

Notes to the consolidated financial statements

for the year ended June 30

	2014 R'000	2013 R'000
34. Commitments		
Capital expenditure approved		
Contracted for	713 862	1 011 840
Not contracted for	1 173 293	808 060
	1 887 155	1 819 900
Capital expenditure amounting to R1 749 million (2013: R1 760 million) is in respect of property, plant and equipment and the remaining balance is in respect of computer software. It is anticipated that capital expenditure will be financed out of existing cash resources.		
In addition to the above, the Group has acquired a 60% interest in Gruppo Dac S.p.A. (DAC) a leading Italian foodservice provider, as well as a significant controlling stake in PCL 24/7 Limited (PCL), a specialist chilled products storage and distribution business operating in the United Kingdom, with effect from July 1 2014. The aggregate purchase consideration is approximately £95 million (R1 717 million).		
35. Contingent liabilities		
Guarantees issued in respect of obligations of associates and investments	166 000	166 000
The Group has outstanding legal and other claims arising out of its normal ongoing operating activities which have to be resolved. None of these claims are significant.		
Refer to note 36 for further disclosure in respect of guarantees.		
36. Financial instruments		
36.1 Risk management overview		
The Group has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; foreign currency risk; interest rate risk; and market price risk.		
This note presents information about the Group's exposure to each of the aforementioned risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. IFRS 7 requires certain disclosures by class of instrument. The Group has determined that its classes of instruments would be the segments as disclosed in the segmental report.		
The Group's major financial risks are mitigated in the way that it operates firstly through diversification of industry and geography and secondly through decentralisation. Bidvest is an international group with operations in South Africa, United Kingdom, Europe, Asia, Australia, New Zealand, Namibia, South America, Middle East and various other southern African countries. The Group also comprises a variety of businesses within the services, trading and distribution industries. As a result of this diversification in terms of industry and geographical location, the Group is exposed to a range of financial risks, each managed in appropriate ways. However, the impact of any one particular financial risk within any of these geographies or industries is not considered to be material to the Group.		
The Group's philosophy has always been to empower management through a decentralised structure, thereby making them responsible for the management and performance of their operations, including managing the financial risks of the operation. Operational management reports to divisional management, who in turn reports to the Group's board of directors. Divisional management is also held responsible for managing financial risks of the operations within the divisions. Operational management's remuneration is based on its operation's performance and divisional management based on its division's performance resulting in a decentralised and entrepreneurial environment.		
Due to the diverse structure and decentralised management of the Group, the Group risk committee has implemented guidelines of acceptable practices and basic procedures to be followed by divisional and operational management. The information provided below for each financial risk has been collated for disclosure based on the manner in which the business is managed and what is believed to be useful information for shareholders.		
The total process of risk management in the Bidvest Group, which includes the related system of control, is the responsibility of the board of directors. The Group risk committee has been constituted as a committee of the Group board of directors in the discharge of its duties and responsibilities in this regard. The Group risk committee has a charter and reports regularly to the board of directors on its activities.		

36. Financial instruments *(continued)*

36.1 Risk management overview *(continued)*

The primary purposes of the Group risk committee are:

- to establish and maintain a common understanding of the risk universe (framework), which needs to be addressed in order to meet Bidvest Corporate objectives;
- to identify the risk profile and agree the risk appetite of the Group;
- to satisfy the risk management reporting requirements;
- to coordinate the Group's risk management and assurance efforts;
- to report to the board of directors on the risk management work undertaken and the extent of any action taken by management to address areas identified for improvement; and
- to report to the board of directors on the Company's process for monitoring compliance with laws and regulations.

The Group risk committee has documented a formal policy framework in order to achieve the following:

- To place accountability on management for designing, implementing and monitoring the process of risk management
- To place responsibility on management for integrating the risk management process into the day-to-day activities and operations of the Group
- To ensure that the risk strategy is communicated to all stakeholders so that it may be incorporated into the culture of the Group.

The Group has operations trading in the banking, short-term insurance and life assurance industries (Financial Services segment). These operations are exposed to financial risks which are unique to these industries and differ significantly to the remainder of the Group's operations operating within the services, trading and distribution sectors. While the financial risks to which these particular operations are exposed could have a significant effect on the individual operations, they would not have a significant impact on the Group. For this reason, the information provided below mainly provides qualitative and quantitative information regarding the management and exposure to financial risks to which the trading operations of the Group are exposed based on what is believed to be useful to shareholders. Bidvest Bank Limited is a public company for which financial statements are prepared including detailed disclosure in accordance with the requirements of IFRS 7.

The Bidvest Group has, due to the diversity of its operations in nature and geography, determined that it would be better to develop an in-house strategy, as opposed to adopting a recognised strategy and forcing its operations to adapt to the constraints of the strategy selected. The Group has determined that utilising a common framework for the identification of risk would assist the divisions to reduce the implementation time and cost and would give some assurance that all inherent risks have been considered. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Group activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

To assist the Group risk committee in discharging its responsibilities, it has:

- assigned risk management responsibilities to divisional/operational risk committees; and
- determined that each division should appoint risk/compliance officers on a divisional (operational) level as nominated by the divisional risk committees.

