Notes to the financial statements continued

for the year ended 31 March 2022

7. Investment income

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Investment income	**144**	188	**4 163**	1 643
Interest income	**122**	188	**50**	134
Dividend income from subsidiaries	**–**	–	**4 091**	1 509
Dividend income from third party	**22**	–	**22**	–

Interest income relates to interest earned from financial assets (cash and cash equivalents and loans) measured at amortised cost. Interest is recognised on a time proportionate basis, taking into account the principal amount outstanding and the effective interest rate.

Included in dividend income from subsidiaries is special dividends received from BCX of R1 508 million and from Gyro of R762 million.

In the current financial year, Telkom received a dividend of R22 million (31 March 2021: Rnil) from Mutual and Federal third-party cell captive.

8. Net finance charges and fair value movements

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Net finance charges and fair value movements	**(1 279)**	(1 527)	**(1 423)**	(1 747)
Net finance charges	**(1 112)**	(1 249)	**(1 262)**	(1 496)
Finance charges on lease liabilities	**(450)**	(445)	**(517)**	(560)
Net finance charges on local debt[1]	**(740)**	(835)	**(823)**	(967)
Less: Finance charges capitalised[2]	**78**	31	**78**	31
Foreign exchange and fair value movements	**(167)**	(278)	**(161)**	(251)
Foreign exchange (loss)/gain	**(136)**	829	**(125)**	870
Cost of hedging	**–**	(153)	**–**	(153)
Fair value adjustments	**(31)**	(954)	**(36)**	(968)
Capitalisation rate for borrowing costs (%)	**6.6**	7.1	**6.6**	7.1

1 *For interest-bearing debt movement, refer to note 26.*
2 *Finance charges on general borrowings are capitalised to qualifying assets (property, plant and equipment and intangible assets).*

Finance charges relate to interest expense on financial liabilities measured at amortised cost.

Finance charges on local and foreign debt decreased from R1 249 million in March 2021 to R1 112 million in March 2022 for Group and decreased from R1 496 million in March 2021 to R1 262 million in March 2022 for Company, respectively. The decrease in the current year is mainly due to lower interest rates as well as the settlement of the SARS liability in the prior year.