# Bidcorp

Annual integrated report 2019


## 30 years of food, service and technology

Bidcorp

- is a complete foodservice offering
- serves multiple customer segments
- is internationally diversified across developed and emerging markets
- people are entrepreneurial and incentivised to be so
- has a proven decentralised business model and best practice learnings are widely shared
- growth is organic, acquisitive-organic through bolt-ons, and acquisitive
- believes that balance sheet strength with low debt is a strong competitive advantage
- proprietary technology enhances customer relationships and efficiencies

**We are pleased to present our 2019 annual integrated report. This is our primary report to our shareholders and other stakeholders. This report should be read together with the information available on the Bidcorp website www.bidcorpgroup.com.**

## Scope and boundary

The Bidcorp annual integrated report for the year ended June 30 2019 reports consolidated information gathered from the global spread of the group's divisions.

Bidcorp's geographic reach spans over 35 countries on five continents. Due to the expanse of local geographic regulations, we only include limited material sustainability information in the annual integrated report. Additional information is available on request.

In line with the guidelines from the Integrated Reporting Committee of South Africa, we have incorporated the relevant six capitals as a platform to inform this review, while striving for concise, relevant reporting.

*For more information see page 1 and pages 30 to 55*

There has been no material change in the scope and boundary of this report compared to the prior year.

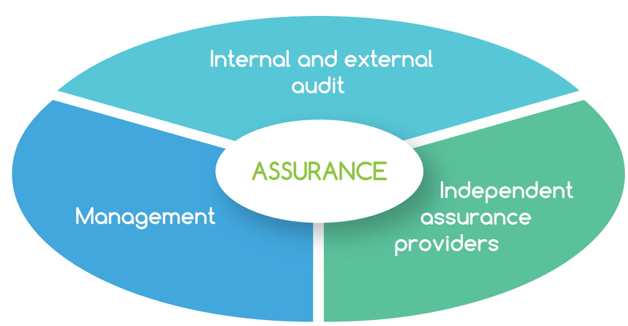
## Financial performance

We have provided a full set of Bidcorp's audited 2019 annual financial statements (AFS) in this report in accordance with the recognition and measurement criteria of International Financial Reporting Standards.

*For more information see pages 67 to 165*

## Assurance

We have adopted the principles of King IV™* on corporate governance thereby recognising the board, board committees, management, internal assurance providers and external assurance providers as key assurance role players in ensuring that the business continues to have an effective control environment and a strong ethical climate.




The board is ultimately responsible for combined assurance by setting the direction concerning the arrangements for assurance services and functions.

*For more information see pages 58, 59, 64 and 65*

## Materiality

The Bidcorp board has considered the legitimate interests of all our key stakeholders in determining information that is considered to be material for inclusion in this report. We aim to demonstrate the connectivity between our strategy, business model, stakeholder interests and concerns as well as our risks and opportunities analysis. The material issues are monitored by management on an ongoing basis and have been reported herein.

*For more information see pages 8 to 17*

## Forward looking statements

The annual integrated report may contain statements regarding the future financial performance of the group and specific businesses, which may be considered to be forward looking statements. By their nature, forward looking statements involve risk and uncertainty, and although we have taken reasonable care to ensure the accuracy of the information presented, no assurance can be given that such expectations will prove to have been correct.




*Own brand fish portions, Bidfood Czech.*

# It's all about the food, service and technology

*myBidfood – Bidfood's online ecommerce platform*

### Reporting suite

We are committed to transparent reporting to our stakeholders. The following reporting frameworks were applied in preparing this report:

- The Companies Act, No 71 of 2008, as amended
- The Listings Requirements of the JSE Limited
- The King IV Report on Corporate Governance for South Africa 2016
- Global Reporting Initiative Framework
- International Financial Reporting Standards
- International Integrated Reporting Council Integrated Reporting Framework.

### Approval by the board

It is Bidcorp board's responsibility to ensure the integrity of the annual integrated report. The audit and risk committee and the social and ethics committee acknowledge their responsibility to ensure the integrity of this annual integrated report. The board has accordingly applied its collective mind to the content of the report and in the opinion of the board, believes it addresses all material issues and presents fairly the integrated performance of the organisation and its social and environmental impacts.

The Bidcorp board has authorised the annual integrated report for release on October 15 2019.

**Stephen Koseff**
*Chairman*

### Navigating this report

Cross-reference content within this report

Further information available on the company's website

**Seven stakeholders**

- Customers
- Suppliers
- Employees
- Shareholders
- Environment
- Communities
- Authorities

**Six capitals**

- Human capital
- Intellectual capital
- Financial capital
- Manufactured capital
- Social and relationship capital
- Natural capital

## Contents




*Own brand Chefs Classique extra virgin olive oil, Bidfood South Africa.*

# Chairman's statement

"I am confident that Bidcorp, with its strong entrepreneurial culture and resources, is a resilient business that can sustain growth despite the geopolitical and economic challenges facing the global market."

In an environment of global volatility and market uncertainty, Bidcorp has continued to improve market share, earnings and cash flow; while maintaining low debt levels and a strong balance sheet. This pleasing performance is testament to the resilience of Bidcorp's decentralised business model, which is premised on international diversification across multiple segments and underpinned by a strong service and efficiency ethic.

## Global environment: steady but slowing

Global economic confidence is weakening. Reports of a US-China trade war, rising nationalism, as well as the resurgence of protectionist trade barriers are weighing down economies around the world. Further shocks could trigger a global downturn.

Multi-national businesses must therefore carefully navigate ever more turbulent markets, where short-term populist politics, tariffs, anti-globalisation backlashes, and possible supply chain and market access restrictions could constrain the free movement of goods. For now, however, the global economy remains steady, albeit slowing.

In light of these geopolitical challenges, at Bidcorp we continue to focus our attention where we can make a difference: namely, on engaging our most critical stakeholders on a common vision around food quality, sustainability, service and technology. Key is our decentralised business model. By empowering leadership to retain substantial autonomy on matters that relate to the business in their specific region, we can identify and respond to rapidly changing market conditions.

Given persistent geopolitical and economic uncertainties, we are closely monitoring developments in the UK, Hong Kong, parts of Europe, Brazil and South Africa.

## Strong FY2019 performance

Bidcorp scaled new heights in 2019. Revenue was up 4,7%, trading profit was 7,1% higher and headline earnings per share grew 7,7%, all in constant currency. Headline earnings per share increased by 12,5% and basic earnings per share increasing by 14,8% in rands.

Rewarding shareholders remained a priority, with the company declaring a final cash dividend of 330 cents per share, giving a total dividend for the 2019 financial year of 640 cents per share – a 14,3% increase on the total dividend paid last year.

This performance was achieved with only a minor contribution from last year's acquisitions, a low food inflation environment, labour and energy cost pressures, and the exit of low margin businesses.

The United Kingdom, Europe and Australasia drove profit growth, while several Emerging Market territories also delivered commendable performances. Our focus remains on capitalising on organic and acquisitive opportunities to expand market share and turnaround programmes for underperforming areas.

## People and culture

Since assuming the chairman role from Brian Joffe last year, I have seen Bidcorp's people in action: driving innovation, customer friendly solutions and service excellence. These are the values that will continue to keep us nimble and relevant.

While we are proud of the success of our geographic and product diversification, at our core we remain a people organisation. Understanding that the vitality of our teams around the world are key factors behind the performance of our group we have a continual programme of skills and talent development. While decentralisation is our management philosophy, we embrace shared learnings between regions. This year we also enhanced our investments in ecommerce and IT and accelerated intergroup procurement opportunities.

## Responsibility and governance

Over the past three decades, Bidcorp has grown to become a substantial global foodservice business with operations in over 35 countries and employing 25 858 people across Africa, South America, the UK, Europe, Asia and Australasia. Since listing on the JSE in May 2016, Bidcorp has seen its market capitalisation grow to in excess of R112 billion.

As a board we recognise that an organisation of this scale has broader responsibilities to society. Much work is going into ensuring local relevance, including local product sourcing and sustainable business practices. The group continues to invest to ensure high product quality and rigorous compliance with food safety protocols. It has also committed to protecting the environment, including setting business unit targets for fighting climate change. Ambitious goals have been set across the supply chain to increase transparency and ensure practices reflect the highest standards of integrity, respect and safety for suppliers and other partners.

In line with regulatory calls for regular audit rotation, we have changed the group's external auditor from KPMG to PricewaterhouseCoopers. The board extends its appreciation to KPMG for its considerable input and guidance over many years and we look forward to a successful relationship with PwC.

During August 2019, Bidcorp undertook an independent board appraisal to evaluate board functioning. Board members provided their confidential responses on subject areas which included governance, strategy review, leadership, financial reporting, risk oversight, succession planning, ethics and stakeholder engagement. In addition, the review included appraisals of the five board committees. No significant matters of concern arose. Bidcorp is a well-run, transparent company and will continue on its journey of meeting and beating its stakeholders' expectations.

The board is satisfied with enhanced governance measures and internal controls in place to alert leadership to emerging issues and to provide any corrective actions required. These include augmented risk management procedures around food safety, cyber and data security, corruption, reputational damage, product liability claims and other matters that could cause disruption to day-to-day operations.

## Appreciation

My sincere appreciation is extended to our hundreds of thousands of customers and tens of thousands of suppliers for choosing Bidcorp. We continue to deepen these relationships as we strive to become their foodservice partner of choice.

Our strong performance would not have been possible without Bernard Berson, his leadership team and the 25 858 people who work for Bidcorp. Thank you for your invaluable contributions.

I would also like to thank my fellow board members for their counsel and support. In particular, my gratitude goes to Doug Band, who is retiring after having served as the lead independent director with distinction. He has played a critical role in the advancement of good governance at Bidcorp and before that at Bidvest. We recognise and appreciate his valued contribution over many years.

## Ensuring longevity

As the business evolves, so too must the board, as such two new appointments have been made to strengthen diversity and skillset. We welcome Mrs Tasneem Abdool-Samad and Mr Clifford Rosenberg to the board, effective September 16 2019.

The foodservice industry continues to grow worldwide. We intend to capitalise on increasing demand for out-of-home and healthy eating, quality produce, variety of choice and value for money.

Bidcorp remains at the forefront of technological and data solutions in foodservice, while maintaining a strong financial position. We continue to collaborate across geographies, sharing knowledge to deliver significant savings and improved services, and are well positioned to benefit from our sustained investment in people, systems and infrastructure. We are targeting growth in home currency earnings through a combination of organic and acquisitive expansion, cost containment and operating efficiencies, while delivering service excellence, product quality and customer satisfaction.

Despite geopolitical and economic challenges, there remain opportunities for nimble businesses closely aligned to market needs. I remain confident that Bidcorp, with its strong entrepreneurial culture and resources, remains a resilient business that can sustain growth and continue to add value to stakeholders.

**Stephen Koseff**
*Chairman*

**New heights scaled. Revenue up. Trading profit up**

**Our people driving innovation and service excellence**

**At the forefront of technological solutions**

**An organisation of this scale has responsibilities to society**

**Gratitude to Doug Band, he has played a critical role**


*DAC own brand ARCO, Italy.*

# Board of directors

## Stephen Koseff

**Qualifications:** CA(SA), MBA, H Dip. BDP and Hon. DCom (Wits)

**Age:** 68

CHAIRMAN

**Appointed:** August 16 2017

NC

## Bernard Berson

**Qualifications:** CA(Australia)

**Age:** 54

CHIEF EXECUTIVE

**Appointed:** March 10 2016

**Committee membership:**

AC SEC

## David Cleasby

**Qualifications:** CA(SA)

**Age:** 57

CHIEF FINANCIAL OFFICER

**Appointed:** September 12 2007

**Committee membership:**

AC

## Paul Baloyi

**Qualifications:** MBA (Manchester Bangor University of Wales), SEP (Harvard), AMD: ENSEAD (France), MDP (Stellenbosch University)

**Age:** 63

INDEPENDENT NON-EXECUTIVE DIRECTOR

**Appointed:** March 10 2016

**Committee membership:**

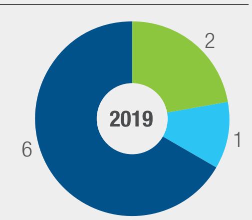
AC ARC RC


### Board diversity

| | | |
|---|---|---|
| Aus 22% | SA 78% | Nationality |
| Female 22% | Male 78% | Gender |
| Black 22% | White 78% | Race |

### Board membership

- Executive directors
- Non-executive directors
- Independent non-executive directors



## Doug Band

**Qualifications:** BCom (Wits) CA(SA)

**Age:** 75

LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR

**Appointed:** March 10 2016

**Committee membership:**
AC NC RC

## Brian Joffe

**Qualifications:** CA(SA)

**Age:** 72

NON-EXECUTIVE DIRECTOR

**Appointed:** August 17 1995

**Committee membership:**
AC NC

## Dolly Mokgatle

**Qualifications:** BProc (University of the North) LLB (Law) (Wits)

**Age:** 63

INDEPENDENT NON-EXECUTIVE DIRECTOR

**Appointed:** October 4 2016

**Committee membership:**
NC SEC


## Nigel Payne

**Qualifications:** BCom (Hons), CA(SA), MBL

**Age:** 59

INDEPENDENT NON-EXECUTIVE DIRECTOR

**Appointed:** March 10 2016

**Committee membership:**
AC ARC RC SEC

## Helen Wiseman

**Qualifications:** BSc (Hons) University of Manchester, CA, GAICD, IDP-C INSEAD

**Age:** 53

INDEPENDENT NON-EXECUTIVE DIRECTOR

**Appointed:** March 10 2016

**Committee membership:**
ARC SEC

*See full CVs on pages 80 and 81*

### Board committees

- Acquisitions Committee
- Audit and Risk Committee
- Nominations Committee
- Remuneration Committee
- Social and Ethics Committee

Bidcorp

Each business is directly responsible for its product range, its buying and sales approach. Businesses retain their local brand, tone of voice, look and feel. The cultural differences are important to differentiate the regional locations. Each business operates as an autonomous, local business.

# Australasia

Australia and New Zealand offer customers the industry's most comprehensive range, wide market coverage, economies of scale and one-stop solutions.

Revenue
**R31,1bn**

Trading profit
**R2,2bn**

Employees
**4 704**

Australia
New Zealand

For more information see pages 30 to 35

1995 – Acquired an initial 40% interest in listed Australian foodservice business Manettas, the start of our business in **Australia**.

2000 – Entry into the **New Zealand** foodservice market with the acquisition of 100% of Crean Foodservice.

2001 – John Lewis Foodservice acquired and incorporated into **Australia**, creating the leading Australian foodservice distributor.

2017 – Successfully rebranded Bidfood **Australia** and Bidfood **New Zealand**.

30 years of food, service and technology

# Europe

Bidcorp in Europe is the leading foodservice distributor to the Horeca sector. Bidcorp has a world-class service offering and a diverse product range that meets the needs of its vast customer base.

Revenue
**R43,7bn**

Trading profit
**R1,9bn**

Employees
**7 930**

Netherlands
Czech/Slovakia
Poland
Belgium
Baltics
Italy
Iberia
Germany/Austria

For more information see pages 42 to 47

2006 – Acquired 100% of the **Netherlands** and **Belgium** foodservice company, Deli XL.

2009 – Acquired 94% of Nowaco, a leading foodservice provider operating in the **Czech Republic** and **Slovakia**, and 91% of Farutex, a foodservice provider in **Poland**.

2011 – Acquired 100% of Nowaco **Baltics** (Lithuania, Estonia & Latvia), a leading distributor in frozen and chilled products across the Baltic region.

2015 – Acquisition of a 60% stake in Gruppo DAC S.p.A, a leading foodservice provider in **Italy**.

2017 – Bidcorp moves into **Spain** through its acquisition of a 90% stake in Guzmán Gastronomía & Cuttings (Guzmán).

2018 – Foodservice acquisition in **Germany** and **Austria**, as well as a bolt-on in **Portugal** strengthening our Bidfood **Iberia** business.

# Our food adventure and global offering

The achievement of a consistently good track record is a result of strong organic and acquisitive growth, positive market fundamentals and the advantages of shared operational best practice, network density, and deep local customer and supplier relationships.

Established Bidvest Plc (now Bidcorp Foodservice International Limited) in the United Kingdom – 1998

Booker Foodservice, renamed 3663 First for Foodservice, acquired in the **United Kingdom**. – 1999

Acquired 100% of Seafood Holdings, later rebranded to **Bidfresh UK**, a market leading fresh fish foodservice business operating in the UK. – 2011

Bought 100% of **PCL24/7** Transport Limited, a logistics storage and distribution business – 2015

Exited the PCL business, offered remaining logistics operation for sale. Acquired specialty food manufacturing business, Punjab Kitchen, renamed Simply Food Solutions – 2019

3 years of Bidcorp listed on the JSE

## United Kingdom

United Kingdom is a market-leading foodservice and product distributor serving customers in the hospitality, institutional, catering and free-trade sectors.

Revenue

**R33,3bn**

Trading profit

**R1,7bn**

Employees

**7 067**

- Bidfood UK
- Bidfresh UK

For more information see pages 36 to 41

Acquired 100% of **South African** Chipkins and Sea World signalling the start of Bidcorp's foodservice operation. – 1989

Acquired **Crown National** in South Africa – 1992

Acquired 80% stake in Horeca Trade, a **UAE** based foodservice distributor. – 2006

Acquired 100% of Angliss, a leading foodservice wholesaler and distributor in **Singapore** and **Hong Kong**. – 2007

Acquisition of 80% of Deli Meals in **Chile**, our first entry into South America. – 2012

Acquisition of 51% of Aktaes Holdings, a foodservice provider in **Turkey**. – 2013

Acquired a 60% stake in Distribuidora E Importadora Irmãos Avelino, a foodservice provider in **Brazil**. – 2014

Investments throughout **mainland China**, driving second-tier city presence strategy – 2015

Invested 38% into an **Argentinian** business, Blancaluna – 2019

## Emerging Markets

With a geographic footprint over four continents, this division includes operations in Africa, South America, Asia, the Middle East and Europe.

Revenue

**R21,1bn**

Trading profit

**R1,0bn**

Employees

**6 100**

- Bidfood SA
- Crown Food
- Chipkins Puratos
- Mainland China
- Hong Kong
- Singapore
- Malaysia
- Vietnam
- Brazil
- Chile
- Argentina
- Middle East
- Turkey

For more information see pages 48 to 53

# Bidcorp's

We continue to focus on higher margin freetrade business.

Key to our strategy remains category development and growth of high value specialist products.

# Business

## Responsible procurement

Our suppliers are specialists in their product, as well as ethical and sustainably minded, located as close to the source of the food as possible. We source both quality wholesale foods and a large range of catering equipment and non-food essentials.

We are proud to say we take a sustainability-based approach to product sourcing, minimising the impact of our carbon footprint, whilst ensuring fair labour practices are at the forefront of all stages of our supply chain.

### Stakeholders

### Capitals

Social and relationship capital | Natural capital | Financial capital | Human capital

## Value-add processing

Through listening to our customers, Bidfood has identified opportunities for value-add light processing and bespoke manufacture to make our customers' lives easier.

Around the world we have our own purpose-built facilities offering additional value-add products, as directed by customer needs and market trends identified.

### Stakeholders

### Capitals

Manufactured capital | Natural capital | Social and relationship capital | Intellectual capital

## Warehousing and distribution efficiencies

We invest in depots and vehicles equipped with state-of-the-art efficient and sustainable capabilities. We utilise tools such as voice-pick technology and onboard-telematics in vehicles to ensure improved efficiencies and accuracies in service. Coupled with anti-error systems, we commit to reduced preparation error rates and overall improved working conditions for our workforce. Our fleet is equipped to simultaneously distribute products at positive and negative temperatures, with modular compartments equipping us to deliver to specific customer and product requirements.

### Stakeholders

### Capitals

Manufactured capital | Natural capital | Social and relationship capital | Human capital

Open here to unpack the

# strategy

Adopting a "direct-to-customer" model continues to deliver improved results.

Opportunities exist in each of our markets to grow entrepreneurially led businesses like Bidcorp.

# model

## Market-leading innovation

Our in-house developed ecommerce solution is a market- leading customer communication, transaction and information portal. Our customers have online touch access to products offered by Bidfood divisions such as real-time stock and pricing, product and sourcing information, planning and costing facilities, as well as intuitive complementary product suggestions.

By using technology to deliver operational efficiency, implementing smart solutions faster through sharing of learning and ideas across our businesses, Bidfood is ahead of the pack. Continual upgrading, modernisation and simplification of our global IT infrastructure, from farm to fork.

### Stakeholders

### Capitals

Manufactured capital

Intellectual capital

Social and relationship capital

## Customer service excellence

Our mission is to deliver service excellence.

Everything we do has the customer at heart, and is led by research and insights, be it into food trends to keep a step ahead of the curve, or the latest technological advances allowing us to continuously develop our service offering.

### Stakeholders

### Capitals

Human capital

Social and relationship capital

Intellectual capital

Bidfood

Is all about the food, the service and the technology.

Bidcorp driving innovation, customer friendly solutions and service excellence

Bidcorp business model

# Responsible procurement

## Responsible product sourcing

**We purchase from thousands of domestic and international suppliers. These suppliers include large corporates selling branded products, to the own brand manufacturers which produce and supply Bidfood's own brand range. In order to meet growing demand for locally sourced products, we increasingly source specialty, fresh and seasonal products from small to mid-sized producers. As a wholesaler of food and non-food items we may be exposed to liability claims.**

**What it may mean to us**
- Consumer illness
- Product recall
- Reputational brand damage

### How we manage this

We take our responsibility for transparency and efficiency in our supply chain very seriously. We ensure that our practices reflect the highest standards of integrity, respect and safety for supplier and other partners.

We only engage with suppliers who meet our standards, respect our values and would provide the transparency required should an evaluation of their environment be required. No single source of supply individually accounts for a significant source of purchases made by a particular Bidfood operation.

Most of our suppliers are globally recognised and reputable manufacturers, certified to best food and safety standards. Bidcorp conducts rigorous ad hoc supplier assessments to ensure compliance with food quality standards and importantly with ethical work place practices. We have global group liability insurance policies in place.

## Product cost volatility

**Foodservice distribution is characterised by high inventory turnover at relatively low profit margins. Product availability at the right quality, right quantity and right price is never guaranteed. Profit may be negatively affected by product cost volatility.**

**What it may mean to us**
- Margin erosion
- Lack of product availability
- Loss of customer confidence as prices are adjusted to align with volatility

### How we manage this

We typically do not enter into long-term customer agreements, therefore our businesses are able to react quickly to changes in product pricing.

We adopt a decentralised model where local purchasing decisions are based on the quality and price of the local product, and according to customers' ever-changing needs.

We are agile enough to respond to our customers quickly and easily.


# Value-add processing

## Own brand product range

**Products packaged under our Bidfood own brands have either been contract manufactured and packaged according to our specifications, or processed in-house and packed in line with customers' needs.**

**What it may mean to us**
- Lack of in-house manufacturing expertise
- Risk of food contamination
- Reputational damage due to sub-quality products
- Legal action including management time and legal costs

### How we respond

For in-house manufacturing, we engage experienced production teams, who have the knowledge and expertise to implement best practice food processing standards.

For contract manufacturing quality assurance teams certify the manufacturing and processing plants where these products are packaged, enforcing global quality control standards and assuring the quality of all supply sources to meet our rigorous requirements.

Product recall processes have been revised to include stricter protocols around customer contact and control of affected stock, using internal IT systems to facilitate tracking and impact of product reach. Specialty product recall insurance policies are being implemented in countries where in-house processing is prevalent.

## Food safety

**Inherent to the industry, outbreaks and contaminations are experienced from time-to-time. Industry-wide awareness relating to food safety management has been heightened. Bidfood has always held food safety as a top priority but has used this opportunity to engage with our suppliers, customers and end consumers throughout the group to ensure the food safety best practices are adopted.**

**What it may mean to us**
- Consumer illness
- Product recall
- Reputational brand damage
- Heightened regulatory scrutiny

### How we respond

Strengthening positive and constructive relationships with governments and other industry players in order for us to anticipate and respond to regulatory and policy developments.

There is a strong drive to deliver on transparent and prompt communication with stakeholders along the full supply chain, as well as proactive customer engagements and engaging food safety specialists throughout the group, to ensure the highest standards are implemented.

# Value-add processing continued

## Climate change

**Extreme weather patterns and environmental degradation have the potential to significantly impact the entire value chain, from production through to distribution and sales.**

### What it may mean to us
- Lack of product availability
- Product pricing increases
- Constraints in energy and water supply
- Regulatory risks associated with environmental legislation eg carbon taxes

### How we respond
We are serious about the impact and role we have to play in reducing our impact on climate change. Each of our businesses have engaged with local stakeholders and have set targets and goals to minimise emissions and impact on their environment.

At a group level, quarterly monitoring of the operational ESG reports is reviewed and improvements monitored. Best practice is rolled out among our businesses as quick wins for each to minimise their impact.

Inclusion of sustainability targets in each operation's annual strategy is in place. We engage supportively with our businesses sharing best practice to ensure we are continually improving our emissions efficiencies thereby diminishing our impact on the environment.

## Cost of compliance

**Compliance is non-negotiable. We face a broad range of ever-changing legislative and regulatory requirements that are managed by each local teams, being positioned close to the specific and relevant authorities. However, the cost of compliance remains significant, and increasing.**

### What it may mean to us
- Personal injury to stakeholders if non-compliant
- Fines and penalties for non-compliance
- Reputational brand damage

### How we respond
We invest in assurance teams, compliance tools and engage outsourced professionals to guide and direct us in our efforts to promote the highest levels of compliance to food quality and health and safety standards in the market. Quarterly reporting of material non-compliances against the group standards is monitored by the divisional audit and risk committees, in line with the Bidcorp code of ethics and as a quarterly management representation.

Entity level targeted training is rolled out, appropriate policies, systems, procedures and reporting is in place. Appointment of skilled technical resources and consultation with subject matter experts where required ensures that Bidcorp is operating within the legal and regulatory boundaries in each geography globally.

http://www.bidcorpgroup.com/code-of-ethics.php

# Warehousing and distribution efficiencies

## Timely infrastructure investment

**The development of robust infrastructure is key to creating the capacity demanded by growth ahead of the demand curve.**

### What it may mean to us
- Strategic proactive capex into the right business and market
- Loss of opportunity or customers due to capacity constraints

### How we respond
Growth requires that depots be large enough to be economically viable, yet small enough to ensure we remain agile and customer focused. Through timely investment we are equipped and able to facilitate growth and capitalise on market opportunities as they arise.

To remain ahead of the demand curve, we invest in assets with state-of-the-art sustainable capabilities, all designed to lessen our environmental impact and improve our operating efficiencies.

## Fuel and energy costs

**Increasing fuel and energy costs drive up the cost of servicing the customer, increasing product prices and distribution costs. In addition, higher fuel costs often negatively affect consumer confidence and discretionary spending, dampening demand for food consumed out-of-the-home.**

### What it may mean to us
- Reduces operating efficiencies
- Margin erosion
- Product availability

### How we respond
Continued investment into the latest technology, energy and transportation equipment to improve operating efficiencies. We have a successful track record of proactive engagement and problem-solving with our customers to identify mutually beneficial solutions. This stands us in good stead with customers, strengthens relationships and builds trust.

# Warehousing and distribution efficiencies continued

## Labour recruitment and wage pressures

**Labour retention, recruitment of the right skillsets and wage pressures are key drivers in higher operating costs over the past year. Most significantly the impact was felt with the scarcity of drivers across Europe, the UK and Australasia.**

**What it may mean to us**
- Shortage of qualified labour
- Interruptions, planned and unplanned, impacting production and service delivery
- Product costing volatility
- Customer pricing increases
- Product supply scarcity

**How we respond**

The changing dynamics of labour in many jurisdictions around the world is clearly evident, and therefore it is key for the group to ensure continued attraction, retention and motivation of the existing entrepreneurial workforce. With escalating employee costs a higher level of management focus is required to ensure that we continue to achieve our operational and strategic objectives. While cost management and efficiencies play a critical role, suitable and relevant incentivisation remains an important motivator.

Warehouse and driver, recruitment and retention are global issues but local challenges. It is vital to recognise the importance of these roles and support them with tools to enable the best possible job. We invest in driver training programmes while providing incentives and better work environments. With onboard tracking and monitoring systems we improve driver safety.

## Natural disasters

**Our facilities and our customers' businesses may be subject to extreme, and occasionally prolonged, adverse weather conditions resulting in disruption to normal operations.**

**What it may mean to us**
- Business interruptions
- Restrict customers' access to us
- Disrupt product availability
- Delays in sales and deliveries
- Losses incurred due to disaster

**How we respond**

Robust disaster recovery plans are established in all businesses. In the event of business interruption, our decentralised network of smaller depots allows us to support any business impacted by adverse weather conditions until they are able to resume normal operations.

We have the appropriate global insurance policies in place to protect our assets and address business interruption risk.

# Market-leading innovation solutions

## High reliance on technology

**We are highly reliant on technology, embracing the efficiencies, insights and improved service levels it provides to effectively respond to our customers' needs. We use software and other technology systems to generate orders, systems to create efficiencies in depots, to load and route trucks, to procure, to monitor and to manage our business on a day-to-day basis. We use our ecommerce platform, CRM tools, social networking and other online platforms to connect with our employees, business partners, suppliers and customers.**

**What it may mean to us**
- IT disruptions inhibiting customer service
- IT implementation delays could reduce service delivery

**How we respond**

Bidfood innovates, develops and uses market differentiating tools and systems to ensure we remain at the forefront of purchasing, order placement, warehouse management, efficiencies in loading trucks, storage space optimisation and optimal ecommerce sales and customer service engagement. Our decentralised model ensures that we do not have global dependency on a single IT system but are locally independent.

We have invested in and continue to develop our ecommerce technology, CRM functionality and Supplier Turn-in-Order App all the while ensuring the implementation of best of breed cybersecurity, business continuity and disaster recovery planning.

## Cybersecurity

**Reliance on our IT networks and systems to process, transmit and store electronic transactions is pervasive across all operations. Our operations gather, store and transmit a wide variety of information, including customers' and suppliers' information, employee private information and financial and strategic information about Bidfood globally.**

**What it may mean to us**
- Cybersecurity breaches, espionage, system disruption, online platform hijacking
- Critical system downtime
- Unauthorised access and misuse of personal information

**How we respond**

We have rolled out a group-wide rapid response plan and implemented measures to protect our data and to prevent cybersecurity breaches and incidents. Continuous vigilance in the face of potential attack is at the heart of our cyber risk management programme. Ongoing training and awareness campaigns are implemented across the group to equip our teams with the information and tools to recognise and respond to a potential attack. Insurance cover is in place to offset potential losses from some cyber risks.

Business information security controls implemented include, but are not limited to: malware protection, network security, incident management, disaster recovery planning and back-up strategies, IT general control audits, and periodic information security reviews.

# Customer service excellence

## Market disruptors

**Increasingly tech focused delivery companies are focusing on the foodservice market, initially in the consumer delivery space but with an eye on the foodservice wholesale model, threatening disruption. Competition from these disruptive market entrants have threatened to take market share.**

**What it may mean to us**
- Margin erosion from competition
- Loss of market share
- Loss of supply chain buying power

### How we respond

Bidcorp remains committed to our core foodservice business, to maintaining the world-class service and efficiency ethic, which our customers have come to expect. We have seen significant success in the adoption of our value-over-volume strategy, focusing on the high margin, high service customer.

We remain vigilant watching market trends and are agile enough to implement timely interventions, to respond to our customers changing expectations and needs.

We are focused on what we are good at: namely, ensuring a shared passion among our stakeholders about food, service and easy to use, intuitive technological solutions to develop a mutually beneficial customer relationship.

## Last-mile differentiator

**Differentiation in the foodservice industry is achieved through ongoing close contact with customers, positioning competitive pricing, with the ability to provide a full basket of products and consistently delivering promptly and accurately.**

**What it may mean to us**
- Competitive advantage in the market
- Fit-for-purpose warehouses
- Responsive, agile and flexible delivery cycles

### How we respond

Our success in the roll out of our metro strategy is as a result of the establishment of conveniently located warehousing solutions, specifically enabling a faster, better last-mile quick turnaround response to customer orders.

Through the implementation and effective use of our ecommerce solutions to take and anticipate customer orders; the offer of regular and quick turnaround deliveries, and a broad range of high-quality competitively priced products, Bidfood aims to differentiate themselves on the last-mile service excellence.

## Consumers' changing eating habits

**Changes in consumer eating habits such as a decline in consuming food in restaurants, strong preferences for organic and vegan product offerings, or shifts in non-customer restaurant preferences could reduce demand for the current product range and impose significant changes on the supply chain.**

**What it may mean to us**
- Loss of market share
- Obsolete stock and significant write offs
- Product range procurement adjustments

### How we respond

We remain close to our customers' requirements arising from changes in consumer eating habits. Our market-leading ecommerce platform provides a comprehensive database, tracking trends in the overall foodservice environment and in particular changes in consumer preferences. These insights allow us to proactively adjust and realign our go-to-market strategy and product focus.

This bespoke data insight has enabled Bidfood to provide customers with substitute product suggestions, product usage reports, menu-planning advice and food safety training, to proactively deal with the changing consumer preference landscape.


*Own brand Chef's Classique, Bidfood South Africa.*

# Bidcorp's growth strategy

## Growth

### Succession planning

**Bidcorp's ability to operate sustainably depends largely on the experience and skills of its management team and their succession plans. Any senior management departures or unavailability (due to death, injury, illness or other reasons) or technically skilled worker shortages could adversely affect Bidcorp's operational performance.**

**What it may mean to us**
- Loss of key members of management
- Loss of customer and supplier relationships due to loss of a team member
- Group sustainability

**How we respond**

With a robust and significant global footprint, international opportunities are provided to those eager for career progression. Skillsets existing across the group could be used in other group businesses should the requirement arise. Experienced management skills within the group are demonstrated through continued annual growth. Each management team is encouraged to grow and mentor high-potentials within their team to ensure a strong succession plan exists.

### Third party "group purchasing organisations" (GPO)

**Some customers purchase via third party GPOs in order to reduce prices paid on foodservice orders, which then in turn results in the GPOs placing pricing pressure on us. Some GPO memberships have recently included smaller, independent restaurants.**

**What it may mean to us**
- Dampened customer orders
- Margin erosion
- Increased competition reducing pricing

**How we respond**

We offer innovative, real-time engagement with our customers through our bespoke industry leading ecommerce solutions. We are small enough to be agile and meet the most demanding requirements; but global enough to source even the most hard to find products. Fundamental to our success is the strength of the real personal human connection we strive to develop with our customers which generates loyalty and appreciation for the personalised service excellence which sets us apart.

### Intense competition

**Foodservice distribution is highly competitive, with low barriers to entry. Pressure on key customers is increasing due to challenges in the macro-economic environment. Changing consumer tastes, preferences and loyalties have heightened the risk of consumers shifting their preferences to competitor products. Customers switch suppliers easily for lower priced, differentiated products or perceived better customer service.**

**What it may mean to us**
- Loss of customers due to competitive pressures
- Increased competition reducing market share
- Margin erosion

**How we respond**

The cost of switching for local customers is very low as are the barriers to entry in this industry, therefore customer relationships and engagement is key to differentiate. However the benefits of scale in a national business do create barriers to entry. The group structure being decentralised, provides the ability to compete at a local level with the benefits of procurement scale, enhancing our competitiveness. Each local Bidfood operation also has access to a global platform, enabling teams to present new culinary trends, unique product ranges and introduce a variety of cuisines. We continuously monitor external market trends and collate consumer and customer insights to assist in the development of category and brand strategies.


*Own brand "Cooking with…", Bidfood South Africa.*

# Growth continued

## Organic expansion and acquisitive growth

**Bidcorp will selectively pursue opportunities to supplement organic growth with strategic acquisitions, both bolt-on and new country investments. These acquisitions present opportunities for growth and increases the scale of Bidcorp's operations.**

**What it may mean to us**
- Exposure to political, economic and social conditions beyond our control
- Impact of familiarisation of new local laws and regulatory constraints

**How we respond**

A global executive management team provides oversight of all transactions. We ensure full and proper due diligence and sovereign risk assessment is completed before any acquisition is finalised. New country acquisitions are conducted under the oversight of the group executive drawing on the expertise of all the group management where required.

In line with the decentralised Bidcorp governance framework bolt-on acquisitions are conducted by local management who are close to, and understand their local markets.

## Political upheaval

**Political instability is unpredictable and can present suddenly, with significant impact. These unforeseeable upheavals can potentially disrupt normal business operations materially.**

**Business sentiment to political upheavals such as Brexit or the Hong Kong protests generally appears to be more cautious than the average consumer sentiment.**

**What it may mean to us**
- Adverse impact on financial performance
- Inability to pass on cost impacts to our customer, impacting margins
- Higher borrowing costs

**How we respond**

The impact of Brexit to date on our UK foodservice market has been limited, with consumers continuing to seek out-of-home meal options. Consumer confidence may, however, wane through fatigue and uncertainty. Our core philosophy of naturally hedging assets and liabilities remains and is an important group fundamental.

Political strife in Hong Kong is having a material impact on that business with hotel occupancy down 85%. Management has enabled flexible working hours for staff and are negotiating with suppliers and landlords to minimise operating costs. Safety measures to protect staff and assets have been implemented.

We continue to keep a close watch on political developments, within the ambit of what we can control, we remain agile in our response.

## Economic instability

**Bidcorp is a geographically diverse business exposed to changes and instability affecting the global economic environment.**

**What it may mean to us**
- Business slowdown due to financial instability, trade restrictions, imposition of tariffs and volatility in exchange rates.

**How we respond**

We are committed to the jurisdictions in which we operate. Our local teams are best placed to focus on what we can control, delivering the right food, at the right price, at the right time, to the right customers.

Through our globally diverse decentralised footprint, although exposed to high-risk macro environments, local teams continue to manage their local environments and grow in each of our markets.

BPC provides a solid backup plan should disaster strike and support is required to find alternate product supply. This is the advantage of being a part of the global team.


*Own brand EasiYo, Bidfood New Zealand.*

## Our material risks:

- Food and product safety
- Product scarcity
- Cyber breaches
- Competitor activity threatening margin and market share
- Lack of access to our consumers
- Labour and skills scarcity
- Reputational damage
- Economic and political unrest
- Climate change impacting product availability and our ability to operate

# Bidcorp's 2019 stakeholders

## Customers

Bidcorp served more than **313 675** customers, an **8%** increase on prior year

**31%** of all revenue generated from ecommerce platforms

Independent customers now make up **52%** of total revenue

**We strive to create value for our customers by listening to them – understanding what their needs are and responding to make their lives easier.**

Through the introduction of our online ecommerce tools, customers are able to engage real time and place orders on a tablet, mobile phone or laptop, with a delivery time as quick as within the operating day. Bidfood is providing and growing a portfolio of leading brands, to meet our customers' needs.

Many of our customers are finding skills and space expensive, we are able to offer pre-prepared products, sous-vide meals at locally situated depots, able to ease this burden.


*DAC's own brand ARCO pesto, Italy.*

Own brand products now make up **18%** of total revenue

**We strive to create value for our suppliers by engaging with them on market trends and requirements. Alerting them to changes in customer needs and product developments required.**

In South Africa we actively promote enterprise development through the purchase of goods and services from BBBEE accredited suppliers and support the establishment and development of new businesses in the market.

## Suppliers

**20 400** suppliers, just 2% increase on prior year, offering 324 514 product SKUs

**36%** of 2019 revenue from sale of **Frozen** products, **Chilled 28%**, **Ambient 31%** and Non-food 5%

## Investors

**44 698** public shareholders, holding 99,98% of the 335,4 million shares in issue

We distributed a total of **R2,0 billion** in dividends to our shareholders

**We strive to provide our investors with value through consistent financial returns in the form of dividends and share price growth.**

Through effective management of our financial resources and appropriate capital allocation decisions we ensure value is created for the investors.

Proactive, transparent communications, quarterly trading updates and engaging reporting ensures the shareholders are informed of the performance of the company.

## Authorities

The group operates in over **35 countries** engaging with more than 35 different governments and tax authorities

**R1,4 billion** paid in taxes; average tax rate of 23,3%

**We are committed to meeting and supporting the national and local needs of each government body and institution in all jurisdictions that we operate in.**

Contributing to the fiscal revenue through timely and accurate submissions of transparent financial results.

Supporting wider government initiatives such as human rights issues, gender equality and transformation is key. This support is demonstrated through active participation and engagement, providing input and insight to changes and advancements in legislation.

Operating our business ethically and ensuring good governance practices are in place, including a zero-tolerance to any form of fraud and crime.

## Employees

**25 858 employees**, 2% increase on prior year. Workforce of 27% women providing equal opportunity to promote gender diversity

**11%** staff turnover recorded in 2019, based on terminations recorded.

5% increase in lost time hours reported in 2019

**R42 million** spent on training, a 4% increase from 2018

**We are committed to creating value for our people through providing exciting employment opportunities across all facets of the business. Promoting from within and developing a team to ensure a strong succession plan is in place.**

Continuous investment in training to build a high-performance culture, both within their roles and with regards to health and safety in the workplace.

Actively driving transparent and meaningful engagement with employees and with their representative forums and unions.

## Environment

Total emissions reported this year

**410 506 $tCO_{2e}$**

a decrease of 1% on prior year

7% increase in the total number of vehicles, with a **0% increase** in fuel emissions

**3% decrease** in scope 2 emissions using solar panels in many of our depots

Municipal water used increased by **4%**

**To keep growing we need to stay relevant and keep providing solutions to the real needs of our people and environment.**

By finding new business models to meet the economic, social and environmental challenges that come our way, we will secure the future.

Through monthly reporting initiatives and quarterly reviews, each business is held accountable to their emissions and reductions achieved in energy, fuel, refrigerant gas and water used, ensuring staff awareness and involvement.

Recycling initiatives and identification of unique industry specific environmental and sustainability initiatives are common place in each business and are shared practices among group companies.

Bidcorp is committed to reducing our impact on the environment – this is a top priority for the group.

## Communities

**R14,5 million**

donated to charities and community projects

Countless **local projects** supporting those within reach

Food recycling and donation projects reported **2,7 tonnes** of food **donated** to global Food Banks

**We strive to create value for our communities through continued investment, of time, money and support into local social development initiatives to improve the lives of people in the communities around our businesses and their families.**

Empowering our community to support themselves by contributing to our value chain, through creating learnership programmes and subsequent employment opportunities. We invest in social and education initiatives, focusing on programmes such as healthy eating.

Senior citizen programmes, community projects, sponsorships, donations and education programmes are just some of the many initiatives owned by each of our businesses in their individual and group efforts to make a difference.


*Own brand Cook Basic & Co, Bidfood Poland.*

# Application of technological touchpoints to ensure a fit-for-purpose solution

## *ENSURING FLEXIBILITY TO DELIVER SPEEDILY*

Our in-house developed ecommerce solution is a market-leading customer communication, transaction and information platform. Customers have online touch access to business model market leading innovation products offered by Bidfood divisions such as real-time stock and pricing, product and sourcing information, planning and costing facilities, as well as intuitive complementary product suggestions.

*DAC own brand ARCO, Italy.*

# Leadership review

# Chief executive's report

Exceptional **growth** trajectory

A **balance** of contribution ensuring no single region dominance

Group revenue of **R129,3 billion,** up 9,8%

Our value-over-volume **strategy** gained traction

The **customer,** always at the forefront of everything we do


*Own brand Babicky, Bidfood Czech.*

Our business has delivered another good performance, with real organic growth in group trading profit of R6,7 billion, a 7,1% increase in constant currency.

The established businesses are trading well with a balance of contribution ensuring no single region remains dominant: Australasia contributed 32% of the profits, the United Kingdom delivered 25%, Europe provided 28% and 15% was derived from Emerging Markets.

Food inflation was minimal throughout the group, meaning that real trading profit growth was over 6%, which is commendable in these challenging economic times. Notable macro-challenges exist in several territories, but these are beyond our control and we tend to rather focus on our own priorities and strategic imperatives, and where we can influence our own future.

We have continued our exceptional growth trajectory, but we are not complacent. Over the past year, as a group we spent R718 million on acquisitions, using cash of R449 million, and we invested an additional R3 billion on property, plant and capital equipment expenditure. Our considered imperative to invest ahead of the growth curve remains a recurring theme throughout the group, with new capacity driving new business volumes in regions where we see potential.

Our strategy is firm and intact, but that does not mean we do not manage change and advance or adjust certain elements. Conditions change and we always remain alert to external circumstances, ready to adapt to a continued and collaborative customer-centric offering, such as the continued re-balancing of our customer portfolio and finding new and innovative solutions for our consumer base.

We are, for example, ensuring a fit-for-purpose solution through the application of different technological touchpoints. These include digitisation, ecommerce, data analytics, and modern facilities, deploying the latest and most efficient techniques and equipment. As our customer needs and purchasing habits become more complex, Bidcorp's key imperative will be to ensure the flexibility to deliver speedily across different temperatures, at differing quantities, and varying locations. We see this as a true partnership that is collaborative in nature and unified in common purpose.

Wage and salary inflation is a reality in the current global socio-economic climate and provides an impetus for Bidcorp to do things more productively. Similarly, our customers are experiencing the same pressures and challenges. Therefore, we have considered and introduced developments and advancements to improve the value-add offering that enables our customers to reduce their processing time while optimising sales and profitability.

The traditional foodservice focus is increasingly being complemented by own brand products and light in-house processing. We are actively pursuing various opportunities in key regions and good progress has been made.

Another exciting achievement is the new generation metro strategy we have adopted. In many regions around the world, it is clear that customers are finding skills replacement a challenge, while expensive and less suitable, cost effective, property options are impacting their businesses. This provides us with an opportunity to provide more conveniently located warehousing solutions, specifically, to enable a faster, better last-mile quick response execution of customer orders. These are more often than not being processed through our ecommerce systems. This strategy will also be introduced in other regions where relevant and appropriate.

Bidcorp operates on a truly diversified basis across many different geographies and we touch many lives every single day. But, ultimately, we are all about the food, all about the service, and we are all about the technology. It is the successful interface and equilibrium between those three that will determine our continued future success.

## Sound and solid results

Despite volatile economic conditions in many of our operating geographies, we have delivered a solid performance for the year. Trading in most geographies remained positive despite the persistent low food inflation and moderate economic growth. Good revenue growth and better gross margins helped offset cost pressures, particularly labour, energy and fuel.

As a South African (JSE) listed entity for the last three years, but which has 30-years of maturity, the vast majority of Bidcorp's operations are outside South Africa. Bidcorp reports in rand, and it remains a core fundamental for us to transparently present our numbers in constant currency as well. Currently, 95% of revenues are external to South Africa and 92% of earnings are non-South African rand denominated.

Group revenue totalled R129,3 billion, up 9,8% from last year's R117,7 billion, while in constant currency there was revenue growth of 4,7%. The gross profit percentage increased to 23,9% from 23,3%, which reflects the freetrade growth. Freetrade provides a higher margin in the customer mix, rebalancing the customer portfolio which has enabled the group to trade through the higher cost base.

## Value-over-volume

While penetration varies across regions, freetrade remains important to our business and we continue to assess measures to enhance this element. We took a risk some years back as we became very aware of shifting customers dynamics and started a process of exiting lower-margin contracts. There was a significant, but important internal debate about this strategy, considering certain contracts were volume based and not mutually beneficial and disproportionate in the risk-reward profile. Others were smaller but operated at better margin. Over time, and as these dynamics change more regularly and rapidly, it is pleasing that our value-over-volume strategy has gained traction, and it is building a stronger, more resilient, more sustainable business. Our results absolutely reflect that across multiple geographies.

Because of the higher sales and distribution activity, a larger invested operational base and the greater focus on freetrade customers, our overall cost of doing business (operating costs) increased to 18,7% from 18,3%.

Group trading profit margin increased slightly to a very respectable 5,2%.

## Growth through acquisition continues

In comparison to a normal (Bidcorp) acquisition year, the past year's activity was subdued. This was as a result of our ongoing financial discipline and the intention to focus on bolstering the platforms from recent acquisitions in Germany, Iberia and Australia. Despite this, investment activity amounted to R847,1 million from R1,2 billion last year. Certain bolt-on acquisitions were made, the most significant of which included the remaining minority of the D&D business in Italy, 100% of Igartza in Spain and Punjab Kitchen, rebranded Simply Food Solutions, in the United Kingdom.

## Regional roundup and review

One of the important benefits of the diversified model is the significant synergy that is derived among group entities. While decentralised, management teams are still able to share tremendous amounts of data and information about what has, and what has not, worked in certain regions. Coupled with our competitive nature and being naturally supportive of each other, especially after having worked together to achieve a common purpose, it results in a group-enhancing sharing and further diversification of successful business process and talent. We share numerous benchmarks and many other aspects of the business, some of which include measures of excellence and innovation, the cost of technology, customer trends, cost and efficiency "secrets", and distribution dynamics.

Our rebranding to Bidfood for the global operating units is progressing exceptionally well. Most of our global operations are now identified as "Bidfood" in all livery and it is this moniker that will continue to be the driver and deliverer of the quality offering, and superior service provider, for which we have become well known.

While there is ever-increasing collaboration across the group, an absolute focus, of course, remains on the individual businesses.

## Australasia

The Australasia region is one of the areas where, overall, group leadership is benefiting from the focus and passion of its management team, pertaining largely to maintaining an appropriate customer base, as well as procurement and manufacturing opportunities, and technological innovations. Over recent years, we have made a larger than normal investment into Australia and New Zealand in infrastructure, specifically aimed at future growth.

In Australia, the business continues to perform satisfactorily, growing profitability (for the twenty-second consecutive year), notwithstanding a very sluggish economy. One of our large, low margin

> "In the three short years since our stock exchange listing, the group is positioned as a strong, independent and successful foodservice entity. Ultimately, it is the entrepreneurial and decentralised business model, the depth and experience of our management teams and the strength of the group's culture that will deliver a sustained future of growth."

contracts was exited in September 2018, and the team has done a sterling job to reduce the cost base and focus more heavily on freetrade growth.

New Zealand continued to perform very well across almost all of its business segments, with a particularly strong performance from its value-add manufacturing and processing activities. A second depot is scheduled to open in Auckland in October, giving us significantly more capacity in the largest market. A large customer contract was terminated from July 1 2019, as renewal terms from the customer were unrealistic and uncommercial. The team is energised, and focused, to ensure lost volume is replaced over the next few months.

### United Kingdom (UK)

Within the UK, our foodservice offering delivered fantastically well. However, there is no doubt Brexit had an impact, the average consumer is frustrated in this uncertain environment. Notwithstanding this, the team has done remarkably well, and they have adapted nicely to the Bidfood operating method. Bidfood UK is now the largest business in our portfolio as a result of a focused restructuring, repositioning and expansion plan implemented over the last few years. The Bidfresh business remains a bit challenging, Seafood is performing well, however, Meat and Produce are more difficult for us at this stage.

Good progress has been made in terms of the sale of the Logistics business, and the disposal is progressing well. This sale will result in the removal of certain operating distractions, and ensure an even greater strategic focus, strengthening the core business model in this region.

### Europe

We are pleased with the overall result in Europe, although the slowdown in Germany had some impact, economically, on the rest of Europe.

Our Iberia region includes Spain and Portugal. Portugal is doing well and has delivered an outstanding performance. In Spain, while there are some components of the business that are doing exceptionally well, Guzman – acquired in 2017 – has been disappointing. We are in a process of integrating the businesses, and this will take some time to transform into a true Bidfood-type operation. We remain positive about the region and we are expecting a much improved performance this year.

Our German operation is relatively small and is still at an early stage of development. We are still building the base which if done properly will take some time. We are interacting very carefully and closely with the customer base to provide the longevity we always aim to achieve in all the regions we operate. Freetrade sales have improved and we see some scope for bolt-on acquisitions.

After the change in strategy a few years back, we continue to make good progress in the Netherlands, with a higher trading profit delivered. It is a country where exciting future potential exists, and we have started a process of simplification to align this business with group strategy. We are seeing good sales and margin growth.

