20. Financial instruments

Principles of risk management

The group has exposure to the following risks from its use of financial instruments:
* Credit risk;
* Liquidity risk; and
* Market risk.

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The Board has established a group Audit and Risk Committee, which is responsible for monitoring the group's risk management policies. The committee reports directly to the Board of directors on its activities.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The group Audit and Risk Committee oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group. The group Audit and Risk Committee is assisted in the oversight role at operations level by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the group Audit and Risk Committee.

The overall objective of the Venture's treasury department is to effectively manage credit risk, liquidity risk and market risks in accordance with the group's strategy. Other responsibilities of the Venture's treasury department include management of the group's cash resources, approval of counter–parties and relevant transaction limits and the monitoring of all significant treasury activities undertaken by the group.

The Venture's treasury department prepares monthly treasury reports which monitor all significant treasury activities undertaken by the Venture. The report also benchmarks significant treasury activities and monitors key banking risks to ensure continued effectiveness.

The group's significant financial instruments comprise loans and receivables, cash and cash equivalents and financial liabilities measured at amortised cost. The main purpose of these financial instruments is to finance the group's acquisitions and ongoing operations.

20. Financial instruments *(continued)*

	Group		Company	
	2017	2016	**2017**	2016
	R'000	R'000	**R'000**	R'000
20.4 Financial instruments carrying amounts				
Loans and receivables	**1 511 605**	1 363 389	**1 551 625**	1 415 037
Inter company loan	**-**	-	**1 532 928**	1 357 278
Trade and other receivables	**826 086**	1 075 509	**158**	1 434
Long term receivable	**13 864**	-	**-**	-
Cash and cash equivalents	**671 655**	287 880	**18 539**	56 325
Financial assets/liabilities at fair value – embedded derivative	**(35 175)**	116 675	**-**	-
Financial liabilities measured at amortised cost	**(335 554)**	(792 266)	**(228 229)**	(76 355)
Loans and borrowings – long-term	**(11 094)**	(189 102)	**-**	-
Loans and borrowings – short-term	**(1 044)**	(187 839)	**-**	-
Bank overdraft	**-**	(24 576)	**-**	-
Trade and other payables	**(323 416)**	(390 749)	**(228 229)**	(76 355)

The carrying amount of financial assets and financial liabilities reflected in the statements of financial position approximate their fair values.

21. Capital management

The Board's policy is to maintain a strong capital base in order to maintain investor, debt providers and the market confidence in the business.

The strong capital base should ensure that any organic or acquisitive growth in the business is sustainable and provides a cushion for the cyclical nature of the resources business.

The Board has actively pursued a policy of debt reduction and its objective is to maintain its net gearing level to a maximum of 25% versus total assets. This ratio is calculated taking into account interest bearing debt excluding cash balances divided by total assets. At 31 December 2017 year end, the gearing level was 0.2% (31 December 2016: 6%).

As the required gearing level has been achieved, the Board will focus on balancing the requirement to pay dividends, while at the same time ensuring that there is sufficient capital in the business to see the company through the continued global economic uncertainty, to fund working capital, to fund capital expenditure requirements and to fund other growth opportunities in the business.

When analysing growth opportunities, the Board seeks to obtain a minimum internal rate of return of 20%.

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.