3. Financial risk management and financial instruments continued

Reconciliation of financial liabilities and non-financial liabilities

	2021 Total R'000	2021 Financial liability R'000	2021 Non-financial liability R'000	2020 Total R'000	2020 Financial liability R'000	2020 Non-financial liability R'000
Interest-bearing borrowings	**1 706 163**	**1 706 163**	**—**	2 305 209	2 305 209	—
Non-interest-bearing borrowings	**989**	**989**	**—**	13 952	13 952	—
Trade and other payables	**6 052 849**	**5 869 710**	**183 139**	4 611 643	4 553 659	57 984
Lease liability	**73 125**	**73 125**	**—**	141 123	141 123	—
Derivative liability	**68 178**	**68 178**	**—**	77 524	77 524	—
Liquidity support	**—**	**—**	**—**	350 410	350 410	—
Other financial liabilities at fair value through profit or loss	**564**	**564**	**—**	7 152	7 152	—
Financial guarantee contracts	**105 621**	**105 621**	**—**	201 474	201 474	—
Bank overdraft	**118**	**118**	**—**	192	192	—
	8 007 607	**7 824 468**	**183 139**	7 708 679	7 650 695	57 984

3.1 Credit risk

Credit risk, or the risk of financial loss to the Group due to customers or counterparties not meeting their contractual obligations, is managed through the application of credit approvals, limits and monitoring procedures. The Group is exposed to credit risk on financial assets mainly in respect of those assets detailed in the table below. The carrying amounts of financial assets represent the maximum credit exposure. This exposure is considered, without taking into account any collateral and financial guarantees, to be as follows:

	2021 R'000	2020 R'000
Financial assets		
Trade and other receivables	**3 287 121**	3 475 089
Cash and cash equivalents	**2 417 325**	2 014 917
Loans to associates and joint ventures	**22 763**	9 488
Loans receivable	**69 804**	72 120
Advances to customers	**1 812 288**	1 682 075
	7 609 301	7 253 689

Notes to the Group annual financial statements
continued

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3. Financial risk management and financial instruments continued

3.1 Credit risk continued

The table below discloses the credit quality of the financial assets (excluding trade receivables) of the Group for which external credit ratings are available. External credit ratings were based on the latest Moody's default ratings. The counterparties were categorised as follows:

Group 1: Financial institutions with a Moody's long-term debt issuer rating of Ba2 or better, or cash on hand. ECL of 0%;

Group 2: Fully performing, with a Moody's rating of Ba2 or better;

Group 3: Fully performing, with a Moody's rating of between Ba3 and Caa2; and

Group 4: Counterparties who are considered to be in default and those that have a Moody's rating of Caa3 or lower.

	2021 R'000	2020 R'000
Counterparties with external credit rating		
Group 1	**2 417 325**	2 014 917
Group 2	**—**	—
Group 3	**—**	—
Group 4	**—**	—
Total	**2 417 325**	2 014 917

The table below discloses the credit quality of the financial assets (excluding trade receivables) of the Group for which no external credit ratings are available. Equivalent credit ratings were based on the latest Moody's default ratings. These ratings include forward looking adjustments for all relevant economic factors, including the impact of Covid-19. Management defines default as when counterparties miss payments and future payments are either suspended or unlikely. Management writes off debtors where they have actively pursued the debt and there is no indication of recovery.

The counterparties were categorised as follows:

Group 1: Fully performing counterparties who are highly collateralised, with no external credit ratings. ECL range of 0% to 6.43% (2020: 0% to 4.24%);

Group 2: Fully performing counterparties, with a credit rating equivalent to a Moody's rating of B1 or better. ECL range of 6.43% to 7.57% (2020: 4.24% to 5.92%);

Group 3: Fully performing counterparties, with a credit rating equivalent to a Moody's rating of between B2 and Caa2. ECL range of 7.57% to 11.0% (2020: 5.92% to 15.79%); and

Group 4: Counterparties who are considered to be in default and have an equivalent Moody's rating of Ca or lower. ECL of 53.4% to 100% (2020: 52.6% to 100%).

