3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

3.1 Financial instruments continued

Impairment of financial assets measured at amortised cost

The Group calculates its allowance for credit losses for financial assets measured at amortised cost using expected credit losses (ECLs). Credit losses are cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the original effective interest rate (EIR), or at the original credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets. ECLs are probability weighted averages of credit losses.

For all financial assets measured at amortised cost, except for trade and other receivables, the Group measures the related loss allowance at an amount equal to 12-month ECLs, which is the portion of lifetime ECLs that result from default events that are possible within the 12 months after the reporting date. Once a significant increase in credit risk occurs, the loss allowance is measured based on lifetime ECLs. For trade and other receivables, the Group measures the related loss allowance at lifetime ECLs from initial recognition.

Purchased or originated credit-impaired financial assets are financial assets that are credit-impaired on initial recognition. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred, for example:
- significant financial difficulty of the borrower;
- default or past due event;
- other lenders having granted the borrower concessions for economic or contractual reasons relating to the borrower's financial difficulty that they would not otherwise consider;
- probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Since the original credit-adjusted effective interest rate reflects lifetime ECLs at initial recognition, the Group only recognises the cumulative changes in lifetime ECLs since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

3.2 Financial risk management

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

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

3.2.1 Credit risk

Credit risk, or the risk of financial loss to the Group due to customers or counterparties not meeting their contractual obligations, is managed through the application of credit approvals, limits and monitoring procedures.

The Group is exposed to credit risk on financial assets mainly in respect of those assets detailed in the financial instruments table on page 56. The carrying amounts of financial assets represent the maximum credit exposure.

Expected credit losses

The Group tracks significant increases in credit risk using information available to the Group regarding the counterparty credit risk. Furthermore, this is supplemented by taking into account the performance of the counterparty to the financial asset in question, as well as data from Moody's Analytics where applicable.

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

ECLs were determined by the Group based on an unbiased, probability weighted amount that is determined by evaluating a range of possible outcomes and, where relevant, reflecting the time value of money. In accordance with the requirements of IFRS 9, ECL allowances are required to be measured in a way that incorporates information available at the reporting date about past events, current conditions and forecasts of future economic conditions. Each of these were used in calculating the ECL on the in-scope financial assets of the Group. Moody's Analytics is used to incorporate forward looking information in the determination of ECLs. Moody's consider the effect of various macro-economic phenomena and events such as Covid-19 to be embedded in the underlying actual results of entities, and as a result reflected in the probability of default (PD) assumption of underlying ECL methodologies. As such, no significant overlays or other adjustments, other than the macro-economic forecasts, have been included in the current and prior financial years.

Moody's Analytics produces a set of macro-economic forecasts for South Africa that considers the historical accuracy of various forecasters to identify reliable sources. These are incorporated into their GCorr macro-economic forecast set. Based on research conducted by Moody's Analytics, it recommends the use of its Baseline, Stronger Near-Term Rebound (S1), and Moderate Recession (S3) forecast sets weighted 40%, 30% and 30% (2023: 40%, 30%, 30%) respectively for a forward looking adjustment for the purposes of IFRS 9. It considers both public and private South African company defaults in this research. The methodology considers the industry of the asset and the related volatility in comparison to the average volatility in the South African economy.

Significant increases in credit risk can be evaluated with reference to movements in the balances between the grouping categories used throughout this note.

Management defines default as the situation when counterparties fail to make payments in a timely manner and future payments are either suspended or unlikely.

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

The groupings below are referenced throughout this note:
Group 1: Fully performing counterparties with a credit rating equivalent to a Moody's rating of B1 or higher. ECL range up to 10.03% (2023: up to 9.57%).
Group 2: Fully performing counterparties with a credit rating equivalent to a Moody's rating of between B1 and B2. ECL range of 10.03% to 12.31% (2023: 9.57% to 11.66%).
Group 3: Fully performing counterparties with a credit rating equivalent to a Moody's rating of between B2 and Ca. ECL range of 12.31% to 53.76% (2023: 11.66% to 53.39%).
Group 4: Counterparties who are considered to be in default and have an equivalent Moody's rating of Ca or lower. ECL of 53.76% to 100% (2023: 53.39% to 100%).
Group 5: Counterparties which have been designated as credit impaired or originated credit-impaired loans. ECL based on the credit rating of the underlying counterparty.

These groupings are generally aligned to the staging requirements of IFRS 9 as follows:
- Group 1 financial assets are typically Stage 1.
- Group 2 financial assets are typically Stage 1, with minor Stage 2 balances.
- Group 3 financial assets are typically Stage 1 and Stage 2 balances.
- Group 4 financial assets are typically Stage 3.
- Group 5 (POCI) financial assets are typically Stage 3.

