BALANCE SHEETS AT 31 DECEMBER 2008

ASSETS	H Ltd R	S Ltd R
Investment in S Ltd	210 000	-
Other assets	78 000	181 750
	288 000	181 750
EQUITY AND LIABILITIES		
Issued share capital - R1 ordinary shares	200 000	150 000
Retained earnings	88 000	31 750
	288 000	181 750

Additional information

1 H Ltd purchased 90 000 shares on 1 July 2007 for R150 000, at which date the carrying amount of the net assets amounted to R159 000. H Ltd estimates that the fair value of the net assets of S Ltd at the date of acquisition of S Ltd was R170 000.

2 The net profit for the period to 31 December 2008 was R15 250 for S Ltd and R35 000 for H Ltd. The fair value of the net assets of S Ltd at this date was R190 000.

3 The acquisition date non-controlling interest is measured at its proportionate share of the fair value of the net assets of the subsidiary.

4 Assume all fair value adjustments relate to the revaluation of non-depreciable property and all such adjustments are taxed at a flat rate of 30%.

5 Investments in subsidiaries are measured at cost in the separate financial statements of H Ltd.

SCENARIO 1

On 31 December 2008 H Ltd acquired a further 30 000 shares for R60 000 increasing its stake in S Ltd from 60% to 80%.

SCENARIO 2

The facts are as in Scenario 1 above. However, instead of making a further purchase at 31 December 2008, assume that H Ltd sold 10 000 shares for R20 000 reducing its shareholding in S Ltd from 60% to 53.33%. Assume in H Ltd's records that the carrying amounts of the investment in S Ltd and other assets are R133 333 and R154 667 respectively at 31 December 2008.

SCENARIO 3

The facts are as in Scenario 1 above. However, H Ltd's initial purchase of shares on 1 July 2007 was 60 000 shares for a consideration of R105 000. Furthermore, on 31 December 2008 H Ltd acquired a further 30 000 shares at their market value of R2 per share increasing its stake from 40% to 60%. Assume in H Ltd's books that the carrying amounts of the investment in S Ltd and other assets are R165 000 and R123 000 respectively at 31 December 2008.

SCENARIO 1 – CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2008

R	H Ltd	S Ltd	Consol Adjustments 1 July 2007	Consol Adjustments 31 Dec 2007	Consol Adjustments 31 Dec 2008		Consol Balances 31 Dec 2008	
					Parent entity method	IAS 27R	Parent entity method	IAS 27R
ASSETS								
Investment in S Ltd	210 000	-	(150 000)		(60 000)	(60 000)		
Goodwill			[1] 49 980		[6] 22 110	-	72 090	49 980
Other assets	78 000	181 750	11 000				270 750	270 750
	288 000	181 750	(89 020)	-	(37 890)	(60 000)	342 840	320 730
EQUITY AND LIABILITIES								
Issued share capital-R1 ordinary shares	200 000	150 000	(150 000)				200 000	200 000
Retained earnings	88 000	31 750	(9 000)	[3] 3 000	[4] (6 100)	[4] (6 100)	101 650	101 650
Equity adjustment					-	[5] (22 110)	-	(22 110)
Non-controlling interest			66 680	[3] 3 000	[5] (31 790)	[6] (31 790)	37 890	37 890
NON-CURRENT LIABILITIES								
Deferred tax			[2] 3 300				3 300	3 300
	288 000	181 750	(89 020)	-	37 890	60 000	342 840	320 730

[1] 150 000 - [159 000 + (70% x (170 000 - 159 000)] x 60%

[2] (170 000 - 159 000)] x 30% (tax))

[3] 40% x [(31,750 - (159,000-150,000) - 15,250)]

[4] 40% x 15 250

[5] 6 100 - 20% x [(66 680 + 3 000 + 6 100) /40%]

[6] 60,000 - 20% x [(66,680 + 3,000 + 6,100) /40%]

- *The difference between the two methods is illustrated by the charge to equity of R22 110 required by IAS 27R as opposed to the increase in goodwill as applied in terms of the parent entity method.*

