BLUE LABEL
TELECOMS

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BLUE LABEL
TELECOMS

Group Annual Financial Statements 2024

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DISCLAIMER This document contains certain statements that are "forward-looking" with respect to certain of the Group's plans, goals and expectations relating to its future performance, results, strategies and objectives. Words such as "may", "could", "will", "expect", "intend", "estimate", "anticipate", "aim", "outlook", "believe", "plan", "seek", "predict" or similar expressions typically identify forward-looking statements. These forward-looking statements are not statements of fact or guarantees of future performance, results, strategies and objectives, and by their nature involve risk and uncertainty because they relate to future events and circumstances which are difficult to predict and are beyond the Group's control, including but not limited to, domestic and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing impact and other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of changes in domestic and global legislation and regulations in the jurisdictions in which the Group and its affiliates operate. The Group's actual future performance, results, strategies and objectives may differ materially from the plans, goals and expectations expressed or implied in the forward-looking statements. The Group makes no representations or warranty, express or implied, that these forward-looking statements will be achieved, and undue reliance should not be placed on such statements. The forward-looking statements in this document are not reviewed and reported on by the Group's external assurance providers. The Group undertakes no obligation to update the historical information or forward-looking statements in this document and does not assume responsibility for any loss or damage arising as a result of the reliance by any party thereon.

SEIZE THE DAY

NON-IFRS INFORMATION

The non-IFRS performance measures are compiled in terms of the JSE Listings Requirements and the Guide on Pro Forma Financial Information, issued by SAICA and are the responsibility of the board of directors and are presented for illustrative purposes. Pro forma information presented on a non-IFRS basis has been extracted from the information underlying the Group's consolidated financial statements, the quality of which the board is satisfied with.

Shareholders are advised that, due to the pro forma nature of the non-IFRS performance measures, they may not fairly present the Group's financial position, changes in equity, results of operations or cash flows.

The non-IFRS performance measures have been prepared to illustrate the impact of changes in the recapitalisation transaction, Sale of advances to customers under post-paid contract device arrangements and core headline earnings.

REASONABLE ASSURANCE REPORT

TO THE DIRECTORS OF BLUE LABEL TELECOMS LIMITED

REPORT ON THE ASSURANCE ENGAGEMENT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

We have completed our assurance engagement to report on the compilation of the pro forma financial information of Blue Label Telecoms Limited and its subsidiaries, associates and joint ventures (the "Group") by the directors. The pro forma financial information, as set out in the Financial Highlights announcement and Commentary, consists of certain income, costs and trading profit metrics, excluding the effects of specified commercial transactions in the composition of the Group and excluding the impact of what management term "extraneous contributions" which includes "extraneous costs" and/or "extraneous income" and core headline earnings (non-IFRS performance measure or the "pro-forma financial information") as at 31 May 2024. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are specified in the JSE Limited (JSE) Listings Requirements and described above under Non-IFRS information.

The pro forma financial information has been compiled by the directors to illustrate the impact of specified transactions, including the recapitalisation of Cell C undertaken, Sale of advances to customers under post-paid contract device arrangements and extraneous contributions from the Group's operational performance, earnings and headline earnings. As part of this process, information about the Group's financial position and financial performance has been extracted by the directors from the Group's financial statements for the year ended 31 May 2024, on which an audit report has been published.

Directors' responsibility

The directors of the Group are responsible for compiling the pro forma financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the Commentary of the consolidated financial statements for the year ended 31 May 2024.

Our independence and quality management

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors, issued by the Independent Regulatory Board for Auditors' (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). The firm applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountant's responsibility

Our responsibility is to express an opinion about whether the pro forma financial information has been compiled, in all material respects, by the directors on the basis of the applicable criteria specified in the JSE Listings Requirements.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the pro forma financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

REASONABLE ASSURANCE REPORT CONTINUED

Reporting accountant's responsibility continued

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements.

Alex Philippou
SizweNtsalubaGobodo Grant Thornton Inc.
Engagement Director
Registered Auditor

28 August 2024

221 Garstfontein Road
Newlands
Pretoria
Gauteng

FINANCIAL HIGHLIGHTS

A snapshot overview of Blue Label's performance for the year ended 31 May 2024:

Revenue of
R14.6 billion*

Decrease in gross profit of 5% to
R3.3 billion
(2023: R3.48 billion)

Increase in gross profit margin from
18.41% to 22.57%

Core headline earnings of
76.08 cents per share**
(2023: 45.55 cents per share)

* On inclusion of the gross amount generated on "PINless top-ups", prepaid electricity, ticketing and universal vouchers, the effective increase equated to 16% from R76.8 billion to R89.3 billion.

** Excluding the positive contributions of R66 million in the current year and the negative contributions of R523 million in the prior year, primarily resulting from the recapitalisation transaction of Cell C, core headline earnings per share declined by 34% to 68.66 cents per share compared to 104.83 cents per share in the prior year.

COMMENTARY

GROUP RESULTS

Group revenue declined by R4.3 billion (23%) to R14.6 billion. However, as only the gross profit earned on "PINless top-ups", prepaid electricity, ticketing and universal vouchers is recognised as revenue, on imputing the gross revenue generated from these sources, the effective growth in revenue equated to R12.5 billion (16%), resulting in a total revenue of R89.3 billion compared to the prior year of R76.8 billion.

Gross profit decreased by R188 million (5%) from R3.483 billion to R3.295 billion. The decline was mitigated by an increase in the gross profit margin from 18.41% to 22.57%. This increase in margins can be partially attributed to the growth in "PINless top-ups", prepaid electricity, ticketing and universal vouchers, where only the gross profit earned thereon is recognised as revenue.

The Group remains vigilant in managing its total overhead costs.

EBITDA declined by R258 million (18%) from R1.463 billion to R1.205 billion, excluding the positive contributions of R20 million in the current year and negative contributions of R146 million in the prior year. Of this decline, Comm Equipment Company Proprietary Limited (CEC) showed a negative impact of R368 million, while the remaining Group operations contributed an additional R110 million compared to the previous year.

Core headline earnings for the year ended 31 May 2024 amounted to R679 million, equating to core headline earnings of 76.08 cents per share.

In the comparative year, core headline earnings amounted to R402 million, equating to core headline earnings of 45.55 cents per share. The predominant negative contributions to the May 2023 basic, headline and core headline earnings per share are primarily associated with the recapitalisation transaction of Cell C.

Excluding the positive contributions of R66 million in the current year and the negative contributions of R523 million in the prior year, as illustrated in the underlying tables, core headline earnings declined by R312 million (34%) from R925 million to R613 million and core headline earnings per share declined by 34% from 104.83 cents per share in the prior year to 68.66 cents per share. This decline in core headline earnings was attributable to a decrease of R188 million in CEC, while the remaining entities within the Group declined by R124 million compared to the prior year.

The decline in CEC's core headline earnings was primarily attributable to a decline in gross profit stemming from a decrease in earnings resulting from the expiry, in November 2022, of certain elements of the revenue-sharing agreement, increased expenditure related to the distribution agreement and an increase in the amortisation of handset subsidies. The declines were offset by a reduction in the expected credit loss following a comprehensive base reconciliation at the end of the previous financial year as well as the derecognition of the expected credit loss on the sale of a portion of its handset receivable books.

As part of the recapitalisation transaction of Cell C, and to further assist with their working capital requirements, The Prepaid Company Proprietary Limited (TPC) is obligated to purchase R1.2 billion of additional prepaid airtime through four quarterly payments of R300 million each. To fund these working capital requirements for Cell C, CEC sold a portion of its handset receivable book to financial institutions. The funds generated from this transaction are transferred from CEC to TPC, and ultimately to Cell C through the acquisition of airtime as referred to above.

The remaining entities within the Group, with particular reference to TPC, faced a reduction in core headline earnings due to the cessation of certain rebates and a reduction in discounts from Cell C, following its recapitalisation.

Earnings per share for the current and prior years amounted to 72.49 cents and 30.48 cents respectively. On the exclusion of the contributions resulting primarily from the recapitalisation transaction of Cell C from both the current and prior years, earnings per share and headline earnings per share declined by 35% to 65.07 cents per share and 66.22 cents per share, respectively.

GROUP INCOME STATEMENT

	Group May 2024 R'000	Extraneous income* May 2024 R'000	Remaining May 2024 R'000	Group May 2023 R'000	Extraneous costs** May 2023 R'000	Remaining May 2023 R'000	Growth remaining R'000	Growth remaining %
Revenue	**14 598 444**	**127 742**	**14 470 702**	**18 918 263**	—	18 918 263	(4 447 561)	(24%)
Gross profit	**3 295 038**	**127 742**	**3 167 296**	**3 483 075**	—	3 483 075	(315 779)	(9%)
Other expenses	**(667 624)**	**(15 651)**	**(651 973)**	**(585 720)**	—	(585 720)	(66 253)	(11%)
Bad debts, expected credit losses and fair value movements	**(500 569)**	**(59 208)**	**(441 361)**	**(667 649)**	(88 474)	(579 175)	137 814	24%
Loss on modification/derecognition of financial instruments	**(32 576)**	**(32 576)**	**—**	**(57 453)**	(57 453)	—	—	
EBITDA	**1 225 475**	**20 307**	**1 205 168**	**1 316 926**	(145 927)	1 462 853	(257 685)	(18%)
Finance costs	**(1 121 356)**	**(461 932)**	**(659 424)**	**(682 599)**	(321 915)	(360 684)	(298 740)	(83%)
Finance income	**901 884**	**599 823**	**302 061**	**411 540**	238 362	173 178	128 883	74%
Reversal of impairments in associates	**—**	**—**	**—**	**962 531**	962 531	—	—	
Share of profit/(losses) from associates and joint venture	**15 416**	**—**	**15 416**	**(1 329 747)**	(1 328 767)	(980)	16 396	1673%
Net profit after tax	**647 386**	**66 262**	**581 124**	**268 966**	(616 688)	885 654	(304 530)	(34%)
Core headline earnings	**679 488**	**66 262**	**613 226**	**401 961**	(523 157)	925 118	(311 892)	(34%)
Gross profit margin	**22.57%**		**21.89%**	**18.41%**		18.41%		
EBITDA margin	**8.39%**		**8.33%**	**6.96%**		7.73%		
Weighted average shares ('000)	**893 117**		**893 117**	**882 530**		882 530		
Share performance								
EPS (cents)	**72.49**		**65.07**	**30.48**		100.35	(35.28)	(35%)
HEPS (cents)	**73.64**		**66.22**	**41.97**		101.24	(35.02)	(35%)
Core HEPS (cents)	**76.08**		**68.66**	**45.55**		104.83	(36.17)	(34%)

* The extraneous net positive contributions to Group earnings in the current year were attributable to:

- the accounting treatment relating to the recapitalisation transaction of Cell C[1], emanating from:
  - deferred finance revenue of R128 million which represents the difference between the accelerated deferred interest recognised on the date of sale of the handset receivable book and the expected deferred interest that would have been released, had the handset receivable book not been sold;
  - other expenses of R16 million primarily relating to raising and commitment fees paid;
  - expected credit loss and negative fair value movements of R59 million;
  - net loss on modification/derecognition of the financial instruments amounting to R33 million relating to the sale of the handset receivable book and the Class A Preference Shares;
  - finance costs of R462 million, of which R301 million resulted from borrowings relating to airtime sale and repurchase obligations, as well as the issuance of Class A Preference Shares and R161 million relating to the finance cost recognised on the date of sale of the handset receivable book, calculated using the prime interest rate multiplied by the gross handset value sold; and
  - finance income of R600 million resulting from the loan to Cell C for its debt-funding requirements.

	Extraneous costs* May 2024 R'000	Recap of Cell C[1] May 2024 R'000
Revenue	**127 742**	127 742
Other expenses	**(15 651)**	(15 651)
Bad debts, expected credit losses and fair value movements	**(59 208)**	(59 208)
Loss on modification/derecognition of financial instruments	**(32 576)**	(32 576)
EBITDA	**20 307**	20 307
Finance costs	**(461 932)**	(461 932)
Finance income	**599 823**	599 823
Net profit after tax	**66 262**	66 262
Core headline earnings	**66 262**	66 262

**The extraneous negative contributions to Group earnings in the prior year were primarily attributable to:

- the accounting treatment relating to the recapitalisation transaction of Cell C[2], emanating from:
  - expected credit losses and fair value movements of R110 million;
  - loss on modification of a financial instruments of R57 million primarily due to the renegotiation and reclassification of the CEC deferral amount of R1.1 billion, owed by Cell C, from 'trade and other receivables' to 'loans to associates and joint ventures';
  - finance costs of R322 million resulting from increased borrowings related to airtime sale and repurchase obligations, as well as the issue of Class A Preference Shares;
  - finance income of R238 million resulting from a loan to Cell C for its debt-funding requirements;
  - a partial reversal of R962.5 million relating to the initial impairment of R2.5 billion of Blue Label's investment in Cell C as at 31 May 2019, in line with an improvement in its equity valuation; and
  - recognition of the Group's share of Cell C's net accumulated losses for the period from 1 June 2019 to 31 May 2023, limited to R1.329 billion, being the aggregate of the partial reversal of the initial impairment of R962.5 million of Blue Label's investment in Cell C as well as additional investments therein amounting to R366 million.
- the accounting implications of the termination of the Airvantage put option obligation for the acquisition of up to 40% of the shares therein resulted in a fair value gain of R22 million[3].

	Extraneous costs** May 2023 R'000	Recap of Cell C[2] May 2023 R'000	Once-offs[3] May 2023 R'000
Bad debts, expected credit losses and fair value movements	**(88 474)**	(110 474)	22 000
Loss on modification of financial instrument	**(57 453)**	(57 453)	—
EBITDA	**(145 927)**	(167 927)	22 000
Finance costs	**(321 915)**	(321 915)	—
Finance income	**238 362**	238 362	—
Reversal of impairments in associates	**962 531**	962 531	—
Share of losses from associates and joint ventures	**(1 328 767)**	(1 328 767)	—
Net loss after tax	**(616 688)**	(638 688)	22 000
Core headline earnings	**(523 157)**	(545 157)	22 000

SEGMENTAL REPORT

Africa Distribution

	May 2024 R'000	Extraneous income[1] May 2024 R'000	Remaining May 2024 R'000	May 2023 R'000	Extraneous costs[2] May 2023 R'000	Remaining May 2023 R'000	Growth remaining R'000	Growth remaining %
Revenue	**14 343 953**	127 742	14 216 211	**18 643 810**	—	18 643 810	(4 427 599)	(24%)
Gross Profit	**3 215 296**	127 742	3 087 554	**3 402 488**	—	3 402 488	(314 934)	(9%)
Other expenses	**(621 449)**	(15 651)	(605 798)	**(566 207)**	—	(566 207)	(39 591)	(7%)
Bad debts, expected credit losses and fair value movements	**(502 018)**	(59 208)	(442 810)	**(722 046)**	(110 474)	(611 572)	168 762	28%
Loss on modification/derecognition of financial instruments	**(32 576)**	(32 576)	—	**(57 453)**	(57 453)	—	—	
EBITDA	**1 354 629**	20 307	1 334 322	**1 363 916**	(167 927)	1 531 843	(197 521)	(13%)
Finance costs	**(1 120 225)**	(461 932)	(658 293)	**(681 193)**	(321 915)	(359 278)	(299 015)	(83%)
Finance income	**896 028**	599 823	296 205	**407 731**	238 362	169 369	126 836	75%
Reversal of impairments in associates	**—**		—	**962 531**	962 531	—	—	
Share of (losses)/profit from associates and joint ventures	**(2 489)**		(2 489)	**(1 320 348)**	(1 328 767)	8 419	(10 908)	(130%)
Net profit after tax	**769 270**	66 262	703 008	**360 771**	(638 688)	999 459	(296 451)	(30%)
Core headline earnings	**801 571**	66 262	735 309	**493 402**	(545 157)	1 038 559	(303 250)	(29%)
Gross profit margin	**22.42%**		21.72%	**18.25%**		18.25%		
EBITDA margin	**9.44%**		9.39%	**7.32%**		8.22%		

Refer to page 5 for footnote (1) and page 6 for footnote (2).

Revenue generated within the Africa Distribution segment declined by R4.3 billion (23%) from R18.6 billion to R14.3 billion. As only the gross profit earned on "PINless top-ups", prepaid electricity, ticketing and universal vouchers is recognised as revenue, on imputing the gross revenue generated thereon, the effective growth in revenue equated to R12.6 billion (16%) from R76.5 billion to R89.1 billion.

Gross revenue generated on "PINless top-ups" increased by R529 million from R21.2 billion to R21.8 billion.

Electricity revenue generated on behalf of the utilities increased by R3.7 billion (12%) from R32.4 billion to R36.2 billion and the net commission earned, mainly calculated based on a kW/hour usage, increased by R12 million (5%) from R251 million to R263 million. The limited growth in commissions was primarily due to inflationary increases, based on kW/hour usage offset by a marginal decrease in electricity usage resulting from a higher frequency of load shedding, during the first nine months of the financial year and margin compression, despite an increase in gross electricity revenue driven by NERSA electricity tariffs.

The gross revenue generated from universal vouchers increased by R12.3 billion (341%) from R3.6 billion to R15.9 billion, driven by the continued traction of BluVoucher sales as well as the onboarding of a new financial institution onto the platform. Additionally, gross ticketing revenue increased by R402 million (36%) to R1.511 billion, primarily from revenue generated through commuter bus channels.

Gross profit decreased by R187 million (6%) from R3.402 billion to R3.215 billion. The decline was mitigated by an increase in the gross profit margin from 18.25% to 22.42%.

Excluding the positive contribution of R20 million in the current year and the negative contributions of R168 million in the prior year, resulting from the recapitalisation transaction of Cell C, EBITDA declined by R197 million (13%) from R1.532 billion to R1.334 billion. Of this decline, CEC showed a negative impact of R368 million, while the remaining Africa operations contributed an additional R171 million compared to the previous year.

The decline in CEC's EBITDA of R368 million was primarily attributable to a decline in gross profit of R559 million stemming from a decrease in earnings resulting from the expiry, in November 2022, of certain elements of the revenue-sharing agreement, increased expenditure related to the distribution agreement and an increase in the amortisation of handset subsidies. The declines were offset by a reduction of R171 million in the expected credit loss following a comprehensive base reconciliation at the end of the previous financial year as well as the derecognition of the expected credit loss on the sale of a portion of its handset receivable books.

Excluding the positive contributions of R66 million in the current year and the negative contributions of R545 million in the prior year, resulting from the recapitalisation transaction of Cell C, core headline earnings decreased by R303 million (29%) from R1.039 billion to R735 million. This decrease in core headline earnings was attributable to a decrease of R188 million in CEC, while the remaining entities in the Africa Distribution segment decreased by R115 million compared to the prior year.

Solutions

This segment comprises Datacel, Blue Label Data Solutions (BLDS), the data aggregation and lead generation entity in which the Group owns 81%, a 50% joint venture shareholding owned by BLDS in I Talk Holdings and 37.5% in I Talk Financial Services, both of which are outbound call centre operations.

In addition, the following underlying companies form part of the solutions segment, namely, Blu Train, Blue Label Communications, One World Telecoms and I Talk2U.

	May 2024 R'000	May 2023 R'000	Growth R'000	Growth %
Revenue	**254 491**	**274 453**	(19 962)	(7%)
Gross profit	**79 742**	**80 587**	(845)	(1%)
EBITDA	**29 193**	**40 359**	(11 166)	(28%)
Share of profit/(losses) from associates and joint ventures	**17 905**	**(9 399)**	27 304	290%
Core headline earnings	**43 831**	**25 240**	18 591	74%
Gross profit margin	**31.33%**	**29.36%**		
EBITDA margin	**11.47%**	**14.71%**		

A decline in SMS volumes resulted in a decrease in revenue of R20 million (7%) from R274 million to R254 million.

Gross profit decreased by R1 million (1%), from R81 million to R80 million, while margins improved from 29.36% to 31.33%, despite a decline in revenue.

EBITDA declined by R11 million (28%) from R40 million to R29 million. Excluding the R17 million costs attributable to learnership initiatives in the current year and R6 million in the prior year, EBITDA decreased by R1 million (1%) from R47 million to R46 million.

Of the core headline earnings of R43.8 million, BLDS accounted for R29.7 million, I Talk Holdings and I Talk Financial Services generated earnings of R18 million, of which the Group's share amounted to R5.4 million. Blue Label Communications and Blu Train generated earnings of R1.5 million and R14.7 million, of which the Group's share amounted to R0.9 million and R7.8 million, respectively.

Of the core headline earnings of R25.2 million in the prior year, BLDS accounted for R32.5 million. I Talk Holdings and I Talk Financial Services generated negative earnings of R20 million, of which the Group's share amounted to R8 million. Blue Label Communications generated earnings of R1.3 million, of which the Group's share amounted to R0.7 million.

Corporate

	May 2024 R'000	May 2023 R'000	Extraneous income[3] May 2023 R'000	Remaining May 2023 R'000	Growth remaining R'000	Growth remaining %
EBITDA	**(157 957)**	**(119 344)**	22 000	(141 344)	(16 613)	(12%)
Net loss after tax	**(164 174)**	**(140 844)**	22 000	(162 844)	(1 330)	(1%)
Core headline earnings	**(164 174)**	**(140 785)**	22 000	(162 785)	(1 389)	(1%)

Excluding the extraneous income of R22 million in the prior year, the negative contribution to Group core headline earnings increased by R1 million (1%) to R164 million.

The extraneous fair value movement of R22 million in the prior year related to the accounting implications of the termination of the Airvantage put option obligation for the acquisition of up to 40% of the shares therein.

Depreciation, amortisation and Impairment charges

Depreciation, amortisation and impairment charges decreased by R27 million to R164 million. Of the latter amount, R69 million (2023: R72 million) pertained to depreciation on capital expenditure, R13 million (2023: R31 million) to depreciation raised in terms of IFRS 16 – *Leases*, R14 million (2023: R12 million) to impairments and R68 million (2023: R75 million) to the amortisation of intangible assets of which R30 million (2023: R42 million) emanated from purchase price allocations on historical acquisitions.

Finance costs

Finance costs increased by R439 million from R682 million to R1.121 billion. Of the latter amount, R1.082 billion was associated with interest paid on borrowed funds, R4 million with the unwinding of the lease liability in accordance with IFRS 16, and R35 million with other finance costs. In comparison, R664 million related to interest paid on borrowed funds, R4 million to the unwinding of the lease liability, and R14 million to other finance costs.

The recapitalisation transaction of Cell C in September 2022 resulted in an additional R272 million (2023: R309 million) in finance costs, incurred due to increased borrowings related to airtime sale and repurchase obligations, R29 million (2023: R13 million) for the issue of Class A Preference Shares in the current year and R161 million (2023: Nil) from finance costs recognised on the date of sale of the CEC's handset receivable book, calculated using the prime interest rate multiplied by the gross handset value sold.

Excluding the aforementioned recapitalisation interest, finance costs increased by an additional R299 million from R360 million to R659 million. Of this increase, R19 million was primarily due to higher finance costs associated with the expansion of the Group's working capital facility from R1.15 billion to R1.4 billion on the recapitalisation date, coupled with elevated interest rates compared to the previous year. Additionally, R230 million of the increase was due to the granting of short-term working capital facilities for bulk inventory purchases at favourable rebates. Of the remaining R50 million increase, R29 million resulted from Comm Equipment Company Proprietary Limited's working capital financing facility of R1.9 billion from African Bank, with the remaining R21 million attributed to other finance costs.

Finance income

Finance income increased by R490 million from R412 million to R902 million. Of the latter amount, R44 million was attributable to interest received on cash resources, R102 million to the loan provided to Cell C in connection with the CEC R1.1 billion deferral amount, R600 million from the loan extended to Cell C as a component of the debt-funding required as part of the recapitalisation transaction, R100 million from interest accrued on the overdue trade receivable balance owed to CEC by Cell C and R56 million from other loans advanced.

In the prior year, R77 million was attributable to interest received on cash resources, R82 million to the loan provided to Cell C relating to the CEC R1.1 billion deferral amount, R235 million from the loan extended to Cell C as a component of the debt-funding required as part of the recapitalisation transaction and R18 million from other loans granted.

Statement of financial position

Total assets increased by R419 million to R15.1 billion, of which current assets account for R788 million, offset by a decrease in non-current assets of R369 million.

The decline in non-current assets included a reduction of R325 million in advances to customers, largely due to the partial sale of the handset receivable book to financial institutions and a decrease of R118 million in intangible assets, primarily from the amortisation of the subscription income-sharing arrangement and subscriber acquisition costs in CEC. These declines were partially offset by increases in loans to associates and joint ventures totalling R54 million.

The net growth in current assets includes an increase in inventory of R1.6 billion. As part of the Cell C recapitalisation transaction, and to further support their working capital requirements, The Prepaid Company purchased an additional R1.2 billion in prepaid airtime through four quarterly payments of R300 million each. Additionally, there was an increase in trade and other receivables by R177 million, and in loans to associates and joint ventures by R204 million. These increases were partially offset by decreases in advances to customers amounting to R696 million, primarily due to the partial sale of the handset receivable book, and a reduction in cash and cash equivalents by R407 million.

In August 2023, CEC concluded an arrangement with financial institutions, allowing CEC to sell handset receivables to them. From August 2023 to May 2024, CEC entered into three separate arrangements with a gross value of R1.4 billion, each negotiated on different terms. CEC's advances to customers decreased by R1.02 billion from R2.26 billion on 31 May 2023, to R1.24 billion on 31 May 2024. Excluding the disposal of the handset receivables, CEC's advances to customers increased by R209 million over that period.

The increase of R258 million in loans to associates and joint ventures is primarily attributable to the interest accrued of R600 million from the loan extended to Cell C as a component of the debt-funding and reinvestment instrument offset against expected credit losses on these loans amounting to R121 million. Additionally, R102 million related to interest accrued on the loan extended on the CEC deferral amount, less repayments received thereon of R332 million.

Net profit attributable to equity holders amounted to R647 million, resulting in accumulated capital and reserves of R5.1 billion.

Non-current liabilities increased by R1.11 billion, comprising an increase in non-current borrowings of R1.07 billion and deferred taxation liabilities of R38 million.

Current liabilities decreased by R1.36 billion, primarily due to a reduction in current borrowings of R1.06 billion and trade and other payables by R301 million.

Statement of cash flows
Cash generated from trading operations amounted to R769 million. Working capital movements included an increase in inventory of R1.6 billion, trade and other receivables of R77 million and a decrease in trade and other payables of R270 million. These increases were offset by a decrease in advances to customers of R943 million. After incurring net finance costs of R883 million and taxation of R187 million, net cash utilised in operating activities amounted to R301 million.

Net cash flows utilised in investing activities amounted to R61 million, primarily attributable to the purchase of intangible assets amounting to R282 million and property, plant and equipment amounting to R88 million. These outflows were partially offset by the net repayment of loans to associates and joint ventures of R218 million, the repayment of loans receivable carried at fair value of R45 million, the net repayment of other third-party loans of R31 million, and proceeds from the disposal of property, plant, and equipment amounting to R15 million.

Included in net loan repayments by associates and joint ventures of R219 million are capital repayments by Cell C of R230 million offset by net loans granted to other associates and joint ventures of R11 million.

Cash flows utilised in financing activities amounted to R45 million, of which R22 million related to dividends paid to a minority shareholder of a subsidiary company, R17 million to lease repayments and R6 million to the net decrease in interest-bearing borrowings.

Cash and cash equivalents accumulated to R896 million at 31 May 2024.

Conditional share plan
Conditional shares totalling 17 000 314 (2023: 7 985 185) were issued to qualifying employees. During the year, 835 508 (2023: 2 282 379) shares were forfeited and 12 694 462 (2023: 16 764 722) shares vested.

Appreciation
The Blue Label Board would like to extend its gratitude to the staff, suppliers, customers, and business partners for their ongoing support and dedication to the Group.

For and on behalf of the Board

LM Nestadt
Chairman

BM Levy and MS Levy
Joint Chief Executive Officers

DA Suntup* CA(SA)
Financial Director

28 August 2024

* Supervised the preparation and review of the Group's audited year-end results.

PROMINENT NOTICE

These annual financial statements have been audited by our external auditor SizweNtsalubaGobodo Grant Thornton in compliance with the applicable requirements of the Companies Act, No 71 of 2008. Dean Suntup, Financial Director, supervised the preparation of the annual financial statements.

DA Suntup CA(SA)
Financial Director

STATEMENT OF DIRECTORS' RESPONSIBILITY

for the year ended 31 May 2024

The Directors are responsible for the maintenance of adequate accounting records and the preparation, integrity and fair presentation of the Group financial statements of Blue Label Telecoms Limited, its subsidiaries, joint ventures and associates (the Group).

The financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IASB), the Financial Reporting Guides as issued by the South African Institute of Chartered Accountants (SAICA) Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of 2008.

The Directors consider that having applied IFRS in preparing the Group financial statements they have selected the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all IFRS statements that they consider to be applicable have been followed.

The Directors are satisfied that the information contained in the Group financial statements fairly presents the results of operations for the year and the financial position of the Group at year-end. The Directors prepared the other information included in the Group financial statements and are responsible for both its accuracy and its consistency.

In addition, the Directors are responsible for the Group's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The Group financial statements have been prepared on the going concern basis, since the Directors have every reason to believe that the Group has adequate resources in place to continue in operation for the foreseeable future, based on forecasts and available cash resources. These Group financial statements support the viability of the Group.

The independent auditing firm SizweNtsalubaGobodo Grant Thornton Inc., which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and committees of the Board, has audited the Group financial statements. The Directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were produced and approved by the Board of Directors on 28 August 2024 and are signed on its behalf by:

LM Nestadt
Non-Executive Chairman

BM Levy
Joint Chief Executive Officer

DA Suntup
Financial Director

MS Levy
Joint Chief Executive Officer

JOINT CHIEF EXECUTIVE OFFICERS AND FINANCIAL DIRECTOR RESPONSIBILITY STATEMENT ON INTERNAL FINANCIAL CONTROLS

In line with paragraph 3.84(k) of the JSE Limited Listings Requirements, each of the Directors whose names are stated below, hereby confirm that:

- the annual financial statements set out on pages 26 to 123 fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS Accounting Standards;
- to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as Executive Directors with primary responsibility for implementation and execution of controls;
- where we are not satisfied, we have disclosed to the Audit Committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have taken steps to remedy the deficiencies; and
- we are not aware of any fraud involving Directors.

BM Levy
Joint Chief Executive Officer

MS Levy
Joint Chief Executive Officer

DA Suntup
Financial Director

Sandton
28 August 2024

DECLARATION BY THE COMPANY SECRETARY

for the year ended 31 May 2024

In terms of section 88(2)(e) of the Companies Act, No 71 of 2008 (the Companies Act), I confirm that for the year ended 31 May 2023, Blue Label Telecoms Limited has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.

J van Eden
Group Company Secretary

Sandton
28 August 2024

DIRECTORS' REPORT

The Directors have pleasure in presenting the Group annual financial statements of Blue Label Telecoms Limited (Blue Label Telecoms or the Company) and its subsidiary, associate and joint venture companies (the Group) for the year ended 31 May 2024.

PRINCIPAL ACTIVITIES AND STRATEGY

Blue Label Telecoms' core business is the virtual distribution of secure electronic tokens of value and transactional services across its global footprint of touch points. The Group's stated strategy is to extend its global footprint of touch points, both organically and acquisitively, to meet the significant demand for the delivery of multiple prepaid products and services through a single distributor, across various delivery mechanisms and via numerous merchants or vendors.

