Notes to the consolidated financial statements

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		2016 R'000	2015 R'000
30.	**COMMITMENTS**		
	Capital expenditure approved:		
	Contracted for	**568 683**	407 181
	Not contracted for	**939 434**	989 645
		1 508 117	1 396 826

Capital expenditure amounting to R1 459 million (2015: R1 312 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.

31. CONTINGENT LIABILITIES

The group has outstanding legal and other claims arising out of its normal ongoing operating activities. None of these claims are significant.

32. FINANCIAL INSTRUMENTS

32.1 Risk management overview

The group has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk, including interest rate risk, currency risk and equity 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 which the group has determined 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 geography and secondly through decentralisation of the business model. Bidcorp is an international group with operations in the United Kingdom, Europe, Asia, Australia, New Zealand, South America, Middle East and various southern African countries.

Bidcorp's philosophy has always been to empower management through a decentralised structure thereby making operational management responsible and accountable for the performance of its operations, including managing the financial risks of the operation. The operational management report to divisional management who in turn report to the Bidcorp board of directors. The divisional management is also held responsible for managing financial risks of the operations within its 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 audit and 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 stakeholders.

The overall process of risk management in Bidcorp, which includes the related system of control, is the responsibility of the Bidcorp board of directors. The audit and risk committee is governed by a charter and reports regularly to the board of directors on its activities.

32. FINANCIAL INSTRUMENTS *(continued)*

32.1 Risk management overview *(continued)*

The primary purposes of the Bidcorp Group audit and risk committee in respect of risk are:

- to establish and maintain a common understanding of the risk universe (framework), which needs to be addressed in order to meet Bidcorp's 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 Bidcorp board of directors on the risk management work undertaken and the extent of any action taken by management to address areas identified for improvement; and
- to report to the Bidcorp board of directors on the company's process for monitoring compliance with laws and regulations.

Bidcorp has, due to the diversity of its operations in terms of geographical spread, determined that is better to have an in-house strategy for risk management, as opposed to adopting a recognised strategy and forcing its operations to adapt to the constraints of the strategy selected. Bidcorp has determined that utilising a common framework for the identification of risk assists the divisions to reduce the implementation time and cost, and give some assurance that all inherent identified 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. Bidcorp aims to develop a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

Each division has an audit and risk committee, which subscribes to the same philosophies and practices as the group audit and risk committee. The divisional audit committees report to the group audit and risk committee. The divisional audit committees oversee how divisional and operational 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 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 regularly reported to the relevant divisional audit committee.

32.2 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, cash and cash equivalents and investments.

The board has implemented a "delegation of authority matrix" which provides guidelines to the divisions as to the level of authorisation required for various types of transactions.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses amounting to R20 205 million (2015: R15 238 million), represents the group's maximum exposure to credit risk after taking into account the value of any collateral obtained.

This includes carrying values, net of impairment allowances, of R13 945 million (2015: R11 246 million) for trade receivables (refer to note 20), R5 506 million (2015: R3 632 million) for cash and cash equivalents and R754 million (2015: R360 million) for investments (refer to note 18).

The impairment allowance account in respect of trade receivables is 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 directly against the respective assets.

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.

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32. FINANCIAL INSTRUMENTS *(continued)*

32.2 Credit risk *(continued)*

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 creditworthiness 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. Certain operations in the group have a policy of taking out credit insurance to cover a portion of their risk. Operational management is held responsible for monitoring the operations' credit exposure.

32.2.1 Trade receivables

Refer to note 20 for further disclosure.

Trade receivables consist of a large number of customers spread across diverse markets and geographical areas. Ongoing credit evaluation is performed by the operational management on the financial condition of the operations' customers.

The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. It was noted that the group's largest exposure to a single customer group, across multiple geographies is R556 million (2015: R494 million). Management, in the various geographies, has assessed the recoverability of these amounts due in its geographies, and believes that the amounts due and not impaired are recoverable in full.

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.

As a function of the decentralised structure, 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.

The review of the impairment allowances in respect of trade and other receivables is monitored under the oversight of the divisional audit committees, and ultimately the group audit and risk committee. The operations' average credit periods depend on the local trends as well as the creditworthiness of their 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. It was determined that such percentage did not exceed 2,3% (2015: 2,6%) of the total allowance raised at year-end.