Belgium had another solid year and delivered a good increase in profits in a stable but slow environment. In an economy that is mature and showing low growth, the ability to increase profits on a regular basis is remarkable.

The Czech and Slovak region delivered a fantastic performance. This region benefited from an investment in infrastructure a few years back, which has enabled continued growth despite the pressures of securing skilled labour as well as experiencing large increases in energy costs. The team continue to innovate and introduce value-add opportunities and, in fact, is the group leader in creating margin opportunities in the manufacturing of own products. These learnings are being shared among our leadership teams in other countries.

Lithuania and Latvia are now profitable, albeit small businesses and Poland delivered a good result. We invested ahead of the curve in this region and the subsequent growth has been exciting and rewarding. The management team is delivering record revenue in local currency and has certainly exceeded expectations.

Italy had an acceptable year, but in a tough economic and political environment. While the business has doubled sales over the last five years, we are introducing certain structures to integrate recent acquisitions, and ensure better continuity.

### Emerging Markets

South Africa remains in a difficult economic environment, coupled with the ongoing impact that resulted from last year's listeriosis crisis. However, there was a trading profit improvement year-on-year, which is commendable under the circumstances.

In the Middle East, after a difficult 2018, this business has bounced back and delivered a record result. The United Arab Emirates remains a bit challenging, but we are making progress. Saudi Arabia continues to perform strongly.

In Chile, the team delivered a good profit and the business is well positioned for significant growth. We are starting to build scale and strength in this region, both in terms of a team of people and market position.

The Brazilian economy is tough, and the politics are disruptive. We still see Brazil as a large potential market and we have a solid base set up from which to scale a future business. We are assessing various opportunities that are available.

We made a small investment in Argentina in May 2019, which we see as a reasonable foodservice market and we will use this to consider growth opportunity going forward.

Profitability in the core Singapore and Malaysia business increased, but was eroded by start-up losses incurred in opening the new business in Vietnam.

Greater China has been challenging and ended the year substantially below the prior year. Pleasingly, however, the performance improved as the year progressed, and there is a visible recovery underway. The in-country team has entered new product ranges and is establishing a solid supplier base.

In Hong Kong we reduced the cost base, simplified and re-focused the business. There is a concern, however, following recent and ongoing political demonstrations and protests. Volumes have declined significantly with residents not frequenting restaurants, as well as tourism and hotel occupancy numbers substantially down.

The year has been good for Turkey as the business has transitioned into a local foodservice wholesaler, being less dependent on expensive, imported brands. Expansion plans are underway, and we remain confident of good growth, albeit off a low base.

## Spirit of entrepreneurship

Bidcorp's diversified global offering requires a varied range of talents. We remain fully committed to developing, nurturing and the sharing of skills and experiences across the group. Supporting employee development is an integral part of our culture of entrepreneurship, and it remains the responsibility of leadership to set the right example in every aspect of our business.

For this reason, we have embarked on the "One Dream, One Team" journey within the group. This is a process of sharing, debating and arriving at a common framework of strategic purpose. It incorporates effective and efficient operations, driving and developing imperatives such as freetrade, the direct-to-customer model, category development and the growth in high-value specialist products, among other initiatives.

Wherever possible, we provide opportunities for our employees to reach their full career potential and achieve their respective aspirations. Various programmes are in place to develop skills and diversity at our companies in all the countries where we operate, and we encourage initiatives in these areas.

Through all of this, we are collectively designing the future Bidcorp. It has become very clear that entrepreneurship extends beyond sound business operations and processes, but also includes the successful implementation of our core values and beliefs, which include a sustainable way of operating. Ultimately, it is all about the food and our long-term success depends on our unwavering commitment to the care and prevention of environmental impact, modern fleet utilisation and energy preservation, while delivering sound corporate citizenship practices.

We work closely, and form active partnerships with cooperating supplier businesses, local authorities, industry bodies and associations, which ultimately strengthen our stakeholder relationships that will drive a better and appropriately sustained business.

## Sustainable food safety

The listeriosis crisis in South Africa in 2018 heightened global concern about food safety. We continue to advance our testing protocols, systems and recall procedures and we are pleased with the progress made in driving a quality and control culture through the organisation. Where there is crisis, opportunity is normally discovered. The listeriosis matter has driven an even closer interaction with our supplier and customer base, to reduce the threat of food contamination and ensure the highest quality of product and safety standard.

These processes have all become well entrenched through the group. Our advancing developments into food production will also naturally force a heightened and more intense focus on precautions.

## Outlook: cautious but optimistic

Our strategic future is well defined, it is now the responsibility of the leadership to ensure it becomes reality.

We have a carefully planned journey, and while deviations and other risks, such as political, social and economic upheaval will naturally occur, we remain focused on delivering a safe, successful and meaningful contribution to society, while ensuring reward for all stakeholders.

We are not expecting significant or major changes in the year ahead, which means operations will continue along much the same trajectory. The customer will always remain at the forefront of everything we do, and our service capability will continually improve. To achieve these key aspects of our business, focus areas will include further enabling innovation and technological advancement, freetrade enhancement, improving our quality offerings and developing distribution and delivery dynamics, among other initiatives.

We remain true to our promise of ensuring a strong and robust balance sheet, which ultimately enables us to confidently pursue internal and external growth prospects. These are continually assessed in the regions where we are currently active, and are advanced where we see that they can add value, return and other future benefits.

Another imperative for this year is to ensure improved delivery and performance from the underperforming regions, which have been receiving focused attention. Our tried and tested operating capability means we are confident of successful turnaround.

The fundamental demographics and industry drivers of our global foodservice markets remain positive, positioning Bidcorp to continue delivering real earnings growth in the year ahead.

## Thanks, and appreciation

Everything we do centres around our customer, their requirements and our ability to provide them with their respective needs. Thank you for entrusting us to be a part of the successful, ongoing delivery of your livelihood and achievement.

We have thousands of suppliers around the world that make our customer interaction possible and I wish to express my appreciation to these key partners. Without them, we would not be in a position to be meaningful on such a continuous basis.

Our nearly 26 000 employees deserve a tremendous accolade. We find ourselves operating in difficult times with numerous challenging aspects within our business. Our team has really done a fantastic job in all jurisdictions to continue the delivery for all stakeholders. My gratitude is expressed to each and every one of you. Our management teams around the world do an amazing job, and I am grateful to them for their continued commitment and dedication. I know that each country has challenges, but every country also has opportunity. We are well aware of these possibilities and, together, we are aligned and committed to achieve them.

My gratitude also to our group chairman and the directors of the board for allowing us the opportunity to continue doing what we do best. You provide the platform for us to successfully operate within the parameters of a listed entity in this challenging world. Your continued guidance, wisdom, insight, and more importantly, support is valued.

In the three short years since our stock exchange listing, there has been significant and very pleasing progress in positioning the group as a strong, independent and successful foodservice entity. Ultimately, it is the entrepreneurial and decentralised business model, the depth and experience of our management teams and the strength of the group's culture that will deliver a sustained future of growth.

Our core principle, "it's all about the food, the service and the technology" will continue to ensure that we remain a global leader in foodservice.

**Bernard Berson**
*Chief executive*

# Chief financial officer's report

**Operational and financial**
**performance**
**delivers**

**Sterling job**
**to manage costs in light of disruptions**

**HEPS**
**rose 12,5%**
**to 1 443,6 cents**

**Refinancing**
**of Euro facility for 3 years and raising a further 1 year GBP facility**

**Strong financial**
**base to support real growth in home currencies**

**Final dividend of**
**330,0 cents**
**Total distribution to 640,0 cents**


*Own brand Asiya, Bidfood Poland.*

It is exceptionally pleasing to report on a year that has again delivered in terms of operational and financial performance.

It is commendable that Bidcorp's overall group revenue rose by 9,8% to R129,3 billion. Currency volatility positively impacted our (rand) translated results which was more profound in the second half of the financial year as the South African rand weakened against most currencies in the countries in which we operate. Constant currency revenue increased by 4,7% at R123,2 billion.

The group's trading profit rose 11,8% to R6,7 billion, and was 7,1% higher in constant currency.

Strategically, Bidcorp has been for some time pursuing higher margin business and exiting lower margin contracts. The success of this imperative is starting to deliver, contributing to gross margins increasing to 23,9% from 23,3%. The EBITDA trading margin improved slightly to 6,2%.

Even though the overall trading profit margin was fairly flat at 5,2%, it improved in most jurisdictions, but not Emerging Markets. The Australasia region delivered the highest segment margin at 6,9%, Europe showed an improvement to 4,3%, despite Iberia and Germany detracting, and the United Kingdom (UK) margin was higher at 5,2% with improvements in the Foodservice offering offset by a decline in Fresh. Emerging Markets at 4,9% was principally impacted by a large decline in Greater China.

As we have been highlighting, there has been ongoing wage and energy cost pressures, yet food inflation in our core foodservice markets remains low. We are naturally pleased with the 7% (constant currency) containment in operating expenses. Our management teams have done a sterling job to manage costs, considering a variety of social, political and economic disruptions we contend with as a global operator. The group's overall cost of doing business (operating costs) increased to 18,7%, from 18,3% last year, on higher sales and distribution activity, a greater focus on the better margin, freetrade customers, which results in a higher cost to serve this larger independent base.

Headline earnings rose 12,7% to R4,8 billion with constant currency earnings up 7,9% at R4,6 billion. Headline earnings per share (HEPS) rose 12,5% to 1 443, 6 cents, with constant current HEPS increasing 7,7%.

## Balance sheet strength

Net debt was higher at R4,7 billion, from last year's R3,6 billion, and was largely as a result of higher working capital absorption and higher investing activities. As a percentage of EBITDA, net debt is up 10 basis points from 0,5 times to 0,6 times, but remains at a comfortable level.

We refinanced a significant portion of the Euro-denominated debt, at fixed rates. This provides us with more comfort during these volatile economic times as we manage our liquidity profile. Certain refinancings are due in the next six months which we will extend over an acceptable term.

The higher utilisation of working capital at R1,4 billion (F2018: R1,0 billion) is understandable, considering increased activity levels, tighter supplier terms and the particularly difficult timing of the period's year-end close, which occurred on a Sunday (June 30), in relation to debtors and creditors.

The working capital cycle is being monitored closely, specifically as importing activities are increasing across many areas of the group. It lengthens the supply chain but there is a positive impact on own brand and value-add product opportunities. As these activity levels increase, we remain focused on managing our working capital aggressively despite higher anticipated growth rates.

The monthly average net working capital days increased to 13 days (calculated on a 13-month rolling average basis) from 11 days last year.

Net interest paid was 25,5% higher at R285,9 million (F2018: R227,9 million). While asset management across the group is generally good, there are a few areas that need some attention. Additionally, there have been significant rate increases over the year particularly in the Asian geographies, which added to the higher interest charge.

Investment in fixed assets is currently high, but necessary to accommodate increased capacity as well as enhance and modernise our facilities for organic growth.

The overall tax rate (excluding associate income and capital items) is slightly lower at 23,3%. While UK tax rates are declining slightly, the group's overall mix is expected to be maintained at the tax rate guidance previously provided of between 24% and 25% for next year.

The associates and jointly controlled entities share of profit was slightly higher at R59,2 million. Minority interests of R33,2 million are relatively small but will remain a feature because of the Bidcorp model whereby owner-managers often retain a stake post acquisition.

There has been a small impairment of assets, some R40,7 million, which was offset by net profit on property sales of R65,4 million.

Discontinued operations include the UK Logistics businesses, CD and PCL. The CD sale process is ongoing, however, there has been an improved operational performance with most of the current customer base now at a sustainable revenue level. PCL, on the other hand, experienced significant trading losses (to April 2019), which led to an intangible asset impairment of £25,3 million. We disposed of the major distribution activities and the residual vehicle fleet, at significant cost.

## Cash generation continues

One of the year's highlights was the significant 15,4% increase, to R8 billion, in cash generated by operations before working capital absorption and ongoing reinvestment capital expenditure.

Pleasingly, all cash flows as a percentage of EBITDA and trading profits have been improved. Free cash flow (excluding dividends paid) was up 13,0% at R1,2 billion.

The cash conversion rate before working capital over trading profit was a significant 120%, which compares to 117% last year.

Liquidity management remains an important imperative. All our debt is, de facto, long-term as short-term debt currently amounts to R5,8 billion and available cash totals R5,7 billion.

Significant portion of our Euro funding has been refinanced and some 44% of gross borrowings now extend beyond June 2020. The weighted average interest rate on foreign borrowings is at 2,6% compared to 2,4% last year.

We are continually focused on the need to balance gearing and shareholder returns. Ultimately, the group's balance sheet strength, coupled with the reliability of our cash flows, provide us with the headroom to take advantage of growth opportunities. Our overall financial position is robust.

## Growth remains key

The capital expenditures programme has continued with investing activities consuming R3,7 billion (F2018: R3,3 billion), primarily on maintenance and expansion capital, including the investment into key strategic properties. This compared to depreciation and amortisation of R1,3 billion. Continuing to invest in infrastructure is important to Bidcorp, and it was higher this year after making reasonably large infrastructure investments into Australasia, South Africa, and the UK. Our capital expenditure over revenue was approximately 2,3%, which compares to the average over the last few years of 2%, which is the more sustainable level.

Bolt-on acquisitions consumed R0,8 billion, none of which are a singularly material.

> "Our objective to generate above-average returns in each of our businesses, notwithstanding macro-considerations and short-term volatility in various markets, remains firmly intact.
>
> We are in a favourable position, with sufficient headroom to be able to fund organic and acquisitive growth."

The strategy and intention of continuing our successful bolt-on acquisition programme remains an imperative. We are currently assessing a number of opportunities within the key regions in which we operate, but these will only be pursued when it is clear these are value adding and will achieve the group's targeted returns.

An important metric is our return on monthly average funds employed, which amounted to 32,6% (F2018: 36,3%), while the return on monthly average shareholder equity was 16,1% (F2018: 16,6%). Although these have declined over the year, the necessary investments made in the business will ensure we sustain our returns trajectory in the medium term.

## Digital innovation

Good progress is being made on the BidOne ecommerce platform, and the CRM systems. BidOne already covers 25% of group revenues and is evolving and embracing fit-for-purpose intellectual property (IP), which is leveraged for the greater benefit of the group and remains an important competitive advantage. The new sales enabling CRM system (BidIQ) is in the user acceptance testing phase and will start implementation this year in New Zealand. Additionally, a new supplier order application is also in the testing stages.

## Dividend intact

Our dividend policy of 2,5 times headline earnings cover remains intact, however, we have incrementally been lowering the cover. After declaring a final cash dividend of 330,0 cents per share, it resulted in a total dividend for the year of 640,0 cents per share, a 14,3% increase on last year's total dividend, equating to a 2,26 times cover.

The need to secure and sustain our licence to operate, and bring resonance to our customer value principle, has led to many other essential business requirements. These have included contributions by way of innovations, donations, workplace accord, training and development, enhancing supplier and other partnerships, as well as many other activities that define our purpose, and which have become equally important to Bidcorp.

Each stakeholder is essential to us and we are committed to continue delivering value to all groups of people that have an impact on our business. Shareholder returns by way of cash distribution and capital growth will, however, always remain a commanding beacon, and we will continue to manage the business in a way that enhances this objective. We see it as a measure of our success.

## Driving performance

Share-based payment costs increased to R114,5 million (F2018: R99,2 million) on the back of further long-term incentivisation of staff across the group.

The changing dynamics of labour across the globe are clearly evident, and this drives the importance for the group to ensure the continued attraction, retention, and motivation of its existing entrepreneurial talent. Together with escalating employee costs throughout many jurisdictions, it has required a higher level of focus to ensure that we than continue to achieve our operational and strategic objectives. While costs management and efficiencies play an important role, suitable and relevant short and long-term incentives remain an important motivator of performance.

Reward systems within the group are varied and determined by the achievement of realistic profit and return targets together with an individual's personal contribution to the growth and development of the group. Going forward, we intend to further enhance the focus on the areas within the control of the individual.

We also seek to ensure that the long-term incentive structure is aligned to the overriding group objectives, and in this instance we seek closer alignment between shareholders and other stakeholders for a sustainable period.

## Risk management measures

Bidcorp's debt is currency matched to the underlying assets, which provides a natural hedge across the group, and we continually ensure that we maintain that principle. It is critically important to us, considering the geographic spread of currency exposure risk we face.

Enabling an environment where the in-country management teams are focused on the day-to-day operations and not over burdened with governance is, in effect, the key role of the Bidcorp corporate office.

Additionally, the mix of fixed (long-term funding) and floating interest rates (short-term funding) is another area where we are focused on mitigating interest rate risk elements that may arise.

In terms of solvency, our debt-to-equity ratio is 16% from last year's 13%. Trading profit interest cover is at a comfortable 23,3 times (F2018: 26,2 times).

## Accounting policy changes

The Bidcorp group financial statements are prepared in accordance with IFRS. Interpreting IFRS is complicated and is being made even more complex by the ongoing updates to various standards. Interpretations of IFRS between audit firms can also be divergent. I believe we need simplicity to return, to enable the key user of the annual financial statements, the shareholder, to be better positioned to fully understand a company's true financial performance.

Accounting policy changes for IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* have not had a material effect on the group's financial performance, balance sheet or cash flow statement.

Going into 2020 there is the new IFRS 16 *Leasing Standard*. The impact of the new IFRS 16 change effectively means, among other aspects, that we will be moving lease liabilities of about approximately R5,1 billion onto the balance sheet. The impact on earnings is estimated to be small, which should not affect next year's growth. Considering we own approximately 70% of our properties and 82% of our vehicles, there will be a positive impact, by moving the right-of-use asset onto the balance sheet, in that the comparative analysis between us and our peers will become easier.

## External audit change

A significant event over the year, has been the change in external auditor to PricewaterhouseCoopers Inc. (PwC). This, in conjunction with the proactive monitoring review process performed by the JSE on Bidcorp's 2018 AFS in the year, resulted in a detailed examination of Bidcorp through new eyes. It is pleasing that the group has emerged from this with a "clean bill of health" and has given us great comfort that we are well structured in terms of our governance, processes and systems to ensure ongoing compliance, as well as effective financial accountability.

I wish to extend a warm Bidcorp welcome to the PwC team and pass on my thanks to everybody involved in ensuring this year's audit was successfully concluded. My sincere appreciation is directed toward KPMG Inc. for the significant input that it has delivered to our group over many years, specifically through the unbundling and becoming a separately listed company.

## Accolades, appreciation, anticipation

A tremendous accolade for Bidcorp, was winning last year's investor communication award for the Industrial-Services sector at the 34th Annual South African Investment Analysts Society Awards. This is awarded to companies that have demonstrated effective investor communication across the various channels. The award is gratifying as we regard communication, in the few short years since listing, as an important component in building investor trust and an indication that we are delivering effective, transparent and relevant information to our shareholders.

I also wish to extend my appreciation to the finance teams across the globe, our audit and risk committee members and everyone else involved in ensuring the final approval of this year's financial statements. Considering the challenges of the new IFRS standards, ongoing regulatory and policy change, as well as the transition to a new audit firm, it has been an enormous task. The Bidcorp characteristic of accountability has been well demonstrated through this process.

The group's financial base is supportive of the Bidcorp business to deliver continued real growth in home currencies. Our objective to generate above-average returns in each of our businesses, notwithstanding macro-considerations and short-term volatility in various markets, remains firmly intact.

We are in a favourable position, with sufficient headroom to be able to fund organic and acquisitive growth. The strength of the group's financial position provides a cushion for the vagaries of markets and unanticipated events throughout the 35 different countries, which trade in 20 different currencies, in which we operate.

The fundamental demographics and industry drivers of our global foodservice markets remain positive, which is the key reason we anticipate real earnings growth for the 2020 financial year.

**David Cleasby**
*Chief financial officer*

*Slough truck, Buckingham Palace, Bidfood UK.*


# Investing in efficiencies through warehousing and distribution modernisation

*DELIVERING ON OUR PROMISES*

We invest in depots and vehicles equipped with state-of-the-art efficient and sustainable capabilities. We utilise tools such as voice-pick technology and onboard-telematics in vehicles to ensure improved efficiencies and accuracies in service.


*Nowaco own brand, Bidfood Baltics.*

# Divisional reviews

# Australasia

Bidfood Australia management.

**Bidfood Australia and Bidfood New Zealand make up the Bidfood Australasia division, acquired into the group in 1995 and 2000 respectively, offering a full end-to-end national distribution service.**

Bidfood Australasia pride themselves on offering the industry's most comprehensive range, broader market coverage, economies of scale and one-stop solutions. The division is an innovator and leads the industry in the development of ecommerce solutions. Sustained investment in training and technology ensure high levels of service efficiency, quality and accreditation.

Bidfood is focused on:

- Achieving a strong understanding of national and local requirements
- Providing consistently high standards of service and delivery
- Adding value to customers' businesses

As the leader in the foodservice industry, we are acutely aware of the importance of our people and the role they have played in the company's success.

**People are the key to our dynamic and growing business.**

**Bidfood Australia** is the nation's leading distributor with divisions across foodservice, meat and liquor. Committed to innovation, service delivery and the continual invigoration of product range. Their ability to remain the leader in these three areas, while working closely with their customers, is what sets Bidfood Australia apart. The team continues to run a very large, successful and dynamic business, with a great deal of passion in serving the correct customer base, embracing the benefits of smart procurement and manufacturing best practice, whilst leading the pack in technological innovations.

**Bidfood New Zealand** is New Zealand's leading national wholesale food distributor, made up of four divisions: Foodservice, Fresh, Processing and Logistics. Together, all divisions provide the foodservice and hospitality industry with a complete range of food and non-food products. Linking the distribution of 20 000+ products to over 15 000 customers. Bidfood NZ can service commercial food businesses of all sizes, from a small cafe through to the largest national businesses in New Zealand.


Jeffersons brand launches, in Australia already a A$10 million p.a. brand.

Coffs Harbour team, Bidfood Australia.


Demonstrating myBidfood, Australia.

**Through intentional proactive investment in people, technology, the community and environmental management, Bidfood Australasia aims to make a positive contribution to real long-term sustainability.**

Bidfood has built its organisation around quality. Quality food and quality people. Bidfood's philosophy of working with a decentralised management structure, allows regional general managers a high level of independence, responsibility and responsiveness to make operational decisions that best suit regional demands. This allows for the development of strong regional relationships between customers whilst retaining the benefit of a national business focus.

**Employees training spend**

2018 **R2,4m**

2019 **R1,8m**

594 employees trained

*New Plymouth in training, Bidfood NZ.*

## Our Execs

**Rachel Ruggiero**
Bidfood Australia

**Phil Struckmann**
Bidfood New Zealand

who lead

**4 704**
**Total employees**
2018: 4 614

**Male employees**
**3 443**
73%
2018: 3 377

**Female employees**
**1 261**
27%
2018: 1 237

**Fatalities**
**Zero**
fatalities for the past three years

Bidfood NZ's Whangarei branch wins Branch of the year for the 5th consecutive time.

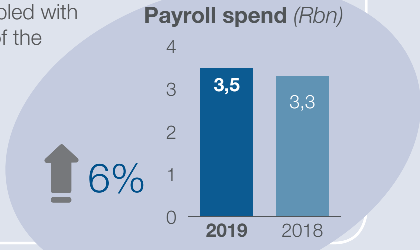
## Human capital

**Bidfood Australia** employs nearly 2 500 people nationwide across the entire branch network. To ensure our continued success as Australia's premier foodservice distributor, our strategy is to empower our people through entrepreneurship, incentivisation and decentralised management. Team members are also provided with continual support and development opportunities where necessary.

More than 2 200 people work at **Bidfood New Zealand** and are the heartbeat of our organisation and our most valuable asset. They are highly skilled, dedicated and hard working with a service culture second to none. They will "do whatever it takes" to help the customer and provide exceptional service.

Bidfood NZ had a challenging year with labour-related issues and wage pressures. The business adjusted to this and got creative in problem solving. This challenge is going to remain, as Bidfood NZ defends a strong competitive position held, contends with high labour costs, coupled with full national employment. The team are fully aware of the issues and are taking proactive action.

**Payroll spend** *(Rbn)*





*Team Townsville Auckland, Bidfood NZ.*


*Product demonstration Dunedin, Bidfood NZ.*

# Australasia

## Financial capital

Revenue ⬆ 3,7%

**R31,1bn**

2018: R30,0bn

Trading profit ⬆ 9,4%

**R2,2bn**

2018: R2,0bn

**The region continues to grow. Revenue was up 3,7% to R31,1 billion (2018: R30,0 billion). Trading profit rose 9,4% to R2,15 billion (F2018: R2,0 billion), with lower revenue growth but higher margins reflecting the strategic shift away from the lower-margin customers.**

**Bidfood Australia** had a solid year. Sales were slightly down on last year which reflects a good result considering the exit of further low-margin business from September 2018 onwards.

Foodservice performed well, benefiting from the freetrade customer focus being aligned with the strategy of splitting the major metropolitan branches effected in F2018. All three regions are tracking well, particularly the Melbourne branches.

Supply Solutions (imports) continues to perform well off the back of ongoing upstream integration developing further own brand lines and other light manufacturing opportunities.

Management's approach to driving growth in a large, mature business is the strategic broadening of the offered product range to our existing extensive customer base. Our move into liquor following the Festival acquisition has been challenging, but opportunities abound in the medium term, given improved operational performance. Produce has struggled for some years as a standalone business and management has entered into a contract to sell this business.

Further capex has been invested on organic expansion in foodservice. Bolt-on acquisition opportunities remain, however, nothing is imminent.

**Bidfood New Zealand** delivered a credible performance delivering solid trading results. Revenue gains and improved margins more than offset higher expenses arising from labour costs and increased capacity.

All branches focused on productivity improvements. Labour availability continues to be a challenge, increasing pressure on wage rates. All segments of the business continue to develop profitably with ongoing innovation and product development, particularly in value-add processing.

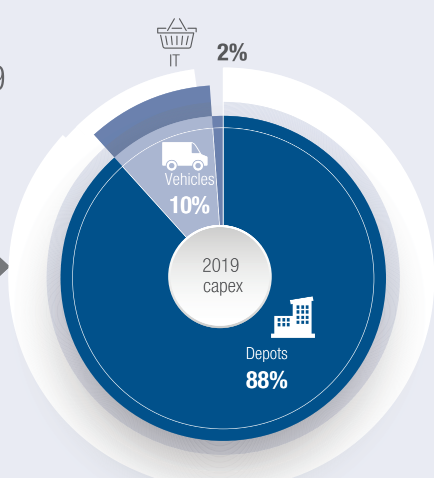
All the F2018 new builds are delivering a positive return. Further investment has been committed to ensure we maintain this growth trajectory.

Capex investment 2019

**R1 211m**

2018: R618m

*Bidfood NZ reports the 20th year of continuous sales and profitability growth and the future looks bright*




See: AFS, Note 7.1 page 112

## Intellectual capital

Bidfood Australasia has strong, collaborative relationships with leading brands from around the world. Bidfood is focused on building mutually beneficial partnerships with our suppliers so that both businesses can grow alongside each other. We recognise the critical role each supplier plays in our business and those of our customers.

Our purchasing teams work closely with all our trading partners to monitor activity, while keeping up with the latest trends and product innovation available both nationally and internationally, ensuring we are first to market.

**Food safety is our number one priority**. Poor food safety practices in the food supply chain can have a devastating effect on our customers' businesses. Bidfood's certified HACCP based food safety programme ensures products have been sourced from food safe compliant suppliers and handled in a food safe environment, maintaining the cool chain right to your door. The programme is independently audited every year.

*The Bidfood "Last-Mile Strategy" – it's all about getting closer to the customer*

## Manufactured capital

The focus for this division, in line with group strategy, is on free trade growth. This means focus on growth at the correct margins. Free trade growth is a key driver for the metro strategy where we have increased the number of branches in urban areas. We are seeing some great results from the implemented metro regions and are working with other urban areas to get the right structure in place to maximise the sales and the service opportunities this strategy presents.

Depots ($m^2$) ⬆ 8%

**297 383**

2018: 274 678

Vehicles (#) ⬇ 1%

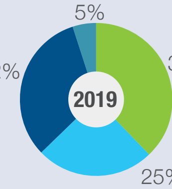
**1 308**

2018: 1 320

*Richlands branch in Brisbane opens being the last major piece of the Australian metro strategy.*

Bidfood Australia's cheese manufacturing plant (slicing & dicing) made a good profit, this is just product sold via the Bidfood Foodservice channel.

## Product portfolio




- Frozen
- Chilled
- Ambient
- Non-food

Liquor is being rolled out following the Festival acquisition in Bidfood Australia.


The Bidfood difference

**Ecommerce platform sales**

**58%**

2018: 52%

myBidfood

**An industry-leading online ordering facility, myBidfood, is the most advanced and extensive online ordering facility in the industry. MyBidfood allows you to easily and quickly order everything Bidfood.**


*Smart Choice Scone Mix, Bidfood New Zealand.*

## Own brand 15%

**of 2019 divisional revenue**

In 2000, Smart Choice was launched in New Zealand with Premium Bakers Flour. Now it's our biggest, most trusted brand. There are over 350 products ranging from sugar, flour and eggs to mouth-watering desserts and finger food.

Smart Choice shoulder bacon won the gold medal at the NZ Bacon and Ham awards

Technology is key to providing efficient service to our customers

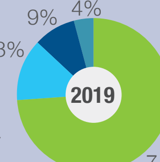
**Investment in IT** ↑ 52%

| | |
|---|---|
| Hardware* | R14,2m |
| Software | R20,9m |

**R35,1m**

** Hardware includes IT and office equipment.*

## Customer mix




- Independent
- Chain
- Logistics
- Retail and other

**Customers (#)** ↑ 8%

**45 599**

2018: 42 106

We want to make sure that our customers get prompt deliveries. If they order from us when they finish at night, they should get their delivery early the next morning, and if they order in the morning, they get it that afternoon. That's what we do across multiple temperature zones and lots of different products.

At the cornerstone of any business, is the strength of the relationships it fosters. From customers and suppliers through to industry bodies, Bidfood Australasia has continually advanced relationships with stakeholders at every level of the foodservice industry.

All of the Bidfood depots are multi-temperature facilities with HACCP accredited food safety programmes. The trucks that make up the delivery fleet are portioned to ambient, chilled and frozen products ensuring integrity throughout the supply chain.

We have a large distribution network and it is easy for us to get our branches to take on new lines.

Bidfood Australia made significant budgeted investments into depots of A$69 million in 2019. Investing into new depots in Tasmania, Victoria and Queensland. A further A$8,8 million was invested to maintain the quality of the fleet.

Bidfood NZ capex investment was NZ$42 million in 2019, driven mainly by the investment in new depots, and depot upgrades. The two meat processing depots are benefiting from the investment in additional capacity and more efficient machinery, which have allowed them to increase volumes and reduce costs.

With state of the art multi-temperature warehouses strategically located across both countries, Bidfood has access to all major national and many international brands, customers and growing opportunities.

**Product SKUs (#)** ↑ 6%

**97 747**

2018: 91 925

**Suppliers (#)** ↑ 5%

**3 711**

2018: 3 532

# Australasia

## Natural capital

### Australasia's carbon emissions ($tCO_2e$)

| | |
|---|---|
| **93 993** | ↓ 4% |
| **2018: 97 426** | |

### Scope 1 emissions ($tCO_2e$)
(excl refrigerants and aircon gases)

| | |
|---|---|
| **29 462** | ↑ 2% |
| **2018: 28 747** | |

### Scope 1+ emissions ($tCO_2e$)
(only refrigerants and aircon gases)

| | |
|---|---|
| **4 663** | ↓ 59% |
| **2018: 11 372** | |

| | | |
|---|---|---|
| Fuel (*kilolitres*) | 2018: 10 589 | **10 871** |
| Gas (*tonnes*) | 2018: 204 | **192** |
| Aircon gas (*tonnes*) | 2018: 2,9 | **1,1** |

Bidfood Australia embraces technological solutions to minimise their emissions, such as:

- Track and trace for trucks
- SMART lighting in depots creating energy efficiency
- Sophisticated solar panel technology for reducing energy consumption
- Using online communication methods

Bidfood NZ has recently added an eco-friendly hybrid truck to its existing fleet. The truck is a Mitsubishi Fuso HEV75G2 Duonic Hybrid with a 110kw engine and 45kw electric motor. It was purchased with a view to gain a greater understanding of how hybrid vehicles work and to assess their feasibility as a future transportation option.


*Delivery truck, Bidfood Australia.*

### Scope 2 emissions ($tCO_2e$)

| | |
|---|---|
| **51 040** | ↑ 5% |
| **2018: 48 403** | |

| | | |
|---|---|---|
| Grid Electricity (*kWh*) | 2018: 79 834 037 | **83 933 181** |
| Non-grid Electricity (*kWh*) | 2018: 435 510 | **719 898** |

**Bidfood Australia Solar Programme**

Solar systems have been installed since 2014. The first large-scale installation was at the foodservice depot at Bibra Lake, Perth, generating capacity of 290kWh. Since then additional installations include smaller scale arrays on depots in Adelaide (100kWh) and Townsville (80kWh). The new depots generation capacity is 290 kWh in Truganina (VIC), 190kWh in Richlands (QLD), 100kWh in Launceston (TAS), and 190kWh in Dandenong (VIC). All have been installed in varied configurations during the past year.

On a sunny day you can get 80–95% utilisation; on a cloudy day you might get 10–25%!

*Solar panels Perth, Bidfood Australia..*

The Perth solar plant has produced 1610 mwh of power in five years, it has saved nearly A$290k at A$0.18/kWh, with a 25-year effective life and an initial cost of A$766k.

### Scope 3 emissions ($tCO_2e$)

| | |
|---|---|
| **8 828** | ↓ 1% |
| **2018: 8 904** | |

| | |
|---|---|
| Food waste (tonnes) | 47 |
| Waste recycled (tonnes) | 7 440 |
| Waste to landfill (tonnes) | 14 780 |
| **2018: 22 245 tonnes** | |

Bidfood Australasia has partnered with community projects to combat the war on waste. Training programmes, awareness campaigns and internal policies adopted all help to reduce waste.

### Water (kilolitres)

| | |
|---|---|
| **355 421** | ↑ 0% |
| **2018: 355 123** | |

**Bidfood aims to make a positive contribution to real sustainability, through investment in our people, technology and environmental management formalised by internally adopted and enforced policies.**

Bidfood Australasia takes the threat of global warming very seriously and is committed to operating in a sustainable fashion by minimising the impact of our carbon footprint.

REDUCE YOUR CARBON FOOTPRINT

Social and relationship capital

# Social and relationship capital

**Bidfood Australasia fully accepts the responsibility that comes with being a leading business within your operating territory. With a focus on both the foodservice industry and the wider community, we aim to make a meaningful contribution.**

## *In the industry*

### Australian culinary federation

Bidfood is proudly a part of the foodservice industry in Australia and is committed to supporting its growth. Highlighting this is the partnership with the Australian Culinary Federation (ACF), the peak industry organisation representing professional chefs, cooks, apprentices and culinary students.

Bidfood is also involved with one of the leading apprentice chef competitions in Australia, Nestle Golden Chef's Hat Award.

### Bidfood NZ is dumping cage-eggs!

Bidfood is New Zealand's largest supplier of eggs within the foodservice industry and the second largest supplier of eggs after supermarkets. This is a massive victory for hens!



### Bidfood NZ culinary schools sponsorships

- Bidfood NZ is a sponsor for the National Secondary Schools Culinary Challenge in 2019.
- Bidfood Rotorua proudly sponsor this awesome event for Junior Chefs of Aotearoa.
- Bidfood NZ sponsors the Outstanding Café Award and is principal food sponsors for the Lewisham Awards 2019.

## *In the community*

### Daniel Morcombe Foundation


Since 2011 Bidfood has been supporting the Daniel Morcombe Foundation. The foundation is committed to keeping kids safe. It was established by parents Bruce and Denise Morcombe in 2005 after their son Daniel was abducted and murdered in December 2003 while waiting to catch a bus on the Sunshine Coast. The foundation was established as a lasting legacy to Daniel and now has two main aims; to educate children on how to stay safe in a physical and online environment.

### KickStart for Kids

Bidfood Australia is also proud to partner with the KickStart for Kids programme. Founded on the belief that every child, regardless of their background, should have an equal chance. If children are hungry or encounter hardship, they are not able to fully engage at school, therefore, not achieving educational outcomes. KickStart for Kids endeavours to level the playing field.

To assist this worthy cause, Bidfood Australia has committed to donating a pallet of milk every week. This equates to A$40 000 of milk per year and enables KickStart for Kids to serve around 40 000 breakfasts and 10 000 lunches per week to over 300 South Australian schools.

### Reconciliation Australia

At Bidfood, we recognise that diversity and inclusion makes good business sense. It encourages our employees to embrace difference, brings people together from all walks of life. Bidfood Australia has partnered with Reconciliation Australia to develop a plan which assists in our commitment to applying cultural learning, respectful business practice and the promotion of Aboriginal and Torres Strait Islander employment within our business and sphere of influence.

### Graeme Dingle Foundation


For the past 11 years, having donated over NZ$650 000, Bidfood is proud to have partnered with the Graeme Dingle Foundation, an established charity and leader in positive child and youth development. The Foundation has a vision for 'New Zealand to be the best place in the world for children to grow up'. Having raised over NZ$198 000 in 2019, Bidfood NZ was able to extend their support of the Foundation to seven regions in New Zealand.

www.dinglefoundation.org.nz/

### Bidfood NZ mental health foundation

Bidfood NZ's Brook van Reenen ran the 3 000 km length of New Zealand, from Cape Reinga to Cape Bluff, in an effort to raise awareness and NZ$12 000 for the Mental Health Foundation.

# United Kingdom

**Bidfood UK** was acquired into the group in 1999, known as Booker Foodservice whose name was then changed to 3663 First for Foodservice. For more than 20 years as a leading foodservice wholesaler, Bidfood UK has supplied fresh, frozen, ambient food, beers, wines, spirits, catering essentials and catering equipment. Bidfood UK is now the largest business in the group, delivering excellent results for the year ended June 30 2019. An amazing job of restructuring and repositioning this business, resulting in almost every metric trending in the right direction.

**Bidfresh**, previously known as Seafood Holdings, was acquired in 2011. Bidfresh supplies fresh produce, fish, meat and dairy products to chefs throughout the UK, from specialist businesses local to the customer. Bidfresh has a national footprint made up of the fish brand, Direct Seafoods, being 12 nationally spread fishmongers; the national meat brand Country Farm Butchers is made up of three butchers, with greengrocers around the UK enabling nationwide delivery of fresh produce and a dedicated cheesemonger business supplying dairy across the UK.

These two businesses make up the Bidfood UK Division.


*Bidfood UK team pulling together.*

Human capital

## Human capital

Bidfood in the UK is committed to empowering their people through providing a positive, healthy and safe working environment which facilitates gender equality and economic growth. Engaging with employees in sustainable ways of working, facilitating flexible working where possible and encouraging apprenticeships, training and development. Successful initiatives in the past year include the internal health and well-being programme, as demonstrated through the results of our employee engagement in our strategy.

**Male employees**
**5 563**
2018: 5 019
79%

**Female employees**
**1 504**
2018: 1 708
21%

**Fatality**
**One**

During 2019, regretfully one fatality was reported. Condolences are expressed to the family and colleagues.

## Our Execs

**Andrew Selley**
Bidfood UK

**Stephen Oswald**
Bidfresh UK

who lead

**7 067**
**Total employees**
2018: 6 727

*Note: Prior year numbers have been restated to exclude discontinued operations.*

*Foodshow demonstration, Bidfood UK.*

*Rudy, a forklift driver, Bidfood UK.*

*Oliver Kay Wednesbury site, Bidfresh.*

## People make our business

Bidfood UK launches driver hand-held technology.

Andrew Selley, Bidfood UK CEO was awarded the prestigious 2019 Grocer Cup as voted by readers of "The Grocer" as the individual who has contributed the most to the industry over the past year.

## Gender pay gap reporting

Gender pay gap legislation was introduced in the UK to encourage employers to focus on the differences in male and female pay across organisations regardless of job role. The legislation is applicable to employers who have more than 250 employees and has been introduced to support the government's objective to reduce the gender pay gap in a single generation.

Bidfood UK's gender pay gap review results brought to our attention the higher proportion of men than women in our workforce who undertake roles attracting higher rates of pay, bonuses or allowances. This is indicative of the industry in which we work, which is traditionally male dominated. We have always believed in appointing the right person for the role, regardless of gender or other characteristics, however the impact of having more male colleagues in senior roles creates a significant challenge in closing this pay gap.


Bidfood UK has voiced their commitment to developing a diverse workforce and addressing this gender pay gap. The plan includes initiatives to address:

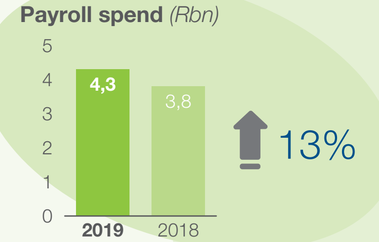
- review and benchmarking of roles as part of a pay simplification process
- strategic recruitment review to explore our gender mix across the business to attract and support more women
- training to develop skills to manage gender diverse teams
- developing strategic partnerships with external organisations to encourage more women engagement within the foodservice industry.

Read the full Gender Pay Gap Report on Bidfood UK site:
www.bidfood.co.uk//wp-content/uploads/2019/04/GPG-report-17-18.pdf

**Employees training spend**

| 2018 | 2019 |
|---|---|
| R7,1m | R7,3m |

2 430 employees trained




75 new jobs created by additional depot for Oliver Kay in the Midlands

### Dr Andrew Kemp awarded MBE Her Majesty Queen Elizabeth II Birthday Honours List

Having spent over 40 years dedicated to the foodservice industry, Andy has demonstrated passion and commitment to a number of important issues, including improvements in standards of children feeding and the importance of maintaining Universal Infant Free Schools Meals (UIFSM). Andy has worked with many charities including The Springboard Charity and Hospitality Action and currently sits on the All Party Parliamentary Groups focusing on child feeding, nutritional standards, holiday hunger and more latterly, nutritional feeding of the elderly. He has also worked closely with The One and All Foundation, focusing on the importance of diversity, racial inclusion, disability and gender equality.

*Dr Andrew Kemp, Group Sales and Marketing Director, Bidfood UK.*


*Bidfood UK truck.*

# United Kingdom

## Financial capital

Revenue ↑ 10,1%

**R33,3bn**

2018: R30,3bn

Trading profit ↑ 20,3%

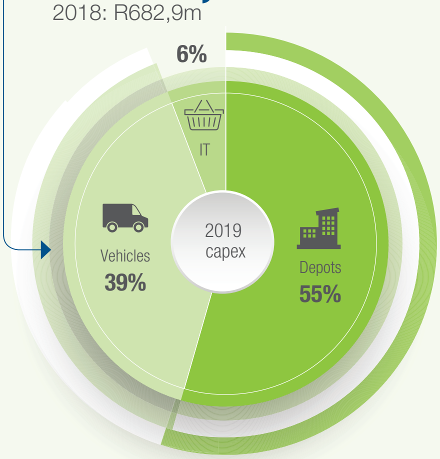
**R1,7bn**

2018: R1,4bn

Capex investment 2019

**R587,6m**

2018: R682,9m




See: AFS, Note 7.1 page 112

**Despite "Brexit" fatigue in the United Kingdom, revenue rose 10,1% to R33,3 billion (F2018: R30,3 billion) while trading profit increased by 20,3% to R1,7 billion (F2018: R1,4 billion).**

Foodservice continues to deliver excellent results, with Bidfresh continuing to make steady progress.

**Bidfood UK** performed strongly, with sales and trading profit well ahead of F2018. Top-line gains and intense margin management enabled a good performance in view of persistent cost pressures in wages, fuel and energy prices. Business improvement initiatives continue to deliver and ecommerce penetration is growing.

The independent and multiple freetrade categories showed solid growth, both in margins and volumes. As expected, National Account volumes fell with our focus on exiting non-profitable business, but margins improved.

Our new liquor brand Unity Wines continued to strengthen its market position. Own brand product growth was buoyant and the importing of an exclusive range of brands is developing.

Further investment into increased distribution capacity remains a key focus to cater for anticipated growth. The acquisition of Punjab Kitchen, rebranded as Simply Food Solutions (niche ready-meals business), in February 2019 will bolster the UK's manufacturing capability and value-add products' offering. An acquisition of a small independent foodservice business was concluded in early July 2019.

**Bidfresh's** performance was below the previous year, impacted by a "stressed casual dining" customer base. Trading became particularly tough in Q4. Supplier bankruptcies were disruptive.

Seafood grew and margins improved. Meat recorded losses, however, these are reducing as the top-line gains scale. Produce struggled to cope with change following its new depot expansion and IT implementation. National Accounts are holding up as customers look for savings but independents face challenges with both drop-size and spend falling. Overall costs were well controlled.

Investment in IT ↑ 23%

| | |
|---|---|
| Hardware* | R34,2m |
| Software | R52,2m |

**R86,4m**

** Hardware includes IT and office equipment.*

Ten year anniversary of Safari customer loyalty programme, Bidfood UK.


### A typical Bidfresh customer is:

- Food focused
- Inspirational and willing to experiment with food
- Individually crafted and specialist
- Mostly restaurants & caterers but can also exist in other sectors
- Driven by experts who demand expert suppliers

### Reducing miles by staying local

Many businesses consolidate and centralise operations but we love to 'stay local'. We know this improves customer service because customers value the personal contact with our award-winning telesales teams. Our emphasis on staying local also means we are closer to our customers, reduces mileage to their sites, meaning fewer vehicles on the roads, lower mileage, reduced emissions, and provides local employment opportunities.

*97% of our customers are within 80 miles of a depot, and the average distance for a customer is 26 miles.*

## Manufactured capital

Depots ($m^2$) ↑ 5%

**209 441**

2018: 199 021

Vehicles (#) ↑ 0%

**1 631**

2018: 1 624

Product SKU's (#) ↓ 0%

**26 768**

2018: 26 876

Suppliers (#) ↑ 2%

**2 732**

2018: 2 670

# Intellectual capital

Bidfood UK set their sights on growing freetrade volume, maximising National margins, growing our own brand offering, driving more business through ecommerce solutions and delivering operational and business support efficiencies. This was achieved, delivering record breaking results for the year ended June 2019.

Bidfood UK has committed to offering healthier and sustainable choices. This is actualised by increasing the responsible sourcing credentials of the offered product range, with particular focus on plastics, palm oil, seafood, aquaculture and modern slavery. Through meeting the diverse and ever-increasing needs for products which offer enhanced nutritional and dietary/allergen criteria and do our part to help tackle obesity.

Ecommerce platform sales

**49%**

2018: 43%

myBidfood

**An industry-leading online ordering facility, myBidfood.**

The Bidfood difference

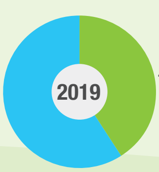
*Hensons Food rebranded to Hensons Meats, and launched the campaign* "Have you got beef with Hensons".

**Own brand 21%**

**of 2019 divisional revenue**

Bidfood UK new liquor brand Unity Wines continued to strengthen its market position.

## Customer mix




- Independent
- Chain
- Logistics
- Retail and other

Customers (#) ⬆ 6%

**37 643**

2018: 35 634

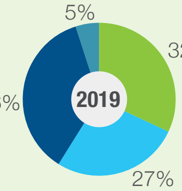
*Own brand Farmstead Steak Range, Bidfood UK.*


### Bidfood UK IT investment

Significant focus and spend in the year under review included the migration of Bidfood UK's Catering Equipment business to Reflex and Bidfood Direct, and the implementation of payment cards to BidDirect. The delivery of IT infrastructure for our new Liverpool Depot, which included the installation of voice picking, has been delivered to support the depot go-live in early July

We are continuing to support the business wide operational efficiency programme. The first pilot of the Driver App and Delivery Performance Management system has been completed in Chepstow Depot. This pilot has identified a number of additional developments which will be delivered in advance of any further roll-out. The design and build of our route planning system has been slightly delayed but testing is now underway. The project to upgrade of our existing voice picking system is underway and we are aiming to begin the roll-out in November 2019. The extended use of WMS Automation, to include goods in, replenishment, put away and PI, is currently in development.

## Product portfolio




- Frozen
- Chilled
- Ambient
- Non-food

### Expanding our manufacturing offering

The launch of Punjab Kitchen (now Simply Food Solutions) products in Bidfood has been extremely well received by customers across the healthcare sector but also with interest across the traditional ready-meal range with our other customers. A limited range was officially launched in July with 60 texture modified products but with customer interest growing, this is expanding with further texture modified and traditional meals. August 2019 will see our first set of results with a fully stocked range.

### Bidfresh – transport & logistics

Bidfresh ensures the delivery vehicles are fully maintained, efficiently routed to reduce mileage and driven carefully to reduce fuel consumption and emissions. Using a monitoring system we improve our drivers' safety and efficiency. We also operate a bonus scheme to motivate responsible driving, e.g. discouraging hard braking and accelerating.

### Responsible sourcing: circular economy

Bidfresh endorses the circular economy concept, that is recognising that the earth is a closed system with a finite amount of resources, and that the current prevailing linear economy ('take > make > waste') goes against this – and is therefore not sustainable. The circular economy challenges us to keep resources in use for as long as possible, extract the maximum value from them whilst in use, then recover and regenerate products and material at the end of each service life.

www.wrap.org.uk/about-us/about/wrap-and-circular-economy

Bidfood UK launches a new depot in Worthing

SIMPLY WORLDFOODS

# United Kingdom

## Natural capital

## United Kingdom's carbon emissions[1] ($tCO_2e$)

| 89 108 | 7% (decrease) |
|---|---|
| 2018: 95 837 | |

### Scope 1 emissions ($tCO_2e$)

(excl refrigerants and aircon gases)

**65 892** — 5% (decrease)

**2018: 69 084**

### Scope 1+ emissions ($tCO_2e$)

(only refrigerants and aircon gases)

**7 588** — 26% (decrease)

**2018: 10 244**

| | | |
|---|---|---|
| Fuel (*kilolitres*) | 2018: 25 512 | **24 372** |
| Gas (*tonnes*) | 2018: 194 | **175** |
| Aircon gas (*tonnes*) | 2018: 4 | **3** |

**Reducing our engine idling** – While a certain amount of idling is inevitable, such as in slow moving traffic, a lot is up to individual drivers, and a driver can turn the ignition off during a prolonged delay. We're targeting a reduction of 5% and have achieved an overall reduction of 11% this year.

### Refrigerant emissions

None of the owned or leased fleet has been fitted with diesel fridges, meaning we generate no additional emissions through our mobile refrigeration units.


### Scope 2 emissions ($tCO_2e$)

**15 216** — 7% (decrease)

**2018: 16 362**

| | | |
|---|---|---|
| Grid Electricity (*kWh*) | 2018: 57 802 767 | **59 531 070** |
| Non-grid Electricity (*kWh*) | 2018: 705 969 | **745 981** |

### Reducing energy demand with LED replacement

One of the ways we're looking to reduce our energy consumption is by piloting an upgrade to LED lighting. We plan to trial this at our Banbury site and if it's successful, we will roll this out across all our sites.

### Depot investment for the future

Bidfood UK is currently investing in a 61 000sqft bespoke multi-temperature depot, in Speke Liverpool. Designing the building to minimise its environmental impact, with special consideration devoted to refrigeration, lighting, building design, structure and envelope, office design and finish, waste recovery, and employee travel.

### Bidfood UK has prioritised:

- taking action to minimise our impact on climate change through reduction in greenhouse gas emissions and food waste
- demonstrating responsible consumption and production, especially in areas such as sustainable sourcing and our plastics footprint
- supporting good health and wellbeing for our employees, and providing healthier food choices for our customers
- partnering with other organisations to support the achievement of the UN Sustainable Development Goals (SDGs).