The role of the risk officer is to develop, communicate, coordinate and monitor the enterprise-wide risk management.

Through the divisional risk committees, each division has a forum for the discussion and identification of risks relevant to the particular division. Only risk matters that affect the Group as a whole are escalated to the Group risk committee. The minutes of the divisional risk committees are submitted to the Group risk committee. The Group risk manager is authorised to attend the divisional risk committee meetings, and to provide guidance to and coordinate the efforts of these committees in providing the Group adequate risk management.

Each division has its own audit committee, which subscribes to the same philosophies and practices as the Group audit committee. The divisional audit committees report to both the divisional board and the Group audit committee. The Group audit committee reviews the divisional audit committee reports. The divisional audit committees oversee how divisional management monitors compliance with the Group's policies and guidelines in respect of the financial reporting process, the system of internal control, the management of financial risks, the audit process (both internal and external) and code of business conduct. The divisional audit committees are assisted in their oversight role by the Group's internal audit department. Divisional internal audit undertakes both regular and ad hoc reviews of financial and operational risk management controls and procedures, the results of which are reported to the relevant divisional audit committee.

Notes to the consolidated financial statements

for the year ended June 30

36. Financial instruments *(continued)*

36.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, banking advances, investments and guarantees.

The Group risk committee, with the assistance of internal audit, has implemented a "delegation of authority matrix" which provides guidelines by division, as to the level of authorisation required for various types of transactions.

Except as detailed below in respect of guarantees issued, the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk after taking into account the value of any collateral obtained. The carrying values, net of impairment allowances, amount to R16 914 million (2013: R14 114 million) for trade receivables (refer to note 22), R964 million (2013: R1 015 million) for banking and other advances (refer to note 19), and R2 368 million (2013: R2 508 million) for investments (refer to note 18).

The impairment allowance account in respect of trade receivables and banking advances are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point, the amount which is considered irrecoverable is written off directly against the respective assets.

Impairments of investments classified as available-for-sale or held-for-trading are written off against the investment directly and an impairment allowance account is not utilised.

The Group has a general credit policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In accordance with the decentralised structure, operational management, under the guidance of divisional management, is responsible for implementation of policies to meet the above objective. This includes credit policies under which new customers are analysed for credit worthiness before the operation's standard payment and delivery terms and conditions are offered, determining whether collateral is required, and if so the type of collateral to be obtained, and setting of credit limits for individual customers based on their references and credit ratings. Certain operations in the Group have a policy of taking out credit insurance to cover a portion of their risk. Operational management is also held responsible for monitoring the operations' credit exposure.

36.2.1 Trade receivables

Refer to note 22 for further disclosure.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed by operational management on the financial condition of the operation's customers.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The largest 10 trade debtors based on the turnover derived from these trade debtors was reported by class. On compilation of the information, it was noted that the Group's largest exposure to a single group, across multiple geographies is R699 million (2013: R596 million). Management, in the various geographies, has assessed the recoverability of the amounts due in their geographies, and believe that the amounts due are recoverable in full.

The total number of debtors per reporting division was obtained and the average turnover per trade debtor was calculated for each reporting division. Based on the average turnover per trade debtor in comparison to the Group's total turnover for the year, there was no significant concentration of credit risk to any single trade debtor. The concentration of credit risk is therefore limited due to the customer base being large and independent.

Each operation establishes an impairment allowance that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

As a result of the decentralised structure, operational management have the responsibility of determining the impairment allowances in respect of trade receivables. This is done under the oversight of the divisional audit committees, and ultimately the Group audit committee. The operations' average credit period depend on the type of industry in which they operate as well as the credit worthiness of their customers. The majority of the customers are given credit terms ranging from cash on delivery to 60 days from statement. The largest impairment raised for a specific trade receivable was obtained for each reporting operation and calculated as a percentage of the Group's total impairment allowance. It was determined that such percentage did not exceed 4,0% (2013: 5,0%) of the total allowance raised at year-end.

	2014 R'000	2013 R'000
36. Financial instruments <i>(continued)</i>		
36.2 Credit risk <i>(continued)</i>		
36.2.1 Trade receivables <i>(continued)</i>		
<i>Movement in impairment allowance in respect of trade receivables</i>		
Balance at July 1	464 321	437 309
Allowance raised during the year	275 011	223 578
Bidvest South Africa		
Automotive	25 765	6 653
Consumer Products	131	–
Electrical	47 910	27 473
Financial Services	3 583	409
Freight	7 689	13 860
Industrial	3 008	1 286
Office	278	3 108
Paperplus	8 538	9 536
Rental and Products	3 988	3 688
Services	34 582	6 329
Travel and Aviation	10 980	13 044
Bidvest Foodservice		
Asia Pacific	66 578	66 452
Europe	39 336	46 760
Southern Africa	16 484	17 143
Bidvest Namibia	5 501	7 504
Bidvest Corporate	660	333
Allowance reversed during the year	(154 789)	(127 799)
Bidvest South Africa		
Automotive	(8 139)	(6 492)
Consumer Products	(252)	–
Electrical	(23 585)	(14 429)
Financial Services	(14 775)	(671)
Freight	(601)	(2 098)
Industrial	(670)	(737)
Office	(1 364)	(3 917)
Paperplus	(5 552)	(3 951)
Rental and Products	(2 950)	(3 939)
Services	(6 605)	(1 057)
Travel and Aviation	(6 127)	(4 370)
Bidvest Foodservice		
Asia Pacific	(34 614)	(37 146)
Europe	(36 429)	(39 089)
Southern Africa	(10 848)	(8 346)
Bidvest Namibia	(1 567)	(1 299)
Bidvest Corporate	(711)	(258)
Balance carried forward	584 543	533 088

