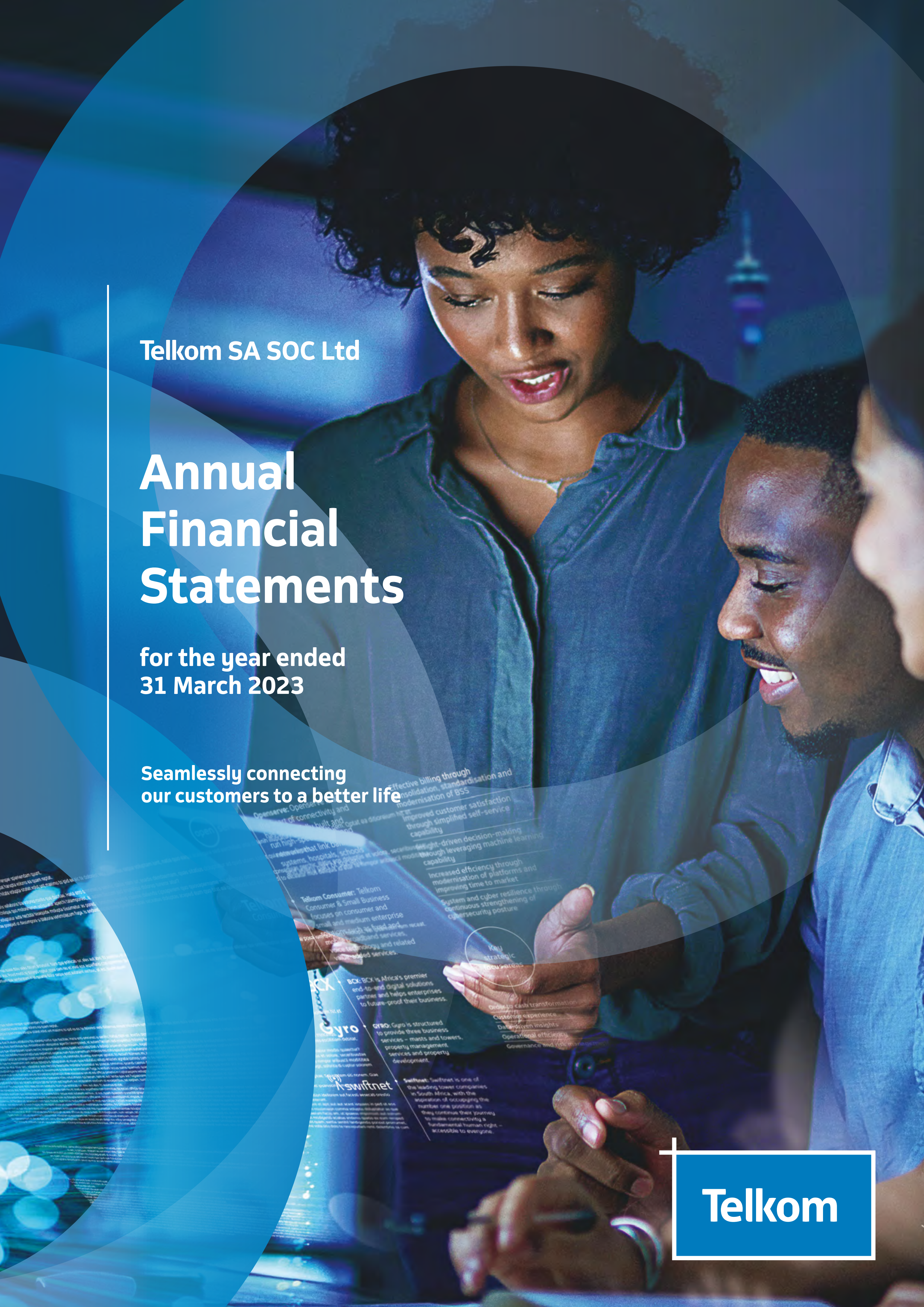

Telkom SA SOC Ltd

Annual Financial Statements

for the year ended
31 March 2023

Seamlessly connecting
our customers to a better life

Telkom

This is an online report that is available on Telkom's investor relations website

Telkom SA SOC Ltd

(Registration number: 1991/005476/30)
JSE share code: TKG
ISIN: ZAE000044897
Alpha code: BITEL

Preparer and supervisor of the financial statements

These financial statements were prepared by the Telkom Group finance staff under the supervision of the Group Chief Financial Officer, Dirk Reyneke CA(SA).

Board approval

These financial statements were authorised for issue on 12 June 2023 by the Telkom SA SOC Ltd Board of Directors and published on 13 June 2023. The Board has the power to amend and reissue the financial statements.

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INTRODUCTION STATEMENTS

1

Directors' responsibility statement

for the year ended March 2023

The Directors are responsible for the preparation, integrity, and fair presentation of the consolidated annual financial statements of the Company and its subsidiaries. It is their responsibility to ensure that the financial statements fairly present the financial position of the Group as at the end of the financial year, the results of the operations and the cashflow information is in conformity with International Financial Reporting Standards ("IFRS") and Interpretations of IFRS standards, as issued by the International Accounting Standards Board, the SAICA financial reporting guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act of South Africa, 71 of 2008, as amended.

The annual financial statements are prepared based on appropriate accounting policies which have been consistently applied and have incorporated prudent judgement and estimates.

The external auditors have expressed an independent opinion on the consolidated annual financial statements of the Group.

For the Directors to discharge their responsibilities, management continues to develop and maintain a system of internal control aimed at reducing the risk of error or loss in a cost-effective manner. This is designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the Company's policies and procedures.

The Directors, primarily through the audit committee, which consists of independent non-executive directors, meet periodically with the external and internal auditors, and executive management to evaluate matters concerning accounting policies, internal controls, auditing and financial reporting.

The Directors are of the opinion, based on information and explanations given by management and internal audit and discussions with the external auditors on the results of the audit, that the internal accounting controls are adequate, so that the financial records may be relied on for preparing the financial statements and maintaining accountability for assets and liabilities.

The Directors are satisfied that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company and its subsidiaries continue to adopt the going concern basis in preparing the annual financial statements.

Against the background, the Directors of the Company accept responsibility for the annual financial statements, which were approved by the Board of Directors on 12 June 2023, and are signed on its behalf by:

Mvuleni Geoffrey Qhena
Chairperson

Serame Taukobong
Group Chief Executive Officer

Centurion
12 June 2023

Group Chief Executive Officer and Group Chief Financial Officer responsibility statement

for the year ended March 2023

Each of the directors, whose names are stated below hereby confirm that:

- The Annual Financial Statements set out on pages 16 to 136, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- To the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;
- The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- Where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and
- We are not aware of any fraud involving directors.

Serame Taukobong
Group Chief Executive Officer

12 June 2023

Dirk Reyneke
Group Chief Financial Officer

12 June 2023

Certificate from the Group Company Secretary

I hereby certify in accordance with section 88(2)(e) of the Companies Act No. 71 of 2008, as amended, that the Company has lodged with the Commissioner of Companies all such returns as are required in terms of this Act and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

Ayanda Ceba
Group Company Secretary
12 June 2023

Directors' report

To the members of Telkom SA SOC Ltd

The Directors have pleasure in submitting the annual financial statements of the Group for the year ended 31 March 2023.

The Directors confirm that Telkom complies with the provisions of the Companies Act and the laws of establishment, specifically relating to its incorporation; and it operates within conformity with its memorandum of incorporation and all relevant constitutional documents.

Nature of business

Telkom is an integrated communications and information technology service provider for South Africa.

Financial results

Loss for the year ended 31 March 2023 was R9 971 million (March 2022: R2 631 million) representing basic (loss)/earnings per share of (2 058.9) cents per share (March 2022: 536.6 cents per share) and headline (loss)/earnings per share of (25.8) cents per share (March 2022: 575.3 cents per share). Full details of the financial position and results of the Group are set out in the accompanying Company and Group annual financial statements.

Dividends

Following the suspension of the dividend policy for three years from FY2021, management has reviewed its capital allocation framework which seeks to maximise returns on capital investments, maintain a healthy balance sheet, and generate strong free cash flow thus growing shareholder value over the long term. Telkom has decided not to declare a dividend in respect of the financial year ended 31 March 2023.

Subsidiaries, associates and other investments

Particulars of the material subsidiaries of the Group are set out in note 12.1 of the accompanying Group annual financial statements.

The attributable interest of the Group in the after-tax earnings of its subsidiaries for the year ended 31 March 2023 were:

	31 March 2023 Rm	31 March 2022 Rm
Aggregate amount of (loss)/profit after taxation	**(4 395)**	1 914

Share capital

Details of the authorised, issued and unissued share capital of the Company as at 31 March 2023, are contained in note 9.1 of the accompanying annual financial statements.

Share repurchases

Telkom purchased 7 000 000 shares from the market through Rossal No 65 (Pty) Ltd for the purpose of the employee share plan.

Borrowing powers

Telkom's Directors may mortgage or encumber Telkom's property or any part thereof and issue debentures, whether secured or unsecured, whether outright or as security for debt, liability or obligation of Telkom or any third party. For this purpose, the borrowing powers of Telkom are unlimited, but are subject to the restrictive financial covenants as well as specific restrictive clauses in the current funding arrangements.

Capital expenditure and commitments

Details of the Company and Group's capital commitments on property, plant and equipment as well as intangible assets are set out in notes 5.1 and 5.2 of the accompanying Group annual financial statements.

Significant events and transactions

Significant events and transactions during the year under review is disclosed in note 13 of the accompanying Group annual financial statements.

Directors' report continued

Events after the reporting date

Events subsequent to the reporting date are set out in note 14 of the accompanying Group annual financial statements.

Directorate

The following changes occurred in the composition of the Board of Directors from 1 April 2022 to the date of this report:

Appointments	Date
N Ford-Hoon	1 November 2022
B Kennedy	15 July 2022
KP Lebina	15 July 2022
M Nyati	15 July 2022
MG Qhena	27 March 2023
IO Selele	15 July 2022

Resignations	Date
MS Moloko (Chairperson)	31 March 2023
RG Tomlinson	25 August 2022

Retirement	Date
N Kapila	25 August 2022
KW Mzondeki	25 August 2022
F Petersen-Cook	25 August 2022

The Board of Directors at the date of this report is as follows:

- MG Qhena (Chairperson) 1 April 2023;
- S Taukobong (Group Chief Executive Officer);
- DJ Reyneke (Group Chief Financial Officer);
- N Ford-Hoon;
- O Ighodaro;
- B Kennedy;
- KP Lebina;
- PCS Luthuli;
- EG Matenge-Sebesho;
- M Nyati;
- KA Rayner;
- IO Selele;
- SP Sibisi;
- H Singh;
- LL von Zeuner; and
- SH Yoon.

Details of each Director may be found in our integrated report.

Directors' interest

At 31 March 2023, the following Directors held a beneficial interest in the shares of Telkom SA SOC Ltd:

Executive	Shares
S Taukobong	47 857
DJ Reyneke	9 377

Non-executive	
B Kennedy	200

Subsidiary Director	
PJ Bogoshi	72 529
LTS Maloba	11 010
LM Siyo	12 513

Audit Committee report

Introduction and mandate

The Audit Committee has formal terms of reference which are updated on an annual basis, or as and when required. The Board is satisfied that the Audit Committee has complied with these terms, and with its legal and regulatory responsibilities as set out in the Companies Act of South Africa, 2008 ("Companies Act"), King IV Report on Corporate Governance for South Africa, 2016 ("King IV") and the JSE Listings Requirements ("JSE LR").

The primary role of the Audit Committee is to ensure the integrity of Telkom SA SOC Ltd ("Telkom" or "Company") and the Telkom Group's financial reporting and audit processes and that a sound risk management and internal control system is maintained. In pursuing these objectives, the Audit Committee oversees relations with the external auditors and reviews the effectiveness of the Internal Audit function.

The Audit Committee consisted of 6 independent Non-executive Directors from 1 April 2022 to 31 March 2023. Keith Rayner is the Chairman of the Audit Committee.

The Board believes that the Audit Committee collectively possesses the knowledge and experience to supervise Telkom's financial management, internal and external auditors, the quality of Telkom's financial controls, the preparation and evaluation of Telkom's audited company and consolidated financial statements, and Telkom's periodic financial reporting.

Attendance and membership

The attendance of Audit Committee members at its meetings during the financial year was as follows:

Member	Attendance
KA Rayner (Chairman)	6/6
N Ford-Hoon****	2/2
KP Lebina***	2/2
PCS Luthuli	6/6
KW Mzondeki**	4/4
H Singh	6/6
LL von Zeuner*	5/6*

** Apology*
*** Resigned 24 August 2022*
**** Appointed 25 August 2022*
***** Appointed 1 December 2022*

The Telkom Group has established and maintains internal controls and procedures, which are reviewed on a regular basis by Internal Audit which then reports to the Risk and Audit Committees. These reporting responsibilities include management of the risk of business failures and to provide reasonable assurance against such failures. However, this is not a guarantee that such risks are eliminated.

Responsibility

It is the duty of the Audit Committee, inter alia, to monitor and review and where applicable, approve:

- The effectiveness of the Internal Audit function;
- The appointment and/or termination of both, or one, of the joint independent external auditors ("External Auditors" or "Joint Auditors" as the context requires), including their audit fee, expertise, independence, and objectivity;
- The nature and extent of any non-audit services performed by the External Auditors;
- The External Auditors suitability and recommendation to the Shareholders for appointment and reappointment;
- The reports of both Internal and External Auditors;
- The expertise and experience of the Group Chief Financial Officer (GCFO);
- The effectiveness of the finance function;
- Financial reporting systems to ensure that Company and Group reporting procedures are functioning properly;
- The governance of information technology ("IT") and associated risks;
- The internal financial control compliance, combined assurance and enterprise risk management effectiveness;
- Interim results and report, audited Company and Consolidated annual financial statements for the financial year ended 31 March 2023 ("audited Company/Consolidated AFS"), Integrated Report and all other widely distributed financial documents and announcements;
- The quality and acceptability of the Telkom Group's accounting policies and practices;
- The compliance with applicable legislation, requirements of appropriate regulatory authorities, and Telkom's;
- Group Ethics Handbook;
- The integrity of the Integrated Report and associated reports (by ensuring that its content is reliable and recommending it to the board for approval); and
- Policies and procedures for preventing and detecting fraud.