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

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

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

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

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

3.2 Financial risk management continued

3.2.1 Credit risk continued

Expected credit losses continued

(i) Cash and cash equivalents

The Group places cash and cash equivalents with major banking groups and financial institutions.

The counterparties were categorised as follows:

Group 1: Financial institutions with a Moody's long-term debt issuer rating of Ba2 or better, or cash on hand. Insignificant ECL.

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

(ii) Loans to associates and joint ventures

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

The Group manages credit risk on this portfolio of loans by following strict protocols for the approval thereof, and where possible obtaining appropriate security and other collateral. Management regularly reviews these loans and uses an internal ratings-based system to track credit risk thereon. Refer to note 2.1.1.

Critical accounting judgements and assumptions

Funding provided to Cell C – originated credit-impaired

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

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

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

The table below discloses the credit quality of the loans to associates and joint ventures of the Group for which no external credit ratings are available. Equivalent credit ratings were based on the latest Moody's default ratings.

These ratings include forward looking adjustments for all relevant economic factors. Management defines default as when counterparties fail to make payments and future payments are either suspended or unlikely. Management writes off loans where they have actively pursued the debt and there is no indication of recovery.

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

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued
3.2 Financial risk management continued
3.2.1 Credit risk continued
Expected credit losses continued
Critical accounting judgements and assumptions continued
Funding provided to Cell C – originated credit impaired continued

The loss allowances as at 31 May 2024 for loans to Cell C, which are included in group 5 above, are determined as follows:

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

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

(iii) Loans receivable

The Group has provided loans to third parties who are seen as product distributors, in order to expand its distribution channels. These loans have been extended on various terms depending on management's assessment of the business rationale for the provision thereof. The Group manages credit risk by following strict protocols for the approval and monitoring of these loans, and where possible, obtaining appropriate security and other collateral.

Management regularly reviews these loans and uses an internal ratings-based system to track credit risk thereon.

The table below discloses the credit quality of the loans receivable of the Group for which no external credit ratings are available. Equivalent credit ratings were based on the latest Moody's default ratings. These ratings include forward looking adjustments for all relevant economic factors. Management defines default as when counterparties fail to make payments and future payments are either suspended or unlikely. Management writes off loans where they have actively pursued the debt and there is no indication of recovery.

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

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

(iv) Advances to customers

Advances to customers represent the activities of the Group's subsidiary, CEC, which provides financing for cellular handsets. This customer base is widely dispersed throughout South Africa and no significant concentrations of credit risk have been noted.

The business model of these financing arrangements exposes the Group to the credit risk of the population of the underlying subscribers who are all customers of Cell C Service Provider Proprietary Limited and other business partners of CEC.

Management has put in place credit risk policies as well as stringent customer acceptance policies and limits to manage the credit risk exposure at deal initiation. Subsequent to deal initiation, credit risk at a subscriber level is managed through a combination of policies and procedures which limit the customers' ability to incur further debt should their accounts not be up to date.

The Group calculates an ECL for the instruments in this portfolio in accordance with the general approach in IFRS 9 using a provision matrix model (refer to detail under (v) Trade and other receivables) which takes into account, applicable forward looking indicators in line with Group policy. The Group continually refines and improves the model applied to take into account new information and additional data that becomes available as internal processes evolve. These improvements are accounted for prospectively as changes to the ECL estimate when they arise.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued
3.2 Financial risk management continued
3.2.1 Credit risk continued
Expected credit losses continued
(iv) Advances to customers continued

The loss allowance as at 31 May 2024 for advances to customers is determined as follows:

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

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

(v) Trade and other receivables

The Group has a diversified customer base and policies are in place to ensure sales are made to customers with an appropriate credit history and payment history. All of the Group's revenues are generated in South Africa.

Individual credit limits are set for each customer and the utilisation of these credit limits is monitored regularly.

Customers cannot exceed their set credit limit without specific Senior Management approval. Such approval is assessed and granted on a case by case basis. Management regularly reviews the receivables age analysis and follows up on long-outstanding receivables. The Group's customer base has been aggregated into groupings that represent, to a large degree, how the Group manages its receivables and also illustrates the spread of credit risk.

Within these aggregated groupings, the Group's exposure to credit risk is made up of banks and other financial institutions, major retailers, independent and informal retail customers, petroleum forecourts, municipalities, private utilities and cellular networks. The balance of the customer base is widely dispersed.

