Notes to the financial statements continued

for the year ended 31 March 2024

2. Accounting framework and significant judgements continued

2.2 New accounting pronouncements continued

2.2.1 Other standards, amendments to standards and interpretations continued

The standards and amendments listed below will be effective in future reporting periods. It is expected that the Group will adopt the pronouncements on their respective effective dates. The amendments are not expected to have a material impact.

Consideration	Effective date
IFRS 16 (Leases) Amendments regarding lease liability in a sale and leaseback, seller-lessee subsequent measurement in sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale	Annual periods beginning on or after 1 January 2024
IAS 1 (Presentation of Financial Statements) Amendment regarding non-current liabilities with covenants	Annual periods beginning on or after 1 January 2024
IAS 7 (Statement of Cash Flows) and IFRS 7 (Financial Instruments: Disclosures) Amendment regarding supplier finance arrangement disclosure	Annual periods beginning on or after 1 January 2024
IAS 21 (The Effects of Changes in Foreign Exchange Rates) Amendment regarding the entity's transaction or operation in a foreign currency that is not exchangeable into other currency at a measurement date for a specified purpose	Annual periods beginning on or after 1 January 2025

2.3 Restatements due to prior period errors

2.3.1 IFRS 15 restatement of revenue, cost of handsets, equipment, software and directories and other expenses

Principal versus agent
IFRS 15 (Revenue from Contracts with Customers) requires the entity to evaluate certain control indicators when determining whether the entity is acting as a principal or agent in transactions with customers and the recording of revenue on a gross or net basis.

In the current financial year, it was identified that a number of revenue transactions in BCX, for which the Group would have been considered to be an agent, using information available at that time, were incorrectly recognised and presented on a gross basis (as a principal) in prior years.

The error resulted in the overstatement of revenue, cost of handsets, equipment, software and directories and other expenses in the statement of profit or loss and other comprehensive income in the comparative periods.

This incorrect application of the accounting principles in the prior year has been adjusted as a prior period error through the reversal of revenue, cost of handsets, equipment, software and directories and other expenses and only recognising the margin as revenue (on a net basis). Refer to note 2.7 for each materially affected line items as part of the correction of the error.

There is no impact on EBITDA, profit before and after tax and retained earnings for the prior year. The error also did not impact the statement of cash flows and statement of financial position.

2.3.2 Restatement of headline earnings per share and diluted headline earnings per share

On 31 March 2023, the Group correctly calculated and accounted for tax in the Group statement of profit or loss and other comprehensive income. However, the Group incorrectly adjusted for tax on the headline earnings, relating to the profit on disposal of property, plant and equipment and intangible assets, write-offs of property, plant and equipment and intangible assets and impairment of property, plant and equipment and intangible assets.

The tax impact of the profit on disposal of property, plant and equipment and intangible assets was incorrectly adjusted for as an impact to write-offs of property, plant and equipment and intangible assets, and the tax impact on the write-offs of property, plant and equipment and intangible assets was not accounted for when adjusting the headline earnings. The tax impact on impairment of property, plant and equipment and intangible assets was incorrectly calculated by including tax impact on impairment of goodwill.

The accounting consequences of this incorrect tax adjustment was a R47 million overstatement of headline earnings that was used in calculating headline earnings per share and diluted headline earnings per share for the year ended 31 March 2023. Refer to note 3.5 for the impact of this restatement on the aggregated amounts previously disclosed.

2.4 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Although these estimates and assumptions are based on management's best knowledge of current events and actions that the Group may undertake in the future, actual results may ultimately differ from those judgements, estimates and assumptions.

The presentation of the results of operations, financial position and cash flows in the financial statements of the Group is dependent upon, and sensitive to, the accounting policies, assumptions and estimates that are used as a basis for the preparation of these financial statements. Management has made certain judgements in the process of applying the Group's accounting policies. These, together with the key judgements, estimates and assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date are as follows:

Notes to the financial statements continued

for the year ended 31 March 2024

2. Accounting framework and significant judgements continued

2.4 Significant accounting judgements, estimates and assumptions continued

Significant accounting judgements, estimates and assumptions	Note reference
Significant judgement in measuring the significant financing component in the Google Equiano transaction	Note 3.2
Recognition and measurement of revenue	Note 3.2
Taxation	Note 8.1
Estimation of useful lives and residual values for property, plant and equipment	Note 5.1
Impairments of property, plant and equipment	Note 5.1
IFRS 16 (Leases)	Note 6.3
Estimation of useful lives and residual values for intangible assets	Note 5.2
Impairments of intangible assets	Note 5.2
CGU and goodwill impairment assessment	Note 5.3
Investment property	Note 5.4
Impairment of financial assets (expected credit losses)	Note 7.1.4
Deferred taxation asset	Note 8.2
Inventories	Note 4.2
Provisions	Note 6.5
Employee benefits	Note 10.1
Supply chain financing arrangements	Note 4.5
Contingent liabilities	Note 6.8
Significant judgement in assessing if Swiftnet SOC Ltd (Swiftnet) meets the conditions to be classified as held for sale in accordance with IFRS 5 (Non-current Assets Held for Sale)	Note 12.2

2.5 Summary of material accounting policies

2.5.1 Basis of consolidation

In preparing these financial statements, subsidiaries are consolidated from the date the Group gains control until the date on which control ceases. The Group's share of results of equity-accounted investments is included in the consolidated financial statements from the date that significant influence or joint control commences, until the date that significant influence or joint control ceases. All intercompany transactions are eliminated.

2.5.2 Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee. The Group consolidates the financial statements of subsidiaries from the date that control of the subsidiary commences until the date that control ceases.

2.5.3 Transactions with non-controlling interests

Non-controlling interests are initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition, plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a negative balance.

2.5.4 Associates

An associate is an entity over which the Group has significant influence. The Group has significant influence over an associate when it has the power to participate in the financial and operating policy decisions of the investee. The Group recognises its interests in associates by applying the equity method.

2.5.5 Investments in subsidiaries and associates

Investments in subsidiaries and associates are carried at cost at Company level and adjusted for any impairment losses.

2.5.6 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at acquisition date) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree and non-controlling interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Any transaction costs that the Group incurs in connection with the business combination such as legal fees, due diligence fees and other professional and consultation fees are expensed as incurred. Business combinations in which all of the combining entities or businesses are ultimately controlled by the same party/parties both before and after the business combinations (and where control is not transitory) are referred to as common control business combinations. The carrying amounts of the acquired entity are the consolidated carrying amounts as reflected in the consolidated financial statements from the selling entity.

The excess of the cost of the transaction over the acquirer's proportionate share of the net asset value acquired in common control transactions is allocated to equity. This is in accordance with the predecessor value method. The Group has adopted an accounting policy of recycling the common control reserve through retained earnings.

The common control reserve is recycled fully when the business that it is related to is sold internally or externally. In the case where the business is sold back piecemeal, the full reserve will be recycled to retained earnings when the last part of the business is sold internally or externally. In a common control transaction, the seller recognises the difference between the transaction price and the net assets in the statement of profit or loss and other comprehensive income within the "other income" (profit) and "other expenses" (loss) line items.