid Company Proprietary Limited	62 113	62 113
TicketPros Proprietary Limited	5 104	5 104
Viamedia Proprietary Limited	111 964	185 967
WiConnect Proprietary Limited	45 587	—
	1 234 995	1 036 243

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:

	2019		2018	
	Terminal growth rate %	Discount rate %	Discount rate %	Discount rate %
3G Mobile Proprietary Limited	5.5	19.5	5.5	20.4
Airvantage Proprietary Limited	4.0	35.9	4.0	18.7
AV Technology Limited	2.5	17.9	—	—
Blue Label Connect Proprietary Limited	4.2	22.7	4.2	18.7
Blue Label Distribution Proprietary Limited	4.2	19.7	4.2	19.4
CEC Proprietary Limited	5.5	21.8	5.5	19.3
Cellfind Proprietary Limited	4.2	23.3	4.0	20.5
Datacel Group	2.5	27.2	2.5	25.3
Glocell Distribution Proprietary Limited	4.2	20.7	—	—
Panacea Mobile Proprietary Limited	4.2	22.9	4.0	20.0
Reware Proprietary Limited	4.2	23.5	4.2	17.8
The Prepaid Company Proprietary Limited	4.2	15.8	4.2	14.5
TicketPros Proprietary Limited	4.2	19.8	4.2	18.0
Viamedia Proprietary Limited	4.2	29.0	4.0	19.2
WiConnect Proprietary Limited	4.2	33.4	—	—