

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS continued

3.1 Credit risk continued

Expected credit losses continued

Ageing and impairment analysis continued

ECLs for receivables other than trade receivables have been determined using the general approach in IFRS 9.

	Trade receivables		Other financial assets	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Provision for impairment of receivables				
Balance at the beginning of the year	47 908	19 020	141 850	—
Amounts restated through opening retained earnings	32 876	—	48 404	—
Acquisition of subsidiary	—	10 173	—	—
Allowances made during the year	42 033	23 808	163 733	141 850
Amounts utilised and reversal of unutilised amounts	(26 833)	(5 093)	(76 033)	—
At 31 May	95 984	47 908	277 954	141 850

Other financial assets on which ECLs are applied include loans to associates and joint ventures, loans receivable and advances to customers. Not included in the above table are the ECLs applied within associates, and joint ventures accounted for in investments in associates and joint ventures.

3.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due, both under normal and stressed circumstances.

The Group's objective is to maintain prudent liquidity risk management by maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available. Cash flow forecasting is performed in the operating entities of the Group to ensure sufficient cash to meet operational needs while maintaining sufficient headroom to ensure that borrowing limits (where applicable) are not breached.

Surplus cash held by the operating entities over and above the balance required for working capital management is transferred to the Group treasury. Group treasury invests surplus cash in interest-bearing accounts, identifying instruments with sufficient liquidity to provide adequate headroom as determined by the above mentioned forecasts.

Notes to the Group annual financial statements continued

For the year ended 31 May 2019

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS continued

3.2 Liquidity risk continued

Maturity of financial liabilities

The table below analyses the undiscounted cash flows for the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

	Note reference	Less than one month or on demand R'000	More than one month but not exceeding one year R'000	Payable in: More than one year but not exceeding two years R'000	More than two years but not exceeding five years R'000	More than five years R'000
2019						
Interest-bearing borrowings	3.6.2	18 553	1 706 571	1 722 693	2 877	—
Non-interest-bearing borrowings	3.6.2	—	21 924	13 952	—	—
Trade and other payables	3.6.1	3 354 792	1 860 145	—	17 304	—
Put option liability	3.7	—	158 638	—	—	—
Financial liability at fair value through profit and loss	3.7	—	301 716	—	—	—
Financial guarantee contracts	3.6.3	243 492*	1 250 000 ¹	—	—	—
Contingent consideration	3.6.1	1 923	—	—	—	—
Bank overdraft	3.5.4	7843	—	—	—	—
Total		3 626 603	5 298 994	1 736 645	20 181	—
2018						
Interest-bearing borrowings	3.6.2	715 831	923 199	163 497	1 555 238	—
Non-interest-bearing borrowings	3.6.2	174	—	—	—	—
Trade and other payables	3.6.1	3 357 549	1 673 571	96	—	—
Put option liability	3.6.1	—	108 203	—	—	—
Financial liability at fair value through profit and loss	3.7	—	302 318	251 932	—	—
Contingent consideration	3.6.1	—	4 744	—	—	—
Total		4 073 554	3 012 035	415 525	1 555 238	—

* Financial guarantee contracts represent 100% of the balance that would be due if the surety was called upon.

¹ As at 31 May 2019, this balance has not been recognised as a liability. Refer to note 3.6.3.

Trade and other payables exclude non-financial instruments, being VAT and certain amounts included within accruals and sundry creditors.

Liquidity support

As part of the restructure of the debt into Cell C by third-party lenders, The Prepaid Company will be required to provide liquidity support to Magnolia Cellular Investment 2 (RF) Proprietary Limited (SPV2), which is 100% held by 3C Telecommunications Proprietary Limited, of up to USD80 million, which liquidity support will be provided over 24 months and will be in the form of subordinated funding to SPV2. Oger Telecoms contributed USD36 million of the aforesaid USD80 million thus reducing The Prepaid Company's obligation in this regard to a maximum of USD44 million. As at 31 May 2019, the Group has contributed USD24 million to SPV2. The remaining amount due of USD20 million is included in financial liabilities at fair value through profit and loss.

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS continued

3.2 Liquidity risk continued

Group facilities

The Group has access to the following facilities in order to meet its liquidity needs:

Facility	Borrower	Investec	Rand Merchant Bank	Value R'000	Interest rate	Interest period	Repayment date
Senior facility A	Comm Equipment Company Proprietary Limited	50%	50%	858 152	3-month JIBAR plus 3.85%	Quarterly	31 August 2020
Senior facility B	Comm Equipment Company Proprietary Limited	50%	50%	650 000	Prime plus 0.35%	Monthly	31 August 2020
Mezzanine facility	Comm Equipment Company Proprietary Limited	100%	—	410 532	Prime plus 1.5%	Monthly	31 August 2020
Facility A	The Prepaid Company Proprietary Limited	100%	—	1 500 000	Prime minus 0.5%	Monthly	30 September* 2019
Facility B	The Prepaid Company Proprietary Limited	100%	—	550 000	Prime	Monthly	30 September* 2019
				3 968 684			

* Subsequent to year-end the Group has renewed these facilities until 29 November 2019.

- The Group has a working capital loan facility with Investec Bank Limited of R2.050 billion (2018: R2.050 billion). Drawdowns were made during the year, and the utilised portion of the facility at year-end amounted to R1.512 billion (2018: R690 million).
- The following debt covenants are in place for the TPC facilities within Investec:
 - Facility A
 - Debt to EBITDA ratio must be less than 2.5 times
 - The sum of 70% of debtors and 80% of stock must exceed the utilised value of the facility
 - 90% of the cash deposits are to be held with Investec (on average for the month)
 - Facility B
 - Debt to EBITDA ratio must be less than 2.5 times
 - The facility commitment value must be less than 25% of BLT's 45% stake in Cell C
- The Group has not been in breach in respect of these covenants.
- The Group has pledged certain securities in respect of this facility. Refer to notes 3.5.2 and 4.4.
- The Group has a financing facility with Rand Merchant Bank Limited and Investec Bank of R1.92 billion (2018: R1.92 billion). This facility is restricted for use by the 3G Mobile Group. Drawdowns were made during the year and the utilised portion of the facility at year-end amounted to R1.669 billion (2018: R1.514 billion).
- The Group is in the process of negotiating a renewal of Facility A.

Pledges, guarantees and sureties

- The shares in 3G Mobile and its subsidiaries have been pledged as security for the R1.92 billion Rand Merchant Bank Limited and Investec Bank facilities. Blue Label Telecoms and The Prepaid Company have issued guarantees for this facility. The guarantees are included in the sureties detailed above.
- The Company and a subsidiary company issued a cross-surety in respect of an overdraft facility in the amount of R19.85 million (2018: R19.85 million) in favour of FNB, a division of First National Bank Limited (FNB). This facility was unutilised as at 31 May 2018. In addition, the Company and four of its subsidiaries issued a cross-surety in the amount of R1.3 million (2018: R1.3 million) in respect of credit card facilities granted by FNB.
- Guarantees to the value of R936.8 million (2018: R614.4 million) are issued by the Group's bankers in favour of suppliers on behalf of the Group. The Group does not have access to this portion of its facilities while amounts owing to suppliers are outstanding.
- A cash backed guarantee to the value of R48.2 million (2018: R37.8 million) has been issued by the Group's bankers in favour of RBL Bank on behalf of the Group. The Group does not have access to this cash while the guarantee is in place. A financial guarantee contract liability of R48.2 million has been raised in the Group's statement of financial position at year-end. Refer to note 3.6.3.