2. GROUP COMPOSITION continued

2.1 Investments in and loans to associates and joint ventures

The Group holds the following investments in and loans to associates and joint ventures:

	Cost and share of reserves		Loans		Total investments and loans	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
Cell C Limited	**–**	6 095 459	**–**	1 029 626	**–**	7 125 085
Blue Label Mexico S.A. de C.V.	**136 460**	136 801	**–**	–	**136 460**	136 801
Oxigen Services Private Limited	**–**	207 188	**–**	34 017	**–**	241 205
Oxigen Online Services Private Limited	**–**	–	**–**	–	**–**	–
2DFine Group	**–**	(55 762)	**–**	100 837	**–**	45 075
Other associates	**31 325**	87 975	**3 635**	–	**34 960**	87 975
Other joint ventures	**24 797**	40 245	**22 625**	37 825	**47 422**	78 070
	192 582	6 511 906	**26 260**	1 202 305	**218 842**	7 714 211
Disclosed as:						
– Non-current assets	**192 582**	6 511 906	**26 260**	172 679	**218 842**	6 684 585
– Current assets	**–**	–	**–**	1 029 626	**–**	1 029 626

Loans to associates and joint ventures

		Total loans		Current		Non-current	
	Interest rate	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
SupaPesa South Africa Proprietary Limited	11%	**5 650**	6 265	**–**	–	**5 650**	6 265
United Call Centre Solutions Proprietary Limited	0%	**16 976**	18 190	**–**	–	**16 976**	18 190
Cell C Limited	17%	**–**	740 000	**–**	740 000	**–**	–
Cell C Limited	Prime less 0.5%	**–**	289 626	**–**	289 626	**–**	–
Oxigen Services Private Limited	Libor + 1.5%	**–**	34 017	**–**	–	**–**	34 017
2DFine Holdings	Libor + 1.5%	**–**	100 837	**–**	–	**–**	100 837
Prepaid24 Proprietary Limited	Prime	**–**	5 570	**–**	–	**–**	5 570
Prepaid24 Proprietary Limited	0%	**–**	7 800	**–**	–	**–**	7 800
T3 Telecoms SA Proprietary Limited	0%	**3 634**	–	**–**	–	**3 634**	–
		26 260	1 202 305	**–**	1 029 626	**26 260**	172 679

The loans as at 31 May 2019 are neither past due nor impaired with a low risk of default. The carrying amount of the loans approximates their fair value.

The loans to associates and joint ventures are repayable on demand.

