CHAPTER 16:
FINANCIAL INSTRUMENTS

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CHAPTER 16:
Financial instruments

16.1 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS

16.1.1 FINANCIAL ASSETS

(i) Classification

Financial assets are classified in the following measurement categories:
- Those measured subsequently at fair value, either through OCI (FVOCI), or through profit or loss (FVPL)
- Those measured at amortised cost.

The classification depends on the business model for managing the financial assets as well as the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether an irrevocable election has been made at the time of initial recognition to account for the equity investment at FVOCI.

Cash and cash equivalents includes cash on hand, funds held at financial institutions and bank overdrafts.

Debt investments are reclassified when, and only when, the business model for managing those assets change.

(ii) Measurement

At initial recognition, a financial asset is measured at its fair value, plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

Debt instruments

Subsequent measurement of debt instruments depends on the business model applied for managing the asset and the cash flow characteristics of the asset. Currently there are two measurement categories into which debt instruments are classified, as there are no debt instruments classified as FVOCI, as summarised in the table below.

Category	Relevant financial assets	Business model and cash flow characteristics	Movements in carrying amount	Derecognition	Impairment
Amortised cost	• Trade and other receivables • Loans to JVs and associates • Other financial assets • Treasury facilities with subsidiaries • Related party financial assets • ESD loans.	Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI.	Interest income is included in finance income using the effective interest rate method. Foreign exchange gains and losses are recognised in profit or loss and presented in operating expenses.	Gains or losses arising on derecognition are recognised directly in profit or loss and presented in operating expenses.	Impairment losses are presented as a separate line item in the notes to the statement of comprehensive income. The impairment losses are considered to be immaterial and are therefore not presented as a separate line item on the face of the statement of comprehensive income.
FVPL	• Debt securities • Derivative financial assets.	Financial assets that do not meet the criteria for amortised cost or FVOCI.	Gains and losses on a debt investment that is subsequently measured at FVPL are recognised in profit or loss and presented on a net basis within operating expenses in the period in which it arises. Interest income and dividends are recognised in profit or loss.	Gains or losses arising on derecognition are recognised directly in profit or loss and presented in operating expenses.	Not applicable as this is measured at fair value.

16.1 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS continued

16.1.1 FINANCIAL ASSETS continued

(ii) Measurement continued

Equity instruments

Equity investments are subsequently measured at fair value. Management has elected to present fair value gains and losses on equity investments in OCI. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from these investments continue to be recognised in profit or loss as income from financial assets when the right to receive payment is established.

Changes in the fair value of financial assets at FVPL are recognised in operating expenses in the statements of comprehensive income. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iii) Impairment

ECLs associated with debt instruments carried at amortised cost are assessed on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (ie the difference between the cash flows receivable in accordance with the contract and the cash flows that are expected to be received). ECLs are discounted at the effective interest rate of the financial asset.

ECL allowances are measured on either of the following bases:
- 12-month ECLs: these are ECLs that result from possible default events within 12 months after the reporting date
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

For trade receivables, the simplified approach permitted by IFRS 9 is applied, which requires lifetime ECLs to be recognised from initial recognition of the trade receivables. To measure the ECLs, trade receivables are grouped based on shared credit risk characteristics (corporate entities, small to medium enterprises and public sector entities) and the days past due to assess significant increase in credit risk. In addition, forward-looking macro-economic conditions and factors are considered when determining the ECLs for trade receivables, namely trading conditions in the relevant domestic markets and international coal market, relevant domestic prices and export coal prices as well as economic growth and inflationary outlook in the short term. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan and a failure to make contractual payments for a period of greater than 120 days past due.

For other financial assets measured at amortised cost, the ECL is based on the 12-month ECL allowance or a lifetime ECL allowance. The 12-month ECL allowance is the portion of lifetime ECL allowances that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the ECL will be based on the lifetime ECL allowance.

Credit risk on a financial asset is assumed to have increased significantly if it is more than 30 days past due.

A financial asset is considered to be in default when contractual payments are 90 days past due. However, in certain cases, a financial asset is considered to be in default when internal or external information indicates that the outstanding contractual amounts are unlikely to be received in full before taking into account any credit enhancements held over the financial asset.

Financial assets measured at amortised cost are categorised as follows:

Category	Definition	Basis for recognition of ECL allowance
Performing	Counterparty has a low risk of default and a strong capacity to meet contractual cash flows of principle and/or interest (where applicable).	12-month ECLs: where the expected lifetime of a financial asset measured at amortised cost is less than 12 months, ECLs are measured based on its expected lifetime.
Under-performing	There is a significant increase in credit risk of the counterparty since initial recognition. A significant increase in credit risk is presumed if principle and/or interest (where applicable) payments are 30 to 90 days past due.	Lifetime ECLs
Non-performing	Counterparty has a high risk of default and there is a high probability that the counterparty will be unable to meet contractual cash flows of principal and/or interest (where applicable). There has been a further significant increase in credit risk since recognition. A further significant increase in credit risk is presumed if the principal and/or interest (where applicable) repayments are more than 90 days past due.	Lifetime ECLs
Write-off	There is no reasonable expectation that the principal and/or interest (where applicable) will be recovered.	Financial asset measured at amortised cost is written off

16.1 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS continued

16.1.2 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative positions may be entered into to manage exposures to certain financial risks such as interest rate and foreign currency risks.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to fair value at the end of each reporting period. The resulting gain or loss is recognised immediately in profit or loss unless the derivative is designated as a hedging instrument and found to be effective, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

On initial recognition, when the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on the valuation technique whose variables include only data from observable markets, the difference between the transaction price and fair value is recognised immediately in profit or loss. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in profit or loss when the inputs become observable, namely, when the instrument is derecognised or over the life of the transaction.

Counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the fair value is known as the DVA.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless there is both a legally enforceable right as well as an intention to offset.

A derivative that is not designated, nor found to be effective as a hedging instrument, is presented as a non-current financial asset or a non-current financial liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives not designated, nor found to be effective as a hedging instrument, are presented as current financial assets or current financial liabilities.

16.1.3 HEDGE ACCOUNTING: CASH FLOW HEDGES

The group has designated as cash flow hedges, and found to be effective, its interest rate swaps that cover a portion of the interest rate cash flows on certain of the project financing interest-bearing borrowings.

At inception of the hedge relationship, the risk management objective and strategy for undertaking the hedged transactions, as well as the economic relationship between the hedging instruments and hedged items (including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items) are documented.