	2016 R'000	2015 R'000
32. FINANCIAL INSTRUMENTS *(continued)*		
32.2 Credit risk *(continued)*		
32.2.1 Trade receivables *(continued)*		
Movement in impairment allowance in respect of trade receivables		
Balance at July 1	**377 288**	277 614
Allowances raised during the year	**256 832**	251 032
Foodservice		
Australasia	**33 650**	35 437
United Kingdom	**18 070**	25 186
Europe	**147 440**	144 501
Emerging Markets	**57 672**	45 908
Bad debts written off during the year	**(150 467)**	(134 868)
Foodservice		
Australasia	**(28 750)**	(22 788)
United Kingdom	**(19 236)**	(29 480)
Europe	**(80 616)**	(60 742)
Emerging Markets	**(21 865)**	(21 858)
Acquisition of businesses	**2 243**	58 810
Foodservice		
United Kingdom	**2 243**	–
Europe	**–**	58 810
Transfer as a result of unbundling		
Foodservice		
Emerging Markets	**39 698**	–
On disposal of business	**(403)**	–
Foodservice		
Emerging Markets	**(383)**	–
Bidvest Services	**(20)**	–
Allowances reversed during the year	**(47 835)**	(70 171)
Foodservice		
Australasia	**–**	(1 226)
United Kingdom	**(3 846)**	(26 214)
Europe	**(3 462)**	(42 731)
Emerging Markets	**(40 527)**	–
Exchange rate adjustments	**71 175**	(5 129)
Balance at June 30	**548 531**	377 288

Notes to the consolidated financial statements

for the year ended June 30

32. FINANCIAL INSTRUMENTS *(continued)*

32.2 Credit risk *(continued)*

32.2.1 Trade receivables *(continued)*

Ageing of trade receivables at June 30

	2016			2015		
	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	**12 441 211**	**(25 585)**	**12 415 626**	10 089 532	(33 676)	10 055 856
Bidvest Services	**–**	**–**	**–**	1 775	–	1 775
Foodservice						
Australasia	**2 384 621**	**(9 526)**	**2 375 095**	2 018 626	(15 682)	2 002 944
United Kingdom	**4 406 945**	**–**	**4 406 945**	4 194 622	–	4 194 622
Europe	**3 531 335**	**(6 557)**	**3 524 778**	2 837 846	(15 725)	2 822 121
Emerging Markets	**2 118 310**	**(9 502)**	**2 108 808**	1 036 663	(2 269)	1 034 394
Past due 1 – 30 days	**1 074 017**	**(40 283)**	**1 033 734**	806 003	(26 234)	779 769
Bidvest Services	**–**	**–**	**–**	153	–	153
Foodservice						
Australasia	**189 850**	**(28 561)**	**161 289**	170 068	(14 280)	155 788
United Kingdom	**293 106**	**–**	**293 106**	108 376	(6 323)	102 053
Europe	**339 458**	**(7 348)**	**332 110**	304 870	(5 615)	299 255
Emerging Markets	**251 603**	**(4 374)**	**247 229**	222 536	(16)	222 520
31 – 180 days	**718 233**	**(280 620)**	**437 613**	565 302	(169 257)	396 045
Bidvest Services	**–**	**–**	**–**	(165)	(25)	(190)
Foodservice						
Australasia	**51 367**	**(37 439)**	**13 928**	45 039	(26 803)	18 236
United Kingdom	**112 206**	**(28 013)**	**84 193**	48 367	(26 933)	21 434
Europe	**375 545**	**(167 901)**	**207 644**	336 932	(99 157)	237 775
Emerging Markets	**179 115**	**(47 267)**	**131 848**	135 129	(16 339)	118 790
181 + days	**259 876**	**(202 043)**	**57 833**	162 907	(148 121)	14 786
Foodservice						
Australasia	**16 632**	**(12 922)**	**3 710**	15 604	(12 773)	2 831
United Kingdom	**55 400**	**(19 256)**	**36 144**	17 950	(15 372)	2 578
Europe	**141 180**	**(139 107)**	**2 073**	89 198	(89 130)	68
Emerging Markets	**46 664**	**(30 758)**	**15 906**	40 155	(30 846)	9 309
Total	**14 493 337**	**(548 531)**	**13 944 806**	11 623 744	(377 288)	11 246 456

32. FINANCIAL INSTRUMENTS *(continued)*

32.2 Credit risk *(continued)*

32.2.1 Trade receivables (continued)

Collateral held on past due amounts

	2016		2015	
	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
Cover by credit insurance				
Foodservice				
Australasia	**79 397**	**79 397**	52 685	52 685
United Kingdom	**44 919**	**44 919**	27 223	30 248
Europe	**82 781**	**140 153**	49 085	49 085
Emerging Markets	**117 353**	**38 604**	24 389	24 389
Total	**324 450**	**303 073**	153 382	156 407

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.

