

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 May 2025

2. GROUP COMPOSITION continued

2.2 Investments in and loans to Cell C

2.2.1 Investment in Cell C

Critical accounting judgements and assumptions

(a) Classification of significant associates

Assessment of control over Cell C

Shareholding in Cell C

TPC has a shareholding and voting rights of 49.53% in Cell C, as well as additional economic interests (without voting rights) of 20.47% as of 31 May 2025, derived as follows:

	Percentage
Shareholding with voting rights	49.53
Economic interest without voting rights	13.66
SPV1	3.19
SPV4 – Loan to SPV4	5.47
SPV4 – Sale of a 5% shareholding in Cell C to SPV4 on loan account	5.00
Total economic interest as at 31 May 2024	63.19
SPV1 divestment ¹	(3.19)
SPV5 – Loan to SPV5 ²	10.00
Total economic interest as at 31 May 2025	70.00

BLT holds 49.53% (2024: 49.53%) of the shareholder voting rights of Cell C and is able to appoint four out of 12 representatives on the Cell C Board of Directors, where each director has one vote. It has been determined that the Cell C Board makes the decisions about the activities that significantly affect the returns of Cell C (the relevant activities).

As a result of loans made by TPC to SPV1 and SPV4, as of 31 May 2024, TPC was entitled to obtain additional shares comprising 13.66% in aggregate in Cell C at any time from the SPVs in settlement of the loans.

¹ During October 2024, as a result of SPV1's default, the noteholders of SPV 1 exercised their rights to enforce the provisions of the pledge of the Cell C shares held by SPV1 as security for the repayment of the notes. The Cell C shares were required to be applied first to settle outstanding adviser fees owing to the Security Trustee which resulted in the noteholders not receiving anything in final settlement of the notes. Accordingly, TPC lost its right to obtain shares comprising 3.19% in Cell C.

² On 31 December 2024 TPC advanced the first tranche of funding (R100 million) to SPV5 as a result of a prior commitment to enable SPV5 to settle a debt taken over from Cell C in exchange for a 10% shareholding in Cell C during the 2022 recapitalisation of Cell C. TPC needs to provide further funding to SPV5 of up to R175 million between December 2025 and December 2026. SPV5 is required to repay TPC for the amounts advanced from any future sale of the Cell C shares it holds or from dividends earned thereon, along with an additional R424 million plus 50% of the fair value of its 10% shareholding in Cell C, to the extent that the proceeds exceed R699 million. Since the only asset SPV5 has is the 10% shareholding in Cell C, TPC's loan to SPV5 represents a 10% economic interest in Cell C. TPC would have a claim against the 10% shareholding in the event that SPV5 defaults on its loan repayment to TPC. The economic interests (without voting rights) of 10% in Cell C are also equity accounted as part of TPC's investment in associate.

The Group's external legal advisers have advised that TPC can only lawfully acquire additional shares which would give it the majority of the voting rights in Cell C with the prior approvals of the Competition Commission and the Independent Communications Authority of South Africa ("ICASA") and that it is unlawful to give effect to a transaction that requires the approval of the Competition Commission before such approval is granted, and doing so could result in the transaction being set aside. ICASA approval for TPC to acquire control of Cell C's telecommunications licences was granted on the 24 January 2025. As at the 31 May 2025, Competition Commission approval is still outstanding, the granting of which is not a formality or within TPC's control, hence TPC does not, on its own, have the practical ability to obtain any additional shares (and voting rights) in Cell C. Therefore, management has concluded that TPC's rights under the SPV4 and SPV5 loan agreement to obtain 10.47% and 10% respectively of Cell C shares at any time are not substantive until Competition Commission approval has been granted.

The voting rights attached to the 20.47% economic interest in Cell C are held by SPV4 and SPV5. Even though TPC bears the economic risks and rewards of these shares (subject to upper limits of the amounts repayable under the loans), it does not have the ability to direct the way in which the corresponding voting rights in Cell C are exercised. These decisions lie with the Directors of SPV4 and SPV5, which are appointed by Albanta Trading 109 Proprietary Limited (Albanta), over which BLT has no control.

Although the SPVs will only benefit from the aggregate 20.47% equity interest in Cell C to the extent that they realise more than the amounts repayable to TPC under the loans, whether they exercise their Cell C voting rights in line with the way that TPC exercises its 49.53% Cell C voting rights or not, management is of the view that this would not affect the SPVs in any way. Similarly, whether the SPVs vote in line with TPC or not, management is of the view that this would have no impact on whether TPC elects to obtain the additional shares in settlement of its loans, subject to receiving Competition Commission approval. Since management is of the view that the SPVs do not have any incentive to exercise their Cell C voting rights in the way that TPC would want them to such that TPC can rely on them to do so, it has been concluded that the SPVs are not de facto agents of TPC. Furthermore, Albanta holds other shares (5.50%) in Cell C, therefore management believes that Albanta would exercise all its Cell C voting rights in the same way and management is of the view that there is no incentive or reason why Albanta would necessarily vote in line with TPC.

