| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| **33. Commitments** | | |
| Capital expenditure approved | | |
| Contracted for | **1 011 840** | 914 709 |
| Not contracted for | **808 060** | 575 254 |
| | **1 819 900** | 1 489 963 |

Capital expenditure amounting to R1 760 million (2012: R1 368 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 capital expenditure, the Group acquired entire issued share capital of Home of Living Brands Holdings Limited (formerly Amalgamated Appliance Holdings Limited) that it did not already own for a consideration of R532 million with effect from July 1 2013 (refer note 40).

| | | |
|---|---|---|
| **34. Contingent liabilities** | | |
| Guarantees issued in respect of obligations of associates and investments | **166 000** | 56 000 |

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 35 for further disclosure in respect of guarantees.

## 35. Financial instruments

### *35.1 Risk management overview*

The Group has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; interest rate risk; foreign currency 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. The Group has determined that its classes of instruments 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 geography and secondly through decentralisation. Bidvest is an international group with operations in South Africa, United Kingdom, Europe, Asia, Australia, New Zealand, 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 and geographical location, 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 geographies or 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. Operational management reports to divisional management who in turn reports to the Group's board of directors. Divisional management is also held responsible for managing the financial risks of the operations within the divisions. Operational management's remuneration is based on its operation's performance and divisional management based on its 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's 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.

## 35. Financial instruments *(continued)*

### *35.1 Risk management overview (continued)*

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

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. The Group risk manager is authorised to attend the divisional risk committee meetings, and to provide guidance to and coordinate the efforts of these committees in providing the Group adequate risk management.

Each division has its own audit committee, which subscribes to the same Group audit committee philosophies and practices. 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 divisional audit committee.

## 35. Financial instruments *(continued)*

### *35.2 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 account of the value of any collateral obtained. The carrying values, net of impairment allowances, amount to R14 114 million (2012: R11 964 million) for trade receivables (refer note 22), R1 015 million (2012: R717 million) for banking and other advances (refer note 19), and R2 508 million (2012: R1 889 million) for investments (refer note 18).

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 against the financial assets directly.

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 credit worthiness 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. Operational management are also held responsible for monitoring the operations' credit exposure.

#### 35.2.1 Trade receivables

Refer note 22 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. The largest 10 trade debtors based on the turnover derived from these trade debtors was reported by class. On compilation of the information, it was noted that the Group's largest exposure to a single group, across multiple geographies is R576 million.

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 allowance in respect of trade receivables. This is done under the oversight of the divisional audit committees, and ultimately the Group audit committee. The operation's average credit period depends on the type of industry in which it operates as well as the credit worthiness of its 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. At year-end and it was determined that the percentage did not exceed 5,0% (2012: 5,0%) of the total allowance raised.

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| **35. Financial instruments** *(continued)* | | |
| ***35.2 Credit risk*** *(continued)* | | |
| **35.2.1 Trade receivables** *(continued)* | | |
| *Movement in impairment allowance in respect of trade receivables* | | |
| Balance at July 1 | **437 309** | 427 446 |
| Allowance raised during the year | **223 578** | 180 459 |
| Bidvest South Africa | | |
| Automotive | **6 653** | 22 004 |
| Electrical | **27 473** | 1 911 |
| Financial Services | **409** | 5 859 |
| Freight | **13 860** | 6 441 |
| Industrial | **1 286** | 1 417 |
| Office | **3 108** | 3 387 |
| Paperplus | **9 536** | 7 783 |
| Rental and Products | **3 688** | 1 307 |
| Services | **6 329** | 3 576 |
| Travel and Aviation | **13 044** | 5 458 |
| Bidvest Foodservice | | |
| Asia Pacific | **66 452** | 61 782 |
| Europe | **46 760** | 32 322 |
| Southern Africa | **17 143** | 17 828 |
| Bidvest Namibia | **7 504** | 6 791 |
| Bidvest Corporate | **333** | 2 593 |
| Allowance utilised during the year | **(127 799)** | (110 536) |
| Bidvest South Africa | | |
| Automotive | **(6 492)** | (4 345) |
| Electrical | **(14 429)** | (15 272) |
| Financial Services | **(671)** | – |
| Freight | **(2 098)** | (1 972) |
| Industrial | **(737)** | (419) |
| Office | **(3 917)** | (2 838) |
| Paperplus | **(3 951)** | (3 726) |
| Rental and Products | **(3 939)** | (2 589) |
| Services | **(1 057)** | (1 637) |
| Travel and Aviation | **(4 370)** | (707) |
| Bidvest Foodservice | | |
| Asia Pacific | **(37 146)** | (30 741) |
| Europe | **(39 089)** | (34 050) |
| Southern Africa | **(8 346)** | (9 560) |
| Bidvest Namibia | **(1 299)** | (2 290) |
| Bidvest Corporate | **(258)** | (390) |
| Balance carried forward | **533 088** | 497 369 |

