



# *Going Beyond*

THE BIDVEST GROUP LIMITED  
ANNUAL INTEGRATED REPORT 2017

# About this report

**This report has been compiled to enable Bidvest stakeholders to make an informed assessment about our ability to create value over time.**

To facilitate such an assessment: We introduce the Group, outline who we are, where we operate, what we do, and how we create and sustain value; Provide a high-level strategic and governance overview incorporating the chairman's statement and review our leadership team and governance and remuneration practices; Provide an operational summary of our performance and strategy in the CEO's statement; Identify the material matters that impact on value creation in terms of our operating environment, and the principal risks and opportunities facing the Company; Reflect on our interaction with the six capitals which enable our business and our key stakeholder relationships and review our financial performance and plans in terms of our strategic focus areas and across our operations. This report covers the period from 1 July 2016 to 30 June 2017.

Our reporting process has been guided by the principles and requirements contained in the International Financial Reporting Standards (IFRS), the IIRC's International Framework, the Global Reporting Index Sustainability Reporting Standards (GRI), the King Code on Corporate Governance 2016 (King IV), the JSE Listings Requirements and the South African Companies Act, No 71 of 2008. We have provided extracts from the consolidated annual financial statements (AFS) in this report. The full set of AFS, and our Annual Governance report, are available online or can be requested from our company secretary. This report provides information on all those matters that we believe could substantively affect value creation at Bidvest.

Integrated thinking is intrinsic to how we manage our business and to our internal strategy development and reporting practices. Our strategy has been developed to ensure that we manage the resources and relationships needed to create value over time. We use a combined assurance model to provide us with assurance obtained from management and from internal and external assurance providers. Deloitte & Touche audited our 2017 AFS and provided an unmodified opinion thereon. The extracts from the AFS in this integrated report are audited. Our audit, risk and compliance committee provides internal assurance to the board on an annual basis on the execution of the combined assurance plan. The Group's financial, operating, compliance and risk management controls are assessed by the Group's internal audit function, which is overseen by the audit, risk and compliance committee. No additional external assurance has been sought.

The board has applied its collective mind to the preparation and presentation of the information in this report, which has been guided by the IIRC's International Framework. The board believes that this report addresses all material issues and presents a balanced and fair account of the Group's performance for the reporting period, as well as an accurate reflection of our core strategic commitments.

Signed on the board's behalf:

**CWL Phalatse**  
Chairman

**LP Ralphs**  
Chief executive

27 October 2017

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## SUPPLEMENTARY DOCUMENTS CAN BE FOUND ONLINE AT [WWW.BIDVEST.COM](http://WWW.BIDVEST.COM)

- Annual Financial Statements
- Annual Governance report
- B-BBEE verification report
- GRI

# Investment case

We turn ordinary companies into extraordinary performers, delivering strong and consistent shareholder returns. Entrepreneurship, incentivisation, decentralised management and communication are key.

We operate in the areas of consumer and industrial products, electrical products, financial services, freight management, office and print solutions, outsourced hard and soft services, travel and aviation services and automotive retailing.

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29 years  
of consistent trading profit  
**outperformance**

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Strong  
track record of efficient  
**capital allocation**

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Highly **entrepreneurial**  
and **decentralised**  
management teams  
supported by lean  
corporate office

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**Cash**  
**generative** businesses  
that are relatively  
capital light

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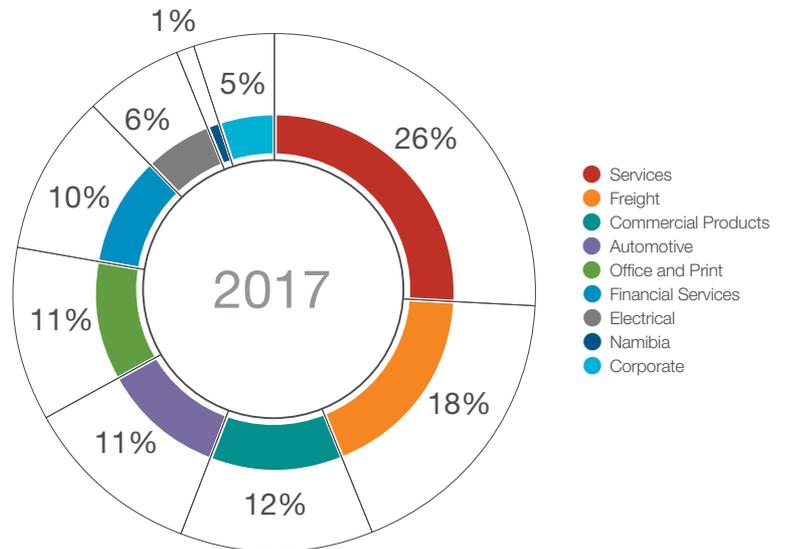
Positioned for  
**international expansion**  
in chosen niche areas

# Integrated Group overview

## We are Bidvest

A leading SA services, trading and distribution group operating in the areas of consumer and industrial products, electrical products, financial services, freight management, office and print solutions, outsourced hard and soft services, travel and aviation services and automotive retailing. Listed on the JSE and with its roots firmly established in SA, we consistently broaden our product offering.

## Trading profit



## Our vision

Our vision is to turn ordinary companies into extraordinary performers, delivering strong and consistent shareholder returns in the process while understanding that people create wealth, companies only report it.

## Our philosophy

Bidvest operates a diversified, highly entrepreneurial model with teams that are empowered to grow their respective businesses. Transparency, excellence and innovation run through all our business dealings.

**130 000**

people employed,  
incl Noonan

**1mn**

LED lamps and tubes  
sold, saving 65%  
electricity

**New facilities  
management**

contracts secured

Handled

**17mn tons** of

agriculture and other  
commodities at SA ports

Moved **7mn** passengers

through lounges and boarding  
gates at all SA airports

**172mn**

e-mails sent by  
Bidvest Data

Serviced

**550 000** cars

Exchanged notes in

**60** currencies

## Financial highlights

**+5%**

trading profit

**R11.08**

HEPS, +5%

**R4.91**

DPS

**80%**

cash conversion

**22%**

ROFE

**0.7x**

net debt/EBITDA

## Acquired Noonan,

post year-end

### Strategy – Going Beyond



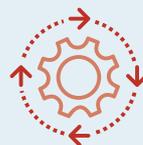
#### Maximise diverse portfolio

- Continuously **innovate**
- Focus on 7 core divisions
- **Cost-effective products and services** in constrained operating environment



#### Stewardship

- **Adding value** to customers
- Deliver **sustainable solutions**
- **Adapt business model** to unique SA environment
- **Develop people** to grow talent pool



Capitals:



Financial capital



Human capital



Natural capital

# R2bn

capex spend

# R330mn

new fuel tank investment

# R773mn

from non-core disposals

# R2bn

spend on Brandcorp and bolt-on acquisitions

Maintain strong financial position 

- Excellent **asset management**
- **Ample capacity** to accommodate expansion
- **Strong** cash generation
- **Disposal** of non-core assets



Going Beyond 

- **Acquisitions** continue to broaden offering
- **International expansion** in Services and Commercial Product niches
- **Invest** in relevant SA **infrastructure**



Manufactured capital



Social & relationship capital



Intellectual capital

**B-BBEE  
level 4**

**CSI  
spend  
R81mn**

**Light  
environmental  
footprint**

**Training  
spend  
R571mn**

## Governance is in our DNA, it is how we do business

At Bidvest governance permeates the entire organisation. Stakeholders can only derive full value from a business founded on honesty, integrity, accountability and respect. Bidvest values simplicity. Improved focus makes it easier to manage our business, which is fundamental for transparency and good governance.

▷ Combined assurance receives deliberate and focused attention. Continually optimising our model avoids duplicative efforts, rationalises collaboration efforts upstream amongst assurance providers coupled with effectively managing related costs.

Executive directors and EXCO members implement strategies and operational decisions. Non-executive directors provide an independent perspective and complement the skills and experience of executive directors.

### Governance

**Board composition:** 8 independent, non-executive board members, 5 executives

**Committees:** Audit, acquisitions, nominations, remuneration, social and ethics, risk committees

### Remuneration KPIs

- ▷ HEPS growth
- ▷ ROFE
- ▷ Total shareholder return
- ▷ Strategic metrics

**Bidvest cares about its people and the environment. We aim to provide a safe and healthy workplace with equal opportunities which is conducive to learning and personal growth. We do business in an environmentally friendly manner that drives positive social change.**

**With its roots firmly in South Africa, Bidvest is acutely aware of its corporate citizenship responsibilities. Bidvest welcomes and support the launch of the “#BusinessBelieves in South Africa” campaign.**

**Ethics line:** 0800 50 60 90 / [bidvest@tip-offs.com](mailto:bidvest@tip-offs.com)

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# Proven

**ability** to quickly execute and assimilate **acquisitions**

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Generally

# market leaders

in operating sphere

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# Highly

regarded **brands**

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Blended portfolio of defensive, cyclical and

# growth assets

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Embrace

**change through**

# innovation

# Business model – We are Bidvest

O P E R A T I N G C O N T E X T

**Economic growth** – Growth in South Africa’s GDP remains constrained and business confidence is low. We have a track record of outperforming through the cycle. We are quietly optimistic about marginal GDP growth in FY18. We remain confident into the medium term.

**Government policy and regulation** – The revised B-BBEE codes, the Preferential Procurement Policy Framework Act and draft Mining Charter make for a challenging operating environment on top of political instability and volatility. We are committed to working with government and authorities to effect change and re-energise a growth programme. We aim for sustainable value creation for all stakeholders.

**“Our customers want a partner that understands their business, that they can trust to deliver everyday solutions and who places efficiency and services at the core. They also want a partner that constantly thinks about new and better ways to do business.”**

Mpumi Madisa, business development director

**Infrastructure development and maintenance** – Gross fixed capital formation investment and maintenance have been limited. A broader basket of electrical products and alternative solutions mitigated the reduced demand. Bidvest is an eager, willing and dedicated investor in South Africa, well-positioned to augment initiated projects.

Warehousing, distribution & logistics

Our well-capitalised infrastructure efficiently meets business and customer demands, particularly as a one-stop solution.



Sourcing & procurement

Long-term cooperation with suppliers drives efficiency, quality and responsible behaviour. We are continuously alert to new sources and augmentative product.



Services

Our extensive network, staffed by competent and service-oriented employees are key factors for customer satisfaction.



O P E R A T I N G C O N T E X T



## Solutions

Fulfilling our customers' needs and improving their long-term profitability forms the basis of our product and service development.



## Servicing

**170 000**  
customers through  
**500** facilities



## Innovation

We continuously work towards identifying innovative products and services that will enhance quality, drive efficiency and reduce environmental impact.



**Consumer spend** – Low consumer confidence, limited real disposable income growth and high interest rates result in constrained discretionary consumer spend.

**Technology** – Brings opportunity to enhance efficiency, improve service and reduce environmental impact. It also drives changed behaviours and needs, to which we respond accordingly.

**Increase in outsourcing and bundled spend** – The market dynamics that influence customer to outsource and consolidate spend remains strong as efficiencies and value are being sought. Bidvest offers a national, comprehensive solution in Services, Office and Print and Electrical.

**Employees** – A decentralised, entrepreneurial culture empowers 130 000 people to put customers first.

# OPERATING CONTEXT

# Chairman's report



**Lorato Phalatse**  
Chairman

This has been our first full year following the successful unbundling of our foodservices businesses and we transitioned exceptionally well. I am pleased to report we are on course for continued growth and success. Considering the magnitude and complexity of the unbundling, and the depressed market conditions in which we operate in South Africa, Bidvest has performed superbly and made pleasing progress with its strategic ambitions.

Global political and economic uncertainty remains a feature, driven in part by the Brexit vote outcome, the Trump-leadership era in the United States, which has led to policy uncertainty, the continued slowdown in China and, more recently, North Korea's concerning and aggressive stance.

In South Africa, political instability and dissatisfaction has become more apparent with open frustration about the country's leadership increasing, particularly among civil society and South African business leaders. The political climate prevalent over the past 15 years is shifting, with stability worsening over the past two years. Additionally, the drought had a severe effect on food security and we are in an environment of low (rand) commodity prices, higher consumer prices, a greater dependency on debt, and declining economic growth.

As one of the largest employers in South Africa, and a Group that by nature covers virtually all the sectors of the South African business landscape, this is a major concern. South Africans have, however, always been resilient in times of anxiety and change, not allowing these issues to interrupt our ambition for a successful, prosperous and democratic nation.

Bidvest is no different, and nowhere is this more evident than in our pleasing performance over the past year.

## Performance

Bidvest has demonstrated the resilience of its business model by delivering a pleasing set of operating and financial results from its seven divisions. Most divisions performed commendably with Group revenues increasing, trading margins being maintained, and expenses well controlled. The end result was a higher trading profit, improved headline earnings and a dividend. Management's objective of generating excellent returns from operations was again achieved.

Other than Brandcorp, the purchase of which was effected during the year, the Group also made several divisional bolt-on acquisitions as part of its growth strategy and, subsequent to year end, the Noonan acquisition was announced. Noonan is transformational for Bidvest in that it provides an exciting springboard for growth in Europe, both within the Noonan structure and by positioning Bidvest to pursue opportunities in its chosen sectors.

## Priorities beyond profit

Despite a decentralised operating model, we have a unified understanding throughout the Group of what needs to be achieved to ensure ongoing success. It is this understanding, which essentially encapsulates shareholder value delivery, that combines with our passion to support, where possible, those South Africans who have become a consequence of the economic and political turmoil and have found themselves unemployed and destitute. At the same time, we acknowledge a duty to share the value we create and, by so doing, meet the responsibilities we have to contribute to economic and social development and give back to our people and our planet.

Unemployment continues to increase and job prospects for our expanding youth population graduating from high school and tertiary institutions remain bleak. Demands to deliver economic benefits are increasingly being levelled at business.

## Responsible stewardship

Growth enables us to create **employment**



## Business practices

sharpen our competitive edge and generate returns while **improving** the wellbeing of the **communities** we touch



As Bidvest, we contribute meaningfully, often by pushing boundaries, towards the priorities of transformation, education and training, as well as health and sport, remaining committed to social cohesion. Over the past year, we invested R571 million on training and development, initiated 3 900 learnership programmes, and absorbed 373 learners into the Bidvest structure. Many of our larger businesses have invested in technical training academies that operate nationally, serving our own businesses as well as industry at large.

We encourage and support small- to medium-sized business enterprises (SMMEs), specifically through our large supply chain, and build long-term partnerships with a vast variety of organisations and associations directly affected by Bidvest. Bidvest's scale gives us a unique ability to influence our supply and value chain. This reaches beyond efficient systems and processes to ensure we provide Bidvest clients with the best possible products and services, extending into significant investments, the pursuit of renewable energy and water efficiency, as well as other sustainable innovations. We recognise the need for effective stakeholder engagement and to build lasting and value-enhancing relationships with our large stakeholder universe.

We continue to support and introduce relevant and sustainable support projects. Our Bidvest Village has a special place in the hearts and minds of the Bidvest family. This is an ambitious project, which aims to address the social challenges faced by many South Africans. The village has been established as a community for orphaned children and their foster mothers, and will provide nearby communities with the services and support they need to stimulate local commerce. It will provide essential services such as health, security, education, housing and welfare so the people we support can focus on what really matters – their future.

Bidvest has welcomed the launch of the “#BusinessBelieves in South Africa” campaign. As advocates of the campaign, the Group pledges its support of ethical business practices and reaffirms its commitment to job creation and economic growth through the expansion of its South African operations.

#### Going forward

Amid economic uncertainty and weakened institutional political capacity, the private sector must forge ahead and remain focused on playing its part in nation building, providing benefit wherever possible. Currency volatility remains, wage negotiations were largely settled without the usual disruptive strike action, and the manufacturing sector is faring better than expected, albeit not showing any signs of major growth. While we have serious concerns about the institutional capability at Eskom, the supply side seems to be intact, largely as a result of lower demand.

We expect continued instability, at least until some clarity becomes evident following the national elections in 2019, and it is forecast that the country will experience muted growth over the next two years.

This will, however, not deter Bidvest. We will continue with the plans already under way to achieve our stated ambitions, whether these are aimed at continued growth and profitability, or a desire to maintain our social licence to operate, a prerequisite for any corporation.

#### Appreciation

I thank my fellow board members for their commitment, guidance and dedication to the Group. On behalf of the board of directors of Bidvest, I extend our sincere gratitude and appreciation to Brian Joffe, the founder of Bidvest, who built the Group into what it is today. Brian resigned from the Bidvest board in August 2017. His keen insight, knowledge and experience will be missed.

We welcome Nosipho Moloqe to the board and look forward to her contribution.

My gratitude also to Lindsay Ralphs for his leadership and stewardship, as well as the broader management and all Group employees for their contribution to the ongoing viability of Bidvest.

A last word of congratulations must go to the Bidvest Wits team, which was crowned the Premiership Football League Champions in May this year. This winning spirit is a reflection of the Bidvest culture and we are all immensely proud of the team's achievement. Its success has given us added confidence to enhance Bidvest's winning ways as we continue the journey of **“Going Beyond”** into our next chapter of **growth and delivery**.

Lorato Phalatse  
Chairman

We continue the journey of  
**“Going Beyond”**  
into our next chapter of  
growth and delivery.

Invested  
**R571 mn**  
in developing our people and  
**3 900 learnerships** were awarded



# CEO's report



**Lindsay Ralphs**  
Chief executive

We have made excellent progress over the past year in achieving our stated objectives. Our portfolio has been strengthened and realigned, resulting in an enhanced focus on the seven core divisions and allowing us to concentrate on renewed growth. We have a strong and capable leadership team, we are directing capital spend toward meaningful infrastructural developments, and we are positioned for international diversification.

The value-creating unbundling of our foodservices businesses last year successfully transitioned Bidvest into a standalone, robust microcosm of South African business. We are now firmly focused on the business of trading, distribution and services, and we remain one of the country's largest employers. At the end of the financial year, the Proudly Bidvest family totalled more than 117 000 people who, together, enabled the Group to generate revenue of more than R70 billion this past year.