Annual financial statements

The Committee has reviewed and is satisfied that the audited Company /Consolidated AFS, including accounting policies, are appropriate and comply with the International Financial Reporting Standards ("IFRS") of the International Accounting Standards Board ("IASB") and in compliance with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE LR and the requirements of the Companies Act.

Audit Committee report continued

Significant matters that were addressed by Management and by the Audit Committee on a review basis are as follows:

IFRS 16 valuation	The review and consideration of the IFRS 16 valuation because of the high number of leases. The major lease categories that gave rise to an ROU asset and related liability primarily relate to the Mast and Tower infrastructure lease agreements, co-location agreements, property leases, and vehicle fleet leases. As of 31 March 2023, the ROU asset and liability were reflected at R5 360 million (31 March 2022: R4 945 million) and R5 888 million (31 March 2022: R5 374 million), respectively, with related depreciation and interest of R1 274 million (31 March 2022: R1 184 million) and R488 million (31 March 2022: R450 million) for the 12-month period under review.
Dividend consideration	The review and recommendation to the Board to continue with the suspension of the declaration and payment of dividends as approved by the Board in the 2020 financial year ended.
Actuarial assumptions	The review and approval of the Actuarial Assumptions for recommendation to the Board for both the interim period end and financial year end for financial computation and compilation purposes.
Impairment testing	The review of the impairment testing of Telkom Group Cash Generating Units ("CGUs"), resulted in no impairment for BCX and Swiftnet, an impairment of R6 billion on the Telkom Consumer CGU, and R7 billion in the Openserve CGU. The impairment at Telkom Consumer CGU and Openserve CGU was mainly due to the adverse impact of significant changes in the market and economic environment plus evolving technological advancements.
Provisions	The review of the impairment of trade and other receivables, finance lease receivables and contract assets, and inter-company receivables in accordance with IFRS 9.
Key audit matters	The review and consideration of the Key Audit Matters detailed in the External Auditors report on the audited Company/Consolidated AFS.
Group Chief Executive Officer (CEO) and Group Chief Financial Officer (CFO) Responsibility Statement	The review and consideration of the GCEO and GCFO Responsibility Statement as required in terms of paragraph 3.84(k) of the JSE LR.
Remediation of Internal Control Deficiencies	The review and consideration of timeously implemented remedial actions by management regarding internal control deficiencies identified by Internal Audit.
Compliance with King IV and JSE Regulatory Disclosures	The review and consideration of the King IV disclosures, practices, and principles and the JSE corporate governance disclosures in accordance with the JSE LR and the JSE Disclosure Policy.

Execution of Audit Committee mandate

The Audit Committee discharged all responsibilities and functions delegated to it in terms of the Audit Committee terms of reference, the Companies Act, King IV, and the JSE LR.

During the year, the Audit Committee:

In respect of the Joint Auditors:

- Considered and satisfied itself that the joint independent external audit firms and their two engagement partners are independent;
- Considered and satisfied itself with respect to the Auditor Suitability Review required by the JSE LR (refer below);
- Reviewed the nature of non-audit services that were provided by the Joint Auditors during the year;
- Approved the fees paid to the Joint Auditors for the 2023 financial year;
- Approved and confirmed non-audit services and fees which the Joint Auditors performed during the year under review; and
- The Audit Committee Chairman held separate meetings with the Joint Auditors prior to Audit Committee meetings.

In respect of financial reporting:

- Considered the appropriateness and experience of the GCFO as required by the JSE LR;
- Reviewed the audited Company/Consolidated AFS and ensured that there are adequate controls in place to ensure the correct compilation of both audited Company/Consolidated AFS;
- Reviewed the appropriateness of any amendments to accounting policies and internal financial controls; and
- Reviewed the Integrated Reporting process.

In respect of Internal Audit:

- Approved the Internal Audit plan for the year;
- Monitored and provided oversight of the Internal Audit function;
- Evaluated the effectiveness of the Internal Audit function; and
- The Audit Committee Chairman held separate meetings with the Chief Internal Audit Executive ("CAE") of Internal Audit prior to Audit Committee meetings.

In respect of the Audit Committee:

- Ensured the Audit Committee complied with the membership criteria as set out in the Companies Act, King IV, and the JSE LR; and
- Reviewed and approved the Audit Committee Terms of Reference.

In respect of information technology governance:

- Monitored Telkom's technology governance framework and processes including that of information security.

Audit Committee report continued

External auditors

The Audit Committee has the primary responsibility for overseeing the relationship with, and performance of, the External Auditors. This includes making the recommendation on the appointment, re-appointment, and removal of the Joint External Auditors, assessing their independence on an ongoing basis, and for reviewing and approving the audit fee.

The Audit Committee, after taking account of the audit approach, materiality, and audit risks, reviewed and agreed both the interim period review plan and financial year-end audit plan, and agreed on both the interim and financial year-end audit fees. The Audit Committee received updates during the year on the audit process, including how the External Auditors had challenged the Telkom Group's assumptions on the significant matters noted in this report.

The Board delegated the responsibility to review the Company's current appointed Joint Auditors for re-appointment to the Audit Committee. The Audit Committee makes a recommendation to the Board and the Board then makes a recommendation to the shareholders in the notice of Annual General Meeting ("AGM").

With the current appointed joint independent external audit firms PricewaterhouseCoopers ("PwC") and SizweNtsalubaGobodo ("SNG") Grant Thornton's five-year term of office coming to an end, the Group has decided to transition to a single Auditor.

To adhere to Section 92(3) of the South African Companies Act of 2008 which recommends that a company with joint auditors should manage the rotation such that both auditors are not rotated in the same financial year, the Group decided not to go to market for External Audit services. Instead, both PwC and SNG Grant Thornton were requested to submit proposals according to a procurement process for the appointment of a single auditor, with the successful firm expected to continue with the full audit scope for a further 5 years. The successful firm will also be required to appoint, contract, and manage a Black Owned (BO) audit firm.

Following the conclusion of this process, the Telkom Board will be considering the recommendation of the Audit Committee to put to shareholders at the AGM scheduled for 24 August 2023 regarding the appointment of the successful single auditor for the Telkom Group for the financial year ending 31 March 2024. The term of engagement for the unsuccessful joint auditor, will terminate following the conclusion of the audit for the financial year ended 31 March 2023.

Auditor independence

The Audit Committee is also responsible for determining that the Joint External Auditors have the necessary independence. A key factor that may impair any such independence is a lack of control over non-audit services provided by the Joint External Auditors.

Telkom addresses this issue by ensuring prior approval by the GCFO and Chairman of the Audit Committee of all non-audit services. Fees paid for non-audit services to the Joint External Auditors amounted to R1.5 million (R1,525,640) for the financial year ending 31 March 2023 (31 March 2022: R1.6 million). Non-audit fees as a percentage of audit fees for the year ending 31 March 2023 is approximately 1.35%. Fees accrued for audit work performed for the financial year ended 31 March 2023 by the Joint External Auditors amounted to R113.3 million (31 March 2022: R99.8 million).

The Audit Committee Chairman met with the External Auditors prior to each Audit committee meeting to discuss and review the content of the External Auditors report to the Audit Committee.

The Audit Committee has reviewed and assessed the independence of the External Auditors, and has confirmed that the criteria for independence, as set out in the rules of the IRBA and other relevant legislation, have been followed. The Audit Committee is satisfied that the External Auditors are independent of the Telkom Group.

Internal auditors

The Internal Audit function adopts a co-source operating model to supplement its Internal Audit activities and execute its mandate. During the financial year, the co-source agreement with SekelaXabiso CA Incorporated ("SkX Protiviti") and KPMG Services Proprietary Limited ("KPMG") continued. The co-sourced service providers form part of Telkom's Internal Audit function and report directly to the CAE.

The internal control systems of the Company and Group are monitored by Internal Audit, which reports findings and recommendations to the Audit Committee and to senior management. The Audit Committee determines the purpose, authority, and responsibility of the Internal Audit function in the Internal Audit Charter.

The Internal Audit function is headed by the CAE, who may be appointed or dismissed by the Audit Committee. The Audit Committee is satisfied that the incumbent CAE has the requisite skills and experience and that he is supported by a sufficient staff complement with appropriate skills and training.

Telkom's Internal Audit operates in accordance with the International Standards for the Professional Practice of Internal Auditing as prescribed by the Institute of Internal Auditors. Internal Audit activities carried out during the year were identified and planned through a combination of the Telkom risk management framework and the risk-based methodologies adopted by Internal Audit. The Audit Committee approves the annual Internal Audit assurance plan presented by Internal Audit and monitors progress against the plan.

Internal Audit reports deficiencies to the Audit Committee every quarter together with recommended remedial actions, which are then followed up. Internal Audit provided the Audit Committee with a written report, which assessed as adequate the internal controls over financial reporting, IT governance, and the risk management process during the financial year.

The Chairman of the Audit Committee met with the CAE prior to each Audit Committee meeting to discuss and review the content of the Internal Audit report to the Audit Committee.

Audit Committee report continued

Internal Audit and the External Auditors have unrestricted access to the Audit Committee, the Audit Committee Chairman, the Risk Committee Chairman, and the Chairman of the Board, thereby ensuring the maintenance of independence.

Risk management

Reviews of the Telkom Group's risk management, enterprise risk management programmes, business continuity, and forensic services are performed by the Telkom Group's Risk Committee. The Audit Committee Chairman is a member of the Risk Committee and ensures any identified financial risks are referred to the Audit Committee for consideration. The top principal risks, being those that will prevent the Telkom Group from achieving its strategic objectives in the short and medium term are reported to and considered by the Risk Committee and the Board. All principal risks are currently managed within the risk appetite statements. The key focus areas, risk appetite, and further details of the Telkom Group's principal risks are reported in the risk management report included in the Telkom Group's Integrated Report.

The Internal Audit department has conducted a review on the effectiveness of the risk management function in accordance with the approved risk management framework. The results of the review indicated that the risk management process was satisfactory as at 31 March 2023.

Combined assurance

The Telkom Group assessed risks based on principal risks as indicated above. The current combined assurance model in place is representative of how the risks are currently being managed between the five lines of assurance. Management and Internal Audit have implemented a coordinated structure for planning, executing, and reporting on Internal Audit, compliance, and risk activities. The Audit Committee is satisfied that the Group has optimised the assurance obtained from the five lines of assurance in accordance with the approved combined assurance model and that the model is effective in achieving the objectives of coordinating assurance and reporting to provide management and the Board with a clear view on what the Telkom Group risks are; what the effective risk mitigations are; and the resultant acceptable level of residual risks.

Audit Committee statement

Based on information from, and discussions with, management and the External Auditors, the Audit Committee is of the opinion that the financial records may be relied upon as the basis for the preparation of the audited Company/Consolidated AFS.

The Audit Committee has considered and discussed the audited Company/Consolidated AFS with both management and External Auditors. During this process, the Audit Committee:

- Evaluated significant judgements and reporting decisions;
- Determined that the going-concern basis of reporting is appropriate;
- Evaluated the material factors and risks that could impact the audited Company/Consolidated AFS and associated reports;
- Evaluated the Telkom Group's solvency and liquidity and ensured the financial sustainability and disclosures of the Telkom Group;
- Discussed the treatment of significant and unusual transactions with management and the External Auditors;
- Noted the tenure of the Joint Auditors firms;
- Noted the tenure of the designated joint independent external audit partners; and
- Discussed the Audit Committee's views on the effectiveness of the CAE.

A key requirement of our audited Company / Consolidated AFS is for the audited Company / Consolidated AFS to be fairly presented, balanced, understandable and provide the information necessary for stakeholders to assess the Telkom Group's position, performance, business model, and strategy. The Audit Committee and the Board are satisfied that the audited Company / Consolidated AFS meets this requirement.

The Audit Committee considers that the audited Company / Consolidated AFS comply in all material respects with the statutory requirements of the various laws and regulations governing disclosure and reporting of the audited Company / Consolidated AFS and that the audited Company / Consolidated AFS comply in all material respects with IFRS, as issued by the IASB, the SAICA Financial Reporting Guides issued by the Accounting Practices Committee and Financial Reporting Pronouncements issued by the Financial Reporting Standards Council, as well as the requirements of the Companies Act and the JSE LR. The Audit Committee has recommended to the Board that the audited Company / Consolidated AFS be adopted and approved by the Board.

Keith Rayner CA(SA)
Chairperson: Audit Committee

12 June 2023

Independent auditors' report

To the Shareholders of Telkom SA SOC Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Telkom SA SOC Limited (the Company) and its subsidiaries (together the Group) as at 31 March 2023, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Telkom SA SOC Limited's consolidated and separate financial statements set out on pages 16 to 136 comprise:

- the consolidated and separate statements of financial position as at 31 March 2023;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for *Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)*.

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Chief Executive Officer: L S Machaba

The Company's principal place of business is at
4 Lisbon Lane, Waterfall City, Jukskei View, where a list
of directors' names is available for inspection.

Reg. no. 1998/012055/21, VAT reg. no. 4950174682.

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info@sng.za.com

Chief Executive: Victor Sekese

A comprehensive list of all Directors is available at the Company
offices or registered office. SizweNtsalubaGobodo Incorporated.

