

BLUE LABEL
TELECOMS

Blue Label Telecoms Limited
Annual Financial Statements
2024

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DISCLAIMER: This document contains certain statements that are "forward-looking" with respect to certain of the Company'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 Company'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 Company operates. The Company'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 Company 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 Company's external assurance providers. The Company 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.

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DIRECTORS' RESPONSIBILITIES AND APPROVAL

The Directors are responsible for the maintenance of adequate accounting records and the preparation, integrity and fair presentation of the financial statements of the Company.

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 Johannesburg Stock Exchange Limited (JSE) Listings Requirements and the requirements of the Companies Act of 2008.

The Directors consider that having applied IFRS in preparing the Company 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 Company financial statements fairly presents the results of operations for the year and the financial position of the Company at year-end. The Directors prepared the other information included in the Company financial statements and are responsible for both its accuracy and its consistency.

In addition, the Directors are responsible for the Company'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 Company financial statements have been prepared on the going concern basis, since the Directors have every reason to believe that the Company has adequate resources in place to continue in operation for the foreseeable future, based on forecasts and available cash resources.

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 Company financial statements. The Directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The external auditors are responsible for independently auditing and reporting on the Company's annual financial statements. The annual financial statements have been examined by the Company's external auditors and their report is presented on pages 9 to 10.

The annual financial statements set out on pages 11 to 39 which have been prepared on the going concern basis, were approved by the Directors on 28 August 2024 and were signed on their behalf by:



BM Levy

Joint Chief Executive Officer

28 August 2024



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 Listings Requirements, the Joint Chief Executive Officers and Financial Director hereby confirm that:

- the annual financial statements set out on pages 11 to 39, 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 Suntut
Financial Director

Sandton
28 August 2024

DECLARATION BY THE COMPANY SECRETARY

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 2024, 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
Company Secretary

Sandton
28 August 2024

DIRECTORS' REPORT

The Directors have pleasure in submitting their report on the annual financial statements of Blue Label Telecoms Limited (Blue Label, BLT or the Company) for the year ended 31 May 2024.

1. NATURE OF BUSINESS

The Company is incorporated and domiciled in the Republic of South Africa. The Company is an investment holding company.

The consolidated annual financial statements of Blue Label Telecoms Limited are available from the Company's registered office and online from the Company's website.

There have been no material changes to the nature of the Company's business from the prior year.

2. REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

The annual financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IASB) and the requirements of the Companies Act, No 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

The operating results and state of affairs of the Company are fully set out in the attached annual financial statements and do not, in our opinion, require any further comment.

The Company recorded a total comprehensive loss for the year ended 31 May 2024 of R5.93 million (2023: loss of R253 million), after taxation of Rnil (2023: Rnil).

3. GOING CONCERN

The Directors believe that the Company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The Directors have satisfied themselves that the Company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The Directors are not aware of any new material changes that may adversely impact the Company. The Directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Company.

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

The Directors reviewed the performance of the Company for the year ended 31 May 2024 including the net loss after tax of R5.93 million and the accumulated loss of R2.951 billion. The net loss for the year ended 31 May 2024 of R5.93 million was primarily due to the increase in the expected credit loss provision in line with IFRS 9, for the loan owed by The Prepaid Company to the Company, as well as an expected credit losses (ECL) adjustment relating to the financial guarantee issued to Dark Fibre Africa (SPV 5). Refer to note 11.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing the financial statements.

4. SHARE CAPITAL

Refer to note 9 of the annual financial statements for detail of the movement in authorised and issued share capital.

5. DIVIDENDS

No dividends were declared or paid to the shareholders during the year.

6. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Details of the Company's interests in subsidiaries, associates and joint ventures are presented in the annual financial statements in notes 3 and 4.

DIRECTORS' REPORT CONTINUED

7. DIRECTORATE

The Directors in office at the date of this report are as follows:

Directors	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 Officer	1 February 2007	
Mark S Levy	Joint Chief Executive Officer	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	

8. DIRECTORS' INTERESTS IN SHARES

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

Interests in shares

	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.

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

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 are set out in note 24.

9. SECRETARY

The Company Secretary is Ms Janine van Eden.

The Board is satisfied that she 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.

10. AUDITORS

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

11. SPECIAL RESOLUTIONS

On 23 November 2023, the Company passed the following special resolutions:

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

12. LETTERS OF SUPPORT

A letter of support was issued in respect of Gold Label Investments Proprietary Limited amounting to R269 930. No letters of support were issued by the Company in the prior year.

13. EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any matter or circumstance arising since the end of the financial year and up to the date of signing these financial statements that warrants adjustment or disclosure.

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 Company's financial statements and reporting of interim and final results;
- reviewing and considering, for recommendation to the Board, the budget for the ensuing financial year;
- overseeing integrated reporting;
- overseeing the Internal Risk and Compliance Committee function;
- overseeing the function of the 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 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 annual general meeting 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 South Africa (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.

STATUTORY DUTIES DISCHARGED

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

- nominated and recommended to shareholders the reappointment of SNG Grant Thornton (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 Company;
- 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 Chief Executive Officers 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 budget for the ensuing financial year; and
- considered the going concern status of the Company 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 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. No non-audit services were rendered by the external auditors for the Company during the year ended 31 May 2024 (2023: Nil).

The ARCC has nominated, for approval at the Annual General Meeting, 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.

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 Company grows.

AUDIT, RISK AND COMPLIANCE COMMITTEE'S REPORT

CONTINUED

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 Report on Corporate Governance for South Africa (King IV) principles;
- reviewed legal matters that could have a material impact on the Company in conjunction with Blue Label's legal adviser; and
- reviewed developments in corporate governance and best practice and considered their impact and implications 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 Company keeps abreast of matters affecting its regulatory environment; and
- identification and monitoring of key compliance risks.

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 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.

