3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS continued

3.6 Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Refer to accounting policies on borrowings and trade and other payables for financial liabilities (which exclude employee-related liabilities and VAT), and share capital for equity instruments issued by the Group.

3.6.1 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within the normal operating cycle of the business. If not, they are presented as non-current liabilities.

	2019 R'000	2018 R'000
Trade payables	**3 719 714**	2 990 561
Accruals	**181 406**	133 589
Employee benefits	**79 594**	79 045
Sundry creditors	**148 945**	149 658
Deferred revenue	**8 003**	624
Contingent consideration	**1 923**	4 559
VAT	**10 864**	11 014
Payables to related parties (refer to note 8)	**1 220 937**	1 621 748
	5 371 386	4 990 798
Less: Amounts included in current portion of trade and other payables	**5 371 386**	4 990 798

3.6.2 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, when the relevant contracts are entered into. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after year-end.

	2019 R'000	2018 R'000
Interest-bearing borrowings	**3 200 408**	2 970 938
Non-interest-bearing borrowings	**35 876**	170
	3 236 284	2 971 108
Less: Amounts included in current portion of borrowings	**(1 520 764)**	(1 456 968)
	1 715 520	1 514 140

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS continued

3.6 Financial liabilities continued

3.6.2 Borrowings continued

The table below details the facilities drawn upon at 31 May 2019. For terms of theses facilities, refer to note 3.2.

Facility	Investec	Rand Merchant Bank	Facility utilised 2019 R'000	Facility utilised 2018 R'000
Senior facility A	50%	50%	**858 735**	858 735
Senior facility B	50%	50%	**400 196**	244 873
Mezzanine facility	100%	—	**410 532**	410 532
Facility A	100%	—	**1 512 428**	690 067
			3 181 891	2 204 207

The Group did not default on any loans or breach any terms of the underlying agreements during the period.

Non-interest-bearing borrowings are secured and are repayable in 18 instalments 13 months after effective date of the loan grant.

Changes in liabilities arising from financing activities

	Notes	Borrowings due within one year R'000	Borrowings due after one year R'000	Total R'000
Closing balance – 31 May 2017		18 026	—	18 026
Loan release		(11 349)	—	(11 349)
Acquisition of subsidiaries		—	1 269 882	1 269 882
Amount to be settled on 3G Mobile acquisition		718 453	—	718 453
Non-cash interest accrued		45 450	—	45 450
Other changes		(4 738)	—	(4 738)
Non-interest-bearing borrowings repaid		(58)	—	(58)
Interest-bearing borrowings raised		691 184	244 258	935 442
Closing balance – 31 May 2018		1 456 968	1 514 140	2 971 108
Acquisition of subsidiaries net of balance due to BLT elimination on consolidation	2.4	**104 529**	**—**	**104 529**
Elimination of intergroup loan acquired		**(98 846)**	**—**	**(98 846)**
Non-interest-bearing borrowings raised		**35 876**	**—**	**35 876**
Non-interest-bearing borrowings repaid		**(170)**	**—**	**(170)**
Interest-bearing borrowings repaid		**(769 652)**	**—**	**(769 652)**
Interest-bearing borrowings raised		**792 059**	**201 380**	**993 439**
Closing balance – 31 May 2019		**1 520 764**	**1 715 520**	**3 236 284**

3.6.3 Financial guarantee contracts

Financial guarantee contracts are recognised at fair value, on the date that the Group becomes a party to an irrevocable commitment. Financial guarantee contracts are subsequently stated at the higher of the amount determined by the ECL model and the amount initially recognised. Any difference between the redemption value guarantee obligation and the amount paid is recognised in the income statement.

No financial guarantee contract obligations have been called upon in the current year.

	2019 R'000	2018 R'000
Opening balance	**—**	—
Adjustment on the initial application of IFRS 9	**19 029**	—
Additional liability raised during the year through profit and loss	**62 132**	—
Additional liability raised during the year through investment in joint venture	**40 631**	—
Acquisition of subsidiaries (Refer to note 2.4)	**125 000**	—
Amounts released through profit and loss	**(3 300)**	—
Closing carrying amount	**243 492**	—

Included in the balance above are guarantees to the value of R121.6 million (2018: R100.8 million) that have been issued in favour of RBL Bank. The Group does not have access to R48.2 million (2018: R37.8 million) of its cash while the guarantee is in place. Should these guarantees be called upon, the Group will be required to settle these amounts within seven days.

Financial guarantee contracts from the acquisition of subsidiaries relates to a guarantee within Glocell Distribution Proprietary Limited issued in favour of Investec Limited. An amount of R125 million, subsequently reduced to R121.7 million by 31 May 2019, is owed to Investec Limited by Glocell Proprietary Limited, and has been guaranteed by Glocell Distribution Proprietary Limited should the former not be able to meet its obligations.

The Group has not raised a liability for its guarantee to the consortium of financial institutions in respect of Cell C's funding of R1.25 billion due to the fact that it holds sufficient collateral, which the Group expects to realise. Refer to note 2.1.

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS continued

3.7 Financial instruments at fair value through profit and loss

	Bond notes (SPV1) R'000	Liquidity support (SPV2) R'000	Loans at fair value R'000	Put option liability R'000	Other R'000	Total R'000
Opening balance	167 519	(45 360)	–	(97 947)	625	24 837
Reclassification from financial assets at amortised cost to financial assets at fair value through profit and loss	–	–	361 160	–	–	361 160
Additions	–	326 388	–	(62 784)	–	263 604
Repayments	–	–	(17 974)	–	–	(17 974)
Fair value (loss)/gain recognised in profit or loss	(167 519)	(582 744)	(140 919)	2 093	1 847	(887 242)
Closing balance	–	(301 716)	202 267	(158 638)	2 472	(255 615)
Financial assets at fair value through profit and loss	–	–	202 267	–	2 472	204 739
Financial liabilities at fair value through profit and loss	–	(301 716)	–	(158 638)	–	(460 354)
Closing balance	–	(301 716)	202 267	(158 638)	2 472	(255 615)
Unrealised (losses)/gains	(167 519)	(582 744)	(140 919)	2 093	1 847	(887 242)