



# AfroCentric

GROUP

## ADDITIONAL INFORMATION

for the year ended 30 June 2018



A Member of AfroCentric Group



# ADDITIONAL INFORMATION

AT 30 JUNE 2018

## 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 30 June 2018:

2018	Group			Company		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Collective investment schemes	–	217 278	–	–	217 278	–
Investment in AAR	–	–	9 000	–	–	–
Investment Property	–	–	15 418	–	–	–
	–	217 278	24 418	–	217 278	–
<b>2017</b>						
Investment in Jasco	36 296	–	–	36 296	–	–
Collective investment schemes	–	327 719	–	–	327 719	–
Investment in AAR	–	–	18 444	–	–	–
Contingent consideration	–	–	(194 475)	–	–	(194 475)
Investment Property	–	–	15 418	–	–	–
	36 296	327 719	(160 613)	36 296	327 719	(194 475)

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 share price was obtained from the Johannesburg Stock Exchange (JSE).
- the fair value of the collective investment schemes is determined using the current unit price of underlying unitised asset, multiplied by the number of units held.
- 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 by using the comparable sales method.

The assets disclosed above that have been classified as a Level 3 financial and non-financial instruments i.e. the inputs are not based on observable market data. 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	194 475	18 444	15 418
Settlement/payment	(194 475)	–	–
Impairments	–	(1 285)	–
Disposal	–	(8 159)	–
<b>Closing balance</b>	<b>–</b>	<b>9 000</b>	<b>15 418</b>

## VALUATION INPUTS AND RELATIONSHIPS TO FAIR VALUE

### INVESTMENT IN AAR

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

### INVESTMENT PROPERTY

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.

### CONTINGENT CONSIDERATION

The fair value of the contingent consideration was determined by the ACT share price at 2017 year end, multiplied by the number of shares to be issued. The number of shares to be issued is stipulated in the shareholders agreement which is derived from the actual profits generated from Glen Eden. Under the contingent consideration arrangement, AfroCentric Investment Corporation Limited was required to issue WAD Holdings (Proprietary) Limited an additional 31 366 977 shares based on the above. R194.5 million was the estimated fair value of this obligation and was settled in cash and not shares the current financial year as cash was selected.

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 2018	Unobservable inputs	Input Value used	Sensitivity of unobservable inputs on profit and loss
<b>Investment in AAR (unlisted investment)</b>	9 000	Price earnings ratio	8.50	If a P/E ratio of 7.50 were used the investment in AAR would decrease by R0.489 million in other comprehensive income.  If a P/E ratio of 9.50 were used the investment in AAR would increase by R0.326 million in other comprehensive income.
<b>Investment Property</b>	15 418	Price per square meter	R1 542 per square meter	The higher the price per square meter the higher the fair value.

## VALUATION PROCESS

The finance department of the group performs the valuations of the investments for financial reporting purposes, including level 3 fair values (excluding the investment property). The team reports directly to the Chief Financial Officer ("CFO"). Discussions of the valuation processes and results are held between the CFO and the Group Finance at year end to determine the fair value of investments unless there is an indication of impairment which will result in a write off of the investment in that point in time.



