

Notes to the consolidated financial statements

for the year ended June 30

	2014 R'000	2013 R'000
15. Goodwill		
Carrying value at beginning of year	8 853 973	7 449 997
Acquisition of businesses	1 731 787	450 456
Disposal of businesses	–	(4 605)
Impairment of goodwill	–	(29 328)
Exchange rate adjustments	1 137 416	987 453
Carrying value at end of year	11 723 176	8 853 973
Goodwill acquired through business combinations is allocated for impairment testing purposes to cash-generating units (CGU), which reflect how it is monitored for internal management purposes, namely the various segments of the Group. The carrying amount of goodwill was subject to an annual impairment test as at March 31 using either the fair value less costs to sell method or the discounted cash flow basis.		
The carrying amount of goodwill was allocated to cash-generating units as follows:		
Bidvest Automotive	229 132	229 132
Bidvest Consumer Products	117 253	–
Bidvest Electrical	39 577	35 977
Bidvest Financial Services	33 811	33 811
Bidvest Freight	40 133	40 133
Bidvest Industrial	34 520	5 859
Bidvest Office Products	71 201	71 201
Bidvest Paperplus	142 529	130 812
Bidvest Rental and Products	110 714	84 984
Bidvest Services	952 670	165 586
Bidvest Travel and Aviation	62 897	62 897
Bidvest Foodservice Asia Pacific	2 608 511	1 718 803
Bidvest Foodservice Europe	7 041 810	6 087 981
Bidvest Foodservice Southern Africa	63 482	63 482
Bidvest Namibia	123 042	123 042
Bidvest Properties	142	142
Bidvest Corporate and Investments	51 752	131
	11 723 176	8 853 973

The most significant portion of the Group's goodwill relates to the Bidvest Foodservice Europe, Bidvest Foodservice Asia Pacific and Bidvest Services CGUs. The recoverable amount of each of these CGUs was determined using the fair value less costs to sell method. The calculations used projected annualised earnings based on actual operating results. A price to earnings ratio was applied to obtain the recoverable amount for each business unit. The earnings yields are considered to be consistent with similar companies within the industry and geographic segments. A price to earnings ratio of 12,5 (2013:12,4) was used in the valuation of Bidvest Foodservice Europe, 13,3 (2013:13,2) for Bidvest Foodservice Asia Pacific and 8,6 (2013:10,0) for Bidvest Services. The valuations resulted in significant surpluses over their carrying values and thus the directors believe that a reasonably possible change in these ratios would not result in an impairment of the carrying value of goodwill. The valuation method is consistent with that used in the prior years and is considered a level 3 type valuation in accordance with IFRS 13 *Fair Value Measurement*.

The remaining goodwill of R1,1 billion (2013: R0,9 billion) is allocated across multiple CGUs. The recoverable amount for these remaining units was calculated on the aforementioned basis. No impairment was identified for the current financial year (2013: R29 million).