The effectiveness of the hedging instrument offsetting changes in cash flows of the hedged item attributable to the hedged risk is assessed and documented at inception and on an ongoing basis. The hedge relationship is determined to be effective when all of the following requirements are met:

- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that is actually hedged and the quantity of the hedging instrument that is actually used to hedge that quantity of the hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the hedge ratio of the hedging relationship is adjusted (ie rebalances the hedge) so that it meets the qualifying criteria again.

The full fair value of a derivative designated and found to be effective as a hedging instrument is classified as:

- A non-current financial asset or financial liability when the remaining maturity of the hedged item is more than 12 months or
- A current financial asset or financial liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in OCI and accumulated in the cash flow hedge reserve within equity, but limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in OCI and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item, namely finance costs.

Furthermore, in cases where it is expected that some or all of the loss accumulated in the cash flow hedge reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss in operating expenses.

Hedge accounting is discontinued only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in OCI and accumulated in the cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

16.1 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS continued

16.1.4 LOAN COMMITMENTS ISSUED BY THE GROUP AND COMPANY

Undrawn loan commitments are commitments under which, over the duration of the commitment, the group and company are required to provide a loan with pre-specified terms to the counterparty. These contracts are in the scope of the ECL requirements of IFRS 9.

When estimating 12-month or lifetime ECLs for undrawn loan commitments, the group and company estimate the expected portion of the loan commitment that will be drawn down over 12 months or its expected life, respectively. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting. The cash shortfalls include the realisation of any collateral. The expected cash shortfalls are discounted at an approximation to the expected effective interest rate on the loan.

16.2 JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

In applying IFRS 9 *Financial Instruments*, management makes judgements and assumptions in determining the impairment losses to be recognised in relation to financial assets. The ECL allowances for financial assets are based on assumptions about risk of default and expected loss rates. Judgement is used in making these assumptions and selecting the inputs to the impairment calculation, based on past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The following judgements and assumptions were applied for trade and other receivables:

The trade and other receivables are categorised into the following categories public sector entities, corporate entities as well as SMEs. Intercompany debtors are classified as SMEs, and the same PD and LGD multipliers as used for external trade and other receivables are used to calculate intercompany ECLs. Where Exxaro company is indebted to related parties, Exxaro's external credit rating is used to determine its PD and LGD multipliers.

The table below sets out the PD and LGD multipliers used for public sector entities, corporate entities and SMEs.

		Percentage of gross trade receivables	PD	LGD
2020	Public sector entities	62%	7.50%	30.0%
	Corporate entities	7%	3.10% to 4.40%	37.0% to 41.0%
	SMEs	31%	4.78%	39.6%
2019	Public sector entities	56%	4.96%	25.0%
	Corporate entities	4%	0.10% to 0.36%	34.0% to 35.0%
	SMEs	40%	0.47%	34.4%

16.3 FINANCIAL INSTRUMENTS

16.3.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS

The tables below set out the group and company's classification of each category of financial assets and financial liabilities.

	Group						
At 31 December 2020	Financial assets at FVOCI Rm	Financial assets at FVPL Rm	Financial assets at amortised cost Rm	Financial liabilities at FVPL Rm	Derivative financial liabilities designated as hedging instruments Rm	Financial liabilities at amortised cost Rm	Total carrying amount Rm
Financial assets							
Non-current							
Financial assets, consisting of:	222	1 247	672				2 141
– Equity: unlisted – Chifeng	222						222
– Debt: unlisted – environmental rehabilitation funds		1 247					1 247
– ESD loans			79				79
– Other financial assets at amortised cost			593				593
Total non-current financial assets	222	1 247	672				2 141
Current							
Financial assets, consisting of:			169				169
– ESD loans			105				105
– Other financial assets at amortised cost			64				64
Trade and other receivables, consisting of:			2 827				2 827
– Trade receivables			2 698				2 698
– Other receivables			129				129
Cash and cash equivalents			3 196				3 196
Total current financial assets			6 192				6 192
Non-current assets held-for-sale		655	186				841
Total financial assets	222	1 902	7 050				9 174
Financial liabilities							
Non-current							
Interest-bearing borrowings						(7 448)	(7 448)
Other payables						(24)	(24)
Financial liabilities, consisting of:							
– Hedging derivatives: interest rate swaps					(713)		(713)
– Loan from NCI						(69)	(69)
Total non-current financial liabilities					(713)	(7 541)	(8 254)
Current							
Interest-bearing borrowings						(6 163)	(6 163)
Trade and other payables						(2 940)	(2 940)
Financial liabilities, consisting of:				(49)			(49)
– Derivative financial liabilities				(49)			(49)
Overdraft						(17)	(17)
Total current financial liabilities				(49)		(9 120)	(9 169)
Non-current liabilities held-for-sale						(296)	(296)
Total financial liabilities				(49)	(713)	(16 957)	(17 719)

Due to the short-term nature of the current financial assets and current financial liabilities, the carrying amount is assumed to be the same as the fair value.

The carrying amounts of non-current financial instruments measured at amortised cost approximate fair value due to the nature and terms of these instruments.

16.3 FINANCIAL INSTRUMENTS continued

16.3.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS continued

	Group					
At 31 December 2019	Financial assets at FVOCI Rm	Financial assets at FVPL Rm	Financial assets at amortised cost Rm	Financial liabilities at FVPL Rm	Financial liabilities at amortised cost Rm	Total carrying amount Rm
Financial assets						
Non-current						
Financial assets, consisting of:	235	2 039	400			2 674
– Equity: unlisted – Chifeng	235					235
– Debt: unlisted – environmental rehabilitation funds		2 039				2 039
– ESD loans			124			124
– Other financial assets at amortised cost			276			276
Total non-current financial assets	235	2 039	400			2 674
Current						
Financial assets, consisting of:			272			272
– Loans to associates and JVs			133			133
– ESD loans			82			82
– Other financial assets at amortised cost			57			57
Trade and other receivables, consisting of:			3 241			3 241
– Trade receivables			2 928			2 928
– Other receivables			313			313
Cash and cash equivalents			2 695			2 695
Total current financial assets			6 208			6 208
Total financial assets	235	2 039	6 608			8 882
Financial liabilities						
Non-current						
Interest-bearing borrowings					(6 991)	(6 991)
Other payables					(121)	(121)
Total non-current financial liabilities					(7 112)	(7 112)
Current						
Interest-bearing borrowings					(50)	(50)
Trade and other payables					(2 603)	(2 603)
Financial liabilities, consisting of:				(191)	(307)	(498)
– Contingent consideration				(191)		(191)
– Deferred consideration payable					(307)	(307)
Overdraft					(976)	(976)
Total current financial liabilities				(191)	(3 936)	(4 127)
Total financial liabilities				(191)	(11 048)	(11 239)

Due to the short-term nature of the current financial assets and current financial liabilities, the carrying amount is assumed to be the same as the fair value.

