3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

3.1 FINANCIAL INSTRUMENTS

Financial instruments carried on the statement of financial position are as follows:

CLASSES	CATEGORIES	Carrying value 2026 R'000	Carrying value 2025 R'000
NON–CURRENT ASSETS*			
Loans to associates	Amortised cost	–	1 302 614
Loans receivable	Amortised cost	**98 251**	46 536
Advances to customers	Amortised cost	–	653 146
Financial assets at fair value through profit or loss	Fair value through profit or loss	–	128 521
		98 251	2 130 817
CURRENT ASSETS**			
Loans to associates	Amortised cost	**3 467**	1 947 148
Loans receivable	Amortised cost	**92 162**	57 240
Trade and other receivables[1]	Amortised cost	**2 632 421**	2 944 312
Advances to customers	Amortised cost	–	990 621
Financial assets at fair value through profit or loss	Fair value through profit or loss	–	411 074
Cash and cash equivalents	Amortised cost	**964 739**	822 104
		3 692 789	7 172 499
NON–CURRENT LIABILITIES*			
Non–current lease liability	Amortised cost	**19 527**	36 551
Financial liabilities at fair value through profit or loss	Fair value through profit or loss	**140 000**	242 637
Borrowings	Amortised cost	**4 592 618**	2 743 848
		4 752 145	3 023 036
CURRENT LIABILITIES**			
Trade and other payables[2]	Amortised cost	**5 741 930**	5 715 637
Lease liability	Amortised cost	**11 821**	10 393
Borrowings	Amortised cost	**75 430**	2 673 100
Borrowings from associates and joint ventures	Amortised cost	–	34 528
Bank overdraft	Amortised cost	**21**	831
		5 829 202	8 434 489
		(6 790 307)	(2 154 209)

[1] *Carrying value per statement of financial position is R3.076 billion (2025: R4.301 billion) which includes R443 million (2025: R1.357 billion) relating to prepayments and tax receivables, which are not financial assets.*

[2] *Carrying value per statement of financial position is R5.922 billion (2025: R5.975 billion) which includes R179.8 million (2025: R259 million) relating to employee benefits and tax payables, which are not financial liabilities.*

* *The fair values of non-current assets and liabilities approximate their carrying values due to their terms being market-related.*

** *The fair values of current assets and liabilities approximate their carrying values due to their short-terms (less than 12 months).*

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

The Group elects on a contract by contract basis to apply IFRS 9 and IFRS 7 to financial guarantee contracts and not IFRS 17.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

for the year ended 31 May 2026

3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

3.1 FINANCIAL INSTRUMENTS CONTINUED

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. A trade receivable without a significant financing component is initially recognised at the transaction price.

In instances in which the valuation techniques applied to determine fair value of financial assets/financial liabilities on initial recognition do not use only data that is from observable markets, any resulting day one gains/losses are deferred and are recognised as part of the carrying values of the related financial asset/financial liability. These gains/losses are only recognised subsequently to the extent that they arise from a change in a factor (including time) that market participants would take into account when pricing the financial asset/financial liability.

SUBSEQUENT MEASUREMENT

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

The Group classifies financial assets on initial recognition as measured at amortised cost or fair value through profit or loss ("FVTPL") on the basis of the Group's business model for managing the financial asset and the cash flow characteristics of the financial asset.

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 assets are not reclassified unless the Group changes its business model for managing those financial assets. Reclassification is done prospectively from the date that the Group changes its business model.

Financial liabilities are classified as measured at amortised cost except for:
- derivatives which are measured at fair FVTPL;
- financial liabilities designated by the Group upon initial recognition to be at FVTPL because of the existence of one or more derivatives embedded within the financial liabilities which would otherwise need to be separated out resulting in the host financial liabilities being measured at amortised cost and the derivative(s) being measured at FVTPL; and
- financial guarantee contracts which are measured initially at their fair value, and subsequently at the higher of:
  - the amount of the loss allowance determined using the same approach as that used for impairment of financial assets measured at amortised cost (see Impairment of financial assets measured at amortised cost on below); and
  - the initial fair value less, when appropriate, the cumulative amount of income recognised in accordance with the principles of revenue recognition.

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

DERECOGNITION OF FINANCIAL ASSETS

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or when the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership.

A modification of the terms of a financial asset is assessed to determine whether it results in derecognition. If the modification is substantial, the original financial asset is derecognised and a new financial asset is recognised. The difference between the carrying amount of the financial asset derecognised and the fair value of the new financial asset is recognised in profit or loss.

DERECOGNITION OF FINANCIAL LIABILITIES

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled, or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the original liability is derecognised, and a new financial liability is recognised. The difference between the carrying amount of the financial liability derecognised and the fair value of the new financial liability is recognised in profit or loss.

IMPAIRMENT OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

The Group calculates its allowance for credit losses for financial assets measured at amortised cost using expected credit losses ("ECLs"). Credit losses are cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the original effective interest rate ("EIR"), or at the original credit-adjusted EIR for purchased or originated credit-impaired financial assets. ECLs are probability weighted averages of credit losses.

For all financial assets measured at amortised cost, except for trade and other receivables, the Group measures the related loss allowance at an amount equal to 12-month ECLs, which is the portion of lifetime ECLs that result from default events that are possible within the 12 months after the reporting date. Once a significant increase in credit risk occurs, the loss allowance is measured based on lifetime ECLs. For trade and other receivables, the Group measures the related loss allowance at lifetime ECLs from initial recognition.

Purchased or originated credit-impaired financial assets are financial assets that are credit-impaired on initial recognition. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred, for example:

- significant financial difficulty of the borrower;
- default or past due event;
- other lenders having granted the borrower concessions for economic or contractual reasons relating to the borrower's financial difficulty that they would not otherwise consider;
- probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Since the original credit-adjusted EIR reflects lifetime ECLs at initial recognition, the Group only recognises the cumulative changes in lifetime ECLs since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.