2. GROUP COMPOSITION continued

2.1 Investments in and loans to associates and joint ventures continued

	Associate		Joint venture		Associate	
Company	Cell C Limited		Blue Label Mexico S.A. de C.V.		Oxigen Services Private Limited	
Principal activity			Distributor of terminals to vend e-tokens of value		Airtime and payment solutions provider	
Country of incorporation	South Africa		Mexico		India	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000	**2019 R'000**	Restated* 2018 R'000
Cost and share of reserves at the beginning of the year	**6 095 459**	–	**136 801**	173 669	**207 188**	262 657
Reversal of fair value adjustment*	**–**	–	**–**	–	**–**	(11 388)
Equity accounted adjustments*	**–**	–	**–**	–	**–**	(41 960)
Cost and share of reserves at the beginning of the year – restated for prior year error	**6 095 459**	–	**136 801**	173 669	**207 188**	209 309
Adjustment on the initial application of IFRS 9 and IFRS 15	**35 189**	–	**–**	–	**(627)**	–
Cost and share of reserves at the beginning of the year – restated for change in accounting standards	**6 130 648**	–	**136 801**	173 669	**206 561**	209 309
Acquisition of associates and joint ventures	**–**	5 532 891	**–**	–	**–**	–
Rights issue	**–**	–	**–**	–	**–**	12 675
Financial guarantee contracts raised (refer note 3.6.3)	**–**	–	**–**	–	**–**	–
Share of (losses)/profits from associates and joint ventures	**(3 609 496)**	562 568	**(24 096)**	(21 901)	**(109 572)**	(2 543)
Share of results after tax	**(3 599 120)**	571 214	**(22 461)**	(20 351)	**(109 090)**	(2 061)
Amortisation of intangible assets	**(14 411)**	(12 009)	**(2 271)**	(2 152)	**(669)**	(669)
Deferred tax on intangible assets amortisation	**4 035**	3 363	**636**	602	**187**	187
Foreign currency translation reserve	**–**	–	**23 755**	(14 967)	**21 423**	(12 253)
Dividends received	**–**	–	**–**	–	**–**	–
Impairment	**(2 521 152)**	–	**–**	–	**(118 412)**	–
Conversion of associate to subsidiary	**–**	–	**–**	–	**–**	–
Cost and share of reserves at the end of the year	**–**	6 095 459	**136 460**	136 801	**–**	207 188
Loans to associates and joint ventures						
Loans at the beginning of the year	**1 029 626**	–	**–**	–	**34 017**	34 310
Adjustment on the initial application of IFRS 9	**–**	–	**–**	–	**(16 704)**	–
Loans at the beginning of the year – restated	**1 029 626**	–	**–**	–	**17 313**	34 310
Loans granted to associates and joint ventures	**106 133**	1 029 626	**–**	–	**7 467**	1 025
Loans repaid by associates and joint ventures	**(1 135 759)**	–	**–**	–		–
Impairment of loans	**–**	–	**–**	–	**(30 511)**	–
Unrealised foreign exchange profit/(loss) on loans to associates and joint ventures	**–**	–	**–**	–	**5 731**	(1 318)
Loans at the end of the year	**–**	1 029 626	**–**	–	**–**	34 017
Closing net book value	**–**	7 125 085	**136 460**	136 801	**–**	241 205

** As a result of the prior year error the Group has restated their comparative financial information. Refer to note 11 for details.*

[1] 2DFine Group consists of 2DFine Holdings Mauritius and 2DFine Investments Mauritius.

[2] R895 million represents the acquisition of 3G Mobile on 2 August 2017. This was converted to a subsidiary on 6 December 2017. R4 million (2017: R9.3 million) represents an equity loan granted to WiConnect Proprietary Limited. These loans are repayable from surplus reserves at the discretion of the Board.

[3] The Group has accounted for its share of losses in 2DFine in excess of the cost of the investment due to the fact that the Group stands surety for certain banking facilities with RBL Bank India. Refer to note 3.2. In the current year the Group has recognised a guarantee contract liability in respect of this surety and therefore losses have not been recognised beyond the cost of the investments. Refer to note 3.6.3.

Associate Oxigen Online Services Private Limited Online payment solutions provider India		Joint venture 2DFine Group[1] Investment holding company India		Other associates		Other joint ventures		Total	
2019 R'000	Restated* 2018 R'000	2019 R'000	Restated* 2018 R'000	2019 R'000	2018 R'000	2019 R'000	2018 R'000	2019 R'000	Restated* 2018 R'000
–	24 692	(55 762)	4 201	87 975	82 551	40 245	40 275	6 511 906	588 045
–	(101 831)	–	(46 981)	–	–	–	–	–	(160 200)
–	77 139	–	(3 189)	–	–	–	–	–	31 990
–	–	(55 762)	(45 969)	87 975	82 551	40 245	40 275	6 511 906	459 835
–	–	–	–	(312)	–	(86)	–	34 164	–
–	–	(55 762)	(45 969)	87 663	82 551	40 159	40 275	6 546 070	459 835
	–	–	–	562	911 888[2]	–	–	562	6 444 779
–	12 401	–	–	–	–	–	–	–	25 076
–	–	40 631	–	–	–	–	–	40 631	–
–	(31 037)	22 935	(11 604)	(5 192)	20 957	24 011	4 188	(3 701 410)	520 628
–	(31 037)	22 935	(11 604)	(4 156)	25 545	24 011	4 188	(3 687 881)	535 894
–	–	–	–	(1 439)	(6 372)	–	–	(18 790)	(21 202)
–	–	–	–	403	1 784	–	–	5 261	5 936
–	18 636	(7 804)	1 811	2 355	681	6 139	(1 587)	45 868	(7 679)
–	–	–	–	(1 992)	(1 620)	(16 000)	(2 631)	(17 992)	(4 251)
–	–	–	–	–	–	(29 512)	–	(2 669 076)	–
–	–	–	–	(52 071)	(926 482)	–	–	(52 071)	(926 482)
–	–	–	(55 762)[3]	31 325	87 975	24 797	40 245	192 582	6 511 906
–	–	100 837	218 305	–	–	37 825	19 338	1 202 305	271 953
–	–	(8 606)	–	–	–	(13 521)	–	(38 831)	–
–	–	92 231	218 305	–	–	24 304	19 338	1 163 474	271 953
–	–	9 934	32 858	3 685	–	–	18 937	127 219	1 082 446
–	–	–	–	–	–	(1 411)	(450)	(1 137 170)	(450)
–	–	(130 718)	(141 850)	(50)	–	(268)	–	(161 547)	(141 850)
–	–	28 553	(8 476)	–	–	–	–	34 284	(9 794)
–	–	–	100 837	3 635	–	22 625	37 825	26 260	1 202 305
–	–	–	45 075	34 960	87 975	47 422	78 070	218 842	7 714 211