	2021 R'000	2020 R'000
Counterparties without external credit rating		
Group 1	**843 734**	1 682 075
Group 2	**972 425**	71 495
Group 3	**88 696**	9 544
Group 4	**—**	569
Total	**1 904 855**	1 763 683

The Group's maximum credit risk exposure is the carrying amount of all financial assets on the statement of financial position and sureties provided with the maximum amount the Group could have to pay if the sureties are called on, amounting to R105 million (2020: R200.8 million). A financial guarantee contract liability of R105.6 million (2020: R201.5 million) has been raised in the Group's statement of financial position at year-end. Refer to note 3.6.3.

3. Financial risk management and financial instruments continued

3.1 Credit risk continued

Impact of Covid-19

The impact of Covid-19 on the ECLs recognised in the current and prior financial years has been considered across all financial assets exposed to counterparty credit risk. Covid-19 resulted in the Group experiencing a general increase in allowances raised for ECLs of approximately 9% in 2020, with a recovery in the current financial year showing a reduction of 26.6% due to a more positive economic outlook, as well as efforts to clean up long outstanding receivables. ECLs were determined by the Group based on an unbiased, probability weighted amount that is determined by evaluating a range of possible outcomes and, where relevant, reflecting the time value of money. In accordance with the requirements of IFRS 9, ECL allowances are required to be measured in a way that incorporates information available at the reporting date about past events, current conditions and forecasts of future economic conditions. Each of these were used in calculating the ECL on the in-scope financial assets of the Group. Covid-19 overlays were determined for each impacted financial asset utilising a data driven approach with the relevant information sourced from Moody's Analytics.

Moody's Analytics produces a set of macro-economic forecasts for South Africa that considers the historical accuracy of various forecasters to identify reliable sources. These are incorporated into their GCorr macro-economic forecast set. Based on research conducted by Moody's Analytics, it recommends the use of its Baseline, Stronger Near-Term Rebound (S1), and Moderate Recession (S3) forecast sets weighted 40%, 30% and 30% (2020: 10%: 20%: 70%) respectively for a forward looking adjustment for the purposes of IFRS 9. It considers both public and private South African company defaults in this research. The methodology considers the industry of the asset and the related volatility in comparison to the average volatility in the South African economy.

The advent of Covid-19 has had a fundamental impact on the economy in general with an exaggerated impact on credit risk. Moody's Analytics updated their forecasts to reflect this risk by taking into account the possible spread of the epidemic through the country, the economic impact of the epidemic including measures taken to prevent its spread and measures taken by government to ameliorate the economic impact. It recommends continuing to apply the Baseline, S1 and S3 GCorr scenarios weighted 40%, 30% and 30% (these scenarios have been adjusted to reflect the change in risk). We calculated the 2020 financial year ECL scenarios based on a GCorr weighting of 10%, 20% and 70%. This scenario represented a significant bias towards a downside view by the higher weighting to S3. In 2020, the Baseline forecast reflected a contraction of more than 8% in GDP between the fourth quarter of 2019 and the third quarter of 2020, with the S3 GCorr weighting further amplifying this contraction. In 2021, this forecast was significantly improved with a return to positive economic growth forecast. As a result of this change in forecast, initial views indicated a reversal of ECLs due to negative forward looking adjustments. Management elected to apply a midpoint of these forward looking indicators and thus limited the reversal to approximately half the increase of the prior year.

(i) Trade and other receivables

The Group has a diversified customer base and policies are in place to ensure sales are made to customers with an appropriate credit history and payment history. A large portion of the Group's revenues are generated in South Africa. There are no other significant geographical concentrations of credit risk. Individual credit limits are set for each customer and the utilisation of these credit limits is monitored regularly. Customers cannot exceed their set credit limit without specific Senior Management approval. Such approval is assessed and granted on a case by case basis. Management regularly reviews the receivables age analysis and follows up on long-outstanding receivables. Allowances for impairment are raised in accordance with Group policy which has been revised to be in line with the requirements of IFRS 9. The Group's customer base has been aggregated into groupings that represent, to a large degree, how the Group manages its receivables and also illustrates the spread of credit risk. Within these aggregated groupings, the Group's exposure to credit risk is made up of banks (and other financial institutions), major retailers, independent and informal retail customers, petroleum forecourts, municipalities, private utilities and cellular networks. The balance of the customer base is widely dispersed.

