Notes to the annual financial statements continued

for the year ended 31 March 2025

5. Long-term assets continued

5.4 Investment property

Significant accounting judgements, estimates and assumptions

Impairments of investment property
The Company regularly reviews its non-financial assets and CGUs for any indication of impairment. An impairment test is performed when indicators occur, including changes in technology, market, economic, legal and operating environments, availability of funding or discontinuation of services, and could result in changes to the asset's or CGU's estimated recoverable amount.

Previously recognised impairment losses were reviewed annually for any indication that they may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. Such impairment losses are reversed in profit or loss if the recoverable amount has increased as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

Fair value estimation

The Company's investment properties are subject to IAS 16 cost model measurement and, as required by IAS 40, the Company discloses the fair value of investment property. Depending on the available information and location of investment property, the Company uses the income capitalisation or repeat sales index system valuation method to determine the fair value of investment properties.

The fair value of investment property is measured at the value calculated internally. The calculation of fair value uses the assumptions such as the capitalisation rate, vacancy rate, rental and operating expense rate.

Summary of material accounting policies

Recognition of investment property
Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the Company, and the cost of the investment property can be measured reliably.

Property held to earn rentals will be recognised as investment property. Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include those incurred initially to acquire an investment property and costs incurred subsequently to add to, replace part of, or service the property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of a replacement part is derecognised.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Subsequent measurement
Subsequent to initial recognition, investment property is carried at its cost less any accumulated depreciation and any impairment losses.

Investment property is measured in terms of the cost model.

Depreciation and useful lives
Depreciation is charged from the date the asset is available for use on a straight-line basis over the estimated useful life and ceases at the earlier of the date that the asset is classified as held for sale or the date the asset is derecognised.

Notes to the annual financial statements continued

for the year ended 31 March 2025

5. Long-term assets continued

5.4 Investment property continued

As a result of the Openserve legal separation on 1 September 2022, Telkom and Openserve entered into a lease agreement for land and buildings owned by Telkom. The land and buildings leased to Openserve are classified as investment properties in the Company from the transaction date and will be classified as property, plant and equipment in the Group.

	2025			2024			2023		
	Cost	Accumulated depreciation and write-offs	Carrying value	Cost	Accumulated depreciation and write-offs	Carrying value	Cost	Accumulated depreciation and write-offs	Carrying value
Company	**Rm**	**Rm**	**Rm**	Rm	Rm	Rm	Rm	Rm	Rm
Investment property	**1 070**	**(238)**	**832**	1 079	(168)	911	1 032	(55)	977

The carrying amounts of investment property can be reconciled as follows:

	2025					
	Carrying value at the beginning of the year	Additions	Disposals	Depreciation	Write-offs	Carrying value at the end of the year
Company	**Rm**	**Rm**	**Rm**	**Rm**	**Rm**	**Rm**
Investment property	**911**	**36**	**(16)**	**(96)**	**(3)**	**832**

	2024					
	Carrying value at the beginning of the year	Additions	Transfers	Depreciation	Write-offs	Carrying value at the end of the year
Company	Rm	Rm	Rm	Rm	Rm	Rm
Investment property	977	48	(1)	(112)	(1)	911

Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the Company.

All investment properties are being leased to Openserve, a 100% owned subsidiary of the Group.

Details of valuation

The effective date of the valuations was 31 March 2025 and resulted in a fair value of R2 374 million (31 March 2024: R2 038 million). Valuations of these investment properties were conducted by independent and qualified industry specialists in the 2023 financial year and recalculated by management using the income capitalisation valuation approach in the current year. The fair value of investment property is classified as level 3 in the fair value hierarchy.

The valuation was based on the open market value for existing use.

The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in accordance with international standards.

	Company	
	2025	2024
Amounts recognised in profit and loss for the year	**Rm**	Rm
Rental income from investment property	**83**	79