32.2.2 Investments

The classes for investments are listed held-for-trading, unlisted held-for-trading and unlisted available-for-sale, refer to note 18 for the carrying amounts for each of these categories. The group manages its credit risk for investments by investing in reputable instruments.

There was an impairment loss of R119,1 million (2015: Rnil) that was recognised in respect of investments which related to Icelandic Water Holdings ehf. Management's best estimate of the fair value of the Icelandic Water investment was based on an offer to the holders of convertible loan notes and warrants which are convertible into common company stock.

32.2.3 Cash and cash equivalents

The credit risk on cash and cash equivalents is addressed by utilising financial institutions of good standing for investment and cash management purposes.

32.3 Liquidity risk

Liquidity risk is the risk that the 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 segment. The divisions within each segment are therefore not responsible for the management of liquidity risk but rather senior management for each of these segments are responsible for implementing procedures to manage the regional liquidity risk.

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for the year ended June 30

32. FINANCIAL INSTRUMENTS *(continued)*

32.3 Liquidity risk *(continued)*

32.3.1 Contractual maturities of financial liabilities, including interest payments

		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
2016							
Puttable non-controlling liabilities (refer to note 26)	**1 168 921**	**1 172 267**	**–**	**–**	**44 700**	**1 127 567**	**–**
Borrowings (refer to note 24)							
Loans secured by mortgage bonds over fixed property	**78 436**	**84 520**	**6 576**	**5 340**	**10 667**	**25 039**	**36 898**
Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements	**284 365**	**305 365**	**45 050**	**44 042**	**112 980**	**87 091**	**16 202**
Unsecured loans	**6 825 353**	**7 739 753**	**3 852 089**	**318 760**	**629 621**	**1 041 348**	**1 897 935**
	7 188 154	**8 129 638**	**3 903 715**	**368 142**	**753 268**	**1 153 478**	**1 951 035**
Trade and other payables (refer to note 28)							
Trade and other payables (excluding forward exchange contracts)	**21 493 850**	**21 493 850**	**21 493 850**	**–**	**–**	**–**	**–**
2015							
Puttable non-controlling liabilities (refer to note 26)	913 638	954 635	–	–	–	954 635	–
Borrowings (refer to note 24)							
Loans secured by mortgage bonds over fixed property	21 372	22 660	2 743	2 710	5 327	11 880	–
Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements	158 622	165 956	39 910	39 961	40 573	45 512	–
Unsecured loans	5 053 356	5 155 480	1 470 324	1 937 533	1 436 789	264 145	46 689
Other borrowings	1 122 195	1 122 195	–	1 122 195	–	–	–
Bank overdrafts	4	4	–	4	–	–	–
	6 355 549	6 466 295	1 512 977	3 102 403	1 482 689	321 537	46 689
Trade and other payables (refer to note 28)							
Trade and other payables (excluding forward exchange contracts)	16 912 883	16 912 883	16 912 883	–	–	–	–

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.

		2016 R'000	2015 R'000
32.	**FINANCIAL INSTRUMENTS** *(continued)*		
32.3	**Liquidity risk** *(continued)*		
32.3.2	***Trade payables by class***		
	Trade payables		
	Bidvest Services	**–**	3 160
	Foodservice		
	Australasia	**3 342 044**	2 803 751
	United Kingdom	**7 588 240**	6 596 958
	Europe	**4 583 444**	3 589 586
	Emerging Markets	**1 856 082**	822 277
	Corporate	**–**	206
		17 369 810	13 815 938
32.3.3	***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 360 days' notice	**1 303 748**	1 089 858
	Utilised	**–**	4
	Unutilised	**1 303 748**	1 089 854
	Unsecured loan facility with various maturity dates through to 2022 and which may be extended by mutual agreement	**8 820 156**	6 767 599
	Utilised	**6 798 453**	4 915 612
	Unutilised	**2 021 703**	1 851 987
	Secured loan facilities with various maturity dates through to 2022 and which may be extended by mutual agreement	**297 035**	304 068
	Utilised	**189 536**	137 024
	Unutilised	**107 499**	167 044
	Other banking facilities	**755 731**	1 405 889
	Utilised	**183 270**	237 336
	Unutilised	**572 461**	1 168 553
	Total facilities	**11 176 670**	9 567 414
	Utilised	**7 171 259**	5 289 976
	Unutilised	**4 005 411**	4 277 438

