

3.6 Fair value measurement

Classes and categories of financial instruments and their fair values

The following table combines information about:

- Classes of financial instruments based on their nature and characteristics;
- The carrying amounts of financial instruments;
- Fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- Fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

	Notes	Financial assets	Financial liabilities	Fair value level		
		FVTPL – mandatorily measured R'000	FVTPL – mandatorily measured R'000	1	2	3
Surety loan receivable	3.5	131 870				131 870
Class B Preference Shares	3.5		46 482			46 482
SPV5 derivative liability	3.5		11 238			11 238
Escrow receivable	3.5	25 063				25 063

There have been no transfers in or out of level 3.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

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for the year ended 31 May 2024

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

3.6 Fair value measurement continued

Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

Financial asset/ liability	Valuation technique applied	Significant unobservable inputs applied	Range of unobservable inputs applied	Sensitivity analysis of valuations using unobservable inputs	
				Positive/(negative) variance applied to parameters*	Potential effect on profit or loss and equity R'000
Class B Preference Share	Discounting of cash flow after taking into account credit risk of Cell C	Probability of default of Cell C	10.11% – 12.35% PD range	10/(10)%	(4 648) – 4 648
SPV5 derivative liability	Discounting of cash flow after taking into account credit risk of Cell C	Probability of default of Cell C	5% – 56.86% LGD range	10/(10)%	804 – (804)
Escrow receivable	Discounting of post churn cash flows after taking into account the credit risk of the book sold to ABL	Probability of default of the debtors book sold	80 – 100% PD range	10/(10)%	(3 888) – 3 888

* A significant parameter has been deemed to be one which may result in a charge to profit or loss, or a change in the fair value of the asset or liability by more than 10% of the underlying value of the affected item.

Credit risk of financial instruments designated at fair value

The following table represents the maximum exposure to credit risk of financial liabilities linked to the credit risk of another counterparty:

	Counterparty credit risk exposure	Maximum exposure to credit risk
Class A Preference Share	Cell C	180 254

3.7 Hedge accounting

The cash flow hedge transaction arose in 2021. TPC entered into a ZAR denominated floating rate debt instrument and was exposed to variability in interest payments as a result of interest rate fluctuations. To hedge this interest rate risk, TPC took out a pay-fixed, receive-floating interest rate swap instrument. The type of hedging relationship is a cash flow hedge. The interest-rate swap instrument matured on 9 October 2023. The company does not have any interest-rate swap agreements in place as at 31 May 2024.