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).

		2016 R'000	2015 R'000
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.

38. Nature and extent of risks arising from financial instruments *(continued)*

38.1 Risk management overview *(continued)*

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.

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.

38.2 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 R7 277 million (2015: R19 007 million) for trade receivables (refer note 23), R1 698 million (2015: R1 288 million) for banking and other advances (refer note 20), and R2 870 million (2015: R2 551 million) for investments (refer note 19).

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, are responsible for implementation of policies to meet the above objective. This includes credit policies under which new customers are analysed for creditworthiness 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.

38.2.1 Trade receivables

Refer note 23 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 R165 million (2015: R494 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 creditworthiness 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% (2015: 2,0%) of the total allowance raised at year-end.

Notes to the consolidated financial statements

for the year ended June 30

	2016 R'000	2015 R'000
38. Nature and extent of risks arising from financial instruments *(continued)*		
38.2 Credit risk *(continued)*		
38.2.1 Trade receivables *(continued)*		
Movement in impairment allowance in respect of trade receivables		
Balance at July 1	**633 232**	514 318
Allowances raised during the year	**164 786**	134 636
Bidvest South Africa		
Automotive	**23 730**	13 871
Commercial Products	**14 568**	3 496
Electrical	**44 211**	42 758
Financial Services	**7 587**	34
Freight	**9 460**	6 893
Office and Print	**26 175**	18 043
Services	**18 788**	30 683
Bidvest Namibia	**18 256**	18 387
Bidvest Corporate	**2 011**	471
Bad debts written off during the year	**(68 283)**	(58 914)
Bidvest South Africa		
Automotive	**(7 709)**	(7 379)
Commercial Products	**(12 713)**	(2 093)
Electrical	**(31 827)**	(19 228)
Financial Services	**–**	(584)
Freight	**(858)**	(5 956)
Office and Print	**(5 977)**	(5 749)
Services	**(6 766)**	(13 090)
Bidvest Namibia	**(2 072)**	(4 300)
Bidvest Corporate	**(361)**	(535)
Net acquisition of businesses and inter-class transfers	**(747)**	(2 825)
Bidvest South Africa		
Commercial Products	**5 652**	–
Freight	**(9 945)**	–
Office and Print	**130**	(1 969)
Services	**(671)**	(856)
Bidvest Namibia	**4 087**	–
Allowances reversed during the year	**(70 308)**	(50 914)
Bidvest South Africa		
Automotive	**(8 285)**	(1 552)
Commercial Products	**(2 504)**	(2 328)
Electrical	**(19 112)**	(23 287)
Financial Services	**–**	12
Freight	**(8 295)**	64
Office and Print	**(15 249)**	(7 865)
Services	**(3 672)**	(4 880)
Bidvest Namibia	**(12 979)**	(11 030)
Bidvest Corporate	**(212)**	(48)
Exchange rate adjustments	**4 429**	1 137
Discontinued operations	**(406 106)**	95 794
Balance at June 30	**257 003**	633 232

