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between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at their fair values, management considers the principal or most advantageous market in which it would transact and consider assumptions that market participants would use when pricing the assets or liabilities, such as inherent risk, transfer restrictions and risk of non-performance.

ASC 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. An asset's or a liability's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 establishes three levels of inputs that may be used to measure fair value:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
- Level 3: unobservable inputs that are supported by little or no market activity and that are significant to the fair values of the assets or liabilities.

The Operating Entities' interest rate swaps are classified as Level 2 since all significant inputs are observable for similar instruments. The fair value is determined based on observable market prices for interest rates. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract. There were no transfers between Level 1, Level 2 and Level 3 financial instruments during the years ended December 31, 2014 and 2013.

The Operating Entities maintain various financial instruments recorded at cost in the December 31, 2014 and 2013 combined balance sheets that are not required to be recorded at fair value. For these instruments, the Operating Entities used the following methods and assumptions to estimate the fair value:

- Cash and cash equivalents, restricted cash, accounts receivable and accounts payable, the carrying amount approximates fair value because of the short-term maturity of the instruments.
- Long-term debt fair value is based on the amount of future cash flows associated with each debt instrument discounted at the current borrowing rate for similar debt instruments of comparable terms. As at December 31, 2014, the fair value of the Operating Entities' long-term debt with unrelated parties is approximately 8.0% greater than its carrying value. At December 31, 2013, the fair value was approximately 2.3% greater than its carrying amount.
- Given that the shareholder loan agreements do not contain a fixed or determinable repayment schedule, and thus no imputed interest rate is applied, the amortized cost carrying value of loans from shareholders is deemed to approximate fair value.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in ZAR '000	December 31, 2014	December 31, 2013
Bank balances	147 764	—

The full value of cash and cash equivalents has been pledged as collateral against the Long-term debt of the Operating Entities.

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