

3 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

ACCOUNTING POLICY

Investments in associates and joint ventures are carried at cost less any accumulated impairment losses.

NAME OF COMPANY	Number of shares issued 2026	Number of shares issued 2025	% ownership interest 2026	% ownership interest 2025	Carrying amount 2026 R'000	Carrying amount 2025 R'000
Utilities World Proprietary Limited	1 000	1 000	25.10	25.10	12 046	12 046
T3 Telecoms SA Proprietary Limited	50	50	50.00	50.00	—*	—*
Blu Label Communications Proprietary Limited ¹	11 389	11 389	20.25	20.25	148	148
Blu Train Group Proprietary Limited	100	100	10.00	10.00	—*	—*
					12 194	12 194

* Less than R1 000.

¹ During the year, this associate changed its name from "Blue ..." to "Blu ...".

All entities listed above are incorporated in South Africa.

4 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

ACCOUNTING POLICY

Financial assets and liabilities are recognised when BLU becomes a party to the contractual provisions of the instruments.

Financial assets are classified as current if expected to be realised within 12 months of the statement of financial position date; if not, they are classified as non-current. Financial liabilities are classified as non-current if BLU has the right to defer settlement beyond 12 months of the statement of financial position date.

MEASUREMENT ON INITIAL RECOGNITION

All financial assets (unless it is a trade receivable without a significant financing component) and financial liabilities are initially measured at fair value, including transaction costs, except for those classified as fair value through profit or loss which are initially measured at fair value excluding transaction costs. Transaction costs directly attributable to the acquisition of financial assets, or incurrence of financial liabilities, classified at fair value through profit or loss are recognised immediately in profit or loss.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 May 2026

4 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

SUBSEQUENT MEASUREMENT

Subsequent measurement of financial assets and financial liabilities depends on their classification.

BLU classifies financial assets on initial recognition as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of BLU's business model for managing the financial asset and the cash flow characteristics of the financial asset. Financial assets are not reclassified unless BLU changes its business model for managing those financial assets.

CATEGORY

SUBSEQUENT MEASUREMENT

FINANCIAL ASSETS

Amortised cost

The financial asset is held within a business model with the objective to collect the contractual cash flows, and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Fair value through profit or loss

The financial asset does not qualify for measurement at amortised cost or fair value through other comprehensive income.

Financial liabilities are classified as measured at amortised cost or measured at fair value through profit or loss.

DERECOGNITION

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and BLU has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire. On derecognition of a financial asset/liability, any difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

IMPAIRMENT OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

BLU calculates its allowance for credit losses as expected credit losses ("ECLs") for financial assets measured at amortised cost. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to BLU in accordance with the contract and the cash flows that BLU expects to receive). ECLs are discounted at the original effective interest rate of the financial asset.

CATEGORIES OF FINANCIAL ASSETS

	Notes	2026 R'000	2025 R'000
AT AMORTISED COST			
Loans to group companies	5	174 452	2 122 636
Other receivables	6	4 030	–
Cash and cash equivalents	7	2 580	1 390
		181 062	2 124 026

CATEGORIES OF FINANCIAL LIABILITIES

	Notes	2026 R'000	2025 R'000
AT AMORTISED COST			
Trade and other payables	9	3 906	1 402
OTHER			
Financial guarantee contracts	4.2.1	–	39 060
		3 906	40 462

CAPITAL RISK MANAGEMENT

BLU's objectives when managing capital are to safeguard BLU's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust this capital structure, BLU may issue new shares, adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debt. BLU defines capital as capital and reserves and non-current borrowings. The Group is required to maintain a market capitalisation of R3 billion in terms of its covenants with Investec Bank in respect of TPC's working capital facility.

FINANCIAL RISK MANAGEMENT

OVERVIEW

BLU is exposed to a number of financial risks, namely credit risk, liquidity risk and market risk (including interest rate risk). This note presents BLU's objectives, policies and processes for managing its financial risk and capital.

