

Consolidated income statement

for the year ended June 30

| | Note | 2010 R'000 | 2009 R'000 |
|---|------|---------------------|---------------|
| Total revenue | 1 | 110 027 004 | 112 673 433 |
| Revenue | | 109 789 207 | 112 427 831 |
| Cost of revenue | | (86 778 366) | (89 482 780) |
| Gross income | | 23 010 841 | 22 945 051 |
| Other income | | 424 725 | 198 815 |
| Operating expenses | | (17 880 870) | (18 007 297) |
| Sales and distribution expenses | | (12 115 597) | (12 726 832) |
| Administration expenses | | (4 069 739) | (3 955 068) |
| Other expenses | | (1 695 534) | (1 325 397) |
| Trading profit | | 5 554 696 | 5 136 569 |
| Acquisition costs | | (61 202) | – |
| Non-trading items | | – | (164 240) |
| Net capital items | | (30 151) | (37 701) |
| Operating profit | 2 | 5 463 343 | 4 934 628 |
| Net finance charges | 3 | (758 479) | (1 029 243) |
| Finance income | | 64 408 | 40 982 |
| Finance charges | | (822 887) | (1 070 225) |
| Share of profit of associates | | 40 983 | 49 238 |
| Dividends received | | 30 785 | 29 298 |
| Share of current year retained earnings | | 10 198 | 19 940 |
| Profit before taxation | | 4 745 847 | 3 954 623 |
| Taxation | 4 | (1 301 059) | (1 046 344) |
| Profit for the year | | 3 444 788 | 2 908 279 |
| Attributable to | | | |
| Shareholders of the Company | | 3 345 175 | 2 802 386 |
| Minority shareholders | | 99 613 | 105 893 |
| | | 3 444 788 | 2 908 279 |
| Basic earnings per share (cents) | 5 | 1 063,6 | 929,6 |
| Diluted earnings per share (cents) | 5 | 1 057,1 | 924,5 |
| Headline earnings per share (cents) | 5 | 1 070,0 | 930,0 |
| Diluted headline earnings per share (cents) | 5 | 1 063,4 | 924,9 |
| Distributions per share (cents) | 6 | 432,0 | 380,0 |

Consolidated statement of other comprehensive income

for the year ended June 30

| | 2010 R'000 | 2009 R'000 |
|---|------------------|---------------|
| Profit for the year | 3 444 788 | 2 908 279 |
| Shareholders of the Company | 3 345 175 | 2 802 386 |
| Minority shareholders | 99 613 | 105 893 |
| Other comprehensive income (expense) net of tax | | |
| Decrease in foreign currency translation reserve | (675 601) | (1 281 836) |
| Shareholders of the Company | (671 219) | (1 277 229) |
| Minority shareholders | (4 382) | (4 607) |
| Increase (decrease) in fair value of available-for-sale financial assets | (12 831) | 2 428 |
| Increase (decrease) in fair value of available-for-sale financial assets before tax | (17 877) | 2 523 |
| Tax relief | 5 046 | (95) |
| Total comprehensive income for the year | 2 756 356 | 1 628 871 |
| Attributable to | | |
| Shareholders of the Company | 2 661 125 | 1 527 585 |
| Minority shareholders | 95 231 | 101 286 |
| | 2 756 356 | 1 628 871 |

Consolidated statement of cash flows

for the year ended June 30

| | Note | 2010 R'000 | 2009 R'000 |
|--|------|--------------------|---------------|
| Cash flows from operating activities | | 4 856 127 | 3 322 584 |
| Cash generated by operations | 7 | 7 984 220 | 6 748 868 |
| Finance income | | 64 408 | 40 982 |
| Finance charges | 8 | (724 042) | (1 065 811) |
| Taxation paid | 9 | (1 166 914) | (1 223 496) |
| Distributions to shareholders | 10 | (1 301 545) | (1 177 959) |
| Cash flows from investing activities | | (4 846 526) | (1 862 306) |
| Amounts advanced to associates | | (5 680) | (3 489) |
| Investments disposed of | | 149 099 | 579 315 |
| Investments acquired | | (244 445) | (544 559) |
| Additions to property, plant and equipment | | (2 730 411) | (2 241 322) |
| Additions to vehicle rental fleet | | (1 150 070) | (826 972) |
| Additions to intangible assets | | (149 880) | (184 928) |
| Proceeds on disposal of property, plant and equipment | | 398 169 | 280 646 |
| Proceeds on disposal of vehicle rental fleet | | 767 248 | 669 795 |
| Proceeds on disposal of intangible assets | | 9 762 | 2 293 |
| Acquisition of businesses, subsidiaries and associates | 11 | (1 951 556) | (243 001) |
| Proceeds on disposal of interests in subsidiaries and associates, and disposal and closure of businesses | 12 | 61 238 | 649 916 |
| Cash flows from financing activities | | 1 732 990 | (278 123) |
| Proceeds from share issues | | | |
| – Company | | 1 233 119 | 51 116 |
| – subsidiaries | | 300 772 | – |
| Purchase of treasury shares | | (24 975) | (64 803) |
| Sale of treasury shares | | 48 689 | 58 432 |
| Borrowings raised | | 7 513 034 | 2 906 368 |
| Borrowings repaid | | (7 337 649) | (3 229 236) |
| Net increase in cash and cash equivalents | | 1 742 591 | 1 182 155 |
| Cash and cash equivalents at beginning of year | | 1 239 538 | 308 554 |
| Effects of exchange rate fluctuations on cash and cash equivalents | | (76 676) | (251 171) |
| Cash and cash equivalents at end of year | | 2 905 453 | 1 239 538 |
| Cash and cash equivalents comprise | | | |
| Cash and cash equivalents | 24 | 4 138 722 | 3 212 425 |
| Bank overdrafts included in short-term portion of borrowings | 28 | (1 233 269) | (1 972 887) |
| | | 2 905 453 | 1 239 538 |

Consolidated statement of changes in equity

for the year ended June 30

| | 2010 R'000 | 2009 R'000 |
|---|--------------------|--------------------|
| EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY | 16 736 503 | 13 929 132 |
| Share capital | 17 507 | 16 814 |
| Balance at beginning of the year | 16 814 | 16 592 |
| Shares issued during the year | 693 | 56 |
| Capitalisation issue | – | 166 |
| Share premium | 81 258 | 228 301 |
| Balance at beginning of the year | 228 301 | 1 090 068 |
| Shares issued during the year | 1 236 462 | 51 060 |
| Share issue costs | (4 036) | (108) |
| Capitalisation issue | – | (166) |
| Refund of share premium to shareholders | (1 379 469) | (912 553) |
| Foreign currency translation reserve | 20 527 | 691 746 |
| Balance at beginning of the year | 691 746 | 1 968 975 |
| Total comprehensive income for the year | (671 219) | (1 277 229) |
| Statutory reserves | 15 215 | 13 033 |
| Balance at beginning of the year | 13 033 | 13 049 |
| Transfer from (to) retained earnings | 2 182 | (16) |
| Equity-settled share-based payment reserve | 328 640 | 253 936 |
| Balance at beginning of the year | 253 936 | 220 559 |
| Arising during the year | 74 704 | 33 377 |
| Retained earnings | 18 619 202 | 15 206 432 |
| Balance at beginning of the year | 15 206 432 | 12 706 171 |
| Total comprehensive income for the year | 3 332 344 | 2 804 814 |
| Dividends paid | – | (304 569) |
| Transfer of reserves as a result of changes in shareholding of subsidiaries | 82 608 | – |
| Transfer from (to) statutory reserves | (2 182) | 16 |
| Treasury shares | (2 345 846) | (2 481 130) |
| Balance at beginning of the year | (2 481 130) | (2 547 785) |
| Purchase of shares by subsidiaries | (24 975) | (49 384) |
| Shares disposed of in terms of share incentive scheme | 48 689 | 43 013 |
| Refund of share premium received by subsidiaries | 111 570 | 73 026 |
| EQUITY ATTRIBUTABLE TO MINORITY SHAREHOLDERS OF THE COMPANY | 656 434 | 368 495 |
| Balance at beginning of the year | 368 495 | 310 456 |
| Total comprehensive income for the year | 95 231 | 101 286 |
| Dividends paid | (33 646) | (33 863) |
| Share-based payment reserve | 5 525 | 60 |
| Capital invested by minority shareholders | 300 772 | – |
| Transactions with minority shareholders | 2 665 | (9 444) |
| Transfer of reserves as a result of changes in shareholding of subsidiaries | (82 608) | – |
| TOTAL EQUITY | 17 392 937 | 14 297 627 |

Consolidated statement of financial position

at June 30

| | Note | 2010 R'000 | 2009 R'000 |
|--|------|-------------------|---------------|
| ASSETS | | | |
| Non-current assets | | 19 371 091 | 16 119 562 |
| Property, plant and equipment | 13 | 10 367 571 | 9 409 702 |
| Intangible assets | 14 | 651 094 | 512 286 |
| Goodwill | 15 | 5 709 169 | 3 966 950 |
| Deferred taxation assets | 16 | 426 822 | 378 603 |
| Defined benefit pension surplus | 29 | 129 850 | 120 985 |
| Interest in associates | 18 | 656 865 | 449 889 |
| Investments | 19 | 1 157 190 | 908 884 |
| Banking and other advances | 20 | 272 530 | 372 263 |
| Current assets | | 23 973 829 | 22 364 822 |
| Vehicle rental fleet | 21 | 915 042 | 684 205 |
| Inventories | 22 | 8 030 752 | 7 443 252 |
| Short-term portion of banking and other advances | 20 | 350 086 | 279 862 |
| Trade and other receivables | 23 | 10 539 227 | 10 745 078 |
| Cash and cash equivalents | 24 | 4 138 722 | 3 212 425 |
| Total assets | | 43 344 920 | 38 484 384 |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | 17 392 937 | 14 297 627 |
| Capital and reserves attributable to shareholders of the Company | 25 | 16 736 503 | 13 929 132 |
| Minority shareholders | | 656 434 | 368 495 |
| Non-current liabilities | | 4 669 207 | 4 155 520 |
| Deferred taxation liabilities | 16 | 378 992 | 255 402 |
| Life assurance fund | 27 | 13 734 | 20 672 |
| Long-term portion of borrowings | 28 | 3 448 501 | 2 990 232 |
| Post-retirement obligations | 29 | 394 527 | 460 803 |
| Long-term portion of provisions | 33 | 235 253 | 218 972 |
| Long-term portion of operating lease liabilities | 31 | 198 200 | 209 439 |
| Current liabilities | | 21 282 776 | 20 031 237 |
| Trade and other payables | 32 | 15 032 357 | 14 570 716 |
| Short-term portion of provisions | 33 | 251 635 | 297 080 |
| Vendors for acquisition | | 539 | 15 629 |
| Taxation | | 364 558 | 262 080 |
| Short-term portion of banking liabilities | 30 | 1 080 366 | 591 200 |
| Short-term portion of borrowings | 28 | 4 553 321 | 4 294 532 |
| Total equity and liabilities | | 43 344 920 | 38 484 384 |

Notes to the consolidated financial statements

for the year ended June 30

| | 2010 R'000 | 2009 R'000 |
|---|--------------------|---------------|
| 1. Total revenue | | |
| Sale of goods | 87 005 106 | 86 604 840 |
| Rendering of services | 10 523 020 | 10 488 580 |
| Commissions and fees earned | 991 589 | 998 991 |
| Gross billings relating to clearing and forwarding transactions | 13 985 042 | 16 731 080 |
| Insurance | 180 993 | 129 371 |
| | 112 685 750 | 114 952 862 |
| Inter-group eliminations | (2 896 543) | (2 525 031) |
| Revenue | 109 789 207 | 112 427 831 |
| Dividend income | 44 411 | 46 533 |
| Finance income | 193 386 | 199 069 |
| Total revenue | 110 027 004 | 112 673 433 |
| 2. Operating profit | | |
| Determined after charging (crediting): | | |
| Auditors' remuneration | 67 493 | 57 807 |
| Audit fees | 52 624 | 46 635 |
| Audit related expenses | 512 | 914 |
| Taxation services | 4 546 | 4 094 |
| Other services | 9 811 | 6 164 |
| Depreciation of property, plant and equipment | 1 599 512 | 1 476 300 |
| Buildings | 60 423 | 41 695 |
| Leasehold premises | 66 729 | 60 426 |
| Plant and equipment | 425 924 | 382 788 |
| Office equipment, furniture and fittings | 263 310 | 231 720 |
| Vehicles, vessels and craft | 411 589 | 424 235 |
| Rental assets | 62 656 | 86 199 |
| Capitalised leased assets | 6 947 | 7 229 |
| Full maintenance lease assets | 301 934 | 242 008 |
| Depreciation of vehicle rental fleet | 151 985 | 127 224 |
| Amortisation of intangible assets | 118 968 | 140 828 |
| Patents, trademarks, tradenames and other intangibles | 33 182 | 71 000 |
| Computer software | 85 786 | 69 828 |
| Impairment of assets | 248 395 | 226 699 |
| Property, plant and equipment and intangible assets | 36 429 | 16 361 |
| Goodwill | 5 528 | 19 910 |
| Banking and other advances | 2 552 | 3 835 |
| Trade receivables | 203 886 | 186 593 |
| Provision for (reversal of) impairment of associates | (25 900) | 200 000 |
| Negative goodwill arising on acquisition of subsidiaries | - | (389) |
| Directors' emoluments | | |
| Executive directors | 80 653 | 73 687 |
| Basic remuneration | 35 304 | 35 596 |
| Retirement and medical benefits | 3 872 | 3 387 |
| Other benefits | 6 637 | 2 528 |
| Cash incentives | 34 840 | 32 176 |
| Non-executive directors | 3 606 | 2 471 |
| Fees | 3 091 | 2 113 |
| Emoluments for other services | 515 | 358 |

Notes to the consolidated financial statements

for the year ended June 30

| | 2010 R'000 | 2009 R'000 |
|---|-------------------|---------------|
| 2. Operating profit (continued) | | |
| Employer contributions to | 760 356 | 752 257 |
| Defined contribution pension funds | 148 535 | 161 045 |
| Provident funds | 347 559 | 329 173 |
| Retirement funds | 42 668 | 49 871 |
| Medical aid funds | 221 594 | 212 168 |
| Expenses (income) related to post-retirement obligations | (46 972) | 36 462 |
| Defined benefit pension plans | (30 297) | 7 568 |
| Post-retirement medical aid obligations | 292 | 16 985 |
| Defined benefit early retirement plan | (16 967) | 11 909 |
| Share-based payment expense | 79 054 | 33 377 |
| Staff | 45 754 | 23 282 |
| Executive directors | 15 319 | 9 964 |
| Former executive directors | 993 | 131 |
| In respect of empowerment transaction of subsidiary | 16 988 | – |
| Staff costs excluding directors' emoluments and employer contributions | 11 919 765 | 11 919 063 |
| Fees for administrative, managerial and technical services | 5 308 | 8 274 |
| Research and development expenditure | 1 649 | 559 |
| Foreign exchange losses (gains) on hedging transactions | (20 216) | 28 170 |
| Forward exchange contracts | (18 605) | 11 956 |
| Foreign bank accounts | (1 611) | 16 214 |
| Other foreign exchange losses (gains) | (10 925) | (27 319) |
| Realised | (9 785) | (9 722) |
| Unrealised | (1 140) | (17 597) |
| Dividends received | (13 626) | (17 235) |
| Listed investments | (13 609) | (17 235) |
| Unlisted investments | (17) | – |
| Fair value adjustments on investments held-for-trading | (192 383) | (50 860) |
| Net capital (profit) loss | 10 525 | (198 181) |
| Profit on disposal of property, plant and equipment | 8 814 | 54 685 |
| Loss on disposal of intangible assets | 1 711 | – |
| Net profit on disposal of interests in subsidiaries and associates, and disposal and closure of businesses | – | (252 866) |
| JSE fees | 189 | 174 |
| Operating lease charges | 1 467 884 | 1 405 478 |
| Land and buildings | 1 035 728 | 1 099 849 |
| Equipment and vehicles | 432 156 | 305 629 |

| | 2010 R'000 | 2009 R'000 |
|---|------------------|---------------|
| 3. Net finance charges | | |
| Finance income | 193 386 | 199 069 |
| Preference dividends | 4 566 | 5 307 |
| Interest income on banking and other advances | 72 480 | 64 114 |
| Interest income on vehicle lease debtors | 28 155 | 49 245 |
| Interest income on bank balances | 85 049 | 76 783 |
| Interest income on unimpaired available-for-sale financial investments | 3 136 | 3 620 |
| Finance charges | (866 803) | (1 119 803) |
| Interest expense on banking liabilities | (42 695) | (60 853) |
| Interest expense on bank overdrafts | (251 944) | (544 829) |
| Interest expense on financed assets | (7 029) | (10 387) |
| Interest expense on vehicle lease creditors and floorplan creditors | (23 681) | (50 588) |
| Interest expense on other borrowings | (544 334) | (462 825) |
| Less: Borrowing costs capitalised to property, plant and equipment | 2 880 | 9 679 |
| | (673 417) | (920 734) |
| Less: Net finance income from banking operations included in operating profit | (85 062) | (108 509) |
| Income | (128 978) | (158 087) |
| Charges | 43 916 | 49 578 |
| | (758 479) | (1 029 243) |

The applicable weighted average interest rate is used to determine the amount of borrowing costs eligible for capitalisation.