SCENARIO 2 – CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2008

R	H Ltd	S Ltd	Consol Adjustments 1 July 2007	Consol Adjustments 31 Dec 2007	Consol Adjustments 31 Dec 2008		Consol Balances 31 Dec 2008	
					Parent entity method	IAS 27R	Parent entity method	IAS 27R
ASSETS								
Investment in S Ltd	133 333	-	150 000		16 667	16 667	-	
Goodwill	-	-	[1] 49 980		[9] (5 553)	-	44 427	49 980
Other assets	154 667	181 750	11 000				347 417	347 417
	288 000	181 750	89 020	-	-	16 667	391 844	397 397
EQUITY AND LIABILITIES								
Issued share capital-R1 ordinary shares	200 000	150 000	(150 000)				200 000	200 000
Retained earnings	88 000	31 750	(9 000)	[3] (3 000)	[4] 7 616	[5] (9 433)	100 134	98 317
Equity reserve					-	[6] 1 817	-	1 817
Non-controlling interest	-	-	66 680	[3] 3 000	[7] 18 730	[8] 24 283	88 410	93 963
NON-CURRENT LIABILITIES								
Deferred tax	-	-	[2] 3 300				3 300	3 300
	288 000	181 750	(89 020)	-	11 114	16 667	391 844	397 397

[1] 150 000 - [159 000 + (70% x (170 000 - 159 000)] x 60%

[2] (170 000 - 159 000)] x 30% (tax))

[3] 40% x [31 750 - (159 000-150 000) - 15 250]

[4] (40% x 15 250) + (16 667 - 12 630 - 5 553)

[5] (40% x 15250) + (20 000 - 16 667)

[6] 20 000 - 12 630 (NCI ceded) - 5,553 (NCI int in goodwill)

[7] 6 100 + 12 630 (i.e. 6.67%x[(66 680+3 000+6 100) /40%])

[8] 18,730 (per 7 above) + 5,553 (NCI int in goodwill)

[9] 6.67%/60% x 49 980

- *Under IAS 27R although the total goodwill of the group remains unchanged at R49 480, as part of the disposal H Ltd is also ceding a portion of its interest in the group's goodwill to the minorities. Consequently, the consolidated profit on the sale of shares under the parent entity method and IAS 27R will be identical but the amounts will be presented in different places in the financial statements.*

SCENARIO 3 – CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2008

R	H Ltd	S Ltd	Consol Adjustments 1 July 2007	Consol Adjustments 31 Dec 2007	Consol Adjustmnts 31 Dec 2008		Consol Balances 31 Dec 2008	
					IFRS 3	IFRS 3R	IFRS 3	IFRS 3R
ASSETS								
Investment in S Ltd	165 000	-	(105 000)		(60 000)	(60 000)	-	#VALUE!
Investment in Associate			105 000	[1] 3 000	(108 000)	(108 000)	-	#VALUE!
Goodwill					[7] 60 815	[8] 67 485	60 815	67 485
Other assets	123 000	181 750			[2] 8 250	[2] 8 250	313 000	313 000
	288 000	181 750	-	3 000	(98 935)	92 265	373 815	380 485
EQUITY AND LIABILITIES								
Issued share capital-R1 ordinary shares	200 000	150 000			(150 000)	(150 000)	200 000	200 000
Retained earnings	88 000	31 750		[1] 3 000	[5] (25 650)	[6] (19 750)	97 100	103 000
Equity reserve					[3] (770)	-	(770)	-
Non-controlling interest					[4] 75 010	[4] 75 010	75 010	75 010
NON-CURRENT LIABILITIES								
Deferred tax					[9] 2 475	[10] 2 475	2 475	2 475
	288 000	181 750	-	3 000	(770)	(92 265)	373 815	380 485

[1] 40% x [31 750 - (159 000-150 000) - 15 250]

[2] 190 000 - 181 750

[3] NAV at 31/12/08 = 192 750 (i.e. 181 750 + [(170 000-159 000))
Step-up revaluation = 40% x [(190 000 - 192 750) x 70%]

[4] (190 000 - 2 475) x 40%

[5] (15 250 x 40%) - 31 750

[6] (15 250 x 40%) - 31 750 + (120 000 (fair value)
- 114 100 (investment in assoc))

[7] 1st tranch = 38 320 (i.e. 105 000 - 40% x [159 000 + (170 000-159 000) x 70%])
2nd tranch = 22 495 (i.e. 60 000 - 20% x (190 000 - 2 475))

[8] [120 000 + 60 000] - [60% x (190 000 - 2 475)]

[9] 1st tranch = 3 300 (i.e. 170 000 - 159 000) x 30% (tax))
2nd tranch = -825 (i.e. 170 000 - 192 750) x 30% (tax))

[10] [(190 000 (Fair value) - 181 750 (NAV)] x 30% (tax))

- *The difference between the two methodologies relates to the determination of goodwill. IFRS 3 requires a step-up to fair value of the underlying net assets in S Ltd prior to share purchase and goodwill being determined based on the cost price of both the initial 60 000 and 30 000 share purchases. However, under IFRS 3R there is a deemed disposal of the investment in S Ltd prior to the 30 000 share purchase and the fair value of the entire 90 000 shares is used in the determination of goodwill.* asa