Provision matrix (including advances to customers)

ECLs are calculated by applying a loss ratio to the aged balance of receivables at each reporting date. The loss ratio is calculated according to the ageing/payment profile of sales by applying historic/proxy write-offs to the payment profile of the sales population. In instances where there was no evidence of historical write-offs, management used a proxy write-off for similar receivables obtained from external credit rating agencies. Receivable balances have been grouped so that the ECL calculation is performed on groups of receivables with similar risk characteristics and ability to pay.

Exposures are mainly segmented by customer type, i.e. banks and other financial institutions, major retailers, independent and informal retail customers, petroleum forecourts, municipalities, private utilities and cellular networks. This is done to allow for risk differentiation. Similarly, the sales population selected to determine the ageing/payment profile of the sales is representative of the entire population and in line with future payment expectations.

The PD and LGD are then adjusted for forward looking information to determine a point-in-time adjustment.

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

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

The Group used 60 to 84 months' sales data to determine the payment profile of the sales. Where the Group has information about actual historical write-offs, actual write-offs have been used to determine a historic loss ratio. Alternatively, management has used a proxy write-off, based on management's best estimate including information obtained from an external ratings agency (Moody's). The Group has considered quantitative forward looking information such as the core inflation rate. Qualitative assessments have also been performed, of which the impact was found to be immaterial.

Management considers trade receivables aged in excess of 60 days (advances to customers)/90 days (trade receivables) past due (where the excessive ageing is not caused by administrative delays that are within the control of the Group), and those handed over to the Group's attorneys for legal collection processes, to be in default and accordingly increases the allowance for impairment raised on these receivables. This policy is applied to all receivables, other than receivables for starter packs, municipalities, private utilities or specific circumstances where management has rebutted the presumption that a customer is in default when 90 days past due as a result of the inherent nature of the product/transaction being undertaken which follows a business cycle in excess thereof.

Receivables for starter packs are considered to be in default where no income has been earned from activation or ongoing revenue in the last three months and the receivable has aged in excess of the anticipated repayment cycle. Receivables from municipalities and private utilities are considered to be in default where the net exposure to the counterparty after deduction of the collateral held has aged in excess of 12 months, or where handed over to the Group's attorneys for legal collection purposes.

Trade receivables are written off when there is no reasonable expectation of recovery. This is assessed individually by each operation and includes, for example, where the trade receivables have been handed over for collection and remain outstanding or the debtor has entered bankruptcy. Other receivables and other financial assets are individually assessed by management based on each situation's unique facts and circumstances and are written off when management believes that there is no reasonable expectation of recovery.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

3.2 Financial risk management continued

3.2.1 Credit risk continued

Expected credit losses continued

(v) Trade and other receivables continued

The loss allowance as at 31 May 2024 for trade receivables and other receivables to which the provision matrix has been applied is determined as follows:

Ageing and impairment analysis

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

	Gross R'000	Loss allowance R'000	Net carrying amount R'000	Average ECL impairment ratio %
Receivables for starter packs				
Past due by 1 to 30 days	**723**	**(2)**	**721**	**(0.28)**
Past due by 31 to 60 days	**469**	**(1)**	**468**	**(0.21)**
Past due by 61 to 90 days	**28 464**	**(1 239)**	**27 225**	**(4.35)**
Past due by more than 90 days	**681**	**(681)**	**—**	**(100.00)**
Cell C				
Past due by 1 to 30 days	**484**	**(2)**	**482**	**(0.41)**
Past due by 31 to 60 days	**—**	**—**	**—**	**—**
Past due by 61 to 90 days	**—**	**—**	**—**	**—**
Past due by more than 90 days	**—**	**—**	**—**	**—**
Other cellular networks				
Past due by 1 to 30 days	**—**	**—**	**—**	**—**
Past due by 31 to 60 days	**—**	**—**	**—**	**—**
Past due by 61 to 90 days	**—**	**—**	**—**	**—**
Past due by more than 90 days	**122**	**(122)**	**—**	**(100.00)**
Municipalities and private utilities				
Past due by 1 to 30 days	**38 562**	**—**	**38 562**	**—**
Past due by 31 to 60 days	**7 858**	**—**	**7 858**	**—**
Past due by 61 to 90 days	**6 801**	**—**	**6 801**	**—**
Past due by more than 90 days	**47 960**	**(1 108)**	**46 852**	**(2.31)**
	2 595 726	**(82 402)**	**2 513 324**	**(3.17)**