#### The year in review

Bidvest delivered a solid trading result in a tough Southern African market. While consumer spend remains constrained, leading to a lack of economic growth, and amid frustrating political uncertainty, the benefits of our diversified portfolio and the quality of the underlying businesses are evident. Five of Bidvest's South African divisions, as well as Bidvest Properties, delivered growth in trading profit.

Trading profit increased 4,6% to R6,0 billion against revenue growth of 4,0%, with a trading margin of 8,5% (2016: 8,4%).

The results were bolstered by a strong focus on clients and solutions, the acquisition of Brandcorp within the Commercial Products division, as well as smaller bolt-on acquisitions in the Electrical and Financial Services divisions. Strong profitability gains were also achieved in Adcock Ingram and Comair, which increased Bidvest's share of profits from these associated companies and prompted a significant capital gain on these investments, arising from an increase in their respective market values.

Headline earnings increased by 6,2% to R3,7 billion (2016: R3,5 billion) and headline earnings per share by 5,1% to 1 108,2 cents per share. Basic earnings per share more than doubled to 1 430,3 cents (2016: 692,6 cents). The Group declared a final gross cash dividend of 264 cents per ordinary share for the year ended 30 June 2017, which brings the total dividend for the year to 491 cents per share.

Part of the Bidvest philosophy has always been to maintain a strong financial position, and cash generated by operations was exceptionally robust at R6.9 billion. Debt is low, at 7.2 EBITDA interest cover and less than 0.7 times EBITDA.

Over the past year, R773 million was generated from the disposal of non-core assets, including Cullinan, Cargo Carriers, about half of our Bidcorp shares, as well as other, smaller investments. We will continue to responsibly monetise the remaining non-core assets as and when we see the opportunity.

Our ability to react quickly and competitively on future acquisitions aligned to the Bidvest model is enhanced by the fact that our funding capacity is substantial.

## Strategy for continued growth

Remain confident  
about South Africa

Maximise diverse portfolio  
through a focus on **broadening** and  
**innovating** the product and service offering



### Bidvest evolves

We remain steadfast in retaining our simplicity. We operate in straightforward industries where we feel most comfortable: we are not involved in complex manufacturing, and we don't get involved in complicated products. When we target acquisitions we look for simple, annuity-based businesses that are an appropriate fit within our core operating areas.

The well-documented entrepreneurial and decentralised Bidvest approach remains entrenched in our DNA. While Bidvest is the majority owner in all its core businesses, many of which were acquired from SMME owners over the years, the existing management teams retain the business-owner notion and these entities are managed with the same pride and passion one would find in an independently-owned company. This is certainly evident across the divisional portfolio, specifically through the continued operating and financial performances, which often match or exceed their respective market peers.

We are extremely excited about the numerous innovative products and service offerings being taken to market, or in the conceptual phase of development. These are all directed toward ensuring we can continually add value to our vast customer base across all divisions.

Bidvest's market is, predominantly, South Africa. We are firm believers in the future growth and development of this country, notwithstanding economic challenges. We continue to seek divisional

bolt-on acquisitions, and we are investing considerably in local infrastructural development projects. This is particularly evident in our freight operation where we are in the process of spending more than R1,5 billion on bulk liquids, petroleum and liquefied petroleum gas (LPG) storage facilities. The new LPG facility will add significantly to the more than three and a half billion litres of bulk liquid product that is currently handled through our terminals in South Africa each year.

Capital allocation will always be a key element of our business, and there are very few instances where the investment on capital was below our, internally-stretched, expectation. Remedial action is taken where needed.

Bidvest has a diversified and enviable blend of defensive, cyclical and growth assets, which are intentionally large and have a level of market-leading status, across the South African business spectrum.

### Noonan

Post year-end, a new addition to the Services division's portfolio was the acquisition of Noonan, a Republic of Ireland and United Kingdom-based, integrated facility management services and solutions provider with a 40-year track record. We have looked at a few international acquisition possibilities, and Noonan was one we felt matched the Bidvest culture, philosophy and growth ambition

best. We concluded the 100% acquisition for EUR175 million, and we look forward to its contribution to our earnings.

Noonan's services range from cleaning and security to building services and facilities management and include soft, technical and ancillary services. It provides a strong and exciting platform from which to expand in the United Kingdom, Europe and beyond. The existing business has an established footprint and is experiencing tremendous success with its diversified services offering from its base in Ireland, and more recently in key areas within the United Kingdom. Our Services division's track record and product offering will complement Noonan exceptionally well, and we look forward to the management teams of the two entities sharing and delivering strong growth, and innovation.

Noonan has existing bolt-on opportunities available, which are being pursued, and we believe there are some exciting, larger growth possibilities. We do not intend recreating Bidvest's seven core divisions on an international platform. But certainly, particular divisions like Services and niche areas within Commercial Products, are well-positioned to capitalise on expansion outside of the borders of South Africa.

## Bolt-on acquisitions continue

Niche services and commercial products industries have been selected as suitable targets for **international expansion**

Invest in annuity income projects in SA

# R7bn

cash generated with

**ample headroom** to accommodate expansion opportunities



## Market conditions

Market conditions remain challenging, with margins under pressure. We have had to adapt rapidly to the changing environment and become more innovative in terms of our offerings and the way in which we do business: contract terms and procurement patterns are two good examples.

We are seeing market share gains in certain sectors, and breaking into areas of business we previously found difficult to penetrate. Similarly, our trading businesses continue to look at alternatives and complementary services or products. In our Services division, where we have traditionally focused on providing a single service to clients, expanded bundled services are being offered, leading to an integrated facilities management strategy and a total facilities management offering of both hard and soft services. There is growth from this strategic intention, which we think has the potential to get significantly bigger.

Innovation-led growth and expansion is a part of Bidvest receiving much attention and providing considerable excitement. Within the Automotive division, for example, we are introducing virtual dealerships and the Snappdrive app, a keyless application for the car rental fleet and a first in the South African market. Dry ice cleaning, a unique waterless high-pressure system, is being introduced into the mining and petrochemical industries. The Electrical division's offering is being enhanced by new-generation smart meters, solar geysers, and large-scale generators, among other innovative products being taken to market.

Internally, Bidvest is adapting and refocusing to enhance efficiencies and processes, but it remains directly affected by the slowdown in South Africa's development and growth. This reality, coupled with cumbersome and conflicting legislation, makes it difficult to drive sustainable businesses and, therefore, job creation.

The challenges associated with doing business in South Africa are also being intensified by political instability and volatility. The South African Chamber of Commerce and Industry's Business Confidence Index released in September 2017 showed a decline to its lowest level since the mid-1980s, highlighting the demands of the current operating environment. We have, both directly and through Business Leadership South Africa, expressed our concern, but also our commitment to working with the South African government, and other authorities, to effect change and give shape to a renewed and re-energised growth programme. We are eager, willing and dedicated investors in South Africa, and well-positioned to augment the portfolio of initiated projects under way, which will ultimately play a part in rebuilding critical infrastructure in many sectors and regions.

We continue to work with various government departments on existing and new supply projects and we are always very clear these can only move forward within a framework of strict financial discipline and control.

South African business urgently needs stability and predictability, and we look forward to our next phase of growth, which we anticipate post the ruling party's December 2017 elective conference.

## Sustainability

Bidvest recognises that the relationship a business has with society is critically important. Establishing truly sustainable growth must reach beyond creating employment, paying taxes, supporting hundreds of suppliers, ensuring value-added offerings to our customers, and creating shareholder wealth. We must contribute to the alleviation of poverty and counter widening inequality, create sustainable employment, both within and outside the Group, provide better educational opportunities and access, while developing and advancing the key technical and commercial skills sets needed in South African business.

Our business growth and success over the past 29 years has enabled us to create and retain jobs, and invest in our employees to grow along with us.

Bidvest approaches transformation on an inclusive basis. We see it as a strategic opportunity and we do this by continually forging relationships with our stakeholders, be it the government, private sector customers, or the communities within which we operate. For Bidvest, the key to success is forming stronger alliances with these key stakeholders.

We also recognise there are significant environmental pressures, including improved water and energy supply management, where we can play a part in assisting better stewardship for the future.

We are not major polluters and, therefore, don't have emerging carbon emission concerns. We look at other ways to reduce the realities of environmental disruption. In the decentralised structure of the Bidvest Group, businesses have varying focus areas within their industries, which are monitored and addressed at the individual business level, as appropriate. We work alongside stakeholders to reduce waste and promote recycling wherever possible. Water-use management across the divisions is a collective endeavour, which we promote internally as part of our day-to-day business activities. Similarly, energy efficiency and conservation within the divisions, and a shift to renewable energy sources, has already become part of the Bidvest culture.

## Prospects

We are quietly optimistic about marginal GDP growth in the current financial year, and do not anticipate any considerable volatility in exchange rates. We expect trading conditions to improve slightly in the coming year. We remain confident into the medium term, and our focus on enhancing customer centricity and growth in our seven core divisions will continue unabated. These divisions are well managed and cash generative, and their scope will broaden as innovative new products and services are introduced.

Bidvest will maintain its sound financial position and strong balance sheet, with adequate headroom to support growth aspirations. We will actively explore selective acquisitive opportunities in local and international markets to complement core product and service offerings.

The Namibian business will continue to face challenges, and we are dealing with the issues, which we believe will be resolved over the next year.

## Appreciation

Our philosophy during this past year was one of an evolving Bidvest. We have successfully transitioned through the unbundling of our foodservices businesses, and achieved our immediate short-term imperatives of re-aligning and focusing the business. While we will continue to strengthen and entrench the same Proudly Bidvest operating model for which we have become known, we are better positioned for the future. Our strategy not only entrenches existing objectives, but enables a future that will achieve our ambition of "Going Beyond", and into continued success.

My personal thanks to the directors of the Bidvest Group under the leadership of our chairman, Lorato Phalatse. Your guidance and support over the past year has been invaluable, and is much appreciated by the Bidvest management team.

We express our gratitude to Bidvest's vast supplier and customer base for their ongoing support and dedication. We are very aware our business would not be able to continue successfully without you, and we hope we can continue our long and rewarding association.

Above all, thank you to the over 117 000 people that make up the Proudly Bidvest family and welcome to the 13 000 team members from Noonan. Without doubt, it is you that will collectively continue to drive our success. Our values encapsulate respect, honesty, integrity and accountability, and we believe good ethics come from the heart – and that is how we intend to continue to drive our business forward.

We still have an unwavering appetite for growth, locally and internationally. I believe we are now aligned and even better positioned to take advantage of the many opportunities available to us, while ensuring we adhere to our strict discipline of selection, which will ultimately drive enhanced returns to all stakeholders.

**Lindsay Ralphs**  
Chief executive

# Risks and opportunities

CEO, Lindsay Ralphs, “Our decentralised business model is an effective risk management tool. We can’t control macro conditions but we can control how we respond.”

The Bidvest board appointed a risk committee to assist in recognising all material risks to which the Group is exposed and ensuring that the requisite risk management culture, policies and systems are in place and functioning effectively. Risks are assessed on an enterprise-wide level and their individual and joint impact considered. Internal Audit (IA) assist in evaluating the effectiveness of the risk management process and comment on this in their own assessment reports. Management is accountable to the board for implementing and monitoring the processes of risk management and integrating this into day-to-day activities. Divisional risk committees are engaged to actively focus management on critical issues faced at a business and industry level. The key strategic risks are reported to the Group risk committee for consideration at board level. The risk committee membership is reviewed annually.

The material risks identified below have emerged as a result of analysing and understanding the direction in which each entity is moving as well as the overlay of the Group’s strategy and macro conditions. Our strong risk management disciplines allow us to convert risks into opportunities. Additional risks are discussed in the Annual Governance report. The icons link to our strategy.

Material focus areas	Increasingly complex and value-sensitive business environment	Remaining competitive and relevant	Fostering positive long-term relations with key suppliers	Developing and maintaining high calibre staff	Cost-effective, enabling IT systems and support structures	Asset management
Management response	<p>Management focuses on key senior customer relationships to derive mutually beneficial contract outcomes.</p> <p>A proliferation of regulatory and governance requirements add costs in an already price-sensitive market while consuming management time and resources. Innovative solutions are required.</p> <p>Visibility into related party transactions and potential conflicts of interests receive deliberate attention, facilitated by our governance structures and independent ethics facility.</p> <p>Impact on KPIs:</p> <ul style="list-style-type: none"> <li>• HEPS growth</li> <li>• ROFE</li> <li>• Strategic metrics</li> </ul>	<p>We are a customer-centric organisation. The protection of our core business strength and reputation is critical. We encourage creative approaches and innovation and embrace the ability to adapt quickly and proactively to changing customer requirements, market dynamics and digital advancement.</p> <p>Bidvest constantly evaluates its digital strategies.</p> <p>Impact on KPIs:</p> <ul style="list-style-type: none"> <li>• HEPS growth</li> <li>• ROFE</li> <li>• Strategic metrics</li> <li>• TSR vs peer group</li> </ul>	<p>This remains a cornerstone of the way we do business and is recognised as a major strength. Management is constantly challenged to grow these relationships.</p> <p>Bidvest builds sustainable, value-adding relationships.</p> <p>Impact on KPIs:</p> <ul style="list-style-type: none"> <li>• HEPS growth</li> <li>• TSR vs peer group</li> </ul>	<p>We focus on maintaining and rewarding a high performance culture.</p> <p>We encourage entrepreneurial attitude and develop people through training academies, graduate and learnership programmes and recognition.</p> <p>The short/medium-term disruption in the event of sudden departures due to lack of skilled management is well understood.</p> <p>Impact on KPIs:</p> <ul style="list-style-type: none"> <li>• Strategic metrics</li> <li>• HEPS growth</li> </ul>	<p>Group IT governance framework supports effective and efficient management of people, technology and information. Specific attention is given to cyber security.</p> <p>Our Group internal audit ensures adherence to the IT frameworks and guidelines.</p> <p>Comprehensive Group-wide property damage and business interruption insurance is in place.</p> <p>Impact on KPIs:</p> <ul style="list-style-type: none"> <li>• HEPS growth</li> <li>• ROFE</li> </ul>	<p>Management actively monitors and drives performance in asset management, particularly working capital. This receives the focused attention of the audit committee and divisional boards.</p> <p>Credit risk and inventory levels are crucial. We respond by staying close to customers.</p> <p>Impact on KPIs:</p> <ul style="list-style-type: none"> <li>• HEPS growth</li> <li>• ROFE</li> <li>• TSR vs peer group</li> </ul>
Opportunity	<p>Bidvest’s decentralised model allows us to be nimble, adapt and implement value-adding solutions and structures at operational level.</p>	<p>Agility, a can-do attitude and appropriate digital strategies result in innovative solutions and open up additional opportunities.</p>	<p>Constant communication and monitoring of demand changes allow our businesses to be proactive and part of the solution.</p>	<p>Bidvest understands that people create wealth, companies report it. Home-grown talent thrives in our entrepreneurial, decentralised model.</p>	<p>Enable and empower the decentralised business model in the most cost effective manner, to operate optimally and grow.</p> <p>Encourage more enablement of business through digital innovation.</p>	<p>Ambitious working capital targets and dynamic sourcing support returns and add value to customers.</p> <p>Our strong financial position allows us to remain acquisitive.</p>
						

# Governance – combined assurance model

Combined assurance receives deliberate and focused attention at Bidvest. The audit committee ensures that our combined assurance model adequately addresses Bidvest's risks and material matters through the aggregated efforts of assurance providers.

Continually optimising our combined assurance model avoids duplicative efforts, rationalises collaboration efforts upstream amongst assurance providers, coupled with effectively managing assurance costs. The activities are coordinated to maximise the depth and reach of assurance achieved by each of the assurance providers. This enables an effective control environment and ensures the integrity of information used for reporting and decision making.

Bidvest values simplicity. Focus makes it easier to manage our business, which is fundamental for transparency and good governance.

**Board.** Executive directors implement strategies and operational decisions. Non-executive directors provide an independent perspective and complement the skills and experience of executive directors. They objectively assess strategy, budgets, performance, resources, transformation, diversity, employment equity and standards of conduct.

**Remuneration** is a critical factor to attract, retain and motivate the entrepreneurial talent that is at the heart of Bidvest's strategic and operational objectives.

**Risk management** means identifying risks, taking action and turning these into opportunities. At Bidvest, a combined assurance model enables an effective control environment and ensures integrity of information.

**Human capital.** At Bidvest we care for our people. We aim to provide a safe and healthy workplace with equal opportunities which is conducive to learning and personal growth.

**Transformation** is important. Bidvest manages transformation beyond the scorecard. It is a strategic imperative for growth, prosperity and continuity. Bidvest has a level 4 B-BBEE rating.

**Sustainability.** We aim to do business in an environmentally friendly manner that drives positive social and economic change.

**Key stakeholder** relationships are an essential element of strategy implementation and supports long-term sustainability objectives.

**Internal audit (IA)** – The IA function is an independent, value-adding, progressive and responsive service to Bidvest's stakeholders. It fulfils a role of objectively evaluating the business processes and controls so as to appropriately manage risk and support management's commitment to a strong control environment and operational excellence.

A risk-based IA plan is approved by the divisional and Group audit committee on an annual basis and is re-calibrated quarterly in order for the IA function to provide assurance services against the relevant and elevated risks of the business.

The IA function is well-constituted with a professional audit staff (in excess of 25 CA(SA)'s in senior audit positions) with sufficient knowledge, skill-set and experience to execute on the board approved IA Charter that is consistent with the Institute of Internal Auditor's definition of internal audit as well as the principles of King IV. Given the ever-increasing dependencies of the business on IT, specialised audit and consulting skills have become a necessity in the function.

Analytics and automation are well-entrenched into the mechanisms of the IA functions with further disruptive robotic initiatives being the focus for the future of IA.

**IT governance** – The board acknowledges technology as a mechanism to access, protect and manage information. In relation to the IT Framework below, the board governs both technology and information so that these support the organisation in achieving its strategic objectives.

The IT Forum is represented by CIOs from each division across Bidvest and is a platform within which to:

- ▷ Share knowledge, research and experience
- ▷ Leverage digitalisation and technology trends
- ▷ Harness the economies of scale and Group purchasing power
- ▷ Establish subject matter experts and centres of excellence surrounding topical technology issues
- ▷ Benchmark vendor service delivery and price.

