9. INVESTMENTS *(continued)*

9.3 Investment in jointly controlled entity *(continued)*

Effective April 1 2017, Bidcorp Food Africa Pty Limited, a subsidiary of Bid Corporation Limited, signed agreements with Puratos Group NV (Puratos) whereby Puratos became an equal shareholder in Bidcorp Bakery Solutions Division (BBS, subsequently renamed Chipkins Puratos CP). CP manufactures and supplies bakery ingredients to industrial bakers, the craft market and large retailers under the Chipkins and NCP brands in South Africa.

The interest in the joint venture is accounted for using the equity method of accounting. The joint venture was initially recorded at fair value and is increased or decreased by Bidcorp's share of the profit or loss of CP after April 1 2017. Goodwill relating to the jointly controlled entity is included in the initial carrying amount of the investment. There were no impairments recognised for the investment in CP (2017: nil).

Upon loss of joint control over the investment in the jointly controlled entity, the group measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the investment in jointly controlled entity and the fair value of the remaining investment and any proceeds from disposal is recognised in the statement of consolidated profit or loss.

The CP jointly controlled entity net revenue represents 1,0% (2017: 0,9%), trading profit 1,4% (2017: 1,3%) and total assets 0,9% (2017: 0,5%) of the continuing operations for the Bidcorp Group. Thus, no summarised financial information has been supplied in these financial statements for CP.

10. FINANCIAL RISK MANAGEMENT AND NET DEBT

10.1 Financial risk management

The group has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; foreign currency risk; interest rate 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 as its segments.

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 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 their operations, including managing the financial risks of the operation. The operational management report to the CEO who in turn reports to the Bidcorp board of directors. Operational management's remuneration is based on their operation'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 the Bidcorp Group, which includes the related system of control, is the responsibility of the Bidcorp board of directors. The Bidcorp Group audit and risk committee is governed by a charter and reports regularly to the board of directors on its activities.

The Bidcorp Group audit and risk committee's (GARC) primary risk responsibilities include:

- review of the group's risk policies and approach to risk management;
- to consider all material risks to which the group is exposed, ensuring that the requisite risk management culture, policies and systems are progressively implemented and functioning effectively;
- management is accountable to the board for implementing and monitoring the processes of risk management and integrating this into day-to-day activities; they confirm these processes through the completion of the quarterly Bidcorp management representation letter submitted to the Bidcorp GARC;
- performance of ongoing monitoring of the enterprise-wide risk assessment process to ensure risks and opportunities are adequately identified, evaluated and managed at the appropriate level in each business, and that the individual and joint impact of risks identified on the group is considered;
- to review legal matters that could have a material impact on the group, as well as considering the adequacy and effectiveness of the group's procedures to ensure compliance with legal and regulatory responsibilities; and
- consideration of reports provided by management, internal assurance providers and the independent auditors regarding compliance with legal and regulatory requirements.

10. FINANCIAL RISK MANAGEMENT AND NET DEBT *(continued)*

10.1 Financial risk management *(continued)*

Due to the breadth of the geographical spread of the Bidcorp operations, Bidcorp has adopted a globally relevant risk management strategy. This strategy has been communicated to, and implementation thereof delegated to, the respective local management teams. Bidcorp believes using a common group framework for the management of risk creates a shared foundation from which a view of the global risk universe is developed, but embraces the locally relevant risks faced by each business. The Bidcorp Group risk management policies are established to identify and analyse the risks faced by the group, to set appropriate guidance and parameters within which risks are to be reported to the Bidcorp GARC. Bidcorp continues to grow and develop a robust and constructive control environment in which all employees understand their roles and responsibilities.

Each business reports to one of five divisional audit and risk committees (DARC), which subscribe to the same philosophies and practices as the Bidcorp GARC. The DARCs report quarterly to the Bidcorp GARC. The DARCs oversee how operational management monitors compliance with the Bidcorp Group 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 ethics. The DARCs are assisted in their oversight role by Bidcorp internal audit. Internal audit undertakes both regular and ad hoc reviews of financial and operational risk management controls and procedures, the results of which are reported quarterly to the respective DARC and consolidated for quarterly reporting to the Bidcorp GARC.