Notes to the consolidated financial statements

for the year ended June 30

	2014 R'000	2013 R'000
36. Financial instruments <i>(continued)</i>		
36.2 Credit risk <i>(continued)</i>		
36.2.1 Trade receivables <i>(continued)</i>		
Balance brought forward	584 543	533 088
Net acquisition of businesses and inter-class transfers	10 004	6 600
Bidvest South Africa		
Automotive	(1 246)	–
Freight	–	(116)
Industrial	709	–
Paperplus	–	(569)
Services	2 844	–
Travel and Aviation	374	–
Bidvest Foodservice		
Europe	7 518	7 285
Bidvest Namibia	(374)	–
Bidvest Corporate	179	–
Impairments written off against trade receivables	(112 027)	(115 233)
Bidvest South Africa		
Automotive	(16 354)	(9 875)
Consumer Products	252	–
Electrical	(11 551)	(17 398)
Financial Services	–	(24)
Freight	(3 427)	(22 662)
Industrial	(2 102)	442
Office	(567)	(962)
Paperplus	(6 973)	(4 172)
Rental and Products	(657)	(798)
Services	(8 278)	(1 831)
Travel and Aviation	(371)	(11 118)
Bidvest Foodservice		
Asia Pacific	(28 595)	(23 687)
Europe	(19 946)	(10 474)
Southern Africa	(8 016)	(5 231)
Bidvest Namibia	(5 442)	(7 443)
Bidvest Corporate	–	–
Exchange rate adjustments	31 798	39 866
Balance at June 30	514 318	464 321

36. Financial instruments (continued)**36.2 Credit risk** (continued)**36.2.1 Trade receivables** (continued)

Ageing of trade receivables at June 30

	2014			2013		
	Gross trade receivables R'000	Impairment allowance R'000	Net trade receivables R'000	Gross trade receivables R'000	Impairment allowance R'000	Net trade receivables R'000
<i>Not past due</i>	13 941 051	(21 120)	13 919 931	11 498 617	(15 120)	11 483 497
Bidvest South Africa						
Automotive	354 744	(1 094)	353 650	172 066	(129)	171 937
Consumer Products	166 652	–	166 652	–	–	–
Electrical	509 255	(1 206)	508 049	467 668	–	467 668
Financial Services	35 621	–	35 621	33 326	(70)	33 256
Freight	1 295 055	–	1 295 055	1 372 802	(256)	1 372 546
Industrial	210 341	(220)	210 121	156 312	(78)	156 234
Office	410 649	(117)	410 532	343 557	(274)	343 283
Paperplus	389 631	–	389 631	301 016	–	301 016
Rental and Products	158 103	(47)	158 056	154 558	(2)	154 556
Services	486 679	(645)	486 034	164 310	(2 333)	161 977
Travel and Aviation	175 628	–	175 628	278 485	(630)	277 855
Bidvest Foodservice						
Asia Pacific	3 222 712	(11 466)	3 211 246	2 823 476	(5 571)	2 817 905
Europe	5 443 340	(6 173)	5 437 167	4 384 737	(5 774)	4 378 963
Southern Africa	694 499	(144)	694 355	566 516	–	566 516
Bidvest Namibia	300 893	(8)	300 885	229 555	(3)	229 552
Bidvest Corporate	87 249	–	87 249	50 233	–	50 233
<i>Past due</i>						
<i>0 – 30 days</i>	2 108 036	(15 620)	2 092 416	1 976 574	(15 999)	1 960 575
Bidvest South Africa						
Automotive	105 068	(1 006)	104 062	176 114	(1 414)	174 700
Consumer Products	3 187	–	3 187	–	–	–
Electrical	210 086	(9)	210 077	210 568	–	210 568
Financial Services	4 945	–	4 945	3 382	(137)	3 245
Freight	146 799	(396)	146 403	142 301	(332)	141 969
Industrial	21 336	(120)	21 216	18 505	(64)	18 441
Office	90 106	(318)	89 788	101 116	(11)	101 105
Paperplus	98 028	–	98 028	102 382	–	102 382
Rental and Products	43 849	(79)	43 770	32 790	(59)	32 731
Services	255 907	(650)	255 257	126 027	(619)	125 408
Travel and Aviation	312 436	(523)	311 913	219 388	(1 501)	217 887
Bidvest Foodservice						
Asia Pacific	305 267	(10 556)	294 711	393 828	(7 944)	385 884
Europe	360 838	(1 666)	359 172	302 023	(3 545)	298 478
Southern Africa	70 150	(147)	70 003	97 516	–	97 516
Bidvest Namibia	47 988	(150)	47 838	31 160	(373)	30 787
Bidvest Corporate	32 046	–	32 046	19 474	–	19 474
Balance carried forward	16 049 087	(36 740)	16 012 347	13 475 191	(31 119)	13 444 072