Each IT environment across Bidvest is subjected to an IT audit as part of the IA plan. The IT audit assesses design and effectiveness of the IT environments from a control perspective coupled with providing a view on the strategic enablement of IT by the businesses.



# Who governs us

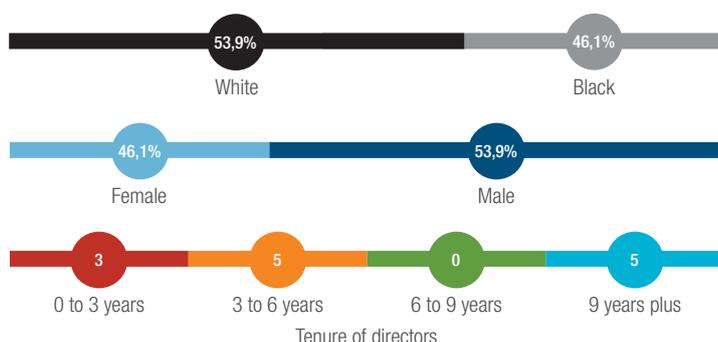
Bidvest embraces corporate governance as a way of life rather than a set of rules. Stakeholders can only derive full, sustainable value from a business founded on honesty, integrity, accountability and respect. Bidvest values simplicity. Focus makes it easier to manage our business, which is fundamental for transparency and good governance.

The board is fully committed to the highest standards of governance and accountability, as recommended by King IV, and the delivery of outcomes such as an ethical culture, good performance, effective control and legitimacy. The board plays a pivotal role in strategy planning and establishing benchmarks to measure the Group's strategic objectives.

The role of the board is regulated in a formal board charter, which defines its authority and power. While retaining overall accountability, the board has delegated authority to the chief executive to run the day-to-day affairs of the Group. The chief executive is supported by the executive management committee. The board also created subcommittees to enable it to discharge its duties and responsibilities properly and to fulfil its decision-making process effectively.

During the financial 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.

## Board composition



## Executive directors



Lindsay Ralphs CEO	Mpumi Madisa	Peter Meijer CFO	Gillian McMahon	Anthony Dawe
<b>Age:</b> 62 <b>Qualification:</b> BCom, BAcc, CA(SA) <b>Appointed:</b> 10 May 1992	<b>Age:</b> 38 <b>Qualification:</b> Masters in Finance and Investment, BCom Honours in Economics and BSc in Economics and Mathematics <b>Appointed:</b> 4 December 2013	<b>Age:</b> 61 <b>Qualification:</b> BCompt, MBL <b>Appointed:</b> 23 May 2016	<b>Age:</b> 45 <b>Qualification:</b> BCom Honours Business Economics and Industrial Psychology, MCom Industrial Psychology <b>Appointed:</b> 27 May 2015	<b>Age:</b> 52 <b>Qualification:</b> CA(SA) <b>Appointed:</b> 28 June 2006

## Non-executive independent directors

			
<b>Lorato Phalatsé</b> Chairman	<b>Doug Band</b>	<b>Bongzi Masinga</b>	<b>Tania Slabbert</b>
<b>Age:</b> 55 <b>Qualification:</b> BA Political Science (Hons), University of Leeds UK, MA Southern African Studies, University of York UK <b>Appointed:</b> Appointed as director on 20 April 2012 and as chairman during September 2012	<b>Age:</b> 73 <b>Qualification:</b> BCom, CA(SA) <b>Appointed:</b> 27 October 2003	<b>Age:</b> 50 <b>Qualification:</b> BCom, USA-SA Leadership and Entrepreneurship Programme (Wharton School of Business) <b>Appointed:</b> 4 December 2013	<b>Age:</b> 50 <b>Qualification:</b> BA, MBA <b>Appointed:</b> 20 August 2007
   	 	 	  
			
<b>Eric Diack</b>	<b>Alex Maditsi</b>	<b>Nigel Payne</b>	<b>Nosipho Molope</b>
<b>Age:</b> 60 <b>Qualification:</b> CA(SA), AMP Harvard <b>Appointed:</b> 20 April 2012	<b>Age:</b> 55 <b>Qualification:</b> BProc, LLB (Wits), LLM (Pennsylvania), LLM (Harvard), Dip Company Law (Wits) <b>Appointed:</b> 20 April 2012	<b>Age:</b> 57 <b>Qualification:</b> CA(SA), MBL <b>Appointed:</b> 28 June 2006	<b>Age:</b> 53 <b>Qualification:</b> BSc (Med) (Wits), BCompt (Hons) (Unisa), CA(SA) <b>Appointed:</b> 1 August 2017
   	  	   	

For comprehensive director CVs, please refer to Annual Governance report, page 13.



**Nominations committee**



**Audit committee**



**Remuneration committee**



**Acquisitions committee**



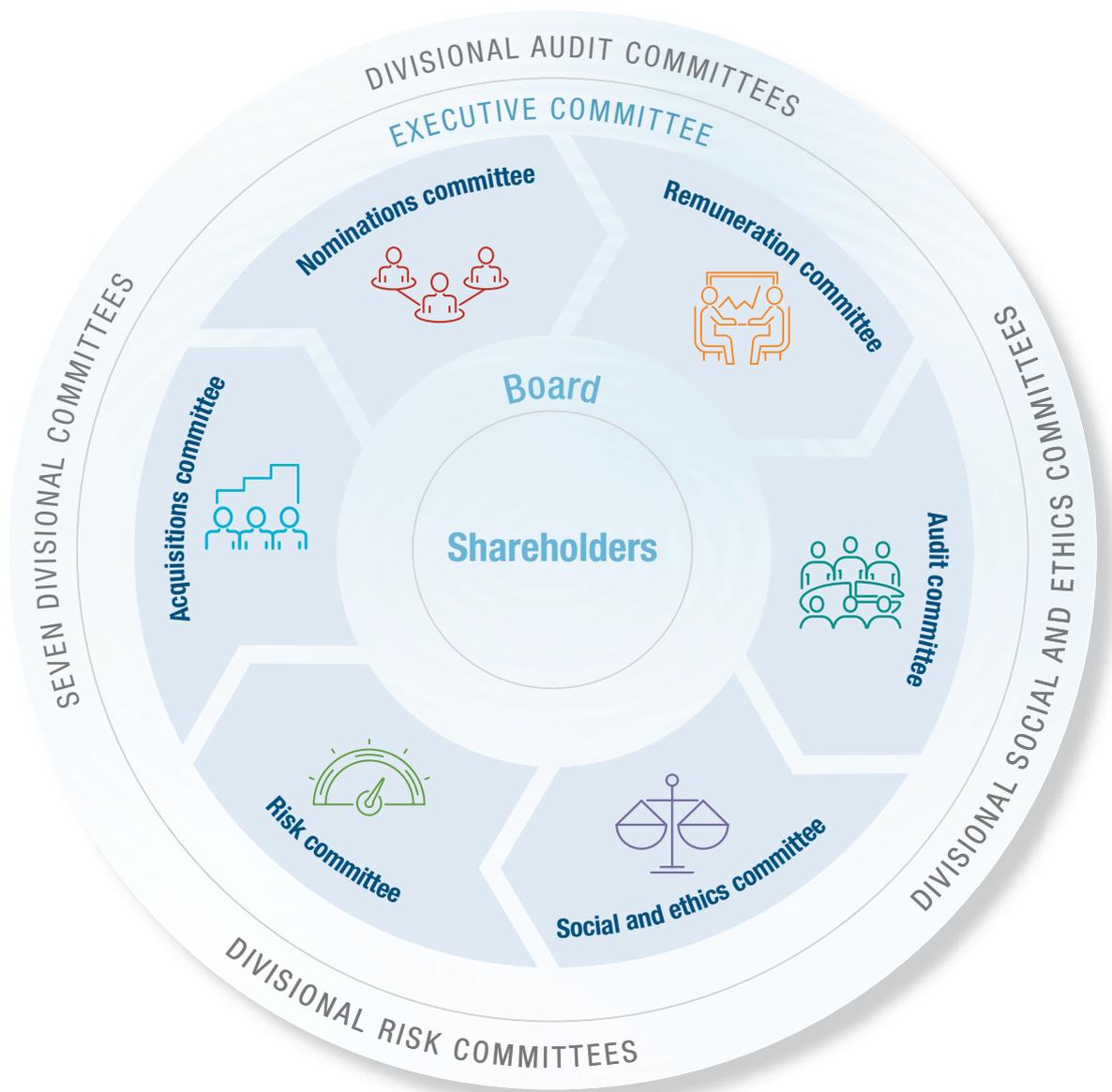
**Risk committee**



**Social and ethics committee**

# Who governs us (continued)

The board has established six standing committees with delegated authority from the board. Each board committee is chaired by an independent non-executive director. These committees play an important role in enhancing good corporate governance, improving internal controls and thus, the performance of the Company. Each board committee acts according to written terms of reference which are reviewed annually and approved by the board.



For the complete committee reports and attendance, please refer to the Annual Governance report, page 5.



## Nominations committee

### Chairman: Lorato Phalatse

The committee is responsible for assessing the independence of non-executive directors. It identifies and evaluates suitable candidates for appointment to the board to ensure that the board is balanced and able to fulfil its function as recommended by King IV. The committee also recommends to the board the re-appointment of directors and succession planning for directors including the chief executive and senior management. The focus in **FY17** was the assessment of the appropriate composition of the board, the recommendation of a gender diversity policy and the appointment of an independent non-executive director. In **FY18** the focus will be on the implementation of the gender diversity policy and the continuation of the succession planning overview.



## Audit committee

### Chairman: Nigel Payne

The committee's main objective is to assist the board in fulfilling its oversight responsibilities, in particular with regards to evaluation of the adequacy and efficiency of accounting policies, internal controls and financial and corporate reporting processes. In addition, the committee assesses the effectiveness of the internal auditors and the independence and effectiveness of the external auditors.

In **FY17**, the committee reported that: there were no reportable irregularities; Deloitte & Touche and the individual audit partner, the designated external auditor, are accredited and independent; it considered all key audit matters and is comfortable that they have been adequately addressed and disclosed; is of the view that the arrangements in place for combined assurance are adequate and are achieving the objective of an effective, integrated approach across the disciplines of risk management, compliance and audit; the Group financial director and finance team are competent; and recommended the AFS to the board.



## Risk committee

### Chairman: Nigel Payne

The committee identifies material risks to which the Group is exposed and ensures that the requisite risk management culture, policies, and systems are implemented and functioning effectively. The committee is also responsible for the governance of IT. The key focus areas in **FY17** included the review of systems and technology as well as the review and approval of the insurance programme of the Group. IT infrastructure, cybersecurity, digital transformation and innovation, disaster recovery and system availability and stability will be focus areas in **FY18**.

A key risk summary is presented on page 15.



## Remuneration committee

### Chairman: Doug Band

The committee is empowered by the board to assess and approve the broad remuneration strategy for the Group, the operation of the short-term and long-term incentives for executives across the Group, and sets short-term and long-term remuneration for the executive directors and members of the executive committee. Work done in **FY17** included monitoring of executive appointments, terminations and retirements and approving the rules, criteria, targets and allocations for performance-related pay schemes. In **FY18** the committee will continue to promote the Group's strategic objectives through fair and transparent remuneration. Please refer to the detailed remuneration report on page 15 of the Annual Governance report.



## Social and ethics committee

### Chairman: Nigel Payne

The committee's responsibilities are in line with legislated requirements and codes of best practice. It monitors the Group's compliance in relation to social and economic development, good corporate citizenship, environment, occupational health and public safety, labour and employment as well as the Group's code of ethics and sustainable business practices. The major focus in **FY17** was on the Group's progress in the alignment of its practices to the requirements of the B-BBEE codes and driving ethical behaviour. The focus for **FY18** will be on activities relating to social and economic development, small business development and stakeholder engagement.

Bidvest's code of ethics can be found in the Annual Governance report, page 29. An ethics line is in use (0800 50 60 90/bidvest@tip-offs.com)



## Acquisitions committee

### Chairman: Doug Band

The role of the committee is to review potential mergers, acquisitions, investment and other corporate transactions in line with the Group's levels of authority. The key focus area in **FY17** included the consideration and evaluation of proposed investments, disinvestments and expansion opportunities. In **FY18** the focus will be on the Group's long-term growth strategy and creating the platform to access new markets.

# Transformation, sustainability and people

Gillian McMahon, transformation director, “Bidvest continues to position and drive transformation as a commercial imperative and as one of the biggest determinants for our growth, prosperity and continuity in South Africa.”

As a committed corporate citizen and one of the largest employers in South Africa, we continue to support and empower the individuals, businesses and communities we serve. We acknowledge that transformation is key to long-term growth and sustainability and while scorecards and good B-BBEE ratings play a vital role in accessing opportunities it remains only a benchmark and measurement for change that happens beyond the tick-box framework.

The past year has seen proposed and implemented amendments to B-BBEE regulations and legislation. The amended Preferential Procurement Regulations (2017), the proposed changes to the Mining Charter as well as the new reporting requirements for JSE listed companies and the B-BBEE Commission are in full force. These new and proposed changes will influence how we engage as business in South Africa and ensure our compliance as a listed entity.

We are cognisant of the fact that if we are going to achieve transformation in a way that strengthens our businesses rather than burden it with legislation, there has to be a more collaborative and inclusive approach between the private sector and government.

As a leader in business we will continue to be proactive and lead by example. We are clear on the fact that our success in securing business growth and sustainability hinges on our ability to critically assess and overcome the current challenges by identifying different ways of doing business. We view our relationships with customers and suppliers as key and a platform for more strategic solutions and partnerships alike.

While the economic outlook is not as favourable as it was a few years ago, we will continue to advance in transforming our status and impact as a corporate citizen. In line with the decentralised operating model of the Group, every subsidiary business acquires its own B-BBEE rating that it uses to operate and trade. So, while the Bidvest Group achieved a commendable level 4 B-BBEE contributor status, at least 75% of the individual subsidiary businesses achieved between a level 1 and a level 4 rating. Our objective is not only to improve on this in the year ahead but also to focus on long-term, scalable and sustainable solutions for social and economic transformation.

Bidvest’s B-BBEE certificate can be found in the Annual Governance report, page 28.

Management diversity remains top of mind to encourage inclusivity and different ways of thinking. We know that a diverse leadership team and employee base will foster innovation and stimulate an environment within which everyone can thrive. Various leadership interventions across the Group, for example the Bidvest Academy and Executive

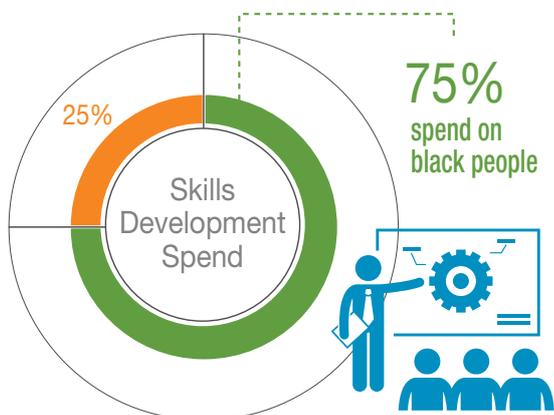
Development Programmes, bode well to prepare young, diverse leaders for the future.

Tackling the challenge of youth unemployment, currently estimated at 57%, remains high on our agenda and is addressed via increased investment in skills development, learnerships and internships and where possible, the absorption of such individuals into our businesses and the industry in general. Building capacity in technical skills is high on the agenda for all businesses. Many of our existing facilities have been ramped up to accommodate this need.

Transforming our supply chain is crucial, although challenged, by a burdensome legislative environment that impedes the development of SMMEs. Sourcing suitable black-owned SMMEs is a priority. Efforts in this regard have been ramped up significantly.

Code practices are not aligned with business practicalities. Bidvest has long since acknowledged that long-term, strategic solutions are required to gain substantive change.

**R571 mn**  
spend on skills development



**3 900 learnerships**

1 742  
were unemployed learners

373  
learners employed



# The Bidvest Village

**“IT TAKES A VILLAGE TO RAISE A CHILD”** AFRICAN PROVERB

Situated near the Hartebeespoort Dam in the North West Province, the Bidvest Village is an ambitious project that aims to address the broader social and economic challenges faced by local communities. It is established as a community and home for orphaned children and the foster mothers who will care for them. The objective is to provide an environment in which the children and mothers will thrive and be empowered to become educated and economically self-sufficient. The village is designed not only to provide essential services such as health, security, education and housing but also to stimulate commerce with income generating activities, to ultimately break the reliance on charity.



**A shop and bakery** to supply both the village and the surrounding community.

**Building strong partnerships.** The Department of Education and the University of Pretoria will play a major role in overseeing and supporting the village once complete until the community is well established and self-sustaining.



**A library and computer room**

**A Grade R and Primary School**



**A playground**

**Vegetables and orchards**  
Produced for consumption by the residents and for sale to the community for extra income.



**A fully equipped kitchen that serves daily meals**

**The village will house a satellite police station to serve the local and surrounding community and a safe-haven that serves as an overnight shelter for women and child abuse victims.**



**Bidvest has also built an overnight clinic** that provides routine check-ups, cataract and laser treatments as well as minor operations. The clinic will serve as a learning centre for medical students in their final medical year.

**The project uses innovative building solutions to showcase a more sustainable approach to affordable housing and waste.** This means it can be classified as an environmentally “green” project.

# Transformation, sustainability and people *(continued)*

Conducting business in a sustainable manner is integrated in our day-to-day activities. Given the decentralised and varied nature of the businesses, sustainability is managed at business level. From a Group perspective, we identified a set of material issues that are common and present risks and opportunities.

▷ **Doing business in an environmentally friendly manner.** We focus on energy and water efficiency, responsible waste management and offering innovative solutions to aid customer sustainability. In FY18 we will continue our initiatives to improve water use; and accelerate renewable energy installations and responsible waste management.

▷ **Drive positive social change.** We are involved in community development that enhance education, health, economic inclusion and diversity. Investing in communities and human capital, afford us the opportunity to operate, do business in and draw skills from the communities where we operate.

▷ **Caring for the Bidvest family.** We aim to provide a safe and healthy workplace with equal opportunities which is conducive to learning and personal development. We want our employees to be proud Bidvest ambassadors.

