

Notes to the consolidated financial statements

for the year ended 30 June

42. 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 report date. Fair value of unlisted investments is determined by using appropriate valuation models (refer note 19).

Forward exchange contracts

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

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 (ZAR bond static yield curve 2016: based on national government bonds).

43. Subsequent events

The Group acquired 100% of the shares of Noonan from Alchemy partners and Noonan's current management. Noonan, which is based and operates throughout the Republic of Ireland and in the United Kingdom, has established a clear leadership position with a 40-year track record of delivering high-quality integrated facility management services and solutions. Its services include soft, technical and ancillary services and range from cleaning and security to building services and facilities management. The board believes that Noonan's business model and geographic presence will be complementary to Bidvest's Services division. Several learnings can be shared and enhanced, thereby improving the Group's overall services offering. The current dual geographic footprint allows for growth optionality into Europe and further afield. South African Reserve Bank approval has been obtained. The transaction is effective 1 September 2017. The EUR175 million (R2,7 billion) purchase price was settled by way of foreign credit facilities. Three-year variable rate, euro denominated funding has been secured at an attractive rate.

As the initial accounting for the 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.