Notes to the consolidated financial statements

for the year ended June 30

36. Financial instruments (continued)

36.2 Credit risk (continued)

36.2.1 Trade receivables (continued)

Ageing of trade receivables at June 30 (continued)

	2014			2013		
	Gross trade receivables R'000	Impairment allowance R'000	Net trade receivables R'000	Gross trade receivables R'000	Impairment allowance R'000	Net trade receivables R'000
Balance brought forward	16 049 087	(36 740)	16 012 347	13 475 191	(31 119)	13 444 072
31 – 180 days	1 009 994	(195 747)	814 247	787 396	(204 936)	582 460
Bidvest South Africa						
Automotive	49 277	(5 476)	43 801	50 003	(6 502)	43 501
Consumer Products	2 389	–	2 389	–	–	–
Electrical	153 902	(10 458)	143 444	155 458	(15 257)	140 201
Financial Services	2 069	(1)	2 068	1 691	(171)	1 520
Freight	44 686	(8 355)	36 331	35 035	(4 250)	30 785
Industrial	12 628	(1 576)	11 052	9 141	(1 298)	7 843
Office	58 083	(6 062)	52 021	48 554	(9 272)	39 282
Paperplus	27 227	–	27 227	34 322	(2 871)	31 451
Rental and Products	21 199	(1 708)	19 491	21 664	(2 184)	19 480
Services	128 080	(25 214)	102 866	20 517	(2 779)	17 738
Travel and Aviation	108 443	(11 364)	97 079	46 599	(20 761)	25 838
Bidvest Foodservice						
Asia Pacific	141 257	(50 086)	91 171	125 191	(42 658)	82 533
Europe	156 678	(44 417)	112 261	134 263	(62 220)	72 043
Southern Africa	64 811	(27 590)	37 221	84 032	(29 024)	55 008
Bidvest Namibia	20 003	(2 160)	17 843	14 897	(4 739)	10 158
Bidvest Corporate	19 262	(1 280)	17 982	6 029	(950)	5 079
181 + days	368 801	(281 831)	86 970	315 952	(228 266)	87 686
Bidvest South Africa						
Automotive	6 714	(4 741)	1 973	11 968	(4 246)	7 722
Consumer Products	11 014	(131)	10 883	–	–	–
Electrical	57 269	(36 234)	21 035	60 215	(19 874)	40 341
Financial Services	699	(539)	160	12 630	(11 352)	1 278
Freight	27 017	(13 030)	13 987	21 335	(13 259)	8 076
Industrial	4 369	(3 542)	827	8 251	(3 073)	5 178
Office	4 276	(1 408)	2 868	–	–	–
Paperplus	9 843	(4 410)	5 433	5 529	(5 529)	–
Rental and Products	2 636	(1 120)	1 516	1 392	(323)	1 069
Services	16 218	(7 563)	8 655	9 296	(5 672)	3 624
Travel and Aviation	19 619	(19 619)	–	6 059	(3 644)	2 415
Bidvest Foodservice						
Asia Pacific	59 954	(51 168)	8 786	62 744	(51 619)	11 125
Europe	104 928	(101 430)	3 498	76 394	(72 551)	3 843
Southern Africa	7 009	(5 471)	1 538	7 511	(6 686)	825
Bidvest Namibia	11 629	(6 013)	5 616	7 288	(5 098)	2 190
Bidvest Corporate	25 607	(25 412)	195	25 340	(25 340)	–
Total	17 427 882	(514 318)	16 913 564	14 578 539	(464 321)	14 114 218

36. Financial instruments (continued)**36.2 Credit risk** (continued)**36.2.1 Trade receivables** (continued)

Collateral held on past due amounts

	2014		2013	
	Fair value of collateral held R'000	Trade receivables net of impairment allowance R'000	Fair value of collateral held R'000	Trade receivables net of impairment allowance R'000
Personal surety	*	72 038	*	96 730
Bidvest South Africa				
Automotive		2 686		5 350
Electrical		68 623		85 923
Freight		46		3 500
Industrial		583		–
Office		100		1 957
Cover by credit insurance	523 377	401 312	377 757	374 822
Bidvest South Africa				
Electrical	226 988	226 988	232 258	229 665
Freight	14 513	14 513	11 765	11 765
Industrial	20 014	10 032	5 405	5 265
Bidvest Foodservice				
Asia Pacific	186 570	71 674	70 124	67 457
Europe	74 534	77 177	51 746	54 211
Southern Africa	451	621	6 444	6 444
Bidvest Namibia	307	307	15	15
Pledge of assets	3 616	3 616	172	172
Bidvest South Africa				
Automotive	1 777	1 777	172	172
Office	1 839	1 839	–	–
Other	12 082	12 082	13 469	13 469
Bidvest South Africa				
Electrical	6 425	6 425	4 894	4 894
Industrial	5 094	5 094	8 575	8 575
Bidvest Namibia	563	563	–	–
Total	539 075	489 048	391 398	485 193

*An accurate fair value cannot be attached to personal surety.