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| **35. Financial instruments** *(continued)* | | |
| ***35.2 Credit risk*** *(continued)* | | |
| **35.2.1 Trade receivables** *(continued)* | | |
| Balance brought forward | **533 088** | 497 369 |
| Net acquisition of businesses and inter-class transfers | **6 600** | 23 363 |
| Bidvest South Africa | | |
| Electrical | **–** | 16 117 |
| Freight | **(116)** | (1 204) |
| Paperplus | **(569)** | – |
| Rental and Products | **–** | 1 276 |
| Bidvest Foodservice | | |
| Asia Pacific | **–** | 421 |
| Europe | **7 285** | 5 459 |
| Bidvest Namibia | **–** | 1 294 |
| Impairment written off against trade receivables | **(115 233)** | (110 719) |
| Bidvest South Africa | | |
| Automotive | **(9 875)** | (17 865) |
| Electrical | **(17 398)** | (445) |
| Financial Services | **(24)** | (154) |
| Freight | **(22 662)** | (23 165) |
| Industrial | **442** | (1 303) |
| Office | **(962)** | (2 934) |
| Paperplus | **(4 172)** | (3 422) |
| Rental and Products | **(798)** | (3 551) |
| Services | **(1 831)** | (7 744) |
| Travel and Aviation | **(11 118)** | (4 261) |
| Bidvest Foodservice | | |
| Asia Pacific | **(23 687)** | (31 157) |
| Europe | **(10 474)** | (3 412) |
| Southern Africa | **(5 231)** | (5 360) |
| Bidvest Namibia | **(7 443)** | (5 902) |
| Bidvest Corporate | **–** | (44) |
| Exchange rate adjustments | **39 866** | 27 296 |
| Balance at June 30 | **464 321** | 437 309 |

