16. LISTED INVESTMENTS continued

16.1 Measurement of fair value continued

16.1.1 Fair value hierarchy

The following table shows the valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used:

Valuation techniques	Inter-relationship between key unobservable inputs and fair value measurements
The market value of the property has been assessed using the Discounted Cash Flow (DCF) calculation method. The valuation takes into account the agreed rent for the signed leases, the market rent for currently vacant space and estimated rents for re-letting of the space after lease term expiry. In all instances, the valuers calculated the DCF for a 10-year period and assumed a capitalised value based on a stabilised rental income of the properties thereafter. After the DCF-period of 10 years, the valuers calculate a stabilised rental income. The capitalised value takes this stabilised rental income and subtracts the stabilised expenses, resulting in the Stabilised Net Operating Income. This result is capitalised into perpetuity applying an equivalent (growth implicit) yield and produces the Terminal Value Indication. The resulting value is then discounted to the valuation date using the discount rate from term years 1 – 10. Discounting the remaining Cash Flows for years 1 – 10 and the Terminal Value for year 11 to the valuation date (i.e. the Net Present Value) produces the Gross Capital Value. After deductions for Purchaser's Costs, the Market Value is obtained.	The estimated fair value would increase/(decrease) if: – increases/(decreases) in the stabilised net operating income; – (decreases)/increases in the yield used to calculate the Terminal Value Indication; and – (decreases)/increases in the discount rate used to calculate the Gross Capital Value.

17. INTANGIBLE ASSETS

	Goodwill Rm	Rights to manage property and software development Rm	Total Rm
Cost	**3 426**	**1 510**	**4 936**
Opening balance	**448**	**1 506**	**1 954**
Acquisition through business combinations	**2 978**	**–**	**2 978**
Additions during the year – software development	**–**	**4**	**4**
Accumulated amortisation and impairment losses	**(1 558)**	**(798)**	**(2 356)**
Opening balance	**–**	**(696)**	**(696)**
Impairment loss	**(1 558)**	**–**	**(1 558)**
Amortisation for the year	**–**	**(102)**	**(102)**
Carrying value at 30 June 2015	**1 868**	**712**	**2 580**
Cost	448	1 506	1 954
Opening balance	448	1 500	1 948
Additions during the year – software development	–	6	6
Accumulated amortisation and impairment losses	–	(696)	(696)
Opening balance	–	(594)	(594)
Amortisation for the year	–	(102)	(102)
Carrying value at 30 June 2014	448	810	1 258

Goodwill acquired as part of the Acucap business combination

Acucap Properties Limited carries on the business of a property holding company through the ownership of investment properties by its wholly owned subsidiaries. Acucap has three reportable segments, retail, office and industrial. Goodwill has been allocated for impairment testing purposes to these individual cash-generating units (CGUs). Retail, office and industrial each represent the lowest level within Acucap at which the goodwill is monitored for internal management purposes.

		2015 Rm	2014 Rm
17.	**INTANGIBLE ASSETS continued**		
	The carrying amounts of goodwill allocated to the retail, office and industrial sectors in the different geographical areas are as follows:		
	Retail sector	1 815	–
	Office sector	1 087	–
	Industrial sector	76	–
		2 978	–

The recoverable amounts of all these CGUs were based on fair value less costs of disposal, estimated using the average difference between the net asset value and the market capitalisation of Acucap over a period of five years. This indicates that a third party will be prepared to pay a premium over the net asset value for Acucap shares. The future expectations of the CGUs were considered by estimating the premium a third party is prepared to pay for Growthpoint's own shares as the properties will now form part of the Growthpoint portfolio. Growthpoint's net asset value and share price, together with Acucap's historical net asset value and share price difference has been considered to provide an indication of how the portfolio is expected to perform in the future. The fair value measurement was categorised as a level 3 fair value based on the inputs in the valuation techniques used.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent the quoted share price of Acucap at 31 March (representing the Acucap group's year end before the business combination) from 2011 until 2015, as well as the net asset value per share per the published results of the Acucap group.