### Scope 3 emissions ($tCO_2e$)

**412** — 180% (increase)

**2018: 147**

| | |
|---|---|
| Food waste (tonnes) | 2 240 |
| Waste recycled (tonnes) | 7 744 |
| Waste to landfill (tonnes) | 420 |

**2018: 6 103 tonnes**

### Waste

Bidfood UK has signed up to the WRAP Courtauld Commitment 2025, which aims to reduce the resources needed to provide food and drink in the UK by 20% in 10 years. As well as pledged to Target, Measure and Act on food waste, as food that goes to landfill decomposes and generates greenhouse gases.

In February 2019, Bidfood UK signed up to WRAP's Food Waste Reduction Roadmap, and to this end have continued to work closely with FareShare, and other smaller organisations, so that the food donated is not wasted. FareShare redistributes unsold food to food kitchens, charities and other initiatives operating in the community, helping those in need.

### Bidfresh "zero-to-landfill"

Disposal is a last resort. Bidfresh is aiming to achieve a Zero-to-Landfill policy, where waste is either recycled, reused or turned into energy rather than being disposed. This effectively means that the bottom layer of the waste hierarchy, Disposal, would be eliminated. Our sites already separate waste streams at site into food waste, cardboard, polystyrene and general waste and many are already achieving zero-to-landfill.

### "plate2planet.co.uk" home of Sustainable Foodservice

Bidfood UK is the driving force behind plate2planet.co.uk, our leading online initiative dedicated to creating positive change for sustainability in foodservice.

www.plate2planet.co.uk

[1] *Bidfood UK carbon emissions comparative (2018) has been restated to exclude discontinued operations. The discontinued operations total carbon emissions for 2019 is 49 249 $tCO_2e$ (2018: 60 796 $tCO_2e$).*

Our pollination campaign – **'Follow the Bidfood Bee'** continues to create a buzz amongst schools and employees, as we promote the importance of our valuable pollinators. As part of this national project, depots support local bee keepers across the country by regularly donating sugar to keep their bees thriving, creating bee-friendly gardens at the depots, as well as sponsoring or hosting local bee hives.

| Water (kilolitres) | |
|---|---|
| 149 287 | ↑ 4% |
| 2018: 144 033 | |


We also switched to 50% recycled plastic in our own brand water, Springbourne, which will save a total of 133 tonnes of plastic per annum.

*Compostable packaging creates energy to power 46 homes*

### Bidfresh – sustainable future

We realise how much waste the food service industry produces and want to lead by example in helping to reduce this. We have introduced a screw press which removes water from fruit & veg waste to reduce the density of the load by 90%, leaving only organic waste behind.


### Bidfood UK – setting the standard in sustainability reporting

https://cloud.3dissue.net/6512/6514/6519/20083/index.html?8628

## Social and relationship capital

**Engaging our communities in the UK, we use our relationship with food to address hunger, improve nutrition, and reduce poverty by engaging with the most disadvantaged communities in the UK. In developing countries, we will contribute to improve the provision of clean water and sanitation.**

We will also support charitable causes at corporate and local level through both financial giving and volunteering. Key areas of focus include the redistribution of surplus food, supporting our key charities at a national level (The Springboard Charity, The Prince's Trust, Hospitality Action and Holiday Hunger initiatives) and supporting our sites and employees at a local level in their involvement with local community projects and charities through local fundraising or volunteering opportunities, particularly in relation to food poverty.

*Bidfood UK donated a total of 509 tonnes of surplus food to charitable organisations in 2018/19 (based on 0.5T per pallet)*

### Fit, Fed and Read

This scheme, a partnership between Bidfood UK, the Hertfordshire Catering Ltd and Hertfordshire Fire and Rescue service, is a national StreetGames UK project, which runs during summer holidays. Its aim is to counter the triple inequalities of holiday hunger, social isolation and physical inactivity amongst some of the county's most disadvantaged young people.

Up to 200 schools attend local fire stations in Hertfordshire and children enjoy a nutritious meal along with a range of physical activity programmes and literacy sessions. This example of a joint, community-based effort has made a real difference to the children involved. The initiative was recognised with an award win for Partnership of the Year in the National Excellence in Fire & Emergency Awards held in London in 2018.


Laurence Tottingham, Bidfresh UK, wins Development Chef of the Year at the Craft Guild of Chefs competition

*We now supply 16 of the 20 teams in the English Premiere League*

### CaterED holiday hunger initiative

This summer, Bidfood UK has been busy supporting those who need it most, through its nation-wide 'Action Against Holiday Hunger' campaign. The campaign running across nine depots, aims to help thousands of children across the UK by engaging with local communities and supporting their holiday provision projects; fuelling them with supplies, nutritious meals cooked by Bidfood chefs, and volunteering support from depot employees.

# Europe

*New Kaunas warehouse, Bidfood Baltics.*

**Bidfood Europe is the consolidation of eight operations, spanning thirteen countries across western and eastern Europe. Through strategic acquisitions of catering wholesalers, food manufacturers and fresh producers since 2006, Bidfood Europe has grown into a significant foodservice player in this market.**

Bidfood Europe benefits from being a part of an international foodservice group having access to a wide range of products and best practices to position each business ahead of their competition. Each business retains control of its day-to-day management and decision-making systems in order to be able to respond flexibly and independently to the specific needs of its customers.

## Our Execs who lead

**Dick Slootweg**
Bidfood Netherlands

**Thiery Legat**
Bidfood Belgium

**Bohumil Volf**
Bidfood Czech/Slovakia

**Pawel Swiechowicz**
Bidfood Poland

**Ramunas Makutenas**
Bidfood Baltics

**Daniele Scuola**
DAC Italy

**Markus Erhart**
Pier 7 Germany/Austria

**Jordi Franch**
Bidfood Iberia

**7 930**
**Total employees**
2018: 7 842

**Male employees**
**5 737** (72%)
2018: 5 615

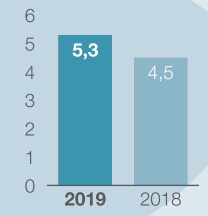
**Female employees**
**2 193** (28%)
2018: 2 227

Bidfood is for the professional food world: from cafeteria to caterer, from canteen to healthcare institution and from hotel to restaurant

**Fatalities**
**Zero**

**Payroll spend** *(Rbn)*

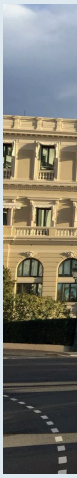
18%





*Food truck, Bidfood Netherlands.*

*Chefs Farutex Culinary Academy, Bidfood Poland.*



# Human capital

Each entity, supported by their own management team, is guided in responding to the needs and requirements of their chosen market place. With nearly 8,000 staff in Europe, our management team is properly supported and equipped to achieve even more in the year ahead.

Bidfood Europe is all about their people – not only those in employment, but also those that are involved in the supply chain, the customers served and the communities that are touched by the day-to-day making, buying, delivering, serving and eating our food.

Europe has experienced labour challenges over the past year, in particular in sourcing staff for the warehouses and driving the trucks, but also with low unemployment rates, individual expectations for wage increases and career progression.

Each business has applied their minds to motivate their teams and navigate this challenging time. In spite of the successes achieved to date, the increasing expense of training new staff, using temporary staff for some roles, accommodating wage increases and long-term career development opportunities has been significant.

The lack of truck drivers across many of the European jurisdictions is causing higher operational costs and pressure on the teams. Hiring external drivers and transport may be at higher prices. Managing our labour force remains high on the agenda and focus for the coming year, identifying logistic efficiency improvements to be able to respond to this challenge.


Bidfood Belgium celebrates its 100 year anniversary with a spectacular party


Igartza broadline business acquired in Basque Country, Bidfood Iberia

## Records achieved

- Highest ever sales month for Frustock Portugal
- Highest ever sales records broken in Lithuania and Latvia

**Employees training spend**

| 2018 | 2019 |
|---|---|
| R17,1m | R17,7m |

21 573 employees trained


Ari Salihi is named Bidfood Netherlands Employee of the Year


1 000th employee Pawel Sierzant, a driver in Poznan, Bidfood Poland


*DAC truck Montecarlo, Italy.*


*Culinary School, Bidfood Czech.*

# Europe

## Financial capital

Revenue ↑ 12,7%

**R43,7bn**

2018: R38,7bn

Trading profit ↑ 15%

**R1,9bn**

2018: R1,6bn

**Europe continues to perform well, with most businesses delivering higher revenues and solid trading results. Our eastern European businesses have shown record revenue growth but have experienced wage pressures throughout the region. Revenue rose 12,7% to R43,7 billion (F2018: R38,7 billion) while trading profit rose 15,0% to R1,9 billion (F2018: R1,6 billion).**

**Netherlands** continued to improve despite a tightening labour market. Trading profit growth and margin improvement was pleasing. Its business simplification journey with product range rationalisation and IT infrastructure reconfiguration is starting to benefit the overall cost base.

Investment into future capacity will be undertaken.

Further gains in the horeca channel more than offset a slowdown in other areas of the business, notably the health and care and catering sectors. Focus on the freetrade sector is being supplemented by import activities and delivering increased customer value.

**Belgium** performed well in both the horeca and institutional segments. Sales were above budget and F2018 and gross margins improved. All customer segments showed growth, except the catering channel. Own brand product development continues and the roll-out of our ecommerce customer offering is ongoing.

**Italy** performed strongly despite macro-economic uncertainty. The integration of the D&D acquisition made in F2018 continues. Growth in the freetrade sector supported pleasing sales and trading profit. Sales within the group continue to grow.

**Czech Republic** and **Slovakia** delivered another excellent performance. Increased sales, higher prices and better margins offset significant wage pressures, driven by labour shortages. Timeous investments in distribution and production facilities were beneficial to ensure we can effectively service our growing customer base. The Czech economy is influenced by greater Europe, whose growth is slowing but we are confident we can maintain momentum.

**Poland** continues to go from strength to strength, registering record sales. Strategic investments in infrastructure in previous years and managements' portfolio focus on the freetrade sector provided the base for the excellent performance. The National Accounts segment improved margins through dedicated contract management. Wine is growing into an important category and is expanding into spirits. Smart Food, the subsidiary that serves Asian restaurants, is expanding its geographic reach.

Ecommerce initiatives are developing and are expected to assist further growth going forward.

**Iberia's** overall performance was poor. Frustock (Portugal) was good, however, Guzmán (Spain) underdelivered. Progress in Spain is being made internally on improving the business platform and IT systems. Barcelona as a region is still economically "soft", offset by good growth in Madrid and Lisbon. Management's focus in F2020 will be on IT systems stabilisation, growing the independent customer base and cost reduction. Igartza, acquired in August 2018, performed well.

**Baltics** achieved double digit sales growth, driven by a strong foodservice focus. Completion of the new depot in Kaunas provides the base from which to grow. Both Latvia and Lithuania recorded a trading profit.

**Germany** remains a business in transition as we structure the platform ahead of any regional expansion. Sales ticked up, gross margins were maintained but expenses remained too high.

Additional management support has been deployed to assist our local operators. Germany remains a medium-term market opportunity for us.

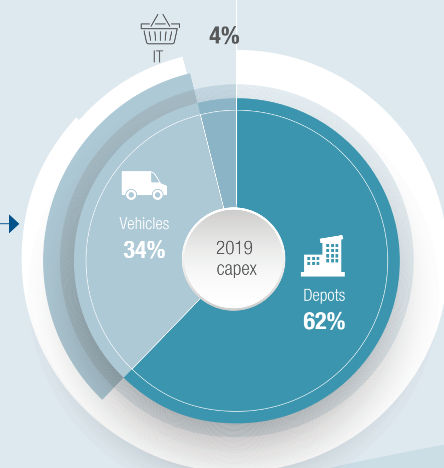
### Investment into depots

- Mallorca branch opens and streamlines the old Food4 network, Spain
- 5th depot opens in Chulmec, Czech
- 17th branch in Hardewijk, Netherlands
- New factory for portion control beef, pork and game opened in Opava, Czech
- New purpose-built depot opens in Kaunas, Baltics

### Capex investment 2019

**R813,3m**

2018: R776,8m




See: AFS, Note 7.1 page 112

## Manufactured capital

Bidfood Europe boasts an impressive 508 020sqm of depot space; supported by a fleet of 2 828 vehicles to deliver 145 907 product SKU's, sourced from 7 190 suppliers to serve our 137 021 customers!

Capex investment of R813,3m in 2019 includes investment into a new state-of-the-art construction and automation project in the Netherlands. Production will be relocated to the new, almost fully automated warehouse. The first delivery from the new warehouse is expected to happen in November 2019.

The new Baltics depot is functioning well, presenting great opportunity to expand the product range in the next year. Investing

Belgium introduces myBidfood successfully at Langens and De Clerq. Harmonisation of the ERP platform continues for the next two years.

# Intellectual capital

Embracing the benefits of a market leading ecommerce tool, the Bidfood Europe businesses are setting themselves apart. Both in terms of diversity of product range, and also in the ability to deliver that extra-service element to their customers – be it short turnaround on deliveries, substitute products at a range of qualities and pricing, or recommendations of recipes and new products.

Global trends in this segment show that traditional key players in the foodservice market are experiencing challenges as a result of the low barriers to entry in this market. The entrance of smaller, localised players offering new catering concepts and creating diversification through alternative or healthier food offerings have upped the standards that customers have come to expect.

However, we have a strong position in the traditional markets and are experiencing growth in all our market segments. Owning the supply chain in some products, sourcing from other Bidfood businesses and using the best in market ecommerce solutions has positively and solidly positioned Bidfood Europe to embrace the growth challenge of the year ahead.

The online ecommerce solution, "myBidfood" is being rolled out across the European businesses, with immediate sales results. Over 41% of total European revenue is now channelled through the ecommerce tools implemented.

**Pegas ice cream is one of the most popular ice creams in the region produced by our Czech and Slovak operations.**


The Bidfood difference

Ecommerce platform sales

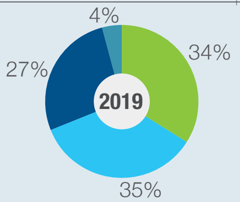
**42%**

2018: 41%

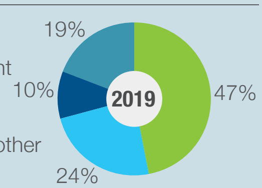
myBidfood

**Our future is in digital transformation**

## Product portfolio




## Customer mix




**Own brand 20%**

**of 2019 divisional revenue**


*DAC's own brand Arco pesto, Italy.*

Investment in IT ↑ 41%

| | |
|---|---|
| Hardware* | R31,5m |
| Software | R67,2m |

**R98,7m**

** Hardware includes IT and office equipment.*

In Bidfood Poland, wine is growing into an important category and they are exploring expanding into spirits.

Customers (#) ↑ 10%

**137 021**

2018: 124 123

In Germany, occupation of the new warehouse is planned for early in the new financial year. The increased depot capacity, and accommodation of multi-temp facilities, will be a big step forward in simplifying some of the logistical challenges currently occupying managements time.

Depots ($m^2$) ↑ 15%

**508 020**

2018: 441 637

Vehicles (#) ↑ 15%

**2 828**

2018: 2 449

into a gastro studio, operational from September, should bring suppliers and customers to our premises for demonstrations, training and events.

Iberia has focused on their own internal transformation, moving from a local produce supplier to a national multi-category partner to the Iberia horeca market. There has been significant investment to drive this transformation and the business is in a good position to grow.

Czech has invested in more capex than in comparative periods to match the growth trajectory achieved over the recent history. Investments into machinery and distribution trucks has equipped this business for growth.

Product SKU's (#) ↓ 1%

**145 907**

2018: 146 727

Suppliers (#) ↓ 1%

**7 190**

2018: 7 247

# Europe

## Natural capital

### Europe's carbon emissions ($tCO_2e$)

**137 162** ↑ 7%

2018: 128 286

### Scope 1 emissions ($tCO_2e$)
(excl refrigerants and aircon gases)

**43 762** ↑ 3%

2018: 42 380

### Scope 1+ emissions ($tCO_2e$)
(only refrigerants and aircon gases)

**42 588** ↑ 36%

2018: 31 432

| | |
|---|---|
| Fuel *(kilolitres)* 2018: 14 536 | 15 137 |
| Gas *(tonnes)* 2018: 1 132 | 1 344 |
| Aircon gas *(tonnes)* 2018: 9 | 13 |

Scope 1 emissions have increased due to bolt-on acquisitions in the year and better reporting from all entities in the division in 2019.

Fuel efficiency efforts are a priority for all Bidfood operations. LNG trucks introduced in Barcelona are more environmentally friendly. Three electric trucks introduced in Amsterdam, emitting low noise and exhaust-free.

### Scope 2 emissions ($tCO_2e$)

**49 840** ↓ 7%

2018: 53 644

| | |
|---|---|
| Grid Electricity *(kWh)* 2018: 100 692 114 | 106 241 885 |
| Non-grid Electricity *(kWh)* 2018: 895 591 | 2 913 319 |

*Solar panels, DAC Italy.*

Bidfood Europe is committed to building energy efficient and economical buildings. The new Baltics depot, achieved the highest rating class A+, using a low emissions freezing aggregate and heating office space using the energy emitted from refrigeration compressors.

Bidfood Belgium and DAC Italy have installed solar panels which have contributed to the reduced usage of non-renewable power and improved carbon emissions disclosed.

### Scope 3 emissions ($tCO_2e$)

**972** ↑ 17%

2018: 830

| | |
|---|---|
| Food waste (tonnes) | 420 |
| Waste recycled (tonnes) | 2 517 |
| Waste to landfill (tonnes) | 1 566 |

2018: 4 849 tonnes

**Bidfood Netherlands** raising awareness of the plastic environmental issues, the Dutch go 'plastic fishing' in the famous Amsterdam Canals with customers. It's a client relations event, as well as an opportunity to share our sustainability strategy and efforts.

*Solar panels, Bidfood Belgium.*

### Water (kilolitres)

**232 299** ↑ 3%

2018: 226 305

# Social and relationship capital

**Bidfood Europe strongly believes in collaboration with our communities. We are involved in various initiatives to pursue our sustainable objectives. Sometimes we act as a knowledge partner and in other cases we use our role as a chain partner. Always with the philosophy: *'you only go faster when you move forward together'*.**

Consistency in sustainability activities have been achieved across our European geographies.

**Bidfood Europe** works closely with the local Food Bank entity in each country. The food surpluses from various locations throughout the country are donated to the regional Food Banks. These products are still good for consumption, which means that the Food Banks can supplement their food packages. In this way Bidfood not only contributes to fighting poverty, but also to combating food waste.


Bidfood Europe has committed to making packaging in foodservice more sustainable, developing ambitious goals to reduce packaging and make packaging within the foodservice industry more sustainable.

Bidfood Netherlands has started to adjust their own brand products to a recyclable and reusable packaging. They have also chosen to approach packaging to ensure that its fit-for-purpose. Packaging's main function is in transport, therefore the opportunity is presented to optimise packaging in terms of functionality and suitability, with sustainability in mind.

## 'Healthy Nutrition at Schools' – Netherlands


The Dutch school has a major impact on the lives of young people in Holland.

A healthy supply of food in schools can therefore provide an important basis for a healthy lifestyle for these young people. To achieve this, Bidfood Netherlands is a signatory to the Healthy Nutrition at Schools Agreement, managed by Youth At Healthy Weight. With this agreement, caterers, vending machine suppliers, producers and other suppliers jointly take responsibility for healthier food in schools. We have set the goal of facilitating and achieving a healthier meal offer at schools.

Guzmán Gastronomia, known for their community spirit engaged with the local community. Projects such as the collection of toys, food and clothes for local charities; as well as office-wide blood donation drives. Fresh produce is donated to "Banc de aliments", a Barcelonan programme to assist the homeless.

Belgium is the supplier to Tomorrowland, the worlds biggest electronic music festival.

**Bidfood Czech Republic** and **Slovakia** are engaged to identify and step-in to assist in various areas of need. Czech Republic has adopted the national "Lunches4Kids" project, ensuring children from low-income homes receive filling, nutritional meals in their school canteens.

Cultural support is also an area of focus with the Czech business proudly being a long-time partner of the National Theatre in Prague. Bidfood Czech, in the interests of embracing the multi-cultural and lingual European environment, have engaged weekly one-on-one English language lessons, for their staff.

DAC Italy have implemented paperless delivery planning and paperless picking resulting in 23% paper saved.


Paperless Logistics introduced to Bidfood Iberia.


DAC Italy sponsors local sporting events. This is an opportunity to create brand awareness and to build healthy communities through sport. Events include the Flero Junior Tournament (Sept 2018) and Maclodio Night Tournament (June 2019).

# Emerging markets

**A geographic footprint over four continents, this division includes Bidfood operations in Africa, South America, Asia and the Middle East.**

African operations manufacture and distribute meat, poultry, dairy and general food ingredients as well as baking ingredients and equipment and a multi-temperature foodservice offering of a full range of ambient, chilled and frozen food products.

Asia and the Middle East distribute high-end speciality products into the western styled food market with supply exclusivity in many global brands.

South America sources and distributes frozen, chilled and ambient local product into the independent street market.


*Crown Food microsafe steam sterilizer, Cape Town SA.*

## Our Execs who lead

**Johnny Kang**
Angliss Asia

**Gabriel Abramovicz**
Bidfood Chile

**Nedim Makzume**
Bidfood Turkey

**Klaas Havenga**
Bidcorp Food Africa

**John Morris**
Crown Food

**Antonio Celso Dias Avelino**
Irmãos Avelino Brazil

**Gustavo Picciafuoco**
Blancaluna Argentina

**Hisham al Jamil**
Bidfood Middle East

**Brent Varcoe**
Bidfood SA

**Nigel Phillips**
Chipkins Puratos

**6 100**
**Total employees**
2018: 6 014

**Male employees**
**3 991**
2018: 3 793
63%

**Female employees**
**2 109**
2018: 2 221
37%

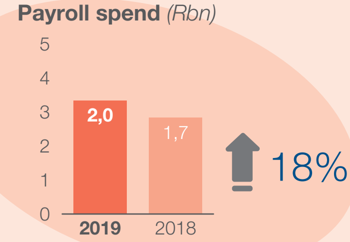
## Human capital

**We believe that people are motivated by the recognition, respect, admiration, positive feedback and credit they receive. We also believe that motivation comes from self-respect, pride, and a sense of personal identity.**

Due to the nature of the markets in which we operate, and the need for specialist commercial expertise, much of our employee development focuses on skills and career training. This includes both current and potential employees. We aim to empower our talented people to take the initiative and do what's right, we encourage our teams to act independently with great freedom, self-sufficiency, self-reliance, and the ability to make most decisions autonomously.

Monitoring and ongoing efforts to prevent workplace injuries is a key management function in all Bidfood's operations. Occupational related injuries reported during the year relate broadly to slips and falls and injury to limbs. No disabling injuries were reported during this period. Corrective action plans are directed at preventing future related occupational injuries.

**Fatalities**
**Zero**
2018: 1





*Horeca team, Bidfood Middle East.*


*myBidfood launch at Linbro depot, Bidfood South Africa.*

**Bidfood SA** manages a diverse work force, employed in a turbulent labour market. Challenges with the labour unions were experienced, management invest into this communication process on an ongoing basis to avert the risk of workers striking.

Investment into a stronger sales team has been a key management focus, as all businesses in the region commit to the group strategy of growing the free trade market segment. Embracing the ecommerce platform for customer ordering purposes frees up our sales team to build relationships and deliver the Bidfood added value service to our customers.

In South America, a new sales director appointed in **Brazil** has implemented a new era in staff engagement in the business. Creating key account teams, increasing telesales and embracing ecommerce technology implementations to bring the business in line with Bidfood best practice. Motivating staff through innovative medical plans and campaigns, investing in a canteen and celebrating internal events through a commemorative calendar and magazine has made a huge impact in this business.

**Chile** has also invested in their team, strengthening their finance and sales teams. A strong, passionate leadership team, that draws on the best practice within the group, has built the scale and strength in this operation which has delivered impressive results in the past year.

Turkey's all time sales record smashed, setting the benchmark even higher

**Turkey** experienced alarmingly high inflation and unemployment statistics during 2019, which added pressure to the seasonal nature of the market.

**Middle East** team has focused and invested in the skills development of their team. Training programmes in technical skills to grow and develop the data analysis, social media management, digital marketing type skills. Soft skills and products and brand training has also delivered positive response from the team. Food and safety training remains a top and ongoing priority, ensuring training is provided to all in our team, in particular all food handlers covering risks such as basic food hygiene, the person in charge, fire safety and first aid.

BLANCALUNA®
GRUPO al servicio gastronómico

Invested 38% into Argentinian Blancaluna, a Buenos Aires based foodservice provider. Increasing Bidfood South America's footprint.

**Employees training spend**

| 2018 | 2019 |
|---|---|
| R14,0m | R15,4m |

1 174 employees trained

**Angliss Hong Kong boost staff morale**

Chinese believe that hot soup can nourish one's beauty, strengthen physical health, and even prevent and cure diseases. Each bowl of a double-boiled soup is a labour of love made with the patience and wisdom of Chinese herbal culture. We fully understood our operation line employees are physically working very hard at their work, we therefore delivered Chinese soup with delicious taste of home to their workplace to show our sincere care and support.


*Angliss cuisine seminar, Mainland China.*


*Viña del Mar depot, Bidfood Chile.*

# Emerging Markets

## Financial capital

Revenue ⬆ 13,1%

**R21,1bn**

2018: R18,7bn

Trading profit ⬆ 1,4%

**R1,0bn**

2018: R1,0bn

Emerging Markets continued to navigate challenging economic and political headwinds, however, staged a strong recovery by year-end.

Overall revenue was up 13,1% to R21,1 billion (F2018: R18,7 billion), with trading profit marginally up at R1,0 billion (F2018: R1,0 billion).

**Africa** delivered an improved second half performance, with trading profit marginally up for the whole year. Difficult economic conditions have curtailed consumer spending with cost pressures rising well above food inflation. Bidfood delivered excellent results under the circumstances and Crown Food Group (CFG) achieved a second half recovery. Chipkins Puratos (CP), our 50% equity-accounted joint venture (JV), experienced a tougher latter part of the year. All businesses grew volumes in their targeted channels, but margins were under pressure.

Bidfood secured further street trade gains, benefiting from real volume growth and better margins. National Accounts declined slightly impacted by competition and weaker demand. Industrial catering sales rose, however, credit to the channel was carefully managed. Expansion of the myBidfood ecommerce platform continues. Own brand products remain a differentiator for Bidfood. At CFG, the impact of the listeriosis crisis was reduced by the growth in the wholesale and independent channels. The Six Bar acquisition is performing well. CP was impacted by lower yeast offtake due to declining bread sales but bolstered by good sales of own-manufactured products.

The state-of-the-art wet plant was commissioned, however, start-up losses impacted profitability.

**Greater China** faced pressures which significantly impacted overall profitability. Sales gains were realised and margins held up but trading profit fell as expenses became significantly higher to expand our product offering following the loss of our cornerstone dairy products agency in F2018.

Dairy remains an important category, however, diversification of the supplier base continues.

A recovery was evident with a strong last quarter. In mainland China, our geographic distribution network is reasonably complete. The Guangzhou Meat factory commenced operations in the last quarter which is an important milestone in our product diversification. Miumi, the Japanese food business, delivered a strong performance.

**Hong Kong** and Macau introduced new brands into the portfolio while stepping up investment into production centres. The hotel and restaurant channel and Chinese cuisine remain opportunities for mainland operations. The business is well poised to resume its growth strategy, however, the fallout from ongoing protests in Hong Kong are unquantifiable at this stage.

**Singapore** achieved gains but trading profit growth was impacted as a result of our Vietnam start-up costs. The Vietnam JV became operational late in the period. Singapore is now a predominantly foodservice business with exports, marine and commodities having been scaled back. Malaysia performed well, growing sales and margins.

**Chile** benefited from the October 2018 acquisition of Foodchoice, giving the business a national presence. Integration and efficiency extraction continue. Organic growth remained an important driver as processed meat and seafood categories were expanded. The acquired Temuco and Antofagasta branches added to momentum.

**Brazil** achieved strong sales growth. Both the Irmãos Avelino and Mariusso components of the business reported solid trading profit growth.

Recent political change has yet to manifest in higher economic growth, however, consumer sentiment is positive. Refinement of the business model continues to enable sales growth and expansion of the broadline product range. Further capex is planned to cater for growth. Bolt-on opportunities are being pursued, however, vendor expectations remain unrealistic. The introduction of own brand products in numerous categories is gaining momentum.

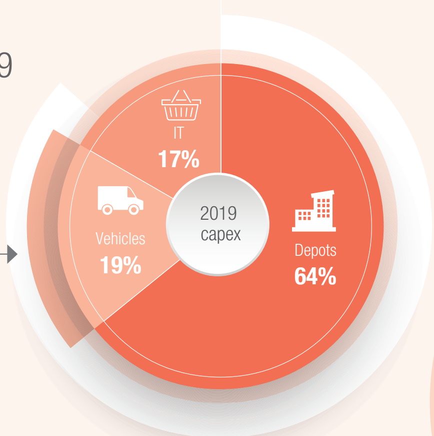
**Middle East** delivered an excellent performance, surpassing previous levels of profitability. Sales and trading profit exceeded expectations while margins rebounded. UAE secured a significant agency which impacted working capital in the second half. Al Diyafa, the Saudi Arabian JV, recorded very pleasing results, driven by new account gains and better product mix.

**Turkey** recorded good sales gains. A small trading profit was achieved which is an improvement on the comparative period. Izmir-based EFE continues to perform well. The weak Turkish lira compounded difficult trading conditions. Opportunities for regional expansion are under consideration.

Capex investment 2019

**R344,8m**

2018: R236,8m




See: AFS, Note 7.1 page 112

## Manufactured capital

Depots ($m^2$) ⬆ 17%

**277 822**

2018: 237 426

Vehicles (#) ⬆ 8%

**790**

2018: 731

Intellectual capital

# Intellectual capital

**Angliss Asia**, having suffered the loss of a significant brand, has successfully introduced substitute brands which have been very well received.

Market traction in the **Middle East** continues. Innovations have been adopted such as the “Cash Vans” concept, embracing the concept of small drop size for more frequent deliveries and deliveries to more remote locations.

*Won exclusive distribution of Monin syrups and purees in Bahrain, Bidfood Middle East*

**Turkey** continues to perform well in the brand distribution market, and has in the current year embraced the wider foodservice model with investments in Izmir, delivering a full foodservice offering.

### The Bidfood difference

**Ecommerce platform sales**

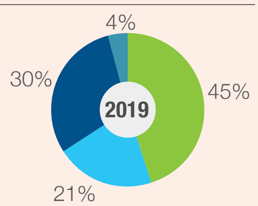
**17%**

2018: 16%

myBidfood

**New functionally in myBidfood to present promotional activity and product specials to be implemented, introducing customers to the “menu costing and planning” functionality.**

## Product portfolio





*Bidfood Chile, appointed the sole distributor for Kimbo Coffee*

Bidfood SA ecommerce sales through myBidfood for 2019 was 66,4% . Using YouTube video’s to assist customers, the use and understanding of the platform has grown significantly.

*Bidfood Middle East won supplier of the year as voted by the hospitality market in UAE.*


**Own brand 15%**

**of 2019 divisional revenue**

Bidfood SA own brand has grown, contributing 32,7% to net revenue.


*Own brand Table Sea Salt and Black Pepper, Bidfood South Africa.*

**Investment in IT** ⬆ 5%

| | |
|---|---|
| Hardware* | R57,2m |
| Software | R1,7m |

**R58,9m**

** Hardware includes IT and office equipment.*

**Product SKU’s (#)** ⬆ 2%

**54 092**

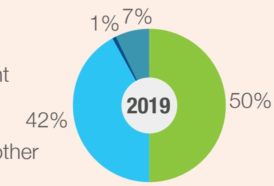
2018: 53 229

**Suppliers (#)** ⬆ 3%

**6 767**

2018: 6 542

## Customer mix




**Customers (#)** ⬆ 4%

**93 412**

2018: 89 525

**Bidfood SA** invested in two depots, to be built from spec. A manufacturing facility was a significant investment to embrace the light manufacture, value-add element within the supply chain. Investing more than R36 million in delivery vehicles ensures our customers are receiving the best attention and service levels. The CFG Nelspruit building has been rebuilt following the fire. CFG moved back in, in February 2019.

The **Middle East** operations have focussed investment into upgrading the IT and online environment, anticipated to impact performance in the year ahead.

**Angliss Asia** has invested in new and upgraded depot space in all key regions of their operations. The local management teams are driving initiatives to increase product offerings. Inventory management, warehouse and logistics are continuously improved and keeping up with wider product assortment. Market entry into Vietnam over the past year presents new opportunities to grow our footprint in south east Asia.

**Brazil** and **Chile** have invested in depots and vehicles over the past year, bolstering infrastructure. Replacing old vehicles in Brazil creates the opportunity to improve delivery capacity. Embracing group-wide health and safety best practice, upgrades to the depot lighting, racking, temperature controls and adoption of Food Safety, Quality Control and Warehouse Standards has had a positive impact to the operations. Chile has decreased distribution costs through an investment in an additional depot in Santiago, separating deliveries to the north and south regions, and investing in a state-of-the-art freezer in this new depot.

# Emerging Markets

## Natural capital

With operations in Africa, Middle East, Asia and South America, managing sustainability in our emerging markets is as diverse as the regions in which we operate. From the sustainable sourcing of product to the social projects we invest in, each region faces unique challenges.

### Emerging Markets' carbon emissions ($tCO_2e$)

**90 243** ↓ 3%

2018: 92 605

### Scope 1 emissions ($tCO_2e$)
(excl refrigerants and aircon gases)

**22 102** ↑ 2%

2018: 21 756

### Scope 1+ emissions ($tCO_2e$)
(only refrigerants and aircon gases)

**23 291** ↑ 1%

2018: 23 057

| | | |
|---|---|---|
| Fuel *(kilolitres)* | 2018: 8 105 | **8 244** |
| Gas *(tonnes)* | 2018: 223 | **237** |
| Aircon gas *(tonnes)* | 2018: 13 | **15** |

In South Africa attempts to maximise transport efficiency by ensuring that transport of product to branches via a third party are coordinated to maximise payload and minimise distance. This will be measured going forward to demonstrate these efficiencies.


*Irmãos Avelino truck, Brazil.*

### Scope 2 emissions ($tCO_2e$)

**44 111** ↓ 6%

2018: 47 012

| | | |
|---|---|---|
| Grid Electricity *(kWh)* | 2018: 61 895 273 | **59 719 622** |
| Non-grid Electricity *(kWh)* | 2018: – | **–** |

CFG has embarked on several projects to facilitate efficient use of electricity. A steam condensate return upgrade device was installed in late 2018 to decrease the volume of water and paraffin fuel used to generate steam to feed into the Wet, Dry and COE facilities, saving on electricity costs at CFG. A boiler heat recovery system was initiated to recover energy lost through the boiler stack as hot air, to reduce paraffin usage, and to improve CFG's overall carbon footprint.

With escalating costs of electricity in South Africa, cost saving initiatives were implemented across all businesses using solar panels. Grid tied solar PV panels were installed to decrease plant-wide electricity bill and to reduce the carbon footprint.

### Scope 3 emissions ($tCO_2e$)

**739** ↓ 5%

2018: 780

| | |
|---|---|
| Food waste (tonnes) | – |
| Waste recycled (tonnes) | 269 |
| Waste to landfill (tonnes) | 1 250 |

**2018: 1 717 tonnes**

Increased efforts are reported across all operations in the division to recycle waste. Reporting lower tonnes waste to landfill, and significantly reducing the greenhouse gas emissions associated. Waste efforts have been noted in plastics, cardboard, paper and common mixed waste. Management are committed to maintaining these efforts and reducing the impact on the environment even further.

### Water (kilolitres)

**359 855** ↑ 9%

2018: 329 501

With the water harvesting system fitted in the Bidfood SA Nelspruit Depot, we are able to harvest rain over the 1 000m² area of the roof of the building. We are also harvesting the water from the refrigeration pods to provide a continuous backup water supply for the business. The water is filtered before it is used in the supply of the ablutions, truck wash bay and irrigation systems.

CFG was able to locate a stable source of borehole water in the western Cape, but the water quality was deemed as poor with high dissolved solids due to salts. CFG will be erecting a pilot treatment plant on its premises to establish practical yield and quality water from the borehole.

CFG has 4x24kℓ stainless steel tanks that have been converted to rainwater harvesting tanks for non-potable uses.

*CFG water tanks, South Africa.*

Social and relationship capital

# Social and relationship capital

## "Give from the Heart"

**Angliss Singapore** together with NPO, SilverAce, delivered 200 customized first aid kits through our "Give From Heart" event. SilverAce runs activity centres for the elderly to encourage community involvement. Our target will be to distribute 1 000 first aid kits in the year ahead.


Bidfood SA donates stock items on a monthly basis to various charities such as the "Love Story Charity", a local charity who serve about 30 000 meals to the homeless each month.

With the scourge of rhino poaching in South Africa and the subsequent impact on the wild life industry, **Bidfood SA** decided to get involved. Madikwe Game Reserve initiated an annual "Rhino Walk in the Park" event, which we support. The 5km walk tracks along the route where many of the more than 70 rhinos have lost their lives to date. The walk brings the reality of rhino endangerment to the forefront.



**Bidfood UAE** (HORECA Trade) partners with Taste Studio UAE and Emirates Red Crescent to donate over 1 000 Iftar meal kits, packed by our team, for distribution over Ramadan to the Emirates Red Crescent tent in Jafza. A partnership with Manzil for the second year supported the "Give and Gain" week. Manzil is a non-profit centre that aims to actively promote inclusion by providing a professional learning environment for persons with disability to nurture their potential and develop the requisite of self-help, social, educational and vocational skills that are required to function in society.

For the 6th year in a row, Bidfood UAE is honoured to be awarded the CSR Label, by the Dubai Chamber recognising the commendable efforts in the areas of Sustainability and Corporate Social Responsibility.

In celebration of the Chinese Dragon Boat Festival, **Angliss Hong Kong** Food Service staff members organised an afternoon gathering for more than 200 elderly tenants at Hiu Kwong Nursing Centre (Hong Kong) to show our love and care to them by presenting them with gifts from our healthy products range.

**Bidfood Middle East** annually donate to the Specialist Centre for Children with Disabilities in Dubai. The donations contribute to the renovation of classrooms. The Specialist Center for Children with Disabilities is headed by His Highness Sheikh Mohammed bin Faisal Al Qassimi and works to develop the capacities of persons with disabilities.

**Irmãos Avelino Brazil** supported local Brazilian charities over the year with initiatives such as the "Servathon Campaign" where the Mariusso Paulinia's depot joined with the local food suppliers to donate over one tonne of food to the Stop Hunger Foundation. Monthly food donations of about R$2 000 are made to local community centres. A winter campaign had the Brazilian team compete internally to donate old clothes for donations to local hospitals, nursing homes and homeless centres. Holiday initiatives to donate food, clothing and time are supported throughout the year, such as the Easter Chocolate donations to a children's home in Carapicuiba.

# Corporate

Bidcorp Corporate
Bidcorp Corporate Services, with offices in South Africa and UK, complements the work of decentralised operational divisions through a range of services, including:

- executive training, oversight and management of group-wide financial services;
- access to corporate finance;
- Bidfood own brand support;
- compliance;
- investor relations and corporate communications;
- risk and sustainability support; and
- strategic direction.


The corporate centre adds further value by identifying strategic and investment opportunities while promoting experience-sharing across divisions and fostering synergies and savings. Supported by a finance team in the Isle of Man, Bidcorp Corporate Services has developed an in-house financial consolidation tool ensuring smooth and efficient monthly consolidation process of our globally diverse businesses and internal reporting systems. Bidcorp Corporate also houses the group's investments.

Corporate office oversees the activities of several entities that deliver strategic services to the group.

Bidcorp wins the Investment Analysts Society Award for excellence in public company reporting.

Human capital

## Human capital

### Our Execs

**Bernard Berson**
Chief executive

**David Cleasby**
Chief financial officer

**Nigel Boswell**
Chief development officer

A team of

**57**
**Total employees**
2018: 48

**Male employees**
**33**
2018: 29
58%

**Female employees**
**24**
2018: 19
42%

CSI spend ↓ 10%
**R4,5m**
2018: R5,0m

Social and relationship capital

## Social and relationship capital

Complementing the work done throughout the group, the corporate office continues to donate and support a variety of charities and community organisations.

Longstanding support of ORT SA (Educating for Life) continued, as did support to Nkosi's Haven.


**Corporate UK – charity cycle**
Bidcorp Corporate's UK team participated in the "Bionic Challenge" for the second year in a row, raising funds for two British charities – "Whizz-Kidz" and the "British Lung Foundation". The challenge involves 13 cyclists, some from Bidcorp Corporate UK, cycling 650km from Arnhem Bridge in Holland to Cookham in Berkshire, UK.


## BidOne

"Technology will help us be the best service provider with the lowest cost of business"

BidOne is the New Zealand-based ecommerce development division of Bidfood. BidOne develops and deploys an integrated suite of web enabled ecommerce trading products, including an online shop and supplier portal and EDI gateway. myBidfood is widely known as Bidcorp's implementation of the software suite developed by BidOne.

Good progress was made with the 'Bdirect Cloud Project', rehosting the current platform. Revamped sales enablement/CRM application 'BidIQ' is being readied for a pilot sales team and once user acceptance training is completed will be available for roll out. Already in test phases with Bidfood Australasia, uptake of BidIQ is gaining momentum with Bidfood Chile, Bidfresh UK, Bidfood UK and Bidfood SA.

The newly developed 'Supplier Turn In Order' app is near ready for implementation and will be rolled out to Bidfood Australasia. 'Bdirect Multi-tenant' has been approved and is ready for use to those businesses ready for adoption.

Ongoing roll out, updates and new myBidfood implementations are ongoing. Angliss Asia, Bidfood Iberia, Baltics and Brazil are all in the final stages of testing and roll out of the ecommerce platform. With these implementations comes quite a significant culture change, especially in the sales and account management teams. With training and understanding the teams quickly come to realise the benefits of engaging with their customers, presenting value-add solutions such as menus, products and solutions, leaving the ordering process to real-time online engagement by the customer through the app.

BidOne ecommerce platform channelled 25% of 2019 group revenue through their system.

## BPC

Bidfood Procurement Community (BPC) is a direct importer of food and non-food products for the group. Global sourcing brings the benefit of in-house quality control, stable quantities of supply through a central team able to engage with suppliers in their own language and time zones.

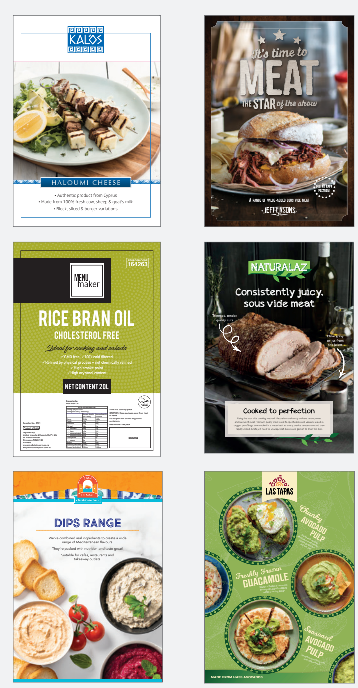
Key product lines that have grown over the past year include Chinese sourced tinned fruit, frozen vegetables and frozen meat. Products from Thailand, Indonesia, Vietnam and Philippines, have also grown in popularity. Non-food products such as foils, cling films, trays, cutlery are sourced from Asian suppliers for Bidfood global distribution.

Direct imports into all four divisions have been well received and engagement by each business has been positive. BPC is able to initiate an introduction to a supplier, and able to engage long-term as the intermediary between the business and the supplier.

The BPC team have offices in Hong Kong and the UK. A Hong Kong based support team of seven provide the buying skills, quality assurance services and product knowledge to Jackie Kwok, BPC HK general manager and John Schofield, BPC Europe supply chain manager.

Quality assurance processes provided include supplier profile review, verification of the suppliers safety and quality certificates, clarification of any quality concerns and support in right pricing the product for each business. BPC is able to follow up on the in-line control processes of a supplier when required, as well as conducting lab testing, FIR inspections before shipments and also traceability investigations.

Ongoing use of collaboration tools, social media platforms and online presence is growing, extending the BPC reach into Bidfood. BPC's growth is a group priority and further gains are anticipated in the year ahead.




*Bidfood own brands, BPC.*

### Nkosi's Haven

Bidcorp continues to support Nkosi's Haven with monthly donations enabling them to continue to provide accommodation, ARVs, nutritional foods and other assistance for those living with HIV/Aids. Nkosi's Haven also ensures that each child is given the opportunity to attend and complete schooling.

This year, Bidcorp volunteers were at the ready to help make an amazing day for a very needy group of children, mothers and staff at Nkosi's Haven. Using an array of our own brand products the children, mothers and staff were treated to a delicious lunch. Christmas gifts were presented to all. Donations from Bidcorp made sure the pantry was fully stocked at the end of the day.

### Nelson Mandela day 2019

The NMD 2019 initiative fed the children at Meadowlands ACFS (African Children's Feeding Scheme). Warm pies prepared by staff were packed for delivery on July 18 2019 along with cool drinks and packets of sweets for the children.

# Responsible procurement

## ETHICAL AND SUSTAINABLE

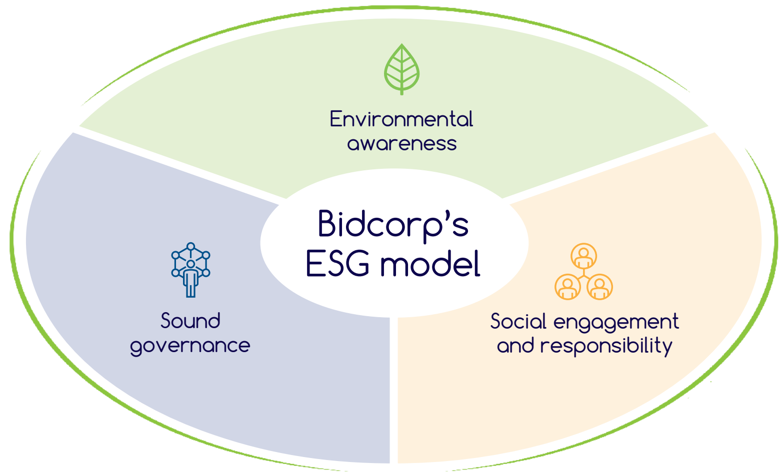
Our suppliers are specialists in their product, as well as ethical and sustainably minded, located as close to the source of the food as possible. We source both quality wholesale foods and a large range of catering equipment and non-food essentials.



*Belgium own brand Smart Choice, Bidfood Belgium.*

# ESG review

# How we "ESG" our business




"Solid growth is under-pinned by solid governance. Bidcorp has delivered both. Building investor trust through effective, transparent and relevant communications"

**Ashley Biggs**
*Group company secretary*

Bidcorp, operating as Bidfood in most geographies, has a decentralised model which encourages the entrepreneurial spirit contained in each of its businesses. Each business is directly responsible for its product range, its buying and sales approach. The cultural differences are important to differentiate the regional locations. Customers should see each business as an autonomous, small, local business and be confident in Bidfood's ability to deliver quality and value at unsurpassed service levels. Our staff are passionate about the products they sell and the customers they service.

Corporate governance is embedded in Bidcorp's business processes to ensure that all stakeholders derive full, sustained value from a business founded on honesty, integrity, accountability and transparency. Bidcorp prizes simplicity to achieve clear focus and to facilitate both good management and good governance.

Each of Bidcorp's businesses are grouped into a geographically defined division. Each division is quarterly convened, under the lens of the independently chaired divisional audit and risk committee. These quarterly committees conduct a robust, in-depth financial review of business-by business results. In addition, governance updates, combined assurance reports, ESG information and a risk review makes up the agenda. Each management team, CE and FD, sign a quarterly management representation letter, providing an additional layer of assurance and comfort that policies are in place, well understood and implemented by all members of the group.

Bidcorp has a proven way of doing business. At local level, our people are empowered to use their initiative, are held accountable and rewarded accordingly. Our decentralised business model is underpinned by our proven ability to attract, retain and develop self-motivated people.

Bidcorp people and our business model are flexible and adaptable. Economic conditions change, so does the business cycle, while changing customer tastes and preferences can impact demand. Bidcorp therefore expects all operations to be responsive and agile.

## How we integrate

Bidcorp recognises the value of an integrated governance approach incorporating risk management, assurance and compliance functions.

Bidcorp manages the challenge of good governance in a decentralised environment by rigorous integration of four basic pillars: governance, assurance, compliance and risk management. This framework ensures respect for legislated requirements and regulations yet is flexible enough to accommodate change and innovation.

Our autonomous teams embrace the opportunity to share best practice. This is not mandated but rather a function of robust communication, embracing social media tools to bring our geographically separated teams closer to learn and grow, navigating success through similar challenges. Our people are pragmatists with the knowledge and experience to recognise scope for improvement and implement necessary change – whether the concepts are independently developed or spring from shared experience.

These considerations apply in the sphere of good governance and ultimately in business success.

## Governance 1

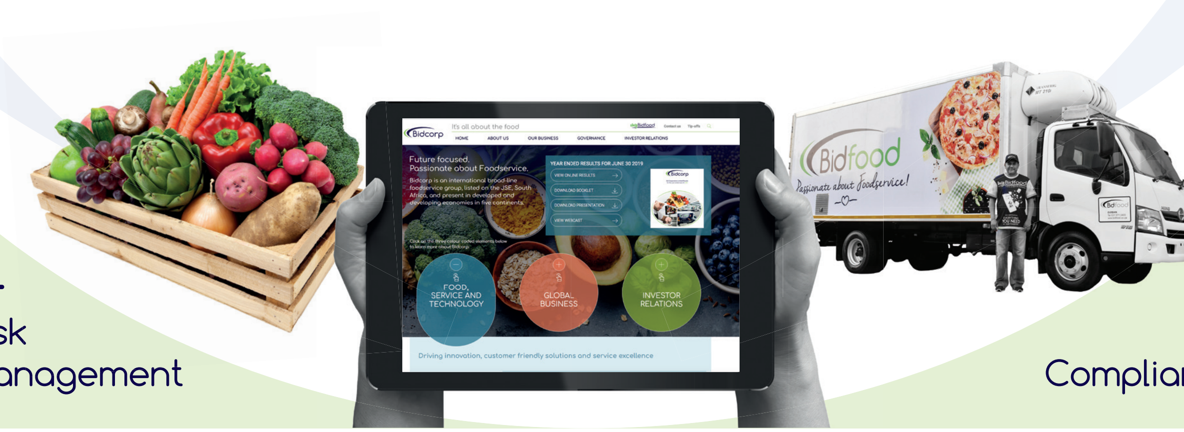
## Assurance 2

# BIDCORP BOARD

- Remuneration committee
- Nominations committee
- Acquisitions committee
- Audit and risk committee
- Social and ethics committee

## DIVISIONAL AUDIT AND RISK COMMITTEES

| Australasia | United Kingdom | Europe | Emerging markets | Corporate |
|---|---|---|---|---|
| Australia, New Zealand | Bidfood UK, Bidfresh | Netherlands, Belgium, Czech, Slovakia, Poland, Italy, Baltics, Iberia, Germany, Austria | Asia, Chile, Brazil, Argentina, Africa, Middle East, Turkey | Bidcorp Corporate, BPC, BidOne |




## 4 Risk management

## 3 Compliance

For further information refer to the Governance review on pages 64 and 65; as well as the directors and committee reports, as included in the annual financial statements on pages 69 to 79.

ISS QualityScore for
**Bid Corporation Limited as at June 30 2019**

*https://login.isscorporatesolutions.com*

| ENVIRONMENT QualityScore | SOCIAL QualityScore | GOVERNANCE QualityScore |
|---|---|---|
| 6 | 5 | 1 |

# How we "ESG" our business – Environment

## Carbon emissions reporting

Bidcorp is pleased to report a 1% decrease in total carbon emissions reported in 2019.

Emissions reduced from 414 154 $tCO_2e$ in 2018 to 410 506 $tCO_2e$. With total carbon emission reductions reported from three of our four divisions, this is a great achievement. Quarterly reporting improvements were noted in 2019, prioritising these topics in the minds of the Bidfood management.