4. Taxation

| | | |
|-------------------------------------|------------------|-----------|
| Current taxation | 1 246 025 | 990 010 |
| Current year | 1 223 563 | 963 716 |
| Prior years | 22 462 | 26 294 |
| Deferred taxation | 44 803 | 43 732 |
| Current year | 54 155 | 40 095 |
| Prior years | (8 171) | 2 920 |
| Change in rate of taxation | (1 181) | 717 |
| Secondary taxation on companies | 2 315 | 7 590 |
| Foreign withholding taxation | 7 916 | 5 012 |
| Total taxation per income statement | 1 301 059 | 1 046 344 |
| Comprising | | |
| South African taxation | 782 913 | 672 859 |
| Foreign taxation | 518 146 | 373 485 |
| | 1 301 059 | 1 046 344 |

Notes to the consolidated financial statements

for the year ended June 30

| | 2010 % | 2009 % |
|--|--------------|--------------|
| 4. Taxation (continued) | | |
| The reconciliation of the effective tax rate with the company tax rate is: | | |
| Taxation for the year as a percentage of profit before taxation | 27,4 | 26,5 |
| Associates | 0,4 | 0,3 |
| Secondary taxation on companies | – | (0,1) |
| Effective rate excluding secondary taxation on companies and associate income | 27,8 | 26,7 |
| Dividend and exempt income | 1,2 | 2,5 |
| Foreign taxation rate differential | (0,3) | (1,0) |
| Non-deductible expenses | (1,0) | (2,8) |
| Utilisation of deferred tax assets not previously raised | 0,1 | 1,2 |
| Capital gains taxation exempt portion | 0,5 | 1,9 |
| Changes in prior year's estimation | (0,3) | (0,5) |
| Rate of South African company taxation | 28,0 | 28,0 |
| | R'000 | R'000 |
| Estimated tax losses available for offset against future taxable income | 376 078 | 295 757 |
| Utilised in the computation of deferred taxation | (184 836) | (104 931) |
| Not accounted for in deferred taxation | 191 242 | 190 826 |
| Deferred tax assets have not been recognised in respect of these tax losses as the directors believe it is not probable that the relevant companies will generate taxable profit in the near future, against which the benefits can be utilised. | | |
| Secondary taxation on companies – dividend credits available | 103 693 | 35 029 |
| 5. Earnings per share | | |
| Weighted average number of shares ('000) | | |
| Weighted average number of shares in issue for basic earnings per share and headline earnings per share calculations | 314 510 | 301 462 |
| Potential dilutive impact of outstanding staff share options and conditional awards | 1 929 | 1 647 |
| Number of outstanding staff share options | 8 342 | 12 522 |
| Number of share options deemed to be issued at fair value | (6 427) | (10 875) |
| Contingent issuable shares in terms of conditional share plan to be issued at fair value | 14 | – |
| Adjusted weighted average number of shares in issue used for the calculation of diluted earnings and diluted headline earnings per share | 316 439 | 303 109 |
| Attributable earnings (R'000) | | |
| Basic earnings per share and diluted earnings per share are based on profit attributable to shareholders of the Company | 3 345 175 | 2 802 386 |
| Basic earnings per share (cents) | 1 063,6 | 929,6 |
| Diluted basic earnings per share (cents) | 1 057,1 | 924,5 |
| Dilution (%) | 0,6 | 0,6 |

| | 2010 R'000 | 2009 R'000 |
|---|------------------|---------------|
| 5. Earnings per share (continued) | | |
| Headline earnings | | |
| Profit attributable to shareholders of the Company | 3 345 175 | 2 802 386 |
| Impairment of property, plant and equipment; goodwill and intangible assets | 41 070 | 34 952 |
| Property, plant and equipment | 30 271 | 16 361 |
| Goodwill | 5 528 | 19 910 |
| Intangible assets | 6 158 | – |
| Tax relief | (816) | (1 319) |
| Minority shareholders | (71) | – |
| Net loss on disposal of interest in subsidiaries and disposal and closure of businesses | – | 110 770 |
| Loss on disposal and closure | – | 138 272 |
| Tax relief | – | (27 502) |
| Profit on disposal, and impairment of investment in associate | (22 331) | (181 709) |
| Net loss (profit) on disposal of associate | 3 569 | (391 138) |
| Impairment (reversal of impairment) of investment in associate | (25 900) | 200 000 |
| Tax charge | – | 9 429 |
| Net loss on disposal of property, plant and equipment and intangible assets | 1 208 | 37 561 |
| Property, plant and equipment | 8 814 | 54 685 |
| Intangible assets | 1 711 | – |
| Tax relief | (4 076) | (17 124) |
| Minority shareholders | (5 241) | – |
| Negative goodwill arising on acquisition of subsidiaries | – | (389) |
| Headline earnings | 3 365 122 | 2 803 571 |
| Headline earnings per share (cents) | 1 070,0 | 930,0 |
| Diluted headline earnings per share (cents) | 1 063,4 | 924,9 |
| Dilution (%) | 0,6 | 0,6 |

6. Distribution per share

Interim distribution (cents)

| | | |
|---|-------|-------|
| Refund of share premium per share in lieu of dividend paid on March 29 2010 (2009: Dividend paid to shareholders on March 30 2009) | 207,0 | 100,0 |
| Capitalisation issue to shareholders on one new Bidvest share for every 100 Bidvest shares held on March 30 2009 | – | 90,0 |

Final distribution (cents)

| | | |
|---|--------------|-------|
| Dividend payable to shareholders on September 27 2010 (2009: Refund of share premium per share in lieu of dividend paid on November 30 2009) | 225,0 | 190,0 |
| | 432,0 | 380,0 |

It is expected that the final dividend declared for payment on September 27 2010 will result in a secondary tax on companies charge of approximately R68,0 million.

Notes to the consolidated financial statements

for the year ended June 30

| | 2010 R'000 | 2009 R'000 |
|---|--------------------|---------------|
| 7. Cash generated by operations | | |
| Profit before taxation | 4 745 847 | 3 954 623 |
| Costs incurred in respect of acquisitions | 61 202 | – |
| Net finance charges | 758 479 | 1 029 243 |
| Share of current year earnings of associates | (32 529) | (19 940) |
| Adjustment for depreciation and amortisation | 1 870 465 | 1 745 220 |
| Adjustment for other non-cash items | (60 845) | 193 966 |
| Reduction in post-retirement obligations | (36 431) | (10 646) |
| Decrease in life assurance fund | (6 938) | (12 806) |
| Working capital changes | 684 970 | (130 792) |
| Decrease (increase) in inventories | (487 076) | 347 435 |
| Decrease (increase) in trade and other receivables | (39 806) | 482 383 |
| Decrease (increase) in banking and other advances | 14 004 | (29 205) |
| Increase (decrease) in trade and other payables and provisions | 708 681 | (1 166 475) |
| Increase in banking liabilities | 489 167 | 235 070 |
| Cash generated by operations | 7 984 220 | 6 748 868 |
| 8. Finance charges | | |
| Charge per income statement | (822 887) | (1 070 225) |
| Amounts capitalised to borrowings | 101 725 | 14 093 |
| Amounts capitalised to property, plant and equipment | (2 880) | (9 679) |
| Amounts paid | (724 042) | (1 065 811) |
| 9. Taxation paid | | |
| Amounts payable at beginning of year | (262 080) | (511 427) |
| Current taxation charge | (1 256 256) | (1 002 612) |
| Businesses acquired | (19 952) | (149) |
| Exchange rate adjustments | 6 816 | 28 612 |
| Amounts payable at end of year | 364 558 | 262 080 |
| Amounts paid | (1 166 914) | (1 223 496) |
| 10. Distributions to shareholders | | |
| Dividends paid to shareholders | – | (332 645) |
| Dividends received by subsidiaries on treasury shares | – | 28 076 |
| Refund of share premium to shareholders in lieu of dividend | (1 379 469) | (912 553) |
| Refund of share premium received by subsidiary on treasury shares | 111 570 | 73 026 |
| Dividends paid to minority shareholders by subsidiaries | (33 646) | (33 863) |
| Amounts paid | (1 301 545) | (1 177 959) |

| | 2010 R'000 | 2009 R'000 |
|---|---------------|---------------|
| 11. Acquisition of businesses, subsidiaries and associates | | |
| Property, plant and equipment | (623 231) | (32 310) |
| Deferred taxation | 27 884 | (405) |
| Interest in associates | (180 419) | (78 033) |
| Investments and advances | 11 444 | – |
| Inventories | (410 932) | (50 399) |
| Trade and other receivables | (391 503) | (54 815) |
| Cash and cash equivalents | (45 784) | 16 521 |
| Borrowings | 1 374 270 | 2 027 |
| Trade and other payables and provisions | 703 233 | 72 873 |
| Taxation | 19 952 | 149 |
| Net fair value of liabilities (tangible assets) | 484 914 | (124 392) |
| Goodwill | (2 167 927) | (51 448) |
| Negative goodwill | – | 389 |
| Intangible assets | (179 927) | (44 659) |
| Minority shareholders | (58 108) | (15 872) |
| Total value of acquisitions | (1 921 048) | (235 982) |
| Less: Cash and cash equivalents acquired | 45 784 | (16 521) |
| Vendors for acquisition at beginning of year | (15 629) | (6 127) |
| Vendors for acquisition at end of year | 539 | 15 629 |
| Costs incurred in respect of acquisitions | (61 202) | – |
| Net amounts paid | (1 951 556) | (243 001) |

The Group acquired 100% of the issued share capital of the Nowaco group (Nowaco) of companies with effect from July 1 2009 for an enterprise value of €250 million. Nowaco includes Nowaco Czech Republic s.r.o. which focuses on the Czech Republic and Slovakia and Farutex Sp.z.o.o. which serves the Polish market. The purchase consideration was settled with cash of €119 million and the assumption of debt equating to €131 million. An independent valuation of the fair value of assets and liabilities was undertaken which identified €16 million of intangible assets relating mainly to the tradenames of the operations within Nowaco. Goodwill amounting to €182 million has been recognised as a result of this transaction, which can be attributed to the distribution network of the operations within Nowaco, the skills and expertise of the workforce and the synergies expected to be achieved as a result of integrating Nowaco into the European foodservice operations of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

The Group also undertook a number of other smaller acquisitions during the year.

Notes to the consolidated financial statements

for the year ended June 30

| | Nowaco R'000 | Other R'000 | Total R'000 |
|--|-----------------|----------------|--------------------|
| 11. Acquisition of businesses, subsidiaries and associates <i>(continued)</i> | | | |
| The impact of the above acquisitions on the Group's results can be summarised as follows: | | | |
| Identifiable assets acquired and liabilities assumed | | | |
| Property, plant and equipment | 579 203 | 44 028 | 623 231 |
| Deferred taxation | (30 295) | 2 411 | (27 884) |
| Interest in associates | – | 180 419 | 180 419 |
| Investments and advances | – | (11 444) | (11 444) |
| Inventories | 374 696 | 36 236 | 410 932 |
| Trade and other receivables | 371 701 | 19 802 | 391 503 |
| Cash and cash equivalents | 29 705 | 16 079 | 45 784 |
| Borrowings | (1 368 231) | (6 039) | (1 374 270) |
| Trade and other payables and provisions | (635 476) | (67 757) | (703 233) |
| Taxation | (19 019) | (933) | (19 952) |
| Intangible assets | 178 550 | 1 377 | 179 927 |
| Total net identifiable assets (liabilities) | (519 166) | 214 179 | (304 987) |
| Contribution to results of the year | | | |
| Revenue | 4 094 762 | 330 054 | 4 424 816 |
| Operating profit | 225 875 | 17 258 | 243 133 |
| Contribution to results for the year if the acquisitions had been effective on July 1 2009 | | | |
| Revenue | 4 094 762 | 702 885 | 4 797 647 |
| Operating profit | 225 875 | 28 845 | 254 720 |
| | | 2010 | 2009 |
| | | R'000 | R'000 |
| 12. Proceeds on disposal of interest in subsidiaries and associates, and disposal and closure of businesses | | | |
| Property, plant and equipment | | – | 2 331 |
| Deferred taxation | | 134 | 20 868 |
| Interest in associates | | – | 71 746 |
| Investments and advances | | – | 4 |
| Inventories | | 731 | 142 758 |
| Trade and other receivables | | – | 3 309 |
| Cash and cash equivalents | | – | (9 234) |
| Trade and other payables and provisions | | (401) | (82 132) |
| Net fair value of tangible assets | | 464 | 149 650 |
| Minority shareholders | | 60 774 | – |
| Profit on disposal of interest in subsidiaries and associates, and disposal and closure of businesses | | – | 491 032 |
| Less: Cash and cash equivalents disposed of | | – | 9 234 |
| Net proceeds | | 61 238 | 649 916 |

| | 2010 R'000 | 2009 R'000 |
|--|--------------------|---------------|
| 13. Property, plant and equipment | | |
| Freehold land and buildings | 2 894 264 | 2 376 528 |
| Cost | 3 538 144 | 2 888 799 |
| Accumulated depreciation | (643 880) | (512 271) |
| Leasehold premises | 853 528 | 752 435 |
| Cost | 1 250 551 | 1 091 353 |
| Accumulated depreciation | (397 023) | (338 918) |
| Plant and equipment | 2 412 013 | 2 008 571 |
| Cost | 5 054 345 | 4 289 972 |
| Accumulated depreciation | (2 642 332) | (2 281 401) |
| Office equipment, furniture and fittings | 782 189 | 718 148 |
| Cost | 2 255 190 | 2 005 834 |
| Accumulated depreciation | (1 473 001) | (1 287 686) |
| Vehicles, vessels and craft | 1 693 001 | 1 563 218 |
| Cost | 3 627 601 | 3 352 983 |
| Accumulated depreciation | (1 934 600) | (1 789 765) |
| Rental assets | 258 528 | 216 642 |
| Cost | 550 683 | 475 874 |
| Accumulated depreciation | (292 155) | (259 232) |
| Capitalised leased assets | 18 062 | 34 257 |
| Cost | 49 277 | 65 158 |
| Accumulated depreciation | (31 215) | (30 901) |
| Full maintenance leased assets | 1 263 241 | 1 237 742 |
| Cost | 2 029 010 | 1 934 912 |
| Accumulated depreciation | (765 769) | (697 170) |
| Capital work in progress | 192 745 | 502 161 |
| | 10 367 571 | 9 409 702 |

Property, plant and equipment with an estimated carrying value of R68,4 million (2009: R80,7 million) were pledged as security for borrowings of R61,8 million (2009: R51,2 million) (refer note 28).

