Notes to the financial statements continued

for the year ended 31 March 2024

2. Accounting framework and significant judgements continued

2.6 Significant changes in the current financial year

Google Equiano undersea internet cable contract

The Openserve arrangement with Google (Google Equiano) and its affiliates (Google) became effective in the current financial year. The accounting policies as disclosed were used to account for the full arrangement.

The Google Equiano arrangement has the following elements:

	Transaction	Description	Significant accounting impact on the 31 March 2024 annual financial statements
2.6.1	Fibre pair right-of-use	Google granted Openserve the right-of-use of a distinct fibre pair. The transaction contains a lease as defined in IFRS 16 which resulted in the recognition of a right-of-use asset and a corresponding lease liability. The lease is for a period of 15 years and the full payment is payable on or before the end of the first half of the 2025 financial year, thus, similar to 30 September 2023, the lease remains classified as a current liability.	Google handed over the fibre pair to Openserve in May 2023. Initially a right-of-use asset as well as a corresponding lease liability of R994 million were recognised. During the second half of the 2024 financial year, Openserve paid cash of R23 million, which is a portion of the R994 million liability that was recognised on, 30 September 2023 and the remainder is payable on or before the end of the first half of the 2025 financial year. The lease liability was recalculated to reflect the latest payment terms agreed by the parties. Further, the right-of-use asset was adjusted by depreciation and the lease liability by interest.
2.6.2.1	Cable landing station right-of-use	Openserve granted Google the right to use a distinct space on its cable landing station. The lease period is for 15 years. The transaction met the classification criteria of an operating lease in accordance with IFRS 16. The terms of the arrangement requires Google to pay Openserve in advance for the use of the cable landing station and annually for the maintenance and operating costs. Google made the advance payment in May 2023 of USD3.6 million. USD3.4 million was recognised in deferred lease revenue and will be released to the statement of profit or loss and other comprehensive income as lease revenue on a straight-line basis over the lease period. USD0.2 million was recognised immediately in the statement of profit or loss and other comprehensive income as it related to the acquisition of permits. The maintenance and operating income are recognised as other income on an annual basis.	Openserve handed over the cable landing station to Google in April 2023. Cash and cash equivalents of R62 million has been recognised as well as deferred lease revenue of R62 million. The deferred revenue has been split between the current and non-current portion.

Notes to the financial statements continued

for the year ended 31 March 2024

2. Accounting framework and significant judgements continued

2.6 Significant changes in the current financial year continued

Google Equiano undersea internet cable contract continued

	Transaction	Description	Significant accounting impact on the 31 March 2024 annual financial statements
2.6.2.2	Grant of use of terrestrial network on system 1	Openserve grants Google 50% terrestrial network capacity on the South African and Botswana border routes. The use of this network met the IFRS 15 revenue recognition criteria. Google will pay Openserve USD17.7 million in advance for the use of the South African network and USD0.6 million in advance for the use of the Botswana border network, over a period of 15 years. The advance payment will be deferred and released to the statement of profit or loss and other comprehensive income as revenue over 15 years. In addition, a contract liability and trade receivable, adjusted for significant financing in terms of IFRS 15, were recognised for the advanced payment relating to the network. Google will pay annual maintenance and operating costs to Openserve, which are recognised as other income.	System 1 of the terrestrial network was provided to Google in June 2023. A trade receivable of R348 million was recognised in addition to R11.5 million cash and cash equivalents for the advance payment in respect of the Botswana border network and R360 million as deferred revenue. The deferred revenue has been split between the current and non-current portion. The trade receivable is receivable on or before the end of the first half of the 2025 financial year, and was subjected to expected credit loss assessment. The assessment considered credit risk, the updated payment terms and payment negotiations between the parties, and based on the assessment an immaterial expected credit loss was recognised.
2.6.2.3	Grant of use of submarine cable	Openserve grants Google the use of its submarine network bandwidth capacity on the Eastern African Submarine Cable System (EASSy), West Africa Cable System (WACS) and South Atlantic 3 West Africa Submarine cable (S3WS) for an initial period of 15 years or the lifespan of the cable systems, whichever is shorter. The terms of the agreement provide that Google will pay Openserve in advance for the use of the cables. The advanced payment has been recognised as deferred revenue and will be released to the statement of profit or loss and other comprehensive income as revenue over 15 years. R254 million was recognised as cash and cash equivalents and deferred revenue for the advanced payment. The deferred revenue has been split between the current and non-current portion. In addition, Google will pay Openserve annually for maintenance and operating expenses, which are recognised as other income. Openserve owns a percentage of the capacity in each of the submarine cables, which is not physically distinct and will grant a portion of its capacity to Google. According to IFRS 16: B20, a capacity or other portion of an asset that is not physically distinct is not an identified asset, unless it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset. Due to the fact that the cable capacity is not physically distinct, and the capacity granted by Openserve is not substantially all of the capacity of the whole cable, the capacity granted by Openserve to Google is not a lease. Therefore, the grant of use of the submarine cable is accounted for as an IFRS 15 transaction.	Openserve handed over the submarine cable and the services commenced in April 2023 (WACS, S3WS and EASSy). R254 million was recognised as cash and cash equivalents and deferred revenue for the advanced payment. The deferred revenue has been split between the current and non-current portion.