Notes to the Group annual financial statements continued

For the year ended 31 May 2017

3. Financial instruments and financial risks continued

Maturity of financial liabilities

The table below analyses 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.

The amounts disclosed in the table are the contractual undiscounted cash flows.

			Payable in:		
	Less than one month or on demand R'000	More than one month but not exceeding one year R'000	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
2017					
Interest-bearing borrowings	**—**	**—**	**—**	**—**	**—**
Non-interest-bearing borrowings	**6 676**	**11 350**	**—**	**—**	**—**
Trade and other payables*	**2 280 680**	**1 223 630**	**3 911**	**—**	**—**
Contingent consideration	**2 588**	**26 303**	**4 900**	**—**	**—**
Total	**2 289 944**	**1 261 283**	**8 811**	**—**	**—**
2016					
Non-interest-bearing borrowings	16 087	—	—	—	—
Trade and other payables*	1 801 482	729 843	28 327	—	—
Contingent consideration	—	56 033	33 895	—	—
Total	1 817 569	785 876	62 222	—	—

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

3.1 Financial assets

3.1.1 Loans receivable

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are included in current assets, except for maturities greater than 12 months after the statement of financial position date, which are classified as non-current assets.

	2017 R'000	2016 R'000
Interest-free loans	**121 609**	53 189
Interest-bearing loans receivable	**103 471**	50 938
	225 080	104 127
Less: Amounts included in current portion of loans receivable	**(188 229)**	(98 217)
	36 851	5 910

All loans receivable are unsecured and repayable within five years. Interest-bearing loans bear interest at a range of between 7.5% and prime plus 2%.

The loans receivable are neither past due nor impaired with a low risk of default. Of this amount, R26 million (2016: R47 million) relates to loans receivable from related parties, of which R26 million (2016: R21 million) is interest free (refer to note 8).

Notes to the group annual financial statements continued

For the year ended 31 May 2017

3. Financial instruments and financial risks continued

3.1 Financial assets continued

3.1.1 Loans receivable continued

The Group considers its maximum exposure in respect of loans receivable, without taking into account any collateral and financial guarantees, to be as follows:

	2017 R'000	2016 R'000
Group 1	—	5 427
Group 2	224 861	98 340
Group 3	219	360
	225 080	104 127

The rating groups for counterparties are categorised as follows:

Group 1 – New customers/related parties (less than six months).

Group 2 – Existing customers/related parties (more than six months) with no defaults in the past.

Group 3 – Existing customers/related parties (more than six months) with some defaults in the past.

All defaults were fully recovered or are in the process of being recovered.

3.1.2 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in the normal operating cycle of the business, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement.

	2017 R'000	2016 R'000
Trade receivables	2 470 705	2 440 111
Less: Provision for impairment	(19 020)	(13 850)
	2 451 685	2 426 261
Sundry debtors	98 521	75 244
Contingent consideration receivable[1]	—	15 860
Prepayments[2]	175 955	72 272
VAT	52 646	92 833
Receivables from related parties (refer to note 8)	22 702	25 719
	2 801 509	2 708 189
Less: Amounts included in current portion of trade and other receivables[3]	(2 758 997)	(2 679 023)
	42 512	29 166

[1] *Ukash was disposed of in April 2015. The proceeds included a contingent receivable of R17.5 million. The contingent consideration arrangement required the acquirer to pay in cash to the Group an additional amount of R18.1 million if certain warranties were achieved. The amounts were receivable in four six-month intervals commencing 30 September 2015. In the current year, the Group received R12.8 million (2016: R5.8 million) relating to this.*

[2] *Included in the amount above are prepayments to customers of R89 million (2016: R23 million).*

[3] *Included in the amount above are starter pack debtors that have a normal operating cycle period which may be in excess of 12 months.*

Fair value estimation

Fair value measurement hierarchy:

- Level 1: fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); or
- Level 3: fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).