A register of land and buildings is available for inspection by members at the registered office of the Company.

Notes to the consolidated financial statements

for the year ended June 30

| | 2010 R'000 | 2009 R'000 |
|---|-------------------|---------------|
| 13. Property, plant and equipment <i>(continued)</i> | | |
| <i>Movement in property, plant and equipment</i> | | |
| Carrying value at beginning of year | 9 409 702 | 9 556 529 |
| Capital expenditure | 2 733 291 | 2 251 001 |
| Freehold land and buildings | 399 854 | 158 601 |
| Leasehold premises | 209 348 | 132 727 |
| Plant and equipment | 838 272 | 362 787 |
| Office equipment, furniture and fittings | 309 301 | 258 886 |
| Vehicles, vessels and craft | 611 092 | 582 694 |
| Rental assets | 129 380 | 106 996 |
| Capitalised leased assets | 852 | 16 199 |
| Full maintenance leased assets | 529 363 | 352 744 |
| Capital work in progress | (294 171) | 279 367 |
| Expenditure | 257 008 | 540 918 |
| Transfers to other categories | (51 179) | (261 551) |
| Acquisition of businesses | 623 231 | 32 310 |
| Freehold land and buildings | 339 208 | 5 896 |
| Leasehold premises | 5 298 | – |
| Plant and equipment | 96 395 | 8 379 |
| Office equipment, furniture and fittings | 43 234 | 1 608 |
| Vehicles, vessels and craft | 100 392 | 16 427 |
| Rental assets | 11 927 | – |
| Capital work in progress | 26 777 | – |
| Disposals | (406 982) | (304 164) |
| Freehold land and buildings | (17 696) | (37) |
| Leasehold premises | – | (12 328) |
| Plant and equipment | (37 024) | (11 865) |
| Office equipment, furniture and fittings | (15 933) | (14 359) |
| Vehicles, vessels and craft | (76 984) | (134 596) |
| Rental assets | (36 440) | (18 862) |
| Capitalised leased assets | (7 326) | (384) |
| Full maintenance leased assets | (195 277) | (108 135) |
| Capital work in progress | (20 302) | (3 598) |
| Disposal of businesses | – | (2 331) |
| Exchange rate adjustments | (361 888) | (631 850) |
| Freehold land and buildings | (143 208) | (204 211) |
| Leasehold premises | (30 045) | (62 894) |
| Plant and equipment | (66 803) | (117 811) |
| Office equipment, furniture and fittings | (7 138) | (11 436) |
| Vehicles, vessels and craft | (89 875) | (195 608) |
| Rental assets | (325) | (90) |
| Capitalised leased assets | (2 774) | (2 848) |
| Capital work in progress | (21 720) | (36 952) |
| Depreciation (refer note 2) | (1 599 512) | (1 476 300) |
| Impairment losses | (30 271) | (15 493) |
| Carrying value at end of year | 10 367 571 | 9 409 702 |

| | 2010 R'000 | 2009 R'000 |
|---|----------------|----------------|
| 14. Intangible assets | | |
| Patents, trademarks, tradenames and other intangibles | 241 871 | 111 533 |
| Cost | 1 123 420 | 1 000 504 |
| Accumulated amortisation and impairments | (881 549) | (888 971) |
| Computer software | 218 040 | 195 227 |
| Cost | 716 227 | 613 672 |
| Accumulated amortisation | (498 187) | (418 445) |
| Capital work in progress | 191 183 | 205 526 |
| | 651 094 | 512 286 |

Movement in intangible assets

| | | |
|---|----------------|----------------|
| Carrying value at beginning of year | 512 286 | 486 471 |
| Additions | 149 880 | 184 928 |
| Patents, trademarks, tradenames and other intangibles | 17 909 | 25 649 |
| Computer software | 123 957 | 151 577 |
| Capital work in progress | 8 014 | 7 702 |
| Expenditure | 13 646 | 7 707 |
| Transfers to other categories | (5 632) | (5) |
| Acquisition of businesses | 179 927 | 44 659 |
| Patents, trademarks, tradenames and other intangibles | 174 928 | 44 646 |
| Computer software | 4 842 | 13 |
| Capital work in progress | 157 | - |
| Disposals | (11 473) | (2 922) |
| Patents, trademarks, tradenames and other intangibles | (7 747) | (1 638) |
| Computer software | (3 322) | (1 284) |
| Capital work in progress | (404) | - |
| Exchange rate adjustments | (54 400) | (59 154) |
| Patents, trademarks, tradenames and other intangibles | (18 491) | (24 710) |
| Computer software | (13 293) | (12 412) |
| Capital work in progress | (22 616) | (22 032) |
| Amortisation (refer note 2) | (118 968) | (140 828) |
| Impairment losses | (6 158) | (868) |
| Carrying value at end of year | 651 094 | 512 286 |

Notes to the consolidated financial statements

for the year ended June 30

| | 2010 R'000 | 2009 R'000 |
|-------------------------------------|------------------|------------------|
| 15. Goodwill | | |
| Carrying value at beginning of year | 3 966 950 | 4 556 137 |
| Acquisition of businesses | 2 167 927 | 51 448 |
| Impairment of goodwill | (5 528) | (19 910) |
| Exchange rate adjustments | (420 180) | (620 725) |
| Carrying value at end of year | <u>5 709 169</u> | <u>3 966 950</u> |

Goodwill acquired through business combinations has been attributed to individual cash-generating units. The carrying amount of goodwill was subject to an annual impairment test as at March 31 using either the discounted cash flow basis or the at fair value less costs to sell method. An amount of R5,5 million (2009: R19,9 million) was identified as being impaired for the current financial year.

The most significant portion of the Group's goodwill, R4,8 billion (2009: R3,2 billion), relates to operations in Bidvest Europe and Asia Pacific. The recoverable amount of each cash-generating units within these divisions was determined using the fair value less costs to sell method and exceeds the carrying value by some R9,5 billion. These calculations use projected annualised earnings based on actual operating results. A price earnings ratio was applied to obtain the recoverable amount for each business unit. The earning yields are considered to be consistent with similar companies within the industry and geographic segments. Attributable earnings for these operations amounted to R996,9 million (2009: R929,4 million) for the year.

The remaining goodwill of R0,9 billion (2009: R0,7 billion) is allocated across multiple cash-generating units. The recoverable amount for these remaining units was calculated on the aforementioned basis. For those units where the carrying amount was in excess of the recoverable amount and a permanent diminution had taken place, an impairment was recognised.

| | | |
|-------------------------------|---------------|----------------|
| 16. Deferred taxation | | |
| Deferred taxation assets | 426 822 | 378 603 |
| Deferred taxation liabilities | (378 992) | (255 402) |
| Net deferred taxation asset | <u>47 830</u> | <u>123 201</u> |

Movement in net deferred taxation assets and liabilities

| | | |
|---|---------------|----------------|
| Balance at beginning of year | 123 201 | 176 304 |
| Per income statement | (44 803) | (43 732) |
| Items recognised directly in other comprehensive income | 5 046 | – |
| Arising on acquisition or disposal of businesses | (28 018) | (20 463) |
| Exchange rate adjustments | (7 596) | 11 092 |
| Balance at end of year | <u>47 830</u> | <u>123 201</u> |

| | Assets R'000 | Liabilities R'000 | Net R'000 |
|--|-----------------|----------------------|----------------|
| 16. Deferred taxation (continued) | | | |
| Temporary differences | | | |
| 2010 | | | |
| Differential between carrying values and tax values of property, plant and equipment | 1 141 | (473 089) | (471 948) |
| Differential between carrying values and tax values of intangible assets | 324 | (31 750) | (31 426) |
| Estimated taxation losses | 42 686 | 8 943 | 51 629 |
| Staff related allowances and liabilities | 181 003 | 84 564 | 265 567 |
| Operating lease liabilities | 55 054 | 8 442 | 63 496 |
| Inventories | 68 043 | (16 115) | 51 928 |
| Investments | 7 643 | (31 749) | (24 106) |
| Trade and other receivables | 38 614 | 18 116 | 56 730 |
| Trade, other payables and provisions | 32 314 | 53 646 | 85 960 |
| | 426 822 | (378 992) | 47 830 |
| 2009 | | | |
| Differential between carrying values and tax values of property, plant and equipment | (61 261) | (310 205) | (371 466) |
| Differential between carrying values and tax values of intangible assets | (1 256) | (5 856) | (7 112) |
| Estimated taxation losses | 12 996 | 26 974 | 39 970 |
| Staff related allowances and liabilities | 135 535 | 70 752 | 206 287 |
| Operating lease liabilities | 50 487 | 11 601 | 62 088 |
| Inventories | 58 440 | (12 622) | 45 818 |
| Investments | (161) | (14 077) | (14 238) |
| Trade and other receivables | 34 720 | 4 234 | 38 954 |
| Trade, other payables and provisions | 149 103 | (26 203) | 122 900 |
| | 378 603 | (255 402) | 123 201 |

Deferred taxation has been provided at rates ranging between 10% and 36% (2009: 14% and 36%). The variance in rates arises as a result of the differing tax and capital gains tax rates present in the various countries in which the Group operates.

| | 2010 R'000 | 2009 R'000 |
|---|---------------|---------------|
| 17. Interest in joint ventures | | |
| The Group's proportional interest in joint ventures has been incorporated in the Group's assets, liabilities and results, as follows: | | |
| Income statement | | |
| Revenue | 26 481 | 24 730 |
| Operating profit | 6 200 | 7 077 |
| Net finance charges | (1 250) | (1 322) |
| Profit before taxation | 4 950 | 5 755 |
| Taxation | (1 437) | (2 154) |
| Profit for the year | 3 513 | 3 601 |
| Statement of financial position | | |
| Assets | | |
| Property, plant and equipment and intangible assets | 9 062 | 8 208 |
| Intangibles | 4 | - |
| Deferred taxation | 1 824 | 1 703 |
| Net current assets | 9 511 | 7 852 |
| | 20 401 | 17 763 |
| Equity and liabilities | | |
| Capital and reserves | 11 808 | 8 295 |
| Borrowings | 8 593 | 9 468 |
| | 20 401 | 17 763 |

Details of major joint ventures are reflected on page 210 of this report.

Notes to the consolidated financial statements

for the year ended June 30

| | 2010 R'000 | 2009 R'000 |
|---|------------------|---------------|
| 18. Interest in associates | | |
| Associates | | |
| Listed associates | 355 075 | 186 967 |
| Net asset value at acquisition | 278 818 | 113 234 |
| Inherent goodwill | 250 357 | 273 733 |
| Provision for impairment | (174 100) | (200 000) |
| Unlisted associates | 132 526 | 93 114 |
| Net asset value at acquisition | 92 456 | 78 994 |
| Inherent goodwill | 40 070 | 14 120 |
| Investments in associates at cost less impairments | 487 601 | 280 081 |
| Attributable share of post-acquisition reserves of associates | 82 592 | 88 816 |
| At beginning of year | 88 816 | 189 210 |
| Share of current year retained earnings | 10 198 | 19 940 |
| Share of foreign currency translation reserve | (4 279) | 1 264 |
| Other movements recognised directly in equity | (8 573) | 9 853 |
| Reversal of prior year on becoming subsidiary, disposal or change in shareholding | (3 570) | (131 451) |
| Advances | 86 672 | 80 992 |
| | 656 865 | 449 889 |
| Advances to associates bear interest at rates of between 0% and 11% and have no fixed terms of repayment. | | |
| Market value of listed associates | 436 200 | 222 353 |
| Directors' valuation of unlisted associates | 277 900 | 280 000 |
| | 714 100 | 502 353 |
| Summarised financial information of associates (aggregated): | | |
| Income statement | | |
| Revenue | 5 346 729 | 4 558 068 |
| Operating profit | 308 442 | 223 658 |
| Net finance charges | (52 731) | (54 207) |
| Profit before taxation | 255 711 | 169 451 |
| Taxation | (85 024) | (57 544) |
| Profit for the year | 170 687 | 111 907 |
| Statement of financial position | | |
| Assets | | |
| Property, plant and equipment and intangible assets | 1 535 257 | 1 293 531 |
| Investments | 850 | - |
| Net current assets | 607 948 | 327 472 |
| | 2 144 055 | 1 621 003 |
| Equity and liabilities | | |
| Capital and reserves | 1 374 154 | 933 244 |
| Deferred taxation | 86 289 | 64 462 |
| Borrowings | 683 612 | 623 297 |
| | 2 144 055 | 1 621 003 |

Details of major associates are reflected on page 211 of this report.

| | 2010 R'000 | 2009 R'000 |
|-----------------------------|------------------|---------------|
| 19. Investments | | |
| Listed held-for-trading | 492 635 | 391 882 |
| Unlisted held-for-trading | 571 288 | 454 194 |
| Listed available-for-sale | 58 672 | 62 443 |
| Unlisted available-for-sale | 34 595 | 365 |
| | 1 157 190 | 908 884 |

The Group accounts for its effective beneficial interest in Mumbai International Airport as an unlisted investment held-for-trading. The carrying value of this investment, based on a conservative directors' valuation at June 30 2010, is R499,9 million (2009: R337,0 million).

Included in listed investments are available-for-sale interest-bearing listed bonds which amount to R37,9 million (2009: R43,6 million), with coupon interest rates of between 13,0% and 13,5% (2009: 13,0% and 13,5%) which mature in one to six years (2009: one to seven years). These investments may be realised prior to their maturity date.

Fair value and hierarchy of investments

The table below analyses investments by valuation method:

| | | |
|---|------------------|---------|
| Investments held at cost | 32 118 | 32 248 |
| Investments held at fair value as determined on inputs based on: | 1 125 072 | 876 636 |
| Unadjusted quoted prices in an active market for identical assets | 521 795 | 447 398 |
| Factors that are observable for the asset either as prices or derived from prices | 564 959 | 404 581 |
| Factors that are not based on observable market data | 38 318 | 24 657 |
| | 1 157 190 | 908 884 |

A register of investments is available for inspection by members at the registered office of the Company.

20. Banking and other advances

| | | |
|---------------------------|-----------------|---------|
| Instalment finance | 51 810 | 58 572 |
| Vehicle lease receivables | 214 917 | 343 198 |
| Call and term loans | 156 972 | 168 054 |
| Other | 221 494 | 89 373 |
| | 645 193 | 659 197 |
| Impairment allowance | (22 577) | (7 072) |
| | 622 616 | 652 125 |

Maturity analysis

| | | |
|---|----------------|---------|
| Maturing in one year | 350 086 | 279 862 |
| Maturing after one year but within five years | 272 530 | 360 106 |
| Maturing after five years | - | 12 157 |
| | 622 616 | 652 125 |

Interest rates are based on contractual agreements with customers.

Refer note 36 for further disclosure.