Reporting within the Europe and Emerging Markets divisions has improved, with more of these businesses able to measure and accurately report the consumption of carbon emission input elements, in particular refrigeration gas, contributing to a more complete carbon emission total.

We are determined to improve these processes and the information reported going forward. The sustainability of our environment is a top priority for Bidcorp.

**Total carbon emissions[1,2]** ($tCO_2e$)

**410 506** ↓ 1%

2018: 414 154

A sustainability strategy that reflects the wider industry drive towards sustainable development and the United Nations Sustainable Development Goals (UN SDGs)

### Scope 1: Fuel and gas

**Scope 1 emissions** ($tCO_2e$)
(excl refrigerants and aircon gases)

**161 218** ↓ 0%

2018: 161 967

**Scope 1+ emissions** ($tCO_2e$)
(only refrigerants and aircon gases)

**78 130** ↑ 3%

2018: 76 105

| | 2019 Group | AUS %Δ | UK[2] %Δ | Europe %Δ | EM %Δ |
|---|---|---|---|---|---|
| Fuel (*kilolitres*) 2018: 58 742 | **58 624** | 3% | (4%) | 4% | 2% |
| Gas (*tonnes*) 2018: 1 753 | **1 948** | (6%) | (10%) | 19% | 6% |
| %Δ **Scope 1** | **0%** | 3% | (5%) | 3% | 2% |
| Aircon gas (*tonnes*) 2018: 29 | **32** | (62%) | (23%) | 44% | 15% |
| %Δ **Scope 1+** | **3%** | (59%) | (26%) | 35% | 1% |

- Nearly no change reported in Scope 1 emissions from fuel and gas (excl refrigerants) in spite of a 9,8% increase in revenue and 7% increase in the number of vehicles in the group.
- Biggest contributor to the 58 624kl of fuel reported is the UK, with a reported 24 372kl of fuel used in 2019, however this is a reduction in usage on prior year which is evidence of the fuel efficiencies gained through upgrading vehicles, and measures such as no-idling initiative. Petrol usage although small, was up in the UK as the business moved to hybrid vehicles, embracing the fuel efficiency of these part-petrol fuelled vehicles.
- Decreases in gas consumed for both Australasia and the UK have contributed to the gas reported, offset by the increase in Europe as we were able to gather a more complete set of data with all entities able to report gas usage in 2019.
- Improved reporting efforts implemented over the year have increased the reported gas and refrigeration tonnes consumed. A number of operations were unable to quantify these sums in the prior year, but with increased focus have been able to submit usage for 2019.
- Refrigeration gases are difficult to quantify as in most instances the maintenance of these facilities are outsourced, and serviced at irregular intervals with refills taking place intermittently. As a result the consumption is often over or understated in a comparative period due to cut off requirements.

*Bidfood is pleased to report the progress achieved in Scope 1 efficiencies over the past year.*


## Scope 2: Electricity – Non-renewable grid supplied

**Scope 2 emissions**
($tCO_2e$)

**160 207** ↓ 3%

**2018: 165 421**

| | | 2019 Group | AUS %△ | UK[2] %△ | Europe %△ | EM %△ |
|---|---|---|---|---|---|---|
| | Grid Electricity *(kWh)* 2018: 300 224 191 | **309 425 758** | 5% | 3% | 6% | (4%) |
| %△ | **Scope 2** | **(3%)** | 5% | (7%) | (7%) | (6%) |
| | Non-grid Electricity *(kWh)* 2018: 2 037 430 | **4 379 198** | 65% | 6% | 225% | – |

- To ensure energy efficiency, all new depot builds include smart energy solutions, such as solar installations, LED lighting, use of natural light and other green measures in the building design.
- Scope 2 emissions have decreased by 3%, a commendable effort when considered in light of the 12% increase in depot square meterage reported.
- Australia have installed a number of solar energy generation units, producing 719 898kWh of power in 2019.
- In Europe, Belgium and Italy have installed solar panels, reducing costs and easing the burden on non-renewable energy sources.
- Decreased grid supplied electricity was reported by the South African operations, driven by increased power costs and a commitment to reduce usage.

*Fantastic progress has been made in sourcing renewable energy through solar installations*

## Scope 3: Waste

**Scope 3 emissions**
($tCO_2e$)

**10 951** ↑ 3%

**2018: 10 661**

| | | 2019 Group | AUS %△ | UK[2] %△ | Europe %△ | EM %△ |
|---|---|---|---|---|---|---|
| | Food waste *(tonnes)* 2018: 904 | **2 707** | 0% | 604% | (22%) | – |
| | Waste recycled *(tonnes)* 2018: 16 432 | **17 970** | 2% | 35% | (16%) | (33%) |
| | Waste to landfill *(tonnes)* 2018: 17 579 | **18 016** | (1%) | 924% | 20% | (5%) |
| %△ | **Scope 3** | **(3%)** | (1%) | 180% | 17% | (5%) |

- Waste, in particular food waste, is an area that Bidfood has prioritised as a quick win for reducing our carbon footprint. Sourcing locally positioned Food Banks to donate food products before spoil date has been implemented in many of our operations.
- Bidfresh UK has achieved a "zero-to-landfill" result for 2019. Efforts to maintain this level will continue.
- Emerging Markets decreased in waste recycled mostly as a result of a single significant waste drive event completed by Angliss Asia in 2018, which was not repeated in 2019.
- Operations have not tracked waste accurately to date and there remains significant room for improvement in this difficult measurement and tracking exercise.

*Bidcorp is committed to reducing food loss and waste*

## Water

**Water**
(kilolitres)

**1 100 559** ↑ 4%

**2018: 1 060 289**

| | | 2019 Group | AUS %△ | UK[2] %△ | Europe %△ | EM %△ |
|---|---|---|---|---|---|---|
| | Municipal water *(kilolitres)* 2018: 1 054 962 | **1 096 862** | 0% | 4% | 3% | 9% |
| | Other water *(kilolitres)* 2018: 5 327 | **3 697** | – | – | – | (31%) |

- Reporting an increase of 4% of municipal water consumed in 2019 is a commendable result, in light of the infrastructural increases reported (increased depots, vehicles and staff members).
- Measuring and use of Other Water supplies, such as rainwater and borehole water, has been a big accolade for the South African entities, which have all put in positive and productive water gathering and reduced usage measures.
- Other divisions and entities have not been able to measure the water recycled or collected in rainwater tanks, but these initiatives are in place. Reporting on the savings to be implemented.
- Angliss China reported a 14% increase in water consumption over the year, this is due to the manufacturing and processing depots opened during the year. Manufacturing is inherently a higher water consumer.

[1] *2018 comparatives have been restated in many of our businesses due to improved measurement techniques and as a result of closer scrutiny to these metrics.*
[2] *Bidfood UK carbon emissions comparative (2018) has been restated to exclude discontinued operations. The discontinued operations total carbon emissions for 2019 is 49 249 $tCO_2e$ (2018: 60 796 $tCO_2e$).*

# How we “ESG” our business – Social

*“I believe if you show your potential and are willing to work hard, you will succeed and progress within our business. My advice is to never give up and always reach for your dreams.”*

*Robin Sneddon, Manager of Food Trucks (Bidfood SA) – 29 years with the group*

## Our people – our greatest asset

The people who work at Bidfood are the heartbeat of our organisation and our most valuable asset. They are highly skilled, dedicated and hard working, with a service culture second to none.

Bidfood is committed to creating a place for each individual to grow and develop through their careers as part of our team. Bidfood SA had the opportunity to acknowledge and recognise one of their team this year. Greg Govender has been with the group for most of his life. His father was a branch manager and introduced Greg to the operations. Greg immediately connected with the culture. Post his studies he joined the team as a warehouse picker. Identifying strong role models in the branches, Greg emulated and learned from them. As a strong performer, these managers chose to mentor Greg, enabling him to grow within the business. Greg was awarded the National Operations Manager award in 2018, resulting in a promotion to General Manager in Bidfood East London in 2019.

Greg’s story is one of many – a heart warming and inspiring journey in the life of a Bidfood employee – from general worker to general manager, from ordinary to extraordinary!



## Blowing the whistle

Bidcorp has invested in an independently globally accessible anonymous tip-offs line. With local telephone lines available in all Bidfood countries, operators are ready to engage, in the callers’ preferred language, to bring the concerns to the attention of the group executive. Email and webservice facilities are also available for those preferring to put their concerns in writing. The global service is provided by Deloitte and is completely independent of Bidcorp. All matters raised will be dealt with, reported in total anonymity, without fear of discrimination of any kind, investigated and feedback provided (if requested). The whistleblowers’ identity will always be protected, unless otherwise requested. Bidcorp, in line with legislation, will ensure protection from victimisation, harassment or any form of work place discrimination as a result of “blowing-the-whistle” on wrongdoing in the workplace.

*Bidcorp is committed to ensuring healthy business practices are always adhered to; supporting Bidcorp’s values of respect, honesty, integrity and accountability.*

## Fatality

It is with deep sympathy we report a fatality in our UK operations. During August 2018, a truck driver suffered a fatal heart attack. We express our condolences to his family.

Counselling and support services are available to our staff to help them cope through difficult and stressful life experiences.

## Ethical trading

Modern slavery is a hidden disgrace and must be addressed. Bidfood will not trade with a supplier or sell to a customer that practises any form of modern slavery. To ensure this we:

- Work with the Ethical Trading Initiative
- Promote awareness of the modern slavery issue within our business
- Shorten our supply chain wherever possible
- Map our supply chains and assess them for points of potential risk; these then become our focus for audits/visits
- Use suppliers that have an independent accreditation

Slavery is something that can be managed out of a supply chain, we cannot “nudge” suppliers away from such practices. If we identify slavery we will stop trading with that supplier and seek alternative supplies immediately.

## Ethical code

Bidcorp's code of ethics sets the standard for our behaviour. Quarterly declarations from each business confirms application and compliance to this code.

http://www.bidcorpgroup.com/code-of-ethics.php

*Bidcorp empowers people, builds relationships and improves lives.*

## "The future is what you BAKE of it"

It was a proud day for both the school and its wider community at the launch of the Chipkins Puratos Bakery School South Africa, at Masisebenze Secondary School in Tembisa on February 11 2019. The Bakery School – an industry first for South Africa – will now empower an annual intake of twenty-five grade 11 learners at the school, as they begin a two-year programme that arms them with an NQF Level 2 qualification at the same time as they complete their matriculation certificate.


The Bakery School is a non-profit company supported by Chipkins Puratos. Globally, Belgium-based Puratos has helped to open three similar schools in India, Brazil and Mexico.

## A job well done

Bidfood UK, the first foodservice company to achieve The Planet Mark™, has held this award since 2016.


Bidfood UK has been acknowledged with 37 awards from differing industry organisations for their sustainability efforts and reporting thereof.

## Transformation

Bidcorp, as a JSE listed company, is committed to transformation in South Africa. The board reiterates its unequivocal message that diversity is a strategic imperative, and is committed to its policy on gender and race diversity.

Bidcorp achieved a level 4 rating in 2018. The 2019 Bidcorp rating is still under review. Bidfood SA's and Crown Food have not finalised their 2019 ratings. Chipkins-Puratos has achieved a preliminary 2019 rating of level 4, hopefully finalised at a level 3, once their participation in the "YES" programme has been factored in. We do anticipate challenges in maintaining our ratings under the revised BBBEE codes.

Bidcorp Food Africa continues to invest significantly in its transformation journey. The impact of the Preferential Procurement requirements within the revised BBBEE codes has proven to be a challenge. An increasing number of our larger suppliers have been negatively impacted by the revised codes, many of them even now non-compliant, with limited alternate suppliers available in the market.

We are actively investing in the development and transformation of our supply chain, however these initiatives take time. We anticipate this procurement challenge to worsen before we are likely to be able to reap the benefits of a transformed supply chain through enterprise and supplier development initiatives, not just of our own, but of the broader sector and allied disciplines.

People development is supported by substantial training investment and in 2019 a growing number of previously disadvantaged employee candidates were selected and prepared for higher responsibility. These initiatives continue to contribute significantly to our succession planning efforts and material improvements in workforce diversity.

The YES programme has been successfully implemented by all three South African businesses. Bidfood took on forty-nine YES candidates for a one year learnership, upskilling them in wholesale and retail operations, as well as a specialised sales training module. The programme allowed each candidate to immerse themselves in the business and various aspects of its operations. Forty-five of these candidates successfully completed the programme, with twenty-seven candidates accepting full time positions in the business post completion. Similar approaches were employed in both Crown Food and Chipkins-Puratos.

Socio-economic development remains an area within which the Bidcorp Food Africa businesses excel, recognised for their efforts by far exceeding the expectations of the BBBEE scorecard.

Bidcorp's goal remains the implementation of a sustainable long-term transformation programme, embracing commercially impactful solutions beneficial to our stakeholders, for continued business growth.

*Transformation is a work in progress and is a top priority for Bidcorp.*

http://www.bidcorpgroup.com/transformation.php

## Food safety

The food industry navigated the outbreak of many food related viruses and illnesses during 2019. This is an inherent risk of the foodservice industry. What sets Bidfood apart is the proactive, engaging and educational approach adopted. With epidemics of foot and mouth, African swine flu, listeriosis and others, the global operations were equipped and able to respond. There were no material supply interruptions, illnesses or fatalities reported. This is not without thanks and acknowledgement to our health and safety teams around the world, and their tireless efforts to maintain the highest levels of food quality and food safety.

# How we "ESG" our business – Governance

## 1. Governance

Bidcorp is all about the food, the service and the technology; driving our continued commitment to create sustainable value for all our stakeholders. The group is committed and adheres to the highest level of corporate governance and business integrity. Achieved through the support and buy-in from each of the global management teams, providing and implementing robust structures and best practices to deliver timely, compliant and value-adding information to the centre.

The Bidcorp board serves as the focal point and custodian of governance within the group. The board's role and responsibilities are set out in the annually reviewed and adopted board charter, which is compliant with the requirements of the Companies Act, the recommendations of King IV, the JSE Listings Requirements and other applicable laws, rules and codes. This charter sets the tone and is indicative of the board's commitment to the four values that underpin good governance: responsibility, accountability, fairness and transparency.

*Board Charter on the website*
*http://www.bidcorpgroup.com/charters.php*

In line with the Companies Act, the Bidcorp board charter, read in conjunction with the Memorandum of Incorporation (MoI) provides that the company and its affairs be managed by the direction of the board, which has the authority to exercise all the powers and perform all the functions of the company. The directors' general powers are set out in the company's MoI.

The board delegates specific responsibilities to board committees which focus on the needs and strategies of the business while meeting the reporting requirements of a JSE listed entity.

*AFS director and committee reports, pages 69 to 79*

Our executive directors are responsible for the successful implementation of group-wide, business specific strategies through the execution of the necessary operational decisions. Non-executive directors provide an independent perspective and complement the skills and experience of our executive directors. Non-executive directors objectively assess Bidcorp's strategy, budget, performance, risk oversight, diversity, employment equity and standards of conduct.

Mandatory governance requirements, both statutory and legislative, are addressed by each Bidfood management team, directed under group guidance through the divisional audit and risk committees' approval of relevant charters, codes, policies and frameworks. In line with Bidcorp's decentralised structure, operational management develops business specific policies and procedures which effectively and efficiently delivers on the group requirements.

The board comprises an independent non-executive chairman, a lead independent non-executive director and a further six independent non-executive directors, one non-executive director and two executive directors. Due to our wide geographic spread, the nature of the business and the group's decentralised structure, the directors concluded that there be no prescribed officers of the company appointed at this time.

No individual has unfettered powers of decision making. Responsibility for running the board and executive responsibility for the business are separate and clearly defined. Mr S Koseff is the board's independent chairman and Mr BL Berson, an executive director, is chief executive.

The performance of the board and board committees was independently appraised by an external party. The appraisal process included indepth interviews with each director, providing anonymised feedback to our chairman and board for consideration. Bidcorp is pleased to report positive and supportive feedback received and has embraced those suggestions where improvements can be made. It is the view of the appraisal feedback to the chairman that the board and board committees are functioning effectively and efficiently.

As our business develops and grows, so too does our board. Mr DDB Band, Bidcorp's lead independent director, who was re-elected at the 2018 AGM, will be retiring at the 2019 AGM. The insight and leadership provided by Mr Band over his tenure is invaluable. Bidcorp thanks Mr Band for his significant contribution to the group. A new lead independent director will be appointed on Mr Band's retirement.

To strengthen and grow the board's diversity, it has been decided to appoint two additional independent non-executive directors. Bidcorp welcomes the new skill and diversity to the board. The board has a rigorous and transparent procedure for considering new director appointments when necessary to ensure that the board composition is aligned with the diversity policy and with group strategy.

Ms AK Biggs is the group company secretary, appointed by the board in accordance with the Companies Act. The secretariat provides a central source of guidance and advice on business ethics and good governance while fostering the highest standard of compliance with statutory and regulatory requirements.

## 2. Assurance

The Bidcorp board ensures the necessary levels of assurance services and functions are in place through the delegation of this function to the group audit and risk committee. This committee, supported by the divisional audit and risk committee structure enables an effective control environment which is equipped to assure the integrity of information reported back to the board, enabling effective decision making.

The board has ensured that the company has an effective, independent audit and risk committee and an effective risk-based internal audit function. Based on the audit and risk committee report and the internal auditors' written assessment, the board is satisfied with the effectiveness of the internal control system.

*AFS audit and risk committee report, pages 73 to 75*

Bidcorp has a group-wide robust, independent, risk-based internal audit function whose authority and responsibilities are defined in a board-approved charter that is consistent with the Institute of Internal Auditors' internal audit scope and King IV principles. The internal audit function objectively evaluates business processes and internal controls, to support management's efforts to foster a strong control environment focused on operational excellence.

*Internal Audit Charter on the website*
*http://www.bidcorpgroup.com/charters.php*

The group and divisional internal audit managers' report to the independent chairman of the audit and risk committee and have unrestricted access to members of the audit and risk committee and executives of the organisation. Regular meetings take place between the internal audit managers and the chairman of the audit and risk committee. The Internal Audit (IA) function is well-constituted with professional audit staff, possessing sufficient knowledge, skillset and experience to execute their responsibilities.

A risk-based IA plan is annually approved by the divisional and group audit and risk committees and each quarter reviewed by the committee for progress and potential adjustments to meet the evolving risk environment of each business.

In accordance with the group's combined assurance model, the IA team liaises with all other assurance providers, including but not limited to the external auditors, the insurance risk analysis team, health and safety teams, food safety experts etc. Using the latest in artificial intelligence technologies, smart and intuitive tools and continuous audit methodologies, IA is able to maximise efficiencies in the key risks assurance coverage to advise on the effectiveness of the control environment and associated risks.

## 3. Compliance

Bidcorp recognises that geographical diversity and decentralisation creates potential vulnerability to the risk of statutory and regulatory non-compliance. As the impacts differ in the various jurisdictions, each entity is required to identify the requirements which apply to its specific operating environment and the information that must be held in terms of this legislation.

The board annually confirms that Bidcorp complies with the JSE Listings Requirements and places strong emphasis on the highest standards of financial management, accounting and reporting. On economic, environmental and social issues, the company follows Global Reporting Initiatives sustainability reporting guidelines. The board has a social and ethics committee and ensures quarterly compliance reporting with social and ethics standards – group-wide, industry-wide and across our geographies.

*AFS SEC report, page 79*

Bidcorp performs an annual review to monitor continued alignment with King IV principles and best practice recommendations. This analysis identified the steps taken to ensure the application of governance principles and those principles requiring ongoing attention and action. Bidcorp's King IV journey and application register can be found on the company's website.

*King IV report on the website*
*http://www.bidcorp.co.za/king-iv.php*

### Ensuring an ethical environment

The Bidcorp directors hold one another accountable for decision making based on integrity, competence, responsibility, fairness and transparency through their commitment to lead the company based on the King IV principles.

Bidcorp's commitment to building and sustaining an ethical organisational culture is entrenched.

The board reviews the code of ethics annually and ensures its continued alignment with Bidcorp values. The code requires the highest standards of integrity, ethics and behaviour, non-discriminatory employment and promotion practices, support for employees through training and development and proactive engagement on environmental, social and sustainability matters.

*Code of Ethics on the website*
*http://www.bidcorpgroup.com/code-of-ethics.php*

The board ensures no director, manager, employee or nominees or members of their immediate family deals directly or indirectly in the securities of the company on the basis of unpublished, price-sensitive information nor during any embargo determined by the board. Dealings in the company's securities by directors and officers are listed and circulated at every board meeting for noting.

In support of this code and Bidcorp's values, the board supports the confidential reporting of fraud, theft, corruption, breach of ethics and improper behaviour. Bidcorp has engaged with Deloitte's tip-off facility to ensure that in all geographies where Bidcorp has a presence, a local telephone number, answered in the local language is available to all stakeholders, as well as access to the email and online service to report any perceived unethical behaviour. This outsourced and independent "whistleblowing" system enables stakeholders to anonymously report suspect behaviour, including non-compliance with company policies. All reported incidents are investigated by management and, where appropriate, action is taken.

In line with legislation, our pledge not to victimise whistleblowers ensures transparency and promotes ethical conduct.

*Bidcorp tip-offs on the website*
*http://www.bidcorpgroup.com/tip-offs.php*

## 4. Risk management

The board ensures that the King IV recommendations are integrated into the risk management function. These recommendations and group requirements form part of an ongoing enterprise-wide risk assessment process in support of the group's philosophy.

The board has delegated the responsibility for risk management to the audit and risk committee.

*AFS audit and risk committee report, pages 73 to 75*

Management is accountable to the board for implementing and monitoring the processes of risk management while integrating it into day-to-day activities. This enables management to focus on critical issues at a business and industry level. The individual business risks are consolidated to consider the joint impact on the group and reviewed against the group-wide defined risk appetite and tolerance.

### IT governance

The board acknowledges technology as a mechanism to access, protect and manage information. An IT governance framework has been approved by the board, intended to serve as a group-wide baseline.

Fit-for-purpose in-house operational IT skills, with the necessary strategic IT oversight, are in place. The IT functions are generally run lean, however, significant investment continues to be made in the IT innovation and ecommerce space. Major IT projects are well governed, with input from the necessary stakeholders, implemented timeously.

Inhouse IT skills are complemented by outsourced vendors with specialist networking, telecommunications, and cyber security skillsets. Entity specific business resilience controls are in place and tested within each operation.

Significant attention has been given to the identification and management of cyber-security risks across the group. Implementation and enhancement of this key control environment is monitored and managed by each business, in line with the group framework. The governance of data and management of data privacy, ensuring the necessary supporting IT architecture is appropriate and effective, ensures compliance with the applicable legislation.


# Value-add processing

## *IDENTIFYING OPPORTUNITIES*

Through listening to our customers, Bidfood has identified opportunities for value-add light processing and bespoke manufacture to make our customers' lives easier.


*Own brand Pro Smart Choice, Bidfood Netherlands.*




# Financial statements

## Contents

# Directors' responsibility for the financial statements

## To the shareholders of Bid Corporation Limited

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards (IFRS), the interpretations adopted by the International Accounting Standards Board, the JSE Limited Listings Requirements (JSE), and in terms of the Companies Act No 71 of 2008, as amended, of South Africa (Companies Act).

The directors' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the group and company's ability to continue as a going concern and there is no reason to believe that the group and company will not be going concerns in the year ahead.

The independent auditors are responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with IFRS and the Companies Act.

The consolidated and separate financial statements for the year ended June 30 2019, were approved by the board of directors and are signed by:

**Stephen Koseff**
*Authorised director*
*Non-executive chairman*

**Bernard Larry Berson**
*Authorised director*
*Chief executive officer*

**David Edward Cleasby**
*Authorised director*
*Chief financial officer*

August 27 2019

# Declaration by company secretary

In my capacity as company secretary, I certify that to the best of my knowledge and belief, Bid Corporation Limited, in terms of section 88(2)(e) of the Companies Act, has lodged with the Commissioner of the Companies and Intellectual Property Commission, all such returns and notices as prescribed by the Companies Act and that all such returns and notices appear to be true and up to date.

**Ashley Kim Biggs**
*Company secretary*

August 27 2019

# Preparer of financial statements

The consolidated and separate financial statements have been prepared by Charles Andrew Meynell Bishop CA(SA) (group financial manager) under the supervision of David Edward Cleasby CA(SA) (chief financial officer) and audited in compliance with section 30 of the Companies Act of South Africa.

# Directors' report

The directors have pleasure in presenting their report for the year ended June 30 2019.

## Nature of business

Bid Corporation Limited (Bidcorp) is an international broadline foodservice group present in all continents other than North America and Antarctica. Bidcorp is focused on growth opportunities: organically in our current markets through attaining the appropriate business mix by selling more products to our existing customers and gaining new customers; via in-territory bolt-on acquisitions to expand our geographic reach and expanding our product ranges; and via larger acquisitions to enter new markets. Despite our appetite for acquisitions, we remain disciplined in our approach.

Bidcorp's entrepreneurial and decentralised business model, depth and experience of management teams and strength of the group's culture has set up the group for sustained growth in the future.

## Financial reporting

The directors are required by the Companies Act to produce financial statements, which fairly present the state of affairs of the group and company as at the end of the financial year and the profit or loss for that financial year, in conformity with IFRS and the Companies Act.

The financial statements as set out in this report have been prepared by management in accordance with IFRS and the Companies Act and are based on appropriate accounting policies supported by reasonable and prudent judgements and estimates.

The directors are of the opinion that the financial statements fairly present the financial position of the group and of the company as at June 30 2019 and the results of their operations and cash flows for the year then ended.

The directors are satisfied that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

## Stated capital

The company's authorised stated capital is 540 000 000 no par value ordinary shares. There were no issues of no par value ordinary shares during the year and as at June 30 2019 the total issued ordinary no par value shares was 335 404 212.

## Acquisitions and disposals

The group made the following acquisitions during the year namely:

- Punjab Kitchen (renamed Simply Food Solutions) (United Kingdom) a market leading manufacturer of texture modified meals and specialist ready meals, supplying primarily into the NHS and healthcare sector;
- Igartza, S.L. (Spain) a broadline foodservice distributor located in Guipúzkoa, northern Spain; and,
- In-territory bolt-on acquisitions of KBC Foods (Australia), Six Bar Trading 409 CC (South Africa) and Foodchoice (Chile).

These acquisitions form part of the group's strategic expansion plans in the international foodservice industry. The acquisitions have enabled the group to expand its range of complementary products and services and, as a consequence, has broadened the group's base in the market place.

There were no material disposals of businesses during the year.

## Discontinued operations

The group is currently in negotiations for the sale of the UK Contract Distribution (CD) that operates in the United Kingdom. We are hopeful of being able to announce the details of this transaction within the near future. Any transaction is still subject to regulatory competition commission approval, which is anticipated to take up to four months to complete.

PCL's (dairy distribution business for Arla) performance for the year was disappointing. Towards the end of 2018, following a dispute with Arla, management committed to exit the PCL business by either selling the PCL transport operations to Arla or to close down the PCL business. At June 30 2019, the PCL transport operations have been exited and the sales process/exit of the insignificant warehousing and handling components are ongoing at June 30 2019.

## Subsequent events

The group is currently in negotiations for the sale of the UK Contract Distribution business in the United Kingdom. The process is at an advanced stage and management is optimistic of a successful conclusion to these negotiations. Other than the matter above, there are no material events subsequent to June 30 2019.

## Results of operations

The results of operations are dealt with in the consolidated statement of profit or loss, segmental analysis and commentary.

# Directors' report continued

## Dividends

The directors declared an interim gross cash dividend of 310,0 cents (248,0 cents net of dividend withholding tax, where applicable) per ordinary share to those members registered on the record date, being Friday, March 22 2019. The dividend was declared from income reserves.

In line with the group dividend policy, the directors declared a final gross cash dividend of 330,0 cents (264,0 cents net of dividend withholding tax, where applicable) per ordinary share for the year ended June 30 2019 to those members registered on the record date, being Friday, September 27 2019.

| | |
|---|---|
| Declaration date | Wednesday, August 28 2019 |
| Last day to trade cum dividend | Monday, September 23 2019 |
| First day to trade ex dividend | Wednesday, September 25 2019 |
| Record date | Friday, September 27 2019 |
| Payment date | Monday, September 30 2019 |

Share certificates may not be dematerialised or rematerialised between Wednesday, September 25 2019 and Friday, September 27 2019, both days inclusive.

The dividend has been declared from income reserves. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

## Directorate and attendance

The directors who were in office during the year and the details of board meetings attended by each of the directors are as follows:

| Director | Date of appointment | November 27 2018 | February 19 2019 | June 10 2019 | August 27 2019 |
|---|---|---|---|---|---|
| **Chairman** | | | | | |
| S Koseff | August 16 2017 | ^ | ^ | ^ | ^ |
| **Independent non-executive directors** | | | | | |
| PC Baloyi | March 10 2016 | ^ | ^ | ^ | ^ |
| DDB Band | March 10 2016 | ^ | ^ | ^ | ^ |
| DD Mokgatle | October 4 2016 | ^ | ^ | ^ | ^ |
| NG Payne | March 10 2016 | ^ | ^ | ^ | ^ |
| H Wiseman | March 10 2016 | ^ | ^ | ^ | ^ |
| **Non-executive director** | | | | | |
| B Joffe | August 17 1995 | ^ | ^ | ^ | ^ |
| **Executive directors** | | | | | |
| BL Berson | March 10 2016 | ^ | ^ | ^ | ^ |
| DE Cleasby | September 12 2007 | ^ | ^ | ^ | ^ |

^ *Attended in person, by video-conference or tele-conference.*

## Directors' shareholdings

### Beneficial

The individual beneficial interests declared by directors in the company's stated capital at June 30 2019 held directly or indirectly were:

| | **2019 Number of shares** | | 2018 Number of shares | |
|---|---|---|---|---|
| | **Direct** | **Indirect** | Direct | Indirect |
| **Director** | | | | |
| BL Berson | **8** | **224 211** | 8 | 224 211 |
| DE Cleasby | **145 564** | **–** | 144 564 | – |
| B Joffe | **21 544** | **20 060** | 21 544 | 20 060 |
| S Koseff | **1 168** | **–** | 1 061 | – |
| **Total** | **168 284** | **244 271** | 167 177 | 244 271 |

### Non-beneficial

In addition to the aforementioned holdings:

- B Joffe is a trustee and potential beneficiary of a discretionary trust holding 536 278 (2018: 525 107) shares.
- DE Cleasby is a potential beneficiary of a family trust holding 1 050 (2018: 750) shares.
- DE Cleasby is a trustee of The Bidvest Group Limited retirement funds which hold 799 734 (2018: 750 553) shares.

There has been no change in the directors' interest between June 30 and the issue date of the annual financial statements.

## Directors' remuneration

The remuneration paid to executive directors during the year ended June 30 2019 can be analysed as follows:

| | **Remuneration and benefits paid to directors** | | | | |
|---|---|---|---|---|---|
| | **Basic remuneration R'000** | **Other benefits and costs R'000** | **Retirement/ medical benefits R'000** | **Cash incentives R'000** | **Total emoluments R'000** |
| **Director** | | | | | |
| BL Berson | **15 700** | **259** | **253** | **16 919** | **33 131** |
| DE Cleasby | **5 873** | **193** | **469** | **6 913** | **13 448** |
| **Total** | **21 573** | **452** | **722** | **23 832** | **46 579** |

For comparative purposes the remuneration paid to the executive directors during the year ended June 30 2018 can be analysed as follows:

| | Remuneration and benefits paid to directors | | | | |
|---|---|---|---|---|---|
| | Basic remuneration R'000 | Other benefits and costs R'000 | Retirement/ medical benefits R'000 | Cash incentives R'000 | Total emoluments R'000 |
| **Director** | | | | | |
| BL Berson | 14 847 | 253 | 249 | 16 240 | 31 589 |
| DE Cleasby | 5 457 | 193 | 441 | 6 642 | 12 733 |
| **Total** | 20 304 | 446 | 690 | 22 882 | 44 322 |

The remuneration paid to non-executive directors during the year ended June 30 2019 is analysed as follows:

| | **2019** | | | |
|---|---|---|---|---|
| | **Director fees R'000** | **Other services R'000** | **Total R'000** | 2018 R'000 |
| **Non-executive director** | | | | |
| PC Baloyi | **696** | **–** | **696** | 564 |
| DDB Band | **868** | **–** | **868** | 705 |
| B Joffe* | **472** | **4 240** | **4 712** | 6 288 |
| S Koseff | **2 970** | **–** | **2 970** | 924 |
| DD Mokgatle | **430** | **–** | **430** | 445 |
| NG Payne | **954** | **–** | **954** | 800 |
| H Wiseman** | **1 371** | **514** | **1 885** | 1 625 |
| **Total** | **7 761** | **4 754** | **12 515** | 11 351 |

* *B Joffe provided advisory consulting services for the year ended June 30 2019.*

** *H Wiseman provided services by chairing the quarterly Bidcorp Divisional Audit and Risk Committee meetings.*

## Prescribed officers

Due to the nature and structure of the group and the number of executive directors on the board of the company, the directors have concluded that there are no prescribed officers of the company.

## Summary of directors' long-term incentives (LTI)

The Conditional Share Plan (CSP) awards executives of Bidcorp a conditional right to receive shares in Bidcorp free of any cost but do not carry voting rights attributable to ordinary shareholders. Due to the unbundling from The Bidvest Group Limited, the 2016 CSP awards for executive directors were restructured into replacement conditional rights and each conditional right in terms of the 2016 awards was exchanged for a right over a Bid Corporation Limited share. In addition to these replacement conditional rights, executives have been awarded Bidcorp share awards. The fair value of services received in return for these conditional share awards have 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.

| Director | Share-based payment expense R'000 | Benefit arising from exercise of awards R'000 | **Gross benefit R'000** | Previous share-based payment expense R'000 | **Actual LTI benefit R'000** | 2018 R'000 |
|---|---|---|---|---|---|---|
| BL Berson | 18 061 | – | **18 061** | – | **18 061** | 12 831 |
| DE Cleasby | 6 910 | – | **6 910** | – | **6 910** | 4 865 |
| B Joffe | 8 753 | 24 514 | **33 267** | (18 636) | **14 631** | 10 149 |
| **Total** | 33 724 | 24 514 | **58 238** | (18 636) | **39 602** | 27 845 |

During the year, B Joffe exercised 81 250 of his replacement rights and CSP awards at an average price of R301,71 (2018: No cash benefits arose from the CSP awards).

### Number of CSP awards (including 2016 CSP replacement awards)

| Director | Balance at July 1 2018 | **CSP awarded** | **Forfeited** | **Exercised** | **Closing balance June 30 2019** |
|---|---|---|---|---|---|
| BL Berson | 225 000 | **98 000** | **–** | **–** | **323 000** |
| DE Cleasby | 85 500 | **38 000** | **–** | **–** | **123 500** |
| B Joffe | 162 500 | **–** | **–** | **(81 250)** | **81 250** |
| | 473 000 | **136 000** | **–** | **(81 250)** | **527 750** |

No CSPs were forfeited in 2019 (2018: nil).

## Directors' service contracts

### BL Berson and DE Cleasby

Employment contracts have been concluded with Mr BL Berson and Mr DE Cleasby. Under the terms of the employment agreements, six months notice is required upon termination of employment or retirement.

No other directors have fixed term contracts.

## Directors' and officer's disclosure of interest in contracts

During the year no contracts were entered into in which directors and officers of the company had an interest and which significantly affected the business of the group. The directors had no interest in any third party or company responsible for managing any of the business activities of the group.

## Secretary

During the year under review, and in compliance with paragraph 3.84(i) and (j) of the JSE Listings Requirements, the board evaluated Ms AK Biggs, the company secretary, and is satisfied that she is competent, suitably qualified and experienced.

Furthermore, since she is not a director, nor is she related to or connected to any of the directors, thereby negating a potential conflict of interest, it was agreed that she maintains an arm's-length relationship with the board.

The business and postal addresses of the secretary, which are also the registered addresses of the company, are 2nd Floor, North Wing, 90 Rivonia Road, Sandton, 2196 and Postnet Suite 136, Private Bag X9976, Sandton, 2146, respectively.

# Audit and risk committee report

This is the report of the Bidcorp audit and risk committee (committee) appointed for the financial year ended June 30 2019 in compliance with the Companies Act and in terms of the JSE Listings Requirements.

The committee has discharged its responsibilities as mandated by the board, its statutory duties in compliance with the Companies Act and the King IV principles applicable to audit and risk committees. The committee's charter, which can be found on the company's website, www.bidcorpgroup.com, is aligned with the above legislation, regulations and principles.

Under the single chairmanship of Mrs H Wiseman for group and divisional audit and risk committees, the board is satisfied that this committee makes a strong contribution to the group.

## Membership

The committee members for the financial year ended June 30 2019 have been appointed by shareholders' resolution passed at the annual general meeting held on November 27 2018; and is made up of a minimum of three (3) independent non-executive directors and chaired by an independent non-executive director. The Bidcorp audit and risk committee members comprise Mrs H Wiseman (chairman), Messrs PC Baloyi and NG Payne, in line with the charter requirements.

The shareholders will be requested to approve the appointment of the chairman and members to the committee for the 2020 financial year at the annual general meeting scheduled for Thursday, November 14 2019.

The committee consists solely of independent non-executive directors who are all financially literate. The board considers the membership of the committee adequate and the members are sufficiently experienced to perform the duties in line with the charter requirements. The committee and its chairman are assessed annually. A brief profile of each of the members can be viewed on the board of directors' CVs included on the company's website.

The committee's work is supported by five divisional audit and risk committees (divisional committees). These divisional committees play a vital role in the risk and assurance oversight of the five reporting segments being Australasia, UK, Europe, Emerging Markets, and Corporate. Findings from these divisional committees are reported to the group committee on a quarterly basis (bi-annually for Corporate). The divisional committees are chaired by Ms H Wiseman who also chairs the group committee. Each country in which Bidcorp operates present at the quarterly divisional committees, which are also attended by Corporate and internal audit representatives and the external auditors. All group committee members are invited to attend the quarterly meetings.

## Purpose

The purpose of the committee is to:

- assist the board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control and reporting processes, and the preparation of accurate reporting and financial statements in compliance with the applicable legal requirements and accounting standards;
- oversee the suitability, appointment, independence and performance of the external auditor;
- oversee the activities of, and to ensure coordination between, the activities of internal and external audit;
- provide a forum for discussing financial, enterprise-wide, market, regulatory, safety and other risks and control issues, and to monitor controls designed to minimise these risks;
- review the Bidcorp annual integrated report, in conjunction with the social and ethics committee, including the consolidated and separate financial statements, the interim report and any other public reports or announcements containing financial information;
- receive and deal with any complaints concerning internal audit, the accounting practices or the content and audit of the annual financial statements and related matters; and
- annually review the committee's charter and output in order to report on the effectiveness of the committee to the board.

## Attendance

The committee met on six occasions during the period under review and key members of management attend meetings of the committee by invitation. At the half-year and year-end meetings closed sessions are held for committee members to engage directly with internal audit, external audit and management.

| Director | August 17 2018 | November 13 2018 | December 4 2018* | February 15 2019 | May 10 2019 | August 22 2019 |
|---|---|---|---|---|---|---|
| H Wiseman (Chairman) | ^ | ^ | ^ | ^ | ^ | ^ |
| PC Baloyi | ^ | ^ | ^ | ^ | ^ | ^ |
| NG Payne | ^ | ^ | ^ | ^ | ^ | ^ |

^ *Attended in person, by video-conference or tele-conference.*

* *A special audit and risk committee meeting was called in order to review and recommend to the board the appointment of a new external auditor for the Bidcorp Group.*

# Audit and risk committee report continued

## Duties carried out

The committee has successfully performed its duties during the financial year under review. In the fulfilment of these duties, the major areas of focus were assessing the impact of the new accounting standards on revenue recognition, financial instruments and leases; reviewing the application of JSE proactive monitoring and other pronouncements to group reporting; reviewing accounting for acquisitions and the valuation of put option liabilities; assessing the carrying value of property, goodwill, intangibles and investments; reviewing the characterisation of assets held for sale and discontinued operations; assessing the recoverability of trade receivables, valuation of inventory, customer and supplier rebates, as well as other matters requiring significant judgement.

The committee assessed risks associated with management override of controls, the ability of the group to continue as a going concern, review of related-party transactions, the overall presentation of the financial information to shareholders and review of the annual integrated report.

The committee reviewed the risks that could materially impact the ability of the group to deliver against its objectives and the related mitigation plans, providing feedback where appropriate.

The committee spent considerable time during the year reviewing its position in respect of the continuing retention of the services of KPMG Inc as its external auditor. The committee decided to change auditors, and following a competitive tender, the committee appointed PricewaterhouseCoopers Inc (PwC) in January 2019.

The committee confirms the following statutory and delegated duties were adequately addressed and sets out the results below:

### Financial statements

The committee:

- confirmed, based on management's review, that the consolidated and separate Bidcorp company financial statements were prepared on the going concern basis;
- examined the consolidated and separate financial statements and other financial information made public, prior to their approval by the board;
- considered accounting treatments, significant or unusual transactions and accounting judgements;
- considered the appropriateness of accounting policies and any changes made thereto;
- considered any problems identified as well as any legal and tax matters that could materially affect the financial statements;
- met separately with management, external audit and internal audit, and satisfied themselves that no material control weakness exists; and
- successfully closed out queries from the JSE in respect of their proactive monitoring of annual financial statements, and incorporated their recommendations into the 2019 annual financial statements.

### External audit

The committee:

- recommended PwC to be appointed as the Bidcorp external auditors and Mr E Gerryts as the independent and accredited auditor respectively to the shareholders for appointment for the financial year ended June 30 2019, of the group and company, and ensured that the appointments comply with legal and regulatory requirements for the appointment of an audit firm and auditor;
- approved the external audit engagement letter, the audit plan and the budgeted audit fees payable to the external auditors;
- determined the nature and extent of all non-audit services provided by the independent auditors and pre-approved all non-audit services undertaken;
- obtained assurances from the independent auditors that adequate accounting records were being maintained;
- confirmed that no reportable irregularities had been identified or reported by the independent auditors under the Auditing Profession Act; and
- recommended that PwC be reappointed as the Bidcorp external auditors for the year ended June 30 2020 at the 2019 annual general meeting.

### Independence of external auditors, PwC

The committee:

- reviewed representations made by PwC to the committee;
- confirmed that the auditors did not, except as external auditors or in rendering permitted non-audit services, receive any remuneration or other benefit from the group;
- confirmed the auditors' independence was not impaired by any consultancy, advisory or other work undertaken;
- determined the auditors' independence was not prejudiced as a result of any previous appointment as auditors; and
- considered the criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies and found no cause for concern or doubt of the independence of the external auditors, PwC.

### Internal control and internal audit

The committee:

- reviewed the annual internal audit plans and evaluated the independence, effectiveness and performance of the internal audit function;
- considered the reports of the internal auditors on the group's systems of internal control including financial controls, business risk management and maintenance of effective internal control systems;
- received assurances that proper accounting records were maintained and that the systems safeguarded the group's assets against unauthorised use or disposal;
- reviewed issues raised by internal audit and the adequacy of corrective action taken by management in response thereto;
- assessed the adequacy of the performance of the internal audit function and found it satisfactory; and
- concluded the opinion recommended to the board at year-end that there were no material breakdowns in internal control.

### Risk management

The committee:

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

### Combined assurance

The committee reviewed the plans and reports of the external and internal auditors, as well as other assurance providers including management; and concluded that these were adequate to address all significant financial risks facing the business.

### Chief financial officer (CFO)

The committee:

- considered the appropriateness of the experience and expertise of the CFO and concluded that this is appropriate;
- considered the expertise, resources and experience of the finance function and concluded that these are appropriate; and
- concluded that it is satisfied the appropriate reporting procedures are in place and operating effectively.

### Consolidated and separate financial statements

The committee reviewed the consolidated and separate annual financial statements of Bidcorp for the year ended June 30 2019, and the committee is of the view that, in all material respects, it complies with the relevant provisions of the Companies Act and IFRS, and fairly presents the financial position at that date and the results of its operations and cash flows for the year then ended.

## Comments on key audit matters, addressed by PwC in its external auditor's report

The committee is satisfied with the conduct, quality and independence of PwC in carrying out its external audit of the Bidcorp annual financial statements for the year ended June 30 2019.

In order to provide stakeholders with further insights into its activities and considerations around key audit matters as reported by the external auditors, the committee wishes to elaborate as follows:

### Key audit matter – goodwill impairment assessment

The committee received from management the results of the group's annual goodwill impairment testing. The committee challenged the methodologies and assumptions used to assess the carrying value of goodwill, including the achievability of business plans and forecasts. Sensitivity analysis on the key inputs such as discount rates and working capital movements were performed and considered in determining any potential impairment. The external auditor's reporting on impairment testing was also reviewed. The committee was satisfied with the conclusions reached by management and the goodwill-related disclosures in the consolidated annual financial statements (refer to notes 3 and 8.3 to the consolidated financial statements).

### Key audit matter – assessment of agent versus principal and the impact on revenue recognition

The committee also considered the appropriate application of the agent versus principal accounting treatment in recognising revenue. The committee reviewed management's assessment of arrangements involving the direct delivery of goods from suppliers to clients, the performance obligations governing the supply and delivery of those goods, the party which holds the inventory risk, and the extent of any discretion in establishing prices for the goods. Based on the assessment performed, it was concluded that Bidfood Netherlands is acting as an agent instead of as a principal in relation to certain chilled deliveries. The comparative period revenue and cost of revenue were restated to reflect this (refer to notes 3 and 4.1 to the consolidated financial statements). There was no impact on the comparative profit for the year, nor on the reported comparative assets, liabilities or net cash flows from operating activities.

## Conclusion

Following the review by the committee for the year ended June 30 2019, the committee is of the view that, in all material respects, it has complied with the relevant requirements.

Having achieved its objectives for the financial year, the committee recommended the consolidated and separate financial statements for the year ended June 30 2019 for approval to the board.

Signed on behalf of the audit and risk committee by:

Helen Wiseman

**Helen Wiseman**
*Chairman*

# Acquisitions committee report

This is the report of the Bidcorp acquisitions committee (committee) appointed for the financial year ended June 30 2019 in compliance with principles of good governance, the Companies Act and in terms of the JSE Listings Requirements.

The committee has a board approved charter that is annually reviewed and adopted, most recently approved at the board meeting held on November 27 2018. The charter complies with the Companies Act and King IV guidance for good governance. Copies are available either from the company secretary on request or can be downloaded from the group website.

## Membership

This committee was constituted by the board on June 1 2016. The committee was appointed by the board and in line with its charter requires a minimum of three (3) independent non-executive directors. The committee members comprise Messrs DDB Band (chairman), PC Baloyi, BL Berson (CEO), DE Cleasby (CFO), B Joffe and NG Payne. Committee membership therefore includes three independent non-executive directors, two executive directors and an additional non-executive director thus exceeding the minimum charter requirements.

The board considers the membership of the committee adequate and the members are adequately experienced to perform the duties in line with the charter requirements.

## Purpose

The primary purpose of the acquisitions committee is to:

- review any significant acquisitions as determined by the group delegated levels of authority for an in-principle decision as to whether the acquisition should be investigated and pursued;
- recommend to the board planned acquisitions that have been approved to be in the best interest of shareholders and to the future growth of the group; and
- inform the board of acquisitions which were not recommended for consideration.

## Attendance

The names of the members who were in office during the period under review and the committee meetings attended by each of the members are:

| **Members** | **August 20 2018** | **February 11 2019** | **February 19 2019** | **April 11 2019** | **August 26 2019** |
|---|---|---|---|---|---|
| DDB Band (Chairman) | ^ | ^ | ^ | ^ | ^ |
| PC Baloyi | ^ | A | ^ | ^ | ^ |
| BL Berson | ^ | ^ | ^ | ^ | ^ |
| DE Cleasby | ^ | ^ | ^ | ^ | ^ |
| B Joffe | ^ | ^ | ^ | ^ | ^ |
| NG Payne | ^ | ^ | ^ | ^ | ^ |

*^ Attended in person, by video-conference or tele-conference.*
*A Apologies.*

## Duties carried out

The committee met five times over the period under review, as well as ongoing engagement throughout the period under review to discuss and consider acquisition prospects as identified by management. The meetings constituted over the review period focused on the following significant acquisitions and/or disposals:

- an update on the steps taken in relation to the UK Discontinued Operations;
- the acquisition of the remaining minority of the D&D bolt-on acquisition in Italy;
- the acquisition of Punjab Kitchen, a food preparation entity in the UK; and
- strategic discussions around the group approach in structuring of acquisitions, both past and future.

Acquisition cash spend for the year ended June 30 2019 amounted to R449 million (F2018: R966 million). These acquisitions included the acquisition of the Punjab Kitchen.

Several small bolt-on acquisitions, that were not within the delegated authority requirements for the committee included acquisitions in South Africa, Chile, Australia, as well as the acquisition of Igartza in Spain.

## Conclusion

The committee has considered its performance over the period under review and is comfortable that it has met its duties and responsibilities as set out in the board approved acquisitions committee charter.

Signed on behalf of the acquisitions committee by:

**Doug Band**
*Chairman*

# Nominations committee report

This is the report of the Bidcorp nominations committee (committee) appointed for the financial year ended June 30 2019 in compliance with the Companies Act and in terms of the JSE Listings Requirements.

The committee has a board approved charter that is annually reviewed and adopted, most recently approved at the board meeting held on November 27 2018. The charter complies with the Companies Act and King IV guidance for good governance. Copies are available either from the company secretary on request or can be downloaded from the group website.

## Membership

This committee was first constituted by the board on June 1 2016, comprising the minimum requirements of three (3) members, the majority of whom are independent non-executive directors.

The chairmanship of this committee was awarded to group chairman, Mr S Koseff, as announced via SENS on April 2 2019.

The board appointed committee members comprise Messrs S Koseff (chairman), DDB Band (LID), B Joffe and Mrs DD Mokgatle; thus meeting the regulatory and charter requirements. The board considers the membership of the committee adequate and the members are sufficiently experienced to perform the duties in line with the charter requirements.

## Purpose

The key responsibilities and role of the committee include but are not limited to:
- establishment of a formal process for the appointment of directors to the board;
- identification of suitable directors in succession planning for senior appointments;
- ongoing training, development and updates of changing requirements in legislation and board roles necessary for the directors to satisfactorily perform their roles;
- evaluation of the independence of the independent non-executive directors;
- performance evaluations of the directors; and
- recommendations to shareholders for annual re-election of those directors retiring by rotation, appointment of audit and risk committee members and other committee memberships as required.

## Attendance

The names of the members who were in office during the period under review and attendance of the meeting held are as follows:

| **Members** | **April 2 2019** | **August 27 2019** |
|---|---|---|
| S Koseff (appointed as chairman and committee member on April 3 2019) | ^ | ^ |
| DDB Band (chairman of the meeting held April 2 2019) | ^ | ^ |
| B Joffe | ^ | ^ |
| DD Mokgatle | ^ | ^ |

*^ Attended in person, by video-conference or tele-conference.*

## Duties carried out

The committee met once over the period under review; however, informal communication between members also took place to discuss various matters under review. The significant topics considered by the committee over this period include the:
- review of the nominations committee membership and the appointment of the nominations committee chairman, executed in April 2019;
- board succession planning in light of the intended retirement of Mr DDB Band, Lead Independent Director, who will not be available for re-election at the 2019 annual general meeting;
- appointment and implementation of an independent board performance assessment to be performed;
- ongoing review and assessment of the appropriate board composition, mix and skill sets represented in order to ensure the effective execution of its duties;
- consideration with regards to the diversity of the board membership, ensuring the requirements of the 2018 board diversity policy adopted continue to be met;
- review composition of the various board committee memberships;
- review and recommendation of those directors eligible for rotation as presented to the 2019 annual general meeting for shareholder approval;
- review and recommendation of the Bidcorp audit and risk committee members to the 2019 annual general meeting for shareholder approval; and
- continuing focus and progression of a succession plan for roles within the board, the group chief executive, the chief financial officer and the senior management within the operations.