Reg. no. M2005/034639/21

Independent auditors' report continued

for the year ended 31 March 2023

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Assessment of impairment of goodwill and property, plant and equipment (PPE) including the reassessment of the Cash Generating Units (CGUs) (applicable to the consolidated financial statements) The Group recognised goodwill with a carrying value of R1.3 billion, which largely arose from business combinations undertaken in prior years. The goodwill is attributable to two cash generating units (CGUs), the Company (Telkom) and Business Connexion Group Limited (BCX). The group has also recognised PPE amounting to R26.2 billion (after impairment) in the current financial year. International Accounting Standards ("IAS") 36 - Impairment of Assets requires management to conduct an annual impairment test, or more frequently if there is an indication of impairment, to assess the recoverability of the carrying value of goodwill and PPE. The Group assessed internal and external indicators of impairment which included the market capitalisation being below the net asset value, the significant changes in the technological market and economic environment which have had an adverse effect and the decline in cash flow projections and the carrying value, respectively. During the current period, the Telkom Board approved the carve-out and legal separation of the Openserve division through the sale of Telkom's infrastructure business as a going concern to Openserve NewCo (Openserve (Pty) Ltd) effective 1 September 2022, resulting in Openserve (Pty) Ltd (Openserve) becoming a 100% subsidiary of Telkom SA SOC Ltd. Management has since monitored the performance of the Openserve assets and disposal, separate from that of the Telkom company. As a result, management was required to reassess Telkom's CGUs at a group level. The assessment of impairment of goodwill and PPE, including the reassessment of the CGUs was a matter of most significance to our audit of the consolidated financial statements due to the magnitude of the impairment recognised as well as the significant judgements and assumptions made by management when performing the impairment assessment, and in estimating the key assumptions applied, particularly: - Discount rate; - Cash flow forecasts, in particular the revenue growth rates and EBITDA margin; and - Terminal growth rates.	Our audit addressed this key audit matter as follows: We evaluated management's identification of the Group's CGUs based on the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. This included assessing how management monitors the entity's operations or how management makes decisions about continuing or disposing of the entity's assets and operations. With respect to management's reassessment of the CGUs in the current year, we have inspected the minutes of the board meetings for the approval of the carve-out and legal separation of the Openserve division. We have assessed the mathematical accuracy of the Openserve carved out balances as at 1 September 2022 by agreeing the balances to the audited 5 months trial balance and noted no material exceptions. Further, we have assessed the determination of the CGU against the requirements of IAS 36, noting no matters for further consideration. We tested the mathematical accuracy of the value in use model used by management and found no material differences. We also assessed the appropriateness of the valuation model applied by management, with reference to market practice and the requirements of IAS 36. We assessed the manner in which cash flows relating to the IFRS 16 leased assets were included in the value in use valuation model used by management, specifically whether the cash outflows in respect of the lease payments were excluded from the model and whether the discount rate was adjusted to include the lease liability and the cost of leasing. We did not note any aspect which required further consideration. We assessed the reasonability of the respective CGUs' budgets included in the business plans (which forms the basis of the cash flow forecasts) through discussions with management regarding the process followed to develop the budgets, forecasts and the assumptions utilised. We also compared the prior year budgets to the current year actual results to understand management's ability to follow a robust budgeting process which results in credible budgets, and evaluated differences noted against underlying documentation and explanations obtained from management.

Independent auditors' report continued

for the year ended 31 March 2023

Our audit approach continued

Key audit matter	How our audit addressed the key audit matter
For the year ended 31 March 2023, management completed an impairment assessment over the goodwill and PPE balances by performing the following: - Assessing the recoverable amount (being the higher of the value-in-use and fair value less costs to sell) through determination of a value-in-use amount and comparing this to the carrying amount; - A five-year period was used for the discounted cash flows which included the capital expenditure and working capital assumptions; - The valuation was performed taking into account the impacts of International Financial Reporting Standard ('IFRS') 16 - Leases; and - The value in use for each CGU was calculated using a discounted cash flow model. These matters are disclosed in the following notes to the consolidated financial statements: - Note 2.6: Significant changes in the current reporting period - Note 5.1: Property, plant and equipment - Note 5.3: Goodwill	We assessed the assumptions contained within the calculations including growth assumptions, discount rates and implications of industry changes. Our audit procedures included: - Agreed the revenue growth rates and EBITDA margins used to calculate the cash flow forecasts to the latest board approved budgets, both of which cover a period of five years. We further benchmarked the revenue growth rate assumptions to industry data and history to assess their reasonability. We found the forecast assumptions to be comparable with these benchmarks; - Compared the terminal growth rates to forecast industry trends and to independent sources for similar operations. No significant deviations were noted; and - Evaluated whether the assumptions used, such as working capital and capital expenditure, had been determined and applied consistently across the CGUs. We agreed the capital expenditure to the approved budget with no exceptions noted. Utilising our valuation expertise, we independently sourced data such as the long-term growth rates and discount rate, cost of debt, risk-free rates in the applicable market, market risk premiums, debt/equity ratios, as well as the beta of comparable companies. We then independently calculated a discount rate for each cash generating unit using our independently sourced data. This was compared to the discount rates used by management. We found the discount rates used by management to be within acceptable ranges of our independent calculations and no further material impairments were indicated by any differences in discount rates. We performed independent sensitivity analysis to assess the minimum changes in discount rates and terminal growth rates that would result in no headroom being available, and compared our results to that of management in order to evaluate how sensitive is the value in use of the CGU to possible changes in key assumptions. With respect to the Telkom and Openserve CGUs, we compared the recoverable amount as assessed by way of the procedures above to the carrying amount of the respective CGU. It is noted that the carrying amount of the Telkom and Openserve CGUs exceeded the value in use range which resulted in an impairment. We obtained management's impairment allocation schedule and noted that the impairment was allocated first to goodwill and the remaining balance was allocated on a prorata basis to the underlying assets of the group. We tested the accuracy of the allocation basis per the requirements of IAS 36 and noted no exceptions. With respect to the BCX CGU, we compared the recoverable amount as assessed by way of the procedures above to the carrying amount of the CGU and noted the recoverable amount exceeded the carrying amount of the BCX CGU and therefore no impairment was noted. We assessed the appropriateness of the disclosures in the consolidated financial statements as set out in Notes 2.6 and 5.3 against the requirements of IAS 36.

Independent auditors' report continued

for the year ended 31 March 2023

Our audit approach continued

Key audit matter	How our audit addressed the key audit matter
Valuation of the Investments in Openserve, BCX and property, plant and equipment (PPE) (applicable to the separate financial statements) In addition to the goodwill in the consolidated financial statements, the impairment considerations apply equally to the investment in BCX amounting to R6.6 billion, the investment in Openserve amounting to R6.6 billion (after impairment) and the company's property plant and equipment amounting to R8.9 billion (after impairment). The Company holds a 100% interest in BCX and Openserve and accounts for these investments as subsidiaries in terms of International Accounting Standard ('IAS') 27 – Separate Financial Statements. Under IAS 36, the Company is required to test investments in subsidiaries carried at cost and PPE for impairment if there is an indicator of impairment. Management identified an impairment indicator regarding the material investments in BCX and Openserve and PPE due to the matters noted in the goodwill section above as well as the fact that the investment in Openserve plus the loans granted to Openserve were higher than the net asset value of Openserve, and performed impairment tests as a result. PPE consists mainly of network equipment. The network equipment within the Company does not generate cash inflows that are largely independent of those from other assets or groups of assets. This resulted in PPE having to be assessed for impairment as part of the Telkom CGU. The recoverability of PPE is largely dependent on macro-economic factors, which include cash flows to be generated through the network assets, as well as internal assumptions and estimates related to realisation levels and operating costs. The impairment test included assessing the recoverable amount of PPE, with reference to all cash flows (including the fair value contributory asset income), and comparing this to the carrying amount of the PPE. The impairment assessment of the investment in BCX, Openserve and the PPE is considered to be a matter of most significance to the current year audit of the separate financial statements due to the magnitude of the impairment recognised as well as the significant judgements and assumptions made by management when performing the impairment assessment, and in estimating the key assumptions applied, particularly: - Discount rate; - Cash flow forecasts, in particular the revenue growth rates and EBITDA margin; and - Terminal growth rates. - Specifically for BCX, cash flows generated using Telkom's network assets These matters are disclosed in the following notes to the consolidated financial statements - Note 5.1: Property, plant and equipment - Note 7.2.1:Investment in subsidiaries	Our audit addressed this key audit matter as follows: We obtained an understanding of management's process for determining the forecasted results for the Openserve and BCX Investments and assessed the reasonableness of the forecasted results. Please refer to the procedures performed in the section above for further details. With respect to the investment in BCX in the separate financial statements, we compared the recoverable amount of the BCX CGU as assessed by way of the procedures above to the carrying amount of the investment in BCX, and noted the recoverable amount exceeded the carrying amount of the BCX investment and therefore no impairment was required. With respect to the investment in Openserve in the separate financial statements, we compared the recoverable amount of the Openserve CGU as assessed by way of the procedures above to the carrying amount of the investment in Openserve, and noted the carrying amount of the Openserve investment exceeded the value in use range which resulted in an impairment. We tested the mathematical accuracy of the impairment processed by management and noted no material differences. With respect to the PPE in the separate financial statements, we compared the recoverable amount of the Telkom CGU, as assessed by way of the procedures above, to the carrying amount of Telkom which includes PPE and noted the carrying amount of the Telkom CGU exceeded the value in use range which resulted in an impairment. We obtained management's impairment allocation schedule and noted that the impairment was allocated on a prorata basis to the underlying assets of Telkom Company. We tested the accuracy of the allocation basis per the requirements of IAS 36 and noted no material exceptions. We assessed the appropriateness of the disclosures in the separate financial statements as set out in Notes 5.1 and 7.2.1 against the requirements of IAS 36.

Independent auditors' report continued

for the year ended 31 March 2023

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Telkom SA SOC Limited Annual Financial Statements for the year ended 31 March 2023", which includes the Directors' Report, the Audit Committee's Report and the Certificate from the Group Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the document titled "Telkom SA SOC Ltd Integrated Report for the year ended 31 March 2023" , which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent auditors' report continued

for the year ended 31 March 2023

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Grant Thornton Inc. have been the auditors of Telkom SA SOC Limited for 5 years.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: KJ Dikana
Registered Auditor
Johannesburg

12 June 2023

SizweNtsalubaGobodo Grant Thornton Inc.

SizweNtsalubaGobodo Grant Thornton Inc.
Director: Gulam Mohammed Hafiz
Registered Auditor
Johannesburg

12 June 2023

The examination of controls over the maintenance and integrity of the Group's website is beyond the scope of the audit of the financial statements. Accordingly, we accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

ANNUAL FINANCIAL STATEMENTS

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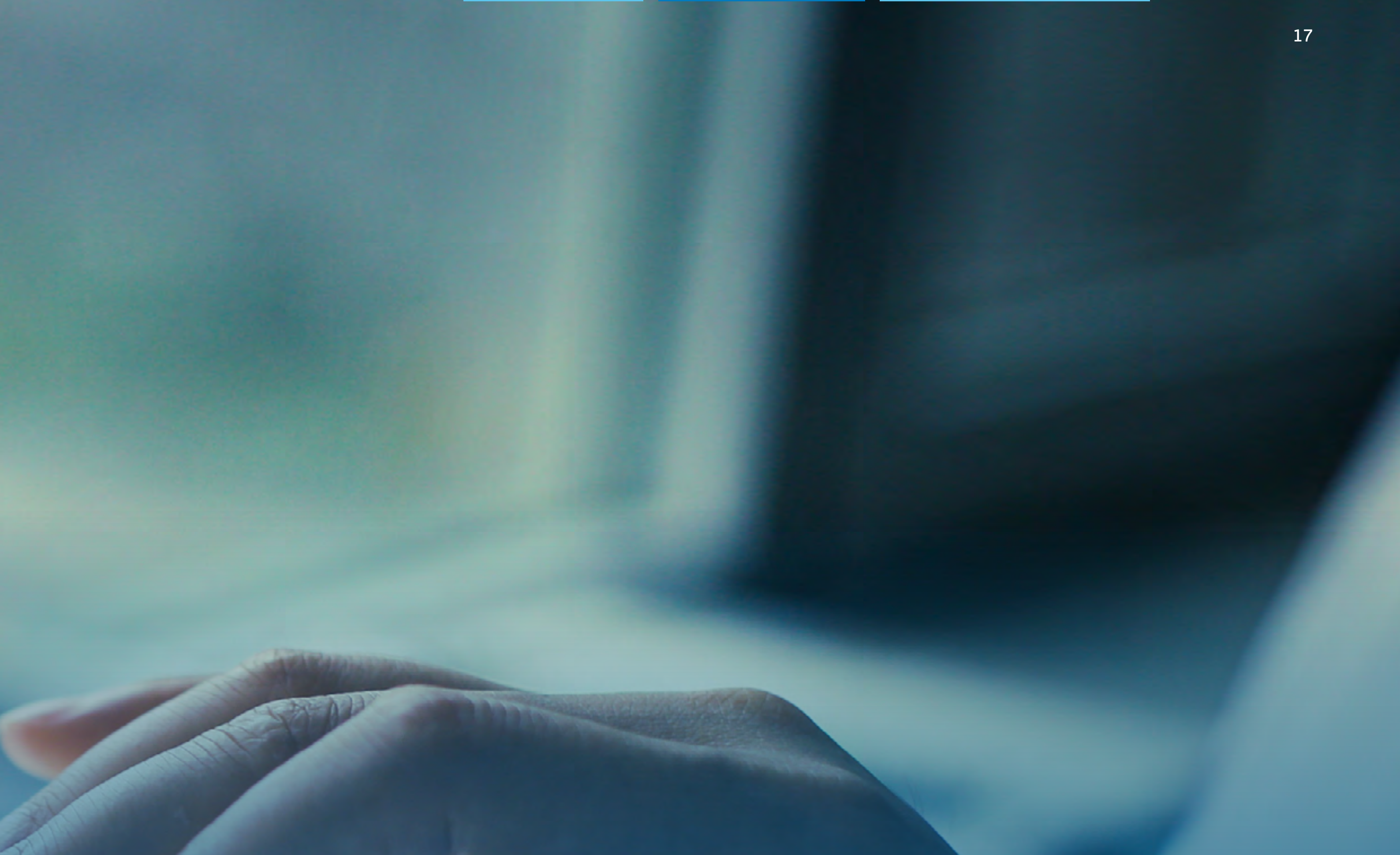