(a) 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, investments, guarantees and cash and cash equivalents.

Bidcorp 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, represents the group's maximum exposure to credit risk after taking into account the value of any collateral obtained.

The carrying values, net of impairment allowances, amount to R13 391 million (2017: R12 631 million) for trade receivables (refer note 7.4 for credit risk disclosure), R149 million (2017: R114 million) for investments (refer note 9.2) and cash and cash equivalents of R5 965 million (2017: R6 348 million).

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 fair value through other comprehensive income or fair value through profit and loss 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 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. Many operations in the group have a policy of taking out credit insurance to cover a portion of their risk. Operational management are also held responsible for monitoring the operations' credit exposure. For cash and cash equivalents reputable financial institutions are utilised for investment and cash management services.

(b) 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 of the 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.

10. FINANCIAL RISK MANAGEMENT AND NET DEBT *(continued)*

10.1 Financial risk management *(continued)*

(b) Liquidity risk *(continued)*

Contractual maturities of financial liabilities, including interest payments

	Carrying amount R'000	Undiscounted contractual cash flows: 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
2018							
Vendors for acquisition	**535 024**	**535 024**	**160 747**	**73 962**	**256 337**	**43 978**	**–**
Puttable non-controlling liabilities (refer note 10.4)	**1 478 590**	**1 491 881**	**1 088 519**	**34 219**	**143 692**	**225 451**	**–**
Borrowings (refer note 10.3)							
Loans secured by mortgage bonds over fixed property	**218 139**	**237 349**	**8 907**	**8 885**	**17 760**	**30 637**	**171 160**
Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements	**615 019**	**647 973**	**153 502**	**79 619**	**158 744**	**242 516**	**13 592**
Unsecured loans	**8 726 327**	**8 984 613**	**2 159 852**	**1 273 922**	**3 456 016**	**2 041 214**	**53 609**
	9 559 485	**9 869 935**	**2 322 261**	**1 362 426**	**3 632 520**	**2 314 367**	**238 361**
Trade and other payables (refer note 7.6) excluding forward exchange contracts and value added taxation liability	**18 673 870**	**18 673 870**	**18 673 870**	**–**	**–**	**–**	**–**
2017							
Vendors for acquisition	461 851	461 851	–	379 474	82 377	–	–
Puttable non-controlling liabilities (refer note 10.4)	1 195 196	1 198 212	1 077 168	–	–	121 044	–
Borrowings (refer note 10.3)							
Loans secured by mortgage bonds over fixed property	54 651	65 885	4 773	4 764	9 455	14 521	32 372
Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements	441 679	456 537	60 848	60 716	142 049	172 693	20 231
Unsecured loans	7 561 133	7 846 404	2 018 555	981 260	358 525	4 467 287	20 777
	8 057 463	8 368 826	2 084 176	1 046 740	510 029	4 654 501	73 380
Trade and other payables (refer note 7.6) excluding forward exchange contracts and value added taxation liability	18 905 198	18 905 198	18 905 198	–	–	–	–

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.

10. FINANCIAL RISK MANAGEMENT AND NET DEBT *(continued)*

10.1 Financial risk management *(continued)*

(b) Liquidity risk (continued)

Undrawn facilities

	2018 R'000	2017 R'000
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	**1 542 493**	1 136 613
Utilised	**7 852**	562
Unutilised	**1 534 641**	1 136 051
Unsecured loan facility with various maturity dates through to 2025 and which may be extended by mutual agreement	**10 942 582**	9 444 210
Utilised	**8 535 073**	7 425 044
Unutilised	**2 407 509**	2 019 166
Secured loan facilities with various maturity dates through to 2036 and which may be extended by mutual agreement	**703 327**	403 527
Utilised	**431 490**	243 033
Unutilised	**271 837**	160 494
Other banking facilities	**615 259**	607 789
Utilised	**200 272**	229 226
Unutilised	**414 987**	378 563
Total utilised facilities	**9 174 687**	7 897 865
Total unutilised facilities	**4 628 974**	3 694 274
Total facilities	**13 803 661**	11 592 139

(c) 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.

