

Notes to the consolidated financial statements (continued)

for the year ended 30 June

13. Equity, distributions and group information

13.1. Capital and reserves attributable to shareholders of the Company

Shares in the Company, held by its subsidiaries, The Bidvest Incentive Scheme and The Bidvest Education Trust are classified in the Group's shareholders' interest as treasury shares. These shares are treated as a deduction from the issued and weighted average number of shares. The cost price of the shares is presented as a deduction from total equity. Distributions received on treasury shares are eliminated on consolidation.

	2022 R'000	2021 R'000
Share capital		
Issued share capital	17 014	17 014
Share premium	1 367 796	1 367 796
Reserves	26 303 160	23 473 543
Foreign currency translation reserve	21 376	(166 446)
Hedging reserve	(154 006)	(38 619)
Equity-settled share-based payment reserve	332 121	(326 401)
Retained earnings	26 103 669	24 005 009
Shares held by subsidiary as treasury shares	678 663	679 478
Share capital	(2)	(25)
Share premium	678 665	679 503
Capital and reserves attributable to shareholders of the Company	28 366 633	25 537 831
Reserves comprise		
Company and subsidiaries	26 291 234	23 106 240
Associates	11 926	367 303
	26 303 160	23 473 543
Share capital		
Authorised		
540 000 000 (2021: 540 000 000) ordinary shares of 5 cents each	27 000	27 000
	Number	Number
Issued		
Number of shares in issue	340 274 346	340 274 346
Less: shares held by subsidiary as treasury shares	(386 604)	(386 604)
Balance at beginning of year	(386 604)	(504 837)
Purchase of shares	(997 801)	(605 570)
Sale of shares by subsidiary to staff in terms of share incentive scheme	997 801	723 803
Net shares in issue	339 887 742	339 887 742

17 000 000 (2021: 17 000 000) of the unissued ordinary shares are under the control of the directors until the next annual general meeting.

In order to facilitate the settlement of its equity settled share incentive obligations the Group via its subsidiary, Bidvest Industrial Holdings Proprietary Limited, acquires The Bidvest Group Limited ordinary shares on the open market. In prior periods the share incentive obligations were settled by issuing new ordinary shares.

Foreign currency translation reserve

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations.

Notes to the consolidated financial statements (continued)

for the year ended 30 June

13. Equity, distributions and group information (continued)

13.1. Capital and reserves attributable to shareholders of the Company (continued)

Hedging reserve

The hedging reserve represents the effective portion of gains or losses arising on changes in fair value of hedging instruments entered into as cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the hedging reserve will be reclassified to profit or loss when the hedged transaction takes place. Where the hedged transaction is for the acquisition of non-monetary assets, the relevant hedging reserve will be offset against the acquisition cost.

Equity-settled share-based payment reserve

The equity-settled share-based payment reserve includes the fair value of the share appreciation rights granted and conditional share awards made to staff and executive directors, which have been recognised over the vesting period at fair value with a corresponding expense recognised in the income statement.

13.2. Dividends per share

	2022 cents	2021 cents
Dividend paid to shareholders on 28 March 2022 (2021: Dividend paid to shareholders on 29 March 2021)	380.0	290.0
Dividend paid to shareholders on 3 October 2022 (2021: Dividend paid to shareholders on 4 October 2021)	364.0	310.0
	744.0	600.0
Distributions to shareholders are accounted for once they have been approved by the board of directors.	R'000	R'000
Reconciliation to consolidated cash flow statement		
Dividends paid to shareholders	(2 347 893)	(986 796)
Dividends received by subsidiaries on treasury shares	2 668	1 121
Dividends paid to non-controlling interests	(150 310)	(80 024)
Dividends paid to put-call option holders	(4 553)	(3 035)
Amounts paid	(2 500 088)	(1 068 734)

13.3. Capital management

The board of directors' policy is to maintain a strong capital base so as to maintain investor, supplier and market confidence, whilst 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 minority interests 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 normalised 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.

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, CSP or the SAR Plan (refer note 12.1. *Share-based payments*). The maximum number of shares which can be allocated under the SAR Plan and the CSP 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.