## Examples of SMME development within Bidvest divisions:

### Namisile Truck Washing Services (NTWS)

Bidvest Panalpina Logistics (BPL) embarked on a project to outsource its fleet washing services to a suitable enterprise development company. The process of finding the suitable candidate to lead the truck wash company took a few months. After a few rounds of interviewing and screening NTWS was appointed. BPL assisted the owner, Namisile Gumede, in starting the company together with on-the-job training.

To date, BPL has assisted with investment in modern wash bay equipment, IT setup, a vehicle for transporting staff, equipment and consumables. BPL is actively involved in the operational and financial support of NTWS and pleased with the financial performance together with the service NTWS offers.

Mobile washing units will be acquired in the new year for NTWS to expand its service offering to include off-site vehicle cleaning. Phase two of the growth strategy includes offering fleet cleaning services to other corporate companies. BPL will continue to support NTWS's growth strategy.

### JMS Technical Solutions

The prepacking and assembly of Voltex products was previously outsourced to a company which did not meet the stipulated B-BBEE requirements. To meet the market demands in terms of B-BBEE, management decided to shift this strategic element of our value chain to a black-owned entity. We support this entity financially, and otherwise, to ensure the relationship is a success.

In addition to the financial assistance offered to JMS Technical Solutions, key Voltex personnel continue to offer support and skills transfer to personnel of the entity. This relationship has been running smoothly for more than two years. JMS Technical Solutions is 100% black-owned, 33% black women-owned and currently has a staff complement of 23, of which 61% are black females.



### Bidvest McCarthy runs an owner/driver scheme

to deliver parts to customers in Gauteng and KwaZulu-Natal.

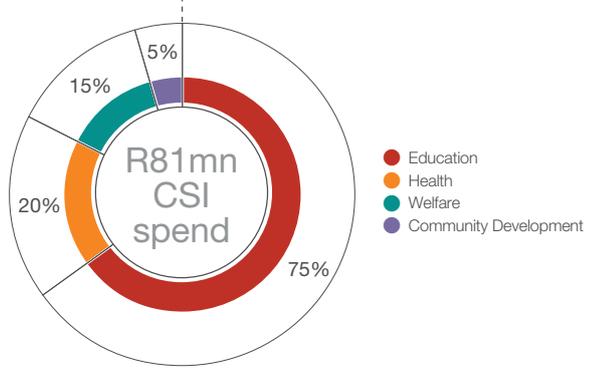


### Bidvest Bank's CSI partnership is with Modlin Mobile Education.

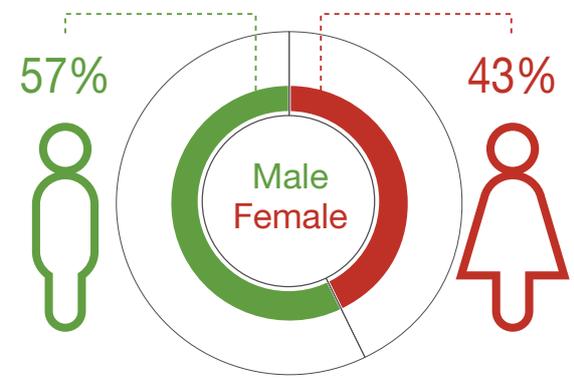
Modlin's unique approach is in teaching critical subjects to communities in buses, fitted out as mobile classrooms, fully equipped with computers and interactive software. Trained educators travel in these buses to upskill teachers in accounting, maths and physical science. They also provide supporting learning material in these subjects, for learners.

**Bidvest Bank advanced a low-interest bearing loan to SMME partner, Fleetmatix, with whom they tender on major public sector contracts. Fleetmatix manages the fleets.**

### CSI spend



### People **130 000** in the Bidvest family

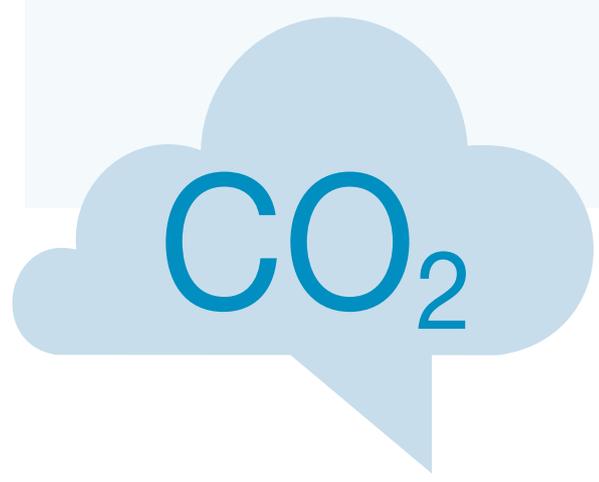


 Seven workplace fatalities and four security guards killed in line of duty in 2017  
 LTIFR for 200 000 hours worked was 1,28

### Environment

**Constant water usage**  
despite business growth

2 423  
mega litres



Our carbon **emissions are low.** Total emissions **1% less** compared to prior year

**Automotive**  
Achieved **95% recycling** of all bulk oil purchases in FY17



# CFO's report



**Peter Meijer**  
Group financial director

Bidvest delivered pleasing results in a tough trading environment. At Group level, trading profit grew 5%; 6% in South Africa. Funds employed was tightly controlled and cash generation was strong. Acquisitions continued to augment and expand our products and services range.

## 2017 overview

Our first full year post the Bidcorp unbundling has delivered pleasing results, an excellent achievement considering the extremely tough trading environment compounded by political disruption and declining consumer spend. The resilience of the Bidvest operating model ensured that we successfully transitioned through this challenging year.

Our internal succession plans were such that the changed leadership following the unbundling transitioned seamlessly at the corporate level and settled down well. Management at a divisional level continued with business as usual, thus enabling us to retain the focus required at our operations.

The southern African economy continues to deliver negligible growth, which impacted all areas of our business. Over the past year, Group revenue grew modestly and overall trading profit increased, assisted by the Brandcorp and several other less significant acquisitions. Most Bidvest divisions, including Bidvest Properties, delivered improved trading profit results. Our management teams responded well to the current economic climate through a customer-centric approach, and strong cost-containment measures.

The Automotive division performed ahead of expectations considering its very depressed market, while Bidvest Namibia reported a significant decline

in trading profit attributable to a weak fishing performance and pressures exerted on the commercial businesses as a result of the recessionary macro-economic environment in that country. Plans are being implemented, which will be communicated in due course. Office and Print was impacted by a volatile foreign exchange rate environment diluting Kolok and Konica Minolta trading margins.

The Brandcorp acquisition, which became effective on 1 October 2016, has delivered results in line with expectations and has integrated well into the Commercial Products division.

Financial strength enables growth strategy

**Excellent** asset management  
ROFE 22%

Low levels of **debt** – Net debt/  
EBITDA 0,7 times and EBITDA  
interest cover of 7,2 times



Bidvest Corporate benefited from significant mark-to-market fair value adjustments on various investments, an exceptional performance from the Property division, and reduced losses from our operations in the United Kingdom.

**Net capital items** contributed profits of R1,0 billion in 2017, relative to losses of R1,2 billion in the prior year. This was due to the strong share price performances of Adcock Ingram and Comair, which resulted in a significant reversal of previous impairments, by as much as R1,1 billion. The total carrying value of Bidvest's associates and investments increased to R8,2 billion (2016: R7,1 billion). Non-core investments amounting to R6,6 billion remain to be monetised at the appropriate time and will contribute to our capacity for debt to support our acquisitive growth strategy. The share of profit from associates increased by R229 million or 152,8%.

**Rand volatility continued** over the past year, influencing imported inventory pricing in a tough market where market conditions were unforgiving

and resistant to price revisions, impacting margins and profitability. Our Group policy is to buy forward cover on all imported goods and while this creates more stability and predictability with regard to our pricing, it can be an advantage or disadvantage compared to competitors who follow a more agile and risky approach.

Following **Moody's Investors Service (Moody's) downgrade** of South Africa's sovereign rating in June 2017, the rating agency also lowered Bidvest's global scale long and short-term counterparty credit ratings to Baa3/P-3 from Baa2/P-2, respectively. The outlook is negative. Bidvest's national scale rating has remained unchanged at Aa1.za/P-1.za.

The unbundling transaction initiated the need to **refresh our domestic bond issuer programme**. A fixed income investor roadshow was followed up with a successful public auction in June of R750 million in three and five-year bonds. This was four times oversubscribed, confirming the strength of our balance sheet and appetite for our bond paper.

### Financial overview

Group revenue increased 4,0% to R71,0 billion (2016: R68,2 billion), including the nine-month contribution from Brandcorp. The disposal of Manica, effective 30 June 2016, reduced revenue in the Freight division in the current year. On a comparable basis, South African revenue (excluding Manica and Brandcorp) increased 3,0%.

The Group's gross profit margin remained stable at 29,1% (2016: 29,2%). Operating expenses were well controlled, increasing by a modest 3,6%. This result is impressive given the distortions from the Manica and Brandcorp transactions. Excluding the effects of these material transactions, like-for-like expenses were well contained and increased by only 1,7%.

Strong cash generation with  
**80%**  
cash conversion



Trading profit  
**+5%**  
to R6bn

Raised  
**R750mn**  
in relaunched DMTN



Trading profit grew 4,6% to R6,0 billion (2016: R5,8 billion), with a trading margin of 8,5% (2016: 8,4%).

The Group "clean" tax rate excluding the influence of the capital movements is 28,2% (2016: 27,6%).

Net finance charges were 14,9% higher at R1,1 billion (2016: R0,9 billion), driven by an increase in the weighted average interest rate and increase in net debt due to the Brandcorp acquisition, which at R1,9 billion was fully debt funded.

We continue to maintain a conservative approach to gearing. Net debt amounted to R5,6 billion (2016: R5,1 billion).

Net debt to EBITDA remains stable at 0,7 times, and the EBITDA interest cover of 7,2 times (2016: 8,0 times) is comfortably above the Group's conservative targets, providing ample headroom to fund organic or acquisitive expansion.

Cash generated by operations was R6,9 billion, marginally lower than the R7,0 billion in the prior year. Our post-capex cash conversion metric at 80% (2016: 75%) remains an excellent measure of performance as the divisions continued to show a strong ability for converting profits to cash.

This performance was achieved after the Group absorbed R368 million working capital in the current year compared to a release of R297 million in the prior year. This was mainly due to substantial project deliveries in the fourth quarter of the 2017 financial year.

The Group's capital expenditure in South Africa has not abated. We remain one of the larger investors in the country and firmly believe that infrastructural development spending requirements are becoming more urgent than ever.

## Asset management

Return on funds employed (ROFE) remains our primary metric of performance and operational efficiency that inevitably also translates and measures the conversion of profits to cash. Each business's ROFE is compared to its peers and best performers inside our divisions. It is an uncomplicated, highly effective measurement, which all our managers understand and apply. The key benefit to this measurement metric is it quickly identifies "lazy" underperforming assets, and enables management to deal with them decisively.

The Group's total ROFE performance includes assets such as our investment in associates and other investments largely defined as non-core to the Group. Average funds employed for Bidvest South Africa excluding our associates, was R17,6 billion (2016: R16,0 billion), up 9,6%, and a ROFE of 32,3% (2016: 33,2%) was achieved.

Bidvest Namibia's ROFE deteriorated to 5,6% (2016: 17,8%), as profits reflect a declining market price and reduced fishing quotas.

Inventory and accounts receivable, which are significant components of the ROFE measurement, continued to be well managed with the latter receiving a focus on collections and credit extensions.

## Acquisitions and disposals

During the year, the Group acquired 100% of Brandcorp, which is a value-added distributor of niche industrial and consumer products. The acquisition has enabled the Commercial Products division to expand its range of complementary products and services.

Bidvest also announced the acquisition of 100% of Noonan for EUR175 million in July 2017. South African Reserve Bank approval has been obtained and the transaction has therefore become unconditional. The transaction was effective 1 September 2017 and is fully debt funded in foreign currency at favourable interest rates.

The acquisition of Noonan is in line with Bidvest's stated strategic intent to expand its presence beyond South Africa in niche, asset-light businesses that will benefit from Bidvest's capabilities and expertise. The Noonan management team is highly regarded and one of the main reasons we found this acquisition attractive. The team will remain at Noonan and will work with Bidvest's existing Services division team to drive future growth.

Non-core investments to the value of R773 million were disposed of in the current year.

## Bidvest Namibia

Bidvest Namibia, in which the Group has a 52% share, experienced difficult country-specific macro-economic factors, which contributed to a disappointing overall performance and a decline in trading profit of 70,9%. For the Bidfish division, limited quota allocations, a significant decline in prices, and higher quota buy-in prices affected profitability.

All the other Bidvest Namibia divisions experienced pressure on revenues due to the recessionary climate in Namibia and the tough trading conditions are not expected to ease in the short term. Various cost initiatives have been implemented to improve operating performances.

On 18 August 2017, shareholders were advised that Bidvest Namibia has entered into discussions, which if successfully concluded, may have a material effect on the price of the Company's securities. These discussions are ongoing.

## Dividend declaration

The directors have declared a final gross cash dividend of 264 cents per ordinary share for the year ended 30 June 2017. This brings the total dividend for the year to 491 cents per share (2016: 714 cents). The total dividend is not comparable to the prior year's total dividend, which was declared as part of the larger Bidvest Group, before the unbundling of the foodservice businesses.

## Looking forward

Bidvest remains optimistic as we navigate political uncertainties and slow economic activity. We are seeing green shoots of activity emerging within certain of the South African divisions, supported by higher commodity prices and improving consumer confidence.

Internally, we maintain a steady focus on expense control and asset management to ensure continued performance through the business cycles.

Our intention remains to explore selective local and foreign acquisitive opportunities to complement existing product and service offerings whilst maintaining a strong balance sheet and introducing an element of rand hedge to our financial performance.

**Peter Meijer**  
Group financial director

# Capital – our enabler and responsibility

Peter Meijer, Group financial director, said: “Sustainable returns and long-term value for stakeholders – these objectives underscore the Bidvest vision. Our objectives are achieved through processes and systems which are driven by, and monitored against, a sound governance structure.”

The six-capitals approach further refines the parameters for well-structured sustainability reporting. It promotes a focus on value creation inside and outside the organisation, and fosters a forward-looking approach.



## Financial capital Economic resources to fund our business

Access to financial capital through equity funding, debt funding and retained earnings is a critical dependency and underpins our ability to grow and create value. We manage our funds employed and dividend policy carefully to ensure a healthy financial position.

**FY17 report back:** We successfully relaunched our Domestic Medium Term Note Programme and raised R750mn in June in a public auction. Capex investment of R1,9 billion was made. Dividends to the value of R1,7 billion were paid. Some, not all, non-core assets were sold. This remains a strategic priority.



## Intellectual capital Competitive advantage gained by our people through their knowledge and intellectual property

Bidding for and securing the right contracts with the right customers on the right terms as well as trading and distributing the right product at the right price, every time, is of critical importance. This translates into high brand reputation and consistent excellence.

**FY17 report back:** Bidvest scored highly in the RepTrak Pulse 2017 survey (the top scoring B2B group) and won multiple industry awards. The bundled facilities management offering rolled-out in FY15 gained further traction as multi-discipline contracts were secured in the telecommunication and financial services sectors. An increased proportion of commercial products distributed have been sourced directly.



## Social and relationship capital The value we build through engagement, information sharing and working together

The relationships with our stakeholders are dynamic, and underpin our ability to create value. Our close relationships with customers and suppliers ensure that we remain relevant in rapidly evolving environments and generate repeat business on reasonable contractual terms.

**FY17 report back:** We increased our pool of valued customer and loyal suppliers. With many government departments, State Owned Enterprises and parastatals in flux, the finalising and closing of contracts was challenging.



## Human capital The knowledge, skills, talents and experience of people that determine our capacity to accomplish goals

Our people are critical to our success and sustainability. Job creation and growing talented individuals into new roles remain core objectives. Graduate and learnership programmes give impetus to staff development.

**FY17 report back:** Some divisions have made great strides in transforming their executive teams. We know that a diverse leadership team and employee base will foster innovation and stimulate an environment where everyone can thrive. This has been made a priority: 3 900 learners benefited from our programmes; 373 of these individuals were given permanent employment within Bidvest.



## Manufactured capital Our infrastructure that generates income

Our investment in assets, and maintenance thereof, enable us to deliver our services and products to the highest standards.

**FY17 report back:** Freight invested R330mn in additional fuel tanks in Richards Bay to meet growing customer demand. A further R1,2 billion of capex investment in multi-purpose and LPG tanks have been approved and construction has started. R1,6 billion was spent on renewing and upgrading existing facilities, fleets and other enabling assets.



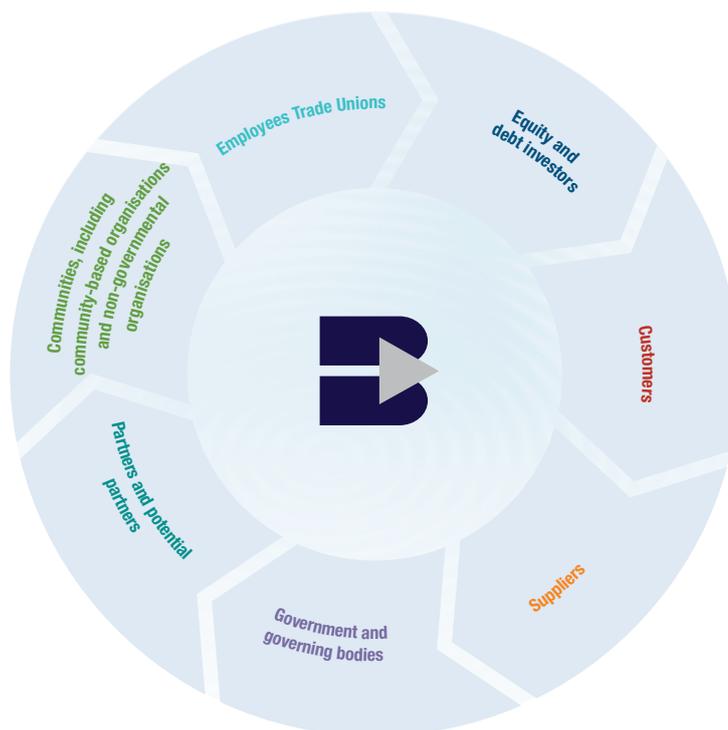
## Natural capital The world's nature ecosystems and assets

We have a low carbon footprint and we continuously strive to minimise our environmental impact to leave our planet in good working order for future generations.