Based on historical attendance at Cell C shareholder meetings, the fact that the shares of Cell C are not widely held (there are only nine shareholders currently; seven if one recognises that SPV4 and SPV5 are subsidiaries of Albanta), and that Gramercy and Nedbank now hold 6.09% and 7.53% of Cell C, respectively, management is of the view that there is currently no basis for concluding that TPC has de facto control of Cell C at a shareholder level. Furthermore, it is the Memorandum of Incorporation (MOI) of Cell C that enables TPC to appoint only four of the 12 directors, and changes to the MOI require shareholder approval of at least 82% including that of Gramercy and Nedbank, for as long as they are permitted to appoint a director to the Cell C Board. Therefore, even if TPC had de facto control at a shareholder level, it could not, on its own, change the MOI to enable it to appoint the majority of the Directors. Management has thus concluded that the Group does not have control over Cell C and continues to exercise significant influence. Therefore, the Group continues to account for Cell C as an associate.

(b) Assessment of investment in Cell C

Valuation of Cell C and impairment reversal.

The improved outlook of Cell C indicated to management that the previous impairment of Cell C should be reversed. An internal valuation was performed in order to determine the value-in-use of Cell C based on cash flow projections incorporated in its five-year business plan. Assumptions relating to the business, the industry and economic growth were applied. Cash flows beyond this point were then extrapolated, applying terminal growth rates. The discount rates used are pre-tax and reflect specific risks related to Cell C.

The value-in-use of Cell C as at 31 May 2025 equated to R4.686 billion, of which TPC's share amounted to R3.280 billion. Of the initial impairment of R2.521 billion recognised on TPC's investment in Cell C as at 31 May 2019, R962 million was reversed in November 2022. The remaining balance of R1.559 billion was reversed during the current financial year and recognised as a reversal of the impairment of investment in associate.

The recoverable amount was calculated using the principles of IAS 36, reversing previous impairment losses recognised, and, in accordance with the rules of IAS 36, may not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. Furthermore, the recoverable amount calculated does not take into consideration the proposed capital restructuring of Cell C post-year-end, as these transactions remain subject to, among other conditions, approval by the boards of Blue Label and Cell C, requisite shareholder and regulatory consents, and favourable market conditions.

The key assumption applied in determining the value-in-use calculation as at 31 May 2025 is as follows:

	Pre-tax discount rate %
Cell C Limited	25.8

The recovery in value is primarily attributable to the following factors:

- a reduction in the discount rate, driven by a decline in both the risk-free rate and the South African Prime lending rate;
- improved performance and outlook for Cell C, which has eliminated the need for a distress factor overlay; and
- lower forecast capex aligned with Cell C's asset-light strategy.

(c) Going concern of Cell C

For purposes of the Group's annual financial statements, Cell C has been accounted for using the going concern assumption.

Management is of the opinion that Cell C will continue as a going concern for the foreseeable future and has considered the restructuring of liabilities (recapitalisation in 2022), the infrastructure-asset light model, the strategic and operational positioning in the successful renegotiation of key service agreements and IT support, the enhanced senior executive management team, the continued focus on operational efficiencies, reduced operational expenditure, the optimisation of traffic and the implementation of a fixed cost infrastructure. In addition to the factors listed, management has proposed a further restructuring which includes:

- Airtime asset transfer: TPC will transfer airtime currently included on its Statement of Financial Position to Cell C in exchange for newly issued additional equity in the Cell C.
- Debt-to-equity conversion: TPC's outstanding debt claims against Cell C will be capitalised and converted into equity, further reducing Cell C's leverage.
- Acquisition of CEC: Cell C will acquire 100% of CEC from TPC in exchange for additional shares in Cell C. CEC is responsible for Cell C's postpaid offerings. The internalisation will enable Cell C to assume full responsibility over its postpaid customer base, including oversight of supply chain, commercial operations, marketing, billing, credit, and collections.

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(c) Going concern of Cell C continued

The proposed restructure is expected to encompass various ancillary transactions, aimed at optimising Cell C's capital structure and deleveraging its Statement of Financial Position in preparation for a potential separation and future listing on the JSE. The implementation of the restructure and potential listing will remain subject to, among other conditions, approval by the boards of Blue Label and Cell C, requisite shareholder and regulatory consents, and favourable market conditions. Further details of the proposed restructure will be communicated once this workstream has been sufficiently progressed.

Overall, the restructure is intended to streamline operations, improve financial sustainability by reducing debt and resultant cash injection to facilitate the funding of Cell C's strategic objectives. This is expected to further enhance Cell C's strategic readiness for long-term growth and potential listing.

Taking into account the latest available financial information and estimated future cash flows, the continued use of the going concern assumption for Cell C is assessed as appropriate.

(d) Exposure to Cell C

The Group's exposure to Cell C is as follows:

	31 May 2025 R'000	31 May 2024 R'000
Concentration of credit risk:		
Loans receivable	3 118 907	2 535 535
Loss allowance on Cell C loans receivables	127 002	(176 470)
Trade receivables	742 323	499 267
Loss allowance on Cell C trade receivables	(5 565)	(1 094)
Other receivables	53 375	162 338
Loss allowance on Cell C other receivables	(53 375)	(53 375)
Payables due to Cell C:		
Trade payables	(129 730)	(387 453)
Other payables	(15 064)	(15 786)

There is indirect exposure to Cell C as a result of the subscription sharing arrangement and inventories held.

