NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 May 2025

4. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Accounting policy

Investments in associates and joint ventures are carried at cost less any accumulated impairment losses.

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

Name of company	Number of shares issued 2025	Number of shares issued 2024	% ownership interest 2025	% ownership interest 2024	Carrying amount 2025 R'000	Carrying amount 2024 R'000
Utilities World Proprietary Limited	1 000	1 000	25.10	25.10	12 046	12 046
T3 Telecoms SA Proprietary Limited	50	50	50.00	50.00	—*	—*
Blue Label Communications Proprietary Limited#	11 389	100	20.25	20.00	148	—*
Blu Train Group Proprietary Limited	100	100	10.00	10.00	—*	—*
					12 194	12 046

* Less than R1 000.

\# BLT's shareholding increased to 20.25% in Blue Label Communications after additional shares were issued.

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 reporting 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 reporting date.

Measurement on initial recognition

All financial assets (unless it is a trade receivable without a significant financing component) and financial liabilities are initially measured 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 incurrence of financial liabilities, classified at fair value through profit or loss are recognised immediately in profit or loss. A trade receivable without a significant financing component is initially recognised at the transaction price.

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.

Subsequent measurement

Subsequent measurement of financial assets and financial liabilities depends on their 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.

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

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

Category	Subsequent measurement
Financial assets	
Amortised cost	The financial asset is held within a business model with the objective 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. 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)	The financial asset does not qualify for measurement at amortised cost or fair value through other comprehensive income. 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 2025

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

Categories of financial assets

	Notes	2025 R'000	2024 R'000
At amortised cost			
Loans to group companies	6	**2 122 636**	1 819 863
Cash and cash equivalents	8	**1 390**	3 310
		2 124 026	1 823 173

Categories of financial liabilities

	Notes	2025 R'000	2024 R'000
At amortised cost			
Trade and other payables	10	**1 402**	2 048

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 a number of financial risks, namely credit risk, liquidity risk and market risk (including interest rate risk). This note presents BLT's objectives, policies and processes for managing its financial risk and capital.

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 financial assets mainly in respect of those assets detailed in the financial instruments table above. 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 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.

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 8.25% (2024: up to 10.03%).
- Group 2:Fully performing counterparties with a credit rating equivalent to a Moody's rating of between B1 and B2. ECL range of 8.25% to 10.16% (2024: 10.03% to 12.31%).
- Group 3:Fully performing counterparties with a credit rating equivalent to a Moody's rating of between B2 and Ca. ECL range of 10.16% to 51.68% (2024: 12.31% to 53.76%).
- Group 4:Counterparties who are considered to be in default and have an equivalent Moody's rating of Ca or lower. ECL of 51.68% to 100% (2024: 53.76% 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.

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.
- Group 5 (POCI) 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

2025	Notes	Gross carrying amount R'000	Credit loss allowance R'000	Carrying amount R'000
Loans to group companies	6	**3 126 175**	**(1 003 539)**	**2 122 636**
Cash and cash equivalents	8	**1 390**	**—**	**1 390**
		3 127 565	**(1 003 539)**	**2 124 026**
2024				
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

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
2025						
Trade and other payables	10	**52**	**1 350**	**—**	**—**	**1 402**
Financial guarantee contracts	11	**—**	**1 924 000**	**75 000**	**—**	**1 999 000**
		52	**1 925 352**	**75 000**	**—**	**2 000 404**
2024						
Trade and other payables	10	17	2 031	—	—	2 048
Financial guarantee contracts	11	—	1 588 000*	100 000	75 000	1 763 000
		17	1 590 031	100 000	75 000	1 765 048

* Prior year financial guarantee contracts less than one year was revised from R1.877 billion to R1.588 billion as facilities for TPC was overstated by R289 million. The financial guarantees are not recognised and as such this correction does not change prior reported results.

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 2025 would increase or decrease profit or loss and equity by R13 905 (2024: R33 100).