In certain instances the Group's operations reserve the right to collect inventory sold when the outstanding debt is not settled by the customer. Where it is the business of the operation to finance assets, the assets are held as collateral in respect of the outstanding debt. The collateral detailed above is in addition to these aforementioned measures taken to reduce credit risk in respect of trade receivables.

36.2.2 Banking and other advances

Refer to note 19 for further disclosure.

The impairment allowance account comprises a specific and portfolio impairment allowance. Specific impairments are raised for doubtful advances, including amounts in respect of interest not being serviced and after taking security values into account, and are deducted from advances where the outstanding balance exceeds the value of the security held. A portfolio impairment allowance based on historic experience is raised to cover doubtful advances, which may not be specifically identified at the statement of financial position date. The specific and portfolio impairments made during the year are charged to the income statement.

Notes to the consolidated financial statements

for the year ended June 30

36. Financial instruments (continued)

36.2 Credit risk (continued)

36.2.2 Banking and other advances (continued)

Movement in impairment allowance in respect of banking and other advances

Financial Services

	2014 R'000	2013 R'000
Balance at July 1	23 743	30 199
Allowance raised during the year	5 298	11 566
Allowance utilised during the year	(311)	(781)
Impairment written off against banking and other advances	(18 809)	(17 241)
Balance at June 30	9 921	23 743

Ageing of banking and other advances at June 30

	2014			2013		
	Gross banking and other advances R'000	Impairment allowance R'000	Net banking and other advances R'000	Gross banking and other advances R'000	Impairment allowance R'000	Net banking and other advances R'000
Financial Services						
Not past due	959 749	(1 755)	957 994	1 037 418	(23 523)	1 013 895
Past due	14 611	(8 166)	6 445	1 035	(220)	815
0 – 30 days	491	–	491	815	–	815
31 – 180 days	84	(65)	19	194	(194)	–
181 + days	14 036	(8 101)	5 935	26	(26)	–
Total	974 360	(9 921)	964 439	1 038 453	(23 743)	1 014 710

Collateral held on past due amounts

	2014		2013	
	Fair value of collateral held R'000	Banking and other advances net of impairment allowance R'000	Fair value of collateral held R'000	Banking and other advances net of impairment allowance R'000
Pledge of assets	6 445	6 445	815	815

36.2.3 Investments

Refer to note 18 for further disclosure.

The classes for investments are listed as held-for-trading, unlisted held-for-trading, listed available-for-sale and unlisted available-for-sale. Refer to note 18 for the carrying amounts for each of these categories.

There were no impairment losses recognised in respect of investments (2013: Nil).

36.2.4 Guarantees

Over and above the guarantees issued to subsidiaries of the Group, the Group has provided guarantees for fixed amounts in respect of obligations to associates and investments as disclosed in note 35.

The maximum exposure to credit risk in respect of guarantees at the reporting date was as follows:

	2014 R'000	2013 R'000
Guarantees issued in respect of obligations of associates	166 000	166 000

36. Financial instruments *(continued)*

36.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages its borrowings centrally for each of the following countries and regions: South Africa, United Kingdom and continental Europe and Asia Pacific. The divisions within each region are therefore not responsible for the management of liquidity risk, but rather senior management for each of these regions is responsible for implementing procedures to manage the regional liquidity risk.

36.3.1 Contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements

		Undiscounted contractual cash flows					
	Carrying amount R'000	Total R'000	6 months or less R'000	6 – 12 months R'000	1 – 2 years R'000	2 – 5 years R'000	More than 5 years R'000
2014							
Borrowings (refer to note 28)							
Loans secured by mortgage bonds over fixed property	13 617	14 255	1 055	1 055	2 110	8 951	1 084
Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements	345 428	366 799	69 429	57 237	116 518	123 615	–
Unsecured loans	12 452 349	13 332 129	5 093 791	826 842	842 723	6 460 479	108 294
Floorplan creditors secured by pledge of inventories	665 814	665 814	665 814	–	–	–	–
Bank overdrafts	3 277 988	3 277 988	–	3 277 988	–	–	–
	16 755 196	17 656 985	5 830 089	4 163 122	961 351	6 593 045	109 378
Trade and other payables (refer to note 32)							
Trade and other payables (excluding forward exchange contracts)	26 135 155	26 135 155	26 133 921	1 234	–	–	–
Banking liabilities (refer to note 30)							
Call deposits	1 283 709	1 283 830	1 283 830	–	–	–	–
Fixed and notice deposits	778 712	794 921	719 069	75 852	–	–	–
	2 062 421	2 078 751	2 002 899	75 852	–	–	–
2013							
Borrowings (refer to note 28)							
Loans secured by mortgage bonds over fixed property	29 494	29 494	1 625	1 625	3 317	11 109	11 818
Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements	99 221	104 136	10 824	9 251	23 775	29 400	30 886
Unsecured loans	10 813 980	11 657 140	3 418 129	1 330 404	3 127 916	3 510 227	270 464
Floorplan creditors secured by pledge of inventories	696 832	696 832	696 832	–	–	–	–
Bank overdrafts	1 360 404	1 360 404	–	1 360 404	–	–	–
	12 999 931	13 848 006	4 127 410	2 701 684	3 155 008	3 550 736	313 168
Trade and other payables (refer to note 32)							
Trade and other payables (excluding forward exchange contracts)	21 849 958	21 849 958	21 841 275	8 174	92	417	–
Banking liabilities (refer to note 30)							
Call deposits	1 254 372	1 356 729	1 356 729	–	–	–	–
Fixed and notice deposits	769 864	782 940	727 197	55 743	–	–	–
	2 024 236	2 139 669	2 083 926	55 743	–	–	–

The expected maturity of financial liabilities is not expected to differ from the contractual maturities as disclosed above.

