NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE

10. Cash and cash equivalents and interest bearing borrowings

10.1 Net finance charges

	2021 R'000	2020 R'000
Finance income	**491 109**	669 296
Interest income on banking and other advances	**326 515**	379 753
Interest income on bank balances	**92 243**	170 982
Interest imputed on post-retirement assets	**22 515**	22 232
Interest income on financial instruments held at fair value through other comprehensive income	**49 836**	96 329
Finance charges	**(1 792 071)**	(1 903 390)
Interest expense on amounts owed to bank depositors	**(269 176)**	(407 489)
Interest expense on bank overdrafts	**(61 967)**	(86 106)
Interest expense on listed bonds and commercial paper	**(424 496)**	(358 526)
Interest expense on financed assets	**(2 505)**	(1 301)
Interest on lease liabilities	**(428 313)**	(436 295)
Interest expense on vehicle lease creditors and floorplan creditors	**(37 045)**	(53 292)
Interest expense on other borrowings	**(447 588)**	(475 064)
Interest imputed on post-retirement obligations	**(6 314)**	(5 667)
Unwinding of discount on puttable non-controlling interest liabilities	**(1 922)**	(1 796)
Dividends on preference shares included in borrowings	**(98 797)**	(131 515)
Less borrowing costs capitalised to property, plant and equipment**	**(13 948)**	53 661
	(1 300 962)	(1 234 094)
Less net finance income from banking operations included in operating profit	**(169 572)**	(195 533)
Income	**(433 742)**	(589 043)
Charges	**264 170**	393 510
	(1 470 534)	(1 429 627)

*** The applicable weighted average interest rate is used to determine the amount of borrowing costs eligible for capitalisation.*

Reconciliation to consolidated cashflow statement	2021 R'000	2020 R'000
Charge per income statement	**(1 527 901)**	(1 509 880)
Unwinding of discount on puttable non-controlling interest liabilities	**1 922**	1 796
Amounts capitalised to borrowings	**4 141**	5 643
Amounts capitalised to lease liabilities	**55 078**	60 359
Amounts capitalised to property, plant and equipment	**13 948**	(53 661)
Amounts paid	**(1 452 812)**	(1 495 743)
Income per income statement	**57 367**	80 253
Accrued interest on retirement fund surplus	**(16 201)**	(16 565)
Amounts received	**41 166**	63 688

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE

10. Cash and cash equivalents and interest bearing borrowings (continued)

10.2 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held on call with banks net of bank overdrafts and investment in money market instruments, all of which are available for use by the Group unless otherwise stated.

	2021 R'000	2020 R'000
Cash on hand and at bank		
Banking, Insurance and other financial operations	**4 727 265**	4 777 679
Other Group operations	**2 710 808**	5 634 796
Cash on hand and at bank	**7 438 073**	10 412 475
Amounts included in cash on hand and at bank relating to banking and insurance subsidiaries where the balances form part of the reserving requirements as required by the Financial Services Act:		
Banking, Insurance and other financial operations	**305 361**	793 413
Other Group operations	**240 000**	275 306
Total reserving requirements	**545 361**	1 068 719
Amounts included in cash on hand and at bank relating to customer contracts	**1 203**	7 552

The Group conducts business with the following major banks:

	Credit rating			Credit rating	
South African banks	Short-term	Long-term	International banks	Short-term	Long-term
Standard Bank South Africa	NP	Ba2	HSBC Bank	A1	P-1
Nedbank	NP	Ba2	National Westminster Bank	A1	P-1
Absa Bank	NP	Ba2	Barclays Bank	A1	P-1
FirstRand Bank	NP	Ba2	Standard Charter Bank	A1	P-1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE

10. Cash and cash equivalents and interest bearing borrowings (continued)

10.3 Borrowings

	2021 R'000	2020 R'000
Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements (refer *note 8.1. Property, plant and equipment*)	–	9 284
Unsecured borrowings	18 521 602	24 365 515
Bonds	8 421 000	4 421 000
Cumulative redeemable preference shares	2 080 000	2 080 000
Syndicated EURO facility	5 488 141	6 151 655
Syndicated GBP bridge facility	1 185 526	11 055 619
Other borrowings	1 346 935	657 241
Floorplan creditors secured by pledge of inventories (refer *note 8.8. Inventories*)	593 819	939 041
Borrowings	19 115 421	25 313 840
Bank overdrafts	1 619 944	4 322 049
Total borrowings	20 735 365	29 635 889
Less short-term portion of borrowings	(5 380 263)	(6 752 335)
Long-term portion of borrowings	15 355 102	22 883 554
Schedule of repayment of borrowings		
Year to June 2021	–	2 430 286
Year to June 2022	3 760 319	12 552 748
Year to June 2023	8 331 569	8 005 806
Year to June 2024	3 787 000	1 407 000
Year to June 2025	2 418 000	–
Thereafter	818 533	918 000
	19 115 421	25 313 840