32.4 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.

Notes to the consolidated financial statements

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32. FINANCIAL INSTRUMENTS *(continued)*

32.4 Market risk *(continued)*

32.4.1 Foreign 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 divisions' 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.

The group incurs currency risk as a result of purchases and sales which are denominated in a currency other than the group entities' 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 FECs have maturities of less than one year after the reporting date. Where necessary, the FECs are rolled over at maturity. It is the group's policy not to trade in derivative financial instruments for speculative purposes.

Changes in the fair value of FECs that economically hedge monetary assets and liabilities in foreign currencies (in relation to the operations' functional currencies) and for which no hedge accounting is applied are recognised in the statement of profit or loss. Both the changes in fair value of the FECs and the foreign exchange gains and losses relating to the monetary items are recognised in operating profit (refer to note 3).

The periods in which the cash flows associated with the FECs are expected to occur are detailed below under the heading "settlement". The periods in which the cash flows are expected to impact the statement of profit or loss are believed to be in the same timeframe as when the actual cash flows occur.

		Contract value	
	Settlement	Foreign amount '000	Rand amount '000
2016			
In respect of FECs relating to foreign liabilities as at June 30 2016			
US dollar	July to August 2016	**(3 513)**	**(53 332)**
Euro	July to September 2016	**(8 110)**	**(135 592)**
Australian dollar	July 2016	**(20)**	**(225)**
Other	July 2016		**(10)**
			(189 159)
In respect of FECs relating to foreign assets as at June 30 2016			
US dollar	July to November 2016	**6 719**	**97 127**
Norwegian krone	July to October 2016	**14 569**	**26 530**
Euro	July to November 2016	**1 270**	**20 613**
			144 270
In respect of FECs relating to goods and services ordered not accounted for as at June 30 2016			
US dollar	July to May 2017	**(12 540)**	**(180 485)**
Australian dollar	July to August 2016	**(576)**	**(6 519)**
Euro	July to October 2016	**(1 200)**	**(19 173)**
			(206 177)

32. FINANCIAL INSTRUMENTS *(continued)*

32.4 Market risk *(continued)*

32.4.1 Foreign currency risk *(continued)*

	Settlement	Contract value Foreign amount '000	Contract value Rand amount '000
2015			
In respect of FECs relating to foreign liabilities as at June 30 2015			
US dollar	July to October 2015	(8 221)	(99 729)
Euro	July to September 2015	(7 818)	(107 122)
Australian dollar	July 2015	(603)	(5 689)
Other	July 2015		(289)
			(212 829)
In respect of FECs relating to foreign assets as at June 30 2015			
US dollar	July to November 2015	9 436	113 679
Euro	July to December 2015	1 738	25 064
			138 743
In respect of FECs relating to goods and services ordered not accounted for as at June 30 2015			
US dollar	July to October 2015	(5 000)	(59 492)
Euro	July 2015	(1 313)	(12 265)
Other	July to September 2015		(702)
			(72 459)

32.4.2 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. 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:

	2016 R'000	2015 R'000
Fixed rate instruments		
Financial liabilities		
Borrowings	**(3 128 722)**	(3 702 934)
Derivative instruments in designated hedge accounting relationships	**–**	(3 725)
Variable rate instruments		
Financial assets		
Cash and cash equivalents	**5 509 505**	3 632 608
Financial liabilities		
Borrowings	**(4 059 432)**	(2 652 611)
Puttable non-controlling interest liabilities	**(1 168 921)**	(913 638)
Overdrafts	**–**	(4)

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.