(ii) Cash and cash equivalents

The Group places cash and cash equivalents with major banking groups and quality institutions that have high credit ratings. The Group has credit risk with Investec Bank Limited in line with its treasury function. Investec Bank Limited has a credit rating of Ba2 based on the latest Moody's local currency long-term issuer default ratings.

(iii) Loans to associates and joint ventures

The Group has provided loans to associates and joint ventures of the Group to satisfy operational and other requirements. These associates and joint ventures are located in South Africa, India and Mauritius. The Group manages credit risk on this portfolio of loans by following strict protocols for the approval thereof, and where possible obtaining appropriate security and other collateral. Management regularly reviews these loans and uses an internal ratings-based system to track credit risk thereon. Allowances for impairment are raised in accordance with the general model in IFRS 9 to which Group policy has been aligned. Refer to note 2.1.

Notes to the Group annual financial statements
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for the year ended 31 May 2021

3. Financial risk management and financial instruments continued

3.1 Credit risk continued

(iii) Loans to associates and joint ventures continued

The loss allowance as at 31 May 2021 for loans to associates and joint ventures is determined as follows:

	Gross R'000	Impairment R'000	Net R'000	Average ECL/ impairment ratio %
31 May 2021				
Loans advanced to counterparties without external ratings included in:				
Group 1	**2 000**	**(67)**	**1 933**	**(3.35)**
Group 3	**23 016**	**(2 186)**	**20 830**	**(9.50)**
Group 4	**238 812**	**(238 812)**	**—**	**(100.00)**
	263 828	**(241 065)**	**22 763**	
31 May 2020				
Loans advanced to counterparties without external ratings included in:				
Group 2	11 053	(1 565)	9 488	(14.16)
Group 4	310 381	(310 381)	—	(100.00)
	321 434	(311 946)	9 488	

(iv) Loans receivable

The Group has provided loans to third parties who are seen as product distributors, in order to expand its distribution channels. These loans have been extended on various terms depending on management's assessment of the business rationale for the provision thereof. The Group manages credit risk by following strict protocols for the approval and monitoring of these loans, and where possible, obtaining appropriate security and other collateral. Management regularly reviews these loans and uses an internal ratings-based system to track credit risk thereon. Allowances for impairment are raised in accordance with the general model in IFRS 9 to which Group policy has been aligned.

The loss allowance as at 31 May 2021 for loans receivable is determined as follows:

	Gross R'000	Impairment R'000	Net R'000	Average ECL/ impairment ratio %
31 May 2021				
Loans advanced to counterparties without external ratings included in:				
Group 1	**2 003**	**(67)**	**1 936**	**(3.34)**
Group 3	**78 852**	**(10 984)**	**67 868**	**(13.93)**
Group 4	**2 491**	**(2 491)**	**—**	**(100.00)**
	83 346	**(13 542)**	**69 804**	
31 May 2020				
Loans advanced to counterparties without external ratings included in:				
Group 2	74 700	(3 205)	71 495	(4.29)
Group 3	60	(4)	56	(6.67)
Group 4	16 312	(15 743)	569	(96.51)
	91 072	(18 952)	72 120	

3. Financial risk management and financial instruments continued

3.1 Credit risk continued

(v) Advances to customers

Advances to customers represent the activities of the Group's subsidiary, Comm Equipment Company Proprietary Limited (CEC), which provides financing for cellular handsets, cellular subscription services and other television viewing devices. This customer base is widely dispersed throughout South Africa and no significant concentrations of credit risk have been noted. The business model of these financing arrangements has changed in comparison to the prior year, and now exposes the Group to the credit risk of the population of the underlying subscribers who are all customers of Cell C Proprietary Limited and other business partners of CEC. Management has put in place credit risk policies as well as stringent customer acceptance policies and limits to manage the credit risk exposure at deal initiation. Subsequent to deal initiation, credit risk at a subscriber level is managed through a combination of policies and procedures which limit the customers' ability to incur further debt should their accounts not be up to date. The collateral requirements of the previous deal with Cell C remain in place on the portion of the book still operated under this previous business model and are as follows:

- the Group has stringent requirements for the granting of credit to these customers;
- the Group has direct access to the customer cash flows received by Cell C in respect of the handsets and devices financed;
- the Group has direct access to the customer cash flows received by Cell C in respect of the customer subscriptions; and
- in the unlikely event of default, the Group has the right to sell the customer base.