There were no defaults or breaches of any of the borrowing terms or conditions.

Notes to the consolidated financial statements

for the year ended June 30

	2014 R'000	2013 R'000
36. Financial instruments <i>(continued)</i>		
36.3 Liquidity risk <i>(continued)</i>		
36.3.2 Trade and other payables by class		
Trade payables		
Bidvest South Africa		
Automotive	514 608	552 950
Consumer Products	80 728	–
Electrical	655 791	595 392
Financial Services	144 402	102 040
Freight	2 241 487	2 295 158
Industrial	238 938	149 611
Office Products	401 253	425 614
Paperplus	361 689	309 461
Rental and Products	133 923	128 997
Services	228 866	62 125
Travel and Aviation	440 473	420 105
Bidvest Foodservice		
Asia Pacific	3 606 935	3 220 832
Europe	8 398 015	6 682 217
Southern Africa	644 141	572 057
Bidvest Namibia	318 827	322 194
Bidvest Corporate	113 237	72 476
	18 523 313	15 911 229
Refer to note 32 for further disclosure.		
36.3.3 Undrawn facilities		
The Group has the following undrawn facilities at its disposal to further reduce liquidity risk:		
Unsecured bank overdraft facility, reviewed annually and payable on 360 days' notice	13 842 133	11 044 372
Utilised	3 277 988	1 360 404
Unutilised	10 564 145	9 683 968
Secured bank overdraft facility, reviewed annually and payable on call	–	64 358
Utilised	–	–
Unutilised	–	64 358
Unsecured loan facility with various maturity dates through to 2019 and which may be extended by mutual agreement	9 197 777	8 503 229
Utilised	5 943 964	5 603 663
Unutilised	3 253 813	2 899 566
Secured loan facilities with various maturity dates through to 2019 and which may be extended by mutual agreement	3 502 540	2 594 350
Utilised	1 024 859	904 451
Unutilised	2 477 681	1 689 899
Other banking facilities	2 751 751	2 451 136
Utilised	316 767	303 368
Unutilised	2 434 984	2 147 768
Unsecured domestic medium-term notes programme	9 000 000	9 000 000
Utilised	6 508 385	5 059 840
Unutilised	2 491 615	3 940 160
Total facilities	38 294 201	33 657 445
Utilised	17 071 963	13 231 726
Unutilised	21 222 238	20 425 719

36. Financial instruments *(continued)*

36.4 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

36.4.1 Foreign currency risk

The Group's financial instruments are not significantly exposed to currency risk for the reasons provided below. A sensitivity analysis has therefore not been performed.

Borrowings are matched to the same foreign currency as the division raising the loan, thereby limiting the division's exposure to changes in a foreign currency which differs to its functional currency. Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying divisions of the Group, thereby providing an economic hedge for each class of borrowing.

Banking advances (refer to note 19), banking liabilities (refer to note 30) and investments, with the exception of the Group's investment in the Indian-based Mumbai International Airport Private Limited, (refer to note 18) are all denominated in the same functional currency as the operation in which they are held, thus these financial instruments are not exposed to currency risk.

The Group incurs currency risk as a result of purchases and sales which are denominated in a currency other than the Group entities' functional reporting currency. It is Group policy that Group entities hedge all trade receivables and trade payables denominated in a foreign currency which differs to its functional currency. At any point in time the entities also take out economic hedges over their estimated foreign currency exposure resulting from sales and purchases. The Group entities hedge their foreign currency risk exposure either by taking out forward exchange contracts (FECs) or alternatively by purchasing in advance the foreign currency which will be required to settle the trade payables. Most of the FECs have maturities of less than one year after the balance sheet date. Where necessary, the FECs are rolled over at maturity. It is the Group's policy not to trade in derivative financial instruments for speculative purposes with the exception of Bidvest Bank Limited which business is to trade in derivatives.

Changes in the fair value of FECs economically hedge monetary assets and liabilities in foreign currencies (in relation to the operation's functional currency) and for which no hedge accounting is applied are recognised in the income statement. Both the changes in fair value of the FECs and the foreign exchange gains and losses relating to the monetary items are recognised in operating profit (refer to note 2).

The periods in which the cash flows associated with the FECs are expected to occur are detailed below under the heading "Settlement". The periods in which the cash flows are expected to impact the income statement are believed to be in the same time frame as when the actual cash flows occur.