Foreign currency risk

Currency risk is the possibility that the group may suffer financial loss as a consequence of the depreciation in the measurement currency relative to the foreign currency prior to payment of a commitment in that foreign currency or the measurement currency strengthening prior to receiving payment in that foreign currency. The group also has translation risk arising from the consolidation of foreign operations into South African rand.

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for the year ended June 30

	Statement of comprehensive income (average)		Statement of financial position (spot)	
	2018	2017	**2018**	2017
10. FINANCIAL RISK MANAGEMENT AND NET DEBT *(continued)*				
10.1 Financial risk management *(continued)*				
(c) Market risk *(continued)*				
Foreign currency risk *(continued)*				
Currency conversion guide at June 30				
Rand/sterling	**17,27**	17,29	**18,06**	16,80
Rand/euro	**15,30**	14,85	**16,00**	14,78
Rand/Australian dollar	**9,94**	10,27	**10,15**	9,93
Rand/New Zealand dollar	**9,17**	9,70	**9,30**	9,46
Rand/Hong Kong dollar	**1,64**	1,76	**1,75**	1,66
Rand/Singapore dollar	**9,56**	9,79	**10,07**	9,39
Rand/Czech koruna	**0,60**	0,55	**0,62**	0,56
Rand/Polish zloty	**3,67**	3,44	**3,62**	3,49
Rand/Brazilian real	**3,87**	4,22	**3,56**	3,94
Rand/US dollar	**12,81**	13,63	**13,73**	12,96

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 its functional currency. Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations 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 that 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 reporting 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.

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies (in relation to the operations' functional currency) 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 forward exchange contracts and the foreign exchange gains and losses relating to the monetary items are recognised in operating profit (refer note 4.2).

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 profit or loss are believed to be in the same timeframe as when the actual cash flows occur.

10. FINANCIAL RISK MANAGEMENT AND NET DEBT *(continued)*

10.1 Financial risk management *(continued)*

(c) *Market risk* *(continued)*

Foreign currency risk *(continued)*

	Settlement	Contract value: Foreign amount 000's	Contract value: Rand amount 000's
In respect of forward exchange contracts relating to foreign liabilities as at June 30 2018			
Euro	July to September 2018	(2 886)	**(45 114)**
US dollar	July to August 2018	(2 788)	**(35 955)**
Canadian dollar	July to August 2018	(20)	**(202)**
Australian dollar	July to August 2018	(21)	**(216)**
			(81 487)
In respect of forward exchange contracts relating to foreign assets as at June 30 2018			
US dollar	July to September 2018	3 749	**35 704**
Australian dollar	July to August 2018	980	**9 873**
Canadian dollar	July 2018	200	**2 069**
			47 646
In respect of forward exchange contracts relating to goods and services ordered not accounted for as at June 30 2018			
US dollar	July to October 2018	(3 007)	**(39 830)**
Euro	July to October 2018	(1 759)	**(27 657)**
Norwegian krone	July 2018	(1 013)	**(1 654)**
Australian dollar	July to August 2018	(46)	**(467)**
			(69 608)
In respect of forward exchange contracts relating to foreign liabilities as at June 30 2017			
US dollar	July to September 2017	(7 054)	(93 510)
Euro	July to September 2017	(3 786)	(60 118)
Australian dollar	July 2017	(384)	(3 719)
			(157 347)
In respect of forward exchange contracts relating to foreign assets as at June 30 2017			
US dollar	January 2018	17 044	221 409
Euro	January 2018	705	10 069
			231 478
In respect of forward exchange contracts relating to goods and services ordered not accounted for as at June 30 2017			
US dollar	July to December 2017	(13 975)	(184 368)
Australian dollar	July to September 2017	(1 919)	(18 737)
Norwegian krone	July to September 2017	(5 336)	(8 280)
Euro	July to November 2017	(202)	(3 048)
			(214 433)