2. GROUP COMPOSITION continued

2.1 Investments in and loans to associates and joint ventures continued

	Associate		Joint venture	
Company	Cell C Limited		Blue Label Mexico S.A. de C.V.	
Principal activity	Mobile network		Distributor of terminals to vend e-tokens of value	
Country of incorporation	South Africa		Mexico	
Financial year-end*	31 December		31 December	
	31 May 2019 R'000	31 May 2018 R'000	**31 May 2019 R'000**	31 May 2018 R'000
Statement of financial position				
Non-current assets	**19 865 013**	21 533 877	**38 293**	54 122
Current assets	**6 249 195**	5 452 624	**258 835**	223 191
Cash and cash equivalents	**681 938**	52 994	**97 014**	113 209
Other current assets	**5 567 257**	5 399 630	**161 821**	109 982
	26 114 208	26 986 501	**297 128**	277 313
Total equity	**2 674 170**	10 617 066	**16 883**	59 394
Non-current liabilities	**5 415 378**	8 264 676	**2 412**	3 206
Current liabilities	**18 024 660**	8 104 759	**277 833**	214 713
Trade and other payables	**7 564 596**	5 991 793	**277 833**	213 228
Other current liabilities	**10 460 064**	2 112 966	**–**	1 485
	26 114 208	26 986 501	**297 128**	277 313
Effective percentage held	**45**	45	**47.56**	47.56
Net assets	**2 674 170**	10 617 066	**16 883**	59 394
Company net assets	**(4 625 760)**	3 294 078	**10 683**	51 149
Carrying value of purchase price allocations net of deferred taxation	**7 299 930**	7 322 988	**6 200**	8 245
Interest in associate and joint ventures	**1 203 376**	4 777 680	**8 030**	28 248
Goodwill	**1 317 776**	1 317 779	**128 430**	108 553
Impairment	**(2 521 152)**	–	**–**	–
Losses not guaranteed	**–**	–	**–**	–
Balance at the end of the year	**–**	6 095 459	**136 460**	136 801

[1] 2DFine Group consists of 2DFine Holdings Mauritius and 2DFine Investments Mauritius
[2] The purchase price allocation arose when the 2DFine Group purchased its holding into OSI in June 2011. The Group therefore only accounts for its effective share of the carrying value of the purchase price allocations. The effective share is 17.21%.
** Where the financial year differs from the Group's year-end of 31 May, special purpose accounts are prepared to coincide with the Group's reporting period.*