FINANCIAL RESULTS

The Group recorded a net profit after tax attributable to equity holders for the year ended 31 May 2024 of R647 million (2023: R269 million). Full details of the financial position and results of the Group and its segments are set out in the Group annual financial statements. The Group annual financial statements for the year ended 31 May 2024 were approved by the Board and signed on its behalf on 28 August 2024.

SHARE CAPITAL

Full details of the authorised, issued and unissued capital of the Company at 31 May 2024 are contained in note 6.1 of the Group annual financial statements.

DIVIDENDS

The Board of Directors have elected not to declare a dividend.

GOING CONCERN

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within its current funding levels into the foreseeable future.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources and facilities to continue in operational existence for the foreseeable future and is not at risk of breaching its covenants. The Group therefore continues to adopt the going concern basis in preparing the financial statements.

DIRECTORATE

The following are the details of the Company's Directors:

Name	Office	Appointment date	Date and nature of change
Larry M Nestadt (Chairman)	Independent Non-Executive Director	5 October 2007	
Brett M Levy	Joint Chief Executive Director	1 February 2007	
Mark S Levy	Joint Chief Executive Director	1 February 2007	
Kevin M Ellerine	Non-Executive Director	8 December 2009	Resigned 5 June 2023
Nomavuso P Mnxasana	Independent Non-Executive Director	18 September 2020	
Joe S Mthimunye	Independent Non-Executive Director	5 October 2007	
Dean A Suntup	Financial Director	14 November 2013	
Jeremiah S Vilakazi	Independent Non-Executive Director	19 October 2011	
Lindiwe E Mthimunye	Independent Non-Executive Director	1 November 2022	
Happy Masondo	Independent Non-Executive Director	1 August 2023	

DIRECTORS' INTERESTS

The individual interests declared by Directors in the Company's share capital as at 31 May 2024, held directly or indirectly, were as follows:

	Nature of interest			
	Direct beneficial		Indirect beneficial	
Director/officer	**2024**	2023	**2024**	2023
LM Nestadt (Chairman)	**—**	—	**10 000 000**	10 000 000
BM Levy	**71 251 324**	69 591 549	**17 772 777**	17 772 777
MS Levy	**63 843 916**	62 184 141	**19 120 980**	17 772 777
KM Ellerine*	**—**	—	**—**	120 000 000
JS Mthimunye	**130 000**	130 000	**242 573**	242 573
DA Suntup	**5 985 092**	5 106 011	**177 778**	177 778
SJ Vilakazi	**—**	—	**8 200**	8 200

* KM Ellerine is a beneficiary of these shares together with multiple other beneficiaries. KM Ellerine resigned subsequent to the prior financial year-end, effective 5 June 2023.

There was no change in the interests held by Directors between 31 May 2024 and the date of approval of these annual financial statements.

The aggregate interest of the current Directors in the capital of the Company was as follows:

	Number of shares	
Director/officer	**2024**	2023
Beneficial	**188 532 640**	302 985 806

The beneficial interest held by Directors and officers of the Company constitutes 20.63% (2023: 33.16%) of the issued share capital of the Company.

Details of Directors' emoluments and equity compensation benefits are set out in note 5.3 of the Group annual financial statements and details of the conditional share plan are set out in note 5.1.

RESOLUTIONS

On 23 November 2023, the Company passed and filed with the Companies and Intellectual Property Commission the following special resolutions:

- approving the remuneration of Non-Executive Directors; and
- granting a general authority to repurchase the Company's shares.

Except for the aforementioned, no other special resolutions, the nature of which might be significant to shareholders in their appreciation of the state of affairs of the Group, were passed by the Company or its subsidiaries during the period covered at the date of signing these Group annual financial statements.

COMPANY SECRETARY

The Board is satisfied that Ms J van Eden has the requisite knowledge and experience to carry out the duties of a Company Secretary of a public company in accordance with section 88 of the Companies Act and is not disqualified to act as such. She is not a Director of the Board and maintains an arm's-length relationship with the Board.

The business and postal address of the Company Secretary appear on the Company's website at www.bluelabeltelecoms.co.za.

AUDITORS

SizweNtsalubaGobodo Grant Thornton Inc. (SNGGT) will continue in office in accordance with section 90(6) of the Companies Act.

Larry Nestadt
Chairman

AUDIT, RISK AND COMPLIANCE COMMITTEE'S REPORT

The Audit, Risk and Compliance Committee (ARCC) is pleased to present its report for the financial year ended 31 May 2024.

The ARCC is an independent statutory committee appointed by the shareholders of the Company. In addition to its statutory duties, the Board has delegated further duties to the Committee. This report covers both these sets of duties and responsibilities.

MANDATE AND TERMS OF REFERENCE

The Committee has adopted comprehensive and formal terms of reference which have been approved by the Board and which are reviewed on an annual basis. The responsibilities of the ARCC include:

- examining and reviewing the Group's financial statements and reporting of interim and final results;
- reviewing and considering, for recommendation to the Board, the consolidated budget for the ensuing financial year;
- overseeing integrated reporting;
- overseeing the Internal Risk and Compliance Committee function;
- overseeing the function of the Group Compliance Officer;
- ensuring that Blue Label implements an effective policy and plan for risk management that has been disseminated throughout the organisation and integrated within day-to-day activities in order to enhance the Company's ability to achieve its strategic objectives;
- ensuring that the disclosure regarding risk is comprehensive, timely and relevant;
- ensuring that a combined/integrated assurance model is applied to provide a co-ordinated approach to all assurance activities and appropriately address all the significant risks facing Blue Label;
- reviewing and satisfying itself of the expertise, resources, and experience of the Blue Label finance function;
- overseeing the Group internal audit function; establishing, implementing, and maintaining a compliance function with adequate policies and procedures to ensure compliance with rules, regulations, statutes and procedures applicable to Blue Label;
- reporting annually to the Board and shareholders describing the Committee's composition, responsibilities, and how they were discharged, as well as any other information required by rule, including the approval of non-audit services;
- resolving any disagreements between management and the auditor regarding financial reporting;
- retaining independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation;
- seeking any information it requires from employees – all of whom are directed to co-operate with the Committee's requests – or external parties; and
- meeting with the organisation's officers, external auditors, internal auditors, or outside counsel as necessary.

MEMBERSHIP AND MEETINGS HELD

In accordance with the requirements of the Companies Act, No 71 of 2008 (the Companies Act), Mr JS Mthimunye, Ms NP Mnxasana, Ms LE Mthimunye and Mr SJ Vilakazi were appointed to the Committee by shareholders at the AGM held on 23 November 2023 in the following positions:

- JS Mthimunye (Independent Non-Executive Chairman);
- NP Mnxasana (Independent Non-Executive Director);
- LE Mthimunye (Independent Non-Executive Director); and
- SJ Vilakazi (Independent Non-Executive Director).

The members of the Committee collectively have experience in audit, accounting, commerce, economics, law, corporate governance and general industry. All the members of the ARCC are Independent Non-Executive Directors.

The Committee meets quarterly and the quorum for each meeting is three members present throughout the meeting. Mandatory attendees at the meetings are the Joint Chief Executive Officers and the Financial Director of Blue Label. The external audit partner from SNGGT and a director from Deloitte, to whom Blue Label outsources its internal audit function, are also attendees. Both internal and external auditors are afforded the opportunity to address the meeting and have unlimited access to the Committee. During the year, the Committee met with the external and internal auditors respectively without the presence of management. The internal audit function reports directly to the ARCC and is also responsible to the Financial Director on day-to-day administrative matters.

AUDIT, RISK AND COMPLIANCE COMMITTEE'S REPORT
CONTINUED

STATUTORY DUTIES DISCHARGED

In execution of its statutory duties during the year under review, the Committee:

- nominated and recommended to shareholders the reappointment of SNGGT as independent external auditors, with Mr Alex Philippou, the audit partner, as the registered independent auditor;
- approved the fees to be paid to SNGGT and other external auditors, where applicable, and approved the terms of engagement;
- maintained a non-audit services policy which determines the nature and extent of any non-audit services that SNGGT may provide to the Group;
- discharged those statutory duties as prescribed by section 94 of the Companies Act, acting in its capacity as the appointed Audit Committee of the subsidiary companies of Blue Label;
- considered the Committee's report describing how duties have been discharged; and
- submitted matters to the Board concerning the Company's accounting policies, financial controls, records and reporting, and key risks identified in the enterprise-wide risk management (ERM) process, as appropriate.

OTHER DUTIES TO DISCHARGE

Financial statements and reporting

The Committee:

- monitored compliance with accounting standards and legal requirements and ensured that all regulatory compliance matters had been considered in the preparation of the financial statements;
- reviewed feedback from the JSE proactive monitoring panel and included additional disclosure where relevant;
- reviewed and confirmed compliance with the JSE regulations relating to the sign-off by the CEOs and FD on the internal financial controls;
- reviewed the external auditor's report to the Committee and management's responses thereto and made appropriate recommendations to the Board of Directors regarding actions to be taken;
- reviewed and commented on the annual financial statements, interim reports, paid advertisements, announcements and the accounting policies and recommended these to the Board for approval;
- reviewed and recommended to the Board for adoption the consolidated budget for the ensuing financial year; and
- considered the going concern status of the Company and Group on the basis of review of the annual financial statements and the information available to the Committee and recommended such going concern status for adoption by the Board. The Board statement on the going concern status of the Group and Company is contained in the Directors' report.

External audit and non-audit services

The ARCC has satisfied itself as to the independence of the external auditor, SNGGT, as set out in section 94(7) of the Companies Act, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors, including tenure of the audit firm and rotation of the designated individual partner. Requisite assurance was sought from and provided by SNGGT that internal governance processes within the firm support and demonstrate its claim to independence. SNGGT has been the auditor of the Company for two years.

To assess the effectiveness of the external auditors, the Committee considered the quality, delivery and execution of the agreed audit plan and variations from the plan, as well as the robustness and perceptiveness of SNGGT in its handling of key accounting treatments and disclosures. The ARCC has been informed of the most recent results of SNGGT's regulatory and firm inspection and is satisfied with the results thereof.

The Committee, in consultation with Executive Management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2024 financial year.

Any non-audit services to be provided by the external auditors are governed by a formal written policy which incorporates a monetary delegation of authority in terms of non-audit services to be provided. The non-audit services rendered by the external auditors during the year ended 31 May 2024 comprised tax advisory services, tax compliance services and general advisory services.

The fees applicable to the services totalled R0.1 million (2023: R7.5 million).

The ARCC has nominated, for approval at the AGM, the reappointment of SNGGT as registered auditors for the 2025 financial year. The Committee also satisfied itself in terms of paragraph 3.84(g)(iii) of the JSE Listings Requirements that SNGGT and the designated individual partner are suitable for appointment.

Internal audit and internal controls

Blue Label's internal audit was outsourced to Deloitte for the year and going forward and the role of the Chief Audit Executive is fulfilled by the Engagement Director. The ARCC concludes that the Chief Audit Executive and internal audit arrangements are effective and independent.

The Committee:

- reviewed the co-operation and co-ordination between the internal and external audit functions in order to avoid duplication of work and to work towards an effective and efficient combined/integrated assurance approach;
- examined and reviewed the progress made by internal audit against the approved 2023/24 audit plan;
- considered the combined/integrated assurance arrangements for the 2023/24 financial year;
- approved the risk-based internal audit plan for the 2023/24 financial year;
- considered the effectiveness of internal audit;
- considered internal audit findings and corrective actions taken in response to such findings; and
- reviewed the annual statement from internal audit on the effectiveness of the organisation's governance, risk management and internal control processes.

The ARCC concluded that appropriate financial reporting procedures have been established and were operating, as contemplated in paragraph 3.84(g)(ii) of the JSE Listings Requirements, which includes consideration of all the entities in the consolidated annual financial statements.

In carrying out its responsibility of ensuring appropriate financial reporting procedures are in place, the ARCC has had oversight of the procedures performed by management to ensure that internal financial controls are adequate in design and operating effectiveness, and has considered all deficiencies reported by management to the ARCC and external auditors together with steps taken to remedy such deficiencies.

The ARCC concludes that the combined assurance arrangement is effective and will continue to evolve as the Group grows.

Risk management and compliance

In relation to the governance of risk, the Committee:

- reviewed the integrity of the risk control systems and ensured that the risk policies and strategies of the Company are effectively managed;
- made recommendations to the Board concerning the levels of risk tolerance and appetite, and monitored the management of risk exposures against these levels;
- reviewed and recommended to the Board the approval of the Integrated Risk Assurance Policy and Framework;
- monitored bi-annual risk assessments and reviewed the consolidated strategic risk profile to evaluate and ensure all material risks had been identified as they pertain to the triple context of Blue Label, and are being managed appropriately;
- provided feedback to the Board on significant risks, including emerging risks, and significant changes to the Company's risk profile;
- ensured that management considered and implemented appropriate risk responses to significant risks;
- considered the relevance and effectiveness of information and technology governance systems, processes and mechanisms to manage technology-related risks;
- reviewed and recommended to the Board risk information for disclosure, in accordance with King IV principles;
- reviewed legal matters that could have a material impact on the Group in conjunction with Blue Label's legal adviser; and
- reviewed developments in corporate governance and best practice and considered their impact and implications across the Group with particular reference to the principles of King IV.

The ARCC is satisfied that it has dedicated sufficient time to its responsibility towards the governance of risk.

The Committee is satisfied that it has exercised sufficient, ongoing oversight of compliance through:

- the continued appointment of a dedicated Compliance Officer for the Group;
- the approval of the compliance strategy;
- the approval of the regulatory compliance policy and the compliance process;
- annual review of the Company's regulatory universe in order to prioritise regulatory compliance efforts;
- ongoing development and review of compliance risk management plans;
- continuous monitoring of the regulatory environment to ensure that the Group keeps abreast of matters affecting its regulatory environment; and
- identification and monitoring of key compliance risks across the Group.

EXPERTISE AND EXPERIENCE OF THE FINANCIAL DIRECTOR AND FINANCE FUNCTION

The Committee considered the appropriateness of the expertise and experience of the Financial Director and finance function in accordance with the JSE Listings Requirements and governance best practice and has satisfied itself in terms of JSE Listings Requirement 3.84(g)(i) that the Group Financial Director has appropriate expertise and experience.

The ARCC concluded that the finance function is adequately resourced with technically competent individuals and is effective. The Committee confirms that it is satisfied that Mr Dean Suntup possesses the appropriate expertise and experience to discharge his responsibilities as Financial Director. The Committee is also satisfied that appropriate financial reporting procedures have been established and that those procedures are operating effectively.

AUDIT, RISK AND COMPLIANCE COMMITTEE'S REPORT
CONTINUED

ANNUAL FINANCIAL STATEMENTS
The Committee has reviewed the accounting policies and financial statements of the Company and the Group and is satisfied that they are appropriate and comply with International Financial Reporting Standards, the JSE Listings Requirements, and the requirements of the Companies Act of South Africa.

The Committee has evaluated the Group annual financial statements of Blue Label Telecoms Limited for the year ended 31 May 2024 and based on the information provided to the Committee, the Committee recommends the adoption of the annual financial statements by the Board.

The significant audit matters considered by the Committee were the Sale of Advances to Customers under Post-Paid Contract Device Arrangement and the going concern and valuation of Cell C.

These matters were addressed as follows:

Sale of Advances to Customers under Post-Paid Contract Device Arrangement
Management assessed the accounting treatment and disclosure in respect of each of the three book sales based on the specific terms and conditions of each agreement in terms of IFRS 7, IFRS 9 and IAS 1, and has conducted an assessment of the retained credit risk following the transfer of customer advances related to the three book sales. Management compared the retained credit risk before and after the transfer, and evaluated it against its internal threshold for retained credit risk.

Based on the work performed, management concluded that the independent book sales were to be accounted for and disclosed as follows:
- Book Sale One – substantially all credit risk has been transferred and therefore the derecognition criteria had been met;
- Book Sale Two - a specified portion of the book would not qualify for derecognition, as the credit risk was retained, this portion is presented in the AFS as a "holdback debtor". The transaction also resulted in CEC obtaining a new financial asset, referred to as the Escrow debtor for which a risk margin is held in an Escrow account. CEC has a contractual right to the remaining balance in the Escrow account at the end of a specified period. The Escrow debtor was recognised at fair value and is measured at fair value through profit or loss. For the remaining portion of Book Sale Two, substantially all the credit risk has been transferred, leading to the derecognition of that part; and
- Book Sale Three - consisted of fully written-off advances to customers; therefore, the proceeds were considered a recovery of bad debts.

Reversal of Impairment Indicator assessment of the Investment in Cell C Limited and its Going Concern
As at 31 May 2024, there was no indication of a further reversal of the previous impairment, and as such, the Group did not estimate the recoverable amount of the investment in Cell C.

Management considered the changes made to the Cell C business strategy, the successful renegotiation of key service agreements and IT support, the enhanced senior executive management team, the continued focus on operational efficiencies, reduced operational expenditure, the optimisation of traffic and the implementation of a fixed cost infrastructure.

This, together with the effects of the capital and debt restructure of the business as a result of the recapitalisation of Cell C, is expected to improve both the liquidity and performance of Cell C. Taking into account the latest available financial information and estimated future cash flows, management has concluded that the going concern basis is appropriate and Cell C Limited will be able to continue as a going concern for the foreseeable future.

On behalf of the Audit, Risk and Compliance Committee

JS Mthimunye
Chairman

28 August 2024

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BLUE LABEL TELECOMS LIMITED

OPINION
We have audited the Consolidated Financial Statements of Blue Label Telecoms Limited (the Group) set out on pages 26 to 123, which comprise the Consolidated Statement of Financial Position as at 31 May 2024, and the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

In our opinion, the Consolidated Financial Statements present fairly, in all material respects, the Consolidated Financial Position of Blue Label Telecoms Limited as at 31 May 2024, and its Consolidated financial performance and Consolidated Cash Flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group and company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of Financial Statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS
Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated Financial Statements of the current year. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key Audit Matters in the current year include:

Key audit matter	How our audit addressed the key audit matter
Sale of Advances to Customers under Post-Paid Contract Device Arrangement During the current year, CEC entered into three separate arrangements with financial institutions for the sale of debt owing under the Post Paid Contract Device Arrangement (Advances to customers). Due to varying terms for the separate agreements, the accounting implications were complex from a derecognition, recognition and measurement and disclosure perspective in the Group's Annual Financial Statements. The accounting treatment of the different agreements resulted in: ◆ For book sale one: the transaction resulted in an early settlement of the advances, for which CEC paid a financing fee for the facility provided. ◆ For book sale two: the transaction resulted in the derecognition of the book as the transfer qualifies for derecognition, except for a contractually specified portion of the book, referred to as the holdback debtor (or receivable), for which CEC retained the risks and rewards associated of ownership. This transaction also resulted in CEC obtaining a new financial asset, referred to as the Escrow debtor for which a risk margin is held in an Escrow account. CEC has a contractual right to the remaining balance in the Escrow account at the end of a specified period. The Escrow debtor was recognised at fair value and is measured at fair value through profit or loss. ◆ For book sale three: advances to customers which had been fully written off prior to the transaction was sold in an unconditional sale. This transaction was accounted for as a recovery of bad debt written off. The transactions have been presented in note 3.3.3 Advances to customers.	The accounting treatment of the sale of advances to customers was assessed with the assistance of technical reporting specialists and actuarial specialists. The accounting treatment was considered in accordance with the requirements of IFRS 9 and established industry practice. We specifically focused on the transfer of credit risk and control over the related cash flows which are captured by CEC as a collecting agent. The derecognition requirements of the sale of advances to customers where CEC now acts as a collecting agent has been assessed and is in line with the requirements of IFRS 9. Our assessments focused on whether CEC has transferred the risks and rewards of ownership of the advances by comparing CEC's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset. Specifically in response to book sale two, we carefully considered the contractual arrangement between CEC and the financial institution. As it relates to the holdback debtor, CEC retains the credit risk for contractually specified non-performing accounts, subject to a maximum of 10% of the total book value. Based on the nature of the contractually specified advances, it is virtually certain at the transaction date that BLT will retain ownership of these advances to customers, and therefore we agreed with management's assessment that that these specified advances remain on book. Furthermore, as it relates to the recognition of the Escrow debtor, a separate financial asset to CEC, we assessed the requirements of IFRS 9 as it relates to transfers that qualify for derecognition. IFRS 9 states that if, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset, the new financial asset is recognised at fair value. The new asset was identified as the Escrow debtor. The Escrow debtor's value changes based on the future collections experience over the subscription term of each account, and therefore management's classification of 'at fair value through profit or loss' was considered appropriate. The derecognition requirements, where applicable, have been evidenced sufficiently by the actuarial assessment of management's calculations on all three book sales. The recognition and presentation of the various affected line items and notes as it relates to the various sales of advances to customers has been assessed as appropriate.

Key audit matter	How our audit addressed the key audit matter
Reversal of Impairment Indicator assessment of the Investment in Cell C Limited and its Going Concern IAS 36 states that if an indication of possible impairment or reversal of impairment is identified or if there has been a change in the estimate used to determine the recoverable amount of the investment, management must estimate the recoverable amount of that asset. Management has not identified any indications of reversals of impairment of the investment in Cell C Limited. Management has performed a sensitivity analysis to further test the robustness and reasonability of the factors relied upon to conclude that no indication of a reversal of impairment has been identified. As part of this testing the sensitivity analysis included the probability of distress and its consequences. Management considered the changes made to the Cell C business strategy, the successful renegotiation of key service agreements and IT support, the enhanced senior executive management team, the continued focus on operational efficiencies, reduced operational expenditure, the optimisation of traffic and the implementation of a fixed cost infrastructure. This, together with the effects of the capital and debt restructure of the business as a result of the recapitalisation of Cell C, is expected to improve both the liquidity and performance of Cell C. Taking into account the latest available financial information and estimated future cash flows, management has concluded that the going concern basis is appropriate and Cell C Limited will be able to continue as a going concern for the foreseeable future.	Reversal of Impairment Indicator assessment of the Investment in Cell C Limited as prepared by management We reviewed the assessment of indications of a possible further reversal of previously recognised impairment losses as prepared by management which considered both internal and external sources of information. It should be noted that the indicators of a possible reversal of impairment that are considered in assessing whether impairment testing is required, do not automatically lead to a mandatory calculation of a recoverable amount. Management is required to assess whether the magnitude or effect of any changes from internal or external sources requires the determination of recoverable amounts. In addressing the identification of any indicators of a further reversal of previous impairment losses recognised, we reviewed the assessment performed by management, and supplemented our review through enquiry to both management of BLT and management of Cell C. Our assessment of indicators also considered the audited and unaudited information related to Cell C and management's forecasts of the financial results for Cell C's operations as provided by the Cell C management. Our Corporate Finance and Restructuring Specialists reperformed the calculations of management by applying reasonability/reality checks on the sensitivity analysis and verifying through external sources the appropriateness of any inputs used and assumptions applied by management. Our specialists agreed, within a reasonable range, with management's assessment that there is no evidence of a further reversal of an impairment loss. **Going Concern Assessment** For purposes of the Group's annual financial statements, Cell C has been accounted for using the going concern assumption. Our assessment is an ongoing dynamic assessment of the impact of the stated turn-around strategy, operational efficiencies and financial measurements implemented by management of Cell C. We continue to monitor the effects of the recapitalisation transactions concluded on in the prior years. Our assessment also included: • Commenting on the cash flow projections for Cell C and discussing these with management as appropriate/where possible; • Understanding BLT's response to fund the working capital requirements of Cell C and whether BLT has sufficient resources to provide Cell C with such funding; • Consideration of audited and unaudited information relating to Cell C provided by the Cell C management; and • Discussions with Cell C management regarding the past, present and future operations of Cell C. Through assessment of the latest available financial information, cash flow forecasts, and the stress testing performed by our Corporate Finance and Restructuring Specialists of Cell C Limited, we are satisfied that Cell C Limited will be able to continue its operations as a going concern in the foreseeable future.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE SHAREHOLDERS OF BLUE LABEL TELECOMS LIMITED

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Blue Label Group Annual Financial Statements 2024", and in the document titled "Blue Label Telecoms Limited Annual Financial Statements 2024", which includes the Directors' Report, the Report of the Audit and Risk Committee and the Certificate by the Company Secretary, as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report and the other sections of the document titled "Blue Label Telecoms Integrated Annual Report 2024", which is expected to be made available to us after that date. The other information further comprises the Shareholder Analysis on page 124 to 125. The other information does not include the consolidated financial statements and our audit report thereon.

Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with IFRS Accounting Standard as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current year and are therefore the Key Audit Matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that SizweNtsalubaGobodo Grant Thornton Inc. has been the auditor of Blue Label Telecoms Limited for two years.

Alex Philippou
SizweNtsalubaGobodo Grant Thornton Inc.
Engagement Director
Registered Auditor

28 August 2024

221 Garstfontein Road
Newlands
Pretoria
Gauteng

GROUP INCOME STATEMENT

for the year ended 31 May 2024

	Notes	2024 R'000	2023 R'000
Revenue	1.2	**14 175 588**	18 595 905
Finance revenue	1.2	**422 856**	322 358
Total revenue	1.2	**14 598 444**	18 918 263
Other income		**93 089**	90 176
Direct operating costs*		**(11 303 406)**	(15 435 188)
Employee compensation and benefit expense	5.2	**(961 883)**	(945 501)
Depreciation and amortisation		**(163 879)**	(190 440)
Fair value movements	1.3	**7 213**	69 276
Bad debts and expected credit loss	1.3	**(507 782)**	(736 925)
Loss on modification/derecognition of financial instruments	1.3	**(32 576)**	(57 453)
Other expenses		**(667 624)**	(585 722)
Operating profit	1.3	**1 061 596**	1 126 486
Finance costs	1.4	**(1 121 356)**	(682 599)
Finance income	1.4	**901 884**	411 540
Reversal of impairment of investment in associate	2.1.1	**—**	962 531
Share of gains/(losses) from associates and joint ventures	2.1.1	**15 416**	(1 329 747)
Profit before taxation		**857 540**	488 211
Taxation	7.1	**(197 955)**	(200 038)
Profit for the year		**659 585**	288 173
Profit for the year attributable to:			
Equity holders of the parent		**647 386**	268 966
Non-controlling interest		**12 199**	19 207
Earnings per share for profit attributable to:			
Equity holders (cents)			
– Basic	1.5	**72.49**	30.48
– Diluted	1.5	**72.03**	30.07

* Direct operating costs are the operating expenses directly attributable to the production of goods and services sold by the Group. These include, but are not limited to, the costs associated with the acquisition of airtime and handsets sold by the Group.

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 May 2024

	2024 R'000	2023 R'000
Profit for the year	**659 585**	288 173
Other comprehensive income:		
Items reclassified to profit or loss		
Ineffective portion of hedging instruments reclassified to profit or loss*	**3**	(639)
Effective portion of hedging instrument reclassified to profit or loss*	**(8 659)**	(13 677)
Income tax related to amounts reclassified to profit or loss	**2 337**	3 770
Items that may be subsequently reclassified to profit or loss		
Foreign exchange (loss)/profit on translation of associates and joint ventures**	**(268)**	1 646
(Loss)/gain arising on changes in fair value of hedging instruments (effective portion)	**(9)**	8 693
Income tax related to gains and losses recognised in other comprehensive income	**2**	(2 347)
Other comprehensive loss for the year, net of tax	**(6 594)**	(2 554)
Total comprehensive income for the year	**652 991**	285 619
Other comprehensive income for the year attributable to:		
Equity holders of the parent	**640 792**	266 412
Non-controlling interest	**12 199**	19 207

* These items are recorded in finance costs.
** These components of other comprehensive income do not attract any tax.

GROUP STATEMENT OF FINANCIAL POSITION

as at 31 May 2024

	Notes	31 May 2024 R'000	31 May 2023 R'000
ASSETS			
Non-current assets		**5 330 783**	5 700 072
Property, plant and equipment	4.3	**215 245**	224 362
Right-of-use assets	4.4	**42 492**	24 577
Intangible assets	4.2	**1 465 724**	1 583 231
Goodwill	4.1	**717 475**	717 475
Investments in associates and joint ventures	2.1.1	**98 333**	83 185
Loans to associates and joint ventures	2.1.1	**1 967 246**	1 913 645
Loans receivable	3.3.1	**38 753**	65 386
Advances to customers	3.3.3	**485 323**	810 252
Financial assets at fair value through profit or loss	3.5	**156 315**	113 151
Deferred taxation assets	7.2	**143 877**	164 808
Current assets		**9 806 556**	9 018 238
Loans to associates and joint ventures	2.1.1	**445 773**	241 402
Inventories	4.5	**4 409 011**	2 834 914
Loans receivable	3.3.1	**36 506**	38 804
Trade and other receivables	3.3.2	**3 236 969**	3 060 510
Advances to customers	3.3.3	**751 036**	1 446 950
Financial assets at fair value through profit or loss	3.5	**618**	61 028
Financial assets at fair value through other comprehensive income	3.7	**—**	12 914
Current tax assets		**30 403**	18 946
Cash and cash equivalents	3.3.4	**896 240**	1 302 770
Total assets		**15 137 339**	14 718 310
EQUITY AND LIABILITIES			
Capital and reserves		**5 112 140**	4 439 543
Issued share capital and premium		**7 562 077**	7 521 248
Other reserves	6.2	**(2 883 438)**	(2 877 012)
Retained earnings		**331 045**	(316 341)
Total ordinary shareholders' equity		**5 009 684**	4 327 895
Non-controlling interest		**102 456**	111 648
Non-current liabilities		**3 351 850**	2 247 191
Deferred taxation liabilities	7.2	**356 644**	319 140
Non-current lease liability	3.8	**27 425**	23 462
Financial liabilities at fair value through profit or loss	3.5	**57 721**	61 824
Borrowings	3.4.2	**2 910 060**	1 842 765
Current liabilities		**6 673 349**	8 031 576
Trade and other payables	3.4.1	**5 335 058**	5 636 270
Deferred revenue	4.6	**118 510**	87 434
Lease liability	3.8	**23 470**	9 239
Current tax liabilities		**30 028**	68 275
Borrowings	3.4.2	**1 166 190**	2 230 355
Bank overdraft	3.3.4	**93**	3
Total equity and liabilities		**15 137 339**	14 718 310

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 May 2024

	Notes	Issued share capital and premium R'000	Retained earnings R'000	Other reserves R'000	Total ordinary shareholders' equity R'000	Non-controlling interest R'000	Total equity R'000
Balance as at 1 June 2022		7 544 531	(585 307)	(2 871 437)	4 087 787	99 811	4 187 598
Profit for the year		—	268 966	—	268 966	19 207	288 173
Other comprehensive loss		—	—	(2 554)	(2 554)	—	(2 554)
Total comprehensive income/(loss)		—	268 966	(2 554)	266 412	19 207	285 619
Treasury shares purchased	6.1	(66 033)	—	—	(66 033)	—	(66 033)
Equity compensation benefit scheme shares vested	6.2	42 750	—	(41 423)	1 327	(1 327)	—
Equity compensation benefit movement	5.2, 6.2	—	—	38 443	38 443	1 569	40 012
Acquisition of non-controlling interest	6.2	—	—	(41)	(41)	(5 138)	(5 179)
Dividends paid		—	—	—	—	(2 474)	(2 474)
Balance as at 31 May 2023		**7 521 248**	**(316 341)**	**(2 877 012)**	**4 327 895**	**111 648**	**4 439 543**
Profit for the year		**—**	**647 386**	**—**	**647 386**	**12 199**	**659 585**
Other comprehensive loss		**—**	**—**	**(6 594)**	**(6 594)**	**—**	**(6 594)**
Total comprehensive income/(loss)		**—**	**647 386**	**(6 594)**	**640 792**	**12 199**	**652 991**
Sale of treasury shares	6.1	**207**	**—**	**—**	**207**	**—**	**207**
Equity compensation benefit scheme shares vested	6.2	**40 622**	**—**	**(38 926)**	**1 696**	**(1 696)**	**—**
Equity compensation benefit movement	5.2, 6.2	**—**	**—**	**39 094**	**39 094**	**1 954**	**41 048**
Dividends paid		**—**	**—**	**—**	**—**	**(21 649)**	**(21 649)**
Balance as at 31 May 2024		**7 562 077**	**331 045**	**(2 883 438)**	**5 009 684**	**102 456**	**5 112 140**

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 May 2024

	Notes	2024 R'000	2023 R'000
Cash flows from operating activities			
Cash received from customers		**15 442 828**	19 227 226
Cash paid to suppliers, financiers and employees		**(14 673 448)**	(19 024 350)
Cash generated by operations	1.6	**769 380**	202 876
Interest received		**199 516**	174 039
Interest paid		**(1 082 619)**	(663 908)
Taxation paid		**(186 884)**	(214 850)
Net cash utilised in operating activities		**(300 607)**	(501 843)
Cash flows from investing activities			
Acquisition of intangible assets*		**(282 221)**	(936 140)
Proceeds on disposal of intangible assets		**—**	4
Acquisition of property, plant and equipment	4.3	**(88 143)**	(119 167)
Proceeds on disposal of property, plant and equipment		**14 698**	7 847
Acquisition of subsidiaries, net of cash acquired**		**—**	(29 707)
Additional investment in and acquisition of shares in associates	2.1.1	**—**	(372 609)
Loans advanced to associates and joint ventures		**(18 262)**	(1 093 013)
Loans repaid by associates and joint ventures		**236 678**	194 681
Loans receivable carried at fair value repaid	3.5	**45 419**	13 540
Loans granted		**(10 189)**	(65 539)
Loans receivable repaid		**40 828**	38 252
Net cash utilised in investing activities		**(61 192)**	(2 361 851)
Cash flows from financing activities			
Interest-bearing borrowings raised	3.4.2	**2 667 689**	1 867 861
Interest-bearing borrowings repaid	3.4.2	**(2 674 283)**	(381 248)
Lease repayments	3.8	**(16 785)**	(42 032)
Issuance of Class B Preference Shares	3.5	**—**	66 859
Treasury shares sold/(acquired)***	6.1	**207**	(66 033)
Dividends paid to non-controlling interest		**(21 649)**	(2 474)
Net cash (utilised in)/generated by financing activities		**(44 821)**	1 442 933
Net decrease in cash and cash equivalents		**(406 620)**	(1 420 761)
Cash and cash equivalents at the beginning of the year		**1 302 767**	2 723 528
Cash and cash equivalents at the end of the year	3.3.4	**896 147**	1 302 767

* Acquisitions of intangible assets in the prior year included significant cash outflows of R832 million relating to the subscription income sharing arrangement.

