

Notes to the consolidated financial statements (continued)

for the year ended 30 June

	2019 R'000	2018 R'000
16. Goodwill		
Carrying value at beginning of year	4 447 769	3 167 700
Exchange rate adjustments	(9)	(20)
Acquisition of businesses	1 042 845	1 340 215
Disposal of businesses	(66 578)	(44 868)
Impairment of goodwill	–	(15 258)
Carrying value at end of year	5 424 027	4 447 769
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 using either the fair value less costs to sell method or a value-in-use method.		
The carrying amount of goodwill was allocated to CGUs as follows:		
Services	3 285 049	2 443 508
Freight	47 840	58 132
Office and Print	325 533	239 717
Commercial Products	883 811	843 822
Automotive	249 420	249 420
Financial Services	237 388	231 870
Electrical	128 623	128 223
Properties	21 034	21 034
Corporate and investments	245 329	232 043
	5 424 027	4 447 769

The recoverable amounts of the CGUs were determined using the fair value less cost to sell method, except for Electrical and Automotive which were evaluated using the value-in-use method.

The fair value less cost to sell calculation used projected annualised earnings based on actual operating results. A price/earnings multiple ranging from 8.2 – 19.2 (2018: 8.0 – 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 18.2 (2018: 10.0) was used for the Bidvest Services valuation and 16.2 (2018: 10.0) 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 the Electrical and Automotive segments was calculated using the value-in-use method. Projected future cash flows were discounted at a pre-tax rate of 16.4% and perpetuity growth rate of 5.8%, no impairments were noted.