Statements of profit or loss and other comprehensive income

for the year ended 31 March 2023

		Group		Company	
	Notes	31 March 2023 Rm	31 March[2] 2022 Rm	31 March 2023 Rm	31 March 2022 Rm
Revenue	3.2.1	**43 138**	42 756	**33 687**	38 272
Operating revenue		**42 777**	42 474	**33 368**	38 016
Interest revenue		**361**	282	**319**	256
Other income	3.3	**863**	686	**1 780**	1 240
Insurance service result	7.2.3	**1**	(2)	**1**	(2)
Payments to other operators		**(3 399)**	(3 393)	**(2 964)**	(3 318)
Cost of handsets, equipment, software and directories	3.4.1	**(7 089)**	(5 648)	**(4 280)**	(3 589)
Sales commission, incentives and logistical costs	3.4.2	**(2 522)**	(2 516)	**(2 521)**	(2 369)
Enterprise subcontracting costs[1]		**–**	–	**(5 592)**	(6 415)
Employee expenses	3.4.3	**(9 292)**	(8 693)	**(3 397)**	(4 528)
Other expenses	3.4.4	**(2 384)**	(2 256)	**(857)**	(992)
Wholesale voice and non-voice services[2]	3.4.5	**(196)**	(59)	**(3 574)**	–
Maintenance	3.4.6	**(4 154)**	(3 879)	**(3 241)**	(4 728)
Marketing	3.4.7	**(812)**	(729)	**(712)**	(649)
Impairment of receivables, contract assets and loans	7.1.4	**(1 255)**	(803)	**(1 145)**	(690)
Service fees	3.4.8	**(4 080)**	(3 388)	**(2 171)**	(2 878)
Lease-related expenses	3.4.9	**(332)**	(168)	**(190)**	(95)
EBITDA		**8 487**	11 908	**4 824**	9 259
Depreciation of property, plant and equipment	3.4.10	**(5 125)**	(4 713)	**(3 038)**	(4 298)
Depreciation of right-of-use assets	3.4.10	**(1 274)**	(1 184)	**(1 439)**	(1 643)
Depreciation of investment property	3.4.10	**–**	–	**(55)**	–
Amortisation of intangible assets	3.4.10	**(746)**	(831)	**(577)**	(729)
Write-offs and impairments of property, plant and equipment and intangible assets	3.4.10	**(13 508)**	(247)	**(6 354)**	(202)
Impairment of investment in subsidiaries	7.2.1	**–**	–	**(4 655)**	–
Operating (loss)/profit		**(12 166)**	4 933	**(11 294)**	2 387
Investment income	6.1	**148**	144	**1 057**	4 163
Net finance charges and fair value movements	6.2	**(1 484)**	(1 279)	**(1 546)**	(1 423)
Finance charges on lease liabilities		**(488)**	(450)	**(464)**	(517)
Net finance charges – other		**(972)**	(662)	**(1 115)**	(745)
Foreign exchange and fair value movements		**(24)**	(167)	**33**	(161)
(Loss)/profit before taxation		**(13 502)**	3 798	**(11 783)**	5 127
Taxation	8.1	**3 531**	(1 167)	**2 039**	(313)
(Loss)/profit for the year		**(9 971)**	**2 631**	**(9 744)**	**4 814**
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss					
Exchange gains on translating foreign operations[3]	9.3	**17**	4	**–**	–
Items that will not be reclassified to profit or loss					
Defined benefit plan actuarial gains	10.1	**98**	341	**101**	340
Income tax relating to other comprehensive income		**(27)**	(79)	**(28)**	(79)
Other comprehensive income for the year, net of taxation		**88**	266	**73**	261
Total comprehensive (loss)/income for the year		**(9 883)**	**2 897**	**(9 671)**	**5 075**
(Loss)/profit attributable to:					
Owners of Telkom		**(9 973)**	2 630	**(9 744)**	4 814
Non-controlling interests		**2**	1	**–**	–
(Loss)/profit for the year		**(9 971)**	**2 631**	**(9 744)**	**4 814**
Total comprehensive (loss)/income attributable to:					
Owners of Telkom		**(9 885)**	2 896	**(9 671)**	5 075
Non-controlling interests		**2**	1	**–**	–
Total comprehensive (loss)/income for the year		**(9 883)**	**2 897**	**(9 671)**	**5 075**
Basic (loss)/earnings per share (cents)	3.5	**(2 058.9)**	536.6		
Diluted (loss)/earnings per share (cents)	3.5	**(2 058.9)**	519.9		

[1] *Subcontracting costs relate to enterprise customer contracts which Telkom sold to BCX (refer to note 3.2.1).*

[2] *Wholesale voice and non-voices services are Openserve charges to Telkom Company for data connectivity, broadband access, managed services and line rental cost. In the prior year, these expenses were interdivisional. These interdivisional expenses would have been eliminated before the carve-out within Telkom Company as it related to business units within the Company. Post the carve-out, these expenses are not eliminated at Company level, resulting in an increase in the overall balance. In the prior year, wholesale voice and non-voice services were included in the other expenses line item. At a Group level, the prior year has been re-presented to be consistent with the Company disclosure.*

[3] *This component of other comprehensive income does not attract any tax.*

Statements of financial position

as at 31 March 2023

	Notes	Group 31 March 2023 Rm	Group 31 March 2022 Rm	Company 31 March 2023 Rm	Company 31 March 2022 Rm
Assets					
Non-current assets		**42 307**	49 893	**43 824**	54 331
Property. plant and equipment	5.1	**26 178**	38 319	**8 906**	35 735
Right-of-use assets	6.3.1	**5 360**	4 945	**5 045**	5 666
Intangible assets	5.2	**4 493**	4 248	**2 342**	2 426
Investment property	5.4	**–**	–	**977**	–
Investment in subsidiaries	7.2.1	**–**	–	**14 713**	8 376
Loans to subsidiaries	7.2.2	**–**	–	**9 038**	500
Other investments	7.2.3	**108**	170	**–**	–
Other receivables[1]		**72**	–	**–**	–
Employee benefits	10.1	**1 266**	1 566	**1 266**	1 566
Other financial assets	7.3	**182**	113	**89**	10
Finance lease receivables	4.1.1	**344**	224	**33**	52
Deferred taxation	8.2	**4 304**	308	**1 415**	–
Current assets		**17 317**	16 124	**14 052**	12 044
Inventories	4.2	**1 091**	1 084	**317**	833
Income tax receivable	8.3	**79**	30	**–**	–
Finance lease receivables	4.1.1	**304**	183	**19**	47
Trade and other receivables	4.3	**9 314**	7 797	**8 744**	6 788
Contract assets	3.2.4.1	**2 440**	2 055	**2 440**	1 976
Other current assets	3.2.4.2	**462**	466	**462**	466
Other financial assets	7.3	**93**	69	**77**	68
Loans to subsidiaries	7.2.2	**–**	–	**126**	–
Investment in cell captives	7.2.3	**61**	59	**60**	59
Cash and cash equivalents	4.4	**3 469**	3 239	**1 807**	665
Restricted cash		**4**	1 142	**–**	1 142
Total assets		**59 624**	**66 017**	**57 876**	**66 375**
Equity and liabilities					
Equity attributable to owners of the parent		**24 184**	34 069	**23 094**	32 898
Share capital	9.1	**5 050**	5 050	**5 050**	5 050
Share-based compensation reserve	9.2	**1 414**	1 238	**1 250**	1 128
Non-distributable reserves	9.3	**739**	968	**278**	526
Retained earnings		**16 981**	26 813	**16 516**	26 194
Non-controlling interests		**(23)**	(25)	**–**	–
Total equity		**24 161**	**34 044**	**23 094**	**32 898**
Non-current liabilities		**17 550**	13 422	**16 580**	13 285
Interest-bearing debt	6.4	**11 999**	8 221	**11 999**	8 221
Lease liabilities	6.3.2	**4 617**	4 340	**4 216**	4 553
Provisions	6.5	**368**	380	**332**	358
Other financial liabilities	7.3	**198**	106	**–**	–
Deferred revenue	3.2.4.3	**128**	138	**33**	125
Deferred taxation	8.2	**240**	237	**–**	28
Current liabilities		**17 913**	18 551	**18 202**	20 192
Trade and other payables	4.5	**10 419**	10 339	**12 874**	12 376
Shareholders for dividend	9.4	**25**	28	**25**	28
Interest-bearing debt	6.4	**2 357**	3 711	**2 357**	3 711
Lease liabilities	6.3.2	**1 272**	1 034	**1 139**	1 550
Provisions	6.5	**1 893**	1 276	**559**	802
Deferred revenue	3.2.4.3	**1 475**	1 633	**1 123**	1 483
Income tax payable	8.3	**2**	3	**–**	–
Other financial liabilities	7.3	**470**	527	**125**	242
Total liabilities		**35 463**	**31 973**	**34 782**	**33 477**
Total equity and liabilities		**59 624**	**66 017**	**57 876**	**66 375**

[1] *The other receivables relate to prepayment of services or goods that will not be received within the next 12 months. The current portion of prepayments is disclosed in trade and other receivables (refer to note 4.3).*

Statements of changes in equity

for the year ended 31 March 2023

Group	Share capital Rm	Non-distributable reserves Rm	Share-based compensation reserve Rm	Retained earnings Rm	Total Rm	Non-controlling interest Rm	Total equity Rm
	Attributable to equity holders of Telkom						
Balance at 1 April 2021	5 050	1 361	1 036	23 919	31 366	(25)	31 341
Total comprehensive income	–	4	–	2 892	2 896	1	2 897
Profit for the year	–	–	–	2 630	2 630	1	2 631
Other comprehensive income	–	4	–	262	266	–	266
Exchange losses on translating foreign operations	–	4	–	–	4	–	4
Net defined benefit plan remeasurements	–	–	–	262	262	–	262
Transactions with owners recorded directly in equity							
Movement on the insurance service result transferred to non-distributable reserves (refer to note 9.3)	–	(2)	–	2	–	–	–
Increase in share-based compensation reserve (refer to note 9.2)	–	–	164	–	164	–	164
Increase in subsidiaries' share-based compensation reserve (refer to note 9.2)	–	–	39	–	39	–	39
Vesting of Telkom and BCX share scheme (refer to note 9.3)	–	1	(1)	–	–	–	–
Increase in treasury shares (refer to note 9.3)[1]	–	(396)	–	–	(396)	–	(396)
Contributions by and distributions to non-controlling interest							
Dividend declared (refer to note 9.4)	–	–	–	–	–	(1)	(1)
Balance at 31 March 2022	**5 050**	**968**	**1 238**	**26 813**	**34 069**	**(25)**	**34 044**
Balance at 1 April 2022	5 050	968	1 238	26 813	34 069	(25)	34 044
Total comprehensive income/(loss)	–	17	–	(9 902)	(9 885)	2	(9 883)
(Loss)/profit for the year	–	–	–	(9 973)	(9 973)	2	(9 971)
Other comprehensive income	–	17	–	71	88	–	88
Exchange gains on translating foreign operations	–	17	–	–	17	–	17
Net defined benefit plan remeasurements	–	–	–	71	71	–	71
Transactions with owners recorded directly in equity							
Movement on the insurance service result transferred to non-distributable reserves (refer to note 9.3)	–	1	–	(1)	–	–	–
Fair value movement on the first party cell captive transferred to non-distributable reserves (refer to note 9.3)	–	6	–	(6)	–	–	–
Increase in share-based compensation reserve (refer to note 9.2)	–	–	80	–	80	–	80
Increase in subsidiaries' share-based compensation reserve (refer to note 9.2)	–	–	96	–	96	–	96
Vesting of Telkom and BCX share scheme (refer to note 9.3)	–	2	–	–	2	–	2
Increase in treasury shares (refer to note 9.3)[1]	–	(255)	–	–	(255)	–	(255)
Deregistration of VS Gaming	–	–	–	81	81	–	81
Dividend declared (refer to note 9.4)	–	–	–	(4)	(4)	–	(4)
Balance at 31 March 2023	**5 050**	**739**	**1 414**	**16 981**	**24 184**	**(23)**	**24 161**

[1] *Treasury shares relate to the share buy-back for the Telkom Group share scheme.*

Statements of changes in equity continued

for the year ended 31 March 2023

	Attributable to equity holders of Telkom				
Company	Share capital Rm	Non-distributable reserves Rm	Share-based compensation reserve Rm	Retained earnings Rm	Total equity Rm
Balance at 1 April 2021	5 050	732	964	21 117	27 863
Total comprehensive income	–	–	–	5 075	5 075
Profit for the year	–	–	–	4 814	4 814
Other comprehensive income	–	–	–	261	261
Net defined benefit plan remeasurements	–	–	–	261	261
Transactions with owners recorded directly in equity					
Movement on the insurance service result transferred to non-distributable reserves (refer to note 9.3)	–	(2)	–	2	–
Increase in treasury shares (refer to note 9.3)[1]	–	(204)	–	–	(204)
Increase in share-based compensation reserve (refer to note 9.2)	–	–	164	–	164
Balance at 31 March 2022	**5 050**	**526**	**1 128**	**26 194**	**32 898**
Balance at 1 April 2022	**5 050**	**526**	**1 128**	**26 194**	**32 898**
Total comprehensive loss	**–**	**–**	**–**	**(9 671)**	**(9 671)**
Loss for the year	**–**	**–**	**–**	**(9 744)**	**(9 744)**
Other comprehensive income	**–**	**–**	**–**	**73**	**73**
Net defined benefit plan remeasurements	**–**	**–**	**–**	**73**	**73**
Transactions with owners recorded directly in equity					
Movement on the insurance service result transferred to non-distributable reserves (refer to note 9.3)	**–**	**1**	**–**	**(1)**	**–**
Fair value movement on the first party cell captive transferred to non-distributable reserves (refer to note 9.3)	**–**	**6**	**–**	**(6)**	**–**
Increase in treasury shares (refer to note 9.3)[1]	**–**	**(255)**	**–**	**–**	**(255)**
Increase in share-based compensation reserve (refer to note 9.2)	**–**	**–**	**80**	**–**	**80**
Increase in Openserve share-based compensation reserve (refer to note 9.2)	**–**	**–**	**42**	**–**	**42**
Balance at 31 March 2023	**5 050**	**278**	**1 250**	**16 516**	**23 094**

