Notes to the financial statements continued

for the year ended 30 JUNE 2021

6. Property and equipment continued

6.1 Right of use asset

The Company has not entered into any leases. The right of use asset arose from leases entered into by the subsidiaries within the Group.

	Group R'000
Year ended 30 June 2021	
Opening carrying amount	234 980
Additions	21 250
Modifications/Disposals	(12 723)
Depreciation charge	(66 583)
Closing carrying amount	176 924
At 30 June 2021	
At cost	381 710
Accumulated depreciation	(204 786)
Closing carrying amount	176 924
Year ended 30 June 2020	
Opening carrying amount	290 136
Additions	18 182
Disposals	(1 146)
Lease modification	(411)
Depreciation charge	(71 781)
Closing carrying amount	234 980
At 30 June 2020	
At cost	384 264
Accumulated depreciation	(149 284)
Closing carrying amount	234 980

7. Investment property

7.1 Balances at year-end and movements for the year

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Balance at the beginning of the year at fair value	15 418	15 418	–	–
Fair value adjustment	(7 653)	–	–	–
Balance at the end of the year at fair value	7 765	15 418	–	–

7.2 Fair value measurements

Investment property consists of land; portion 108 (a portion of portion 27) of the farm Weltevreden 202 Roodepoort, South Africa. It is held for capital appreciation and is not occupied by the Group.

The valuation was prepared by an independent valuer, J van der Hoven in May 2021, a property practitioner from De Hoven Proprietary Limited. J van der Hoven obtained his Post-Graduate Master's Degree in Architecture (recognised by Royal Institute of British Architects (RIBA) and Architects Registration Board (ARB) and has more than 10 years' experience as a property practitioner.

The fair value of investment property was determined based on comparable sales method.

Pursuant to the expiry of the current zoning rights (Business 4 and Residential 3 rights) effective 24 May 2021, an application has been submitted to reduce the current approved zoning rights to Parking and a private Sport Recreation facility. Based on the 2021 property valuation report, the fair value of the land based on the de-zoning and a reduction in land use rights is R7.8 million. A fair value loss has thus been incurred.

Notes to the financial statements continued

for the year ended 30 JUNE 2021

7. Investment property continued

7.3 Recognised fair value measurements

Fair value hierarchy

The following hierarchy is used to classify 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 1 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. 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.

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

» the fair value of the investment property is determined by using the comparable sales method;

The investment property has been classified as a level 3 non-financial instrument, i.e. the inputs are not based on observable market data. The carrying amount of the investment property approximates the fair value.

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

	Investment property R'000
Opening balance	**15 418**
Acquisitions through business combinations	–
Additions	–
Fair value gains/(losses)	(7 653)
Closing balance	**7 765**

Valuation inputs and relationships to fair value

The fair value of the investment property is derived by an external property valuer using the comparable sales method. 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. The investment property is valued on an annual basis.

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

Description	Fair value at 30 June 2021 R'000	Unobservable inputs	Input value used	Sensitivity of unobservable inputs on profit and loss
Investment property	7 765	Price per block building rights per square metre	R453	If the fair value per square metre increased by 10% then the value of the property would increase by R776 500 in profit or loss. If the fair value per square metre decreased by 10% then the value of the property would decrease by R776 500 in profit or loss.