Notes to the annual financial statements continued

for the year ended 31 March 2026

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.8 Capital management

The Group's policy is to manage the capital structure to ensure maximisation of shareholders' return, growth and ability to meet its obligations. Capital comprises equity and net debt, which is monitored using, among others, a net debt to EBITDA ratio.

Net debt is defined as interest-bearing debt and credit facilities utilised, less restricted cash and cash and cash equivalents. EBITDA is defined as earnings before investment income and finance cost (which includes gains and losses on foreign exchange transactions), tax, depreciation, amortisation and write-offs, impairments and losses of property, plant and equipment and intangible assets, and is also presented inclusive of interest revenue and interest on overdue accounts.

The net debt (excluding lease liabilities) to EBITDA at the reporting date was as follows:

	Group		Company	
	31 March 2026 Rm	31 March 2025 Rm	**31 March 2026 Rm**	31 March 2025 Rm
Non-current portion of interest-bearing debt	**4 524**	9 368	**4 524**	9 368
Current portion of interest-bearing debt	**2 069**	2 249	**2 069**	2 249
Less: Cash and cash equivalents	**(7 723)**	(11 054)	**(4 937)**	(8 989)
Less: Restricted cash	**(60)**	(23)	**(29)**	—
Net debt	**(1 190)**	540	**1 627**	2 628
EBITDA	**12 480**	11 014	**7 177**	10 433

7.2 Investments

7.2.1 Investment in subsidiaries

	Company	
	31 March 2026 Rm	31 March 2025 Rm
Investment in subsidiaries	**13 465**	13 477
Openserve (Pty) Ltd	**6 686**	6 685
100% shareholding at cost	**11 296**	11 296
Accumulated impairment	**(4 655)**	(4 655)
Share-based compensation reserve (refer to note 9.2)	**45**	44
Trudon (Pty) Ltd	**17**	17
100% shareholding at cost	**326**	326
Accumulated impairment	**(56)**	(56)
Return on investment[1]	**(253)**	(253)
Business Connexion Group Ltd (BCX)		
100% shareholding at cost	**6 579**	6 579
Gyro Properties (Pty) Ltd		
100% shareholding at cost (R100)	**129**	129
Gyro Group (Pty) Ltd[2]		
100% shareholding at cost (R100)	**—**	5
Investment in the FutureMakers Fund	**54**	62
Shareholding at cost	**88**	100
Disinvestment	**(8)**	(12)
Accumulated impairment	**(26)**	(26)

1 *Return on investment is due to the operations of Trudon being integrated with Telkom in the 2023 financial year.*

2 *In the current year, Gyro Group was divisionalised within Telkom.*

Impairment considerations
The Company holds a 100% interest in BCX, Openserve, Gyro Properties and Trudon and accounts for these investments as subsidiaries in terms of IAS 27 (Separate Financial Statements). Under IAS 36 (Impairment of Assets), the Group is required to test investments in subsidiaries carried at cost for impairment if there is an indicator of impairment. Refer to note 5.3 for the impairment disclosure.

Notes to the annual financial statements continued

for the year ended 31 March 2026

7. Financial risk continued

7.2 Investments continued

7.2.2 Loans to subsidiaries

	Company	
	31 March 2026 Rm	31 March 2025 Rm
Loans to subsidiaries	**8 752**	8 712
Loans to Openserve	**8 752**	8 712
Loans granted to Openserve	**8 767**	8 743
Non-current portion of loans granted to Openserve	**7 889**	8 363
Current portion of loans granted to Openserve	**878**	380
Accumulated impairment loss on loans to Openserve	**(15)**	(31)

Loans to Openserve

As part of the Openserve carve-out transaction, Telkom and Openserve have agreed to fund Openserve's capital structure through two loans, granted in July 2022.

The first loan is a R4.2 billion loan which is payable over 5 years and 6 months and accrues interest at a rate of three-month JIBAR plus a margin of 1.65%. Quarterly interest payments is made against the loan. The capital is repayable in five instalments, with the next instalment of R500 million due on 31 March 2027.

The second loan of R4.8 billion is payable over 10 years and accrues interest at a rate of three-month JIBAR plus a margin of 1.85%. Capital will be paid as a bullet repayment at the end of the loan period.

In August 2022, Telkom and its wholly owned subsidiary, Openserve, entered a Revolving Credit Facility (RCF) agreement, in terms of which Telkom commits to set aside R1.2 billion for Openserve. The committed funds can be drawn by Openserve over 10 years, commencing from the date when Telkom notifies Openserve that the conditions precedent are met. Any amount drawn will incur interest at JIBAR plus an additional margin of 1.85%. On 31 March 2026, Openserve utilised R378 million which is included in the current portion of R878 million.