BLU seeks to minimise potential adverse effects on the financial performance of BLU. The Directors provide principles for overall risk management, interest rate risk, credit risk, and investing excess liquidity.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 May 2026

4 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

4.1 CREDIT RISK

Credit risk, or the risk of financial loss to BLU due to customers or counterparties not meeting their contractual obligations, is managed through the application of credit approvals, limits and monitoring procedures. BLU is exposed to credit risk on financial assets mainly in respect of those assets detailed in the financial instruments table above. The carrying amounts of financial assets represent the maximum credit exposure.

EXPECTED CREDIT LOSSES

BLU tracks significant increases in credit risk using information available to BLU regarding the counterparty credit risk. Furthermore, this is supplemented by taking into account the performance of the counterparty to the financial asset in question, as well as data from Moody's Analytics where applicable.

BLU calculates its allowance for credit losses for financial assets measured at amortised cost using ECLs.

ECLs were determined by BLU 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 BLU.

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% (2025: 40%, 30%, 30%) 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.

Significant increases in credit risk can be evaluated with reference to movements in the balances between the grouping categories used throughout this note.

Management defines default as the situation when counterparties fail to make payments in a timely manner, i.e. within 60 days of when payment is contractually due or payments are demanded for financial assets with no fixed repayment terms (payable on demand), and future payments are either suspended or unlikely.

Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.

Loans and financial guarantees are only granted to holders with an appropriate credit history, taking into account the holder's financial position and past experience.

For counterparties where no external credit ratings are available, BLU has used a management-determined credit risk rating model. The management of BLU performs a rigorous internal rating assessment process of all external counterparty credit risk exposures and rates these exposures grouping them into the below groups which are then aligned to equivalent Moody's sourced default ratings.

Counterparties were categorised as follows:

Group 1: Fully performing counterparties with a credit rating equivalent to a Moody's rating of B1 or higher. ECL range up to 8.7% (2025: up to 8.25%).

Group 2: Fully performing counterparties with a credit rating equivalent to a Moody's rating of between B1 and B2. ECL range of 8.7% to 10.78% (2025: 8.25% to 10.16%).

Group 3: Fully performing counterparties with a credit rating equivalent to a Moody's rating of between B2 and Ca. ECL range of 10.78% to 51.89% (2025: 10.16% to 51.68%).

Group 4: Counterparties who are considered to be in default and have an equivalent Moody's rating of Ca or lower. ECL of 51.89% to 100% (2025: 51.68% to 100%).

Group 5: Counterparties which have been designated as credit-impaired or originated credit-impaired loans. ECL based on the credit rating of the underlying counterparty.

The groupings mentioned above are generally aligned to the staging requirements of IFRS 9 as follows:

- Group 1 financial assets are typically Stage 1.
- Group 2 financial assets are typically Stage 1, with minor Stage 2 balances.
- Group 3 financial assets are typically Stage 1 and Stage 2 balances.
- Group 4 financial assets are typically Stage 3.
- Group 5 purchased or originated credit-impaired financial assets are typically Stage 3.

LOANS TO GROUP COMPANIES AND OTHER RECEIVABLES

ECLs have been determined using the general impairment model in IFRS 9 (general approach). 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.

BLU 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 BLU performs a rigorous internal rating assessment process of all counterparty credit risk exposures and rates these exposures allocating them into the five groups, as discussed above, which are then aligned to equivalent Moody's sourced default ratings.

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 BLU is exposed.

Refer to notes 5 and 6 for further details on the ECL process applied to loans to group companies and other receivables.

CASH AND CASH EQUIVALENTS

Credit risk exposure arising on cash and cash equivalents is managed by BLU through dealing with well-established financial institutions with high credit ratings. Refer to note 7 for details on these financial institutions and their credit ratings.

The maximum exposure to credit risk is presented in the table below:

CATEGORIES OF FINANCIAL ASSETS

	Notes	Gross carrying amount R'000	Credit loss allowance R'000	Carrying amount R'000
2026				
Loans to group companies	5	602 410	(427 958)	174 452
Other receivables	6	5 000	(970)	4 030
Cash and cash equivalents	7	2 580	–	2 580
		609 990	(428 928)	181 062
2025				
Loans to group companies	5	3 126 175	(1 003 539)	2 122 636
Cash and cash equivalents	7	1 390	–	1 390
		3 127 565	(1 003 539)	2 124 026

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 May 2026

4 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

4.2 LIQUIDITY RISK

Liquidity risk is the risk that BLU will not be able to meet its financial obligations as they fall due, both under normal and stressed circumstances.