The carrying amounts of non-current financial instruments measured at amortised cost approximate fair value due to the nature and terms of these instruments.

16.3 FINANCIAL INSTRUMENTS continued

16.3.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS continued

	Company			
At 31 December 2020	Financial assets at FVPL Rm	Financial assets at amortised cost Rm	Financial liabilities at amortised cost Rm	Total carrying amount Rm
Financial assets				
Non-current				
Financial assets, consisting of:	30	1 376		1 406
– Debt: unlisted – environmental rehabilitation funds	30			30
– ESD loans		79		79
– Interest-bearing loans to subsidiaries		1 297		1 297
Total non-current financial assets	30	1 376		1 406
Current				
Financial assets, consisting of:		11 386		11 386
– ESD loans		105		105
– Interest-bearing loans to subsidiaries		6 041		6 041
– Non-interest-bearing loans to subsidiaries		353		353
– Treasury facilities with subsidiaries at amortised cost		4 887		4 887
Trade and other receivables, consisting of:		646		646
– Other receivables		7		7
– Indebtedness by subsidiaries		639		639
Cash and cash equivalents		1 864		1 864
Total current financial assets		13 896		13 896
Total financial assets	30	15 272		15 302
Financial liabilities				
Non-current				
Interest-bearing borrowings			(2 748)	(2 748)
Total non-current financial liabilities			(2 748)	(2 748)
Current				
Interest-bearing borrowings			(6 053)	(6 053)
Trade and other payables			(200)	(200)
Financial liabilities, consisting of:			(16 071)	(16 071)
– Non-interest-bearing loans from subsidiary			(8 672)	(8 672)
– Treasury facilities with subsidiaries at amortised cost			(7 399)	(7 399)
Overdraft			(17)	(17)
Total current financial liabilities			(22 341)	(22 341)
Total financial liabilities			(25 089)	(25 089)

Due to the short-term nature of the current financial assets and current financial liabilities, the carrying amount is assumed to be the same as the fair value.

The carrying amounts of non-current financial instruments measured at amortised cost approximate fair value due to the nature and terms of these instruments.

16.3 FINANCIAL INSTRUMENTS continued

16.3.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS continued

	Company				
At 31 December 2019	Financial assets at FVPL Rm	Financial assets at amortised cost Rm	Financial liabilities at FVPL Rm	Financial liabilities at amortised cost Rm	Total carrying amount Rm
Financial assets					
Non-current					
Financial assets, consisting of:	29	7 124			7 153
– Debt: unlisted – environmental rehabilitation funds	29				29
– ESD loans		124			124
– Interest-bearing loans to subsidiaries		7 000			7 000
Total non-current financial assets	29	7 124			7 153
Current					
Financial assets, consisting of:		4 539			4 539
– ESD loans		82			82
– Interest-bearing loans to subsidiaries		60			60
– Non-interest-bearing loans to subsidiaries		359			359
– Treasury facilities with subsidiaries at amortised cost		4 038			4 038
Trade and other receivables, consisting of:		630			630
– Other receivables		15			15
– Indebtedness by subsidiaries		615			615
Cash and cash equivalents		1 649			1 649
Total current financial assets		6 818			6 818
Total financial assets	29	13 942			13 971
Financial liabilities					
Non-current					
Interest-bearing borrowings				(6 991)	(6 991)
Total non-current financial liabilities				(6 991)	(6 991)
Current					
Interest-bearing borrowings				(50)	(50)
Trade and other payables				(177)	(177)
Financial liabilities, consisting of:			(191)	(14 207)	(14 398)
– Contingent consideration			(191)		(191)
– Deferred consideration payable				(307)	(307)
– Non-interest-bearing loans from subsidiary				(8 452)	(8 452)
– Treasury facilities with subsidiaries at amortised cost				(5 448)	(5 448)
Overdraft				(976)	(976)
Total current financial liabilities			(191)	(15 410)	(15 601)
Total financial liabilities			(191)	(22 401)	(22 592)

Due to the short-term nature of the current financial assets and current financial liabilities, the carrying amount is assumed to be the same as the fair value.

The carrying amounts of non-current financial instruments measured at amortised cost approximate fair value due to the nature and terms of these instruments.

16.3 FINANCIAL INSTRUMENTS continued

16.3.2 FAIR VALUES

16.3.2.1 Fair value hierarchy

Financial assets and financial liabilities at fair value have been categorised in the following hierarchical structure, based on the input used in the valuation technique:
Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.
Level 2 – Inputs other than quoted prices included in Level 1 that are either directly or indirectly observable.
Level 3 – Inputs that are not based on observable market data (unobservable inputs).

	Group		
2020	**Fair value Rm**	**Level 2 Rm**	**Level 3 Rm**
Financial assets at FVOCI	222		222
Equity: unlisted – Chifeng	222		222
Financial assets at FVPL	1 902	1 902	
Non-current debt: unlisted – environmental rehabilitation funds	1 247	1 247	
Non-current debt: unlisted – environmental rehabilitation funds, included in non-current assets held-for-sale	655	655	
Derivative financial liabilities	(49)	(49)	
Current derivative financial liabilities	(49)	(49)	
Derivative financial liabilities designated as hedging instruments	(713)	(713)	
Non-current hedging derivatives: interest rate swaps	(713)	(713)	
Net financial assets held at fair value	1 362	1 140	222

Reconciliation of Level 3 hierarchy	**Contingent consideration Rm**	**Chifeng Rm**	**Total Rm**
At 31 December 2019	(191)	235	44
Movement during the year			
Losses recognised in profit or loss	(3)		(3)
Losses recognised in OCI (pre-tax effect)[1]		(13)	(13)
Acquisition of subsidiaries[2]	(98)		(98)
Settlements[3]	296		296
Exchange losses recognised in profit or loss	(4)		(4)
At 31 December 2020		222	222

[1] *Tax on Chifeng amounts to nil.*
[2] *Relates to the acquisition of the remaining 50% interest in Cennergi (refer note 8.3.2.1).*
[3] *Relates to the ECC contingent consideration, amounting to R195 million, which was fully settled in January 2020 and the Cennergi contingent consideration, amounting to R101 million, which was fully settled in December 2020.*