ANNUAL FINANCIAL STATEMENTS

The Committee has reviewed the accounting policies and financial statements of the Company 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 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 ARCC is satisfied that it has complied with its legal, regulatory and other responsibilities as per its terms of reference. 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 financial statements of Blue Label Telecoms Limited set out on pages 11 to 39, which comprise the statement of financial position as at 31 May 2024, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Blue Label Telecoms Limited as at 31 May 2024, and its financial performance and 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 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.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included 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. The other information further comprises the Shareholder Analysis on pages 40 and 41. The other information does not include the financial statements and our audit report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company'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 FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

INDEPENDENT AUDITOR'S REPORT CONTINUED

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 separate 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 Company'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 Company'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 separate 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 May 2024

	Notes	2024 R'000	2023 R'000
ASSETS			
Non-current assets		4 772 558	4 713 987
Property, plant and equipment	2	—	6
Investments in subsidiaries	3	2 940 649	2 940 649
Investments in associates and joint ventures	4	12 046	12 046
Loans to group companies	6	1 819 863	1 761 286
Current assets		3 783	23 815
Loans to group companies	6	—	1 924
Other receivables	7	473	20 458
Current tax assets		—	44
Cash and cash equivalents	8	3 310	1 389
Total assets		4 776 341	4 737 802
EQUITY AND LIABILITIES			
Capital and reserves		4 687 449	4 695 009
Share capital and premium	9	7 686 524	7 686 524
Treasury shares	9	(48 718)	(47 088)
Share-based payment reserve		295	295
Accumulated loss		(2 950 652)	(2 944 722)
Non-current liabilities			
Financial guarantee contracts	11	86 844	40 238
Current liabilities			
Trade and other payables	10	2 048	2 555
Total equity and liabilities		4 776 341	4 737 802

The notes on pages 15 to 39, which include the accounting policies, form an integral part of the annual financial statements.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 May 2024

	Notes	2024 R'000	2023 R'000
Revenue	12	418 453	31 579
Other income	13	—	1 998
Other gains	14	—	22 000
Impairment losses on financial assets and financial guarantees	15	(418 541)	(311 799)
Depreciation and amortisation	15	(6)	(266)
Operating expenses		(7 658)	3 213
Operating loss	15	(7 752)	(253 275)
Finance income	16	1 822	432
Loss before taxation		(5 930)	(252 843)
Income tax expense	17	—	—
Loss for the year		(5 930)	(252 843)
Total comprehensive loss for the year		(5 930)	(252 843)

The notes on pages 15 to 39, which include the accounting policies, form an integral part of the annual financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 May 2024

	Issued share capital and premium R'000	Treasury shares R'000	Share-based payment reserve R'000	Accumulated loss R'000	Total equity R'000
Balance as at 1 June 2022	7 686 524	(25 292)	295	(2 691 879)	4 969 648
Loss for the year	—	—	—	(252 843)	(252 843)
Total comprehensive loss	—	—	—	(252 843)	(252 843)
Shares purchased during the year	—	(69 633)	—	—	(69 633)
Shares awarded to group companies as part of equity compensation scheme	—	58 802	—	—	58 802
Shares forfeited as part of equity compensation scheme	—	(10 965)	—	—	(10 965)
Balance as at 31 May 2023	7 686 524	(47 088)	295	(2 944 722)	4 695 009
Loss for the year	—	—	—	(5 930)	(5 930)
Total comprehensive loss	—	—	—	(5 930)	(5 930)
Shares purchased during the year	—	—	—	—	—
Shares awarded to group companies as part of equity compensation scheme	—	3 606	—	—	3 606
Shares forfeited as part of equity compensation scheme	—	(5 236)	—	—	(5 236)
Balance as at 31 May 2024	7 686 524	(48 718)	295	(2 950 652)	4 687 449
Note	9	9			

The notes on pages 15 to 39, which include the accounting policies, form an integral part of the annual financial statements.

COMPANY 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/(utilised) by operations	18	11 972	(2 335)
Interest received	16	1 822	432
Taxation received/(paid)		44	(44)
Dividends received		2 000	37 464
Net cash generated from operating activities		15 838	35 517
Cash flows from investing activities			
Loans to group companies repaid		9 136	58 000
Loans advanced to group companies		(22 118)	(45 489)
Net cash (utilised in)/generated by investing activities		(12 982)	12 511
Cash flows from financing activities			
Treasury shares acquired	9	—	(69 633)
Shares sold to subsidiaries and associates		1 277	30 365
Purchase of shares forfeited by subsidiaries and associates		(2 212)	(10 236)
Net cash utilised in financing activities		(935)	(49 504)
Net increase/(decrease) in cash and cash equivalents		1 921	(1 476)
Cash and cash equivalents at the beginning of the year		1 389	2 865
Cash and cash equivalents at the end of the year	8	3 310	1 389

The notes on pages 15 to 39, which include the accounting policies, form an integral part of the annual financial statements.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

for the year ended 31 May 2024

1. MATERIAL ACCOUNTING POLICIES

1.1 Basis of preparation

The annual financial statements relate to the statutory entity. The consolidated annual financial statements of Blue Label Telecoms Limited (Blue Label, BLT or the Company) are available from BLT's registered office and online from BLT's website.

The annual financial statements have been prepared on the going concern basis in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (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 Johannesburg Stock Exchange Limited (JSE) Listings Requirements and the requirements of the South African Companies Act, as amended.

The annual financial statements are presented in South African rand (R), which is BLT's functional and presentation currency.

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

The Company has adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practise Statement 2) which requires the disclosure of 'material' rather than 'significant' accounting policies. Although the requirements did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in certain instances. Material accounting policies are in the related notes.

The annual financial statements have been prepared on the historic cost basis, except for certain financial instruments which are measured at fair value or at amortised cost.

1.2 Going concern

The Directors believe that BLT has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The Directors have satisfied themselves that BLT is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The Directors are not aware of any new material changes that may adversely impact BLT. The Directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect BLT.

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

After making enquiries, the Directors have a reasonable expectation that BLT has adequate resources to continue in operational existence for the foreseeable future. BLT therefore continues to adopt the going concern basis in preparing the financial statements.

1.3 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on 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 estimates are revised and in any future periods affected.

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. BLT uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on BLT's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Assessment of investments in subsidiaries, 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 Company 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 Company 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 ventures are determined based on value-in-use calculations. Where such calculations are performed, it would require the use of estimates.

For details of the significant judgements and estimates used, including key assumptions and inputs where applicable, refer to the individual notes:

	Notes
• Investments in subsidiaries	3
• Loans to group companies	6
• Income tax	17

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 May 2024

2. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

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.

