

	2015 R'000	2014 R'000
35. Commitments		
Capital expenditure approved		
Contracted for	941 011	713 862
Not contracted for	1 878 078	1 173 293
	2 819 089	1 887 155
Capital expenditure amounting to R2 704 million (2014: R1 749 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.		
36. 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 note 37 for further disclosure in respect of guarantees.

37. Financial instruments

37.1 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 which the Group has determined 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, the 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. The operational management report to divisional management who in turn report to the Group's board of directors. The 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 systems 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.

37. Financial instruments *(continued)***37.1 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's 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; and
- ▶ 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.

37. Financial instruments *(continued)*

37.2 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 R19 007 million (2014: R16 914 million) for trade receivables (refer note 22), R1 288 million (2014: R964 million) for banking and other advances (refer note 19), and R2 484 million (2014: R2 368 million) for investments (refer 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, the operational management, under the guidance of the 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 are also held responsible for monitoring the operations' credit exposure.

37.2.1 Trade receivables

Refer 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 the 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. It was noted that the Group's largest exposure to a single customer group, across multiple geographies is R494 million (2014: R699 million). Management, in the various geographies, have assessed the recoverability of these amounts due in their geographies, and believe that the amounts due and not impaired 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 2,0% (2014: 4,0%) of the total allowance raised at year-end.

Notes to the consolidated financial statements
for the year ended June 30

	2015 R'000	2014 R'000
37. Financial instruments <i>(continued)</i>		
37.2 Credit risk <i>(continued)</i>		
37.2.1 Trade receivables <i>(continued)</i>		
<i>Movement in impairment allowance in respect of trade receivables</i>		
Balance at July 1	514 318	464 321
Allowances raised during the year	401 703	275 011
Bidvest South Africa		
Automotive	13 871	25 765
Consumer Products	49	131
Electrical	42 758	47 910
Financial Services	34	3 583
Freight	6 893	7 689
Industrial	3 108	3 008
Office	7 153	278
Paperplus	10 890	8 538
Rental and Products	3 728	3 988
Services	17 865	34 582
Travel and Aviation	9 429	10 980
Bidvest Foodservice		
Australasia	35 437	29 122
United Kingdom	25 186	18 887
Europe	144 501	19 702
Emerging Markets	61 943	54 687
Bidvest Namibia	18 387	5 501
Bidvest Corporate	471	660
Bad debts written off during the year	(205 791)	(154 789)
Bidvest South Africa		
Automotive	(7 379)	(8 139)
Consumer Products	(60)	(252)
Electrical	(19 228)	(23 585)
Financial Services	(584)	(14 775)
Freight	(5 956)	(601)
Industrial	(1 504)	(670)
Office	(2 702)	(1 364)
Paperplus	(3 047)	(5 552)
Rental and Products	(2 825)	(2 950)
Services	(3 237)	(6 605)
Travel and Aviation	(7 557)	(6 127)
Bidvest Foodservice		
Australasia	(22 788)	(31 773)
United Kingdom	(29 480)	(30 191)
Europe	(60 742)	(3 122)
Emerging Markets	(33 867)	(16 805)
Bidvest Namibia	(4 300)	(1 567)
Bidvest Corporate	(535)	(711)
Balance carried forward	710 230	584 543

	2015 R'000	2014 R'000
37. Financial instruments <i>(continued)</i>		
37.2 Credit risk <i>(continued)</i>		
37.2.1 Trade receivables <i>(continued)</i>		
Balance brought forward	710 230	584 543
Net acquisition of businesses and inter-class transfers	55 985	10 004
Bidvest South Africa		
Automotive	–	(1 246)
Industrial	–	709
Office	(1 969)	–
Services	(856)	2 844
Travel and Aviation	–	374
Bidvest Foodservice		
United Kingdom	–	7 518
Europe	58 810	
Bidvest Namibia	–	(374)
Bidvest Corporate	–	179
Allowances reversed during the year	(128 993)	(112 027)
Bidvest South Africa		
Automotive	(1 552)	(16 354)
Consumer Products	(77)	252
Electrical	(23 287)	(11 551)
Financial Services	12	–
Freight	64	(3 427)
Industrial	(2 226)	(2 102)
Office	(1 774)	(567)
Paperplus	(6 091)	(6 973)
Rental and Products	(712)	(657)
Services	(4 095)	(8 278)
Travel and Aviation	(98)	(371)
Bidvest Foodservice		
Australasia	–	–
United Kingdom	(1 226)	(2 068)
Europe	(26 214)	(17 324)
Emerging Markets	(50 639)	(37 165)
Bidvest Namibia	(11 030)	(5 442)
Bidvest Corporate	(48)	–
Exchange rate adjustments	(3 990)	31 798
Balance at June 30	633 232	514 318