16.3 FINANCIAL INSTRUMENTS continued

16.3.2 FAIR VALUES continued

16.3.2.1 Fair value hierarchy continued

2019	Group Fair value Rm	Level 2 Rm	Level 3 Rm
Financial assets at FVOCI	235		235
Equity: unlisted – Chifeng	235		235
Financial assets at FVPL	2 039	2 039	
Non-current debt: unlisted – environmental rehabilitation funds	2 039	2 039	
Financial liabilities at FVPL	(191)		(191)
Current contingent consideration	(191)		(191)
Net financial assets held at fair value	2 083	2 039	44

Reconciliation of Level 3 hierarchy	Contingent consideration Rm	Chifeng Rm	Total Rm
At 31 December 2018	(849)	185	(664)
Movement during the year			
Gains recognised in profit or loss	296		296
Gains recognised in OCI (pre-tax effect)[1]		50	50
Settlements	344		344
Exchange gains recognised in profit or loss	18		18
At 31 December 2019	(191)	235	44

[1] *Tax on Chifeng amounts to nil.*

2020	Company Fair value Rm	Level 2 Rm
Financial assets at FVPL	30	30
Non-current debt: unlisted – environmental rehabilitation funds	30	30
Net financial assets held at fair value	30	30

Reconciliation of Level 3 hierarchy	Contingent consideration Rm	Total Rm
At 31 December 2019	(191)	(191)
Movement during the year		
Losses recognised in profit or loss	(3)	(3)
Acquisition of subsidiaries[1]	(98)	(98)
Settlements[2]	296	296
Exchange losses recognised in profit or loss	(4)	(4)
At 31 December 2020		

[1] *Relates to the acquisition of the remaining 50% shareholding in Cennergi (refer note 8.3.2.1).*
[2] *Relates to the ECC contingent consideration, amounting to R195 million, which was fully settled in January 2020 and the Cennergi contingent consideration, amounting to R101 million, which was fully settled in December 2020.*

16.3 FINANCIAL INSTRUMENTS continued

16.3.2 FAIR VALUES continued

16.3.2.1 Fair value hierarchy continued

	Company		
2019	Fair value Rm	Level 2 Rm	Level 3 Rm
Financial assets at FVPL	29	29	
Non-current debt: unlisted – environmental rehabilitation funds	29	29	
Financial liabilities at FVPL	(191)		(191)
Current contingent consideration	(191)		(191)
Net financial (liabilities)/assets held at fair value	(162)	29	(191)

Reconciliation of Level 3 hierarchy	Put option Rm	Contingent consideration Rm	Total Rm
At 31 December 2018	(584)	(849)	(1 433)
Movement during the year			
Gains recognised in profit or loss	12	296	308
Option lapsed[1]/settlements	572	344	916
Exchange gains recognised in profit or loss		18	18
At 31 December 2019		(191)	(191)

[1] *The put option lapsed as the preference share liability was settled in full.*

16.3.2.2 Transfers

Transfers between levels of the fair value hierarchy are recognised as at the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 and Level 2 nor between Level 2 and Level 3 of the fair value hierarchy during the periods ended 31 December 2020 and 31 December 2019.

16.3.2.3 Valuation process applied

The fair value computations of investments are performed by the corporate finance department, reporting to the finance director, on a six-monthly basis. The valuation reports are discussed with the chief operating decision maker and the audit committee in accordance with Exxaro's reporting governance.

16.3.2.4 Current derivative financial instruments

Level 2 fair values for simple over-the-counter derivative financial instruments are based on market quotes. These quotes are assessed for reasonableness by discounting estimated future cash flows using the market rate for similar instruments at measurement date.

16.3.2.5 Environmental rehabilitation funds

Level 2 fair values for debt instruments held in the environmental rehabilitation funds are based on quotes provided by the financial institutions at which the funds are invested at measurement date. These financial institutions invest in instruments which are listed.

16.3.2.6 Interest rate swaps

Level 2 fair values for interest rate swaps are based on valuations provided by the financial institutions with whom the interest rate swaps have been entered into, and take into account credit risk. The valuations are assessed for reasonability by discounting the estimated future cash flows based on observable ZAR swap curves.

16.3.3 RISK MANAGEMENT

16.3.3.1 Financial risk management

The group's corporate treasury function predominantly provides financial risk management services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the group through internal risk reports which analyse exposure by degree and magnitude of risks. These risks include market risk (including foreign currency risk, commodity price risk, interest rate risk and equity price risk), credit risk and liquidity risk.

The group's objectives, policies and processes for measuring and managing these risks are detailed below.

The group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of derivative financial instruments is governed by the group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, commodity price risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis and the results are reported to the audit committee.

Financial instruments, including derivative financial instruments, are not entered into nor traded for speculative purposes rather, financial instruments are entered into to manage and reduce the possible adverse impact on earnings and cash flows of changes in interest rates, foreign currency exchange rates and commodity prices.

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.1 Financial risk management continued

Capital management

In managing its capital, the group focuses on a sound net debt position, return on shareholders' equity (or ROCE) and the level of dividends to shareholders. The group's policy is to cover its annual net funding requirements through long-term loan facilities with maturities spread over time. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

16.3.3.2 Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices, will affect profit or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The group's activities expose it primarily to the financial risks of changes in the environmental rehabilitation funds quoted prices (see 16.3.3.2.1), foreign currency exchange rates (see 16.3.3.2.2), commodity prices (see 16.3.3.2.3) and interest rates (see 16.3.3.2.4). The group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk, commodity price risk and interest rate risk, including:

- Currency FECs, currency options and currency swap agreements to manage the exchange rate risk arising on the export of coal and import of capital expenditure
- Commodity FECs to manage coal price risk on the export of coal
- Interest rate swaps and interest rate forwards to manage interest rate risk on the interest-bearing borrowings.

16.3.3.2.1 Price risk management

The group's exposure to equity price risk arises from investments held by and classified either as at FVOCI or at FVPL. Currently, the group's exposure to equity price risk is not considered to be significant as Chifeng is seen as a non-core investment.

The group's exposure to price risk in relation to quoted prices of the environmental rehabilitation funds is not considered a significant risk as the funds are invested with reputable financial institutions in accordance with a strict mandate to ensure capital preservation and growth. The funds are held for strategic purposes rather than trading purposes.

16.3.3.2.2 Foreign currency risk management

Certain transactions are denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

The currency in which transactions are entered into is mainly denominated in US dollar, euro and Australian dollar.

Exchange rate exposures are managed within approved policy parameters utilising FECs, currency options and currency swap agreements.

The group maintains a fully covered exchange rate position in respect of foreign balances (if any) and imported capital equipment resulting in these exposures being fully converted to rand. Trade-related import exposures are managed through the use of economic hedges arising from export revenue as well as through FECs. Trade-related export exposures are hedged using FECs and currency options with specific focus on short-term receivables.

