

Notes to the company financial statements continued

for the year ended 30 June 2019

17 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES (continued)

Determination of fair values

Listed investments disclosed as financial assets measured at fair value through other comprehensive income (2018: Available-for-sale listed investments) 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 financial liabilities approximate fair values.

Fair value hierarchy

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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.

The values of all other instruments recognised, but not subsequently measured at fair value, approximate fair value.

The following assets and liabilities were measured as follows:

	2019 R'000	2018 R'000
Assets measured at fair value, measured at level 1		
Financial assets measured at fair value through other comprehensive income (2018: Available-for-sale investments)	317 795	262 125
Assets and liabilities measured at fair value, measured at level 2		
Fair value of loans due to group companies (net amount)	—	4 161 965*
Financial assets measured at fair value through profit and loss	122	—
Assets and liabilities measured at fair value, measured at level 3		
Fair value of loans to structured entities	3 684 462	—

The fair values of the loans to structured entities were determined by way of discounted cash flow valuation, which will be utilised to settle interest accruing on these loans at a percentage of the prime rate communicated by SBSA, and a published risk-free rate being applied to discount the net anticipated cash flow in respect of these loans.

The significant unobservable input used in the fair value measurements categorised within level 3 of the fair value hierarchy, and a quantitative sensitivity analysis as at 30 June 2019 are shown below:

Significant unobservable input	Range (weighted average)	Sensitivity of the input to fair value
Discount rate	7,50% to 7,69%	1% increase/(decrease) in the discount rate would result in an increase/(decrease) in fair value of R214 341 000/ (R180 296 000)

* This balance has been restated in terms of IFRS 9, which the company adopted on 1 July 2018.

18 CAPITAL MANAGEMENT

The company holds interests in companies that own mineral rights over resources with remaining lives which vary in accordance with current prices (refer Mineral Resources and Reserves). Decisions to exploit resources would be made at board level and only following the completion of a bankable study based on the current life of mine and estimated capital cost, operating cost and cost of finance, where required, so that the deposit can be mined on a sustainable basis to the end of its estimated life.

The board's policy is therefore to maintain a strong capital base so as to maintain stakeholder confidence and to sustain future development of the business. The company considers its capital to comprise total equity. The company may adjust its capital structure by way of issuing new shares and is dependent on its shareholders for additional capital as required. The company manages its capital structure in light of changes in economic conditions and the board of directors monitors the capital adequacy, solvency and liquidity of the company on a continuous basis.

There were no changes in the company's approach to capital management during the year.