M. FINANCIAL RISK MANAGEMENT *continued*

M5. CREDIT RISK AND SENSITIVITY *continued*

M5.2.5 Derivative instruments

Derivative instruments comprise interest rate swaps and foreign currency collars. The Moody's credit ratings for the counterparty financial institutions as well the exposure of derivative instruments with each financial institution are as follows:

			Group		Company	
	Credit rating June 2020	Credit rating June 2019	June 2020 %	June 2019 %	June 2020 %	June 2019 %
Rand Merchant Bank/ FirstRand Group	Ba1	Baa3	2.3	5.8	2.5	4.7
Nedbank	Ba1	Baa3	24.2	41.0	26.2	45.3
Standard Bank Group	Ba1	Baa3	44.9	53.2	40.4	50.0
ABSA	Ba1	n/a	28.6	n/a	30.9	n/a
Total exposure			**100.0**	**100.0**	**100.0**	**100.0**

Exposure is based on the nominal values of the underlying derivative instruments.

N. CASH FLOW INFORMATION

N1 CASH GENERATED FROM OPERATIONS

	Group		Company	
	June 2020 R'000	June 2019 R'000	June 2020 R'000	June 2019 R'000
Total (loss)/profit for the year attributable to shareholders of the Company	(3 401 849)	164 922	(3 107 020)	320 362
Non-controlling interests share of (loss)/profit after tax	(121 177)	(53 386)	-	-
Deferred and normal tax	7 150	(93 028)	7 637	1 730
(Loss)/Profit before taxation	**(3 515 876)**	**18 508**	**(3 099 383)**	**322 092**
Adjustments to (loss)/profit before tax to cash generated from operations	**5 324 326**	**2 187 695**	**4 758 047**	**1 726 325**
Interest earned	(88 997)	(156 043)	(58 751)	(77 152)
Interest incurred	637 392	617 198	412 133	313 257
Change in fair value - investment property	4 668 419	337 238	4 277 145	158 832
Straight-line rental income accrual	(118 286)	87 887	(125 927)	81 399
Derecognition of financial guarantee	-	(185 686)	-	(218 779)
Change in fair value - financial guarantee	16 665	-	(54 497)	16 294
Change in fair value - investment in joint venture: sub-Saharan Africa	-	105 809	-	-
Change in fair value - financial asset	(314 528)	85 229	(314 528)	85 229
Change in fair value - derivatives	221 200	46 102	218 433	37 591
Profit on disposal - investment property	-	(2 825)	-	(2 825)
Impairment of loans receivable	289 974	1 350 727	44 620	1 485 389
Impairment of subsidiary	-	-	398 020	-
Other impairments	-	29 964	-	-
Dividends received	(120 630)	(221 190)	(120 630)	(221 190)
Unrealised foreign exchange (gain)/loss	(1 876)	1 121	(9 669)	1 121
Movement in impairment of trade receivables	77 682	47 052	35 786	23 712
Depreciation - PPE	45 860	42 209	44 462	40 523
Share-based payment expense	11 795	2 496	11 795	2 496
Other non-cash items	(344)	407	(345)	428
Operating profit before working capital changes	**1 808 450**	**2 206 203**	**1 658 664**	**2 048 417**
Decrease in working capital	**(75 011)**	**(56 271)**	**(46 537)**	**(14 393)**
(Increase)/Decrease in receivables	(121 652)	(49 433)	(101 201)	806
(Increase)/Decrease in payables	46 641	(6 838)	54 664	(15 199)
Cash generated from operations	**1 733 439**	**2 149 932**	**1 612 127**	**2 034 024**

N2 OTHER CASH FLOW NOTES

		Note	Group June 2020 R'000	Group June 2019 R'000	Company June 2020 R'000	Company June 2019 R'000
N2.1	**Taxation paid**					
	Taxation (receivable)/payable at the beginning of the year		2 530	(1 251)	-	-
	FCTR movement on tax payable at beginning of the year		569	-	-	-
	Charge for the year in statement of profit or loss and other comprehensive income		487	(427)	-	-
	Taxation (receivable)/payable at the end of the year		-	(2 530)	-	-
	Taxation received/(paid) in cash		**3 586**	**(4 208)**	**-**	**-**
N2.2	**Dividends received**					
	Dividend receivable at the beginning of the year		16 278	76 484	16 278	76 484
	Dividend income		120 630	221 190	120 630	221 190
	Dividends receivable at the end of the year		-	(16 278)	-	(16 278)
	Dividends received in cash		**136 908**	**281 396**	**136 908**	**281 396**
N2.3	**Dividends paid**					
	Dividend declared during the year		1 705 815	1 956 467	1 709 572	1 959 628
	Dividends payable at the end of the year	*I3.2*	(788 347)	-	(790 041)	-
	Dividends paid in cash		**917 468**	**1 956 467**	**919 531**	**1 959 628**

O. ADDITIONAL INFORMATION (INCLUDED IN THE AUDITED FINANCIAL STATEMENTS)

O1 GOING CONCERN

The Company and Group financial statements are prepared on the basis of accounting policies applicable to a going concern. This basis takes into account that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

In assessing the Company and Group's ability to continue as a going concern, the board and the Audit and Risk committee have reviewed the Company and Group's budget and cashflow forecasts, available cash balances, existing unutilised and new term loans, revolving credit facilities, and the Group's debt maturity profile. Cognisance was also taken of the current level of economic uncertainty as a result of Covid-19, the effects of which are likely to continue for some time.

The impact of the Covid-19 lockdown on the South African economy, and the retail sector in particular, was severe. Financial performance of the Group's portfolios for the year ended 30 June 2020 was adversely impacted by Covid-19, as we assisted tenants by granting discounts on contractual rentals (see note D1.1), and property valuations suffered a decline (see note E1).

For the year ended 30 June 2020, the Company and Group recorded losses of R3 107 million and R3 523 million respectively, due to the revaluation of their investment property portfolios by R4 277 million and R4 668 million respectively. However, the Group's net income before fair value adjustments for the year was R1 411 million and cash generated by operations was R1 733 million. At 30 June 2020 the Group's net asset value was R19.3 billion, the Group had available cash of R835 million and undrawn revolving credit facilities of R500 million. Given the actions and decisions taken by management subsequent to year end (as set out below), the Group's liquidity position remains strong.

At 30 June 2020 the Company's current liabilities exceeded its current assets by R954 million and the Group's current liabilities exceed its current assets R2 128 million. The increase in current liabilities is due to loans maturing in less than one year (see note H1.2) and the dividend declared to shareholders for the six months ended 31 December 2019 of R788 million (the interim dividend) in February 2020.