Notes to the consolidated financial statements

for the year ended June 30

| | 2010 R'000 | 2009 R'000 |
|---|-------------------|---------------|
| 21. Vehicle rental fleet | | |
| Cost | 1 001 864 | 777 087 |
| Accumulated depreciation | (86 822) | (92 882) |
| | 915 042 | 684 205 |
| <i>Movement in vehicle rental fleet</i> | | |
| Carrying value at beginning of year | 684 205 | 654 252 |
| Additions | 1 150 070 | 826 972 |
| Disposals | (767 248) | (669 795) |
| Depreciation | (151 985) | (127 224) |
| Carrying value at end of year | 915 042 | 684 205 |
| 22. Inventories | | |
| Raw materials | 323 505 | 254 106 |
| Work in progress | 99 398 | 105 980 |
| Finished goods | 5 353 692 | 4 903 534 |
| New vehicles and motor cycles | 748 740 | 614 210 |
| Used vehicles | 627 369 | 499 869 |
| Demonstration vehicles | 550 527 | 674 602 |
| Power and marine products | 111 595 | 125 519 |
| Parts and accessories | 215 926 | 265 432 |
| | 8 030 752 | 7 443 252 |
| Ownership of inventory, acquired under floorplan arrangements, remains with the respective floorplan provider until the purchase price has been paid. | | |
| Amounts included in borrowings relating to these assets (refer note 28) | 560 035 | 417 319 |
| Amounts included in trade and other payables relating to these assets (refer note 32) | 406 300 | 538 827 |
| | 966 335 | 956 146 |
| Writedown of inventory charged to the income statement | 104 201 | 70 357 |
| 23. Trade and other receivables | | |
| Trade receivables | 10 044 178 | 10 018 841 |
| Impairment allowances | (426 848) | (389 935) |
| Total trade receivables | 9 617 330 | 9 628 906 |
| Forward exchange contracts asset | 8 959 | 9 049 |
| Prepayments and other receivables | 912 938 | 1 107 123 |
| | 10 539 227 | 10 745 078 |

The majority of trade and other receivables are fixed in the subsidiaries' local currency. Since trade and other receivables have limited exposure to exchange rate fluctuations, a currency analysis has not been included.

Refer note 36 for further disclosure on trade receivables and impairment allowances.

| | 2010 R'000 | 2009 R'000 |
|--|--------------------|------------------|
| 24. Cash and cash equivalents | | |
| Cash on hand and at bank | 4 138 722 | 3 162 425 |
| Variable rate redeemable cumulative preference shares earning dividends at rates of between 61,5% and 80% of the prime overdraft rate, subject to redemption and/or repurchase on 30 days' notice. | – | 50 000 |
| | 4 138 722 | 3 212 425 |
| Amounts included in cash and cash equivalents relating to banking and insurance subsidiaries where the balances form part of the reserving requirements as required by the Financial Services Act | 1 160 553 | 903 559 |
| 25. Capital and reserves attributable to shareholders of the Company | | |
| <i>Share capital</i> | | |
| Issued share capital | 17 507 | 16 814 |
| Share premium | 81 258 | 228 301 |
| <i>Reserves</i> | 18 983 584 | 16 165 147 |
| Foreign currency translation reserve | 20 527 | 691 746 |
| Statutory reserves | 15 215 | 13 033 |
| Equity-settled share-based payment reserve | 328 640 | 253 936 |
| Retained earnings | 18 619 202 | 15 206 432 |
| | 19 082 349 | 16 410 262 |
| <i>Less: Shares held by subsidiary as treasury shares</i> | (2 345 846) | (2 481 130) |
| <i>Capital and reserves attributable to shareholders of the Company</i> | 16 736 503 | 13 929 132 |
| <i>Reserves comprise</i> | | |
| Company and subsidiaries | 18 889 685 | 16 068 537 |
| Joint ventures | 11 307 | 7 794 |
| Associates | 82 592 | 88 816 |
| | 18 983 584 | 16 165 147 |

Notes to the consolidated financial statements

for the year ended June 30

| | 2010 R'000 | 2009 R'000 |
|---|---------------------|---------------|
| 25. Capital and reserves attributable to shareholders of the Company | | |
| Share capital (continued) | | |
| Authorised | | |
| 540 000 000 (2009: 540 000 000) ordinary shares of 5 cents each | 27 000 | 27 000 |
| | Number | Number |
| Issued | | |
| Number of shares issued | 350 144 746 | 336 284 567 |
| Balance at beginning of year | 336 284 567 | 331 837 415 |
| Capitalisation issue | - | 3 326 310 |
| Issue for cash | 9 970 240 | - |
| Shares issued in terms of share incentive scheme | 3 889 939 | 1 120 842 |
| Less: Shares held by subsidiary as treasury shares | (27 843 230) | (27 571 595) |
| Balance at beginning of year | (27 571 595) | (27 441 028) |
| Purchase of shares by subsidiary | (658 202) | (635 114) |
| Capitalisation issue | - | (280 761) |
| Sale of shares by subsidiary to staff in terms of share incentive scheme | 386 567 | 785 308 |
| Less: Shares held by share purchase scheme | (3 295 121) | (3 717 917) |
| Balance at beginning of year | (3 717 917) | (3 820 644) |
| Capitalisation issue | - | (36 837) |
| Shares acquired by staff in terms of share incentive scheme | 287 074 | - |
| Shares repurchased from staff | 135 722 | 139 564 |
| Net shares in issue | 319 006 395 | 304 995 055 |

30 000 000 of the unissued ordinary shares are under the control of the directors until the next annual general meeting.

Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Statutory reserves

A contingency reserve is maintained at 10% of the net premium income. The reserve can be utilised in the case of a catastrophe, subject to the approval of the Financial Services Board.

A statutory reserve is maintained by a banking subsidiary to meet the minimum general provision against advances as prescribed by the Banks Act.

Equity-settled share-based payment reserve

The equity-settled share-based payment reserve includes the fair value of the options granted and conditional share awards made, to executive directors and staff, which have been recognised over the vesting period at fair value with a corresponding expense to the income statement. The reserve also includes a share-based cost resulting from an empowerment transaction entered into by a subsidiary.

26. Share-based payments

The Bidvest Share Incentive Scheme (Scheme) grants options and advances loans to employees of the Group to acquire shares in the Company. Both the share options scheme and share purchase scheme have been classified as equity-settled schemes, and therefore an equity-settled share-based payment reserve has been recognised.

A conditional share plan, which awards employees a conditional right to receive shares in the Company, free of any cost, is also operated by the Group. As it is anticipated that the participants will receive shares in settlement of their awards, a share-based payment reserve has been recognised.

During the year the Company concluded agreements with empowerment partners to facilitate the disposal of an effective interest of 15,46% in its subsidiary, Bidvest Namibia Limited. An equity-settled share-based payment reserve has been recognised in respect of this transaction by Bidvest Namibia Limited.

26. Share-based payments (continued)

Share options scheme

The Group elected to account only for the cost of options granted subsequent to November 7 2002 which had not vested by January 1 2005 in terms of the transitional provisions on conversion to IFRS.

The terms and conditions of the options are:

Option holders are only entitled to exercise their options if they are in the employment of the Group in accordance with the terms referred to hereafter, unless otherwise recommended by the board of the Company to the trustees of the Bidvest Share Incentive Trust.

Option holders in the Scheme may exercise the options at such times as the option holder deems fit, but not so as to result in the following proportions of the holder's total number of instruments being purchased prior to: 50% of total number of instruments at the expiry of three years; 75% of total number of instruments at the expiry of four years; and 100% of total number of instruments at the expiry of five years from the date of the holder's acceptance of an option. All options must be exercised no later than the tenth anniversary on which they were granted unless approval is obtained from the trustees.

The number and weighted average exercise prices of share options are:

| | 2010 | | 2009 | |
|-----------------------|------------------|--------------------|------------------|--------------------|
| | Number | Average price R | Number | Average price R |
| Beginning of the year | 8 804 506 | 51,36 | 10 770 406 | 51,36 |
| Granted | 63 000 | 100,00 | – | – |
| Lapsed | (28 510) | 55,37 | (59 750) | 61,37 |
| Exercised | (3 791 939) | 47,17 | (1 906 150) | 46,43 |
| End of the year | <u>5 047 057</u> | <u>55,72</u> | <u>8 804 506</u> | <u>52,18</u> |

The options outstanding at June 30 2010 have an exercise price in the range of R35,03 to R112,00 (2009: R17,55 to R112,00) and a weighted average contractual life of 1,0 to 8,5 years (2009: 1,0 to 6,5 years). The average share price of The Bidvest Group Limited during the year was R123,28 (2009: R97,18).

Share options outstanding at June 30 2010 by year of grant are:

| | | | | |
|----------------|------------------|--------------|------------------|--------------|
| 2003 and prior | 1 769 920 | 40,53 | 3 734 184 | 40,00 |
| 2004 | 1 384 350 | 50,53 | 2 463 906 | 50,30 |
| 2005 | 1 637 537 | 69,18 | 2 351 416 | 69,10 |
| 2006 | 157 250 | 89,61 | 220 000 | 89,74 |
| 2008 | 35 000 | 112,00 | 35 000 | 112,00 |
| 2010 | 63 000 | 100,00 | | |
| | <u>5 047 057</u> | <u>55,72</u> | <u>8 804 506</u> | <u>52,18</u> |

The fair value of services received in return for shares allotted is measured based on a binomial model. The contractual life of the option is used as an input into this model.

The fair value of the shares allotted during the year and the assumptions used were:

| | 2010 |
|--|-------------|
| Fair value at measurement date (rand) | 19,01 |
| Exercise price (rand) | 100,00 |
| Expected volatility (%) | 31,21 |
| Option life (years) | 3,25 – 4,25 |
| Distribution yield (%) | 4,72 |
| Risk-free interest rate (based on national government bonds) (%) | 7,19 |

The volatility is based on the historic volatility.

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for the year ended June 30

26. Share-based payments (continued)

Share purchase scheme

In terms of the share purchase scheme, the Scheme advances loans to employees to acquire shares in the Company. Interest is charged on the loans at interest rates determined by the board of directors of the Company, the loans must be settled no later than the tenth anniversary on which the shares were allotted and the shares are held by the Scheme as security for the loans.

The employees are entitled to settle the loans at such times as they deem fit, but not so as to result in the following proportions of the employees' total number of allotted shares being paid for prior to: 50% of total number of allotted shares at the expiry of three years; 75% of total number of allotted shares at the expiry of four years; and 100% of total number of allotted shares at the expiry of five years from the date of the holder's acceptance of the allotted share, unless otherwise determined by the board.

Distributions arising on the allotted shares are utilised to settle any interest or income tax obligations with any excess being applied to settle the outstanding liability.

The number and weighted average exercise prices of shares allotted in terms of the share purchase scheme are:

| | 2010 | | 2009 | |
|--------------------------|-----------|-----------------|-----------|-----------------|
| | Number | Average price R | Number | Average price R |
| Beginning of the year | 3 717 917 | 111,03 | 3 820 644 | 109,21 |
| Repurchased | (135 722) | 111,00 | (139 564) | 110,47 |
| Shares taken up by staff | (287 105) | 112,60 | – | – |
| Capitalisation issue | – | – | 36 837 | – |
| End of the year | 3 295 090 | 110,76 | 3 717 917 | 111,03 |

The fair value of services received in return for shares allotted is measured based on a binomial model. The expected contractual life of the loan obligation is used as an input into this model.

No shares were allotted during the year.

Conditional share plan

In terms of the conditional share plan scheme, a conditional right to a share is awarded to employees subject to performance and vesting conditions. The vesting period is as follows: 50% of total number of awards vest at the expiry of three years; 75% of total number of awards vest at the expiry of four years; and 100% of total number of allotted awards vest at the expiry of five years from the date of the holder's acceptance of the award, unless otherwise determined by the board. These share awards do not carry voting rights attributable to ordinary shareholders. An additional 3 501 447 (2009: 3 362 846) conditional share awards are available to be granted to employees in the forthcoming year.

The fair value of services received in return for the conditional share awards has been determined by multiplying the number of conditional share awards expected to vest, by the share price at the date of the award, discounted by anticipated future distribution flows. A total number of 670 119 of the 2 785 600 shares are expected to vest, taking into account the performance of the various operations to date and forecasts to the end of the performance period, against the targets set at the time of the award. The average discounted share price used in the calculation is R119,81 per share. These awards will vest in the next one to three years.

The number of conditional share awards allotted in terms of the conditional share award scheme are:

| | 2010 | 2009 |
|--------------------------|-----------|---------|
| | Number | Number |
| Beginning of the year | 800 000 | – |
| Allotted during the year | 2 085 600 | 800 000 |
| Lapsed during the year | (100 000) | – |
| End of the year | 2 785 600 | 800 000 |

Empowerment transaction

The Monte Carlo simulation method has been used to determine the fair value of the empowerment transaction between the Company and the empowerment partners in its subsidiary Bidvest Namibia Limited. The following inputs have been used in the determination of the fair value to be recognised as a result of the transaction: share price at transaction date – NAD7,20; expected volatility – 14,2%; expected dividend yield – 4,7%; valuation date – June 1 2010 and maturity date – June 30 2014; which has resulted in a charge against the income statement of R16,9 million.

| | 2010 R'000 | 2009 R'000 |
|--|---------------|---------------|
| 27. Life assurance fund | | |
| The assurance fund agrees with the amount of the actuarial value of liabilities under life insurance policies and contracts at that date. | | |
| Net assurance fund at beginning of year | 20 672 | 33 478 |
| Gross | 25 209 | 40 557 |
| Reinsurer's share | (4 537) | (7 079) |
| Transfer to income statement | (6 938) | (12 806) |
| Gross | (7 826) | (15 347) |
| Reinsurer's share | 888 | 2 541 |
| Net assurance fund at end of year | 13 734 | 20 672 |
| 28. Borrowings | | |
| Loans secured by mortgage bonds over fixed property (refer note 13) | 21 282 | 25 860 |
| Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements (refer note 13) | 40 566 | 25 388 |
| Unsecured loans | 6 146 670 | 4 821 432 |
| Vehicle lease creditors secured by a pledge of inventories (refer note 22) | - | 21 878 |
| Floorplan creditors secured by pledge of inventories (refer note 22) | 560 035 | 417 319 |
| Borrowings | 6 768 553 | 5 311 877 |
| Bank overdrafts | 1 233 269 | 1 972 887 |
| Total borrowings | 8 001 822 | 7 284 764 |
| Short-term portion of borrowings | (4 553 321) | (4 294 532) |
| Long-term portion of borrowings | 3 448 501 | 2 990 232 |
| Schedule of repayment of borrowings | | |
| Year to June 2010 | | 2 321 645 |
| Year to June 2011 | 3 320 052 | 706 857 |
| Year to June 2012 | 219 889 | 62 526 |
| Year to June 2013 | 568 571 | 58 190 |
| Year to June 2014 | 213 061 | 57 046 |
| Year to June 2015 | 1 598 922 | 1 556 837 |
| Year to June 2016 | 793 600 | 239 425 |
| Thereafter | 54 458 | 309 351 |
| | 6 768 553 | 5 311 877 |
| Total borrowings comprise | | |
| Borrowings | 6 768 553 | 5 311 877 |
| Local subsidiaries | 4 429 325 | 3 628 774 |
| Foreign subsidiaries | 2 339 228 | 1 683 103 |
| Overdrafts | 1 233 269 | 1 972 887 |
| Local subsidiaries | 1 216 775 | 1 970 574 |
| Foreign subsidiaries | 16 494 | 2 313 |
| | 8 001 822 | 7 284 764 |
| | % | % |
| Effective weighted average rate of interest on | | |
| Local borrowings excluding overdrafts | 9,1 | 9,7 |
| Foreign borrowings excluding overdrafts | 2,9 | 3,0 |

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for the year ended June 30

| | Currency | Nominal interest rate % | 2010 Year of maturity | Carrying value R'000 | 2009 Carrying value R'000 |
|--|----------|-------------------------------|-----------------------------|----------------------------|------------------------------------|
| 28. Borrowings (continued) | | | | | |
| Terms and debt repayment schedule | | | | | |
| Terms and conditions of outstanding loans were: | | | | | |
| Borrowings of local subsidiaries | | | | | |
| | | | | 4 429 325 | 3 628 774 |
| Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements | ZAR | 5,0 – 10,0 | 2012 – 2013 | 127 | 15 819 |
| Unsecured loans | ZAR | 6,0 – 11,0 | 2011 – 2018 | 3 869 163 | 3 173 758 |
| Vehicle lease creditors secured by a pledge of inventories | ZAR | – | – | – | 21 878 |
| Floorplan creditors secured by pledge of inventories | ZAR | 8,25 – 10,0 | 2011 | 560 035 | 417 319 |
| Borrowings of foreign subsidiaries | | | | | |
| | | | | 2 339 228 | 1 683 103 |
| Loans secured by mortgage bonds over fixed property | GBP | | | – | 26 115 |
| | PLN | 5,62 – 5,67 | 2013 – 2016 | 21 282 | – |
| Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements | GBP | 5,0 | 2012 – 2013 | 24 756 | 7 147 |
| | PLN | 5,49 | 2013 | 14 739 | – |
| | EUR | 5,0 | 2013 | 616 | 1 002 |
| | Other | 5,0 – 12,0 | 2011 – 2014 | 328 | 1 419 |
| Unsecured loans | EUR | 5,0 – 6,0 | 2011 – 2015 | 13 062 | 457 891 |
| | USD | 1,5 – 1,7 | 2011 | 196 434 | 42 752 |
| | HKD | 1,1 – 2,27 | 2011 | 551 083 | 543 730 |
| | SGD | 1,3 – 1,38 | 2011 | 479 659 | 570 220 |
| | CZK | 3,51 – 4,37 | 2011 – 2016 | 974 023 | – |
| | NAD | 9 | 2015 | 62 445 | – |
| | AUD | 5,7 | 2011 | 801 | – |
| | NZD | | | – | 32 646 |
| | Other | | | – | 181 |
| Total interest-bearing borrowings | | | | 6 768 553 | 5 311 877 |

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

Refer note 36 for further disclosure.

| | 2010 R'000 | 2009 R'000 |
|--|----------------|---------------|
| 29. Post-retirement obligations | | |
| Defined benefit pension surplus | (129 850) | (120 985) |
| | 394 527 | 460 803 |
| Post-retirement medical aid obligations | 174 465 | 182 884 |
| Unfunded defined benefit early retirement plan | 220 062 | 277 919 |
| | 264 677 | 339 818 |

Pension and provident funds

The Group provides retirement benefits for its permanent employees through pension funds with defined benefit and defined contribution categories and defined contribution provident funds or appropriate industry funds.