The Group calculates an ECL over the lifetime of the instruments in this portfolio in accordance with the simplified model in IFRS 9 using a provision matrix which takes into account roll rates, past performance and applicable forward looking indicators in line with Group policy. Refer to note 3.5.3.

The loss allowance as at 31 May 2021 for advances to customers is determined as follows:

	Gross R'000	Impairment R'000	Net R'000	Average ECL/ impairment ratio %
31 May 2021				
Advances to customers without external ratings:				
Collateralised handset financing receivables	**612 974**	**(1 542)**	**611 432**	**(0.25)**
Handset financing and subscription income sharing receivables	**1 043 954**	**(71 529)**	**972 425**	**(6.85)**
Other receivables	**230 979**	**(2 548)**	**228 431**	**(1.10)**
	1 887 907	**(75 619)**	**1 812 288**	
31 May 2020				
Advances to customers without external ratings:				
Collateralised handset and other financing receivables	1 687 564	(5 489)	1 682 075	(0.33)
	1 687 564	(5 489)	1 682 075	

Notes to the Group annual financial statements
continued

for the year ended 31 May 2021

3. Financial risk management and financial instruments continued

3.1 Credit risk continued

Expected credit losses

The Group has the following financial assets subject to the expected credit loss model:
- trade and other receivables;
- cash and cash equivalents;
- loans to associates and joint ventures;
- loans receivable; and
- advances to customers.

Included in loans to associates and joint ventures, as well as loans receivable, are amounts receivable to which the Group has applied the general impairment model. The Group has considered the financial performance, external debt and future cash flows of the related parties and based on these, determined the credit risk relating to these receivables. The general impairment model has been applied to advances to customers. The Group applies the simplified approach using a provision matrix to determine the ECL for trade and other receivables. This results in calculating lifetime ECLs for trade and other receivables.

Provision matrix (including advances to customers)

ECLs are calculated by applying a loss ratio to the aged balance of trade receivables at each reporting date. The loss ratio is calculated according to the ageing/payment profile of sales by applying historic/proxy write-offs to the payment profile of the sales population. In instances where there was no evidence of historical write-offs, management used a proxy write-off for similar receivables obtained from external credit rating agencies. Trade receivable balances have been grouped so that the ECL calculation is performed on groups of receivables with similar risk characteristics and ability to pay. Exposures are mainly segmented by customer type, i.e. banks (and other financial institutions), major retailers, independent and informal retail customers, petroleum forecourts, municipalities, private utilities and cellular networks. This is done to allow for risk differentiation. Similarly, the sales population selected to determine the ageing/payment profile of the sales is representative of the entire population and in line with future payment expectations. The historic loss ratio is then adjusted for forward looking information to determine the ECL for the portfolio of trade receivables at the reporting period to the extent that there is a strong correlation between the forward looking information and the ECL. In prior years, in most instances no material adjustments were made due to the inclusion of forward looking information as the majority of trade receivables are settled within a relatively short period (under 60 days on average). In the current and prior years, however, forward looking adjustments were made predominately as a result of the impact of Covid-19, among other applicable economic outlook factors. Refer to the "Impact of Covid-19" noted above.

The Group used 60 to 72 months' sales data to determine the payment profile of the sales. Where the Group has information about actual historical write-offs, actual write-offs have been used to determine a historic loss ratio. Alternatively, management has used a proxy write-off, based on management's best estimate including information obtained from an external ratings agency (Moody's). The Group has considered quantitative forward looking information such as the core inflation rate. Qualitative assessments have also been performed, of which the impact was found to be immaterial, except for the impact of Covid-19, as noted above.

Management considers trade receivables aged in excess of 90 days past due (where the excessive ageing is not caused by administrative delays that are within the control of the Group), and those handed over to the Group's attorneys for legal collection processes, to be in default and accordingly increases the allowance for impairment raised on these receivables. This policy is applied to all receivables, other than receivables for starter packs, municipalities, private utilities or specific circumstances where management has rebutted the presumption that a customer is in default when 90 days past due as a result of the inherent nature of the product/transaction being undertaken which follows a business cycle in excess thereof. Receivables for starter packs are considered to be in default where no income has been earned from activation or ongoing revenue in the last three months and the receivable has aged in excess of the anticipated repayment cycle. Receivables from municipalities and private utilities are considered to be in default where the net exposure to the counterparty after deduction of the collateral held has aged in excess of 12 months, or where handed over to the Group's attorneys for legal collection purposes.

