AfroCentric GROUP

Additional information

AT 31 DECEMBER 2016

ACT HEALTHCARE ASSETS

AfroCentric HEALTH

A Member of AfroCentric Group medscheme

A Member of AfroCentric Group Helios IT SOLUTIONS

Pharmacy Direct

curasanawholesaler

afa Aid for Aids Your life. Our life. A Member of AfroCentric Group

Allegra A Member of AfroCentric Group

ADDITIONAL INFORMATION
AT 31 DECEMBER 2016

FAIR VALUE DISCLOSURE

FAIR VALUE HIERARCHY

The following hierarchy is used to classify financial and non-financial instruments for fair value measurement purposes:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within level that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The following table presents the groups assets and liabilities that are measured at fair value at 31 December 2016:

	Group			Company		
December 2016	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Investment in Jasco	**41 608**	–	–	**41 608**	–	–
Investment in collective schemes	**278 851**	–	–	**278 851**	–	–
Investment in AAR	–	–	**18 444**	–	–	–
Contingent consideration	–	–	**134 893**	–	–	**134 893**
Investment Property	–	–	**15 000**	–	–	–
	320 459	–	**168 337**	**320 459**	–	**134 893**
December 2015						
Investment in Jasco	27 001	–	–	27 001	–	–
Investment in collective schemes	255 918	–	–	255 918	–	–
Investment in AAR	–	–	18 444	–	–	–
Contingent consideration	–	–	135 970	–	–	135 970
Investment Property	–	–	15 000	–	–	–
	282 919	–	169 414	282 919	–	135 970

Specific valuation techniques used to value financial and non-financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments. The Jasco Electronics and the collective investment schemes share price was obtained from the Johannesburg Stock Exchange (JSE)
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis and PE ratios.
- The fair value of the investment property is determined using current prices in an active market for similar property

The assets disclosed above have been classified as a Level 3 financial and non- financial instruments i.e. the inputs are not based on observable market data except for the investment in, Jasco Electronics, which is classified as a Level 1 financial instrument (non-current asset held for sale). The carrying amount of all assets in the table above approximates the fair value of the assets.

Group fair value measurements using significant unobservable inputs (Level 3):

	Contingent consideration R'000	Investment in AAR R'000	Investment Property R'000
Opening balance	–	18 444	15 000
Additions	134 893	–	–
Transaction costs	–	–	–
Closing balance	**134 893**	**18 444**	**15 000**

VALUATION INPUTS AND RELATIONSHIPS TO FAIR VALUE

INVESTMENT IN AAR

The fair value of the investment in AAR Insurance Holdings is derived by valuation techniques using the most recent financial information available to AfroCentric Investment Corporation Limited. Management are satisfied that valuation of the investment in the AAR represents the fair value.

INVESTMENT PROPERTY

The fair value of the investment property is derived by an external property valuer using current prices in an active market for similar property in the same location and condition. In applying this approach the valuer has selected other properties that have similar risk, growth and cash-generating profiles. Management reviews the valuation performed by the external valuer and is satisfied that the inputs used by the external property valuer are reasonable.

CONTINGENT CONSIDERATION

Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Company arising from the contingent consideration. Under the contingent consideration arrangement, AfroCentric Investment Corporation Limited is required to issue Glen Eden Trading 58 (Proprietary) Limited an additional 26 192 902 shares based on management's best estimate as per the Acquisition of shares agreement. R134.9 million is the estimated fair value of this obligation at year-end.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Description	Fair value at 31 December 2016	Unobservable inputs	Input Value used	Sensitivity of unobservable inputs on profit and loss
Investment in AAR (unlisted investment)	18 444	Price earnings ratio	11.32	If a P/E ratio of 10.32 were used the investment in AAR would increase by R1.762 million in other comprehensive income. If a P/E ratio of 12.32 were used the investment in AAR would increase by R1.748 million in other comprehensive income.
Investment Property	15 000	Price per square meter	R1 500 per square meter	The higher the price per square meter the higher the fair value.
Contingent consideration	134 893	Average growth rate	5%	If an average growth rate of 4% were used the contingent consideration would decrease by R2.596 million in profit and loss. If an average growth rate of 6% were used the contingent consideration would increase by R2.630 million in profit and loss.
		Expected cash inflows	R21.8 million – R24.2 million	If expected cash flows were 10% higher or lower, the fair value would increase/decrease by R13.489 million.