## 35. Financial instruments *(continued)*

### *35.2 Credit risk (continued)*

#### 35.2.1 Trade receivables *(continued)*

*Ageing of trade receivables at June 30*

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | **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* | **11 498 617** | **(15 120)** | **11 483 497** | 9 852 406 | (30 622) | 9 821 784 |
| Bidvest South Africa | | | | | | |
| Automotive | **172 066** | **(129)** | **171 937** | 252 969 | (6 939) | 246 030 |
| Electrical | **467 668** | **–** | **467 668** | 482 111 | – | 482 111 |
| Financial Services | **33 326** | **(70)** | **33 256** | 48 169 | (17) | 48 152 |
| Freight | **1 372 802** | **(256)** | **1 372 546** | 969 063 | (554) | 968 509 |
| Industrial | **156 312** | **(78)** | **156 234** | 97 826 | (183) | 97 643 |
| Office | **343 557** | **(274)** | **343 283** | 334 065 | – | 334 065 |
| Paperplus | **301 016** | **–** | **301 016** | 324 501 | (7) | 324 494 |
| Rental and Products | **154 558** | **(2)** | **154 556** | 144 360 | (347) | 144 013 |
| Services | **164 310** | **(2 333)** | **161 977** | 151 313 | (371) | 150 942 |
| Travel and Aviation | **278 485** | **(630)** | **277 855** | 266 245 | – | 266 245 |
| Bidvest Foodservice | | | | | | |
| Asia Pacific | **2 823 476** | **(5 571)** | **2 817 905** | 2 429 908 | (8 844) | 2 421 064 |
| Europe | **4 384 737** | **(5 774)** | **4 378 963** | 3 521 624 | (12 203) | 3 509 421 |
| Southern Africa | **566 516** | **–** | **566 516** | 577 244 | – | 577 244 |
| Bidvest Namibia | **229 555** | **(3)** | **229 552** | 208 075 | (1 152) | 206 923 |
| Bidvest Corporate | **50 233** | **–** | **50 233** | 44 933 | (5) | 44 928 |
| *Past due* | | | | | | |
| *0 – 30 days* | **1 976 574** | **(15 999)** | **1 960 575** | 1 560 250 | (28 142) | 1 532 108 |
| Bidvest South Africa | | | | | | |
| Automotive | **176 114** | **(1 414)** | **174 700** | 99 516 | (2 762) | 96 754 |
| Electrical | **210 568** | **–** | **210 568** | 176 115 | (52) | 176 063 |
| Financial Services | **3 382** | **(137)** | **3 245** | 635 | (264) | 371 |
| Freight | **142 301** | **(332)** | **141 969** | 129 608 | (1) | 129 607 |
| Industrial | **18 505** | **(64)** | **18 441** | 21 182 | (33) | 21 149 |
| Office | **101 116** | **(11)** | **101 105** | 107 345 | (89) | 107 256 |
| Paperplus | **102 382** | **–** | **102 382** | 112 554 | (19) | 112 535 |
| Rental and Products | **32 790** | **(59)** | **32 731** | 54 737 | (91) | 54 646 |
| Services | **126 027** | **(619)** | **125 408** | 93 450 | (27) | 93 423 |
| Travel and Aviation | **219 388** | **(1 501)** | **217 887** | 160 606 | (1 662) | 158 944 |
| Bidvest Foodservice | | | | | | |
| Asia Pacific | **393 828** | **(7 944)** | **385 884** | 291 578 | (7 137) | 284 441 |
| Europe | **302 023** | **(3 545)** | **298 478** | 170 106 | (15 396) | 154 710 |
| Southern Africa | **97 516** | **–** | **97 516** | 74 862 | (164) | 74 698 |
| Bidvest Namibia | **31 160** | **(373)** | **30 787** | 37 292 | (445) | 36 847 |
| Bidvest Corporate | **19 474** | **–** | **19 474** | 30 664 | – | 30 664 |
| Balance carried forward | **13 475 191** | **(31 119)** | **13 444 072** | 11 412 656 | (58 764) | 11 353 892 |

