L. FINANCIAL INSTRUMENTS

L1 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

L1.1 Accounting policy

Financial instruments are monetary contracts that give rise to a financial asset (a right to receive cash) of one entity and a financial liability (an obligation to deliver cash) or equity instrument of another entity.

Recognition

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes party to the contractual provisions of the instrument. The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the Group's business model (i.e. whether the Group's objective is to hold the assets to collect contractual cash flows or hold to collect and sell or other).

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and the way that information is provided to management. The information considered includes:

- The Group's strategic objectives for the portfolio of assets;
- How the performance of the portfolio is evaluated and reported to management;
- The risks that affect the performance of the portfolio; and
- The historic frequency, volume and timing of sales of financial assets, and the reasons for such sales.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. In making this assessment the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specific assets (e.g. non-recourse features).

Initial measurement

FVTPL	Financial instruments which are categorised and designated at initial recognition as being at FVTPL are initially recognised at fair value. Transaction costs, which are directly attributable to the acquisition or issue of these financial instruments, are recognised immediately in profit or loss.
Amortised Cost and FVTOCI	Financial instruments which are not carried at FVTPL are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.
Day-one gains or losses	A day-one gain or loss arises when the transaction price of a financial instrument designated as FVTPL differs from the fair market value on the date of acquisition. If the day-one fair value is calculated based on a valuation methodology which includes assumptions derived from unobservable inputs, the day-one gain or loss is deferred. The day-one gain or loss is only recognised in profit or loss to the extent that there is a change in a factor (including time) that market participants would take into account when pricing the financial instrument, the unobservable inputs become observable, or on derecognition of the financial instrument.

L. FINANCIAL INSTRUMENTS *continued*

L1. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS *continued*

L1.1 ACCOUNTING POLICY *continued*

Presentation

Offset	Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the Group has an enforceable right to set off the asset and liability, and intends to settle the asset and liability on a net basis or to realise the asset and settle the liability simultaneously.

Derecognition of financial instrument

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the entity is recognised as a separate asset or liability. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or have expired.

Fair value hierarchy

In addition to the subsequent measurement classification, financial instruments carried at fair value are further classified into 3 levels based on the lowest level of input significant to the overall valuation.

Level 1	Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. The Group has no level 1 financial instruments.
Level 2	Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The Group has classified derivatives as level 2.
Level 3	Level 3 inputs are unobservable inputs. These are used to measure fair value to the extent that relevant observable inputs are not available, to cater for situations in which there is little, or no, market activity for the asset or liability at the measurement date. The Group has classified its investment in Hystead as level 3.

L1.2 Accounting classifications, carrying and fair values

The following table reflects the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value.