Loans to subsidiaries - key assumptions

All the loans made by Telkom to its subsidiaries are accounted for at amortised cost. Loans to subsidiaries are considered to have low credit risk as the subsidiaries are performing well and there has been no deterioration of credit risk since the loans were originated. Therefore, the loss allowance recognised during the year was limited to the 12-month expected credit loss.

Telkom used the general approach methodology to calculate the expected loss of 0.43% (31 March 2025: 0.88%) and 40% (31 March 2025: 40%) loss given default on the Openserve loans. The expected loss percentage is calculated using Telkom's rating agency credit risk rate percentage as a base, adjusted for the borrowing subsidiary's specific credit risk using the credit rating agency's notching analysis model. During the current financial year, the expected credit loss provision on the loans to Openserve decreased by R15 million (31 March 2025: R25 million).

BCX loan facility

In March 2024, Telkom and its wholly owned subsidiary, BCX, entered a term loan and RCF agreement, in terms of which Telkom committed to set aside R1 billion for BCX. The committed funds can be drawn by BCX over 3 years and 6 months, commencing from the date when Telkom notifies BCX that the conditions precedent are met. Any amount drawn will incur interest at JIBAR plus an additional margin of 1.65%. As at 31 March 2026, BCX had not drawn on either facility.

Notes to the annual financial statements continued

for the year ended 31 March 2026

7. Financial risk continued

7.2 Investments continued

7.2.3 Other investments

Significant accounting judgements, estimates and assumptions

Determination of an onerous contract
A contract is onerous at initial recognition where the expected fulfilment cash flows, any previously recognised acquisition cash flows, and any cash flows arising from the contract, at the date of initial recognition, in total, are a net outflow. The Group uses estimates to determine future expected cash flows. The estimation considers available historical information about claims and statistical data relating to events that affect the loss ratio such as crime rates, mortality rates, etc. The insurance contracts were determined to be non-onerous on initial recognition.

Summary of material accounting policies

FutureMakers Fund
This fund is an enterprise and supplier development (ESD) programme. In partnership with Identity FutureFund (Pty) Ltd, the fund was created in terms of the Department of Trade and Industry's Code of Good Practice on Black Economic Empowerment 2007, as amended, and specifically in terms of the IT charter.

The Company accounts for this at cost as an investment in a subsidiary. The Group consolidates the fund and holds the investments within the fund at fair value. The underlying investments in the fund have been designated as at fair value through profit or loss as this more appropriately reflects the basis on which management measures and monitors the performance of the investment. No change was made to this designation following the adoption of IFRS 9. In 2018, the partnership agreement was amended to also include BCX. BCX invested an amount of R100 million, which is reflected as a financial asset in the BCX stand-alone annual financial statements and included in cash and cash equivalents in the Group annual financial statements.

Investment in associate
The Number Portability Company (Pty) Ltd was incorporated in response to Regulations of 2005 that required a national centralised database of ported numbers for mobile numbers. The investment has been classified as an associate in line with the requirements of the revised IAS 28 (Investments in Associates and Joint Ventures). The year-end of the associate, 31 December, is different from that of the Company and the impact is not material.

Investment in insurance first-party cell captive
Telkom has entered into a first-party cell captive arrangement with Guardrisk. The first-party cell is to insure the life of Telkom’s employees and their related parties. Telkom pays insurance premiums to Guardrisk periodically. In the event that a life is lost, the claims are paid from the cell captive.

The first-party cell is not subject to IFRS 17 as it is not an insurance contract as defined in IFRS 17. The Telkom share subscription is accounted for as an IFRS 9 financial asset at fair value through profit or loss.

Investment in insurance third-party cell captive
Telkom is a cell captive owner for two third-party cell captive arrangements with Mutual and Federal Risk Financing Limited (MFRF) and Guardrisk. Both MFRF and Guardrisk are licensed insurance companies. MFRF underwrites the Telkom device insurance and Guardrisk underwrites the Telkom life insurance.

The device insurance allows Telkom's customers to insure their devices against theft, accidental loss, and accidental physical damage. The life insurance allows customers to insure lives with the main product being the death benefit cover.

Both third-party cells are ring-fenced insurance businesses and Telkom’s participation is restricted to the results of the insurance businesses.

Based on the nature of the shareholder and subscription and intermediary contracts between Telkom and MFRF and Guardrisk, Telkom compensates the underwriters for claims arising from the contracts issued to the public when the premiums cannot cover those claims. The contract between Telkom and the underwriters is classified as reinsurance contracts issued.