Uncovered cash and cash equivalents amount to US$116.35 million (2019: US$89.81 million).

Monetary items have been translated at the closing rate at the last day of the reporting period.

The FECs which are used to hedge foreign currency exposure mostly have a maturity of less than one year from the reporting date. When necessary, FECs are rolled over at maturity.

The following significant exchange rates applied during the year:

	2020			2019		
	Average spot rate	Average achieved rate	Closing spot rate	Average spot rate	Average achieved rate	Closing spot rate
US$	16.45	16.43	14.62	14.44	14.73	14.13
Euro (€)	18.76		17.97	16.16		15.83
AU$	11.35		11.27	10.05		9.90

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.2 Market risk management continued

16.3.3.2.3 Commodity price risk management

The group entered into commodity FECs to hedge certain of its export product exposure, in terms of coal prices for the period ended 31 December 2020. The current commodity FECs on coal will mature within the next four months.

Details of the contracts at 31 December 2020 are as follows:

	Group			
2020	Tonnes	Market related value Rm	Contract value Rm	Recognised fair value losses Rm
Coal	450 000	577	528	(49)

Commodity price sensitivity

An adverse change in the commodity price of 10% is demonstrated below. This analysis assumes that all other variables remains constant.

2020	Impact on profit/(loss) Rm
Coal	(53)

A 10% positive move against the above commodity prices at 31 December 2020 would have had the equal but opposite effect on the amount shown above, on the basis that all other variables remain constant.

16.3.3.2.4 Interest rate risk management

The group is exposed to interest rate risk as it borrows and deposits funds at floating interest rates on the money market and extended bank borrowings. The group's main interest rate risk arises from long-term borrowings with floating rates, which expose the group to cash flow interest rate risk. The risk is managed by undertaking controlled management of the interest structures of the investments and borrowings, maintaining an appropriate mix between fixed and floating interest rate facilities in line with the interest rate expectations. The group also uses interest rate swaps and interest rate forwards to manage the interest rate risk exposure.

As part of the Cennergi business combination the group assumed Cennergi's borrowings and interest rate swaps as financial liabilities. The contractual terms of these borrowings required interest rate swaps (hedging instruments) to be entered into to swap out the floating interest rate of the underlying project financing for a fixed interest rate. This was required to fix the future expected returns given the long-term nature of the project financing. The group amended its interest rate risk management strategy as follows:

- When the contractual terms of the borrowings and covenants thereof require the use of hedging instruments to mitigate the risk of fluctuations of the underlying interest rate risk cash flow exposure and the impact on profit or loss of specific projects being financed, the group looks to apply hedge accounting where an effective hedge relationship is expected and to the extent that such exposure poses a real risk to the achievement of the loan covenants.

The financial institutions chosen are subject to compliance with the relevant regulatory bodies.

16.3.3.2.4.1 Loan facility and bonds

The loan facility and bonds were entered into at floating interest rates in anticipation of a decrease in the interest rate cycle.

The interest rate repricing profile for the loan facility and bonds is summarised below for group and company:

	1 to 6 months Rm	Total borrowings Rm
At 31 December 2020		
Non-current interest-bearing borrowings: loan facility and bond	(2 748)	(2 748)
Current interest-bearing borrowings: loan facility and bond	(6 053)	(6 053)
Total interest-bearing borrowings: loan facility and bond	(8 801)	(8 801)
Total borrowings (%)	100	100
At 31 December 2019		
Non-current interest-bearing borrowings: loan facility and bond	(6 991)	(6 991)
Current interest-bearing borrowings: loan facility and bond	(50)	(50)
Total interest-bearing borrowings: loan facility and bond	(7 041)	(7 041)
Total borrowings (%)	100	100

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.2 Market risk management continued

16.3.3.2.4 Interest rate risk management continued

16.3.3.2.4.1 Loan facility and bonds continued

Interest rate sensitivity

The following table reflects the potential impact on earnings, given an increase in interest rates of 50 basis points:

	2020 Rm	2019 Rm
Impact on earnings: loss	(44)	(35)

A decrease in interest rates of 50 basis points would have an equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

16.3.3.2.4.2 Project financing

The group is exposed to the risk of variability in future interest payments on the project financing, attributable to fluctuations in 3-month JIBAR. The designated hedged item is the group of forecast floating interest rate cash flows arising from the project financing, up to the notional amount of each interest rate swap, over the term of the hedging relationship. The notional amounts per interest rate swap match up to the designated exposure being hedged.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged project financing.

Hedge accounting: cash flow hedges

Hedge effectiveness:

The group has assumed certain interest rate swaps from its business combination with Cennergi that have similar critical terms as the hedged item, such as reference rates, reset dates, payment dates, maturities and notional amounts. The group does not hedge 100% of its project financing, therefore the hedged item is identified as a proportion of the outstanding project financing up to the notional amount of the interest rate swaps. As all critical terms matched during the year, there is an economic relationship.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

Hedge ineffectiveness for interest rate swaps is assessed frequently. It may occur due to:
- The DVA on the interest rate swaps which is not matched by the project financing
- Differences in critical terms between the interest rate swaps and project financing.

The recognised ineffectiveness in 2020 amounted to R57 million and is mainly as a result of the DVA. Credit valuation adjustments are not considered due to the terms of the underlying project financing, which allow for set-off.

The interest rate swaps require settlement of net interest receivable or payable every six months. The settlement dates coincide with the dates on which interest is payable on the underlying project financing.

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.2 Market risk management continued

16.3.3.2.4 Interest rate risk management continued

16.3.3.2.4.2 Project financing continued

Hedge accounting: cash flow hedges continued

The following tables detail the financial position and performance of the interest rate swaps outstanding at the end of the reporting period and their related hedged items.

At 31 December	Group 2020 Rm
Hedging instruments: Outstanding receive floating, pay fixed contracts	
– Nominal amount	4 219
– Carrying amount	(713)
– Cumulative change in fair value used for calculating hedge ineffectiveness	549
Hedged items: Cash flows on floating rate project financing linked to JIBAR	
– Nominal amount	4 219
– Carrying amount in cash flow hedge reserve (gross) for continuing hedges	428
– Cumulative change in value used for calculating hedge ineffectiveness	428

For the year ended 31 December	Group 2020 Rm
Change in fair value of outstanding hedging instruments since 1 April 2020:	478
– Change in the value of the hedging instrument recognised in OCI	535
– Hedge ineffectiveness recognised in operating expenses	(57)
Amount reclassified from hedging reserve to profit or loss included in finance costs	(107)

The interest rate swaps settle on a bi-annual basis. The group settles the difference between the fixed and floating interest rate (3-month JIBAR) on a net basis. The 3-month JIBAR is swapped out to a fixed rate as follows:

- Tsitsikamma SPV floating rate facility: 9.55% up to 30 June 2030
- Amakhala SPV floating rate facilities:
  - IFC facilities: 8.42% up to 30 June 2031
  - A and C banking facilities: 8.00% up to 30 June 2021
    9.46% up to 30 June 2026.

