	2017 R'000	2016 R'000
15. GOODWILL		
Carrying value at beginning of year	**13 184 782**	11 338 647
Acquisition of businesses	**1 417 544**	486 542
Disposal of businesses	**(23 184)**	(18 468)
Transfer as a result of unbundling	**–**	61 493
Impairment of goodwill	**(176 174)**	–
Exchange rate adjustments	**(1 611 815)**	1 316 568
Carrying value at end of year	**12 791 153**	13 184 782
The carrying amount of goodwill was allocated to cash-generating units (CGUs) as follows:		
Bidfood Australasia	**2 588 508**	2 878 106
Bidfood United Kingdom	**2 655 455**	3 045 727
Bidfood Europe	**6 318 324**	5 888 235
Bidfood Emerging Markets	**1 228 866**	1 372 714
	12 791 153	13 184 782

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 method. The recoverable amount was determined by using the higher of the fair value less costs to sell and the discounted cash flow for each CGU.

The following impairments were recorded during the year:
– £9 million (R155,1 million) (2016: £nil) was recorded against goodwill relating to PCL Transport 24/7 Limited.
– £1,2 million (R21,1 million) (2016: £nil) was recorded against goodwill relating to Aktaes Holdings AS.

Fair value less costs to sell method

The calculations used projected annualised earnings based on actual operating results. A price earnings multiple 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. An average price earnings multiple of 11,4 (2016: 12,7) was used in the valuation of Bidfood Europe, 11,5 (2016: 12,9) for Bidfood United Kingdom, 13,0 (2016: 13,0) for Bidfood Australasia, and 11,7 (2016: 14,1) for Bidfood Emerging Markets.

Discounted cash flow method

The table below illustrates the weighted average cost of capital (WACC), cash flow growth, and terminal growth rates that were used in the discounted cash flow valuations for each of the CGUs.

	WACC rates		Cash flow growth rate		Terminal growth rate	
	2017	2016	**2017**	2016	**2017**	2016
Bidfood Australasia	**5,5 – 7%**	10%	**3 – 5%**	3 – 5%	**1,5%**	2%
Bidfood United Kingdom	**5,5 – 14,1%**	10%	**2 – 5%**	3 – 5%	**1 – 2,5%**	2%
Bidfood Europe	**5,2 – 10,5%**	4% – 10%	**3 – 12%**	0 – 10%	**1 – 2%**	2 – 3%
Bidfood Emerging Markets	**8 – 17,5%**	10%	**8 – 12%**	1 – 7%	**2%**	2 – 5%

With the exception of the impairments noted for PCL Transport 24/7 Limited and Aktaes Holdings AS, other CGU valuations resulted in significant surpluses over carrying values of the CGUs and thus the directors believe that a reasonably possible change in the WACC, cash flow growth, terminal growth rates and PE multiples, 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*.