Financial debt covenants

The Group is required to ensure that for each measurement period which occurs prior to the Interim Discharge Date: The Net Debt to EBITDA ratio shall be less than 3:1 (three to one); and the Net Interest Cover Ratio shall be greater than 3,5:1 (three comma five to one).

Total borrowings comprise

	R'000	R'000
Borrowings	19 115 421	25 313 840
Local subsidiaries	12 321 948	7 954 648
Foreign subsidiaries	6 793 473	17 359 192
Overdrafts	1 619 944	4 322 049
Local subsidiaries	1 250 553	4 103 844
Foreign subsidiaries	369 391	218 205
	20 735 365	29 635 889
Effective weighted average rate of interest on	%	%
Local borrowings excluding overdrafts	5.7%	6.0%
Foreign borrowings excluding overdrafts	2.4%	1.5%

10. Cash and cash equivalents and interest bearing borrowings (continued)

10.3 Borrowings (continued)

Fair value of borrowings

The fair value of borrowings, together with the carrying amounts shown in the statement of financial position, classified by geographical location, are as follows:

	2021 Carrying amount R'000	2021 Fair value R'000	2020 Carrying amount R'000	2020 Fair value R'000
Southern Africa	**13 691 616**	**13 752 665**	12 182 649	12 160 894
Unsecured loans	**11 846 946**	**11 907 995**	7 139 764	7 118 009
Floor plan creditors secured by pledge of inventories	**593 819**	**593 819**	939 041	939 041
Bank overdrafts	**1 250 851**	**1 250 851**	4 103 844	4 103 844
United Kingdom and Europe	**7 043 749**	**7 043 749**	17 453 240	17 309 380
Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements	**–**	**–**	9 284	9 284
Unsecured loans	**6 674 656**	**6 674 656**	17 225 751	17 081 890
Bank overdrafts	**369 093**	**369 093**	218 205	218 205
	20 735 365	**20 796 414**	29 635 889	29 470 274
Unrecognised (loss) gain	**(61 049)**		165 615	

The methods used to estimate the fair values of financial instruments are discussed in *note 4.4. Determination of fair values*.

The interest rates used to discount cash flows, in order to determine fair values, are based on market-related rates at 30 June 2021 plus an adequate constant credit spread, and range from 2.18% to 10.72% (2020: 1.14% to 10.72%).

Terms and debt repayment schedule

	Currency	2021 Nominal interest rate %	2021 Financial year of maturity	2021 Carrying value R'000	2020 Carrying value R'000
Terms and conditions of outstanding loans were:					
Borrowings of local subsidiaries				**12 321 948**	7 954 648
Bonds	**ZAR**	**5.5 – 9.6**	**2022 – 2025**	**8 421 000**	4 421 000
Cumulative redeemable preference shares	**ZAR**	**4.6 – 4.8**	**2023 – 2024**	**2 080 000**	2 080 000
Other unsecured borrowings	**ZAR**	**3.5 – 10.7**	**2022 – 2027**	**1 345 946**	638 764
Floorplan creditors secured by pledge of inventories and property bonds	**ZAR**	**5.5 – 6.0**	**2022**	**475 002**	814 884
Borrowings of foreign subsidiaries				**6 793 473**	17 359 192
Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements	**GBP**			**–**	9 284
Floorplan creditors secured by pledge of inventories and/or property	**ZAR**	**8.5**	**2022**	**70 394**	63 290
	NAD	**5.5 – 7.5**	**2022**	**48 423**	60 867
Other borrowings	**GBP**	**3.3**	**2022**	**1 185 526**	11 060 019
	EUR	**2.0 – 2.2**	**2023**	**5 488 141**	6 161 407
	USD			**–**	3 336
	NAD		**2022**	**989**	989
Total interest-bearing borrowings				**19 115 421**	25 313 840

The expected maturity dates are not expected to differ from the contractual maturity dates.

