

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.