Summarised statement of financial position of Cell C

	Associate Cell C Limited Mobile network South Africa	
	31 May 2025 R'000	31 May 2024 R'000
Investment in		
Principal activity		
Country of incorporation		
Financial year-end		
Statement of financial position as at		
Non-current assets	13 803 688	11 541 813
Current assets	1 216 532	2 588 661
	15 020 220	14 130 474
Capital and reserves	(1 043 698)	(3 179 041)
Non-current liabilities	5 797 137	7 303 962
Current liabilities	10 267 501	10 005 553
	15 020 220	14 130 474
Effective percentage held (%)	49.53	49.53
Effective economic percentage held (%)	70.00	63.19
Total capital and reserves	(1 043 698)	(3 179 041)
Cell C capital and reserves	(8 306 695)	(10 463 468)
Carrying value of purchase price allocations net of deferred taxation	7 262 997	7 284 427
Accumulated impairment	—	(1 558 621)
Accumulated losses not guaranteed	—	(1 606 557)

Summarised income statement of Cell C

	1 June 2024 to 31 May 2025 R'000	1 June 2023 to 31 May 2024* R'000
Statement of comprehensive income for the year ended		
Revenue	11 138 168	10 745 462***
Net profit/(loss) before taxation	264 465	(22 445)
Taxation	1 929 209	301 924
Current tax	(104 187)	301 924
Deferred tax	2 033 396	—
Net profit after taxation	2 193 674	279 479
Other comprehensive (loss)/income	—	—
Share of total comprehensive income	—	—
Effective economic percentage held (%)	70	63.19
Share of profits	1 507 904	176 603
Recognising the Group's share of historic accumulated losses	(1 606 557)	—
Net share of losses from Cell C**	(98 653)	—

* Special purpose accounts were prepared to coincide with the Group's reporting year. These special purpose accounts are adjusted for the Group's equity-accounted adjustments.

** The Group has resumed recognising its share of the profits as a result of all of its share of historic accumulated losses being recognised in the current year. The share of profits were offset against historic losses of R1.6 billion, resulting in a net loss recognised in the current year of R99 million.

*** Prior year revenue was revised from R11.1 billion to R10.8 billion to take into account discounts to customers that were incorrectly classified to cost of sales in the special purpose accounts provided by Cell C. The correction does not change the net loss before taxation as previously disclosed.

2.3 Bulk airtime purchases from Cell C

TPC was required to purchase, by way of four quarterly payments of R300 million (incl. VAT), additional prepaid airtime with a face value of R500 million (including VAT), with each such quarterly payment payable at the beginning of each calendar quarter. The first such quarterly payment was made at the beginning of the 13th month following the recapitalisation of Cell C and subsequent payments were made at the commencement of each quarter thereafter. The first payment of R300 million (Incl. VAT) was made in October 2023. As at May 2025, there are no remaining quarterly payments to take place.

In addition, TPC was required to make minimum monthly purchases of airtime vouchers from Cell C for a period of 24 months from the date of the Cell C recapitalisation. For each of the first 12 months, the minimum purchase was airtime with a face value of R427 million (including VAT), and for each of the second 12 months airtime with a face value of R378 million (including VAT). The cash purchase price payable is at a discount of 6% to the face value of the airtime up until January 2024 and 4% thereafter. The minimum monthly purchases had been reduced by R125 million (including VAT) per month until TPC's airtime repurchase obligation towards the funders has been settled. Furthermore, if in any calendar quarter following the effective date of the Cell C recapitalisation, Cell C's actual MVNO Revenue is in excess of the MVNO Revenue for the relevant period as stated in the Agreed Financial Base Case, then for the following quarter the minimum monthly purchase requirement will be reduced by one-third of such excess. As at year-end, there are no obligations to purchase airtime.

TPC borrowings – from lenders

Since the recapitalisation of Cell C, TPC has fully repurchased from the lenders, in 48 tranches, inventory with an aggregate face value of R2.115 billion (including VAT) for a cash consideration of R1.942 billion (including VAT). In addition, on 30 April 2024, TPC purchased inventory with an aggregate face value of R375 million (including VAT) from Cell C for a cash consideration of R300 million (including VAT). TPC sold this inventory to the lenders and was required to repurchase such inventory between April 2024 and February 2025. As a result of this obligation, the inventory that was sold to the lenders has continued to be recognised as TPC's inventory, and the repurchase obligation was recognised as borrowings.

As at year-end, 31 May 2025, TPC has fully repurchased in 11 tranches the inventory with an aggregate face value of R375 million (including VAT) for a cash consideration of R327 million (Including VAT). At year-end, there is no inventory remaining to be purchased nor restricted in relation to this respective airtime sale and repurchase agreement.