		GROUP	
	(R'million)	2016	2015
32	**Guarantees and contingent liabilities**		
	Guarantees and contingent liabilities	12,8	16,9

COMPANY

Guarantees exist against the company for the obligations of certain subsidiaries amounting to R3,5 million at 30 September 2016 (2015: R91,3 million).

Shares in Chocolaterie Confiserie Camerounaise SA (Chococam), acquired on 1 August 2008 have been pledged as security for the foreign loan utilised to acquire the subsidiary. Refer to note 27.1.

33 Financial instruments

The group's objective in using financial instruments is to reduce the uncertainty over future cash flows arising principally as a result of commodity price, currency and interest rate fluctuations. The use of derivatives for the hedging of firm commitments against commodity price, foreign currency and interest rate exposures is permitted in accordance with group policies, which have been approved by the board of directors. Where significant finance is taken out, this is approved at board meetings.

The foreign exchange contracts outstanding at year end are marked-to-market at closing spot rate.

The group finances its operations through a combination of retained surpluses, bank borrowings and long-term loans.

The group borrows short-term funds with fixed or floating rates of interest through a subsidiary company, Tiger Consumer Brands Limited.

The main risks arising from the group's financial instruments are, in order of priority, procurement risk, foreign currency risk, interest rate risk, liquidity risk and credit risk as detailed below.

33.1 Procurement risk (commodity price risk)

Commodity price risk arises from the group being subject to raw material price fluctuations caused by supply conditions, weather, economic conditions and other factors. The strategic raw materials acquired by the group include wheat, maize, rice, oats and sorghum.

The group uses commodity futures and options contracts or other derivative instruments to reduce the volatility of commodity input prices of strategic raw materials. These derivative contracts are only taken out to match an underlying physical requirement for the raw material. The group does not write naked derivative contracts.

The group has developed a comprehensive risk management process to facilitate, control and monitor these risks. The procurement of raw materials takes place in terms of specific mandates given by executive management. Position statements are prepared on a monthly basis and these are monitored by management and compared to the mandates.

The board has approved and monitors this risk management process, inclusive of documented treasury policies, counterparty limits, controlling and reporting structures.

33 Financial instruments continued

33.1 Procurement risk (commodity price risk) continued

At year end, the exposure to derivative contracts relating to strategic raw materials is as follows:

GROUP

(R'million)	Derivative contracts expiring within 0 – 3 months	
	Unrealised (profit)/ loss at 30 September	Hedged value
2016		
Maize and wheat		
Futures	12,7	332,6
2015		
Maize and wheat		
Futures	(3,4)	128,1

Commodity price sensitivity analysis

The following table details the sensitivity of the group's profit to a 10% increase and decrease in the price of wheat, rice, maize, sorghum and other commodities, excluding the impact of cash flow hedges. A +10% increase would result in an outflow whereas a –10% decrease would result in an inflow.

The 10% stringency is the sensitivity rate used when reporting the commodity price risk internally to key management personnel and represents management's assessment of the possible change in the relevant commodity prices.

GROUP

(R'million)	Profit/(loss) after tax	
	2016 (+10%)/–10%	2015 (+10%)/–10%
Milling and Baking	63,0	256,0
Other grains	137,0	126,8
Other*	76,1	46,7
Total	276,1	429,5

** Other includes tomato paste, sugar, pork, soya and sundry other items.*

Commodity price sensitivity is not applicable to the company.

33 Financial instruments continued

33.2 Foreign currency risk

The group enters into various types of foreign exchange contracts as part of the management of its foreign exchange exposures arising from its current and anticipated business activities.

As the group operates in various countries and undertakes transactions denominated in foreign currencies, exposures to foreign currency fluctuations arise. Exchange rate exposures on transactions are managed within approved policy parameters utilising forward exchange contracts or other derivative financial instruments in conjunction with external consultants who provide financial services to group companies as well as contributing to the management of the financial risks relating to the group's operations.