38. Nature and extent of risks arising from financial instruments *(continued)*

38.2 Credit risk *(continued)*

38.2.1 Trade receivables (continued)

Ageing of trade receivables at June 30

	2016			2015		
	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
Not past due	**5 553 590**	**(6 268)**	**5 547 322**	5 287 437	(7 714)	5 279 723
Bidvest South Africa						
Automotive	**327 471**	**(3 882)**	**323 589**	298 213	(363)	297 850
Commercial Products	**649 683**	**(146)**	**649 537**	477 594	(396)	477 198
Electrical	**511 722**	**(27)**	**511 695**	600 584	–	600 584
Financial Services	**146 943**	**–**	**146 943**	60 167	–	60 167
Freight	**1 459 706**	**–**	**1 459 706**	1 571 404	(1 738)	1 569 666
Office and Print	**937 684**	**(130)**	**937 554**	848 963	(2 382)	846 581
Services	**1 121 079**	**(580)**	**1 120 499**	1 049 071	(2 835)	1 046 236
Bidvest Namibia	**291 298**	**(40)**	**291 258**	287 675	–	287 675
Bidvest Corporate	**108 004**	**(1 463)**	**106 541**	93 766	–	93 766
Past due						
0 – 30 days	**1 026 895**	**(17 372)**	**1 009 523**	1 155 260	(10 173)	1 145 087
Bidvest South Africa						
Automotive	**91 854**	**(5 381)**	**86 473**	83 663	(4 943)	78 720
Commercial Products	**57 707**	**(251)**	**57 456**	39 671	(67)	39 604
Electrical	**206 611**	**(180)**	**206 431**	119 681	–	119 681
Financial Services	**75 962**	**(7 587)**	**68 375**	4 863	–	4 863
Freight	**73 922**	**(1 545)**	**72 377**	124 974	(2 513)	122 461
Office and Print	**155 067**	**(723)**	**154 344**	160 990	(570)	160 420
Services	**273 154**	**(883)**	**272 271**	550 541	(2 079)	548 462
Bidvest Namibia	**48 301**	**(772)**	**47 529**	39 444	(1)	39 443
Bidvest Corporate	**44 317**	**(50)**	**44 267**	31 433	–	31 433
31 – 180 days	**672 517**	**(83 973)**	**588 544**	586 214	(84 212)	502 002
Bidvest South Africa						
Automotive	**96 297**	**(35 920)**	**60 377**	11 769	(3 534)	8 235
Commercial Products	**40 086**	**(7 960)**	**32 126**	20 463	(3 171)	17 292
Electrical	**134 938**	**(8 615)**	**126 323**	175 527	(10 318)	165 209
Financial Services	**50 461**	**–**	**50 461**	3 968	–	3 968
Freight	**59 038**	**(3 487)**	**55 551**	60 397	(11 382)	49 015
Office and Print	**64 817**	**(7 830)**	**56 987**	72 181	(8 851)	63 330
Services	**163 912**	**(15 380)**	**148 532**	204 069	(43 398)	160 671
Bidvest Namibia	**19 101**	**(3 575)**	**15 526**	19 639	(2 486)	17 153
Bidvest Corporate	**43 867**	**(1 206)**	**42 661**	18 201	(1 072)	17 129
181 + days	**280 542**	**(149 390)**	**131 152**	203 048	(125 027)	78 021
Bidvest South Africa						
Automotive	**34 856**	**(30 540)**	**4 316**	10 382	(8 417)	1 965
Commercial Products	**6 578**	**(1 966)**	**4 612**	8 233	(1 671)	6 562
Electrical	**110 358**	**(29 489)**	**80 869**	58 933	(34 719)	24 214
Financial Services	**–**	**–**	**–**	1 521	–	1 521
Freight	**14 068**	**(9 370)**	**4 698**	24 951	(7 499)	17 452
Office and Print	**13 357**	**(12 255)**	**1 102**	13 444	(6 093)	7 351
Services	**78 452**	**(48 762)**	**29 690**	40 013	(32 320)	7 693
Bidvest Namibia	**18 233**	**(14 846)**	**3 387**	16 508	(8 683)	7 825
Bidvest Corporate	**4 640**	**(2 162)**	**2 478**	29 063	(25 625)	3 438
Discontinued operations	**–**	**–**	**–**	12 408 605	(406 106)	12 002 499
Total	**7 533 544**	**(257 003)**	**7 276 541**	19 640 564	(633 232)	19 007 332

Notes to the consolidated financial statements

for the year ended June 30

38. Nature and extent of risks arising from financial instruments *(continued)*

38.2 Credit risk *(continued)*

38.2.1 Trade receivables (continued)

Collateral held on past due amounts

	2016		2015	
	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	*	**113 657**	*	61 225
Bidvest South Africa				
Automotive		**8 692**		1 905
Commercial Products		**2 004**		515
Electrical		**102 345**		57 224
Freight		**383**		–
Office and Print		**233**		180
Discontinued operations		**–**		1 401
Cover by credit insurance	**326 206**	**326 206**	383 422	386 447
Bidvest South Africa				
Automotive	**–**	**–**	109	109
Commercial Products	**16 403**	**16 403**	15 958	15 958
Electrical	**260 642**	**260 642**	198 051	198 051
Freight	**48 882**	**48 882**	15 059	15 059
Bidvest Namibia	**279**	**279**	275	275
Discontinued operations	**–**	**–**	153 970	156 995
Pledge of assets	**33 904**	**33 904**	17 681	17 681
Bidvest South Africa				
Automotive	**469**	**469**	1 926	1 926
Commercial Products	**787**	**787**	–	–
Electrical	**7 724**	**7 724**	3 201	3 201
Office and Print	**248**	**248**	1 007	1 007
Services	**24 676**	**24 676**	11 547	11 547
Other	**20 997**	**20 997**	34 837	34 837
Bidvest South Africa				
Commercial Products	**3 124**	**3 124**	1 182	1 182
Freight	**17 873**	**17 873**	33 655	33 655
Total	**381 107**	**494 764**	435 940	500 190

** 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.

38.2.2 Banking and other advances

Refer note 20 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.

