Notes to the financial statements continued

for the year ended 30 JUNE 2021

14. Other financial assets

Other investments comprise the following balances:

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Other financial assets comprise the following balances				
Investments in Venture Capital Funds	8 394	3 711	–	–
Investments in Cell Captive	21 267	–	–	–
Short-term loan	149 244	–	–	–
	178 905	3 711	–	–
Non-current assets	29 661	3 711	–	–
Current assets	149 244	–	–	–
	178 905	3 711	–	–

The investment vehicle for the venture capital funds have the mandate of re-investing capital funds. The objective is to generate returns for the holder of shares in the form of dividends.

The total shareholding percentage is less than 20% and as such, no significant influence is exercised over the venture capital fund.

The investments in cell captives relate to investments held in the Guardrisk cell captive.

These investments are classified as financial assets and are measured at fair value through profit and loss due to it being equity investments.

The short-term loan relates to an interest free loan granted to Shelsley Proprietary Limited and is measured at fair value through profit and loss.

14.1 Fair value hierarchy

The following hierarchy is used to classify financial instruments for fair value measurement purposes:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices)
Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. The significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

Specific valuation techniques used to value financial instruments include:

- the fair value of the equity investments measured at fair value through profit and loss are determined based on a valuation of the net asset value attributable to the investments;
- the fair value of the short-term loan receivable is determined with reference to the market-related borrowing rate; and
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis and price earnings (PE) ratios.

The assets disclosed below have been classified as level 3 financial instruments, i.e. the inputs are not based on observable market data. The carrying amount of all assets in the table below approximates the fair value of the assets.

Group fair value measurements using significant unobservable inputs (level 3):

	Level 3 R'000
Year ended 30 June 2021 – Group	
Unlisted investment	29 661
Short-term loan	149 244
Year ended 30 June 2020 – Group	
Unlisted investment	3 711

Notes to the financial statements continued

for the year ended 30 JUNE 2021

14. Other financial assets continued

14.1 Fair value hierarchy continued

The table below presents the movements for the year:

	Group			
	Investments in Venture Capital Funds R'000	Investments in Cell Captive R'000	Short-term loan R'000	Total R'000
Balance at the beginning of the year	3 711	–	–	3 711
Acquisitions through business combinations	–	17 669	–	17 669
Additions	4 683	1 450	148 310	154 443
Fair value gains	–	2 148	934	3 082
Balance at the end of the year	8 394	21 267	149 244	178 905

Valuation inputs and relationships to fair value

Investments in Venture Capital Funds and Investments in Cell Captive

The fair value of the equity investments measured at fair value through profit and loss are determined based on a valuation of the net asset value attributable to the investments, as management has deemed it representative of fair value.

Short-term loan receivable

The fair value of the short-term loan receivable is derived from the amortised cost, calculated using the borrowing rate for a similar instrument in an arms-length transaction.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Description	Fair value at 30 June 2021 R'000	Unobservable inputs	Input value used	Sensitivity of unobservable inputs on profit and loss
Investments in Cell Captive	21 267	Net asset value attributable to the investments	R21 267 000	As the input is based on the net asset value of the cell captive (which is representative of fair value), no sensitivity analysis is deemed necessary.
Short-term loan receivable	149 244	Borrowing rate for a similar instrument at arms-length	5.75%	If the borrowing rate decreased by 1 percent, the fair value will increase by R128 258. If the borrowing rate increases by 1 percent, the fair value will decrease by R126 942.

Valuation process

The finance department of the Group performs the valuations of the investments for financial reporting purposes, including level 3 fair values. The team reports directly to the CFO. Discussions of the valuation processes and results are held between the CFO and Group Finance at year-end to determine the fair value of investments unless there is an indication of impairment which will result in a write off of the investment at that point in time.