Notes to the consolidated financial statements

for the year ended June 30

10. FINANCIAL RISK MANAGEMENT AND NET DEBT *(continued)*

10.1 Financial risk management *(continued)*

(c) Market risk *(continued)*

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.

	2018 R'000	2017 R'000
At the reporting date the interest rate profile of the group's interest-bearing financial instruments was:		
Fixed rate instruments		
Financial liabilities		
Borrowings	**(4 833 980)**	(4 024 490)
Puttable non-controlling interest liabilities	**(1 478 590)**	(1 195 196)
Financial assets		
Derivative instruments in designated hedge accounting relationships	**5 890**	1 878
Variable rate instruments		
Financial assets		
Cash and cash equivalents	**5 964 802**	6 348 049
Financial liabilities		
Borrowings	**(4 725 505)**	(4 032 973)

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

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 2017. A decrease in interest rates would have an equal and opposite effect on profit after taxation as detailed below.

	2018		2017	
	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**	**8 361**	0,50	11 537
United Kingdom and Europe	**0,25**	**2 347**	0,25	3 400
Australasia	**0,25**	**1 646**	0,25	8 809
		12 354		23 746

Equity price risk

Equity price risk arises from investments classified at fair value through profit or loss or investments classified at fair value through other comprehensive income (refer note 9.2). Unlisted investments comprise unlisted shares and loans are valued at fair value using a price earnings (PE) model. A sensitivity analysis for investments at fair value was not performed as the fair value balance is insignificant.

10. FINANCIAL RISK MANAGEMENT AND NET DEBT *(continued)*

10.1 Financial risk management *(continued)*

(d) 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:

	2018		2017	
	Carrying amount R'000	**Fair value R'000**	Carrying amount R'000	Fair value R'000
Borrowings (refer note 10.3)				
Southern Africa and other Emerging Markets	**2 749 411**	**2 745 051**	2 325 575	2 325 575
Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements	**4 990**	**4 990**	6 679	6 679
Unsecured loans	**2 744 421**	**2 740 061**	2 318 896	2 318 896
United Kingdom and Europe	**5 879 875**	**5 878 662**	4 812 145	4 763 022
Loans secured by mortgage bonds over fixed property	**218 139**	**218 139**	54 651	54 651
Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements	**610 029**	**610 029**	435 000	435 000
Unsecured loans	**5 051 707**	**5 050 494**	4 322 494	4 273 371
Australasia				
Unsecured loans	**930 199**	**930 199**	919 743	919 743
	9 559 485	**9 553 912**	8 057 463	8 008 340
Unrecognised gain	**5 573**		49 123	

The methods used to estimate the fair values of financial instruments are discussed in note 3. The interest rates used to discount cash flows, in order to determine fair values, are based on market-related rates at June 30 2018 plus an adequate credit spread, and range from 0,0% to 24,8% (2017: 0,0% to 19,8%)

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.

Notes to the consolidated financial statements

for the year ended June 30

10. FINANCIAL RISK MANAGEMENT AND NET DEBT *(continued)*

10.1 Financial risk management *(continued)*

(d) *Fair values* *(continued)*

Fair value hierarchy *(continued)*

	Non-current assets (liabilities)			Current assets (liabilities)		
	Puttable non-controlling interests R'000	Investments R'000	Vendors for acquisition R'000	Puttable non-controlling interests R'000	Vendors for acquisition R'000	Total R'000
June 30 2018						
Financial assets measured at fair value	**–**	**56 288**	**–**	**–**	**–**	**56 288**
Financial liabilities measured at fair value	**(356 522)**	**–**	**(300 315)**	**(1 122 068)**	**(234 709)**	**(2 013 614)**
June 30 2017						
Financial assets measured at fair value	–	54 504	–	–	–	54 504
Financial liabilities measured at fair value	(118 028)	–	(82 377)	(1 077 168)	(379 474)	(1 657 047)