Hedging reserves

The hedging reserve relates to the fair value movements on cash flow hedges of interest rate swaps. The reserve is included within the financial instruments revaluation reserve on the statement of changes in equity, which includes the group's share of movements in its equity-accounted investees' hedging reserves.

Financial instruments revaluation reserve composition:

	Group	
At 31 December	2020 Rm	2019 Rm
Balance of share of movements of equity-accounted investees	(2)	23
Cash flow hedge reserve – interest rate swaps	308	
– Gross	428	
– Deferred tax on swap	(120)	
NCI share of hedging reserve	(51)	12
Financial instruments revaluation reserve	255	35

Movement analysis of cash flow hedge reserve – interest rate swaps:

	Group		
	Gross Rm	Tax Rm	Net Rm
Movement during the year			
Change in fair value of interest rate swaps recognised in OCI	535	(150)	385
Reclassified from OCI to profit or loss in finance costs	(107)	30	(77)
At 31 December 2020	428	(120)	308

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.3 Liquidity risk management

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements.

The group manages liquidity risk by monitoring forecast cash flows in compliance with loan covenants and ensuring that adequate unutilised borrowing facilities are maintained.

Borrowing capacity is determined by the board of directors, from time to time.

	Group	
	2020 Rm	2019 Rm
Amount approved	48 476	43 470
Total borrowings	(13 611)	(7 041)
Unutilised borrowing capacity	34 865	36 429

The group's capital base and the borrowing powers of the company and the group were set at 125% of shareholders' funds for both the 2020 and 2019 financial years.

Standard payment terms for the majority of trade payables is the end of the month following the month in which the goods are received or services are rendered. A number of trade payables do, however, have shorter contracted payment periods.

To avoid incurring interest on late payments, financial risk management policies and procedures are entrenched to ensure the timeous matching of orders placed with goods received notes or services acceptances and invoices.

16.3.3.3.1 Maturity profile of financial instruments

The following tables detail the contractual maturities of financial assets and financial liabilities:

	Group					
			Maturity			
At 31 December 2020	Carrying amount Rm	Contractual cash flows Rm	0 to 12 months Rm	1 to 2 years Rm	2 to 5 years Rm	More than 5 years Rm
Financial assets						
ESD loans	184	184	105	56	23	
Other financial assets at amortised cost[1]	271	300	76	71	153	
Trade and other receivables	2 827	2 827	2 827			
Cash and cash equivalents	3 196	3 196	3 196			
Total financial assets	6 478	6 507	6 204	127	176	
Percentage profile (%)		100	95	2	3	
Financial liabilities						
Interest-bearing borrowings	(13 611)	(16 709)	(6 907)	(1 841)	(3 342)	(4 619)
Non-current other payables	(24)	(24)		(18)	(6)	
Trade and other payables	(2 940)	(2 940)	(2 940)			
Derivative financial liabilities	(49)	(49)	(49)			
Hedging derivatives: interest rate swaps	(713)	(728)	(208)	(197)	(315)	(8)
Loan from NCI	(69)	(101)				(101)
Overdraft	(17)	(17)	(17)			
Total financial liabilities	(17 423)	(20 568)	(10 121)	(2 056)	(3 663)	(4 728)
Percentage profile (%)		100	49	10	18	23
Liquidity gap identified[2]	(10 945)	(14 061)	(3 917)	(1 929)	(3 487)	(4 728)

[1] Excludes the environmental rehabilitation funds at amortised cost of R386 million.

[2] The liquidity gap identified will be funded by cash generated from operations and the undrawn facilities in place. Exxaro is in the process of refinancing its loan facility.

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.3 Liquidity risk management continued

16.3.3.3.1 Maturity profile of financial instruments continued

	Group				
			Maturity		
At 31 December 2019	Carrying amount Rm	Contractual cash flows Rm	0 to 12 months Rm	1 to 2 years Rm	2 to 5 years Rm
Financial assets					
Loans to associates and JVs	133	133	133		
ESD loans	206	206	82	65	59
Other financial assets at amortised cost	333	383	60	78	245
Trade and other receivables	3 241	3 241	3 241		
Cash and cash equivalents	2 695	2 695	2 695		
Total financial assets	6 608	6 658	6 211	143	304
Percentage profile (%)		100	93	2	5
Financial liabilities					
Interest-bearing borrowings	(7 041)	(8 288)	(716)	(3 170)	(4 402)
Non-current other payables	(121)	(121)		(112)	(9)
Contingent consideration	(191)	(191)	(191)		
Deferred consideration	(307)	(307)	(307)		
Trade and other payables	(2 603)	(2 603)	(2 603)		
Overdraft	(976)	(976)	(976)		
Total financial liabilities	(11 239)	(12 486)	(4 793)	(3 282)	(4 411)
Percentage profile (%)		100	39	26	35
Liquidity gap identified[1]	(4 631)	(5 828)	1 418	(3 139)	(4 107)

[1] *The liquidity gap identified will be funded by cash generated from operations and the undrawn facilities in place.*

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.3 Liquidity risk management continued

16.3.3.3.1 Maturity profile of financial instruments continued

	Company					
			Maturity			
At 31 December 2020	Carrying amount Rm	Contractual cash flows Rm	0 to 12 months Rm	1 to 2 years Rm	2 to 5 years Rm	More than 5 years Rm
Financial assets						
ESD loans	184	184	105	56	23	
Trade and other receivables	646	646	646			
Cash and cash equivalents	1 864	1 864	1 864			
Non-interest-bearing loans to subsidiaries	353	353	353			
Interest-bearing loans to subsidiaries	7 338	7 851	6 341	461	752	297
Treasury facilities with subsidiaries at amortised cost	4 887	4 887	4 887			
Total financial assets	15 272	15 785	14 196	517	775	297
Percentage profile (%)		100	90	3	5	2
Financial liabilities						
Interest-bearing borrowings	(8 801)	(9 401)	(6 455)	(1 355)	(1 591)	
Trade and other payables	(200)	(200)	(200)			
Overdraft	(17)	(17)	(17)			
Non-interest-bearing loans from subsidiaries[1]	(8 672)	(8 672)	(8 672)			
Treasury facilities with subsidiaries at amortised cost	(7 399)	(7 399)	(7 399)			
Total financial liabilities	(25 089)	(25 689)	(22 743)	(1 355)	(1 591)	
Percentage profile (%)		100	89	5	6	
Liquidity gap identified[2]	(9 817)	(9 904)	(8 547)	(838)	(816)	297