Associate		Associate		Joint venture	
Oxigen Services Private Limited		Oxigen Online Services Private Limited		2DFine Group[1]	
Airtime and payment solutions provider		Online payment solutions provider		Investment holding company	
India		India		Mauritius	
31 March		31 March		31 May	
31 May 2019 R'000	31 May 2018 R'000	**31 May 2019 R'000**	31 May 2018 R'000	**31 May 2019 R'000**	31 May 2018 R'000
591 159	330 963	**23 033**	42 723	**173 183**	148 778
237 566	485 278	**6 699**	15 931	**3 282**	245
–	–	**296**	892	**686**	199
237 566	485 278	**6 403**	15 039	**2 596**	46
828 725	816 241	**29 732**	58 654	**176 465**	149 023
(87 607)	96 754	**(57 421)**	(284 047)	**(53 819)**	(111 525)
120 636	96 705	**35 168**	110 000	**–**	–
795 696	622 782	**51 985**	232 702	**230 284**	260 548
468 912	325 734	**51 985**	232 499	**2 330**	1 224
326 784	297 048	**–**	203	**227 954**	259 324
828 725	816 241	**29 732**	58 655	**176 465**	149 023
58.85	58.85	**58.82**	58.16	**50**	50
(87 607)	96 754	**(57 421)**	(284 047)	**(53 819)**	(111 525)
(96 056)	88 674	**(57 421)**	(284 047)	**(53 819)**	(111 525)
8 449[2]	8 080[2]	**–**	–	**–**	–
(55 093)	53 554	**(33 777)**	(165 202)	**(26 910)**	(55 762)
173 505	153 634	**–**	–	**–**	–
(118 412)	–	**–**	–	**–**	–
–	–	**33 777**	165 202	**26 910**	–
–	207 188	**–**	–	**–**	(55 762)

2. GROUP COMPOSITION continued

2.1 Investments in and loans to associates and joint ventures continued

	Associate		Joint venture	
Company	Cell C Limited		Blue Label Mexico S.A. de C.V.	
Principal activity	Mobile network		Distributor of terminals to vend e-tokens of value	
Country of incorporation	South Africa		Mexico	
Financial year*	1 June 2018 to 31 May 2019	2 August 2017 to 31 May 2018	1 June 2018 to 31 May 2019	1 June 2017 to 31 May 2018
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Statement of comprehensive income for the year ended				
Revenue	15 404 539	13 127 977	3 641 314	4 010 909
Operating profit before depreciation, amortisation and impairment charges	1 705 009	1 962 920	(23 044)	(485)
Depreciation, amortisation and impairment	(3 950 698)	(1 692 649)	(33 837)	(48 800)
Finance costs	(1 668 468)	(934 469)	–	–
Finance income	61 192	41 144	5 628	3 397
Net (loss)/profit before taxation	(3 852 965)	(623 054)	(51 253)	(45 888)
Taxation	(4 168 134)	1 873 204	590	(159)
Net (loss)/profit after taxation	(8 021 099)	1 250 150	(50 663)	(46 047)
Other comprehensive income/(loss)	–	–	8 491	(7 119)
Losses not guaranteed	–	–	–	–
Total comprehensive (loss)/income	(8 021 099)	1 250 150	(42 172)	(53 166)
Effective percentage held	45	45	47.56	47.56
Share of total comprehensive income	(3 609 495)	562 568	(20 057)	(25 286)

[1] *2DFine Group consists of 2DFine Holdings Mauritius and 2DFine Investments Mauritius*

* *Where the financial year differs from the Group's year-end of 31 May 2018, special purpose accounts are prepared to coincide with the Group's reporting period.*

Associate		Associate		Joint venture	
Oxigen Services Private Limited		Oxigen Online Services Private Limited		2DFine Group[1]	
Airtime and payment solutions provider		Online payment solutions provider		Investment holding company	
India		India		Mauritius	
1 June 2018 to 31 May 2019	1 June 2017 to 31 May 2018	**1 June 2018 to 31 May 2019**	1 June 2017 to 31 May 2018	**1 June 2018 to 31 May 2019**	1 June 2017 to 31 May 2018
2019 R'000	2018 R'000	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
1 066 278	1 588 396	**1 798**	796 576	**–**	–
(145 815)	26 087	**(38 093)**	(18 622)	**79 833**	(1 952)
(17 064)	(23 406)	**(19 403)**	(35 135)	**–**	–
(32 480)	(25 485)	**(22 531)**	(31 891)	**(7 011)**	(21 258)
6 477	6 008	**–**	–	**44**	3
(188 882)	(16 796)	**(80 027)**	(85 648)	**72 866**	(23 207)
1 121	1 105	**–**	–	**–**	–
(187 761)	(15 691)	**(80 027)**	(85 648)	**72 866**	(23 207)
3 542	7 022	**–**	10 333	**(15 609)**	4 825
–	–	**80 027**	53 993	**–**	–
(184 219)	(8 669)	**–**	(21 322)	**57 257**	(18 382)
58.85	58.85	**58.82**	58.16	**50**	50
(108 639)	(3 910)	**–**	(12 401)	**28 629**	(9 191)