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:

Furniture, fittings and office equipment	16.67% — 25%
Computer equipment	33.33%
Leasehold improvements	20%

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

	Furniture, fittings and office equipment R'000	Computer equipment R'000	Leasehold improvements R'000	Total R'000
Year ended 31 May 2024				
Opening carrying amount	6	—	—	6
Depreciation charge	(6)	—	—	(6)
Closing carrying amount	—	—	—	—
At 31 May 2024				
Cost	1 342	15	41 231	42 588
Accumulated depreciation	(1 342)	(15)	(41 231)	(42 588)
Carrying amount	—	—	—	—
Year ended 31 May 2023				
Opening carrying amount	31	—	241	272
Depreciation charge	(25)	—	(241)	(266)
Closing carrying amount	6	—	—	6
At 31 May 2023				
Cost	2 443	56	41 231	43 730
Accumulated depreciation	(2 437)	(56)	(41 231)	(43 724)
Carrying amount	6	—	—	6

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

3. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are carried at cost less any accumulated impairment losses in BLT's annual financial statements.

Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of investments.

Subsidiaries are all entities over which BLT has control. BLT controls an entity when BLT 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 to direct the activities of the entity.

Name of company	% holding 2024	% holding 2023	Carrying amount 2024 R'000	Carrying amount 2023 R'000
Blu Nova Proprietary Limited	100.00	100.00	— *	— *
Blue Label AltBureau Proprietary Limited	100.00	100.00	— *	— *
Blue Label Company Proprietary Limited	100.00	100.00	— *	— *
Blue Label Distribution Proprietary Limited	100.00	100.00	194 000	194 000
Blue Label One Proprietary Limited	100.00	100.00	40 000	40 000
Blue Label Ventures Proprietary Limited	100.00	100.00	— *	— *
Blue Moon Asset Company Proprietary Limited	100.00	100.00	— *	— *
Budding Trade 1170 Proprietary Limited	100.00	100.00	6 000	6 000
Datacel Direct Proprietary Limited	100.00	100.00	150 000	150 000
Glocell Retail Solutions Proprietary Limited	100.00	100.00	— *	— *
Gold Label Investments Proprietary Limited	100.00	100.00	— *	— *
One World Telecoms Proprietary Limited	100.00	100.00	— *	— *
The Prepaid Company Proprietary Limited	100.00	100.00	2 433 048	2 433 048
TicketPros Proprietary Limited	100.00	100.00	14 700	14 700
Transaction Junction Proprietary Limited	60.00	60.00	4 200	4 200
Ventury Group Proprietary Limited	100.00	100.00	98 701	98 701
WiConnect Proprietary Limited	100.00	100.00	5 000	5 000
Accumulated impairment of WiConnect Proprietary Limited			(5 000)	(5 000)
			2 940 649	2 940 649

All subsidiaries listed above are incorporated in South Africa.

* Less than R1 000.

The Prepaid Company Proprietary Limited (TPC)

As at 31 May 2024, there was no indicator of an impairment, and as such, the Company did not estimate the recoverable amount of the investment in TPC. There was an indicator identified in the prior year.

In the prior year, a value-in-use calculation was performed to determine the recoverable amount of the investment. This calculation used cash flow projections based on financial budgets approved by the Board of Directors for the forthcoming year and forecasts for up to five years which were based on assumptions of the business, industry and economic growth. Cash flows beyond this period were extrapolated using a terminal growth rate which did not exceed the expected long-term economic growth rate.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 May 2024

3. INVESTMENTS IN SUBSIDIARIES continued

The Prepaid Company Proprietary Limited continued

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

	2023
Average EBITDA margin %	2.0
Terminal growth %	4.5
Pre-tax discount rate (%)	22.1

The discount rates used were pre-tax and reflected specific risks relating to The Prepaid Company Proprietary Limited. The growth rate was used to extrapolate cash flows beyond the budget period. The growth rates were consistent with publicly available information relating to long-term average growth rates for the markets in which the companies operate. BLT's target debt-to-equity ratio was applied in the calculation of the weighted average cost of capital.

Based on the calculation performed, no impairment loss was recognised in the prior year. If one or more of the inputs were changed to a reasonable possible alternative, there would have been no impairments that would have had to be recognised.

WiConnect Proprietary Limited

BLT's investment in WiConnect Proprietary Limited was fully impaired in FY20. The Directors of WiConnect Proprietary Limited are still in the process of realising all assets and settling all liabilities, after which they will consider deregistering WiConnect Proprietary Limited.

4. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Accounting policy

Investments in associates and joint ventures are carried at cost less any accumulated impairment losses in BLT's annual financial statements.

The following table lists all of the associates and joint ventures of BLT:

Name of company	Number of shares issued	% ownership interest 2024	% ownership interest 2023	Carrying amount 2024 R'000	Carrying amount 2023 R'000
Utilities World Proprietary Limited	1 000	25.10	25.10	12 046	12 046
T3 Telecoms SA Proprietary Limited	50	50.00	50.00	—*	—*
Blue Label Communications Proprietary Limited	100	20.00	20.00	—*	—*
Blu Train Group Proprietary Limited	100	10.00	10.00	—*	—*
				12 046	12 046

* Less than R1 000.

All entities listed above are incorporated in South Africa.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Accounting policy

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

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

Classification

BLT classifies financial assets on initial recognition as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of BLT's business model for managing the financial asset and the cash flow characteristics of the financial asset.

BLT classifies its financial assets to be measured at amortised cost only if the asset is held within a business model whose objective is 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.

Financial assets that do not qualify for measurement at either amortised cost or fair value through other comprehensive income are classified as at fair value through profit or loss.

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

BLT had no investments in equity instruments during the current or prior year that were accounted for in accordance with IFRS 9. BLT did not classify any of its financial instruments to be measured at fair value through other comprehensive income during the current or prior year.

Financial assets are not reclassified unless BLT changes its business model for managing those financial assets. Financial liabilities are not reclassified.

Equity investments that are held-for-trading, or equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income are classified as financial assets at fair value through profit or loss.

Measurement

At initial recognition, BLT measures a financial instrument 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 financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Subsequent to initial recognition, financial instruments are measured as described below:

Category	Subsequent measurement
Financial assets	
Amortised cost	These financial assets are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Where the amortised cost using the effective interest method is materially lower than the fair value, this is separately disclosed.
Fair value through profit or loss (FVPL)	These financial assets are subsequently measured at fair value and changes therein (including any interest or dividend income) are recognised in profit or loss.
Financial liabilities	
Amortised cost	These financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expenses and foreign exchange gains and losses are recognised in profit or loss. Where the amortised cost using the effective interest method is materially more than the fair value, this is separately disclosed.
Fair value through profit or loss	These financial liabilities are subsequently measured at fair value with changes therein recognised in profit or loss.

