6. LOANS TO GROUP COMPANIES

For details regarding the accounting policy refer to note 5.

Loans to group companies

Subsidiaries	2024 R'000	2023 R'000
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%).

6. LOANS TO GROUP COMPANIES continued
Expected credit losses continued

2024 Loans to subsidiaries	Categorisation	Gross carrying amount R'000	Loss allowance R'000	Amortised cost R'000
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.