

Notes to the consolidated financial statements (continued)

for the year ended 30 June

3. Overview of group structure

The consolidated financial statements include the financial statements of the Company and its subsidiaries. The reportable segments of the Group have been identified based on the nature of the businesses. This basis is representative of the internal structure for management purposes and as reported to the chief operating decision-maker (CODM), Mpumi Madisa and the executive board.

The CODM has identified the nine reportable operating segments as follows:

Bidvest Automotive

An industry-leader and innovator, known for setting the national standard in technical training with its rapid adoption of online motor retailing and the development of sophisticated systems to drive customer service. It also operates in the vehicle auctioneering sector.

Bidvest Commercial Products

The industrial grouping of companies includes manufacturing and trading businesses in South Africa, representing global brands which include Hitachi Power Tools, Signode (strapping), Unicarriers (forklifts), Rational Ovens, Tajima (embroidery machines), Juki (sewing machines) and Tesa Tapes, while Plumblink supplies a full range of bathroom and plumbing products, and through the Voltex distribution outlets the division is a leading distributor of a vast array of electrical cable and allied products servicing the industrial, mining, contractor, construction, engineering and retail sectors. Consumer products include motor vehicle accessories (Moto Quip), camping and outdoor equipment (Leisure Quip).

Bidvest Financial Services

Comprises Bidvest Bank, the Bidvest Insurance Group (which offers both long and short-term insurance offerings), Master Currency Foreign Exchange, Compendium Insurance Brokers and Bidvest Wealth and Employee Benefits. The segment offers services specialising in fleet management and foreign exchange services, insurance and other financial services for the corporate and business markets.

Bidvest Freight

A leading private sector freight management group in sub-Saharan Africa, drawing on more than 150 years of portside experience, whose primary objective is to handle multiple products across berths and provide capacity to serve current and future demand. Independent businesses focus on terminal operations and support, international clearing and freight forwarding, integrated logistics, supply chain solutions and marine and insurance services. The segment facilitates storage, handling and movement of cargo via ocean freight, air freight, road and rail.

Bidvest Branded Products

Offers a comprehensive suite of services relating to office products, office automation and office furniture, while also meeting all print, packaging, labelling and communication requirements. Offerings include the supply of stationery, paper or printer cartridges, and packaging and data services. The consumer-facing trading and distribution businesses represent local and global brands such as Russell Hobbs, Salton, George Foreman, Maxwell & Williams and prestigious luggage and travel accessories brands such as Cellini amongst others. This segment includes the manufacture, marketing and distribution of a wide range of healthcare products to both the private and public market sectors, through Adcock Ingram.

Bidvest Services South Africa

A diverse services business providing security, laundry, landscaping, food, travel, cargo and aviation, office water and coffee vending services to corporate and small to medium business clients in Southern Africa.

Bidvest Services International

A focused hygiene, cleaning and facilities management business, operating in the United Kingdom, European Union, Southern Africa and from 7 July 2022 in Australia.

Bidvest Properties

Owns, manages and develops property and provides a unique offering of professional property services and consulting on all property-related matters for the Group.

Bidvest Corporate and Investments

Provides treasury, secretarial, corporate finance and governance services for the Group and is responsible for overall management and strategic direction.

All intragroup transactions are in the ordinary course of business and on similar terms to external parties and all intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Restatement of comparatives

The prior year segmental disclosure has been restated. During the current year, Bidvest Services was divided into two separately reportable operating segments, Bidvest Services International and Bidvest Services South Africa, both of which are described above.

Notes to the consolidated financial statements (continued)

for the year ended 30 June

4. Accounting estimates and judgements and the determination of fair values

The board of directors has considered the Group's critical accounting policies, key sources of uncertainty and areas where critical accounting judgements were required in applying the Group's accounting policies.

4.1. Critical accounting policies

The Group Audit committee is satisfied that the critical accounting policies are appropriate to the Group.

4.2. Key sources of uncertainty

The following key sources of uncertainty have been identified:

Goodwill and indefinite life intangible assets

The Group has assessed the carrying value of goodwill and indefinite life intangible assets to determine whether any of the amounts have been impaired. The recoverable values were assessed using the value-in-use method based on actual results and forecasts for future years (refer note 9.4. *Intangible assets* and note 9.5. *Goodwill* for further disclosure).

Trade, other receivables and banking advances

The Group applies the simplified approach to determine the expected credit losses (ECLs) for trade receivables, contract assets, lease and other receivables (collectively, accounts receivable). ECLs for accounts receivable are calculated using a provision matrix (refer note 8.9. *Trade and other receivables*). For banking advances the measurement of ECLs is performed using a three stage model, based on changes in credit quality since initial recognition (refer note 8.3. *Banking advances*).

4.3. Critical accounting judgements in applying the Group's accounting policies

Judgements made in the application of IFRS that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

COVID-19 pandemic

Following a comprehensive business transformation the Group has successfully adapted to the continued lingering effects of the global pandemic, and coupled with the dismantling of social restrictions the board of directors has determined that COVID-19 has not had a material impact on the results presented in the current year.

'000	2022	2021
COVID – 19 non-capital charges	–	182 465
COVID – 19 capital impairments	–	134 693

4.4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment and right-of-use assets

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market values of other assets are based on the quoted market prices for similar items (refer note 8.1. *Property, plant and equipment* and note 8.2. *Right-of-use assets and lease liabilities*).

Intangible assets

The fair value of intangible assets recognised as a result of a business combination is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets (refer note 9.4. *Intangible assets*).

Inventory

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the efforts required to complete and sell the inventory (refer note 8.8. *Inventories*).

Notes to the consolidated financial statements (continued)

for the year ended 30 June

4. Accounting estimates and judgements and the determination of fair values (continued)

4.4. Determination of fair values (continued)

Investments

Fair value of listed investments is calculated by reference to stock exchange quoted selling prices at the close of business on the report date.

Fair value of unlisted investments is determined by using appropriate valuation models (refer note 8.6. *Investments*).

Forward exchange contracts

The fair value of forward exchange contracts is based on their market prices (refer note 8.9. *Trade and other receivables* and note 8.10. *Trade and other payables*).

Borrowings

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date (refer note 10.3. *Borrowings*).

Share-based payments

The fair value of the share options is measured using a modified Black Scholes method.

Measurement inputs include share price at measurement date, award price of the instrument, expected volatility (based on the historic volatility), option life, distribution yield and the risk-free interest rate (based on the ZAR bond static yield curve) (refer note 12.1. *Share-based payments*).

4.5. Impairment of non-financial assets

The carrying value of tangible and intangible assets are reviewed annually to assess whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. Where the carrying value exceeds the estimated recoverable amount, such assets are written down to their recoverable amount.

The recoverable amount of the cash-generating unit or groups of cash-generating units or segments to which goodwill is allocated is estimated annually or more frequently if there is an indicator of impairment. For intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each statement of financial position date.

Impairment losses are recognised in the income statement (net capital items and operating expenses).

Impairment losses recognised in respect of the cash-generating unit or groups of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to groups of cash-generating units and then to reduce the carrying amount of the other assets in the unit on a *pro rata* basis.

Groups of cash-generating units for goodwill impairment testing purposes are not larger than any operating segment. (refer note 9.5. *Goodwill*).

Impairment losses in respect of goodwill are not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. Impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount which would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.6. Financial instruments

A financial instrument is a contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. The Group recognises financial assets and financial liabilities at the date when it becomes a party to the contractual provisions of the instrument.

Trade and other receivables without a significant financing component are initially measured at the transaction price. Other financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.