	Total	Level 1	Level 2	Level 3
June 30 2018				
Financial assets measured at fair value	**56 288**	**–**	**–**	**56 288**
Financial liabilities measured at fair value	**(2 013 614)**	**–**	**–**	**(2 013 614)**
June 30 2017				
Financial assets measured at fair value	54 504	–	1 848	52 656
Financial liabilities measured at fair value	(1 657 047)	–	–	(1 657 047)

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 EBITDAs, 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: 5,0% – 15,0% (2017: 10,0% – 23,0%) – EBITDA multiples : 5,5x – 8,5x (2017: 4,8x – 7x) – Risk-adjusted discount rate : 0,5% – 9,0% (2017: 1,99% – 5,0%)	The estimated fair value would increase (decrease) if: – the EBITDA were higher (lower); or – the risk-adjusted discount rate were lower (higher).

10. FINANCIAL RISK MANAGEMENT AND NET DEBT *(continued)*

10.2 Net finance costs

	2018 R'000	2017 R'000
Finance income	**84 542**	96 752
Interest income on bank balances	**72 926**	84 154
Interest income on advances	**7 859**	9 511
Interest imputed on post-retirement assets	**3 757**	3 087
Finance charges	**(315 687)**	(312 475)
Interest expense on bank borrowings	**(251 150)**	(236 076)
Interest expense on bank overdrafts	**(16 349)**	(17 973)
Interest expense on financed assets	**(5 207)**	(4 886)
Interest expense on provisions and tax liabilities	**(30 085)**	(30 416)
Interest imputed on post-retirement obligations	**(2 679)**	(1 957)
Unwinding of discount on puttable non-controlling interest liabilities	**(10 217)**	(21 167)
	(231 145)	(215 723)

Finance charges comprise interest payable on borrowings calculated using the effective interest method. The interest expense component of finance lease payments is recognised in the statement of profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of assets that take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially complete.

Capitalisation is suspended during extended periods in which active development is interrupted. All other borrowing costs are expensed in the period in which they are incurred.

	2018 R'000	2017 R'000
Finance income received per the consolidated statement of cash flows		
Income per the statement of profit or loss	**84 542**	96 752
Interest imputed on post-retirement obligations	**(3 757)**	–
Amounts received	**80 785**	96 752
Finance charges paid per the consolidated statement of cash flows		
Charge per the statement of profit or loss	**(315 687)**	(312 475)
Unwinding of discount on puttable non-controlling interest liabilities	**10 217**	21 167
Interest imputed on post-retirement obligations and provisions	**9 510**	–
Amounts capitalised to borrowings	**(477)**	(3 056)
Amounts paid	**(296 437)**	(294 364)