** In the prior year, the Group acquired 50% of Aligned Partnered Solutions Proprietary Limited's share capital on 31 March 2023 for a purchase consideration of R500. The Group further acquired 60% of Lipa Payments Proprietary Limited's share capital on 24 April 2023 for a purchase consideration of R30 million.

*** In the prior year, approximately 10 million shares were repurchased over the period 25 August 2022 to 19 September 2022 at a weighted average price of R6.58 per share.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 31 May 2024

1. RESULTS OF OPERATIONS

1.1 Segmental summary

The Group's segment reporting follows the organisational structure as reflected in its internal management reporting systems, which are the basis for assessing the financial performance of the business segments and for allocating resources to these segments. Management's assessment of the Group's organisational structure takes the geographical location of the segments into account.

Operating segments are reported internally to the Chief Operating Decision-maker in a manner consistent with the financial statements. In addition, the Chief Operating Decision-maker uses core headline earnings as a non-IFRS measure in evaluating the Group's performance on a segmental level. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors, who are responsible for making strategic decisions on behalf of the Group.

Transactions between reportable segments are conducted on similar terms as other transactions of a similar nature.

1. RESULTS OF OPERATIONS continued

1.1 Segmental summary continued

The segment results for the year ended 31 May 2024 are as follows:

	Total		Africa Distribution		International		Solutions		Corporate	
	2024 R'000	2023 R'000	**2024 R'000**	2023 R'000	**2024 R'000**	2023 R'000	**2024 R'000**	2023 R'000	**2024 R'000**	2023 R'000
Total segment revenue	**20 480 909**	24 958 278	**19 626 058**	24 470 272	**—**	—	**268 474**	283 366	**586 377**	204 640
Internal revenue	**(5 882 465)**	(6 040 015)	**(5 282 105)**	(5 826 462)	**—**	—	**(13 983)**	(8 913)	**(586 377)**	(204 640)
Revenue	**14 598 444**	18 918 263	**14 343 953**	18 643 810	**—**	—	**254 491**	274 453	**—**	—
Segment result										
Operating profit/(loss) before depreciation, amortisation and the additional items listed below	**1 758 620**	2 042 028	**1 889 223**	2 143 415	**(1 564)**	(650)	**28 918**	40 608	**(157 957)**	(141 345)
Fair value gain on surety receivable	**2 555**	32 743	**—**	—	**2 555**	32 743	**—**	—	**—**	—
Fair value gain on put option	**—**	22 000	**—**	—	**—**	—	**—**	—	**—**	22 000
Fair value gain on other financial instruments	**4 658**	14 533	**4 658**	14 533	**—**	—	**—**	—	**—**	—
Expected credit loss on loans	**(124 227)**	(69 571)	**(123 102)**	(69 028)	**(1 381)**	(98)	**256**	(445)	**—**	—
Bad debts and expected credit losses on trade receivables, other receivables and advances to customers	**(383 555)**	(667 354)	**(383 574)**	(667 551)	**—**	—	**19**	196	**—**	1
Loss on modification/derecognition of financial instruments	**(32 576)**	(57 453)	**(32 576)**	(57 453)	**—**	—	**—**	—	**—**	—
Depreciation and amortisation	**(163 879)**	(190 440)	**(157 504)**	(168 976)	**—**	—	**(672)**	(655)	**(5 703)**	(20 809)
Operating profit/(loss)	**1 061 596**	1 126 486	**1 197 125**	1 194 940	**(390)**	31 995	**28 521**	39 704	**(163 660)**	(140 153)
Finance costs	**(1 121 356)**	(682 599)	**(1 120 225)**	(681 193)	**—**	—	**(39)**	(79)	**(1 092)**	(1 327)
Finance income	**901 884**	411 540	**896 028**	407 731	**28**	1	**3 901**	3 317	**1 927**	491
Reversal of impairment of investment in associate	**—**	962 531	**—**	962 531	**—**	—	**—**	—	**—**	—
Share of profits/(losses) from associates and joint ventures	**15 416**	(1 329 747)	**(2 489)**	(1 320 348)	**—**	—	**17 905**	(9 399)	**—**	—
Taxation	**(197 955)**	(200 038)	**(197 927)**	(187 893)	**(1 378)**	(7 892)	**2 699**	(4 398)	**(1 349)**	145
Profit/(loss) for the year	**659 585**	288 173	**772 512**	375 768	**(1 740)**	24 104	**52 987**	29 145	**(164 174)**	(140 844)
Profit/(loss) for the year attributable to:										
Equity holders of the parent	**647 386**	268 966	**769 270**	360 771	**(1 740)**	24 104	**44 030**	24 935	**(164 174)**	(140 844)
Non-controlling interest	**12 199**	19 207	**3 242**	14 997	**—**	—	**8 957**	4 210	**—**	—
Reconciliation of profit/(loss) for the year to core headline earnings for the year										
Profit/(loss) for the year attributable to equity holders of the parent	**647 386**	268 966	**769 270**	360 771	**(1 740)**	24 104	**44 030**	24 935	**(164 174)**	(140 844)
Amortisation of intangibles raised through business combinations net of tax and non-controlling interest	**21 791**	31 605	**21 791**	31 605	**—**	—	**—**	—	**—**	—
Headline earnings adjustment	**10 311**	101 390	**10 510**	101 026	**—**	—	**(199)**	305	**—**	59
Core headline earnings for the year	**679 488**	401 961	**801 571**	493 402	**(1 740)**	24 104	**43 831**	25 240	**(164 174)**	(140 785)

The Company is domiciled in the Republic of South Africa. The revenue earned from external customers in South Africa is R14.6 billion (2023: R18.9 billion), and from external customers from other countries is R3.1 million (2023: R3.1 million).

The Africa Distribution segment includes revenue of R2.5 billion and R1.6 billion from two external customers.

At 31 May 2024, the Group is managed on the basis of four main business segments:

- Africa Distribution includes the distribution of prepaid airtime, starter packs and electricity of the South African network operators and utility suppliers, the distribution of ticketing and universal vouchers, as well as the distribution and financing of handsets, tablets and other devices within South Africa and certain African countries.
- International includes the investment in Oxigen Services India.
- Solutions includes marketing of cellular and financial products and services through outbound telemarketing and other channels, provides inbound customer care and technical support, and markets data and analytics services.
- Corporate performs the head office administration function.

Core headline earnings

Core headline earnings is a non-IFRS measure used by the Group in evaluating the Group's performance. This supplements the IFRS Accounting Standards measures. Core net profit is calculated by adjusting net profit for the year with the amortisation of intangible assets net of deferred taxation and non-controlling interests that arise as a consequence of the purchase price allocations completed in terms of IFRS 3 – *Business Combinations*. Core headline earnings is calculated by adjusting core net profit with the headline earnings adjustments required by SAICA circular 1/2023.

Reconciliation of core headline earnings to relevant IFRS measures is presented in note 1.5.

1. RESULTS OF OPERATIONS continued

1.2 Revenue

The Group earns revenue from the sale of goods and the provision of services through its vast proprietary distribution channels and platforms. Owing to the wide array of products and services provided, the Group interacts with a broad cross-section of South African society. The Group generates revenue based on various contractual arrangements with its customers, the major sources of which are listed below. These sources aggregate revenue by nature, extent, timing and risk.

Revenue source	Performance obligations included	Recognition	Measurement and terms of sale	Critical estimates and judgements
Prepaid airtime, data and related revenue	**a. Prepaid airtime and data** The sale of prepaid airtime and data represents the majority of Group revenue. Prepaid airtime and data is either physical PIN, virtual PIN or PINless. Physical PIN inventory is sold in bulk to customers (who themselves are generally distributors) as and when they place orders with Blue Label. Customers will either collect the physical inventory at Blue Label depots or it will be delivered via courier to them. Virtual PIN inventory is delivered an inventory file via secure file transfer protocol to a customer's point of sales device, secure network location or sales terminal. This file contains the same information delivered to Blue Label by the mobile networks, being PIN numbers, product codes, serial numbers and expiry dates. PINless sales relate to airtime and data sold that is not in the form of either a virtual PIN or physical voucher and accordingly no inventories exist. Airtime or data is requested by an end-user via one of the Group's customer's integrated systems, upon which Blue Label will automatically notify the applicable network to increase the relevant end-user balance. Blue Label does not take control of PINless inventory at any point. **b. Commissions, bonuses and incentives** Commissions, bonuses and incentives related to the sales of prepaid airtime and data are earned by the Group based on reward structures agreed with the cellular network providers.	**a. Prepaid airtime and data** Physical and virtual PIN inventory sales are recognised on transfer of control of inventory to the customer. Control is transferred at the point of delivery of physical inventory or inventory files to the customer. In general, the Group does not provide warranties, nor the right of return on inventory that has been delivered as it cannot reasonably determine whether any PINs have already been activated. The Group considers itself as the principal in the sale of PIN inventory sales, and thus recognises the full face value (transaction price) of the voucher sold net of any discounts in revenue. PINless sales are recognised on the successful completion of the airtime or data reload transaction, which culminates in an increase of the end-user's balance. It is at this point that the Group has completed its performance obligation to connect the parties through its integrated system and facilitate the transaction. The Group considers itself as the agent in the sale of PINless airtime and data, and thus recognises only the commission on the sale as revenue. **b. Commissions, bonuses and incentives** Commissions, bonuses and incentives related to the sales of prepaid airtime are recognised on a systematic basis (generally monthly) once the Group has established its right to receive payment based on the achievement of the sales, activations or recharges criteria for the period measured.	**a. Prepaid airtime and data** Physical and virtual PIN inventory sales are measured at the face value (transaction price) of the voucher sold net of any discounts. Payment arrangements vary per customer and can range from payment before delivery to terms of up to 60 days. PINless sales are based on the commission percentage earned on the face value (transaction price) of the airtime and data sold. Payment terms for PINless sales do not generally exceed three days, with settlement usually taking place the next business day. **b. Commissions, bonuses and incentives** Commissions, bonuses and incentives are measured based on the contractual value or percentage commission earned in accordance with agreements between the Group and the relevant cellular network. Payment terms do not exceed 30 days.	**a. Prepaid airtime and data** The Group has considered whether it acts in the capacity of an agent or principal in the sale of physical and virtual PIN inventory. Among other considerations, the Group maintains control of the inventory prior to sale and bears all risks related to it. The Group has concluded that, in respect of these sales, it acts as principal. In relation to PINless sales, the Group has concluded that it acts in the capacity of an agent as its primary responsibility is the facilitation of the reload transaction rather than the handling and distribution of an inventory item **b. Commissions, bonuses and incentives** No significant judgements or estimates.
Postpaid airtime, data and related revenue	**a. Postpaid airtime and data** Postpaid revenue is different in nature, timing and risk to prepaid airtime and accordingly is managed as a separate source. Postpaid airtime is generally sold in terms of hybrid postpaid arrangements with customers. Hybrid arrangements provide the customer with a fixed amount of airtime which, when exhausted, will result in the conversion of the customer to prepaid. Both postpaid and prepaid revenue generated in terms of this delivery model is included in this aggregation. The Group's performance obligation on a hybrid contract is to make available an active line for the month and provide the agreed airtime value for the customer to use on that line. **b. Commissions, bonuses and incentives** Commissions, bonuses and incentives related to these arrangements, including the sale of prepaid airtime and data to this customer base, are earned by the Group in accordance with reward structures agreed with the cellular network providers.	**a. Postpaid airtime and data** Revenue earned on postpaid and hybrid contracts is recognised monthly when invoiced to the customer in arrears. The Group's performance obligation is the provision of a line with airtime supplied over the duration of the contract, and accordingly revenue is recognised over time. Sales of prepaid airtime to postpaid customers is recognised in the same manner as the sale of prepaid airtime to prepaid customers described above. **b. Commissions, bonuses and incentives** Commissions, bonuses and incentives are measured based on the contractual value or percentage commission earned in accordance with agreements between the Group and the relevant cellular network. Payment terms do not exceed 30 days.	**a. Postpaid airtime and data** Revenue earned on postpaid and hybrid contracts is measured at the face value (transaction price) of the fixed airtime provided, net of any discounts. Payment terms are generally 30 days from invoice. Prepaid airtime sold to postpaid customers is measured in the same manner described above for sales to prepaid customers. **b. Commissions, bonuses and incentives** Commissions, bonuses and incentives are measured based on the contractual value or percentage commission earned in accordance with agreements between the Group and the relevant cellular network. Payment terms do not exceed 30 days.	**a. Postpaid airtime and data** The Group acts in the capacity of principal in relation to postpaid and hybrid contracts as the Group takes the full inventory risk, sets the price for these contracts to the end-users and is the primary obligor. **b. Commissions, bonuses and incentives** No significant judgements or estimates.

1. RESULTS OF OPERATIONS continued
1.2 Revenue continued

Revenue source	Performance obligations included	Recognition	Measurement and terms of sale	Critical estimates and judgements
Prepaid and postpaid SIM cards	**a. SIM cards and preloaded airtime** Physical SIM cards are either sold to customers independently or with preloaded airtime through the Group's wholesale and retail distribution channels. The sale of a SIM card with preloaded airtime is considered one performance obligation by the Group and accounted for entirely within this aggregation. **b. Activation bonuses and ongoing revenue** Activation bonuses are earned from the cellular networks on the successful activation of a SIM card. Ongoing commissions are earned on any subsequent airtime recharges by the customer utilising the SIM card.	**a. SIM cards and preloaded airtime** Revenue earned on the sale of the physical SIM card starter pack inventory, as well as preloaded airtime, is recognised when a SIM card is initially sold to the customer. **b. Activation bonuses and ongoing revenue** Activation bonuses received from the networks are recognised when the SIM card is activated on the relevant mobile network. Activation criteria, as well as the point of activation, is determined by the mobile networks. Ongoing revenue and other incentives are recognised once the associated contractual criteria have been met.	**a. SIM cards and preloaded airtime** Revenue on the sale of the physical SIM card starter pack inventory and any preloaded airtime is measured at the individual selling price of the inventory and preloaded airtime, net of any discounts. Where the SIM card starter pack inventory is sold on extended credit terms (greater than 12 months), the revenue recognised is reduced by the financing component, which is subsequently recognised over the projected term at the effective interest rate. The payment terms for SIM card starter pack inventory sales sold on normal payment terms are between 30 and 90 days. Extended terms vary between three and 48 months. **b. Activation bonuses and ongoing revenue** Activation bonuses and ongoing commissions are measured at the contractual amounts receivable. The payment terms for activation bonuses and ongoing commissions are between 30 and 90 days.	**a. SIM cards and preloaded airtime** Critical estimates include the estimation of the anticipated repayment term and discount rate for SIM card inventory sold on extended credit terms. The Group uses the South African Reserve Bank prime lending rate as a reference to determine the rate used in assessing the significant financing component of these sales. The Group acts in the capacity of a principal on the sale of SIM card inventory. **b. Activation bonuses and ongoing revenue** The Group recognises the variable consideration relating to ongoing revenue as and when it is received because it is only at this point that it is highly probable that a significant reversal in revenue for that contract will not occur in the future. Ongoing revenue is fully constrained at the individual contract level due to the high variability in behaviour of the individual customers, including the period over which prepaid customers remain on the same SIM card (this can range from one day to a number of years) and the spending patterns of individual customers, which is also highly variable. In addition, because the terms of the ongoing revenue structure with the telecommunication companies are regularly up for negotiation, the Group is not able to predict the likelihood or magnitude of a revenue reversal.
Services	Major sources of services revenue include location-based services, SMS transaction services, value-added services in the form of media and content supply to customers, call centre and data transaction services, technology services and payment provision services.	Revenue earned from services is recognised in the accounting period in which they are rendered. Where services revenue is recognised over time, the completion of the specific transaction is assessed on the basis of the actual service provided as a proportion of the total service to be provided. Due to the nature of the services rendered by the Group, most are short term in duration (less than one month), and seldom, if ever, impact more than one accounting period.	Revenue earned on transaction linked services is measured at the effective unit selling price of the service provided at the point of provision. If the service is not directly transaction linked, or provided over a longer period of time, the proportion of the selling price relating to the actual services provided compared to the total services to be provided is recognised on a monthly basis in arrears. Payment terms are between one day and 30 days.	The Group applies its judgement in the recognition of services revenue as either principal or agent. This will depend on the nature and contractual arrangements of the service provided. The Group considers who controls the service prior to it being provided, who is responsible for the performance of the service and who sets the price for the service provided. Due to the short-term nature of the services provided by the Group, no significant judgements or estimates are required to be made regarding the timing or amount of revenue recognised.
Electricity commissions	The Group earns commissions on the facilitation of prepaid electricity sold to customers on behalf of utility suppliers.	Electricity commissions earned are recognised on the sale of a voucher to the customer. The Group cannot accept returned vouchers. Vouchers expire 12 months after issue; however, the number of expired vouchers is not significant and thus does not materially affect the quantum of commissions earned.	Electricity commissions earned are measured at the contractually agreed commission percentage per rand of electricity sold. Payment terms are generally 30 to 60 days.	The Group acts in the capacity of an agent in relation to electricity commissions. The Group has applied the same factors as those considered for services revenue in making this determination.

1. RESULTS OF OPERATIONS continued
1.2 Revenue continued

Revenue source	Performance obligations included	Recognition	Measurement and terms of sale	Critical estimates and judgements
Handsets tablets and other devices	This category represents revenue earned on the sale of handsets, tablets, accessories and other devices to customers through the Group's wholesale and retail distribution channels.	Revenue from the sale of these goods is recognised at a point in time when control of the goods transfers to the customer, which is generally on acceptance of the goods by the customer.	Revenue on the sale of goods is measured at the effective selling price of the items sold after subtracting discounts and rebates granted to customers on volume purchases and early settlement where applicable. Revenue is measured at the consideration received in terms of the arrangement with the customer. Handsets are generally sold on extended credit terms of between 24 and 36 months, whereby the revenue recognised is reduced by a financing component, which is subsequently recognised over the projected term at the effective interest rate. Payment terms for other goods are generally between 30 and 60 days. Subsidies on handset sales are considered an incremental cost of obtaining a contract with a customer that is expected to be recovered and as such are recognised as an asset within advances to customers (refer to note 3.3.3) and amortised over the period of the contract.	The Group has assessed that the right of return that customers have in relation to sold goods does not have a significant impact on the revenue recognised. This is due to the fact that the majority of returns are related to products returned under warranty where back to back warranty arrangements are in place with the product manufacturer and thus there is a minimal impact on revenue recognised.
Other revenue	Other revenue earned by the Group on products and services which are incidental or complementary to those described above include the installation of prepaid electric meters, electricity audit projects undertaken on electricity sales for municipalities, rentals earned on point of sale and other devices used to facilitate the above major revenue streams, the sale of universal vouchers, the sale of tickets for transportation and to sporting events, and the facilitation of bill payments.	Revenue is recognised either at a point in time or over time as control is transferred to the customer in the arrangement.	Revenue is measured at the consideration received in terms of the arrangement with the customer. Payment terms are generally between 30 and 60 days.	No significant judgements or estimates.
Subscription income share	This category represents the Group's share of Cell C's income, under the subscription income sharing arrangement (refer to note 4.2(e)), from particular postpaid subscribers that sign up, extend or upgrade their subscriptions with Cell C after 1 November 2020.	The Group's share of subscription income is recognised as revenue as and when Cell C earns the income from the particular postpaid subscribers.	The Group's share of subscription income is recognised as revenue based on the net cash flows which the Group is entitled to from Cell C that relate to the particular postpaid subscribers. The net cash flows are determined after deducting the operating costs of Cell C, borne by the Group, that are associated with these subscribers, as and when they are incurred by Cell C. To the extent the Group has facilitated the procurement of handsets to enable Cell C to fulfil its obligation of providing such handsets to these subscribers, the Group's costs are also deducted in measuring the Group's share of subscription income and handset revenue. Subsidies on handset sales are considered an incremental cost of obtaining a contract with a customer that is expected to be recovered and as such are recognised as an asset within advances to customers (refer to note 3.3.3) and amortised over the period of the contract.	Since it is Cell C that transfers goods or services to the subscribers, and not the Group, the subscribers are not considered to be customers of the Group. Similarly, Cell C is not a customer of the Group as the Group does not transfer goods or services to Cell C. Accordingly, the Group's share of subscription income does not constitute revenue from contracts with customers as defined in IFRS 15 – *Revenue from Contracts with Customers*. It is considered to be income arising in the course of the Group's ordinary activities, and is therefore presented as revenue.
Finance revenue	Interest income earned on financing arrangements where the core business of the Group is the provision of financing to its customers in its capacity as a principal financier.	Finance revenue is recognised on the accrual basis over the term of the financing provided.	Finance revenue is measured at the effective interest rate implicit in the financing arrangement.	No significant judgements or estimates.

1. RESULTS OF OPERATIONS continued

1.2 Revenue continued

	Total		Africa Distribution		Solutions	
	2024 R'000	2023 R'000	**2024 R'000**	2023 R'000	**2024 R'000**	2023 R'000
Revenue from contracts with customers	**13 715 014**	17 654 965	**13 460 523**	17 380 512	**254 491**	274 453
Prepaid airtime, data and related revenue	**9 078 108**	13 009 793	**9 078 108**	13 009 793	**—**	—
Postpaid airtime, data and related revenue	**144 314**	155 568	**144 314**	155 568	**—**	—
Prepaid and postpaid SIM cards	**356 982**	460 280	**356 982**	460 280	**—**	—
Services	**462 382**	441 683	**207 891**	167 230	**254 491**	274 453
Electricity commission	**287 065**	282 903	**287 065**	282 903	**—**	—
Handsets, tablets and other devices	**2 735 524**	2 770 279	**2 735 524**	2 770 279	**—**	—
Other revenue*	**650 639**	534 459	**650 639**	534 459	**—**	—
Subscription income share	**460 574**	940 940	**460 574**	940 940	**—**	—
Revenue	**14 175 588**	18 595 905	**13 921 097**	18 321 452	**254 491**	274 453
Finance revenue	**422 856**	322 358	**422 856**	322 358	**—**	—
Total revenue	**14 598 444**	18 918 263	**14 343 953**	18 643 810	**254 491**	274 453

* Other revenue predominantly includes audit projects on municipalities and commissions earned on the sale of universal vouchers, bus ticketing and the facilitation of bill payments.

1.3 Operating profit

	2024 R'000	2023 R'000
The following has been charged/(credited) in arriving at operating profit:		
Advertising and promotional expenses	**57 553**	52 159
Audit fees – services as auditors relating to the year-end audit	**28 127**	27 498
Audit fees – other	**132**	7 524
Bad debts recovered	**(29 578)**	(645)
Consulting fees	**93 142**	79 424
Foreign exchange (gain)/loss	**(1 051)**	1 676
Impairment of inventory	**9 684**	8 495
Insurance	**15 663**	15 095
IT infrastructure costs and computer-related costs	**64 306**	57 582
Legal fees	**13 923**	3 594
Licence fees	**74 678**	66 419
Motor vehicle expenses	**17 056**	23 541
Loss/(profit) on disposal of property, plant and equipment	**966**	(1 919)
Staff training	**52 203**	68 310
Travel – local and overseas	**13 595**	9 770

	2024 R'000	2023 R'000
Fair value movements comprise the following:		
Fair value gain on surety receivable	**(2 555)**	(32 743)
Fair value gain on put option	**—**	(22 000)
Fair value gain on financial instruments	**(4 658)**	(14 533)
	(7 213)	(69 276)
Bad debts and expected credit loss, arising from the application of IFRS 9, comprise the following:		
Bad debts and expected credit loss on loans	**124 466**	69 480
Expected credit loss on 2DFine and OSI loans	**—**	98
Bad debts and expected credit losses on trade receivables, other receivables and advances to customers	**383 316**	667 347
	507 782	736 925
Loss on modification/derecognition of financial instruments		
Loss on modification of financial asset – Deferral Loan	**—**	64 500
Gain on modification of financial liability – Class A Preference Shares[1]	**(20 682)**	(7 047)
Loss on derecognition of financial assets measured at amortised cost[2]	**53 258**	—
	32 576	57 453

[1] For details regarding the modification of the Class A Preference Shares, refer to note 3.4.2.
[2] For details regarding the derecognition of financial assets measured at amortised cost, refer to note 3.3.3.

1.4 Finance costs and finance income

Finance costs/income are recognised in profit or loss using the effective interest rate method as the instruments to which this relates are measured at amortised cost.

Where the core business of a Group subsidiary is providing finance to its customers, the interest earned from these customers is recognised as revenue in profit or loss. In all other scenarios, interest is recognised as a finance income or finance expense below operating profit.

	2024 R'000	2023 R'000
Finance costs		
– Bank	**292**	243
– Loans and facilities	**1 082 061**	664 179
– Other	**34 920**	14 362
– Unwinding of lease liability	**4 083**	3 815
	1 121 356	682 599
Finance income		
– Bank	**(43 579)**	(76 401)
– Loans	**(8 453)**	(2 132)
– Related party loans (refer to note 8)	**(707 521)**	(323 993)
– Related party other (refer to note 8)	**(137 617)**	—
– Other	**(4 714)**	(9 014)
	(901 884)	(411 540)

1. RESULTS OF OPERATIONS continued

1.5 Earnings per share

Core headline

Core headline earnings per share are calculated by adding back to headline earnings, the amortisation of intangible assets net of deferred taxation and non-controlling interests as a consequence of the purchase price allocations completed in terms of IFRS 3(R) – *Business Combinations*.

Use of adjusted measures

The measures listed below are presented as management believes it to be relevant to the understanding of the Group's financial performance. These measures are used for internal performance analysis and provide additional useful information on underlying trends to equity holders. These measures are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other entities. It is not intended to be a substitute for, or superior to, measures as required by IFRS.

(a) Headline earnings, earnings and core headline earnings per share

	Attributable earnings		Cents per share	
	2024 R'000	2023 R'000	**2024**	2023
Headline earnings per share				
Basic	**657 699**	370 356	**73.64**	41.97
Diluted	**657 699**	370 356	**73.17**	41.41
Core	**679 488**	401 961	**76.08**	45.55
Earnings attributable to ordinary equity holders				
Basic	**647 386**	268 966	**72.49**	30.48
Diluted	**647 386**	268 966	**72.03**	30.07

(b) Weighted average number of shares

Weighted average number of shares	**2024 R'000**	2023 R'000
Weighted average number of ordinary shares	**893 117**	882 530
Adjusted for conditional shares	**5 693**	11 835
Weighted average number of ordinary shares for diluted earnings[1]	**898 810**	894 365

[1] The same weighted average number of shares for basic earnings per share is used for core headline earnings per share.