38. Nature and extent of risks arising from financial instruments *(continued)*

38.2 Credit risk *(continued)*

38.2.2 Banking and other advances *(continued)*

	2016 R'000	2015 R'000
Movement in impairment allowance in respect of banking and other advances		
Financial Services		
Balance at July 1	**5 477**	9 921
Allowance raised during the year	**26 218**	960
Allowance utilised during the year	**–**	(455)
Impairment written off against banking and other advances	**(2 325)**	(4 949)
Balance at June 30	**29 370**	5 477

Ageing of banking and other advances at June 30

	2016			2015		
	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	**1 722 191**	**(26 235)**	**1 695 956**	1 279 984	(1 136)	1 278 848
Past due	**5 441**	**(3 135)**	**2 306**	13 047	(4 341)	8 706
0 – 30 days	**3**	**–**	**3**	96	(75)	21
31 – 180 days	**1 261**	**–**	**1 261**	2 707	(614)	2 093
181 + days	**4 177**	**(3 135)**	**1 042**	10 244	(3 652)	6 592
Total	**1 727 632**	**(29 370)**	**1 698 262**	1 293 031	(5 477)	1 287 554

Collateral held on past due amounts

	2016		2015	
	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	**2 306**	**2 306**	8 706	8 706

38.2.3 Investments

Refer note 19 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 19 for the carrying amounts for each of these categories.

There were no impairment losses recognised in respect of investments (2015: Nil).

38.2.4 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 37.

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

	2016 R'000	2015 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

38. Nature and extent of risks arising from financial instruments *(continued)*

38.3 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 Namibia. The divisions within each region are therefore not responsible for the management of liquidity risk but rather senior management for each of these regions are responsible for implementing procedures to manage the regional liquidity risk.

38.3.1 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
2016							
Puttable non-controlling liabilities (refer note 31)	**49 167**	**65 142**	**–**	**–**	**–**	**35 024**	**30 118**
Borrowings (refer note 29)							
Loans secured by mortgage bonds over fixed property	**8 462**	**9 972**	**1 610**	**1 610**	**3 220**	**2 445**	**1 087**
Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements	**130 187**	**151 013**	**37 618**	**29 673**	**43 959**	**39 763**	**–**
Unsecured loans	**6 661 410**	**8 004 584**	**855 541**	**247 734**	**1 835 984**	**5 040 102**	**25 223**
Floorplan creditors secured by pledge of inventories	**976 356**	**976 356**	**976 356**	**–**	**–**	**–**	**–**
Bank overdrafts	**1 205 701**	**1 205 701**	**–**	**1 205 701**	**–**	**–**	**–**
	8 982 116	**10 347 626**	**1 871 125**	**1 484 718**	**1 883 163**	**5 082 310**	**26 310**
Trade and other payables (refer note 34)							
Trade and other payables (excluding forward exchange contracts)	**10 996 530**	**10 996 530**	**10 996 530**	**–**	**–**	**–**	**–**
	10 996 530	**10 996 530**	**10 996 530**	**–**	**–**	**–**	**–**
Amounts owed to bank depositors (refer note 32)							
Call deposits	**2 204 579**	**2 378 027**	**2 378 027**	**–**	**–**	**–**	**–**
Fixed and notice deposits	**1 484 582**	**1 535 634**	**1 079 244**	**456 390**	**–**	**–**	**–**
	3 689 161	**3 913 661**	**3 457 271**	**456 390**	**–**	**–**	**–**
2015							
Puttable non-controlling liabilities (refer note 31)	939 430	989 972	–	–	–	989 972	–
Borrowings (refer note 29)							
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
Vehicle lease creditors secured by a pledge of inventories		–					
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 34)							
Trade and other payables (excluding forward exchange contracts)	29 537 909	29 537 909	29 537 909	–	–	–	–
	29 537 909	29 537 909	29 537 909	–	–	–	–
Amounts owed to bank depositors (refer note 32)							
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	–	–	–

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.

38. Nature and extent of risks arising from financial instruments *(continued)*

38.3 Liquidity risk *(continued)*

38.3.2 Trade and other payables by class

	2016 R'000	2015 R'000
Trade payables		
Bidvest South Africa		
Automotive	**625 512**	482 058
Commercial Products	**505 286**	400 917
Electrical	**692 585**	658 829
Financial Services	**171 878**	799 808
Freight	**2 417 511**	2 526 465
Office and Print	**1 165 113**	888 773
Services	**524 061**	704 362
Bidvest Namibia	**270 987**	368 457
Bidvest Corporate	**186 660**	147 574
Discontinued operations	**–**	14 396 569
	6 559 593	21 373 812

Refer note 34 for further disclosure.