2. GROUP COMPOSITION continued

2.1 Investments in and loans to associates and joint ventures continued

The Group's interests in its other associates and joint ventures, which are unlisted, are as follows:

	Non-current assets R'000	Current assets R'000	Non-current liabilities R'000	Current liabilities R'000	Revenues R'000	Net profit/ (loss) R'000	Total comprehensive profit/ (loss) R'000	Carrying value of investment R'000
2019								
Associates	23 002	246 667	—	127 630	237 957	(2 131)	1 965	34 959
Joint ventures	19 038	88 631	27 125	61 418	196 008	44 344	45 858	47 423
2018								
Associates	157 486	279 344	1 914	356 357	448 924	(21 915)	(22 609)	87 975
Joint ventures	12 692	126 737	26 402	107 758	122 195	8 248	7 713	78 070

Impairment of associates and joint ventures

The following investments in associates and joint ventures were tested for impairment in line with IAS 36 due to there being impairment indicators:

- Cell C Limited
- Oxigen Services India
- Oxigen Online
- 2DFine Holdings Mauritius
- SupaPesa SA Proprietary Limited (SupaPesa SA)
- SupaPesa Africa Limited (SupaPesa Africa)
- Blue Label Mexico S.A de C.V. (Blue Label Mexico)

The result was that all of the above, excluding Blue Label Mexico, required an impairment charge to be recognised in the income statement. These impairments are included in impairments of associates and joint ventures.

This impairment was tested by comparing the recoverable amount against the carrying value of the investment in associates and joint ventures.

The recoverable amount is the higher of fair value less cost of disposal and the value-in-use. These value-in-use calculations use cash flow projections based on financial budgets approved by the Board of Directors for the forthcoming year and forecasts for up to five years which are based on assumptions of the business, industry and economic growth. Cash flows beyond this period are extrapolated using terminal growth rates, which do not exceed the expected long-term economic growth rate.

The key assumptions used for the value-in-use calculations of Cell C Limited, SupaPesa and Blue Label Mexico are as follows:

	2019		2018	
	Terminal growth rate %	Discount rate %	Terminal growth rate %	Discount rate %
Cell C Limited	5.0	16.6	—	—
SupaPesa	3.0	18.1	4.0	19.5
Blue Label Mexico S.A. de C.V.	3.5	20.6	3.5	20.3

2. GROUP COMPOSITION continued

2.1 Investments in and loans to associates and joint ventures continued

The discount rates used are pre-tax and reflect specific risks relating to the relevant associates and joint ventures. The growth rate is used to extrapolate cash flows beyond the budget period. The growth rates were consistent with publicly available information relating to long-term average growth rates for each of the markets in which the companies operate. The discount rates used for the prior year were adjusted to reflect the Group's target debt to equity ratio. This did not give rise to any impairments in the prior period.

A partial impairment of R30 million was recognised against the investment in SupaPesa in the current financial year due to a decline in revenue, primarily attributable to legislative changes and loss in clientele.

For Blue Label Mexico S.A. de C.V., if one or more of the inputs were changed to a reasonable possible alternative, there would be no impairment that would have to be recognised.

The Group has concluded that no impairment of its investment in Blue Label Mexico is required, in spite of it incurring losses in the current year. In order to mitigate such losses incurred, various initiatives where implemented in the last quarter which resulted in positive improvements to its financial performance. These initiatives included a reduction in staff complement, increases in cash collection and daily rental fees, the closure of unprofitable retail stores, the outsourcing of certain sales functions on a variable cost basis, the enhancement of its technology platform and the increase in the distribution of starter packs generating monthly compounded annuity income. Bill payments, credit and debit card acquiring and food vouchers are increasing on a monthly basis.

