

Notes to the Group annual financial statements continued

11 INTANGIBLE ASSETS (continued)

Sensitivity to change in assumptions

The implications of the key assumptions for the recoverable amount are discussed below:

Gross margin

A decreased demand and cost input inflation in excess of selling price increases can lead to a decline in the gross margin which could result in an impairment of intangibles.

Discount rates

A material increase in excess of 4% in the discount rate would result in impairment.

Raw materials price inflation

Management has considered the possibility of greater than forecast increases in raw material price inflation. If prices of raw materials increase greater than the forecast price inflation and the Group is unable to pass on, or absorb these increases through efficiency improvements, then the Group will have an impairment.

Market share assumptions

Although management expects the Group's market share to be stable over the forecast period, a material decline in the market share would result in an impairment.

Growth rate estimates

Management acknowledges that new entrants into the market could have a significant impact on growth rate assumptions. This is not expected to have a material adverse impact on forecasts, but could yield a reasonably possible alternative to the estimated long-term growth rate which could result in impairment.

12 DEFERRED TAX

	2018 R'000	2017 R'000
Balance at beginning of year	(71 550)	(67 739)
Acquisition of business (refer note 1)	(27 622)	204
Movement through profit or loss	555	2 836
Exchange rate adjustments	(388)	825
Revaluations of foreign currency contracts (cash flow hedges) to fair value	(1 782)	(7 674)
Revaluation of available-for-sale asset to fair value	(7)	(2)
Balance at end of year	(100 794)	(71 550)
Analysis of deferred tax		
This balance comprises the following temporary differences:		
Trademarks	(50 909)	(17 477)
Property, plant and equipment	(137 402)	(142 117)
Pre-payments	(5 189)	(2 782)
Income received in advance	15 468	6 350
Provisions	79 762	77 432
Revaluations of foreign currency contracts (cash flow hedges) to fair value	(4 003)	(2 221)
Tax loss available for future use	1 083	10 514
Other	396	(1 249)
	(100 794)	(71 550)
Disclosed as follows:		
Deferred tax asset	18 120	1 588
Deferred tax liability	(118 914)	(73 138)