Notes to the annual financial statements continued

for the year ended 31 March 2025

9 Equity structure continued

9.2 Share-based compensation reserve

Telkom's shareholders approved the Group share scheme at the September 2013 annual general meeting. The scheme covers certain operational and management employees and is aimed at giving shares to Group employees, at a Rnil exercise price at the end of the vesting period. Although the number of shares awarded to employees was communicated at the grant date, the ultimate number of shares that vest may differ based on certain performance conditions being met (refer to note 10.7).

	Group		Company	
The movement within the share-based compensation reserve is:	**31 March 2025 Rm**	31 March 2024 Rm	**31 March 2025 Rm**	31 March 2024 Rm
Balance at the beginning of the year	**1 535**	1 414	**1 321**	1 250
Net increase in equity	**75**	121	**53**	71
Employee expenses (refer to note 3.4.4)	**69**	121	**38**	36
Openserve share-based compensation reserve[1]	**—**	—	**9**	35
Transfer of Gyro share-based compensation reserve	**6**	—	**6**	—
Balance at the end of the year	**1 610**	1 535	**1 374**	1 321

[1] *From 1 September 2022, Openserve is a 100% owned subsidiary of the Group. For shares granted before 1 September 2022, where Openserve does not have an obligation to pay for the shares, it has been assessed that these shares need to be equity-settled in Telkom Company. This is because Telkom has the obligation to settle for the services rendered to Openserve. For services rendered by the Openserve employees after the carve-out date, the share-based compensation reserve was increased in the current financial year by R9 million (31 March 2024: R35 million), with a corresponding entry to the investment in Openserve.*

9.3 Non-distributable reserves

Summary of material accounting policies

Non-distributable reserves
Non-distributable reserves include reserves that have been grouped together as these are accounting reserves, which have arisen as a result of the specific requirements in the accounting standards.

Non-distributable reserves include the following:

- Translation reserve: This reserve comprises foreign currency translation differences arising from the translation of annual financial statements of the Group's foreign entities into South African rand;
- Treasury shares: This reserve also represents the treasury shares as well as the amounts paid by Telkom to its subsidiary, Rossal No 65 (Pty) Ltd, for the acquisition of Telkom's shares to be utilised in terms of the Telkom share scheme; and
- Shares repurchased for the purpose of the Telkom Group employee share scheme.

Treasury shares
Where the Group acquires shares for its employee share scheme, these shares are measured at acquisition cost and disclosed as a reduction of equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Such shares are not remeasured for changes in fair value. Any difference between the historical par value of the shares acquired and the consideration transferred for the acquisition of the shares is accounted for as an adjustment to retained earnings.

Where the Group chooses or is required to buy equity instruments from another party to satisfy its obligations to its employees under the share-based payment arrangement by delivery of its own shares, the transaction is accounted for as equity-settled. This applies regardless of whether the employees' rights to the equity instruments were granted by the Group itself, or by its shareholders, or were settled by either the Group or its shareholders.