	Carrying amount			Fair value and fair value hierarchy (The Group has no financial instruments classified as level 1)		
Group June 2020	**Fair value through profit or loss R'000**	**Amortised cost R'000**	**Total R'000**	**Level 2 R'000**	**Level 3 R'000**	**Total R'000**
Financial assets measured at fair value						
Financial asset	532 972	-	532 972	-	532 972	532 972
	532 972	**-**	**532 972**	**-**	**532 972**	**532 972**
Financial assets not measured at fair value						
Loans receivable - current	-	681 215	681 215	n/a	n/a	n/a
Trade and other receivables (including held-for-sale)[1]	-	226 747	226 747	n/a	n/a	n/a
Cash and cash equivalents (including held-for-sale)	-	876 544	876 544	n/a	n/a	n/a
	-	**1 784 506**	**1 784 506**	**-**	**-**	**-**
Financial liabilities measured at fair value						
Derivative instruments - non-current	233 669	-	233 669	233 669	-	233 669
Derivative instruments - current	51 980	-	51 980	51 980	-	51 980
Financial guarantees - non-current	127 066	-	127 066	-	127 066	127 066
	412 715	**-**	**412 715**	**285 649**	**127 066**	**412 715**
Financial liabilities not measured at fair value						
Long-term portion of interest-bearing borrowings (including held-for-sale)	-	4 074 183	4 074 183	n/a	n/a	n/a
Short-term portion of interest-bearing borrowings (including held-for-sale)	-	3 776 163	3 776 163	n/a	n/a	n/a
Trade and other payables (including held-for-sale)[2]	-	346 315	346 315	n/a	n/a	n/a
	-	**8 196 661**	**8 196 661**	**-**	**-**	**-**
June 2019						
Financial assets measured at fair value						
Financial asset	218 444	-	218 444	-	218 444	218 444
Derivative instruments - non-current	619	-	619	619	-	619
Derivative instruments - current	2 691	-	2 691	2 691	-	2 691
	221 754	**-**	**221 754**	**3 310**	**218 444**	**221 754**
Financial assets not measured at fair value						
Loans receivable - non-current	-	18 847	18 847	-	-	-
Loans receivable - current	423 139	909 967	1 333 106	-	423 139	423 139
Trade and other receivables (including held-for-sale)[1]	-	174 970	174 970	-	-	-
Cash and cash equivalents (including held-for-sale)	-	1 326 849	1 326 849	-	-	-
	423 139	**2 430 633**	**2 853 772**	**-**	**423 139**	**423 139**
Financial liabilities measured at fair value						
Derivative instruments - non-current	60 224	-	60 224	60 224	-	60 224
Derivative instruments - current	7 339	-	7 339	7 339	-	7 339
Financial guarantees - non-current	110 401	-	110 401	-	110 401	110 401
	177 964	**-**	**177 964**	**67 563**	**110 401**	**177 964**
Financial liabilities not measured at fair value						
Long-term portion of interest-bearing borrowings (including held-for-sale)	-	7 365 864	7 365 864	-	-	-
Short-term portion of interest-bearing borrowings (including held-for-sale)	-	1 019 499	1 019 499	-	-	-
Trade and other payables (including held-for-sale)[2]	-	373 679	373 679	-	-	-
	-	**8 759 042**	**8 759 042**	**-**	**-**	**-**

[1] This balance excludes the following: Prepayments, municipal deposits and sundry receivables.
[2] This balance excludes the following: Rent received in advance, municipal and employee provisions and sundry payables.

L. FINANCIAL INSTRUMENTS *continued*

L1. CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS *continued*

	Carrying amount			Fair value and fair value hierarchy		
				(The Company has no financial instruments classified as level 1)		
Company June 2020	**Fair value through profit or loss R'000**	**Amortised cost R'000**	**Total R'000**	**Level 2 R'000**	**Level 3 R'000**	**Total R'000**
Financial assets measured at fair value						
Financial asset	532 972	-	532 972	-	532 972	532 972
	532 972	**-**	**532 972**	**-**	**532 972**	**532 972**
Financial assets not measured at fair value						
Loans receivable - non-current	-	29 108	29 108	n/a	n/a	n/a
Trade and other receivables [(1)]	-	148 646	148 646	n/a	n/a	n/a
Cash and cash equivalents	-	726 362	726 362	n/a	n/a	n/a
	-	**904 116**	**904 116**	**-**	**-**	**-**
Financial liabilities measured at fair value						
Derivative instruments - non-current	233 669	-	233 669	233 669	-	233 669
Derivative instruments - current	48 190	-	48 190	48 190	-	48 190
Financial guarantees - non-current	127 066	-	127 066	-	127 066	127 066
Financial guarantees - current	114 861	-	114 861	-	114 861	114 861
	523 786	**-**	**523 786**	**281 859**	**241 927**	**523 786**
Financial liabilities not measured at fair value						
Long-term portion of interest-bearing borrowings	-	4 074 182	4 074 182	n/a	n/a	n/a
Short-term portion of interest-bearing borrowings	-	425 000	425 000	n/a	n/a	n/a
Loans payable - non-current	-	761 125	761 125	n/a	n/a	n/a
Trade and other payables [(2)]	-	284 594	284 594	n/a	n/a	n/a
	-	**5 544 901**	**5 544 901**	**-**	**-**	**-**