These initiatives will perpetuate in the year ahead, resulting in an expected turnaround to sustainable profitability.

Significant impairment of associates

Impairment of Cell C

On 2 August 2017, Blue Label, through its wholly owned subsidiary, The Prepaid Company, acquired 45% of the issued share capital of Cell C for a purchase consideration of R5.5 billion.

For the year ended 31 May 2019, management appointed an independent third-party valuation specialist to determine the value-in-use based on cash flow projections incorporated in the five-year Cell C business plan. They applied assumptions relating to the business, the industry and economic growth. Cash flows beyond this point were then extrapolated, applying terminal growth rates that did not exceed the expected long-term economic growth rate.

TPC's share of the value-in-use as at 30 November 2018 amounted to R6.04 billion. The valuation declined to a nil value at 31 May 2019. This was primarily attributable to:

(a) A significant downward revision of the mobile subscriber base. The valuation at November 2018 was based on the assumption the CAGR forecast would average 9.3% per annum over a five-year period. In May 2019 the CAGR forecast was revised to an average of 4.6% per annum. This resulted in an originally expected 23.4 million subscribers after five years declining to a revised expectation of R17.9 million.
- Cell C previously anticipating gaining approximately 6% additional market share by accessing new territories. Instead, Cell C's market share declined by approximately 2% from 16% at November 2018 to 14% at May 2019. This was in line with re-evaluating the inactive subscriber base and a loss of customers to competitors.
- A deteriorating South African economy since November 2018, with an initial GDP forecast of 1.9% for the calendar year ended 2019 to a revised forecasted contraction of 0.2%. Accordingly, the forecast GDP was adjusted downwards each year for the following four years. In addition, Business Monitor Intelligence revised their mobile subscriber growth in April 2019 from a CAGR of 2.2% for the period FY18 to FY23 to 1.8%.
- Year to date trading being below budget.

(b) A substantial decline in forecast other revenue. This is largely due to a significant decline in equipment, Mobile Virtual Network Operator and Business Service Provider revenues over the five-year period in comparison to the initial forecast. Cell C had previously forecast gaining market share from its competitors. This did not materialise.

(c) Lower taxation benefit relating to depreciation as a result of a revised forecasted reduction in capital expenditure.

2. GROUP COMPOSITION continued

2.1 Investments in and loans to associates and joint ventures continued

Significant impairment of associates continued

Impairment of Cell C continued

In determining the revised valuation, cognisance was taken into account of positive cash flow generation from:

(a) A decline in forecast direct expenditure on handset, SIM costs, ongoing commissions and discounts due to lower subscriber growth.
(b) A reduction in forecast payroll costs.
(c) A decline in capital expenditure due to cash flow constraints and lower subscriber base forecast.
(d) A decrease in cash lease payments as a result of less network towers required due to the lower forecast of the subscriber base.

The impact of the transactions in progress relating to a national roaming agreement and the recapitalisation of Cell C were not in effect as at 31 May 2019 and as such have not been accounted for in the valuation at that date.

Cell C concluded the national roaming agreement on 7 August 2019. This agreement is anticipated to positively impact the cost base and future cash flows on the successful implementation of this transaction. Furthermore, the debt within Cell C will require a capital restructure. These ongoing matters cast significant doubt over Cell C's ability to continue as a going concern should they not materialise.

For purposes of the Group's annual financial statements, Cell C has been accounted for using the going concern assumption. The Group's share of Cell C's losses has been recognised in "equity losses through the share of (losses)/gains from associates and joint ventures" in the Group income statement. An impairment assessment was performed on the Group's investment in Cell C which resulted in an impairment being recognised. This is included in the "impairments on associates and joint venture" in the Group income statement. The result of this impairment is that the investment in Cell C is now carried at a nil valuation as at 31 May 2019.

