

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 May 2026

4 NON-FINANCIAL INSTRUMENTS CONTINUED

4.2 INTANGIBLE ASSETS

Intangible assets acquired through business combinations are initially carried at fair value as determined in accordance with IFRS 3 – *Business Combinations*. Intangible assets purchased are initially carried at cost.

Intangible assets have a finite life (unless indicated otherwise) and are stated at cost, less accumulated amortisation and accumulated impairment losses, if any. Useful lives are reviewed on an annual basis, and adjusted if appropriate.

Amortisation is calculated using the straight-line method to allocate the cost of the intangible asset over its estimated useful life.

(A) DISTRIBUTION AGREEMENTS

Distribution agreements are amortised over their estimated useful lives of up to 13 years.

(B) COMPUTER SOFTWARE

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is calculated for computer software over its estimated useful life of three to 10 years.

Costs associated with the maintenance of existing computer software programs are expensed as incurred.

(C) INTERNALLY GENERATED SOFTWARE DEVELOPMENT

Costs incurred on development projects are recognised as intangible assets when the recognition criteria as set out in IAS 38 is met, which includes when there is an ability to use or sell the intangible asset and that it can be demonstrated how the intangible asset will generate probable future economic benefits.

Research expenditure and other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised internally generated software development costs are recorded as intangible assets and amortised from the point at which the asset is available for use (i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management) over its useful life of five to 10 years. Direct costs include the product development employee costs and an appropriate portion of relevant overheads. Costs associated with the maintenance of existing products are expensed as incurred.

(D) PURCHASED STARTER PACK BASES AND POSTPAID BASES

Starter packs capitalised represent customer relationships that the Group has contractually acquired. The purchased starter pack base asset is identifiable as it arises from a contract. The contract provides the Group with control over the customer base. The customer base is intangible as it does not have physical substance and is non-monetary. This asset provides the Group with the ability to generate future economic benefits if the Group provides connection, upgrade and sales services to the customer base.

Purchased postpaid bases represent the right to share in the revenue of the cellular network in respect of contracts forming part of the acquired base, which comprises identifiable subscribers.

Amortisation of purchased and postpaid bases is calculated over their estimated useful lives of 10 years.

(E) SUBSCRIPTION INCOME-SHARING ARRANGEMENT

During the 2021 financial year, the Group, through CEC which was a subsidiary until 24 November 2025, entered into an arrangement with Cell C to facilitate Cell C's operation of its postpaid mobile telecommunication business.

The Group was entitled to receive a share of the subscription income generated by Cell C from a subset of postpaid subscribers plus certain fixed and variable payments. In return, the Group undertook to bear the operating costs in respect of Cell C's postpaid subscriber business for the duration of the arrangement. The operating costs of the postpaid base borne by the Group that were not associated with the subscribers from which the Group benefitted, were recognised as the cost of obtaining the subscription income-sharing arrangement. The Group selected the cost accumulation model to capitalise these costs to the intangible asset as and when they are incurred, net of the variable payments from Cell C, which were considered to be Cell C's contribution towards those operating costs. Capitalisation of costs to the intangible asset ceased at 31 October 2022.

The intangible asset was carried at cost less accumulated amortisation and accumulated impairment. Amortisation was calculated over the life of the arrangement, which was expected to be nine years.

Upon acquiring control of Cell C during September 2025, the subscription income-sharing arrangement was effectively settled from a financial reporting perspective because Cell C became part of the Group. This resulted in the derecognition of the intangible asset.

(F) SUBSCRIBER ACQUISITION COSTS

Under the subscription income-sharing arrangement with Cell C, the Group agreed to bear the commissions that Cell C pays to third parties involved in signing up or upgrading the particular Cell C postpaid subscribers from which the Group benefitted. Since these costs were incremental costs that would otherwise not have been incurred had the particular subscribers not signed up with Cell C, and because they were costs borne by the Group in order to share in the subscription income generated by Cell C from these subscribers, these costs were capitalised by the Group, when incurred by Cell C, and amortised over the expected life of the related subscriber contracts between Cell C and the subscribers, which was anticipated to be up to 36 months.

This intangible asset was also derecognised upon acquiring control of Cell C during September 2025 as a result of the effective settlement of the subscription income-sharing arrangement from a financial reporting perspective.