June 2019						
Financial assets measured at fair value						
Financial asset	218 444	-	218 444	-	218 444	218 444
Derivative instruments - non-current	619	-	619	619	-	619
Derivative instruments - current	2 691	-	2 691	2 691	-	2 691
	221 754	**-**	**221 754**	**3 310**	**218 444**	**221 754**
Financial assets not measured at fair value						
Loans receivable - non-current	-	72 450	72 450	-	-	-
Trade and other receivables [(1)]	-	94 359	94 359	-	-	-
Cash and cash equivalents	-	1 062 412	1 062 412	-	-	-
	-	**1 229 221**	**1 229 221**	**-**	**-**	**-**
Financial liabilities measured at fair value						
Derivative instruments - non-current	59 408	-	59 408	59 408	-	59 408
Derivative instruments - current	7 326	-	7 326	7 326	-	7 326
Financial guarantees - non-current	296 424	-	296 424	-	296 424	296 424
	363 158	**-**	**363 158**	**66 734**	**296 424**	**363 158**
Financial liabilities not measured at fair value						
Long-term portion of interest-bearing borrowings	-	3 649 784	3 649 784	-	-	-
Short-term portion of interest-bearing borrowings	-	1 008 000	1 008 000	-	-	-
Loans payable - non-current	-	761 125	761 125	-	-	-
Trade and other payables [(2)]	-	310 494	310 494	-	-	-
	-	**5 729 403**	**5 729 403**	**-**	**-**	**-**

[(1)] This balance excludes the following: Prepayments, municipal deposits and sundry receivables.
[(2)] This balance excludes the following: Rent received in advance, municipal and employee provisions and sundry payables.

L2 FAIR VALUE MEASUREMENT METHODOLOGIES

L2.1 Fair value measurement techniques

The following tables show the valuation techniques used in measuring level 2 and 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation technique	Unobservable inputs	Movement in input	Effect on estimated fair value
Financial asset – Hystead - level 3	**Discounted cash flow:** The valuation is calculated as the present value of the anticipated future net cash flows expected to be generated by the underlying shopping centres after deducting the head office costs within the Hystead Group. The cash flow projections include specific estimates for 10 years (2019: 10 years). The expected net cash flows are discounted using a risk-adjusted discount rate as well as a risk-adjusted cap rate.	Annual growth rate Terminal growth rate Exit cap rate Discount rate	Increase Decrease Increase Decrease	Increase Decrease Decrease Increase
Derivatives - level 2	**Market comparison:** The valuation of the derivative instruments (interest rate swaps) was determined by discounting the future cash flows using the JIBAR or OIS swap curves as applicable. Similar contracts are traded in active markets and the fair values are based on actual transactions in similar instruments.	Projected forward interest rate	Increase	Increase
Financial guarantees - level 3	**Discounted cash flow:** Contractual future cash flows related to each loan were calculated and then multiplied by an appropriate probability of default (PD) and loss given default (LGD). The amounts were then discounted (using risk-free rates) to either the inception date of the exposure or the valuation date (30 June 2020) to obtain the day-one fair value or expected credit loss (ECL) respectively. For the ECL calculations, these can be calculated for either a 12-month period (stage 1) or lifetime (stage 2). Depending on the stage or exposure, the relevant ECL value was chosen and compared to the day-one fair value.	Probability of default (PD) Loss given default (LGD) Credit rating	Increase Decrease Decrease	Increase Decrease Increase
Unlisted equity investment - Edcon - level 3	In April 2020 Edcon filed for business rescue. Management's best estimate of the fair value of Edcon is zero resulting in an accumulated impairment of R57m until there is tangible evidence of any liquidation distribution or other recovery of this investment.	Business rescue plan	n/a	n/a

L2.1.1 Transfers between levels 2 and 3

There were no transfers in either direction between levels 1 and 2 during the current or prior years, nor were there any transfers out of level 2 or 3 during the current or prior years.

L2.1.2 Additional disclosures for level 3 financial instruments

Additional details on the fair values of level 3 financial instruments are disclosed in the following notes:

	Derivatives	Financial asset	Financial guarantees
Valuation assumptions - unobservable inputs	H2.6	E6.8	H3.7
Reconciliations of movement	H2.4.2 and H2.5.2	E6.5	H3.6
Valuation sensitivities	H2.7	E6.9	H3.8