Notes to the consolidated financial statements

for the year ended June 30

36. Financial instruments (continued)

36.4 Market risk (continued)

36.4.1 Foreign currency risk (continued)

		Contract value	
	Settlement	Foreign amount 000's	Rand amount 000's
2014			
In respect of forward exchange contracts relating to foreign liabilities as at June 30 2014			
Japanese yen	July 2014 to October 2014	(2 302 227)	(241 962)
US dollar	July 2014 to January 2015	(17 120)	(183 429)
Euro	July 2014 to October 2014	(5 802)	(84 858)
Sterling	July 2014 to September 2014	(222)	(4 038)
AUD	July 2014 to August 2014	(524)	(5 195)
Other	July 2014	(5 048)	(9 160)
			(528 642)
In respect of forward exchange contracts relating to foreign assets as at June 30 2014			
Japanese yen	July 2014 to October 2014	14 562	1 561
US dollar	July 2014 to September 2014	(501)	(5 278)
Euro	July 2014 to September 2014	(1 073)	(15 527)
			(19 244)
In respect of forward exchange contracts relating to goods and services ordered not accounted for as at June 30 2014			
Japanese yen	July 2014 to August 2014	(5 966)	(653)
US dollar	July 2014 to December 2014	(22 039)	(248 347)
Euro	July 2014 to November 2014	(375)	(5 588)
Sterling	August 2014 to October 2014	(211)	(3 860)
HKD	July 2014	(113)	(156)
AUD	July 2014 to November 2014	(627)	(8 248)
Other	August 2014 to September 2014	9 997	17 807
			(249 045)

36. Financial instruments *(continued)***36.4 Market risk** *(continued)***36.4.1 Foreign currency risk** *(continued)*

	Settlement	Contract value Foreign amount '000	Rand amount '000
2013			
In respect of forward exchange contracts relating to foreign liabilities as at June 30 2013			
Japanese yen	July 2013 to October 2013	(2 646 631)	(258 696)
US dollar	July 2013 to February 2014	(32 314)	(316 890)
Euro	July 2013 to September 2013	(13 749)	(176 727)
Sterling	July 2013 to October 2013	(388)	(5 904)
HKD	August 2013	(2 069)	(2 623)
AUD	August 2013 to December 2013	(878)	(8 030)
Other	July 2013 to August 2013	(769)	(2 622)
			<u>(771 492)</u>
In respect of forward exchange contracts relating to foreign assets as at June 30 2013			
US dollar	July 2013 to September 2013	4 309	40 539
Euro	July 2013	23	305
			<u>40 844</u>
In respect of forward exchange contracts relating to goods and services ordered not accounted for as at June 30 2013			
Japanese yen	July 2013 to October 2013	(48 806)	(4 813)
US dollar	July 2013 to July 2014	(37 649)	(366 545)
Euro	July 2013 to December 2013	(3 392)	(43 486)
Sterling	August 2013	(30)	(478)
Norwegian krone	November 2013	(5 400)	(8 718)
AUD	July 2013 to December 2013	(975)	(8 929)
Other	July 2013	(42)	(398)
			<u>(433 367)</u>

The total value of trade receivables and trade payables which payment terms are fixed in a foreign currency other than its operational currency are R711 million (2013: R701 million) and R1 340 million (2013: R1 407 million), respectively.

Notes to the consolidated financial statements

for the year ended June 30

36. Financial instruments (continued)

36.4 Market risk (continued)

36.4.2 Interest rate risk

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. This risk is managed by maintaining an appropriate mix between fixed and floating borrowings and by the use of interest rate swap contracts. The Group's investments in listed bonds, accounted for as available-for-sale and held-for-trading financial assets and banking advances and liabilities are exposed to a risk of change in fair value due to movements in interest rates. Investments in equity securities accounted for as held-for-trading financial assets and trade receivables and payables are not exposed to interest rate risk.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2014 R'000	2013 R'000
Fixed rate instruments		
Financial assets		
Available-for-sale listed bonds	72 228	76 312
Held-for-trading listed bonds	127 263	117 735
Banking and other advances	132 173	160 016
Derivative instruments in designated hedge accounting relationships	57 955	57 647
Financial liabilities		
Borrowings	(9 540 451)	(6 303 391)
Banking liabilities	(82 326)	(94 268)
Derivative instruments in designated hedge accounting relationships	(24 939)	–
Variable rate instruments		
Financial assets		
Cash and cash equivalents	8 838 573	8 452 559
Banking and other advances	842 187	878 437
Financial liabilities		
Borrowings	(3 936 757)	(5 336 136)
Banking liabilities	(1 980 095)	(1 929 968)
Overdrafts	(3 277 988)	(1 360 404)

The Group's exposure to interest rates on financial assets and liabilities is detailed in various notes within the financial statements.

The variable rates are influenced by movements in the prime borrowing rates.

Sensitivity analysis

The effect of a change in interest rate on the fair value of the listed bonds accounted for as held-for-trading and available-for-sale is not believed to have a significant effect on the Group's profit for the year and equity.

Group borrowings have been categorised by geographical location and the percentage change used for each category has been selected based on what could reasonably be expected as a change in interest rates within that region based on historical movements in interest rates within that particular region. This sensitivity analysis has been prepared using the average borrowings for the financial year as the actual borrowings at June 30 are not representative of the borrowings during the year. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analyses are performed on the same basis as 2013. A decrease in interest rates would have an equal and opposite effect on profit after taxation as detailed below.