Derecognition

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

Impairment

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

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 May 2024

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

Categories of financial assets

	Notes	2024 R'000	2023 R'000
At amortised cost			
Loans to group companies	6	1 819 863	1 763 210
Other receivables*	7	—	20 000
Cash and cash equivalents	8	3 310	1 389
		1 823 173	1 784 599

Categories of financial liabilities

	Notes	2024 R'000	2023 R'000
At amortised cost			
Trade and other payables**	10	2 048	1 123

* Carrying value per statement of financial position is R0.473 million (2023: R20.458 million) which includes R0.473 million (2023: R0.458 million) relating to prepaid expenses, which are not financial assets.

** Carrying value per statement of financial position is R2.048 million (2023: R2.555 million) which includes Rnil million (2023: R1.434 million) relating to tax payables, which are not financial liabilities.

Capital risk management

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

FINANCIAL RISK MANAGEMENT

Overview

BLT is exposed to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk (interest rate risk).

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

5.1 Credit risk

Credit risk, or the risk of financial loss to BLT due to customers or counterparties not meeting their contractual obligations, is managed through the application of credit approvals, limits and monitoring procedures. BLT is exposed to credit risk on loans to group companies, loans receivable, other receivables, cash and cash equivalents and financial guarantee contracts. The carrying amounts of financial assets represent the maximum credit exposure.

Expected credit losses

BLT tracks significant increases in credit risk using information available to BLT 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.

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

ECLs were determined by BLT 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 BLT.

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 year.

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, i.e. within 60 days of when payment is contractually due or payments are demanded for financial assets with no fixed repayment terms (payable on demand), and future payments are either suspended or unlikely.

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

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

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

- The groupings mentioned above are generally aligned to the staging requirements of IFRS 9 as follows:
- Group 1 financial assets are typically Stage 1.
- Group 2 financial assets are typically Stage 1, with minor Stage 2 balances.
- Group 3 financial assets are typically Stage 1 and Stage 2 balances.
- Group 4 financial assets are typically Stage 3.

Refer to note 6 for further detail on the ECL process applied to loans to group companies.

Credit risk exposure arising on cash and cash equivalents is managed by BLT through dealing with well-established financial institutions with high credit ratings. Refer to note 8 for details on these financial institutions and their credit ratings.

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

Categories of financial assets

		Gross carrying amount R'000	Credit loss allowance R'000	Carrying amount R'000
2024	Notes			
Loans to group companies	6	3 047 858	(1 227 995)	1 819 863
Cash and cash equivalents	8	3 310	—	3 310
		3 051 168	(1 227 995)	1 823 173
2023				
Loans to group companies	6	2 619 270	(856 060)	1 763 210
Other receivables	7	20 000	—	20 000
Cash and cash equivalents	8	1 389	—	1 389
		2 640 659	(856 060)	1 784 599

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 May 2024

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

5.2 Liquidity risk

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

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

Refer to note 11 for details regarding pledges and guarantees issued by BLT.

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

	Notes	Less than one month or on demand R'000	More than one month but not exceeding one year R'000	More than 1 year but not exceeding 2 years R'000	More than 2 years but not exceeding 5 years R'000	Total R'000
2024						
Trade and other payables	10	17	2 031	—	—	2 048
Financial guarantee contracts	11	—	1 877 000	100 000	75 000	2 052 000
		17	1 879 031	100 000	75 000	2 054 048
2023						
Trade and other payables	10	1 453	1 102	—	—	2 555
Financial guarantee contracts	11	—	1 780 000	100 000	175 000	2 055 000
		1 453	1 781 102	100 000	175 000	2 057 555

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

5.3 Market risk

Market risk is the risk that changes in market prices (interest rate, currency risk and/or price risk) will affect BLT'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.

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

Interest rate risk

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

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

The interest rate sensitivity is based on the following assumptions:

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

Under these assumptions, a 1% increase or decrease in market interest rates at 31 May 2024 would increase or decrease profit or loss and equity by R33 100 (2023: R13 889).

6. LOANS TO GROUP COMPANIES

For details regarding the accounting policy refer to note 5.

Loans to group companies

	2024 R'000	2023 R'000
Subsidiaries		
Total loans to subsidiaries	3 047 858	2 619 270
Credit loss allowance	(1 227 995)	(856 060)
	1 819 863	1 763 210
Split between:		
Non-current assets	1 819 863	1 761 286
Current assets	—	1 924
	1 819 863	1 763 210

These loans are unsecured, interest free and are repayable on demand, unless subject to a subordination agreement.

Expected credit losses

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

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

The maximum exposure to credit risk is the gross carrying amount of the loans as presented below. BLT does not hold collateral or other credit enhancements against loans to group companies.

The ECLs (probability of default and loss given default) applied to these groupings are obtained from Moody's Analytics for a reference entity with similar credit risk characteristics to the counterparties to which BLT is exposed.

The table below discloses the credit quality of the loans to group companies 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 miss 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 counterparties were categorised as follows:

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

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 May 2024

6. LOANS TO GROUP COMPANIES continued Expected credit losses continued

2024			Gross carrying amount R'000	Loss allowance R'000	Amortised cost R'000
Loans to subsidiaries	Categorisation				
Blue Label Ventures Proprietary Limited	Group 3		12 000	(1 660)	10 340
Gold Label Investments Proprietary Limited ^{1,2}	Group 4		391 150	(391 150)	—
The Prepaid Company Proprietary Limited ²	Group 3		2 644 708	(835 185)	1 809 523
			3 047 858	(1 227 995)	1 819 863
2023					
Blue Label Company Proprietary Limited ²	Group 1		9 011	(611)	8 400
Blue Label Ventures Proprietary Limited	Group 3		12 000	(1 366)	10 634
Gold Label Investments Proprietary Limited ^{1,2}	Group 4		388 372	(388 372)	—
The Prepaid Company Proprietary Limited ²	Group 3		2 209 887	(465 711)	1 744 176
			2 619 270	(856 060)	1 763 210

¹ The loan to Gold Label Investments Proprietary Limited (GLI) is considered to be credit impaired due to the financial position and financial results of GLI. GLI's liabilities exceed its assets, it has a significant accumulated loss and limited liquid assets.

² Subordination agreements have been issued by BLT in respect of these loans. BLT has agreed not to call upon these loans for the next 12 months.