38.3.3 Undrawn facilities

The Group has the following undrawn facilities at its disposal to further reduce liquidity risk:

	2016 R'000	2015 R'000
Unsecured bank overdraft facility, reviewed annually and payable on 360 days' notice	**11 130 472**	12 686 297
Utilised	**1 205 701**	1 994 365
Unutilised	**9 924 771**	10 691 932
Unsecured loan facility with various maturity dates through to 2021 and which may be extended by mutual agreement	**4 982 675**	11 082 322
Utilised	**3 736 410**	8 166 034
Unutilised	**1 246 265**	2 916 288
Secured loan facilities with various maturity dates through to 2022 and which may be extended by mutual agreement	**3 436 524**	2 950 629
Utilised	**1 115 005**	1 150 115
Unutilised	**2 321 519**	1 800 514
Other banking facilities	**1 943 738**	3 130 867
Utilised	**608**	241 036
Unutilised	**1 943 130**	2 889 831
Unsecured Domestic Medium Term Notes Programme	**9 000 000**	9 000 000
Utilised	**2 925 000**	4 268 593
Unutilised	**6 075 000**	4 731 407
Total facilities	**30 493 409**	38 850 115
Utilised	**8 982 724**	15 820 143
Unutilised	**21 510 685**	23 029 972

Notes to the consolidated financial statements

for the year ended June 30

38. Nature and extent of risks arising from financial instruments *(continued)*

38.4 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.

38.4.1 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 divisions' 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 divisions of the Group thereby providing an economic hedge for each class of borrowing.

Banking advances (refer note 20), amounts owed to bank depositors (refer note 32) and investments, with the exception of the Group's investment in the Indian-based Mumbai International Airport Private Limited, (refer note 19) 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.

		Contract value	
	Settlement	**Foreign amount '000**	**Rand amount '000**
2016			
In respect of forward exchange contracts relating to foreign liabilities as at June 30 2016			
Japanese yen	July 2016 to October 2016	**(2 789 213)**	**(397 386)**
US dollar	July 2016 to November 2016	**(9 680)**	**(147 970)**
Euro	July 2016 to October 2016	**(2 139)**	**(37 107)**
Sterling	July 2016 to October 2016	**(166)**	**(3 727)**
Australian dollar	July 2016	**(35)**	**(400)**
Other	July 2016 to August 2016	**(1 117)**	**(2 260)**
			(588 850)
In respect of forward exchange contracts relating to foreign assets as at June 30 2016			
US dollar	July 2016 to November 2016	**1 405**	**21 474**
In respect of forward exchange contracts relating to goods and services ordered not accounted for as at June 30 2016			
Japanese yen	July 2016	**(4 803)**	**(690)**
US dollar	July 2016 to January 2017	**(24 702)**	**(370 125)**
Euro	July 2016 to November 2016	**(3 222)**	**(55 187)**
Sterling	October 2016 to November 2016	**(447)**	**(8 887)**
Australian dollar	July 2016	**(28)**	**(301)**
Other	July 2016 to August 2016	**(598)**	**(1 264)**
			(436 454)

38. Nature and extent of risks arising from financial instruments *(continued)*

38.4 Market risk *(continued)*

38.4.1 Foreign currency risk *(continued)*

	Settlement	Contract value Foreign amount '000	Rand amount '000
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
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)

The total value of trade receivables and trade payables whose payment terms are fixed in a foreign currency other than its operational currency are R477 million (2015: R857 million) and R914 million (2015: R1 901 million), respectively.

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

38. Nature and extent of risks arising from financial instruments *(continued)*
38.4 Market risk *(continued)*
38.4.2 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:

	2016 R'000	2015 R'000
Fixed rate instruments		
Financial assets		
Available-for-sale listed bonds	**229 184**	92 964
Held-for-trading listed bonds	**127 760**	159 506
Banking and other advances	**127 749**	130 259
Derivative instruments in designated hedge accounting relationships	**35 456**	39 849
Financial liabilities		
Borrowings	**(3 113 172)**	(6 536 713)
Amounts owed to bank depositors	**(778 024)**	(327 444)
Derivative instruments in designated hedge accounting relationships	**–**	(1 863)
Variable rate instruments		
Financial assets		
Cash and cash equivalents	**3 911 927**	7 812 877
Banking and other advances	**1 570 513**	1 162 774
Financial liabilities		
Borrowings	**(4 663 243)**	(7 048 029)
Puttable non-controlling interest liabilities	**(49 167)**	(939 430)
Amounts owed to bank depositors	**(2 911 137)**	(2 326 417)
Overdrafts	**(1 205 701)**	(1 994 365)

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.