Notes to the consolidated financial statements

for the year ended June 30

	2018 R'000	2017 R'000
10. FINANCIAL RISK MANAGEMENT AND NET DEBT *(continued)*		
10.3 Borrowings		
Loans secured by mortgage bonds over fixed property (refer note 7.1)	**218 139**	54 651
Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements (refer note 7.1)	**615 019**	441 679
Unsecured borrowings	**8 726 327**	7 561 133
Borrowings	**9 559 485**	8 057 463
Less short-term portion of borrowings	**(3 489 012)**	(2 809 822)
Long-term portion of borrowings	**6 070 473**	5 247 641
Schedule of repayment of borrowings		
Year to June 2018	**–**	2 809 822
Year to June 2019	**3 489 012**	4 015 364
Year to June 2020	**4 061 934**	719 285
Year to June 2021	**885 849**	131 475
Year to June 2022	**283 569**	300 261
Year to June 2023	**491 357**	28 432
Thereafter	**347 764**	52 824
	9 559 485	8 057 463
Total borrowings comprise		
Foreign subsidiaries borrowings	**8 633 572**	7 422 844
South African subsidiary borrowings	**925 913**	634 619
	9 559 485	8 057 463
	%	%
Effective weighted average rate of interest on		
South African borrowings excluding overdrafts	**8,0**	8,5
Foreign borrowings excluding overdrafts	**2,4**	2,2
	R'000	R'000
Movement in borrowings		
Carrying value at beginning of year	**8 057 464**	7 188 154
Borrowings raised during the year	**5 381 256**	5 499 736
Borrowings repaid during the year	**(4 711 152)**	(4 086 098)
On acquisition of business	**271 219**	505 495
Currency adjustment	**560 698**	(1 049 824)
	9 559 485	8 057 463

10. FINANCIAL RISK MANAGEMENT AND NET DEBT *(continued)*

10.3 Borrowings *(continued)*

Terms and debt repayment schedule

Terms and conditions of outstanding loans were:

	Currency	Nominal interest rate %	Financial year of maturity	2018 R'000	2017 R'000
Borrowings of South African subsidiaries					
Unsecured loans	ZAR	8,0	2019	**925 913**	634 619
Borrowings of foreign subsidiaries				**8 633 572**	7 422 844
Loans secured by mortgage bonds over fixed property	GBP	2,2 – 2,7	2020 – 2035	**28 188**	28 726
	EUR	1,5 – 2,8	2021 – 2036	**184 894**	17 803
	CZK	1,9	2020	**5 057**	8 122
Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements	GBP	2,6 – 9,6	2019 – 2023	**11 153**	2 492
	PLN	2,7	2023	**110 186**	67 306
	EUR	0 – 8,0	2019 – 2031	**488 522**	365 202
	BRL	3,5 – 19,8	2019 – 2020	**5 158**	6 679
Unsecured loans	GBP	1,5 – 7,9	2019 – 2022	**995 384**	1 015 358
	EUR	0,3 – 3,1	2019 – 2025	**3 858 183**	3 117 127
	HKD	2,7 – 4,9	2019 – 2020	**1 836 908**	1 673 253
	SGD	2,1 – 2,7	2019 – 2020	**561 757**	638 123
	CZK	4,2 – 5,0	2019	**102 747**	238 228
	PLN	2,5	2024	**61 656**	35 405
	CLP	4,1 – 4,8	2019	**68 282**	66 813
	AED	5,0	2019	**47 345**	46 733
	TRY	12,0 – 24,8	2019 – 2024	**57 215**	55 679
	USD	3,6	2019	**80 320**	27 619
	Other	2,9 – 6,0	2019 – 2021	**130 617**	12 176
Total interest-bearing borrowings				**9 559 485**	8 057 463

The expected maturity dates are not expected to differ from the contractual maturity dates.

Notes to the consolidated financial statements

for the year ended June 30

10. FINANCIAL RISK MANAGEMENT AND NET DEBT *(continued)*

10.4 Puttable non-controlling interest liabilities

The put options entitle the non-controlling shareholders to sell their holdings in the subsidiaries to the group at contracted dates and amounts. The effect of granting these put options on the group's results can be summarised as follows:

	2018 R'000	2017 R'000
Balance at beginning of the year	**1 195 196**	1 168 921
Arising on the granting of put options to non-controlling interests during the year	**246 192**	119 832
Payments made to non-controlling interest during the year	**(74 782)**	(39 927)
Remeasurement of put options during the year	**(2 801)**	48 076
Unwinding of present value discount recognised to the statement of profit or loss	**10 217**	21 167
Exchange rate adjustments	**104 568**	(122 873)
	1 478 590	1 195 196
Long-term portion	**356 522**	118 028
Short-term portion	**1 122 068**	1 077 168

The group had the following put options with non-controlling shareholders:

Distrubuzione Alimentari Convivenze SPA (DAC)

The non-controlling shareholders have the option to put their 40% interest in DAC to the group, using a market valuation formula on or about December 31 2018. The discount rate used for the DAC put option was 1,99% (2017: 1,99%).