Reconciliation of loss allowances

Loans to group companies: loss allowance

	2024 R'000	2023 R'000
Opening balance	(856 060)	(584 650)
Increase in loss allowance recognised in profit or loss during the year	(372 547)	(271 739)
Loss allowances reversed through profit or loss during the year	612	177
Written off	—	152
Closing balance	(1 227 995)	(856 060)

The fair value of loans from related parties approximates their carrying amounts because the ECL takes into account a market related discount factor.

7. OTHER RECEIVABLES

For details regarding the accounting policy refer to note 5.

	2024 R'000	2023 R'000
Financial asset		
Deposits*	—	20 000
Non-financial instruments		
Prepaid expenses	473	458
	473	20 458

* In 2023 BLT deposited R20 million as security in escrow for a cash-backed guarantee facility provided by Lombard Insurance Company Limited. In 2024 the guarantee was cancelled resulting in a refund of the deposit with interest.

8. CASH AND CASH EQUIVALENTS

For details regarding the accounting policy refer to note 5.

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand.

Cash and cash equivalents consist of:	2024 R'000	2023 R'000
Bank balances	3 310	1 389

For details of cross-surety securities provided, refer to note 11.

Credit quality of cash at bank, excluding cash on hand

The credit quality of cash at bank can be assessed by reference to external credit ratings. External credit ratings disclosed are the latest published credit ratings.

Credit rating (Moody's)	2024 R'000	2023 R'000
Ba2 (2023: Ba2)	3 310	1 389

The fair value of cash and cash equivalents approximates their carrying amounts due to being receivable on demand.

9. SHARE CAPITAL AND PREMIUM

Accounting policy

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

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

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Shares acquired by BLT for its own employees' equity compensation benefit scheme, including the shares procured on behalf of the subsidiaries in terms of this scheme, are accounted for as treasury shares in the statement of financial position.

AUTHORISED

2 000 000 000 ordinary shares with no par value

	Number of shares 2024	Number of shares 2023
Reconciliation of shares issued (net of treasury shares)		
Balance at the beginning of the year	910 820 275	913 093 326
Shares acquired during the year	—	(10 575 666)
Shares sold during the year ¹	1 126 728	10 646 215
Shares forfeited during the year ²	(822 454)	(2 343 600)
	911 124 549	910 820 275
Total number of shares in issue	913 655 874	913 655 874
Treasury shares	(2 531 325)	(2 835 599)

¹ Shares sold to subsidiaries and associates in relation to the Blue Label Telecoms Group Conditional Share Scheme.

² Purchase of shares that have been forfeited by subsidiaries and associates in relation to the Blue Label Telecoms Group Conditional Share Scheme.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 May 2024

9. SHARE CAPITAL AND PREMIUM continued

Accounting policy

	2024 R'000	2023 R'000
Issued		
913 655 874 (2023: 913 655 874) ordinary shares	7 686 524	7 686 524
Treasury shares	(48 718)	(47 088)
	7 637 806	7 639 436

All shares issued are fully paid up

	2024	2023
Treasury shares acquired		
Number of shares acquired during the year	—	10 575 666
Average price paid for shares acquired (rand)	—	6,58
Amount paid to acquire shares (R'000)	—	69 633

10. TRADE AND OTHER PAYABLES

For details regarding the accounting policy refer to note 5.

These amounts represent liabilities for goods and services provided to BLT prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition.

	2024 R'000	2023 R'000
Financial instruments		
Trade payables	17	19
Accrued expenses	2 031	1 102
Non-financial instruments		
South African Revenue Service	—	1 434
	2 048	2 555

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

11. FINANCIAL GUARANTEE CONTRACTS

Accounting policy

BLT elects on a contract by contract bases to apply IFRS 9 and IFRS 7 to financial guarantee contracts and not IFRS 17. Financial guarantee contracts are recognised at fair value on the date that BLT becomes a party to an irrevocable commitment. Financial guarantee contracts are subsequently stated at the higher of the amount determined by the ECL model and the amount initially recognised. Any difference between the redemption value guarantee obligation and the amount paid is recognised in the income statement. The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Any difference between the redemption value guarantee obligation and the amount paid is recognised in the statement of profit or loss.

FINANCIAL GUARANTEE CONTRACTS RECOGNISED	2024 R'000	2023 R'000
Financial guarantee to Dark Fibre Africa (SPV5)	86 844	40 238

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

BLT has issued a company cross-suretyship in favour of FirstRand Bank Limited amounting to R31.9 million (2023: R31.9 million) for the joint and several obligations of the following subsidiary companies to FirstRand Bank Limited:

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

The cross-suretyship of R31.9 million relates to an overdraft facility amounting to R19.85 million, credit card facilities of R1.065 million (2023: R1.065 million) and settlement payment facilities of R11 million. Management assessed the likelihood of the guarantees being called as remote, and therefore no liability was recognised in the current or prior year.

BLT has pledged the following securities in respect of TPC's facility with Investec Bank Limited (acting through its Investment Banking Division: Corporate Solutions), FirstRand Bank Limited (acting through its Rand Merchant Bank division) and another financier (lenders):

- A General Notarial Bond over all the moveable assets of BLT, limited to R4.75 billion;
- 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 principle rights which they may have against any entity guaranteeing the principle debt owed by TPC; and
- A Subordination by BLT 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.

Guarantees to the value of R50 million (2023: R50 million) has been issued by BLT relating to TPC's Telkom guarantee facility. Management assessed the likelihood of the guarantee being called as remote, and therefore no liability was recognised in the current or prior year.

BLT issued guarantees to the value of R250 million (2023: R250 million) relating to Comm Equipment Company Proprietary Limited's (CEC) facility with African Bank. BLT issued guarantees to the value of R75 million (2023: R75 million) relating to CEC's facility with Samsung. Management assessed the likelihood of the guarantee being called as remote, and therefore no liability was recognised in the current or prior year.

In 2023 BLT issued guarantees to the value of R5 million to the clients of Unipay, a division of Cigicell Proprietary Limited. The guarantees have expired by the end of the current year. Management assessed the likelihood of the guarantee being called as remote, and therefore no liability was recognised in the prior year.

In 2023 BLT deposited R20 million as security in escrow for a guarantee provided by Lombard Insurance Company Limited, to MTN in order to increase TPC's trading account by an additional R100 million, of which BLT had no further exposure in relation to the guarantee. This guarantee has been cancelled in the current year resulting in the deposit along with interest being repaid to BLT.