10. Cash and cash equivalents and interest bearing borrowings (continued)

10.3 Borrowings (continued)

Undrawn facilities

	2021 R'000	2020 R'000
The Group has the following undrawn facilities at its disposal to further reduce liquidity risk:		
Unsecured bank overdraft facility, reviewed annually	**11 468 237**	14 546 633
Utilised	**1 619 944**	4 322 049
Unutilised	**9 848 293**	10 224 584
Unsecured loan facility with various maturity dates through to 2026 and which may be extended by mutual agreement	**12 718 382**	20 770 295
Utilised	**10 100 602**	19 944 515
Unutilised	**2 617 780**	825 780
Secured loan facilities with various maturity dates through to 2022 and which may be extended by mutual agreement	**3 076 531**	3 115 277
Utilised	**593 819**	948 325
Unutilised	**2 482 712**	2 166 952
Other banking facilities	**3 457 794**	3 318 908
Utilised	**1 775**	25 134
Unutilised	**3 456 019**	3 293 774
Unsecured Domestic Medium-Term Notes Programme	**12 000 000**	9 000 000
Utilised	**8 421 000**	4 421 000
Unutilised	**3 579 000**	4 579 000
Total facilities	**42 720 944**	50 751 113
Utilised	**20 737 140**	29 661 023
Unutilised	**21 983 804**	21 090 090

10. Cash and cash equivalents and interest bearing borrowings (continued)

10.4 Net debt reconciliation

	2021 R'000	2020 R'000
Cash and cash equivalents	**7 438 073**	10 412 475
Borrowings	**(19 115 421)**	(25 313 840)
Bonds	**(8 421 000)**	(4 421 000)
Cumulative redeemable preference shares	**(2 080 000)**	(2 080 000)
Syndicated EURO facility	**(5 488 141)**	(6 151 655)
Syndicated GBP bridge facility	**(1 185 526)**	(11 055 619)
Other borrowings including unsecured, call accounts and asset backed	**(1 346 935)**	(666 525)
Interest-bearing floor plan creditors	**(593 819)**	(939 041)
Overdraft facilities	**(1 619 944)**	(4 322 049)
Net borrowings	**(13 297 292)**	(19 223 414)
Cash and cash equivalents	**7 438 073**	10 412 475
Gross borrowings at fixed interest rates	**(1 639 402)**	(1 774 189)
Gross borrowings at variable interest rates	**(19 095 963)**	(27 861 700)
Net borrowings	**(13 297 292)**	(19 223 414)
Movement in gross borrowings		
Opening balance	**(25 313 840)**	(9 861 712)
Cash outflow	**10 372 402**	16 774 408
Cash inflow	**(5 424 273)**	(19 954 763)
Capitalised interest	**(4 141)**	(5 643)
Net acquisitions	**(2 022)**	(12 365 985)
Foreign exchange adjustment	**1 256 453**	99 855
Closing balance	**(19 115 421)**	(25 313 840)

10.5 Puttable non-controlling interest liabilities

Put options held by non-controlling interests in the Group's subsidiaries entitle the non-controlling interest to sell their interest in the subsidiary to the Group at pre-determined values and on contracted dates. In such cases the Group consolidates the non-controlling interests' share of the equity in the subsidiary and recognises the fair value of the non-controlling interest's put option, being the present value of the estimated future purchase price, as a financial liability in the statement of financial position. In raising this liability, the non-controlling interest is de-recognised and any excess or shortfall is charged or realised directly in retained earnings in the statement of changes in equity.

The unwinding of the present value discount on these liabilities is recorded within finance charges in the income statement using the effective interest rate method. The financial liability is fair valued at the end of each financial year and any changes in the value of the liability as a result of changes in assumptions used to estimate the future purchase price are recorded directly in retained earnings in the statement of changes in equity.

The acquisition of certain subsidiaries in prior years, resulted in put options being agreed with certain of the non-controlling Shareholders. No new put options were entered into during the period.

	2021 R'000	2020 R'000
The affect of granting these put options on the Group's results can be summarised as follows:		
Balance at beginning of the year	**22 002**	82 317
Fair value adjustments recorded directly in retained income	**–**	(1 266)
Unwinding of present value discount recognised in the income statement	**1 922**	1 796
Put options settled	**–**	(57 050)
Dividends paid	**(3 035)**	(3 795)
	20 889	22 002
Discount rate	**7.0%**	7.0%
Expected settlement dates	**1 July 2022**	1 July 2022