

Notes to the consolidated financial statements

for the year ended June 30

38. Accounting estimates and judgements *(continued)*

Goodwill

The Group has assessed the carrying value of goodwill to determine whether any of the amounts have been impaired. The carrying values were assessed using a combination of discounted cash flow and price earnings methods, based on the actual results and forecasts for future years.

Deferred taxation

Deferred taxation assets are recognised to the extent that it is probable that the taxable income will be available against which they can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest, inflation and taxation rates and competitive forces.

Investments

The Group reflects its held-for-trade and available-for-sale investments at fair value. The directors' value of unlisted investments was determined using a combination of discounted cash flow, net asset value and price earnings methods. Investments held are of a long-term nature and uncertainty surrounds their valuation, which may result in a significant change in value.

Inventories

Impairment allowances are raised against inventory when it is considered that the amount realisable from such inventory's sale is considered to be less than its carrying amount. The impairment allowances are made with reference to an inventory age analysis.

Trade receivables

Management identifies impairment of trade receivables on an ongoing basis. An impairment allowance in respect of doubtful debts is raised against trade receivables when their collectibility is considered to be doubtful. Management believes that the impairment adjustment is conservative and there are no significant trade receivables that are doubtful which have not been impaired or for which no allowance has been provided. In determining whether a particular receivable could be doubtful, the age, customer current financial status and disputes with the customer are taken into consideration.

Provisions

Refer note 32 for further disclosure.

Post-retirement obligations

The Group provides retirement benefits for its permanent employees through pension funds with defined benefit and defined contribution categories. Actuarial valuations are based on assumptions which include the discount rate, inflation rate, salary increase rate, expected return on plan assets and the pension increase allowance rate.

39. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market values of other assets are based on the quoted market prices for similar items.

Intangible assets

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Inventory

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the efforts required to complete and sell the inventory.

Investments

Fair value of listed investments is calculated by reference to stock exchange quoted selling prices at the close of business on the statement of financial position date. Fair value of unlisted investments is determined by using appropriate valuation models (refer note 18).

Forward exchange contracts

The fair value of forward exchange contracts is based on their market prices.

39. Determination of fair values *(continued)*

Borrowings

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements. The carrying value of the bank overdrafts is the fair value.

Share-based payments

The fair value of the share options is measured using a binomial method. Measurement inputs include share price at measurement date, exercise price of the instrument, expected volatility (based on the historic volatility), option life, distribution yield and the risk-free interest rate (based on national government bonds).

40. Subsequent event

With effect from July 1 2013 the Group acquired the entire issued share capital of Home of Living Brands Holdings Limited (formerly Amalgamated Appliance Holdings Limited) (HLB) that it did not already own, being 71,7%, for a consideration of R532 million. The Group's management believes that the acquisition will enable HLB to continue to service its customers more efficiently, with a significantly enhanced offering. HLB will also benefit from being able to offer its products to the wider customer base of the Group. The Group funded the acquisition from its existing banking resources.

As the initial accounting for this acquisition was not completed at the time that the financial statements were authorised for issue, details of the values of assets acquired and liabilities assumed have not been provided.

41. Accounting standards and interpretations not effective at June 30 2013

At the date of approval of the annual financial statements, the following new standards and interpretations that apply to the Group were in issue but not yet effective:

Standard/interpretation	Description	Effective date
IFRS 9	Financial Instruments	January 1 2015
IFRS 10	Consolidated Financial Statements	January 1 2013
IFRS 11	Joint Arrangements	January 1 2013
IFRS 12	Disclosure of Interests in Other Entities	January 1 2013
IFRS 13	Fair Value Measurement	January 1 2013
IAS 19	Employee Benefits	January 1 2013

IFRS 9

IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39. Under IFRS 9 there are two options in respect of classification of financial assets namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

Management does not expect any significant impact on the financial results.

IFRS 10

IFRS 10 addresses the divergence arising from the control-based principles in IAS 27 and the risks and rewards based approach in SIC 12, and in addition, provides greater guidance on de facto control.

Management does not expect any significant impact on the financial results.

IFRS 11

IFRS 11 identifies two types of joint arrangements, joint operations and joint ventures, and prohibits the use of proportionate consolidation for joint ventures.

Management does not expect any significant impact on the financial results.

IFRIC 12

In order to provide greater transparency, IFRS 12 requires disclosure of the nature, risks and financial impact of consolidated and unconsolidated entities.

Management does not expect any significant impact on the financial results.