The Group's remaining exposure to Cell C is as follows:

	2019 R'000	2018 R'000
Investment in associate	–	6 095 459
Trade receivables*	1 352 718	1 028 184
Loans receivable	–	1 029 626
Financial assets at fair value through profit or loss – bond notes	–	167 519
Trade payables	(1 212 392)	(1 573 472)
Financial liabilities at fair value through profit or loss	(301 716)	(45 360)

** Prior year amount has been adjusted as advances to customers are not regarded as advances to Cell C. They are advances to Cell C's end user. See note 3.5.3.*

Financial guarantee in respect of Cell C's facility

On 2 August 2018, Cell C procured R1.4 billion of funding from a consortium of financial institutions for a tenure of 12 months, secured by airtime to the value of R1.75 billion. In the event of default, TPC is required to purchase such inventory from the consortium on a piecemeal basis over a specified period that has been agreed upon. These purchases would be made in lieu of purchases that would have been made from Cell C within that period.

As at 31 May 2019, the above funding declined from R1.4 billion to R1.25 billion as a result of BLT purchasing from the security airtime. At this stage, the financial institutions have agreed to extend the repayment date to 30 November 2019. If Cell C is unable to meet this commitment by that date, and no further extension is granted, BLT will be required to purchase R100 millions of security airtime in November 2019 and R300 million per month in December 2019, January 2020 and February 2020 respectively.

It is the intention of TPC to accelerate payments to the banking consortium in order to distribute the vault stock in full by January 2020 if there is risk/indication that Cell C will not be able to meet its obligations to the banking consortium by 30 November 2019.

The fair value of the financial guarantee issued in respect of Cell C's facility was valued to be insignificant taking into account the inventory held as collateral.

2. GROUP COMPOSITION continued

2.1 Investments in and loans to associates and joint ventures continued

Significant impairment of associates continued

Impairment of Cell C continued

Management has performed detailed assessments considering seasonality of trading and has determined that, based on current inventory holdings and anticipated sales cycles, should circumstances dictate the need to purchase the abovementioned inventory from the consortium, acceleration of such payments could well result in the debt being expunged by mid-January through its trading capabilities in the ordinary course of business at normal operating margins.

Critical accounting judgements and assumptions

Financial guarantee

As explained above under the heading "financial guarantee in respect of Cell C's facilty", Cell C procured R1.4 billion of funding and utilised a portion of this funding to repay the R1.029 billion loan. Since the Group was a party to this new funding agreement, the Group considered whether it met the derecognition requirements of IFRS 9 for the loan receivable from Cell C. Specifically, the Group considered whether the loan receivable was extinguished and replaced with a new financial instrument, or whether this represented the continuation of the Group's loan receivable from Cell C. The Group applied its judgement, and concluded that the R1.4 billion of funding represented a new financial instrument and therefore derecognised the loan receivable from Cell C. The qualitative factors that the Group considered in making this judgement included the fact that the original term of the loan receivable had come to an end and the new funding was for a different period of time compared to the initial term, an increase in the amount of the borrowing, a change in the interest rate from variable to fixed and changes to the repayment schedule from a bullet repayment schedule to an amortising repayment schedule.

Management is of the view that the purchasing of such inventory will not result in an onerous contract as this inventory is capable of being realised in the ordinary course of business without any negative impact being incurred by TPC.

Impairment of Oxigen Services India and Oxigen Online

Oxigen Services India and Oxigen Online are tested for impairment by comparing the recoverable amount against the carrying value of these investments. The recoverable amount is the higher of fair value less cost of disposal and the value-in-use. For Oxigen Services India and Oxigen Online the fair value less cost of disposal is higher than the value in use given the uncertainties around the future cash flow projections due to lack of funding. In order to calculate the fair values the finance department of the Group includes a team that outsources the valuations to qualified independent third-party valuation specialists required for financial reporting purposes, including level 3 fair values. This team reports directly to the Financial Director (FD) and the Audit, Risk and Compliance Committee (ARCC).

For Oxigen Services India and Oxigen Online, the fair value less cost of disposal is calculated by utilising relevant information generated by similar market transactions that have been concluded by comparable businesses. The fair value is based on a multiple applied to gross revenue, based on the same principles adopted by similar business to that of the Oxigen Services group, that was recently disposed of. This market approach provides the Group with more reliable evidence to support the valuation. The revenue multiple of 3.6 (2018: 4.3) was applied in determining the fair value. The assumptions and inputs used in calculating the fair value less cost to sell are regarded as level 3 fair value estimates.

