

36. FAIR VALUE HIERARCHY AND FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies have been applied to the various financial instruments as indicated below:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety. These are described as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the company can access at the measurement date. These quoted prices are unadjusted.

Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The table below analyses financial instruments measured at fair value by the level into which the fair value measurement is categorised:

Assets	Loans and receivables R000	Assets designated at fair value through profit and loss R000	Level 1 R000	Level 2 R000	Level 3 R000
30 June 2013					
Listed property securities ⁽¹⁾		2 279 253	2 279 253		
Derivative instruments ⁽²⁾		39 857		39 857	
Loans receivable	384 307 ⁽³⁾				
Receivables	224 175 ⁽³⁾				
Cash and cash equivalents	74 821 ⁽³⁾				
31 December 2012					
Listed property securities ⁽¹⁾		2 282 095	2 282 095		
Loans receivable	47 434 ⁽³⁾				
Receivables	183 056 ⁽³⁾				
Cash and cash equivalents	167 874 ⁽³⁾				

Liabilities	Liabilities measured at amortised cost R000	Liabilities designated at fair value through profit and loss R000	Level 1 R000	Level 2 R000	Level 3 R000
30 June 2013					
Debentures and debenture premium	5 822 497 ⁽³⁾				
Loans - long term	4 436 486 ⁽³⁾				
- short term	948 000 ⁽³⁾				
Derivative instruments		52 984		52 984	
Payables	353 802 ⁽³⁾				
31 December 2012					
Debentures and debenture premium	5 871 616 ⁽³⁾				
Loans - long term	4 371 035 ⁽³⁾				
- short term	815 000 ⁽³⁾				
Derivative instruments		237 464		237 464	
Payables	369 110 ⁽³⁾				

⁽¹⁾ Refer to note 4 for revaluation technique and key inputs.

⁽²⁾ Refer to note 19 for revaluation technique and key inputs.

⁽³⁾ Valued at amortised cost.

The directors consider that the carrying amounts of financial assets and liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

37. CHANGES IN LEGISLATION SUBSEQUENT TO YEAR-END - CONVERSION TO A REIT

Hyprop converted to a Real Estate Investment Trust ("REIT"), effective 1 July 2013. The conversion to a REIT has resulted in the elimination of deferred capital gains taxation. Refer to note 20. The conversion to a REIT will likely also result in a change in the capital structure of the company. Refer to Directors report page 57.