[1] *Treasury shares relate to the share buy-back for the Telkom share scheme.*

Statements of cash flows

for the year ended 31 March 2023

		Group		Company	
	Notes	**31 March 2023 Rm**	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Cash flows from operating activities		**5 126**	8 152	**3 975**	8 578
Cash receipts from customers		**40 422**	41 614	**30 350**	38 340
Cash paid to suppliers and employees		**(33 717)**	(31 728)	**(25 840)**	(28 923)
Cash generated from operations[1]	3.6	**6 705**	9 886	**4 510**	9 417
Interest received		**282**	235	**609**	113
Dividend received		**–**	22	**255**	402
Finance charges paid	6.6	**(1 456)**	(1 188)	**(1 546)**	(1 317)
Taxation paid	8.3	**(547)**	(764)	**–**	–
Repayment of derivatives – FECs		**(28)**	(114)	**(28)**	(114)
Proceeds from derivatives – FECs		**178**	80	**178**	80
Cash generated from operations before dividend paid		**5 134**	8 157	**3 978**	8 581
Dividend paid	9.4	**(8)**	(5)	**(3)**	(3)
Cash flows utilised for investing activities		**(5 827)**	(9 298)	**(3 536)**	(8 798)
Proceeds on disposal of property, plant and equipment and intangible assets		**92**	16	**60**	14
Additions to property, plant and equipment and intangible assets		**(6 620)**	(8 031)	**(4 415)**	(7 124)
Loans advanced to subsidiaries		**–**	–	**–**	(500)
Loans repaid by subsidiaries		**–**	–	**96**	–
SMME loans advanced to external parties	7.3	**(97)**	–	**(97)**	–
Investments made by FutureMakers[2]		**(9)**	(53)	**–**	–
Investment in equity fund		**–**	(9)	**–**	(9)
Cash received from FutureMakers[2]		**–**	–	**9**	42
Repayment of derivatives – FECs		**(49)**	(267)	**(49)**	(267)
Proceeds from derivatives – FECs		**317**	188	**317**	188
Proceeds from plan assets	10.1	**543**	–	**543**	–
Restricted cash		**(4)**	(1 142)	**–**	(1 142)
Cash flows received/(utilised) from financing activities		**931**	(617)	**703**	(1 156)
Loans raised	3.7	**25 970**	1 150	**25 970**	1 150
Loans repaid	3.7	**(23 650)**	(193)	**(23 650)**	(193)
Purchase of shares for the Telkom and subsidiaries long–term incentive share scheme		**(250)**	(393)	**(250)**	(393)
Repayment of principal lease liability		**(1 086)**	(1 076)	**(1 314)**	(1 615)
Repayment of derivatives – interest rate swaps		**(53)**	(105)	**(53)**	(105)
Net increase/(decrease) in cash and cash equivalents		**230**	(1 763)	**1 142**	(1 376)
Net cash and cash equivalents at 1 April		**3 239**	5 002	**665**	2 041
Net cash and cash equivalents at the end of the year	4.4	**3 469**	**3 239**	**1 807**	**665**

[1] *The deterioration in cash is driven by the increase in trade receivables and contract debtors as a result of higher post-paid mobile handset sales. The collections derived from mobile handset sales are deferred over a 24 or 36-month contract while the cost of sales is recorded immediately. The increase in cash paid to suppliers and employees is mainly due to the increase in high-end mobile contract sales resulting in higher average handset costs and higher post-paid revenue.*

[2] *FutureMakers 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 Information and Technology Charter. Refer to note 7.2.3 for more information.*

Notes to the financial statements

for the year ended 31 March 2023

1. Corporate information

Telkom SA SOC Ltd (Telkom), the ultimate parent of the Group, is a company incorporated and domiciled in the Republic of South Africa (South Africa) whose shares are publicly traded on the JSE Ltd. The main objective of Telkom and its subsidiaries (the Group) and associates is to supply telecommunication, multimedia, technology, information, mobile communication services and other related information technology (IT) services to the Group's customers in Africa. Refer to note 3.2 for a description of the products and services offered by the Group.

2. Accounting framework and significant judgements

2.1 Basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), and in compliance with the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act, 71 of 2008 (as amended) (the Companies Act). The annual financial statements have been prepared on the going concern basis.

The financial statements are prepared in South African rand, which is also the parent company's presentation and functional currency. Unless stated otherwise, all financial information presented in rand has been rounded off to the nearest million.

The financial statements are prepared on the historical cost basis, with the exception of certain financial instruments subsequently measured at fair value. The carrying values of the recognised assets and liabilities that are designated as hedged items in fair value hedges, that would otherwise be carried at amortised cost, are adjusted to record the fair values attributable to the risks that are being hedged in effective hedge relationships. Details of the Group's significant accounting policies are set out below and are consistent with those applied in the previous financial year except for the adopted standards and amendments as listed below.

2.2 Going concern assessment

The financial statements have been prepared under the assumption that Telkom SA SOC Ltd, representing Telkom Group and Telkom Company, operates on a going concern basis, which assumes the Group and Company will be able to discharge its liabilities as they fall due. In confirming the validity of the going concern basis of preparation, the Group has considered the following specific factors:

The Group incurred a loss after tax of R9 971 million (Company: R9 744 million), resulting in a 479.0% or R12 602 million decrease (Company: 302.4% or R14 558 million decrease) compared to the same period in the comparative financial year. The loss largely arose as a result of the following once-off, non-recurring charges:

- An impairment of assets charge in respect of the Group's cash-generating units, namely Openserve and Telkom Consumer, of R13 236 million (Company: R6 129 million) with a related tax impact of R3 465 million (Company: R1 594 million). The impairment charge is a non-cash item and it will not impact EBITDA; and
- Voluntary early retirement and voluntary severance package costs of R1 065 million with a related tax impact of R277 million (Company: R420 million with a related tax impact of R109 million).

Solvency

- The annual financial statements, which have been prepared based on the going concern basis, indicate that the Group is solvent, with a net shareholders' equity of R24 161 million (Company: R23 094 million);
- On 31 March 2023, the Group was in a net non-current asset position of R24 757 million and a net current liability position of R596 million (Company: net non-current asset position of R27 244 million and a net current liability position of R4 150 million);
- Since April 2022, the Group has increased its utilisation of committed facilities which form part of short-term borrowings. These facilities have largely been utilised to finance the purchase of spectrum and funding liquidity requirements of the business. Telkom is in the process of concluding long-term facilities that will be used to repay the short-term debt, increase headroom on committed facilities and reduce the amount of interest-bearing debt classified as current; and
- The Group still meets its financial covenants:

Covenant	Standard	Achievement
Net debt/EBITDA	not more than 3 times	2.0 times and 1.8 times, excluding the impact of restructuring costs[1]
Interest cover	not less than 3.5 times	10.3 times

[1] *Net debt to EBITDA, excluding lease liabilities, is 1.3 times.*

Liquidity

- The Group continuously monitors the short- and long-term liquidity needs, taking into consideration the cash balances, cash generated from operations as well as available borrowing facilities;
- The Group continues to generate positive cash flows from core business activities, evidenced by the positive cash generated from operating activities of R5 126 million on 31 March 2023, while the Company generated R4 072 million cash flow from operating activities. However, the cash flow from customers has slightly declined and management is putting measures in place to respond by introducing new products, closely monitoring collections, and introducing cost-cutting strategies, such as voluntary severance packages;
- The Group has sufficient liquidity facilities with R2 837 million in undrawn borrowing facilities and Company has sufficient liquidity facilities with R2 520 million in undrawn borrowing facilities; and
- The Group has cash and cash equivalents of R3 469 million and the Company has cash and cash equivalents of R1 807 million.

Based on these factors, management has a reasonable expectation that the Group has, and will have, adequate resources to continue in operational existence for the foreseeable future.

Notes to the financial statements continued

for the year ended 31 March 2023

2. Accounting framework and significant judgements continued

2.3 New accounting pronouncements

2.3.1 Other standards, amendments to standards and interpretations

The standards and amendments to standards listed below were adopted, effective 1 April 2022, and did not have a material impact on the Group:

Consideration	Effective date
IFRS 3 (Business Combinations) Reference to the conceptual framework	Annual periods beginning on or after 1 January 2022
IFRS 16 (Leases) Amendments to illustrative example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements	Annual periods beginning on or after 1 January 2022
IFRS 9 (Financial Instruments) Fees in the "10 percent" test for derecognition of financial liabilities	Annual periods beginning on or after 1 January 2022
IAS 16 (Property, Plant and Equipment) Proceeds before intended use	Annual periods beginning on or after 1 January 2022
IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) Onerous Contracts – Costs of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022

The standards and amendments listed below will be effective in future reporting periods. It is expected that the Group will adopt the pronouncements on their respective effective dates. With the exception of IFRS 17, the amendments are not expected to have a material impact.

IFRS 17 (Insurance Contracts)
Telkom will adopt IFRS 17 with effect from 1 April 2023. Telkom is in the process of performing an impact assessment for the cell captives held. The impact assessment is at its final stages, however, based on the work performed to date, the impact is expected not to be material.

Consideration	Effective date
IFRS 17 (Insurance Contracts)	Annual periods beginning on or after 1 January 2023
IFRS 17 (Insurance Contracts) Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published (includes a deferral of the effective date to annual periods beginning on or after 1 January 2023)	Annual periods beginning on or after 1 January 2023
IAS 1 (Presentation of Financial Statements) Amendments regarding the classification of liabilities	Annual periods beginning on or after 1 January 2023
IAS 1 (Presentation of Financial Statements) Amendments regarding the disclosure of accounting policies	Annual periods beginning on or after 1 January 2023
IAS 12 (Income Taxes) Amendments regarding deferred tax related to assets and liabilities arising from a single transaction	Annual periods beginning on or after 1 January 2023
IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) Definition of accounting estimate	Annual periods beginning on or after 1 January 2023
IFRS 16 (Leases) Amendments to IFRS 16 regarding Lease Liability in a Sale and Leaseback were issued by the IASB with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale	Annual periods beginning on or after 1 April 2024

Notes to the financial statements continued

for the year ended 31 March 2023

2. Accounting framework and significant judgements continued

2.4 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Although these estimates and assumptions are based on management's best knowledge of current events and actions that the Group may undertake in the future, actual results may ultimately differ from those judgements, estimates and assumptions.

The presentation of the results of operations, financial position and cash flows in the financial statements of the Group is dependent upon, and sensitive to, the accounting policies, assumptions and estimates that are used as a basis for the preparation of these financial statements. Management has made certain judgements in the process of applying the Group's accounting policies. These, together with the key judgements, estimates and assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date are as follows:

Significant accounting judgements, estimates and assumptions	Note reference
Recognition and measurement of revenue	Note 3.2
Taxation	Note 8.1
Estimation of useful lives and residual values for property, plant and equipment	Note 5.1
Impairments of property, plant and equipment	Note 5.1
IFRS 16 (Leases)	Note 6.3
Estimation of useful lives and residual values for intangible assets	Note 5.2
Impairments of intangible assets	Note 5.2
CGU and goodwill impairment assessment	Note 5.3
Investment property	Note 5.4
Impairment of financial assets (expected credit losses)	Note 7.1.4
Deferred taxation asset	Note 8.2
Inventories	Note 4.2
Provisions	Note 6.5
Employee benefits	Note 10.1
Supply chain financing arrangements	Note 4.5
Contingent liabilities	Note 6.8

2.4.1 Significant judgement in assessing if Swiftnet SOC Ltd ("Swiftnet") meets the IFRS 5 conditions to be classified as held for sale

In the current year, the Board gave in-principle approval to affirm and realise the value of its investment in Swiftnet.

Management has been engaging with prospective buyers. Although the appropriate level of management is committed to the sale and there is an active project to identify a buyer, on 31 March 2023, Swiftnet was not classified as held for sale due to the significant uncertainty around whether the sale will be completed within one year, taking into consideration the required approvals and whether there will be significant changes to the plan to sell. Therefore, all of the criteria to be classified as held for sale in accordance with IFRS 5 (Non-current Assets Held For Sale and Discontinued Operations) were not met.

2.5 Summary of significant accounting policies

2.5.1 Basis of consolidation

In preparing these financial statements, subsidiaries are consolidated from the date the Group gains control until the date on which control ceases. The Group's share of results of equity-accounted investments is included in the consolidated financial statements from the date that significant influence or joint control commences, until the date that significant influence or joint control ceases. All intercompany transactions are eliminated.

2.5.2 Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee. The Group consolidates the financial statements of subsidiaries from the date that control of the subsidiary commences until the date that control ceases.

2.5.3 Transactions with non-controlling interests

Non-controlling interests are initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquirer's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition, plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a negative balance.

2.5.4 Associates

An associate is an entity over which the Group has significant influence. The Group has significant influence over an associate when it has the power to participate in the financial and operating policy decisions of the investee. The Group recognises its interests in associates by applying the equity method.

2.5.5 Investments in subsidiaries and associates

Investments in subsidiaries and associates are carried at cost at Company level and adjusted for any impairment losses.

Notes to the financial statements continued

for the year ended 31 March 2023

2. Accounting framework and significant judgements continued

2.5 Summary of significant accounting policies continued

2.5.6 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at acquisition date) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree and non-controlling interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Any transaction costs that the Group incurs in connection with the business combination such as legal fees, due diligence fees and other professional and consultation fees are expensed as incurred.

Business combinations in which all of the combining entities or businesses are ultimately controlled by the same party/parties both before and after the business combinations (and where control is not transitory) are referred to as common control business combinations. The carrying amounts of the acquired entity are the consolidated carrying amounts as reflected in the consolidated financial statements from the selling entity.

The excess of the cost of the transaction over the acquirer's proportionate share of the net asset value acquired in common control transactions is allocated to equity. This is in accordance with the predecessor value method. The Group has adopted an accounting policy of recycling the common control reserve through retained earnings.

The common control reserve is recycled fully when the business that it is related to is sold internally or externally. In the case where the business is sold back piecemeal, the full reserve will be recycled to retained earnings when the last part of the business is sold internally or externally. In a common control transaction, the seller recognises the difference between the transaction price and the net assets in the statement of profit or loss and other comprehensive income within the “other income” (profit) and “other expenses” (loss) line items.

