Notes to the financial statements continued

for the year ended 31 March 2024

5. Long-term assets continued

5.3 Impairment of goodwill and cash-generating units continued

Openserve CGU continued

Terminal growth rates
A terminal growth rate of 5.0% (31 March 2023: 5%) was applied. The terminal value was determined at the end of year five of the cash flow forecasts. The growth rate considered steady state of growth rates to extrapolate revenue beyond the forecast period cash flows.

Discount rate
An equity market risk premium was applied to account for the additional risk associated with equity investments, in excess of the risk-free rate. The pre-tax discount rate for the Openserve CGU is 16.7% (31 March 2023: 14.7% to 16.1%). An in-perpetuity calculation was also included after five years as per the terminal rate disclosure.

Based on the value-in-use calculation, the recoverable amount of the Openserve CGU is higher than the carrying value as at 31 March 2024, indicating no impairment loss.

Sensitivity to changes in assumptions
Given the significant headroom computed, no further sensitivity analysis has been performed.

5.4 Investment property

Significant accounting judgements, estimates and assumptions

Impairments of investment property
The Company regularly reviews its non-financial assets and cash-generating units for any indication of impairment. An impairment test is performed when indicators, including changes in technology, market, economic, legal and operating environments, availability of funding or discontinuance of services occur and could result in changes to the asset's or cash-generating unit's estimated recoverable amount.

Previously recognised impairment losses are reviewed annually for any indication that they may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. Such impairment losses are reversed in profit or loss if the recoverable amount has increased as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

Fair value estimation
The Company's investment properties are subject to IAS 16 cost model measurement and as required by IAS 40, the Company discloses the fair value of investment property. Depending on the available information and location of investment property, the Company uses the income capitalisation or repeat sales index system valuation method to determine the fair value of investment properties.

The fair value of investment property is measured at the value calculated internally. The calculation of fair value uses the assumptions such as capitalisation rate, vacancy rate, rental and operating expense rate.

The valuation performed on the investment property will be based on open market value.

Summary of material accounting policies

Recognition of investment property
Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the Company, and the cost of the investment property can be measured reliably.

Property held to earn rentals will be recognised as investment property. Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially to acquire an investment property and costs incurred subsequently to add to, replace part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of a replaced part is derecognised.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Subsequent measurement
Subsequent to initial recognition, investment property is carried at its cost less any accumulated depreciation and any impairment losses.

Investment property is measured in terms of the cost model.

Depreciation and useful lives
Depreciation is charged from the date the asset is available for use on a straight-line basis over the estimated useful life and ceases at the earlier of the date that the asset is classified as held for sale and the date the asset is derecognised.

Notes to the financial statements continued

for the year ended 31 March 2024

5. Long-term assets continued

5.4 Investment property continued

As a result of the Openserve legal separation on 1 September 2022, Telkom and Openserve entered into a lease agreement for land and buildings owned by Telkom. The land and buildings leased to Openserve are classified as investment properties in the Company from the transaction date and will be classified as property, plant and equipment in the Group.

	2024			2023		
Company	**Cost Rm**	**Accumulated depreciation, impairment and write-offs Rm**	**Carrying value Rm**	Cost Rm	Accumulated depreciation and write-offs Rm	Carrying value Rm
Investment property	**1 079**	**(168)**	**911**	1 032	(55)	977

	2024					
Company	**Opening balance Rm**	**Additions Rm**	**Transfers Rm**	**Depreciation Rm**	**Write-offs Rm**	**Carrying value Rm**
Investment property	**977**	**48**	**(1)**	**(112)**	**(1)**	**911**

	2023			
Company	Opening balance Rm	Transfers Rm	Depreciation Rm	Carrying value Rm
Investment property	–	1 032	(55)	977

Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the Company.

All investment properties owned are being leased out to Openserve, a 100% owned subsidiary of the Group.

Details of valuation
The effective date of the valuations was 31 March 2024 and resulted in a fair value of R2 038 million (31 March 2023: R2 014 million). Valuations of these investment properties were conducted by independent and qualified industry specialists in the prior year and reassessed by management in the current year.

The valuation was based on the open market value for existing use.

The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in accordance with international standards.

	Company	
Amounts recognised in profit and loss for the year	**2024 Rm**	2023 Rm
Rental income from investment property	**79**	**46**