Notes to the consolidated financial statements
for the year ended June 30**37. Financial instruments** (continued)**37.2 Credit risk** (continued)**37.2.1 Trade receivables** (continued)

Ageing of trade receivables at June 30

	2015			2014		
	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>	16 020 964	(41 390)	15 979 574	13 941 051	(21 120)	13 919 931
Bidvest South Africa						
Automotive	298 213	(363)	297 850	354 744	(1 094)	353 650
Consumer Products	177 309	(4)	177 305	166 652	–	166 652
Electrical	600 584	–	600 584	509 255	(1 206)	508 049
Financial Services	60 167	–	60 167	35 621	–	35 621
Freight	1 571 404	(1 738)	1 569 666	1 295 055	–	1 295 055
Industrial	235 700	(391)	235 309	210 341	(220)	210 121
Office	438 695	(2 382)	436 313	410 649	(117)	410 532
Paperplus	428 898	–	428 898	389 631	–	389 631
Rental and Products	162 901	(20)	162 881	158 103	(47)	158 056
Services	638 049	(348)	637 701	486 679	(645)	486 034
Travel and Aviation	294 076	(2 468)	291 608	175 628	–	175 628
Bidvest Foodservice						
Australasia	2 018 626	(15 682)	2 002 944	2 457 699	(11 466)	2 446 233
United Kingdom	4 194 622	–	4 194 622	3 350 116	(331)	3 349 785
Europe	2 837 846	(15 725)	2 822 121	2 009 134	(4 268)	2 004 866
Emerging Markets	1 682 433	(2 269)	1 680 164	1 543 602	(1 718)	1 541 884
Bidvest Namibia	287 675	–	287 675	300 893	(8)	300 885
Bidvest Corporate	93 766	–	93 766	87 249	–	87 249
<i>Past due</i>						
<i>0 – 30 days</i>	2 035 463	(36 407)	1 999 056	2 108 036	(15 620)	2 092 416
Bidvest South Africa						
Automotive	83 663	(4 943)	78 720	105 068	(1 006)	104 062
Consumer Products	5 863	–	5 863	3 187	–	3 187
Electrical	119 681	–	119 681	210 086	(9)	210 077
Financial Services	4 863	–	4 863	4 945	–	4 945
Freight	124 974	(2 513)	122 461	146 799	(396)	146 403
Industrial	25 794	(42)	25 752	21 336	(120)	21 216
Office	96 889	(493)	96 396	90 106	(318)	89 788
Paperplus	74 193	(77)	74 116	98 028	–	98 028
Rental and Products	41 903	(43)	41 860	43 849	(79)	43 770
Services	264 772	(319)	264 453	255 907	(650)	255 257
Travel and Aviation	241 788	(1 742)	240 046	312 436	(523)	311 913
Bidvest Foodservice						
Australasia	170 068	(14 280)	155 788	145 992	(10 510)	135 482
United Kingdom	108 376	(6 323)	102 053	87 222	(25)	87 197
Europe	304 870	(5 615)	299 255	246 743	(1 641)	245 102
Emerging Markets	296 889	(16)	296 873	256 298	(193)	256 105
Bidvest Namibia	39 444	(1)	39 443	47 988	(150)	47 838
Bidvest Corporate	31 433	–	31 433	32 046	–	32 046
Balance carried forward	18 056 427	(77 797)	17 978 630	16 049 087	(36 740)	16 012 347

37. Financial instruments (continued)**37.2 Credit risk** (continued)**37.2.1 Trade receivables** (continued)

Ageing of trade receivables at June 30 (continued)