The group does not hold foreign exchange contracts in respect of foreign borrowings, as its intention is to repay these from its foreign income stream or subsequent divestment of its interest in the operation. Foreign exchange differences relating to investments, net of their related borrowings, where this is viewed as part of one investment, are reported as translation differences in the group's net other comprehensive income until the disposal of the net investment, at which time exchange differences are recycled through profit or loss.

Forward exchange contracts are mainly entered into to cover net import exposures, after setting off anticipated export proceeds on an individual currency basis. The fair value is determined using the applicable foreign exchange spot rates at 30 September 2016.

The exposure and concentration of foreign currency risk is included in the table below.

GROUP (R'million)	South African rand	US dollar	Pound sterling	Euro	Nigerian naira	Other*	Total
2016							
Financial assets							
Accounts receivable	4 013,1	148,8	10,7	17,4	13,2	334,5	4 537,7
Cash and cash equivalents	121,4	403,8	1,1	17,6	7,3	185,8	737,0
Financial liabilities							
Borrowings**	(2 628,4)	–	–	–	(3,8)	(132,8)	(2 765,0)
Accounts payable	(4 300,9)	(29,4)	(10,7)	(9,7)	(54,5)	(275,3)	(4 680,5)
2015							
Financial assets							
Accounts receivable	3 631,3	245,5	12,5	18,8	617,5	335,6	4 861,2
Cash and cash equivalents	386,7	390,3	4,1	8,5	113,5	148,5	1 051,6
Financial liabilities							
Borrowings**	(2 918,9)	–	–	–	(1 551,3)	(369,6)	(4 839,8)
Accounts payable	(3 880,5)	(185,5)	(10,3)	(28,5)	(927,4)	(284,7)	(5 316,9)

* *Other includes the Australian dollar, Canadian dollar, Japanese yen, Swiss franc, New Zealand dollar, Cameroon franc and Kenyan shilling.*

** *In 2016, R98,2 million (2015: R270,7 million) is held by the company.*

33 Financial instruments continued

33.2 Foreign currency risk continued

The following spot rates were used to translate financial instruments denominated in foreign currency:

	2016			2015		
	Assets	Liabilities	Average	Assets	Liabilities	Average
GROUP						
US dollar	13,79	13,81	13,80	13,87	13,88	13,87
Pound sterling	17,91	17,93	17,92	21,04	21,05	21,05
Euro	15,46	15,48	15,47	15,52	15,53	15,52

Forward exchange contracts outstanding at the reporting date all fall due within 12 months. A summary of forward exchange contract positions bought to settle group foreign liabilities and sold to settle group foreign assets is shown below.

	2016			2015		
	Foreign currency (in million)	Average rate	Rand (in million)	Foreign currency (in million)	Average rate	Rand (in million)
GROUP						
Foreign currency sold						
US dollar	1,6	13,85	22,3	4,5	13,94	62,9
Pound sterling	0,2	17,96	3,1	0,2	21,11	3,2
Euro	0,3	15,54	4,6	0,4	15,60	6,7
Other currencies			10,7			7,4
Foreign currency purchased						
US dollar	39,3	13,87	545,0	14,5	13,96	202,0
Pound sterling	3,5	18,15	62,9	2,0	21,14	42,5
Euro	3,8	15,64	58,8	7,3	15,96	116,1
Other currencies			16,2			6,2

	2016			2015		
	Foreign currency (in million)	Average rate	Rand (in million)	Foreign currency (in million)	Average rate	Rand (in million)
GROUP						
Unhedged foreign currency monetary assets						
US dollar	16,3	13,79	224,3	21,3	13,87	295,6
Pound sterling	0,7	17,90	11,8	0,7	21,03	15,3
Euro	2,2	15,46	33,6	1,4	15,52	22,3
Other currencies			19,7			12,3
Unhedged foreign currency monetary liabilities						
US dollar	0,4	13,82	5,7	0,5	14,62	7,0
Pound sterling	–	17,89	0,2	–	17,91	0,2
Euro	0,1	15,52	2,1	0,1	15,14	2,1
Other currencies			0,2			0,2

33 Financial instruments continued

33.2 Foreign currency risk continued

Cash flow hedges

At 30 September 2016, the group had foreign exchange contracts outstanding designated as hedges of future purchases from suppliers outside South Africa for which the group has firm commitments or highly likely forecast transactions.

