

2.2 INVESTMENT IN CELL C

CRITICAL ACCOUNTING JUDGEMENTS AND ASSUMPTIONS

(A) CLASSIFICATION OF SIGNIFICANT ASSOCIATES

During the year, there were significant changes in TPC's shareholding in Cell C, detailed as follows:

	Percentage
Shareholding with voting rights	49.53
ECONOMIC INTEREST WITHOUT VOTING RIGHTS	20.47
SPV4 – Loan to SPV4	5.47
SPV4 – Sale of a 5% shareholding in Cell C to SPV4 on loan account	5.00
SPV5 – Loan to SPV5	10.00
TOTAL ECONOMIC INTEREST AS AT 31 MAY 2025	70.00
	10.13
Purchase of shares from SPV1's bond trustees	4.04
Purchase of shares from Gramercy	6.09
TOTAL ECONOMIC INTEREST UPON ACQUIRING CONTROL	80.13
ADDITIONAL SHARES OBTAINED IN THE CELL C PRE-LISTING RESTRUCTURING NET OF DILUTION	19.79
Debt-to-equity conversions	0.01
Sale of CEC in exchange for shares	22.47
Return of Cell C airtime for shares	77.08
Purchase of additional shares from SPV4	0.00
Dilution	(79.77)
TOTAL SHAREHOLDING AND ECONOMIC INTEREST AFTER THE CELL C PRE-LISTING RESTRUCTURING	99.92
Sale of shares to Cell C management	(4.50)
Sell down	(30.00)
TOTAL ECONOMIC INTEREST AS AT 30 NOVEMBER 2025	65.42
Sale of shares to Sisonke Growth Partners Proprietary Limited (note 2.2)	(15.95)
TOTAL SHAREHOLDING AS AT 30 NOVEMBER 2025	49.47
Purchase of Lesaka shares (note 3.5)	0.025
Purchase of Nedbank shares (note 3.5)	0.035
TOTAL SHAREHOLDING AS AT 31 MAY 2026	49.53
Total economic interest as at 31 May 2026 is accounted for as follows:	65.48
Equity accounted	49.53
Non-current assets classified as held for sale (note 8)	15.95

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 May 2026

2 GROUP COMPOSITION CONTINUED

2.2 INVESTMENT IN CELL C CONTINUED

CRITICAL ACCOUNTING JUDGEMENTS AND ASSUMPTIONS CONTINUED

(A) CLASSIFICATION OF SIGNIFICANT ASSOCIATES CONTINUED

Details of the changes in the investment in Cell C are set out below:

- 31 May 2025 – Cell C was an associate
TPC held 49.53% of the shares and voting rights in Cell C, but an economic interest of 70% by virtue of its economic interest in Cell C shares held by SPV4 (10.47% interest) and SPV5 (10% interest). Previously BLU had provided loans to SPV4 and SPV5 and since the only assets held by the SPVs to back the loans were Cell C shares, the loans were in-substance investments in those shares. Furthermore, BLU had a commitment to acquire 59,000,000 Cell C shares (4.04% interest) from SPV1's bond trustees for \$109 500 and a commitment to acquire 88,939,299 Cell C shares (6.09% interest) from Gramercy for R6 million. Since both purchases were subject to the approval of the Competition Commission and other conditions precedent which were unfulfilled as of 31 May 2025, the commitments to acquire the shares were accounted for as derivative assets at 31 May 2025.
- 4 September 2025 – Cell C became a subsidiary
Competition Commission approval was received on 3 September 2025 and the other conditions precedent to acquire the additional Cell C shares were met on 4 September 2025. This gave TPC the ability to exercise 59.66% of the voting rights and resulted in TPC having the ability to exercise control over Cell C. Upon Cell C becoming a subsidiary, TPC's economic interest at the time of 70% (equity-accounted carrying value of R1.636 billion) was deemed to be disposed of at its fair value which was estimated to be R2.477 billion (based on an estimated fair value of Cell C of R3.539 billion), yielding a gain of R84.1 million. After acquiring the shares from SPV1's bond trustees and Gramercy, TPC's economic interest in Cell C was 80.13%.
- 22–24 November 2025 – CEC was sold to Cell C and Cell C became an associate (49.47% shareholding, economic interest of 65.42%)
- Pre-listing restructuring of Cell C which resulted in TPC holding 99.92% of the shares in Cell C (before the sales of shares identified below):
 - TPC waived the debt owing to it by Cell C.
 - TPC sold 100% of the shares in CEC to Cell C in exchange for Cell C shares.
 - TPC returned Cell C airtime to Cell C in exchange for Cell C shares. None of these transactions had an impact on the BLU consolidated financial statements because they were all inter-company transactions.
 - TPC acquired an additional 0.008% stake in Cell C from SPV4 for no consideration. This was accounted for as a transaction with minorities resulting in a R0.7 million credit to the transaction with non-controlling interest reserve.
- TPC transferred a 4.5% stake in Cell C to Cell C Executive Management involved in the turn-around of Cell C, for no consideration.

