8. ACQUISITIONS, DISPOSALS AND GOODWILL (continued)

8.3 Goodwill (continued)

Sensitivity analyses (continued)

The goodwill attributable to the Germany CGU at June 30 is R284,5 million (2018: R288,2 million). The assumptions applied in the value-in-use calculations at June 30 were as follows: discount rate of 5,5% (2018: 5,2%), cash flow growth rate of 10,9% (2018: 6%) and terminal growth rate of 2% (2018: 1,5%). An increase in the discount rate of 1% (18% change in assumption) would hypothetically result in a goodwill impairment of R243 million.

With the exception of the Germany and Iberian CGUs, none of these downside sensitivity analyses in isolation indicated the need for an impairment for other CGUs within the group. The valuation method is consistent with that used in the prior years and is considered a Level 3 type valuation in accordance with IFRS 13 *Fair Value Measurement.*

	2019 R'000	2018 R'000
9. INVESTMENTS		
9.1 Interest in associates		
Investments in unlisted associates at cost less impairments	**87 154**	97 362
Balance at beginning of year	**97 362**	81 702
Increase in unlisted associate investment	**5**	2 963
Change in shareholding in associate	**(14 469)**	–
On acquisition of business	**4 244**	7 302
Exchange difference	**12**	5 662
Impairment of associate	**–**	(267)
Attributable share of post-acquisition losses of associates	**58 940**	16 925
At beginning of year	**16 925**	(10 594)
Share of current year earnings net of dividends	**28 929**	20 304
Share of movement in other reserves	**(1 383)**	386
Movement in reserves on change in shareholding	**14 469**	6 829
Advances to associates held at amortised cost	**31 884**	100 758
	177 978	215 045

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. Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated. Unrealised gains arising from equity accounted investees are eliminated against the investment to the extent of the groups interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Unsecured advances to associates bear interest at a rate of 3,0% (2018: 1,7% and 5,0%) and have no fixed terms of repayment.

A list of the group's associates, their country of incorporation and principal place of business, the group's percentage shareholding and an indication of their nature of business is included in note 12.3. No individual associate is considered to be material, thus no summarised financial information is supplied in these financial statements.

		2019 R'000	2018 R'000
9.	**INVESTMENTS** (continued)		
9.2	**Investments and loans**		
	Unlisted investments held at fair value through other comprehensive income	**48 908**	49 568
	Unlisted investments held at amortised cost	**15 405**	18 798
	Unlisted loans held at fair value through other comprehensive income	**6 207**	6 720
	Unlisted loans held at amortised cost	**121 726**	73 659
		192 246	148 745

The group manages its credit risk for investments by investing in reputable instruments.

Unlisted investments held at fair value through other comprehensive income, is an unlisted investment in Icelandic Water Holdings ehf which is a spring water producer from Ölfus, Iceland. The group holds an equity investment of 14,59% and the fair value of the investment at June 30 is R48,9 million (R49,6 million). No dividends were received in 2019 (2018: nil).

During the year, no investment and loan impairments were identified (2018: R1,4 million was recognised on the RoundMenu Limited investment held by the Middle East operations).

A register of the investments is available for inspection by shareholders at the registered office of the company.

The group adopted IFRS 9 *Financial Instruments*, on July 1 2018 and in accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. The classification categories previously defined under IAS 39 were replaced in IFRS 9 with the categories "amortised cost", "fair value through profit or loss" and "fair value through other comprehensive income".

	IAS 39	IFRS 9	Difference
Categories of financial assets			
Unlisted investments held at fair value through other comprehensive income	**49 568**	**49 568**	–
Unlisted investments held at amortised cost	**18 798**	**18 798**	–
Unlisted loans held at fair value through other comprehensive income	**6 720**	**6 720**	–
Unlisted loans held at amortised cost	**73 659**	**73 659**	–
	148 745	**148 745**	–

		2019 R'000	2018 R'000
9.3	**Investments in jointly-controlled entities**		
	Balance at beginning of year	**401 113**	394 039
	Additions to jointly-controlled entities	**51 017**	–
	Share of profit from jointly-controlled entities	**30 219**	32 074
	Exchange difference	**(374)**	–
	Dividends received from jointly-controlled entity	**–**	(25 000)
	Balance at end of year	**481 975**	401 113

9. INVESTMENTS (continued)

9.3 Investments in jointly-controlled entities (continued)

Effective April 1 2017, Bidcorp Food Africa Proprietary Limited, a subsidiary of Bid Corporation Limited, signed agreements with Puratos Group NV (Puratos) whereby Puratos became an equal shareholder in Bidcorp Food's 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.

Effective April 1 2019, Bidcorp acquired 38% of the Blancaluna Grupo, a broadline foodservice wholesaler based in Argentina. As all strategic decisions require joint approval by a Bidcorp appointed director and a Blancaluna representative, Blancaluna has been classified in terms of IFRS 11 as a joint venture.

Interests in the joint ventures are accounted for using the equity method of accounting. Joint ventures are initially recorded at fair value and thereafter are increased or decreased by Bidcorp's share of the profit or loss. Goodwill relating to joint-controlled entities are included in the initial carrying amount of the investment. There were no impairments recognised for any investments in jointly-controlled entities (2018: nil).

Upon loss of joint control over an investment in a 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.

Jointly-controlled entities' net revenue represent 1,0% (2018: 1,0%), trading profit 0,9% (2018: 1,4%) and total assets 0,5% (2018: 0,5%) of the continuing operations for the Bidcorp Group.

Thus, no summarised financial information has been supplied in these financial statements.

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 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 their operations, including managing the financial risks of the operation. The operational management reports 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 (GARC) 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 GARC is governed by a charter and reports regularly to the board of directors on its activities.

The GARC's 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.