

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 May 2025

7. TAXATION

7.1 Income tax expense

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at year-end in the countries where the Company's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Uncertain tax positions are considered by the Group at the level of the individual uncertainty or group of related uncertainties.

Critical accounting estimates and assumptions

There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Amounts accrued are based on management's interpretation of country-specific tax law and the likelihood of settlement. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available in the future against which these can be utilised. Future taxable income is estimated based on business plans which include estimates and assumptions regarding economic growth, interest rates, inflation and competitive forces.

	2025 R'000	2024 R'000
Current tax	337 776	133 696
Current year	308 905	123 128
Adjustment in respect of prior years	28 871	10 568
Deferred tax	(193 971)	61 922
Current year	(156 297)	69 894
Adjustment in respect of prior years	(37 674)	(7 972)
Transfer from other comprehensive income	—	2 337
Income tax expense	143 805	197 955

	2025 R'000	%	2024 R'000	%
Profit before tax	2 624 525		857 540	
Tax at 27%	708 622	27.0	231 536	27.0
Expenditure of a capital nature	3 140	0.1	—	—
Tax arising from the Cell C Recapitalisation transaction	(81 347)	(3.1)	17 466	2.0
Reversal of impairment of investment in associate	(419 861)	(16.0)	—	—
(Loss)/gain on modification of financial asset	5 068	0.2	(5 584)	(0.7)
Loss on derecognition of financial asset	9 208	0.4	14 380	1.7
ECL movement on loans receivable	(82 154)	(3.1)	33 168	3.9
Learnership allowances	(61 365)	(2.3)	(66 951)	(7.8)
Employment tax incentive	(11 267)	(0.4)	(12 924)	(1.5)
Surety loan fair value adjustment	(779)	0.0	(690)	(0.1)
Other income not subject to tax	(10 668)	(0.4)	(21 290)	(2.5)
Other expenses not deductible for tax purposes	66 652	2.5	7 933	0.9
Tax effect of assessed losses not recognised	11 726	0.4	420	0.0
Utilisation of previously unrecognised assessed losses	(50)	0.0	(280)	(0.0)
Share of losses/(profits) from associates and joint ventures (refer to note 2.1.1)	14 951	0.6	(4 162)	(0.5)
Adjustment in respect of prior years	(8 803)	(0.3)	2 596	0.3
Tax effect of capital gains	732	0.0	—	—
Transfer from other comprehensive income	—	—	2 337	0.3
Tax charge	143 805	5.5	197 955	23.1
Effective tax rate	5.5%		23.1%	