

Notes to the consolidated financial statements

for the year ended June 30

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the statement of profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the statement of profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

The recoverable amount of the group's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (the effective interest rate is computed on initial recognition of these financial assets). Receivables with a short duration are not discounted. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

In respect of trade receivables, receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The recoverable amount of other assets is the greater of their fair value less costs to sell and their value-in-use. In assessing their value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the statement of profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in the statement of profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an impairment allowance account. When a trade receivable is considered uncollectible, it is written off against the impairment allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the impairment allowance account are recognised in the statement of profit or loss.

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 that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.16 Taxation

Income taxation comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current taxation comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted or substantially enacted at the reporting date, and any adjustment of tax payable for previous years.



Deferred taxation is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the statement of financial position date. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred taxation is charged to the statement of profit or loss except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition. The effects on deferred taxation of any changes in tax rates is recognised in the statement of profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred taxation asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.17 Associates

An associate is a company over which the group has significant influence, but not control. Significant influence is the power to participate in the financial and operating policy decisions of a company but is not control over those policies.

The equity method of accounting for associates is adopted in the group financial statements. In applying the equity method, account is taken of the group's share of accumulated retained earnings and movements in reserves from the effective dates on which the companies became associates and up to the effective dates of disposal. In the event of associates making losses, the group recognises the losses to the extent of the group's exposure. The group carries its investment in associates at cost less any accumulated impairment losses.

1.18 Foreign operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into South African rand at rates of exchange ruling at the reporting date. Income, expenditure and cash flow items are translated into South African rand at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in equity as a foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to the statement of profit or loss.

Foreign exchange differences arising on translation are recognised directly in a separate component of equity.

Acquisitions and disposals of foreign operations are accounted for at the exchange rate ruling on the date of the transaction.

1.19 Financial instruments

Financial instruments are recognised when the group or company becomes party to the contractual provisions of the arrangement.

Financial instruments are initially measured at fair value plus, for instruments not carried at fair value through profit or loss, any directly attributable transaction costs.

An instrument is classified as at fair value through profit or loss if it is held-for-trading, is a derivative or is designated as such upon initial recognition.

A financial asset is classified as held-for-trading if it has been acquired principally for the purpose of selling in the near future or it has been part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-making.

Financial instruments at fair value through profit or loss are measured at fair value, with any resultant gain or loss being recognised in the statement of profit or loss. The gain or loss recognised in the statement of profit or loss excludes the interest and dividends earned on the financial asset, which are separately disclosed as such in the statement of profit or loss. Held-for-trading financial instruments are measured at amortised cost if the fair value cannot be determined.

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Financial instruments classified as available-for-sale financial assets are carried at fair value with any resultant gain or loss, other than impairment losses and foreign exchange gains and losses on monetary items, being recognised directly in equity. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest bearing, interest calculated using the effective interest rate method is recognised in profit or loss.

Listed and unlisted investments are classified as investments at fair value through profit or loss or available-for-sale financial assets. Fair value of listed investments is calculated by reference to stock exchange quoted selling prices at the close of business on the reporting date. Fair value of unlisted investments is determined by using appropriate valuation models.

Trade and other receivables originated by the group or company are stated at amortised cost less an allowance for impairment losses.

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at reporting date.

Financial liabilities other than derivatives are recognised at amortised cost using the effective interest rate method.

Derivative instruments are measured at fair value through profit or loss.

Where a derivative financial instrument is used to economically hedge the foreign exchange exposure of a recognised financial asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in profit or loss. It is the policy of the group not to trade in derivative financial instruments for speculative purposes.

Gains and losses arising from measuring the hedging instruments relating to a fair value hedge at fair value are recognised in the statement of profit or loss. The hedged item is also stated at fair value in respect of the risk being hedged, with any gains or losses recognised in profit or loss.

Where a derivative is designated as a cash flow hedge, the effective part of the gains or losses from remeasuring the hedging instruments to fair value are initially recognised directly in other comprehensive income. If the hedged firm commitment or forecast transaction results in the recognition of a non-financial asset or liability, the cumulative amount recognised in equity up to the transaction date is adjusted against the initial measurement of the non-financial asset or liability. The ineffective part of any gain or loss is recognised in the statement of profit or loss immediately. For other cash flow hedges, the cumulative amount recognised in equity is included in net profit or loss in the period when the commitment or forecast transaction affects profit or loss.

Where the hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative unrealised gain or loss at that point remains in equity and is recognised in accordance with the aforementioned policy when the transaction occurs. If the hedged transaction is no longer expected to occur, the cumulative unrealised gain or loss is recognised in the statement of profit or loss immediately.