In the Group, the cell captive arrangements effectively represent investments in a separate class of shares in the cell captive insurer (Guardrisk and MFRF). The Group concluded that its cell captive arrangement does not satisfy the criteria to be a deemed separate entity and, accordingly, is not subject to consolidation.

Telkom will derecognise the cell captive asset from its statement of financial position in the event that the contract is cancelled, expired or upon liquidation of the insurer.

Classification
Insurance contracts are contracts under which the Group accepts significant insurance risk from its cell captive underwriters (MFRF and Guardrisk) by agreeing to compensate the underwriters if a specified uncertain future event covered by the insurance adversely affects the third-party policyholders. The contracts issued by the underwriters to the policyholders meet this definition.

Contract boundary period
The measurement of the insurance contracts only considers cash flows within the boundary. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the entity can compel the policyholder to pay the premiums or in which the entity has a substantive obligation to provide the policyholder with insurance contract services.

Measurement
The Group applies the premium allocation approach (PAA) on the device and life insurance contracts as they have a coverage period of one year or less. Both the device insurance and life insurance do not meet the definition of insurance contracts with direct participating rights.

Notes to the annual financial statements continued

for the year ended 31 March 2026

7. Financial risk continued

7.2 Investments continued

7.2.3 Other investments continued

Investment in insurance third-party cell captive continued

Measurement continued
The Group manages insurance contracts by product lines, i.e. device insurance and life insurance, within the Consumer operating segment. Insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further assessed and grouped into three cohorts, namely:

- Contracts that are onerous at initial recognition;
- Contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently; and
- Remaining group contracts.

All the insurance contracts were determined to be non-onerous on initial recognition.

Insurance liability measurement
The insurance cell recognises the insurance contracts with the policyholders at the earlier of:
- the beginning of the coverage period;
- the date when the first payment from a policyholder is due or when the first payment is received, if there is no due date; and
- the date when the insurance cell becomes onerous.

Liability for remaining coverage
Using the PAA measurement, the liability for remaining coverage is measured as:

- Insurance premiums received at initial recognition;
- Less insurance acquisition cash flows incurred at initial recognition.

Subsequently:

- Opening liability for remaining coverage as per the previous reporting period;
- Add insurance revenue received;
- Less insurance revenue recognised;
- Less acquisition costs paid;
- Add acquisition cash flows incurred in the period; and
- Add interest attributed to the profit share account/investment income over a period.

Insurance acquisition cash flows incurred
Insurance acquisition cash flows incurred consist of cash flows that arise from costs of selling, underwriting, insurance acquisition and other insurance business operating expenses.

Liability for Incurred Claims
Liability for incurred claims consists of claims incurred but not yet honoured and paid. The Group does not adjust for the time value of money as the time between providing the insurance service and the related claim date are not more than a year. The fulfilment cash flows are determined on an unbiased basis and reflect the Group's estimate of the claims liability. The estimate considers all information available without undue costs relating to the cash flows arising from substantive rights and obligations that exist during the reporting period.

Acquisition costs
The Group accounting policy choice is to expense insurance acquisition cash flows as and when they are incurred, as the insurance coverage period is 12 months or less.

Insurance risk
Insurance risk is the risk that the premiums received to cover the insured events are not sufficient to cover the claims liability.

Telkom is exposed to the risk that should there be insufficient capital available to honour the claims made by the policyholders in the cell captive arrangement, it has to recapitalise the cell captive. Therefore, Telkom has accepted significant insurance risk from the underwriters in a controlled manner by investing in the businesses that are liable to compensate the third party in the event that a specified risk occurs.

Insurance contract risk is unpredictable by nature. To determine the insurance premiums, the underwriters use available historical claims information and actuarial science techniques.

The underwriter's risk is that the actual insurance claims liability exceeds the premiums collected from the policyholders.

The number of claims at any given boundary period cannot be predicted with certainty and is affected by the following unforeseen events that may lead to insufficient capital being available to honour customer claims:

- **Loss rate risk:** Risk that the actual experienced losses/claims are higher than that assumed and cannot be covered by collected insurance premiums. For device insurance, this relates to claims arising from loss, accidental physical damage or theft of devices. For life insurance, this relates to the loss of the insured life or changes in assumed mortality rates.
- **Business volume risk:** Risk that the insurance business may not attract and sell sufficient volumes to cover the fixed costs of running the business.
- **Lapse risk:** Risk that customers will terminate their contracts prior to contractual maturity.
- **Crime rate risk:** Risk that crime levels increase significantly, resulting in a high frequency of claims due to death, for life insurance, and theft, for device insurance.