(G) CELL C SPECTRUM AND BRAND

Upon Cell C becoming a subsidiary during September 2025, Cell C's spectrum licence and brand were recognised as intangible assets at their fair values. The spectrum licence was considered to have an indefinite useful life and the brand an estimated useful life of 20 years. Both intangible assets were derecognised when control of Cell C was lost during November 2025.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

SUBSCRIPTION INCOME-SHARING ARRANGEMENT

Management applied significant judgement in determining the appropriate accounting treatment for the subscription income-sharing arrangement with Cell C. Since the substance of the agreement with Cell C, before it was effectively settled upon acquiring control of Cell C, was that of a right to a future net income stream, not to fund Cell C, management determined that this right should be accounted for as an intangible asset. Although the Group had a contractual right to receive (net) cash flows from Cell C, these (net) cash flows only originated from Cell C as and when it provided mobile telecommunication services to the particular postpaid subscribers from which the Group benefitted. Thus, Cell C did not have an unconditional obligation to make these payments to the Group before it had a contractual right to receive such payments from these subscribers, which meant that Cell C did not have a financial liability at the commencement of the arrangement with the Group.

Accordingly, management believed that the Group's right to future cash flows under the arrangement was not a financial asset, but rather an intangible asset. Significant judgement was also applied in determining the cost of obtaining the right to the future net income stream.

Since the Group is prepared to bear Cell C's costs that do not relate to the income generated by Cell C from the new and upgrade postpaid subscribers from which the Group benefits, it was determined that such costs constitute the cost of obtaining the subscription income-sharing arrangement. The Group's share of the subscription income, net of the related operating costs borne by the Group, from the new and upgrade postpaid subscribers, until control of Cell C was acquired, is recognised as revenue refer to (note 1.2).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 May 2026

4 NON-FINANCIAL INSTRUMENTS CONTINUED

4.2 INTANGIBLE ASSETS CONTINUED

	Distribution agreement R'000	Computer software R'000	Internally generated software development R'000
YEAR ENDED 31 MAY 2026			
Opening carrying amount	149 478	51 945	358 480
Additions	–	154 177	169 565
Acquisition of subsidiary (Cell C)	–	1 376 325	–
Derecognition	–	–	–
Amortisation charge	(14 466)	(99 718)	(31 870)
Amortisation charged to depreciation and amortisation	(14 466)	(99 718)	(31 870)
Amortisation charged to direct operating costs	–	–	–
Impairments	–	–	(144 381)**
Disposals	–	(20 609)	(16 483)
Disposal of subsidiaries	(135 012)	(1 441 512)	(5 781)
Closing carrying amount	–	20 608	329 530
AT 31 MAY 2026			
Cost	–	90 855	512 419
Accumulated amortisation	–	(70 247)	(66 460)
Accumulated impairments	–	–	(116 429)
Carrying amount	–	20 608	329 530
YEAR ENDED 31 MAY 2025			
Opening carrying amount	178 409	48 874	199 265
Additions	–	16 832	192 774
Amortisation charge	(28 931)	(13 745)	(33 559)
Amortisation charged to depreciation and amortisation	(28 931)	(13 745)	(33 559)
Amortisation charged to direct operating costs	–	–	–
Disposals	–	(16)	–
Closing carrying amount	149 478	51 945	358 480
AT 31 MAY 2025			
Cost	557 055	129 629	445 589
Accumulated amortisation	(407 577)	(77 684)	(87 109)
Carrying amount	149 478	51 945	358 480

* Effective settlement of pre-existing relationships upon obtaining control of Cell C (refer to note 2.2.1).

** The software with a carrying value of R144 million was fully impaired as it has no future operational use, cannot be repurposed and is no longer expected to generate future economic benefits. In assessing the recoverable amount the fair value less costs of disposal and the value in use was determined to be Rnil.

Purchased starter pack bases and postpaid bases R'000	Subscription income- sharing arrangement R'000	Subscriber acquisition costs R'000	Cell C Spectrum and brand Total R'000	Total R'000
87 272	728 939	133 741	–	1 509 855
–	–	150 425	–	474 167
24 990	–	20 521	10 266 000	11 687 836
–	(687 677)*	(140 133)*	–	(827 810)
(11 855)	(41 262)	(66 471)	(20 575)	(286 217)
(294)	–	(6 436)	(20 575)	(173 359)
(11 561)	(41 262)	(60 035)	–	(112 858)
–	–	–	–	(144 381)
–	–	–	–	(37 092)
(24 696)	–	(77 750)	(10 245 425)	(11 930 176)
75 711	–	20 333	–	446 182
432 974	–	63 911	–	1 100 159
(357 263)	–	(43 578)	–	(537 548)
–	–	–	–	(116 429)
75 711	–	20 333	–	446 182
24 621	893 982	120 573	–	1 465 724
75 937	–	157 787	–	443 330
(13 286)	(165 043)	(144 619)	–	(399 183)
–	–	–	–	(76 235)
(13 286)	(165 043)	(144 619)	–	(322 948)
–	–	–	–	(16)
87 272	728 939	133 741	–	1 509 855
432 974	1 355 789	695 608	–	3 616 644
(345 702)	(626 850)	(561 867)	–	(2 106 789)
87 272	728 939	133 741	–	1 509 855