## Conclusion

The committee has considered its performance over the period under review and is comfortable that it has met its duties and responsibilities as set out by regulations and in line with the board approved nominations committee charter.

Signed on behalf of the nominations committee by:

**Stephen Koseff**
*Chairman*

# Remuneration committee report

This is the report of the Bidcorp remuneration committee (committee) appointed for the financial year ended June 30 2019 in compliance with the Companies Act and in terms of the JSE Listings Requirements.

The committee has a board approved charter that is annually reviewed and adopted, most recently approved at the board meeting held on November 27 2018. This charter is compliant with the requirements of the Companies Act and King IV guidance for good governance. Copies are available either from the company secretary on request or can be downloaded from the group website.

## Membership

This committee was first constituted by the board on June 1 2016, comprising the minimum requirements of three (3) independent non-executive directors and is chaired by the lead independent non-executive director, Mr DDB Band. The Bidcorp remuneration committee members comprise Messrs DDB Band (chairman), PC Baloyi and NG Payne in line with the charter requirements.

The chief executive officer and other members of senior management may be invited to attend meetings but may not participate in the voting process of the committee. These invitees recuse themselves from any discussion regarding executive performance appraisals, remuneration and incentivisation discussions. The committee appointed legal firm, Bowmans, to perform the role of independent remuneration adviser.

The board considers the membership of the committee adequate and the members are sufficiently experienced to perform the duties in line with the charter requirements.

## Purpose

The key responsibilities and role of the committee include but are not limited to the:

- fair and responsible remuneration of the executives and senior management, as well as the complete and transparent disclosure of this remuneration cost;
- review and recommendation of the annual fees to be paid to the non-executive directors submitted to the shareholders for approval at the annual general meeting;
- determination of the necessary criteria for the performance assessment indicators of the group executives in their respective roles;
- consideration and recommendation of the allocation of long-term incentives to awarded to executives and senior management; and
- review and recommendation of the annually published Bidcorp remuneration report to the board for release.

## Attendance

The names of the members who were in office during the period under review and the number of committee meetings attended by each of the members are as follows:

| **Members** | **August 20 2018** | **July 29 2019** | **August 27 2019** |
|---|---|---|---|
| DDB Band (Chairman) | ^ | ^ | ^ |
| PC Baloyi | ^ | ^ | ^ |
| NG Payne | ^ | ^ | ^ |

*^ Attended in person, by video-conference or tele-conference.*

## Duties carried out

The remuneration philosophy promotes the group's entrepreneurial culture within a decentralised environment with the aim of achieving sustainable growth within all businesses. The philosophy emphasises the fundamental value of Bidcorp's people and their role in attaining this objective.

The committee met three times during the period under review, as well as engaging informally throughout the period to discuss matters under review.

The significant topics considered by the committee over the review period included the:

- review and approval of the granting of share appreciation rights benefits, from the Bidcorp Incentive Scheme as recommended by the chief executive;
- review and recommendation of the annual increase in non-executive directors' fees presented to shareholders for approval at the annual general meeting;
- defining and measuring the performance assessment of the chief executive and chief financial officer against the criteria as determined;
- approving the CSP award vesting and payment in April 2019;
- considering the allocation of short and long-term incentives awarded to the executives and senior management on the basis of the current year's performance; and
- finalisation and approval of the draft Bidcorp remuneration report as presented to the board for sign-off and publication.

## Conclusion

The committee has considered its performance over the period and is comfortable that it has met its duties and responsibilities as set out by regulations and in line with the board approved remuneration committee charter, and the committee is of the view that, in all material respects, it has complied with the relevant regulatory and legislative requirements.

Having achieved its objectives for the financial year, the remuneration committee sets out the required remuneration disclosures as part of the directors' report. Refer to the directors' report within the 2019 annual integrated report for the full details pertaining to executive and non-executive directors' compensation.

Signed on behalf of the remuneration committee by:

**Doug Band**
*Chairman*

# Social and ethics committee report

This is the report of the Bidcorp social and ethics committee (committee) appointed for the financial year ended June 30th 2019 in compliance with the Companies Act and in terms of the JSE Listings Requirements.

This committee was constituted by shareholders' special resolution passed on April 4 2016 and operates in terms of an annually reviewed and adopted board approved charter, most recently approved at the board meeting held on November 27 2018. The charter complies with the statutory requirements as set out in the Companies Act and is in line with the recommendations as set out by King IV. Copies are available either from the company secretary on request or can be downloaded from the group website.

## Membership

The social and ethics committee members comprise Mr NG Payne (chairman), Mrs DD Mokgatle and Mrs H Wiseman, as well as chief executive Mr BL Berson, thus meeting charter and statutory requirements.

The board considers the membership of the committee adequate and the members are sufficiently experienced to perform their duties in line with the charter.

## Purpose

Responsibilities of this committee are in line with the legislated requirements. The key areas of responsibility are listed below:

- social and economic development;
- empowerment and transformation;
- corporate citizenship;
- labour and employment;
- environment, health and public safety;
- ethics and code of conduct compliance;
- stakeholder relations; and
- regulatory, statutory and legislative compliance.

## Attendance

The names of the members who were in office during the period under review and the number of committee meetings attended by each of the members are as follows:

| Members | August 21 2018 | November 16 2018 | February 19 2019 | May 16 2019 | August 27 2019 |
|---|---|---|---|---|---|
| NG Payne (Chairman) | ^ | ^ | ^ | ^ | ^ |
| H Wiseman | ^ | ^ | ^ | ^ | ^ |
| DD Mokgatle | ^ | ^ | ^ | ^ | ^ |
| BL Berson | ^ | ^ | ^ | ^ | ^ |

*^ Attended in person, by video-conference or tele-conference.*

## Duties carried out

The committee believes progress can only be credibly reported if ESG indicators are identified, monitored, measured and recorded. Notably the monthly detailed ESG reporting processes have provided comparable metrics and insight across geographically and jurisdictionally diverse businesses. This ensures responsible corporate participation is engaged across the whole group. In addition, the review and interrogation provided by the quarterly divisional audit and risk committee meetings are an important source of oversight for reporting into the committee. Operations adopt individually determined targets for improved sustainability performance and in doing so meet group-wide reporting metrics and targets, whilst all the while functioning efficiently within their unique operational requirements.

The committee monitors the group's initiatives to promote diversity and advance the objectives of non-discrimination. The Bidcorp Code of Ethics and the quarterly signed management representation letter submitted through the divisional audit and risk committee meetings are reviewed and updated as required for internal assurance governance process.

A fatality was reported in the year where sadly a Bidcorp employee, whilst performing his duties, died of natural causes. Our condolences are sent to the family.

We support our staff through wellness programmes. We remain committed to upholding the highest standards in health and safety initiatives for our staff.

The group-wide health and safety awareness programme focused on the reinforcement of internal policies, training programmes and additional warning mechanisms to ensuring a safe work environment for all. Unfortunately two serious warehouse injuries were reported in the year.

Food safety remains a top priority for the committee, with quarterly updates and feedback provided from internal and external assurance providers. Incidents of listeria and food contamination do occur; however, are identified and quickly responded to through product recalls and effective communication. We are proud to note there were no serious incidents reported in the year, a non-negotiable standard.

The risk and mitigations processes for fire safety detection, prevention and response have been a key focus area in the year and good progress has been made in this regard. Ongoing investment in modernising our facilities with regards to fire safety is a top priority.

Bidcorp's commitment to maintaining an ethical environment is demonstrated through the independently administered Bidcorp whistle-blowing facility. A group-wide marketing campaign has been launched, communicating the existence of local call facilities available in all major languages to every operation in the group. Review of the details of calls received and management follow-up action is presented to the committee for review and approval.

## Conclusion

Following the review by the committee for the year ended June 30 2019, the committee is of the opinion that, in all material respects, it has achieved its objectives for the financial year. The committee notes that there were no items identified by management nor reported directly to the members of the social and ethics committee by third parties, that would indicate any reportable non-compliances, in terms of the Companies Act requirements.

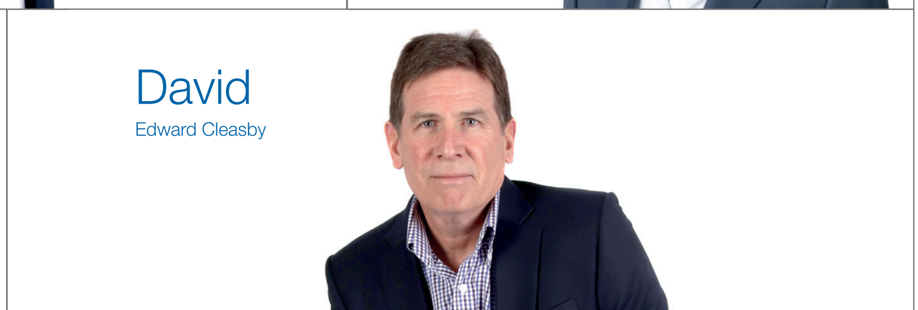
Signed on behalf of the social and ethics committee by:

**Nigel Payne**
*Chairman*

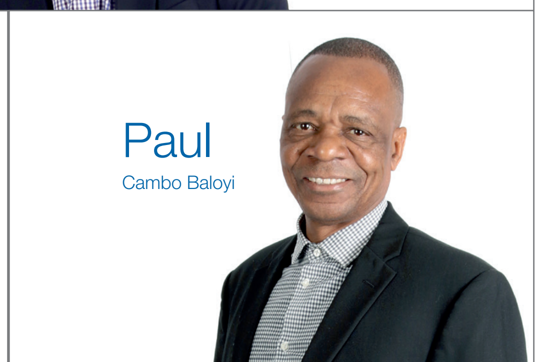
# Directors' curricula vitae













## Stephen Koseff

**Qualifications:** CA(SA), MBA, H Dip. BDP and Hon. DCom (Wits)

**Age:** 68

**CHAIRMAN**

**Appointed:** August 16 2017

**Experience and expertise:** Stephen is the former chief executive officer of the Investec Group. Dual listed on the London Stock Exchange and the Johannesburg Stock Exchange. Stephen was with Investec for 39 years in various capacities and CEO from 1996 to 2018. In 2017, Stephen was awarded an Honorary Doctor of Commerce Degree by the University of the Witwatersrand. He is a former non-executive director the South African Banking Association, a former board member of Business Leadership South Africa, former non-executive director and chairman of the South African Banking Association, a former director of the JSE Limited, a former member of the Financial Markets Advisory Board, and former chairman of the Independent Bankers Association. Stephen is chairman of Bud Group Proprietary Limited and IEP Group Proprietary Limited and co-chair of Youth Employment Service (YES).

NC

## Bernard Larry Berson

**Qualifications:** CA(Australia)

**Age:** 54

**CHIEF EXECUTIVE**

**Appointed:** March 10 2016

**Experience and expertise:** Since 1996, Bernard has been involved in all aspects of the development of Bidcorp's foodservice business in Australia, New Zealand and Asia. In 2010 assumed responsibility for Bidcorp's global foodservice businesses, including operations in the UK, Europe and Emerging Markets. Over the past 20 years, Bernard has been involved in all material acquisitions and directing the strategic focus of the businesses.

Bernard currently serves as chief executive of Bidcorp since April 14 2016.

AC SEC

## David Edward Cleasby

**Qualifications:** CA(SA)

**Age:** 57

**CHIEF FINANCIAL OFFICER**

**Appointed:** September 12 2007

**Experience and expertise:** David was financial director of Rennies Terminals when Bidvest acquired Rennies group in 1998. In 2001, he joined the Bidvest corporate office where he was involved in both group corporate finance and investor relations. David was appointed as Bidvest's financial director on July 9 2007. David managed Bidvest's interests in the investments made by Bidvest over the years.

David was appointed as chief financial officer of Bidcorp Limited on April 14 2016.

AC

### Board committees

- Acquisitions Committee
- Audit and Risk Committee
- Nominations Committee
- Remuneration Committee
- Social and Ethics Committee

## Paul Cambo Baloyi

**Qualifications:** MBA (Manchester Bangor University of Wales), SEP (Harvard), AMD: ENSEAD (France), MDP (Stellenbosch University)

**Age:** 63

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

**Appointed:** March 10 2016

**Experience and expertise:** Paul is the managing director of CAP Leverage Proprietary Limited. From June 11 2006 until April 2012, he was the chief executive officer and managing director of the Development Bank of Southern Africa. Paul also served as chief executive officer and managing director of DBSA Development Fund. Prior to this, Paul had spent 30 years in the financial services sector, with both Standard Bank and the Nedbank group. His last position at Nedbank was as managing director of Nedbank Africa. Paul has been an independent non-executive director on many boards locally and internationally, including African financial institutions. He was a council member of the Institute of Bankers and also served as chairman of the Ned Medical Aid. Other boards include Old Mutual Limited, ENX Group Limited, Peermont Group Proprietary Limited and CAP Leverage Proprietary Limited.

Paul also serves on various board committees (audit, risk, remuneration and nomination, and Investment committee) as member or chairman.

AC ARC RC

## Douglas Denoon Balharrie Band

**Qualifications:** BCom (Wits), CA(SA)

**Age:** 75

**LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR**

**Appointed:** March 10 2016

**Experience and expertise:** Doug has extensive experience in both commerce and industry having previously served as CEO of CNA Gallo Limited. The Argus Group Limited and as executive chairman of The Premier Group Limited. In his board career he has also served in the capacity of an independent director of listed companies including The Standard Bank Group, MTN Group and Tiger Brands.

AC NC RC

## Brian Joffe

**Qualifications:** CA(SA)

**Age:** 72

**NON-EXECUTIVE DIRECTOR**

**Appointed:** August 17 1995

**Experience and expertise:** The founder of the Bidvest Group Limited and Bidcorp, Brian has over 50 years commercial experience, both locally and internationally.

Amongst his achievements, Brian has been recognised by Sunday Times as SA's businessman of the year, won the SA chapter of the Ernst & Young Entrepreneur Award and represented SA at the World Entrepreneur Awards.

Profiled as one of South Africa's Greatest Entrepreneurs by MME Media in association with Gordon Institute of Business Science Brian has been named by Wits Business School Journal as one of SA's top 25 business leaders with significant impact on SA business.

Brian is the recipient of an Honorary Doctorate in Commerce from the University of South Africa, an Honorary Doctorate in Commerce from the University of Witwatersrand and awarded the Sunday Times Lifetime Achiever Award. He has been included in the Forbes list of the 20 most influential people in Africa and awarded the CNBC All Africa Life time Achievers Award. Brian currently serves as CEO of Long4Life Limited, a company he founded and listed on the JSE in 2017 and serves as a non-executive director of Bidcorp.

AC NC

## Dolly Doreen Mokgatle

**Qualifications:** BProc (University of the North), LLB (Law) (Wits)

**Age:** 63

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

**Appointed:** October 4 2016

**Experience and expertise:** Dolly, is a qualified attorney with a BProc (University of Limpopo), LLB (Wits) and a HDip Tax Law (Wits). Co-founder and executive director of Peotona Group Holdings. Chairperson of Total SA. Non-executive director of IQ Business, Lafarge Industries SA, Lafarge Mining Industries SA. Founding Chairperson of Palesa Ya Sechaba Foundation NPC, member of Unisa Council, and trustee of Pearson Marang Education Trust. Dolly was a member of the Deputy President's Advisory Panel on Eskom in 2015.

NC SEC

## Nigel George Payne

**Qualifications:** BCom (Hons), CA(SA), MBL

**Age:** 59

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

**Appointed:** March 10 2016

**Experience and expertise:** Nigel is a professional non-executive director, with significant listed company experience, including being the chairman of the Mr Price Group Limited and Vukile Property Fund Limited. He is a director and chairman of the audit and risk committees of Alexander Forbes Group Holdings Limited.

Nigel is a former member of the King Committee on corporate governance and a former member of the international governing body of the Institute of Internal Auditors.

Nigel has no executive responsibilities.

AC ARC RC SEC

## Helen Wiseman

**Qualifications:** BSc (Hons) University of Manchester, CA, GAICD, IDP-C INSEAD

**Age:** 53

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

**Appointed:** March 10 2016

**Experience and expertise:** A non-executive director, Helen has extensive international business experience across a range of sectors including food, pharmaceutical, manufacturing, distribution, mining, energy and financial services. Prior to embarking on her non-executive career, Helen was a partner at KPMG Australia. Helen chaired Bidvest's International foodservice business divisional audit committees from 2011 to 2016.

Helen has held various board and audit committee roles, including her current Bidcorp non-executive director role and audit and risk committee chairman for Bidcorp. Helen is currently a director of Soho Flordis International, the Australian Consumer Association (Choice) and Imalia. She is also Patron of SHINE for Kids (Australia).

ARC SEC

# Independent auditor's report

To the shareholders of Bid Corporation Limited

## Report on the audit of the consolidated and separate financial statements

### Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Bid Corporation Limited (the company) and its subsidiaries (together the group) as at 30 June 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

***What we have audited***

Bid Corporation Limited's consolidated and separate financial statements set out on pages 88 to 165 comprise:

- the consolidated statement of financial position as at 30 June 2019;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the notes to the consolidated financial statements, which include a summary of significant accounting policies:
- the separate statement of financial position as at 30 June 2019;
- the separate statement of comprehensive income for the year then ended;
- the separate statement of changes in equity for the year then ended;
- the separate statement of cash flows for the year then ended; and
- the notes to the separate financial statements, which include a summary of significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Independence***

We are independent of the group in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' International *Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

### Our audit approach

***Overview***


#### Overall group materiality

- Overall group materiality: R317 million, which represents 5% of the consolidated profit before taxation from continuing operations.

#### Group audit scope

- Full scope audits were performed over all financially significant components.
- Specified audit procedures were performed on certain account balances and transactions of three non-significant components to obtain sufficient and appropriate audit evidence to express an opinion on the consolidated financial statements as a whole.
- Our scoping provided audit work over more than:
  - 90% of revenue
  - 75% of profit before tax (on an absolute value basis)
  - 70% of non-current assets
  - 85% of current assets

#### Key audit matters

- Goodwill impairment assessment
- Assessment of agent versus principal and the impact on revenue recognition

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

## Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

| | |
|---|---|
| Overall group materiality | R317 million |
| How we determined it | 5% of the consolidated profit before taxation from continuing operations. |
| Rationale for the materiality benchmark applied | We chose profit before taxation from continuing operations as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector. |

## How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

The group has five principal reportable operating segments that align with its organisational design, namely Australasia, United Kingdom, Europe, Emerging Markets and Corporate.

The group’s financial statements are a consolidation of 52 reporting components, which make up the group’s five operating segments. Of these reporting components, we selected 16 components for full scope audits due to their financial significance. The materiality applied in performing these audits was limited to an appropriate allocation of the Bid Corporation Limited consolidated materiality. Specified audit procedures on certain balances and transactions were performed on three other reporting components and analytical review procedures were performed on the remaining components.

This, together with additional procedures performed at the group level, including testing of consolidation journal entries and intercompany eliminations, gave us the evidence we needed for our opinion on the group financial statements as a whole.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, or component auditors from other PwC network teams or firms. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the group financial statements as a whole.

We met with certain of the component auditors in the United Kingdom, European, Emerging Markets, and Corporate reporting segments and attended divisional audit and risk committee meetings for all components as part of planning and completion of the audit.

# Independent auditor's report continued

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following key audit matters relate to the consolidated financial statements. We have determined that there are no key audit matters to communicate in our report with regard to the separate financial statements.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Goodwill impairment assessment** | |
| Refer to notes 3 and 8.3 to the consolidated financial statements.<br><br>IAS 36: *Impairment of Assets* requires goodwill to be tested annually for impairment, or more frequently if impairment indicators are identified. As at year-end, the group had goodwill amounting to R14,784 million.<br><br>Management tested goodwill for impairment and concluded that there is no impairment as the recoverable amount exceeded the carrying amounts of the individual cash-generating units (CGUs) to which goodwill has been allocated.<br><br>The recoverable amount was based on the value in use for all CGUs. In determining the value in use of the CGUs, management applied judgement in determining the following key assumptions:<br>• Cash flow forecasts;<br>• Sales volumes, sales prices and variable input cost assumptions;<br>• Terminal growth rates;<br>• Capital expenditure forecasts; and<br>• the discount rates.<br><br>We considered the goodwill impairment assessment to be a matter of most significance to our current year audit due to the following:<br>• the magnitude of the consolidated goodwill balance;<br>• the level of judgement applied by management in performing the impairment assessment, including determining the key assumptions; and<br>• the sensitivity of the impairment assessment to certain key assumptions. | We obtained an understanding of the process and procedures applied by management during their impairment assessment of goodwill.<br><br>Our audit procedures included, among others, testing of the principles and integrity of management's value-in-use calculation. We evaluated management's calculation by:<br>• Challenging and testing the reasonability of the key assumptions used by management in the calculations, which included cash flow forecasts, sales volumes, sales price and variable input cost assumptions, terminal growth rates, capital expenditure forecasts and discount rates. We compared these key assumptions to industry benchmarks, historical performance and future market forecasts. We found management's key assumptions to be reasonable.<br>• We compared the process followed by management in determining these cash flow forecasts to past practice and found the process to be consistent with past practice.<br>• We considered the historical accuracy of forecasts by comparing the 2018 and 2019 actual results to the forecasts for those years. Where variances were noted, we followed up with management and assessed the reasonability of the variances. We found management's forecasts to be reasonable for most CGUs.<br>• Where certain forecasts indicated a deviation from past results, we adjusted the forecasts based on past results, and assessed the impact of this on the impairment to be recognised. This assessment indicated immaterial possible impairments on Iberia and Germany, and no further possible impairments on other CGUs.<br>• We made use of our valuation expertise to test the appropriateness and reasonability of the discount rate through independent recalculation of the discount rates. We found the discount rates used by management to be within a reasonable range for most CGUs.<br>• Where we found a higher discount rate to be more reasonable, we adjusted the calculation for the higher discount rate and assessed the impact of this on the possible impairment to be recognised. This assessment indicated immaterial possible impairments on Iberia and Germany, and no further possible impairments on other CGUs.<br>• We compared the long-term growth rates used by management to economic and industry forecasts and found the long-term growth rates to be within a reasonable range.<br>• We tested the mathematical accuracy of management's impairment assessment and utilised our valuation expertise to assess whether generally accepted valuation methodology was applied. No material differences were noted and we found the methodology applied by management to be acceptable.<br>• We performed independent sensitivity calculations on the impairment assessments in order to determine the degree by which the key assumptions (discount rate, growth rates and the terminal growth rate) needed to change in order to trigger an impairment. We discussed these with management and considered the likelihood of such changes occurring. We concurred with management on their conclusion that the key assumptions applied in the models were reasonable. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Assessment of agent versus principal and the impact on revenue recognition** | |
| Refer to note 4.1 to the consolidated financial statements.<br><br>Management applied judgement in determining whether they are acting as an agent or as a principal in relation to certain revenue transactions for Bidfood Netherlands.<br><br>Based on the agent versus principal assessment performed, it was concluded that Bidfood Netherlands is acting as an agent instead of as a principal in relation to certain chilled food deliveries. The comparative period has been restated to reflect this.<br><br>We consider the determination of agent versus principal to be a matter of most significance due to the significant judgements applied by management in determining whether the relationship is one of an agent rather than one of a principal as previously reflected. | We obtained an understanding of the nature of these chilled food delivery transactions by performing the following procedures:<br>• discussions with management;<br>• evaluating relevant legal agreements; and<br>• review of component auditors' working papers.<br><br>We utilised our accounting technical expertise to evaluate the assessment performed by management in determining whether Bidfood Netherlands acted as an agent or principal in relation to these transactions. In doing so we considered the following factors with reference to relevant legal agreements:<br>• which party had the inventory risk before and after the order;<br>• which party had the primary responsibility for providing the goods to the customers; and<br>• who had influence over setting the price at which the product was sold to the customers.<br><br>We concurred with management on their assessment that sales in relation to certain chilled food deliveries should be treated as sales as an agent. |

## Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Bid Corporation Limited annual financial statements for the year ended 30 June 2019", which includes the directors' report, the audit and risk committee report and the declaration by company secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report and other sections of the document titled "Bidcorp annual integrated report for the year ended 30 June 2019" which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

# Independent auditor's report continued

## Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Bid Corporation Limited for one year.

PricewaterhouseCoopers Inc.

**PricewaterhouseCoopers Inc.**
**Director: EJ Gerryts**
*Registered Auditor*

Johannesburg

27 August 2019

# Consolidated statement of profit or loss

| for the year ended June 30 | Note | 2019 R'000 | 2018 R'000 Restated# |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| **Revenue** | 4.1 | **129 249 988** | 117 702 956# |
| Cost of revenue | | **(98 418 233)** | (90 246 805)# |
| **Gross profit** | | **30 831 755** | 27 456 151 |
| Operating expenses | | **(24 165 327)** | (21 490 808) |
| Sales and distribution costs | | **(19 525 733)** | (17 455 430) |
| Administration costs | | **(4 512 337)** | (3 944 391) |
| Other costs | | **(127 257)** | (90 987) |
| **Trading profit** | | **6 666 428** | 5 965 343 |
| Share-based payment expense | 11.1 | **(114 468)** | (99 236) |
| Acquisition costs | 8.1 | **(27 686)** | (35 541) |
| Capital items | 4.2 | **44 106** | (58 391) |
| **Operating profit** | | **6 568 380** | 5 772 175 |
| Net finance costs | | **(285 942)** | (227 912) |
| Finance income | 10.2 | **109 506** | 84 502 |
| Finance charges | 10.2 | **(395 448)** | (312 414) |
| Share of profit of associates and jointly-controlled entities | | **59 148** | 52 378 |
| **Profit before taxation** | | **6 341 586** | 5 596 641 |
| Taxation | 5.1 | **(1 472 282)** | (1 368 818) |
| **Profit for the year from continuing operations** | | **4 869 304** | 4 227 823 |
| **DISCONTINUED OPERATIONS** | | | |
| Loss after taxation from discontinued operations | 13 | **(731 969)** | (662 713) |
| **Profit for the year** | | **4 137 335** | 3 565 110 |
| ***Attributable to*** | | | |
| Shareholders of the company | | **4 104 169** | 3 542 923 |
| From continuing operations | | **4 836 138** | 4 205 636 |
| From discontinued operations | | **(731 969)** | (662 713) |
| Non-controlling interests from continuing operations | | **33 166** | 22 187 |
| | | **4 137 335** | 3 565 110 |
| **Continuing operations (cents)** | | | |
| Basic earnings per share | 6.1 | **1 451,0** | 1 264,0 |
| Diluted basic earnings per share | 6.2 | **1 448,5** | 1 260,5 |
| Headline earnings per share | 6.3 | **1 443,6** | 1 282,9 |
| Diluted headline earnings per share | 6.3 | **1 441,2** | 1 279,3 |
| **Discontinued operations (cents)** | | | |
| Basic loss per share | 13 | **(219,6)** | (199,2) |
| Diluted basic loss per share | 13 | **(219,2)** | (198,6) |
| Headline loss per share | 13 | **(103,1)** | (155,5) |
| Diluted headline loss per share | 13 | **(103,0)** | (155,0) |
| **Total operations (cents)** | | | |
| Basic earnings per share | | **1 231,4** | 1 064,8 |
| Diluted basic earnings per share | | **1 229,3** | 1 061,9 |
| Headline earnings per share | | **1 340,5** | 1 127,4 |
| Diluted headline earnings per share | | **1 338,2** | 1 124,3 |
| **Dividends per share (cents)** | | **640,0** | 560,0 |

# *Refer note 4.1.*

# Consolidated statement of other comprehensive income

| for the year ended June 30 | 2019 R'000 | 2018 R'000 |
|---|---|---|
| **Profit for the year** | **4 137 335** | 3 565 110 |
| **Other comprehensive income net of taxation** | **(241 652)** | 1 179 542 |
| *Items that may be classified subsequently to profit or loss* | **(235 565)** | 1 177 096 |
| (Decrease) increase in foreign currency translation reserve | **(234 959)** | 1 178 884 |
| Decrease in fair value of cash flow hedges | **(606)** | (1 788) |
| Fair value loss arising during the year | **(837)** | (2 208) |
| Deferred taxation relief for the year | **231** | 420 |
| Financial assets held at fair value through other comprehensive income | **–** | – |
| Fair value loss arising during the year | **–** | (1 329) |
| Reclassified to profit or loss | **–** | 1 329 |
| *Items that will not be reclassified subsequently to profit or loss* | | |
| Defined benefit obligations | **(6 087)** | 2 446 |
| Remeasurement of defined benefit obligations during the year | **(6 257)** | 2 657 |
| Deferred taxation relief (charge) | **170** | (211) |
| **Total comprehensive income for the year** | | |
| ***Attributable to*** | **3 895 683** | 4 744 652 |
| Shareholders of the company | **3 862 897** | 4 698 321 |
| Non-controlling interest | **32 786** | 46 331 |
| | **3 895 683** | 4 744 652 |

# Consolidated statement of cash flows

| for the year ended June 30 | Note | **2019 R'000** | 2018 R'000 Re-presented |
|---|---|---|---|
| **Cash flows from operating activities** | | **2 332 967** | 2 620 857 |
| Cash generated by continuing operations# | 4.4 | **6 580 935** | 5 984 381 |
| Finance income received | 10.2 | **103 797** | 80 745 |
| Finance charges paid | 10.2 | **(366 610)** | (294 188) |
| Taxation paid | 5.3 | **(1 423 951)** | (1 423 711) |
| Dividends paid | 12.2 | **(1 978 885)** | (1 777 643) |
| Net operating cash flows from discontinued operations | 13 | **(582 319)** | 51 273 |
| **Cash effects from investment activities** | | **(3 739 498)** | (3 296 945) |
| Additions to property, plant and equipment | 7.1 | **(2 957 607)** | (2 315 516) |
| Additions to intangible assets | 7.2 | **(156 023)** | (123 872) |
| Proceeds on disposal of property, plant and equipment | | **271 349** | 292 005 |
| Proceeds on disposal of intangible assets | | **3** | 5 775 |
| Acquisition of businesses and subsidiaries | 8.1 | **(448 640)** | (965 611) |
| Proceeds on disposal of interests in subsidiary | 8.2 | **–** | 16 946 |
| Investment in jointly-controlled entity | 9.3 | **(51 017)** | – |
| Receipts from (payments) to associates | | **70 409** | (11 643) |
| Proceeds on disposal of investments | | **33 202** | 26 902 |
| Investments acquired | | **(79 166)** | (45 575) |
| Payments made to puttable non-controlling interests# | 10.4 | **(74 428)** | (74 782) |
| Payments made to vendors for acquisition# | | **(297 443)** | (85 255) |
| Net investing activities from discontinued operations | 13 | **(50 137)** | (16 319) |
| **Cash effects from financing activities** | | **856 149** | 675 599 |
| Treasury shares purchased during the year# | 12.1 | **(6 306)** | – |
| Borrowings raised | 10.3 | **5 135 168** | 5 381 256 |
| Borrowings repaid | 10.3 | **(4 232 742)** | (4 711 152) |
| (Payments to) receipts from non-controlling interests | | **(39 971)** | 5 495 |
| **Net decrease in cash and cash equivalents** | | **(550 382)** | (489) |
| Cash and cash equivalents at beginning of year | | **6 643 149** | 6 348 049 |
| Effects of exchange rate fluctuations on cash and cash equivalents | | **(34 498)** | 295 589 |
| **Cash and cash equivalents at end of year** | | **6 058 269** | 6 643 149 |
| ***Cash and cash equivalents comprise*** | | | |
| Cash and cash equivalents for continuing operations | | **5 775 863** | 5 927 352 |
| Cash and cash equivalents for discontinued operations | | **282 406** | 715 797 |
| | | **6 058 269** | 6 643 149 |

# *Refer to note 1 – "Basis of preparation".*

# Consolidated statement of financial position

| at June 30 | Note | 2019 R'000 | 2018 R'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | **31 294 178** | 29 711 793 |
| Property, plant and equipment | 7.1 | **14 025 113** | 12 497 123 |
| Intangible assets | 7.2 | **667 572** | 949 252 |
| Goodwill | 8.3 | **14 784 154** | 14 539 284 |
| Deferred taxation assets | 5.2 | **944 212** | 941 851 |
| Interest in associates | 9.1 | **177 978** | 215 045 |
| Investments and loans | 9.2 | **192 246** | 148 745 |
| Investment in jointly-controlled entities | 9.3 | **481 975** | 401 113 |
| Defined benefit pension assets | 11.3 | **20 928** | 19 380 |
| **Current assets** | | **33 637 800** | 32 219 601 |
| Inventories | 7.3 | **9 703 879** | 9 081 056 |
| Trade and other receivables | 7.4 | **15 213 598** | 14 583 086 |
| Assets classified as held-for-sale | 13 | **2 944 460** | 2 590 657 |
| Cash and cash equivalents | | **5 775 863** | 5 964 802 |
| **Total assets** | | **64 931 978** | 61 931 394 |
| **Equity and liabilities** | | | |
| **Capital and reserves** | | **28 735 967** | 26 788 904 |
| Capital and reserves attributable to shareholders of the company | 12.1 | **28 498 700** | 26 544 452 |
| Non-controlling interests | | **237 267** | 244 452 |
| **Non-current liabilities** | | **6 524 604** | 8 203 640 |
| Deferred taxation liabilities | 5.2 | **686 849** | 776 085 |
| Long-term portion of borrowings | 10.3 | **4 659 325** | 6 070 473 |
| Long-term puttable non-controlling interest liabilities | 10.4 | **336 620** | 356 522 |
| Long-term vendors for acquisition | | **275 144** | 300 315 |
| Post-retirement obligations | 11.3 | **59 117** | 48 489 |
| Long-term portion of provisions | 7.7 | **430 462** | 534 655 |
| Long-term portion of operating lease liabilities | 7.5 | **77 087** | 117 101 |
| **Current liabilities** | | **29 671 407** | 26 938 850 |
| Trade and other payables | 7.6 | **18 698 495** | 18 868 611 |
| Short-term portion of provisions | 7.7 | **313 892** | 243 397 |
| Short-term puttable non-controlling interest liabilities | 10.4 | **1 126 128** | 1 122 068 |
| Short-term vendors for acquisition | | **103 882** | 234 709 |
| Taxation | | **470 753** | 367 846 |
| Liabilities classified as held-for-sale | 13 | **3 116 633** | 2 613 207 |
| Short-term portion of borrowings | 10.3 | **5 841 624** | 3 489 012 |
| **Total equity and liabilities** | | **64 931 978** | 61 931 394 |
| Net asset value per share (cents) | | **8 497** | 7 914 |
| Net tangible asset value per share (cents) | | **3 890** | 3 296 |

# Consolidated statement of changes in equity

| for the year ended June 30 | 2019 R'000 | 2018 R'000 |
|---|---|---|
| **Equity attributable to shareholders of the company** | **28 498 700** | 26 544 452 |
| **Stated capital** | **5 428 016** | 5 428 016 |
| **Treasury shares** | **(435 584)** | (601 908) |
| Balance at beginning of the year | **(601 908)** | (795 187) |
| Shares purchased during the year | **(6 306)** | – |
| Shares disposed of in terms of share incentive plans | **172 630** | 193 279 |
| **Foreign currency translation reserve** | **5 263 176** | 5 497 156 |
| Balance at beginning of the year | **5 497 156** | 4 318 272 |
| (Decrease) increase in foreign currency translation reserve | **(234 579)** | 1 178 884 |
| Realisation of reserve on foreign subsidiaries | **599** | – |
| **Hedging reserve** | **(1 056)** | (450) |
| Balance at beginning of the year | **(450)** | 1 338 |
| Fair value loss arising during the year | **(837)** | (2 208) |
| Deferred tax recognised directly in reserve | **231** | 420 |
| **Equity-settled share-based payment reserve** | **341 798** | 325 383 |
| Balance at beginning of year | **325 383** | 20 914 |
| Arising during the year from total operations | **116 882** | 102 346 |
| Deferred tax recognised directly in reserve | **7 143** | 145 |
| Utilisation during the year from total operations | **(172 630)** | (193 279) |
| Transfer to retained earnings | **65 020** | 395 257 |
| **Retained earnings** | **17 902 350** | 15 896 255 |
| Balance at beginning of the year | **15 896 255** | 14 574 861 |
| IFRS 9 transition adjustment to retained earnings at beginning of year (refer note 7.4) | **(60 447)** | – |
| Attributable profit | **4 104 169** | 3 542 923 |
| Remeasurement of defined benefit obligations during the year | **(6 087)** | 2 446 |
| Remeasurement of puttable non-controlling interest | **12 964** | 2 801 |
| Dividends paid | **(1 978 885)** | (1 777 643) |
| Transfers of reserves as a result of changes in shareholding of subsidiaries | **–** | (53 876) |
| Transfer from foreign currency translation reserve | **(599)** | – |
| Transfer from equity-settled share-based payment reserve | **(65 020)** | (395 257) |
| **Equity attributable to non-controlling interests of the company** | **237 267** | 244 452 |
| Balance at beginning of the year | **244 452** | 123 306 |
| Total comprehensive income | **32 786** | 46 331 |
| Attributable profit | **33 166** | 22 187 |
| Movement in foreign currency translation reserve | **(380)** | 24 144 |
| Dividends paid | **(52 854)** | (24 357) |
| Share of movement on other reserves | **–** | 3 022 |
| Changes in shareholding | **83 347** | 342 342 |
| Transfer to puttable non-controlling interest liability (refer note 10.4) | **(70 464)** | (246 192) |
| **Total equity** | **28 735 967** | 26 788 904 |

# Notes to the consolidated financial statements

for the year ended June 30

## 1. BASIS OF PREPARATION

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), in compliance with JSE Listings Requirements, the interpretations adopted by the International Accounting Standards Board (IASB), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa 2008. The preparation of the consolidated and separate financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances (the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources), the actual outcome may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made in the application of IFRS that have had an effect on the financial statements and estimates with a risk of adjustment in the next year are set out in note 3. The consolidated financial statements as at and for the year ended June 30 2019 comprise the company, its subsidiaries and equity accounted investees (together referred to as the “group” or “Consolidated” and separately “Separate” or “company”). The accounting policies have been applied consistently to all years presented in the consolidated and separate financial statements. The accounting policies are the same for the consolidated and separate financial statements, unless specifically stated otherwise. The financial statements are presented in South African rand, which is the group’s presentation currency. All financial information has been rounded to the nearest thousand unless stated otherwise.

With effect from July 1 2018, the group adopted IFRS 9 *Financial instruments* (IFRS 9) and IFRS 15 *Revenue from Contracts with Customers* (IFRS 15). The effects of these adopted standards have been detailed below:

The objective of IFRS 9 is to establish principles for the classification and measurement of financial assets and liabilities, hedging and the introduction of the expected credit loss (ECL) model for the measurement of impairment allowances for financial assets. The key impact of IFRS 9 for the group relates to the application of the ECL model in the measurement of the impairment allowance of our trade receivables (through the application of the simplified approach). In terms of IAS 39, trade and other receivables were impaired when there was objective evidence of default. IFRS 9 dictates that the impairment is based on the lifetime expected credit losses on trade and other receivables. ECLs are calculated, as a function of the decentralised structure, by each operation by applying the historic loss ratios to aged balances of trade receivables at each reporting date. In determining the ECL, each operation splits the trade receivables into groups based on shared credit risk characteristics and the days past due; namely, by splitting customers into the type of customer (Independent, Chain, Logistics, and Retail), geographical regions, product types, customer ratings and trade credit insurances. In instances where there was no evidence of historical impairment, each operation's management used their knowledge of their business and forward-looking macro-economic information to determine the potential loss rate. The group applied the standard retrospectively but has elected not to restate comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been made to the opening balances at the date of initial application. The impact for the group is an additional impairment allowance of R60,4 million against opening retained earnings. Refer to note 7.4 trade and other receivables and the statement of changes in equity for further details.

IFRS 15 relates to the measurement, classification and disclosure of revenue from contracts with customers and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised as the group satisfies performance obligations and transfers control of goods or services to its customers as opposed to the application of the risks and rewards criteria under IAS 18.

The measurement of revenue is determined based on the amount to which the group expects to be entitled, allocated to each specific performance obligation. Depending on whether certain criteria are met, revenue is recognised either over time or at a point in time, as or when control of goods or services is transferred to the customer. As at July 1 2018 there was no significant impact from the adoption of IFRS 15 due to the group not being involved in material multiple-element arrangements with customers. Secondly, the majority of the group’s revenue is earned through the sale of goods relating to frozen, ambient, chilled and other non-food products, ie revenue recognised at a point in time. Therefore, no transition adjustments have been processed to retained earnings.

The comparatives of the consolidated statement of profit and loss, consolidated statement of cash flows and related notes have been represented to show PCL Transport 24/7 Limited (PCL) as a discontinued operation separately from continuing operations.

## 1. BASIS OF PREPARATION (continued)

In addition to showing PCL separately from continuing operations, the group made the following representations to the statement of cash flows and have adjusted comparatives accordingly.

- cash effects from payments made to puttable non-controlling interests and vendors for acquisition were reclassified from cash effects from financing activities to cash effects from investing activities due to them being associated with the acquisition of businesses and subsidiaries. The comparatives were re-presented to show this cash flow activity change. This representation had no impact on the group's cash and cash equivalents or statement of financial position;
- cash effects from the group's share incentive plans were previously recorded on a gross basis with intergroup cash received from participant employment companies disclosed under cash flows from operating activities and the proceeds received for the sale of the treasury shares under cash flows from financing activities. As there was no change to the group's overall cash and cash equivalents position, this transaction is now shown on a net basis. In other words, no effect to cash flows from operating and financing activities. The comparatives were re-presented to show this cash flow activity change. This representation had no impact on the group's cash and cash equivalents or statement of financial position.

| | Previously reported 2018 R'000 | Payments to puttable NCI and VFA re-presented as investing activities R'000 | Group share incentive scheme payments and treasury shares sold re-presented on a net basis R'000 | **Re-presented 2018 R'000** |
|---|---|---|---|---|
| Operating activities | 2 427 578 | – | 193 279 | **2 620 857** |
| Investing activities | (3 136 908) | (160 037) | – | **(3 296 945)** |
| Financing activities | 708 841 | 160 037 | (193 279) | **675 599** |
| **Net change in cash and cash equivalents** | (489) | – | – | **(489)** |

The consolidated and separate financial statements were approved by the board of directors on August 27 2019.

## 2. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the company and its subsidiaries. Subsidiaries are entities controlled by the group. Control is achieved when the company has the power over an investee, is exposed to or has rights to variable returns from its involvement with an investee and has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these three elements. When the company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including the size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders; potential voting rights held by the company, other vote holders or other parties; rights arising from other contractual arrangements; and any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the company gains control until the date when the company ceases to control the subsidiary. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with the group's significant accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the group are eliminated on consolidation.

Changes in the group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the company.

## 2. BASIS OF CONSOLIDATION (continued)

### 2.1 Business combinations

The group accounts for business combinations using the acquisition method. The consideration transferred for the acquisition of a business is the fair value of assets transferred, the liabilities incurred and the equity issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent arrangement. If the contingent arrangement is classified as equity, then it is not remeasured and settlement is accounted for in equity. Subsequent changes in the fair value of other contingent arrangements are recognised in profit or loss. Acquisition-related costs, apart from costs directly related to the raising of debt and/or equity, are accounted for in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at acquisition date. The group recognises any non-controlling interest at the non-controlling interest's proportionate share of the subsidiary's net assets on an acquisition-by-acquisition basis. When a business combination is achieved in stages, the group's previously held equity interest in an entity is remeasured to its acquisition date fair value and the resulting gain or loss recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the entity and the acquisition date fair value of any previous equity interest in the business over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill and separately identifiable intangible assets. If this is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss as a bargain purchase gain.

The company carries its investments in subsidiaries at cost less accumulated impairment losses. The excess of the consideration transferred, the amount of any non-controlling interest in the entity and the acquisition date fair value of any previous equity interest in the business over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss as a bargain purchase gain.

The company carries its investments in subsidiaries at cost less accumulated impairment losses.

### 2.2 Foreign operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into South African rand at rates of exchange ruling at the reporting date. Income, expenditure and cash flow items are translated into South African rand at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in equity as a foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to the statement of profit or loss.

Acquisitions and disposals of foreign operations are accounted for at the exchange rate ruling on the date of the transaction.

Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction date. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the reporting date. Translation differences are generally recognised in the statement of profit or loss.

## 3. ACCOUNTING ESTIMATES, JUDGEMENTS AND FAIR VALUES

The board of directors has considered the group's accounting policies, key sources of uncertainty and areas where accounting judgements were required in applying the group's accounting policies. A number of the group's accounting policies and disclosures require the determination of fair values 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.

### Accounting judgements and determination of fair values 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 set out below:

#### Property, plant and equipment

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 best estimate of the useful lives of the assets. All properties are accounted for as own use assets and are thus held at cost less accumulated depreciation. Market indicators reflect that these properties could realise more than their carrying values if disposed of. 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.

Property, plant and equipment are depreciated over their useful lives, taking into account applicable residual values.

#### Goodwill and indefinite life intangible assets

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

#### 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.

#### Inventories

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

#### Revenue (agent versus principal)

The group considers the determination of the agent versus principal classification to be a judgement applied in determining that the relationship is one of principal rather than one of an agent. For logistics revenue recognition, the group obtained an understanding of the nature of these revenue transactions and utilised our technical accounting experts to evaluate whether control was transferred to the group before transferring to the customer or not. The group considered whether control associated with inventory had passed to the group before transfer to the customer; which party carried the inventory risk before and after the customer order; which party had the primary responsibility for providing the goods to the customers; and who had influence over setting the price at which the product was sold to the customers.

#### Trade receivables

Trade receivables are initially measured at fair value, which is equal to the consideration expected to be received from the satisfaction of performance obligations, plus any directly attributable transaction costs. At the time of initial recognition in accordance with IFRS 9 the group assesses the expected credit loss by applying the simplified approach. To measure ECLs each operation applies a historic loss ratio to trade receivables at each reporting date. In determining the ECL, each operation splits the trade receivables into groups based on shared credit risk characteristics and the days past due, namely by splitting customers into the type of customer (Independent, Chain, Logistics, and Retail), geographical regions, product types, customer ratings and trade credit insurances. In instances where there was no evidence of historical impairment, each operation's management used their knowledge of their business and forward-looking macro-economic information to determine the potential loss rate. In addition, specific provisions are raised for trade receivables if doubts on their collectability are known.

## 3. ACCOUNTING ESTIMATES, JUDGEMENTS AND FAIR VALUES (continued)

### Accounting judgements and determination of fair values in applying the group's accounting policies (continued)

#### Puttable non-controlling interest liabilities

The group has entered into put non-controlling interest (NCI) arrangements where non-controlling interests are entitled to sell certain of their holdings in subsidiaries to the group at future contracted dates. The puttable non-controlling interest liability is calculated as the present value of the contracted redemption value (ie contracted EBITDA multiple or market value formula), discounted from the expected redemption date to the reporting date. The main assumptions used in the calculation of the liability is the contracted redemption value at the expected redemption date and the discount rate used to discount the expected redemption value to the reporting date. The discount rate is derived from an applicable government bond yield curve, in the country in which the subsidiary operates, and is applied over the number of years between the reporting date and the redemption date, plus an appropriate credit spread.

The group has applied judgement to recognise subsequent measurement changes in the puttable NCI liabilities in accordance with the principles of IFRS 10.23. Changes in assumptions used to estimate the future purchase price of the puttable NCI liabilities are recorded directly in retained earnings in the statement of changes in equity. There is diversity in practice as to whether to recognise subsequent measurement changes in the carrying amount in profit or loss or equity. This accounting policy judgement applied by the group has not had a significant impact on the amounts recognised in the financial statements. Refer to the statement of changes of equity and note 10.4 for the remeasurement of the puttable NCI liabilities during the year. This accounting policy treatment has been consistently applied by the group and will be applied going forward until there is an interpretation note that is definitive on where subsequent measurement changes are required to be accounted for in terms of IFRS.

#### Forward exchange contracts

The fair value of forward exchange contracts are based on their 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

*Share appreciation right*

The fair value of the share appreciation right awards are measured using a binomial method. 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 South African government bonds).

*Conditional share plan*

The fair value of the conditional share plan awards are measured using a Monte Carlo method, which best captures the path dependent nature and specific features of these awards. The path dependency of the share award arises from the interaction between dividends and the performance hurdle in the valuation model, as well as the dependency of the valuation on the level of achievement of the vesting conditions at the performance period end dates. The evolution of Bidcorp's and the peer group members' total shareholder return prices are modelled using the market-accepted log-normal share price process taking into account input parameters which are based on historical share price data.

| | | 2019 R'000 | 2018 R'000 Restated# |
|---|---|---|---|
| **4.** | **OPERATING PERFORMANCE** | | |
| **4.1** | **Revenue** | | |
| | Sale of goods – frozen | **46 548 250** | 41 689 286 |
| | Sale of goods – chilled | **36 458 831** | 34 032 079 |
| | Sale of goods – ambient | **39 869 549** | 35 798 872 |
| | Sale of goods – non-food | **6 101 714** | 5 966 212 |
| | Rendering of services and commissions earned | **271 644** | 216 507 |
| | | **129 249 988** | 117 702 956 |
| | **Revenue percentage by market segmentation** | | |
| | Independent | **52%** | 53% |
| | Chain | **34%** | 34% |
| | Logistics | **6%** | 5% |
| | Retail and other | **8%** | 8% |
| | | **100%** | 100% |
| | **Analysis of revenue per country by percentage** | | |
| | United Kingdom | **26%** | 26% |
| | Australia | **16%** | 17% |
| | Netherlands | **9%** | 9% |
| | New Zealand | **8%** | 8% |
| | Italy | **6%** | 5% |
| | People's Republic of China and Hong Kong | **6%** | 6% |
| | Belgium | **5%** | 5% |
| | Czech Republic | **5%** | 5% |
| | South Africa | **5%** | 5% |
| | Other | **14%** | 14% |
| | | **100%** | 100% |

# *Revenue and cost of revenue restatement of comparatives*

### Composition of revenue

- Revenue comprises amounts earned from customers from the sale of frozen, chilled, ambient and non-food products (goods) and from the rendering of services.
- Revenue is disclosed net of value added taxation.
- Revenue is net of returns and allowances, trade discounts and volume rebates all of which have been apportioned to the sale of goods.

### Customer segmentation

#### Independent

Independent customers predominantly include independent restaurants. Independent customers typically generate higher gross margins that more than offsets the higher supply chain costs that we incur in serving these customers. Independent customers use more value-added services, particularly in the areas of product selection and procurement, market trends, menu development, and operational strategy.

#### Chain

Chain customers are multi-unit restaurants which includes fine dining, family and casual dining, as well as hotels, healthcare facilities, and other multi-unit institutional customers.

## 4. OPERATING PERFORMANCE (continued)

### 4.1 Revenue (continued)

#### Logistics

Logistics customers are predominately quick serve restaurants (QSR) whereby the customer instructs which suppliers are to be used for procurement and when to deliver the product to the customer.

#### Retail

Retail customers predominately include independent retailers.

#### Revenue recognition

Revenue is recognised from the sale of goods and is measured at the amount of the transaction price received in exchange for transferring goods. The transaction price is the expected consideration to be received, to the extent that it is highly probable that there will not be a significant reversal of revenue in future, after deducting discounts, volume rebates, value added tax and other sales taxes. Control of the goods is passed when title and insurance risk have passed to the customer, which is typically when the goods have been delivered to an agreed location. When the period of time between delivery of goods and subsequent payment by the customer is less than one year, no adjustment for a financing component is made.

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at reporting date. The stage of completion is time based and dependent on the terms of the contract.

Revenue from commissions and fees is recognised in the statement of profit or loss in proportion to the stage of completion of the transaction at the statement of financial position date.