BLU's objective is to maintain prudent liquidity risk management by maintaining payment obligations and sufficient cash and marketable securities, as well as the availability of funding through an adequate amount of committed credit facilities. Company finance monitors rolling forecasts of BLU's liquidity requirements to ensure it has sufficient cash to meet operational needs. Due to the dynamic nature of the underlying businesses, BLU aims to maintain flexibility in funding by keeping committed credit lines available.

4.2.1 FINANCIAL GUARANTEE CONTRACTS

In 2022, a debt owed by Cell C to a lessor was transferred to a special purpose vehicle ("SPV5") in exchange for a 10% shareholding in Cell C, which was SPV5's sole asset. BLU issued a guarantee in favour of the lessor for the repayment of this debt, while TPC committed to providing funding to SPV5 to enable it to meet its repayment obligations, if required.

The Group implemented a pre-listing restructuring with regards to Cell C, which included the settlement of the debt owing to SPV5 and resulting in the derecognition of the financial guarantee since it is no longer in effect.

ACCOUNTING POLICY

BLU elects on a contract by contract basis to apply IFRS 9 and IFRS 7 to financial guarantee contracts and not IFRS 17. Financial guarantee contracts are recognised at fair value on the date that BLU 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. The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

	2026 R'000	2025 R'000
FINANCIAL GUARANTEE CONTRACTS RECOGNISED		
Financial guarantee to Dark Fibre Africa ("SPV5")	–	39 060

The fair value of financial guarantee contracts approximates their carrying amount because the ECL takes into account a market related discount factor.

RECONCILIATION OF LOSS ALLOWANCES

The following table shows the movement in the loss allowance for financial guarantee contracts:

	2026 R'000	2025 R'000
Opening balance	39 060	86 844
Reversal in loss allowance recognised in profit or loss during the year	(39 060)	(47 784)
Closing balance	–	39 060

4.2.2 PLEDGES, GUARANTEES AND SURETIES

BLU has pledged securities to The Prepaid Company Proprietary Limited ("TPC") in relation to TPC's General Banking Facility and Revolving Credit Facility (working capital loan facilities) and TPC's Term Facility. At year-end the TPC working capital loan facility amounted to R1.160 billion (2025: R1.160 billion), of which R1.160 billion (2025: R1.160 billion) had been utilised. At year-end TPC's Term Facility amounted to R69 million (2025: R311 million).

- The balance of TPC's General Banking and Revolving Credit Facility are payable in September 2027. The balance of TPC's Term Facility is payable in September 2026.
- The following debt covenants applied to TPC's General Banking Facility, Revolving Facility A and Term Facility with Investec Bank, Rand Merchant Bank and Futuregrowth Asset Management:
 - Total consolidated debt to adjusted consolidated EBITDA ratio must be less than a stipulated decreasing ratio at each measurement period, from 3.5 times at 31 May 2026 to 2.5 times at 31 August 2026; and
 - BLU's market capitalisation must exceed R3 billion.

The Group has not been in breach in respect of these covenants.

BLU and certain Group companies have pledged the following securities in respect of this facility:

- A general covering pledge, cession and security over the assets of BLU;
- A general notarial bond over all the moveable assets of BLU limited to R4.75 billion;
- A Cession in Securitatem Debiti by certain Group companies of all of their incorporeal moveable assets and claims;
- A counter indemnity issued by certain Group companies indemnifying the lenders against any loss that they may suffer as a result of enforcing their rights;
- A Cession in Securitatem Debiti by certain Group companies in favour of the lenders as a result of the lenders invoking revisionary and/or principal rights which they may have against any entity guaranteeing the principal debt owed by TPC; and
- A Subordination by BLU and its subsidiaries of any and all inter-Group claims which each may have against the other, in favour of debt and/or obligations owed by any of them to the lenders.