**FY17 report back:** Our carbon footprint remains small and no environmental breaches were reported during the year.

# Stakeholder engagement

Sustainable value creation depends on successful engagement with stakeholders. Using our values as the basis of all exchanges, we aim to engage proactively with those who impact Bidvest, as well as those on whom we have an impact. This informs our strategy development and evaluation, our risk management as well as our material issues.



The icons link to our strategy and capitals.

## Equity and debt investors

**Nature of engagement** – Results presentations and company announcements; Investor meetings and roadshows; Webcast updates and other



### Key issues raised

- Group strategy
- Group performance
- Significant non-financial issues
- Non-core asset disposal

### Our response

- Hosted investor days to enhance market knowledge
- Updated Domestic Medium Term Note Programme documents and concluded a roadshow
- Continued inclusion of non-financial issues in annual integrated report
- Disposed of R773 million of non-core assets

## Employees and trade unions

**Nature of engagement** – Close involvement of local managers with local trade unions; Employment equity forums within Bidvest; Employee surveys; and Group ethics line



### Key issues raised

- Market-related remuneration
- Group communication to ensure good employee relationships and positive workforce
- Action employee issues raised
- Health and safety
- Securing, retaining and development of necessary skills

### Our response

- Informal, hands-on managerial culture
- Action the feedback from employee surveys
- Training for health and safety standards to be enforced
- Identification of effective mobile and other communication tools
- 3 900 participants in graduate recruitment programmes
- Concluded scheduled wage negotiations without strike action

## Communities, including community-based organisations and non-governmental organisations

**Nature of engagement** – Direct engagement by decentralised business operations with local communities and organisations with regards to community upliftment, particular projects and specific needs



### Key issues raised

- Improving the lives of those in the communities
- Use expertise to give back to communities
- Local procurement and employment

### Our response

- Maintain our three-tier CSI strategy:
  - Corporate office supports a number of overarching worthy causes
  - Divisions support their own flagship projects
  - Individual businesses support community-based projects
- Run industry-specific training programmes to equip communities for a sustainable future
- R81 million spend on, and 771 967 hours dedicated to, CSI

## Government and governing bodies

**Nature of engagement** – Submissions; Meetings and representation on industry bodies



### Key issues raised

- Ongoing compliance with regulatory frameworks and good governance
- Tender processes and adjudication
- Local procurement and employment
- Fishing quotas in Namibia

### Our response

- Maintain sound governance policies and procedures
- Constructive engagement with various tender boards
- Introduce local partners and procurement elements in various contracts
- Engage with various authorities in Namibia

## Partners and potential partners

**Nature of engagement** – International, regional and industry contacts; Market intelligence, focused on leaders in specific niche areas where Bidvest sees growth opportunities



### Key issues raised

- Scope for complementary growth
- Prospects for entry into new markets
- Potential to better serve existing customers by forming an alliance or a relationship, thereby anticipating emerging needs

### Our response

- Constant evaluation of market developments, new technologies and solutions
- Communication with brand principals, industry leaders and entrepreneurs

## Customers

**Nature of engagement** – Monitor call centres; Independent complaint channels; Bidvest website and other social media channels; Direct calls to divisional CE; Customer visits, feedback from sales representatives and client relations teams



### Key issues raised

- Compliance to a customer centric ethos
- Customers increasingly demand “smart green solutions” across all products and geographies
- Increasingly complex and value-sensitive business environment
- Retain and grow key customers

### Our response

- Meet and exceed customer needs and expectations through innovative solutions and broader product ranges
- Focus on key senior relationships with strategic customers
- Implemented energy saving projects across the Group resulted in cost savings
- Regular customer communication

## Suppliers

**Nature of engagement** – Communication with key suppliers on market trends and requirements, as well as product innovations



### Key issues raised

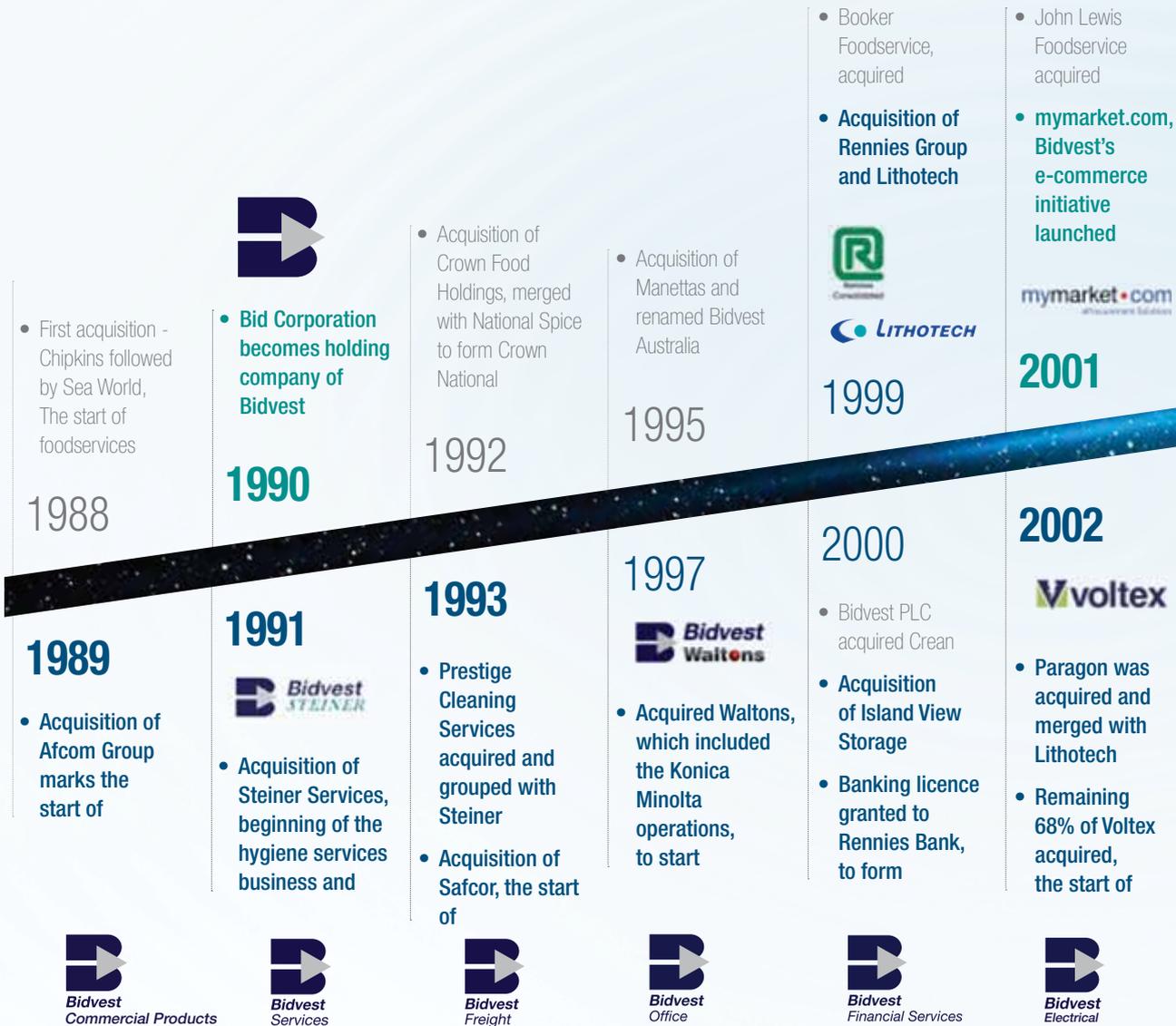
- Clear communication channels supporting accurate and timely information to all parties
- Joint pursuit of efficiencies
- Long-term sustainable support of small and/or black-owned supplier companies
- Financial and operational challenges faced by certain suppliers

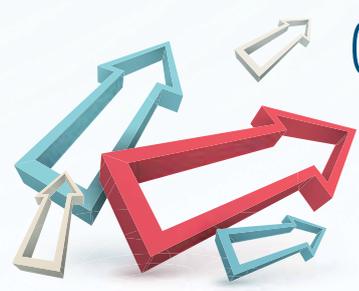
### Our response

- Establish alternative supply channels
- Engage with suppliers on product innovation
- Maintain supportive relationships with small and/or black business to ensure their sustainability
- Continued efforts to streamline logistics chain

# History – our continuing evolution

**28 years** after our foodservices business was formed, it was **unbundled** as Bidcorp on 30 May 2016, creating significant shareholder value





We have and will remain **acquisitive**.  
 Our track record shows we can **build formidable** businesses over time.

# Consolidated segmental analysis

for the year ended June 30

	2017 R'000	2016 R'000	% change
<b>Segmental revenue</b>			
<b>Trading division</b>			
<i>Bidvest South Africa</i>	<b>69 679 523</b>	67 298 077	3,5
Automotive	<b>24 182 054</b>	24 062 557	0,5
Commercial Products	<b>8 025 202</b>	6 013 106	33,5
Electrical	<b>5 667 087</b>	5 375 014	5,4
Financial Services	<b>4 009 127</b>	3 336 302	20,2
Freight	<b>4 986 641</b>	6 013 814	(17,1)
Office and Print	<b>9 670 916</b>	10 076 465	(4,0)
Services	<b>13 138 496</b>	12 420 819	5,8
<i>Bidvest Namibia</i>	<b>3 794 668</b>	3 858 949	(1,7)
<i>Bidvest Corporate</i>	<b>1 592 071</b>	1 726 387	(7,8)
Properties	<b>489 124</b>	411 938	18,7
Corporate and investments	<b>1 102 947</b>	1 314 449	(16,1)
	<b>75 066 262</b>	72 883 413	3,0
Inter-group eliminations	<b>(4 068 261)</b>	(4 642 312)	
	<b>70 998 001</b>	68 241 101	4,0
<b>Segmental trading profit</b>			
<b>Trading division</b>			
<i>Bidvest South Africa</i>	<b>5 632 476</b>	5 295 391	6,4
Automotive	<b>663 395</b>	674 709	(1,7)
Commercial Products	<b>688 571</b>	463 654	48,5
Electrical	<b>350 173</b>	317 440	10,3
Financial Services	<b>625 303</b>	582 204	7,4
Freight	<b>1 070 257</b>	1 019 816	4,9
Office and Print	<b>657 692</b>	706 295	(6,9)
Services	<b>1 577 085</b>	1 531 273	3,0
<i>Bidvest Namibia</i>	<b>86 470</b>	296 662	(70,9)
<i>Bidvest Corporate</i>	<b>297 991</b>	161 426	84,6
Properties	<b>428 566</b>	366 583	16,9
Corporate and investments	<b>(130 575)</b>	(205 157)	(36,4)
	<b>6 016 937</b>	5 753 479	4,6
<b>Segmental operating profit</b>			
<b>Trading division</b>			
<i>Bidvest South Africa</i>	<b>5 559 664</b>	5 029 461	10,5
Automotive	<b>638 753</b>	601 206	6,2
Commercial Products	<b>687 983</b>	460 816	49,3
Electrical	<b>348 809</b>	316 200	10,3
Financial Services	<b>624 770</b>	574 625	8,7
Freight	<b>1 058 299</b>	974 070	8,6
Office and Print	<b>626 570</b>	602 265	4,0
Services	<b>1 574 480</b>	1 500 279	4,9
<i>Bidvest Namibia</i>	<b>96 980</b>	295 886	(67,2)
<i>Bidvest Corporate</i>	<b>1 363 651</b>	(755 524)	(280,5)
Properties	<b>439 802</b>	366 813	19,9
Corporate and investments	<b>923 849</b>	(1 122 337)	(182,3)
	<b>7 020 295</b>	4 569 823	53,6
Share-based payment expense	<b>(143 145)</b>	(139 698)	
	<b>6 877 150</b>	4 430 125	55,2

	2017 R'000	2016 R'000	% change
<b>Segmental operating assets</b>			
<b>Trading division</b>			
<b>Bidvest South Africa</b>	<b>29 122 500</b>	26 436 051	10,2
Automotive	5 339 287	5 455 063	(2,1)
Commercial Products	3 551 648	2 279 857	55,8
Electrical	2 667 671	2 245 360	18,8
Financial Services	5 563 759	4 743 376	17,3
Freight	4 645 695	4 234 132	9,7
Office and Print	3 323 661	3 724 090	(10,8)
Services	4 030 779	3 754 173	7,4
<b>Bidvest Namibia</b>	<b>2 015 270</b>	2 104 142	(4,2)
<b>Bidvest Corporate</b>	<b>10 125 882</b>	9 139 356	10,8
Properties	2 476 202	2 269 682	9,1
Corporate and investments	7 649 680	6 869 674	11,4
	<b>41 263 652</b>	37 679 549	9,5
Inter-group eliminations	(752 360)	(626 998)	
	<b>40 511 292</b>	37 052 551	9,3
<b>Segmental operating liabilities</b>			
<b>Trading division</b>			
<b>Bidvest South Africa</b>	<b>16 308 453</b>	15 112 404	7,9
Automotive	2 022 061	2 007 087	0,7
Commercial Products	1 250 266	922 570	35,5
Electrical	1 026 649	910 558	12,7
Financial Services	5 798 434	4 723 242	22,8
Freight	2 556 096	2 730 970	(6,4)
Office and Print	1 472 161	1 759 038	(16,3)
Services	2 182 786	2 058 939	6,0
<b>Bidvest Namibia</b>	<b>448 478</b>	421 314	6,4
<b>Bidvest Corporate</b>	<b>400 874</b>	465 780	(13,9)
Properties	8 900	24 615	(63,8)
Corporate and investments	391 974	441 165	(11,2)
	<b>17 157 805</b>	15 999 498	7,2
Inter-group eliminations	(752 360)	(626 998)	
	<b>16 405 445</b>	15 372 500	6,7
<b>Segmental depreciation</b>			
<b>Trading division</b>			
<b>Bidvest South Africa</b>	<b>1 191 506</b>	1 196 284	(0,4)
Automotive	69 809	63 069	10,7
Commercial Products	72 825	49 317	47,7
Electrical	34 569	28 810	20,0
Financial Services	234 730	282 547	(16,9)
Freight	257 425	257 854	(0,2)
Office and Print	112 262	123 296	(8,9)
Services	409 886	391 391	4,7
<b>Bidvest Namibia</b>	<b>76 005</b>	71 301	6,6
<b>Bidvest Corporate</b>	<b>61 404</b>	75 216	(18,4)
Properties	4 708	4 653	1,2
Corporate and investments	56 696	70 563	(19,7)
	<b>1 328 915</b>	1 342 801	(1,0)

# Consolidated segmental analysis (continued)

for the year ended June 30

	2017 R'000	2016 R'000	% change
<b>Segmental capital expenditure</b>			
<b>Trading division</b>			
<b>Bidvest South Africa</b>	<b>2 086 703</b>	1 703 903	22,5
Automotive	98 332	96 241	2,2
Commercial Products	112 390	82 043	37,0
Electrical	44 869	46 072	(2,6)
Financial Services	707 485	407 956	73,4
Freight	537 402	466 560	15,2
Office and Print	135 198	171 186	(21,0)
Services	451 027	433 845	4,0
<b>Bidvest Namibia</b>	<b>59 004</b>	120 669	(51,1)
<b>Bidvest Corporate</b>	<b>240 430</b>	395 467	(39,2)
Properties	212 639	335 658	(36,7)
Corporate and investments	27 791	59 809	(53,5)
	<b>2 386 137</b>	2 220 039	7,5
<b>Segmental amortisation and impairments on intangible assets</b>			
<b>Trading division</b>			
<b>Bidvest South Africa</b>	<b>82 300</b>	134 026	(38,6)
Automotive	5 602	40 236	(86,1)
Commercial Products	7 314	4 831	51,4
Electrical	10 572	7 740	36,6
Financial Services	12 438	11 167	11,4
Freight	16 801	18 806	(10,7)
Office and Print	15 842	26 417	(40,0)
Services	13 731	24 829	(44,7)
<b>Bidvest Namibia</b>	<b>9 417</b>	9 581	(1,7)
<b>Bidvest Corporate</b>	<b>3 487</b>	65 154	(94,6)
Properties	–	(1 068)	–
Corporate and investments	3 487	66 222	(94,7)
	<b>95 204</b>	208 761	(54,4)
<b>Segmental goodwill and intangible assets</b>			
<b>Trading division</b>			
<b>Bidvest South Africa</b>	<b>4 515 848</b>	3 153 672	43,2
Automotive	244 629	247 716	(1,2)
Commercial Products	1 836 768	715 411	156,7
Electrical	149 063	85 888	73,6
Financial Services	303 073	255 006	18,8
Freight	135 241	101 876	32,8
Office and Print	292 823	255 095	14,8
Services	1 554 251	1 492 680	4,1
<b>Bidvest Namibia</b>	<b>287 719</b>	297 829	(3,4)
<b>Bidvest Corporate</b>	<b>31 843</b>	15 495	105,5
Properties	21 034	7 552	178,5
Corporate and investments	10 809	7 943	36,1
	<b>4 835 410</b>	3 466 996	39,5

	2017 R'000	2016 R'000	% change
<b>Employee benefits and remuneration</b>			
<b>Trading division</b>			
<b><i>Bidvest South Africa</i></b>	<b>13 691 642</b>	12 927 605	5,9
Automotive	1 918 878	1 929 686	(0,6)
Commercial Products	1 072 150	758 463	41,4
Electrical	612 587	556 872	10,0
Financial Services	553 438	451 665	22,5
Freight	1 270 689	1 281 344	(0,8)
Office and Print	1 669 132	1 665 358	0,2
Services	6 594 768	6 284 217	4,9
<b><i>Bidvest Namibia</i></b>	<b>597 977</b>	595 728	0,4
<b><i>Bidvest Corporate</i></b>	<b>535 033</b>	679 041	(21,2)
Properties	25 405	23 508	8,1
Corporate and investments	509 628	655 533	(22,3)
	<b>14 824 652</b>	14 202 374	4,4
Share-based payment expense	143 145	139 698	
	<b>14 967 797</b>	14 342 072	4,4
<b>Number of employees</b>			
<b>Trading division</b>			
<b><i>Bidvest South Africa</i></b>	<b>113 441</b>	110 592	2,6
Automotive	5 766	6 189	(6,8)
Commercial Products	5 905	4 236	39,4
Electrical	2 537	2 411	5,2
Financial Services	1 622	1 493	8,6
Freight	4 116	4 723	(12,9)
Office and Print	6 653	7 690	(13,5)
Services	86 842	83 850	3,6
<b><i>Bidvest Namibia</i></b>	<b>3 481</b>	2 732	27,4
<b><i>Bidvest Corporate</i></b>	<b>783</b>	861	(9,1)
Properties	15	16	(6,3)
Corporate and investments	768	845	(9,1)
	<b>117 705</b>	114 185	3,1

# Divisional overviews – Services



**Bidvest  
Services**

**Alan Fainman**  
Chief executive

Bidvest Services is a large and diverse unit operating in numerous sectors across the South African business environment. While the division's larger business and contributors performed well, with stellar performances from the Security and Facilities Management (FM) divisions, overall trading profit increased by only 3,0%. This is indicative of the demanding markets in which many of the divisions' businesses operate.