A summary of these contracts are:

	2016			2015		
	Foreign currency (in million)	Average rate	Rand (in million)	Foreign currency (in million)	Average rate	Rand (in million)
GROUP						
Foreign currency bought						
US dollar	25,1	13,88	348,5	10,7	13,97	150,1
Euro	3,1	18,06	56,3	5,8	16,07	93,6
Pound sterling	3,0	14,38	43,9	1,9	21,15	40,1
Other currencies			16,2			6,2

The terms of the forward currency contracts have been negotiated to match the terms of the commitments.

The cash flow hedge of expected future purchases was assessed to be effective and an unrealised profit of R13,6 million (2015: profit of R13,8 million) relating to the hedging instrument was included in other comprehensive income.

Timing of cash flows relating to foreign currency is as follows:

	GROUP	
Foreign currency (in millions)	1 – 6 months	7 – 12 months
US dollar	25,1	–
Pound sterling	3,1	–
Euro	3,0	–
Japanese yen	107,6	–

These are expected to affect the income statement in the following year.

During the year, R30,1 million (2015: R13,1 million) was released from other comprehensive income and included in the carrying amount of the non-financial asset or liability (highly probable forecast transactions).

There are no forecast transactions for which hedge accounting was previously used but is no longer expected to occur.

Ineffective hedges to the value of R12,4 million (2015: Rnil) have been recognised in profit or loss.

33 Financial instruments continued

33.2 Foreign currency risk continued

Foreign currency sensitivity

The following table details the group and company's sensitivity to a 10% weakening/strengthening in the ZAR against the respective foreign currencies.

This sensitivity analysis includes only material outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date for a 10% change in foreign currency rates. A positive number indicates an increase in profit and other comprehensive income.

	Other comprehensive income		P&L	
(R'million)	2016	2015	2016	2015
GROUP				
USD +10%	(34,0)	(13,2)	(24,2)	–
USD –10%	34,0	13,2	24,2	–
Pound sterling +10%	(6,3)	(3,7)	(0,5)	–
Pound sterling –10%	6,3	3,7	0,5	–
EUR +10%	(6,8)	(10,5)	(0,3)	–
EUR –10%	6,8	10,5	0,3	–
Other +10%	(2,9)	0,2	–	–
Other –10%	2,9	(0,2)	–	–
Total +10%	(50,0)	(27,2)	(25,0)	–
Total –10%	50,0	27,2	25,0	–
COMPANY				
USD +10%	–	–	7,0	12,7
USD –10%	–	–	(7,0)	(12,7)
Other +10%	–	–	9,8	6,6
Other –10%	–	–	(9,8)	(6,6)
Total +10%	–	–	16,8	19,3
Total –10%	–	–	(16,8)	(19,3)

33.3 Interest rate risk management

Interest rate risk results from the cash flow and financial performance uncertainty arising from interest rate fluctuations.

Financial assets and liabilities affected by interest rate fluctuations include bank and cash deposits as well as bank borrowings. At the reporting date, the group cash deposits were accessible immediately or had maturity dates up to six months.

The interest rates earned on these deposits closely approximate the market rates prevailing.

Interest rate sensitivity

The sensitivity analysis addresses only the floating interest rate exposure emanating from the net cash position. The interest rate exposure has been calculated with the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

If interest rates had increased/(decreased) by 1% and all other variables were held constant, the profit for the year ended would increase/(decrease) as detailed in the table below due to the use of the variable interest rates applicable to the long-term borrowings and short-term borrowings. The fixed interest rate on the borrowings would not affect the financial performance. Any gain or loss would be unrealised and consequently the notional impact is not presented.

