

Notes to the consolidated financial statements (continued)

40. Nature and extent of risks arising from financial instruments (continued)

40.5 Fair values

The carrying amounts of all financial assets and liabilities approximate their fair values, with the exception of borrowings which have been accounted for at amortised cost. The fair value of borrowings, together with the carrying amounts shown in the statement of financial position, classified by class (being geographical location), are as follows:

	2020		2019	
	Carrying amount R'000	Fair value R'000	Carrying amount R'000	Fair value R'000
Borrowings (refer note 31 Borrowings)				
Southern Africa	12 182 649	12 160 894	10 983 108	10 994 331
Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements	–	–	448	448
Unsecured loans	7 139 764	7 118 009	5 980 330	5 991 553
Floor plan creditors secured by pledge of inventories	939 041	939 041	641 089	641 089
Bank overdrafts	4 103 844	4 103 844	4 361 241	4 361 241
UK and Europe	17 453 240	17 309 380	3 461 157	3 461 157
Loans secured by lien over certain property, plant and equipment in terms of financial leases and suspensive sale agreements	9 284	9 284	46 575	46 575
Unsecured loans	17 225 751	17 081 890	3 193 270	3 193 270
Bank overdrafts	218 205	218 205	221 311	221 311
	29 635 890	29 470 274	14 444 265	14 455 488
Unrecognised gain (loss)	165 615		(11 223)	

The methods used to estimate the fair values of financial instruments are discussed in note 44 *Determination of fair values*.

The interest rates used to discount cash flows, in order to determine fair values, are based on market related rates at 30 June 2020 plus an adequate constant credit spread, and range from 1.14% to 10.72% (2019: 1.0% to 10.25%).

41. Capital management

The board of directors' policy is to maintain a strong capital base so as to maintain investor, supplier and market confidence, whilst also being able to sustain future development of the businesses. The board of directors monitors both the demographic spread of shareholders, as well as the return on capital, which the Group defines as total shareholders' equity, excluding non-controlling interests and the level of distributions to ordinary shareholders. The Group's objective is to maintain a distribution cover of two to two and a half times normalised headline earnings for the foreseeable future. The methods of distribution include dividends, return of share premium, capitalisation issues as well as share buy-backs in lieu of distributions. The level of cover of distributions takes into account prevailing market conditions, future cash requirements of the businesses, Group liquidity requirements, as well as capital adequacy ratios.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of gearing and the advantages and security afforded by a sound equity position. The Group targets Return on Funds Employed (ROFE) specific to each segment. ROFE targets range between 20% and 90%. Overall, the Group achieved a ROFE of 23.0% (2019: 23.2%)

In the early days of the Group, acquisition activity was generally funded via the raising of equity capital however over the past five years, far more favourable credit markets have enabled the use of debt as a more effective tool of capital. The current credit markets have been extremely volatile.

From time-to-time the Group purchases its own shares on the market, the timing of these purchases depends on market prices. Primarily the shares are intended to be used for issuing shares under the BIS, CSP or SAR Plan (refer note 29 *Share-based payments*). The maximum number of shares which can be allocated under the Share Appreciation Rights Plan and the CSP is limited to 17 000 000 shares. The Group does not have a defined share buy-back plan.

There were no changes in the Group's approach to capital management during the year.