34. RELATED PARTIES

Identification of related parties

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

Transactions with key management personnel

Directors' remuneration in total, paid by a subsidiary, is included in note 3. Details pertaining to executive and non-executive directors' compensation are set out in the directors' report on pages 49 to 52.

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

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

Transactions with related parties

	2016 R'000	2015 R'000
Management fee paid to The Bidvest Group Limited pre-unbundling (note 3)	**23 119**	27 887
Outstanding amounts due at year-end by associates (note 17)	**37 696**	55 906
Outstanding amounts due at year-end by The Bidvest Group Limited entities pre-unbundling (note 20)	**–**	4 320
Outstanding amounts due at year-end to The Bidvest Group Limited entities pre-unbundling (note 24)	**–**	(1 122 195)

Details of effective interest, investments and loans to associates are disclosed in note 17.

35. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting policies

The group audit and risk committee is satisfied that the critical accounting policies are appropriate to the group.

Critical accounting judgements in applying the group's accounting policies

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

Property, plant and equipment

The residual values of these assets are reviewed annually after considering future market conditions, the remaining life of the asset and projected disposal values. The estimation of the useful lives is based on historic performance as well as expectation about future use and, therefore, requires a degree of judgement to be applied. The depreciation rates represent management's current best estimate of the useful lives of the assets. Certain properties are accounted for as own use assets and are thus held at cost less accumulated depreciation. Market indicators reflect that these properties could realise more than their carrying values if disposed of.

Notes to the consolidated financial statements

for the year ended June 30

35. ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

Goodwill and indefinite life intangible assets

The group has assessed the carrying value of goodwill and indefinite life intangible assets to determine whether any of the amounts have been impaired. The carrying values were assessed using a combination of discounted cash flow and price earnings methods and the actual results and forecasts for future years.

Deferred taxation

Deferred taxation assets are recognised to the extent it is probable that the taxable income will be available against which they can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest, inflation and taxation rates and competitive forces.

Investments

The group reflects its held-for-trading and available-for-sale investments at fair value. The directors' value of unlisted investments was determined using a combination of discounted cash flow, net asset value and price earnings methods. Certain investments are of a long-term nature and uncertainty surrounds their valuation, which may result in a significant change in value over time.

Inventories

Impairment allowances are raised against inventory when it is considered that the amount realisable from such inventory's sale is considered to be less than its carrying amount. The impairment allowances are made with reference to an inventory age analysis.

Trade receivables

Management identifies possible impairment of trade receivables on an ongoing basis. An impairment allowance in respect of doubtful debts is raised against the receivable when their collectability is considered to be doubtful. Management believes that the impairment adjustment is conservative and there are no significant receivables that are doubtful and have not been impaired or provided for. In determining whether a particular receivable could be doubtful, the age, customer current financial status and disputes with the customer are taken into consideration.

Provisions

Refer to note 29 for disclosure on the onerous contracts, provision for cost of dismantling and site restoration and customer loyalty programmes.

Post-retirement obligations

The group provides retirement benefits for its permanent employees through pension funds with defined benefit and defined contribution categories. Actuarial valuations are based on assumptions which include the discount rate, inflation rate, salary increase rate, expected return on plan assets and the pension increase allowance rate.

Puttable non-controlling interest liabilities

The group has entered into put arrangements where non-controlling interests are entitled to sell certain of their holdings in subsidiaries to the group at future contracted dates. The puttable non-controlling interest liability is calculated as the present value of the expected redemption value, discounted from the expected redemption date to the reporting date. There are two main assumptions used in the calculation of the liability: the expected redemption value at the expected redemption date and the discount rate used to discount the expected redemption value to the reporting date.

The discount rate is derived from an applicable government bond yield curve in the country in which the subsidiary operates and is applied over the number of years between the reporting date and the redemption date, plus an appropriate credit spread.

Logistics United Kingdom

Management irregularities were identified and investigated during the year, some of which relate to a recent acquisition and others to operational activities, all of which significantly impacted the division. These irregularities are subject to ongoing legal processes. Any impact on non-current assets is continually being monitored by management. In respect of the net operating assets, management has provided for the worst case scenario based on management's best estimate for the year then ended, notwithstanding potential recoveries from legal action and insurance claims.