There are also a number of small funds within various employers of the Group. All funds are administered independently of the Group and are subject to the relevant pension fund legislation.

Employer contributions are set out in note 2.

Summarised details of the defined benefit funds

| | | |
|---|------------------|--------------|
| Number of members at June 30 | 1 020 | 993 |
| | R'000 | R'000 |
| Employer contribution | 5 036 | 8 587 |
| Employee contribution | 1 041 | 1 006 |
| <i>Total pension fund asset</i> | | |
| Actuarial present value of defined benefit obligations | (444 957) | (468 574) |
| Fair value of plan assets | 709 702 | 668 804 |
| Surplus in the plans | 264 745 | 200 230 |
| Unrecognised actuarial gains | (54 266) | (47 866) |
| Surplus in the plans not recognised due to the uncertainties relating to the apportionment of these surpluses | (71 754) | (22 504) |
| Limitation of the Bidcorp Group Pension Fund surplus to the extent it has been allocated to the employer | (8 875) | (8 875) |
| | 129 850 | 120 985 |
| <i>Movement in the liability for defined benefit obligations</i> | | |
| Balance at beginning of year | (468 574) | (474 008) |
| Benefits paid by plans | 52 107 | 31 099 |
| Current service costs | (8 868) | (7 786) |
| Interest | (38 506) | (43 150) |
| Member contributions | (1 041) | (1 006) |
| Actuarial gains (losses) | 7 601 | 4 763 |
| Exchange rate adjustments on foreign plans | 12 324 | 21 514 |
| Balance at end of year | (444 957) | (468 574) |

Notes to the consolidated financial statements

for the year ended June 30

| | 2010 R'000 | 2009 R'000 |
|---|-----------------|---------------|
| 29. Post-retirement obligations (continued) | | |
| <i>Movement in the plans' assets</i> | | |
| Balance at beginning of year | 668 804 | 728 892 |
| Contributions paid into the plans | 6 077 | 9 593 |
| Benefits paid by the plans | (52 107) | (31 099) |
| Expected return on plans' assets | 57 485 | 72 603 |
| Actuarial gains (losses) | 44 628 | (98 448) |
| Exchange rate adjustments on foreign plans | (15 185) | (12 737) |
| Balance at end of year | 709 702 | 668 804 |
| <i>The plans' assets comprise</i> | | |
| Cash | 131 216 | 169 662 |
| Equity securities | 266 879 | 237 836 |
| Bonds | 232 847 | 169 892 |
| Property | 23 655 | 36 418 |
| Other | 55 105 | 54 996 |
| | 709 702 | 668 804 |
| <i>Amounts recognised in income statement</i> | | |
| Current service costs | 8 868 | 7 786 |
| Interest on obligations | 38 506 | 43 150 |
| Expected return on plans' assets | (57 485) | (72 603) |
| Net actuarial gains (losses) recognised in current year | (45 977) | 35 617 |
| Net amounts not recognised in income statement or statement of financial position of the Group due to the uncertainties relating to the apportionment of the pension fund surpluses | 25 791 | (6 382) |
| | (30 297) | 7 568 |
| Actual return on plan assets | (24 610) | (15 020) |
| <i>Key actuarial assumptions</i> | | |
| | % | % |
| Expected rate of return on plan assets | 5,8 – 9,8 | 5,8 – 11,3 |
| Discount rate | 2,5 – 9,3 | 3,1 – 10,8 |
| Inflation rate | 2,5 – 6,1 | 2,5 – 8,3 |
| Salary increase rate | 4,0 – 6,8 | 4,0 – 9,0 |
| Pension increase allowance | 3,6 – 5,0 | 4,2 – 5,0 |
| Date of valuation | June 30 2010 | June 30 2009 |

Assumptions regarding future mortality are based on published statistics and mortality tables.

The expected long-term rate of return is based on the expected rate of returns on the individual asset categories. The return is based exclusively on historical returns, without adjustments.

| | 2010 R'000 | 2009 R'000 | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|--|---------------|---------------|---------------|---------------|---------------|
|--|---------------|---------------|---------------|---------------|---------------|

29. Post-retirement obligations (continued)

The Group expects to pay R10 134 244 in contributions to defined benefit plans in the year ending June 30 2011.

Historical information

| | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|
| Present value of the defined benefit obligations | (444 957) | (468 574) | (474 008) | (419 090) | (372 659) |
| Fair value of plans' assets | 709 702 | 668 804 | 728 892 | 653 920 | 509 327 |
| Surpluses in the plans | 264 745 | 200 230 | 254 884 | 234 830 | 136 668 |
| Experience adjustments arising on plans' liabilities – losses (gains) | 7 601 | 4 763 | (44 057) | 11 606 | (8 436) |
| Experience adjustments arising on plans' assets – losses (gains) | 44 628 | (98 448) | 41 789 | 57 838 | (7 001) |

| | |
|---------------|---------------|
| 2010 R'000 | 2009 R'000 |
|---------------|---------------|

Post-retirement medical aid obligations

The Group provides post-retirement medical benefit subsidies to certain retired employees and is responsible for the provision of post-retirement medical benefit subsidies to a limited number of current employees.

Provision for post-retirement medical aid obligations

| | | |
|--|---------|---------|
| Opening provision raised against unfunded obligation | 182 884 | 174 649 |
| Expense recognised in income statement | 292 | 16 985 |
| Payments charged against provisions | (8 711) | (8 750) |
| Closing provision raised against unfunded obligation | 174 465 | 182 884 |

Actuarially determined present value of total obligation using projected unit credit valuation method

| | |
|---------|---------|
| 174 465 | 182 884 |
|---------|---------|

Key actuarial assumptions

| | | |
|---------------------------|-----|-----|
| | % | % |
| Discount rate | 9,3 | 7,3 |
| Inflation rate (CPI) | 5,5 | 4,4 |
| Healthcare cost inflation | 8,0 | 6,6 |

A change in the medical inflation rates will not have a significant impact on the post-retirement medical aid costs and relating obligations.

| | 2010 R'000 | 2009 R'000 | 2008 R'000 | 2007 R'000 | 2006 R'000 |
|--|---------------|---------------|---------------|---------------|---------------|
|--|---------------|---------------|---------------|---------------|---------------|

Historical information

| | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|
| Present value of the unfunded obligations | (174 465) | (182 884) | (174 649) | (160 663) | (198 618) |
| Experience adjustments arising on plans' liabilities – losses (gains) | 1 816 | 148 | (392) | (21 059) | 9 470 |

Unfunded defined benefit early retirement plan

A subsidiary provides an early retirement plan for its employees. The liability recognised is based on the actuarial valuation performed as at June 30.

| | | |
|---------------------------|-------|-------|
| | 2010 | 2009 |
| Number of members June 30 | 539 | 566 |
| | R'000 | R'000 |

Total unfunded pension liability

| | | |
|--|---------|---------|
| Actuarial present value of defined benefit obligations | 177 190 | 210 715 |
| Unrecognised actuarial gains | 42 872 | 67 204 |
| | 220 062 | 277 919 |

Notes to the consolidated financial statements

for the year ended June 30

| | 2010 R'000 | 2009 R'000 | | | |
|--|------------------|---------------|---------------|---------------|---------------|
| 29. Post-retirement obligations <i>(continued)</i> | | | | | |
| Unfunded defined benefit early retirement plan <i>(continued)</i> | | | | | |
| <i>Movement in the liability for unfunded defined benefit early retirement plan</i> | | | | | |
| Balance at beginning of year | 210 715 | 261 127 | | | |
| Benefits paid by employer | (30 060) | (12 264) | | | |
| Current service costs | 5 383 | 9 893 | | | |
| Interest | 13 001 | 16 068 | | | |
| Actuarial gains (losses) | 10 543 | (35 940) | | | |
| Exchange rate adjustments on foreign plans | (32 392) | (28 169) | | | |
| Balance at end of year | 177 190 | 210 715 | | | |
| <i>Amounts recognised in income statement</i> | | | | | |
| Current service costs | 5 383 | 9 893 | | | |
| Interest on obligations | 13 001 | 16 068 | | | |
| Net actuarial gains recognised in current year | (35 351) | (14 052) | | | |
| | (16 967) | 11 909 | | | |
| <i>Key actuarial assumptions</i> | % | % | | | |
| Discount rate | 4,6 | 6,3 | | | |
| Salary increase rate | 2,0 | 2,0 | | | |
| Date of valuation | June 30 2010 | June 30 2009 | | | |
| | 2010 R'000 | 2009 R'000 | 2008 R'000 | 2007 R'000 | 2006 R'000 |
| <i>Historical information</i> | | | | | |
| Present value of the unfunded obligations | (177 190) | (210 715) | (261 127) | (183 557) | (186 626) |
| Experience adjustments arising on plans' liabilities – losses (gains) | (10 543) | (35 940) | 3 283 | (29 870) | (5 733) |
| | | | | | |
| | 2010 R'000 | 2009 R'000 | | | |
| 30. Banking liabilities | | | | | |
| Call deposits | 649 897 | 490 866 | | | |
| Fixed and notice deposits | 430 469 | 100 334 | | | |
| | 1 080 366 | 591 200 | | | |
| All banking liabilities mature within one year | | | | | |
| Effective rates of interest | % | % | | | |
| Call deposits | 3,6 | 6,4 | | | |
| Fixed and notice deposits | 7,3 | 8,2 | | | |
| Banking liabilities other than fixed and notice deposits are at floating interest rates. | | | | | |
| Refer note 36 for further disclosure. | | | | | |

2010
R'000

2009
R'000

31. Operating leases

The Group has entered into various operating lease agreements in respect of premises.

Leases which have fixed determinable escalations are charged to the income statement on a straight-line basis and liabilities are raised for the difference between the actual lease expense and the charge recognised in the income statement. The liabilities are classified based on the timing of the reversal which will occur when the actual cash flow exceeds the income statement amounts.

| | | |
|--|------------------|-----------|
| Operating lease liabilities | 225 787 | 219 355 |
| Included in trade and other payables | (27 587) | (9 916) |
| Long-term portion | 198 200 | 209 439 |
| Operating lease commitments | | |
| Land and buildings | 7 183 619 | 7 220 549 |
| Due in one year | 884 116 | 833 137 |
| Due after one year but within five years | 2 598 564 | 2 564 826 |
| Due after five years | 3 700 939 | 3 822 586 |
| Equipment and vehicles | 224 311 | 284 884 |
| Due in one year | 61 402 | 110 060 |
| Due after one year but within five years | 162 909 | 174 753 |
| Due after five years | – | 71 |
| | 7 407 930 | 7 505 433 |
| Less: Amounts raised as liabilities | (225 787) | (219 355) |
| | 7 182 143 | 7 286 078 |

32. Trade and other payables

| | | |
|--------------------------------------|-------------------|------------|
| Trade payables | 10 626 644 | 9 849 027 |
| Floorplan creditors | 406 300 | 538 827 |
| Forward exchange contracts liability | 8 666 | 67 548 |
| Other payables and accrued expenses | 3 990 747 | 4 115 314 |
| | 15 032 357 | 14 570 716 |

The majority of trade and other payables are fixed in the subsidiaries' local currency. Since trade and other payables have limited exposure to exchange rate fluctuations, a currency analysis has not been included.

Refer note 36 for further disclosure.

Notes to the consolidated financial statements

for the year ended June 30

| | 2010 R'000 | 2009 R'000 |
|-----------------------|----------------|----------------|
| 33. Provisions | | |
| Short-term portion | 251 635 | 297 080 |
| Long-term portion | 235 253 | 218 972 |
| | 486 888 | 516 052 |

| | Onerous contracts R'000 | Insurance liabilities R'000 | Dismantling and site restoration R'000 | Customer loyalty programme R'000 | Other R'000 | Total R'000 |
|-------------------------------|-------------------------------|-----------------------------------|---|---|----------------|----------------|
| Balance at June 30 2008 | 86 574 | 186 915 | 140 881 | 25 880 | 68 299 | 508 549 |
| Created | 145 753 | 16 547 | 11 047 | 19 007 | 138 228 | 330 582 |
| Utilised | (77 078) | (1 484) | (2 374) | (18 153) | (178 180) | (277 269) |
| Exchange rate adjustments | (20 285) | – | (18 072) | (4 719) | (2 734) | (45 810) |
| Balance at June 30 2009 | 134 964 | 201 978 | 131 482 | 22 015 | 25 613 | 516 052 |
| Created | 39 597 | 295 448 | 4 893 | 26 434 | 185 292 | 551 664 |
| Utilised | (75 085) | (307 063) | (13 103) | (17 907) | (145 236) | (558 394) |
| Net acquisition of businesses | – | – | 541 | – | 247 | 788 |
| Exchange rate adjustments | (10 942) | – | (11 629) | 545 | (1 196) | (23 222) |
| Balance at June 30 2010 | 88 534 | 190 363 | 112 184 | 31 087 | 64 720 | 486 888 |

Onerous contracts

Onerous contracts are identified through regular reviews of the terms and conditions of contracts as well as on acquisition of businesses. A provision for onerous contracts is calculated as the present value of the portion which management deem to be onerous in light of the current market conditions, discounted using market-related rates. An annual expense is recognised over the life of the contracts.

Insurance liabilities

Insurance liabilities include unearned premiums that represent that part of the current year's premiums that relate to risk periods that extend to the following year; claims are calculated on the settlement amount outstanding at year-end; and claims incurred but not reported are maintained at 7% of net premium income, for claims arising from events that occurred before the close of the accounting period, but which had not been reported to the Group by that date.

Provision for cost of dismantling and restoration of site

A provision is raised for the estimated costs of dismantling and removing items and restoring the site on which they are located. The change in the liability arising as a result of unwinding the discount is recognised in the income statement as a finance charge. The dismantling of the plant and recommissioning of buildings is expected to coincide with the end of the useful life of the plant and lease periods.

