

Notes to the Company financial statements *continued*

for the year ended 31 December 2015

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Refer to note 7.1 of the Group financial statements for the applicable accounting policy.

14.1 Categories of financial instruments

	Loans and receivables Rm	Amortised cost Rm	Total carrying amount Rm	Fair value Rm
2015				
Trade and other receivables	301	–	301	#
Cash and cash equivalents	141	–	141	#
	442	–	442	#
Trade and other payables	–	167	167	#
Financial guarantee contracts	–	1 105	1 105	1 660
	–	1 272	1 272	1 660
2014				
Trade and other receivables	20	–	20	#
Cash and cash equivalents	367	–	367	#
	387	–	387	#
Trade and other payables	–	166	166	#
Financial guarantee contracts	–	729	729	758
	–	895	895	758

The carrying amount of the financial instrument approximates its fair value, due to its short-term nature.

14.1.1 Fair value estimation

Refer to note 7.1.3 of the Group financial statements for the applicable accounting policy.

The following table presents the fair value measurement hierarchy of the Company's liabilities that are materially different from the carrying amount:

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2015				
Current financial liabilities				
Financial guarantee contracts	–	–	1 660	1 660

Valuation methods and assumptions

The following methods and assumptions were used to estimate the fair values:

Financial guarantee contracts

The fair value of the financial guarantee contracts are determined using the discounted cash flow method. The valuation requires management to make certain assumptions about the model inputs, which include the probability of default and the maximum recovery amount.

Notes to the Company financial statements *continued*

for the year ended 31 December 2015

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

14.2 Credit risk

Refer to note 7.1 of the Group financial statements for an explanation on credit risk and how it is managed.

The Company considers its maximum exposure per class, without taking into account any collateral and financial guarantees, to be as follows:

	2015 Rm	2014 Rm
Cash and cash equivalents	141	367
Trade and other receivables	301	20
	442	387

Credit risk is mitigated to the extent that the majority of trade receivables consist of related party receivables of R292 million (2014: R17 million), which are predominantly current in nature.

Credit risk disclosure above excludes financial guarantee contracts. Details of financial guarantee contracts are provided in note 13.

The Company holds its cash balances in a financial institution with a rating of AA. Given this rating, management does not expect the counterparty to fail to meet its obligations.

14.3 Liquidity risk

Refer to note 7.1 of the Group financial statements for an explanation on liquidity risk and how it is managed.

The following liquid resources are available:

	2015 Rm	2014 Rm
Cash and cash equivalents	141	367
Trade and other receivables	301	20
	442	387

The Company and other subsidiaries in the Group have undrawn borrowing facilities of R6 755 million (2014: R15 797 million) available for use.

The following are the contractual maturities of financial liabilities:

	Carrying amount Rm	Total Rm	Payable within 1 month or on demand Rm
2015			
Trade and other payables			
– Accrued expenses and other payables	145	145	145
– Payables due to related parties	22	22	22
	167	167	167
2014			
Trade and other payables			
– Accrued expenses and other payables	154	154	154
– Payables due to related parties	12	12	12
	166	166	166

Liquidity risk disclosure excludes financial guarantees. Details of financial guarantee contracts are provided in note 13.

Notes to the Company financial statements *continued*

for the year ended 31 December 2015

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

14.4 Market risk

14.4.1 Interest rate risk

Refer to note 7.1 of the Group financial statements for an explanation on interest rate risk and how it is managed.

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was:

	Variable rate instruments Rm
2015	
Financial assets	
Cash and cash equivalents	141
Trade and other receivables	292
	433
Financial liabilities	
Trade and other payables	22
2014	
Financial assets	
Cash and cash equivalents	367
Trade and other receivables	17
	384
Financial liabilities	
Trade and other payables	12

Sensitivity analysis

The Company has used a sensitivity analysis technique that measures the estimated change to profit or loss of an instantaneous increase or decrease of 1% (100 basis points) in market interest rates, from the rate applicable at 31 December, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purpose only, as in practice market rates rarely change in isolation.

The Company is mainly exposed to fluctuations in the following market interest rates: JIBAR and Prime rates. Changes in market interest rates affect the interest income or expense of floating rate financial instruments. Changes in market interest rates only affect profit or loss in relation to financial instruments with fixed interest rates if these financial instruments are subsequently measured at their fair value.

A change in the above market interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown below.

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis is performed on the same basis as was used for 2014.

	2015 Increase/(decrease) in profit before tax			2014 Increase/(decrease) in profit before tax		
	Change in interest rate %	Upward change in interest rate Rm	Downward change in interest rate Rm	Change in interest rate %	Upward change in interest rate Rm	Downward change in interest rate Rm
JIBAR	1	2,7	(2,7)	1	0,1	(0,1)
Prime	1	1,4	(1,4)	1	3,7	(3,7)

Notes to the Company financial statements *continued*

for the year ended 31 December 2015

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

14.4 Market risk (continued)

14.4.2 Currency risk

Refer to note 7.1 of the Group financial statements for an explanation on currency risk and how it is managed.

Included in the Company statement of financial position are the following amounts denominated in currencies other than the functional currency of the Company.

	2015 Rm	2014 Rm
Current assets		
United States dollar	33	–
Current liabilities		
United States dollar	1 111	729

Sensitivity analysis

A change in the foreign exchange rates to which the Company is exposed at the reporting date would have (decreased)/increased profit before tax by the amounts shown below:

Denominated: functional currency	Change in exchange rate %	Weakening in functional currency Rm	Strengthening in functional currency Rm
2015			
US\$:ZAR	10	(108)	108
2014			
US\$:ZAR	10	(73)	73