



# AfroCentric

GROUP

## ADDITIONAL INFORMATION

at 31 December 2018



A Member of AfroCentric Group

**medscheme** 

**Pharmacy**  
**Direct** 

  
**curasana** wholesaler

  
**activo**  
health  
caring for you

**Allégra**  
A Member of AfroCentric Group

 **Aid for Aids**  
Your life. Our life.

**TENDA**  
HEALTH

 **Helios**  
IT SOLUTIONS

 **MMed**  
Distribution

**SCRIPTPHARM**  
RISK MANAGEMENT (PTY) LTD

**pha**  
PHARMACEUTICALS

**wellness**  
**ODYSSEY**  
An AfroCentric Group Company

 **AfroCentric**  
ESSENTIALMED

## ADDITIONAL INFORMATION

### AT 31 DECEMBER 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 31 December 2018:

December 2018	Group			Company		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investment in Jasco	–	–	–	–	–	–
Collective share investment schemes	–	136 696	–	–	136 696	–
Investment in AAR	–	–	5 000	–	–	–
Investment Property	–	–	15 418	–	–	–
	–	136 696	20 418	–	136 696	–
<b>December 2017</b>						
Investment in Jasco	26 558	–	–	26 558	–	–
Collective share investment schemes	–	168 489	–	–	168 489	–
Investment in AAR	–	–	18 444	–	–	–
Investment Property	–	–	15 418	–	–	–
	26 558	168 489	33 862	26 558	168 489	–

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 unlisted 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 except for the investment in, Jasco Electronics, which is classified as a Level 1 financial instrument. 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 in AAR R'000	Investment Property R'000
Opening balance	9 000	15 418
Additions	–	–
Impairment of Investment	(4 000)	–
<b>Closing balance</b>	<b>5 000</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. Due to certain performance conditions not being met, an impairment was recognised in the current year. 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.

Description	Fair value at 31 December 2018	Unobservable inputs	Input Value used	Sensitivity of unobservable inputs on profit and loss
<b>Investment in AAR (unlisted investment)</b>	5 000	Price earnings ratio	7.98 profit or loss	If a P/E ratio of 6.98 were used the investment in AAR would decrease by R1.443 million.  If a P/E ratio of 8.98 were used the investment in AAR would decrease by R0.423 million in profit or loss.
<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 department at least once every six months, in line with the Group's bi-annual reporting periods.