The shares were transferred while TPC had control of Cell C, which meant that the transaction was with equity participants and was therefore accounted for within equity as an allocation between the transaction with non-controlling interest reserve and non-controlling interest of the fair value of the shares of R405 million.

Furthermore, since Cell C was a subsidiary, at the time that TPC transferred these shares, the sale constituted an equity-settled share-based payment transaction for BLU. The Cell C Executive Management must meet specified service vesting conditions to be entitled to the shares, however, should the shares not vest, they do not revert to TPC and the Cell C Remuneration Committee will determine their reallocation in accordance with the terms agreed to by the participants. The share-based payment expense for the period until Cell C was deconsolidated was immaterial given that the grant date of the share-based payment occurred shortly prior to TPC losing control of Cell C as a result of the sell-down (see below) and that the expense is recognised over the vesting period. 60% and 40% vest over an average period of 2.86 years and 4.86 years, respectively. The transfer of the shares to Cell C Executive Management constitutes an equity-settled share-based payment transaction for Cell C itself (notwithstanding that TPC sold the shares) because it will be receiving the services from the recipients of the Cell C shares. After the loss of control and to the extent that Cell C will be equity accounted, TPC's share of profits from Cell C will include the equity accounted share of the equity-settled share-based payment expense recognised by Cell C.

- TPC sold a 15.95% stake in Cell C to Sisonke Growth Partners Proprietary Limited ("Sisonke") to ensure that Cell C would meet ICASA's requirement for a minimum share ownership of 30% by historically disadvantaged individuals ("HDIs") upon Cell C's listing.

The shares were sold at R26.50 per share on loan account with a six-year tenure bearing interest at prime overdraft rate plus 3.75% per annum. During this period, 90% of any dividends accruing to Sisonke are required to be applied to reduce the loan account outstanding. TPC has the right to repurchase any or all of the Cell C shares at the market price prevailing at the time, subject to it having the necessary regulatory approvals. Since TPC continues to bear substantially all of the risks and rewards of ownership of the shares until the loan account is settled, other than the voting rights, the sale on loan account has been accounted for as an 'in-substance' written call option (derivative liability) over the 15.95% stake with the loan account treated as the exercise price. The derivative liability is recognised at fair value through profit or loss and its fair value has been determined using the Geometric Brownian Motion model using Monte Carlo Simulations (refer to note 3.5). The variables include expected risk-free interest rates, and the anticipated volatility and dividend yield of the Cell C share. Since the loan account is taken into account in determining the fair value of the derivative liability, the loan is not separately accounted for as a loan receivable. TPC's economic interest in Cell C that is accounted for includes the 15.95% stake and Sisonke's right to keep 10% of any dividends accruing to them during the loan period is reflected in the fair value of the derivative liability. The initial fair value yielded a loss of R140 million which was recognised in other expenses in the statement of comprehensive income. The 15.95% stake is classified as a non-current asset held for sale. Refer to note 8 for further information.

