

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.