Notes to the consolidated financial statements (continued)

for the year ended 30 June

13. Equity, distributions and group information (continued)

13.4. Commitments

	2022 R'000	2021 R'000
Capital expenditure approved		
Contracted for	525 740	170 003
Not contracted for	418 109	431 109
	943 849	601 112

Capital expenditure amounting to R897 million (2021: R527 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.

During the first half of the year Bidvest Freight committed R500 million to an LPG tank farm and terminal project in Isando Gauteng, as at 30 June 2022 R2 million has been spent. The initial commissioning date is towards the end of 2025, however, the project is reliant on efficient rail service commitment. During the second half of the year Bidvest Freight committed R172 million to refurbish and re-purpose three Butadiene storage tanks to Butane storage tanks at Bidvest Tank Terminals' Richards Bay facility, this project is expected to be completed by 31 March 2023. Bidvest Freight committed a further R550 million to increase the multi-purpose storage tank capacity at the same Richards Bay facility, with completion and commissioning expected in June 2024. R85 million of Bidvest Properties' R318 million commitment to various property investments has been carried over to FY2023, when these projects are expected to be completed.

13.5. Contingent liabilities

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.

13.6. Related parties

Identification of related parties

The Group has a related party relationship with its subsidiaries, associates and joint ventures. Key management personnel has been defined as the executive and non-executive directors of the Company. The definition of key management includes the close members of family of key management personnel and any other entity over which key management exercise control. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with the Group. They may include the individual's domestic partner and children, the children of the individual's domestic partner, and dependents of the individual or the individual's domestic partner.

Transactions with key management personnel

Independent non-executive directors do not participate in the Group's share appreciation rights schemes or conditional share awards.

Details pertaining to executive and non-executive directors' compensations are set out in *note 12.2. Directors' remuneration* in total is included in *note 5.5. Profit before finance charges and associate income*.

The Group encourages its employees to purchase goods and services from Group companies. These transactions are generally conducted on terms no more favourable than those entered into with third parties on an arm's-length basis, although in some cases nominal discounts are granted. Transactions with key management personnel are conducted on similar terms. No abnormal or non-commercial credit terms are allowed, and no impairments were recognised in relation to any transactions with key management personnel during the year, nor have they resulted in any non-performing debts at the year end.

Similar policies are applied to key management personnel at subsidiary level who are not defined as key management personnel at the Group level.

Certain of the directors of the Group are also non-executive directors of other public companies which may transact with the Group. The relevant directors do not believe they have significant influence over the financial or operational policies of those companies. Those companies are thus not regarded as related parties.

Notes to the consolidated financial statements (continued)

for the year ended 30 June

13. Equity, distributions and group information (continued)

13.6. Related parties (continued)

Transactions with key management personnel (continued)

The following transactions were made on terms equivalent to those that prevail in arm's-length transactions between subsidiaries of the Group and key management personnel (as defined above) and/or organisations in which key management personnel have significant influence:

	2022 R'000	2021 R'000
Transactions with associates		
Sales and services provided by the Group	–	969
Purchases	654 406	72 315
Outstanding amounts due to the Group at year end included in advances to associates	56 731	19
Details of effective interest, investments and loans to associates are disclosed in note 8.7. <i>Interest in associates and joint ventures.</i>		
Transactions with partly held subsidiaries		
Sales and services provided by the Group	88 459	91 549

13.7. Subsequent event

Bidvest Services International via The Bidvest Group Australia acquired 100% of the ordinary share capital and voting rights of B.I.C Services Proprietary Limited (BIC), effective 7 July 2022. The acquisition price was AUD163 million and funded from the Group's international bond proceeds raised in September 2021. BIC is a leading provider of niche integrated facilities management services across office, commercial and education sites in Australia. This acquisition is firmly aligned to Bidvest's stated strategic intent of expanding its international presence in facilities management and hygiene services.

13.8. Foreign currency exchange rates

The following exchange rates were used in the conversion of foreign interests and foreign transactions at 30 June:

	2022	2021
Rand/Sterling		
Closing rate	19.86	19.76
Average rate	20.24	20.71
Rand/Euro		
Closing rate	17.09	16.96
Average rate	17.14	18.36
Rand/US Dollar		
Closing rate	16.33	14.31
Average rate	15.22	15.41
Rand/Japanese Yen		
Closing rate	0.120	0.129
Average rate	0.130	0.145