Contribution to trading profit  
**26%**

Excellent  
**FM** result

**Strong**  
performances from Protea Coin, Royal Mnandi, BidTrack and Allied services

Corporate  
travel pressure driving **travel diversification**



### Salient features

- ▷ Excellent results from the FM division, driven by increasing diversification, and securing several new customised solution and integrated bundling deals.
- ▷ An outstanding year for Royal Mnandi.
- ▷ In the security services cluster, Protea Coin was the star performer for the second consecutive year.
- ▷ BidAir, driven by airport lounges, delivered a good result.
- ▷ Allied services' results were excellent across the board.
- ▷ Travel's services started diversifying largely as a result of a pressured corporate travel market. The acquisition of Cruises International aligned to this strategy.

### Driving innovation

As we steadily increase market share and capitalise on new opportunities, we have become more innovative in our marketing and sales strategies. Internal specialists with strong industry knowledge and expertise are working more closely with our clients as we drive customer centricity throughout the division.

We are continually innovating in the way we bundle our products and services. We are enhancing the services we provide, for example, a single service into a new reality where a bundled offering becomes an integrated service. There remains further potential for a total facilities management opportunity, for many of our clients. In the current, low growth climate, we are actively seeking growth from existing clients as well as growing market share.

Various other technological initiatives and innovations are ongoing, such as in the vehicle tracking and travel sectors, this adds value to traditional offerings, and improves the customer experience. We continue to evolve with changing markets to remain competitive and relevant.

The catering sector is growing and we are participating in that evolution through, primarily, corporate catering where we have refocused our efforts and are already seeing good progress.

We are heavily exposed to the corporate travel sector, where additional focus and innovation will be a feature going forward, while opportunities exist in the leisure travel area. We are actively pursuing opportunities and we have secured the right to market and sell cruises in various parts of the world to an enlarged customer base across Africa.

Synergies with other parts of the Bidvest Group are materialising. For example, [www.renniestravel.com](http://www.renniestravel.com) has been launched. This offering integrates a diverse range of people, products and services to deliver comprehensive travel solutions in a sustainable way.

### Sustainable growth

Renewable energy offers exciting opportunities for us, primarily within our laundries where we are innovating in terms of our water usage. We are also working with Bidvest Electrical to introduce an energy generation innovation to significantly reduce emissions.

Our waste management and recycling initiatives are ongoing and offer opportunities for greater supplier development involvement.

In terms of our employment equity levels, we have progressed well and obtained improved ratings at our larger business. However, more needs to be done and work on transformation is progressing.

### Going beyond

We have acquired Irish management services group Noonan for R2,7 billion, a significant step in our strategy. The Noonan business model is complementary and will help us improve services, increase our client base, and support further growth. Similarly, we can share our experiences and certain areas of our business model with the Noonan team to enhance the offering going forward. There is certainly scope for Noonan to offer a broader range of services in a self-servicing, bundled way.

Noonan has bolt-on acquisition possibilities that is currently being assessed. The opportunity for growth and further diversification in Noonan's existing markets, and in other areas, is significant.

Our focus for the future is to continue our aggressive pursuit of market share by delivering and enhancing the offering for our existing and new customers, by diversifying geographically as well as in our product and service offerings. This strategy has seen us already diversifying our travel portfolio, for example.

We will continue our growth strategy, acquiring South African businesses while also positioning ourselves for international growth.



# Divisional overviews – Freight



**Anthony Dawe**  
Chief executive

Bidvest Freight experienced a good year, and posted a 4,9% increase in trading profit. The financial performance was supported by an uptick in mineral exports, particularly manganese, copper and chrome, and strong liquid volumes. Agricultural import volumes fell short of expectations. Excellent cost control added to profitability.

> Contribution to trading profit  
**18%**

BTT volumes  
**+10%**

**Agricultural**  
volumes disappointed

**SACD**  
turned around on well-managed costs and higher volumes



### Salient features

- ▷ **Volumes at Bidvest Tank Terminals (BTT) were up 10% across all products handled, despite South Africa's slow growth environment.**
- ▷ **South African Bulk Terminals (SABT) had an average year with volumes down 3% on last year. Maize availability was much better than anticipated, which led to drastically reduced import requirements. The maize export programme commenced in June 2017. Wheat volumes were lower than the previous year.**
- ▷ **Successful cost-saving measures implemented in the previous financial year contributed positively in Bidfreight Port Operations' much improved results for 2017. The ships agency business was constrained with lower volumes from Durban-based businesses resulting in some restructuring.**
- ▷ **Cost pressures on customers led to some conversion to ocean freight, resulting in lower airfreight volumes, which impacted Bidvest Panalpina Logistics.**
- ▷ **Bulk Connections had an exciting year with volumes up 25% on last year and for several months demand exceeded capacity necessitating highly efficient team work. Costs were well managed.**
- ▷ **There was a pleasing turnaround at Bidvest South African Container Depots (SACD), supported by improved cargo volumes and well-managed costs. Export volumes continue to strengthen, up 24%.**

### Driving innovation

The depressed operating environment has resulted in many of our customers being under cost pressures, which had a knock-on effect on our businesses. As such, much of our focus is on ensuring a customer-centric approach, and offering innovative and value-added services and collaborations to ensure retention.

The timely and accurate flow of information to our customers is vital, which means our systems are increasingly critical. To this end we invested R42 million and completed a large ERP system implementation at BTT. The new system is now operating and benefits to our customers are being delivered.

SABT has played an important role in ensuring South Africa meets its grain import requirements, despite experiencing the severe drought. This was achieved through collaboration with role players in the grain industry. Prior planning and engagements with Transnet Freight Rail enabled a higher percentage of grain to be moved via rail.

The liquids involved in the energy sector are a growth focus and we continue to invest significantly in LPG storage and other multi-purpose tanks, primarily at Richards Bay. Total capital expenditure for Bidvest Freight during 2017 was R588 million.

### Sustainable growth

Learnerships and graduate development programmes play an important role in increasing the talent pool and the employment of youth in our businesses. We continue to increase requisite skills and invested R57 million on management and supervisory development programmes, learnerships, internships, apprenticeships, graduate development programmes and bursaries for employees. The specific initiatives in place at each of our businesses will yield long-term benefits.

We spent R9 million on enterprise and supplier development. In terms of our procurement spend, some R3 billion was directed towards B-BBEE suppliers. Further opportunities are being pursued to improve the amount spent with black-owned exempt micro enterprises, and qualifying small enterprises and designated suppliers.

For us, B-BBEE goes beyond the scorecard and forms part of our strategic imperative. Our businesses have performed well and maintained a credible contributor status. A lot of work has been done to ensure that our processes and initiatives are aligned to the draft Transport Sector Codes to achieve our targeted contributor status.

We invested R8 million in corporate social investment in the period under review, almost 50% of it on education-related activities which range from funding tutorial programmes, building facilities, bursaries for our employee's children, providing temporary classrooms to needy schools, and sports coaching. The balance of the funds was spent in health, transport and welfare and community development activities.

### Going beyond

The board has approved R1 billion for a new 42 800 tonne LPG Terminal in Richards Bay for which we are in the process of obtaining various legislative approvals. We expect to commission the project in 2020. We are collaborating with key stakeholders to identify opportunities for further investments in increasing capacity and providing port infrastructure. Plans to invest in new chemical storage facilities in Durban are under way, and the Environmental Impact Assessment has been granted.

The depressed economy brings about consolidation opportunities for which we are well positioned. Current systems are being reviewed to take advantage of technological changes, and we have increased our efforts to offer value-added services to retain customers.

We continue to engage the government on private sector participation opportunities and as a key industry player, we are well placed to take advantage when these are implemented.

LLOYD'S AGENCY



# Divisional overviews – Commercial Products



**Bidvest**  
Commercial Products

Howard Greenstein  
Chief executive

Bidvest Commercial Products produced a good set of results in a tough market, and did well to expand capacity in most businesses based on customers' needs and wants. Trading profits increased 48,5%, after taking the Brandcorp acquisition into account, and this was achieved despite price pressure from customers and price deflation.



Contribution to trading profit

**12%**

Successful  
Brandcorp acquisition

Exceptional  
Plumbink, Academy  
Brushware performances

Home of Living Brands defied tough consumer environment



**Salient features**

- ▷ The completion of the acquisition of Brandcorp enabled the planned shift in mix towards higher yielding products, and assisted in increasing overall margins.
- ▷ Brandcorp performed in line with expectations. A refocused sales and product structure at Matus is being rolled out and Renttech is being rejuvenated and modernised.
- ▷ Plumblink and Academy Brushware both delivered double-digit growth.
- ▷ Sanlic House of Locks returned to profitability after certain change initiatives were implemented.
- ▷ After five consecutive years of growth, Yamaha succumbed to the tough operating environment, and a different business model is being envisaged.

**Driving innovation**

At Bidvest Commercial Products our view of innovation extends beyond the use of technology. It is about changing one's thinking to drive customer centricity. We have a tremendous track record of success, but we live in an age of market disruption, which does not allow any respite for market arrogance or dominance. We question ourselves regularly about how to operate more effectively, whether from a product, mechanisation, customer relationship, systems or management point of view. We all agree that the needle of the new normal needs to move.

As such, we are constantly reviewing our operations and, where possible, disrupting the full value chain by sourcing, automating, warehousing and distributing directly. How we present product bundles from our internal portfolio to our customer base is receiving attention, and our service levels are being benchmarked to international standards. This is to ensure we can exceed customers' needs and expectations. We are bringing technological solutions to an old and established industry, which is resulting in savings and efficiencies for the benefit of our customers.

Afcom, the leading manufacturer and distributor of packaging and fastening products has moved to new

premises which has state-of-the-art machinery and automated functionality. This has resulted in the operation being better positioned to bring product to the market more efficiently and deliver savings for our clients. Innovative thinking has also changed the marketing mix at tool wholesaler, Matus, where a significantly more focused approach to product distribution is being implemented.

**Sustainable growth**

Training, succession planning and a diverse team made up of experienced and young staff, is the key to enhancing the depth of management and we are ensuring this mix of talent remains available to the division. Growth, in our view, will be driven by industry expertise and a deep knowledge and understanding of industry dynamics and customer needs. Employees gaining offshore exposure is also being encouraged.

Training and learnerships are game changers that result in a better level of employee and more robust businesses. These interventions have become an imperative throughout the division and some early signs of success are being achieved, specifically at Plumblink and Vulcan. At G. Fox and Buffalo Tapes, realigned management teams have started implementing revised growth plans.

This year we spent R23 million on training. We are increasingly finding ways to use preferential procurement to our advantage and continually evaluate opportunities to work with black-owned SMMEs. Our efforts to procure locally are continuing, and we have had some success in certain areas.

**Going beyond**

Trading within the Industrial sub-division will remain tough with the manufacturing, construction and mining sectors under pressure. The Consumer sub-division is expected to continue to feel the immediate effects of depressed consumer activity until confidence returns. Political risk, and the management of foreign exchange risk are key for a large importer of product. Regulatory red tape, and giving credit in a recessionary environment remain the most significant immediate challenges.

Innovation is at the forefront of change. The opportunity inherent in this way of thinking is being introduced throughout the division. We have a vast universe of products and the potential for cross-selling exists. We are bringing more awareness to specific products through a successful advertising campaign. Our expanded capacity in all business is being leveraged and we plan to continue growing, both organically and acquisitively, in a responsible way. This will enable enhanced future profitability and position us better for the future.

Ultimately, we aim to exceed the expectations of our customers. We will continue to drive change and innovation and adapt to the new normal market environment. This will drive internal growth and enable an ability to consider niche acquisitions in various industries, locally and in selected areas internationally.



# Divisional overviews – Automotive



**Steve Keys**  
Chief executive

Bidvest Automotive produced satisfactory results in a pressured market, with the new vehicle market decreasing more than 8% during the year under review. This resulted in margins coming under extreme pressure. The division's revenue was flat and trading profit was marginally down at 1,7%.

> Contribution to trading profit  
**11%**

**McCarthy**  
outperformed industry

**Streamlined**  
dealership portfolio

Used car profit  
**+25%**



**Salient features**

- ▷ Bidvest McCarthy ended the year higher, despite market conditions where vehicle margins are lower and margin erosion is symptomatic of a declining market. Manufacturers have reduced incentives, leading to long lead times in adjusting targets.
- ▷ The division grew its share of the total market, exited marginal brands, streamlined its franchise portfolio to focus on high-performing brands, and sold non-core assets.
- ▷ Various dealer-of-the-year awards were won.
- ▷ Auctioneering business Burchmores produced a solid result.

**Driving innovation**

The large-scale IT innovations implemented over the last few years have started bedding down, and we are beginning to achieve the efficiencies they bring to our business. We are migrating off the legacy systems, crafting a blueprint for the way forward and positioning the business for the future.

Given the Group's inherently diverse structure, we are leveraging synergies, for example, in the fleet businesses of Bidvest's Financial Services. We expect to extract further synergies in future.

On the retail side, we are refining our technological and digital innovations in response to the decline in traditional retail floor traffic. Our strategy is to take our showroom directly to the living room or the office, thus also improving the transparency of the buying experience for our customers. We are piloting beacon technology, which tracks productivity in real time in our service centre. Innovations in our customer relationships are being introduced across the division to improve the experience of the Bidvest McCarthy brand. As a consumer-focused division, customer centricity is the cornerstone of all our thinking.

Given how mobile technology is changing the business-as-usual approach, we are particularly pleased to be leading the market by introducing our Snappdrive app in our rental car operations. This

innovation, which has been well accepted, allows for keyless car rental, and eliminates the need for waiting at a rental kiosk. Snappdrive, has firmly shifted our service offering into the future. We could use this technology in car-sharing.

**Sustainable growth**

We continue to invest in our people and are developing benchmarking and best practice tools to educate our dealers and drive productivity and efficiency throughout the organisation. Our McCarthy Multiplier Development Programme, geared towards management development, is operational at every dealer, and allows for a rating system at all operations.

Training and development spend has been recalibrated to advance transformation, which is a focus across the board. Certain disciplines have been introduced to advance this process and drive results. We have also launched an intensive mentorship programme to accelerate the development of managers from previously disadvantaged backgrounds. We don't simply make an employee appointment, and then walk away. Following an appointment, our mentorship-type programme is initiated whereby the employee 'walks' alongside the manager for a stipulated period of time. This initiative is yielding good results.

We have a 100% success rate in placing graduates from our Johannesburg, Durban and Cape Town technical training academies, appointing approximately 90% of the trainees internally, and successfully placing the remainder externally.

We are making progress on our scorecards, which continue to be a focus area for all our businesses. We have a tightly controlled environmental management processes in place.

**Going beyond**

Increasingly, our benchmarking and best practice strategy will drive performance across the division. There is a rigorous evaluation of every business unit, and at a very granular level, to improve our focus on productivity and efficiency.

This focus is also intended to mitigate the risks inherent in the underlying trend in new car and commercial vehicle sales, which reflects progressive weakness. Subdued levels of economic activity, above-inflation new vehicle price increases, low consumer confidence and lower finance approvals have weighed on domestic new vehicle sales. Domestic sales are expected to remain under pressure over the short to medium term.

Our cost-to-income ratio is another key focus area, and we will seek further synergies between our rental and retail divisions and improve efficiencies in that cooperation.

We are positioned for organic growth and will pursue the opportunities available in the market to increase our retail footprint. We have firmly positioned the business for the future.



# Divisional overviews – Office & Print



**Bidvest**  
Office & Print

**Kevin Wakeford**  
Chief executive

Pleasing progress continues to be made across the division in streamlining businesses to better service customer needs. The market remained tough, which together with the non-recurrence of a significant voter registration project in Tanzania and the disposal of Kolok Mozambique, resulted in revenue declining by 4,0%. Trading profit ended down 6,9% after being 14,0% down at half-year. This was driven mainly by a volatile foreign exchange environment impacting Kolok and Konica Minolta margins. Management of expenses and funds employed was exceptional.

> Contribution to trading profit  
**11%**

Plans to  
**simplify**  
operations on track

Business continue  
to **adapt** to  
market changes

Companies  
**maintained**  
their leading market position



**Cecil Nurse.**



### Salient features

- ▷ **Waltons has been operating since 1949 and remains a clear market leader. The plan to simplify the business remains on track under the new, revitalised management team.**
- ▷ **Silveray delivered excellent results off the back of improved efficiencies.**
- ▷ **Kolok results were disappointing as volumes and prices declined.**
- ▷ **Margin and expense management at Cecil Nurse drove results.**
- ▷ **Konica Minolta retained its position as the number one office automation company in South Africa, a position held since 2011.**
- ▷ **Zonke Monitoring Solutions achieved good growth.**
- ▷ **Bidvest Data delivered solid results as it continues to adapt to market changes and lowered the cost of doing business.**
- ▷ **Lithotech results were pleasing as they continue to offer a wider range of services to its customers.**
- ▷ **The Packaging division showed a noteworthy increase in trading profit, albeit driven by site rationalisations in a constrained demand environment.**

### Driving innovation

The willingness to change to anticipate market shifts and improve business efficiencies and customer service is the key to success. The Office & Print team has excelled in this regard.