The fair value of the 2DFine Group is based on its share of the fair value of Oxigen Services India and Oxigen Online less the liabilities of the 2DFine Group.

The corporate transaction, referred to in the 30 November 2018 interim results, did not materialise, and the resultant lack of funding necessitated BLT to impair its full investment of R118 million in the Oxigen Group. The full value of loans to Oxigen Services India of R30 million and 2DFine Holdings Mauritius of R101 million, net of a surety asset raised, were impaired. In addition, the Group has accounted for a R103 million liability relating to financial guarantee contracts.

Although alternative negotiations are in progress with other potential investors, until such time as a transaction is completed, the lack of cash resources will inhibit its propensity for growth.

The recoverable amount was calculated to be Rnil. The following were the key inputs in determining the recoverable amount:
- Uncertainty of future funding
- Adverse trading conditions
- Discontinuation of certain revenue streams.

2. GROUP COMPOSITION continued

2.1 Investments in and loans to associates and joint ventures continued

Shares in associates converted to subsidiary in the current year

		Date disposed	Effective percentage
WiConnect Proprietary Limited (previously called Lornanox Proprietary Limited)	Associate	31 July 2018	40%

On 31 July 2018, the Group acquired the remaining 60% in WiConnect Proprietary Limited (previously called Lornanox Proprietary Limited) for R5 million.

Shares in associates and joint ventures acquired during the prior year

		Date acquired	Effective percentage
Cell C Limited	Associate	2 August 2017	45%
3G Proprietary Limited	Associate	2 August 2017	47.37%
iCrypto Inc.	Associate	31 March 2018	14.29%

On 2 August 2017, Blue Label, through its wholly owned subsidiary, TPC, acquired 45% of the issued share capital of Cell C for a purchase consideration of R5.5 billion. Of this amount, 183 333 333 ordinary shares were subscribed for by third parties at an issue price of R15.00 per share, equating to R2.75 billion. The proceeds from this share issue together with existing cash resources was used to pay the purchase consideration of R5.5 billion.

On the same date, TPC concluded an agreement to purchase 100% of the issued share capital in 3G Mobile from its shareholders for a purchase consideration of R1.9 billion. The acquisition has been structured in two stages, whereby 47.37% of the issued share capital was initially acquired for a purchase consideration of R895 million. This has been accounted for as an associate from this date until 6 December 2017. Subsequently, the remaining 52.63% of the issued share capital was acquired for a further R963 million. From 6 December 2017, this investment is accounted for as a subsidiary. Refer to note 2.4 for further details.

2. GROUP COMPOSITION continued

2.1 Investments in and loans to associates and joint ventures continued

Of the initial purchase of 47.37%, 16 666 666 ordinary shares were issued to the vendors at R16.97 per share, equating to R283 million. The balance of R612 million plus accrued interest was paid at the end of February 2018.

iCrypto Inc. was purchased on 31 March 2018 for R11.7 million. Significant influence is demonstrated by the Company as a result of representation on the Board of Directors. The Group has the option to acquire a further 10.71% for USD1 million. This option expires on 28 February 2020. This option has been accounted for as a financial asset at fair value through profit and loss in the statement of financial position, with movements in the fair value being accounted for in the statement of comprehensive income. Management has assessed that there were no significant movements between the option fair value as at the acquisition date and 31 May 2019.

Shares in associates converted to subsidiary in the prior year

		Date disposed	Effective percentage
3G Proprietary Limited	Associate	6 December 2017	47.37%

BLT's co-shareholder in BLM, Grupo Bimbo S.A.B de C.V. (Bimbo) has guaranteed the performance of BLM's obligation to Radiomovil Dipsa S.A. de C.V. (trading as Telcel) (Telcel). BLT has in turn provided Bimbo with a back-to-back guarantee in terms of which BLT shall reimburse Bimbo a percentage (prorate to the respective parties' shareholding in BLM) of any liability incurred by BLM in terms of its trade agreement with Telcel. At year-end there is no amount due to Telcel by BLM.

There are no other contingent liabilities relating to the Group's interest in joint ventures.

For details on related-party transactions, refer to note 8.