- TPC sold shares in Cell C, comprising an aggregate stake of 30%, to third-party investors ahead of Cell C's listing on 27 November 2025. The sale took place at R26.50 per share, which yielded a market capitalisation of Cell C of R9.010 billion upon its listing.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 May 2026

2 GROUP COMPOSITION CONTINUED

2.2 INVESTMENT IN CELL C CONTINUED

2.2.1 INVESTMENT IN CELL C: ASSOCIATE TO A SUBSIDIARY

Receiving approval from the Competition Commission made it possible for TPC to acquire an additional 10.13% stake in Cell C (4.04% from SPV1's bond trustees and 6.09% from Gramercy), thereby increasing its economic interest in Cell C to 80.13%.

From a financial reporting perspective, upon Cell C becoming a subsidiary on 4 September 2025, it was deemed that:

- TPC's economic interest at the time of 70% (equity accounted carrying value of R1.636 billion) was disposed of at its fair value which was estimated to be R2.477 billion (based on an estimated fair value of 100% of Cell C of R3.539 billion), yielding a gain of R841 million; and then
- TPC acquired an economic interest of 80.13% for a purchase price (before the effective settlement of pre-existing relationships) equal to R2.836 billion, which comprised the fair value of the 70% economic interest (R2.477 billion) plus the fair values of the derivative assets of R141 million and R210 million related to the purchase of shares from SPV1's bond trustees and Gramercy respectively, plus cash of R8 million.

Business combination accounting required BLU to reflect the effective settlement (derecognition), at fair value, of pre-existing relationships between the BLU Group and Cell C because upon acquiring control of Cell C, Cell C and BLU became a single reporting entity. These comprised the following:

	Carrying value as of 4 September 2025 R'000	Fair value as of 4 September 2025 R'000	Gain to BLU on effective settlement R'000
• Inter-company loans receivable from Cell C (R1.302 billion non-current and R2.089 billion current)	3 391 325	3 391 325	–
• Inter-company trade receivables from Cell C	94 025	94 025	–
• Inter-company trade payables to Cell C	(187 499)	(187 499)	–
• Cell C airtime	4 884 431	5 365 138	480 707
Cell C airtime (inventory)	3 552 144		
Prepayments for Cell C airtime (included in trade receivables)	1 332 287		
• Intangible assets related to the subscription income-sharing arrangement between Cell C and CEC	827 810	827 810	–
• Balances included in trade receivables related to the subscription income-sharing arrangement between Cell C and CEC (R141 million non-current and R239 million current)	379 627	379 627	–
• Deferred tax liabilities related to the subscription income-sharing arrangement assets that were derecognised	(223 509)	(223 509)	–
TOTAL	9 166 210	9 646 917	480 707

Although the purchase price of TPC's economic interest of 80.13% was calculated as R2.836 billion, after taking into account the fair value of what BLU received upon the effective settlement of the pre-existing relationships of R9.647 billion, it means that BLU effectively paid R12.483 billion to acquire 80.13% of the assets and liabilities of Cell C that do not relate to transactions or relationships with BLU. BLU elected to measure the non-controlling interest ("NCI") of 19.87% at its fair value of R703 million upon acquiring control of Cell C. Therefore, for the purposes of the PPA required by business combination accounting, the total purchase price for 100% of the assets and liabilities of Cell C that do not relate to transactions or relationships with BLU was calculated as R13.186 billion. The PPA is shown on page 53 with goodwill being the excess of the total purchase price over the net identifiable assets and liabilities of Cell C recognised by BLU.