	2011	2012	2013	2014	2015
Acucap (Share price in cents)	3 440	4 070	4 995	4 000	5 551
Acucap (Net asset value per share in cents)	3 272	3 675	4 048	4 095	4 480
Acucap (Market capitalisation versus net asset value)	5.13%	10.75%	23.39%	(2.32%)	23.90%

As a material percentage of the goodwill arose as a result of the increase in the Growthpoint share price from the date on which the Acucap agreement was concluded (12 November 2014) and the date of acquisition (1 April 2015), management is of the opinion that an impairment loss exists for the year ended 30 June 2015. To be conservative, the average net asset value versus market capitalisation for the Acucap group for the previous five years (i.e. 12.17%) was used in the calculation of the fair value less costs of disposal of the Acucap CGUs.

An impairment loss of R1 558 million has therefore been recognised during the current year.

	Goodwill 1 April 2015 Rm	Impairment loss recognised Rm	Goodwill 30 June 2015 Rm
Retail sector	1 815	(949)	866
Office sector	1 087	(569)	518
Industrial sector	76	(40)	36
	2 978	(1 558)	1 420

Following the impairment losses recognised in the retail, office and industrial CGUs, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairments.

Software development

Growthpoint is in the process of developing a new property management and accounting software system that will include an asset identification programme. Costs incurred in the development are capitalised and implementation is expected in the 2016 financial year.

Amortisation

The amortisation is recognised as a non-cash item and is excluded from the shareholders' distribution calculation. The remaining amortisation period of the rights to manage the property is eight years.

17. INTANGIBLE ASSETS continued

Impairment testing for cash-generating unit containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's management services entity, which represents the property administration and management business within the Group where goodwill is monitored for internal management purposes.

The recoverable amount of the cash-generating unit was based on its value in use. It was determined that the recoverable amount was higher than the carrying amount and therefore no impairment loss was recognised. The recoverable amount was calculated by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions from discussions with management of Growthpoint Management Services (Pty) Ltd, and past experience:

a) The management contract will continue on similar terms to the agreement that was in place before the acquisition transaction, which had the following terms:
   – Asset management fee was calculated at 0.50% of the "enterprise value".
   – Enterprise value was measured by taking the sum of the nominal value of external debt plus market capitalisation.
b) Letting commission on new deals was calculated at 100% of recommended South African Property Owners Association (SAPOA) tariffs while letting commission on renewals was calculated at 50% of recommended SAPOA tariffs.
c) Collection fees range from 1% to 4% of cash collected on a property-by-property basis.
d) Salaries are in respect of functions that relate to property management.
e) Operating expenditure was based on discussions with the previous property managers and after consideration of historic costs, which included rental of premises, IT systems and support, marketing and other expenses necessary for operating a listed company.
f) A discount rate of 10% (FY14: 10%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the Group's weighted average cost of debt.

There are no expected significant changes to the assumptions.

The discounted cash flow was performed over an eight-year period (FY14: nine-year period), which took into account the remaining period of the contract that existed and that the contract would be renewed for another 10-year period.

	Equipment Rm	Furniture and fittings Rm	Total Rm
18. EQUIPMENT			
Cost	**17**	**7**	**24**
Opening balance	**17**	**5**	**22**
Acquisitions	**–**	**2**	**2**
Accumulated depreciation and impairment losses	**(9)**	**(6)**	**(15)**
Opening balance	**(8)**	**(4)**	**(12)**
Depreciation for the year	**(1)**	**(2)**	**(3)**
Carrying value at 30 June 2015	**8**	**1**	**9**
Carrying value at 30 June 2014	9	1	10

	2015 Rm	2014 Rm
19. LONG-TERM LOANS GRANTED		
Amount advanced	**1 064**	465
Opening balance	**465**	524
Advanced during the year	**610**	38
Repaid during the year	**(11)**	(97)
Accrued interest	**21**	6
Opening balance	**6**	60
Settled during the year	**(58)**	(111)
Arising during the year	**73**	57
Nominal value of long-term loans	**1 085**	471
Fair value adjustment	**(4)**	(5)
Fair value of long-term loans	**1 081**	466
BEE 1 consortium	**156***	160
323 Festival Street (Pty) Ltd	**265**	267
Rabie Property Group (Pty) Ltd	**122**	39
Augusta Trust	**311***	–
Acucap Unit Purchase Scheme	**227**	–

* *These long-term loans have been classified to current assets.*