Notes to the annual financial statements continued

for the year ended 31 March 2026

7. Financial risk continued

7.3 Other financial assets and liabilities

Significant accounting judgements, estimates and assumptions

Cash flow treatment of asset finance transactions
The cash flows from BCX asset finance transactions are accounted for in operating activities within the statement of cash flows. Significant judgement was involved in concluding the above, which included the following considerations:

- BCX has a principal revenue-producing activity of providing financing to customers. The provision of financing to customers provides an advantage in the overall customer value proposition, from which further opportunities for revenue generation arise. Financing to customers is managed on a back-to back basis with the financier, with full disclosure of the identity of the financier in the customer contracts. Financing is managed at a customer level, which is also the level at which performance within the business unit is assessed.
- Margins on deals are actively managed with a track record of gross profit and EBITDA margins enabled through profitable margins between the lending rate to the customer and the rate from the financier (over and above the typical equipment outright sale deals). Where BCX assumes the credit risk on deals (deals with recourse), the credit risk is managed in line with the Company's credit risk policies and practices.

Summary of material accounting policies

Investment in equity fund

In 2016, the private sector formed the SA SME Fund, the purpose of which is to stimulate investments in high-potential small and medium enterprises (SMEs). This partnership between the fund and the accredited companies will also build a high-quality mentorship cohort to support said enterprises and entrepreneurs. Pursuant to this initiative, various leading private sector entities committed to providing equity funding to the fund.

In the 2022 financial year, Telkom entered into an agreement with this fund in terms of which Telkom will provide equity funding through share subscriptions to the value of R10 million. Telkom does not have control over the fund as it only holds 0.72% interest in the fund. The investment is classified at fair value through profit or loss. The fair value of the investment is equivalent to its cost price.

Asset finance payables
The Group leases equipment to certain customers. These leases are accounted for as either operating leases or finance leases. In certain cases, BCX finances the purchase of the underlying equipment through securitisation of the underlying rental schedules. Where the derecognition criteria for the sale of the lease receivable to the financial institution in terms of IFRS 9 has been met, the lease receivable is derecognised. If the derecognition criteria are not met and the Group does not transfer all risks and rewards (i.e. credit risk), the lease receivable is not derecognised. The Group accounts for the liability related to the inflow from the financial institutions for the financing of these leases as asset finance payables.

BCX supplier finance arrangements with extended payment terms
BCX participates in SFAs with extended payment terms and the trade payables subject to this arrangement are classified as other financial liabilities. The assessment of SFAs, and whether they result in changes to the trade payables classification to interest-bearing debt, takes into consideration numerous factors, which include the impact of the arrangement on the supplier's payment term, the nature of the relationships between the Group and the funders, changes in cash flows, whether there are any guarantees provided by the Group to the funders, as well as whether the supplier has discharged the Group from its obligation.

Considering the above assessment at the reporting date, the Group had invoices subject to the SFAs that met the requirements to be reclassified as other financial liabilities.

R61 million (31 March 2025: R94 million) of the total other financial liabilities is subject to supplier financing arrangements with extended payment terms. Refer to note 7.1.5 for liquidity risk disclosure.

Notes to the annual financial statements continued

for the year ended 31 March 2026

7. Financial risk continued

7.3 Other financial assets and liabilities continued

	Group		Company	
	31 March 2026 Rm	31 March 2025 Rm	**31 March 2026 Rm**	31 March 2025 Rm
Other financial assets				
Non-current other financial assets	**63**	94	**63**	94
Other financial assets at amortised cost				
Non-current portion of SMME loans	**46**	77	**46**	77
Other financial assets at fair value through profit or loss	**17**	17	**17**	17
Investment in equity fund	**10**	10	**10**	10
Investment in first-party cell captive	**7**	7	**7**	7
Current other financial assets	**196**	63	**164**	46
Other financial assets at amortised cost				
Current portion of SMME loans	**36**	—	**36**	—
Other financial assets at fair value through profit or loss				
Derivative instruments used for hedging	**160**	63	**128**	46
Forward exchange contracts	**105**	35	**90**	22
Firm commitments	**53**	28	**36**	24
Interest rate swaps	**2**	—	**2**	—
Other financial liabilities				
Non-current other financial liabilities	**(130)**	(205)	**—**	—
Other financial liabilities at amortised cost				
Asset finance payables	**(130)**	(205)	**—**	—
Current other financial liabilities	**(419)**	(350)	**(135)**	(70)
Other financial liabilities at amortised cost	**(233)**	(249)	**—**	—
Asset finance payables	**(172)**	(155)	**—**	—
Supplier finance arrangements	**(61)**	(94)	**—**	—
Other financial liabilities at fair value through profit or loss	**(186)**	(101)	**(135)**	(70)
Derivative instruments used for hedging	**(186)**	(101)	**(135)**	(70)
Forward exchange contracts	**(140)**	(61)	**(99)**	(50)
Firm commitments	**(23)**	(31)	**(13)**	(11)
Interest rate swaps	**(23)**	(9)	**(23)**	(9)