In 2024 BLT issued a guarantee to the value of R2 million to Kent Properties, the landlord of I Talk Holdings. Management assessed the likelihood of the guarantee being called as remote, and therefore no liability was recognised in the current year.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 May 2024

11. FINANCIAL GUARANTEE CONTRACTS continued

Accounting policy continued

Financial guarantee to Dark Fibre Africa (SPV5)

In 2023 debt owing to Dark Fibre Africa (DFA), a lessor of 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). SPV5 is required to repay the debt of R275 million in tranches from 31 December 2024 to 31 December 2026.

BLT issued a guarantee in favour of DFA for the repayment of its debt by SPV5. At the same time TPC agreed to provide SPV5 with the necessary funding as and when it is required to make the payments of R275 million to DFA, in return for a claim of R699 million in SPV5.

TPC's loan will be repayable on demand at an amount equal to:

- i) the capital advanced of R275 million, plus
- ii) R424 million, plus
- iii) 50% of the fair value of the Cell C shares held by SPV5 in excess of i) and ii).

The Cell C shares held by SPV5 are pledged as security in favour of TPC, however, SPV5 is permitted to sell the Cell C shares prior to TPC advancing it any funds provided that the net proceeds exceed R375 million. If SPV5 disposes of its shares in Cell C, then R275 million of the net proceeds needs to be used to settle the lessor and R100 million is to be paid to TPC as an irrevocable and unconditional break fee. Once TPC has advanced funds to SPV5, SPV5 is precluded from selling the Cell C shares without TPC's consent, but TPC has no rights with respect to directing the voting rights attached to the shares.

In the event of default, TPC would be able to acquire the 10% shareholding in Cell C in settlement of its loan, but only with the prior approval of the Competition Commission of South Africa and ICASA as such acquisition would result in TPC acquiring control of Cell C. Such rights are not substantive as the Group does not have the practical ability to exercise its rights as it relates to SPV5. 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.

Exposure to credit risk

The financial guarantee contracts expose BLT to credit risk, being the risk that BLT will incur financial loss if guaranteed parties fail to make payments as they fall due.

The credit loss allowances for financial guarantee contracts are determined in accordance with the impairment provisions of 'IFRS 9 *Financial Instruments*', which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for financial guarantee contracts is calculated based on 12-month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime ECLs. The loss allowance is updated to either 12-month or lifetime ECLs at each reporting date based on changes in the credit risk since initial recognition. If an exposure is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition. On the other hand, if the underlying loan is in arrears more than 90 days, then it is assumed that there has been a significant increase in credit risk since initial recognition.

In determining the amount of ECLs, BLT has taken into account any historic default experience, the financial positions of the counterparty as well as the future prospects in the industries in which the counterparty operates.

There has been no change in the estimation techniques or significant assumptions made during the current year.

The maximum exposure to credit risk is the carrying amount of the loans subject to guarantee as presented below.

Credit rating framework

For purposes of determining the credit loss allowances on the financial guarantee exposure to credit risk is linked to the credit risk of another counterparty (TPC).

DFA financial guarantee liability	2024	2023
Lifetime ECL% of TPC (%)	31.58	14.63
Carrying value (R'000)	86 844	40 238

Credit loss allowances

The following table sets out the loss allowance and measurement basis of ECLs for financial guarantee contracts by credit rating grade:

		Loss allowance R'000	Carrying amount of financial guarantee contract R'000
2024	Basis of loss allowance		
Financial guarantee to Dark Fibre Africa (SPV5)*	Lifetime ECL (credit impaired)	86 844	86 844
2023			
Financial guarantee to Dark Fibre Africa (SPV5)*	Lifetime ECL (credit impaired)	40 238	40 238

* The carrying amount represents the maximum exposure to credit risk which is linked to the credit risk of The Prepaid Company.

Reconciliation of loss allowances

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

	2024 R'000	2023 R'000
Opening balance	40 238	—
Loss allowance recognised in profit or loss during the year	46 606	40 238
Closing balance	86 844	40 238

12. REVENUE

Accounting policy

Revenue comprises dividends received from companies within the Blue Label Telecoms Group. Dividends received is recognised in revenue in profit or loss when BLT's right to receive payment is established.

	2024 R'000	2023 R'000
Revenue other than from contracts with customers		
Dividends received	418 453	31 579

13. OTHER INCOME

	2024 R'000	2023 R'000
Sundry income	—	1 998

14. OTHER GAINS

	2024 R'000	2023 R'000
Fair value movements comprise the following:		
Fair value gain on put option	—	22 000

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 May 2024

15. OPERATING LOSS

Operating loss is arrived at after including the following:

	Notes	2024 R'000	2023 R'000
Audit fees		335	323
Consulting fees		5 509	1 693
Depreciation		6	266
Impairment losses on financial assets and financial guarantees*	6,11	418 541	311 799
Legal expenses		257	377
Secretarial fees		1 542	1 482

* The impairment losses of R419 million (2023: R312 million) includes the increase in the ECL provision of R369 million (2023: R268 million) relating to the loan owing by The Prepaid Company to BLT, refer to note 6. In addition, the impairment losses include an ECL adjustment of R47 million (2023: R40 million) relating to the financial guarantee issued to Dark Fibre Africa (SPV5), refer to note 11.

16. FINANCE INCOME

Accounting policy

Finance income is recognised using the effective interest method. When a loan or receivable is impaired, BLT reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as finance income. Finance income on impaired loans and receivables is recognised using the original effective interest rate.

	2024 R'000	2023 R'000
Interest received		
Bank	138	432
South African Revenue Service	2	—
Deposits*	1 682	—
Total finance income	1 822	432

* Interest earned on funds deposited with Lombard Insurance Company Limited which has been fully refunded.

17. INCOME TAX

Accounting policy

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or different year, to other comprehensive income; or
- a business combination.

Critical accounting estimates and assumptions

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. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of BLT to realise net deferred tax assets recorded at the end of the reporting period could be impacted.

The Directors resolved at the end of the prior and current financial year not to recognise the deferred tax asset. No income tax charge/(credit) was recognised in the current or prior year.

	2024 R'000	2023 R'000
Reconciliation between loss and tax charge		
Loss before taxation	(5 930)	(252 843)
Tax at the applicable tax rate of 27%	(1 601)	(68 268)
Tax effect of adjustments on taxable loss		
Dividends received not taxable	(112 982)	(8 526)
Fair value adjustment on derivative liability	—	(5 940)
ECL movement on financial assets and financial guarantees	113 006	84 145
Expenditure not deductible for tax purposes	1 177	(2 032)
Tax effect of losses not recognised	400	621
	—	—

No provision has been made for current tax as BLT has no taxable income. The estimated tax loss available for set off against future taxable income is R180 893 756 (2023: R180 943 377).