## 35. Financial instruments *(continued)*

### *35.2 Credit risk (continued)*

#### 35.2.1 Trade receivables *(continued)*

*Ageing of trade receivables at June 30*

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | **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 |
| Balance brought forward | **13 475 191** | **(31 119)** | **13 444 072** | 11 412 656 | (58 764) | 11 353 892 |
| *31 – 180 days* | **787 396** | **(204 936)** | **582 460** | 702 690 | (186 637) | 516 053 |
| Bidvest South Africa | | | | | | |
| Automotive | **50 003** | **(6 502)** | **43 501** | 34 454 | (10 222) | 24 232 |
| Electrical | **155 458** | **(15 257)** | **140 201** | 139 142 | (18 969) | 120 173 |
| Financial Services | **1 691** | **(171)** | **1 520** | 15 662 | (11 736) | 3 926 |
| Freight | **35 035** | **(4 250)** | **30 785** | 53 759 | (16 060) | 37 699 |
| Industrial | **9 141** | **(1 298)** | **7 843** | 10 249 | (1 555) | 8 694 |
| Office | **48 554** | **(9 272)** | **39 282** | 39 353 | (5 930) | 33 423 |
| Paperplus | **34 322** | **(2 871)** | **31 451** | 23 529 | (5 371) | 18 158 |
| Rental and Products | **21 664** | **(2 184)** | **19 480** | 23 353 | (1 957) | 21 396 |
| Services | **20 517** | **(2 779)** | **17 738** | 20 106 | (2 089) | 18 017 |
| Travel and Aviation | **46 599** | **(20 761)** | **25 838** | 37 427 | (24 898) | 12 529 |
| Bidvest Foodservice | | | | | | |
| Asia Pacific | **125 191** | **(42 658)** | **82 533** | 111 879 | (26 268) | 85 611 |
| Europe | **134 263** | **(62 220)** | **72 043** | 93 139 | (27 181) | 65 958 |
| Southern Africa | **84 032** | **(29 024)** | **55 008** | 69 589 | (29 191) | 40 398 |
| Bidvest Namibia | **14 897** | **(4 739)** | **10 158** | 22 695 | (4 463) | 18 232 |
| Bidvest Corporate | **6 029** | **(950)** | **5 079** | 8 354 | (747) | 7 607 |
| *181 + days* | **315 952** | **(228 266)** | **87 686** | 285 888 | (191 908) | 93 980 |
| Bidvest South Africa | | | | | | |
| Automotive | **11 968** | **(4 246)** | **7 722** | 3 495 | (2 086) | 1 409 |
| Electrical | **60 215** | **(19 874)** | **40 341** | 48 722 | (20 466) | 28 256 |
| Financial Services | **12 630** | **(11 352)** | **1 278** | – | – | – |
| Freight | **21 335** | **(13 259)** | **8 076** | 28 484 | (12 193) | 16 291 |
| Industrial | **8 251** | **(3 073)** | **5 178** | 5 000 | (1 751) | 3 249 |
| Office | **–** | **–** | **–** | 7 230 | (5 309) | 1 921 |
| Paperplus | **5 529** | **(5 529)** | **–** | 2 725 | (2 158) | 567 |
| Rental and Products | **1 392** | **(323)** | **1 069** | 2 959 | (1 208) | 1 751 |
| Services | **9 296** | **(5 672)** | **3 624** | 7 630 | (5 076) | 2 554 |
| Travel and Aviation | **6 059** | **(3 644)** | **2 415** | 2 226 | (2 226) | – |
| Bidvest Foodservice | | | | | | |
| Asia Pacific | **62 744** | **(51 619)** | **11 125** | 54 633 | (46 270) | 8 363 |
| Europe | **76 394** | **(72 551)** | **3 843** | 63 128 | (59 722) | 3 406 |
| Southern Africa | **7 511** | **(6 686)** | **825** | 28 884 | (2 773) | 26 111 |
| Bidvest Namibia | **7 288** | **(5 098)** | **2 190** | 5 390 | (5 390) | – |
| Bidvest Corporate | **25 340** | **(25 340)** | **–** | 25 382 | (25 280) | 102 |
| Total | **14 578 539** | **(464 321)** | **14 114 218** | 12 401 234 | (437 309) | 11 963 925 |

## 35. Financial instruments *(continued)*

### *35.2 Credit risk (continued)*

#### 35.2.1 Trade receivables *(continued)*

*Collateral held on past due amounts*

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | **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 | * | **96 730** | * | 93 444 |
| Bidvest South Africa | | | | |
| Automotive | | **5 350** | | 3 557 |
| Electrical | | **85 923** | | 74 500 |
| Freight | | **3 500** | | 1 367 |
| Office | | **1 957** | | 11 464 |
| Bidvest Foodservice | | | | |
| Southern Africa | | **–** | | 2 556 |
| Cover by credit insurance | **377 757** | **374 822** | 373 544 | 377 784 |
| Bidvest South Africa | | | | |
| Electrical | **232 258** | **229 665** | 215 190 | 215 190 |
| Freight | **11 765** | **11 765** | 58 569 | 58 569 |
| Industrial | **5 405** | **5 265** | 11 694 | 11 694 |
| Bidvest Foodservice | | | | |
| Asia Pacific | **70 124** | **67 457** | 32 582 | 32 582 |
| Europe | **51 746** | **54 211** | 44 379 | 48 619 |
| Southern Africa | **6 444** | **6 444** | 3 126 | 3 126 |
| Bidvest Namibia | **15** | **15** | 8 004 | 8 004 |
| Pledge of assets | **172** | **172** | 3 794 | 3 794 |
| Bidvest South Africa | | | | |
| Automotive | **172** | **172** | 211 | 211 |
| Office | **–** | **–** | 2 | 2 |
| Travel and Aviation | **–** | **–** | 3 581 | 3 581 |
| Other | **13 469** | **13 469** | 34 181 | 34 181 |
| Bidvest South Africa | | | | |
| Automotive | **–** | **–** | 2 375 | 2 375 |
| Electrical | **4 894** | **4 894** | – | – |
| Industrial | **8 575** | **8 575** | 31 806 | 31 806 |
| Total | **391 398** | **485 193** | 411 519 | 509 203 |

**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.

## 35. Financial instruments *(continued)*

### *35.2 Credit risk (continued)*

#### 35.2.2 Banking and other advances

Refer note 19 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 balance sheet date. The specific and portfolio impairments made during the year are charged to the income statement.