#### Revenue restatement

Following a reassessment of the group's judgements of agent versus principal it was detected that Bidfood Netherlands (Europe segment) was acting as an agent, instead of as principal on certain chilled food deliveries. To reflect this restatement, the comparative revenue and cost of revenue were restated as set out below:

| | Previously reported revenue and cost of revenue 2018 R'000 | Re-presentation of PCL due to classification as a discontinued operation (refer note 13) R'000 | Revenue and cost of revenue post-PCL discontinued operation classification R'000 | Restatement R'000 | **Restated revenue and cost of revenue 2018 R'000** |
|---|---|---|---|---|---|
| Revenue | 119 359 635 | (1 154 014) | 118 205 621 | (502 665) | **117 702 956** |
| Cost of revenue | (90 749 470) | — | (90 749 470) | 502 665 | **(90 246 805)** |

This restatement had no impact on the group's gross profit, earnings per share, headline earnings per share or statement of financial position.

#### IFRS 15: *Revenue from Contracts with Customers* transitional application

As at July 1 2018 there was no significant impact from the adoption of IFRS 15 *Revenue from Contracts from Customers* due to the group not being involved in material multiple-element arrangements with customers. Therefore, no transition adjustments have been processed to retained earnings. The majority of the group's revenue is earned through the sale of goods relating to frozen, ambient, chilled and other non-food products.

| | 2019 R'000 | 2018 R'000 |
|---|---|---|

## 4. OPERATING PERFORMANCE (continued)

### 4.2 Operating profit

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| Determined after charging (crediting) | | |
| Auditors' remuneration | **56 920** | 45 608 |
| Group auditor audit fees and related expenses | **44 341** | 36 861 |
| Group auditor related tax, consulting, other related expenses | **4 529** | 4 183 |
| Other audit firm fees and related expenses | **8 050** | 4 564 |
| Depreciation of property, plant and equipment disclosed as continuing operations | **1 186 132** | 1 027 055 |
| Leasehold premises | **91 322** | 74 383 |
| Plant and equipment | **389 218** | 334 769 |
| Office equipment, furniture and fittings | **165 256** | 140 235 |
| Vehicles | **540 336** | 477 668 |
| Depreciation of property, plant and equipment disclosed as discontinued operations | **12 510** | 35 640 |
| PCL | **12 510** | 16 284 |
| Best Food Logistics | **–** | 19 356 |
| Amortisation of intangible assets disclosed as continuing operations | **144 068** | 129 271 |
| Patents, trademarks, tradenames and other intangibles | **39 397** | 38 019 |
| Computer software | **104 671** | 91 252 |
| Amortisation of intangible assets disclosed as discontinued operations | **135** | 23 429 |
| PCL | **135** | 20 353 |
| Best Food Logistics | **–** | 3 076 |
| *Directors' emoluments (full details of executive and non-executive remuneration is included in note 11.2)* | | |
| Executive directors | **46 579** | 44 322 |
| Basic remuneration | **21 573** | 20 304 |
| Retirement and medical benefits | **722** | 690 |
| Other benefits and costs | **452** | 446 |
| Cash incentives | **23 832** | 22 882 |
| Non-executive director emoluments | **12 644** | 11 351 |
| Employer contributions to | **1 053 784** | 865 932 |
| Defined contribution pension funds | **313 670** | 261 350 |
| Provident funds | **24 964** | 20 996 |
| Retirement funds | **67 659** | 25 275 |
| Social securities | **591 590** | 503 752 |
| Medical aids | **55 901** | 54 559 |
| Defined benefit pension plans related expenses | **16 357** | 17 103 |
| Share-based payment expense disclosed as continuing operations (refer note 11.1) | **114 468** | 99 236 |
| Bidvest Incentive Scheme (BIS) | **11 416** | 23 001 |
| Bid Corporation Limited Share Appreciation Rights Plan (SARs) | **61 577** | 45 212 |
| Bidcorp Conditional Share Plan (CSP) | **41 475** | 31 023 |

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| **4. OPERATING PERFORMANCE** (continued) | | |
| **4.2 Operating profit** (continued) | | |
| Staff costs excluding directors' emoluments and employer contributions | **14 118 402** | 12 567 203 |
| Foreign exchange losses (gains) on hedging activities | **9 570** | (25 379) |
| Forward exchange contracts | **9 545** | (25 276) |
| Foreign bank accounts | **25** | (103) |
| Foreign exchange (gains) losses | **(25 247)** | 4 678 |
| Realised | **(19 360)** | (1 971) |
| Unrealised | **(5 887)** | 6 649 |
| Operating lease charges | **1 070 956** | 1 004 348 |
| Land and buildings | **766 265** | 708 855 |
| Equipment and vehicles | **304 691** | 295 493 |
| Transport costs | **3 276 358** | 2 602 648 |
| Fuel | **868 200** | 662 970 |
| Vehicle running and transport costs (repairs, road tax, etc) | **1 417 676** | 1 202 364 |
| Freight out | **990 482** | 737 314 |
| Impairment of assets relating to continuing operations# | **49 338** | 90 855 |
| Property, plant and equipment | **27 992** | 25 833 |
| Intangible assets | **21 346** | 5 347 |
| Goodwill | **–** | 58 079 |
| Investment held at fair value through other comprehensive income | **–** | 1 329 |
| Associates | **–** | 267 |
| Net capital profit# | **(93 444)** | (32 464) |
| Profit on disposal of property, plant and equipment | **(93 444)** | (15 318) |
| Loss on disposal of interests in subsidiaries | **–** | 9 050 |
| Gain from bargain purchase | **–** | (4 222) |
| Insurance proceeds received in relation to the impairment of property, plant and equipment | **–** | (21 974) |
| # *Items above included as capital items on consolidated statement of profit or loss* | **(44 106)** | 58 391 |

### 4.3 Segmental operational performance

The group has the following strategic segments: Australasia, United Kingdom, Europe, Emerging Markets, and Corporate, which are the reportable segments. The reportable segments of the group have been identified based on the regions of the businesses. This basis is representative of the internal structure for management purposes and management reports are reviewed by the executive management team on a monthly basis. "Segmental trading profit" is defined as operating profit excluding items of a capital nature and is the basis on which management's performance is assessed. Share-based payment costs are also excluded from the result as this is not a criteria used in the management of the reportable segments. There is no individual customer who contributes more than 10% to the group's total revenue.

The segmental comparatives for notes 4.3, 7.1, 7.2, 7.6 and 7.8 have been re-presented to reflect PCL as a discontinued operation separately from continuing operations and the reclassification of BidOne (which provides e-commerce support services and project upgrades for the "myBidfood" application used by group entities) from Australasia to Corporate.

## 4. OPERATING PERFORMANCE (continued)

### 4.3 Segmental operational performance (continued)

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| **Segmental revenue** | | |
| Australasia | **31 145 965** | 30 030 647 |
| United Kingdom | **33 327 046** | 30 265 100 |
| Europe | **43 663 890** | 38 731 614 |
| Emerging Markets | **21 113 087** | 18 675 595 |
| | **129 249 988** | 117 702 956 |

| | Total | Australasia | United Kingdom | Europe | Emerging Markets |
|---|---|---|---|---|---|
| **Segmental revenue by category and market** | | | | | |
| **2019** | | | | | |
| Sale of goods – frozen | **46 548 250** | **11 787 935** | **10 527 108** | **14 780 068** | **9 453 139** |
| Sale of goods – chilled | **36 458 831** | **7 805 757** | **8 898 736** | **15 224 572** | **4 529 766** |
| Sale of good – ambient | **39 869 549** | **9 978 636** | **12 052 808** | **11 597 325** | **6 240 780** |
| Sale of goods – non-food | **6 101 714** | **1 571 822** | **1 842 262** | **1 798 228** | **889 402** |
| Rendering of services and commissions | **271 644** | **1 815** | **6 132** | **263 697** | **–** |
| | **129 249 988** | **31 145 965** | **33 327 046** | **43 663 890** | **21 113 087** |
| Independent | **52%** | **74%** | **41%** | **47%** | **50%** |
| Chain | **34%** | **13%** | **59%** | **24%** | **42%** |
| Logistics | **6%** | **9%** | **0%** | **10%** | **1%** |
| Retail and other | **8%** | **4%** | **0%** | **19%** | **7%** |
| | **100%** | **100%** | **100%** | **100%** | **100%** |
| **2018** | | | | | |
| Sale of goods – frozen | 41 689 286 | 11 085 883 | 9 159 453 | 12 671 268 | 8 772 682 |
| Sale of goods – chilled | 34 032 079 | 7 418 203 | 8 325 737 | 14 056 772 | 4 231 367 |
| Sale of good – ambient | 35 798 872 | 10 244 213 | 11 118 142 | 9 676 139 | 4 760 378 |
| Sale of goods – non-food | 5 966 212 | 1 282 348 | 1 655 721 | 2 117 079 | 911 064 |
| Rendering of services and commissions | 216 507 | – | 6 047 | 210 356 | 104 |
| | 117 702 956 | 30 030 647 | 30 265 100 | 38 731 614 | 18 675 595 |
| Independent | 53% | 75% | 41% | 45% | 55% |
| Chain | 34% | 18% | 59% | 26% | 39% |
| Logistics | 5% | 5% | 0% | 11% | 0% |
| Retail and other | 8% | 2% | 0% | 18% | 6% |
| | 100% | 100% | 100% | 100% | 100% |

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| **4. OPERATING PERFORMANCE** (continued) | | |
| **4.3 Segmental operational performance** (continued) | | |
| **Segmental trading profit** | | |
| **Trading division** | **6 770 272** | 6 038 443 |
| Australasia | **2 147 000** | 1 962 476 |
| United Kingdom | **1 720 467** | 1 430 025 |
| Europe | **1 860 482** | 1 618 219 |
| Emerging Markets | **1 042 323** | 1 027 723 |
| **Corporate** | **(103 844)** | (73 100) |
| | **6 666 428** | 5 965 343 |
| **Segmental trading EBITDA** | | |
| **Trading division** | **8 091 983** | 7 188 917 |
| Australasia | **2 410 161** | 2 199 283 |
| United Kingdom | **2 096 803** | 1 748 311 |
| Europe | **2 356 901** | 2 043 268 |
| Emerging Markets | **1 228 118** | 1 198 055 |
| **Corporate** | **(95 355)** | (67 248) |
| | **7 996 628** | 7 121 669 |
| **Segmental employee benefits and remuneration** | | |
| **Trading division** | **15 130 735** | 13 396 230 |
| Australasia | **3 493 845** | 3 326 274 |
| United Kingdom | **4 346 674** | 3 839 092 |
| Europe | **5 260 376** | 4 506 255 |
| Emerging Markets | **2 029 840** | 1 724 609 |
| **Corporate** | **100 674** | 92 578 |
| | **15 231 409** | 13 488 808 |
| Share-based payment expense | **114 468** | 99 236 |
| | **15 345 877** | 13 588 044 |

| | Number of employees | Number of employees |
|---|---|---|
| **4. OPERATING PERFORMANCE** (continued) | | |
| **4.3 Segmental operational performance** (continued) | | |
| **Segmental number of employees** | | |
| **Trading division** | **25 801** | 25 197 |
| Australasia | **4 704** | 4 614 |
| United Kingdom | **7 067** | 6 727 |
| Europe | **7 930** | 7 842 |
| Emerging Markets | **6 100** | 6 014 |
| **Corporate** | **57** | 48 |
| | **25 858** | 25 245 |

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| **4.4 Cash generated by continuing operations** | | |
| Reconciliation of operating profit to cash generated from continuing operations | | |
| Operating profit | **6 568 380** | 5 772 175 |
| Adjustments for: | | |
| Costs incurred in respect of acquisitions | **27 686** | 35 541 |
| Dividends received from jointly-controlled entity | **–** | 25 000 |
| Adjustment for depreciation and amortisation | **1 330 200** | 1 156 326 |
| Adjustment for non-cash items | **94 436** | (39 242) |
| Charge to profit or loss for share-based payments | **114 468** | 99 236 |
| Profit on disposal of plant, property and equipment | **(145 762)** | (151 542) |
| Impairment of plant, property and equipment | **27 992** | 25 833 |
| Impairment of intangible assets | **21 346** | 5 347 |
| Impairment of goodwill | **–** | 58 079 |
| Other non-cash items movements | **76 392** | (76 195) |
| Working capital changes | **(1 439 767)** | (965 419) |
| Increase in inventories | **(618 140)** | (503 907) |
| Increase in trade and other receivables | **(803 794)** | (1 288 630) |
| (Decrease) increase in trade and other payables and provisions | **(17 833)** | 827 118 |
| Cash generated by continuing operations | **6 580 935** | 5 984 381 |

| | 2019 R'000 | 2018 R'000 |
|---|---|---|

## 5. TAXATION

### 5.1 Income taxation expense

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| Current taxation | **1 506 926** | 1 349 535 |
| Current year | **1 506 353** | 1 367 424 |
| Prior years' under (over) provision | **573** | (17 889) |
| Deferred taxation | **(47 475)** | 15 179 |
| Current year | **(37 943)** | 7 619 |
| Prior years' (over) under provision | **(12 194)** | 9 102 |
| Change in rate of taxation | **2 662** | (1 542) |
| Foreign withholding taxation | **12 831** | 4 104 |
| Total taxation per consolidated statement of profit or loss | **1 472 282** | 1 368 818 |
| Comprising | | |
| South African taxation | **191 723** | 170 338 |
| Foreign taxation | **1 280 559** | 1 198 480 |
| | **1 472 282** | 1 368 818 |

Income taxation comprises current and deferred taxation. Income taxation expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

Current taxation comprises taxation payable calculated on the basis of the expected taxable income for the year, using the taxation rates enacted or substantively enacted at the reporting date, and any adjustment of taxation payable for previous years.

| | 2019 % | 2018 % |
|---|---|---|
| The reconciliation of the effective taxation rate with the South African company taxation rate is: | | |
| Taxation for the year as a percentage of profit before taxation | **23,2** | 24,5 |
| Associates | **0,2** | 0,2 |
| Effective rate excluding associate income | **23,4** | 24,7 |
| Dividend and exempt income | **0,7** | 0,5 |
| Foreign taxation rate differential | **3,3** | 2,7 |
| Non-deductible expenses | **(1,0)** | (1,7) |
| Deferred taxation assets not previously raised | **0,6** | 1,5 |
| Exempt portion of capital gains | **0,8** | 0,1 |
| Changes in prior years' estimation | **0,2** | 0,2 |
| Rate of South African company taxation (%) | **28,0** | 28,0 |

Non-deductible expenses comprise impairments relating to property, plant and equipment (refer note 7.1) and intangible assets (refer note 7.2) and other non-deductible expenses individually insignificant across the group.

| | 2019 R'000 | 2018 R'000 |
|---|---|---|

## 5. TAXATION (continued)

### 5.2 Deferred taxation

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| Deferred taxation assets | **944 212** | 941 851 |
| Deferred taxation liabilities | **(686 849)** | (776 085) |
| Net deferred taxation asset | **257 363** | 165 766 |
| **Movement in net deferred taxation assets and liabilities** | | |
| Balance at beginning of year | **165 766** | 179 376 |
| Total operations deferred taxation charge | **125 638** | (16 955) |
| Items recognised directly in equity and other comprehensive income | **7 544** | 354 |
| On acquisition of businesses | **(37 820)** | (3 914) |
| Transfer to assets/liabilities classified as held-for-sale | **1 185** | 5 138 |
| Exchange rate adjustments | **(4 950)** | 1 767 |
| Balance at end of year | **257 363** | 165 766 |

| | Assets R'000 | Liabilities R'000 | Net R'000 |
|---|---|---|---|
| **Temporary differences** | | | |
| **2019** | | | |
| Differential between carrying values and tax values of property, plant and equipment | **(13 444)** | **(368 648)** | **(382 092)** |
| Differential between carrying values and tax values of intangible assets | **46 576** | **(38 399)** | **8 177** |
| Estimated taxation losses | **119 752** | **10 839** | **130 591** |
| Staff-related allowances and liabilities | **244 979** | **44 830** | **289 809** |
| Operating lease liabilities | **8 588** | **(767)** | **7 821** |
| Inventories | **18 559** | **2 685** | **21 244** |
| Investments | **–** | **(126 051)** | **(126 051)** |
| Trade and other receivables | **80 217** | **4 783** | **85 000** |
| Trade, other payables and provisions | **438 985** | **(216 121)** | **222 864** |
| | **944 212** | **(686 849)** | **257 363** |
| *2018* | | | |
| Differential between carrying values and tax values of property, plant and equipment | (16 575) | (319 915) | (336 490) |
| Differential between carrying values and tax values of intangible assets | 34 983 | (68 342) | (33 359) |
| Estimated taxation losses | 78 998 | (2 730) | 76 268 |
| Staff-related allowances and liabilities | 231 786 | 24 119 | 255 905 |
| Operating lease liabilities | 31 211 | (602) | 30 609 |
| Inventories | 14 756 | 597 | 15 353 |
| Investments | – | (149 779) | (149 779) |
| Trade and other receivables | 78 288 | 5 607 | 83 895 |
| Trade, other payables and provisions | 488 404 | (265 040) | 223 364 |
| | 941 851 | (776 085) | 165 766 |

Deferred taxation has been provided at rates ranging between 15% and 35% (2018: 15% and 35%). The variance in rates arises as a result of the differing taxation and capital gains taxation rates present in the various countries in which the group operates.

## 5. TAXATION (continued)

### 5.2 Deferred taxation (continued)

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| Estimated tax losses available for offset against future taxable income | **209 492** | 151 072 |
| Utilised in the computation of deferred taxation | **(131 553)** | (71 643) |
| Not accounted for in deferred taxation | **77 939** | 79 429 |

Deferred taxation assets have not been recognised in respect of certain taxation 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.

Deferred taxation is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using taxation rates enacted or substantively enacted at the reporting date.

The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred taxation is charged to the statement of profit or loss except to the extent that it relates to a transaction that is recognised directly in other comprehensive income or equity, or a business combination that is an acquisition. The effects on deferred taxation of any changes in taxation rates is recognised in the statement of profit or loss, except to the extent that it relates to items previously charged or credited directly to other comprehensive income or equity.

A deferred taxation asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused taxation losses and deductible temporary differences can be utilised. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefit will be realised.

### 5.3 Taxation paid

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| Amounts payable at beginning of year | **(374 329)** | (426 220) |
| Continuing operations current taxation charge | **(1 519 757)** | (1 353 639) |
| Businesses acquired | **(7 179)** | 1 263 |
| Exchange rate adjustments | **6 561** | (19 444) |
| Amounts payable at end of year | **470 753** | 374 329 |
| Amounts paid | **(1 423 951)** | (1 423 711) |

## 6. BASIC, DILUTED AND HEADLINE EARNINGS PER SHARE FOR CONTINUING OPERATIONS

### 6.1 Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of Bidcorp by the weighted average number of ordinary shares in issue during the year, excluding those ordinary shares held as treasury shares.

Weighted average number of shares in issue is calculated as the number of shares in issue at the beginning of the year, increased/decreased by shares issued/treasury shares bought/sold during the year, weighted on a time basis for the period in the year during which they have participated in the profit of Bidcorp.

| | | 2019 | 2018 |
|---|---|---|---|
| **6.** | **BASIC, DILUTED AND HEADLINE EARNINGS PER SHARE FOR CONTINUING OPERATIONS** (continued) | | |
| **6.1** | **Basic earnings per share** (continued) | | |
| | Profit attributable to shareholders of the company (R'000) | **4 836 138** | 4 205 636 |
| | Weighted average number of shares in issue ('000) | **333 302** | 332 725 |
| | Basic earnings per share (cents) | **1 451,0** | 1 264,0 |
| **6.2** | **Diluted earnings per share** | | |
| | The diluted basic earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares. | | |
| | Dilutive earnings* (R'000) | **4 836 138** | 4 205 636 |
| | Weighted average number of shares in issue ('000) | **333 302** | 332 725 |
| | Potential dilutive impact of outstanding share options and conditional awards ('000) | **562** | 926 |
| | Number of outstanding staff share options | **4 350** | 4 293 |
| | Number of share options deemed to be issued at fair value | **(3 939)** | (3 465) |
| | Contingent issuable shares in terms of conditional share plan to be issued not at fair value | **151** | 98 |
| | Dilutive weighted average number of shares ('000) | **333 864** | 333 651 |
| | Diluted basic earnings per share (cents) | **1 448,5** | 1 260,5 |
| | Dilution (%) | **0,2%** | 0,3% |

** There were no reconciling items for the diluted earnings.*

| | | R'000 | R'000 |
|---|---|---|---|
| **6.3** | **Headline earnings per share** | | |
| | Profit attributable to shareholders of the company | **4 836 138** | 4 205 636 |
| | Impairments | **40 748** | 90 321 |
| | Property, plant and equipment | **27 992** | 25 833 |
| | Intangible assets | **21 346** | 5 347 |
| | Goodwill | **–** | 58 079 |
| | Investment at fair value through OCI | **–** | 1 329 |
| | Associate | **–** | 267 |
| | Taxation relief | **(8 590)** | (534) |
| | Capital profit on disposal of property, plant and equipment | **(65 358)** | (10 389) |
| | Property, plant and equipment | **(93 444)** | (15 318) |
| | Taxation charge | **28 086** | 4 929 |
| | Loss on disposal of interests in subsidiary | **–** | 9 050 |
| | Gain from bargain purchase | **–** | (4 222) |
| | Insurance proceeds received in relation to the impairment of property, plant and equipment | **–** | (21 974) |
| | Headline earnings | **4 811 528** | 4 268 422 |
| | Headline earnings per share (cents) | **1 443,6** | 1 282,9 |
| | Diluted headline earnings per share (cents) | **1 441,2** | 1 279,3 |
| | Dilution (%) | **0,2%** | 0,3% |

| | | 2019 R'000 | 2018 R'000 |
|---|---|---|---|
| **7.** | **NET OPERATING ASSETS** | | |
| **7.1** | **Property, plant and equipment** | | |
| | Freehold land and buildings | **7 555 866** | 6 357 333 |
| | Cost | **8 891 544** | 7 709 526 |
| | Accumulated depreciation and impairments | **(1 335 678)** | (1 352 193) |
| | Leasehold premises | **783 753** | 857 023 |
| | Cost | **1 631 851** | 1 691 970 |
| | Accumulated depreciation and impairments | **(848 098)** | (834 947) |
| | Plant and equipment | **2 075 962** | 1 815 142 |
| | Cost | **5 915 386** | 5 668 530 |
| | Accumulated depreciation and impairments | **(3 839 424)** | (3 853 388) |
| | Office equipment, furniture and fittings | **720 422** | 659 585 |
| | Cost | **2 296 094** | 2 191 130 |
| | Accumulated depreciation and impairments | **(1 575 672)** | (1 531 545) |
| | Vehicles | **2 144 817** | 2 026 120 |
| | Cost | **4 912 778** | 4 592 306 |
| | Accumulated depreciation and impairments | **(2 767 961)** | (2 566 186) |
| | Capital work-in-progress | **744 293** | 781 920 |
| | | **14 025 113** | 12 497 123 |

Property, plant and equipment with an estimated carrying value of R1 146 million (2018: R1 158 million) were pledged as security for borrowings of R794 million (2018: R833 million) (refer note 10.3).

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

Property, plant and equipment are reflected at cost to the group, less accumulated depreciation and accumulated impairment losses.

Land is stated at cost and is not depreciated. The present value of the estimated cost of dismantling and removing items and restoring the site in which they are located is provided for as part of the cost of the asset.

Depreciation is provided for on the straight-line basis over the estimated useful lives of the property, plant and equipment to anticipated residual values.

Estimate useful lives are:

| | |
|---|---|
| Freehold buildings | Up to 50 years |
| Leasehold premises | Over the period of the lease |
| Plant and equipment | 5 to 20 years |
| Office equipment, furniture and fittings | 3 to 15 years |
| Vehicles | 3 to 15 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Capital work in progress includes the cost of materials and direct labour, any other costs directly attributable to bringing the item of property, plant and equipment to a working condition for its intended use. Land and assets under construction are not depreciated.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the group.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| **7. NET OPERATING ASSETS** (continued) | | |
| **7.1 Property, plant and equipment** (continued) | | |
| **Movement in property, plant and equipment** | | |
| Carrying value at beginning of year | **12 497 123** | 10 705 190 |
| Capital expenditure | **2 958 758** | 2 328 190 |
| Freehold land and buildings | **703 572** | 283 844 |
| Leasehold premises | **37 336** | 102 103 |
| Plant and equipment | **434 542** | 287 764 |
| Office equipment, furniture and fittings | **121 328** | 125 113 |
| Vehicles | **413 939** | 491 762 |
| Capital work-in-progress | **1 248 041** | 1 037 604 |
| Acquisition of businesses | **88 547** | 301 443 |
| Freehold land and buildings | **23 914** | 48 163 |
| Leasehold premises | **9 708** | 22 033 |
| Plant and equipment | **34 083** | 49 509 |
| Office equipment, furniture and fittings | **12 989** | 35 742 |
| Vehicles | **7 853** | 69 930 |
| Capital work-in-progress | **–** | 76 066 |
| Disposals | **(125 587)** | (140 463) |
| Freehold land and buildings | **(75 801)** | (108 000) |
| Leasehold premises | **(1 008)** | (722) |
| Plant and equipment | **(7 408)** | (12 141) |
| Office equipment, furniture and fittings | **(3 574)** | (2 662) |
| Vehicles | **(23 008)** | (16 651) |
| Capital work-in-progress | **(14 788)** | (287) |
| Net transfers | **–** | – |
| Freehold land and buildings | **604 118** | 314 600 |
| Leasehold premises | **59 618** | 28 555 |
| Plant and equipment | **235 177** | 171 263 |
| Office equipment, furniture and fittings | **101 481** | 28 180 |
| Vehicles | **268 905** | 194 690 |
| Capital work-in-progress | **(1 269 299)** | (737 288) |
| Transfer to assets classified as held-for-sale | **(87 981)** | (212 090) |
| Freehold land and buildings | **–** | (148 480) |
| Leasehold premises | **(63 690)** | (11 194) |
| Plant and equipment | **(16 673)** | (31 663) |
| Office equipment, furniture and fittings | **(1 776)** | (20 208) |
| Vehicles | **(5 347)** | (130) |
| Capital work-in-progress | **(495)** | (415) |

## 7. NET OPERATING ASSETS (continued)

### 7.1 Property, plant and equipment (continued)

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| **Movement in property, plant and equipment** (continued) | | |
| Exchange rate adjustments | **(79 113)** | 606 789 |
| Freehold land and buildings | **(52 257)** | 297 946 |
| Leasehold premises | **(6 493)** | 56 278 |
| Plant and equipment | **(10 910)** | 82 918 |
| Office equipment, furniture and fittings | **(875)** | 35 030 |
| Vehicles | **(7 492)** | 100 249 |
| Capital work-in-progress | **(1 086)** | 34 368 |
| Depreciation (refer note 4.2) | **(1 198 642)** | (1 062 695) |
| Impairment losses (refer note 4.2 and note 13) | **(27 992)** | (29 241) |
| Carrying value at end of year | **14 025 113** | 12 497 123 |
| **Segmental capital expenditure** | | |
| *Bidfood* | **2 956 353** | 2 314 702 |
| Australasia | **1 210 604** | 618 117 |
| United Kingdom | **587 614** | 682 938 |
| Europe | **813 295** | 776 796 |
| Emerging Markets | **344 840** | 236 851 |
| *Corporate* | **1 254** | 814 |
| *Discontinued operations* | **56 620** | 12 674 |
| PCL | **1 151** | 4 069 |
| Best Food Logistics (no capital expenditure is included in the movement schedule for 2019 as disclosed as a discontinued operation in 2018) | **55 469** | 8 605 |
| | **3 014 227** | 2 328 190 |
| **Segmental depreciation** | | |
| *Trading division* | | |
| *Bidfood* | **1 182 338** | 1 023 534 |
| Australasia | **246 536** | 224 277 |
| United Kingdom | **344 242** | 286 693 |
| Europe | **410 453** | 345 522 |
| Emerging Markets | **181 107** | 167 042 |
| *Corporate* | **3 794** | 3 521 |
| *Discontinued operations* | **12 510** | 35 640 |
| PCL | **12 510** | 16 284 |
| Best Food Logistics (no depreciation is included in the movement schedule for 2019 as disclosed as a discontinued operation in 2018) | **–** | 19 356 |
| | **1 198 642** | 1 062 695 |

|  | 2019 R'000 | 2018 R'000 |
|---|---|---|

## 7. NET OPERATING ASSETS (continued)

### 7.2 Intangible assets

|  | 2019 R'000 | 2018 R'000 |
|---|---|---|
| Patents, trademarks, tradenames and other intangibles | **254 155** | 562 019 |
| Cost | **749 286** | 1 106 568 |
| Accumulated amortisation and impairments | **(495 131)** | (544 549) |
| Computer software | **360 821** | 361 585 |
| Cost | **1 850 279** | 1 769 779 |
| Accumulated amortisation and impairments | **(1 489 458)** | (1 408 194) |
| Capital work-in-progress | **52 596** | 25 648 |
|  | **667 572** | 949 252 |

#### Movement in intangible assets

|  | 2019 R'000 | 2018 R'000 |
|---|---|---|
| Carrying value at beginning of year | **949 252** | 907 151 |
| Additions | **156 023** | 127 383 |
| Patents, trademarks, tradenames and other intangibles | **650** | 3 765 |
| Computer software | **127 597** | 115 018 |
| Capital work-in-progress | **27 776** | 8 600 |
| Expenditure | **51 289** | 35 787 |
| Transfers to other categories | **(23 513)** | (27 187) |
| Acquisition of businesses | **192 682** | 26 283 |
| Patents, trademarks, tradenames and other intangibles | **192 672** | 22 329 |
| Computer software | **10** | 644 |
| Capital work-in-progress | **–** | 3 310 |
| Disposals | **(202)** | (5 820) |
| Patents, trademarks, tradenames and other intangibles | **–** | (5 648) |
| Computer software | **(202)** | (172) |
| Transfer to assets classified as held-for-sale |  |  |
| Computer software | **(337)** | (7 437) |
| Exchange rate adjustments | **850** | 59 739 |
| Patents, trademarks, tradenames and other intangibles | **3 358** | 41 599 |
| Computer software | **(1 680)** | 16 771 |
| Capital work-in-progress | **(828)** | 1 369 |
| Amortisation (refer note 4.2) | **(144 203)** | (152 700) |
| Impairment losses (refer note 4.2 and note 13) | **(486 493)** | (5 347) |
| Carrying value at end of year | **667 572** | 949 252 |

#### Segmental amortisation

|  | 2019 R'000 | 2018 R'000 |
|---|---|---|
| **Bidfood** | **139 373** | 126 940 |
| Australasia | **16 625** | 12 530 |
| United Kingdom | **32 094** | 31 593 |
| Europe | **85 966** | 79 527 |
| Emerging Markets | **4 688** | 3 290 |
| Corporate | **4 695** | 2 331 |
| Discontinued operations | **135** | 23 429 |
| PCL | **135** | 20 353 |
| Best Food Logistics (no amortisation is included in the movement schedule for 2019 as disclosed as a discontinued operation in 2018) | **–** | 3 076 |
|  | **144 203** | 152 700 |

## 7. NET OPERATING ASSETS (continued)

### 7.2 Intangible assets (continued)

Included in the "acquisition of business" line are separately identifiable intangible assets that were recognised on the acquisition of Punjab Kitchen. The separately identifiable intangible assets recognised on acquisition relate to exclusive "SimplyPuree" and "The Punjab Kitchen" brand names. The group impaired the customer-related contract intangible asset relating to the transportation and warehousing of dairy products for Arla in the United Kingdom. The impairment was due to the business relationship with Arla having broken down and the operation being disclosed as a discontinued operation (refer note 13). The intangibles associated with Arla have been fully impaired at the reporting date.

Software development costs are capitalised and are stated at cost less accumulated amortisation and accumulated impairment losses. Other intangible assets acquired by the group are stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure on research, internally generated goodwill and brands is recognised in the statement of profit or loss as an expense when incurred. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at the reporting date. Other intangible assets are amortised from the date they are available for use.

The estimated useful lives are:

| | |
|---|---|
| Patents, trademarks, tradenames and other intangibles | 3 to 10 years |
| Computer software | 3 to 10 years |

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

All patents/tradenames/trademarks/brands that have an indefinite life are assessed at the reporting date with the below criteria when considering if the intangible asset has an indefinite life:

- The intangible assets can be managed effectively by another management team and are therefore not linked to the tenure of current management.
- Management does not intend to change the intangible asset's identity or discontinue the product line.
- The group's ongoing investment ensures that the indefinite life intangible assets remain up to date, fashionable and relevant.

The directors evaluated the impairment of indefinite life intangible assets together with goodwill at the reporting date and concluded that no impairment loss was recognised as the recoverable amount exceeded the carrying amount of the related cash-generating unit (refer note 8.3).

| | **2019 R'000** | 2018 R'000 |
|---|---|---|
| **7.3 Inventories** | | |
| Raw materials | **479 570** | 487 258 |
| Work-in-progress | **15 222** | 10 882 |
| Finished goods | **9 106 009** | 8 491 142 |
| Roll cages | **103 078** | 91 774 |
| | **9 703 879** | 9 081 056 |
| Provision for stock obsolescence included in inventories | **168 099** | 168 008 |
| Provision for stock obsolescence credited to the statement of profit or loss | **(7 198)** | (37 228) |

Inventories are stated at the lower of cost and estimated net realisable value. Estimated net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of raw materials and finished goods is determined on a weighted average cost basis. The cost of manufactured inventory and work-in-progress includes materials, direct labour, other direct costs and an appropriate portion of overheads, but excludes interest expense.

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| **7. NET OPERATING ASSETS** (continued) | | |
| **7.4 Trade and other receivables** | | |
| Trade receivables | **14 566 646** | 13 966 819 |
| Impairment allowances | **(656 630)** | (576 073) |
| Net trade receivables | **13 910 016** | 13 390 746 |
| Forward exchange contracts asset | **3 638** | 5 890 |
| Prepayments | **671 524** | 619 389 |
| Deposits | **150 089** | 153 016 |
| Value added taxation receivable | **104 893** | 141 833 |
| Signing and listing fees | **114 409** | 95 259 |
| Other receivables | **259 029** | 176 953 |
| | **15 213 598** | 14 583 086 |

Trade receivables are measured initially at fair value, and are subsequently measured at amortised cost using the effective interest method, less an expected credit loss allowance.

Forward exchange contracts (FEC) are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. The resulting gain or loss is recognised in profit or loss as it arises, unless the FEC is designated and effective as a hedging instrument. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised in other comprehensive income. The ineffective portion is recognised immediately in profit or loss.

The group does not have any significant contract assets.

Trade receivables consist of a large number of customers spread across diverse markets and geographical areas. Ongoing credit evaluation is performed by 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. It was noted that the group's largest exposure to a single customer group, across multiple geographies is R358 million (2018: R523 million). The group had 328 238 individual trade debtors at June 30 2019 (2018: 340 401). The total number of debtors per reporting division was obtained and the average net revenue per trade debtor was calculated for each reporting division. Based on the average net revenue per trade debtor in comparison to the group's total net revenue 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.

Management, in the various geographies have assessed the recoverability of these amounts due in their geographies and believe that the amounts due and not impaired are recoverable in full. In addition, broad principles of credit risk management are observed across all business segments, such as the use of credit rating agencies, credit guarantee insurance where appropriate and the maintenance of a credit control function. An operation's average credit period depends on local trends as well as the creditworthiness of their customers. The majority of the customers are given credit terms ranging from cash on delivery to 60 days from statement.

IFRS 9 introduced an "expected credit loss" or ECL model for the measurement of the impairment of financial assets. This model focuses on the risk that a debtor will default rather than whether a loss has or will be incurred. Credit losses are recognised earlier under IFRS 9 compared to IAS 39 because every loan and receivable "has a risk of defaulting in the future" and has an "expected" credit loss associated with it. Before the adoption of IFRS 9, as a function of the decentralised structure, each operation established an impairment allowance that represented its estimate incurred loss in respect of trade and other receivables.

The group applies the IFRS 9 simplified approach to measuring expected credit losses (ECLs) which uses a lifetime expected loss allowance for all trade receivables and contract assets. ECLs are calculated, as a function of the decentralised structure, by each operation by applying the historic loss ratios to trade receivables. In determining the ECL, each operation splits the trade receivables into groups based on shared credit risk characteristics and the days past due, namely by splitting customers into the type of customer (Independent, Chain, Logistics, and Retail), geographical regions, product types, customer ratings and trade credit insurances. In instances where there was no evidence of historical impairment, each operation's management used their knowledge of their business to determine the potential loss rate. The historical loss rates are adjusted, when necessary, to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the trade receivables. The group has identified GDP, food inflation and levels of consumer confidence in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The review of the expected impairment allowances and loss ratios in respect of trade and other receivables is monitored under the oversight of the divisional audit and risk committees, and ultimately the Bidcorp Group audit and risk committee.

## 7. NET OPERATING ASSETS (continued)

### 7.4 Trade and other receivables (continued)

| | Gross debtor R'000 | Loss rate % | Expected credit loss R'000 |
|---|---|---|---|
| **2019** | | | |
| Not past due | 11 367 822 | 0,23 | 25 614 |
| Independent | 5 945 782 | 0,18 | 10 663 |
| Chain | 4 068 331 | 0,04 | 1 652 |
| Logistics | 532 863 | 0,13 | 679 |
| Retail and other | 820 846 | 1,54 | 12 620 |
| Past due 0 – 30 days | 1 504 136 | 0,93 | 13 935 |
| Independent | 886 048 | 1,08 | 9 540 |
| Chain | 377 375 | 0,32 | 1 199 |
| Logistics | 18 875 | 1,26 | 237 |
| Retail and other | 221 838 | 1,33 | 2 959 |
| Past due 31 – 180 days | 1 044 322 | 15,83 | 165 285 |
| Independent | 682 165 | 19,24 | 131 219 |
| Chain | 278 358 | 9,18 | 25 546 |
| Logistics | 6 963 | 43,10 | 3 001 |
| Retail and other | 76 836 | 7,18 | 5 519 |
| 181 + days | 650 366 | 69,47 | 451 796 |
| Independent | 395 296 | 74,72 | 295 367 |
| Chain | 195 436 | 50,69 | 99 066 |
| Logistics | 1 684 | 69,71 | 1 174 |
| Retail and other | 57 950 | 96,96 | 56 189 |
| | 14 566 646 | 4,51 | 656 630 |

| | 2019 R'000 | 2018 R'000 |
|---|---|---|

## 7. NET OPERATING ASSETS (continued)

### 7.4 Trade and other receivables (continued)

**Movement in the impairment allowance in respect of trade receivables**

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| Balance at July 1 | **576 073** | 531 077 |
| Impairment allowance adjusted on adoption of IFRS 9* | **60 447** | – |
| Allowances raised during the year | **265 663** | 188 074 |
| Australasia | **30 636** | 30 431 |
| United Kingdom | **33 074** | 28 772 |
| Europe | **129 867** | 89 028 |
| Emerging Markets | **72 086** | 39 843 |
| Bad debts written off during the year | **(184 360)** | (169 778) |
| Australasia | **(43 788)** | (20 896) |
| United Kingdom | **(35 548)** | (28 136) |
| Europe | **(93 371)** | (109 196) |
| Emerging Markets | **(11 653)** | (11 550) |
| Acquisition of businesses | **4 863** | 46 277 |
| Australasia | **–** | 541 |
| Europe | **4 468** | 45 348 |
| Emerging Markets | **395** | 388 |
| Transfer to assets classified as held-for-sale | **(1 445)** | – |
| Allowances reversed during the year | **(63 381)** | (51 711) |
| Australasia | **(436)** | – |
| United Kingdom | **(7 677)** | (705) |
| Europe | **(15 324)** | (21 409) |
| Emerging Markets | **(39 944)** | (29 597) |
| Exchange rate adjustments | **(1 230)** | 32 134 |
| Balance at June 30 | **656 630** | 576 073 |

* *IFRS 9* Financial Instruments *transitional application*

The group's impairment allowance of trade receivables using the incurred loss method under IAS 39 for the year ended June 30 2018 was R576,1 million. The ECLs at this date under IFRS 9 were calculated to be R636,5 million. An additional R60,4 million ECLs was recorded as a reduction to retained earnings at July 1 2019 according to the modified retrospective approach.

| | 2018 R'000 |
|---|---|
| **The total impact on net trade receivables at July 1 2018:** | |
| Trade receivables at July 1 2018 | 13 966 819 |
| Impairment allowance under IAS 39 | (576 073) |
| Impairment allowance adjusted on adoption of IFRS 9* | (60 447) |
| Net trade receivables at July 1 2018 | 13 330 299 |

* *In line with the group's assessment of the adoption of IFRS 9, the group reported that there was no significant impact from the adoption of IFRS 9. Therefore, no transitional adjustments were processed to retained earnings in the interim consolidation financial statements.*

## 7. NET OPERATING ASSETS (continued)

### 7.4 Trade and other receivables (continued)

*Ageing of trade receivables at June 30*

| | 2019 | | | | 2018 | | |
|---|---|---|---|---|---|---|---|
| | **Loss rate %** | **Gross trade receivables R'000** | **Expected credit loss R'000** | **Net trade receivables R'000** | Gross trade receivables R'000 | Impairment allowance R'000 | Net trade receivables R'000 |
| **Not past due** | **0,23** | **11 367 822** | **(25 614)** | **11 342 208** | 11 233 937 | (30 104) | 11 203 833 |
| Australasia | **0,49** | **2 074 210** | **(10 112)** | **2 064 098** | 2 069 160 | (13 025) | 2 056 135 |
| United Kingdom | **0,07** | **3 066 239** | **(2 115)** | **3 064 124** | 3 119 592 | (1 853) | 3 117 739 |
| Europe | **0,29** | **4 168 004** | **(12 256)** | **4 155 748** | 4 102 311 | (15 222) | 4 087 089 |
| Emerging Markets | **0,05** | **2 059 369** | **(1 131)** | **2 058 238** | 1 942 874 | (4) | 1 942 870 |
| **Past due 0 – 30 days** | **0,93** | **1 504 136** | **(13 935)** | **1 490 201** | 1 448 983 | (12 276) | 1 436 707 |
| Australasia | **3,79** | **216 168** | **(8 199)** | **207 969** | 205 311 | (7 630) | 197 681 |
| United Kingdom | **0,93** | **131 268** | **(1 225)** | **130 043** | 86 828 | – | 86 828 |
| Europe | **0,44** | **617 839** | **(2 728)** | **615 111** | 675 365 | (3 812) | 671 553 |
| Emerging Markets | **0,33** | **538 861** | **(1 783)** | **537 078** | 481 479 | (834) | 480 645 |
| **31 – 180 days** | **15,83** | **1 044 322** | **(165 285)** | **879 037** | 837 153 | (151 363) | 685 790 |
| Australasia | **23,33** | **106 798** | **(24 921)** | **81 877** | 58 176 | (27 053) | 31 123 |
| United Kingdom | **11,57** | **173 004** | **(20 008)** | **152 996** | 71 189 | (31 263) | 39 926 |
| Europe | **23,31** | **355 743** | **(82 933)** | **272 810** | 383 908 | (49 844) | 334 064 |
| Emerging Markets | **9,15** | **408 777** | **(37 423)** | **371 354** | 323 880 | (43 203) | 280 677 |
| **181 + days** | **69,47** | **650 366** | **(451 796)** | **198 570** | 446 746 | (382 330) | 64 416 |
| Australasia | **96,10** | **18 269** | **(17 557)** | **712** | 36 509 | (30 464) | 6 045 |
| United Kingdom | **63,26** | **26 732** | **(16 911)** | **9 821** | 30 489 | (15 763) | 14 726 |
| Europe | **68,77** | **505 102** | **(347 348)** | **157 754** | 326 488 | (289 901) | 36 587 |
| Emerging Markets | **69,80** | **100 263** | **(69 980)** | **30 283** | 53 260 | (46 202) | 7 058 |
| Total | **4,51** | **14 566 646** | **(656 630)** | **13 910 016** | 13 966 819 | (576 073) | 13 390 746 |

| | 2019 Fair value of collateral held R'000 | 2019 Trade receivables net of impairment allowance R'000 | 2018 Fair value of collateral held R'000 | 2018 Trade receivables net of impairment allowance R'000 |
|---|---|---|---|---|

## 7. NET OPERATING ASSETS (continued)

### 7.4 Trade and other receivables (continued)

*Collateral held on past due amounts*

| | 2019 Fair value of collateral held R'000 | 2019 Trade receivables net of impairment allowance R'000 | 2018 Fair value of collateral held R'000 | 2018 Trade receivables net of impairment allowance R'000 |
|---|---|---|---|---|
| Cover by credit insurance | | | | |
| Australasia | **171 283** | **168 075** | 104 836 | 104 836 |
| United Kingdom | **189 593** | **189 593** | 49 638 | 49 638 |
| Europe | **358 180** | **358 180** | 257 476 | 257 476 |
| Emerging Markets | **111 755** | **121 355** | 128 842 | 128 842 |
| Total | **830 811** | **837 203** | 540 792 | 540 792 |

In certain instances the group's operations reserve the right to collect inventory sold when the outstanding debt is not settled by the customer. The collateral detailed above is in addition to these aforementioned measures taken to reduce credit risk in respect of trade receivables.

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

### 7.5 Operating leases

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| **Operating lease liabilities** | **83 579** | 145 082 |
| Less short-term portion included in trade and other payables | **(6 492)** | (27 981) |
| Long-term portion | **77 087** | 117 101 |
| **Operating lease commitments** | | |
| Land and buildings | **4 636 033** | 5 842 637 |
| Due in one year | **714 660** | 825 190 |
| Due after one year but within five years | **2 285 775** | 2 653 023 |
| Due after five years | **1 635 598** | 2 364 424 |
| Equipment and vehicles | **757 164** | 1 087 001 |
| Due in one year | **233 175** | 347 505 |
| Due after one year but within five years | **510 762** | 668 228 |
| Due after five years | **13 227** | 71 268 |
| | **5 393 197** | 6 929 638 |
| Less amounts raised in trade and other payables | **(83 579)** | (145 082) |
| | **5 309 618** | 6 784 556 |

## 7. NET OPERATING ASSETS (continued)

### 7.5 Operating leases (continued)

Leases which have fixed determinable escalations are charged to the statement of profit or loss on a straight-line basis and liabilities are raised for the difference between the actual lease expense and the charge recognised in the statement of profit or loss.

The liabilities are classified based on the timing of the reversal which will occur when the actual cash flow exceeds the statement of profit or loss amounts.

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the estimated useful life of the asset. The capital element of future obligations under the leases is included as a liability in the statement of financial position. Lease payments are allocated using the effective interest method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor. Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Operating leases, which have a fixed determinable escalation, are charged against income on a straight-line basis. Leases with contingent escalations are expensed as and when incurred.

With effect from July 1 2019 the group will adopt IFRS 16 *Leases* (IFRS 16). IFRS 16 replaces IAS 17 *Leases* which requires that all operating leases, other than short-term and low-value leases, be recorded on the statement of financial position in a similar manner to finance leases under IAS 17. As a result approximately 1 835 operating leases of the group's lease portfolio will, from July 1 2019, be brought onto the statement of financial position. Refer to note 14 for further details.

### 7.6 Trade and other payables

| | **2019 R'000** | 2018 R'000 |
|---|---|---|
| Trade payables | **15 294 945** | 15 573 094 |
| Forward exchange contracts liability | **9 851** | 10 |
| Salary and wage related creditors | **2 065 134** | 1 996 534 |
| Value added taxation liability | **151 933** | 194 731 |
| Other payables and accrued expenses | **1 176 632** | 1 104 242 |
| | **18 698 495** | 18 868 611 |
| **Trade payables by segment** | | |
| Trade payables | | |
| Bidfood | **15 267 964** | 15 552 332 |
| Australasia | **3 093 833** | 3 092 063 |
| United Kingdom | **4 032 748** | 4 672 818 |
| Europe | **6 222 815** | 6 021 602 |
| Emerging markets | **1 918 568** | 1 765 849 |
| Corporate | **26 981** | 20 762 |
| | **15 294 945** | 15 573 094 |

Trade payables and accruals mainly consist of amounts outstanding for trade purchases and ongoing costs.

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

The group has contract liabilities disclosed in other payables and accrued expenses in the form of deferred income which arises from consideration received in advance of the satisfaction of performance obligations. The deferred income at June 30 2019 was R10,0 million (2018: R0,7 million).

The directors consider that the carrying amounts of trade payables and other current liabilities approximate their fair values.

| | 2019 R'000 | 2018 R'000 |
|---|---|---|

## 7. NET OPERATING ASSETS (continued)

### 7.7 Provisions

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| Long-term portion | **430 462** | 534 655 |
| Short-term portion | **313 892** | 243 397 |
| | **744 354** | 778 052 |

| | Onerous contracts R'000 | Dismantling and site restoration R'000 | Customer loyalty programme R'000 | Other R'000 | Total R'000 |
|---|---|---|---|---|---|
| Balance at July 1 2017 | 37 460 | 437 136 | 122 093 | 141 048 | 737 737 |
| Created | 443 | 67 746 | 33 262 | 69 731 | 171 182 |
| Utilised | (1 872) | (62 950) | (27 453) | (90 890) | (183 165) |
| On acquisition of businesses | 502 | 6 462 | – | 29 311 | 36 275 |
| Exchange rate adjustments | 2 930 | 21 175 | 2 769 | 10 795 | 37 669 |
| Transfer to liabilities classified as held-for-sale | – | (30 013) | – | – | (30 013) |
| Effect of discounting | 1 098 | 7 269 | – | – | 8 367 |
| Balance at June 30 2018 | 40 561 | 446 825 | 130 671 | 159 995 | 778 052 |
| Created | **1 958** | **59 412** | **58 207** | **81 175** | **200 752** |
| Utilised | **(25 745)** | **(64 634)** | **(62 202)** | **(57 754)** | **(210 335)** |
| On acquisition of businesses | **–** | **–** | **–** | **8 617** | **8 617** |
| Exchange rate adjustments | **332** | **(6 686)** | **(3 434)** | **(198)** | **(9 986)** |
| Transfer to liabilities classified as held-for-sale | **–** | **(29 340)** | **–** | **–** | **(29 340)** |
| Effect of discounting | **973** | **5 621** | **–** | **–** | **6 594** |
| Balance at June 30 2019 | **18 079** | **411 198** | **123 242** | **191 835** | **744 354** |

Provisions are recognised when the group has a legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### Onerous contracts

Onerous contracts are identified through regular reviews of the terms and conditions of contracts as well as on the 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. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net costs of continuing the contract. Before a provision is established, the group recognises any impairment loss on the assets associated with that contract.

#### Dismantling and site restoration

A provision is raised for the estimated costs of dismantling and removing items, and restoring the property on which they are located. The change in the liability arising as a result of unwinding the discount is recognised in the statement of profit or loss 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.

## 7. NET OPERATING ASSETS (continued)

### 7.7 Provisions (continued)

#### Customer loyalty programme

Customer loyalty points are accounted for at fair value of the consideration received or receivable in respect of the initial sale, and are allocated between the loyalty points and the other components of the sale. The consideration allocated to the customer loyalty points is measured by reference to their fair value, which is the amount for which the loyalty points could be sold at, multiplied by the probability of their redemption. This amount is recognised as a provision until such time as the customer loyalty points are redeemed. Once the loyalty points are redeemed, the amount will be recognised as revenue. Customer loyalty programmes have been 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 provision for restructuring and various other individually insignificant provisions. A provision for restructuring is recognised when the group has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

### 7.8 Continuing segmental assets and liabilities

Segment operating assets and liabilities include property, plant and equipment, intangible assets, investments and loans, inventories, trade and other receivables, trade and other payables, provisions, operating lease liabilities, but exclude cash, borrowings, current taxation, post-retirement obligations and defined benefit pension assets and deferred taxation.