Notes to the consolidated financial statements

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32. FINANCIAL INSTRUMENTS *(continued)*

32.4 Market risk *(continued)*

32.4.2 Interest rate risk *(continued)*

Sensitivity analysis

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 analysis is performed on the same basis as 2015. A decrease in interest rates would have an equal and opposite effect on profit after taxation as detailed below.

	2016		2015	
	Increase in interest rates %	**Decrease in profit after taxation R'000**	Increase in interest rates %	Decrease in profit after taxation R'000
Southern Africa and other Emerging Markets	**0,50**	**6 360**	0,50	4 874
United Kingdom and Europe	**0,25**	**9 955**	0,25	7 688
Australasia	**0,25**	**7 352**	0,25	8 974
		23 667		21 536

32.4.3 Equity price risk

Equity price risk arises from investments classified as held-for-trading and available-for-sale (refer to note 18). 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 model.

32. FINANCIAL INSTRUMENTS *(continued)*

32.5 Fair values

The carrying amounts of all financial assets and liabilities approximate their fair values, with the exception of borrowings which have been accounted for at amortised cost. The fair value of borrowings, together with the carrying amounts shown in the statement of financial position, classified by class (being geographical location), are as follows:

	2016		2015	
	Carrying amount R'000	**Fair value R'000**	Carrying amount R'000	Fair value R'000
Borrowings (refer to note 24)				
Southern Africa and other Emerging Markets	**2 136 266**	**2 136 156**	972 461	972 155
Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements	**5 349**	**5 349**	–	–
Unsecured loans	**2 130 917**	**2 130 807**	972 461	972 155
United Kingdom and Europe	**3 914 356**	**3 885 383**	4 292 227	4 292 227
Loans secured by mortgage bonds over fixed property	**78 436**	**78 436**	21 372	21 372
Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements	**279 016**	**279 016**	158 622	158 622
Unsecured loans	**3 556 904**	**3 527 931**	2 990 034	2 990 034
Other borrowings	**–**	**–**	1 122 195	1 122 195
Bank overdrafts	**–**	**–**	4	4
Australasia				
Unsecured loans	**1 137 532**	**1 137 532**	1 090 861	1 090 861
	7 188 154	**7 159 071**	6 355 549	6 355 243
Unrecognised gain	**29 083**		306	

The methods used to estimate the fair values of financial instruments are discussed in note 36.

The interest rates used to discount cash flows, in order to determine fair values, are based on market-related rates at June 30 2016 plus an adequate constant credit spread, and range from 0,00% to 18,24% (2015: 0,25% to 12,5%).

Notes to the consolidated financial statements

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32. FINANCIAL INSTRUMENTS *(continued)*

32.5 Fair values (continued)

Fair value hierarchy

When measuring the fair value of an asset or a liability, the group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques categorised as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Non-current liabilities	Current assets (liabilities)					
R'000s	**Puttable non-controlling interests**	**Investments**	**Vendors for acquisition**	**Total**	**Level 1**	**Level 2**	**Level 3**
June 30 2016							
Financial assets measured at fair value	**–**	**511 122**	**–**	**511 122**	**501 293**	**2 054**	**7 775**
Financial liabilities measured at fair value	**(1 168 921)**	**–**	**(513 308)**	**(1 682 229)**	**–**	**–**	**(1 682 229)**
June 30 2015							
Financial assets measured at fair value	–	26 163	–	26 163	–	12 277	13 886
Financial liabilities measured at fair value	(913 638)	–	(558 315)	(1 471 953)	–	–	(1 471 953)

Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring the puttable non-controlling interests and vendors for acquisition fair values at June 30.

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
The expected payments are determined by considering the possible scenarios of forecast EBITDA, the amount to be paid under each scenario and the probability of each scenario. The valuation models consider the present value of expected payment, discounted using a risk-adjusted discount rate.	– EBITDA growth rates: 10 – 23% (2015: 10 – 23%) – EBITDA mutliples: 4,8x – 7x (2015: 4,8x – 7x) – Risk-adjusted discount rate: 1,99% – 5,00% (2015: 1,99%)	The estimated fair value would increase (decrease) if: – the EBITDA were higher (lower); or – the risk-adjusted discount rate were lower (higher).

33. CAPITAL MANAGEMENT

The board of directors' policy is to maintain a strong capital base so as to sustain future development of the businesses so that it can continue to provide benefits to its shareholders.

There were no changes in the group's approach to capital management during the year.