Notes to the consolidated financial statements

for the year ended June 30

32. FINANCIAL INSTRUMENTS *(continued)*

32.5 Fair values (continued)

Fair value hierarchy

When measuring the fair value of an asset or a liability, the group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques categorised as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Non-current liabilities	Current assets (liabilities)					
R'000s	**Puttable non-controlling interests**	**Investments**	**Vendors for acquisition**	**Total**	**Level 1**	**Level 2**	**Level 3**
June 30 2016							
Financial assets measured at fair value	**–**	**511 122**	**–**	**511 122**	**501 293**	**2 054**	**7 775**
Financial liabilities measured at fair value	**(1 168 921)**	**–**	**(513 308)**	**(1 682 229)**	**–**	**–**	**(1 682 229)**
June 30 2015							
Financial assets measured at fair value	–	26 163	–	26 163	–	12 277	13 886
Financial liabilities measured at fair value	(913 638)	–	(558 315)	(1 471 953)	–	–	(1 471 953)

Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring the puttable non-controlling interests and vendors for acquisition fair values at June 30.

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
The expected payments are determined by considering the possible scenarios of forecast EBITDA, the amount to be paid under each scenario and the probability of each scenario. The valuation models consider the present value of expected payment, discounted using a risk-adjusted discount rate.	– EBITDA growth rates: 10 – 23% (2015: 10 – 23%) – EBITDA mutliples: 4,8x – 7x (2015: 4,8x – 7x) – Risk-adjusted discount rate: 1,99% – 5,00% (2015: 1,99%)	The estimated fair value would increase (decrease) if: – the EBITDA were higher (lower); or – the risk-adjusted discount rate were lower (higher).

33. CAPITAL MANAGEMENT

The board of directors' policy is to maintain a strong capital base so as to sustain future development of the businesses so that it can continue to provide benefits to its shareholders.

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