3. Financial risk management and financial instruments continued

3.1 Credit risk continued

Provision matrix (including advances to customers) continued

Trade receivables are written off when there is no reasonable expectation of recovery. This is assessed individually by each operation and includes, for example, where the trade receivables have been handed over for collection and remain outstanding or the debtor has entered bankruptcy. Other receivables and other financial assets are individually assessed by management based on each situation's unique facts and circumstances and are written off when management believes that there is no reasonable expectation of recovery.

The loss allowance as at 31 May 2021 for trade receivables and other receivables to which the provision matrix has been applied is determined as follows:

Ageing and impairment analysis

	Gross R'000	Impairment R'000	Net R'000	Average ECL/ impairment ratio %
31 May 2021				
Fully performing receivables				
Trade receivables arising on revenue from contracts with customers				
Banks and other financial institutions	102 231	(114)	102 117	(0.11)
Independent and informal retail customers	577 731	(5 003)	572 728	(0.87)
Formal market retail customers	236 508	(2 720)	233 788	(1.15)
Customers in the petroleum sector	70 363	(125)	70 238	(0.18)
Receivables for starter packs	38 847	(287)	38 560	(0.74)
Cell C	14 154	(9)	14 145	(0.06)
Other cellular networks	46 685	(35)	46 650	(0.07)
Municipalities and private utilities	52 995	–	52 995	–
Associates, joint ventures and related parties	–	–	–	–
Trade receivables arising on financing transactions				
Cell C	1 660 864	(4 179)	1 656 685	(0.25)
Other	22 537	(710)	21 827	(3.15)
Sundry receivables	252 125	(1 547)	250 578	(0.61)
Past due receivables				
Trade receivables arising on revenue from contracts with customers				
Banks and other financial institutions				
Past due by 1 to 30 days	–	–	–	–
Past due by 31 to 60 days	11	–	11	–
Past due by 61 to 90 days	–	–	–	–
Past due by more than 90 days	–	–	–	–
Independents and informal retail customers				
Past due by 1 to 30 days	9 929	(320)	9 609	(3.22)
Past due by 31 to 60 days	1 883	(257)	1 626	(13.65)
Past due by 61 to 90 days	1 713	(160)	1 553	(9.34)
Past due by more than 90 days	57 135	(30 971)	26 164	(54.21)
Formal market retail customers				
Past due by 1 to 30 days	527	(27)	500	(5.12)
Past due by 31 to 60 days	4 579	(13)	4 566	(0.28)
Past due by 61 to 90 days	59	(6)	53	(10.17)
Past due by more than 90 days	2 522	(2 522)	–	(100.00)

Notes to the Group annual financial statements
continued

for the year ended 31 May 2021

3. Financial risk management and financial instruments continued

3.1 Credit risk continued

Ageing and impairment analysis continued

	Gross R'000	Impairment R'000	Net R'000	Average ECL/ impairment ratio %
Customers in the petroleum sector				
Past due by 1 to 30 days	1	–	1	–
Past due by 31 to 60 days	2	–	2	–
Past due by 61 to 90 days	117	(3)	114	(2.56)
Past due by more than 90 days	4 439	(4 439)	–	(100.00)
Receivables for starter packs				
Past due by 1 to 30 days	41 842	(446)	41 396	(1.07)
Past due by 31 to 60 days	46 149	(494)	45 655	(1.07)
Past due by 61 to 90 days	2	(1)	1	(50.00)
Past due by more than 90 days	126	(126)	–	(100.00)
Cell C				
Past due by 1 to 30 days	1 042	(11)	1 031	(1.06)
Past due by 31 to 60 days	575	(9)	566	(1.57)
Past due by 61 to 90 days	558	(12)	546	(2.15)
Past due by more than 90 days	–	–	–	–
Other cellular networks				
Past due by 1 to 30 days	24 174	(37)	24 137	(0.15)
Past due by 31 to 60 days	2 014	(5)	2 009	(0.25)
Past due by 61 to 90 days	–	–	–	–
Past due by more than 90 days	4	(4)	–	(100.00)
Municipalities and private utilities				
Past due by 1 to 30 days	33 377	–	33 377	–
Past due by 31 to 60 days	10 720	–	10 720	–
Past due by 61 to 90 days	8 892	–	8 892	–
Past due by more than 90 days	21 855	(1 727)	20 128	(7.90)
Associates, joint ventures and related parties				
Past due by 1 to 30 days	–	–	–	–
Past due by 31 to 60 days	–	–	–	–
Past due by 61 to 90 days	–	–	–	–
Past due by more than 90 days	–	–	–	–
	3 349 287	(56 319)	3 292 968	(1.68)