2.5.7 Foreign currencies

Functional and presentation currency
The consolidated financial statements are presented in South African rand, which is the functional and presentation currency of the parent company.

Foreign currency transactions and balances
Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations
For the purpose of presenting consolidated annual financial statements, assets and liabilities have been translated to rand at the closing rate on the reporting date. Income and expenses have been translated to rand at the average rate over the reporting period. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been translated to rand at the closing rate.

Exchange differences are charged or credited to other comprehensive income and recognised in the foreign currency translation reserve (FCTR) in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

The functional currencies of entities within the Group have remained unchanged during the reporting period.

2.5.8 Payments to other operators

Payments to other operators relate to payments made to service providers who are in the same line of business as Telkom. The amounts included in this line item are directly related to the offering of products and services to customers.

Notes to the financial statements continued

for the year ended 31 March 2023

2. Accounting framework and significant judgements continued

2.6 Significant changes in the current reporting period

Legal separation of Openserve
On 14 July 2022, the Telkom Board approved the carve-out and legal separation of the Openserve division through the sale of Telkom's infrastructure business as a going concern to Openserve NewCo (Openserve (Pty) Ltd), effective 1 September 2022, resulting in Openserve (Pty) Ltd becoming a 100% subsidiary of Telkom SA SOC Ltd. The purchase price of R20.2 billion is payable in the form of two loans (one for R4.8 billion over 10 years and the other for R4.2 billion over 5.5 years) and Openserve's equity shareholding, determined based on the net asset value.

After the sale transaction, Telkom controls Openserve through its 100% shareholding in the entity Openserve NewCo. This transaction has no impact at a Telkom Group level. Telkom Company derecognised the assets and liabilities that were transferred to Openserve NewCo as part of the legal separation and recognised Openserve NewCo's net asset value as an investment in subsidiary. Refer to note 12.2 for the impact on Telkom Company.

Yellow Pages (Pty) Ltd ("Yellow Pages") divisionalisation
Telkom entered into a sale of business agreement with its 100% owned subsidiary, Yellow Pages, in terms of which Yellow Pages sold its business to Telkom SA SOC Ltd with effect from 1 July 2022.

The operations of Yellow Pages have been integrated into Telkom SA SOC Ltd, effective 1 July 2022. The legal entity known as Yellow Pages (Pty) Ltd will continue as a going concern due to the subsidiaries that still reside therein as well as their separate operations. The planned deregistration of Yellow Pages will occur post deregistration of the subsidiaries. This transaction had no impact at a Telkom Group level. Refer to note 12.2 for the impact on Telkom Company.

Google Equiano undersea internet cable contract
Openserve (Pty) Ltd, a subsidiary of Telkom, has entered into a master services agreement with Google and its affiliates for licences which enable Telkom to operate the Equiano cable system in South Africa. As at 31 March 2023, this arrangement does not give rise to any accounting implications and is not effective in the FY2023 reporting period. Refer to note 14 for more information.

3. Performance

3.1 Segment information

The Group Executive Committee (Exco) is the Group's chief operating decision maker (CODM). Management has determined the operating segments based on the reports reviewed by Exco that are used to make strategic decisions, allocate resources and assess performance of each reportable segment.

The operating segments' classification is based on the business units through which Telkom provides communications products and services via its customer-facing units: Telkom Consumer and Small and Medium Business (SMB), as well as its subsidiaries, BCX, Openserve and Gyro. The customer-facing units are supported by the Corporate Centre.

The reportable segments have been determined as Openserve, Telkom Consumer, BCX, Gyro and "Other". The SMB segment has been aggregated into the Telkom Consumer segment. The aggregation is based on the similarity in the nature of products and services. SMB's customers include primarily sole proprietors and customers who typically consume simple products and are similar to the product nature and customer profiling within the Telkom Consumer segment. A large portion of the SMB customer base makes use of the Telkom Direct Stores channel which is the same channel as that of the Telkom Consumer customers.

The CODM reviews the performance of the operating segments on an EBITDA basis. EBITDA is adjusted for significant non-recurring items such as restructuring, when applicable. The current year EBITDA has been normalised for restructuring costs of R1 065 million.

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 the following items:

- Interest revenue
- Interest on overdue accounts

Interest revenue is included in operating revenue as a separate component of revenue.

Notes to the financial statements continued

for the year ended 31 March 2023

3. Performance continued

3.1 Segment information continued

March 2023	Openserve Rm	Telkom Consumer Rm	BCX Rm	Gyro Rm	Other Rm	Eliminations Rm	IFRS 16 reversal Rm	Consolidated Rm
Revenue from external customers[1]	4 089	25 364	12 961	724	–	–	–	43 138
Revenue from contracts with customers recognised over time	3 976	21 774	9 558	–	–	–	–	35 308
Voice	–	5 864	2 528	–	–	–	–	8 392
Interconnection	281	505	–	–	–	–	–	786
Data	3 440	14 806	2 718	–	–	–	–	20 964
Information technology services	–	–	3 665	–	–	–	–	3 665
Customer premises equipment related services	–	97	605	–	–	–	–	702
Interest revenue	–	319	42	–	–	–	–	361
Sundry revenue	255	183	–	–	–	–	–	438
Revenue from contracts with customers recognised at a point in time	–	3 590	3 403	–	–	–	–	6 993
Customer premises equipment	–	3 529	739	–	–	–	–	4 268
Information technology hardware	–	–	2 664	–	–	–	–	2 664
Sundry revenue	–	61	–	–	–	–	–	61
Lease revenue	113	–	–	724	–	–	–	837
Intersegmental operating revenue	8 808	309	1 291	906	541	(11 010)	(845)	–
Other income	231	821	69	13	838	(1 109)	–	863
Insurance service result	–	–	–	–	1	–	–	1
Total expenses	(9 436)	(23 193)	(12 514)	(512)	(914)	12 119	–	(34 450)
Cost of handsets, equipment, software and directories	–	(4 305)	(2 931)	–	–	147	–	(7 089)
Sales commission, incentives and logistical costs	–	(2 522)	–	–	–	–	–	(2 522)
Payments to other operators	(709)	(2 685)	(409)	–	–	404	–	(3 399)
Employee expenses	(3 240)	(1 246)	(3 394)	(133)	(214)	–	–	(8 227)
Other expenses[3]	(752)	(962)	(4 085)	(28)	(265)	3 708	–	(2 384)
Wholesale voice and non-voice services[4]	–	(6 174)	(196)	–	–	6 174	–	(196)
Maintenance[3]	(1 689)	(2 453)	(838)	(25)	(67)	918	–	(4 154)
Marketing[3]	(26)	(677)	(82)	(1)	(26)	–	–	(812)
Impairment of receivables, contract assets and loans[3]	(30)	(1 058)	(90)	(20)	(57)	–	–	(1 255)
Service fees[3]	(2 834)	(987)	(459)	(298)	(279)	777	–	(4 080)
Lease-related expenses[3]	(156)	(124)	(30)	(7)	(6)	(9)	–	(332)
Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) for reportable segments including intersegmental transactions	3 692	3 301	1 807	1 131	466	–	(845)	9 552
Reconciliation of operating loss to loss before tax								
Normalisations								
Restructuring expenses								(1 065)
Earnings before interest, tax, depreciation and amortisation (EBITDA) for reportable segments								8 487
Depreciation, amortisation, impairments and write-offs								(20 653)
Operating loss								(12 166)
Investment income								148
Net finance charges, hedging costs and fair value movements								(1 484)
Loss before taxation								**(13 502)**
Other segment information								
Capital expenditure of property, plant and equipment and intangible assets	2 700	3 820	455	261	165	–	–	7 401

Notes to the financial statements continued

for the year ended 31 March 2023

3. Performance continued

3.1 Segment information continued

Restated March 2022[2, 3]	Openserve Rm	Telkom Consumer Rm	BCX Rm	Gyro Rm	Other Rm	Eliminations Rm	IFRS 16 reversal Rm	Consolidated Rm
Revenue from external customers[1]	3 792	25 411	12 867	686	–	–	–	42 756
Revenue from contracts with customers recognised over time	3 698	22 190	10 777	–	–	–	–	36 665
Voice	–	6 535	2 980	–	–	–	–	9 515
Interconnection	319	482	–	–	–	–	–	801
Data	3 248	14 581	3 011	–	–	–	–	20 840
Information technology services	–	–	3 971	–	–	–	–	3 971
Customer premises equipment related services	–	105	739	–	–	–	–	844
Interest revenue	–	256	26	–	–	–	–	282
Sundry revenue	131	231	50	–	–	–	–	412
Revenue from contracts with customers recognised at a point in time	–	3 221	2 090	–	–	–	–	5 311
Customer premises equipment	–	3 111	483	–	–	–	–	3 594
Information technology hardware	–	–	1 607	–	–	–	–	1 607
Sundry revenue	–	110	–	–	–	–	–	110
Lease revenue	94	–	–	686	–	–	–	780
Intersegmental operating revenue	9 636	342	1 414	934	1 057	(12 562)	(821)	–
Other income	276	575	64	–	392	(621)	–	686
Insurance service result	–	–	–	–	(2)	–	–	(2)
Total expenses	(9 319)	(21 643)	(12 492)	(399)	(862)	13 183	–	(31 532)
Cost of handsets, equipment, software and directories	–	(3 686)	(2 274)	–	–	312	–	(5 648)
Sales commission, incentives and logistical costs	–	(2 369)	(147)	–	–	–	–	(2 516)
Payments to other operators	(717)	(2 602)	(445)	–	–	371	–	(3 393)
Employee expenses	(3 311)	(1 210)	(3 590)	(133)	(456)	7	–	(8 693)
Other expenses[3]	(1 319)	(947)	(4 512)	(30)	(180)	4 732	–	(2 256)
Wholesale voice and non-voice services[4]	–	(6 492)	(59)	–	–	6 492	–	(59)
Maintenance[3]	(1 760)	(2 169)	(892)	(23)	(111)	1 076	–	(3 879)
Marketing[3]	(32)	(618)	(61)	(1)	(18)	1	–	(729)
Impairment of receivables, contract assets and loans[3]	36	(811)	(42)	14	–	–	–	(803)
Service fees[3]	(1 989)	(767)	(429)	(224)	(153)	174	–	(3 388)
Lease-related expenses[3]	(227)	28	(41)	(2)	56	18	–	(168)
Earnings before interest, tax, depreciation and amortisation (EBITDA) for reportable segments including intersegmental transactions	4 385	4 685	1 853	1 221	585	–	(821)	11 908
Depreciation, amortisation, impairments and write-offs								(6 975)
Operating profit								4 933
Investment income								144
Net finance charges, hedging costs and fair value movements								(1 279)
Profit before taxation								**3 798**
Other segment information								
Capital expenditure of property, plant and equipment and intangible assets	3 472	2 832	567	418	195	–	–	7 484

[1] *Revenue includes transactions generated by subsidiaries of BCX in countries outside of South Africa. These are however not considered material to the Group and are thus not disclosed separately. Group revenue increased marginally, driven by an increase in mobile handset and IT hardware sales. This was offset by a decrease in fixed, mobile and IT service revenue due to the challenging operating environment. Refer to* *note 3.4.1* *for more details regarding the corresponding increase in cost of handsets, equipment, software and directories.*

[2] *Effective from 1 April 2022, Telkom has terminated the Telkom Group Information Technology (TGIT) contract with BCX and transferred the respective BCX employees to the respective business units within Telkom. By terminating the TGIT agreement and transferring the employees, Telkom has changed the structure of its internal organisation in a manner that causes the composition of its reportable segments to change. The prior period has been restated to account for the change in the way the TGIT business is viewed by the CODM.*

[3] *In the current year, the selling, general and administrative expenses line item has been expanded to disclose the material income and expense line items in order to comply with the JSE proactive monitoring process in respect of the application of IFRS 8. The prior year segment has been re-presented for comparability purposes.*

[4] *Wholesale voice and non-voices services are Openserve charges to Telkom Company for data connectivity, broadband access, managed services and line rental cost. In the prior year, these expenses were interdivisional. These interdivisional expenses would have been eliminated before the carve-out within Telkom Company as it related to business units within the Company. Post the carve-out, these expenses are not eliminated at Company level, resulting in an increase in the overall balance. In the prior year, wholesale voice and non-voice services were included in the other expenses line item. At a Group level, the prior year has been re-presented to be consistent with the Company disclosure.*

Notes to the financial statements continued

for the year ended 31 March 2023

3. Performance continued

3.1 Segment information continued

Entity-wide disclosures
All material non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts related to the segments above, are located in South Africa. Assets belonging to the subsidiaries of BCX outside of South Africa are not considered material to the Group as a whole.

No single customer contributes more than 10% of the revenue from external customers and thus no specific information relating to major customers is included in the segment information above.

For the purpose of assessing revenue contribution per customer, management does not treat government as a single customer.

3.2 Revenue

Significant accounting judgements, estimates and assumptions

Recognition and measurement of revenue

Stand-alone selling prices and transaction price
The stand-alone selling prices for mobile devices are based on the standard list prices at which the Group sells them separately (without a service contract). Stand-alone selling prices for communication services are set based on prices for non-bundled offers with the same range of services. The transaction price is calculated as the total consideration receivable from the customer over the contract term.

Significant financing component
In order to determine whether a significant financing component exists, a model was designed, which calculates the financing component on a contract-by-contract basis. If the financing component is less than 5% of the total transaction price allocated to the customer premises equipment (CPE), it is deemed not to be significant and the finance component will not be recognised separately.

Customer relationship periods
The average customer relationship periods for wholesale, voice and non-voice services are utilised to expense the capitalised installation revenue and cost. Management applies judgements about the data used to determine the customer relationship period estimate. The estimate is based on the historical churn information (refer to note 3.2.3). The churn is determined by considering the service installation and disconnection dates, the weighted customer base ageing and the service connection status of the customers. Changes in average customer relationship periods are accounted for as a change in accounting estimate.