Quartiglia Food Service S.p.A. (Quartiglia)

The non-controlling shareholders have the option to put their 40% interest in Quartiglia to the group, using a market valuation formula on or about July 1 2020.

Guzmán Gastronomía and Cuttings (Guzman)

The non-controlling shareholders have the option to put their 10% interest in Guzman to the group, using a market valuation formula on or about June 30 2021. The discount rate used for the Guzman put option was 2,0% (2017: 2,0%)

Acquisitions during the year resulted in the following put options being granted to the following non-controlling shareholders:

D&D S.p.A. (D&D)

The non-controlling shareholders have the option to put their 30% interest in D&D to the group, using a market valuation formula on or about July 1 2020. The discount rate used for the D&D put option was 0,5%.

Frustock Foodservice, S.A. (Frustock)

The non-controlling shareholders have the option to put their 20% interest in Frustock to the group, using a market valuation formula on or about June 30 2020. The discount rate used for the Frustock put option was 1,65%.

Cárnicas Sáenz, S.L. (Saenz)

The non-controlling shareholders have the option to put their 25% interest in Saenz to the group, using a market valuation formula on or about June 30 2022. The discount rate used for the Saenz put option was 1,65%.

Pier 7 Holding GMBH (Pier7)

The non-controlling shareholders have the option to put their 30% interest in Pier7 to the group, using a market valuation formula on or about June 30 2021. The discount rate used for the Pier7 put option was 2,0%.

Bidfood Malaysia Sdn. Bhd. (Aeroshield)

The non-controlling shareholders have the option to put their 15% interest in Aeroshield to the group, using a market valuation formula on or about June 30 2022. The discount rate used for the Aeroshield put option was 5,7%.

Famous Fresh (Pty) Limited (Bidfresh SA)

The non-controlling shareholders have the option to put their 30% interest in Bidfresh SA to the group, using a market valuation formula on or about June 30 2021. The discount rate used for the Bidfresh SA put option was 9,0%.

10. FINANCIAL RISK MANAGEMENT AND NET DEBT *(continued)*

10.4 Puttable non-controlling interest liabilities *(continued)*

Put options held by non-controlling interests in the group's subsidiaries entitle the non-controlling interest to sell its interest in the subsidiary to the group at predetermined values and on contracted dates. In such cases, the group consolidates the non-controlling interest's share of the equity in the subsidiary and recognises the fair value of the non-controlling interest's put option, being the present value of the estimated future purchase price, as a financial liability in the statement of financial position. In raising this liability, the non-controlling interest is derecognised and any excess or shortfall is charged or realised directly in retained earnings in the statement of changes in equity.

The unwinding of the present value discount on these liabilities is recorded within finance charges in the statement of profit or loss using the effective interest method. The financial liability is fair valued at the end of each financial year and any changes in the value of the liability as a result of changes in assumptions used to estimate the future purchase price are recorded directly in retained earnings in the statement of changes in equity.

11. STAFF REMUNERATION

11.1 Share-based payments

The Bidvest Incentive Scheme (BIS), share appreciation rights (SARs) and conditional share plan (CSPs) grant awards (options) of 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. All Bidcorp share-based payment schemes are treated as equity-settled share-based payment schemes at a group and subsidiary level. 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 number of awards for which related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

	2018 R'000	2017 R'000
Share-based payment expenses recognised for continuing operations:		
Bidvest Incentive Scheme (BIS)	**23 001**	48 812
Bid Corporation Limited Share Appreciation Rights Plan (SARs)	**45 212**	27 127
Bidcorp Conditional Share Plan (CSP)	**31 023**	18 174
	99 236	94 113