3. Financial risk management and financial instruments continued

3.1 Credit risk continued

Ageing and impairment analysis continued

	Gross R'000	Impairment R'000	Net R'000	Average ECL/ impairment ratio %
31 May 2020				
Fully performing receivables				
Trade receivables arising on revenue from contracts with customers				
Banks and other financial institutions	230 622	(314)	230 308	(0.14)
Independent and informal retail customers	935 615	(3 737)	931 878	(0.40)
Formal market retail customers	371 560	(3 803)	367 757	(1.02)
Customers in the petroleum sector	87 155	(159)	86 996	(0.18)
Receivables for starter packs	19 074	(311)	18 763	(1.63)
Cell C	1 728	(14)	1 714	(0.81)
Other cellular networks	44 152	(20)	44 132	(0.05)
Municipalities and private utilities	62 874	—	62 874	—
Associates, joint ventures and related parties	485	—	485	—
Trade receivables arising on financing transactions				
Cell C	1 253 602	(2 673)	1 250 929	(0.21)
Other	15 417	(432)	14 985	(2.80)
Sundry receivables	212 279	(1 473)	210 806	(0.69)
Past due receivables				
Trade receivables arising on revenue from contracts with customers				
Banks and other financial institutions				
Past due by 1 to 30 days	—	—	—	—
Past due by 31 to 60 days	—	—	—	—
Past due by 61 to 90 days	283	(2)	281	(0.71)
Past due by more than 90 days	519	(519)	—	(100.00)
Independents and informal retail customers				
Past due by 1 to 30 days	12 247	(858)	11 389	(7.01)
Past due by 31 to 60 days	4 873	(843)	4 030	(17.30)
Past due by 61 to 90 days	4 403	(656)	3 747	(14.90)
Past due by more than 90 days	53 573	(38 956)	14 617	(72.72)
Formal market retail customers				
Past due by 1 to 30 days	3 633	(4)	3 629	(0.11)
Past due by 31 to 60 days	3 508	(16)	3 492	(0.46)
Past due by 61 to 90 days	1 681	(21)	1 660	(1.25)
Past due by more than 90 days	65 960	(65 960)	—	(100.00)

Notes to the Group annual financial statements
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for the year ended 31 May 2021

3. Financial risk management and financial instruments continued

3.1 Credit risk continued

Ageing and impairment analysis continued

	Gross R'000	Impairment R'000	Net R'000	Average ECL/ impairment ratio %
Customers in the petroleum sector				
Past due by 1 to 30 days	256	(4)	252	(1.56)
Past due by 31 to 60 days	611	(15)	596	(2.45)
Past due by 61 to 90 days	987	(29)	958	(2.94)
Past due by more than 90 days	5 266	(5 266)	—	(100.00)
Receivables for starter packs				
Past due by 1 to 30 days	86 787	(1 207)	85 580	(1.39)
Past due by 31 to 60 days	53 896	(796)	53 100	(1.48)
Past due by 61 to 90 days	11	(9)	2	(81.82)
Past due by more than 90 days	237	(237)	—	(100.00)
Cell C				
Past due by 1 to 30 days	3 307	(60)	3 247	(1.81)
Past due by 31 to 60 days	904	(27)	877	(2.99)
Past due by 61 to 90 days	5 218	(205)	5 013	(3.93)
Past due by more than 90 days	2 140	(2 140)	—	(100.00)
Other cellular networks				
Past due by 1 to 30 days	2 091	(2)	2 089	(0.10)
Past due by 31 to 60 days	1 636	(5)	1 631	(0.31)
Past due by 61 to 90 days	97	—	97	—
Past due by more than 90 days	30	(30)	—	(100.00)
Municipalities and private utilities				
Past due by 1 to 30 days	30 195	—	30 195	—
Past due by 31 to 60 days	8 741	—	8 741	—
Past due by 61 to 90 days	4 035	—	4 035	—
Past due by more than 90 days	16 355	(1 899)	14 456	(11.61)
Associates, joint ventures and related parties				
Past due by 1 to 30 days	—	—	—	—
Past due by 31 to 60 days	—	—	—	—
Past due by 61 to 90 days	—	—	—	—
Past due by more than 90 days	—	—	—	—
	3 608 043	(132 702)	3 475 341	(3.68)