COMPANY			GROUP	
2016	2015	(R'million)	2016	2015
		Profit or (loss) after tax		
		ZAR borrowings		
0,4	1,4	(+1%)/–1%	25,4	35,8
		Foreign borrowings		
1,8	1,9	(+1%)/–1%	2,3	10,1
		Total		
2,2	3,3	(+1%)/–1%	27,7	45,9

33 Financial instruments continued

33.4 Liquidity risk management

Liquidity risk arises from the seasonal fluctuations in short-term borrowing positions. A material and sustained shortfall in cash flows could undermine investor confidence and restrict the group's ability to raise funds.

The group manages its liquidity risk by monitoring weekly cash flows and ensuring that adequate cash is available or borrowing facilities maintained. In terms of the articles of association, the group's borrowing powers are unlimited. Other than the major loans disclosed in note 27 to these annual financial statements which are contracted with various financial institutions, the group has no significant concentration of liquidity risk with any other single counterparty.

The group's liquidity exposure is represented by the aggregate balance of financial liabilities as indicated in the categorisation table in note 33.7.

Contractual maturity for non-derivative financial liabilities

The following tables detail the group and company's remaining contractual maturity for non-derivative financial liabilities.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group and company will be required to pay. The table includes both interest and principal cash flows. The "finance charge" column represents the possible future cash flows attributable to the instrument included in the maturity analysis, which are not included in the carrying amount of the financial liability.

(R'million)	Carrying amount	Finance charge	0 – 6 months	7 – 12 months	1 – 5 years	> 5 years
GROUP						
2016						
Trade and other payables	3 004,9	–	3 001,1	3,8	–	–
Borrowings (long and short term)*	1 153,0	(324,0)	342,1	65,6	1 068,1	1,2
Guarantees and future commitments not on the statement of financial position	–	–	12,8	–	–	–
Total	4 157,9	(324,0)	3 356,0	69,4	1 068,1	1,2
2015						
Trade and other payables	2 805,1	–	2 804,0	1,1	–	–
Borrowings (long and short term)*	1 661,4	(252,3)	262,4	356,8	1 293,3	1,2
Guarantees and future commitments not on the statement of financial position	–	–	289,5	–	–	–
Total	4 466,5	(252,3)	3 355,9	357,9	1 293,3	1,2

** Excludes bank overdrafts of R1 612,0 million (2015: R3 178,4 million) and cash of R737,0 million (2015: R1 051,6 million). These are repayable on demand and subject to annual review.*

(R'million)	Carrying amount	Finance charge	0 – 6 months	7 – 12 months	1 – 5 years	> 5 years
COMPANY						
2016						
Borrowings (long and short term)	98,2	(12,3)	–	59,5	51,0	–
Intergroup loan accounts	557,8	(237,1)	–	–	794,9	–
Guarantees not on the statement of financial position	–	–	3,5	–	–	–
Total	656,0	(249,4)	3,5	59,5	845,9	–
2015						
Borrowings (long and short term)	270,7	(22,7)	151,1	43,8	98,5	–
Intergroup loan accounts	544,8	(204,3)	–	–	749,1	–
Guarantees not on the statement of financial position	–	–	91,3	–	–	–
Total	815,5	(227,0)	242,4	43,8	847,6	–

Refer to notes 28.3 and 28.4 for disclosure relating to operating and finance lease commitments.

33 Financial instruments continued

33.5 Credit risk management

GROUP

Credit risk arises from the risk that a counterparty may default or not meet its obligations timeously.

The group limits its counterparty exposure arising from financial instruments by only dealing with well-established institutions of high credit standing. The group does not expect any counterparties to fail to meet their obligations given their high credit ratings.