BLU has issued a company cross-suretyship in favour of FirstRand Bank Limited amounting to R31.9 million (2025: R31.9 million) for the joint and several obligations of the following subsidiary companies to FirstRand Bank Limited:

- The Prepaid Company Proprietary Limited ("TPC") – R20.6 million
- Cigicell Proprietary Limited – R5.5 million
- Blu Label Distribution Proprietary Limited – R5.125 million
- Blu Label Data Solutions Proprietary Limited – R175 000
- Blu Label Connect Proprietary Limited – R500 000.

BLU issued guarantees to the value of R250 million (2025: R250 million) relating to Comm Equipment Company Proprietary Limited's ("CEC") facility with African Bank Limited ("ABL"), R75 million (2025: R75 million) relating to CEC's facility with Samsung Electronics South Africa (Pty) Ltd ("Samsung") and R26 million (2025: R28 million) to other Group suppliers.

In 2019, TPC and BLU provided a guarantee to African Bank Limited ("ABL"), limited to R250 million, to guarantee the payment obligation of Comm Equipment Company (Pty) Ltd ("CEC") to ABL under loan facilities granted by ABL to CEC. In 2023 BLU provided a guarantee to Samsung Electronics South Africa (Pty) Ltd ("Samsung") limited to R75 million, to guarantee the payment obligations of CEC to Samsung for goods sold by Samsung to CEC. CEC was a wholly owned subsidiary of TPC until November 2025, when TPC sold its shares in CEC to Cell C. A term of the sale was that Cell C would procure the release of BLU and TPC from the guarantees in favour of ABL and Samsung. Pending such release, Cell C provided TPC and BLU with a back-to-back indemnity, in terms of which TPC and BLU are immediately indemnified by Cell C against any loss they may incur pursuant to either ABL or Samsung calling upon the guarantees.

Management assessed the likelihood of the guarantees being called as remote, and therefore no liability was recognised in the current or prior year.

In the unlikely event that the unrecognised portion of the financial guarantee is called upon, BLU will access funds from group companies to settle the obligations.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 May 2026

4 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

4.2 LIQUIDITY RISK CONTINUED

4.2.3 UNDISCOUNTED CASH FLOWS

The table below analyses the undiscounted cash flows for BLU's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. As the amounts included in the table are the contractual undiscounted cash flows, these amounts will not necessarily reconcile to the amounts disclosed on the statement of financial position.

	Notes	Less than one month or on demand R'000	More than one month but not exceeding one year R'000	More than 1 year but not exceeding 2 years R'000	Total R'000
2026					
Trade and other payables	9	14	3 889	–	3 903
Financial guarantee contracts	4.2.1	–	1 822 000	–	1 822 000
		14	1 825 889	–	1 825 903
2025					
Trade and other payables	9	52	1 352	–	1 404
Financial guarantee contracts	4.2.1	–	1 924 000	75 000	1 999 000
		52	1 925 352	75 000	2 000 404

4.3 MARKET RISK

Market risk is the risk that changes in market prices (interest rate, currency risk and/or price risk) will affect BLU's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

BLU is exposed to risks from movements in interest rates that affect its assets, liabilities and anticipated future transactions. BLU is not exposed to foreign currency risk as it does not have any transactions or balances in currencies other than BLU's functional currency. BLU is not exposed to significant levels of price risk as it does not own any investments that are classified as either at fair value through other comprehensive income or at fair value through profit or loss.

INTEREST RATE RISK

BLU's cash flow interest rate risk arises from cash and cash equivalents carrying interest at variable interest rates and hence exposed to changes in market interest rates. BLU is not exposed to fair value interest rate risk as BLU does not have any fixed interest-bearing instruments carried at fair value.

BLU's exposure to interest rate risk is reflected in the cash and cash equivalents note.

The interest rate sensitivity is based on the following assumptions:

- Changes in market interest rates affect the interest income and expense of variable interest financial instruments.
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at fair value.

Under these assumptions, a 1% increase or decrease in market interest rates at 31 May 2026 would increase or decrease profit or loss and equity by R25 805 (2025: R13 905).