*Movement in impairment allowance in respect of banking and other advances*

| | **2013 R'000** | 2012 R'000 |
|---|---|---|
| *Financial Services* | | |
| Balance at July 1 | **30 199** | 29 177 |
| Allowance raised during the year | **11 566** | 7 111 |
| Allowance utilised during the year | **(781)** | (6 089) |
| Impairment written off against banking and other advances | **(17 241)** | – |
| Balance at June 30 | **23 743** | 30 199 |

*Ageing of banking and other advances at June 30*

| | **2013** | | | 2012 | | |
|---|---|---|---|---|---|---|
| | **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 |
| Not past due | **1 037 418** | **(23 523)** | **1 013 895** | 747 494 | (30 199) | 717 295 |
| Past due | **1 035** | **(220)** | **815** | 1 324 | – | 1 324 |
| 0 – 30 days | **815** | **–** | **815** | 1 154 | – | 1 154 |
| 31 – 180 days | **194** | **(194)** | **–** | 170 | – | 170 |
| 181 + days | **26** | **(26)** | **–** | – | – | – |
| Total | **1 038 453** | **(23 743)** | **1 014 710** | 748 818 | (30 199) | 718 619 |

## 35. Financial instruments *(continued)*

### *35.2 Credit risk (continued)*

#### 35.2.2 Banking and other advances *(continued)*

*Collateral held on past due amounts*

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | **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 | **815** | **815** | 1 324 | 1 324 |

#### 35.2.3 Investments

Refer note 18 for further disclosure.

The classes for investments are listed as held-for-trading, unlisted held-for-trading, listed available-for-sale and unlisted available-for-sale. Refer note 18 for the carrying amounts for each of these categories.

There were no impairment losses recognised in respect of investments (2012: Nil).

#### 35.2.4 Guarantees

Over and above the guarantees issued to subsidiaries of the Group, the Group has provided guarantees for fixed amounts in respect of obligations to associates and investments as disclosed in note 34.

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

| | **2013 R'000** | 2012 R'000 |
|---|---|---|
| Guarantees issued in respect of obligations of associates | **166 000** | 56 000 |

### *35.3 Liquidity risk*

Liquidity risk is the risk that 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 continental Europe and Asia Pacific. The divisions within each region are therefore not responsible for the management of liquidity risk but rather senior management for each of these regions is responsible for implementing procedures to manage the regional liquidity risk.

## 35. Financial instruments *(continued)*

### *35.3 Liquidity risk (continued)*

35.3.1 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 |
| **2013** | | | | | | | |
| Total borrowings (refer note 27) | | | | | | | |
| Loans secured by mortgage bonds over fixed property | **29 494** | **29 494** | **1 625** | **1 625** | **3 317** | **11 109** | **11 818** |
| Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements | **99 221** | **104 136** | **10 824** | **9 251** | **23 775** | **29 400** | **30 886** |
| Unsecured loans | **10 813 980** | **11 657 140** | **3 418 129** | **1 330 404** | **3 127 916** | **3 510 227** | **270 464** |
| Floorplan creditors secured by pledge of inventories | **696 832** | **696 832** | **696 832** | **–** | **–** | **–** | **–** |
| Bank overdrafts | **1 360 404** | **1 360 404** | **–** | **1 360 404** | **–** | **–** | **–** |
| | **12 999 931** | **13 848 006** | **4 127 410** | **2 701 684** | **3 155 008** | **3 550 736** | **313 168** |
| Trade and other payables (refer note 31) | | | | | | | |
| Trade and other payables (excluding forward exchange contracts) | **21 849 958** | **21 849 958** | **21 841 275** | **8 174** | **92** | **417** | **–** |
| Banking liabilities (refer note 30) | | | | | | | |
| Call deposits | **1 254 372** | **1 356 729** | **1 356 729** | **–** | **–** | **–** | **–** |
| Fixed and notice deposits | **769 864** | **782 940** | **727 197** | **55 743** | **–** | **–** | **–** |
| | **2 024 236** | **2 139 669** | **2 083 926** | **55 743** | **–** | **–** | **–** |
| **2012** | | | | | | | |
| Total borrowings (refer note 27) | | | | | | | |
| Loans secured by mortgage bonds over fixed property | 20 289 | 35 825 | 957 | 959 | 1 759 | 5 935 | 26 215 |
| Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements | 120 718 | 121 972 | 23 479 | 14 111 | 21 459 | 55 320 | 7 603 |
| Unsecured loans | 7 649 502 | 8 120 157 | 3 591 356 | 391 012 | 2 731 760 | 1 116 218 | 289 811 |
| Floorplan creditors secured by pledge of inventories | 440 383 | 440 383 | 440 383 | – | – | – | – |
| Bank overdrafts | 1 255 848 | 1 255 848 | – | 1 255 848 | – | – | – |
| | 9 486 740 | 9 974 185 | 4 056 175 | 1 661 930 | 2 754 978 | 1 177 473 | 323 629 |
| Trade and other payables (refer note 31) | | | | | | | |
| Trade and other payables (excluding forward exchange contracts) | 19 994 404 | 19 994 404 | 19 988 784 | 5 620 | – | – | – |
| Banking liabilities (refer note 29) | | | | | | | |
| Call deposits | 970 255 | 1 069 110 | 1 069 110 | – | – | – | – |
| Fixed and notice deposits | 711 424 | 724 074 | 697 201 | 26 873 | – | – | – |
| | 1 681 679 | 1 793 184 | 1 766 311 | 26 873 | – | – | – |