It is estimated that a 0,5% (2015: 0,5%) increase in interest rates would decrease profit after tax by R22 million (2015: R20 million). 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 2015. A decrease in interest rates would have an equal and opposite effect on profit after taxation.

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 R35 million (2015: R40 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

38. Nature and extent of risks arising from financial instruments *(continued)*

38.4 Market risk *(continued)*

38.4.3 Market price risk

Equity price risk arises from investments classified as held-for-trading and available-for-sale (refer note 19). 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 R496 million (2015: R645 million) and R93 million (2015: R306 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.

38.5 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:

	2016		2015	
	Carrying amount R'000	**Fair value R'000**	Carrying amount R'000	Fair value R'000
Borrowings (refer note 29)				
Southern Africa	**8 729 298**	**8 712 155**	10 183 219	10 173 879
Loans secured by mortgage bonds over fixed property	**3 765**	**3 765**	–	–
Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements	**44 663**	**45 272**	14 503	15 345
Unsecured loans	**6 661 410**	**6 643 658**	7 383 614	7 373 432
Floor plan creditors secured by pledge of inventories	**976 356**	**976 356**	827 664	827 664
Bank overdrafts	**1 043 104**	**1 043 104**	1 957 438	1 957 438
United Kingdom	**252 818**	**252 818**	164 881	164 881
Loans secured by mortgage bonds over fixed property	**4 697**	**4 697**	5 104	5 104
Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements	**85 524**	**85 524**	122 850	122 850
Unsecured loans	**–**	**–**	–	–
Bank overdrafts	**162 597**	**162 597**	36 927	36 927
Discontinued operations	**–**	**–**	5 231 007	5 230 701
	8 982 116	**8 964 973**	15 579 107	15 569 461
Unrecognised gain	**17 143**		9 646	

The methods used to estimate the fair values of financial instruments are discussed in note 42.

The interest rates used to discount cash flows, in order to determine fair values, are based on market related rates at June 30 2016 plus an adequate constant credit spread, and range from 1,0% to 10,5% (2015: 1,0% to 12,5%).

39. Capital management

The board of directors' policy is to maintain a strong capital base so as to maintain investor, supplier and market confidence, while also being able to sustain future development of the businesses. The board of directors monitors both the demographic spread of shareholders, as well as the return on capital, which the Group defines as total shareholders' equity, excluding non-controlling interest and the level of distributions to ordinary shareholders. The Group's objective is to maintain a distribution cover of approximately two and a quarter times headline earnings for the foreseeable future. The methods of distribution include dividends, return of share premium, capitalisation issues as well as share buy-backs in lieu of distributions. The level of cover of distributions takes into account prevailing market conditions, future cash requirements of the businesses, Group liquidity requirements, as well as capital adequacy ratios.

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of gearing and the advantages and security afforded by a sound equity position. The Group's target is to achieve a return on shareholders' interest of between 20% and 25%. In 2016 the return from continuing operations was 12,6% (2015: 19,5%). The return has been impacted by the significant net capital items in the year. If these capital items are excluded the return would be 19,2% (2015: 20,7%).

In the early days of the Group, acquisition activity was generally funded via the raising of equity capital, however, over the past five years, far more favourable credit markets have enabled the use of debt as a far more effective tool of capital. The current credit markets have been extremely volatile, increasing the cost of debt in the weighted average cost of capital for the Group thereby enabling a potential return to tapping the equity markets to fund future growth.

From time to time the Group purchases its own shares on the market, the timing of these purchases depends on market prices. Primarily the shares are intended to be used for issuing shares under the Bidvest Share Incentive Scheme, Conditional Share Plan or the Share Appreciation Rights Plan (refer note 27). The maximum number of shares which can be allocated under the Share Appreciation Rights Plan and the Conditional Share Plan is limited to 16 750 000 shares. The Group does not have a defined share buy-back plan. These shares are currently held as treasury shares.

There were no changes in the Group's approach to capital management during the year.

With the exception of the Group's banking and insurance subsidiaries, whose capital is well within the statutory requirements, neither the Company nor any of its other subsidiaries are subject to externally imposed capital requirements. The Group has in principal a target debt/equity ratio of 40%, however, in a trading and services business, the debt/equity ratio is a poor measure of the funding capacity of the Group. In order to ensure a more reflective measure of debt capacity is utilised, the Group has adopted a trading profit net interest cover target of between five to six times. Trading profit net interest cover for the year to June 30 2016 was six times (2015: seven times).