Customer loyalty programme

This is a customer loyalty programme introduced by certain operations within the Group, whereby customers can earn points for redemption in the form of gift certificates and products of the operations. The provision is calculated based on the points outstanding at year-end.

Other

Consists of various individually insignificant provisions.

| | 2010 R'000 | 2009 R'000 |
|------------------------------|----------------|----------------|
| 34. Commitments | | |
| Capital expenditure approved | | |
| Contracted for | 506 384 | 745 704 |
| Not contracted for | 247 226 | 252 231 |
| | 753 610 | 997 935 |

Capital expenditure amounting to R673,8 million (2009: R930,2 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.

35. Contingent liabilities

| | | |
|---|---------|---------|
| Guarantees issued in respect of obligations of associates and investments | 117 295 | 162 815 |
|---|---------|---------|

The Group has outstanding legal and other claims arising out of its normal ongoing operating activities which have to be resolved. None of these claims is significant.

The Dinatla Investment Holdings (Pty) Limited (Dinatla) refinancing arrangements was concluded in November 2006. In terms of this arrangement, Bidvest granted Dinatla the right to require Bidvest to purchase 15 million Bidvest shares from Dinatla at R75 per Bidvest share if the 10-day volume weighted average price per Bidvest share is equal to or less than R75 per Bidvest share ("the put option"). The put option expires on the earlier of the date on which Dinatla discharges all of its obligations under its funding arrangements in full or on March 30 2012.

Refer note 36 for further disclosure in respect of guarantees.

36. Financial instruments

36.1 Risk management overview

The Group has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; interest rate risk; foreign currency risk and market 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. The Group has determined that its classes of instruments 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 industry and geography and secondly through decentralisation. Bidvest is an international group with operations in South Africa, United Kingdom, Europe, Far East, Australia, New Zealand, Namibia and various other southern African countries. The Group also comprises a variety of businesses within the services, trading and distribution industries. As a result of this diversification in terms of industry and geographical location, the Group is exposed to a range of financial risks, each managed in appropriate ways. However the impact of any one particular financial risk within any of these geographies or industries, is not considered to be material to the consolidated Group.

The Group's philosophy has always been to empower management through a decentralised structure thereby making them responsible for the management and performance of their operations, including managing the financial risks of the operation. The operational management report to divisional management who in turn report to the Group's board of directors. The divisional management are also held responsible for managing financial risks of the operations within the divisions. Operational management's remuneration is based on their operation's performance and divisional management based on their division's performance resulting in a decentralised and entrepreneurial environment.

Due to the diverse structure and decentralised management of the Group, the Group risk management committee ("the Group risk committee") has implemented guidelines of acceptable practices and basic procedures to be followed by divisional and operational management. There is no formal Group policy regarding the management of financial risks. 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 shareholders.

The Group has small operations trading in the banking, short-term insurance and life insurance industries (included in the Bidserv and Bidauto segments). These operations are exposed to financial risks which are unique to these industries and differ significantly to the remainder of the Group's operations operating within the services, trading and distribution sectors. Whilst the financial risks to which these particular operations are exposed could have a significant effect on the individual operations, they

36. Financial instruments *(continued)*

36.1 Risk management overview *(continued)*

would not have a significant impact on the Group. For this reason, the information provided below mainly provides qualitative and quantitative information regarding the management and exposure to financial risks to which the trading operations of the Group are exposed based on what is believed to be useful to shareholders. Bidvest Bank Limited is a public company for which financial statements are prepared including detailed disclosure in accordance with the requirements of IFRS 7.

The total process of risk management in the Bidvest Group, which includes the related system of control, is the responsibility of the board of directors. The Group risk committee has been constituted as a subcommittee of the Group board of directors in the discharge of its duties and responsibilities in this regard. The risk committee has a charter and reports regularly to the board of directors on its activities.

The primary purposes of the Group risk committee are to:

- establish and maintain a common understanding of the risk universe (framework), which needs to be addressed in order to meet Bidvest Corporate objectives;
- identify the risk profile and agree the risk appetite of the Group;
- satisfy the risk management reporting requirements;
- coordinate the Group's risk management and assurance efforts;
- report to the 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
- report to the board of directors on the Company's process for monitoring compliance with laws and regulations.

The Group risk committee has documented a formal policy framework in order to achieve the following:

- place accountability on management for designing, implementing and monitoring the process of risk management;
- place responsibility on management for integrating the risk management process into the day-to-day activities and operations of the Group; and
- ensure that the risk strategy is communicated to all stakeholders so that it may be incorporated into the culture of the Group.

The Bidvest Group has, due to the diversity of its operations in nature and geography, determined that it would be better to develop an in-house strategy, as opposed to adopting a recognised strategy and forcing its operations to adapt to the constraints of the strategy selected. The Group has determined that utilising a common framework for the identification of risk would assist the divisions to reduce the implementation time and cost and would give some assurance that all inherent 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 and Group activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

To assist the Group risk committee in discharging its responsibilities, it has:

- assigned risk management responsibilities to divisional/operational risk committees; and
- determined that each division should appoint risk/compliance officers on a divisional (operational) level as nominated by the divisional risk committees. The role of the risk officer is to develop, communicate, coordinate and monitor the enterprise-wide risk management.

Through the divisional risk committees, each division has a forum for the discussion and identification of risks relevant to the particular division. Only risk matters that affect the Group as a whole are escalated to the Group risk committee. The minutes of the divisional risk committees are submitted to the Group risk committee. The Group risk committee is authorised to attend the divisional risk committee meetings, or the segment of the divisional audit committee dealing with risk management if a separate committee has not been established, and to provide guidance to and coordinate the efforts of these committees in providing the Group adequate risk management.

The Group audit committee supports and endorses the establishment of the Group risk committee. The Group risk committee has a responsibility to monitor and review the risk management strategy of the Group and the Group audit committee assists in fulfilling this responsibility.

Each division has its own audit committee, which subscribes to the same Group audit committee philosophies and practices. The divisional audit committees report to both the divisional board and the Group audit committee. The Group audit committee reviews the divisional audit committee reports. The divisional audit committees oversee how divisional 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 Group's 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 reported to the divisional audit committee.

36. Financial instruments (continued)

36.2 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, banking advances, investments and guarantees.

The Group risk committee with the assistance of internal audit has implemented a "Delegation of authority matrix" which provides guidelines by division, as to the level of authorisation required for various transactions.

Except as detailed below in respect of guarantees issued, 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 account of the value of any collateral obtained. The carrying values, net of impairment allowances, amount to R9 617,3 million (2009: R9 628,9 million) for trade receivables (refer note 23), R629,1 million (2009: R612,0 million) for banking and other advances (refer note 20), and R1 157,2 million (2009: R908,9 million) for investments (refer note 19).

The impairment allowance account in respect of trade receivables and banking advances are 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 against the financial assets directly.

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.

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. Operational management are also held responsible for monitoring the operations' credit exposure.

36.2.1 Trade receivables

Refer note 23 for further disclosure.

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

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The largest 10 trade debtors based on the turnover derived from these trade debtors was reported by class. On compilation of the information, it was noted that the Group's exposure to any one specific trade debtor is limited.

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.

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.

As a result of the decentralised structure, operational management have the responsibility of determining the impairment allowance in respect of trade receivables. The operations average credit period depend on the type of industry in which they operate 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 at year-end and it was determined that the percentage did not exceed 2,0% (2009: 2,0%) of the total allowance raised.

Notes to the consolidated financial statements

for the year ended June 30

| | 2010 R'000 | 2009 R'000 |
|---|---------------|---------------|
| 36. Financial instruments (continued) | | |
| 36.2 Credit risk (continued) | | |
| 36.2.1 Trade receivables (continued) | | |
| <i>Movement in impairment allowance in respect of trade receivables</i> | | |
| Balance at July 1 | 389 935 | 354 104 |
| Allowance raised during the year | 242 413 | 256 555 |
| Bidvest Freight | 22 458 | 6 999 |
| Bidvest Services | 17 542 | 11 434 |
| Bidvest Foodservice | | |
| Europe | 44 278 | 44 492 |
| Asia Pacific | 37 981 | 67 719 |
| Southern Africa | 16 357 | 21 754 |
| Bidvest Industrial and Commercial | 47 193 | 48 165 |
| Bidvest Paper Plus | 4 564 | 3 439 |
| Bidvest Automotive | 47 596 | 48 715 |
| Bidvest Namibia | 4 083 | – |
| Bidvest Corporate | 361 | 3 838 |
| Allowance utilised during the year | (142 567) | (82 095) |
| Bidvest Freight | (2 314) | (1 158) |
| Bidvest Services | (5 870) | (15 507) |
| Bidvest Foodservice | | |
| Europe | (53 303) | (4 388) |
| Asia Pacific | (22 328) | (21 457) |
| Southern Africa | (20 000) | (5 248) |
| Bidvest Industrial and Commercial | (24 944) | (24 381) |
| Bidvest Paper Plus | (2 316) | (1 564) |
| Bidvest Automotive | (8 624) | (5 781) |
| Bidvest Namibia | (1 913) | (2 611) |
| Bidvest Corporate | (955) | – |
| Net acquisition of businesses and inter-class transfers | 13 145 | (4 314) |
| Bidvest Freight | – | 284 |
| Bidvest Services | 3 202 | (188) |
| Bidvest Foodservice | | |
| Europe | 19 967 | (5 227) |
| Bidvest Industrial and Commercial | – | 1 100 |
| Bidvest Paper Plus | – | 409 |
| Bidvest Automotive | (10 024) | – |
| Bidvest Namibia | – | 60 |
| Bidvest Corporate | – | (752) |
| Impairment recovered (written off) against trade receivables | (61 319) | (104 498) |
| Bidvest Freight | (1 032) | (1 672) |
| Bidvest Services | (5 144) | (5 349) |
| Bidvest Foodservice | | |
| Europe | 5 973 | (24 250) |
| Asia Pacific | (10 791) | (20 341) |
| Southern Africa | (4 471) | (6 310) |
| Bidvest Industrial and Commercial | (19 619) | (21 743) |
| Bidvest Paper Plus | (4 206) | (754) |
| Bidvest Automotive | (19 925) | (24 328) |
| Bidvest Namibia | (2 104) | 527 |
| Bidvest Corporate | – | (278) |
| Exchange rate adjustments | (14 759) | (29 817) |
| Balance at June 30 | 426 848 | 389 935 |

36. Financial instruments (continued)

36.2 Credit risk (continued)

36.2.1 Trade receivables (continued)

Ageing of trade receivables at June 30

| | 2010 | | | 2009 | | |
|-----------------------------------|----------------------------------|-------------------------------|--------------------------------|----------------------------------|-------------------------------|--------------------------------|
| | 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 |
| <i>Not past due</i> | 7 489 164 | (24 724) | 7 464 440 | 7 405 203 | (12 342) | 7 392 861 |
| Bidvest Freight | 1 078 209 | (713) | 1 077 496 | 915 931 | (304) | 915 627 |
| Bidvest Services | 618 668 | (4 861) | 613 807 | 548 611 | (2 522) | 546 089 |
| Bidvest Foodservice | | | | | | |
| Europe | 2 407 262 | (6 539) | 2 400 723 | 2 789 111 | (3 128) | 2 785 983 |
| Asia Pacific | 1 154 697 | (4 484) | 1 150 213 | 1 073 488 | (3 502) | 1 069 986 |
| Southern Africa | 602 103 | (168) | 601 935 | 519 324 | (20) | 519 304 |
| Bidvest Industrial and Commercial | 902 436 | (14) | 902 422 | 770 800 | (10) | 770 790 |
| Bidvest Paper Plus | 173 184 | – | 173 184 | 213 704 | – | 213 704 |
| Bidvest Automotive | 396 389 | (7 899) | 388 490 | 410 347 | (2 772) | 407 575 |
| Bidvest Namibia | 122 590 | (46) | 122 544 | 127 873 | (84) | 127 789 |
| Bidvest Corporate | 33 626 | – | 33 626 | 36 014 | – | 36 014 |
| <i>Past due</i> | 2 555 014 | (402 124) | 2 152 890 | 2 613 638 | (377 593) | 2 236 045 |
| <i>0 – 30 days</i> | 1 496 615 | (29 061) | 1 467 554 | 1 505 004 | (34 914) | 1 470 090 |
| Bidvest Freight | 70 475 | (9 821) | 60 654 | 58 755 | (15 176) | 43 579 |
| Bidvest Services | 284 579 | (1 314) | 283 265 | 279 604 | (1 000) | 278 604 |
| Bidvest Foodservice | | | | | | |
| Europe | 186 716 | (753) | 185 963 | 128 788 | (524) | 128 264 |
| Asia Pacific | 507 544 | (5 199) | 502 345 | 421 228 | (6 855) | 414 373 |
| Southern Africa | 46 008 | (230) | 45 778 | 80 994 | – | 80 994 |
| Bidvest Industrial and Commercial | 217 432 | (594) | 216 838 | 311 783 | (467) | 311 316 |
| Bidvest Paper Plus | 51 341 | – | 51 341 | 44 980 | (133) | 44 847 |
| Bidvest Automotive | 100 499 | (10 447) | 90 052 | 145 454 | (10 632) | 134 822 |
| Bidvest Namibia | 19 015 | (703) | 18 312 | 15 783 | (127) | 15 656 |
| Bidvest Corporate | 13 006 | – | 13 006 | 17 635 | – | 17 635 |
| <i>31 – 180 days</i> | 758 648 | (196 565) | 562 083 | 874 514 | (184 232) | 690 282 |
| Bidvest Freight | 31 309 | (6 526) | 24 783 | 37 053 | (13 885) | 23 168 |
| Bidvest Services | 80 460 | (13 255) | 67 205 | 86 526 | (4 990) | 81 536 |
| Bidvest Foodservice | | | | | | |
| Europe | 75 312 | (39 497) | 35 815 | 111 274 | (31 660) | 79 614 |
| Asia Pacific | 213 394 | (40 192) | 173 202 | 147 184 | (28 532) | 118 652 |
| Southern Africa | 54 352 | (24 994) | 29 358 | 120 070 | (35 706) | 84 364 |
| Bidvest Industrial and Commercial | 191 745 | (35 357) | 156 388 | 224 629 | (38 051) | 186 578 |
| Bidvest Paper Plus | 17 982 | (2 982) | 15 000 | 8 373 | (4 720) | 3 653 |
| Bidvest Automotive | 78 170 | (27 925) | 50 245 | 106 455 | (20 300) | 86 155 |
| Bidvest Namibia | 10 377 | (4 849) | 5 528 | 18 872 | (4 631) | 14 241 |
| Bidvest Corporate | 5 547 | (988) | 4 559 | 14 078 | (1 757) | 12 321 |
| <i>181 + days</i> | 299 751 | (176 498) | 123 253 | 234 120 | (158 447) | 75 673 |
| Bidvest Freight | 43 141 | (31 510) | 11 631 | 6 730 | (400) | 6 330 |
| Bidvest Services | 17 348 | (6 018) | 11 330 | 23 128 | (7 270) | 15 858 |
| Bidvest Foodservice | | | | | | |
| Europe | 67 903 | (62 398) | 5 505 | 78 035 | (72 990) | 5 045 |
| Asia Pacific | 50 939 | (36 170) | 14 769 | 40 372 | (40 143) | 229 |
| Southern Africa | 3 662 | (3 263) | 399 | 1 209 | (1 046) | 163 |
| Bidvest Industrial and Commercial | 76 859 | (26 915) | 49 944 | 52 551 | (22 013) | 30 538 |
| Bidvest Paper Plus | 326 | (326) | – | 454 | (454) | – |
| Bidvest Automotive | 35 106 | (7 183) | 27 923 | 25 681 | (10 727) | 14 954 |
| Bidvest Namibia | 4 099 | (2 715) | 1 384 | 3 947 | (3 404) | 543 |
| Bidvest Corporate | 368 | – | 368 | 2 013 | – | 2 013 |
| Total | 10 044 178 | (426 848) | 9 617 330 | 10 018 841 | (389 935) | 9 628 906 |