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.

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| **35. Financial instruments** *(continued)* | | |
| ***35.3 Liquidity risk*** *(continued)* | | |
| **35.3.2 Trade and other payables by class** | | |
| Trade payables | | |
| Bidvest South Africa | | |
| Automotive | **552 950** | 610 806 |
| Electrical | **595 392** | 652 365 |
| Financial Services | **102 040** | 138 869 |
| Freight | **2 295 158** | 1 948 337 |
| Industrial | **149 611** | 179 621 |
| Office | **425 614** | 375 071 |
| Paperplus | **309 461** | 285 375 |
| Rental and Products | **128 997** | 127 174 |
| Services | **62 125** | 53 385 |
| Travel and Aviation | **420 105** | 371 681 |
| Bidvest Foodservice | | |
| Asia Pacific | **3 220 832** | 2 817 070 |
| Europe | **6 682 217** | 5 297 849 |
| Southern Africa | **572 057** | 532 061 |
| Bidvest Namibia | **322 194** | 265 708 |
| Bidvest Corporate | **72 476** | 60 156 |
| | **15 911 229** | 13 715 528 |
| Refer note 31 for further disclosure. | | |
| **35.3.3 Undrawn facilities** | | |
| The Group has the following undrawn facilities at its disposal to further reduce liquidity risk: | | |
| Unsecured bank overdraft facility, reviewed annually and payable on 364 days' notice | **11 044 372** | 10 701 311 |
| Utilised | **1 360 404** | 406 495 |
| Unutilised | **9 683 968** | 10 294 816 |
| Secured bank overdraft facility, reviewed annually and payable on call | **64 358** | – |
| Utilised | **–** | – |
| Unutilised | **64 358** | – |
| Unsecured loan facility with various maturity dates through to 2016 and which may be extended by mutual agreement | **8 503 229** | 6 629 506 |
| Utilised | **5 603 663** | 3 567 760 |
| Unutilised | **2 899 566** | 3 061 746 |
| Secured loan facilities with various maturity dates through to 2013 and which may be extended by mutual agreement | **2 594 350** | 2 064 299 |
| Utilised | **904 451** | 1 116 173 |
| Unutilised | **1 689 899** | 948 126 |
| Other banking facilities | **2 451 136** | 2 301 084 |
| Utilised | **303 368** | 586 021 |
| Unutilised | **2 147 768** | 1 715 063 |
| Unsecured Domestic Medium Term Notes Programme | **9 000 000** | 4 500 000 |
| Utilised | **5 059 840** | 3 955 842 |
| Unutilised | **3 940 160** | 544 158 |
| Total facilities | **33 657 445** | 26 196 200 |
| Utilised | **13 231 726** | 9 632 291 |
| Unutilised | **20 425 719** | 16 563 909 |

## 35. Financial instruments *(continued)*

### *35.4 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.

#### 35.4.1 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 division's 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 19), banking liabilities (refer note 29) and investments (refer note 18) 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 entity's 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 operation's 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.