	2015			2014		
	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	18 056 427	(77 797)	17 978 630	16 049 087	(36 740)	16 012 347
31 – 180 days	1 210 567	(277 526)	933 041	1 009 994	(195 747)	814 247
Bidvest South Africa						
Automotive	11 769	(3 534)	8 235	49 277	(5 476)	43 801
Consumer Products	1 251	(9)	1 242	2 389	–	2 389
Electrical	175 527	(10 318)	165 209	153 902	(10 458)	143 444
Financial Services	3 968	–	3 968	2 069	(1)	2 068
Freight	60 397	(11 382)	49 015	44 686	(8 355)	36 331
Industrial	14 093	(2 761)	11 332	12 628	(1 576)	11 052
Office	50 735	(6 593)	44 142	58 083	(6 062)	52 021
Paperplus	24 611	(2 258)	22 353	27 227	–	27 227
Rental and Products	15 409	(823)	14 586	21 199	(1 708)	19 491
Services	107 394	(14 551)	92 843	128 080	(25 214)	102 866
Travel and Aviation	83 220	(28 425)	54 795	108 443	(11 364)	97 079
Bidvest Foodservice						
Australasia	45 039	(26 803)	18 236	64 679	(29 322)	35 357
United Kingdom	48 367	(26 933)	21 434	57 449	(24 863)	32 586
Europe	336 932	(99 157)	237 775	82 799	(19 553)	63 246
Emerging Markets	194 015	(40 421)	153 594	157 819	(48 355)	109 464
Bidvest Namibia	19 639	(2 486)	17 153	20 003	(2 160)	17 843
Bidvest Corporate	18 201	(1 072)	17 129	19 262	(1 280)	17 982
181 + days	373 570	(277 909)	95 661	368 801	(281 831)	86 970
Bidvest South Africa						
Automotive	10 382	(8 417)	1 965	6 714	(4 741)	1 973
Consumer Products	3 081	(29)	3 052	11 014	(131)	10 883
Electrical	58 933	(34 719)	24 214	57 269	(36 234)	21 035
Financial Services	1 521	–	1 521	699	(539)	160
Freight	24 951	(7 499)	17 452	27 017	(13 030)	13 987
Industrial	5 152	(1 642)	3 510	4 369	(3 542)	827
Office	6 287	(2 259)	4 028	4 276	(1 408)	2 868
Paperplus	8 465	(3 834)	4 631	9 843	(4 410)	5 433
Rental and Products	5 892	(2 265)	3 627	2 636	(1 120)	1 516
Services	31 628	(29 452)	2 176	16 218	(7 563)	8 655
Travel and Aviation	1 185	(603)	582	19 619	(19 619)	–
Bidvest Foodservice						
Australasia	15 604	(12 773)	2 831	11 933	(10 489)	1 444
United Kingdom	17 950	(15 372)	2 578	25 778	(25 778)	–
Europe	89 198	(89 130)	68	76 205	(75 652)	553
Emerging Markets	47 770	(35 607)	12 163	57 975	(46 150)	11 825
Bidvest Namibia	16 508	(8 683)	7 825	11 629	(6 013)	5 616
Bidvest Corporate	29 063	(25 625)	3 438	25 607	(25 412)	195
Total	19 640 564	(633 232)	19 007 332	17 427 882	(514 318)	16 913 564

Notes to the consolidated financial statements
for the year ended June 30**37. Financial instruments** (continued)**37.2 Credit risk** (continued)**37.2.1 Trade receivables** (continued)

