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.

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:

2024	Basis of loss allowance	Loss allowance R'000	Carrying amount of financial guarantee contract R'000
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