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| **Continuing segmental operating assets** | | |
| *Trading division* | | |
| Bidfood | **39 514 425** | 36 980 378 |
| Australasia | **8 902 038** | 7 816 095 |
| United Kingdom | **9 289 118** | 9 310 496 |
| Europe | **13 515 711** | 12 782 632 |
| Emerging Markets | **7 807 558** | 7 071 155 |
| Corporate | **287 983** | 278 884 |
| | **39 802 408** | 37 259 262 |
| **Continuing segmental operating liabilities** | | |
| *Trading division* | | |
| Bidfood | **19 392 773** | 19 665 093 |
| Australasia | **4 476 748** | 4 353 549 |
| United Kingdom | **4 715 800** | 5 600 002 |
| Europe | **7 494 583** | 7 291 209 |
| Emerging Markets | **2 705 642** | 2 420 333 |
| Corporate | **127 163** | 98 671 |
| | **19 519 936** | 19 763 764 |

| | 2019 R'000 | 2018 R'000 |
|---|---|---|

## 8. ACQUISITIONS, DISPOSALS AND GOODWILL

### 8.1 Acquisitions

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| Property, plant and equipment | **(88 547)** | (301 443) |
| Intangible assets | **(10)** | (26 283) |
| Deferred taxation | **37 820** | 3 914 |
| Interest in associates | **(4 244)** | (7 302) |
| Investments and advances | **(51)** | (4 548) |
| Inventories | **(47 607)** | (328 740) |
| Trade and other receivables | **(58 249)** | (317 441) |
| Cash and cash equivalents | **(88 446)** | 25 071 |
| Borrowings | **7 801** | 271 219 |
| Trade and other payables and provisions | **70 603** | 383 102 |
| Taxation | **7 179** | (1 263) |
| **Total identifiable net assets at fair value** | **(163 751)** | (303 714) |
| Separately identifiable intangible assets | **(192 672)** | – |
| Non-controlling interest | **3 950** | 12 283 |
| Goodwill | **(365 948)** | (1 142 558) |
| Gain from bargain purchase | **–** | 4 222 |
| **Total value of acquisitions** | **(718 421)** | (1 429 767) |
| Cash and cash equivalents acquired | **88 446** | (25 071) |
| Vendors for acquisition recognised | **138 557** | 278 576 |
| Puttable non-controlling interest liabilities recognised | **70 464** | 246 192 |
| Costs incurred in respect of acquisitions | **(27 686)** | (35 541) |
| **Net amounts paid** | **(448 640)** | (965 611) |

The group made a number of acquisitions during the year, namely: The Punjab Kitchen Limited (renamed Simply Food Solutions) (United Kingdom) a market leading manufacturer of texture modified meals and specialist ready meals, supplying primarily into the United Kingdom NHS and healthcare sector; Igartza, S.L. (Spain) a broadline foodservice distributor located in Guipúzkoa, northern Spain; and in-territory bolt-on acquisitions of KBC Foods (Australia), Six Bar Trading 409 CC (South Africa) and Foodchoice (Chile).

Qualitative factors that support (but, not limited to) the goodwill recognised during the year:
- Gaining access to new geographies (Guipúzkoa, northern Spain);
- Improving purchasing power for the group; and,
- Management's skill and expertise as a platform from which to consolidate their respective fragmented foodservice markets.

These acquisitions form part of the group's strategic expansion plans in the international foodservice industry. Goodwill arose on the acquisitions as the anticipated value of future cash flows that were taken into account in determining the purchase consideration exceeded the net assets or net liabilities acquired at fair value and separately identifiable intangible assets (refer note 7.2). The acquisitions have enabled the group to expand its range of complementary products and services and, as a consequence, has broadened the group's base in the market place. There were no significant contingent liabilities identified in the businesses acquired.

## 8. ACQUISITIONS, DISPOSALS AND GOODWILL (continued)

### 8.1 Acquisitions (continued)

The impact of these acquisitions on the group's results can be summarised as follows:

| | Punjab Kitchen R'000 | Igartza, S.L. R'000 | Other smaller acquisitions R'000 | **Total R'000** |
|---|---|---|---|---|
| Property, plant equipment | 48 093 | 34 113 | 6 341 | **88 547** |
| Intangible assets | – | 10 | – | **10** |
| Deferred taxation | (37 510) | (310) | – | **(37 820)** |
| Interest in associates | – | 4 244 | – | **4 244** |
| Investments and advances | – | 51 | – | **51** |
| Inventories | 11 366 | 19 901 | 16 340 | **47 607** |
| Trade and other receivables | 24 712 | 27 877 | 5 660 | **58 249** |
| Cash and cash equivalents | 80 630 | 7 816 | – | **88 446** |
| Borrowings | – | (7 801) | – | **(7 801)** |
| Trade and other payables | (10 294) | (43 861) | (16 448) | **(70 603)** |
| Taxation | (7 179) | – | – | **(7 179)** |
| **Total identifiable net assets at fair value** | 109 818 | 42 040 | 11 893 | **163 751** |
| Separately identifiable intangible assets | 192 672 | – | – | **192 672** |
| Goodwill | 216 538 | 113 159 | 36 251 | **365 948** |
| Non-controlling interest | – | – | (3 950) | **(3 950)** |
| **Total value of acquisition(s)** | 519 028 | 155 199 | 44 194 | **718 421** |
| Cash and cash equivalents acquired | (80 630) | (7 816) | – | **(88 446)** |
| Vendors for acquisition recognised | (79 673) | (34 615) | (24 269) | **(138 557)** |
| Puttable non-controlling interest liabilities recognised | (70 464) | – | – | **(70 464)** |
| Costs incurred in respect of acquisitions | 4 186 | 3 192 | 20 308 | **27 686** |
| **Net amount(s) paid** | 292 447 | 115 960 | 40 233 | **448 640** |
| **Date acquired** | January 1 2019 | July 17 2018 | Various | |
| **Contribution to results for the year** | | | | |
| Revenue | 96 945 | 225 456 | 195 058 | **517 459** |
| Trading profit (loss) | 18 626 | 13 928 | (3 614) | **28 940** |
| **Contributions to results for the year if the acquisitions had been effective on July 1 2018** | | | | |
| Revenue | 183 497 | 245 952 | 233 422 | **662 871** |
| Trading profit (loss) | 36 699 | 15 194 | (3 230) | **48 663** |

The purchase price allocations for Punjab Kitchen and Igartza, S.L. are provisional and may be retrospectively adjusted if the group obtains new information about facts and circumstances that existed at the acquisition date relating to these entities.

Vendors for acquisition recognised on acquisition relates to contingent consideration. These contingent consideration payments are separately recognised on acquisition as a financial liability at fair value. Vendors for acquisition is a contractual provision in an acquisition agreement that adds a variable component to the purchase price. This allows for a portion of the purchase price to be paid to the former owners on a contingent basis if and to the extent that the target business reaches certain milestones in the period post being acquired. Often these milestones are financial in nature (achieving, for example, revenue, net income or EBITDA benchmarks). Contingent consideration liabilities are linked to the future performance targets of the respective company (and not to changes in ownership) whereas puttable NCI liabilities recognised on acquisition are related to future changes in ownership (ie changes in shareholding). Refer note 10.4 for further details.

| | 2019 R'000 | 2018 R'000 |
|---|---|---|

## 8. ACQUISITIONS, DISPOSALS AND GOODWILL (continued)

### 8.2 Disposal of subsidiaries

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| Proceeds on disposal of interest in subsidiary: | | |
| Investments and advances | – | 16 946 |
| Trade and other receivables | – | 9 050 |
| Total identifiable net assets at fair value | – | 25 996 |
| Loss on disposal of interest in subsidiary | – | (9 050) |
| Net proceeds | – | 16 946 |

### 8.3 Goodwill

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| Carrying value at beginning of year | **14 539 284** | 12 791 153 |
| Acquisition of businesses | **365 948** | 1 142 558 |
| Impairment of goodwill | – | (200 216) |
| Exchange rate adjustments | **(121 078)** | 805 789 |
| Carrying value at end of year | **14 784 154** | 14 539 284 |
| The carrying value of goodwill was allocated to cash-generating units as follows: | | |
| Australasia | **2 853 081** | 2 900 850 |
| United Kingdom | **2 860 404** | 2 681 221 |
| Europe | **7 836 447** | 7 694 720 |
| Emerging Markets | **1 234 222** | 1 262 493 |
| | **14 784 154** | 14 539 284 |

Goodwill acquired through business combinations is allocated for impairment testing purposes to cash-generating units (CGU) which reflect how it is monitored for internal management purposes, namely the various CGUs of the Group. The carrying amount of goodwill was subject to an annual impairment test, the recoverable amount was determined by using the discounted cash flow for each CGU.

The critical underlying assumptions applied (ie discount rate, cash flow growth, and terminal growth rate) were reviewed by management and compared with the CGU's budget and the current macro-economic environment.

Management considered the sensitivities underlying the primary assumptions to determine the consequences that reasonably possible changes in such assumptions may have on the recoverable amount of the underlying assets.

During the year, no goodwill impairments were identified (2018: goodwill impairments of £8,2 million (R142,1 million) relating to PCL Transport 24/7 Limited (United Kingdom segment), and BRL15 million (R58,0 million) relating to the Brazil CGU (Emerging Markets segment) were recorded against goodwill).

#### Key assumptions

The key assumptions applied in the value-in-use calculations are:

- cash flow forecasts which are derived from budgets most recently approved by the boards covering the next five-year period;
- sales volumes, sales prices and variable input cost assumptions in the budget are derived from a combination of economic forecasts for the regions in which the group operates, industry forecasts for individual product lines, internal management projections, and historical performance;
- cash flow projections beyond five-year period are based on internal management projections taking into consideration industry forecasts and growth rates in the regions in which the group operates.
- capital expenditure forecasts are based on historical experience and include expenditure necessary to maintain the projected cash flows from operations at current operating levels.
- The discount rates are determined using the CGU's country risk, market risk and company specific risk premiums. Factors considered (but not limited to) are as follows: financial risk of the CGU (ie level of debt); forecasted profitability of the CGU (including forecasting risk); operational risk of the company (ie operating leverage/margins of the business, mix of fixed and variable components); customer and supplier concentration of the CGU.

## 8. ACQUISITIONS, DISPOSALS AND GOODWILL (continued)

### 8.3 Goodwill (continued)

The table illustrates the discount rate, cash flow growth and terminal growth rates that were used in the discounted cash flow valuations for each of the CGUs.

| | 2019 | 2018 |
|---|---|---|
| | **Discount rate** | |
| Australasia | **6,0 – 6,2%** | 6,2 – 7,0% |
| United Kingdom | **6,2 – 6,5%** | 6,0 – 12,0% |
| Europe* | **5,0 – 9,0%** | 5,0 – 9,0% |
| Emerging Markets** | **7,0 – 27,0%** | 7,5 – 19,9% |
| | **Cash flow growth rate** | |
| Australasia | **5,3 – 5,7%** | 3,0 – 7,0% |
| United Kingdom | **3,0 – 4,6%** | 3,0 – 5,0% |
| Europe* | **1,0 – 10,9%** | 2,0 – 12,0% |
| Emerging Markets** | **4,6 – 16,9%** | 2,0 – 15,0% |
| | **Terminal growth rate** | |
| Australasia | **1,0%** | 1,5% |
| United Kingdom | **1,0 – 1,5%** | 1,0 – 1,5% |
| Europe | **1,0 – 2,0%** | 1,0 – 2,0% |
| Emerging Markets | **1,5 – 2,0%** | 2,0 – 2,5% |

* *The Europe CGU comprises a number of countries which each present different expected growth and discount rates. Czech Republic and Slovakia, Poland, and The Baltics are all Eastern European countries (but part of the European Union) which generally have higher discount and expected growth rates compared to Belgium, Netherlands, Germany, Portugal, Spain and Italy which are Western European countries and typically have lower discount and expected growth rates. In addition, our European businesses are at varying levels of maturity in terms of their business cycle (development) which impacts the expected growth and discount rates applied.*

** *The increase in upper end of the range for Emerging Markets relates to Turkey which has been impacted by the Turkish macro-economic environment.*

#### Sensitivity analyses

Expected future cash flows are inherently uncertain and could change materially over time. They are affected by a number of factors, including market estimates, together with economic factors such as prices, growth rates, discount rates, currency exchange rates, and future capital expenditure.

Sensitivity analyses of reasonably possible changes in the underlying assumptions for each group of CGUs included:
- 1% increase in the discount rates for all CGUs;
- 1% decrease in the average cash flow growth rates for all CGUs.

Using the above sensitivity analyses, a quantitative impairment indicator was raised for the goodwill associated with the Iberian and Germany CGUs. Qualitatively, these operations are in the process of improving their operational platforms to become broadline foodservice distributors with scale and opportunities to generate positive economic returns. Measures in place to improve the operations include (but not limited to):
- significant infrastructure spend to grow capacity and scale (new warehouse being built in Munich and geographic expansion into northern Spain through the acquisition of Igartza);
- change in sales mix towards the independent sector (growth prospects related to independent customers);
- expansion of their foodservice offering through product diversification;
- improvements to information technology systems and e-commerce development; and
- investment in human capital.

The goodwill attributable to the Iberian CGU at June 30 is R1,4 billion (2018: R1,3 billion). The assumptions applied in the value-in-use calculations at June 30 were as follows: discount rate of 7,0% (2018: 7,5%), cash flow growth rate of 4,7% (2018: 7,3%) and terminal growth rate of 2% (2018: 2,0%). An increase in the discount rate of 1% (14% change in assumption) would hypothetically result in a goodwill impairment of R187 million.

## 8. ACQUISITIONS, DISPOSALS AND GOODWILL (continued)

### 8.3 Goodwill (continued)

**Sensitivity analyses** (continued)

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

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

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

An associate is a company over which the group has significant influence, but not control. Significant influence is the power to participate in the financial and operating policy decisions of a company but is not control over those policies. The equity method of accounting for associates is adopted in the group financial statements. In applying the equity method, account is taken of the group's share of accumulated retained earnings and movements in reserves from the effective dates on which the companies became associates and up to the effective dates of disposal. In the event of associates making losses, the group recognises the losses to the extent of the group's exposure. Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated. Unrealised gains arising from equity accounted investees are eliminated against the investment to the extent of the groups interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Unsecured advances to associates bear interest at a rate of 3,0% (2018: 1,7% and 5,0%) and have no fixed terms of repayment.

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

| | 2019 R'000 | 2018 R'000 |
|---|---|---|

## 9. INVESTMENTS (continued)

### 9.2 Investments and loans

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| Unlisted investments held at fair value through other comprehensive income | **48 908** | 49 568 |
| Unlisted investments held at amortised cost | **15 405** | 18 798 |
| Unlisted loans held at fair value through other comprehensive income | **6 207** | 6 720 |
| Unlisted loans held at amortised cost | **121 726** | 73 659 |
| | **192 246** | 148 745 |

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

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

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

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

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

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

### 9.3 Investments in jointly-controlled entities

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

## 9. INVESTMENTS (continued)

### 9.3 Investments in jointly-controlled entities (continued)

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

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

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

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

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

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

## 10. FINANCIAL RISK MANAGEMENT AND NET DEBT

### 10.1 Financial risk management

The Group has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; foreign currency risk; interest rate risk and equity price risk.

This note presents information about the group's exposure to each of the aforementioned risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. IFRS 7 requires certain disclosures by class of instrument which the group has determined as its segments.

The group's major financial risks are mitigated in the way that it operates, firstly through diversification of geography and secondly through decentralisation of the business model. Bidcorp is an international group with operations in the United Kingdom, Europe, Asia, Australia, New Zealand, South America, Middle East and various southern African countries.

Bidcorp's philosophy has always been to empower management through a decentralised structure thereby making operational management responsible and accountable for the performance of their operations, including managing the financial risks of the operation. The operational management reports to the CEO who in turn reports to the Bidcorp board of directors. Operational management's remuneration is based on their operation's performance resulting in a decentralised and entrepreneurial environment.

Due to the diverse structure and decentralised management of the group, the group audit and risk committee (GARC) has implemented guidelines of acceptable practices and basic procedures to be followed by divisional and operational management. The information provided below for each financial risk has been collated for disclosure based on the manner in which the business is managed and what is believed to be useful information for stakeholders.

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

The GARC's primary risk responsibilities include:

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

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

### 10.1 Financial risk management (continued)

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

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

#### (a) Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers, investments and guarantees.

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

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk after taking into account the value of any collateral obtained. The carrying values, net of impairment allowances and expected credit losses, amount to R13 390 million (2018: R13 391 million) for trade receivables (refer note 7.4 for credit risk disclosure), and R192 million (2018: R149 million) for investments (refer note 9.2).

The expected credit loss in respect of trade receivables is used to record expected impairment losses unless the group is satisfied that no recovery of the amount owing is possible; at that point, the amount which is considered irrecoverable is written off directly against the respective assets.

Impairments of investments classified at fair value through other comprehensive income or amortised cost are written off against the investment directly and an impairment allowance account is not utilised.

The group has a general credit policy of 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 is responsible for implementation of credit policies to meet the above objective. This includes credit policies under which new customers are analysed for creditworthiness before the operation's standard payment and delivery terms and conditions are offered, determining whether collateral is required, and if so the type of collateral to be obtained, and setting of credit limits for individual customers based on their references and credit ratings. Many operations in the group have a policy of taking out credit insurance to cover a portion of their risk. Operational management are also held responsible for monitoring the operations' credit exposure.

#### (b) Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group manages its borrowings centrally for each of the segments. The divisions within each segment are therefore not responsible for the management of liquidity risk but rather senior management for each of these segments is responsible for implementing procedures to manage the regional liquidity risk.

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

### 10.1 Financial risk management (continued)

### (b) Liquidity risk (continued)

*Contractual maturities of financial liabilities, including interest payments*

| | Carrying amount R'000 | Undiscounted contractual cash flows: Total R'000 | 6 months or less R'000 | 6 – 12 months R'000 | 1 – 2 years R'000 | 2 – 5 years R'000 | More than 5 years R'000 |
|---|---|---|---|---|---|---|---|
| **2019** | | | | | | | |
| Vendors for acquisition | **379 026** | **380 521** | **57 157** | **46 949** | **250 188** | **26 227** | **–** |
| Puttable non-controlling liabilities (refer note 10.4) | **1 462 748** | **1 587 111** | **1 086 829** | **43 241** | **231 590** | **225 451** | **–** |
| **Borrowings (refer note 10.3)** | | | | | | | |
| Loans secured by mortgage bonds over fixed property | **273 865** | **284 654** | **12 403** | **11 169** | **27 871** | **45 494** | **187 717** |
| Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements | **519 768** | **548 388** | **132 996** | **68 659** | **150 659** | **180 404** | **15 670** |
| Unsecured loans | **9 707 316** | **9 829 089** | **3 411 868** | **2 414 272** | **525 600** | **3 468 903** | **8 446** |
| | **10 500 949** | **10 662 131** | **3 557 267** | **2 494 100** | **704 130** | **3 694 801** | **211 833** |
| Trade and other payables (refer note 7.6) excluding forward exchange contracts and value added taxation liability | **18 536 715** | **18 536 715** | **18 536 715** | **–** | **–** | **–** | **–** |
| **2018** | | | | | | | |
| Vendors for acquisition | 535 024 | 535 024 | 160 747 | 73 962 | 256 337 | 43 978 | – |
| Puttable non-controlling liabilities (refer note 10.4) | 1 478 590 | 1 491 881 | 1 088 519 | 34 219 | 143 692 | 225 451 | – |
| **Borrowings (refer note 10.3)** | | | | | | | |
| Loans secured by mortgage bonds over fixed property | 218 139 | 237 349 | 8 907 | 8 885 | 17 760 | 30 637 | 171 160 |
| Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements | 615 019 | 647 973 | 153 502 | 79 619 | 158 744 | 242 516 | 13 592 |
| Unsecured loans | 8 726 327 | 8 984 613 | 2 159 852 | 1 273 922 | 3 456 016 | 2 041 214 | 53 609 |
| | 9 559 485 | 9 869 935 | 2 322 261 | 1 362 426 | 3 632 520 | 2 314 367 | 238 361 |
| Trade and other payables (refer note 7.6) excluding forward exchange contracts and value added taxation liability | 18 673 870 | 18 673 870 | 18 673 870 | – | – | – | – |

The expected maturity of financial liabilities is not expected to differ from the contractual maturities as disclosed above. There were no defaults or breaches of any of the borrowing terms or conditions.

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

### 10.1 Financial risk management (continued)

### (b) Liquidity risk (continued)

*Undrawn facilities*

The group has the following undrawn facilities at its disposal to further reduce liquidity risk:

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| Unsecured bank overdraft facility, reviewed annually and payable on 360 days' notice | **1 598 506** | 1 542 493 |
| Utilised | **56 471** | 7 852 |
| Unutilised | **1 542 035** | 1 534 641 |
| Unsecured loan facility with various maturity dates through to 2026 and which may be extended by mutual agreement | **11 622 479** | 10 942 582 |
| Utilised | **9 499 104** | 8 535 073 |
| Unutilised | **2 123 375** | 2 407 509 |
| Secured loan facilities with various maturity dates through to 2035 and which may be extended by mutual agreement | **560 155** | 703 327 |
| Utilised | **377 922** | 431 490 |
| Unutilised | **182 233** | 271 837 |
| Other banking facilities | **630 057** | 615 259 |
| Utilised | **2 140** | 200 272 |
| Unutilised | **627 917** | 414 987 |
| Total utilised facilities | **9 935 637** | 9 174 687 |
| Total unutilised facilities | **4 475 560** | 4 628 974 |
| Total facilities | **14 411 197** | 13 803 661 |

### (c) Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

*Foreign currency risk*

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

| Currency conversion guide at June 30 | Statement of comprehensive income (average) 2019 | 2018 | Statement of financial position (spot) 2019 | 2018 |
|---|---|---|---|---|

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

### 10.1 Financial risk management (continued)

### (c) Market risk (continued)

***Foreign currency risk** (continued)*

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| Rand/sterling | **18,35** | 17,27 | **17,82** | 18,06 |
| Rand/euro | **16,18** | 15,30 | **15,97** | 16,00 |
| Rand/Australian dollar | **10,14** | 9,94 | **9,87** | 10,15 |
| Rand/New Zealand dollar | **9,51** | 9,17 | **9,44** | 9,30 |
| Rand/Hong Kong dollar | **1,81** | 1,64 | **1,80** | 1,75 |
| Rand/Singapore dollar | **10,39** | 9,56 | **10,39** | 10,07 |
| Rand/Czech koruna | **0,63** | 0,60 | **0,63** | 0,62 |
| Rand/Polish zloty | **3,77** | 3,67 | **3,78** | 3,62 |
| Rand/Brazilian real | **3,67** | 3,87 | **3,65** | 3,56 |
| Rand/US dollar | **14,18** | 12,81 | **14,04** | 13,73 |

Borrowings are matched to the same foreign currency as the division raising the liability thereby limiting the divisions' exposure to changes in a foreign currency which differs to their functional currency. Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying divisions of the group thereby providing an economic hedge for each class of borrowing.

The group incurs currency risk as a result of purchases and sales which are denominated in a currency other than that 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 reporting date. Where necessary, the forward exchange contracts are rolled over at maturity. It is the group's policy not to trade in derivative financial instruments for speculative purposes.

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies (in relation to the operations' functional currency) and for which no hedge accounting is applied are recognised in the statement of profit or loss. Both the changes in fair value of the forward exchange contracts and the foreign exchange gains and losses relating to the monetary items are recognised in operating profit (refer note 4.2).

The periods in which the cash flows associated with the forward exchange contracts are expected to occur are detailed below under the heading "Settlement". The periods in which the cash flows are expected to impact profit or loss are believed to be in the same time frame as when the actual cash flows occur.

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

### 10.1 Financial risk management (continued)

#### (c) Market risk (continued)

*Foreign currency risk (continued)*

| | Settlement | Contract value: Foreign amount 000's | Contract value: **Rand amount 000's** |
|---|---|---|---|
| **In respect of forward exchange contracts relating to foreign liabilities as at June 30 2019** | | | |
| Euro | July 2019 to October 2019 | (5 659) | **(91 403)** |
| US dollar | July 2019 to October 2019 | (6 641) | **(94 913)** |
| Sterling | July 2019 | (9) | **(171)** |
| | | | **(186 487)** |
| **In respect of forward exchange contracts relating to foreign assets as at June 30 2019** | | | |
| US dollar | August 2019 to August 2020 | 41 997 | **575 698** |
| Euro | April 2020 | 12 000 | **185 084** |
| | | | **760 782** |
| **In respect of forward exchange contracts relating to goods and services ordered not accounted for as at June 30 2019** | | | |
| US dollar | July 2019 to February 2020 | (7 654) | **(108 088)** |
| Euro | July 2019 to September 2019 | (933) | **(14 961)** |
| Norwegian krone | July 2019 to August 2019 | (2 067) | **(3 357)** |
| Australian dollar | July 2019 | (115) | **(1 155)** |
| | | | **(127 561)** |
| **In respect of forward exchange contracts relating to foreign liabilities as at June 30 2018** | | | |
| Euro | July 2018 to September 2018 | (2 886) | (45 114) |
| US dollar | July 2018 to August 2018 | (2 788) | (35 955) |
| Canadian dollar | July 2018 to August 2018 | (20) | (202) |
| Australian dollar | July 2018 to August 2018 | (21) | (216) |
| | | | (81 487) |
| **In respect of forward exchange contracts relating to foreign assets as at June 30 2018** | | | |
| US dollar | July 2018 to September 2018 | 3 749 | 35 704 |
| Australian dollar | July 2018 to August 2018 | 980 | 9 873 |
| Canadian dollar | July 2018 | 200 | 2 069 |
| | | | 47 646 |
| **In respect of forward exchange contracts relating to goods and services ordered not accounted for as at June 30 2018** | | | |
| US dollar | July 2018 to October 2018 | (3 007) | (39 830) |
| Euro | July 2018 to October 2018 | (1 759) | (27 657) |
| Norwegian krone | July 2018 | (1 013) | (1 654) |
| Australian dollar | July 2018 to August 2018 | (46) | (467) |
| | | | (69 608) |

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

### 10.1 Financial risk management (continued)

### (c) Market risk (continued)

*Interest rate risk*

The group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. This risk is managed by maintaining an appropriate mix between fixed and floating borrowings and by the use of interest rate swap contracts. Investments in equity securities accounted for as held-for-trading financial assets and trade receivables and payables are not exposed to interest rate risk.

| | **2019 R'000** | 2018 R'000 |
|---|---|---|
| *At the reporting date the interest rate profile of the group's interest-bearing financial instruments was:* | | |
| **Fixed rate instruments** | | |
| Financial liabilities | | |
| Borrowings | **(4 491 670)** | (4 833 980) |
| Puttable non-controlling interest liabilities | **(1 462 748)** | (1 478 590) |
| Derivative instruments in designated hedge accounting relationships | **(9 851)** | (10) |
| Financial assets | | |
| Derivative instruments in designated hedge accounting relationships | **3 638** | 5 890 |
| **Variable rate instruments** | | |
| Financial assets | | |
| Cash and cash equivalents | **5 775 863** | 5 964 802 |
| Financial liabilities | | |
| Borrowings | **(6 009 279)** | (4 725 505) |

The group's exposure to interest rates on financial assets and liabilities are detailed in the various notes within the financial statements.

The variable rates are influenced by movements in the prime borrowing rates.

*Sensitivity analysis*

Group borrowings have been categorised by geographical location and the percentage change used for each category has been selected based on what could reasonably be expected as a change in interest rates within that region based on historical movements in interest rates within that particular region.

This sensitivity analysis has been prepared using the average borrowings for the financial year as the actual borrowings at June 30 are not representative of the borrowings during the year. This analyses assumes that all other variables, in particular foreign currency rates, remain constant. The analyses are performed on the same basis as 2018. A decrease in interest rates would have an equal and opposite effect on profit after taxation as detailed below.

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Increase in interest rates %** | **Decrease in profit after taxation R'000** | Increase in interest rates % | Decrease in profit after taxation R'000 |
| Southern Africa and other Emerging Markets | **0,50** | **8 861** | 0,50 | 8 361 |
| United Kingdom and Europe | **0,25** | **3 714** | 0,25 | 2 347 |
| Australasia | **0,25** | **1 749** | 0,25 | 1 646 |
| | | **14 324** | | 12 354 |

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

### 10.1 Financial risk management (continued)

### (c) Market risk (continued)

*Equity price risk*

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

### (d) Fair values

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

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Carrying amount R'000** | **Fair value R'000** | Carrying amount R'000 | Fair value R'000 |
| **Borrowings (refer note 10.3)** | | | | |
| Southern Africa and other Emerging Markets | **2 830 550** | **2 830 534** | 2 749 411 | 2 745 051 |
| Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements | **7 327** | **7 327** | 4 990 | 4 990 |
| Unsecured loans | **2 823 223** | **2 823 207** | 2 744 421 | 2 740 061 |
| United Kingdom and Europe | **6 702 380** | **6 702 348** | 5 879 875 | 5 878 662 |
| Loans secured by mortgage bonds over fixed property | **273 865** | **273 865** | 218 139 | 218 139 |
| Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements | **512 442** | **512 442** | 610 029 | 610 029 |
| Unsecured loans | **5 916 073** | **5 916 041** | 5 051 707 | 5 050 494 |
| Australasia | | | | |
| Unsecured loans | **968 019** | **968 019** | 930 199 | 930 199 |
| | **10 500 949** | **10 500 901** | 9 559 485 | 9 553 912 |
| Unrecognised gain | **48** | | 5 573 | |

The methods used to estimate the fair values of financial instruments are discussed in note 3. The interest rates used to discount cash flows, in order to determine fair values, are based on market-related rates at June 30 2019 plus an adequate constant credit spread, and range from 0,0% to 30,0% (2018: 0,0% to 24,8%).

*Fair value hierarchy*

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

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

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

| R'000 | Non-current assets (liabilities) Puttable non-controlling interests | Investments | Vendors for acquisition | Current assets (liabilities) Puttable non-controlling interests | Vendors for acquisition | Total |
|---|---|---|---|---|---|---|
| **10. FINANCIAL RISK MANAGEMENT AND NET DEBT** (continued) | | | | | | |
| **10.1 Financial risk management** (continued) | | | | | | |
| **(d) Fair values** *(continued)* | | | | | | |
| ***Fair value hierarchy*** *(continued)* | | | | | | |
| **June 30 2019** | | | | | | |
| Financial assets measured at fair value | **–** | **55 115** | **–** | **–** | **–** | **55 115** |
| Financial liabilities measured at fair value | **(336 620)** | **–** | **(275 144)** | **(1 126 128)** | **(103 882)** | **(1 841 774)** |
| **June 30 2018** | | | | | | |
| Financial assets measured at fair value | – | 56 288 | – | – | – | 56 288 |
| Financial liabilities measured at fair value | (356 522) | – | (300 315) | (1 122 068) | (234 709) | (2 013 614) |

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **June 30 2019** | | | | |
| Financial assets measured at fair value | **55 115** | **–** | **–** | **55 115** |
| Financial liabilities measured at fair value | **(1 841 774)** | **–** | **–** | **(1 841 774)** |
| June 30 2018 | | | | |
| Financial assets measured at fair value | 56 288 | – | – | 56 288 |
| Financial liabilities measured at fair value | (2 013 614) | – | – | (2 013 614) |

***Valuation techniques and significant unobservable inputs***

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

| Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|
| The expected payments are determined by considering the possible scenarios of forecast EBITDAs, the amount to be paid under each scenario and the probability of each scenario. The valuation models consider the present value of expected payment, discounted using a risk-adjusted discount rate. | • EBITDA growth rates: 3% – 35% (2018: 5% – 15%)<br>• EBITDA multiples : 5,8x – 10x (2018: 5,5x – 8,5x)<br>• Risk-adjusted discount rate: 1,99% – 9,0% (2018: 0,5% – 9,0%) | The estimated fair value would increase (decrease) if:<br>• the EBITDA were higher (lower); or<br>• the risk-adjusted discount rate were lower (higher). |

| | 2019 R'000 | 2018 R'000 |
|---|---|---|

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

### 10.2 Net finance costs

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| **Finance income** | **109 506** | 84 502 |
| Interest income on bank balances | **91 867** | 72 886 |
| Interest income on advances | **11 930** | 7 859 |
| Interest imputed on post-retirement assets | **5 709** | 3 757 |
| **Finance charges** | **(395 448)** | (312 414) |
| Interest expense on bank borrowings | **(316 881)** | (251 150) |
| Interest expense on bank overdrafts | **(39 389)** | (16 075) |
| Interest expense on provisions and tax liabilities | **(23 191)** | (27 086) |
| Unwinding of discount on puttable non-controlling interest liabilities | **(6 000)** | (10 217) |
| Interest expense on financed assets | **(5 289)** | (5 207) |
| Interest imputed on post-retirement obligations | **(4 698)** | (2 679) |
| | **(285 942)** | (227 912) |

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

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

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

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| **Finance income received per the consolidated statement of cash flows** | | |
| Income per the statement of profit or loss | **109 506** | 84 502 |
| Interest imputed on post-retirement obligations | **(5 709)** | (3 757) |
| Amounts received | **103 797** | 80 745 |
| **Finance charges paid per the consolidated statement of cash flows** | | |
| Charge per the statement of profit or loss | **(395 448)** | (312 414) |
| Unwinding of discount on puttable non-controlling interest liabilities | **6 000** | 10 217 |
| Interest imputed on post-retirement obligations and provisions | **14 123** | 8 009 |
| Amounts capitalised to borrowings | **8 715** | – |
| Amounts paid | **(366 610)** | (294 188) |

| | 2019 R'000 | 2018 R'000 |
|---|---|---|

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

### 10.3 Borrowings

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| Loans secured by mortgage bonds over fixed property (refer note 7.1) | **273 865** | 218 139 |
| Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements (refer note 7.1) | **519 768** | 615 019 |
| Unsecured borrowings | **9 707 316** | 8 726 327 |
| Borrowings | **10 500 949** | 9 559 485 |
| Less short-term portion of borrowings | **(5 841 624)** | (3 489 012) |
| Long-term portion of borrowings | **4 659 325** | 6 070 473 |
| **Schedule of repayment of borrowings** | | |
| Year to June 2019 | **–** | 3 489 012 |
| Year to June 2020 | **5 841 624** | 4 061 934 |
| Year to June 2021 | **879 764** | 885 849 |
| Year to June 2022 | **3 265 923** | 283 569 |
| Year to June 2023 | **205 453** | 491 357 |
| Year to June 2024 | **111 035** | 151 576 |
| Thereafter | **197 150** | 196 188 |
| | **10 500 949** | 9 559 485 |
| **Total borrowings comprise** | | |
| Foreign subsidiaries borrowings | **9 530 328** | 8 633 572 |
| South African subsidiary borrowings | **970 621** | 925 913 |
| | **10 500 949** | 9 559 485 |

| | % | % |
|---|---|---|
| **Effective weighted average rate of interest on** | | |
| South African borrowings excluding overdrafts | **8,3%** | 8,0% |
| Foreign borrowings excluding overdrafts | **2,6%** | 2,4% |

| | R'000 | R'000 |
|---|---|---|
| **Movement in borrowings** | | |
| Carrying value at beginning of year | **9 559 485** | 8 057 464 |
| Borrowings raised during the year | **5 135 168** | 5 381 256 |
| Borrowings repaid during the year | **(4 232 742)** | (4 711 152) |
| Interest capitalised during the year | **8 715** | – |
| On acquisition of business | **7 801** | 271 219 |
| Currency adjustment | **22 522** | 560 698 |
| | **10 500 949** | 9 559 485 |

| | Currency | Nominal interest rate | Financial year of maturity | 2019 R'000 | 2018 R'000 |
|---|---|---|---|---|---|
| **10. FINANCIAL RISK MANAGEMENT AND NET DEBT** (continued) | | | | | |
| **10.3 Borrowings** (continued) | | | | | |
| **Terms and debt repayment schedule** | | | | | |
| Terms and conditions of outstanding loans were: | | | | | |
| ***Borrowings of South African subsidiaries*** | | | | | |
| Unsecured loans | ZAR | 8,3 | 2020 | **970 622** | 925 913 |
| ***Borrowings of foreign subsidiaries*** | | | | **9 530 327** | 8 633 572 |
| Loans secured by mortgage bonds over fixed property | EUR | 1,3 – 4,8 | 2021 – 2031 | **247 772** | 184 894 |
| | GBP | 2,2 – 2,7 | 2020 – 2035 | **25 207** | 28 188 |
| | CZK | 1,9 | 2020 | **886** | 5 057 |
| Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements | EUR | 0,8 – 8,0 | 2020 – 2026 | **391 252** | 488 522 |
| | PLN | 2,4 | 2022 – 2024 | **112 839** | 110 186 |
| | GBP | 3,0 – 9,6 | 2020 – 2023 | **8 350** | 11 153 |
| | BRL | 4,1 – 4,9 | 2020 – 2023 | **5 476** | 5 158 |
| | MYR | 3,1 – 3,6 | 2024 | **1 851** | – |
| Unsecured loans | EUR | 0,3 – 3,1 | 2020 – 2026 | **4 120 907** | 3 858 183 |
| | HKD | 3,2 – 5,2 | 2020 | **1 820 805** | 1 836 908 |
| | GBP | 2,0 -2,5 | 2020 – 2022 | **1 604 757** | 995 384 |
| | SGD | 2,6 – 3,1 | 2020 | **554 760** | 561 757 |
| | RMB | 5,8 | 2020 | **139 294** | 84 980 |
| | CLP | 4,0 – 5,0 | 2020 – 2022 | **115 886** | 68 282 |
| | CZK | 5,3 | 2020 | **104 077** | 102 747 |
| | AED | 0,0 – 5,0 | 2020 | **92 929** | 47 345 |
| | PLN | 2,4 | 2024 | **52 156** | 61 656 |
| | USD | 3,8 – 5,8 | 2020 | **46 253** | 80 320 |
| | TRY | 15,2 – 30,0 | 2020 – 2024 | **29 418** | 57 215 |
| | Other | 3,0 – 5,4 | 2020 – 2023 | **55 452** | 45 637 |
| Total interest-bearing borrowings | | | | **10 500 949** | 9 559 485 |

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

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

### 10.3 Borrowings (continued)

#### Capital management

The group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The principal covenant limits are net debt to EBITDA of no more than 2,5 times and interest cover of no less than 5 times (both excluding the impacts of IFRS 16). Compliance with the group's biannual debt covenants is monitored on a monthly basis and formally tested at December 31 and June 30. During the year, all group covenants have been complied with and based on current forecasts it is expected that such covenants will continue to be complied with for the foreseeable future.

The group's operations generate a high and consistent level of free cash flow which helps fund future development and growth. The group seeks to maintain an appropriate balance between the higher shareholder returns that may be possible with higher levels of borrowings and the prudence afforded by a sound capital position to enable the group to capitalise on growth opportunities, both internal and external. There were no changes to the group's approach to capital management during the year and the group is not subject to any externally imposed capital requirements.

### 10.4 Puttable non-controlling interest liabilities

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

| | **2019 R'000** | 2018 R'000 |
|---|---|---|
| Balance at beginning of year | **1 478 590** | 1 195 196 |
| Arising on the granting of put options to non-controlling interests during the year | **70 464** | 246 192 |
| Payments made to non-controlling interest during the year | **(74 428)** | (74 782) |
| Remeasurement of put options during the year | **(12 963)** | (2 801) |
| Unwinding of present value discount recognised to the statement of profit or loss | **6 000** | 10 217 |
| Exchange rate adjustments | **(4 915)** | 104 568 |
| | **1 462 748** | 1 478 590 |
| Long-term portion | **336 620** | 356 522 |
| Short-term portion | **1 126 128** | 1 122 068 |

#### At the beginning of the year the group had the following put options with non-controlling shareholders:

***Distrubuzione Alimentari Convivenze SPA (DAC)***

The non-controlling shareholders have the option to put their 40% interest in DAC to the group on or about September 30 2019. The discount rate used for the DAC put option was 1,99% (2018: 1,99%).

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

The non-controlling shareholders have the option to put their 40% interest in Quartiglia to the group from July 1 2020 to June 30 2021.

***Guzmán Gastronomía and Cuttings (Guzman)***

The non-controlling shareholders have the option to put their 10% interest in Guzman to the group, at 8,5 times EBITDA less net debt on or about June 30 2021. The discount rate used for the Guzman put option was 2,0% (2018: 2,0%).

***Frustock Foodservice, S.A. (Frustock)***

The non-controlling shareholders have the option to put their 20% interest in Frustock to the group, using a market valuation formula on or about June 30 2020. The discount rate used for the Frustock put option was 1,65% (2018: 1,65%).

***Cárnicas Sáenz, S.L. (Saenz)***

The non-controlling shareholders have the option to put their 20% interest in Saenz to the group, using a market valuation formula on or about June 30 2022. The discount rate used for the Saenz put option was 1,65% (2018: 1,65%).

***Pier 7 Holding GMBH (Pier7)***

The non-controlling shareholders have the option to put their 30% interest in Pier7 to the group, at 8 times EBITDA less net debt on or about June 30 2021. The discount rate used for the Pier7 put option was 2,0% (2018: 2,0%).

***Bidfood Malaysia Sdn. Bhd. (Aeroshield)***

The non-controlling shareholders have the option to put their 15% interest in Aeroshield to the group, at an average of last two years profit after tax times 7 on or about June 30 2022. The discount rate used for the Aeroshield put option was 5,7% (2018: 5,7%).

***Famous Fresh Proprietary Limited (Bidfresh SA)***

The non-controlling shareholders have the option to put their 30% interest in Bidfresh SA to the group, using a market valuation formula on or about June 30 2021. The discount rate used for the Bidfresh SA put option was 9,0% (2018: 9,0%).

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

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

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

***Punjab Kitchen Proprietary Limited (Punjab Kitchen)***

The non-controlling shareholders have the option to put their 10% interest in Punjab Kitchen to the group, at 10 times EBITDA less net debt on or about June 30 2021. The discount rate used for the Punjab Kitchen put option was 2,0%.

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

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

## 11. STAFF REMUNERATION

### 11.1. Share-based payments

The Bidvest Incentive Scheme (BIS), share appreciation rights (SARs) and conditional share plan (CSPs) grant awards (options) of the holding company, Bidcorp, to executive directors, management and staff. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. All Bidcorp share-based payment schemes are treated as equity-settled share-based payment schemes at a Group and subsidiary level. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options.

The fair value of the awards is measured using a binomial model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the number of awards for which related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

| | **2019 R'000** | 2018 R'000 |
|---|---|---|
| **Share based payment expenses recognised for continuing operations:** | | |
| Bidvest Incentive Scheme (BIS) | **11 416** | 23 001 |
| Bid Corporation Limited Share Appreciation Rights Plan (SARs) | **61 577** | 45 212 |
| Bidcorp Conditional Share Plan (CSP) | **41 475** | 31 023 |
| | **114 468** | 99 236 |

## 11. STAFF REMUNERATION (continued)

### 11.1 Share-based payments (continued)

#### The Bidvest Incentive Scheme (BIS)

BIS participants, on the unbundling of Bidcorp from The Bidvest Group Limited, who were granted awards and had not exercised their awards at the unbundling date, exchanged one of their Bidvest Group Limited awards for one right over one Bid Corporation Limited share and one The Bidvest Group Limited share.

The original award price was not adjusted, but on exercise of the replacement right, the original award price is deducted from the combined value of Bidcorp share and The Bidvest Group share. The vesting date and lapse dates of the replacement rights are the same as that of the original awards. Awards vest in tranches after 3 years (50%), 4 years (25%) and 5 years (25%) respectively. Awards not exercised within a 10 year period following the award date, lapse. The scheme has been classified as an equity-settled scheme, and therefore an equity-settled share-based payment reserve has been recognised.

Award holders are only entitled to exercise their awards if they are in the employment of the Bidcorp group in accordance with the BIS scheme rules, unless otherwise recommended by the Remuneration Committee.

The number and weighted average exercise prices of share awards granted to staff are:

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Number of awards** | **Average price R** | Number of awards | Average price R |
| Beginning of the year | **1 610 481** | **258,88** | 2 423 936 | 233,88 |
| Lapsed | **(36 750)** | **266,08** | (94 250) | 242,52 |
| Exercised | **(614 174)** | **258,05** | (719 205) | 218,88 |
| End of the year | **959 557** | **259,14** | 1 610 481 | 258,88 |
| Share options outstanding at June 30 by year of grant are: | | | | |
| 2011 | **21 925** | **135,00** | 27 800 | 135,00 |
| 2012 | **57 500** | **143,63** | 64 925 | 144,20 |
| 2013 | **83 500** | **208,91** | 128 750 | 208,91 |
| 2014 | **127 750** | **237,54** | 342 125 | 237,54 |
| 2015 | **239 632** | **251,30** | 396 881 | 251,07 |
| 2016 | **429 250** | **301,54** | 650 000 | 301,54 |
| | **959 557** | **259,14** | 1 610 481 | 258,88 |

The awards outstanding at June 30 2019 have an exercise price in the range of R135,00 to R301,54 (2018: R135,00 to R301,54) and a weighted average contractual life of 1,4 to 6,5 years (2018: 2,4 to 7,5 years). The fair value of services received in return for shares allotted is measured based on a binomial model. The contractual life of the award is used as an input into this model.

#### Bid Corporation Limited Share Appreciation Rights Plan (SARs)

SARs Participants were granted share awards (Awards) that vest in tranches after 3 years (50%), 4 years (25%) and 5 years (25%) respectively. The exercise price for the SAR award, is determined using the closing price of the Bid Corporation Limited share on the Johannesburg Stock Exchange, for the business day immediately preceding the award date up to a maximum discount of 10%. Awards not exercised within a 7 year period following the award date, lapse. The scheme has been classified as an equity-settled scheme, and therefore an equity-settled share-based payment reserve has been recognised. Award holders are only entitled to exercise their awards if they are in the employment of the Bidcorp group in accordance with the terms of the SAR plan rules, unless otherwise recommended by the Remuneration Committee.

## 11. STAFF REMUNERATION (continued)

### 11.1 Share-based payments (continued)

The number and weighted average exercise prices of share awards granted to staff are:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Number of awards** | **Average price R** | Number of awards | Average price R |
| Beginning of year | **2 683 000** | **250,07** | 1 804 500 | 250,07 |
| Granted | **897 000** | **257,48** | 920 500 | 242,17 |
| Exercised | **(148 000)** | **238,04** | – | – |
| Lapsed | **(41 186)** | **255,18** | (42 000) | 243,58 |
| End of year | **3 390 814** | **250,52** | 2 683 000 | 250,07 |
| Share awards outstanding at June 30 by year of grant are: | | | | |
| 2016 | **749 314** | **238,04** | 916 500 | 238,04 |
| 2017 | **830 000** | **263,42** | 846 000 | 263,43 |
| 2018 | **914 500** | **242,20** | 920 500 | 242,17 |
| 2019 | **897 000** | **257,48** | – | – |
| | **3 390 814** | **250,52** | 2 683 000 | 247,46 |

The awards outstanding at June 30 2019 have an exercise price in the range of R238,04 to R313,08 (2018: R238,04 to R286,72) and a weighted average contractual life of 4,0 to 7,0 years (2018: 5,0 to 7,0 years). The fair value of services received in return for shares allotted is measured based on a binomial model.

The fair value of the SARs allotted on the below mentioned dates and the assumptions used are:

| | **May 21 2019** | May 22 2018 |
|---|---|---|
| Fair value at measurement date (Rand) | **84,38** | 79 |
| Exercise price (Rand) | **254,75** | 238,30 |
| Expected volatility (%) | **20,96** | 23,03 |
| Option life (years) | **4,00 — 5,00** | 3,50 — 5,50 |
| Distribution yield (%) | **2,45** | 2,36 |
| Risk-free interest rate (based on South African Government Bonds) (%) | **7,36** | 7,49 |

The volatility is based on the recent historic volatility of Bid Corporation Limited shares.

#### Bidcorp Conditional Share Plan (CSP)

The CSP awards executives of Bidcorp a conditional right to receive shares in Bidcorp free of any cost. Due to the unbundling, the 2016 CSP awards for executive directors were restructured into replacement conditional rights and each conditional right in terms of the 2016 awards was exchanged for a right over a Bid Corporation Limited share. CSP replacement rights are subject to revised performance conditions for the period starting July 1 2016 and ending June 30 2019.

## 11. STAFF REMUNERATION (continued)

### 11.1 Share-based payments (continued)

#### Bidcorp Conditional Share Plan (CSP) (continued)

In addition, to these replacement conditional rights, executives have been awarded Bidcorp CSP share awards. The fair value of services received in return for these conditional share awards have 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.

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

| | Balance at July 1 2018 | CSP replacement rights awarded | Exercised | Closing balance June 30 2019 |
|---|---|---|---|---|
| **CSP replacement right awards** | | | | |
| *Director* | | | | |
| BL Berson | 45 000 | – | – | **45 000** |
| DE Cleasby | 24 500 | – | – | **24 500** |
| B Joffe | 90 000 | – | (45 000) | **45 000** |
| | 159 500 | – | (45 000) | **114 500** |
| **CSP awards** | | | | |
| *Director* | | | | |
| BL Berson | 180 000 | **98 000** | – | **278 000** |
| DE Cleasby | 61 000 | **38 000** | – | **99 000** |
| B Joffe | 72 500 | – | (36 250) | **36 250** |
| Senior management | 65 000 | **70 000** | – | **135 000** |
| | 378 500 | **206 000** | (36 250) | **548 250** |

During the year, B Joffe exercised 81 250 of his replacement rights and CSP awards at an average price of R301,71 (2018: no cash benefits arose from CSP awards).

A total number of 573 060 of the 744 000 CSP awards are expected to vest, taking into account the performance of the group to date and forecasts to the end of the performance period, against the targets set at the time of the award. No conditional share awards or CSP replacement rights were forfeited (2018: nil) as a result of performance conditions not being met.

The average discounted share price used in the calculation of the share-based payment charge on the conditional share awards allotted during the year is R212,37 per share (2018: R263,89 per share).

### 11.2 Remuneration of directors

The remuneration paid to executive directors during the year ended June 30 2019 can be analysed as follows:

| | Remuneration and benefits paid to directors | | | | |
|---|---|---|---|---|---|
| | Basic remuneration R'000 | Other benefits and costs R'000 | Retirement/ medical benefits R'000 | Cash incentives R'000 | Total emoluments R'000 |
| **Director** | | | | | |
| BL Berson | **15 700** | **259** | **253** | **16 919** | **33 131** |
| DE Cleasby | **5 873** | **193** | **469** | **6 913** | **13 448** |
| Total | **21 573** | **452** | **722** | **23 832** | **46 579** |

## 11. STAFF REMUNERATION (continued)

### 11.2 Remuneration of directors (continued)

For comparative purposes the remuneration paid to the executive directors during the year ended June 30 2018 can be analysed as follows:

| | Remuneration and benefits paid to directors | | | | |
|---|---|---|---|---|---|
| | Basic remuneration R'000 | Other benefits and costs R'000 | Retirement/ medical benefits R'000 | Cash incentives R'000 | Total emoluments R'000 |
| **Director** | | | | | |
| BL Berson | 14 847 | 253 | 249 | 16 240 | 31 589 |
| DE Cleasby | 5 457 | 193 | 441 | 6 642 | 12 733 |
| Total | 20 304 | 446 | 690 | 22 882 | 44 322 |

The remuneration paid to non-executive directors during the year ended June 30 2019 is analysed as follows:

| | **2019** | | | |
|---|---|---|---|---|
| | **Director fees R'000** | **Other services R'000** | **Total R'000** | 2018 R'000 |
| **Non-executive director** | | | | |
| PC Baloyi | **696** | **–** | **696** | 564 |
| DDB Band | **868** | **–** | **868** | 705 |
| B Joffe* | **472** | **4 240** | **4 712** | 6 288 |
| S Koseff | **2 970** | **–** | **2 970** | 924 |
| DD Mokgatle | **430** | **–** | **430** | 445 |
| NG Payne | **954** | **–** | **954** | 800 |
| H Wiseman** | **1 371** | **514** | **1 885** | 1 625 |
| Total | **7 761** | **4 754** | **12 515** | 11 351 |

** B Joffe provided advisory consulting services for the year ended June 30 2019.*
*** H Wiseman provided services by chairing the quarterly Bidcorp divisional audit and risk committee meetings.*

#### Prescribed officers

Due to the nature and structure of the group and the number of executive directors on the board of the company, the directors have concluded that there are no prescribed officers of the company.

| | **2019** | | | | | |
|---|---|---|---|---|---|---|
| | **Share-based payment expense R'000** | **Benefit arising from exercise of awards R'000** | **Gross benefit R'000** | **Previous share-based payment expense R'000** | **Actual long-term incentive benefit R'000** | 2018 R'000 |
| *Summary of directors' long-term incentives* | | | | | | |
| BL Berson | **18 061** | **–** | **18 061** | **–** | **18 061** | 12 831 |
| DE Cleasby | **6 910** | **–** | **6 910** | **–** | **6 910** | 4 865 |
| B Joffe | **8 753** | **24 514** | **33 267** | **(18 636)** | **14 631** | 10 149 |
| Total | **33 724** | **24 514** | **58 238** | **(18 636)** | **39 602** | 27 845 |

During the year, B Joffe exercised 81 250 of his replacement rights and CSP awards at an average price of R301,71 (2018: no cash benefits arose from the CSP awards).