Credit risk in respect of the group's customer base is controlled by the application of credit limits and credit monitoring procedures. Certain significant receivables are monitored on a daily basis. Where appropriate, credit guarantee insurance is obtained.

The group's credit exposure, in respect of its customer base, is represented by the net aggregate balance of amounts receivable. Concentrations of credit risk are disclosed in note 21.4.

Credit risk exposure at 30 September 2016 in respect of guarantees amounted to R12,8 million (2015: R16,9 million). Refer to note 32.

COMPANY

Credit risk exposure at 30 September 2016 relating to guarantees amounted to R3,5 million (2015: R91,3 million). Refer to note 32.

33.6 Capital management

The primary objective of the company and group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The company and group manages their capital structure, calculated as equity plus net debt, and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the company and group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or increase or decrease levels of debt. No changes were made in the objectives, policies or processes during the years ended 30 September 2016 and 30 September 2015.

The company and group monitor capital using a gearing ratio, which is net debt divided by total equity. The company and group target a long-term gearing ratio of 30% to 40%, except when major investments are made where this target may be exceeded.

COMPANY			GROUP	
2016	2015	(R'million)	2016	2015
(282,1)	(127,1)	Cash and cash equivalents	(737,0)	(1 051,6)
51,0	98,5	Long-term borrowings	1 069,3	1 215,8
47,2	194,9	Short-term borrowings	1 695,7	3 624,0
(183,9)	166,3	Net debt/(cash)	2 028,0	3 788,2
9 821,0	9 214,0	Total equity	16 033,9	13 777,6
(1,9)	1,8	Net debt/(cash) to equity (%)	12,6	27,5

33 Financial instruments continued

33.7 Categorisation of financial assets and liabilities

(R'million)	Loans and receivables Amortised cost	Financial assets available for sale Fair value	Other liabilities Amortised cost	Financial instruments at fair value through profit or loss	Non-financial items	Total book value
GROUP						
2016						
Assets	–	–	–	–	19 027,5	19 027,5
Other investments	53,4	115,5	–	–	–	168,9
Loans	3,2	–	–	–	–	3,2
Trade and other receivables	4 183,4	–	–	1,3	407,6	4 592,3
Cash and cash equivalents	737,0	–	–	–	–	737,0
Total	4 977,0	115,5	–	1,3	19 435,1	24 528,9
Shareholders' equity and liabilities	–	–	–	–	(17 606,8)	(17 606,8)
Long-term borrowings	–	–	(1 069,3)	–	–	(1 069,3)
Trade and other payables	–	–	(3 008,0)	(29,1)	(1 120,0)	(4 157,1)
Short-term borrowings	–	–	(1 695,7)	–	–	(1 695,7)
Total	–	–	(5 773,0)	(29,1)	(18 726,8)	(24 528,9)
2015						
Assets	–	–	–	–	18 745,4	18 745,4
Other investments	49,1	109,1	–	–	–	158,2
Loans	3,4	–	–	–	–	3,4
Trade and other receivables	4 034,6	–	–	18,9	842,2	4 895,7
Cash and cash equivalents	1 051,6	–	–	–	–	1 051,6
Total	5 138,7	109,1	–	18,9	19 587,6	24 854,3
Shareholders' equity and liabilities	–	–	–	–	(15 217,7)	(15 217,7)
Long-term borrowings	–	–	(1 215,8)	–	–	(1 215,8)
Trade and other payables	–	–	(2 807,8)	(9,2)	(1 979,8)	(4 796,8)
Short-term borrowings	–	–	(3 624,0)	–	–	(3 624,0)
Total	–	–	(7 647,6)	(9,2)	(17 197,5)	(24 854,3)

Refer to the accounting policies for further details on the above classifications.