18. CASH GENERATED FROM/(UTILISED BY) OPERATIONS

	2024 R'000	2023 R'000
Loss before taxation	(5 930)	(252 843)
Adjustments for:		
Depreciation and amortisation	6	266
Dividends received	(418 453)	(31 579)
Finance income	(1 822)	(432)
Fair value adjustment on derivative liability	—	(22 000)
Net impairment losses and movements in credit loss allowances	418 541	311 799
Changes in working capital:		
Other receivables	19 985	(44)
Trade and other payables	(355)	(7 502)
	11 972	(2 335)

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 May 2024

19. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities

	Opening balance R'000	Fair value changes/ECLs R'000	Financial guarantee movements R'000	Total non-cash movements R'000	Closing balance R'000
2024					
Financial guarantee contracts	40 238	—	46 606	86 844	86 844
2023					
Financial liabilities measured at fair value through profit or loss	22 000	(22 000)	—	(22 000)	—
Financial guarantee contracts	—	—	40 238	40 238	40 238
	22 000	(22 000)	40 238	18 238	40 238

20. COMMITMENTS AND CONTINGENCIES

BLT has no commitments, contingent assets or liabilities that require disclosure.

21. RELATED PARTIES

Accounting policy

A related party is a person or an entity that is related to the reporting entity:

- A person or a close member of that person's family is related to a reporting entity if that person has control, joint control, or significant influence over the entity or is a member of its key management personnel.
- An entity is related to a reporting entity if, among other circumstances, it is a parent, subsidiary, fellow subsidiary, associate or joint venture of the reporting entity, or it is controlled, jointly controlled, or significantly influenced or managed by a person who is a related party.

The Executive Directors of BLT are regarded as key management of BLT. For details of emoluments to Directors, refer to note 24.

Accounting policy

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

Relationships

Subsidiaries of Blue Label Telecoms Limited

A Connect Telecoms Proprietary Limited	Glocell Distribution Proprietary Limited
Aligned Partnered Solutions Proprietary Limited	Glocell Retail Solutions Proprietary Limited
Blue Label Company Proprietary Limited	Gold Label Investments Proprietary Limited
Blue Label Connect Proprietary Limited	Heroticket Proprietary Limited
Blue Label Data Solutions Proprietary Limited	Lipa Payments Proprietary Limited
Blue Label Distribution Proprietary Limited	Mobile Macs Proprietary Limited
Blue Label One Proprietary Limited	One World Telecoms Proprietary Limited
Blue Label Ventures Proprietary Limited	Reware Proprietary Limited
Blue Moon Asset Company Proprietary Limited	Robtronics Proprietary Limited
Blu Nova Proprietary Limited	Striide SA Proprietary Limited
Bluadvance Proprietary Limited	The Prepaid Company Proprietary Limited
Budding Trade 1170 Proprietary Limited	TicketPros Proprietary Limited
Cigicell Proprietary Limited	Transaction Junction Namibia Proprietary Limited
CNS Call Centre Proprietary Limited	Transaction Junction Proprietary Limited
Comm Equipment Company Proprietary Limited	Ventury Group Proprietary Limited
Comm Equipment Trading Company Proprietary Limited	Visual Revenue Management Proprietary Limited
Datacel Direct Proprietary Limited	WiConnect Proprietary Limited
Dunoworx Proprietary Limited	Wozza Airtime Proprietary Limited

Joint ventures and associates of Blue Label Telecoms Limited

2DFine Holdings Mauritius	I Talk Financial Services Proprietary Limited
Blue Label Communications Proprietary Limited	I Talk Holdings Proprietary Limited
Blu Train Group Proprietary Limited	T3 Telecoms SA Proprietary Limited
Cell C Limited	Utilities World Proprietary Limited
I Talk 2U Proprietary Limited	

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 May 2024

21. RELATED PARTIES continued

Related party balances

	Gross carrying amount R'000	Loss allowance R'000	Total R'000
2024			
Loans to group companies (refer note 6)			
Blue Label Ventures Proprietary Limited	12 000	(1 661)	10 339
Gold Label Investments Proprietary Limited	391 150	(391 150)	—
The Prepaid Company Proprietary Limited	2 644 708	(835 185)	1 809 523
	3 047 858	(1 227 996)	1 819 862
2023			
Blue Label Company Proprietary Limited	9 011	(611)	8 400
Blue Label Ventures Proprietary Limited	12 000	(1 366)	10 634
Gold Label Investments Proprietary Limited	388 372	(388 372)	—
The Prepaid Company Proprietary Limited	2 209 887	(465 711)	1 744 176
	2 619 270	(856 060)	1 763 210
		2024 R'000	2023 R'000
Dividends received from related parties (refer note 12)			
Blue Label One Limited		(20 000)	—
Ventury Group Proprietary Limited		(183 728)	—
Utilities World Proprietary Limited		—	(61)
Datacel Direct Proprietary Limited		(214 725)	(31 518)
		(418 453)	(31 579)

22. NEW STANDARDS AND INTERPRETATIONS

Standards and interpretations not yet effective

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

Standards, interpretations and amendments issued but not effective	Effective date
IAS 1 (<i>Presentation of Financial Statements</i>)	
"Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current"	Year ending 31 May 2025
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 <i>Statement of Cash Flows</i> and IFRS 7 (<i>Financial Instruments</i>)	
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.	Year ending 31 May 2025
IFRS 16 (<i>Leases</i>)	
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.	Year ending 31 May 2025
IFRS 18 (<i>Presentation and Disclosure in Financial Statements</i>)	
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.	Year ending 31 May 2028
IFRS 19 (<i>Subsidiaries without Public Accountability: Disclosures</i>)	
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.	Year ending 31 May 2028

23. SUBSEQUENT EVENTS

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

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 May 2024

24. 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
For the year ended 31 May 2024			
Executive Directors			
BM Levy	—	—	11 701
MS Levy	—	—	11 701
DA Suntup	—	—	6 198
	—	—	29 600
Non-Executive Directors			
LM Nestadt	2 486	—	—
KM Ellerine*	—	—	—
JS Mthimunya	1 290	68	—
SJ Vilakazi	1 223	—	—
H Masondo	507	—	—
NP Mnxasana	790	45	—
LE Mthimunya	1 162	50	—
	7 458	163	—
	7 458	163	29 600

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

For the year ended 31 May 2023

Executive Directors

BM Levy	—	—	10 936
MS Levy	—	—	10 936
DA Suntup	—	—	5 792
	—	—	27 664

Non-Executive Directors

LM Nestadt	2 323	—	—
KM Ellerine	720	—	—
GD Harlow**	511	211	—
JS Mthimunya	1 206	68	—
SJ Vilakazi	1 102	—	—
PL Zim***	469	45	—
NP Mnxasana	739	21	—
LE Mthimunya	632	—	—
	7 702	345	—
	7 702	345	27 664

** Independent Non- Executive Director, GD Harlow, resigned on 19 October 2022.

*** Independent Non- Executive Director, PL Zim, resigned on 22 February 2023.

Remuneration was paid by subsidiary companies.

