

Notes to the consolidated financial statements

for the year ended 30 June

	2017 R'000	2016 R'000
16. Goodwill		
Carrying value at beginning of year	2 537 036	13 567 032
Exchange rate adjustments	(322)	2 382 503
Acquisition of businesses	634 198	906 293
Disposal and unbundling of businesses	(3 212)	(14 266 681)
Impairment of goodwill	–	(52 111)
Carrying value at end of year	3 167 700	2 537 036
Goodwill acquired through business combinations, is allocated for impairment testing purposes to CGUs 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 using either the fair value less costs to sell method or the discounted cash flow basis.		
The carrying amount of goodwill was allocated to CGUs as follows:		
Bidvest Automotive	226 455	229 132
Bidvest Commercial Products	841 822	404 987
Bidvest Electrical	128 223	58 066
Bidvest Financial Services	164 848	156 028
Bidvest Freight	58 132	58 132
Bidvest Office and Print	242 810	196 956
Bidvest Services	1 232 448	1 177 306
Bidvest Namibia	250 144	250 144
Bidvest Properties	21 034	4 501
Bidvest Corporate and Investments	1 784	1 784
	3 167 700	2 537 036

The recoverable amounts of the CGUs were determined using the fair value less cost to sell method, except for Bidvest Namibia which was evaluated using a DCF valuation.

The fair value less cost to sell calculation used projected annualised earnings based on actual operating results. A price earnings multiple ranging from 10,0 to 18,1 was applied to obtain the recoverable amount for the business units. The earnings yield is considered to be consistent with similar companies within the various industries in which the CGUs operate. The most significant portion of the Group's goodwill relates to the Bidvest Services and Bidvest Commercial Products CGUs. A price earnings multiple of 9,0 (2016: 9,0) was used for the Bidvest Services valuation and 9,3 (2016: 9,3) for the Bidvest Commercial Products valuation. The valuations resulted in a significant surplus over the carrying values of the CGUs and thus the directors believe that a reasonably possible change in the multiple would not result in an impairment of the carrying value of goodwill.

The recoverable amount for Bidvest Namibia was calculated using the value-in-use method. Projected future cash flows were discounted at the Group's weighted average cost of capital of 11,0% and perpetuity growth rate of 5%. The valuation method is a level 3 type valuation in accordance with IFRS 13 *Fair Value Measurement*.