Collateral held on past due amounts

	2015		2014	
	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	*	61 225	*	72 038
Bidvest South Africa				
Automotive		1 905		2 686
Electrical		57 224		68 623
Freight		–		46
Industrial		515		583
Office		180		100
Bidvest Foodservice				
Emerging Markets		1 401		–
Cover by credit insurance	383 422	386 447	523 377	401 312
Bidvest South Africa				
Automotive	109	109	–	–
Electrical	198 051	198 051	226 988	226 988
Freight	15 059	15 059	14 513	14 513
Industrial	15 958	15 958	20 014	10 032
Bidvest Foodservice				
Australasia	52 685	52 685	33 507	33 507
United Kingdom	27 223	30 248	23 790	26 434
Europe	49 085	49 085	50 744	50 744
Emerging Markets	24 977	24 977	153 514	38 787
Bidvest Namibia	275	275	307	307
Pledge of assets	17 681	17 681	3 616	3 616
Bidvest South Africa				
Automotive	1 926	1 926	1 777	1 777
Electrical	3 201	3 201		
Office	1 007	1 007	1 839	1 839
Travel and Aviation	11 547	11 547	–	–
Other	34 837	34 837	12 082	12 082
Bidvest South Africa				
Electrical	–	–	6 425	6 425
Freight	33 655	33 655	–	–
Industrial	1 182	1 182	5 094	5 094
Bidvest Namibia	–	–	563	563
Total	435 940	500 190	539 075	489 048

*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.

37.2.2 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 year-end. The specific and portfolio impairments made during the year are charged to the income statement.

37. Financial instruments (continued)**37.2 Credit risk** (continued)**37.2.2 Banking and other advances** (continued)

	2015 R'000	2014 R'000
<i>Movement in impairment allowance in respect of banking and other advances</i>		
<i>Financial Services</i>		
Balance at July 1	9 921	23 743
Allowance raised during the year	960	5 298
Allowance utilised during the year	(455)	(311)
Impairment written off against banking and other advances	(4 949)	(18 809)
Balance at June 30	5 477	9 921

Ageing of banking and other advances at June 30

	2015			2014		
	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
<i>Financial Services</i>						
<i>Not past due</i>	1 279 984	(1 136)	1 278 848	959 749	(1 755)	957 994
<i>Past due</i>	13 047	(4 341)	8 706	14 611	(8 166)	6 445
0 – 30 days	96	(75)	21	491	–	491
31 – 180 days	2 707	(614)	2 093	84	(65)	19
181 + days	10 244	(3 652)	6 592	14 036	(8 101)	5 935
Total	1 293 031	(5 477)	1 287 554	974 360	(9 921)	964 439

Collateral held on past due amounts

	2015		2014	
	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	8 706	8 706	6 445	6 445

37.2.3 Investments

Refer to note 18 for further disclosure.

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

There were no impairment losses recognised in respect of investments (2014: Nil).

37.2.4 Guarantees

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

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

	2015 R'000	2014 R'000
Guarantees issued in respect of obligations of associates	166 000	166 000

Notes to the consolidated financial statements
for the year ended June 30**37. Financial instruments** (continued)**37.3 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, the 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.

37.3.1 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
2015							
Puttable non-controlling liabilities (refer note 30)	939 430	989 972	–	–	–	989 972	–
Borrowings (refer note 28)							
Loans secured by mortgage bonds over fixed property	26 476	28 305	3 098	3 065	6 037	16 105	–
Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements	295 975	315 276	72 369	71 100	87 977	83 830	–
Unsecured loans	12 434 627	14 081 716	3 775 953	2 210 760	1 859 482	6 169 062	66 459
Floorplan creditors secured by pledge of inventories	827 664	827 664	827 664	–	–	–	–
Bank overdrafts	1 994 365	1 994 365	–	1 994 365	–	–	–
	15 579 107	17 247 326	4 679 084	4 279 290	1 953 496	6 268 997	66 459
Trade and other payables (refer note 33)							
Trade and other payables (excluding forward exchange contracts)	29 537 909	29 537 909	29 537 909	–	–	–	–
Banking liabilities (refer note 31)							
Call deposits	1 657 612	1 657 809	1 657 809	–	–	–	–
Fixed and notice deposits	996 249	1 025 766	774 061	251 705	–	–	–
	2 653 861	2 683 575	2 431 870	251 705	–	–	–
2014							
Puttable non-controlling liabilities (refer note 30)	–	–	–	–	–	–	–
Borrowings (refer 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 note 33)							
Trade and other payables (excluding forward exchange contracts)	26 135 155	26 135 155	26 133 921	1 234	–	–	–
Banking liabilities (refer note 31)							
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	–	–	–

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.