ECLs for receivables other than trade receivables have been determined using the general approach in IFRS 9. Under the general approach, an entity calculates ECLs for loans and receivables at initial recognition by considering the consequences and probabilities of possible defaults only for the next 12 months, rather than the life of the asset. It continues to apply this method until a significant increase in credit risk has occurred, at which point the loss allowance is measured based on lifetime ECLs.

The Group has applied the requirements of the general approach of IFRS 9 for counterparties where no external credit ratings are available, by way of the use of a management determined credit risk rating model. The management of the Group performs a rigorous internal rating assessment process of all external counterparty credit risk exposures and rate these exposures grouping them into the below four groups which are then aligned to equivalent Moody's sourced default ratings.

3. Financial risk management and financial instruments continued

3.1 Credit risk continued

Ageing and impairment analysis continued

Management defines default as when counterparties miss payments and future payments are either suspended or unlikely.

Group 1: Fully performing counterparties who are highly collateralised, with no external credit ratings. ECL range of 0% to 6.43% (2020: 0% to 4.24%).

Group 2: Fully performing counterparties with a credit rating equivalent to a Moody's rating of B1 or better. ECL range of 6.43% to 7.57% (2020: 4.24% to 5.92%).

Group 3: Fully performing counterparties with a credit rating equivalent to a Moody's rating of between B2 and Caa2. ECL range of 7.57% to 11.0% (2020: 5.92% to 15.79%).

Group 4: Counterparties who are considered to be in default and have an equivalent Moody's rating of Ca or lower. ECL of 53.4% to 100% (2020: 52.6% to 100%).

The ECLs (probability of default and loss given default) applied to these groupings are obtained from Moody's Analytics for a reference entity with similar credit risk characteristics to the counterparties to which the Group is exposed. Furthermore, management has assumed that no entity to which this rating scale is applied carries a Moody's equivalent rating in excess of investment grade, and thus the maximum rating utilised is a B1 equivalent rating. The impact of Covid-19 on this rating scale has been integrated as noted above.

	Trade receivables		Other financial assets	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Provision for impairment of receivables				
Balance at the beginning of the year	**131 229**	95 984	**337 858**	277 954
Amounts restated through opening retained earnings	**–**	–	**–**	–
Disposal of subsidiary	**–**	(29 176)	**–**	(34)
Allowances made during the year – continuing operations	**(4 725)**	63 430	**7 602**	60 307
Allowances made during the year – discontinued operations	**–**	32 033	**–**	–
Amounts utilised	**(71 732)***	(31 042)	**(13 688)***	(369)
At 31 May	**54 772**	131 229	**331 772**	337 858

* Expected credit losses utilised in the clean up of long outstanding trade and loans receivable, where collection avenues were exhausted.

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.

The effect of credit risk on hedging instruments

On 7 October 2020, The Prepaid Company (TPC) entered into an interest-rate swap agreement in respect of its variable rate facility agreement in order to hedge its interest rate risk (refer to note 3.8 for more detail). By using derivative financial instruments to hedge exposures to changes in interest rates, TPC also exposes itself to credit risk of the derivative counterparty, which is not offset by the hedged item. TPC minimises counterparty credit risk in derivative instruments by entering into transactions with high-quality counterparties.

At inception of each hedge, it was determined that the effects of credit risk are not expected to dominate the value changes arising from the hedging relationship as all relevant metrics to demonstrate the existence of an economic relationship have been satisfied.

At each subsequent reporting date, hedge effectiveness for each hedging relationship will be assessed and the effects of credit risk will be considered.