

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

27 FINANCIAL RISK MANAGEMENT (continued)

27.3 MARKET RISK (continued)

Forward exchange contracts and other commitments

The group undertakes economic hedging of receivables denominated in US dollar at times when the rand/US dollar exchange rate appears volatile. The level of exposure on these limited hedging activities did not exceed US\$100 million (2017: US\$100 million) at any stage during the year.

A foreign subsidiary had forward commitments with regard to its inventory of ores, alloys and metals, which for accounting purposes are regarded as executory contracts and are therefore not included in the statement of financial position, but can be summarised as follows:

	2018		2017	
	Foreign currency amount US\$'000	Presentation currency notional amount R'000	Foreign currency amount US\$'000	Presentation currency notional amount R'000
Purchase contracts				
US dollar	42 700	585 844	35 900	475 958
Sales contracts				
US dollar	58 500	802 620	58 900	780 889

Equity price risk

The group's listed and unlisted investments are susceptible to market price risk arising from uncertainties about future value of the investment. The group manages the equity price risk through monitoring developments in the mining and metal industries. The executive directors of the board review and approve all equity investment decisions.

At the reporting date, the exposure to listed investments at fair value was R262,0 million (2017: R229,0 million). A decrease of 1% on the relevant market index would have an impact of approximately R2,6 million (2017: R2,3 million) on other comprehensive income attributable to the group, depending on whether or not the decline is significant or prolonged. An increase of 1% in the value of the listed investments would only impact other comprehensive income, but would not have an effect on profit or loss unless the shares are sold or fall below cost.

28 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The categorisation of each class of financial asset and liability in terms of IAS 39: *Financial Instruments: Recognition and Measurement* is included below:

	Available- for-sale investments R'000	Loans and receivables R'000	Liabilities at amortised cost R'000	Total carrying value R'000
2018				
Financial assets				
Listed and unlisted investments	269 571	—		269 571
Long-term loan	—	6 000		6 000
Trade and other receivables	—	1 222 327		1 222 327
Cash resources	—	8 449 797		8 449 797
	269 571	9 678 124		9 947 695
Financial liabilities				
Trade and other payables			2 039 587	2 039 587
Overdrafts			584 472	584 472
			2 624 059	2 624 059

28 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The classification of financial assets and liabilities is included below:

	Available- for-sale investments R'000	Loans and receivables R'000	Liabilities at amortised cost R'000	Total carrying value R'000
2017				
Financial assets				
Listed and unlisted investments	253 474	—		253 474
Trade and other receivables	—	1 104 332		1 104 332
Cash resources	—	5 626 778		5 626 778
	253 474	6 731 110		6 984 584
Financial liabilities				
Trade and other payables			1 500 487	1 500 487
Overdrafts			579 719	579 719
			2 080 206	2 080 206

Determination of fair values

Available-for-sale instruments are valued using quoted market prices. The values of other investments and forward exchange contracts are determined using directly observable inputs. The carrying amounts of all other financial assets and liabilities approximate their fair values.

Fair value hierarchy

The group uses the following hierarchy for determining and disclosing the fair value inputs of financial instruments:

Level 1: quoted prices in an active market that are unadjusted for identical assets or liabilities;
Level 2: valuation techniques using inputs, which are directly or indirectly observable; and
Level 3: valuations based on data that is not observable (not applicable to the group).

The values of all other instruments recognised, but not subsequently measured at fair value, approximate fair value. The following assets, all measured at level 1, were required to be recorded at fair value:

	2018 R'000	2017 R'000
Recurring fair value measurements		
Assets measured at fair value		
Available-for-sale listed investments	262 003	229 376
Available-for-sale unlisted investments	7 568	24 098
	269 571	253 474