	2015 R'000	2014 R'000
37. Financial instruments <i>(continued)</i>		
37.3 Liquidity risk <i>(continued)</i>		
37.3.2 Trade and other payables by segment		
Trade payables		
Bidvest South Africa		
Automotive	482 058	514 608
Consumer Products	138 403	80 728
Electrical	658 829	655 791
Financial Services	799 808	144 402
Freight	2 526 465	2 241 487
Industrial	262 514	238 938
Office	405 205	401 253
Paperplus	483 568	361 689
Rental and Products	129 657	133 923
Services	212 725	228 866
Travel and Aviation	361 980	440 473
Bidvest Foodservice		
Australasia	2 803 751	3 029 976
United Kingdom	6 596 958	5 462 721
Europe	3 589 586	2 830 503
Emerging Markets	1 406 274	1 325 891
Bidvest Namibia	368 457	318 827
Bidvest Corporate	147 574	113 237
	21 373 812	18 523 313
Refer note 33 for further disclosure.		
37.3.3 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	12 686 297	13 842 133
Utilised	1 994 365	3 277 988
Unutilised	10 691 932	10 564 145
Unsecured loan facility with various maturity dates through to 2021 and which may be extended by mutual agreement	11 082 322	9 197 777
Utilised	8 166 034	5 943 964
Unutilised	2 916 288	3 253 813
Secured loan facilities with various maturity dates through to 2020 and which may be extended by mutual agreement	2 950 629	3 502 540
Utilised	1 150 115	1 024 859
Unutilised	1 800 514	2 477 681
Other banking facilities	3 130 867	2 751 751
Utilised	241 036	316 767
Unutilised	2 889 831	2 434 984
Unsecured Domestic Medium-Term Notes Programme	9 000 000	9 000 000
Utilised	4 268 593	5 059 840
Unutilised	4 731 407	3 940 160
Total facilities	38 850 115	38 294 201
Utilised	15 820 143	15 623 418
Unutilised	23 029 972	22 670 783

37. Financial instruments *(continued)*

37.4 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.

37.4.1 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 business raising the loan thereby limiting the businesses' exposure to changes in a foreign currency which differs to their functional currency. Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying businesses of the Group thereby providing an economic hedge for each class of borrowing.

Banking advances (refer note 19), banking liabilities (refer note 30) and investments, with the exception of the Group's investment in the Indian-based Mumbai International Airport Private Limited, (refer 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 forward exchange contracts have maturities of less than one year after the balance sheet date. Where necessary, the forward exchange contracts 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 whose business is to trade in derivatives.

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

The periods in which the cash flows associated with the forward exchange contracts 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.

37. Financial instruments *(continued)***37.4 Market risk** *(continued)***37.4.1 Foreign currency risk** *(continued)*

		Contract value	
		Foreign amount '000	Rand amount '000
Settlement			
2015			
In respect of forward exchange contracts relating to foreign liabilities as at June 30 2015			
Japanese yen	July 2015 to November 2015	(2 434 570)	(246 804)
US dollar	July 2015 to October 2015	(25 313)	(300 680)
Euro	July 2015 to September 2015	(14 244)	(194 445)
Sterling	July 2015 to September 2015	(115)	(2 180)
Australian dollar	July 2015	(608)	(5 732)
Other	July 2015	(187)	(732)
			(750 573)
In respect of forward exchange contracts relating to foreign assets as at June 30 2015			
US dollar	July 2015 to November 2015	1 336	16 615
			16 615
In respect of forward exchange contracts relating to goods and services ordered not accounted for as at June 30 2015			
Japanese yen	July 2015 to November 2015	(141 278)	(14 356)
US dollar	July 2015 to October 2015	(19 372)	(239 715)
Euro	July 2015 to December 2015	(881)	(11 199)
Sterling	August 2015 to September 2015	(489)	(9 393)
Australian dollar	July 2015	(1 314)	(12 266)
Other	July 2015 to September 2015	(350)	(1 289)
			(288 218)

Notes to the consolidated financial statements
for the year ended June 30**37. Financial instruments** (continued)**37.4 Market risk** (continued)**37.4.1 Foreign currency risk** (continued)

	Settlement	Contract value Foreign amount '000	Rand amount '000
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)
Australian dollar	July 2014 to August 2014	(524)	(5 195)
Other	July 2014	(5 048)	(9 160)
			<u>(528 642)</u>
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)
			<u>(19 244)</u>
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)
Hong Kong dollar	July 2014	(113)	(156)
Australian dollar	July 2014 to November 2014	(627)	(8 248)
Other	August 2014 to September 2014	9 997	17 807
			<u>(249 045)</u>

The total value of trade receivables and trade payables whose payment terms are fixed in a foreign currency other than its operational currency are R857 million (2014: R711 million) and R1 901 million (2014: R1 340 million), respectively.