(c) Analysis of headline earnings

	Profit/(loss) before tax and non-controlling interest R'000	Tax R'000	Non-controlling interest R'000	Headline earnings R'000
2024				
Profit attributable to equity holders of the parent	**857 540**	**(197 955)**	**(12 199)**	**647 386**
Net loss on disposal of property, plant and equipment	**966**	**(261)**	**34**	**739**
Impairment of property, plant and equipment	**12 417**	**(3 353)**	**—**	**9 064**
Impairment of intangible assets	**1 500**	**(405)**	**—**	**1 095**
Net profit on disposal of property, plant and equipment in associate/joint venture	**(585)**	**—**	**—**	**(585)**
Headline earnings				**657 699**
2023				
Profit attributable to equity holders of the parent	488 211	(200 038)	(19 207)	268 966
Net profit on disposal of property, plant and equipment	(1 919)	518	27	(1 374)
Impairment of property, plant and equipment	12 145	(3 280)	—	8 865
Reversal of impairment of investment in associate	(962 531)	—	—	(962 531)
Net loss on disposal of property, plant and equipment in associate/joint venture	6 403	—	—	6 403
Impairment of property, plant and equipment in associate	330 129	—	—	330 129
Impairment of intangible assets in associate	516 009	—	—	516 009
Impairment of leased assets in associate	203 889	—	—	203 889
Headline earnings				370 356

(d) Analysis of core headline earnings

	2024 R'000	2023 R'000
Reconciliation between net profit and core headline earnings for the year:		
Net profit for the year	**647 386**	268 966
Amortisation of intangibles raised through business combinations net of tax and non-controlling interest	**21 791**	31 605
Core net profit for the year	**669 177**	300 571
Headline earnings adjustments	**10 311**	101 390
Core headline earnings	**679 488**	401 961

1. RESULTS OF OPERATIONS continued
1.6 Cash generated by operations

	2024 R'000	2023 R'000
Reconciliation of operating profit to cash generated by operations:		
Operating profit	**1 061 596**	1 126 486
Adjustments for:		
Depreciation of property, plant and equipment	**69 179**	72 464
Depreciation on leased assets	**13 105**	30 793
Amortisation of intangible assets	**398 228**	446 300
Fair value gain on financial instruments	**(4 846)**	(47 497)
Fair value loss on financial instruments	**188**	11 050
Impairment of intangible assets	**1 500**	—
Impairment of property, plant and equipment	**12 417**	12 145
Impairment of loans	**124 466**	69 578
Impairment of inventory	**9 684**	8 495
Loan forgiveness	**—**	(2 778)
Fair value gain on surety receivable	**(2 555)**	(32 743)
Lease modification income	**—**	(86)
Lease incentive received	**—**	5 018
Termination of lease	**(123)**	—
Loss on modification/derecognition of financial instruments	**32 576**	57 453
Loss/(profit) on disposal of property, plant and equipment	**966**	(1 919)
Equity compensation benefit expense	**41 048**	40 012
Net unrealised forex profit	**—**	(200)
Changes in working capital:		
Increase in inventories	**(1 583 783)**	(1 695 313)
(Increase)/decrease in trade and other receivables	**(76 652)**	655 641
(Decrease)/increase in trade and other payables	**(270 136)**	37 640
Decrease/(increase) in advances to customers	**942 522**	(589 663)
	769 380	202 876

2. GROUP COMPOSITION
Basis of consolidation
(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, i.e. transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When entering into a written put on a non-controlling interest, the initial liability is recognised at the present value of the expected settlement price with a corresponding adjustment to equity. Thereafter if the non-controlling interest continues to be recognised, the Group takes subsequent changes in the expected changes in the liability as an adjustment in profit or loss. The Group believes this is an appropriate accounting policy, because there is no clear guidance in IFRS as to whether IFRS 9 or 10 should be applied to the presentation of the remeasurement of a liability.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates and joint ventures includes goodwill identified on acquisition. Loans made to associates and joint ventures that are equity in nature are treated as part of the cost of the investment made.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. The carrying amount of the investment is also adjusted for the Group's share of post-acquisition movements in other net assets.

The Group excludes equity-settled share-based payment charges from its share in profits or losses from associates and joint ventures. As a result, it does not recognise the corresponding attributable share of the related share-based payment reserve within equity.

The Group determines at each reporting date if there are any indicators which would require the Group to test whether the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount adjacent to share of profit/(loss) from associates in the income statement.

Dilution gains and losses arising in investments in associates and joint ventures are recognised in the income statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

When the Group's share of losses in an associate or joint venture equals or exceeds its interests in the associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture. Where an impairment is recognised in respect of an associate or joint venture, the Group's share of equity-accounted results reflect amortisation based on an adjusted impaired fair value.

2. GROUP COMPOSITION continued

2.1 Investments in and loans to associates and joint ventures

2.1.1 Summary of investments in and loans to Cell C, other associates and other joint ventures

Critical accounting judgements and assumptions

(a) Classification of significant joint arrangements

The Group exercises judgement in determining the classification of its joint arrangements.

(b) Assessment of investment in associates and joint ventures for impairment

An investment in an associate or joint venture is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group assesses at each reporting date whether such indicators exist. Similarly, the investment in an associate or joint venture is subsequently reassessed for indications of impairment loss previously recognised that may no longer exist. If there is an indication that an impairment loss has reversed, the Group is required to estimate the recoverable amount of the previously impaired investment. The impairment loss is reversed if the recoverable amount exceeds its carrying amount. The recoverable amounts of the investment in an associate or joint venture are determined based on value-in-use calculations. Where such calculations are performed, it would require the use of estimates.

(c) Classification of significant associates

The Group performs control assessments and determines the classification of its significant associates. Refer to note 2.2.1.

The Group holds the following investments in and loans to associates and joint ventures:

	Cost and share of reserves		Loans		Investments and loans	
	31 May 2024 R'000	31 May 2023 R'000	**31 May 2024 R'000**	31 May 2023 R'000	**31 May 2024 R'000**	31 May 2023 R'000
Cell C Limited	**—**	—	**2 359 065**	2 110 982	**2 359 065**	2 110 982
Other associates	**64 821**	58 731	**17 560**	9 282	**82 381**	68 013
Other joint ventures	**33 512**	24 454	**36 394**	34 783	**69 906**	59 237
	98 333	83 185	**2 413 019**	2 155 047	**2 511 352**	2 238 232
Disclosed as:						
– Non-current assets	**98 333**	83 185	**1 967 246**	1 913 645	**2 065 579**	1 996 830
– Current assets	**—**	—	**445 773**	241 402	**445 773**	241 402

Loans to associates and joint ventures

				Total loans		Current		Non-current	
	Effective shareholding	Payable	Interest rate	**2024 R'000**	2023 R'000	**2024 R'000**	2023 R'000	**2024 R'000**	2023 R'000
Cell C Limited[1]	63.19%	[3]	[3]	**2 359 065**	2 110 982	**424 490**	221 670	**1 934 575**	1 889 312
Blu Train Proprietary Limited[2]	64.68%	On demand	Linked to prime	**13 171**	4 970	**—**	—	**13 171**	4 970
I Talk Financial Services Proprietary Limited	30.38%	On demand	0%	**3 997**	4 000	**3 997**	4 000	**—**	—
I Talk Holdings Proprietary Limited	40.50%	On demand	Linked to prime	**19 500**	19 363	**—**	—	**19 500**	19 363
Mobii Systems Proprietary Limited	29.9%	On demand	0%	**4 394**	4 315	**4 394**	4 315	**—**	—
Mobile Macs Proprietary Limited	50%	On demand	Prime + 2%	**12 189**	4 628	**12 189**	4 628	**—**	—
T3 Telecoms SA	50%	On demand	0%	**703**	6 789	**703**	6 789	**—**	—
				2 413 019	2 155 047	**445 773**	241 402	**1 967 246**	1 913 645

[1] Refer to note 2.2.1 for details on the control assessment of Cell C Limited. Refer to note 3.2.1 for details of the treatment of the loans.
[2] The Group does not control Blu Train, as it does not control the Board of Directors.
[3] Refer to the "Loans receivable from Cell C" table on the following page.

All loans with an on-demand feature approximate fair value.

Loans receivable from Cell C

	Debt funding* 2024 R'000	Reinvestment instrument** 2024 R'000	Deferral loan*** 2024 R'000	Total 2024 R'000
Opening balance as at 1 June 2023	**1 063 213**	**134 831**	**912 938**	**2 110 982**
Interest accrued	**536 757**	**63 066**	**101 859**	**701 682**
Payments received	**—**	**—**	**(332 387)**	**(332 387)**
Allowance (loss)/gain	**(135 636)**	**(11 603)**	**26 027**	**(121 212)**
Closing balance as at 31 May 2024	**1 464 334**	**186 294**	**708 437**	**2 359 065**
Credit-adjusted effective interest rate (%)	**31.25**	**31.8**	**12.67**	

* The loan bears no interest for the first 24 months following the recapitalisation date. From October 2024, the total capital amount bears interest at a fixed rate of 10% per annum until month 42, and thereafter the outstanding amount bears interest at prime plus 3% until month 66, payable monthly.

** The loan bears no interest for the first 24 months following the recapitalisation date and from October 2024 the total capital amount bears interest at a fixed rate of 10% per annum. Interest payments are payable monthly.

*** Interest on this loan is being recognised using a credit-adjusted effective interest rate of 12.67%. The credit-adjusted effective interest rate reflects the initial estimate of lifetime expected credit losses. This means that CEC will only recognise the cumulative changes (both favourable and unfavourable) in the initial estimate of lifetime expected credit losses as a loss allowance.

2. GROUP COMPOSITION continued
2.1 Investments in and loans to associates and joint ventures continued
2.1.1 Summary of investments in and loans to Cell C, other associates and other joint ventures continued

Investment in	**Associate Cell C Limited**		**Other associates***		**Other joint ventures***		**Total**	
Principal activity	**Network provider**							
Country of incorporation	**South Africa**							
	31 May 2024 R'000	31 May 2023 R'000	**31 May 2024 R'000**	31 May 2023 R'000	**31 May 2024 R'000**	31 May 2023 R'000	**31 May 2024 R'000**	31 May 2023 R'000
Cost and share of reserves at the beginning of the year	**—**	—	**58 731**	53 536	**24 454**	22 611	**83 185**	76 147
Acquisition of associates and joint ventures	**—**	—	**—**	—	**—**	6 373	**—**	6 373
Share of (losses)/profits from associates and joint ventures	**—**	(1 328 767)	**6 358**	3 550	**9 058**	(4 530)	**15 416**	(1 329 747)
Share of results after tax	**—**	(1 328 767)	**6 358**	3 550	**9 058**	(4 530)	**15 416**	(1 329 747)
Foreign currency translation reserve	**—**	—	**(268)**	1 645	**—**	—	**(268)**	1 645
Additional investment	**—**	366 236	**—**	—	**—**	—	**—**	366 236
Reversal of impairment of investment in associate	**—**	962 531	**—**	—	**—**	—	**—**	962 531
Cost and share of reserves at the end of the year	**—**	—	**64 821**	58 731	**33 512**	24 454	**98 333**	83 185
Loans to associates and joint ventures								
Loans at the beginning of the year	**2 110 982**	—	**9 282**	4 067	**34 783**	44 536	**2 155 047**	48 603
Loans advanced to associates and joint ventures[1]	**701 682**	2 442 744	**13 399**	5 915	**51 369**	60 085	**766 450**	2 508 744
Loans repaid by associates and joint ventures	**(332 387)**	(212 004)	**(5 318)**	—	**(48 719)**	(63 552)	**(386 424)**	(275 556)
Loans waived	**—**	—	**—**	—	**—**	(4 000)	**—**	(4 000)
Expected credit loss	**(121 212)**	(55 258)	**197**	(700)	**(1 039)**	(2 286)	**(122 054)**	(58 244)
Loss on modification of financial instrument	**—**	(64 500)	**—**	—	**—**	—	**—**	(64 500)
Loans at the end of the year	**2 359 065**	2 110 982	**17 560**	9 282	**36 394**	34 783	**2 413 019**	2 155 047
Closing net book value	**2 359 065**	2 110 982	**82 381**	68 013	**69 906**	59 237	**2 511 352**	2 238 232
Share of (losses)/profits from associates and joint ventures	**—**	(1 328 767)	**6 358**	3 550	**9 058**	(4 530)	**15 416**	(1 329 747)

* The Group also has interests in a number of individually immaterial associates and joint ventures that are accounted for using the equity method which are aggregated under "other associates" and "other joint ventures".
[1] Loans advanced to associates and joint ventures also includes the interest accrued on existing loans.

2. GROUP COMPOSITION continued

2.2 Investments in and loans to Cell C

2.2.1 Investment in Cell C

As at 31 May 2024, BLT through its wholly owned subsidiary, The Prepaid Company (TPC), holds 49.53% participatory interest in Cell C.

Critical accounting judgements and assumptions

(a) Classification of significant associates

Assessment of control over Cell C

Shareholding in Cell C

Following the recapitalisation of Cell C, TPC has a shareholding and voting rights of 49.53% in Cell C, as well as additional interests of 13.66% , derived as follows:

	Percentage
Pre-recapitalisation shareholding	**45.00**
Sale of shares (SPV4)	**(5.00)**
Net new issue	**9.53**
Dilution	**(29.61)**
New issue	**39.14**
Post-recapitalisation shareholding	**49.53**
Post-recapitalisation shareholding without voting rights	**13.66**
SPV1	**3.19**
SPV4 – Loan to SPV4	**5.47**
SPV4 – Sale of a 5% shareholding in Cell C to SPV4 on loan account	**5.00**
Total economic interest	**63.19**

BLT holds 49.53% of the shareholder voting rights of Cell C and is able to appoint four out of 12 on the Cell C Board of Directors, where each director has one vote. It has been determined that the Cell C Board makes the decisions about the activities that significantly affect the returns of Cell C (the relevant activities).

As a result of loans made by TPC to SPV1 and SPV4, TPC is entitled to obtain additional shares comprising 13.66% in aggregate in Cell C at any time from the SPVs in settlement of the loans. Should TPC wish to obtain any of these additional shares, and hence the corresponding voting rights, the Group's external legal advisers have advised that it can only do so lawfully with the prior approvals of the Competition Commission and ICASA – as acquiring additional voting rights would result in TPC obtaining control over Cell C. According to the Group's external legal advisers, it is unlawful to give effect to a transaction that requires the approval of the Competition Commission before such approval is granted, and doing so could result in the transaction being set aside. Furthermore, the granting of the regulatory approvals is not a formality or within TPC's control, hence TPC does not, on its own, have the practical ability to obtain any additional shares (and voting rights). Therefore, management has concluded that TPC's rights under the loan agreements to obtain additional Cell C shares are not substantive until such approvals have been granted. Consequently, the potential voting rights of 13.66% have been excluded from the assessment of whether the Group has control over Cell C.

SPV1 and SPV4 hold the voting rights attached to the aggregate 13.66% equity interest. Even though TPC bears the economic risks and rewards of these shares (subject to upper limits of the amounts repayable under the loans), it does not have the ability to direct the way in which the corresponding voting rights in Cell C are exercised. These decisions lie with the Directors of SPV1 and SPV4, which are appointed by Albanta Trading 109 Proprietary Limited (Albanta), over which BLT has no control.

Although the SPVs will only benefit from the aggregate 13.66% equity interest in Cell C to the extent that they realise more than the amounts repayable to TPC under the loans, whether they exercise their Cell C voting rights in line with the way that TPC exercises its 49.53% Cell C voting rights or not, management is of the view that this would not affect the SPVs in any way. Similarly, whether the SPVs vote in line with TPC or not, management is of the view that this would have no impact on whether TPC elects to obtain the additional shares in settlement of its loans, subject to receiving the requisite regulatory approvals. Since management is of the view that the SPVs do not have any incentive to exercise their Cell C voting rights in the way that TPC would want them to such that TPC can rely on them to do so, it has been concluded that the SPVs are not de facto agents of TPC. Furthermore, Albanta holds other shares (5.50%) in Cell C, therefore management believes that Albanta would exercise all its Cell C voting rights in the same way and management is of the view that there is no incentive or reason why Albanta would necessarily vote in line with TPC.

Based on historical attendance at Cell C shareholder meetings, the fact that the shares of Cell C are not widely held (there are only nine shareholders currently; six if one recognises that SPV1, SPV4 and SPV5 are all subsidiaries of Albanta), and that Gramercy and Nedbank now hold 7.53% and 6.09% of Cell C, respectively, management is of the view that there is currently no basis for concluding that TPC has de facto control of Cell C at a shareholder level. Furthermore, it is the Memorandum of Incorporation (MOI) of Cell C that enables TPC to appoint only four of the 12 Directors, and changes to the MOI require shareholder approval of at least 82% including that of Gramercy and Nedbank, for as long as they are permitted to appoint a director to the Cell C Board. Therefore, even if TPC had de facto control at a shareholder level, it could not, on its own, change the MOI to enable it to appoint the majority of the Directors. Management has thus concluded that the Group does not have control over Cell C and continues to exercise significant influence. Therefore the Group continues to account for Cell C as an associate.

(b) Assessment of investment in Cell C

As at 31 May 2024, there was no indication of a further reversal of the previous impairment, and as such, the Group did not estimate the recoverable amount of the investment in Cell C.

(c) Going concern of Cell C

Management considered the changes made to the Cell C business strategy, the successful renegotiation of key service agreements and IT support, the enhanced senior executive management team, the continued focus on operational efficiencies, reduced operational expenditure, the optimisation of traffic and the implementation of a fixed cost infrastructure.

This, together with the effects of the capital and debt restructure of the business as a result of the recapitalisation of Cell C, is expected to improve both the liquidity and performance of Cell C. Taking into account the latest available financial information and estimated future cash flows, management has concluded that the going concern basis is appropriate and Cell C Limited will be able to continue as a going concern for the foreseeable future.

Exposure to Cell C

The Group's exposure to Cell C is as follows:

	31 May 2024 R'000	31 May 2023 R'000
Concentration of credit risk:		
Loans receivable	**2 535 535**	2 166 240
Loss allowance on Cell C loans receivables	**(176 470)**	(55 258)
Trade receivables	**499 267**	518 031
Loss allowance on Cell C trade receivables	**(1 094)**	(2 403)
Other receivables	**162 338**	214 548
Loss allowance on Cell C other receivables	**(53 375)**	(53 375)
Payables due to Cell C:		
Trade payables	**(387 453)**	(308 823)

There is indirect exposure to Cell C as a result of the subscription sharing arrangement and inventories held.

2. GROUP COMPOSITION continued
2.2 Investments in and loans to Cell C continued
2.2.1 Investment in Cell C continued
Summarised balance sheet of Cell C

Investment in **Principal activity** **Country of incorporation** **Financial year-end**	**Associate** **Cell C Limited** **Mobile network** **South Africa** **31 May**	
	31 May 2024 R'000	31 May 2023* R'000
Statement of financial position		
Non-current assets	**11 541 813**	11 781 135
Current assets	**2 588 661**	3 234 213
	14 130 474	15 015 348
Capital and reserves	**(3 179 041)**	(4 047 141)
Non-current liabilities	**7 303 962**	6 698 254
Current liabilities	**10 005 553**	12 364 235
	14 130 474	15 015 348
Effective percentage held (%)	**49.53**	49.53
Effective economic percentage held (%)	**63.19**	63.19
Total capital and reserves	**(3 179 041)**	(4 047 141)
Cell C capital and reserves	**(10 463 468)**[2]	(11 354 946)
Carrying value of purchase price allocations net of deferred taxation	**7 284 427**	7 307 805
Accumulated impairment	**(1 558 621)**	(1 558 621)
Accumulated losses not guaranteed	**(1 606 557)**	(2 048 072)

* In the prior year special purpose accounts were prepared to coincide with the Group's reporting year. These special purpose accounts are adjusted for the Group's equity-accounted adjustments.

The Group's share of accumulated losses not guaranteed

	31 May 2024 R'000
Opening balance	**(2 048 072)**
Correction to opening capital and reserves[2]	**264 912**
Share of profits for the year ending 31 May 2024	**176 603**
Closing balance	**(1 606 557)**

[2] The opening capital and reserves of Cell C totalling a negative R11.35 billion necessitated an upward adjustment of R589 million, resulting in a correction to the company's opening net assets to a negative R10.77 billion. The adjustment is a result of the completion of historical audits for Cell C in the current year. The required adjustment of R589 million in Cell C's financials does not have an impact on BLT's Statement of Comprehensive Income or Statement of Financial position for the current or comparative financial year. The impact on BLT is limited to BLT's share of the accumulated losses not guaranteed as disclosed above.

Summarised income statement of Cell C

Financial year	**1 June 2023 to 31 May 2024* R'000**	1 June 2022 to 31 May 2023* R'000
Statement of comprehensive income for the year ended		
Revenue	**11 275 356**	11 853 745
Net (loss)/profit before taxation	**(22 445)**	4 924 453
Taxation	**301 924**	(293 644)
Current taxation	**3 647**	(293 644)
Over provision prior year	**298 277**	—
Net profit after taxation	**279 479**	4 630 809
Other comprehensive (loss)/income	**—**	—
Share of total comprehensive income	**—**	—
Effective economic percentage held (%)	**63.19**	63.19
Share of profits**	**176 603**	1 838 337

* Special purpose accounts were prepared to coincide with the Group's reporting year. These special purpose accounts are adjusted for the Group's equity-accounted adjustments.
** The Group will resume recognising its share of the profits only after its share of the profits equals the share of accumulated losses not recognised.

2.3 Bulk airtime purchases from Cell C

TPC was required to purchase, by way of four further quarterly payments of R300 million (incl. VAT), additional prepaid airtime with a face value of R500 million (including VAT), with each such quarterly payment payable at the beginning of each calendar quarter. The first such quarterly payment was made at the beginning of the 13th month following the recapitalisation of Cell C and subsequent payments were/ will be made at the commencement of each quarter thereafter. The first payment of R300 million (Incl. VAT) was made in October 2023. As at May 2024, there is one remaining quarterly payment to take place.

In addition, TPC was required to make minimum monthly purchases of airtime vouchers from Cell C for a period of 24 months from the date of the Cell C recapitalisation. For each of the first 12 months, the minimum purchase was airtime with a face value of R427 million (including VAT), and for each of the second 12 months it is airtime with a face value of R378 million (including VAT). The cash purchase price payable is at a discount of 6% to the face value of the airtime up until January 2024 and 4% thereafter. The minimum monthly purchases have been reduced by R125 million (including VAT) per month until TPC's airtime repurchase obligation towards the funders has been settled. Furthermore, if in any calendar quarter following the effective date of the Cell C recapitalisation, Cell C's actual MVNO Revenue is in excess of the MVNO Revenue for the relevant period as stated in the Agreed Financial Base Case, then for the following quarter the minimum monthly purchase requirement will be reduced by one-third of such excess.

TPC borrowings – from lenders

Since the recapitalisation of Cell C, TPC has repurchased from the lenders, in 40 tranches, inventory with an aggregate face value of R1.762 billion (including VAT) for a cash consideration of R1.619 billion (including VAT), resulting in the balance of face value inventory remaining as at 31 May 2024 of R353 million. Refer to note 3.4.2 for further information.

In addition, on 30 April 2024, TPC purchased inventory with an aggregate face value of R375 million (including VAT) for a cash consideration of R300 million (including VAT). During the year, TPC has repurchased from the lenders, in 2 tranches, inventory with an aggregate face value of R67.2 million (including VAT) for a cash consideration of R58.3 million (including VAT) resulting in the balance of face value inventory remaining as at 31 May 2024 of R307.7 million. Refer to note 3.4.2 for further information.

TPC borrowings – from other third parties

Since the recapitalisation of Cell C, TPC has repurchased from other third parties, in 18 tranches, inventory with an aggregate face value of R325 million (including VAT) for a cash consideration of R304 million (including VAT). As at 31 May 2024, there is no remaining inventory left to repurchase. Refer to note 3.4.2 for further information.

2.4 Restricted inventory

Of the carrying value of inventory as of 31 May 2024, R523 million (2023: R1 billion) is restricted as it is held by the funders under the airtime sale and repurchase agreements which form part of TPC's borrowings in connection with the Cell C recapitalisation, as detailed above. As a result of TPC's repurchase obligation, the airtime inventory that was sold to the funders has continued to be recognised as TPC's inventory, and the repurchase obligation has been recognised as borrowings. As airtime inventory is repurchased it becomes unrestricted and is available to be sold. During the next 12 months, TPC is required to repurchase R523 million of the restricted airtime. TPC has the right to sell this airtime inventory without restriction before 28 September 2024. However, there are certain restrictions regarding TPC's ability to dispose of any of this airtime that is still on hand at that date (which carrying value of airtime management believes will be negligible), these restrictions fall away from 28 March 2026 or earlier should certain trigger events occur.

2. GROUP COMPOSITION continued

2.5 Non-controlling interests

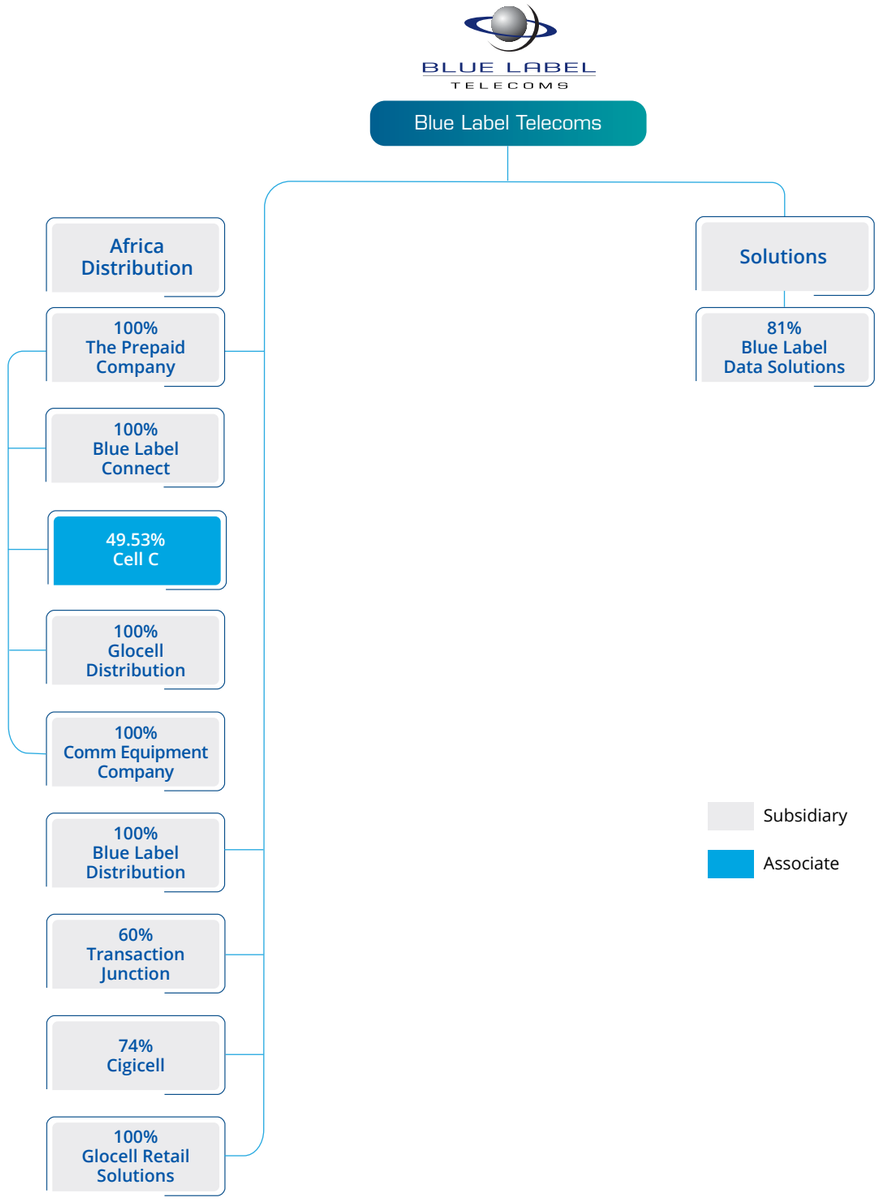
Set out below is the summarised financial information relating to each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations with other companies in the Group.

Subsidiary	**TJ Group[1]**		**Blue Label Data Solutions**		**Cigicell Proprietary Limited[2]**	
Principal place of business	**South Africa**		**South Africa**		**South Africa**	
Segment	**Africa Distribution**		**Solutions**		**Africa Distribution**	
	2024	2023	**2024**	2023	**2024**	2023
NCI (%)	**40**	40	**19**	19	**26**	26
	R'000	R'000	**R'000**	R'000	**R'000**	R'000
Non-current assets	**88 544**	70 230	**69 344**	40 901	**25 644**	30 948
Current assets	**59 039**	66 202	**60 558**	86 034	**563 364**	727 738
Total assets	**147 583**	136 432	**129 902**	126 935	**589 008**	758 686
Capital and reserves	**93 550**	96 921	**82 241**	70 076	**195 086**	229 433
Non-current liabilities	**8 761**	15 642	**1**	1 496	**—**	—
Current liabilities	**45 271**	23 869	**47 660**	55 363	**393 923**	529 253
Total equity and liabilities	**147 582**	136 432	**129 902**	126 935	**589 009**	758 686
Accumulated NCI[3]	**39 679**	41 489	**15 626**	13 314	**50 722**	59 653
Summarised statement of comprehensive income for the year ended 31 May						
Revenue	**134 252**	147 346	**224 253**	257 811	**267 327**	252 934
Total comprehensive income for the year	**(4 543)**	20 990	**47 141**	22 133	**23 353**	33 428
Comprehensive income allocated to NCI	**(1 817)**	8 396	**8 957**	4 205	**6 072**	8 397
Summarised cash flows for the year ended 31 May						
Cash flows generated from/(utilised in) operating activities	**22 272**	39 324	**24 688**	18 375	**58 631**	(15 851)
Cash flows (utilised in)/ generated from	**(19 264)**	36 089	**(35 402)**	(20 959)	**(58 319)**	638
Cash flows generated from financing activities	**7 604**	2 166	**10 363**	3 626	**48 740**	10 370
Net increase/ (decrease) in cash and cash equivalents	**10 612**	77 579	**(351)**	1 042	**49 052**	(4 843)
Dividends paid to NCI	**—**	—	**6 650**	4 750	**14 999**	—

[1] The TJ Group consists of Transaction Junction Proprietary Limited and Transaction Junction (Namibia) Proprietary Limited.
[2] Cigicell Proprietary Limited includes its subsidiary, Visual Revenue Management Proprietary Limited (VRM).
[3] Accumulated NCI excludes the share-based payment reserve adjustments because the awards are treated as cash-settled in the separate entities' financial statements.

2.6 Interest in subsidiaries, associates and joint ventures

Blue Label Telecoms Limited conducts its operations through various wholly owned subsidiaries, associates and joint ventures, the principal activities of the Group are conducted through the following significant entities to the Group:



A full list of the subsidiaries, associates and joint ventures to the Group is available, upon request, at the registered offices of the Group.

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 2024 R'000	Carrying value 2023 R'000
Non-current assets*			
Loans to associates	Amortised cost	**1 967 246**	1 913 645
Loans receivable	Amortised cost	**38 753**	65 386
Advances to customers	Amortised cost	**485 323**	810 252
Financial assets at fair value through profit or loss	Fair value through profit or loss	**156 315**	113 151
		2 647 637	2 902 434
Current assets**			
Loans to associates	Amortised cost	**445 773**	241 402
Loans receivable	Amortised cost	**36 506**	38 804
Trade and other receivables[1]	Amortised cost	**2 513 324**	2 262 455
Advances to customers	Amortised cost	**751 036**	1 446 950
Financial assets at fair value through profit or loss	Fair value through profit or loss	**618**	61 028
Financial assets at fair value through other comprehensive income	Fair value through other comprehensive income	**—**	12 914
Cash and cash equivalents	Amortised cost	**896 240**	1 302 770
		4 643 497	5 366 323
Non-current liabilities*			
Non-current lease liability	Amortised cost	**27 425**	23 462
Financial liabilities at fair value through profit or loss	Fair value through profit or loss	**57 721**	61 824
Borrowings	Amortised cost	**2 910 060**	1 842 765
		2 995 206	1 928 051
Current liabilities**			
Trade and other payables[2]	Amortised cost	**5 121 234**	5 484 989
Lease liability	Amortised cost	**23 470**	9 239
Financial liabilities at fair value through profit or loss	Fair value through profit or loss	**—**	—
Borrowings	Amortised cost	**1 166 190**	2 230 355
Bank overdraft	Amortised cost	**93**	3
		6 310 987	7 724 586
		(2 015 059)	(1 383 880)

[1] Carrying value per statement of financial position is R3.237 billion (2023: R3.061 billion) which includes R724 million (2023: R798 million) relating to prepayments and tax receivables, which are not financial assets.
[2] Carrying value per statement of financial position is R5.335 billion (2023: R5.636 billion) which includes R214 million (2023: R151 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 the on-demand terms.

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.