33 Financial instruments continued

33.7 Categorisation of financial assets and liabilities continued

(R'million)	Loans and receivables Amortised cost	Financial assets available for sale Fair value	Other liabilities Amortised cost	Financial instruments at fair value through profit or loss	Non-financial items	Total book value
COMPANY						
2016						
Assets	499,5	–	–	–	4 337,4	4 836,9
Other investments	2 059,2	6,4	–	–	–	2 065,6
Loans	3 265,5	–	–	–	–	3 265,5
Trade and other receivables	36,5	–	–	–	12,1	48,6
Cash and cash equivalents	282,1	–	–	–	–	282,1
Total	6 142,8	6,4	–	–	4 349,5	10 498,7
Shareholders' equity and liabilities	–	–	(557,8)	–	(9 821,0)	(10 378,8)
Long-term borrowings	–	–	(51,0)	–	–	(51,0)
Trade and other payables	–	–	(21,7)	–	–	(21,7)
Short-term borrowings	–	–	(47,2)	–	–	(47,2)
Total	–	–	(677,7)	–	(9 821,0)	(10 498,7)
2015						
Assets	499,5	–	–	–	4 338,3	4 837,8
Other investments	2 026,0	4,7	–	–	–	2 030,7
Loans	3 060,3	–	–	–	–	3 060,3
Trade and other receivables	16,6	–	–	–	2,1	18,7
Cash and cash equivalents	127,1	–	–	–	–	127,1
Total	5 729,5	4,7	–	–	4 340,4	10 074,6
Shareholders' equity and liabilities	–	–	(544,8)	–	(9 214,0)	(9 758,8)
Long-term borrowings	–	–	(98,5)	–	–	(98,5)
Trade and other payables	–	–	(22,4)	–	–	(22,4)
Short-term borrowings	–	–	(194,9)	–	–	(194,9)
Total	–	–	(860,6)	–	(9 214,0)	(10 074,6)

Refer to the accounting policies for further details on the above classifications.

33 Financial instruments continued

33.8 Fair value hierarchy

Financial instruments are normally held by the group until they close out in the normal course of business. The fair values of the group's financial instruments, which principally comprise put, call and futures positions with SAFEX, forward exchange contracts and listed investments, approximate their carrying values. The maturity profile of these financial instruments fall due within 12 months. The maturity profile of the group's long-term liabilities is disclosed in note 27.1 of these annual financial statements.

There are no significant differences between carrying values and fair values of financial assets and liabilities, except for intercompany loans at a company level, which are eliminated on consolidation.

Trade and other receivables, investments and loans, and trade and other payables carried on the statement of financial position approximate the fair values thereof except for amounts owed by subsidiaries where the fair value is R2,0 billion (2015: R2,1 billion) calculated using the effective interest rate method linked to market-related interest rates of 5,75% (2015: 4,75%) and is disclosed as level 2.

Long-term and short-term borrowings are measured at amortised cost using the effective interest rate method and the carrying amounts approximate their fair value.

The group used the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 September, the group held the following financial instruments measured at fair value:

	2016				2015			
	Level 1	Level 2	Level 3**	Total	Level 1	Level 2	Level 3**	Total
GROUP								
Assets measured at fair value								
Available-for-sale financial assets								
Other investments	107,0	3,3	5,2	115,5	102,2	2,5	4,4	109,1
Derivatives	–	1,3	–	1,3	–	18,9	–	18,9
Liabilities measured at fair value								
Derivatives	–	(29,1)	–	(29,1)	–	(9,2)	–	(9,2)
COMPANY								
Assets measured at fair value								
Available-for-sale financial assets								
Other investments	–	1,2	5,2	6,4	–	0,3	4,4	4,7
Derivatives	–	–	–	–	–	–	–	–
Liabilities measured at fair value								
Derivatives	–	–	–	–	–	–	–	–

** *The value of the investment in Group Risk Holdings is based on Tiger Brands' proportionate share of the net asset value of the company. There are no other significant inputs that are used in the valuation and any changes in these inputs would not result in a significant fair value change.*