Notes to the annual financial statements continued

for the year ended 31 March 2026

7. Financial risk continued

7.3 Other financial assets and liabilities continued

SMME loans

The Group grants interest-free loans for Broad-Based Black Economic Empowerment (B-BBEE) scorecard purposes. Based on the Group's business model of managing the interest-free loans for small, medium and micro enterprises (SMMEs), subsequently interest-free loans are measured at amortised cost as they are held with the objective to collect contractual cash flows that are solely payments of the principal amount outstanding and/or interest on the outstanding amount.

As required by IFRS 9, interest-free loans are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue. The SMME loans are not granted at fair value as they are interest-free.

On initial recognition, the difference between the fair value and the transaction price (loan amount) is recognised as a loss in the statement of profit or loss and other comprehensive income. Although the loans are granted for B-BBEE purposes, due to points being earned through financing the SMMEs, the loss is recognised as a finance cost.

Telkom has appointed Absa Group Ltd to act as its agent for the purposes of managing and administering the ESD funding loans. The loan amounts for the seven borrowers range from a minimum of R2.5 million to a maximum of R10 million. The loans are all at a zero-interest rate and have different instalments and period terms.

Aligned with IFRS 9 principles, the Group uses the general approach in calculating expected credit losses on loans. The SMMEs' credit risk scores are not publicly available and there is currently no history available in which the credit risk can be assessed. Based on the nature and size of the SMMEs, their credit risk is regarded as significant, thus a lifetime expected credit loss will be calculated. In the current and prior financial years, no expected credit losses were recognised on the SMME loans.

Derivatives

Derivatives held for risk management purposes include hedges that either meet the hedge accounting requirements or economic hedges that do not meet the hedge accounting requirements. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Derivatives that do not meet the hedge accounting requirements

The Group uses forward exchange contracts and interest rate swaps to economically hedge its foreign exchange and interest rate exposures. This relates to the "Other" category of forward exchange contracts as referred to in note 7.1.6. These derivative instruments are measured at fair value through profit or loss.

Derivatives that meet the hedge accounting requirements

The Group uses forward exchange contracts to hedge its exposure to changes attributable to movements in the spot exchange rate of its firm commitments. These derivatives are designated as fair value hedges.

Fair value hedges

The foreign forward exchange contracts, designated as fair value hedges, are being used to hedge the exposure to changes attributable to movements in the spot exchange rates of firm commitments.

The Group implements fair value hedge accounting where the hedging relationship meets the requirements of IAS 39.

Hedge effectiveness is determined at inception of the hedge relationship and at each reporting period-end through an assessment of the hedged items and hedging instruments to determine whether there is still an economic relationship between the two. Hedge ineffectiveness arises from the impact of the counterparty's assessment of the Group's credit risk on the fair value of the forward exchange contracts, which is not reflected in the fair value of the hedged item, and the difference in the timing of the maturity of the derivatives, and the settlement of the hedged item.

Notes to the annual financial statements continued

for the year ended 31 March 2026

7. Financial risk continued

7.3 Other financial assets and liabilities continued

Derivatives that meet the hedge accounting requirements:

	Group				
	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument		Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness
		Assets	Liabilities		
	Rm	Rm	Rm		Rm
31 March 2026					
Foreign exchange risk fair value hedging relationship					
Forward exchange contracts	**4 488**	**105**	**(140)**	**Other financial assets and other financial liabilities**	**378**
31 March 2025					
Foreign exchange risk fair value hedging relationship					
Forward exchange contracts	3 859	35	(61)	Other financial assets and other financial liabilities	164

	Company				
	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument		Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness
		Assets	Liabilities		
	Rm	Rm	Rm		Rm
31 March 2026					
Foreign exchange risk fair value hedging relationship					
Forward exchange contracts	**3 149**	**90**	**(99)**	**Other financial assets and other financial liabilities**	**270**
31 March 2025					
Foreign exchange risk fair value hedging relationship					
Forward exchange contracts	3 379	22	(50)	Other financial assets and other financial liabilities	119

In the current and prior financial year, the hedge ineffective portion was immaterial.