STATEMENT OF FINANCIAL POSITION OF CELL C REFLECTING THE IMPACT OF THE PPA UPON ACQUIRING CONTROL

	R'000
NON-CURRENT ASSETS	
Property, plant and equipment and right-of-use assets	751 812
Intangible assets	11 687 836
Spectrum	8 620 000
Brand	1 646 000
Computer software	1 376 323
Other	45 513
Equity-accounted investments	11 017
TOTAL NON-CURRENT ASSETS	12 450 665
CURRENT ASSETS	
Inventories	42 686
Trade and other receivables	941 749
Cash and cash equivalents	306 707
TOTAL CURRENT ASSETS	1 291 142
NON-CURRENT LIABILITIES	
Lease liabilities	1 848 465
Deferred tax	209 984
TOTAL NON-CURRENT LIABILITIES	2 058 449
CURRENT LIABILITIES	
Trade and other payables	4 314 965
Interest-bearing borrowings	461 439
Lease liabilities	266 724
Contract liabilities	115 269
TOTAL CURRENT LIABILITIES	5 158 397
Net identifiable assets and liabilities with third parties at fair value	6 524 961
Goodwill	6 660 955
Purchase price	13 185 916

2.2.2 INVESTMENT IN CELL C: SUBSIDIARY TO ASSOCIATE

Ahead of Cell C's listing on 27 November 2025, TPC sold shares in Cell C to third-party investors, comprising an aggregate stake of 30% for cash of R2.703 billion. Based on the sell-down price, the market capitalisation of the new Cell C Group (which includes CEC) upon listing was R9.010 billion. Upon the sell-down, TPC lost control of Cell C as a result of its shareholding and voting rights being reduced to 49.47% which only gives TPC significant influence. As a result, the new Cell C Group was deconsolidated and TPC's economic interest of 65.42% was recognised as an investment in an associate which was measured initially at R5.894 billion based on the market capitalisation of the new Cell C Group upon the sell-down. Included in the carrying value of the investment in Cell C is goodwill of R404 million. The sell-down resulted in a loss of R6.027 billion which is recognised in other expenses in the statement of comprehensive income.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 May 2026

2 GROUP COMPOSITION CONTINUED

2.2 INVESTMENT IN CELL C CONTINUED

2.2.3 ASSESSMENT OF CONTROL OVER CELL C

As of 31 May 2026, TPC's shareholding (and voting rights) in Cell C is 49.53%.

The Cell C Board of Directors makes decisions that significantly affect Cell C's returns (the relevant activities). TPC has no rights to appoint any directors on the Cell C Board. The appointment of directors is by ordinary resolution and given that TPC does not hold a majority of the shareholder voting rights, TPC cannot unilaterally pass such ordinary resolution. Accordingly, TPC does not control the Cell C Board and therefore does not control Cell C.

It is noted that although TPC's economic interest includes the 15.95% stake in Cell C that was sold to Sisonke (refer to note 2.2), TPC has no ability to direct how the voting rights attached to these shares are exercised. Sisonke holds these voting rights. In addition, although TPC has the right to repurchase the shares sold to Sisonke, doing so requires the prior approvals of the Competition Commission and the ICASA and it is unlawful to give effect to a transaction before such approval is obtained.

Furthermore, given that Cell C is now listed and there have been significant changes in its shareholders, there is currently no basis for concluding that TPC's voting rights will constitute the majority of the voting rights cast at a Cell C shareholders' meeting. Therefore, there is no basis for concluding that TPC has de facto control over Cell C. Since TPC has significant influence, Cell C is classified as an associate at 31 May 2026.

2.3 (B) ASSESSMENT OF INVESTMENT IN ASSOCIATES AND JOINT VENTURES FOR IMPAIRMENT

Based on the share price of Cell C at 31 May 2026, TPC's economic interest of 65.48% equates to R5.9 billion. Management believes that the listed share price does not necessarily reflect the fair value of a Cell C share because it is very thinly traded. A calculation performed as at 31 May 2026 reflects a value well in excess of the carrying amount of R6.3 billion.