[1] *The majority of the non-interest-bearing loans from subsidiaries are not expected to be called upon in the foreseeable future.*

[2] *The liquidity gap identified will be funded by cash generated from operations and the undrawn facilities in place. Exxaro is in the process of refinancing its loan facility.*

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.3 Liquidity risk management continued

16.3.3.3.1 Maturity profile of financial instruments continued

	Company				
			Maturity		
At 31 December 2019	Carrying amount Rm	Contractual cash flows Rm	0 to 12 months Rm	1 to 2 years Rm	2 to 5 years Rm
Financial assets					
ESD loans	206	206	82	65	59
Trade and other receivables	630	630	630		
Cash and cash equivalents	1 649	1 649	1 649		
Non-interest-bearing loans to subsidiaries	359	359	359		
Interest-bearing loans to subsidiaries	7 060	8 358	761	3 192	4 405
Treasury facilities with subsidiaries at amortised cost	4 038	4 038	4 038		
Total financial assets	13 942	15 240	7 519	3 257	4 464
Percentage profile (%)		100	49	21	30
Financial liabilities					
Interest-bearing borrowings	(7 041)	(8 288)	(716)	(3 170)	(4 402)
Contingent consideration	(191)	(191)	(191)		
Deferred consideration	(307)	(307)	(307)		
Trade and other payables	(177)	(177)	(177)		
Overdraft	(976)	(976)	(976)		
Non-interest-bearing loans from subsidiaries[1]	(8 452)	(8 452)	(8 452)		
Treasury facilities with subsidiaries at amortised cost	(5 448)	(5 448)	(5 448)		
Total financial liabilities	(22 592)	(23 839)	(16 267)	(3 170)	(4 402)
Percentage profile (%)		100	68	13	19
Liquidity gap identified[2]	(8 650)	(8 599)	(8 748)	87	62

[1] *The majority of the non-interest-bearing loans from subsidiaries are not expected to be called upon in the foreseeable future.*
[2] *The liquidity gap identified will be funded by cash generated from operations and the undrawn facilities in place.*

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.4 Credit risk management

Credit risk relates to potential default by counterparties on cash and cash equivalents, loans, investments, trade receivables and other receivables.

The group limits its counterparty exposure arising from money market and derivative instruments by only dealing with well established financial institutions of high-credit standing. The group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread among approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the board of directors annually.

Trade receivables consist of a number of customers with whom Exxaro has long-standing relationships. A high portion of term supply arrangements exist with such customers resulting in limited credit exposure which exposure is limited by performing customer creditworthiness or country risk assessments.

The group strives to enter into sales contracts with customers which stipulate the required payment terms. It is expected of each customer that these payment terms are adhered to. Where trade receivables balances become past due, the normal recovery procedures are followed to recover the debt, where applicable new payment terms may be arranged to ensure that the debt is fully recovered.

Exxaro has concentration risk as a result of its exposure to one major customer. This is, however, not considered significant as the customer adheres to the stipulated payment terms.

Exxaro establishes an allowance for non-recoverability or impairment that represents its estimate of ECLs in respect of trade receivables, other receivables, loans, cash and cash equivalents and investments. The main components of these allowances are a 12-month ECL component that results from possible default events within the 12 months after the reporting date and a lifetime ECL component that results from all possible default events over the expected life of a financial instrument.

16.3.3.4.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. None of the financial assets were held as collateral for any security provided.

Detail of the trade receivables credit risk exposure:

	Group	
At 31 December	**2020** **%**	**2019** **%**
By geographical area		
RSA	72	65
Europe	16	17
Asia	12	16
USA		2
Total	100	100
By industry		
Public utilities	57	53
Mining	6	38
Manufacturing	1	1
Merchants	30	1
Food and beverage	1	1
Steel	4	3
Structural metal		2
Cement		1
Other	1	
Total	100	100

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.4 Credit risk management continued

16.3.3.4.1 Exposure to credit risk continued

Detailed impairment analysis of financial assets measured at amortised cost:

	Group			
At 31 December 2020	Total Rm	Performing Rm	Under-performing Rm	Non-performing Rm
ESD loans	184	184		
– Non-current – gross	79	79		
– Current – gross	106	106		
– Current – impairment allowances	(1)	(1)		
Other financial assets at amortised cost	657	657		
– Non-current – gross	598	598		
– Non-current – impairment allowances	(5)	(5)		
– Current – gross	69	65		4
– Current – impairment allowances	(5)	(1)		(4)
Lease receivables[1]	59	59		
– Non-current – gross	54	54		
– Non-current – impairment allowances	(1)	(1)		
– Current – gross	6	6		
Trade receivables	2 698	2 568	15	115
– Gross	2 793	2 583	15	195
– Impairment allowances	(95)	(15)		(80)
Other receivables	129	100	1	28
– Gross	153	100	1	52
– Impairment allowances	(24)			(24)
Cash and cash equivalents	3 196	3 196		
Financial assets included in non-current assets held-for-sale	186	38	139	9
– Trade receivables	29	26		3
– Other receivables	10	4		6
– Cash and cash equivalents	8	8		
– Loans to associates: Tumelo	139		139	
Current – gross	170		170	
Current – impairment allowances	(31)		(31)	
Total financial assets at amortised cost	7 109	6 802	155	152

[1] *Lease receivables are within the scope of the impairment requirements of IFRS 9.*

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.4 Credit risk management continued

16.3.3.4.1 Exposure to credit risk continued

At 31 December 2019	Group Total Rm	Performing Rm	Under-performing Rm	Non-performing Rm
Loans to associates and JVs	133		133	
– Current – gross	182		182	
– Current – impairment allowances	(49)		(49)	
ESD loans	206	206		
– Non-current – gross	124	124		
– Current – gross	83	83		
– Current – impairment allowances	(1)	(1)		
Other financial assets at amortised cost	333	333		
– Non-current – gross	279	279		
– Non-current – impairment allowances	(3)	(3)		
– Current – gross	63	58		5
– Current – impairment allowances	(6)	(1)		(5)
Lease receivables[1]	67	67		
Trade receivables	2 928	2 850	65	13
– Gross	3 023	2 855	66	102
– Impairment allowances	(95)	(5)	(1)	(89)
Other receivables	313	240	6	67
– Gross	464	240	6	218
– Impairment allowances	(151)			(151)
Cash and cash equivalents	2 695	2 695		
Total financial assets at amortised cost	6 675	6 391	204	80