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for the year ended June 30

36. Financial instruments (continued)

36.2 Credit risk (continued)

36.2.1 Trade receivables (continued)

Collateral held on past due amounts

| | 2010 | | 2009 | |
|-----------------------------------|-------------------------------------|---|-------------------------------------|---|
| | 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 |
| Personal surety | * | 63 712 | * | 79 622 |
| Bidvest Freight | | 5 218 | | 5 385 |
| Bidvest Services | | – | | 1 259 |
| Bidvest Foodservice | | | | |
| Europe | | 12 963 | | – |
| Southern Africa | | – | | – |
| Bidvest Industrial and Commercial | | 37 864 | | 52 654 |
| Bidvest Automotive | | 5 821 | | 17 682 |
| Bidvest Namibia | | 1 596 | | 1 805 |
| Bidvest Corporate | | 250 | | 837 |
| Cover by credit insurance | 252 369 | 257 298 | 268 914 | 330 757 |
| Bidvest Freight | 5 564 | 5 564 | 6 776 | 6 776 |
| Bidvest Foodservice | | | | |
| Europe | 27 218 | 27 218 | – | – |
| Asia Pacific | 49 587 | 49 587 | 53 864 | 53 864 |
| Southern Africa | 1 387 | 1 387 | 15 058 | 17 715 |
| Bidvest Industrial and Commercial | 168 613 | 173 542 | 190 325 | 249 501 |
| Bidvest Automotive | – | – | 2 853 | 2 853 |
| Bidvest Namibia | – | – | 38 | 48 |
| Pledge of assets | 19 019 | 19 019 | 31 275 | 31 275 |
| Bidvest Services | 16 226 | 16 226 | 25 345 | 25 345 |
| Bidvest Foodservice | | | | |
| Southern Africa | 1 921 | 1 921 | 5 500 | 5 500 |
| Bidvest Industrial and Commercial | 469 | 469 | 17 | 17 |
| Bidvest Automotive | 403 | 403 | 413 | 413 |
| Other | 15 333 | 15 333 | 36 595 | 31 211 |
| Bidvest Freight | – | – | 16 773 | 11 389 |
| Bidvest Services | – | – | 186 | 186 |
| Bidvest Automotive | 15 241 | 15 241 | 14 339 | 14 339 |
| Bidvest Namibia | 92 | 92 | 5 297 | 5 297 |
| Total | 286 721 | 355 362 | 336 784 | 472 865 |

*An accurate fair value cannot be attached to personal surety.

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.

36. Financial instruments (continued)

36.2 Credit risk (continued)

36.2.2 Banking and other advances

Refer note 20 for further disclosure.

The impairment allowance account comprises a specific and general impairment allowance. Specific impairments are raised for doubtful advances, including amounts in respect of interest not being serviced and after taking security values into account, and are deducted from advances where the outstanding balance exceeds the value of the security held. A general impairment allowance based on historic experience is raised to cover doubtful advances, which may not be specifically identified at the statement of financial position date. The specific and general impairments made during the year are charged to the income statement.

Since the leasing and fleet management operations are now managed by the Bidvest Services division, the banking advances for the prior year have been included under the Bidvest Services division.

Movement in impairment allowance in respect of banking and other advances

| | 2010 R'000 | 2009 R'000 |
|---|---------------|---------------|
| <i>Bidvest Services</i> | | |
| Balance at July 1 | 7 072 | 8 630 |
| Allowance raised during the year | 18 057 | 2 277 |
| Allowance utilised during the year | (1 587) | (2 080) |
| Impairment written off against banking and other advances | (965) | (1 755) |
| Balance at June 30 | <u>22 577</u> | <u>7 072</u> |

Ageing of banking and other advances at June 30

| | 2010 | | | 2009 | | |
|---------------|--|----------------------------------|--|--|----------------------------------|--|
| | Gross banking and other advances R'000 | Impairment allowance R'000 | Net banking and other advances R'000 | Gross banking and other advances R'000 | Impairment allowance R'000 | Net banking and other advances R'000 |
| Not past due | 644 631 | (22 478) | 622 153 | 616 240 | (5 368) | 610 872 |
| Past due | 563 | (99) | 464 | 2 856 | (1 704) | 1 152 |
| 0 – 30 days | 71 | – | 71 | 655 | (327) | 328 |
| 31 – 180 days | 492 | (99) | 393 | 41 | (41) | – |
| 181 + days | – | – | – | 2 160 | (1 336) | 824 |
| Total | <u>645 194</u> | <u>(22 577)</u> | <u>622 617</u> | 619 096 | (7 072) | 612 024 |

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for the year ended June 30

36. Financial instruments (continued)

36.2 Credit risk (continued)

36.2.2 Banking and other advances (continued)

Collateral held on past due amounts

| | 2010 | | 2009 | |
|------------------|-------------------------------------|--|-------------------------------------|--|
| | Fair value of collateral held R'000 | Banking and other advances net of impairment allowance R'000 | Fair value of collateral held R'000 | Banking and other advances net of impairment allowance R'000 |
| Personal surety | * | – | * | 301 |
| Pledge of assets | 431 | 431 | 327 | 26 |
| Total | 431 | 431 | 327 | 327 |

*An accurate fair value cannot be attached to personal surety.

36.2.3 Investments

Refer note 19 for further disclosure.

The classes for investments are listed held-for-trading, unlisted held-for-trading, listed available-for-sale and unlisted available-for-sale, refer note 19 for the carrying amounts for each of these categories.

There were no impairment losses recognised in respect of investments (2009: Nil).

36.2.4 Guarantees

Over and above the guarantees issued to subsidiaries of the Group, the Group has provided guarantees for fixed amounts in respect of obligations to associates and investments.

The maximum exposure to credit risk in respect of guarantees at the reporting date was as follows:

| | 2010 R'000 | 2009 R'000 |
|--|----------------|----------------|
| Guarantees issued in respect of obligations of associates | 56 000 | 56 000 |
| Guarantees issued in respect of obligations of investments | 61 295 | 106 815 |
| | 117 295 | 162 815 |

36.3 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 of the following countries and regions: South Africa, United Kingdom and continental Europe and Asia Pacific. The divisions within each region are therefore not responsible for the management of liquidity risk but rather senior management for each of these regions is responsible for implementing procedures to manage the regional liquidity risk.

36. Financial instruments (continued)

36.3 Liquidity risk (continued)

36.3.1 Contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements

| | Undiscounted contractual cash flows | | | | | | |
|--|-------------------------------------|-------------------|-------------------|------------------|----------------|------------------|-------------------|
| | Carrying amount | Total | 6 months or less | 6 – 12 months | 1 – 2 years | 2 – 5 years | More than 5 years |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| 2010 | | | | | | | |
| Total borrowings (refer note 28) | | | | | | | |
| Loans secured by mortgage bonds over fixed property | 21 282 | 21 421 | 2 854 | 2 830 | 5 657 | 8 756 | 1 324 |
| Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements | 40 566 | 58 899 | 6 525 | 8 518 | 10 175 | 19 627 | 14 054 |
| Unsecured loans | 6 146 670 | 7 163 565 | 2 792 823 | 214 762 | 427 287 | 3 031 302 | 697 391 |
| Floorplan creditors secured by pledge of inventories | 560 035 | 560 035 | 560 035 | – | – | – | – |
| Bank overdrafts | 1 233 269 | 1 233 269 | – | 1 233 269 | – | – | – |
| | 8 001 822 | 9 037 189 | 3 362 237 | 1 459 379 | 443 119 | 3 059 685 | 712 769 |
| Trade and other payables (refer note 32) | | | | | | | |
| Trade and other payable (excluding forward exchange contracts) | 15 023 691 | 15 024 223 | 15 024 223 | – | – | – | – |
| | 15 023 691 | 15 024 223 | 15 024 223 | – | – | – | – |
| Banking liabilities (refer note 30) | | | | | | | |
| Call deposits | 649 897 | 649 897 | 649 897 | – | – | – | – |
| Fixed and notice deposits | 430 469 | 430 469 | 408 103 | 22 366 | – | – | – |
| | 1 080 366 | 1 080 366 | 1 058 000 | 22 366 | – | – | – |
| 2009 | | | | | | | |
| Borrowings | | | | | | | |
| Loans secured by mortgage bonds over fixed property | 25 860 | 25 860 | 754 | 754 | 1 636 | 5 478 | 17 238 |
| Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements | 25 388 | 25 388 | 6 504 | 6 463 | 8 985 | 3 436 | – |
| Unsecured loans | 4 821 432 | 6 143 328 | 1 603 788 | 664 745 | 890 498 | 783 420 | 2 200 877 |
| Vehicle lease creditors secured by a pledge of inventories | 21 878 | 21 878 | 10 939 | 10 939 | – | – | – |
| Floorplan creditors secured by pledge of inventories | 417 319 | 417 319 | 417 319 | – | – | – | – |
| Bank overdrafts | 1 972 887 | 1 972 887 | – | 1 972 887 | – | – | – |
| | 7 284 764 | 8 606 660 | 2 039 304 | 2 655 788 | 901 119 | 792 334 | 2 218 115 |
| Trade and other payables | | | | | | | |
| Trade and other payable (excluding forward exchange contracts) | 14 503 168 | 14 503 045 | 14 352 371 | 141 960 | 8 714 | – | – |
| | 14 503 168 | 14 503 045 | 14 352 371 | 141 960 | 8 714 | – | – |
| Banking liabilities (refer note 30) | | | | | | | |
| Call deposits | 490 866 | 490 866 | 490 866 | – | – | – | – |
| Fixed and notice deposits | 100 334 | 100 334 | 85 667 | 14 445 | 222 | – | – |
| | 591 200 | 591 200 | 576 533 | 14 445 | 222 | – | – |

The expected maturity of financial liabilities is not expected to differ from the contractual maturities as disclosed above.

Notes to the consolidated financial statements

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| | 2010 R'000 | 2009 R'000 |
|--|-------------------|-------------------|
| 36. Financial instruments <i>(continued)</i> | | |
| 36.3 Liquidity risk <i>(continued)</i> | | |
| 36.3.2 Trade and other payables by class | | |
| Refer note 32 for further disclosure. | | |
| Trade payables | | |
| Bidvest Freight | 1 695 036 | 1 423 797 |
| Bidvest Services | 682 503 | 573 060 |
| Bidvest Foodservice | 6 269 245 | 5 777 980 |
| Europe | 3 848 396 | 3 535 642 |
| Asia Pacific | 1 850 487 | 1 734 741 |
| Southern Africa | 570 362 | 507 597 |
| Bidvest Industrial and Commercial Products | 872 284 | 885 449 |
| Bidvest Paper Plus | 210 233 | 230 462 |
| Bidvest Automotive | 617 476 | 694 575 |
| Bidvest Namibia | 233 008 | 206 432 |
| Bidvest Corporate | 46 859 | 57 272 |
| | 10 626 644 | 9 849 027 |
| 36.3.3 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 364 days' notice | | |
| utilised | 1 229 760 | 1 969 124 |
| unutilised | 10 289 044 | 9 420 996 |
| | 11 518 804 | 11 390 120 |
| Secured bank overdraft facility, reviewed annually and payable on call | | |
| utilised | 3 509 | 3 763 |
| unutilised | 1 380 | 1 469 |
| | 4 889 | 5 232 |
| Unsecured loan facilities with various maturity dates through to 2017 and which may be extended by mutual agreement | | |
| utilised | 6 146 670 | 4 821 432 |
| unutilised | 3 937 903 | 4 409 983 |
| | 10 084 573 | 9 231 415 |
| Secured loan facilities with various maturity dates through to 2023 and which may be extended by mutual agreement | | |
| utilised | 621 883 | 490 445 |
| unutilised | - | - |
| | 621 883 | 490 445 |
| Total facilities | | |
| utilised | 8 001 822 | 7 284 764 |
| unutilised | 14 228 327 | 13 832 448 |
| | 22 230 149 | 21 117 212 |
| 36.4 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. | | |
| 36.4.1 Currency risk | | |
| The Group's financial instruments are not 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. | | |

36. Financial instruments (continued)

36.4 Market risk (continued)

36.4.1 Currency risk (continued)

Banking advances (refer note 20), banking liabilities (refer note 30) and investments (refer note 19) are all fixed in the same foreign currency as the operation in which it is held, thus these financial instruments are not exposed to currency risk.

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 forward exchange contracts have maturities of less than one year after the statement of financial position 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 with the exception of Bidvest Bank Limited whose business is to trade in derivatives.

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 income statement. 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 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 the income statement are believed to be in the same timeframe as when the actual cash flows occur.

| | Settlement | Contract value | |
|---|---------------------------------|-------------------------|----------------------|
| | | Foreign amount 000's | Rand amount 000's |
| 2010 | | | |
| In respect of forward exchange contracts relating to foreign liabilities as at June 30 2010 | | | |
| Japanese yen | July 2010 to September 2010 | (1 850 220) | (156 971) |
| US dollar | July 2010 to December 2010 | (33 598) | (256 261) |
| Euro | July 2010 to November 2010 | (6 309) | (61 679) |
| Sterling | July 2010 to September 2010 | (325) | (3 723) |
| AUD | July 2010 to January 2010 | (1 586) | (10 655) |
| Other | July 2010 to September 2010 | (738) | (1 162) |
| In respect of forward exchange contracts relating to foreign assets as at June 30 2010 | | | |
| Japanese yen | July 2010 to August 2010 | 20 242 | 1 704 |
| US dollar | July 2010 to October 2010 | 3 468 | 26 565 |
| Euro | July 2010 to September 2010 | 1 547 | 14 752 |
| Sterling | July 2010 to August 2010 | 239 | 2 708 |
| AUD | July 2010 to August 2010 | 1 016 | 999 |
| Other | July 2010 to August 2010 | 175 | 1 205 |
| | July 2010 to September 2010 | 1 194 | 2 824 |
| In respect of forward exchange contracts relating to goods and services ordered not accounted for as June 30 2010 | | | |
| Japanese yen | July 2010 to December 2010 | (666 229) | (57 873) |
| US dollar | July 2010 to March 2012 | (67 835) | (516 607) |
| Euro | July 2010 to February 2011 | (2 227) | (21 308) |
| Sterling | September 2010 to December 2010 | (143) | (1 623) |
| CHF | July 2010 to August 2010 | (597) | (4 040) |
| AUD | July 2010 to October 2010 | (1 332) | (9 074) |
| Other | September 2010 | (163) | (164) |

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36. Financial instruments (continued)

36.4 Market risk (continued)

36.4.1 Currency risk (continued)

| | Settlement | Contract value | |
|--|-------------------------------|-------------------------|----------------------|
| | | Foreign amount 000's | Rand amount 000's |
| 2009 | | | |
| In respect of forward exchange contracts relating to foreign liabilities as at June 30 2009 | | | |
| Japanese yen | July 2009 to September 2009 | (1 658 706) | (138 161) |
| US dollar | July 2009 to October 2009 | (41 812) | (345 030) |
| Euro | July 2009 to November 2009 | (8 838) | (99 256) |
| Sterling | July 2009 to October 2009 | (198) | (2 646) |
| Other | July 2009 to October 2009 | (1 483) | (8 222) |
| In respect of forward exchange contracts relating to foreign assets as at June 30 2009 | | | |
| US dollar | July 2009 to October 2009 | 5 295 | 43 586 |
| AUD | July 2009 to August 2009 | 428 | 2 759 |
| In respect of forward exchange contracts relating to goods and services ordered not accounted for as at June 30 2009 | | | |
| Japanese yen | August 2009 to September 2009 | (577 796) | (47 467) |
| US dollar | July 2009 to April 2009 | (60 446) | (454 705) |
| Euro | July 2009 to December 2009 | (34 499) | (378 849) |
| Sterling | July 2009 | (133) | (1 703) |
| Other | July 2009 to December 2009 | (486) | (3 132) |

The total value of trade receivables and trade payables whose payment terms are fixed in a foreign currency other than its operational currency are R365,0 million (2009: R368,6 million) and R1 055,4 million (2009: R206,6 million), respectively.