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, fair value through other comprehensive income (FVOCI) 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 other comprehensive income	The financial asset is held within a business model whose objective comprehensive income is achieved by both collecting contractual cash flows and selling financial assets, 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 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 value through profit or loss;
- financial liabilities designated by the Group upon initial recognition to be at fair value through profit or loss 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 fair value through profit or loss; 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 page 58); 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

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership, or their terms have been modified significantly. Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire, or their terms have been modified significantly. On derecognition of a financial (or the fair value of a new financial asset/liability recognised in instances of a significant modification) is recognised in profit or loss. In instances of a significant modification, transaction costs are expensed immediately in profit or loss.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

3.1 Financial instruments continued

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 effective interest rate 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 effective interest rate 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.

3.2 Financial risk management

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

Risk management is monitored and managed by key personnel of each entity in the Group on a daily basis, based on their specific operational requirements.

3.2.1 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 financial instruments table on page 56. The carrying amounts of financial assets represent the maximum credit exposure.

Expected credit losses

The Group tracks significant increases in credit risk using information available to the Group 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.

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

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. Moody's Analytics is used to incorporate forward looking information in the determination of ECLs. Moody's consider the effect of various macro-economic phenomena and events such as Covid-19 to be embedded in the underlying actual results of entities, and as a result reflected in the probability of default (PD) assumption of underlying ECL methodologies. As such, no significant overlays or other adjustments, other than the macro-economic forecasts, have been included in the current and prior financial years.

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% (2023: 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 and future payments are either suspended or unlikely.

For counterparties where no external credit ratings are available, the Group has used 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 rates these exposures grouping them into the below five groups which are then aligned to equivalent Moody's sourced default ratings.

The groupings below are referenced throughout this note:

Group 1: Fully performing counterparties with a credit rating equivalent to a Moody's rating of B1 or higher. ECL range up to 10.03% (2023: up to 9.57%).
Group 2: Fully performing counterparties with a credit rating equivalent to a Moody's rating of between B1 and B2. ECL range of 10.03% to 12.31% (2023: 9.57% to 11.66%).
Group 3: Fully performing counterparties with a credit rating equivalent to a Moody's rating of between B2 and Ca. ECL range of 12.31% to 53.76% (2023: 11.66% to 53.39%).
Group 4: Counterparties who are considered to be in default and have an equivalent Moody's rating of Ca or lower. ECL of 53.76% to 100% (2023: 53.39% 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.

These groupings 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 (POCI) financial assets are typically Stage 3.

The table below discloses the credit quality of the financial assets carried at amortised cost (excluding advances to customers and trade receivables) of the Group:

	2024 R'000	2023 R'000
Group 1	**962 047**	1 428 338
Group 2	**18 338**	10 573
Group 3	**42 843**	10 373
Group 4	**2 225**	1 741
Group 5	**2 359 065**	2 110 982
Total	**3 384 518**	3 562 007

The movement in ECLs (excluding trade receivables) of the Group:

	2024 R'000	2023 R'000
Provision for impairment		
Balance at the beginning of the year	**712 823**	265 723
Allowances made during the year	**483 590**	735 099
Amounts utilised	**(748 791)**	(287 999)
At 31 May	**447 622**	712 823

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued
3.2 Financial risk management continued
3.2.1 Credit risk continued
Expected credit losses continued
(i) Cash and cash equivalents
The Group places cash and cash equivalents with major banking groups and financial institutions.

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. Insignificant ECL.

	2024 R'000	2023 R'000
Counterparties with external credit rating		
Group 1	**896 240**	1 302 770
Total	**896 240**	1 302 770

(ii) Loans to associates and joint ventures
The Group has provided loans to associates and joint ventures of the Group as part of specific transactions, to satisfy operational as well as other requirements. These associates and joint ventures are located in South Africa.

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. Refer to note 2.1.1.

Critical accounting judgements and assumptions
Funding provided to Cell C – originated credit-impaired
The Group believed that at the time of providing the funding to Cell C, as part of the September 2022 Recapitalisation Transaction, such funding was considered to be credit impaired in line with IFRS 9. Cell C was restructured and refinanced with the purpose of deleveraging its balance sheet, providing it with liquidity with which to operate and grow its businesses and to position itself to achieve long-term success for the benefit of its customers, employees, creditors, shareholders and its other stakeholders. Cell C utilised the TPC debt-funding to settle the claims of secured lenders by paying an amount of 20c to the rand. The face value of the funding provided by TPC is 2.75 times the cash it advanced. This deep discount evidences incurred losses. Although Cell C's financial plan reflects that the Group's funding will be repaid in full, there is execution risk related to the achievement of the business plan.

Accordingly, all funding provided to Cell C in relation to the September 2022 Recapitalisation Transaction are classified as originated credit-impaired financial assets.

Exposures of the Group to Cell C are specifically monitored, per Group entity and exposure, and evaluated by management based on available information, conditions and other inputs which are observable by management. While Group management does assess the alignment and consolidated view of exposures to Cell C from the perspective of the Group, each individual exposure is also evaluated based on its underlying terms, conditions, performance and, where applicable, forward looking information. This approach can, and does result in certain exposures to Cell C being ascribed a lower ECL than others, however, at a consolidated view, Group management is satisfied that the overall Group's exposure to Cell C is appropriately managed and accounted for.

The table below discloses the credit quality of the loans to associates and joint ventures 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. Management defines default as when counterparties fail to make payments and future payments are either suspended or unlikely. Management writes off loans where they have actively pursued the debt and there is no indication of recovery.

	Gross carrying amount R'000	Loss allowance R'000	Net carrying amount R'000	Average ECL/ impairment ratio %
31 May 2024				
Loans advanced to counterparties without external ratings included in:				
Group 1	**37 834**	**(463)**	**37 371**	**(1.22)**
Group 2	**4 884**	**(490)**	**4 394**	**(10.03)**
Group 3	**13 900**	**(1 711)**	**12 189**	**(12.31)**
Group 4	**2 338**	**(2 338)**	**—**	**(100.00)**
Group 5	**2 535 535**	**(176 470)**	**2 359 065**	**(6.96)**
	2 594 491	**(181 472)**	**2 413 019**	
31 May 2023				
Loans advanced to counterparties without external ratings included in:				
Group 1	41 001	(1 251)	39 750	(3.05)
Group 3	4 884	(569)	4 315	(11.65)
Group 4	2 338	(2 338)	—	(100.00)
Group 5	2 166 241	(55 259)	2 110 982	(3.00)
	2 214 464	(59 417)	2 155 047	

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued
3.2 Financial risk management continued
3.2.1 Credit risk continued
Expected credit losses continued
Critical accounting judgements and assumptions continued
Funding provided to Cell C – originated credit impaired continued
The loss allowances as at 31 May 2024 for loans to Cell C, which are included in group 5 above, are determined as follows:

2024	Basis of loss allowance	Gross carrying amount R'000	Loss on modification of financial asset at initial recognition R'000	Loss reversal/ (allowance) R'000	Net carrying amount R'000
Deferral loan	Lifetime ECL (originated credit impaired)	**740 034**	**(64 500)**	**32 903**	**708 437**
Debt funding	Lifetime ECL (originated credit impaired)	**1 659 961**	**—**	**(195 627)**	**1 464 334**
Reinvestment instrument	Lifetime ECL (originated credit impaired)	**200 041**	**—**	**(13 747)**	**186 294**
		2 600 036	**(64 500)**	**(176 471)**	**2 359 065**

2023	Basis of loss allowance	Gross carrying amount R'000	Loss on modification of financial asset at initial recognition R'000	Loss reversal/ (allowance) R'000	Net carrying amount R'000
Deferral loan	Lifetime ECL (originated credit impaired)	970 562	(64 500)	6 876	912 938
Debt funding	Lifetime ECL (originated credit impaired)	1 123 204	—	(59 991)	1 063 213
Reinvestment instrument	Lifetime ECL (originated credit impaired)	136 975	—	(2 144)	134 831
		2 230 741	(64 500)	(55 259)	2 110 982

(iii) 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.

The table below discloses the credit quality of the loans receivable 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. Management defines default as when counterparties fail to make payments and future payments are either suspended or unlikely. Management writes off loans where they have actively pursued the debt and there is no indication of recovery.

The loss allowance as at 31 May 2024 for loans receivable is determined as follows:

	Gross R'000	Loss allowance R'000	Net carrying amount R'000	Average ECL/ impairment ratio %
31 May 2024				
Loans advanced to counterparties without external ratings included in:				
Group 1	**30 429**	**(1 993)**	**28 436**	**(6.55)**
Group 2	**15 536**	**(1 592)**	**13 944**	**(10.25)**
Group 3	**36 744**	**(6 090)**	**30 654**	**(16.57)**
Group 4	**5 269**	**(3 044)**	**2 225**	**(57.77)**
	87 978	**(12 719)**	**75 259**	
31 May 2023				
Loans advanced to counterparties without external ratings included in:				
Group 1	93 647	(7 829)	85 818	(8.36)
Group 2	11 692	(1 119)	10 573	(9.57)
Group 3	7 139	(1 081)	6 058	(15.14)
Group 4	8 671	(6 930)	1 741	(79.92)
	121 149	(16 959)	104 190	

(iv) Advances to customers
Advances to customers represent the activities of the Group's subsidiary, CEC, which provides financing for cellular handsets. 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 exposes the Group to the credit risk of the population of the underlying subscribers who are all customers of Cell C Service Provider 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 Group calculates an ECL for the instruments in this portfolio in accordance with the general approach in IFRS 9 using a provision matrix model (refer to detail under (v) Trade and other receivables) which takes into account, applicable forward looking indicators in line with Group policy. The Group continually refines and improves the model applied to take into account new information and additional data that becomes available as internal processes evolve. These improvements are accounted for prospectively as changes to the ECL estimate when they arise.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued
3.2 **Financial risk management** continued
3.2.1 Credit risk continued
Expected credit losses continued
(iv) Advances to customers continued
The loss allowance as at 31 May 2024 for advances to customers is determined as follows:

	Gross R'000	Loss allowance R'000	Net carrying amount R'000	Average ECL/ impairment ratio %
31 May 2024				
Handset financing and subscription income-sharing receivables				
Fully performing	**1 078 082**	**(27 331)**	**1 050 751**	**(2.54)**
Past due by 1 to 30 days	**123 932**	**(24 740)**	**99 192**	**(19.96)**
Past due by 31 to 60 days	**23 750**	**(8 673)**	**15 077**	**(36.52)**
Past due by more than 60 days	**210 053**	**(138 714)**	**71 339**	**(66.04)**
	1 435 817	**(199 458)**	**1 236 359**	
31 May 2023				
Handset financing and subscription income-sharing receivables				
Fully performing	2 031 224	(55 097)	1 976 127	(2.71)
Past due by 1 to 30 days	116 118	(24 598)	91 520	(21.18)
Past due by 31 to 60 days	48 833	(18 801)	30 032	(38.50)
Past due by more than 60 days	643 006	(483 483)	159 523	(75.19)
	2 839 181	(581 979)	2 257 202	

Once the recoverability of these receivables comes into question, the amount is handed over to external debt collectors and if not recovered within the time frame detailed in our Collection Policy, is written off.

(v) 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. All of the Group's revenues are generated in South Africa.

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. 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.

Provision matrix (including advances to customers)
ECLs are calculated by applying a loss ratio to the aged balance of 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. 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 PD and LGD are then adjusted for forward looking information to determine a point-in-time adjustment.

Forward looking information is also used to derive a base, upside and downside scenario given multiple forecasts under the guidance of Moody's. These assumptions are applied to determine the ECL for the portfolio of receivables at the reporting date to the extent that there is a strong correlation between the forward looking information and the ECL.

In most instances, no material adjustments were required to accommodate forward looking information, as the majority of receivables were settled within a relatively short period (under 60 days on average). Macro-economic forecasts have been included in the ECL calculation for advances to customers.

The Group used 60 to 84 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.

Management considers trade receivables aged in excess of 60 days (advances to customers)/90 days (trade receivables) 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.

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.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued
3.2 Financial risk management continued
3.2.1 Credit risk continued
Expected credit losses continued
(v) Trade and other receivables continued

The loss allowance as at 31 May 2024 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	Loss allowance R'000	Net carrying amount R'000	Average ECL impairment ratio %
31 May 2024				
Fully performing receivables				
Trade receivables arising on revenue from contracts with customers				
Banks and other financial institutions	118 350	(12)	118 338	(0.01)
Independent and informal retail customers	745 190	(843)	744 347	(0.11)
Formal market retail customers	374 755	(889)	373 866	(0.24)
Customers in the petroleum sector	64 934	(34)	64 900	(0.05)
Receivables for starter packs	33 531	(20)	33 511	(0.06)
Cell C	1 010	(3)	1 007	(0.30)
Other cellular networks	55 589	(8)	55 581	(0.01)
Municipalities and private utilities	105 744	—	105 744	—
Trade receivables arising on financing transactions				
Cell C	291 107	(1 089)	290 018	(0.37)
Other	172 678	(1 913)	170 765	(1.11)
Sundry receivables	246 047	(53 973)	192 074	(21.94)
Receivables from revenue recognised on fixed term contracts	169 304	—	169 304	—
Past due receivables				
Trade receivables arising on revenue from contracts with customers				
Banks and other financial institutions				
Past due by 1 to 30 days	48	—	48	—
Past due by 31 to 60 days	3	—	3	—
Past due by 61 to 90 days	—	—	—	—
Past due by more than 90 days	10	(10)	—	(100.00)
Independents and informal retail customers				
Past due by 1 to 30 days	58 270	(228)	58 042	(0.39)
Past due by 31 to 60 days	2 269	(66)	2 203	(2.91)
Past due by 61 to 90 days	2 436	(241)	2 195	(9.89)
Past due by more than 90 days	12 405	(12 260)	145	(98.83)
Formal market retail customers				
Past due by 1 to 30 days	259	(6)	253	(2.32)
Past due by 31 to 60 days	36	(1)	35	(2.78)
Past due by 61 to 90 days	344	(30)	314	(8.72)
Past due by more than 90 days	4 310	(4 310)	—	(100.00)
Customers in the petroleum sector				
Past due by 1 to 30 days	1 340	(8)	1 332	(0.60)
Past due by 31 to 60 days	5	—	5	—
Past due by 61 to 90 days	327	(2)	325	(0.61)
Past due by more than 90 days	3 301	(3 301)	—	(100.00)
Receivables for starter packs				
Past due by 1 to 30 days	723	(2)	721	(0.28)
Past due by 31 to 60 days	469	(1)	468	(0.21)
Past due by 61 to 90 days	28 464	(1 239)	27 225	(4.35)
Past due by more than 90 days	681	(681)	—	(100.00)
Cell C				
Past due by 1 to 30 days	484	(2)	482	(0.41)
Past due by 31 to 60 days	—	—	—	—
Past due by 61 to 90 days	—	—	—	—
Past due by more than 90 days	—	—	—	—
Other cellular networks				
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	122	(122)	—	(100.00)
Municipalities and private utilities				
Past due by 1 to 30 days	38 562	—	38 562	—
Past due by 31 to 60 days	7 858	—	7 858	—
Past due by 61 to 90 days	6 801	—	6 801	—
Past due by more than 90 days	47 960	(1 108)	46 852	(2.31)
	2 595 726	(82 402)	2 513 324	(3.17)

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued
3.2 Financial risk management continued
3.2.1 Credit risk continued
Expected credit losses continued
(v) Trade and other receivables continued

	Gross R'000	Loss allowance R'000	Net carrying amount R'000	Average ECL impairment ratio %
31 May 2023				
Fully performing receivables				
Trade receivables arising on revenue from contracts with customers				
Banks and other financial institutions	109 931	(13)	109 918	(0.01)
Independent and informal retail customers	247 834	(466)	247 368	(0.19)
Formal market retail customers	304 899	(865)	304 034	(0.28)
Customers in the petroleum sector	80 745	(64)	80 681	(0.08)
Receivables for starter packs	39 793	(28)	39 765	(0.07)
Cell C	4 212	(10)	4 202	(0.24)
Other cellular networks	530 557	(23)	530 534	(0.00)
Municipalities and private utilities	63 335	—	63 335	—
Trade receivables arising on financing transactions				
Cell C	248 524	(2 055)	246 469	(0.83)
Other	93 319	(369)	92 950	(0.40)
Sundry receivables	202 714	(54 468)	148 246	(26.87)
Receivables from revenue recognised on fixed term contracts	130 339	—	130 339	—
Past due receivables				
Trade receivables arising on revenue from contracts with customers				
Banks and other financial institutions				
Past due by 1 to 30 days	203	—	203	—
Past due by 31 to 60 days	—	—	—	—
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	13 692	(156)	13 536	(1.14)
Past due by 31 to 60 days	1 506	(344)	1 162	(22.84)
Past due by 61 to 90 days	2 028	(581)	1 447	(28.65)
Past due by more than 90 days	21 106	(15 141)	5 965	(71.74)
Formal market retail customers				
Past due by 1 to 30 days	4 855	(5)	4 850	(0.10)
Past due by 31 to 60 days	22	—	22	—
Past due by 61 to 90 days	3 614	—	3 614	—
Past due by more than 90 days	2 267	(2 267)	—	(100.00)
Customers in the petroleum sector				
Past due by 1 to 30 days	74	(2)	72	(2.70)
Past due by 31 to 60 days	3	—	3	—
Past due by 61 to 90 days	353	(10)	343	(2.83)
Past due by more than 90 days	2 266	(2 266)	—	(100.00)
Receivables for starter packs				
Past due by 1 to 30 days	34 316	(100)	34 216	(0.29)
Past due by 31 to 60 days	208	—	208	—
Past due by 61 to 90 days	3	—	3	—
Past due by more than 90 days	360	(360)	—	(100.00)
Cell C				
Past due by 1 to 30 days	2 344	(11)	2 333	(0.47)
Past due by 31 to 60 days	6 440	(48)	6 392	(0.75)
Past due by 61 to 90 days	—	—	—	—
Past due by more than 90 days	279	(279)	—	(100.00)
Other cellular networks				
Past due by 1 to 30 days	40	—	40	—
Past due by 31 to 60 days	97	—	97	—
Past due by 61 to 90 days	48	—	48	—
Past due by more than 90 days	400	(400)	—	(100.00)
Municipalities and private utilities				
Past due by 1 to 30 days	16 113	—	16 113	—
Past due by 31 to 60 days	25 595	—	25 595	—
Past due by 61 to 90 days	44 475	—	44 475	—
Past due by more than 90 days	104 832	(955)	103 877	(0.91)
	2 343 741	(81 286)	2 262 455	(3.47)

The movement in ECLs:

	Trade receivables	
	2024 R'000	2023 R'000
Provision for impairment of receivables		
Balance at the beginning of the year	**26 818**	66 343
Allowances made during the year	**12 519**	(12 518)
Amounts utilised**	**(10 908)**	(27 007)
At 31 May	**28 429**	26 818

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

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

3.2 **Financial risk management** continued

3.2.1 Credit risk continued

Credit risk sensitivity analysis

The receivables are mainly exposed to the change in the probability of default of Cell C Limited, as well as changes in the non-credit-adjusted effective interest rates. The following table details the Group's sensitivity to a change in these parameters.

Financial instrument	Significant unobservable parameter	**Potential effect on profit/(loss) and retained earnings* R'000**
Debt funding	Probability of default of Cell C Non-credit-adjusted EIR	**16 468/(15 664)**
Reinvestment instrument	Probability of default of Cell C Non-credit-adjusted EIR	**1 649/(1 594)**
Deferral loan	Probability of default of Cell C Non-credit-adjusted EIR	**5 281/(5 673)**

* Relates to a 10% increase/decrease in the probability of default.

3.2.2 Liquidity risk

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

The Group's objective is to maintain prudent liquidity risk management by maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available. Cash flow forecasting is performed in the operating entities of the Group to ensure sufficient cash to meet operational needs, while maintaining sufficient headroom to ensure that borrowing limits (where applicable) are not breached.

Surplus cash held by the operating entities over and above the balance required for working capital management is transferred to Group treasury. Group treasury invests surplus cash in interest-bearing accounts, identifying instruments with sufficient liquidity to provide adequate headroom as determined by the above mentioned forecasts.

As part of the recapitalisation transaction of Cell C, and to further assist with their working capital requirements, TPC is obligated to purchase R1.2 billion of additional prepaid airtime through four quarterly payments of R300 million each. To fund these working capital requirements for Cell C, CEC sold a portion of its handset receivable book to a financial institution. The funds generated from this transaction are transferred from CEC to TPC, and ultimately to Cell C through the acquisition of airtime as referred to above.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued
3.2 Financial risk management continued
3.2.2 Liquidity risk continued
Maturity of financial liabilities
The table below analyses the undiscounted cash flows for the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

	Notes	Payable in: Less than one month or on demand R'000	More than one month but not exceeding one year R'000	More than one year but not exceeding two years R'000	More than two years but not exceeding five years R'000	Carrying value at 31 May
2024						
Airtime repurchase obligations – lenders	3.4.2	**73 557**	**441 191**	**—**	**—**	**474 831**
Class A Preference Shares	3.4.2	**—**	**10 567**	**16 016**	**254 956**	**180 254**
Other interest-bearing borrowings	3.4.2	**402 462**	**549 012**	**1 857 246**	**1 220 139**	**3 420 446**
Non-interest-bearing borrowings	3.4.2	**719**	**—**	**—**	**—**	**719**
Trade and other payables*	3.4.1	**2 385 605**	**2 742 933**	**—**	**—**	**5 121 234**
Lease liabilities	3.8	**897**	**27 180**	**21 097**	**12 532**	**50 895**
Financial liabilities at fair value through profit or loss	3.5	**—**	**100 000**	**100 000**	**75 000**	**57 721**
Bank overdraft	3.3.4	**93**	**—**	**—**	**—**	**93**
Total		**2 863 333**	**3 870 883**	**1 994 359**	**1 562 627**	**9 306 193**
2023						
Airtime repurchase obligations – lenders	3.4.2	70 192	772 109	280 544	—	857 319
Airtime repurchase obligations – other third parties	3.4.2	14 687	132 183	—	—	130 926
Class A Preference Shares	3.4.2	—	—	—	292 621	172 107
Other interest-bearing borrowings	3.4.2	28 323	1 681 578	1 356 170	—	2 910 049
Non-interest-bearing borrowings	3.4.2	2 719	—	—	—	2 719
Trade and other payables*	3.4.1	3 08 1445	2 455 782	—	—	5 484 989
Lease liabilities	3.8	848	10 983	12 104	14 217	32 701
Financial liabilities at fair value through profit or loss	3.5	—	—	100 000	175 000	61 824
Bank overdraft	3.3.4	3	—	—	—	3
Total		3 198 217	5 052 635	1 748 818	481 838	9 652 637

* Trade and other payables exclude non-financial instruments, being VAT and certain amounts included within accruals and sundry creditors.

Liquidity risk sensitivities
Class A Preference Share and the airtime sale and repurchase obligations are mainly exposed to the change in the probability of default of Cell C. The following table details the Group's sensitivity to a change in this parameter.

Financial instrument	Significant unobservable parameter	Potential effect on profit/(loss) and retained earnings* R'000
Class A Preference Share	Probability of default of Cell C Non-credit-adjusted EIR	**(12 817)/11 931**
Airtime sale and repurchase obligation – from lenders	Probability of default of Cell C Non-credit-adjusted EIR	**293/(293)**
	Probability of default of Cell C	

* Relates to a 10% increase/decrease in the probability of default.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued
3.2 Financial risk management continued
3.2.2 Liquidity risk continued
Group facilities
The Group has access to the following facilities in order to meet its liquidity needs:

Facility	Borrower	Investec Bank	Rand Merchant Bank	Futuregrowth	African Bank	Value R'000	Interest rate	Interest period	Final repayment date
General banking facility	The Prepaid Company Proprietary Limited	69.6%	30.4%	—	—	**500 000**	Prime + 1%	Monthly	30 September 2025
Revolving Facility A	The Prepaid Company Proprietary Limited	23.8%	10.3%	65.9%	—	**660 000**	Prime + 1%	Monthly	30 September 2025
Revolving Facility B	The Prepaid Company Proprietary Limited	100%	—	—	—	**80 000**	Prime + 1%	Monthly	30 September 2024
Transaction Facility	The Prepaid Company Proprietary Limited	—	100%	—	—	**350 000**	Prime - 1%	Monthly	30 June 2024
African Bank	Comm Equipment Company Proprietary Limited	—	—	—	100%	**1 900 000**	Prime + 3%	Monthly	31 December 2027*
						3 490 000			

* This is a revolving credit facility with draw-downs available until December 2024. Facility repayment commences in January 2025 with the final settlement date being December 2027.

The working capital loan facilities available to TPC at year-end amounted to R1.590 billion (2023: R1.4 billion), of which R1.511 billion (2023: R1.003 billion) had been utilised. Refer to note 3.4.2.

- The Revolving Facility B available to TPC at year-end is required to reduce by R20 million per month from June 2024 to September 2024, to Rnil.
- The balance of revolving facilities A and B are payable in September 2025.
- The following debt covenants applied to the General banking facility and Revolving Facility A with Investec, Rand Merchant Bank and Future Growth:
  - Total consolidated debt to adjusted consolidated EBITDA ratio must be less than a stipulated decreasing ratio at each measurement period, from 2.75 times at 31 May 2024 to 2.5 times at 31 August 2024; and
  - BLT's market capitalisation must exceed R3 billion.

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

The Group has pledged the following securities in respect of this facility and the airtime sale and repurchase obligation from the lenders (refer to note 3.4.2):
- BLT, TPC, BLD and Cigicell;
- A General Notarial Bond over all the moveable assets of BLT, TPC and Cigicell Proprietary Limited, limited to R4.75 billion each;
- Cross guarantee from certain group companies;
- Debt guarantee provided by Bowwood and Main No 334 (RF) (Pty) limited on behalf of the Blue Label entities;
- Cession & *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;
- A Subordination by Blue Label Telecoms Limited 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 lenders; and
- Assignment of rights under the Closing Escrow Agreement from the TPC.

CEC has a financing facility with African Bank of R1.9 billion (2023: R1.9 billion).

- The utilised portion of the facility at year-end amounted to R1.9 billion (2023: R1.9 billion). Refer to note 3.4.2.
- The following debt covenant applied to the CEC facilities with African Bank:
  - The cover ratio shall not be less than 1.25 times for each measurement period.
- The Group has pledged the outstanding value of handset receivables of R635 million, service revenue receivables of R1.6 billion and trade receivables of R229 million, totalling R2.464 billion as security for the utilised facility.

In addition to these facilities, the Group has sufficient working capital resources in the form of cash, trade receivables and realisable inventory to be able to adequately meet its short-term obligations.

Pledges, guarantees and sureties
Blue Label Telecoms and TPC have issued guarantees to the value of R250 million for the African Bank facility.

The Group has overdraft, credit card and debit order collection facilities with FNB, a division of FirstRand Bank Limited (FNB). These facilities have been secured through Group cross-sureties issued by the Company and certain subsidiary companies. These facilities, which remain substantially unchanged from the prior year, comprised an overdraft facility of R19.85 million, credit card facility of R1.4 million and a debit order settlement facility of R11 million.

Guarantees to the value of R587 million (2023: R689 million) are issued by the Group's bankers in favour of suppliers on behalf of the Group. The Group does not have access to facilities to this value while amounts owing to suppliers are outstanding. Further guarantees to the value of R420 million have been issued by insurers of the Group in favour of suppliers on behalf of the Group. These guarantees are collateralised by restricted cash of R84.1 million held by the Group in bank accounts. BLT and TPC have issued guarantees of R101 million to suppliers on behalf of Group subsidiaries. In addition, the Group's banker has issued a R50 million guarantee to a Group supplier.

3.2.3 Market risk
Market risk is the risk that changes in market prices (interest rate and currency risk) will affect the Group'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.

The Group is exposed to risks from movements in interest rates and foreign exchange rates that affect its assets, liabilities and anticipated future transactions. The Group is not exposed to significant levels of price risk.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

3.2 Financial risk management continued

3.2.3 Market risk continued

(i) Interest rate risk

The Group's cash flow interest rate risk arises from loans receivable, cash and cash equivalents, and borrowings carrying interest at variable rates. The Group's financial position and financial results are not affected by fair value interest rate risk as the Group does not have any fixed interest-bearing instruments carried at fair value other than the instruments detailed in note 3.5 where the fair value risk of these instruments is detailed.

As part of the process of managing the Group's exposure to interest rate risk, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.

	Potential effect on (loss)/profit and retained earnings*
	2024 R'000
	2 018

* Relates to a 0.25% (25 basis points) increase/decrease in the market interest rates.

The interest rate sensitivity analysis is based on the following assumptions:

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

(ii) Foreign currency risk

The Group is exposed to foreign currency risk from transactions and translations. Transaction exposure arises because affiliated companies undertake transactions in currencies other than their functional currency. Translation exposure arises where affiliated companies have a functional currency other than rand.

The Group manages its exposure to foreign currency risk by ensuring that the net foreign currency exposure remains within acceptable levels. Hedging instruments may be used in certain instances to reduce risks arising from foreign currency fluctuations. The Group's foreign currency exposure has reduced substantially due to its writing off certain USD denominated loans.

In the current year, the Group incurred a foreign exchange gain of R1.1 million (2023: R1.7 million loss) mainly as a result of the Group's USD exposure.

Foreign currency sensitivity analysis

The Group has used a sensitivity analysis technique that measures the estimated change to profit or loss of an instantaneous 10% strengthening or weakening in the rand against all other currencies, from the rate applicable at 31 May 2024, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice, market rates rarely change in isolation.

Increase/(decrease) in profit or loss

Net exposure to foreign currencies denominated: functional currency	Net assets/ (liabilities) denominated in foreign currency R'000	Change in exchange rate %	Weakening in functional currency R'000	Strengthening in functional currency R'000
2024				
USD:ZAR	**(9 275)**	**10***	**(928)**	**928**

* These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months.

Capital adequacy risk

The Group's objectives when managing capital are to safeguard the Group'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, the Company may issue new shares, adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debt. The Group 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.

3.3.1 Loans receivable

	2024 R'000	2023 R'000
Interest-free loans	**55 565**	64 421
Interest-bearing loans receivable	**32 413**	56 728
Less: Provision for impairment	**(12 719)**	(16 959)
	75 259	104 190
Amounts included in non-current portion of loans receivable	**38 753**	65 386
Amounts included in current portion of loans receivable	**36 506**	38 804

All loans receivable are unsecured and repayable within five years. Interest-bearing loans bear interest at a range of between prime and prime plus three percent. The fair value of the loans, which include loans to product distributors, approximates their carrying value. This has been corroborated through discounted cash flow calculations at the effective interest rate the lender would have been able to secure from a financing institution, using an expected payment timeframe.

3.3.2 Trade and other receivables

Trade receivables comprise receivables that are due from customers which arise from transactions for the sale of goods, rendering of services and leasing of equipment in the ordinary course of business. For details related to the ECLs, refer to note 3.2.1. Receivables for prepayments and VAT are stated at their nominal values.

The following table provides an analysis of the Group's trade and other receivables, including an analysis of trade receivables by originating transaction type as well as by counterparty:

	2024 R'000	2023 R'000
Trade receivables arising on revenue from contracts with customers	**1 716 590**	1 668 845
Banks	**118 412**	110 134
Independent and informal retail customers	**820 568**	286 166
Formal market retail customers	**379 705**	315 657
Customers in the petroleum sector	**69 906**	83 441
Receivables for starter packs	**63 868**	74 680
Cell C	**1 494**	13 275
Other cellular networks	**55 712**	531 142
Municipalities and private utilities	**206 925**	254 350
Trade receivables arising on financing transactions	**463 785**	341 843
Cell C	**291 107**	248 524
Other	**172 678**	93 319
Less: Provision for impairment	**(28 429)**	(26 818)
Net trade receivables#	**2 151 946**	1 983 870
Receivables from revenue recognised on fixed term contracts##	**169 304**	130 339
Prepayments###	**637 416**	714 477
Net sundry debtors	**207 982**	162 206
VAT	**70 321**	69 618
	3 236 969	3 060 510

The fair value of the trade and other receivables approximates their carrying amounts.

