# Notes to the annual financial statements continued

for the year ended 31 March 2026

## 10. Employee benefits continued

### 10.3 The Telkom Retirement Fund

**Significant accounting judgement in the settlement of the TRF**
In the prior year, the TRF met the IAS 19 (Employee Benefits) criteria for a full settlement of the defined benefit plan, following an amendment to the TRF rules, which was approved by the Financial Sector Conduct Authority (FSCA) with effect from 1 July 2024.

Management considered whether Telkom has eliminated all further obligations for all the benefits provided under the TRF in order to achieve full derecognition of the obligation.

The rules of the TRF were amended to remove the employer's obligation to make special contributions to the TRF as may be necessary to eliminate any actuarial shortfalls in the pensions account by limiting the pensioner liability in the TRF to the balance in the pensions account.

The amendment of the TRF rules has resulted in Telkom having no further obligation to fund any deficit unless it freely enters into a future agreement in writing, creating a future obligation. The views stipulated above were supported by both the pension fund specialist legal counsel and actuarial specialists.

**Settlement of the TRF**
The TRF was a hybrid fund which was established on 1 July 1995. The TRF was a defined contribution plan in respect of in-service members and a defined benefit plan in respect of pensioners, i.e. members' benefits accrue on a defined contribution basis until retirement. At retirement, members have the option to purchase a guaranteed pension from the TRF, at which point they become defined benefit pensioners. Prior to 1 July 2024, the option to purchase a pension from the fund was limited to those who joined employment before 1 September 2009, but a rule amendment in the TRF extended this benefit option to all retiring employees.

A rule amendment was registered by the FSCA with effect from 1 July 2024 to remove the employer's obligations to make special contributions to the TRF as may be necessary to eliminate any actuarial shortfalls in the pensions account by limiting the pensioner liability in the TRF to the balance in the pensions account.

As a result of the rule amendment, no obligation exists in any scenario for Telkom to make contributions or any other payments to fund any deficit in the fund as pension increase percentages and pensions itself may be adjusted to eliminate any shortfall. The rule amendment prescribes an investment strategy which mitigates against future deficits. Thus, the amounts available for in-fund pensions will always be equal to the amount available in the pensions account. Due to this matching, Telkom will never have any obligation towards the TRF. Therefore, Telkom settled the TRF liability as it had no further obligation for part or all of the benefits provided under a defined benefit plan.

Linked to the rule amendment was an in-principle decision made by the Telkom Board to pay a once-off amount to strengthen the pensioner reserves following the rule amendment. This resulted in Telkom having to pay the TRF the once-off amount on approval of the rule amendment by the FSCA. In prior year (November 2024), the once-off amount of R330 million was paid to the TRF, funded through the post-retirement medical aid (refer to note 10.4) to settle the provision raised in September 2024.

The gain or loss on settlement was determined as the difference between:

- The present value of the defined benefit obligation being settled, as determined on the date of settlement; and
- The settlement price, including any plan assets transferred and any payments made directly by the entity in connection with the settlement. In Telkom's case, the R330 million will form part of the amount that the entity pays in connection with the settlement.

The amendment changed the nature of the liabilities relating to the fund from a defined benefit to a defined contribution plan (as no further Company obligation remains) according to IAS 19, with effect from 1 July 2024.

| | 31 March 2025 Rm |
|---|---|
| Derecognition of the TRF plan asset as at 1 July 2024 | (42 580) |
| Derecognition of the TRF obligation as at 1 July 2024 | 42 292 |
| Settlement of the provision for payment to the TRF | (330) |
| **Loss on settlement (refer to note 3.4.3)** | (618) |

Included in the loss on settlement of the TRF in the prior year was a non-cash portion of R288 million resulting from the recognition of the asset ceiling which was appropriately accounted for in the cash generated from operations note in the increase/decrease in provisions line item. Refer to note 3.6. In the prior year, the loss on settlement after tax was R451 million.

# Notes to the annual financial statements continued

for the year ended 31 March 2026

## 10. Employee benefits continued

### 10.3 The Telkom Retirement Fund continued

The funded status of the Telkom Retirement Fund prior to 1 July 2024 is disclosed below:

| | Group | | Company | |
|---|---|---|---|---|
| **The Telkom Retirement Fund** | **31 March 2026 Rm** | 31 March 2025 Rm | **31 March 2026 Rm** | 31 March 2025 Rm |
| **The net periodic retirement costs include the following components:** | | | | |
| Interest cost on projected benefit obligations | – | 1 346 | – | 1 346 |
| Interest on plan assets | – | (1 356) | – | (1 356) |
| Service cost on projected benefit obligations | – | 153 | – | 153 |
| **Net periodic pension expense recognised in profit or loss** | – | 143 | – | 143 |
| **The net periodic other comprehensive income includes the following components:** | | | | |
| Actuarial loss due to financial assumptions changes | – | (46) | – | (46) |
| Actuarial gain due to experience adjustments | – | 517 | – | 517 |
| Actuarial loss due to demographic assumptions changes | – | (29) | – | (29) |
| Actuarial loss due to the recognition of asset ceiling on derecognition | – | (288) | – | (288) |
| **Net periodic pension income recognised in other comprehensive income** | – | 154 | – | 154 |
| Cumulative actuarial loss | – | (398) | – | (398) |
| **Benefit obligation:** | | | | |
| At the beginning of the year | – | 41 702 | – | 41 702 |
| Interest cost | – | 1 346 | – | 1 346 |
| Current service cost | – | 153 | – | 153 |
| Employee contributions | – | 73 | – | 73 |
| Benefits paid | – | (605) | – | (605) |
| Transfers in | – | 44 | – | 44 |
| Actuarial gain | – | (421) | – | (421) |
| Derecognition of the TRF obligation as at 1 July 2024 | – | (42 292) | – | (42 292) |
| **Benefit obligation at the end of the year** | – | – | – | – |

| | Group | | Company | |
|---|---|---|---|---|
| | **31 March 2026 Rm** | 31 March 2025 Rm | **31 March 2026 Rm** | 31 March 2025 Rm |
| **Plan assets:** | | | | |
| At the beginning of the year | – | 41 772 | – | 41 772 |
| Interest on plan assets | – | 1 358 | – | 1 358 |
| Employer contributions[1] | – | 278 | – | 278 |
| Employee contributions | – | 71 | – | 71 |
| Benefits paid | – | (605) | – | (605) |
| Transfers in | – | 44 | – | 44 |
| Actuarial loss | – | (338) | – | (338) |
| Actuarial gain on asset ceiling | – | 71 | – | 71 |
| Movement in asset ceiling | – | (71) | – | (71) |
| Derecognition of the TRF plan assets as at 1 July 2024 | – | (42 580) | – | (42 580) |
| **Net liability** | – | – | – | – |
| Interest on plan assets | – | 1 358 | – | 1 358 |
| Actuarial loss on plan assets | – | (338) | – | (338) |
| Actual return on plan assets | – | 1 020 | – | 1 020 |

[1] *This relates to contributions made before the derecognition of the TRF.*