We have simplified business models, and strengthened the core Bidvest philosophies throughout the division. We live our values of decentralisation with genuine authority, autonomy and responsibility every day. We treat all our brands with the greatest care and respect since most – including Waltons, Cecil Nurse and Konica Minolta – are iconic South African brands. None of this is possible without the energy, drive and passion of our people.

Innovation, at its core, is about changing thinking and continually looking at better ways of doing things. We are continually assessing new ways of excelling and we do not hesitate in implementing innovative ideas across the division.

South Africa's business environment has been characterised by low business confidence, and in this environment, we have placed our customers front and centre of everything we do. Technological innovation remains a focus across all companies.

### Sustainable growth

We insist on all our companies completing their own respective B-BBEE scorecards and have achieved

pleasing results. Efforts at improving employment equity also intensified and Waltons did particularly well.

Employment equity remains a focus across all companies. We are committed to leaving a good legacy in terms of our principles, philosophies and achievements.

Our people form the DNA of our underlying businesses and we continue to invest in them. Training spend increased 18% to R45 million.

### Going beyond

Trading conditions are expected to remain tight going forward. We will continue to ensure remedial action is taken, where necessary, and retain our focus on margin, expense and asset management. Ensuring enhanced customer service is essential, as is protecting and growing our customer base. Consolidating gains, further extracting efficiencies, simplifying the various business models, and looking for suitable acquisitions (bolt-on or otherwise) are key focus areas going forward.











# Divisional overviews – Financial Services



**Bidvest**  
*Financial Services*

**Japie van Niekerk**  
Chief executive

Bidvest Financial Services' diversification strategy is paying off, resulting in an excellent year. Trading profit increased 7,4% for the year, which follows an exceptional 2016 financial year. Moody's upgraded Bidvest Bank's long-term national scale rating to Aa2 from A1. Bidvest Bank remains the highest rated among South Africa's second tier banks.



Contribution to  
trading profit

**10%**

Moody's upgraded Bidvest Bank's  
rating to

**Aa2**

Leasing revenue

**grew**

**Insurance**

delivered **pleasing result**



### Salient features

- ▷ **Bidvest Bank drove improvements in its leasing revenue as well as trading and investment income.**
- ▷ **The Botswana Bureau has new management, which is initiating a turnaround and tightly controlling costs.**
- ▷ **The insurance business completed 2017 with a pleasing contribution.**

### Driving innovation

Innovation and technological advancement is vital in a sector as fast moving as financial services. In achieving our position as the leading second tier bank in South Africa, Bidvest Bank has been able to move rapidly, and act responsively.

Our innovation and diversification is serving our customers well, giving them the solutions that, in turn, allow them to “get it done” smarter and faster. This ethos is driven by an entrepreneurial mindset, service excellence, market and technological innovation, as well as strategic, value-adding partnerships.

We have revolutionised our core banking system and we are implementing the largest information technology intervention in the history of the bank. This new operating system is expected to have a significant positive impact on our customer’s interaction with the bank.

Several exciting new banking and insurance products have been launched, which, added to our recent acquisitions, enhances and diversifies our product and service offering. Expansion in our fleet management and transactional banking offering continues, and we have launched our new business banking offering. Additional acquisitions will be

made in the new financial year as we continue to diversify our income streams, products and services in both the banking and insurance sectors.

We continue to invest heavily in technical skills, infrastructure and systems, as well as in risk monitoring and mitigation strategies, with a focus on cyber risk.

### Sustainable growth

Bidvest Financial Services remains committed to the development and wellbeing of the communities we serve. Our socio-economic investments have, since inception, focused on community-based initiatives, job creation and education.

We are pleased to have opened our Bidvest Financial Services Academy in Cape Town and Durban, to complement the academy already operating in Johannesburg. In the year under review, we successfully placed 100% of the academy graduates internally – a development which dovetails with our focus on education and job creation.

The financial service industry is fast changing, and we continue to train our employees to remain ahead of the curve. There has been an excellent uptake among our existing senior-level staff for the banking level five qualification. Training spend increased 42% year-on-year.

Enterprise development is a key deliverable in many of our tenders, and we are successful in this regard, particularly in our fleet leasing operations.

B-BBEE initiatives continue to be a focus as we strive to contribute to the betterment of South Africa.

### Going beyond

There is a rising demand for a well-capitalised, nimble and flexible player in the financial services sector, which ultimately drives our strategy.

As a low-risk, high-quality choice and independent partner, we are well positioned to show growth in a challenging market, where regulatory and compliance costs remain a challenge. We have a prudent lending philosophy and will not take undue risk in our efforts to grow.

Bidvest Bank remains a well-capitalised institution and a major player in full-maintenance leasing and foreign exchange. The bank is diversifying its offering and expanding to become a full-service provider to its target market. While the latest Moody’s ratings upgrade affirms the bank’s strategic focus on diversifying its income streams, it also opens the bank to more business opportunities, which we are increasingly seeing materialise.

Our focus going forward is on growing the business via a combination of organic growth, bolstered by acquisitions with a promise of a good pipeline of new business.



# Divisional overviews – Electrical



**Bidvest  
Electrical**

**Stan Green**  
Chief executive

Bidvest Electrical delivered an impressive result for the year, given the difficult and challenging trading environment typified by negative investment sentiment. Trading profit and revenue grew by 10,3% and 5,4%, respectively. The niche, bolt-on acquisitions performed well and delivered good contributions, while adding valuable skills.

> Contribution to trading profit  
**6%**

**Voltex performed**  
well in poor market

**Impressive results** from Cabstrut, Solid State, Versalec Cables and Voltex MV LV

**Alternative products and solutions** range delivering results



**Salient features**

- ▷ **The Voltex Group performed well given the prevailing business context – the building industry remains in a very poor state as evidenced by the job losses, subdued demand, difficulty with payment and limited or poor volumes of infrastructure development work.**
- ▷ **Impressive results were achieved by the Cabstrut, Versalec Cables, Solid State Power and Voltex MV LV (MV LV) businesses.**
- ▷ **The Voltex branch network remains a mainstay of our business.**
- ▷ **While Atlas remained under pressure, its volumes demonstrate that it is an important asset in the Voltex portfolio.**
- ▷ **Waco is set to continue its roll out of innovative new products and solutions.**
- ▷ **Electech Solutions continues to grow significantly.**
- ▷ **Voltex Botswana disappointed, largely due to the inability to find the right people committed to growing the business.**

**Driving innovation**

Driving the growth and sustainability of our business is a key focus area, and we are making exciting progress, particularly in the generation, management and metering of energy, where we see good upside potential. The ongoing expansion of our MV LV business, which in a few short years has grown from almost nothing to a significant smart solution business, adds impetus to what we do. The MV LV expansion is assisting us in bringing important technical solutions to our market – one example being the five smart generators for the Charlotte Maxeke Hospital in Johannesburg, which is capable of powering much of the facility. The work we are doing at MV LV Solutions distinguishes us and makes a firm mark in our area of activity.

Electech is involved in what we believe to be groundbreaking technology processes, which will continue to add value to Bidvest. Our activities in Electech continues unabated and we are pursuing evolutionary and revolutionary solutions to add to the basket of solutions already available to the market.

Invirotel is another of our innovators, delivering impressive software solutions. Particularly pleasing progress has been made with our Voltex Vending

Application and its volumes are set to grow exponentially, specifically where City Power rolls out Voltex smart meters.

**Sustainable growth**

In our view, our innovations in energy and other fields, as well as our sustainability are intertwined. In developing our products and solutions, we aim to build for the future by asking ourselves if our activities will grow the business, leave the world in a better place and result in a shared growth model. We are already making a difference and seek to continually improve, distinguish ourselves, and innovate in everything we do.

Smart, young engineering talent has been added to our business, which has improved the diversity of our team's skills set. In addition we have spent R16 million on training in the year under review, over and above, the work we do with SETAs, providing mentorships, online training portals and educational blogs.

In terms of our procurement, we remain selective as to who we buy from and we continue to support black-owned qualifying small enterprises and emerging micro-enterprises whenever possible. Our principle is to support and grow these enterprises.

Our supplier development continues apace and we are particularly proud of our relationship with JMS Technical Solutions, a 100% black-owned company that prepacks Voltex products.

Our B-BBEE and transformation activities are aimed at changing the dynamics of our business and are being further intensified.

**Going beyond**

The key challenges ahead include depressed economic conditions, a lack of investment and infrastructure development, and regulatory uncertainty related particularly to mining and energy. We will continue to develop new products and solutions, supplement our businesses with niche activities and bring, where relevant, new products, solutions and innovations to our markets.

Looking ahead we aim to be a better and more complete supplier to our customer base. We are continuing to expand in Africa, particularly in the energy solutions space. To remain relevant, we are adding to the skills we bring to the market and focusing on the systems, processes and other innovations to better serve our customers.

Certain bolt-on acquisitions continue to be assessed, which combined with other opportunities, will ensure growth.

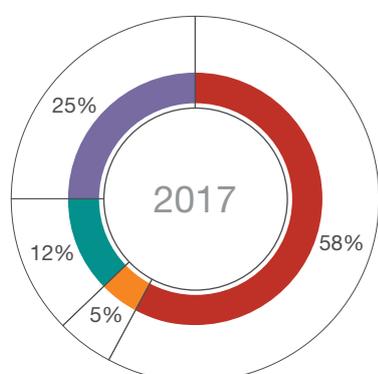
Our brand identity is strong, while our niche activities have boosted our capacity and added to the ability of the Group to sustain itself going forward. The diversified skills set residing in our various operations is unparalleled in the history of our business. These skills, together with our financial ability, we are confident of contributing positively into the future.



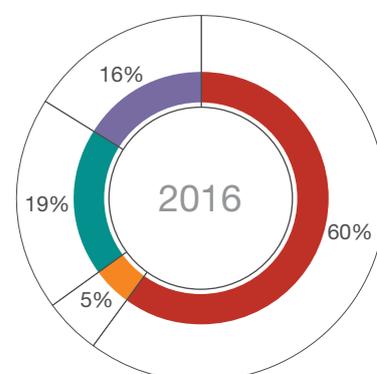
# Value added statement

"Value added" is the value which the Group has added to purchased materials and goods by process of manufacture and conversion, and the sale of its products and services. This statement shows how the value so added has been distributed.

	2017 R'000	%	2016 R'000	%
Revenue	70 998 001		68 241 101	
Net cost of raw materials, goods and services	(46 902 830)		(43 827 997)	
Wealth created by trading operations	24 095 171		24 413 104	
Impairments	1 052 884		(1 048 719)	
Finance income	575 607		426 462	
Dividend income	145 302		180 437	
<b>Total wealth created</b>	<b>25 868 964</b>	<b>100,0</b>	23 971 284	100,0
<b>Distributed as follows</b>				
Employees				
Benefits and remuneration	14 967 797	57,9	14 342 072	59,8
Governments				
Taxation	1 328 232	5,1	1 215 488	5,1
Providers of capital	3 161 427	12,2	4 540 934	19,0
Finance charges	1 502 458	5,8	1 263 188	5,3
Distributions to shareholders	1 658 969	6,4	3 277 746	13,7
Retained for growth	6 411 508	24,8	3 872 790	16,1
Depreciation and amortisation	1 641 568	6,4	1 586 940	6,6
Profit for the year attributable to shareholders of the Company	4 769 940	18,4	2 285 850	9,5
	<b>25 868 964</b>	<b>100,0</b>	23 971 284	100,0



- Employees
- Governments
- Providers of capital
- Retained for growth



## Exchanges with governments

including amounts collected on their behalf

	South African		Foreign	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Employee taxes	1 891 256	1 869 038	229 507	255 674
Company taxes	1 249 134	1 128 584	79 098	86 904
Value added tax and sales tax	6 719 105	7 092 993	74 634	75 167
Customs and excise duty	16 081 255	17 072 822	66 070	745 140
Other	174 705	156 803	24 348	56 081
	<b>26 115 455</b>	27 320 240	<b>473 657</b>	1 218 966

# Directors' responsibility for the financial statements

## To the shareholders of The Bidvest Group 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 SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and in terms of the requirements of the Companies Act of South Africa.

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's 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 auditors are responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with IFRS, the interpretations adopted by the International Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and in terms of the requirements of the Companies Act of South Africa.

The consolidated and separate financial statements of the Group and Company for the year ended 30 June 2017, were approved by the board of directors and are signed on its behalf by:

**Lorato Phalatse**  
Chairperson

**Lindsay Ralphs**  
Chief executive

**Peter Meijer**  
Group financial director

25 August 2017

# Independent auditor's report on the summarised financial statements

## To the shareholders of The Bidvest Group Limited

### Opinion

The summarised consolidated financial statements of The Bidvest Group Limited, which comprise the summarised consolidated statement of financial position as at 30 June 2017, the summarised consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of The Bidvest Group Limited for the year ended 30 June 2017.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of The Bidvest Group Limited, with the requirements of International Accounting Standard 34: Interim Financial Reporting and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

### Summarised consolidated financial statements

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to financial statements. Reading the summarised consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon. The summarised financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on those consolidated financial statements.

### The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 25 August 2017. That report also includes our communication of key audit matters.

### Directors' responsibility for the summarised consolidated financial statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with International Accounting Standard 34: Interim Financial Reporting 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 the summarised consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on whether the summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

### Deloitte & Touche

Registered Auditors

Per: MH Holme

Partner

27 October 2017

20 Woodlands Drive, Woodmead

# Summarised consolidated income statement

for the year ended 30 June

	2017 Audited R'000	2016 Audited R'000	% change
<b>Revenue</b>	<b>70 998 001</b>	68 241 101	4,0
Cost of revenue	(50 342 325)	(48 342 240)	
Gross income	<b>20 655 676</b>	19 898 861	3,8
Operating expenses	(15 131 637)	(14 602 043)	3,6
Sales and distribution costs	(9 719 858)	(9 361 693)	
Administration expenses	(3 698 671)	(3 683 769)	
Other costs	(1 713 108)	(1 556 581)	
Other income	<b>282 122</b>	299 967	
Trading result	<b>5 806 161</b>	5 596 785	3,7
Income from investments	<b>210 776</b>	156 694	
<b>Trading profit</b>	<b>6 016 937</b>	5 753 479	4,6
Share-based payment expense	(143 145)	(139 698)	
Acquisition costs	(24 230)	(8 416)	
Net capital items	<b>1 027 588</b>	(1 175 240)	
<b>Operating profit</b>	<b>6 877 150</b>	4 430 125	55,2
Net finance charges	(1 059 560)	(922 114)	14,9
Finance income	<b>232 069</b>	194 617	
Finance charges	(1 291 629)	(1 116 731)	
Share of profit of associates	<b>379 231</b>	149 983	152,8
Profit before taxation	<b>6 196 821</b>	3 657 994	69,4
Taxation	(1 328 232)	(1 215 487)	9,3
Profit for the period from continuing operations	<b>4 868 589</b>	2 442 507	99,3
Profit after taxation from discontinued operations	–	79 253 352	
<b>Profit for the year</b>	<b>4 868 589</b>	81 695 859	
Attributable to:			
Shareholders of the Company	<b>4 769 940</b>	2 285 850	
Non-controlling interest	<b>98 649</b>	156 657	
Shareholders of the Company – discontinued operations	–	79 215 705	
Non-controlling interest – discontinued operations	–	37 647	
	<b>4 868 589</b>	81 695 859	
Basic earnings per share (cents)	<b>1 430,3</b>	692,6	106,5
Diluted basic earnings per share (cents)	<b>1 423,4</b>	690,2	106,2
Headline earnings per share (cents)	<b>1 108,2</b>	1 054,1	5,1
Diluted headline earnings per share (cents)	<b>1 102,9</b>	1 050,4	5,0
Shares in issue			
Total	<b>335 094</b>	332 672	
Weighted ('000)	<b>333 497</b>	330 036	
Diluted weighted ('000)	<b>335 098</b>	331 210	
Dividends per share (cents)	<b>491,0</b>	714,0	(31,2)
Interim	<b>227,0</b>	482,0	(52,9)
Final	<b>264,0</b>	232,0	13,8
Discontinued operations			
Basic earnings per share (cents)	–	24 002,2	
Diluted basic earnings per share (cents)	–	23 917,0	
Dividend in specie per share (cents)	–	27 818,0	
<b>Headline earnings</b>			
The following adjustments to profit attributable to shareholders were taken into account in the calculation of headline earnings:			
Profit attributable to shareholders of the Company	<b>4 769 940</b>	2 285 850	108,7
Impairment of property, plant and equipment, goodwill and intangible assets	(1 403)	153 475	
Property, plant and equipment	(1 147)	34 995	
Goodwill	–	52 111	
Intangible assets	–	102 021	
Taxation effect	<b>158</b>	(35 652)	
Non-controlling interest	(414)	–	
Net loss on disposal of interests in subsidiaries and disposal and closure of businesses	<b>50 874</b>	139 001	
Loss on disposal and closure	<b>65 311</b>	178 176	
Taxation effect	(14 437)	(39 175)	
Net (profit) loss on disposal and remeasurement	(1 080 926)	810 759	
Remeasurement to recoverable fair value of associates	(1 144 633)	760 764	
Net loss on change in shareholding in associates	<b>82 072</b>	49 995	
Taxation effect	(18 365)	–	
Net (profit) loss on disposal of property, plant and equipment and intangible assets	(7 114)	2 265	
Property, plant and equipment	(8 446)	5 601	
Intangible assets	(9 371)	887	
Taxation effect	<b>2 909</b>	(2 843)	
Non-controlling interest	<b>7 794</b>	(1 380)	
Gain on a bargain purchase	(11 374)	(9 310)	
Non-headline items included in equity accounted earnings of associate companies	(24 265)	96 961	
<b>Headline earnings</b>	<b>3 695 732</b>	3 479 001	6,2

