

9. Unrecognised items continued

9.1 Subsequent events continued

An agreement between BLT and DE was reached in August 2021, whereby the parties agreed that BLT's primary obligations to the minority shareholders will be transferred to DE ahead of any Cell C test in respect of its solvency and liquidity. This agreement is subject to the fulfilment of certain conditions precedent.

If, however, Cell C is unable to pass the solvency and liquidity test in the future, the primary obligation in respect of the put options may revert back to BLT.

Recapitalisation facility

On 26 August 2021, The Prepaid Company Proprietary Limited, a wholly owned subsidiary of Blue Label and a shareholder of 45% of the issued share capital of Cell C Limited, has concluded a term sheet for an Airtime Purchase transaction with Investec Bank Limited, First Rand Bank Limited (acting through its Rand Merchant Bank division) and other financiers, the proceeds of which are intended to be utilised for the recapitalisation of Cell C. This arrangement is subject to the conclusion of all legal documentation and fulfilment of all conditions precedent under such legal documentation.

10. Accounting framework

10.1 Basis of preparation

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

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

The term IFRS includes International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC). The standards referred to are set by the International Accounting Standards Board (IASB).

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

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

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

10.2 Going concern

The performance of the Blue Label Group remains resilient in an adverse economic environment. In spite of the Covid-19 pandemic, the Group has continued to deliver essential services, including electricity, airtime, data and other digital services, as well as providing financial transactional services, which have not been negatively impacted. The Group's ticketing and call centre operations have been negatively impacted as a result of the Covid-19 pandemic. Cash flow generated by the Group strengthened, with cash generated from operating activities amounting to R1.5 billion in the current year.

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

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