37. Financial instruments (continued)**37.4 Market risk** (continued)**37.4.2 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:

	2015 R'000	2014 R'000
Fixed rate instruments		
Financial assets		
Available-for-sale listed bonds	92 964	72 228
Held-for-trading listed bonds	159 506	127 263
Banking and other advances	130 259	132 173
Derivative instruments in designated hedge accounting relationships	39 849	57 955
Financial liabilities		
Borrowings	(6 536 713)	(9 540 451)
Banking liabilities	(327 444)	(82 326)
Derivative instruments in designated hedge accounting relationships	(1 863)	(24 939)
Variable rate instruments		
Financial assets		
Cash and cash equivalents	7 812 877	8 838 573
Banking and other advances	1 162 774	842 187
Financial liabilities		
Borrowings	(7 048 029)	(3 936 757)
Puttable non-controlling interest liabilities	(939 430)	–
Banking liabilities	(2 326 417)	(1 980 095)
Overdrafts	(1 994 365)	(3 277 988)

The Group's exposure to interest rates on financial assets and liabilities are detailed in the 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 2014. A decrease in interest rates would have an equal and opposite effect on profit after taxation as detailed below.

	2015		2014	
	Increase in interest rates %	Decrease in profit after taxation R'000	Increase in interest rates %	Decrease in profit after taxation R'000
Southern Africa and other Emerging Markets	0,50	21 712	0,50	19 112
United Kingdom and Europe	0,25	7 688	0,25	4 212
Australasia	0,25	8 766	0,25	5 566
		38 166		28 890

37. Financial instruments (continued)**37.4 Market risk** (continued)**37.4.2 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 credit 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 R40 million (2014: R58 million).

Hedged items – five-year bonds 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
Credit 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 credit 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 R2 million (2014: R25 million).

Hedged items	Bullet € term loan	Amortising £ term loan
Swap notional value at reporting date – '000	€117 000	£10 000
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

37.4.3 Market price risk

Equity price risk arises from investments classified as held-for-trading and available-for-sale (refer 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 whose 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 R645 million (2014: R588 million) and R306 million (2014: R279 million), respectively, for the purpose of being utilised to cover liabilities arising from insurance contracts. 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.

37. Financial instruments *(continued)***37.5 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 segment (being geographical location), are as follows:

	2015		2014	
	Carrying amount R'000	Fair value R'000	Carrying amount R'000	Fair value R'000
Borrowings (refer note 28)				
Southern Africa and other Emerging Markets	11 153 337	11 143 691	11 927 756	11 912 552
Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements	14 503	15 345	19 913	20 951
Unsecured loans	8 353 732	8 343 244	8 039 487	8 023 245
Floorplan creditors secured by pledge of inventories	827 664	827 664	665 814	665 814
Bank overdrafts	1 957 438	1 957 438	3 202 542	3 202 542
United Kingdom and Europe	3 334 909	3 334 909	3 713 692	3 713 692
Loans secured by mortgage bonds over fixed property	26 476	26 476	13 617	13 617
Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements	281 472	281 472	325 515	325 515
Unsecured loans	2 990 034	2 990 034	3 299 114	3 299 114
Bank overdrafts	36 927	36 927	75 446	75 446
Australasia	1 090 861	1 090 861	1 113 748	1 113 748
Unsecured loans	1 090 861	1 090 861	1 113 748	1 113 748
	15 579 107	15 569 461	16 755 196	16 739 992
Unrecognised gain	9 646		15 204	

The methods used to estimate the fair values of financial instruments are discussed in note 41.

The interest rates used to discount cash flows, in order to determine fair values, are based on market related rates at June 30 2015 plus an adequate constant credit spread, and range from 1,0% to 12,5% (2014: 0,8% to 17,8%).