## 35. Financial instruments *(continued)*

### *35.4 Market risk (continued)*

#### 35.4.1 Currency risk *(continued)*

| | Settlement | Contract value Foreign amount 000's | Contract value Rand amount 000's |
|---|---|---|---|
| **2013** | | | |
| In respect of forward exchange contracts relating to foreign liabilities as at June 30 2013 | | | |
| Japanese yen | July 2013 to October 2013 | **(2 646 631)** | **(258 696)** |
| US dollar | July 2013 to February 2014 | **(32 314)** | **(316 890)** |
| Euro | July 2013 to September 2013 | **(13 749)** | **(176 727)** |
| Sterling | July 2013 to October 2013 | **(388)** | **(5 904)** |
| HKD | August 2013 | **(2 069)** | **(2 623)** |
| AUD | August 2013 to December 2013 | **(878)** | **(8 030)** |
| Other | July 2013 to August 2013 | **(769)** | **(2 622)** |
| | | | **(771 492)** |
| In respect of forward exchange contracts relating to foreign assets as at June 30 2013 | | | |
| US dollar | July 2013 to September 2013 | **4 309** | **40 539** |
| Euro | July 2013 | **23** | **305** |
| | | | **40 844** |
| In respect of forward exchange contracts relating to goods and services ordered not accounted for as at June 30 2013 | | | |
| Japanese yen | July 2013 to October 2013 | **(48 806)** | **(4 813)** |
| US dollar | July 2013 to July 2014 | **(37 649)** | **(366 545)** |
| Euro | July 2013 to December 2013 | **(3 392)** | **(43 486)** |
| Sterling | August 2013 | **(30)** | **(478)** |
| Norwegian krone | November 2013 | **(5 400)** | **(8 718)** |
| AUD | July 2013 to December 2013 | **(975)** | **(8 929)** |
| Other | July 2013 | **(42)** | **(398)** |
| | | | **(433 367)** |

## 35. Financial instruments *(continued)*

### *35.4 Market risk (continued)*

#### 35.4.1 Currency risk *(continued)*

| | Settlement | Contract value Foreign amount 000's | Rand amount 000's |
|---|---|---|---|
| **2012** | | | |
| In respect of forward exchange contracts relating to foreign liabilities as at June 30 2012 | | | |
| Japanese yen | July 2012 to October 2012 | (1 944 122) | (193 843) |
| US dollar | July 2012 to October 2012 | (37 573) | (310 111) |
| Euro | July 2012 to November 2012 | (9 105) | (96 826) |
| Sterling | July 2012 to September 2012 | (346) | (4 514) |
| AUD | July 2012 to September 2012 | (1 132) | (10 016) |
| Other | July 2012 to October 2012 | (1 400) | (2 782) |
| | | | (618 092) |
| In respect of forward exchange contracts relating to foreign assets as at June 30 2012 | | | |
| US dollar | July 2012 to September 2012 | 231 | 1 989 |
| In respect of forward exchange contracts relating to goods and services ordered not accounted for as at June 30 2012 | | | |
| Japanese yen | July 2012 to August 2012 | (62 404) | (6 546) |
| US dollar | July 2012 to July 2014 | (90 563) | (742 450) |
| Euro | July 2012 to December 2012 | (4 001) | (42 868) |
| Sterling | July 2012 to August 2012 | (71) | (917) |
| Norwegian krone | | – | – |
| AUD | July 2012 to March 2013 | (5 543) | (46 715) |
| Other | July 2012 | (586) | (161) |
| | | | (839 657) |

The total value of trade receivables and trade payables which payment terms are fixed in a foreign currency other than its operational currency are R701,1 million (2012: R496,1 million) and R1 406,9 million (2012: R1 141,3 million), respectively.

## 35. Financial instruments *(continued)*

### *35.4 Market risk (continued)*

#### 35.4.2 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:*

| | **2013 R'000** | 2012 R'000 |
|---|---|---|
| Fixed rate instruments | | |
| Financial assets | | |
| Available-for-sale listed bonds | **76 312** | 80 292 |
| Held-for-trading listed bonds | **117 735** | 42 760 |
| Banking and other advances | **160 016** | 205 718 |
| Derivative instruments in designated hedge accounting relationships | **57 646** | – |
| Financial liabilities | | |
| Borrowings | **(6 303 391)** | (4 854 630) |
| Banking liabilities | **(94 268)** | (63 294) |
| Variable rate instruments | | |
| Financial assets | | |
| Cash and cash equivalents | **8 452 559** | 5 871 305 |
| Banking and other advances | **878 437** | 543 100 |
| Financial liabilities | | |
| Borrowings | **(5 336 136)** | (3 376 262) |
| Banking liabilities | **(1 929 968)** | (1 618 385) |
| Overdrafts | **(1 360 404)** | (1 255 848) |

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.