# Summarised consolidated statement of other comprehensive income

for the year ended 30 June

	2017 Audited R'000	2016 Audited R'000
<b>Profit for the year</b>	<b>4 868 589</b>	81 695 859
<b>Other comprehensive income</b>	<b>(126 903)</b>	4 179 958
<i>Items that may be reclassified subsequently to profit or loss</i>	<b>(134 297)</b>	4 170 310
Foreign currency translation reserve		
Exchange differences arising during the year	<b>(117 787)</b>	4 170 535
Available-for-sale financial assets		
Net fair value profit (loss) on available-for-sale financial assets	<b>2 527</b>	(2 244)
Cash flow hedges		
Net fair value (profit) loss arising during the year	<b>(26 440)</b>	2 257
Taxation effect for the year	<b>7 403</b>	(238)
<i>Items that will not be reclassified subsequently to profit or loss</i>	<b>7 394</b>	9 648
Defined benefit obligations		
Net remeasurement of defined benefit obligations during the year	<b>10 278</b>	14 795
Taxation effects		
Taxation charge for the year	<b>(2 884)</b>	(5 147)
<b>Total comprehensive income for the year</b>	<b>4 741 686</b>	85 875 817
<b>Attributable to</b>		
Shareholders of the Company	<b>4 654 904</b>	85 658 409
Non-controlling interest	<b>86 782</b>	217 408
	<b>4 741 686</b>	85 875 817

# Summarised consolidated statement of cash flows

for the year ended 30 June

	2017 Audited R'000	2016 Audited R'000
<b>Cash flows from operating activities</b>	<b>2 816 458</b>	3 148 537
Operating profit	6 877 150	4 430 125
Dividends from associates	114 494	138 689
Acquisition costs	24 230	8 416
Depreciation and amortisation	1 641 568	1 586 940
Remeasurement to recoverable fair value of associates	(1 144 633)	760 764
Other non-cash items	(265 154)	(187 742)
Cash generated by operations before changes in working capital	7 247 655	6 737 192
Changes in working capital	(367 886)	296 577
Cash generated by operations	6 879 769	7 033 769
Net finance charges paid	(1 030 415)	(851 371)
Taxation paid	(1 373 927)	(1 191 426)
Dividends paid by – Company	(1 529 585)	(3 149 552)
– Subsidiaries	(129 384)	(128 194)
Net operating cash flows from discontinued operations	–	1 435 311
<b>Cash effects of investment activities</b>	<b>(1 621 011)</b>	(5 646 310)
Net disposals (additions) to vehicle rental fleet	107 399	(77 995)
Net additions to property, plant and equipment	(1 895 257)	(2 404 062)
Net additions to intangible assets	(141 066)	(113 525)
Net disposal (acquisition) of subsidiaries, businesses, associates and investments	307 913	(786 872)
Net investing cash flows from discontinued operations	–	(2 263 856)
<b>Cash effects of financing activities</b>	<b>(21 223)</b>	1 577 560
Proceeds from shares issued	–	82 506
Disposal of treasury shares	274 229	1 265 277
Borrowings raised	2 902 588	2 434 616
Borrowings repaid	(3 198 040)	(3 376 015)
Net financing cash flows from discontinued operations	–	1 171 176
Net increase (decrease) in cash and cash equivalents	1 174 224	(920 213)
Net cash and cash equivalents at the beginning of the year	2 706 226	5 818 512
Exchange rate adjustment from continuing operations	5 967	9 686
Exchange rate adjustment from discontinued operations	–	814 703
Cash disposed as part of Foodservices division unbundling	–	(3 016 462)
Net cash and cash equivalents at end of the year	3 886 417	2 706 226
Net cash and cash equivalents comprise:		
Cash and cash equivalents	5 132 550	3 911 927
Bank overdrafts shown as short-term portion of interest-bearing debt	(1 246 133)	(1 205 701)
	<b>3 886 417</b>	2 706 226

THE GROUP

STEWARDSHIP

FINANCIAL

DIVISIONAL

SUMMARISED RESULTS

# Summarised consolidated statement of financial position

as at 30 June

	2017 Audited R'000	2016 Audited R'000
<b>Assets</b>		
<b>Non-current assets</b>	<b>25 323 700</b>	21 846 083
Property, plant and equipment	10 474 205	9 700 907
Intangible assets	1 667 710	929 960
Goodwill	3 167 700	2 537 036
Deferred taxation asset	728 913	618 192
Defined benefit pension surplus	202 886	180 035
Interest in associates	5 375 328	4 190 496
Investments	2 843 132	2 869 822
Banking and other advances	863 826	819 635
<b>Current assets</b>	<b>26 067 498</b>	23 215 161
Vehicle rental fleet	992 942	1 318 581
Inventories	8 595 692	7 996 103
Short-term portion of banking and other advances	1 026 974	878 627
Trade and other receivables	10 136 307	9 098 345
Taxation	183 033	11 578
Cash and cash equivalents	5 132 550	3 911 927
<b>Total assets</b>	<b>51 391 198</b>	45 061 244
<b>Equity and liabilities</b>		
<b>Capital and reserves</b>	<b>23 044 323</b>	19 746 080
Attributable to shareholders of the Company	21 697 305	18 459 474
Non-controlling interest	1 347 018	1 286 606
<b>Non-current liabilities</b>	<b>7 165 102</b>	7 459 037
Deferred taxation liability	1 014 705	882 847
Life assurance fund	311 355	24 761
Long-term portion of borrowings	5 408 072	6 138 900
Post-retirement obligations	77 197	79 128
Puttable non-controlling interest liabilities	60 990	49 167
Long-term portion of provisions	149 907	163 887
Long-term portion of operating lease liabilities	142 876	120 347
<b>Current liabilities</b>	<b>21 181 773</b>	17 856 127
Trade and other payables	11 033 424	11 016 386
Short-term portion of provisions	278 582	278 830
Vendors for acquisition	39 523	28 534
Taxation	109 771	–
Banking liabilities	4 412 104	3 689 161
Short-term portion of borrowings	5 308 369	2 843 216
<b>Total equity and liabilities</b>	<b>51 391 198</b>	45 061 244
Net tangible asset value per share (cents)	5 032	4 507
Net asset value per share (cents)	6 475	5 549

# Summarised consolidated statement of changes in equity

for the year ended 30 June

	2017 Audited R'000	2016 Audited R'000
<b>Shareholders' interest</b>		
Issued share capital	16 770	16 770
Balance at beginning of the year	16 770	16 758
Shares issued during the year	–	12
Share premium arising on shares issued	379 792	379 792
Balance at beginning of the year	379 792	297 298
Shares issued during the year	–	82 580
Share issue costs	–	(86)
Foreign currency translation reserve	286 628	393 429
Balance at beginning of the year	393 429	5 149 394
Current year movement	(105 885)	4 147 359
Realisation of reserve on disposal and or unbundling of subsidiaries and or associates	(916)	(8 903 324)
Hedging reserve	6 489	25 526
Balance at beginning of the year	25 526	25 383
Fair value movements during the year	(26 440)	2 257
Taxation recognised directly in reserve	7 403	(238)
Realisation of reserve on disposal and or unbundling of subsidiaries and or associates	–	(1 876)
Equity-settled share-based payment reserve	(14 787)	67 002
Balance at beginning of the year	67 002	310 416
Arising during the year	143 712	259 226
Taxation recognised directly in reserve	81 779	146 745
Utilisation during the year	(307 280)	(762 053)
Realisation of reserve on disposal and or unbundling of subsidiaries and or associates	–	3 205
Transfer to retained earnings	–	109 463
Retained earnings	20 279 261	17 108 032
Balance at the beginning of the year	17 108 032	31 558 166
Attributable profit	4 769 940	81 501 555
Change in fair value of available-for-sale financial assets	2 527	(2 244)
Net remeasurement of defined benefit obligations during the year	7 359	9 721
Transfer of reserves as a result of changes in shareholding of subsidiaries	(118 000)	(45 592)
Taxation direct in equity arising from transactions with subsidiaries	47 664	–
Remeasurement of put option liability	(8 676)	(787)
Net dividends paid	(1 529 585)	(3 149 552)
Dividend in specie on unbundling of subsidiaries	–	(92 533 240)
Taxation direct in equity arising from dividend in specie	–	(120 532)
Transfer from equity-settled share-based payment reserve	–	(109 463)
Treasury shares	743 152	468 923
Balance at the beginning of the year	468 923	(985 225)
Shares disposed of with the unbundling of subsidiaries	–	420 288
Reduction in the value of treasury shares arising on receipt of unbundled shares	–	(231 417)
Shares disposed of in terms of share incentive scheme	274 229	1 265 277
	21 697 305	18 459 474
<b>Equity attributable to non-controlling interest</b>		
Balance at beginning of the year	1 286 606	1 338 044
Other comprehensive income	86 782	217 408
Attributable profit	98 649	194 304
Movement in foreign currency translation reserve	(11 902)	23 176
Net remeasurement of defined benefit obligations during the period	35	(72)
Dividends paid	(129 384)	(141 302)
Movement in equity-settled share-based payment reserve	(567)	562
Changes in shareholding	(14 419)	(6 686)
Grant of puttable options to non-controlling interests	–	(68 944)
Transfer of reserves as a result of changes in shareholding of subsidiaries and other transactions with subsidiaries	118 000	45 592
Non-controlling interest of disposed or unbundled subsidiaries	–	(98 068)
	1 347 018	1 286 606
<b>Total equity</b>	<b>23 044 323</b>	<b>19 746 080</b>

# Basis of presentation of summarised consolidated financial statements

These summarised financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, and includes, at a minimum, disclosure as required by IAS 34 Interim Financial Reporting and the Companies Act of South Africa and the JSE Listings Requirements. They do not include all the information required for a complete set of International Financial Reporting Standards (IFRS) financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding to the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2016.

In preparing these summarised financial statements, directors make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by directors in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2016.

The consolidated financial statements have been prepared under the supervision of HP Meijer (BCompt MBL) – Group financial director.

## Significant accounting policies

The accounting policies applied in these summarised financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2016.

During the year certain operations were reclassified between segments. The comparative period's segmental information has been re-presented to reflect these insignificant changes.

## Net acquisition of businesses, subsidiaries, associates and investments

During the year the Group acquired 100% of the share capital of Brandcorp with effect from 1 October 2016. Brandcorp is a value added distributor of niche Industrial and Consumer products trading under the Industrial brands, Matus, Renttech, Burncrete, Moto Quip, Leisure Quip and consumer brands, Cellini and MIC Prestige. The acquisition forms part of the Bidvest Commercial Products segment and will enable the Group to expand its range of complementary products and services. Goodwill arose on the acquisition as the anticipated value of future cash flows, that were taken into account in determining the purchase consideration, exceeded the net assets acquired at fair value. The acquisition has been funded with a combination of long-term borrowings and existing cash resources.

The acquisition of Brandcorp contributed R1,8 billion to gross revenue and R198 million to operating profit. Had the acquisition taken place on 1 July 2016, the contribution to revenue would have been R2,6 billion and R252 million to operating profit.

The Group also made a number of less significant acquisitions and disposals during the year. Certain of these acquisitions resulted in insignificant bargain purchase gains. These acquisitions were funded from existing cash resources.

The following table summarises the net assets acquired and liabilities assumed which have been included in these results from the respective acquisition and disposal dates.

	Brandcorp R'000	Other acquisitions R'000	Total acquisitions R'000	Disposals R'000	Net acquisitions R'000
Property, plant and equipment	185 302	63 690	248 992	(9 192)	<b>239 800</b>
Deferred taxation	(116 534)	(7 664)	(124 198)	14 437	<b>(109 761)</b>
Interest in associates	27 626	32 790	60 416	(288 441)	<b>(228 025)</b>
Investments and advances	–	510 124	510 124	(941 863)	<b>(431 739)</b>
Inventories	572 519	58 695	631 214	(56 976)	<b>574 238</b>
Trade and other receivables	480 411	33 576	513 987	(16 552)	<b>497 435</b>
Cash and cash equivalents	118 444	60 080	178 524	3 176	<b>181 700</b>
Borrowings	(1 945 120)	(11 059)	(1 956 179)	108	<b>(1 956 071)</b>
Trade and other payables and provisions	(434 489)	(101 551)	(536 040)	(11 492)	<b>(547 532)</b>
Taxation	(9 277)	(5 280)	(14 557)	(649)	<b>(15 206)</b>
Intangible assets	684 282	517	684 799	(95)	<b>684 704</b>
	(436 836)	633 918	197 082	(1 307 539)	<b>(1 110 457)</b>
Non-controlling interest	–	15 179	15 179	(760)	<b>14 419</b>
Realisation of foreign currency translation reserve	–	–	–	916	<b>916</b>
Gain on bargain purchase price	–	(11 374)	(11 374)	–	<b>(11 374)</b>
Goodwill	436 836	197 362	634 198	(3 212)	<b>630 986</b>
Net assets acquired (disposed)	–	835 085	835 085	(1 310 595)	<b>(475 510)</b>
<i>Settled as follows:</i>					
Cash and cash equivalents acquired/disposed of			(178 524)	(3 176)	<b>(181 700)</b>
Acquisition costs			24 230	–	<b>24 230</b>
Net loss on disposal of operations			–	132 946	<b>132 946</b>
Net change in vendors for acquisition			(10 989)	–	<b>(10 989)</b>
Receivable arising on disposal of associate			–	203 110	<b>203 110</b>
Net acquisition (disposal) of businesses, subsidiaries, associates and investments			669 802	(977 715)	<b>(307 913)</b>

### Commitments

Capital expenditure amounting to R1,9 billion (2016: R1,1 billion) is in respect of property, plant and equipment.

### Subsequent events

The Group acquired 100% of the shares of Noonan from Alchemy Partners and Noonan's current management. Noonan, which is based and operates throughout the Republic of Ireland and in the United Kingdom, has established a clear leadership position with a 40-year track-record of delivering high-quality integrated facility management services and solutions. Its services include soft, technical and ancillary services, and range from cleaning and security to building services and facilities management. The board believes that Noonan's business model and geographic presence will be complementary to Bidvest's Services division. Several learnings can be shared, and enhanced, thereby improving the Group's overall service offering. The current dual geographic footprint allows for growth optionality into Europe and further afield. South African Reserve Bank approval has been obtained. The transaction was effective 1 September 2017. The EUR175 million (R2,7 billion) purchase price was settled by way of foreign credit facilities. Three-year variable rate, Euro denominated funding has been secured at an attractive rate.

Other than above, no further subsequent events have been identified.

### Fair value of financial instruments

The Group's investments of R2,8 billion (2016: R2,9 billion) include R62 million (2016: R89 million) recorded at cost, R1,8 billion (2016: R1,8 billion) recorded and measured at fair values using quoted prices (level 1) and R996 million (2016: R935 million) recorded and measured at fair value using factors not based on observable data (level 3). Fair value gains on level 3 investments recognised in the income statement total R95 million (2016: R94 million) and other reductions of R67 million relate to net sales, and foreign exchange losses of R0,4 million recognised in the currency translation reserve.

The Group's effective beneficial interest in the Indian based Mumbai International Airport Private Limited (MIAL) is included in unlisted investment held-for-trade, where the fair value is not based on observable market data (level 3). The carrying value of this investment, based on the directors' valuation at 30 June 2017, is R940 million (US\$72 million) (2016: R853 million (US\$60 million)).

When the Group performs an analysis and notes significant changes in the underlying variables included in the valuation, the value of the investment is reconsidered. As a result of consistent increases in earnings driven off increased passenger numbers the MIAL asset has been revalued in the current year. The updated value was determined as fair value less cost to sell. The calculation used the actual operating results for MIAL based on the most recent financial statements and a median multiple for the peer group which is in a range of 11.6 – 12.5x EBITDA. A 1% change in the multiple or EBITDA used results in US\$1,6 million change in the value. Consideration was also given to an independent expert valuation as well as the Group's prior disposal of the identical sized interest in the 2012 financial year, after adjusting for a control premium achieved in that transaction.

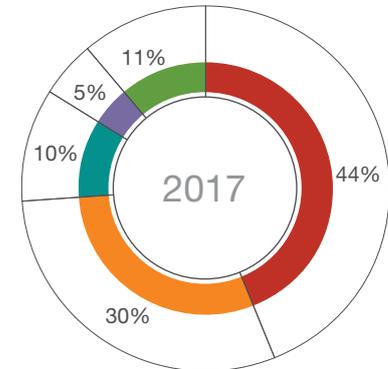
MIAL is a foreign based asset and the ruling year end exchange rate, US\$1 = R13,06 (2016: US\$1 = R14,79), is a further factor that affects the carrying value. The valuation is considered a level 3 type valuation in accordance with IFRS 13 – Fair Value Measurement.

The carrying values of all financial assets and liabilities approximate their fair values, with the exception of borrowings of R10,7 billion whose carrying value is R10,7 billion.

# Shareholder analysis

	Number of share held	% of shares issued	% of effective holding
<b>Investment management holdings</b>			
<b>Fund managers holding</b>			
3% or more of the shares in issue			
PIC	49 732 297	14,83	14,84
Lazard Asset Management LLC Group	23 437 542	7,00	7,00
JP Morgan Asset Management	19 435 889	5,79	5,80
GIC Asset Management Private Limited	13 980 775	4,17	4,17
BlackRock Inc	13 545 883	4,04	4,04
The Vanguard Group Inc	12 492 585	3,72	3,73
Old Mutual PLC	10 279 968	3,06	3,07
	142 904 939	42,61	42,65

## Geographic spread of investment managers



- South Africa
- United States and Canada
- United Kingdom
- Europe
- Rest of the world

# Shareholder diary

<b>Financial year-end</b>		30 June
<b>Annual general meeting</b>		November
<b>Reports and accounts</b>		
Interim report for the half year ending 31 December		February
Announcement of annual results		September
Annual report		October
<b>Distributions</b>		
Interim distribution	<b>Declaration</b>	<b>Payment</b>
	February/March	March/April
Final distribution	August/September	September/October





# Administration

## **The Bidvest Group Limited**

Incorporated in the Republic of South Africa

Registration number: 1946/021180/06

ISIN: ZAE000117321

Share code: BVT

## **Group company secretary**

Craig Brighten

## **Auditors**

Deloitte & Touche

## **Legal advisers**

Baker & McKenzie

Edward Nathan Sonnenbergs

Werksmans Inc

## **Bankers**

ABSA Bank Limited

FirstRand Group Limited

Investec Bank Limited

Nedbank Limited

The Standard Bank of South Africa Limited

## **Share transfer secretaries**

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0861 100 950

## **Sponsor**

Investec Bank Limited

## **Group financial director**

Peter Meijer

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