\# Included in net trade receivables are debtors of R42 million (2023: R53 million) which have a cycle period in excess of 12 months but are considered current due to management expecting to realise the assets in their normal operating cycle.

3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

3.3 Financial assets

3.3.2 Trade and other receivables continued

The Group's receivables from revenue recognised on fixed term contracts comprise the following movements for the year:

	2024 R'000	2023 R'000
Balance at the beginning of the year	**130 339**	134 036
Revenue recognised – handsets, tablets and other devices	**216 356**	156 455
Revenue recognised – finance revenue	**24 241**	20 715
Amounts becoming due in the year	**(201 632)**	(180 867)
Loss allowance*	**—**	—
	169 304	130 339

* The loss allowance was deemed to be insignificant.

Included in receivables from revenue recognised on fixed term contracts are amounts of R40 million (2023: R27 million) which have a cycle period in excess of 12 months but are considered current due to management expecting to realise the assets in their normal operating cycle of 24 months.

Included in prepayments is an amount of R176 million (2023: R140 million). The amount paid to Cell C has been accounted for as a prepayment as opposed to prepaid airtime inventory due to the fact that TPC does not bear the risks and rewards of ownership until it is able to freely sell the prepaid airtime. The prepayment will be tested for impairment at each reporting date and written down accordingly.

3.3.3 Advances to customers

Advances to customers comprise receivables arising on financing transactions where, in substance, the nature of the business activities undertaken by certain subsidiaries of the Group is to engage in the provision of financing. Refer to note 3.1 for further detail.

Critical accounting estimates and assumptions

Management has conducted an assessment of the retained credit risk following the transfer of customer advances related to the three book sales. After comparing the retained credit risk before and after the transfer, and evaluating it against management's internal threshold for retained credit risk, it was determined that for Book Sale One, substantially all credit risk has been transferred. However, for Book Sale Two, the transaction resulted in the derecognition of the book as the transfer qualifies for derecognition, except for a contractually specified portion of the book, referred to as the holdback debtor, for which CEC retained the risks and rewards associated of ownership. This transaction also resulted in CEC obtaining a new financial asset, referred to as the Escrow debtor for which a risk margin is held in an Escrow account. CEC has a contractual right to the remaining balance in the Escrow account at the end of a specified period. The Escrow debtor was recognised at fair value and is measured at fair value through profit or loss. Book Sale Three consisted of fully written-off advances to customers; therefore, the proceeds are considered a recovery of bad debts.

	2024 R'000	2023 R'000
Handset financing and subscription income-sharing receivables	**1 435 817**	2 839 181
Less: Provision for impairment	**(199 458)**	(581 979)
	1 236 359	2 257 202
Amounts included in non-current portion of advances to customers	**485 323**	810 252
Amounts included in current portion of advances to customers	**751 036**	1 446 950

The fair value of the advances to customers approximates their carrying amounts due to the market related discount factor that has been applied to the balances.

Under the Supply, Sale and Financing of Products Agreement effective 1 November 2020, Cell C no longer guarantees bad debts and cancellations and this now exposes the Group to the credit risk of the population of the underlying subscribers who are all customers of Cell C.

In terms of the above agreement, if Cell C is unable or admits inability to make a payment as they fall due, or is deemed to or declared to be unable to pay its debts under the applicable law, suspends or threatens to suspend making payments by reason of actual or anticipated financial difficulties, they would be in breach of their agreement. If not remedied the Group ultimately has a right to port the Cell C base.

3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued
3.3 Financial assets continued
3.3.3 Advances to customers continued
Transferred financial assets

2024	Gross carrying amount R'000	Credit loss allowance R'000	Amortised cost/ fair value R'000
Not derecognised			
Advances to customers*	**66 645**	**(14 987)**	**51 658**
Financial asset recognised			
Escrow receivable at fair value through profit or loss (refer to note 3.5)	**25 063**	**—**	**25 063**
	91 708	**(14 987)**	**76 721**

* This relates to the hold back receivable amount.

	Net carrying amount R'000	Proceeds R'000
2024		
Book Sale One	**469 249**	**437 775**
Book Sale Two	**760 550**	**618 811**
Book Sale Three	**—**	**94 432**
	1 229 799	**1 151 018**

Book Sale One
In September 2023 a financial institution entered into an agreement with CEC, whereby CEC agreed to sell and transfer receivables (all rights, title and interest with respect to the remaining handset fee payable by a subscriber under a subscriber agreement) to the financial institution. The purchase price of the receivable was equal to the outstanding handset fee for such receivable (i.e. no discount). CEC paid the financial institution a monthly facility fee for all debtors sold, calculated by applying the facility fee rate to the outstanding handset receivable balance on the last business day of the month.

The proceeds in respect of book sale one have been reduced by a facility fee of R68 million included in finance costs. Refer to note 1.4.

Book Sale Two
In March 2024, a financial institution and CEC agreed to the following amendments to the original agreement as it relates to book sale two.

The purchase price paid at the date of sale is equal to 90% of the present value of expected contractual cash flows due over the remainder of the subscription term.

CEC agreed that the financial institution may transfer back to CEC, at the end of 4 months, specified non-performing advances referred to as the holdback receivable. Based on the nature of the contractually specified advances, it is virtually certain at the transaction date that CEC will retain ownership of these advances to customers, and therefore at the transaction date, it was determined that CEC retained the risks and rewards associated of ownership relating to the specified advances. Contractually, the advances subject to the holdback arrangement is capped at maximum of 10% of the present value of the expected cash flows of the book sold to the financial institution.

This transaction also resulted in CEC obtaining a new financial asset, referred to as the Escrow debtor for which a risk margin is held in an Escrow account. CEC has a contractual right to the remaining balance in the Escrow account at the end of a specified period. The Escrow debtor was recognised at fair value and is measured at fair value through profit or loss. Included in the financial assets at fair value through profit or loss.

Included in the current portion of advances to customers is R51.6 million relating to the 10% hold back on the book sales that have not been derecognised.

A finance cost of R93 million in respect of book sale two is included in finance costs. Refer to note 1.4.

Book Sale Three
CEC sold receivables which had been written off as irrecoverable to two independent financial institutions for which CEC retained no involvement post the sale.

3.3.4 Cash and cash equivalents
Cash and cash equivalents include cash on hand and deposits held on call with banks.

	2024 R'000	2023 R'000
Cash at bank	**895 640**	1 302 546
Cash on hand	**600**	224
	896 240	1 302 770
Bank overdraft	**(93)**	(3)
	896 147	1 302 767

Included in this balance is restricted cash of R36.7 million (2023: R41.3 million), received on behalf of and immediately due to third parties, which may not be utilised in the Group's ordinary course of business. There is further restricted cash of R84.1 million (2023: R71.1 million) relating to collateral for guarantees issued by insurers on the Group's behalf.

3.4 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.

3.4.1 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.

	2024 R'000	2023 R'000
Trade payables	**4 547 103**	4 649 631
Accruals	**205 217**	163 242
Employee benefits	**153 494**	125 516
Sundry creditors	**379 472**	674 342
VAT	**49 772**	23 539
	5 335 058	5 636 270

The fair value of the trade and other payables approximates their carrying amounts due to being payable in the short term.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued
3.4 Financial liabilities continued
3.4.2 Borrowings

	2024 R'000	2023 R'000
Interest-bearing borrowings	**4 075 531**	4 070 401
Non-interest-bearing borrowings	**719**	2 719
	4 076 250	4 073 120
Amounts included in non-current portion of borrowings	**2 910 060**	1 842 765
Amounts included in current portion of borrowings	**1 166 190**	2 230 355
Categories of borrowings:		
Airtime sale and repurchase obligations	**474 831**	988 245
Class A Preference Shares	**180 254**	172 107
Facilities	**3 411 018**	2 902 722
Other third-party borrowings	**10 147**	10 046
Total borrowings	**4 076 250**	4 073 120

	Airtime sale and repurchase obligations			Class A Preference Share*
	From lenders R'000	From other third parties R'000	Total R'000	R'000
Opening balance as at 1 June 2023	**857 319**	**130 926**	**988 245**	**172 107**
Long-term borrowings raised	**260 870**	**—**	**260 870**	**—**
Interest expense	**249 616**	**15 944**	**265 560**	**28 829**
Gain on modification of financial liability	**—**	**—**	**—**	**(20 682)**
Repayments	**(892 974)**	**(146 870)**	**(1 039 844)**	**—**
Closing balance as at 31 May 2024	**474 831**	**—**	**474 831**	**180 254**
Amounts included in current portion of borrowings	**474 831**	**—**	**474 831**	**10 567**
Amounts included in non-current portion of borrowings	**—**	**—**	**—**	**169 686**
Effective interest rate (%) (2023 airtime sale and repurchase)	**40.40**	**25.75**		**11**
Effective interest rate (%) (2024 airtime sale and repurchase)	**14.60**	**—**		**—**

* The preference dividends are indexed to 15% of the 'upside' realised by TPC on the debt funding to Cell C (refer to "Loans to Cell C" in note 2.1.1). The liability has been modified for the change in expectations of the future dividends payable based on the updated expectation of the future cash flows related to the debt funding.

TPC borrowings – from lenders and Class A Preference Share
The 2023 airtime sale and repurchase from lenders represents a financing transaction, with the airtime as security, together with the issue of the Class A and Class B Preference Shares, which provide the lenders with additional compensation for their risk. As such the amount of borrowings was attributed to these three elements at their respective fair values. Refer to note 3.5 for further details on the accounting treatment of the Class B Preference Shares.

The 2024 airtime sale and repurchase from lenders represents a financing transaction, with the airtime as security.

The 2023 and 2024 airtime sale and repurchase loans, and the Class A Preference Shares were recognised initially at their fair values less transaction costs and have been accounted for as financial liabilities at amortised cost. Given that the indexation of the cash flows under the Class B Preference Shares to a 5% shareholding in Cell C results in them containing an embedded derivative which would otherwise need to be stripped out and accounted for separately, the Class B Preference Shares have been designated to be financial liabilities at fair value through profit or loss.

TPC borrowings – from other third parties
The airtime sale and repurchase from a third party represents a financing transaction, with the airtime as security.

The airtime sale and repurchase loan was recognised initially at its fair value less transaction costs and has been accounted for as a financial liability at amortised cost.

Credit facilities

	Facility utilised	
Facility	**2024 R'000**	2023 R'000
General banking facility – Investec	**293 018**	70 722
General banking facility – RMB	**128 000**	32 000
Revolving Facility A – RMB	**660 000**	660 000
Revolving Facility B – Investec	**80 000**	240 000
Transaction Facility – RMB	**350 000**	—
African Bank	**1 900 000**	1 900 000
Total borrowings	**3 411 018**	2 902 722

For terms of these facilities, refer to note 3.2.2.

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

The fair value of the borrowings approximates their carrying amounts due to these balances bearing interest at market related rates.

Changes in liabilities arising from financing activities

	Borrowings due within one year R'000	Borrowings due after one year R'000	Total R'000
Opening balance as at 1 June 2022	2 094 000	474 471	2 568 471
Acquisition of subsidiaries interest-bearing borrowings	12 672	—	12 672
Acquisition of subsidiaries non-interest-bearing borrowings	2 000	—	2 000
Movement between current and non-current	(156 964)	156 964	—
Loan forgiveness	—	(2 778)	(2 778)
Loan modification	—	(7 047)	(7 047)
Interest-bearing borrowings raised	701 479	1 207 966	1 909 445
Interest accrued on interest-bearing borrowings	630 221	13 189	643 410
Interest-bearing borrowings capital repaid	(422 832)	—	(422 832)
Interest-bearing borrowings interest repaid	(630 221)	—	(630 221)
Closing balance as at 31 May 2023	2 230 355	1 842 765	4 073 120
Movement between current and non-current	**917 027**	**(917 027)**	**—**
Loan modification	**—**	**(20 682)**	**(20 682)**
Interest-bearing borrowings raised	**691 515**	**1 976 174**	**2 667 689**
Interest accrued on interest-bearing borrowings	**805 762**	**28 830**	**834 592**
Interest-bearing borrowings capital repaid	**(2 674 283)**	**—**	**(2 674 283)**
Interest-bearing borrowings interest repaid	**(804 186)**	**—**	**(804 186)**
Closing balance as at 31 May 2024	**1 166 190**	**2 910 060**	**4 076 250**

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

3.5 Financial instruments at fair value through profit or loss

Changes in the instruments are as follows:

	Surety loan receivable R'000	Loans receivable carried at fair value R'000	SPV5 derivative liability R'000	Class B Preference Shares R'000	Derivative liability R'000	Escrow receivable R'000	Other R'000	Total R'000
Balance as at 1 June 2022	96 572	50 729	—	—	(22 000)	—	(200)	125 101
Additions	—	—	—	(66 859)	—	—	—	(66 859)
Repayments	—	(13 540)	—	—	—	—	—	(13 540)
Recognition of new instrument recognised in profit or loss	—	—	(13 214)	—	—	—	—	(13 214)
Fair value gain recognised in profit or loss	32 743	9 412	2 164	16 085	22 000	—	86	82 490
Other movements	—	(1 737)	—	—	—	—	114	(1 623)
Balance as at 31 May 2023	**129 315**	**44 864**	**(11 050)**	**(50 774)**	**—**	**—**	**—**	**112 355**
Additions	**—**	**—**	**—**	**—**	**—**	**25 063**	**—**	**25 063**
Repayments	**—**	**(45 419)**	**—**	**—**	**—**	**—**	**—**	**(45 419)**
Fair value gain recognised in profit or loss	**2 555**	**555**	**(188)**	**4 291**	**—**	**—**	**—**	**7 213**
Balance as at 31 May 2024	**131 870**	**—**	**(11 238)**	**(46 483)**	**—**	**25 063**	**—**	**99 212**
Financial assets at fair value through profit or loss – included in current assets	**—**	**—**	**—**	**—**	**—**	**618**	**—**	**618**
Financial assets at fair value through profit or loss – included in non-current assets	**131 870**	**—**	**—**	**—**	**—**	**24 445**	**—**	**156 315**
Financial liabilities at fair value through profit or loss – included in non-current liabilities	**—**	**—**	**(11 238)**	**(46 483)**	**—**	**—**	**—**	**(57 721)**
	131 870	**—**	**(11 238)**	**(46 483)**	**—**	**25 063**	**—**	**99 212**
Unrealised gains/(losses)	**2 555**	**555**	**(188)**	**4 291**	**—**	**25 063**	**—**	**32 276**

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

3.5 Financial instruments at fair value through profit or loss continued

Surety loans receivable

Surety loans relate to the personal sureties that B Levy and M Levy signed for the US dollar denominated loan owed by 2DFine Holdings Mauritius to Gold Label Investments Proprietary Limited. Their liability is limited to the difference between the loan owing to Gold Label Investments Proprietary Limited and the value of 16.95% of the shares in Oxigen Services India Private Limited (Oxigen Services) and 17.29% of the shares in Oxigen Online Services India Private Limited (Oxigen Online). In November 2021 the payment terms for the surety loans were renegotiated, with the payments being agreed as instalments payable annually commencing on 30 September 2025 and ending on 30 September 2030.

SPV5 derivative liability

A debt owing to a lessor by Cell C was transferred into a new special purpose vehicle (SPV5) in exchange for a 10% shareholding in Cell C (being the only asset of the SPV).

When the funds are advanced by TPC to SPV5 they will be treated as an additional 10% investment (without voting rights) in Cell C because the shares in Cell C are the only means that the SPV has with which to repay TPC's loan. As a result, TPC's loan commitment is an in-substance written put option over the economic interest of SPV5's shareholding in Cell C, which meets the definition of a derivative. Accordingly, TPC has accounted for its loan commitment to SPV5 as a derivative at fair value through profit or loss. The derivative is initially recognised by the Group at fair value and subsequently measured at fair value through profit or loss.

Class B Preference Shares

TPC issued Class B Preference Shares to the funders for a nominal issue price.

Given that the indexation of the cash flows under the Class B Preference Shares to a 5% shareholding in Cell C results in them containing an embedded derivative which would otherwise need to be stripped out and accounted for separately, the Class B Preference Shares have been designated to be financial liabilities at fair value through profit or loss. The preference shares are initially recognised by the Group at fair value and subsequently measured at fair value through profit or loss.

Escrow receivable

A risk margin held in an Escrow account was recognised as part of the book sale two to a financial institution. The value of the receivable fluctuates based on the collections experience of advances over the subscription period. The escrow account will be utilised as follows:

- Any amounts not collected from subscribers in respect of sold debtors when due will be drawn by ABL from the escrow account;
- On the maturity date of the subscription agreements in respect of the sold receivables, any remaining amount in the escrow account will be released back to CEC.

Refer to note 3.3.3 for further details.

The gains arising from the change in fair value will be included in profit or loss. There were no fair value movements required in the current year.

The fair value of this financial asset was determined through the discounting of post churn cash flows after taking into account the credit risk of the book sold to ABL.

3.6 Fair value measurement

Classes and categories of financial instruments and their fair values

The following table combines information about:

- Classes of financial instruments based on their nature and characteristics;
- The carrying amounts of financial instruments;
- Fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- Fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

		Financial assets	Financial liabilities	Fair value level		
	Notes	FVTPL – mandatorily measured R'000	FVTPL – mandatorily measured R'000	1	2	3
Surety loan receivable	3.5	**131 870**				**131 870**
Class B Preference Shares	3.5		**46 482**			**46 482**
SPV5 derivative liability	3.5		**11 238**			**11 238**
Escrow receivable	3.5	**25 063**				**25 063**

There have been no transfers in or out of level 3.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

3.6 Fair value measurement continued

Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

Financial asset/ liability	Valuation technique applied	Significant unobservable inputs applied	Range of unobservable inputs applied	Sensitivity analysis of valuations using unobservable inputs: Positive/ (negative) variance applied to parameters*	Sensitivity analysis of valuations using unobservable inputs: Potential effect on profit or loss and equity R'000
Class B Preference Share	Discounting of cash flow after taking into account credit risk of Cell C	Probability of default of Cell C	10.11% – 12.35% PD range	10/(10)%	(4 648) – 4 648
SPV5 derivative liability	Discounting of cash flow after taking into account credit risk of Cell C	Probability of default of Cell C	5% – 56.86% LGD range	10/(10)%	804 – (804)
Escrow receivable	Discounting of post churn cash flows after taking into account the credit risk of the book sold to ABL	Probability of default of the debtors book sold	80 – 100% PD range	10/(10)%	(3 888) – 3 888

* A significant parameter has been deemed to be one which may result in a charge to profit or loss, or a change in the fair value of the asset or liability by more than 10% of the underlying value of the affected item.

Credit risk of financial instruments designated at fair value

The following table represents the maximum exposure to credit risk of financial liabilities linked to the credit risk of another counterparty:

	Counterparty credit risk exposure	Maximum exposure to credit risk
Class A Preference Share	Cell C	180 254

3.7 Hedge accounting

The cash flow hedge transaction arose in 2021. TPC entered into a ZAR denominated floating rate debt instrument and was exposed to variability in interest payments as a result of interest rate fluctuations. To hedge this interest rate risk, TPC took out a pay-fixed, receive-floating interest rate swap instrument. The type of hedging relationship is a cash flow hedge. The interest-rate swap instrument matured on 9 October 2023. The company does not have any interest-rate swap agreements in place as at 31 May 2024.

	Interest rate swap: 2024 R'000	Interest rate swap: 2023 R'000
Opening balance	**12 914**	20 224
Change in value of the hedging instrument recognised in other comprehensive income	**(9)**	8 693
Interest settlements	**(12 905)**	(16 003)
Closing balance	**—**	12 914
Amounts included in non-current portion of financial assets at fair value through other comprehensive income	**—**	—
Amounts included in current portion of financial assets at fair value through other comprehensive income	**—**	12 914

3.8 Leases

The Group leases various offices and warehouses. Rental contracts are typically concluded for fixed periods of one to five years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease liabilities are initially measured at the present value of the lease payments discounted using the interest rate implicit in the lease. Lease payments include fixed payments and variable lease payments that depend on an index or rate.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. To determine this rate, the Group, where possible, uses recent third-party financing received, adjusted to reflect changes in circumstances and financing conditions since financing was obtained.

Payments associated with short-term leases (12 months or less) and leases of low-value assets (less than R50 000) are recognised on a straight-line basis as an expense in profit or loss.

The fair value of the lease liabilities approximates their carrying amounts.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

3.8 Leases continued

Critical accounting judgements and assumptions

The term of a lease includes periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option. The Group did not take into account renewals in the majority of leases as there is material uncertainty as to whether the option to renew will be exercised. Material uncertainty arises in cases where BLT is not locked into renewals, alternative leasing arrangements are available and there is no firm commitment or formal decision to renew.

	Office space R'000	Warehouse space R'000	Total R'000
Lease liabilities			
Year ended 31 May 2024			
Opening balance	**32 210**	**491**	**32 701**
Increase in liabilities	**28 872**	**4 301**	**33 173**
Interest expense	**3 905**	**178**	**4 083**
Repayments	**(16 140)**	**(645)**	**(16 785)**
Termination of leases	**(2 277)**	**—**	**(2 277)**
Closing balance	**46 570**	**4 325**	**50 895**
Included in non-current liabilities	**24 327**	**3 098**	**27 425**
Included in current liabilities	**22 243**	**1 227**	**23 470**
Year ended 31 May 2023			
Opening balance	44 931	1 951	46 882
Increase in liabilities	24 409	—	24 409
Interest expense	3 725	90	3 815
Repayments	(40 482)	(1 550)	(42 032)
Lease modifications	(373)	—	(373)
Closing balance	32 210	491	32 701
Included in non-current liabilities	23 462	—	23 462
Included in current liabilities	8 748	491	9 239

4. NON-FINANCIAL INSTRUMENTS

Non-financial assets comprise:

- goodwill;
- intangible assets;
- property, plant and equipment; and
- inventories.

Impairment of non-financial assets

The Group evaluates the carrying value of assets with indefinite useful lives when events and circumstances indicate that the carrying value may not be recoverable and when there are indicators of impairment. These assets are tested annually for impairment and more frequently when events or circumstances indicate that there may be impairment.

An impairment loss is recognised in the income statement when the carrying amount of an asset exceeds its recoverable amount. An asset's recoverable amount is the higher of the fair value less cost of disposal (the amount obtainable from the sale of an asset in an arm's-length transaction between knowledgeable willing parties), or its value-in-use. Value-in-use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss recognised for an asset, other than goodwill, in prior years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised and the recoverable amount exceeds the new carrying amount. The reversal of the impairment is limited to the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior years. The reversal of such an impairment loss is recognised in the income statement in the same line item as the original impairment charge.

4.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is attributable to synergies that the Group expects to derive from the transaction. If the cost of acquisition is less than the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Goodwill on the acquisition of subsidiaries is included in "Goodwill" in the statement of financial position. Goodwill on the acquisition of associates and joint ventures is included in "Investments in and loans to associates and joint ventures."

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment is recognised.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Critical accounting estimates and assumptions

Assessment of goodwill for impairment

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

	2024 R'000	2023 R'000
Year ended 31 May		
Opening carrying amount	**717 475**	681 754
Acquisition of subsidiaries	**—**	35 721
Closing carrying amount	**717 475**	717 475
At 31 May		
Cost	**1 113 173**	1 113 173
Accumulated impairments	**(395 698)**	(395 698)
Carrying amount	**717 475**	717 475

The carrying amount of goodwill and intangible assets is reduced to their recoverable amounts through recognition of an impairment loss when required.

4. NON-FINANCIAL INSTRUMENTS continued

4.1 Goodwill continued

Assessment of goodwill for impairment continued

The cash-generated units to which goodwill is allocated are presented below:

	2024 R'000	2023 R'000
Aligned Partnered Solutions Proprietary Limited	**4 091**	4 091
Blue Label Distribution Proprietary Limited	**36 364**	36 364
CEC Proprietary Limited	**335 468**	335 468
Datacel Group	**79 854**	79 854
Glocell Distribution Proprietary Limited	**161 697**	161 697
Heroticket Proprietary Limited	**511**	511
Lipa Payments Proprietary Limited	**31 630**	31 630
The Prepaid Company Proprietary Limited	**62 113**	62 113
TicketPros Proprietary Limited	**5 104**	5 104
Visual Revenue Management Proprietary Limited	**643**	643
	717 475	717 475

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The recoverable amount has been determined based on value-in-use calculations. These calculations utilise cash flow projections derived from budget information for the forthcoming financial year that are approved by the Board of Directors, as well as management forecasts for an extended four-year period, which are based on assumptions of the business, industry, and economic growth. The forecasts are extended to ten years where required to achieve sustainable operating levels. Cash flows beyond this period are extrapolated using terminal growth rates, which do not exceed the expected long-term economic growth rate.

The key assumptions used for the value-in-use calculations are as follows:

	2024			2023		
	Average EBITDA margin %	Terminal growth rate %	Pre-tax discount rate %	Average EBITDA margin %	Terminal growth rate %	Pre-tax discount rate %
Blue Label Distribution Proprietary Limited	**6.1**	**4.5**	**30.2**	4.3	4.5	22.1
CEC Proprietary Limited	**13.5**[2]	**4.5**[1]	**22.9**	22.5	—[1]	19.6
Datacel Group	**13.3**	**4.5**	**31.2**	16.7	4.5	26.3
Glocell Distribution Proprietary Limited	**89.7**[3]	**4.5**	**19.5**	40.5	4.5	20.6
Lipa Payments Proprietary Limited	**4.0**	**4.5**	**24.3**	—	—	—
The Prepaid Company Proprietary Limited	**2.5**	**4.5**	**21.6**	2.1	4.5	22.1

[1] In the prior year, the value-in-use calculation performed on CEC covered a fixed term of nine years based on the time frame of the underlying contract and the assumption that Cell C would purchase the book at the conclusion thereof. No terminal value calculation was therefore applied. In the current year, the assumption is that CEC will purchase the book and continue operations into the future. Cash flows were therefore extrapolated using a terminal growth rate.

[2] The decrease in the average EBITDA margin is primarily attributable to the impact of the handset financing structure and increased expected credit losses.

[3] The increase in the average EBITDA margin is primarily attributable to a restructuring of Glocell Distribution.

The discount rates used are pre-tax and reflect specific risks relating to the relevant associates and subsidiaries. The growth rate is used to extrapolate cash flows beyond the forecast period. The growth rates were consistent with publicly available information relating to long-term average growth rates for each of the markets in which the companies/cash-generating units operate. The Group's target debt to equity ratio is applied in the calculation of the weighted average cost of capital.

For all significant goodwill balances, except the goodwill tested for sensitivity below, if one or more of the inputs were changed to a reasonable possible alternative assumption, there would be no impairments that would have to be recognised.

The following inputs applied when calculating the value-in-use calculation would need to be increased/decreased by the following amounts before any impairments would be required:

	Increase in discount rate %	Decrease in annual EBITDA %	Decrease in terminal growth rate R'000	Excess over carrying value R'000
CEC Proprietary Limited	**0.8**	**3.0**	**1.4**	**141 281**
Glocell Distribution Proprietary Limited	**2.4**	**12.6**	**4.5**	**30 796**
The Prepaid Company Proprietary Limited	**1.2**	**14.0**	**3.4**	**146 178**

The goodwill balances did not result in impairment charges for the year when compared to recoverable amounts (2023: Rnil).

4.2 Intangible assets

Intangible assets acquired through business combinations are initially carried at fair value as determined in accordance with IFRS 3 – *Business Combinations*. Intangible assets purchased are initially carried at cost.

Intangible assets have a finite life (unless indicated otherwise) and are stated at cost, less accumulated amortisation and accumulated impairment losses, if any. Useful lives are reviewed on an annual basis, and adjusted if appropriate.

Amortisation is calculated using the straight-line method to allocate the cost of the intangible asset over its estimated useful life.

(a) Distribution agreements and customer relationships

Distribution agreements and customer relationships are amortised over their estimated useful lives of up to 13 years.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is calculated for computer software over its estimated useful life (three to 10 years).

Costs associated with the maintenance of existing computer software programs are expensed as incurred.

(c) Internally generated software development

Costs incurred on development projects are recognised as intangible assets when the recognition criteria as set out in IAS 38 is met, which includes when there is an ability to use or sell the intangible asset and that it can be demonstrated how the intangible asset will generate probable future economic benefits.

Research expenditure and other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised internally generated software development costs are recorded as intangible assets and amortised from the point at which the asset is available for use (i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management) over its useful life (five to 10 years). Direct costs include the product development employee costs and an appropriate portion of relevant overheads. Costs associated with the maintenance of existing products are expensed as incurred.

(d) Purchased starter pack bases and postpaid bases

Starter packs capitalised represent customer relationships that the Group has contractually acquired. The purchased starter pack base asset is identifiable as it arises from a contract. The contract provides the Group with control over the customer base. The customer base is intangible as it does not have physical substance and is non-monetary. This asset provides the Group with the ability to generate future economic benefits if the Group provides connection, upgrade and sales services to the customer base.

Amortisation is calculated over their estimated useful lives (10 years).

Purchased postpaid bases represent the right to share in the revenue of the cellular network in respect of contracts forming part of the acquired base, which comprises identifiable subscribers. Amortisation is calculated over their estimated useful lives (10 years).

4. NON-FINANCIAL INSTRUMENTS continued

4.2 Intangible assets continued

(e) Subscription income-sharing arrangement

During the 2021 financial year, the Group, through its subsidiary CEC, entered into an arrangement with Cell C to facilitate Cell C's operation of its postpaid mobile telecommunication business. The agreement commenced on 1 November 2020 for an initial period of five years, with the Group having the right to renew for a further four years. Upon expiration of the renewal period, Cell C has the right to terminate the arrangement for a fee, failing which the Group has the right to acquire the new subscriber base, or to nominate a third party to acquire it, for a fee.

The Group is entitled to receive a share of the subscription income generated by Cell C from a subset of postpaid subscribers that sign up, extend or upgrade their subscriptions with Cell C after 1 November 2020 (New and Upgrade subscribers), plus certain fixed and variable payments. Cell C will remain entitled to the subscription income of existing subscribers at 31 October 2020 (Existing subscribers) for the remainder of the subscribers' contract and a share of the ongoing revenue of New and Upgrade subscribers. The income that CEC earns under the arrangement is primarily not as compensation for services provided, but rather as a result of the income stream that it has acquired. The Group and Cell C have outsourced the operation of the postpaid base to Vodacom as part of this arrangement. In return, the Group has undertaken to bear the operating costs in respect of Cell C's postpaid subscriber business for the duration of the arrangement. The operating costs of the postpaid base borne by the Group that are not associated with the New and Upgrade subscribers, are recognised as the cost of obtaining the subscription income-sharing arrangement. The Group has selected the cost accumulation model to capitalise these costs to the intangible asset as and when they are incurred, net of the variable payments from Cell C, which are considered to be Cell C's contribution towards those operating costs. All associated costs have been capitalised to intangible assets and as such the costs are fixed. The monthly capitalisation rate is determined by calculating the proportion of the monthly subscription revenue attributable to Cell C from existing subscribers at 31 October 2020 compared to the total monthly revenue arising from Cell C's postpaid subscriber base. The subscription income-sharing arrangement is carried at cost less accumulated amortisation and accumulated impairment. Amortisation is calculated over the life of the arrangement, which is expected to be nine years. The operating costs of the postpaid base borne by the Group that are associated with the New and Upgrade subscribers are accounted for as and when they are incurred, and reduce the amount recognised as revenue (refer to note 1.2) as the Group is already receiving its share of the subscription income from these New and Upgrade subscribers.