	2014		2013	
	Increase in interest rates %	Decrease in profit after taxation R'000	Increase in interest rates %	Decrease in profit after taxation R'000
Southern Africa	0,50	16 544	0,50	13 519
United Kingdom and continental Europe	0,25	35 864	0,25	26 194
Asia Pacific	0,25	6 850	0,25	7 511
		59 258		47 224

36. Financial instruments (continued)

36.4 Market risk (continued)

36.4.2 Interest rate risk (continued)

Interest rate swap contracts

The Group has entered into interest rate swap contracts, in order to fix the interest rates on variable rate corporate bonds and loans as summarised below.

Bonds – The variable three-month JIBAR interest rate plus a spread specific to each bond has been fixed using fixed for floating interest rate swaps at rates set out below. The swap contracts match the duration and expiry dates of the bonds. The difference between the fixed and floating interest rates are settled on a quarterly basis simultaneously with the payment of interest to bondholders. The interest rate swap contracts have enabled the Group to mitigate the risk of fluctuating interest rates on the fair value of the bonds issued. The interest rate swaps have been designated as hedging instruments and accounted for as a cash flow hedge. The fair value of the bond-linked interest rate swaps at the reporting date, is determined by discounting the future cash flows using the interest rate curves at the reporting date and the credit risk inherent in the contract, resulting in a fair value asset of R58 million (2013: R58 million).

Hedged items – five-year bonds/stock code	BID05	BID04
Principal bond and swap notional value – R'000	260 000	1 425 000
Bond issue date, swap start date	June 30 2014	November 23 2012
Bond redemption date, swap termination date	June 30 2019	November 23 2017
Spread (bps) above three-month JIBAR	125	130
Fixed swap rate, including spread	8,75%	7,15%
Interest settlement periods	Quarterly	Quarterly

Loans – the key components of the interest rate swaps and loans are summarised below. The variable loan interest rates plus a spread specific to each loan have been fixed using fixed for floating interest rate swaps at rates set out below. The interest rate swaps have been designated as hedging instruments and accounted for as cash flow hedges. The fair value of the loan-linked interest rate swaps at the reporting date, is determined by discounting the future cash flows using the interest rate curves at the reporting date and the credit risk inherent in the contract, resulting in a fair value liability of R25 million (2013: Nil).

Hedged items	Bullet € term loan	Amortising £ term loan
Swap notional value at reporting date – '000	€117 000	£20 000
R equivalent – '000	1 693 534	361 374
Swap termination date	June 26 2016	December 30 2015
Floating reference rate	three-month Euribor	six-month GBP Libor
Spread (bps) above floating reference rate	126	150
Fixed swap rate, including spread	1,99%	4,46%
Interest settlement periods	Quarterly	Semi-annual

36.4.3 Market price risk

Equity price risk arises from investments classified as held-for-trading and available-for-sale (refer to note 18). Available-for-sale financial assets include listed bonds held by the Group's wholly owned subsidiary Bidvest Bank Limited. Held-for-trading investments comprise a listed share portfolio which performance is monitored closely by senior management and the Group actively trades in these shares. The Group's subsidiaries, Bidvest Insurance Limited and Bidvest Life Limited, hold investment portfolios with a fair value of R588 million (2013: R478 million) and R279 million (2013: R227 million), respectively, for the purpose of being utilised to cover liabilities arising under the life assurance fund. These portfolios comprise domestic and international equity investments and money market funds. Unlisted investments comprise unlisted shares and loans which are classified as held-for-trading and available-for-sale, and are valued at fair value using a price:earnings (PE) model.

Notes to the consolidated financial statements

for the year ended June 30

36. Financial instruments (continued)

36.5 Fair values

The carrying amounts of all financial assets and liabilities approximate their fair values, with the exception of borrowings which have been accounted for at amortised cost. The fair value of borrowings, together with the carrying amounts shown in the statement of financial position, classified by class (being geographical location), are as follows:

	2014		2013	
	Carrying amount R'000	Fair value R'000	Carrying amount R'000	Fair value R'000
Borrowings (refer to note 28)				
Southern Africa	11 058 020	11 042 816	7 812 053	7 811 861
Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements	19 913	20 951	390	421
Unsecured loans	7 169 751	7 153 509	5 754 427	5 754 204
Floorplan creditors secured by a pledge of inventories	665 814	665 814	696 832	696 832
Bank overdrafts	3 202 542	3 202 542	1 360 404	1 360 404
Europe	3 740 903	3 740 903	3 460 895	3 460 895
Loans secured by mortgage bonds over fixed property	13 617	13 617	29 494	29 494
Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements	325 515	325 515	98 831	98 831
Unsecured loans	3 326 325	3 326 325	3 332 570	3 332 570
Bank overdrafts	75 446	75 446	–	–
Asia Pacific	1 956 273	1 956 273	1 726 983	1 726 983
Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements	–	–	–	–
Unsecured loans	1 956 273	1 956 273	1 726 983	1 726 983
	16 755 196	16 739 992	12 999 931	12 999 739
Unrecognised gain	15 204		192	

The methods used to estimate the fair values of financial instruments are discussed in note 40.

The interest rates used to discount cash flows, in order to determine fair values, are based on market-related rates at June 30 2014 plus an adequate constant credit spread, and range from 0,8% to 17,8% (2013: 1,0% to 17,4%).