ADDITIONAL INFORMATION

at 31 December 2019

AfroCentric
GROUP

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 2019:

	Group			Company		
2019	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Collective investment schemes	–	–	–	–	–	–
Investment in AAR	–	–	–	–	–	–
Investment Property	–	–	**15 418**	–	–	–
	–	–	**15 418**	–	–	–
2018						
Collective investment schemes	–	136 696	–	–	136 696	–
Investment in AAR	–	–	5 000	–	–	–
Investment Property	–	–	15 418	–	–	–
	–	136 696	20 418	–	136 696	–

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

- 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):

	Investment Property R'000
Opening balance	15 418
Settlement/payment	–
Impairments	–
Disposal	–
Closing balance	15 418

Valuation inputs and relationships to 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.

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 2019	Unobservable inputs	Input value used	Sensitivity of unobservable inputs on profit and loss
Investment Property	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.