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.

Bonuses and performance-related payments from subsidiaries R'000	Other benefits from subsidiaries R'000	Total R'000	Fair value of conditional shares R'000
6 649	—	18 350	15 030
6 649	—	18 350	15 030
2 406	36	8 640	7 961
15 704	36	45 340	38 021
—	—	2 486	—
—	—	—	—
—	—	1 358	—
—	—	1 223	—
—	—	507	—
—	—	835	—
—	—	1 212	—
—	—	7 621	—
15 704	36	52 961	38 021

10 936	—	21 872	11 581
10 936	—	21 872	11 581
4 054	—	9 846	6 134
25 926	—	53 590	29 296

—	—	2 323	—
—	—	720	—
—	—	722	—
—	—	1 274	—
—	—	1 102	—
—	—	514	—
—	—	760	—
—	—	632	—
—	—	8 047	—
25 926	—	61 637	29 296

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 May 2024

24. DIRECTORS' EMOLUMENTS continued

	Issue date	Issue price R	Vesting date	Awards outstanding as at the beginning of the year
CONDITIONAL SHARE PLAN				
For the year ended 31 May 2024				
BM Levy	1 September 2020	3.20	31 August 2023	1 520 776
BM Levy	6 April 2022	6.42	31 August 2024	803 501
BM Levy	1 September 2022	6.25	31 August 2025	874 878
BM Levy	1 November 2023	3.22	31 August 2026	—
				3 199 155
MS Levy	1 September 2020	3.20	31 August 2023	1 520 776
MS Levy	6 April 2022	6.42	31 August 2024	803 501
MS Levy	1 September 2022	6.25	31 August 2025	874 878
MS Levy	1 November 2023	3.22	31 August 2026	—
				3 199 155
DA Suntup	1 September 2020	3.20	31 August 2023	805 462
DA Suntup	6 April 2022	6.42	31 August 2024	425 565
DA Suntup	1 September 2022	6.25	31 August 2025	463 369
DA Suntup	1 November 2023	3.22	31 August 2026	—
				1 694 396
CONDITIONAL SHARE PLAN				
For the year ended 31 May 2023				
BM Levy	18 November 2019	2.55	31 August 2022	1 908 425
BM Levy	1 September 2020	3.20	31 August 2023	1 520 776
BM Levy	6 April 2022	6.42	31 August 2024	803 501
BM Levy	1 September 2022	6.25	31 August 2025	—
				4 232 702
MS Levy	18 November 2019	2.55	31 August 2022	1 908 425
MS Levy	1 September 2020	3.20	31 August 2023	1 520 776
MS Levy	6 April 2022	6.42	31 August 2024	803 501
MS Levy	1 September 2022	6.25	31 August 2025	—
				4 232 702
DA Suntup	18 November 2019	2.55	31 August 2022	1 010 776
DA Suntup	1 September 2020	3.20	31 August 2023	805 462
DA Suntup	6 April 2022	6.42	31 August 2024	425 565
DA Suntup	1 September 2022	6.25	31 August 2025	—
				2 241 803

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
138 999	—	(1 659 775)	—
—	—	—	803 501
—	—	—	874 878
1 817 001	—	—	1 817 001
1 956 000	—	(1 659 775)	3 495 380
138 999	—	(1 659 775)	—
—	—	—	803 501
—	—	—	874 878
1 817 001	—	—	1 817 001
1 956 000	—	(1 659 775)	3 495 380
73 619	—	(879 081)	—
—	—	—	425 565
—	—	—	463 369
962 354	—	—	962 354
1 035 973	—	(879 081)	1 851 288
258 210	—	(2 166 635)	—
—	—	—	1 520 776
—	—	—	803 501
874 878	—	—	874 878
1 133 088	—	(2 166 635)	3 199 155
258 210	—	(2 166 635)	—
—	—	—	1 520 776
—	—	—	803 501
874 878	—	—	874 878
1 133 088	—	(2 166 635)	3 199 155
136 758	—	(1 147 534)	—
—	—	—	805 462
—	—	—	425 565
463 369	—	—	463 369
600 127	—	(1 147 534)	1 694 396

ANNEXURE TO THE ANNUAL FINANCIAL STATEMENTS

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 — 100 000 shares	652	6.19	21 581 253	2.36
100 001 — 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

GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE

South Africa

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

Investment Holding company

DIRECTORS

LM Nestadt (Chairman), BM Levy, MS Levy, DA Suntup, NP Mnxasana, JS Mthimunye, SJ Vilakazi, LE Mthimunye, H Masondo (appointed 1 August 2023)

SECRETARY

J van Eden

REGISTERED OFFICE

75 Grayston Drive, Morningside Ext 05, Sandton, 2196

BUSINESS ADDRESS

75 Grayston Drive, Morningside Ext 05, Sandton, 2196

POSTAL ADDRESS

P.O. Box 652261, Benmore, 2010

BANKERS

First National Bank - division of FirstRand Bank Limited; Investec Bank Limited

AUDITORS

SizweNtsalubaGobodo Grant Thornton Inc.

COMPANY REGISTRATION NUMBER

2006/022679/06

LEVEL OF ASSURANCE

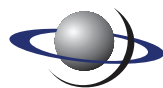
These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act, No 71 of 2008.

PREPARER

The annual financial statements were prepared under the supervision of DA Suntup CA(SA).

ISSUED

29 August 2024



BLUE LABEL
TELECOMS

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(Corner of Grayston Drive & Benmore Drive)
Morningside Extension 05, Sandton,
Johannesburg, South Africa



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