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

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

	Gross R'000	Loss allowance R'000	Net carrying amount R'000	Average ECL impairment ratio %
Cell C				
Past due by 1 to 30 days	2 344	(11)	2 333	(0.47)
Past due by 31 to 60 days	6 440	(48)	6 392	(0.75)
Past due by 61 to 90 days	—	—	—	—
Past due by more than 90 days	279	(279)	—	(100.00)
Other cellular networks				
Past due by 1 to 30 days	40	—	40	—
Past due by 31 to 60 days	97	—	97	—
Past due by 61 to 90 days	48	—	48	—
Past due by more than 90 days	400	(400)	—	(100.00)
Municipalities and private utilities				
Past due by 1 to 30 days	16 113	—	16 113	—
Past due by 31 to 60 days	25 595	—	25 595	—
Past due by 61 to 90 days	44 475	—	44 475	—
Past due by more than 90 days	104 832	(955)	103 877	(0.91)
	2 343 741	(81 286)	2 262 455	(3.47)

The movement in ECLs:

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

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

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

3.2 Financial risk management continued

3.2.1 Credit risk continued

Credit risk sensitivity analysis

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

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

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

3.2.2 Liquidity risk

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

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

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

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

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

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

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

Liquidity risk sensitivities

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

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

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

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued
3.2 Financial risk management continued
3.2.2 Liquidity risk continued

Group facilities

The Group has access to the following facilities in order to meet its liquidity needs:

Facility	Borrower	Investec Bank	Rand Merchant Bank	Futuregrowth	African Bank
General banking facility	The Prepaid Company Proprietary Limited	69.6%	30.4%	—	—
Revolving Facility A	The Prepaid Company Proprietary Limited	23.8%	10.3%	65.9%	—
Revolving Facility B	The Prepaid Company Proprietary Limited	100%	—	—	—
Transaction Facility	The Prepaid Company Proprietary Limited	—	100%	—	—
African Bank	Comm Equipment Company Proprietary Limited	—	—	—	100%

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

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

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

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

The Group has pledged the following securities in respect of this facility and the airtime sale and repurchase obligation from the lenders (refer to note 3.4.2):
- BLT, TPC, BLD and Cigicell;
- A General Notarial Bond over all the moveable assets of BLT, TPC and Cigicell Proprietary Limited, limited to R4.75 billion each;
- Cross guarantee from certain group companies;
- Debt guarantee provided by Bowwood and Main No 334 (RF) (Pty) limited on behalf of the Blue Label entities;
- Cession & *Securitatem Debiti* by certain Group companies of all of their incorporeal moveable assets and claims;
- A counter indemnity issued by certain Group companies indemnifying the lenders against any loss that they may suffer as a result of enforcing their rights;
- A Cession in *Securitatem Debiti* by certain Group companies in favour of the lenders as a result of the lenders invoking revisionary and/or principal rights which they may have against any entity guaranteeing the principal debt owed by TPC;
- A Subordination by Blue Label Telecoms Limited and its subsidiaries of any and all inter-group claims which each may have against the other, in favour of debt and/or obligations owed by any of them to lenders; and
- Assignment of rights under the Closing Escrow Agreement from the TPC.

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

- The utilised portion of the facility at year-end amounted to R1.9 billion (2023: R1.9 billion). Refer to note 3.4.2.
- The following debt covenant applied to the CEC facilities with African Bank:
  - The cover ratio shall not be less than 1.25 times for each measurement period.

- The Group has pledged the outstanding value of handset receivables of R635 million, service revenue receivables of R1.6 billion and trade receivables of R229 million, totalling R2.464 billion as security for the utilised facility.

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

Value R'000	Interest rate	Interest period	Final repayment date
500 000	Prime + 1%	Monthly	30 September 2025
660 000	Prime + 1%	Monthly	30 September 2025
80 000	Prime + 1%	Monthly	30 September 2024
350 000	Prime - 1%	Monthly	30 June 2024
1 900 000	Prime + 3%	Monthly	31 December 2027*
3 490 000			

Pledges, guarantees and sureties

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

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

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

3.2.3 Market risk

Market risk is the risk that changes in market prices (interest rate and currency risk) will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued
3.2 Financial risk management continued
3.2.3 Market risk continued
(i) Interest rate risk

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

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

Potential effect on (loss)/profit and retained earnings*

	2024 R'000
	2 018

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

The interest rate sensitivity analysis is based on the following assumptions:
- changes in market interest rates affect the interest income or expense of variable interest financial instruments; and
- changes in market interest rates only affect profit or loss in relation to financial instruments with fixed interest rates if these are recognised at fair value.

(ii) Foreign currency risk

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

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

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

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

Increase/(decrease) in profit or loss

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

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

Capital adequacy risk
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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