Agent vs principal considerations in relation to co-operation with third-party dealers

Dealers
The Group utilises a network of dealers to sell contract services (including these bundled with mobile devices), pre-paid services and mobile devices (without bundling them with a Telkom services contract). An entity is the principal in a transaction if it obtains control of the specified goods or services before they are transferred to the customer. An entity is an agent if it does not control the specified goods or services before they are transferred to the customer. Telkom accounts for device sales through the dealers as a principal as Telkom can unilaterally redirect the handsets between dealers without the approval of the dealer in order to best realise the handset. It has been assessed whether Telkom is a principal or agent for the device obligation on a contract-by-contract basis using the relevant indicators, taking into account the right of return policy with third-party dealers.

In terms of IFRS 15, Telkom has identified the specified goods or services being provided to the customer – the handset in this instance. A specified good or service is a distinct good or service (or a distinct bundle of goods or services) that will be transferred to the customer.

Enterprise revenue
Management has assessed that the primary obligation for service delivery to the Enterprise customers remains with Telkom SA SOC Ltd, therefore Telkom recognises gross revenue for the Enterprise customer contracts which were sold to BCX, but not contractually ceded. Similarly, price risk owing to the contracts not ceded is deemed to reside with Telkom. Cognisance is given to the fact that mechanisms exist for a transfer of credit risk between Telkom and BCX. It is on this basis that management has concluded that revenue from such contracts should be recognised in the accounting records of Telkom as a principal with the customers.

Reassessment of leases relating to customer premises equipment (CPE)
The Group enters into contracts with customers which involve both the delivery of services and CPE. Prior to the adoption of IFRS 16, these contracts were accounted for as operating leases under IAS 17 (Leases). On adoption of IFRS 16, the Group elected the practical expedient not to reassess whether an existing contract is, or contains, a lease, and management accordingly retained the assessment made under IAS 17 for these existing lease contracts. Subsequent to the adoption of IFRS 16, it was identified that these existing lease contracts, which have reached the end of the initial lease term, continue on a month-to-month basis allowing the customer to exit the contract with no penalty. This is different to the terms which applied during the initial lease term, wherein the customer could not exit without a penalty.

According to IFRS 16, if an entity chooses the practical expedient described above, then an entity shall identify a lease by applying the requirements of IFRS 16 only to contracts entered into or changed after the adoption date. However, IFRS 16 is silent on what constitutes a change to an existing contract.

Management exercised significant judgement and determined that the lease contracts continuing on a month-to-month basis without an exit penalty, subsequent to the initial lease term, constitutes a change in the contract, and therefore reassessed whether these contracts contain a lease in terms of IFRS 16. Upon such reassessment, it has been determined that while the CPE represents an identified asset, the customer does not have the right to direct how and for what purpose the CPE is used throughout the period of use. The Group, being the supplier, has such a right and therefore such arrangements do not contain a lease. It is on this basis that management has concluded that revenue from such contracts should be recognised under IFRS 15 (Revenue from Contracts with Customers).

Notes to the financial statements continued

for the year ended 31 March 2023

3. Performance continued

3.2 Revenue continued

Summary of significant accounting policies

Nature of goods and services
Revenue from contracts with customers
The Group has elected to apply the IFRS 15 practical expedient on the significant financing component that allows the Group not to adjust the transaction price for the significant financing component for contracts where the time difference between customer payment and transfer of goods or services is expected to be within 12 months or less. The Group sells products and services both separately as well as part of bundled packages. The Group recognises revenue when it transfers control over a product or services to a customer. Products and services that form part of bundled packages are recognised separately if they are distinct. Further detail is provided below:

Products and services	Segment	Timing of revenue recognition	Nature of goods and services and significant payment terms
Customer premises equipment (CPE) revenue	Telkom Consumer and BCX	The Group recognises revenue at a point in time when a customer takes possession of the communication equipment or products.	The total transaction price is allocated to the mobile device or CPE such as Private Automated Branch Exchanges (PABXs) on a relative stand-alone selling price basis. The relevant stand-alone selling prices are based on the market prices (as indicated in the Group's device catalogues and trade lists) of the individual performance obligations identified in the contract. The total consideration noted above is determined based on the assessed contract term. Some contracts include an early renewal clause. Based on the assessment of historical data, the Group has determined that there is not a significant number of contracts that are renewed on an earlier basis and has therefore applied the total contractual term in the calculation of the total consideration receivable under a contract. Contract assets are recognised when customers have obtained control of the device for post-paid contracts. The amount of revenue recognised for devices is adjusted for expected returns, which are estimated based on the historical data. For devices sold separately (i.e. without the telecommunications contract), customers pay full price at the point of sale. For devices sold in bundled packages, customers usually pay monthly in equal instalments over the contract term. The Group assesses whether a significant financing component exists for all contracts in excess of 12 months. A financing element of greater than 5% of the portion of the transaction price allocated to the mobile device or customer equipment has been deemed to represent a significant financing component. The significant financing component is determined using an average discount representative of the risk associated to the customers. The assessment of the existence of a financing component is performed on a contract-by-contract basis. The transaction price is reduced with the financing component and the financing component is recognised over the contract period. The Group does not provide separate warranties on equipment delivered to customers and therefore no performance obligations are identified associated to this.

Notes to the financial statements continued

for the year ended 31 March 2023

3. Performance continued

3.2 Revenue continued

Summary of significant accounting policies continued

Nature of goods and services continued
Revenue from contracts with customers continued

Products and services	Segment	Timing of revenue recognition	Nature of goods and services and significant payment terms
Mobile and fixed-line tele-communication services	**Openserve, Telkom Consumer and BCX** **Openserve** Openserve provides the following services: *Broadband solutions* This includes next-generation access across fibre and copper networks enabling high-speed internet connectivity. *Optical and carrier solutions* Services constitute the provision of client-specific backhaul and managed connectivity, assuring world-class quality and reliability. *Enterprise solutions* Products include business-to-business connectivity, underpinned primarily by Ethernet-based products. *Global solutions* Interconnect-based services connecting South Africa and the rest of the global market. **Telkom Consumer** The Telkom Consumer business unit provides the following services to customers: *Broadband data* Broadband data refers to high-speed internet access that is always on and faster than the traditional dial-up access. Broadband includes several high-speed transmission technologies, such as digital subscriber line (DSL), fibre, wireless and satellite. *Voice* Voice telecommunications refer to the communication of sound over a distance using wire or wireless telephones and related technology. *Content* Content services are provided through the association with a variety of content providers, which allows subscription for a fee to games, competitions, videos, social sites and entertainment. *Gaming* Gaming services are provided through the VS Gaming brand; this is the provision of a virtual sports platform which provides regular tournaments and ladders across all major game titles and skills levels and spectator access. *Small and Medium Entity Information, Communication and Technology solutions* Small and Medium Entity Information, Communication and Technology solutions services are data centre infrastructure components as well as an increasing number of content, software, hardware and support services delivered over the internet. *CPE-related revenue* This relates to routers and switches. Although these CPEs represent an identified asset, the customer does not have the right to direct how and for what purpose they are used throughout the period of use. Therefore, such contracts do not contain a lease in terms of IFRS 16. *Global solutions* Interconnect-based services connecting South Africa and the rest of the global market.	The Group recognises revenue over time as these telecommunication services are provided.	Mobile and fixed-line telecommunication services may be sold in bundled or separate packages. The revenue for the telecommunication services is recognised over time as the services are provided. Services purchased by a customer beyond the contract are treated as a separate contract and recognition of revenue from such services is based on the actual voice or data usage, or is made upon the expiration of the Group's obligation to provide the services. For pre-paid services, the customer pays the full price at the point of sale. For post-paid contracts, customers usually pay monthly in equal instalments over the contract term together with the additional billing for out-of-bundle usage. Where the payment of an installation fee attributable to a fixed telecommunication service on a month-to-month contract provides the customer with a material substantive right, the installation is a separate performance obligation and is recognised over an estimated customer relationship period. The customer usually pays the fee upfront when the installation has been completed. Refer to note 3.2.3 for the customer relationship periods per customer type. Interconnection revenue is derived from calls and other traffic that originate in other operators' networks but use the Telkom network. The Group receives interconnection fees based on agreements entered into with other telecommunication operators. These revenues are recognised in the period in which these services are rendered.

Notes to the financial statements continued

for the year ended 31 March 2023

3. Performance continued

3.2 Revenue continued

Summary of significant accounting policies continued

Nature of goods and services continued
Revenue from contracts with customers continued

Products and services	Segment	Timing of revenue recognition	Nature of goods and services and significant payment terms
Mobile and fixed-line tele-communication services continued	**BCX** BCX provides fixed telecommunication voice and data services to customers including: ***Business mobility*** Managed wireless broadband and dedicated access over microwave, 4G/5G and satellite, and secure machine-to-machine connectivity. ***Managed application-centric data networking*** Multiprotocol Label Switching, software-defined wide area network (software-defined WAN) and secure access service edge-based data networking for private and public enterprise branch aggregation with service-level agreements (SLAs) and hyperscaler onramps. ***Managed local area networking*** Fixed or wireless local area networking for enterprises certified by multiple technology manufacturers; includes centralised or dedicated controllers and switches. ***Global telecommunication services*** Global telecommunication services relate to Global Connectivity mainly through virtual private network services (VPN) that usually cater for connectivity of local enterprise customers that have branches outside of South Africa. ***Unified collaboration*** Fixed-voice solutions evolving to unified collaboration as a service, including on-premises or hosted PABXs, cloud telephone and managed hosted contact centres. ***Broadband or dedicated access*** Fibre or wireless access for point-to-point or point-to-cloud connectivity from enterprise branches, typically to the internet for software-defined WAN and cloud-hosted applications. ***Internet and value-added services*** Dedicated or broadband xpress internet for private or public sector branches or from data centres, including features addressing security and peering. ***Converged communication services*** BCX provides converged communication voice and data services to customers. ***Customer premises equipment related services*** CPE is installed to provide converged communication services and an asset of BCX.	The Group recognises revenue over time as these telecommunication services are provided.	Mobile and fixed-line telecommunication services may be sold in bundled or separate packages. The revenue for the telecommunication services is recognised over time as the services are provided. Services purchased by a customer beyond the contract are treated as a separate contract and recognition of revenue from such services is based on the actual voice or data usage, or is made upon the expiration of the Group's obligation to provide the services. For pre-paid services, the customer pays the full price at the point of sale. For post-paid contracts, customers usually pay monthly in equal instalments over the contract term together with the additional billing for out-of-bundle usage. Where the payment of an installation fee attributable to a fixed telecommunication service on a month-to-month contract provides the customer with a material substantive right, the installation is a separate performance obligation and is recognised over an estimated customer relationship period. The customer usually pays the fee upfront when the installation has been completed. Refer to note 3.2.3 for the customer relationship periods per customer type. Interconnection revenue is derived from calls and other traffic that originate in other operators' networks but use the Telkom network. The Group receives interconnection fees based on agreements entered into with other telecommunication operators. These revenues are recognised in the period in which these services are rendered.

Notes to the financial statements continued

for the year ended 31 March 2023

3. Performance continued

3.2 Revenue continued

Summary of significant accounting policies continued

Nature of goods and services continued
Revenue from contracts with customers continued

Products and services	Segment	Timing of revenue recognition	Nature of goods and services and significant payment terms
Information technology revenue	**BCX** BCX provides information technology goods and services to customers within the Group. The diversified technology product portfolio provides a wide range of services including: *Solutions* Cloud computing, unified communications and collaboration, security, big data analytics and mobility. *IT products* Enterprise and applications solutions, IT-managed services and infrastructure and cloud solutions.	Revenue from a contract to provide a service is recognised over time in the accounting period in which the services are rendered. Revenue for the provision of IT hardware and software is recognised at a point in time, once control of the goods has been transferred to the customer.	Installation fees are a separate performance obligation and are recognised based on the actual services provided, determined as the proportion of the total time expected to install to the time that has elapsed at the reporting date. Servicing fees included in the price of products sold are recognised by reference to the proportion of the cost to the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold. Revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.
Sundry revenue: electronic directory services and advertising revenue	**Telkom Consumer** This includes the following products and services: *Advertising* *Digital and social media advertising, across a number of platforms* *E-commerce* *Omni-channel offerings*	Electronic directory and advertising revenue is recognised over the contract term as the performance obligations are met based on the total transaction price agreed for the contract.	The relevant stand-alone selling prices are based on market prices. The contract term for the services in this revenue stream is usually 12 months or less and therefore no significant financing element has been included in the revenue recognition for this revenue stream.
Sundry revenue	**Telkom Consumer** This includes the following products and services: *Printed directory services*	Revenue from printed directories is recognised at a point in time when the directories are released for distribution.	The relevant stand-alone selling prices are based on market prices.
Sundry revenue	**Openserve** This includes the following products and services: *International other,* included in international other is maritime services.	Revenue from maritime services is recognised at a point in time as the performance obligations are met based on the contract.	The maritime services are for three-year fixed contracts. The services offered are billed on a monthly basis as they are utilised by the customer, regardless of the contract term. There is no significant financing component as services are billed on a monthly basis, based on services offered to customers at a point in time. The maritime services billings (stand-alone prices) are based on agreed contract prices that are signed by both the market participants on the contract.

Notes to the financial statements continued

for the year ended 31 March 2023

3. Performance continued

3.2 Revenue continued

Summary of significant accounting policies continued

Nature of goods and services continued

Revenue from other contracts continued

Rental income from property and masts and towers is generated by the Group through its subsidiaries. The revenue is recognised as part of the Gyro and Openserve segments.

The difference between the proceeds received from the transferred lease receivable and the carrying value of the lease receivable is recognised as revenue "discounting income" where the business model is to securitise/transfer such leases to financial institutions i.e. lease receivables are not held for the collection of cash flows.

All revenues are presented net of Value-Added Tax (VAT), rebates and discounts. Invoice and payment terms are set out in note 4.3 of the financial statements.

Significant financing component

The Group applies the practical expedient in IFRS 15 paragraph 63 to not recognise a significant financing component for any contract when the goods and services provided is 12 months or less, compared to when the payment is received.

Material right considerations

The Group considers installation fees on month-to-month contracts to provide a material substantive right to the customer as the customer can extend/renew the contract each month without paying an additional installation fee. This installation fee is a separate performance obligation and is capitalised and expensed over an estimated customer relationship period where it is concluded that the installation fee gives rise to a material substantive right.