36. Financial instruments (continued)

36.4 Market risk (continued)

36.4.2 Interest rate risk

The Group adopts a policy of ensuring that its borrowings are at market-related rates to address its interest rate risk. The Group's investments in listed bonds, accounted for as available-for-sale and held-for-trading financial assets and banking advances and liabilities are exposed to a risk of change in fair value due to movements in interest rates. 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:

| | 2010 R'000 | 2009 R'000 |
|---------------------------------|--------------------|--------------------|
| Fixed rate instruments | | |
| Financial assets | | |
| Available-for-sale listed bonds | 37 949 | 43 607 |
| Banking and other advances | 19 749 | – |
| Financial liabilities | | |
| Borrowings | (3 834 232) | (3 309 661) |
| Banking liabilities | (51 636) | (88 924) |
| | (3 828 170) | (3 354 978) |
| Variable rate instruments | | |
| Financial assets | | |
| Other investments | 44 802 | 55 228 |
| Cash and cash equivalents | 4 138 722 | 3 212 425 |
| Banking and other advances | 625 445 | 619 096 |
| Financial liabilities | | |
| Borrowings | (2 374 286) | (2 002 216) |
| Banking liabilities | (1 028 731) | (502 276) |
| Overdrafts | (1 233 269) | (1 972 887) |
| | 172 683 | (590 630) |

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 analyses

The effect of a change in interest rate on the fair value of the listed bonds accounted for as held-for-trading and available-for-sale is not believed to have a significant effect on the Group's profit for the period and equity.

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 for 2009. A decrease in interest rates would have an equal and opposite effect on profit after taxation as detailed below.

| | 2010 | | 2009 | |
|---|------------------------------------|--|------------------------------------|--|
| | Increase in interest rates % | Decrease in profit after taxation R'000 | Increase in interest rates % | Decrease in profit after taxation R'000 |
| Variable rate borrowings including overdrafts | | | | |
| Southern Africa | 0,50 | 15 553 | 0,50 | 13 212 |
| United Kingdom and continental Europe | 0,25 | 6 156 | 0,25 | 2 790 |
| Asia Pacific | 0,25 | 4 421 | 0,25 | 4 516 |
| | | 26 130 | | 20 518 |

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36. Financial instruments (continued)

36.4 Market risk (continued)

36.4.3 Market price risk

Equity price risk arises from investments classified as held-for-trading and available-for-sale (refer note 19). Available-for-sale financial assets comprise listed bonds held by the Group's wholly owned subsidiary Bidvest Bank Limited. Held-for-trading investments comprise a listed share portfolio whose performance is monitored closely by senior management and the Group actively trades in these shares. The Group's subsidiaries McSure Limited and McLife Assurance Company Limited hold investment portfolios with a fair value of R225,0 million (2009: R181,8 million) and R141,4 million (2009: R120,1 million), respectively for the purpose of being utilised to cover liabilities arising under the life assurance fund. These portfolios comprise domestic equity investments and international equity and money market funds. Unlisted investments comprise unlisted shares and loans which are classified as held-for-trading and are valued at fair value using a price earnings (PE) model.

36.5 Fair values

The carrying amount of all financial assets and liabilities approximate fair value with the exception of borrowings (which have been accounted for at amortised cost and certain investments where fair value cannot be determined). 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:

| | 2010 | | 2009 | |
|--|--------------------------|---------------------|--------------------------|---------------------|
| | Carrying amount R'000 | Fair value R'000 | Carrying amount R'000 | Fair value R'000 |
| Borrowings (refer note 28) | | | | |
| Southern Africa | 5 725 435 | 5 650 699 | 5 600 767 | 5 555 716 |
| Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements | 523 | 523 | 17 238 | 17 239 |
| Unsecured loans | 3 931 608 | 3 856 872 | 3 173 758 | 3 128 706 |
| Vehicle lease creditors secured by a pledge of inventories | – | – | 21 878 | 21 878 |
| Floorplan creditors secured by pledge of inventories | 560 035 | 560 035 | 417 319 | 417 319 |
| Bank overdrafts | 1 233 269 | 1 233 269 | 1 970 574 | 1 970 574 |
| Europe | 1 048 410 | 1 048 410 | 492 082 | 492 082 |
| Loans secured by mortgage bonds over fixed property | 21 282 | 21 282 | 25 860 | 25 860 |
| Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements | 40 043 | 40 043 | 8 150 | 8 150 |
| Unsecured loans | 987 085 | 987 085 | 458 072 | 458 072 |
| Bank overdrafts | – | – | – | – |
| Asia Pacific | 1 227 926 | 1 227 976 | 1 191 915 | 1 199 104 |
| Unsecured loans | 1 227 976 | 1 227 976 | 1 189 602 | 1 196 791 |
| Bank overdrafts | – | – | 2 313 | 2 313 |
| | 8 001 821 | 7 927 085 | 7 284 764 | 7 246 902 |
| Unrecognised gain | 74 736 | | 37 864 | |

The methods used to estimate the fair values of financial instruments are discussed in note 40.

The interest rates used to discount cash flows, in order to determine fair values, are based on market-related rates at June 30 2010 plus an adequate constant credit spread, and range from 1,1% to 18% (2009: 0,5% to 21%).

37. Capital management

The board of directors' policy is to maintain a strong capital base so as to maintain investor, supplier and market confidence whilst also being able to sustain future development of the businesses. The board of directors monitors both the demographic spread of shareholders, as well as the return on capital, which the Group defines as total shareholders' equity, excluding minority interests and the level of distributions to ordinary shareholders. The Group's objective is to maintain a distribution cover of approximately two and a half times headline earnings for the foreseeable future. The methods of distribution include dividends, return of share premium, capitalisation issues as well as share buybacks in lieu of distributions. The level of cover of distributions takes into account prevailing market conditions, future cash requirements of the businesses, Group liquidity requirements, as well as capital adequacy ratios.

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of gearing and the advantages and security afforded by a sound equity position. The Group's target is to achieve a return on shareholders' interest of between 25% and 30%. In 2010 the return was 24,0% (2009: 20,8%). Refer to page 14 of the annual report for the historical return on total shareholders' interest since 2000.

In the early days of the Group, acquisition activity was generally funded via the raising of equity capital however over the past five years, far more favourable credit markets have enabled the use of debt as a more effective tool of capital. The current credit markets have fundamentally changed, increasing the cost of debt in the weighted average cost of capital for the Group thereby enabling a potential return to tapping the equity markets to fund future growth.

From time to time the Group purchases its own shares on the market, the timing of these purchases depends on market prices. Primarily the shares are intended to be used for issuing shares under the Bidvest Share Incentive Scheme (refer note 26). The maximum number of share options which can be issued to employees under the Bidvest Share Incentive Scheme is limited to 10% of the issued share capital. The Group does not have a defined share buyback plan. A specific buyback transaction was completed during the 2009 financial year in lieu of an interim distribution. These shares are currently held as treasury shares.

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

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements. The Group has principally a target debt/equity ratio of 40%, however in a trading and services business, the debt/equity ratio is a poor measure of the funding capacity of the Group. In order to ensure a more reflective measure of debt capacity is utilised, the Group has adopted an interest cover target of between five to six times. Interest cover for the year to June 30 2010 was seven times (2009: five times).

38. Related parties

Identity of related parties

The Group has a related party relationship with its subsidiaries, associates and joint ventures. 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 of the Company and their immediate relatives beneficially control 2% (2009: 2%) of the voting shares of the Company.

Independent non-executive directors do not participate in the Group's share option, share purchase schemes or conditional share awards.

Details pertaining to executive directors' compensations are set out in the directors' report. Directors' remuneration is included in note 2.

The Group encourages its employees to purchase goods and services 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 year-end.

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

Certain of the directors of the Group are also non-executive directors of other public companies which may transact with the Group. The relevant directors do not believe they have significant influence over the financial or operational policies of those companies. Those companies are thus not regarded as related parties.

The following transactions were made on terms equivalent to those that prevail in arm's-length transactions between subsidiaries of the Group and key management personnel (as defined above) and/or organisations in which key management personnel have significant influence:

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| | 2010 R'000 | 2009 R'000 |
|---|---------------|---------------|
| 38. Related parties <i>(continued)</i> | | |
| Transactions with key management personnel <i>(continued)</i> | | |
| Sales and services provided by the Group | 22 148 | 31 780 |
| Purchases | 3 598 | 680 |
| Outstanding amounts due to the Group at year-end included in respect of the share purchase scheme | 126 563 | 127 630 |
| Outstanding amounts due to the Group at year-end included in trade receivables | 3 721 | 4 800 |
| Transactions with associates | | |
| The following transactions were made on terms equivalent to those that prevail in arm's-length transactions between subsidiaries and associates of the Group: | | |
| Sales and services provided by the Group | 180 | 1 257 |
| Purchases | 123 755 | 210 |
| Outstanding amounts due to the Group at year-end included in advances to associates | 86 672 | 80 992 |
| Outstanding amounts due to the Group at year-end included in trade receivables | 1 011 | – |
| Outstanding amounts due by the Group at year-end included in banking liabilities | – | 11 174 |
| Outstanding amounts due by the Group at year-end included in borrowings | 68 486 | 61 732 |
| Outstanding amounts due by the Group at year-end included in trade payables | 27 819 | 58 |
| Guarantees issued | 56 000 | 56 000 |
| Details of effective interest, investments and loans to associates are disclosed in note 18. | | |

39. 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 audit committee is satisfied that the critical accounting policies are appropriate to the Group.

Key source of uncertainty

Key sources of uncertainty relate to the liabilities to the benefit funds or related assets due to the surplus apportionment in terms of the Pensions Fund Act which have yet to be finalised and approved. Details relating to the current surpluses and deficits are included in note 29.

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 the property, plant and equipment 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. The properties held in Bidvest Properties segment are accounted for as own use assets and are thus held at cost less depreciation. Market indicators reflect, that these properties could realise more than their carrying values, if disposed of.

Goodwill

The Group has assessed the carrying value of goodwill 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, 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-trade 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. Investments held are of a long-term nature and uncertainty surrounds their valuation, which may result in a significant change in value.

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 allowance is made with reference to an inventory age analysis.

Trade receivables

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

39. Accounting estimates and judgements *(continued)*

Provisions

Refer note 33 for further disclosure.

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.

40. Determination of fair value

A number of the Group's accounting policies and disclosures requires the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market values of other assets are based on the quoted market prices for similar items.

Intangible assets

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Inventory

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the efforts required to complete and sell the inventory.

Investments

Fair value of listed investments is calculated by reference to stock exchange quoted selling prices at the close of business on the statement of financial date. Fair value of unlisted investments is determined by using appropriate valuation models.

Forward exchange contracts

The fair value of forward exchange contracts is based on their listed market prices.

Borrowings

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements. The carrying value of the bank overdrafts is the fair value.

Share-based payments

The fair value of the share options is measured using a binomial model. Measurement inputs include share price at measurement date, exercise price of the instrument, expected volatility (based on the historic volatility), option life, distribution yield and the risk-free interest rate (based on national government bonds).

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41. Standards and interpretations not effective at June 30 2010

At the date of approval of the annual financial statements, the following new standards and interpretations that apply to the Group were in issue but not yet effective:

| Standard/interpretation | Description | Effective date |
|-------------------------|---|----------------|
| IFRS 2 | Amendments to IFRS 2 <i>Share-based Payment – vesting conditions and cancellations</i> | July 1 2010 |
| IFRS 39 | <i>Financial Instruments</i> | July 1 2010 |
| IAS 24 (revised) | <i>Related party: Disclosure</i> | July 1 2010 |
| IAS 32 (revised) | <i>Financial Instruments</i> | July 1 2010 |
| IFRIC 14 | <i>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i> | |
| IFRIC 19 | <i>Extinguishing Financial Liabilities with Equity Instruments</i> | July 1 2010 |

IFRS 2

The amendment requires an entity that receives the goods or services (receiving entity) in either an equity or a cash settled share-based payment transaction to account for the transaction in its separate or individual financial statements. This applies even if another Group entity or shareholder settles the transaction (settling entity) and the receiving entity has no obligation to settle the payment. The entity that has the obligation to settle the transaction will account for the arrangement as equity-settled if it has to settle in its own equity instruments. Any other settlement arrangement will be accounted for as cash settled.

The amendment is not expected to impact the Group's results significantly, no restatement of comparatives is required.

IFRS 9

IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39. Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

The amendment is not expected to impact the Group's results significantly.

IAS 24 (revised)

IAS 24 addresses the disclosure requirements in respect of related parties, with the main changes relating to the definition of a related party. The definition of a related party has been amended with the result that a number of new related-party relationships have been identified.

Management does not expect any significant impact on the financial results.

IAS 32 (revised)

The amendment clarifies that rights, options, or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments (and not financial liabilities) if the entity offers the rights, options, or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

Management does not expect any significant impact on the financial results.

IFRIC 14

The amendment applies in limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendments permits such entity to treat the benefit of such early payment as an asset.

Management does not expect any significant impact on the financial results.

IFRIC 19

IFRIC 19 addresses the accounting treatment for the extinguishment of financial liabilities with equity instruments. Equity instruments issued to a creditor to extinguish all or part of a financial liability would represent "consideration paid". The equity instruments will be measured on initial measurement at their fair value, unless such fair value cannot be reliably measured, in which case the fair value of the financial liability will be used. The difference between the carrying amount of the financial liability (or part thereof) extinguished and the initial measurement amount of the equity instruments shall be recognised in profit or loss.

The interpretation is not expected to impact the Group's results significantly.

Additional guidance is provided on the inclusion of financial guarantee contracts in the liquidity maturity analysis.

IASB 2009 and 2010 annual improvements project

The amendments embodied in the IFRS 2009 improvement project are effective for the Group for the year ending June 30 2011.

The amendments embodied in the IFRS 2010 improvement project are effective for the Group for the year ending June 30 2012.

As part of its annual improvements project, the International Accounting Standards (IASB) made amendments to a number of accounting standards. These amendments were primarily made to resolve conflicts and remove inconsistencies between standards, clarify the status of application guidance in standards, clarify existing IFRS requirements, as well as conforming the terminology used in standards with that used in other standards and to those more widely used.

Management's assessment of the improvements has not revealed any material impact on the Group's results.

| | 2010 | 2009 |
|---|--------------|-------|
| 42. Foreign currency exchange rates | | |
| The following exchange rates were used in the conversion of foreign interests and foreign transactions at June 30 | | |
| <i>Rand/sterling</i> | | |
| Closing rate | 11,53 | 13,02 |
| Average rate | 12,05 | 14,47 |
| <i>Rand/euro</i> | | |
| Closing rate | 9,34 | 11,05 |
| Average rate | 10,60 | 12,35 |
| <i>Rand/Australian dollar</i> | | |
| Closing rate | 6,56 | 6,34 |
| Average rate | 6,71 | 6,67 |
| <i>Rand/New Zealand dollar</i> | | |
| Closing rate | 5,34 | 5,10 |
| Average rate | 5,35 | 5,44 |
| <i>Rand/Hong Kong dollar</i> | | |
| Closing rate | 0,98 | 1,02 |
| Average rate | 0,98 | 1,17 |
| <i>Rand/Singapore dollar</i> | | |
| Closing rate | 5,47 | 5,42 |
| Average rate | 5,41 | 6,16 |