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| **11. STAFF REMUNERATION** (continued) | | |
| **11.3 Post-retirement obligations** | | |
| Post-retirement assets | | |
| The Bidvest South Africa Pension Fund in South Africa | **(20 928)** | (19 380) |
| Post-retirement obligations | **59 117** | 48 489 |
| Angliss Hong Kong Food Service Limited Retirement Benefit Plan | **43 947** | 34 754 |
| Unfunded defined benefit early retirement plan | **15 170** | 13 735 |
| | **38 189** | 29 109 |

**Defined benefit pension 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.

All funds are defined benefit pension funds administered independently of the group and are subject to the relevant pension fund legislation.

The defined benefit funds operated by the group are The Bidvest South Africa Pension Fund in South Africa and Angliss Hong Kong Food Service Limited Retirement Benefit Plan.

Employer contributions to defined contribution funds are set out in note 4.2.

**Summarised details of the defined benefit pension funds**

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| ***Defined benefit pension (assets) obligations of the various funds*** | | |
| The Bidvest South Africa Pension Fund in South Africa | **(20 928)** | (19 380) |
| Angliss Hong Kong Food Service Limited Retirement Benefit Plan | **43 947** | 34 754 |
| | **23 019** | 15 374 |
| ***Contributions to the funds*** | | |
| Employer contributions | **14 384** | 11 120 |
| Employee contributions | **113** | 105 |
| ***Total pension fund asset (unfunded pension liability)*** | | |
| Fair value of plan assets | **173 454** | 164 575 |
| Actuarial present value of defined benefit obligations | **(195 929)** | (178 627) |
| Net deficit in the plans | **(22 475)** | (14 052) |
| Amounts not recognised due to ceiling adjustments and other limitations | **(544)** | (1 322) |
| | **(23 019)** | (15 374) |
| **Movement in the liability for defined benefit obligations** | | |
| Balance at beginning of year | **(178 627)** | (153 086) |
| Benefits | **7 424** | 6 740 |
| Risk premiums and expenses | **65** | 63 |
| Current service costs | **(16 501)** | (14 534) |
| Interest | **(4 360)** | (2 392) |
| Member contributions | **(113)** | (105) |
| Actuarial losses | **721** | (6 339) |
| Exchange rate adjustments on foreign plans | **(4 538)** | (8 974) |
| Balance at end of year | **(195 929)** | (178 627) |

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| **11. STAFF REMUNERATION** (continued) | | |
| **11.3 Post-retirement obligations** (continued) | | |
| **Movement in the plans' assets** | | |
| Balance at beginning of year | **164 575** | 141 421 |
| Contributions paid into the plans | **14 497** | 11 225 |
| Benefits | **(7 424)** | (6 740) |
| Risk premiums and expenses | **(647)** | (410) |
| Interest income | **5 709** | 3 979 |
| Return on plan assets in excess of interest | **(6 904)** | 7 942 |
| Exchange rate adjustments on foreign plans | **3 648** | 7 158 |
| Balance at end of year | **173 454** | 164 575 |
| **The plans' assets comprise** | | |
| Cash | **41 084** | 31 610 |
| Equity securities | **74 888** | 81 083 |
| Bills, bonds and securities | **56 865** | 50 486 |
| Other | **617** | 1 396 |
| | **173 454** | 164 575 |
| **Amounts recognised in the statement of profit or loss** | | |
| Current service costs | **16 501** | 14 534 |
| Interest on obligations | **4 360** | 2 392 |
| Interest on assets | **(5 709)** | (3 979) |
| Ceiling adjustments and other limitations | **128** | 222 |
| Risk premiums and expenses | **582** | 347 |
| | **15 862** | 13 516 |
| **Amounts recognised in other comprehensive income** | | |
| Return on plan assets in excess of interest income | **6 904** | (7 942) |
| Actuarial losses | **(721)** | 6 339 |
| Ceiling adjustments and other limitations | **(906)** | (1 112) |
| | **5 277** | (2 715) |
| **Key actuarial assumptions used in the actuarial valuations:** | | |
| The Bidvest South Africa Pension Fund in South Africa | | |
| Number of in service members June 30 | **2** | 2 |
| Discount rate (%) | **9,3** | 9,7 |
| Inflation rate (%) | **5,6** | 6,2 |
| Salary increase (%) | **6,6** | 7,2 |
| Pension increase allowance (%) | **3,9** | 4,3 |
| Angliss Hong Kong Food Service Limited Retirement Benefit Plan | | |
| Number of in service members June 30 | **206** | 230 |
| Discount rate (%) | **1,4** | 1,2 |
| Salary increase (%) | **4,5** | 5,0 |
| Date of valuation of all funds | **June 30 2019** | June 30 2018 |

## 11. STAFF REMUNERATION (continued)

### 11.3 Post-retirement obligations (continued)

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

#### Sensitivity analysis

The table below summarises the impact that a reasonably possible change in the respective assumption, occurring at the end of the year, would have, by increasing (decreasing) the net deficit in the plans, while holding all the other assumptions constant.

| | Impact of an increase in assumption R'000 | Impact of a decrease in assumption R'000 |
|---|---|---|
| **2019** | | |
| The Bidvest South Africa Pension Fund in South Africa | | |
| Discount rate – 1% | **1 485** | **(2 075)** |
| Salary increase – 1% | **(1 109)** | **818** |
| Angliss Hong Kong Food Service Limited Retirement Benefit Plan | | |
| Discount rate – 0,25% | **2 842** | **(3 022)** |
| Salary increase – 0,25% | **(2 607)** | **2 547** |
| **2018** | | |
| The Bidvest South Africa Pension Fund in South Africa | | |
| Discount rate – 1% | 790 | (1 846) |
| Salary increase – 1% | (949) | 103 |
| Angliss Hong Kong Food Service Limited Retirement Benefit Plan | | |
| Discount rate – 0,25% | 2 767 | (2 850) |
| Salary increase – 0,25% | (2 561) | 2 501 |

The sensitivity analyses presented above may not be representative of the actual change in the net deficit in the plans as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

#### *Unfunded defined benefit retirement plans*

Distrubuzione Alimentari Convivenze SPA (Italian subsidiary) provides a retirement plan for its employees. The liability recognised is based on the actuarial valuation performed as at June 30.

| | 2019 | 2018 |
|---|---|---|
| Number of members at June 30 | **345** | 330 |

| | R'000 | R'000 |
|---|---|---|
| ***Movement in the liability for unfunded defined benefit early retirement plan*** | | |
| Balance at beginning of year | **13 735** | 10 619 |
| Interest expense | **338** | 287 |
| Risk premiums and expenses | **1 798** | 2 222 |
| Actuarial adjustments recognised in other comprehensive income | **980** | 58 |
| Settlement | **(1 641)** | (422) |
| Exchange rate adjustments on foreign plans | **(40)** | 971 |
| Balance at end of year | **15 170** | 13 735 |
| ***Key actuarial assumptions*** | | |
| Discount rate (%) | **0,77** | 1,45 |
| Inflation rate (%) | **1,00** | 1,5 |
| Salary increase rate (%) | **2,25** | 2,55 |
| Date of valuation | **June 30 2019** | June 30 2018 |

## 12. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION

### 12.1 Capital and reserves attributable to shareholders of the company

Stated capital

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| Issued stated capital | **5 428 016** | 5 428 016 |
| Treasury shares held by subsidiary | **(435 584)** | (601 908) |
| Balance at beginning of year | **(601 908)** | (795 187) |
| Shares purchased during year | **(6 306)** | – |
| Shares disposed of in terms of share incentive plans | **172 630** | 193 279 |
| *Reserves* | | |
| Foreign currency translation reserve | **5 263 176** | 5 497 156 |
| Hedging reserve | **(1 056)** | (450) |
| Equity-settled share-based payment reserve | **341 798** | 325 383 |
| Retained earnings | **17 902 350** | 15 896 255 |
| *Total capital reserves comprise* | | |
| Amounts attributable to shareholders of the company | **28 498 700** | 26 544 452 |
| Amounts attributable to non-controlling interests | **237 267** | 244 452 |
| | **28 735 967** | 26 788 904 |

*Stated capital*

No par value ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new no par value ordinary shares are deducted against the stated capital account.

*Treasury shares*

Shares in the company, held by its subsidiary, are classified as the group's shareholders' interest as treasury shares. These shares are treated as a deduction from the issued and weighted average number of shares. The cost price of the treasury shares is presented as a deduction from total equity. When treasury shares are purchased the cost is debited to this separate category of equity. When treasury shares are sold the amount received for the instruments is credited to this separate category of equity.

*Foreign currency translation reserve*

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

*Equity-settled share-based payment reserve*

The equity-settled share-based payment reserve (SBP reserve) includes the fair value of the share appreciation right awards 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 recognised in the statement of profit or loss. The total share-based payment expense for the group during the year was R116,9 million (2018: R102,3 million). Our settlement practice of the share-based payment incentive plans has been through a subsidiary company (other than the employer company of the participant), which holds Bidcorp treasury shares (Bid Treasury Company). In terms of an inter-group repayment arrangement, the employer company pays the purchase contribution to the Bid Treasury Company for the market value of the shares that were awarded to the participant exercising the award. The R172,6 million (2018: R193,3 million) utilisation during the year represents the market value of Bidcorp shares received by participants for share awards that were exercised. The credit entry for the R172,6 million (2018: R193,3 million) is recorded under treasury shares representing the Bidcorp shares that were sold to satisfy the participant share awards that were exercised. The transfer to retained earnings of R65,0 million (2018: R395,3 million) merely represents a transfer between equity reserves for settled share awards.

| | 2019 Number of shares ('000) | 2019 Number of shares ('000) |
|---|---|---|

## 12. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION (continued)

### 12.1 Capital and reserves attributable to shareholders of the company (continued)

**Stated capital**

***Authorised***

540 000 000 ordinary shares of no par value (2018: 540 000 000 ordinary shares of no par value)

***Issued***

| | 2019 Number of shares ('000) | 2019 Number of shares ('000) |
|---|---|---|
| 335 404 212 ordinary shares of no par value (2018: 335 404 212 ordinary shares of no par value) | **335 404** | 335 404 |
| *Less*: Treasury shares held by Bidcorp Treasury Company | **(1 721)** | (2 291) |
| Balance at beginning of year | **(2 291)** | (2 968) |
| Shares disposed in terms of share incentive plans | **593** | 677 |
| Shares purchased during year | **(23)** | 0 |
| | **333 683** | 333 113 |

16 750 000 unissued no par value ordinary shares are under the control of the directors until the next annual general meeting.

### 12.2 Dividends paid

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| 2018 final dividend paid of 280,0 cents per share (2017: final dividend paid: 250,0 cents per share) | **(939 132)** | (838 511) |
| 2019 interim dividend paid of 310,0 cents per share (2018: interim dividend paid: 280,0 cents per share) | **(1 039 753)** | (939 132) |
| Amounts paid per the consolidated statement of cash flows | **(1 978 885)** | (1 777 643) |

## 12. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION

### 12.3 Group composition

A list of the group's significant subsidiaries, their country of incorporation and principal place of business, the group's percentage shareholding and an indication of their nature of business is included below:

| | Principal place of business | Nature of business | Effective holdings % 2019 | Effective holdings % 2018 |
|---|---|---|---|---|
| **Subsidiaries** | | | | |
| Bidfood Efe Dağıtım ve Pazarlama A.Ş. | Turkey | 1 | **65** | 65 |
| Bidfood Holdings AS | Turkey | 1 | **85** | 85 |
| Al Diyafa Company for Catering Services LLC | Saudi Arabia | 1 | **53** | 53 |
| Angliss Beijing Food Service Limited | China | 1 | **70** | 70 |
| Angliss Guangzhou Food Service Co Limited | China | 1 | **90** | 90 |
| Angliss Hong Kong Foodservice Limited | Hong Kong | 1 | **100** | 100 |
| Angliss International Investment Limited | Hong Kong | 1 | **100** | 100 |
| Angliss Macau Food Service Limited | Macau | 1 | **100** | 100 |
| Angliss Shanghai Food Service Limited | China | 1 | **100** | 97 |
| Angliss Shenzen Food Service Limited | China | 1 | **100** | 99 |
| Angliss Singapore Pte Limited | Singapore | 1 | **100** | 100 |
| Applied Logic Systems Limited | New Zealand | 1 | **100** | 100 |
| Bidfood Bestfood NV | Belgium | 1 | **100** | 100 |
| BFS Botany Proprietary Limited | Australia | 1 | **100** | 100 |
| BFS Byron Bay Limited | Australia | 1 | **100** | 100 |
| BFS Group Limited (trading as 3663) | England | 1 | **100** | 100 |
| BFS Port Macquarie Proprietary Limited | Australia | 1 | **100** | 100 |
| Bidcorp (UK) Limited | England | 1 | **100** | 100 |
| Bidcorp Finance Limited | Isle of Man | 1 | **100** | 100 |
| Bidcorp Food Africa Proprietary Limited | South Africa | 1 | **100** | 100 |
| Bidcorp Food Property Proprietary Limited | South Africa | 1 | **100** | 100 |
| Bidcorp Foodservice International Limited | Isle of Man | 2 | **100** | 100 |
| Bidcorp Foodservice (Europe) Limited | England | 1 | **100** | 100 |
| Bidcorp International Limited | Isle of Man | 2 | **100** | 100 |
| Bidcorp Properties International Limited | Isle of Man | 2 | **100** | 100 |
| Bidfood (NSW) Proprietary Limited | Australia | 1 | **100** | 100 |
| Bidfood (Victoria) Proprietary Limited | Australia | 1 | **100** | 100 |
| Bidfood (WA) Proprietary Limited | Australia | 1 | **100** | 100 |
| Bidfood Australia Limited | Australia | 1 | **100** | 100 |
| Bidfood Belgium NV | Belgium | 1 | **100** | 100 |
| Bidfood Czech Republic s.r.o. | Czech Republic | 1 | **94** | 94 |
| Bidfood Chile S.A. | Chile | 1 | **90** | 90 |
| Bidfood China Limited | China | 1 | **100** | 100 |
| Bidfood Deli XL. B.V | Netherlands | 1 | **100** | 100 |
| Bidfood De Clercq NV | Belgium | 1 | **100** | 100 |
| Bidfood Langens NV | Belgium | 1 | **100** | 100 |
| Bidfood Spain S.L. | Spain | 1 | **90** | 90 |
| Bidfood Limited | Botswana | 1 | **100** | 100 |
| Bidfood Limited | New Zealand | 1 | **100** | 100 |
| Bidfood Proprietary Limited | South Africa | 1 | **100** | 100 |
| Bidfood SA | Belgium | 1 | **100** | 100 |

## 12. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION (continued)

### 12.3 Group composition (continued)

| | Principal place of business | Nature of business | Effective holdings % 2019 | Effective holdings % 2018 |
|---|---|---|---|---|
| **Subsidiaries** (continued) | | | | |
| Bidfood Malaysia Sdn. Bhd. | Malaysia* | 1 | **85** | 85 |
| Bidfood SA | Chile | 1 | **90** | 90 |
| Bidfresh Limited | England | 1 | **100** | 100 |
| Bidfresh Proprietary Limited | South Africa* | 1 | **70** | 70 |
| BTW Investments Proprietary Limited | South Africa | 2 | **100** | 100 |
| Burleigh Marr Distributions Proprietary Limited | Australia | 1 | **100** | 100 |
| Campbell Brothers Limited | England | 1 | **100** | 100 |
| Cárnicas Sáez, S.L. | Spain* | 1 | **68** | 68 |
| Cater Plus Proprietary Limited | Australia | 1 | **100** | 100 |
| Caterfood Holdings Limited | England | 1 | **100** | 88 |
| Cimandis Limited | Jersey | 1 | **100** | 100 |
| Clayton Cold Store Proprietary Limited | Australia | 1 | **100** | 100 |
| Cold Seas Proprietary Limited | Australia | 1 | **100** | 100 |
| Crown Food Group Proprietary Ltd | South Africa | 1 | **100** | 100 |
| D&D S.p.A. | Italy* | 1 | **60** | 42 |
| Distribuidora E Importadora Irmaos Avelino Ltda | Brazil* | 1 | **60** | 60 |
| Distrubuzione Alimentari Convivenze SPA | Italy* | 1 | **60** | 60 |
| Farutex Sp. z.o.o. | Poland | 1 | **91** | 91 |
| Food & Wine Sp.z.o.o | Poland | 1 | **91** | 91 |
| Foodreporter B.V. | Netherlands | 1 | **100** | 100 |
| Frustock – Foodservice, S.A. | Portugal* | 1 | **72** | 72 |
| Goldline Distributors Proprietary Limited | Australia | 1 | **100** | 100 |
| Guzman Gastromania S.L. | Spain* | 1 | **90** | 90 |
| Him Kee Food Distribution Co. Limited | Hong Kong | 1 | **100** | 100 |
| Horeca Trade LLC | United Arab Emirates | 1 | **70** | 70 |
| Igartza, S.L | Spain* | 1 | **90** | – |
| Jilin Bidcorp Food Service Limited | China | 1 | **60** | 60 |
| John Lewis Foodservice Proprietary Limited | Australia | 1 | **100** | 100 |
| KBC Foods | Australia | 1 | **100** | – |
| Linson Global Seafood Trading Limited | Hong Kong | 1 | **70** | 70 |
| Mariusso Comércio De Alimentos E Representação Ltda | Brazil* | 1 | **48** | 48 |
| Pastry Global Foodservice Limited | Hong Kong | 1 | **100** | 100 |
| PCL Transport 24/7 Limited | England | 1 | **100** | 100 |
| Pier 7 Holding GmbH | Germany | 1 | **70** | 70 |
| The Punjab Kitchen Limited | England | 1 | **90** | – |
| Quartiglia Food Service S.p.A | Italy* | 1 | **36** | 36 |
| R Noone & Son Limited | England | 1 | **100** | 80 |
| Six Bar Trading 409 CC | South Africa | 1 | **100** | – |
| Tekoo SPOL s.r.o | Czech Republic | 1 | **100** | 100 |
| UAB Bidfood Lietuva | Lithuania | 1 | **100** | 100 |
| United Imports & Exports Co. Proprietary Limited | Australia | 1 | **100** | 100 |
| Van de Mheen Foodservices B.V. | Netherlands | 1 | **100** | 100 |

** The group has put option arrangements for these entities or its holding company. In terms of the anticipated acquisition method, these entities are consolidated as 100% held subsidiaries. (Refer note 10.4 for details).*

## 12. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION (continued)

### 12.3 Group composition (continued)

| | Principal place of business | Nature of business | Effective holdings % 2019 | Effective holdings % 2018 |
|---|---|---|---|---|
| **Associates** | | | | |
| ATL Seafood Ijmuiden BV | Netherlands | 1 | **30** | 30 |
| ATL Vastgoed BV | Netherlands | 1 | **30** | – |
| COAR S.p.A | Italy | 1 | **50** | 50 |
| Griffith Crown Foods Proprietary Limited | South Africa | 1 | **49** | 49 |
| Farm Fresh Holding BV | Netherlands | 1 | **25** | 25 |
| Maxxam BV | Netherlands | 1 | **17** | 17 |
| Maxxam CV | Netherlands | 1 | **17** | 17 |
| Van Gelder Ridderkerk BV | Netherlands | 1 | **20** | 20 |
| **Jointly-controlled entities** | | | | |
| Chipkins Puratos Proprietary Limited | South Africa | 1 | **50** | 50 |
| Distribuidora Blancaluna S.A | Argentina | 1 | **38** | – |

*Nature of business*
*1. Catering supplies, food and allied products*
*2. Group services, investments and property holding*

### 12.4 Related parties

#### Identification of related parties

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

#### Transactions with key management personnel

Directors' remuneration in total, paid by a subsidiary, is included in note 4.2. Details pertaining to executive and non-executive directors' compensation are set out in note 11.2.

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

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

## 12. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION (continued)

### 12.4 Related parties (continued)

#### Transactions with related parties

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| Outstanding advances due at year-end by associates (note 9.1) | **31 884** | 100 758 |
| Total value of revenue received from associates | **52 976** | 33 440 |
| Amounts due by associates included in trade receivables | **23 055** | 6 145 |
| Total value of inventory purchased from associates | **1 006 262** | 1 238 949 |
| Total value of services purchased from associates | **109 606** | 15 995 |
| Amounts due to associates included in trade payables | **117 822** | 108 975 |
| Total value of revenue received from jointly-controlled entity | **45 214** | 20 831 |
| Property rental income from jointly-controlled entity | **14 141** | 11 759 |

Details of effective interest, investments and loans to associates are disclosed in note 9.1

### 12.5 Commitments and capital management

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

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| Capital expenditure approved: | | |
| Contracted for | **1 113 122** | 831 471 |
| Not contracted for | **1 188 901** | 1 015 846 |
| | **2 302 023** | 1 847 317 |
| Capital expenditure split | | |
| Property, plant and equipment | **2 171 767** | 1 794 724 |
| Computer software | **130 256** | 52 593 |
| | **2 302 023** | 1 847 317 |

It is anticipated that capital expenditure will be financed out of existing cash resources.

### 12.6 Contingent liabilities

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 are significant.

### 12.7 Subsequent events

The group is currently in negotiations for the sale of the UK Contract Distribution business in the United Kingdom. The process is at an advanced stage and management is optimistic of a successful conclusion to these negotiations. Other than the matter above, there are no material events subsequent to June 30 2019.

### 12.8 Going concern

The directors have made an assessment of the group's ability to continue as a going concern and there is no reason to believe that the group will not be a going concern in the year ahead.

## 13. DISCONTINUED OPERATIONS

In December 2017, management committed to a plan to discontinue the UK Contract Distribution (CD) business segment which operates in the United Kingdom. The CD business segment is a component of the group's United Kingdom business, the operations and cash flows of which can be clearly distinguished from the rest of the group. By June 30 2018, Bidcorp was close to finalising its proposed exit from this non-core segment. Post-June 30 2018, the prospective purchaser of the CD business notified Bidcorp that for its own internal reasons, it has decided not to proceed with the transaction. The CD business remains a non-core activity in respect of Bidcorp's global foodservice operations. Accordingly, Bidcorp pursued alternative exit proposals, and engaged in a formal sale process, managed by independent advisers. The sale process is ongoing at June 30 2019. We are hopeful of being able to announce the details of this transaction within the near future. Any transaction would still be subject to regulatory competition commission approval, which is anticipated to take up to four months to complete.

PCL's (dairy distribution business for Arla) performance for the year was disappointing. Towards the end of 2018, following a dispute with Arla, management committed to exit the PCL business by either selling the PCL transport operations to Arla or to close down the PCL business. At June 30 2019, the PCL transport operations had been sold to Arla and the sales process/exit of the remaining insignificant warehousing and handling components are ongoing at June 30 2019.

The comparative consolidated statement of profit or loss and the consolidated statement of cash flows has been re-presented as a result of classifying the remaining UK logistics' activity, PCL, as a discontinued operation. The results of the discontinued operations included in the group's results are detailed below:

| | **2019 R'000** | 2018 R'000 |
|---|---|---|
| **Revenue** | **19 502 386** | 19 408 282 |
| Cost of revenue | **(16 838 559)** | (16 686 301) |
| Gross profit | **2 663 827** | 2 721 981 |
| Operating expenses | **(3 049 910)** | (3 353 932) |
| Trading loss | **(386 083)** | (631 951) |
| Share-based payment expense | **(2 414)** | (3 110) |
| Net capital items | **(470 514)** | (145 545) |
| **Operating loss** | **(859 011)** | (780 606) |
| Net finance charges | **(12 326)** | (8 459) |
| Finance income | **193** | 45 |
| Finance charges | **(12 519)** | (8 504) |
| **Loss before taxation** | **(871 337)** | (789 065) |
| Taxation relief | **139 368** | 126 352 |
| **Loss for the year from discontinued operations** | **(731 969)** | (662 713) |

## 13. DISCONTINUED OPERATIONS (continued)

The following adjustments to loss attributable to shareholders were taken into account in the calculation of headline loss:

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| Loss attributable to shareholders of the company from discontinued operations | **(731 969)** | (662 713) |
| Impairments | **383 907** | 145 394 |
| Intangible assets | **465 147** | – |
| Property, plant and equipment | **–** | 3 408 |
| Goodwill | **–** | 142 137 |
| Taxation relief | **(81 240)** | (151) |
| Loss on disposal of intangible assets and property, plant and equipment | **4 347** | – |
| Intangible assets | **3 185** | – |
| Property, plant and equipment | **2 182** | – |
| Taxation relief | **(1 020)** | – |
| Headline loss from discontinued operations | **(343 715)** | (517 319) |
| Basic loss per share (cents) | **(219,6)** | (199,2) |
| Diluted basic loss per share (cents) | **(219,2)** | (198,6) |
| Headline loss per share (cents) | **(103,1)** | (155,5) |
| Diluted headline loss per share (cents) | **(103,0)** | (155,0) |
| **Effect of the discontinued operations on the statement of financial position of the group** | | |
| **Assets classified as held-for-sale** | **2 944 460** | 2 590 657 |
| Property, plant and equipment | **323 355** | 212 090 |
| Intangible assets | **5 871** | 7 437 |
| Deferred tax asset | **6 952** | 1 338 |
| Investments and loans | **434** | 440 |
| Inventories | **523 457** | 428 733 |
| Trade and other receivables | **1 687 617** | 1 161 229 |
| Taxation | **114 368** | 101 043 |
| Cash and cash equivalents | **282 406** | 678 347 |
| **Liabilities classified as held-for-sale** | **3 116 633** | 2 613 207 |
| Deferred tax liability | **11 704** | 6 476 |
| Long-term portion of provisions | **128 056** | 30 013 |
| Trade and other payables | **2 976 873** | 2 576 718 |

An amount of R375 million (2018: R712 million) has been allocated from continuing operations to discontinued operations in order to fund the normalised working capital of the discontinued operations.

### Cash flows from discontinued operations

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| Net operating cash flows from discontinued operations | **(582 319)** | 51 273 |
| Net investing cash flows from discontinued operations | **(50 137)** | (16 319) |
| Net (decrease) increase in cash and cash equivalents | **(632 456)** | (34 954) |

## 14. ACCOUNTING STANDARDS AND INTERPRETATIONS NOT EFFECTIVE AT JUNE 30 2019

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended June 30 2019. These include the following standards and interpretations and amendments to standards that are applicable to the business of the group, and have not been applied in preparing these financial statements:

| Standard/ interpretation | Description | Reporting period beginning on or after |
|---|---|---|
| IFRS 16 *Leases* | With effect from July 1 2019 the group will adopt IFRS 16: Leases (IFRS 16). IFRS 16 replaces IAS 17 *Leases* which requires that all operating *leases*, other than short-term and low-value leases, to be recorded on the statement of financial position in a similar manner to finance leases under IAS 17. As a result approximately 1 835 operating leases of the group's lease portfolio will now be brought onto the statement of financial position.<br><br>The group has elected to adopt IFRS 16 using a modified retrospective approach. Under a modified retrospective approach, the group applies IFRS 16 from the beginning of July 1 2019 and does not restate its prior-period financial information. The lease liability will be measured present value of the remaining lease payments discounted at the incremental borrowing rate at July 1 2019. The right-of-use lease will be measured as if IFRS 16 had always been applied (but using the incremental borrowing rate at July 1 2019).<br><br>The group's initial assessment of IFRS 16 is that it will have an impact on the following significant areas (but not limited to):<br>• Recognition of a right-of-use lease asset of approximately R4,2 billion and amortisation for the 2020 financial year between R640 million and R660 million.<br>• An overall increase in the Group's net debt (lease liability of approximately R5,1 billion), debt/equity ratio and total assets due to inclusion of the lease right-of-use asset (R4,2 billion) on the statement of financial position.<br>• Higher trading profit due to an element of the operating lease charge being disclosed as a finance charge.<br>• Higher finance charges (2020: estimated lease finance charge between R310 million and R330 million) and lower trading interest cover levels due to the finance element of the current lease charge being moved to the finance charges line on the statement of profit or loss.<br>• Lease payments for the 2020 financial year expected to be between R940 million and R980 million, in terms of IFRS 16 (ignoring lease smoothing adjustments), the "operating" lease charge is not recognised as an operating expense as it is replaced by the amortisation of the right-of-use asset and interest of the lease liability.<br>• Derecognition of the straight-lining lease liabilities of R84 million as an opening retained earnings adjustment on transition. | January 1 2019 |

## 14. ACCOUNTING STANDARDS AND INTERPRETATIONS NOT EFFECTIVE AT JUNE 30 2019 (continued)

The group does not currently believe the adoption of the following pronouncements will have a material impact on its results, financial position or cash flows:

- IFRIC Interpretation 22 – Foreign currency transactions and advance consideration
- IFRIC Interpretation 23 – Uncertainty over income tax treatments
- Amendments to IFRS 3 – Definition of a business
- Amendments to IFRS 3 – Accounting for acquisitions of interests in joint operations
- Amendments to IFRS 9 – Prepayment features with negative compensation
- Amendments to IFRS 10 and IAS 28 – Sale of contribution of assets between an investor and its associate or joint venture
- Amendments to IFRS 11 – Accounting for acquisitions of Interests in joint arrangements
- Amendments to IAS 1 and IAS 8 – Definition of material
- Amendments to IAS 12 – Income tax consequences of payments on financial instruments classified as equity
- Amendments to IAS 19 – Plan amendment, curtailment or settlement
- Amendments to IAS 23 – Borrowing costs eligible for capitalisation
- Amendments to IAS 28 – Investments in associates and joint ventures – clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice.
- Amendments to IAS 28 – Long-term interests in associates and joint ventures

# Separate statement of comprehensive income

| for the year ended June 30 | Note | 2019 R'000 | 2018 R'000 Restated# |
|---|---|---|---|
| Revenue | 1 | **1 998 504** | 1 825 363 |
| Guarantee fee income | | **8 360** | 10 188 |
| Share-based payment expense | 15 | **(116 882)** | (102 346) |
| Impairment of investments | 2 | **(98 414)** | (544 640) |
| Shareholder-related costs | | **(29 198)** | (24 212) |
| Operating expenses | | **(708)** | (770) |
| Operating profit | | **1 761 662** | 1 163 583 |
| Finance income | 3 | **5 424** | 4 375 |
| Profit before taxation | | **1 767 086** | 1 167 958 |
| Taxation | 4 | **(2 156)** | (4 178) |
| Profit for the year attributable to shareholders | | **1 764 930** | 1 163 780 |
| Other comprehensive income net of taxation | | **–** | – |
| Total comprehensive income for the year | | **1 764 930** | 1 163 780 |

# *Refer note 15.*

# Separate statement of financial position

| as at June 30 | Note | 2019 R'000 | 2018 R'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | **7 491 720** | 7 589 625 |
| Investment in subsidiaries | 5 | **7 486 431** | 7 584 845 |
| Amounts owing by subsidiaries | | **5 289** | 4 780 |
| **Current assets** | | **32 620** | 31 350 |
| Taxation receivable | | **135** | 1 |
| Cash and cash equivalents | | **32 485** | 31 349 |
| **Total assets** | | **7 524 340** | 7 620 975 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Capital and reserves | 6 | **7 523 002** | 7 620 074 |
| **Current liabilities** | | | |
| Unclaimed dividends | | **1 338** | 901 |
| **Total equity and liabilities** | | **7 524 340** | 7 620 975 |

# Separate statement of changes in equity

| for the year ended June 30 | **2019 R'000** | 2018 R'000 Restated# |
|---|---|---|
| **EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY** | **7 523 002** | 7 620 074 |
| **Stated capital** | **5 428 016** | 5 428 016 |
| **Retained earnings** | **2 094 986** | 2 192 058 |
| Balance at beginning of year | **2 192 058** | 2 703 575 |
| Attributable profit | **1 764 930** | 1 163 780 |
| Equity movement on share-based payment expense | **116 882** | 102 346 |
| Dividends paid | **(1 978 884)** | (1 777 643) |

# *Refer note 15.*

# Separate statement of cash flows

| for the year ended June 30 | **2019 R'000** | 2018 R'000 |
|---|---|---|
| **Cash flows from operating activities** | **1 645** | 23 153 |
| Cash utilised by operations | **(21 109)** | (20 048) |
| Finance income | **5 424** | 4 375 |
| Taxation paid | **(2 290)** | (8 894) |
| Dividends received | **1 998 504** | 1 825 363 |
| Dividends paid | **(1 978 884)** | (1 777 643) |
| **Cash effects from financing activities** | | |
| Increase in amounts owing by subsidiaries | **(509)** | (462) |
| **Net increase in cash and cash equivalents** | **1 136** | 22 691 |
| Cash and cash equivalents at beginning of year | **31 349** | 8 658 |
| **Cash and cash equivalents at end of year** | **32 485** | 31 349 |

# Notes to the separate financial statements

for the year ended June 30

| | 2019 R'000 | 2018 R'000 |
|---|---|---|

## 1. REVENUE

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| **Revenue includes dividends received from subsidiaries:** | | |
| South African subsidiaries | **352 000** | 790 000 |
| Foreign subsidiaries | **1 646 504** | 1 035 363 |
| | **1 998 504** | 1 825 363 |

## 2. IMPAIRMENT OF INVESTMENTS

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| Impairment of BTW Investments Proprietary Limited | **98 414** | 541 940 |
| Impairment of Bidvest Food Malawi | **–** | 2 700 |
| Impairment of Bidvest Food Mauritius | **#** | – |
| | **98 414** | 544 640 |

# *Impairment amount below R1 000.*

The investment in BTW Investments was impaired to the net asset value of the company. BTW Investments is an investment company holding listed shares in Bid Corporation Limited.

## 3. FINANCE INCOME

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| Finance income | | |
| Interest income on bank balances | **4 851** | 3 913 |
| Interest income on subsidiary loans | **509** | 462 |
| Interest income from the South African Revenue Service | **64** | – |
| | **5 424** | 4 375 |

## 4. TAXATION

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| **Current taxation** | **2 156** | 4 178 |
| Current year | **3 581** | 4 178 |
| Prior years' overprovision | **(1 425)** | – |
| Total taxation per separate statement of comprehensive income | **2 156** | 4 178 |
| **Comprising** | | |
| South African taxation | **2 156** | 4 178 |

| The reconciliation of the effective tax rate with the South African company tax rate is: | % | % |
|---|---|---|
| Taxation for the year as a percentage of profit before taxation | **0,1** | 0,3 |
| Dividend and exempt income | **31,7** | 43,9 |
| Non-deductible expenses | **(3,8)** | (16,2) |
| Rate of South African company taxation (%) | **28,0** | 28,0 |

## 5. INVESTMENT IN SUBSIDIARIES

| | 2019 % | 2018 % | 2019 R'000 | 2018 R'000 |
|---|---|---|---|---|
| Bidfood Limited[(1)] | **100** | 100 | **11** | 11 |
| Bidcorp International Limited[(2)] | **100** | 100 | **1 254 897** | 1 254 897 |
| Bidcorp Foodservice International Limited[(2)] | **100** | 100 | **1 440 209** | 1 440 209 |
| Bidvest Food Mauritius Limited[(3)] | **100** | 100 | **–** | # |
| Crown Food Ingredients Zambia Limited[(4)] | **60** | 60 | **3 652** | 3 652 |
| Bidvest Food Malawi[(5)] | **60** | 60 | **–** | – |
| Bidcorp Food Africa Proprietary Limited | **100** | 100 | **3 053 173** | 3 053 173 |
| Bidcorp Food Property Proprietary Limited | **100** | 100 | **851 028** | 851 028 |
| BTW Investments Proprietary Limited | **100** | 100 | **883 461** | 981 875 |
| | | | **7 486 431** | 7 584 845 |

*Country of incorporation if not South Africa:*
*(1) Botswana*
*(2) Isle of Man*
*(3) Mauritius*
*(4) Zambia*
*(5) Malawi*
*# Amounts below R1 000*

Investment in subsidiaries is reflected at cost less accumulated impairment losses. Refer to note 2 for the impairment losses that were recognised during the year.

A list of indirectly held subsidiaries is available for inspection at the registered office of the company.

## 6. CAPITAL AND RESERVES

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| **Stated capital** | **5 428 016** | 5 428 016 |
| **Reserves** | | |
| Retained earnings | **2 094 986** | 2 192 058 |
| **Total capital and reserves comprise** | **7 523 002** | 7 620 074 |

| | Number '000 (2019) | Number '000 (2018) |
|---|---|---|
| **Stated capital** | | |
| **Authorised** | | |
| 540 000 000 ordinary shares of no par value (2018: 540 000 000 ordinary shares of no par value) | | |
| **Issued** | | |
| 335 404 212 ordinary shares of no par value (2018: 335 404 212 ordinary shares of no par value) | **335 404** | 335 404 |

16 750 000 unissued no par value ordinary shares are under the control of the directors until the next annual general meeting.

| | | 2019 R'000 | 2018 R'000 Restated# |
|---|---|---|---|
| **7.** | **CASH UTILISED BY OPERATIONS** | | |
| | **Operating profit** | **1 761 662** | 1 163 583 |
| | Impairment of investments | **98 414** | 544 640 |
| | Dividends received from subsidiaries | **(1 998 504)** | (1 825 363) |
| | Share-based payment expense# | **116 882** | 102 346 |
| | Working capital changes | | |
| | Increase (decrease) in other payables | **437** | (5 254) |
| | **Cash utilised by operations** | **(21 109)** | (20 048) |

# *Refer note 15.*

| | | 2019 R'000 | 2018 R'000 |
|---|---|---|---|
| **8.** | **TAXATION PAID** | | |
| | Balance receivable (payable) at beginning of year | **1** | (4 715) |
| | Current taxation charge | **(2 156)** | (4 178) |
| | Balance receivable at end of year | **(135)** | (1) |
| | Amounts paid | **(2 290)** | (8 894) |

## 9. SUBSEQUENT EVENTS

No material subsequent events have arisen since June 30 2019.

## 10. RELATED PARTIES

The subsidiaries and associates of the group are related parties of the company. The company has lent an amount to Crown Food Ingredients Zambia Limited (Crown Zambia). Crown Zambia is charged interest at the South African prime lending rate. All expenditure incurred by the company is borne by a subsidiary in lieu of administration fees and interest.

## 11. ACCOUNTING ESTIMATES AND JUDGEMENTS

### CFC income (tax)

Detailed calculations are performed to determine taxation due on controlled foreign companies (CFCs) in terms of section 9D of the Income Tax Act. These calculations are based on financial data obtained directly from the CFCs.

## 12. GOING CONCERN

The financial statements have been prepared on a going concern basis as the directors have every reason to believe that the company has adequate resources in place to continue in operation in the foreseeable future.

## 13. FINANCIAL INSTRUMENTS

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

## 14. DIRECTORS' EMOLUMENTS

Disclosure on directors' emoluments has been included in note 11.2 of the notes of the consolidated financial statements.

## 15. ACCOUNTING POLICIES

### Share-based payments

The company is a party to several group shared-based payment arrangements. As part of these arrangements, the company grants awards to employees of subsidiaries companies. These awards constitute equity instruments in the company (eg share awards over company shares). The company is the party that is obliged to settle the award if the vesting conditions are met. In accordance with IFRS 2 paragraph 43C, these transactions are treated as an equity-settled share-based payment for the company because they will be settled only in equity instruments of the company. IFRS 2 does not address the accounting for the "capital contribution", ie the debit side of the arrangement. As a result, the company has adopted a policy to recognise the share-based payment on the same basis as that of the group. The company therefore measures the awards at the grant date and recognises the grant date fair value as an expense over the vesting period in accordance with IFRS 2 requirements for equity-settled shared-based payments.

### Restatement

The company's comparative statement of profit or loss, statement of changes in equity and cash utilised by operations (note 7) were restated to record the company share-based payment expense for the respective years. This restatement had no impact on the opening retained earnings of the company and statement of financial position.

In addition to the share-based payment accounting policy, the accounting policies for the separate financial statements are the same as the consolidated financial statements, unless specifically stated otherwise.

# Shareholders' information

| | Total shareholding | % |
|---|---|---|
| **BENEFICIAL SHAREHOLDINGS** | | |
| **Major shareholders holding 3% or more of the shares in issue** | | |
| Government Employees Pension Fund (PIC) | 50 904 173 | 15,2 |
| GIC Asset Management Private Limited | 15 168 586 | 4,5 |
| | 66 072 759 | 19,7 |
| **INVESTMENT MANAGEMENT SHAREHOLDINGS** | | |
| **Fund managers holding 3% or more of the shares in issue** | | |
| Government Employees Pension Fund (PIC) | 45 805 574 | 13,7 |
| J.P. Morgan Asset Management | 29 530 320 | 8,8 |
| GIC Asset Management Pte Ltd | 14 878 235 | 4,4 |
| BlackRock Inc | 14 187 628 | 4,2 |
| Coronation Asset Management Proprietary Ltd | 14 000 889 | 4,2 |
| The Vanguard Group Inc | 13 110 748 | 3,9 |
| | 131 513 394 | 39,2 |
| **SHARES IN ISSUE** | | |
| Total number of shares in issue | 335 404 212 | |
| BTW Investments Proprietary Limited (treasury shares) | (1 720 660) | |
| | 333 683 552 | |
| **BENEFICIAL SHAREHOLDER CATEGORIES** | | |
| Unit trusts/mutual funds | 106 981 115 | 31,9 |
| Pension funds | 93 958 710 | 28,0 |
| Sovereign wealth | 31 094 069 | 9,3 |
| Private investor | 19 635 794 | 5,9 |
| Insurance companies | 14 115 299 | 4,2 |
| Trading position | 13 316 984 | 4,0 |
| Investment trust | 8 602 531 | 2,6 |
| Exchange traded fund | 6 378 690 | 1,9 |
| Custodians | 4 583 716 | 1,4 |
| Corporate holdings | 2 474 209 | 0,7 |
| Black economic empowerment | 1 734 446 | 0,5 |
| Hedge fund | 1 218 475 | 0,4 |
| University | 525 134 | 0,2 |
| Medical aid scheme | 441 687 | 0,1 |
| Local authority | 388 918 | 0,1 |
| Charity | 349 541 | 0,1 |
| Remainder | 29 604 894 | 8,7 |
| | 335 404 212 | 100,0 |

| | Total shareholding | % |
|---|---|---|
| **GEOGRAPHICAL SPLIT OF BENEFICIAL SHAREHOLDERS** | | |
| **Region** | | |
| South Africa | 176 048 020 | 48,4 |
| United States of America and Canada | 68 798 449 | 23,3 |
| United Kingdom | 14 586 237 | 5,5 |
| Rest of Europe | 36 096 655 | 13,0 |
| Rest of world[1] | 39 874 851 | 9,8 |
| | 335 404 212 | 100,0 |

*[1] Represents all shareholdings except those in the above regions.*

| | Number of holders | % of total shareholders | Number of shares | % of issued capital |
|---|---|---|---|---|
| **ANALYSIS OF SHAREHOLDING** | | | | |
| **Shareholder spread** | | | | |
| 1 – 1 000 shares | 37 018 | 82,80 | 10 194 680 | 3,0 |
| 1 001 – 10 000 shares | 6 405 | 14,33 | 16 789 795 | 5,0 |
| 10 001 – 100 000 shares | 998 | 2,23 | 31 064 481 | 9,3 |
| 100 001 – 1 000 000 shares | 238 | 0,53 | 68 958 783 | 20,6 |
| 1 000 001 shares and above | 50 | 0,11 | 208 396 473 | 62,1 |
| **Total** | 44 709 | 100,0 | 335 404 212 | 100,0 |
| **Shareholder type** | | | | |
| Non-public shareholders | 11 | 0,03 | 3 469 917 | 1,0 |
| Directors | 4 | 0,01 | 949 883 | 0,3 |
| Bidvest Pension/Retirements Funds | 6 | 0,02 | 799 374 | 0,2 |
| BTW Investments Proprietary Limited | 1 | 0,00 | 1 720 660 | 0,5 |
| Public shareholders | 44 698 | 99,98 | 331 934 295 | 99,0 |
| **Total** | 44 709 | 100,00 | 335 404 212 | 100,0 |

# Shareholders' diary

| | | |
|---|---|---|
| **Financial year-end** | | June 30 |
| **Annual general meeting** | | November |
| **Reports and accounts** | | |
| Interim report for the half-year ending December 31 | | February |
| Announcement of annual results | | August |
| Annual report | | October |
| **Distributions** | **Declaration** | **Payment** |
| Interim distribution | February/March | March/April |
| Final distribution | August/September | September/October |

# Definitions

### Navigating this report

Cross-reference content within this report

Further information available on the company's website

### Stakeholders key:

Customers

Environment

Suppliers

Communities

Employees

Authorities

Shareholders

### Bidcorp's six capitals:

Human capital

## Human

The competencies, capabilities and experience of our employees and globally diverse management team, enabling us to deliver our products and services and implement our strategy, thereby creating value for our stakeholders.

Financial capital

## Financial

The funding and financial resources available to and deployed by the group including finance raised, revenue generated, interest income and funds reinvested.

Social and relationship capital

## Social and relationship

Stakeholder relationships and engagement making up the critical, long-term relationships that we have cultivated with customers, suppliers and business partners in developing our internationally recognised corporate reputation.

Intellectual capital

## Intellectual

Organisational knowledge, systems, protocols and intellectual property in particular the innovative cutting-edge online customer and supplier interfaces being used internationally to simplify, streamline and create efficiencies in our business process end-to-end; providing us with our competitive advantage.

Manufactured capital

## Manufactured

The physical infrastructure used to sell products includes distribution centres (owned and leased) and the IT systems throughout the business enabling us to procure, import, deliver and sell our products and services around the world.

Natural capital

## Natural

Environmental resources form the foundation of our products and services. Sourcing food products locally, delivering them efficiently and responsibly whilst protecting and enabling the long-term sustainability of food production.

# Glossary of terms and acronyms

| | |
|---|---|
| **Ambient products** | Food that can be stored at room temperature, generally about 20˚C |
| **Bidfood ecommerce platform** | Developed by our NZ-based software development team, BidOne, these sites are globally rolled out to local platforms, accessible on all devices for online ordering, menu planning, invoicing, sales reports, and day-to-day customer engagement. |
| **Catering sector** | A broad service category that provides foodservices to businesses that prepare large-scale meals for events and functions |
| **Chilled products** | Food that is stored at refrigeration temperatures (between 2˚C and 4˚C) |
| **DC** | Distribution centre, also referred to as a depot |
| **ESG** | Environment, Social and Governance processes and reporting in line with recommendations of Global CPD guidance, King IV and GRI G4 |
| **Foodservice sector** | The business of being a delivered wholesaler of a broad multi-temperature product range to the catering and hospitality sectors |
| **Free-trade** | Also referred to as street trade or independent trade<br>Standalone customers which are not part of a large conglomerate or holding entity, usually owner managed high-end restaurants |
| **Fresh** | Fresh produce (fruits and vegetables), as well as fresh meat, fish and/ or poultry |
| **Frozen** | Prepared fresh product, packaged and frozen at -18˚C for distribution |
| **Group** | Bidcorp group, consolidating all subsidiaries (see Note 12.3 page 152) |
| **Horeca** | A foodservice distribution channel that includes hotels, restaurants, caterers, cafés and the broader hospitality industry |
| **Hospitality sector** | A broad service category that provides foodservices to a hospitality business such as a restaurants, pubs and hotels |
| **Industrial caterers channel** | A provider of catering services within the industrial sector, the industrial caterer usually has a presence situated on site |
| **Institutional channel** | A foodservice distribution channel into canteens within hospitals, schools, care homes and prisons |
| **JSE** | Johannesburg Stock Exchange Limited |
| **Logistics segment** | A segment of the foodservice sector that supplies logistics solutions to large scale food providers and the QSR trade |
| **National accounts channel** | Accounts which have a head office structure with one point of contact for overall account management |
| **Non-food products** | Collection of non-food items ranging from cleaning products, work clothing, kitchen equipment, serviettes, dining goods etc |
| **Out-of-home eating** | Restaurant and casual dining prepared outside of the home |
| **Own brands** | Also known as home brands or private label products, owned by Bidcorp and TM registered |
| **Processing segment** | A segment of the foodservice sector which manufactures and distributes processed, semi-processed and prepackaged products |
| **QSR** | Quick service restaurant |
| **Ready-meals or Ready-to-eat** | Pre-packaged, pre-prepared deli foods and chilled or frozen meals |
| **Re-pack products** | Re-packing of bulk containers of whole produce into smaller quantities as part of the light manufacture value-add services offered by Bidfood |
| **Retail segment** | Business which supplies a full-range of products to supermarkets and hypermarkets |
| **Sous Vide products** | Quality cuts sealed in airtight plastic bags for slow cooking in water baths or in temperature-controlled steam environments |
| **Voice picking** | Accurate, efficient, and effective order picking system implemented in warehouses |

# Administration

## Bid Corporation Limited
Incorporated in the Republic of South Africa Registration number: 1995/008615/06
Share code: BID
ISIN: ZAE000216537

## Directors
**Chairman:** S Koseff
**Lead independent director:** DDB Band
**Independent non-executive:** T Abdool-Samad, PC Baloyi, DD Mokgatle, NG Payne, CL Rosenberg*, H Wiseman*
**Non-executive:** B Joffe
**Executive directors:** BL Berson* (chief executive), DE Cleasby (chief financial officer)
**Australian*

## Company secretary
AK Biggs

## Independent auditor
PricewaterhouseCoopers
Registration number: 1998/012055/21
Waterfall City, 4 Lisbon Lane, Jukskei View
Midrand, 2090

## Legal advisers
Baker & McKenzie
Edward Nathan Sonnenbergs
Werksmans

## Transfer secretaries
Computershare Investor Services Proprietary Limited
PO Box 61051, Marshalltown, 2107
0861 100 950

## Sponsor
The Standard Bank of South Africa Limited
30 Bauer Street, Rosebank
South Africa, 2196

## Bankers
Absa Bank Limited
ASB Bank Limited
Barclays Bank Limited
BNP Paribas Fortis
Ceskoslovenska obchodni banka, a.s. (CSOB)
Commonwealth Bank of Australia Limited
Hang Seng Bank Limited
HSBC Bank plc
Internationale Nederlanden Groep (ING)
Nedbank Limited
The Royal Bank of Scotland Group Plc
The Standard Bank of South Africa Limited
Standard Chartered PLC
UBI Banca

## Registered office
Bid Corporation Limited
2nd Floor North Wing, 90 Rivonia Road, Sandton, 2196
Postnet Suite 136, Private Bag X9976, Sandton, 2146

## Telephone
+27 (10) 592 2150

## Email
admin@bidcorp.co.za
investorrelations@bidcorp.co.za

## Bidcorp ethics line
0800 205 052
bidcorp@tip-offs.com

For further information regarding our group can be found on the Bidcorp website: www.bidcorpgroup.com

Bidcorp

www.bidcorpgroup.com