[1] *Lease receivables are within the scope of the impairment requirements of IFRS 9.*

At 31 December 2020	Company Total Rm	Performing Rm	Non-performing Rm
ESD loans	184	184	
– Non-current – gross	79	79	
– Current – gross	106	106	
– Current – impairment allowances	(1)	(1)	
Other financial assets at amortised cost			
– Current – gross	4		4
– Current – impairment allowances	(4)		(4)
Other receivables	7	7	
– Gross	11	7	4
– Impairment allowances	(4)		(4)
Indebtedness to subsidiaries	639	639	
– Gross	720	720	
– Impairment allowances	(81)	(81)	
Non-interest-bearing loans to subsidiaries	353	353	
– Current – gross	425	360	65
– Current – impairment allowances	(72)	(7)	(65)
Interest-bearing loans to subsidiaries	7 338	7 338	
Treasury facilities with subsidiaries at amortised cost	4 887	4 887	
Cash and cash equivalents	1 864	1 864	
Total financial assets at amortised cost	15 272	15 272	

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.4 Credit risk management continued

16.3.3.4.1 Exposure to credit risk continued

	Company		
At 31 December 2019	**Total Rm**	**Performing Rm**	**Non-performing Rm**
ESD loans	206	206	
– Non-current – gross	124	124	
– Current – gross	83	83	
– Current – impairment allowances	(1)	(1)	
Other financial assets at amortised cost			
– Current – gross	5		5
– Current – impairment allowances	(5)		(5)
Other receivables	15	15	
– Gross	26	15	11
– Impairment allowances	(11)		(11)
Indebtedness to subsidiaries	615	615	
Non-interest-bearing loans to subsidiaries	359	359	
– Current – gross	421	360	61
– Current – impairment allowances	(62)	(1)	(61)
Interest-bearing loans to subsidiaries	7 060	7 060	
Treasury facilities with subsidiaries at amortised cost	4 038	4 038	
Cash and cash equivalents	1 649	1 649	
Total financial assets at amortised cost	13 942	13 942	

16.3.3.4.2 Trade and other receivables age analysis

	Group					
		Current		Past due		
At 31 December 2020	**Total Rm**	**1 to 30 days Rm**	**31 to 60 days Rm**	**61 to 90 days Rm**	**90 to 180 days Rm**	**>180 days Rm**
Trade receivables	2 698	2 516	68	111		3
– Gross	2 793	2 530	69	112		82
– Impairment allowances	(95)	(14)	(1)	(1)		(79)
Other receivables	129	98	2	1		28
– Gross	153	98	2	2	7	44
– Impairment allowances	(24)			(1)	(7)	(16)
Total carrying amount of trade and other receivables	2 827	2 614	70	112		31

	Group					
		Current		Past due		
At 31 December 2019	**Total Rm**	**1 to 30 days Rm**	**31 to 60 days Rm**	**61 to 90 days Rm**	**90 to 180 days Rm**	**>180 days Rm**
Trade receivables	2 928	2 806	94	19	5	4
– Gross	3 023	2 811	95	19	9	89
– Impairment allowances	(95)	(5)	(1)		(4)	(85)
Other receivables	313	238	5	3		67
– Gross	464	239	5	3	124	93
– Impairment allowances	(151)	(1)			(124)	(26)
Total carrying amount of trade and other receivables	3 241	3 044	99	22	5	71

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.4 Credit risk management continued

16.3.3.4.2 Trade and other receivables age analysis continued

	Company				
		Current		Past due	
At 31 December 2020	Total Rm	1 to 30 days Rm	31 to 60 days Rm	61 to 90 days Rm	90 to 180 days Rm
Other receivables	7	5	1	1	
– Gross	11	5	1	1	4
– Impairment allowances	(4)				(4)
Indebtedness by subsidiaries	639	639			
– Gross	720	720			
– Impairment allowances	(81)	(81)			
Total carrying amount of trade and other receivables	646	644	1	1	

	Company			
		Current		Past due
At 31 December 2019	Total Rm	1 to 30 days Rm	31 to 60 days Rm	90 to 180 days Rm
Other receivables	15	13	2	
– Gross	26	13	2	11
– Impairment allowances	(11)			(11)
Indebtedness by subsidiaries	615	615		
Total carrying amount of trade and other receivables	630	628	2	

16.3.3.4.3 Credit quality of financial assets

The credit quality of cash and cash equivalents has been assessed by reference to external credit ratings available from Fitch and Standard & Poor's.

	Group		Company	
At 31 December	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Cash and cash equivalents				
Fitch ratings				
F1+	262	174	22	30
Standard & Poor's ratings				
A-1+	2 707	2 485	1 812	1 619
A-1	83	36		
BB-	30		30	
Global credit rating				
AA(za)	114			
Total cash and cash equivalents[1]	3 196	2 695	1 864	1 649

[1] *Excludes overdraft and cash and cash equivalents classified as non-current assets held-for-sale.*

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.4 Credit risk management continued

16.3.3.4.3 Credit quality of financial assets continued

Fitch ratings

F1 Highest credit quality

"+" denotes any exceptionally strong credit feature

Standard & Poor's

A-1+ Highest certainty of payment

A-1 Very high certainty of payment

BB- Speculative in nature with some exposure to risk

Global credit ratings

AA(za) Very strong financial security characteristics relative to other issuers in the same country

16.3.3.4.4 Collateral

No collateral was held by the group as security, nor any other enhancements over the financial assets during the years ended 31 December 2020 and 2019.

Guarantees

The group did not obtain financial or non-financial assets by taking possession of collateral it holds as security or calling on guarantees during the financial years ended 31 December 2020 and 31 December 2019. The guarantees issued relate to operational liabilities (refer note 13.4 on contingent liabilities).

16.3.4 LOAN COMMITMENTS

Loan commitments have been granted to the following parties:

	Group		Company	
At 31 December	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Total loan commitment	981	1 206	731	706
Mafube[1]	250	500		
Insect Technology[2]	731	706	731	706
Undrawn loan commitment	981	1 206	731	706
Mafube	250	500		
Insect Technology	731	706	731	706

[1] *Revolving credit facility available for five years, ending 2023.*

[2] *A US$50 million term loan facility available from 2020 to 2025 subject to certain conditions being met. On 31 January 2021 the term loan facility lapsed.*