Notes to the annual financial statements continued

for the year ended 31 March 2026

7. Financial risk continued

7.2 Investments continued

7.2.3 Other investments continued

Investment in insurance third-party cell captive continued

Insurance risk *continued*

As the cell owner of both cell captives, Telkom is obliged to ensure that the cell always maintains financially sound requirements (solvency and liquidity). Where the cell's solvency and liquidity requirements are adversely affected, Telkom is required to inject capital into the cell. The insurance business risk exposure is currently within the Group's risk appetite on both cell captives. Therefore, Telkom has opted not to reinsure its insurance risk on both cell captives.

Telkom develops an annual business plan and its performance is reviewed monthly, including the assessment of annual financial statements of the respective cell to monitor the financial performance and position. The claims ratio is closely monitored to ensure that they have considered all the possible risks, and mitigation actions are implemented.

	Group		Company	
	31 March 2026 Rm	31 March 2025 Rm	31 March 2026 Rm	31 March 2025 Rm
Non-current other investments				
Unlisted investment	**111**	106	**—**	—
FutureMakers Fund	**102**	96	**—**	—
Investment	**102**	96	**—**	—
Investment in associates	**9**	10	**—**	—
Current other investments	**134**	251	**134**	251
Insurance contract assets	**134**	251	**134**	251

7.2.3.1 Reconciliation of insurance contract assets

	Group and Company			
	31 March 2026		31 March 2025	
Device insurance	Liability for remaining coverage - excluding loss component Rm	Liability for incurred claims Rm	Liability for remaining coverage - excluding loss component Rm	Liability for incurred claims Rm
Insurance contract assets/(liabilities) balance as at 1 April	**740**	**(499)**	497	(362)
Insurance revenue	**275**	**—**	284	—
Insurance service expenses	**(12)**	**(120)**	(9)	(137)
Incurred claims and directly attributable costs	**—**	**(89)**	—	(75)
Insurance acquisition cash flows	**(12)**	**—**	(9)	—
Insurance operating costs	**—**	**(31)**	—	(32)
Preference dividends paid	**—**	**—**	—	(30)
Insurance service result	**263**	**(120)**	275	(137)
Insurance finance income	**18**	**—**	19	—
Taxation	**(76)**	**32**	(51)	—
Total recognised in the statement of profit or loss and other comprehensive income	**205**	**(88)**	**243**	**(137)**
Cash flows				
Premiums received	**(275)**	**—**	(284)	—
Premiums recognised	**275**	**—**	284	—
Incurred claims and directly attributable costs recognised	**—**	**122**	—	137
Incurred claims and directly attributable costs paid	**—**	**(122)**	—	(137)
Insurance acquisition cash flows recognised	**12**	**—**	9	—
Insurance acquisition cash flows paid	**(12)**	**—**	(9)	—
Preference dividends received	**—**	**(240)**	—	—
Total cash flows	**—**	**(240)**	—	—
Insurance contract assets/(liabilities) balance as at 31 March	**945**	**(827)**	740	(499)

There was no loss component in FY2025 and FY2026.

Notes to the annual financial statements continued

for the year ended 31 March 2026

7. Financial risk continued

7.2 Investments continued

7.2.3 Other investments continued

7.2.3.1 Reconciliation of insurance contract assets continued

	Group and Company			
	31 March 2026		31 March 2025	
Life insurance	**Liability for remaining coverage - excluding loss component Rm**	**Liability for incurred claims Rm**	Liability for remaining coverage - excluding loss component Rm	Liability for incurred claims Rm
Insurance contract assets/(liabilities) balance as at 1 April	**25**	**(15)**	17	(11)
Insurance revenue	**8**	**—**	8	—
Insurance service expenses	**—**	**(2)**	—	(4)
Incurred claims and related costs	**—**	**(1)**	—	(4)
Insurance operating costs	**—**	**(1)**	—	—
Insurance service result	**8**	**(2)**	8	(4)
Insurance finance income	**1**	**—**	1	—
Taxation	**(2)**	**1**	(1)	—
Total recognised in the statement of profit or loss and other comprehensive income	**7**	**(1)**	8	(4)
Cash flows				
Premiums received	**(7)**	**—**	(8)	—
Premiums recognised	**7**	**—**	8	—
Incurred claims and directly attributable costs recognised	**—**	**3**	—	5
Incurred claims and directly attributable costs paid	**—**	**(3)**	—	(5)
Insurance contract assets/(liabilities) balance as at 31 March	**32**	**(16)**	25	(15)

There was no loss component in FY2025 and FY2026.

For both cell captives the adjustment for non-financial risk is considered to be immaterial.