(f) Subscriber acquisition costs

Under the subscription income-sharing arrangement with Cell C, the Group has agreed to bear the commissions that Cell C pays to third parties involved in signing up or upgrading the particular Cell C postpaid subscribers, from 1 November 2020, from which the Group benefits. Since these costs are incremental costs that would otherwise not have been incurred had the particular subscribers not signed up with Cell C, and because they are costs borne by the Group in order to share in the subscription income generated by Cell C from these subscribers, these costs are capitalised by the Group, when incurred by Cell C, and amortised over the expected life of the related subscriber contracts between Cell C and the subscribers, which is anticipated to be up to 36 months.

Critical accounting estimates and assumptions

Subscription income-sharing arrangement

Management applied significant judgement in determining the appropriate accounting treatment for the subscription income-sharing arrangement with Cell C. Since the substance of the agreement with Cell C is that of a right to a future net income stream, not to fund Cell C, management considered whether this right should be accounted for as a financial asset or as an intangible asset. Although the Group has a contractual right to receive (net) cash flows from Cell C, these (net) cash flows only originate from Cell C as and when it provides mobile telecommunication services to the particular postpaid subscribers that sign up, extend or upgrade their subscriptions with Cell C after 1 November 2020 (New and Upgrade postpaid subscribers). Thus, Cell C does not have an unconditional obligation to make these payments to the Group before it has a contractual right to receive such payments from these subscribers, which means that Cell C does not have a financial liability at the commencement of the arrangement with the Group. In order for one party, the Group, to have a financial asset, another party, Cell C, must have a financial liability. In addition, the Group is undertaking activities, such as marketing, aimed at increasing the economic benefits to be derived from the arrangement with Cell C. Accordingly, management believed that the Group's right to future cash flows under the arrangement was not a financial asset, but rather an intangible asset. Significant judgement was also applied in determining the cost of obtaining the right to the future net income stream. Since the Group is prepared to bear Cell C's costs that do not relate to the income generated by Cell C from the New and Upgrade postpaid subscribers from which the Group benefits, it was determined that such costs constitute the cost of obtaining the subscription income-sharing arrangement.

Furthermore, since the variable payments from Cell C also do not relate to the aforementioned New and Upgrade postpaid subscribers, it was determined that these payments represent Cell C's contribution towards its costs borne by the Group, and that the cost of the intangible asset should be measured net of these payments, rather than recognising these payments as revenue. Capitalisation of these costs to the intangible asset ceased at 31 October 2022. The Group's share of the subscription income, net of the related operating costs borne by the Group, from the New and Upgrade postpaid subscribers, is recognised as revenue (refer to note 1.2).

The intangible asset forms part of the assets of CEC and a value-in-use calculation was performed on CEC at 31 May 2024 and no impairment was required, refer to note 4.1.

4. NON-FINANCIAL INSTRUMENTS continued

4.2 Intangible assets continued

Estimated useful lives and residual values

The relative size of the Group's subscription income-sharing arrangement, subscriber acquisition costs, purchased starter pack bases and postpaid starter pack bases makes the judgements surrounding their estimated useful lives and residual values critical to the Group's financial position and performance. Useful lives are reviewed on an annual basis with the effects of any changes in estimate accounted for on a prospective basis. The residual values of these assets are assumed to be zero for purposes of measuring the related amortisation, including for the subscription income-sharing arrangement which may have a value at the end of its estimated life of nine years, since Cell C would be required to buy back the Group's right if Cell C elects to terminate the arrangement at that point. The estimated useful life of nine years is based on management's estimate that after the initial five-year period, the Group will renew for a further four years. The buy-back price is based on a formula that takes account of Cell C's income from the related postpaid subscriber base in the future, which is highly uncertain, and there is the possibility that Cell C does not buy back the Group's right, but that the Group buys the subscriber base from Cell C.

Accordingly, given the significant uncertainty surrounding the future value of the subscription income-sharing arrangement, management has assumed a residual value of zero.

	Distribution agreement R'000	Customer relationships R'000	Computer software R'000	Internally generated software development R'000	Purchased starter pack bases and postpaid bases R'000	Subscription income-sharing arrangement R'000	Subscriber acquisition costs R'000	Total R'000
Year ended 31 May 2024								
Opening carrying amount	**207 341**	**380**	**26 842**	**107 190**	**33 272**	**1 059 023**	**149 183**	**1 583 231**
Additions	**—**	**—**	**36 549**	**117 424**	**480**	**—**	**127 768**	**282 221**
Amortisation charge	**(28 932)**	**(380)**	**(14 517)**	**(23 849)**	**(9 131)** *	**(165 041)** *	**(156 378)** *	**(398 228)**
Impairments	**—**	**—**	**—**	**(1 500)**	**—**	**—**	**—**	**(1 500)**
Closing carrying amount	**178 409**	**—**	**48 874**	**199 265**	**24 621**	**893 982**	**120 573**	**1 465 724**
At 31 May 2024								
Cost	**557 055**	**119 856**	**162 753**	**261 735**	**357 037**	**1 355 789**	**603 633**	**3 417 858**
Accumulated amortisation	**(378 646)**	**(119 856)**	**(113 879)**	**(60 970)**	**(332 416)**	**(461 807)**	**(483 060)**	**(1 950 634)**
Accumulated impairments	**—**	**—**	**—**	**(1 500)**	**—**	**—**	**—**	**(1 500)**
Carrying amount	**178 409**	**—**	**48 874**	**199 265**	**24 621**	**893 982**	**120 573**	**1 465 724**
Year ended 31 May 2023								
Opening carrying amount	252 895	4 938	19 902	45 262	53 962	1 104 436	184 154	1 665 549
Additions	—	—	7 661	77 593	—	117 528	152 660	355 442
Acquisition of subsidiaries	—	—	8 301	243	—	—	—	8 544
Disposals	—	—	(4)	—	—	—	—	(4)
Amortisation charge	(45 554)	(4 558)	(9 018)	(15 908)	(20 690) *	(162 941) *	(187 631) *	(446 300)
Closing carrying amount	207 341	380	26 842	107 190	33 272	1 059 023	149 183	1 583 231
At 31 May 2023								
Cost	557 056	120 556	150 244	194 694	356 557	1 355 788	475 865	3 210 760
Accumulated amortisation	(349 715)	(120 176)	(123 402)	(87 504)	(323 285)	(296 765)	(326 682)	(1 627 529)
Carrying amount	207 341	380	26 842	107 190	33 272	1 059 023	149 183	1 583 231

* Included in the amortisation charge is an amount of R330.6 million (2023: R371.3 million) in respect of the purchased starter pack bases and postpaid bases, subscription income-sharing arrangement and subscriber acquisition costs, which is charged to the direct operating costs line in the income statement.

4. NON-FINANCIAL INSTRUMENTS continued

4.3 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment loss, if any. The cost of property, plant and equipment includes directly attributable costs incurred, being the purchase cost plus any cost to prepare the assets for their intended use, and subsequent costs that may be capitalised.

Repairs and maintenance costs are charged to profit and loss as incurred.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at year-end. Where the asset's residual value is higher than the carrying value, no depreciation is provided.

Gains and losses on disposal of property, plant and equipment are determined as the difference between the carrying amount and the fair value of the sale proceeds, and are included in operating profit.

Leasehold improvements are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Depreciation is calculated on the straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives as follows:

Computer equipment	25% – 33.3%
Media equipment	10% – 20%
Furniture, fittings and office equipment	16.67% – 25%
Motor vehicles	20% – 25%
Terminals and vending machines	16.67% – 33.3%
Buildings	8.33%

	Computer equipment R'000	Media equipment R'000	Furniture, fittings and office equipment R'000	Motor vehicles R'000	Leasehold improvements R'000	Terminals and vending machines R'000	Land and buildings R'000	Total R'000
Year ended 31 May 2024								
Opening carrying amount	**27 231**	**22 486**	**12 407**	**29 949**	**13 381**	**115 785**	**3 123**	**224 362**
Additions	**32 079**	**16 151**	**9 046**	**4 287**	**5 119**	**21 461**	**—**	**88 143**
Disposals	**(151)**	**(1)**	**(296)**	**(11 498)**	**(309)**	**(286)**	**(3 123)**	**(15 664)**
Depreciation charge	**(16 841)**	**(4 333)**	**(4 592)**	**(6 873)**	**(4 846)**	**(31 694)**	**—**	**(69 179)**
Impairments*	**—**	**—**	**—**	**—**	**—**	**(12 417)**	**—**	**(12 417)**
Closing carrying amount	**42 318**	**34 303**	**16 565**	**15 865**	**13 345**	**92 849**	**—**	**215 245**
At 31 May 2024								
Cost	**104 695**	**46 257**	**38 119**	**38 496**	**73 139**	**215 518**	**—**	**516 224**
Accumulated depreciation	**(62 377)**	**(11 954)**	**(21 554)**	**(22 631)**	**(59 794)**	**(112 782)**	**—**	**(291 092)**
Accumulated impairments	**—**	**—**	**—**	**—**	**—**	**(9 887)**	**—**	**(9 887)**
Carrying amount	**42 318**	**34 303**	**16 565**	**15 865**	**13 345**	**92 849**	**—**	**215 245**
Year ended 31 May 2023								
Opening carrying amount	34 640	7 931	11 024	27 887	8 033	101 699	4 099	195 313
Additions	10 541	16 176	6 075	14 079	10 536	61 760	—	119 167
Acquisition of subsidiary	404	—	14	—	—	—	—	418
Disposals	(86)	—	(57)	(2 214)	—	(2 594)	(976)	(5 927)
Depreciation charge	(18 268)	(1 621)	(4 631)	(9 803)	(5 188)	(32 953)	—	(72 464)
Impairments*	—	—	(18)	—	—	(12 127)	—	(12 145)
Closing carrying amount	27 231	22 486	12 407	29 949	13 381	115 785	3 123	224 362
At 31 May 2023								
Cost	83 333	30 107	35 226	51 641	70 625	235 180	3 123	509 235
Accumulated depreciation	(56 102)	(7 621)	(22 819)	(21 692)	(57 244)	(110 077)	—	(275 555)
Accumulated impairments	—	—	—	—	—	(9 318)	—	(9 318)
Carrying amount	27 231	22 486	12 407	29 949	13 381	115 785	3 123	224 362

* Impairments of property, plant and equipment are included in depreciation and amortisation in profit or loss.

There are no property, plant and equipment assets that are encumbered.

The residual values of buildings are estimated to be higher than the carrying value and therefore there is no depreciation charge.

4. NON-FINANCIAL INSTRUMENTS continued

4.4 Right-of-use assets

Right-of-use assets are stated at cost less accumulated depreciation. Right-of-use assets are recognised at the date at which the leased asset is available for use by the Group. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Right-of-use assets are measured at cost, which includes the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate of restoration costs, less any lease incentives received.

	Office space R'000	Warehouse space R'000	Total R'000
Lease assets			
Year ended 31 May 2024			
Opening balance	**24 126**	**451**	**24 577**
Additions	**28 873**	**4 301**	**33 174**
Depreciation	**(12 176)**	**(929)**	**(13 105)**
Termination of leases	**(2 154)**	**—**	**(2 154)**
Closing balance	**38 669**	**3 823**	**42 492**
Year ended 31 May 2023			
Opening balance	34 400	1 866	36 266
Additions	19 391	—	19 391
Depreciation	(29 378)	(1 415)	(30 793)
Lease modifications	(287)	—	(287)
Closing balance	24 126	451	24 577

4.5 Inventories

Inventories comprise prepaid airtime, handsets and other related products.

Inventories are stated at the lower of cost (net of rebates and discounts) or net realisable value. The cost of inventory is based on the weighted average cost basis. Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses. Provisions are made for obsolete, unusable and unsaleable inventory and for latent damage first revealed when inventory items are taken into use or offered for sale. Where unused PINs have been recycled and included in inventory for resale, the Group recognises the inventory at no value.

	2024 R'000	2023 R'000
Finished goods		
Prepaid airtime	**4 003 623**	2 279 104
Handsets	**262 883**	396 472
Other*	**142 505**	159 338
	4 409 011	2 834 914

* Other inventory mainly consists of accessories, starter packs, consumables and gym equipment.

Inventories with a cost of R11.0 billion (2023: R15.1 billion) were sold during the year and have been included in direct operating costs.

Included in the above balances are provisions for obsolete, unusable and unsalable inventory and for latent damage to the value of Rnil (2023: R0.3 million).

Restricted inventory

Refer to note 2.4 for the details of restricted inventory.

4.6 Deferred revenue

Deferred revenue represents a prepayment by customers for goods or services that are yet to be delivered.

Deferred revenue is recognised as earned revenue as the good or service is delivered to the customer which is expected to occur within the next reporting period and therefore is disclosed as current.

	2024 R'000	2023 R'000
At 31 May	**118 510**	87 434
Amounts included in non-current portion of deferred revenue	**—**	—
Amounts included in current portion of deferred revenue	**118 510**	87 434
At 31 May – by category	**118 510**	87 434
Ringas	**77 249**	84 510
Other	**41 261**	2 924
Ringas[1]		
Opening balance	**84 510**	101 843
Amounts paid to network providers and commission revenue recognised in the current year relating to unredeemed Ringas voucher sales in prior years	**(55 946)**	(84 208)
Gross sales of unredeemed Ringas vouchers in the current year	**48 685**	66 875
Closing balance	**77 249**	84 510
Other		
Opening balance	**2 924**	11 484
Revenue recognised during the year relating to prior years	**(16 375)**	(10 367)
Additions	**54 712**	1 807
Closing balance	**41 261**	2 924

[1] Ringas vouchers are PINless vouchers and are therefore recognised as agent. Ringas vouchers are universal, single use, prepaid airtime vouchers that allow you to top-up your number with any of the four major South African mobile networks. The balance of the vouchers becomes payable to the network providers with a portion being recognised as commission revenue once the Ringas vouchers are redeemed.

5. EMPLOYEES

5.1 Equity compensation benefit

During the year, 17 300 314 (2023: 7 985 185) conditional shares were granted to Executive Directors and qualifying employees (participant). The participant will forfeit the conditional shares if he/she ceases to be an employee of an employer company before the vesting date or if the specified performance conditions have not been met, unless otherwise specified by the rules or determined by the Board. In the event that the participant is not in the employ of the Group, or the performance conditions are not met, the shares allocated to the participant will be forfeited and will either be sold on the open market by the escrow agent and the proceeds will be returned to the participating employer, or may be retained by the Group for future awards.

Dividends declared in respect of conditional shares are held in escrow until such time as the performance conditions are met and the shares have vested. Shares forfeited during the vesting period will forfeit any dividends pertaining to such shares. No dividends were declared during the current or prior year.

The performance conditions for the thirteenth award grant, that vested on 31 August 2023 were as follows:

		Group long-term incentive (LTI) metrics*		
		Threshold	Target	Stretch
Core HEPS (30%) (compounded cumulatively over three years)	Group	CPI + 5%	CPI + 10%	CPI + 15%
	Vesting %	21.6%	30.0%	42.0%
Total shareholder return (TSR) (30%) (performance against JSE Capped All Share Index)	Group	Greater than or equal to JSE Capped All Share Index	JSE Capped All Share Index Return + CPI +5% (average not compounded over three years)	JSE Capped All Share Index Return + CPI +15% (average not compounded over three years)
	Vesting %	21.6%	30.0%	42.0%
Return on capital employed (ROCE)** (20%) (compared to weighted average cost of capital (WACC) over the three-year period not compounded)	Group	ROCE greater than or equal to WACC over three years	ROCE greater than or equal to WACC +2.5% over three years	ROCE greater than or equal to WACC +5% over three years
	Vesting %	14.4%	20.0%	28.0%
Environmental, social and governance (ESG) (20%) (specific ESG metrics)	Group	Specific ESGs selected	Specific ESGs selected	Specific ESGs selected
	Vesting %	14.4%	20.0%	28.0%

* The LTI is calculated per objective. Values awarded will be a weighted average of scores attained versus target and pro-rated as the case may be.

** ROCE is calculated using the following formula:
ROCE = Net operating profit (EBIT)/Capital employed. Capital employed = total assets – current liabilities (excluding interest-bearing borrowings).
The Remuneration Committee will review any prior year impairments to assess if adverse outcomes have occurred, and if so, make the necessary adjustments to the capital employed number such that the average performance is a more accurate indication to shareholders over the measurement period.

The performance conditions as at 31 May 2024 for the fourteenth award grant vesting on 31 August 2024 are as follows:

		Group long-term incentive (LTI) metrics*		
		Threshold	Target	Stretch
Core HEPS (30%) (compounded cumulatively over three years)	Group		CPI + 2%	CPI + 4%
	Vesting %		30.0%	42.0%
Total shareholder return (TSR) (30%) (performance against JSE Capped All Share Index)	Group		JSE Capped All Share Index Return + CPI +5% (average not compounded over three years)	JSE Capped All Share Index Return + CPI +15% (average not compounded over three years)
	Vesting %		30.0%	42.0%
Return on capital employed (ROCE)** (20%) (compared to weighted average cost of capital (WACC) over the three-year period not compounded)	Group		ROCE greater than or equal to WACC +1% over three years	ROCE greater than or equal to WACC +2% over three years
	Vesting %		20.0%	28.0%
Environmental, social and governance (ESG) (20%) (specific ESG metrics)	Group Vesting %		Specific ESGs selected 20.0%	Specific ESGs selected 28.0%
ESG and Individual performance measures	Group	Specific ESGs selected and KPIs		
	Vesting %	72.0%		

* Remco may review metrics and targets post-FY2024 for new awards to ensure that they are relevant. The LTIP is calculated per metric. Values awarded will be a weighted average of scores attained versus target. All metrics will be assessed and vest on a pro rata basis applying linear interpolation basis save for the ESG, strategic and individual metrics which will be assessed on a binary basis.

** ROCE is calculated using the following formula:
ROCE = Net operating profit (EBIT)/Capital employed. Capital employed = total assets – current liabilities (excluding interest-bearing borrowings).
The Remuneration Committee will review any prior year impairments to assess if adverse outcomes have occurred, and if so, make the necessary adjustments to the capital employed number such that the average performance is a more accurate indication to shareholders over the measurement period.

5. EMPLOYEES continued

5.1 Equity compensation benefit continued

The performance conditions as at 31 May 2024 for the fifteenth award grant vesting on 31 August 2025 are as follows:

		Group long-term incentive (LTI) metrics*		
		Threshold	Target	Stretch
Core HEPS (30%) (compounded cumulatively over three years)	Group		CPI + 2%	CPI + 4%
	Vesting %		30.0%	42.0%
Total shareholder return (TSR) (30%) (performance against long bond compounded over three years plus spread)	Group		Performance equal to three to five-year SARB nominal long bond rate +7.5%**	125% of target
	Vesting %		30.0%	45.0%
Return on capital employed (ROCE)*** (20%) (compared to WACC over the three-year period not compounded)	Group		ROCE greater than or equal to WACC +1% over three years	ROCE greater than or equal to WACC +2% over three years
	Vesting %		20.0%	30.0%
Environmental, social and governance (ESG) (20%) (specific ESG metrics****)	Group		Specific	No stretch
	Vesting %		20.0%	20.0%
ESG and Individual performance measures	Group		Specific ESGs selected and KPIs	
	Vesting %		72.0%	

* Remco may review metrics and targets post-FY2024 for new awards to ensure that they are relevant. The LTIP is calculated per metric. Values awarded will be a weighted average of scores attained versus target. All metrics will be assessed and vest on a pro rata basis applying linear interpolation basis, save for the ESG metric which will be assessed on a binary basis.

** In setting the TSR target, consideration was given to utilise a risk-free rate that is aligned with a typical vesting and performance period of the award, consequently a 3-5 SARB nominal long bond rate was applied as the anchor in setting TSR targets, with an appropriate spread applied to this anchor in order to set realistic but stretching targets. In addition, TSR will be assessed based on growth in market cap as well as dividends distributed to shareholders over the performance period.

*** ROCE is calculated using the following formula:
ROCE = Net operating profit (EBIT)/Capital employed. Capital employed = total assets – current liabilities (excluding interest-bearing borrowings).
The Remuneration Committee will review any prior year impairments to assess if adverse outcomes have occurred, and if so, make the necessary adjustments to the capital employed number such that the average performance is a more accurate indication to shareholders over the measurement period.

**** Remco removed the stretch component of the ESG KPIs in the LTIP as these measures are assessed on a binary basis and only provide for the achievement of target performance, with threshold performance being assessed on a pro rata basis relative to target.

The performance conditions as at 31 May 2024 for the sixteenth award grant vesting on 31 August 2026 are as follows:

		Group long-term incentive (LTI) metrics*		
		Threshold	Target	Stretch
Core HEPS (30%) (compounded cumulatively over three years)	Group	CPI	CPI + 2%	CPI + 4%
	Vesting %	21.6%	30.0%	45.0%
Return on capital employed (ROCE)** (20%) (compared to WACC over the three-year period not compounded)	Group	ROCE greater than or equal to WACC over three years	ROCE greater than or equal to WACC +1% over three years	ROCE greater than or equal to WACC +2% over three years
	Vesting %	21.6%	30.0%	45.0%
Strategic performance scorecard (20%)	Group	Linked to strategic milestones	Linked to strategic milestones	Linked to strategic milestones
	Vesting %	14.4%	20.0%	30.0%
Environmental, social and governance (ESG) (10%) (specific ESG metrics***)	Group	Pro-rata of target	Specific	No stretch
	Vesting %	7.2%	10.0%	10.0%
Personal performance (10%) (specific individual metrics***)	Group	Pro-rata of target	Specific	No stretch
	Vesting %	7.2%	10.0%	10.0%

* Remco may review metrics and targets post-FY2024 for new awards to ensure that they are relevant. The LTIP is calculated per metric. Values awarded will be a weighted average of scores attained versus target. All metrics will be assessed and vest on a pro rata basis applying linear interpolation basis save for the ESG, strategic and individual metrics which will be assessed on a binary basis.

** ROCE is calculated using the following formula:
ROCE = Net operating profit (EBIT)/Capital employed. Capital employed = total assets – current liabilities (excluding interest-bearing borrowings).
The Remuneration Committee will review any prior year impairments to assess if adverse outcomes have occurred, and if so, make the necessary adjustments to the capital employed number such that the average performance is a more accurate indication to shareholders over the measurement period.

*** The stretch component of the ESG and Individual KPIs in the LTIP are assessed on a binary basis and only provide for the achievement of target performance, with threshold performance being assessed on a pro rata basis relative to target.

Critical accounting estimates and assumptions

In determining the number of conditional shares that will vest due to performance conditions being met, management assesses the attrition rates of staff based on the grades of staff that have been granted awards as well as the historic staff turnover.

5. EMPLOYEES continued

5.1 Equity compensation benefit continued

Movements in the number of conditional shares outstanding during the year are as follows:

	Grant date	Vesting date	Number of shares	Fair value of grant R'000
At 1 June 2022			36 310 854	134 666
12th award			14 766 777	37 656
13th award			12 826 941	41 046
14th award			8 717 136	55 964
Granted during the year			7 985 185	49 907
15th award	01 September 2022	31 August 2025	7 985 185	49 907
Awarded during the year – achievement of stretch targets			1 997 945	5 094
12th award			1 997 945	5 094
Shares forfeited during the year			(2 282 379)	(10 764)
12th award			—	—
13th award			(1 207 545)	(3 864)
14th award			(1 074 834)	(6 900)
Shares vested during the year			(16 764 722)	(42 750)
12th award		31 August 2022	(16 764 722)	(42 750)
At 31 May 2023			**27 246 883**	**136 153**
13th award			**11 619 396**	**37 182**
14th award			**7 642 302**	**49 064**
15th award			**7 985 185**	**49 907**
Granted during the year			**17 000 314**	**54 741**
16th award	**01 November 2023**	**31 August 2026**	**17 000 314**	**54 741**
Awarded during the year – achievement of stretch targets			**1 075 066**	**3 440**
13th award			**1 075 066**	**3 440**
Shares forfeited during the year			**(835 508)**	**(5 278)**
13th award			**—**	**—**
14th award			**(328 333)**	**(2 108)**
15th award			**(507 175)**	**(3 170)**
Shares vested during the year			**(12 694 462)**	**(40 622)**
13th award		**31 August 2023**	**(12 694 462)**	**(40 622)**
At 31 May 2024			**31 792 293**	**148 434**
14th award			**7 313 969**	**46 956**
15th award			**7 478 010**	**46 738**
16th award			**17 000 314**	**54 741**

Refer to note 5.2 for the expense recognised in the income statement relating to the equity compensation benefits.

The fair value of the shares is based on the open market closing price at grant date.

The total number of conditional shares issued to Executive Directors during the period is 4 596 356 (2023: 2 213 125).

The share-based payment expense in relation to these Executive Directors is R12.2 million (2023: R12.8 million).

Refer to note 5.3 for details of awards per Director.

5.2 Employee compensation benefit expense

(a) Equity compensation benefit

The Group operates an equity-settled conditional share plan, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the services received in exchange for the grant of conditional shares is recognised as an expense. The total amount to be expensed is determined by the fair value of the conditional shares granted. The total amount expensed is recognised over the vesting period, which is the period over which all of the vesting conditions are to be satisfied. At each reporting date, the entity recognises the impact of any shares that have been forfeited prior to the end of the vesting period, if any, in the income statement with a corresponding adjustment to equity.

(b) Bonus plans

The Group recognises a liability and an expense for bonuses. A liability is recognised where the Group is contractually obliged or where there is a past practice that has created a constructive obligation.

The bonus expense is determined based on individual subsidiary CEO recommendation of an employee and Remuneration Committee approval as well as other non-financial measures.

In terms of the Group remuneration policy, the Joint Chief Executive Officers may earn an annual incentive bonus of up to 150% of annualised fixed remuneration and the Financial Director up to 100%. Senior Management may earn up to 75% of their annualised fixed remuneration.

	2024 R'000	2023 R'000
Salaries and wages	**766 610**	750 357
Bonuses	**142 715**	140 795
Equity compensation benefit	**41 048**	40 012
Other	**11 510**	14 337
	961 883	945 501

Average number of employees for the year is 1 150 (2023: 1 412).

5. EMPLOYEES continued

5.3 Directors' emoluments

	Blue Label Services as Directors of Blue Label Telecoms Limited R'000	Services as Directors of subsidiaries of Blue Label Telecoms Limited R'000	Salary and allowances from subsidiaries R'000	Bonuses and performance-related payments R'000	Other benefits from subsidiaries R'000	Total R'000	Fair value of conditional shares R'000
For the year ended 31 May 2024							
Executive Directors							
BM Levy	—	—	11 701	6 649	—	18 350	15 030
MS Levy	—	—	11 701	6 649	—	18 350	15 030
DA Suntup	—	—	6 198	2 406	36	8 640	7 961
	—	—	29 600	15 704	36	45 340	38 021
Non-Executive Directors							
LM Nestadt	2 486	—	—	—	—	2 486	—
KM Ellerine*	—	—	—	—	—	—	—
JS Mthimunye	1 290	68	—	—	—	1 358	—
SJ Vilakazi	1 223	—	—	—	—	1 223	—
H Masondo	507	—	—	—	—	507	—
NP Mnxasana	790	45	—	—	—	835	—
LE Mthimunye	1 162	50	—	—	—	1 212	—
	7 458	163	—	—	—	7 621	—
	7 458	163	29 600	15 704	36	52 961	38 021
Prescribed officers							
GB Levin	—	—	5 318	886	240	6 444	5 276
JS Newman	—	—	5 172	1 656	—	6 828	3 322
	—	—	10 490	2 542	240	13 272	8 598
	7 458	163	40 090	18 246	276	66 233	46 619

* Non-Executive Director, KM Ellerine, resigned on 5 June 2023.

For the year ended 31 May 2023							
Executive Directors							
BM Levy	—	—	10 936	10 936	—	21 872	11 581
MS Levy	—	—	10 936	10 936	—	21 872	11 581
DA Suntup	—	—	5 792	4 054	—	9 846	6 134
	—	—	27 664	25 926	—	53 590	29 296
Non-Executive Directors							
LM Nestadt	2 323	—	—	—	—	2 323	—
KM Ellerine	720	—	—	—	—	720	—
GD Harlow**	511	211	—	—	—	722	—
JS Mthimunye	1 206	68	—	—	—	1 274	—
SJ Vilakazi	1 102	—	—	—	—	1 102	—
PL Zim***	469	45	—	—	—	514	—
NP Mnxasana	739	21	—	—	—	760	—
LE Mthimunye	632	—	—	—	—	632	—
	7 702	345	—	—	—	8 047	—
	7 702	345	27 664	25 926	—	61 637	29 296
Prescribed officers							
GB Levin	—	—	4 970	—	206	5 176	4 135
JS Newman	—	—	4 833	2 417	—	7 250	1 343
	—	—	9 803	2 417	206	12 426	5 478
	7 702	345	37 467	28 343	206	74 063	34 774

** Independent Non- Executive Director, GD Harlow, resigned on 19 October 2022.
*** Independent Non- Executive Director, PL Zim, resigned on 22 February 2023.

The fair value of conditional shares per Director has been included.

No Director has a notice period of more than one year.

No Director's service contract includes predetermined compensation as a result of termination that would exceed one year's salary and benefits.

