

Security

Property, plant & equipment totaling €131 million (2005: €137 million) have been pledged to the authorities in a number of countries as security for the payment of taxation, particularly excise duties on beers, non-alcoholic beverages and spirits and import duties.

Property, plant & equipment under construction

Property, plant & equipment under construction mainly relates to the construction of the new brewery and bottling hall at Seville, Spain. The new bottling hall will come on-stream in 2007 and the new brewery will be fully operational early 2008.

14. Intangible assets

In millions of EUR	Goodwill	Brands	Software, research and development and other	Total
Cost				
Balance at 1 January 2005	1,627	175	122	1,924
Changes in consolidation	513	54	(4)	563
Purchases/internally developed	1	3	17	21
Disposals	(1)	–	(2)	(3)
Effect of movements in exchange rates	12	–	4	16
Balance at 31 December 2005	2,152	232	137	2,521
Balance at 1 January 2006	2,152	232	137	2,521
Changes in consolidation	67	11	2	80
Purchases/internally developed	–	11	22	33
Disposals	–	–	(1)	(1)
Effect of movements in exchange rates	7	(1)	(2)	4
Balance at 31 December 2006	2,226	253	158	2,637
Amortisation and impairment losses				
Balance at 1 January 2005	–	(11)	(76)	(87)
Amortisation charge for the year	–	(8)	(29)	(37)
Impairment loss	(14)	(1)	–	(15)
Effect of movements in exchange rates	–	–	(2)	(2)
Balance at 31 December 2005	(14)	(20)	(107)	(141)
Balance at 1 January 2006	(14)	(20)	(107)	(141)
Amortisation charge for the year	–	(11)	(17)	(28)
Impairment loss	(17)	(1)	(1)	(19)
Balance at 31 December 2006	(31)	(32)	(125)	(188)
Carrying amount				
At 1 January 2005	1,627	164	46	1,837
At 31 December 2005	2,138	212	30	2,380
At 1 January 2006	2,138	212	30	2,380
At 31 December 2006	2,195	221	33	2,449

Notes to the consolidated financial statements
continued

14. Intangible assets continued

Impairment tests for cash-generating units containing Goodwill

The aggregate carrying amounts of goodwill allocated to each cash-generating units are as follows:

In millions of EUR	2006	2005
Brau Union	1,116	1,115
Russia	451	448
Compania Cervecerias Unidas (CCU)	339	320
	1,906	1,883
Various other entities	289	255
	2,195	2,138

Goodwill has been tested for impairment at 31 December 2006. The recoverable amounts exceed the carrying amount of the cash-generating units including goodwill, except for two cash-generating units where an impairment loss of €17 million was charged to the income statement. In 2005 for three cash-generating units an impairment loss of €14 million was charged to the income statement.

The recoverable amounts of the cash-generating units are based on value-in-use calculations. Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and the three-year business plan. Cash flows for a further seven-year period were extrapolated using expected annual per country volume growth rates, which are based on external sources. Management believes that this forecasted period was justified due to the long-term nature of the beer business and past experiences.
- Country-specific expected annual volume growth rates used was -0.5 to 9.5 per cent for the years 2010 to 2016.
- The beer price growth per year after the first three-year period is assumed to be at specific per country expected annual long-term inflation, based on external sources.
- Cash flows after the first ten-year period were extrapolated using expected annual long-term inflation, based on external sources, in order to calculate the terminal recoverable amount.
- Expected annual long-term inflation used was 1.5 to 9.4 per cent for the years 2010 to 2016 and thereafter.
- A per cash-generating unit specific post tax Weighted Average Cost of Capital (WACC) was applied in determining the recoverable amount of the units. WACC used was 6.0 to 17.1 per cent. WACC used for Brau Union, Russia and CCU was 8.6 per cent, 14.1 per cent and 9.5 per cent respectively.

The values assigned to the key assumptions represent management's assessment of future trends in the beer industry and are based on both external sources and internal sources (historical data).