Group borrowings have been categorised by geographical location and the percentage change used for each category has been selected based on what could reasonably be expected as a change in interest rates within that region based on historical movements in interest rates within that particular region. 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 2012. A decrease in interest rates would have an equal and opposite effect on profit after taxation as detailed below.

| | **2013** | | 2012 | |
|---|---|---|---|---|
| | **Increase in interest rates %** | **Decrease in profit after taxation R'000** | Increase in interest rates % | Decrease in profit after taxation R'000 |
| Southern Africa | **0,50** | **13 519** | 0,50 | 13 166 |
| United Kingdom and continental Europe | **0,25** | **26 194** | 0,25 | 21 138 |
| Asia Pacific | **0,25** | **7 511** | 0,25 | 8 508 |
| | | **47 224** | | 42 812 |

## 35. Financial instruments *(continued)*

### *35.4 Market risk (continued)*

#### 35.4.2 Interest rate risk *(continued)*

*Interest rate swap contracts*

The Group has entered into interest rate swap contracts, in order to fix the interest rates on the R1 425 million, five-year, variable rate corporate bonds issued in November 2012 (refer note 27). The variable rate of three-monthly JIBAR plus 1,3% has been fixed at an average fixed rate of 7,15% per annum. The swap contract matches the duration of the bond and expires in November 2017. The difference between 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 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 R58 million.

#### 35.4.3 Market price risk

Equity price risk arises from investments classified as held-for-trading and available-for-sale (refer note 18). 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 which 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 R478 million (2012: R419 million) and R227 million (2012: R199 million) respectively, for the purpose of being utilised to cover liabilities arising under the life assurance fund. 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.

### *35.5 Fair values*

The carrying amounts of all financial assets and liabilities approximate their fair values with the exception of borrowings and trade receivables (which have been accounted for at amortised cost and certain investments for which fair value cannot be determined). The fair value of borrowings, together with the carrying amounts shown in the balance sheet, classified by class (being geographical location), are as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | **Carrying amount R'000** | **Fair value R'000** | Carrying amount R'000 | Fair value R'000 |
| Borrowings (refer note 27) | | | | |
| Southern Africa | **7 812 053** | **7 811 861** | 6 348 681 | 6 345 687 |
| Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements | **390** | **421** | 3 252 | 3 213 |
| Unsecured loans | **5 754 427** | **5 754 204** | 4 686 964 | 4 684 009 |
| Floorplan creditors secured by a pledge of inventories | **696 832** | **696 832** | 440 383 | 440 383 |
| Bank overdrafts | **1 360 404** | **1 360 404** | 1 218 082 | 1 218 082 |
| Europe | **3 460 895** | **3 460 895** | 1 572 061 | 1 572 061 |
| Loans secured by mortgage bonds over fixed property | **29 494** | **29 494** | 20 288 | 20 288 |
| Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements | **98 831** | **98 831** | 503 | 503 |
| Unsecured loans | **3 332 570** | **3 332 570** | 1 513 504 | 1 513 504 |
| Bank overdrafts | **–** | **–** | 37 766 | 37 766 |
| Asia Pacific | **1 726 983** | **1 726 983** | 1 565 998 | 1 565 998 |
| Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements | **–** | **–** | 116 962 | 116 962 |
| Unsecured loans | **1 726 983** | **1 726 983** | 1 449 036 | 1 449 036 |
| | **12 999 931** | **12 999 739** | 9 486 740 | 9 483 746 |
| Unrecognised gain | **192** | | 2 994 | |

The methods used to estimate the fair values of financial instruments are discussed in note 39.

The interest rates used to discount cash flows, in order to determine fair values, are based on market related rates at June 30 2013 plus an adequate constant credit spread, and range from 1,0% to 17,4% (2012: 1,1% to 11,3%).