5. EMPLOYEES continued
5.3 Directors' emoluments continued

	Issue date	Issue price R	Vesting date	Awards outstanding as at the of the year	Number of shares awarded during the year	Awards forfeited during the year	Awards vested during the year	Balance as at the end of the year
CONDITIONAL SHARE PLAN								
For the year ended 31 May 2024								
Executive Directors								
BM Levy	**1 September 2020**	**3.20**	**31 August 2023**	**1 520 776**	**138 999**	**—**	**(1 659 775)**	**—**
BM Levy	**6 April 2022**	**6.42**	**31 August 2024**	**803 501**	**—**	**—**	**—**	**803 501**
BM Levy	**1 September 2022**	**6.25**	**31 August 2025**	**874 878**	**—**	**—**	**—**	**874 878**
BM Levy	**1 November 2023**	**3.22**	**31 August 2026**	**—**	**1 817 001**	**—**	**—**	**1 817 001**
				3 199 155	**1 956 000**	**—**	**(1 659 775)**	**3 495 380**
MS Levy	**1 September 2020**	**3.20**	**31 August 2023**	**1 520 776**	**138 999**	**—**	**(1 659 775)**	**—**
MS Levy	**6 April 2022**	**6.42**	**31 August 2024**	**803 501**	**—**	**—**	**—**	**803 501**
MS Levy	**1 September 2022**	**6.25**	**31 August 2025**	**874 878**	**—**	**—**	**—**	**874 878**
MS Levy	**1 November 2023**	**3.22**	**31 August 2026**	**—**	**1 817 001**	**—**	**—**	**1 817 001**
				3 199 155	**1 956 000**	**—**	**(1 659 775)**	**3 495 380**
DA Suntup	**1 September 2020**	**3.20**	**31 August 2023**	**805 462**	**73 619**	**—**	**(879 081)**	**—**
DA Suntup	**6 April 2022**	**6.42**	**31 August 2024**	**425 565**	**—**	**—**	**—**	**425 565**
DA Suntup	**1 September 2022**	**6.25**	**31 August 2025**	**463 369**	**—**	**—**	**—**	**463 369**
DA Suntup	**1 November 2023**	**3.22**	**31 August 2026**	**—**	**962 354**	**—**	**—**	**962 354**
				1 694 396	**1 035 973**	**—**	**(879 081)**	**1 851 288**
Prescribed officers								
GB Levin	**1 September 2020**	**3.20**	**31 August 2023**	**328 125**	**29 991**	**—**	**(358 116)**	**—**
GB Levin	**6 April 2022**	**6.42**	**31 August 2024**	**615 300**	**—**	**—**	**—**	**615 300**
GB Levin	**1 September 2022**	**6.25**	**31 August 2025**	**198 801**	**—**	**—**	**—**	**198 801**
GB Levin	**1 November 2023**	**3.22**	**31 August 2026**	**—**	**412 882**	**—**	**—**	**412 882**
				1 142 226	**442 873**	**—**	**(358 116)**	**1 226 983**
JS Newman	**6 April 2022**	**6.42**	**31 August 2024**	**177 570**	**—**	**—**	**—**	**177 570**
JS Newman	**1 September 2022**	**6.25**	**31 August 2025**	**193 344**	**—**	**—**	**—**	**193 344**
JS Newman	**1 November 2023**	**3.22**	**31 August 2026**	**—**	**401 549**	**—**	**—**	**401 549**
				370 914	**401 549**	**—**	**—**	**772 463**
CONDITIONAL SHARE PLAN								
For the year ended 31 May 2023								
Executive Directors								
BM Levy	18 November 2019	2.55	31 August 2022	1 908 425	258 210	—	(2 166 635)	—
BM Levy	01 September 2020	3.20	31 August 2023	1 520 776	—	—	—	1 520 776
BM Levy	06 April 2022	6.42	31 August 2024	803 501	—	—	—	803 501
BM Levy	01 September 2022	6.25	31 August 2025	—	874 878	—	—	874 878
				4 232 702	1 133 088	—	(2 166 635)	3 199 155
MS Levy	18 November 2019	2.55	31 August 2022	1 908 425	258 210	—	(2 166 635)	—
MS Levy	01 September 2020	3.20	31 August 2023	1 520 776	—	—	—	1 520 776
MS Levy	06 April 2022	6.42	31 August 2024	803 501	—	—	—	803 501
MS Levy	01 September 2022	6.25	31 August 2025	—	874 878	—	—	874 878
				4 232 702	1 133 088	—	(2 166 635)	3 199 155
DA Suntup	18 November 2019	2.55	31 August 2022	1 010 776	136 758	—	(1 147 534)	—
DA Suntup	01 September 2020	3.20	31 August 2023	805 462	—	—	—	805 462
DA Suntup	06 April 2022	6.42	31 August 2024	425 565	—	—	—	425 565
DA Suntup	01 September 2022	6.25	31 August 2025	—	463 369	—	—	463 369
				2 241 803	600 127	—	(1 147 534)	1 694 396
Prescribed officers								
GB Levin	18 November 2019	2.55	31 August 2022	318 400	43 080	—	(361 480)	—
GB Levin	01 September 2020	3.20	31 August 2023	328 125	—	—	—	328 125
GB Levin	06 April 2022	6.42	31 August 2024	615 300	—	—	—	615 300
GB Levin	01 September 2022	6.25	31 August 2025	—	198 801	—	—	198 801
				1 261 825	241 881	—	(361 480)	1 142 226
JS Newman	06 April 2022	6.42	31 August 2024	177 570	—	—	—	177 570
JS Newman	01 September 2022	6.25	31 August 2025	—	193 344	—	—	193 344
				177 570	193 344	—	—	370 914

6. EQUITY

6.1 Share capital

Ordinary shares are classified as equity and the shares are fully paid up.

Shares acquired by Blue Label Telecoms for its own employees' equity compensation benefit scheme, as well as the shares procured by the subsidiaries in terms of this scheme, are accounted for as treasury shares in the Group statement of financial position.

	2024 Number of shares	2023 Number of shares
Authorised		
Total authorised share capital of ordinary shares (no par value)	**2 000 000 000**	2 000 000 000
Issued		
Balance at the beginning of the year	**883 573 392**	876 782 473
Shares sold/(acquired) during the year	**64 716**	(9 973 803)
Shares vested during the year	**12 694 462**	16 764 722
Balance at the end of the year	**896 332 570**	883 573 392
Total number of shares in issue	**913 655 874**	913 655 874
Treasury shares	**(17 323 304)**	(30 082 482)

The Company acquired no shares in the current year and sold 64 716 shares to associate companies in terms of the equity-settled conditional share plan, at which point the shares were no longer considered to be treasury shares of the Group. In the prior year, the Company acquired 10 575 666 shares at an average price of R6.58 on the JSE in order to grant conditional shares to employees and Directors as part of the Group's conditional share plan. Of the total shares acquired in the prior year, 9 973 803 related to shares awarded to employees of subsidiary companies in terms of the equity-settled conditional share plan, which are held as treasury shares and accounted for against share premium. The remaining shares of 601 863 in the prior year related to shares awarded to employees of associate companies in terms of their cash-settled conditional share plan and are not considered to be treasury shares of the Group.

The amount paid to acquire the treasury shares in the prior year was R66.0 million and was deducted from shareholders' equity.

Refer to note 5.1 for details on the conditional shares.

6.2 Other reserves

	2024 R'000	2023 R'000
Balance at the beginning of the year	**(2 877 012)**	(2 871 437)
Exchange differences on translation of foreign operations	**(268)**	1 646
Acquisition of non-controlling interest	**—**	(41)
Equity compensation benefit scheme shares vested	**(38 926)**	(41 423)
Equity compensation benefit movement	**39 094**	38 443
Gain arising on changes in fair value of hedging instruments (effective portion), net of tax	**(7)**	6 346
Loss on hedging instrument reclassified to profit or loss, net of tax	**(6 319)**	(10 546)
Balance at the end of the year	**(2 883 438)**	(2 877 012)
Consisting of:		
Restructuring reserve	**(1 843 913)**	(1 843 912)
Foreign currency translation reserve	**35 387**	35 655
Non-distributable reserve	**7 771**	7 771
Transactions with non-controlling interest reserve	**(1 145 200)**	(1 145 201)
Equity compensation benefit reserve	**62 517**	62 350
Cash flow hedge reserve	**—**	6 325
	(2 883 438)	(2 877 012)

The restructuring reserve arose as a result of the restatement of Group comparatives, as required in terms of the principles of predecessor accounting. This reserve represents the difference between the fair value of the entities under the Group's control and their respective net asset values, as at the assumed restructure date of 1 June 2006.

The non-distributable reserve arose as a result of BLT's share of share premium issued by associate companies pre-2010.

The transactions with non-controlling interest reserve relate to the excess payments over the carrying amounts arising on transactions with non-controlling shareholders as these are treated as equity participants.

The cash flow hedge reserve arose in 2021. TPC entered into a ZAR denominated floating rate debt instrument and is exposed to variability in interest payments as a result of interest rate fluctuations. To hedge this interest rate risk, TPC took out a pay-fixed, receive-floating interest rate swap instrument. The type of hedging relationship is a cash flow hedge. The interest-rate swap instrument matured on 9 October 2023. The company does not have any interest-rate swap agreements in place as at 31 May 2024. Refer to note 3.7 for more details.

7. TAXATION

7.1 Income tax expense

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at year-end in the countries where the Company's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Uncertain tax positions are considered by the Group at the level of the individual uncertainty or group of related uncertainties.

Critical accounting estimates and assumptions

There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business, Amounts accrued are based on management's interpretation of country-specific tax law and the likelihood of settlement. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available in the future against which these can be utilised, Future taxable income is estimated based on business plans which include estimates and assumptions regarding economic growth, interest rates, inflation and competitive forces.

	2024 R'000	2023 R'000
Current tax	**133 696**	253 506
Current year	**123 128**	255 701
Adjustment in respect of prior years	**10 568**	(2 195)
Deferred tax	**61 922**	(57 238)
Current year	**69 894**	(60 358)
Adjustment in respect of prior years	**(7 972)**	3 120
Transfer from other comprehensive income	**2 337**	3 770
Income tax expense	**197 955**	200 038

	2024 R'000	**%**	2023 R'000	%
Profit before tax	**857 540**		488 211	
Tax at 27%	**231 536**	**27.0**	131 817	27.0
Tax arising from the Cell C Recapitalisation transaction	**17 466**	**2.0**	58 939	12.1
Reversal of impairment of investment in associate	**—**	**—**	(259 883)	(53.2)
(Gain)/loss on modification of financial asset	**(5 584)**	**(0.7)**	15 512	3.2
Loss on derecognition of financial asset	**14 380**	**1.7**	—	0.0
ECL movement on loans receivable	**33 168**	**3.9**	16 465	3.4
Fair value adjustments to derivative liability	**—**	**—**	(5 940)	(1.2)
Learnership allowances	**(66 951)**	**(7.8)**	(93 949)	(19.2)
Employment tax incentive	**(12 924)**	**(1.5)**	(20 427)	(4.2)
Surety loan fair value adjustment	**(690)**	**(0.1)**	(8 841)	(1.8)
Other income not subject to tax	**(21 290)**	**(2.5)**	(19 233)	(3.9)
Other expenses not deductible for tax purposes	**7 933**	**0.9**	21 046	4.3
Tax effect of assessed losses not recognised	**420**	**0.0**	1 716	0.4
Utilisation of previously unrecognised assessed losses	**(280)**	**(0.0)**	(799)	(0.2)
Share of (profits)/losses from associates and joint ventures (refer to note 2.1.2)	**(4 162)**	**(0.5)**	359 031	73.5
Adjustment in respect of prior years	**2 596**	**0.3**	925	0.2
Effect of tax rate changes	**—**	**—**	(111)	0.0
Transfer from other comprehensive income	**2 337**	**0.3**	3 770	0.8
Tax charge	**197 955**	**23.1**	200 038	41.2
Effective tax rate	**23.1%**		41.2%	

7. TAXATION continued

7.2 Deferred taxation

Deferred taxation is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by year-end and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Critical accounting estimates and assumptions

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

	Capital allowances R'000	Purchase price allocations and fair value gains* R'000	Provisions R'000	Tax losses R'000	Prepayments R'000	Unrealised foreign exchange differences R'000	Other** R'000	Total R'000
At 31 May 2022	341 572	67 736	(97 714)	(127 808)	8 623	—	24 248	216 657
Charged/(credited) to the income statement	(13 247)	(11 312)	(42 485)	44 391	(4 182)	10 195	(40 598)	(57 238)
Charged to other comprehensive income	—	1 460	—	(4 668)	—	—	—	(3 208)
Tax rate change	—	—	—	—	—	—	(1 879)	(1 879)
At 31 May 2023	**328 325**	**57 884**	**(140 199)**	**(88 085)**	**4 441**	**10 195**	**(18 229)**	**154 332**
Charged/(credited) to the income statement	**(48 174)**	**(8 206)**	**106 204**	**(14 749)**	**625**	**(1 729)**	**27 951**	**61 922**
Charged to other comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**(3 487)**	**(3 487)**
At 31 May 2024	**280 151**	**49 678**	**(33 995)**	**(102 834)**	**5 066**	**8 466**	**6 235**	**212 767**

* These relate to intangible assets included in note 4.2.

** Other deferred tax includes R31.4 million (2023: R50 million) deferred taxation asset in respect of taxes paid on the gross profit that arose from the airtime sale and repurchase transaction which formed part of the Cell C Recapitalisation Transaction. For South African income tax purposes this is included in gross income when the sale of the airtime takes place. For accounting purposes, the gross profit on the airtime will only be recognised in profit or loss when the airtime repurchased, is sold to customers. This is offset by a R35.4 million (2023: R26.2 million) deferred tax liability that arose as a result of contract revenue recognised in advance.

	2024 R'000	2023 R'000
Deferred tax asset comprises:		
Capital allowances	**(339)**	(243)
Provisions	**(72 443)**	(140 199)
Tax losses	**(102 834)**	(88 085)
Other	**(29 137)**	(44 464)
Total deferred tax asset	**(204 753)**	(272 991)
Deferred tax liability comprises:		
Capital allowances	**280 489**	328 567
Purchase price allocations and fair value gains	**49 678**	57 884
Provisions	**38 448**	—
Prepayments	**5 066**	4 441
Unrealised foreign exchange differences	**8 466**	10 195
Other	**35 373**	26 236
Total deferred tax liability	**417 520**	427 323
The analysis of deferred tax assets and deferred tax liabilities is as follows:		
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	**(32 354)**	(14 641)
Deferred tax assets to be recovered within 12 months	**(111 523)**	(150 167)
Net deferred tax asset	**(143 877)**	(164 808)
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	**106 599**	252 082
Deferred tax liabilities to be recovered within 12 months	**250 045**	67 058
Net deferred tax liability	**356 644**	319 140

Where deferred tax assets have been recognised in respect of entities which have incurred losses in the current or prior years, a formal process of assessment of the future profitability of the entity has been performed based on detailed budgets and cash flow forecasts. As a result, management believes that the current tax losses will be utilised within one to five years.

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of R50 million (2023: R48.8 million) in respect of losses amounting to R181.4 million (2023: R180.9 million) that can be carried forward against future taxable income.

There is no withholding tax that would be payable on any dividends received from the Group's equity-accounted associates and joint ventures and therefore no deferred tax has been raised in this regard.

8. RELATED PARTIES

Transactions and balances with related parties

	Sales to related parties		Purchases from related parties	
	2024 R'000	2023 R'000	**2024 R'000**	2023 R'000
Blu Train Proprietary Limited*	**1 203**	1 845	**64 325**	75 005
Blue Label Communications Proprietary Limited*	**165**	146	**—**	—
Cell C Limited and its related entities*	**4 688 906**	5 354 565	**5 693 042**	7 035 401
I Talk Financial Services Proprietary Limited*	**4 110**	2 793	**8 198**	5 419
I Talk Holdings Proprietary Limited*	**20 652**	30 936	**13 045**	42 588
i-Crypto Incorporated*	**—**	1 018	**—**	—
Mobii Systems Proprietary Limited and its related entities*	**308**	480	**—**	—
Moneyline 311 Proprietary Limited[1]	**—**	—	**—**	1 720
T3 Telecoms SA Proprietary Limited*	**415 935**	2 232 603	**29 631**	30 150
Utilities World Proprietary Limited*	**3 593**	8 532	**9 241**	8 054
Uvongo Falls No 26 Proprietary Limited[1]	**—**	—	**—**	926
Wozza Airtime Proprietary Limited*	**27**	33	**—**	—
	5 134 899	7 632 951	**5 817 482**	7 199 263

* These entities are associates/joint ventures. For further details in this regard, refer to note 2.1.1.

[1] In the prior year, Independent Non-Executive Director, GD Harlow, resigned on 19 October 2022. Related party disclosure, as a result of his common directorships, has been disclosed accordingly and in line with his resignation date.

	Income received from related parties		Expenses paid to related parties	
	2024 R'000	2023 R'000	**2024 R'000**	2023 R'000
Other income received from related parties				
I Talk Financial Services Proprietary Limited*	**11 862**	6 305	**—**	—
I Talk Holdings Proprietary Limited*	**964**	18 072	**—**	—
T3 Telecoms SA Proprietary Limited*	**15 686**	8 742	**—**	—
Wozza Airtime Proprietary Limited*	**3**	22	**—**	—
Dividends received from related parties				
Utilities World Proprietary Limited*	**—**	61	**—**	—
Interest received from related parties				
Blu Train Proprietary Limited*	**899**	283	**—**	—
Cell C Limited and its related entities*	**826 560**[2]	317 235	**—**	—
I Talk Holdings Proprietary Limited*	**2 648**	2 783	**—**	—
Mobile Macs Proprietary Limited*	**1 541**	172	**—**	—
T3 Telecoms SA Proprietary Limited*	**751**	1 301	**—**	—
Utilities World Proprietary Limited*	**12 739**	1 710	**—**	—
Wozza Airtime Proprietary Limited*	**—**	509	**—**	
Finance revenue from related parties				
Cell C Limited and its related entities*	**—**	36 244	**—**	—
Management fees received from related parties				
Blu Train Proprietary Limited*	**126**	—	**—**	—
I Talk Holdings Proprietary Limited*	**—**	743	**—**	—
T3 Telecoms SA Proprietary Limited*	**850**	1 121	**—**	—
Rent received from related parties				
T3 Telecoms SA Proprietary Limited*	**2 775**	1 915	**—**	—
Rent paid to related parties				
Ellerine Bros. Proprietary Limited[3]	**—**	—	**—**	10 612
Moneyline 311 Proprietary Limited[1]	**—**	—	**—**	4 070
Uvongo Falls No 26 Proprietary Limited[1]	**—**	—	**—**	4 780
Social economic development				
Trust Blu Foundation	**—**	282	**11 625**	14 590
	877 404	397 500	**11 625**	34 052

* These entities are associates/joint ventures. For further details in this regard, refer to note 2.1.1.

[1] In the prior year, Independent Non-Executive Director, GD Harlow, resigned on 19 October 2022. Related party disclosure, as a result of his common directorships, has been disclosed accordingly and in line with his resignation date.

[2] Includes interest received on loans receivable and trade accounts.

[3] Non-Executive Director, KM Ellerine, resigned on 5 June 2023. Related party disclosure, as a result of his common directorships, has been disclosed accordingly and in line with his resignation date.

8. RELATED PARTIES continued

Transactions and balances with related parties continued

	Loans to related parties	
	2024 R'000	2023 R'000
Blu Train Proprietary Limited*	**13 231**	5 149
Brett Levy[4]	**65 935**	64 658
Cell C Limited and its related entities*	**2 535 535**	2 166 240
I Talk Financial Services Proprietary Limited*	**4 000**	4 000
I Talk Holdings Proprietary Limited*	**19 900**	19 900
Mark Levy[4]	**65 935**	64 658
Mobii Systems Proprietary Limited and its related entities*	**4 884**	4 884
Mobile Macs Proprietary Limited*	**13 900**	5 100
T3 Telecoms SA Proprietary Limited*	**704**	6 854
Wozza Airtime Proprietary Limited*	**2 338**	2 338
Total loss allowance on loans to related parties	**(181 471)**	(59 417)
	2 544 891	2 284 364

* These entities are associates/joint ventures. For further details in this regard, refer to note 2.1.1.
[4] Refer to note 3.5 for details on the surety loans.

	Amounts due from related parties included in trade receivables		Amounts due to related parties included in trade payables	
	2024 R'000	2023 R'000	**2024 R'000**	2023 R'000
Blu Train Proprietary Limited*	**189**	814	**13 656**	1 669
Blue Label Communications Proprietary Limited*	**14**	24	**483**	—
Cell C Limited and its related entities*	**499 267**	518 031	**387 453**	308 823
I Talk Financial Services Proprietary Limited*	**3 902**	3 884	**500**	1 273
I Talk Holdings Proprietary Limited*	**7 272**	10 040	**1 698**	6 149
i-Crypto Incorporated*	**—**	1 088	**—**	—
Mobii Systems Proprietary Limited and its related entities*	**—**	440	**60**	—
Mobile Macs Proprietary Limited*	**1 110**	84	**—**	—
Oxigen Services India Private Limited*#	**5 876**	5 876	**—**	—
T3 Telecoms SA Proprietary Limited*	**9 147**	11 097	**8 263**	96
Utilities World Proprietary Limited*	**329**	591	**2 022**	1 489
Uvongo Falls No 26 Proprietary Limited	**—**	—	**—**	6
Wozza Airtime Proprietary Limited*	**—**	38	**—**	25
Total loss allowance on trade receivables to related parties	**(8 384)**	(8 422)	**—**	—
	518 722	543 585	**414 135**	319 530

* These entities are associates/joint ventures. For further details in this regard, refer to note 2.1.1.
\# This amount has been fully provided for both in the current and prior year and is included as part of the total loss allowance.

	Amounts due from related parties included in other receivables		Amounts due to related parties included in other payables	
	2024 R'000	2023 R'000	**2024 R'000**	2023 R'000
Cell C Limited and its related entities*	**108 963**	161 173	**—**	—
T3 Telecoms SA Proprietary Limited*	**4 880**	78	**4 068**	—
Cell C Limited – trade claim (included in sundry receivables)#	**53 375**	53 375	**—**	—
Utilities World Proprietary Limited*	**—**	13 750	**—**	—
Total loss allowance on other receivables to related parties	**(53 375)**	(53 375)	**—**	—
	113 843	175 001	**4 068**	—

* These entities are associates/joint ventures. For further details in this regard, refer to note 2.1.1.
\# This amount has been fully provided for both in the current and prior year and is included as part of the total loss allowance.

Certain related party disclosure is required as a result of common directorships.

For details of emoluments to Directors, refer to note 5.3. For details of equity compensation benefit expense in respect of Directors, refer to note 5.1. The Executive Directors of the Company are regarded as key management of the Group.

For details of the shareholdings in the Company, refer to the Directors' report.

9. ACCOUNTING FRAMEWORK

9.1 Basis of preparation

The material accounting policies applied in the preparation of the Group annual financial statements are in the related notes and are consistent with those adopted in the prior year, unless otherwise specified.

The Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 April 2023. The amendments require the disclosure of 'material' rather than 'significant' accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosure in the notes in certain instances.

The Group annual financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the IASB and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the South African Companies Act, as amended.

The Group annual financial statements are prepared under the historical cost convention, adjusted for financial instruments measured at fair value through profit or loss and assets held-for-sale measured at fair value less costs to sell. Amounts are rounded to the nearest thousand with the exception of earnings per share, ordinary share capital and equity compensation benefit. The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the notes to which they relate.

9.2 Going concern

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within its current funding levels into the foreseeable future.

Refer to note 3.2.2 for a description of the Group's facilities and covenants.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources and facilities to continue in operational existence for the foreseeable future and is not at risk of breaching its covenants. The Group therefore continues to adopt the going concern basis in preparing the financial statements.

9 ACCOUNTING FRAMEWORK continued

9.3 Standards, amendments and interpretations not yet effective

The standards, interpretations and amendments listed below will only be effective in future reporting periods. It is expected that the Group will adopt the pronouncements on their respective effective dates. The amendments are not expected to have a material impact on the Group, however the impact will continue to be assessed as these standards are adopted.

Standards, interpretations and amendments issued but not effective	Effective date
IAS 1 *(Presentation of Financial Statements)*	Year ending 31 May 2025
Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	
The amendments clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants.	
IAS 7 *Statement of Cash Flows* and IFRS 7 *(Financial Instruments)*	Year ending 31 May 2025
Requires a company to disclose specific information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the Company's liabilities and cash flows and on the Company's exposure to liquidity risk.	
IFRS 16 *(Leases)*	Year ending 31 May 2025
Amendment to Lease Liability in a Sale and Leaseback. The new requirement does not prevent the seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.	
IAS 21 *(The effects of changes in foreign exchange rates)*	Year ending 31 May 2025
Lack of exchangeability, the amendments require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another current and when it is not.	
IFRS 7 *(Financial Instruments: Disclosures)*	
Requires a company to disclose specific information about its supplier financing arrangements.	Year ending 31 May 2025
IFRS 9 *(Financial Instruments)*	Year ending 31 May 2027
Amendments to the classification and measurement of the financial instruments.	
Clarifying the classification of financial assets and ESG and similar features. Clarifying the date on which a financial asset and financial liability is derecognised, when a liability is settled through electronic payment systems.	
IFRS 7 *(Financial Instruments: Disclosures)*	
Amendments to the classification and measurement of the financial instruments. IFRS 7 introduces the additional disclosure requirements to enhance transparency for investors regarding investments in equity instruments designated at fair value through OCI and financial instruments with contingent features, for example features tied to ESG-linked targets.	Year ending 31 May 2027
IFRS 18 *(Presentation and Disclosure in the Financial Statements)*	Year ending 31 May 2028
Improved comparability in the statement of profit or loss (income statement) through the introduction of three defined categories, operating, investing and financing but essentially does not change net profit. Introduces enhanced transparency of management defined performance measures which will be part of the audited financial statements. Further provides guidance on more useful grouping of information in the financial statements through enhanced guidance on how to organise information.	
IFRS 19 *(Subsidiaries Without Public Accountability Disclosures)*	Year ending 31 May 2028
Permits eligible subsidiaries to use IFRS accounting with reduced disclosures. Subsidiaries are eligible to apply IFRS 19 if they do not have public accountability and their parent company applies IFRS accounting standards in their consolidated financial statements.	

9.4 Other accounting policies

Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Group financial statements are presented in South African rand (R), which is the functional and presentation currency of the parent company.

(b) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency in accordance with the requirements of IAS 21.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as the foreign entity's assets and liabilities and are translated at the closing rate.

Dividend tax

Dividend tax is provided for at 20% of the amount of any dividend paid, subject to certain exemptions. The dividend tax is a tax borne by the beneficial owner of the dividend and will be withheld by either the issuer of the dividend or by regulated intermediaries.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which they are approved by the shareholders.

Distributions of non-cash assets received from subsidiary companies are recognised as a dividend at the fair value of the non-cash assets received.

10. SUBSEQUENT EVENTS

No adjusting or significant non-adjusting events have occurred between 31 May 2024 and the date of authorisation of the financial statements.

ANNEXURE A: SHAREHOLDER ANALYSIS

Shareholder spread	Number	%	Shares	%
1 – 1 000 shares	8 144	77.34	821 723	0.09
1 001 – 10 000 shares	1 464	13.90	5 683 704	0.62
10 001 – 1 00 000 shares	652	6.19	21 581 253	2.36
1 00 001 – 1 000 000 shares	190	1.80	60 604 622	6.63
1 000 001 shares and over	80	0.77	824 964 572	90.30
Total	10 530	100	913 655 874	100

Distribution of shareholders	Number	%	Shares	%
Private investor	223	2.12	275 838 489	30.19
Mutual fund	60	0.57	155 230 987	16.99
Corporate holding	7	0.07	147 282 980	16.12
Pension funds	48	0.46	111 242 188	12.18
Trading position	16	0.15	35 178 697	3.85
Insurance companies	8	0.08	15 258 900	1.67
Hedge fund	1	0.01	14 853 629	1.63
Stock brokers	1	0.01	13 204 033	1.45
Exchange-traded fund	3	0.03	3 291 038	0.36
University	5	0.05	2 027 103	0.22
Custodians	3	0.03	1 961 660	0.21
Medical aid scheme	3	0.03	1 648 114	0.18
Investment trust	1	0.01	1 460 000	0.16
Local authority	1	0.01	987 564	0.11
Charity	1	0.01	334 154	0.04
Real estate fund	1	0.01	300 000	0.03
American depository receipts	1	0.01	142 500	0.02
Sovereign wealth	1	0.01	114 042	0.01
Unclassified	10 146	96.33	133 299 796	14.58
Total	10 530	100	913 655 874	100

Public/non-public shareholders	Number	%	Shares	%
Non-public shareholders	9	0.09	426 954 765	46.74
Strategic holdings (more than 10%)	1	0.01	100 000 000	10.95
Treasury stock	1	0.01	18 422 125	2.02
Directors and associates	7	0.07	308 532 640	33.77
Public shareholders	10 521	99.91	486 701 109	53.26
Total	10 530	100	913 655 874	100

Beneficial shareholders holding 2% or more	Shares	%
Shotput Investments (Pty) Ltd	100 000 000	10.95
Levy BM	89 024 101	9.74
Levy MS	82 513 099	9.03
Allan Gray Balanced Fund	57 242 596	6.27
Engineering Industries Pension Fund	36 853 067	4.03
MIBFA MIPF	33 681 030	3.69
ERZ Telecoms CC	26 943 509	2.95
Centriq Sasol Equity Portfolio	25 000 000	2.74
Zarclear Securities Lending Pty Ltd	23 634 998	2.59
CFD Position	21 000 000	2.30
Government Employees Pension Fund (PIC)	20 095 509	2.20
Seaview Global Investments	20 000 000	2.19
Orient Victoria Capital Pte Ltd	18 634 460	2.04
Allan Gray Equity Fund	18 588 349	2.03
Blue Label Telecoms Ltd	18 422 125	2.02
Total	591 632 843	64.77

Shareholders holding 2% or more	Shares	%
Allan Gray Pty Ltd	123 969 596	13.57
Shotput Investments (Pty) Ltd	100 000 000	10.95
Levy BM	89 024 101	9.74
Levy MS	82 513 099	9.03
MIBFA	70 804 700	7.75
Sanlam Investment Management (Pty) Ltd	43 675 493	4.78
ERZ Telecoms CC	26 943 509	2.95
Zarclear Securities Lending Pty Ltd	23 634 998	2.59
Seaview Global Investments	20 000 000	2.19
Orient Victoria Capital Pte Ltd	18 634 460	2.04
Blue Label Telecoms Ltd	18 422 125	2.02
Total	617 622 081	67.61

GLOSSARY

Word	Definition
AGM	Annual General Meeting
Airvantage	Airvantage, a private company whose Prepaid Airtime Advance System (PAS) offers Mobile Network Operators airtime, data and mobile money services: the ability to advance airtime, data or mobile money to subscribers
ARCC	Audit, Risk and Compliance Committee
BLD	Blue Label Distribution Proprietary Limited
BLDS	Blue Label Data Solutions Proprietary Limited
BLT; Blue Label/Blue Label Telecoms; Company	Blue Label Telecoms Limited
CEC	Comm Equipment Company Proprietary Limited
Cell C	Cell C Limited, launched operations in 2001, seven years after the launch of the two incumbents, Vodacom and MTN (launched in 1994)
CEO	Chief Executive Officer
the Companies Act	Companies Act, No 71 of 2008, as amended from time to time
CPI	Consumer price index
Deloitte	Deloitte South Africa
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ECL	Expected credit losses
EIR	Effective interest rate
EPS	Earnings per share
ERM	Enterprise risk management
ESG	Environmental, social, and governance
FD	Financial Director
FNB	First National Bank Limited
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GCorr	General Commission on Religion and Race
Group	Blue Label Telecoms Limited and its subsidiaries, associates and joint ventures
HEPS	Headline earnings per share

Word	Definition
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IRBA	Independent Regulatory Board for Auditors
ISA	International Standard on Auditing
ISAE	International Standard on Assurance Engagements
IT	Information technology
JSE	Johannesburg Stock Exchange Limited
King IV	King IV Report on Corporate Governance for South Africa
LGD	Loss Given Default
LTI	Lost Time Injury
LTIP	Long-term Incentive Plan
MOI	Memorandum of Incorporation
MVNO	Mobile virtual network operator
NCI	Non-controlling interest
NERSA	National Energy Regulator of South Africa
OCI	Other comprehensive income
OSI	Oxigen Services India
PD	Probability of Default
Remco	Remuneration Committee
RMB	Rand Merchant Bank
ROCE	Return on capital employed
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SIM card	Subscriber identification module card
SMS	Short message service
SNGGT	SizweNtsalubaGobodo Grant Thornton Inc.
SPV	Special purpose vehicle
STI	Short-term incentives

Word	Definition
TJ	Transaction Junction Proprietary Limited
TSR	Total shareholder return
TPC	The Prepaid Company Proprietary Limited
USD	US dollar
VAT	Value added tax
WACC	Weighted Average Cost of Capital
ZAR	South African rand

Bastion