

Notes to the consolidated financial statements

for the year ended June 30

	2016 R'000	2015 R'000
36. Commitments		
Capital expenditure approved		
Contracted for	660 323	941 011
Not contracted for	521 681	1 878 078
	1 182 004	2 819 089
Capital expenditure amounting to R1 138 million (2015: R2 704 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 commitments for acquisitions of businesses, where conditions precedent have not yet been met (refer note 43).		
37. 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 38 for further disclosure in respect of guarantees.		

38. Nature and extent of risks arising from financial instruments

38.1 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 secondly through decentralisation. Bidvest is an international group with operations in South Africa, the United Kingdom, Namibia, 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, 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 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 are also held responsible for managing financial risks of the operations within the divisions. Operational management's remuneration is based on their operation's performance and divisional management based on their 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.

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; and
- to ensure that the risk strategy is communicated to all stakeholders so that it may be incorporated into the culture of the Group.