A financial asset is derecognised (or, where applicable, a part of a financial asset or a part of a group of similar financial assets is derecognised) if the group's contractual rights to the cash flows from the financial asset expire or if the group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset.

Where the group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit and loss.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial instruments have been grouped into classes for the purpose of financial instrument risk disclosure. The classes are the segments as disclosed in the segmental report as the operations within each segment have similar types of risks.

1.20 Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Estimated net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of raw materials is determined on either the first-in first-out or average cost basis. The cost of manufactured inventory and work-in-progress includes materials and parts, direct labour, other direct costs and includes an appropriate portion of overheads, but excludes interest expense.

1.21 Foreign currencies

Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction date. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the reporting date. Translation differences are generally recognised in the statement of profit or loss.

Non-monetary assets and liabilities are measured based on historical cost in a foreign currency are translated at an exchange rate at the date of the transaction.

1.22 Share-based payments

The Bidcorp Incentive Scheme ("BIS") grants options or conditional share plan awards (CSPs) to acquire shares in the holding company, Bidcorp, to executive directors, management and staff. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options is measured using a binomial model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where staff are unable to meet the scheme's employment requirements. Participants of the BIS who were granted options and who had not exercised their options at the unbundling date, exchanged existing Bidvest Group Limited options for a replacement right over one Bidcorp share and one Bidvest share. The original option prices were not adjusted.

In terms of the conditional share plan scheme, a conditional right to a share in Bidcorp is awarded to executive directors subject to performance and vesting conditions. The fair value of services received in return for the CSPs has been determined by multiplying the number of conditional share awards expected to vest, by the share price at the date of the award less discounted by anticipated future cash outflows.

1.23 Employee benefits

Leave benefits due to employees are recognised as a liability in the financial statements.

The group's liability for post-retirement benefits, accruing to past and current employees in terms of defined benefit schemes, is actuarially calculated. Where the plan is funded, the obligation is reduced by the fair value of the plan assets. Unfunded obligations are recognised as a liability in the financial statements.

The projected unit credit method is used to determine the present value of the defined benefit obligations and the related current service cost and, where applicable, past service cost.

Actuarial gains or losses in respect of defined benefit plans are recognised in other comprehensive income.

However, when the actuarial calculation results in a benefit to the group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Past service costs are recognised in the statement of profit or loss in the period of a plan amendment.

Liabilities for employee benefits which are not expected to be settled within 12 months are discounted using the market yields at the statement of financial position date on high-quality bonds with terms that most closely match the terms of maturity of the related liabilities.

Contributions to defined contribution pension plans are recognised as an expense in the statement of profit or loss as incurred.

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1.24 Provisions

Provisions are recognised when the group has a legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the group has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

A provision for dismantling and site restoration is calculated as the present value of the estimated cost of dismantling and removing items and restoring the site in which they are located when the legal or constructive obligation arises or when the damage to the site occurs.

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net costs of continuing the contract. Before a provision is established, the group recognises any impairment loss on the assets associated with that contract.

Customer loyalty points are accounted for at fair value of the consideration received or receivable in respect of the initial sale, and are allocated between the loyalty points and the other components of the sale. The consideration allocated to the customer loyalty points is measured by reference to their fair value, which is the amount for which the loyalty points could be sold at, multiplied by the probability of their redemption. This amount is recognised as a provision until such time as the customer loyalty points are redeemed. Once the loyalty points are redeemed, the amount will be recognised as revenue.

1.25 Stated capital and treasury shares

No par value ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new no par value ordinary shares are deducted against the stated capital account.

Shares in the company, held by its subsidiary, are classified as 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 treasury shares is presented as a deduction from total equity. Distributions received on treasury shares are eliminated on consolidation.

1.26 Vendors for acquisition

Vendors for acquisition are recognised when the group or company becomes party to acquisition contractual arrangements in the form of earn-out targets. They are measured at fair value through profit or loss, with the resultant gain or loss being recognised in the statement of profit or loss. The gain or loss in the statement of profit or loss excludes interest.

1.27 Segmental reporting

The reportable segments of the group have been identified based on the geographies of the businesses. This basis is representative of the internal structure for management purposes.

"Segmental operating profit" includes revenue and expenses directly relating to a business segment but excludes net finance charges and taxation, which cannot be allocated to any specific segment.

"Segmental trading profit" is defined as operating profit excluding items of a capital nature and is the basis on which management's performance is assessed. Share-based payment costs are also excluded from the result as this is not a criteria used in the management of the reportable segments.

Segment operating assets and liabilities include property, plant and equipment, investments, inventories, trade and other receivables, trade and other payables, and post-retirement obligations but excludes cash, borrowings, current taxation, and deferred taxation.

Certain segments were reclassified during the year. The comparative year's segmental information has been represented to reflect these insignificant changes.