Contract costs

Contract costs that are eligible for capitalisation as incremental costs of obtaining a contract includes commission and connection incentives paid on new contracts that have been entered into. Contract costs are capitalised unless the practical expedient per IFRS 15 paragraph 94 is applied, which states that incremental costs to obtain a contract can be recognised as an expense when incurred if the amortisation period of the asset, that the entity otherwise would have recognised, is one year or less. Contract costs are capitalised in the month of service activation if the Group expects to recover these costs, and is amortised over the contract term.

The amortisation of the contract asset is included in sales commission, incentives and logistical costs based on the nature of the costs being deferred.

In all other cases, contract costs are expensed as incurred.

Contract assets

Contract assets represent the Group's right to consideration in exchange for mobile devices and CPE. The contract asset is recognised at the point where the Group transfers control of the device or CPE to the end customer.

IFRS 15 is silent regarding the derecognition of contract assets. Therefore, in terms of IAS 8, the Group has adopted a policy of using IFRS 9 derecognition principles and IFRS 7 derecognition disclosure principles when accounting for the derecognition of contract assets.

The Group recognises the gain on derecognition within the other income line item and/or loss on derecognition within the other expenses line item on the statement of profit or loss and other comprehensive income. The proceeds received are classified as cash generated from operating activities in the cash flow statement.

Deferred revenue (contract liabilities)

Deferred revenue (contract liabilities) is accounted for or recognised at the earlier of the due date of the invoice and the date that the payment is received from the customer before the performance obligation is satisfied.

A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer.

Deferred installation fees and revenue billed in advance represent customer payments received in advance of performance (contract liabilities). This is included in deferred revenue on the statement of financial position.

Notes to the financial statements continued

for the year ended 31 March 2023

3. Performance continued

3.2 Revenue continued

3.2.1 Disaggregation of revenue

	Company	
	31 March 2023 Rm	31 March 2022 Rm
Revenue	**33 687**	38 272
Revenue from contracts with customers recognised over time	**28 599**	33 780
Voice	**7 992**	9 969
Interconnection	**660**	801
Data	**18 975**	21 205
Information technology	**490**	1 227
Customer premises equipment related services	**163**	322
Interest revenue	**319**	256
Revenue from contracts with customers recognised at a point in time	**5 048**	4 398
Customer premises equipment	**4 789**	4 247
Sundry revenue	**259**	151
Lease revenue	**40**	94

Refer to note 3.1 for the disaggregated revenue per segment for the Group.

Included in Telkom Company revenue is revenue to the value of R5 592 million (31 March 2022: R6 415 million), which relates to Enterprise customer contracts which were sold to BCX in previous financial years, which have been retained in the name of Telkom SA SOC Ltd.

Revenue decreased in the current financial year mainly due to the Openserve data and interconnect revenues that are recognised within the Openserve subsidiary from 1 September 2022.

3.2.2 Transaction price allocated to the remaining performance obligations

The tables below include revenue expected to be recognised in the future, related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	Group 31 March 2023		
	2024 Rm	2025 Rm	Beyond 2026 Rm
Voice	**398**	**154**	**34**
Data	**2 557**	**1 073**	**153**
Information technology	**171**	**24**	**13**

	Group 31 March 2022		
	2023 Rm	2024 Rm	Beyond 2025 Rm
Voice	414	171	32
Data	2 294	1 016	105
Information technology	156	13	–

Notes to the financial statements continued

for the year ended 31 March 2023

3. Performance continued

3.2 Revenue continued

3.2.2 Transaction price allocated to the remaining performance obligations continued

	Company 31 March 2023		
	2024 Rm	**2025 Rm**	**Beyond 2026 Rm**
Voice	**398**	**154**	**34**
Data	**2 549**	**1 071**	**152**

	Company 31 March 2022		
	2023 Rm	2024 Rm	Beyond 2025 Rm
Voice	414	171	32
Data	2 294	1 016	105

All revenue from contracts with customers is included in the amounts presented above.

The Group and Company apply the practical expedient in paragraph 121 of IFRS 15 and do not disclose information about remaining performance obligations that have original expected durations of one year or less.

3.2.3 Customer relationship periods

The customer relationship periods (CRPs) in the current financial year are determined as follows:

- Voice revenue: 5.5 years (31 March 2022: 5.5 years)
- Wholesale revenue: 4 years (31 March 2022: 4 years)
- Non-voice revenue: 3.5 years (31 March 2022: 3.5 years)

There has been no change in the average CRPs in respect of non-voice revenue, voice revenue and wholesale revenue during the 2023 financial year.

3.2.4 Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

3.2.4.1 Contract assets

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Contract assets	**2 440**	2 055	**2 440**	1 976
Gross contract assets	**2 948**	2 551	**2 948**	2 472
Impairment of contract assets	**(508)**	(496)	**(508)**	(496)
Allowance account for expected credit losses – contract assets	**508**	496	**508**	496
Opening balance as previously reported	**496**	410	**496**	410
Charged to statement of profit or loss and other comprehensive income	**116**	269	**116**	269
Contract assets written off	**(104)**	(183)	**(104)**	(183)

Contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

Refer to note 7.1.4 for a detailed credit risk analysis.

Notes to the financial statements continued

for the year ended 31 March 2023

3. Performance continued

3.2 Revenue continued

3.2.4 Assets and liabilities related to contracts with customers continued

3.2.4.1 Contract assets continued

Sale of contract assets
Telkom entered into agreements with financial institutions to factor a ring-fenced group of contract assets. The gross carrying amount of the contract assets factored is R1 371 million (31 March 2022: R1 009 million).

Per the arrangements, Telkom retains the contractual right to receive cash flows, and has assumed a contractual obligation to pay the cash flows received to the financial institution.

Based on the structure of the agreements, the IFRS 9 (Financial Instruments) "pass through" criteria were met for the derecognition of the contract assets and the contract asset portfolio was derecognised in its entirety as significant risks and rewards were transferred. The total cash inflow related to the derecognition is included in cash flows from operating activities in the statement of cash flows.

As part of the agreement, Telkom is obligated to pay the financial institution only from the cash collected from the customers and, as such, Telkom assumes no further obligation in relation to the agreement. In the case that there is a credit note, Telkom will not be required to refund the financial institution for the credit note. Telkom has no continuing involvement with the transferred contract asset.

Significant changes in contract assets
Contract assets have increased from the prior year, mainly due to the growth in mobile sales and increasing device costs.

3.2.4.2 Other current assets

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Other current assets	**462**	466	**462**	466
Contract costs capitalised	**240**	255	**240**	255
Ongoing commission capitalised assets	**222**	211	**222**	211
Contract costs capitalised	**240**	255	**240**	255
Opening balance	**255**	261	**255**	261
Contract costs capitalised during the year	**254**	276	**254**	276
Contracts cancelled during the year	**(27)**	(25)	**(27)**	(25)
Amortisation recognised as cost of providing services during the year	**(242)**	(257)	**(242)**	(257)

Contract costs capitalised relate to commission and incentive costs paid to dealers and sales staff, which are considered incremental to the acquisition and fulfilment of the contract. The contract costs capitalised are amortised as an expense over the term of the contract to which the commission relates. Management expects that the full cost will be recovered through the revenue recognised on these contracts and has consequently not recognised any impairment on the contract costs capitalised.

	Group		Company	
Ongoing commission capitalised assets	**31 March 2023 Rm**	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Contract asset – ongoing commission	**222**	211	**222**	211
Ongoing commission (included in trade and other payables)	**(222)**	(211)	**(222)**	(211)
Opening balance	**211**	198	**211**	198
Expense amortised in the current year	**(126)**	(117)	**(126)**	(117)
New contracts entered into	**242**	234	**242**	234
Contracts cancelled during the year	**(105)**	(104)	**(105)**	(104)
Closing balance	**222**	211	**222**	211

Notes to the financial statements continued

for the year ended 31 March 2023

3. Performance continued

3.2 Revenue continued

3.2.4 Assets and liabilities related to contracts with customers continued

3.2.4.3 Deferred revenue

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Deferred revenue	**1 603**	1 771	**1 156**	1 608
Non-current deferred revenue	**128**	138	**33**	125
Current portion of deferred revenue	**1 475**	1 633	**1 123**	1 483

The deferred revenue balance consists primarily of deferred installation fees and revenue billed in advance due to Telkom's various billing cycles.

Deferred revenue recognised at the beginning of the year
At the end of the prior year, R1 633 million (31 March 2021: R1 696 million) for Group and R1 483 million (31 March 2021: R1 587 million) for Company was recognised as a current liability. The total revenue recognised in the current year, which related to carried forward deferred revenue associated with installation fee revenue and revenue payable in advance, is disclosed in the table below. The closing balance represents new contracts entered into where the performance obligations have not yet been met at year-end. The amounts recognised as a contract liability will generally be utilised within the next reporting period.

	Group		Company	
Revenue recognised in relation to deferred revenue (contract liabilities):	**31 March 2023 Rm**	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Deferred revenue	**1 213**	1 635	**1 035**	1 508

The table above illustrates the portion of the revenue recognised in the current period which related to carried forward deferred revenue associated with installation fee revenue and revenue billed in advance. The amounts recognised as a contract liability will generally be utilised within the next reporting period.

3.3. Other income

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Other income	**863**	686	**1 780**	1 240
Interest received from trade receivables[1]	**137**	122	**106**	69
Sundry income[2]	**452**	363	**1 414**	914
Profit on disposal of assets[3]	**274**	201	**260**	257

[1] *Interest received on trade receivables relates to interest on overdue trade receivables accounts. These are financial assets measured at amortised cost. Interest is recognised on a time proportionate basis, taking into account the principal amount outstanding and effective interest rate.*

[2] *Sundry income for the Company includes income from management fees charged to subsidiaries. The Group and Company amounts include gains or losses on lease terminations and other income on the submarine cable systems. Income on submarine cables consists of reimbursements for work done on behalf of the consortiums, reimbursements on operating cost, maintenance cost (direct cost) and travel fees related to the cable services.*

[3] *Included in the current year profit on disposal of assets for Group and Company is a gain on disposal of contract assets to the amount of R198 million (31 March 2022: R154 million).*

Notes to the financial statements continued

for the year ended 31 March 2023

3. Performance continued

3.4 Expenses

Summary of significant accounting policies

Cost of handsets, equipment, software and directories
The costs of handsets, equipment, software and directories represent the acquisition cost of the items sold, net of any supplier rebates and discounts. This line item does not include any allocated overhead costs.

Sales commission, incentives and logistical costs
Sales commission and incentives are costs paid to Telkom's independent sales channels. Logistical costs represent costs incurred with third parties outside the Group for the delivery of handsets to customers and stores. This line item does not include the allocation of any other expense classified by nature in the financial statements.

3.4.1 Cost of handsets, equipment, software and directories

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Cost of handsets, equipment, software and directories	**(7 089)**	(5 648)	**(4 280)**	(3 589)

Cost of handsets, equipment, software and directories increased mainly due to high-end mobile contract sales resulting in higher average handset costs and higher post-paid revenue, as well as an increase in mobile handset sales.

3.4.2 Sales commission, incentives and logistical costs

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Sales commission, incentives and logistical costs	**(2 522)**	(2 516)	**(2 521)**	(2 369)

Sales commission, incentives and logistical costs increased due to higher commissions from growth in the commissionable base, offset by lower incentives due to lower connections and renewals.

3.4.3 Employee expenses

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Employee expenses	**(9 292)**	(8 693)	**(3 397)**	(4 528)
Salaries and wages	**(7 665)**	(7 590)	**(2 608)**	(3 719)
Post-retirement pension and retirement fund (refer to notes 10.2 and 10.3)	**(582)**	(535)	**(200)**	(335)
Post-retirement medical aid (refer to note 10.4)	**176**	150	**176**	150
Post-retirement telephone rebates (refer to note 10.5)	**(36)**	(41)	**(36)**	(41)
Share-based compensation expense (refer to note 9.2)	**(176)**	(203)	**(80)**	(164)
Other benefits[1]	**(1 255)**	(811)	**(764)**	(750)
Employee expenses capitalised to capital projects	**246**	337	**115**	331

[1] *Other benefits include, among others, skills development, annual leave, performance incentive, service bonuses, voluntary employee severance/voluntary early retirement and retrenchment package costs and termination benefits. Included in other benefits as at 31 March 2023 are restructuring costs amounting to R1 065 million for Group and R420 million for Company.*

Notes to the financial statements continued

for the year ended 31 March 2023

3. Performance continued

3.4 Expenses continued

3.4.4 Other expenses

	Group		Company	
	31 March 2023 Rm	31 March[3] 2022 Rm	31 March 2023 Rm	31 March 2022 Rm
Other expenses	(2 384)	(2 256)	(857)	(992)
Included in the other expenses line item are the following expenses:				
Operating expenses	(2 012)	(1 875)	(651)	(661)
Sundry expenses[1]	(460)	(211)	(66)	(62)
Licence fees	(393)	(377)	(331)	(360)
Subsistence and travel	(60)	(33)	(19)	(19)
Third-party service costs	(850)	(979)	–	–
Image building and market research costs	(74)	(55)	(71)	(54)
Commission	(118)	(121)	(118)	(121)
Other	(57)	(99)	(46)	(45)
Non-operating expenses	(372)	(381)	(206)	(331)
Donations	(55)	(71)	(34)	(34)
Losses[2]	(314)	(301)	(171)	(297)
Other	(3)	(9)	(1)	–

[1] *Sundry expenses include, among others, consumables, membership fees, project fees, stock write-offs, printing and stationery costs.*

[2] *Losses include losses as a result of theft of copper and fibre lines.*

[3] *Wholesale voice and non-voices services are Openserve charges to Telkom Company for data connectivity, broadband access, managed services and line rental cost. In the prior year, these expenses were interdivisional. These interdivisional expenses would have been eliminated before the carve-out within Telkom Company as it related to business units within the Company. Post the carve-out, these expenses are not eliminated at Company level, resulting in an increase in the overall balance. In the prior year, wholesale voice and non-voice services were included in the other expenses line item. At a Group level, the prior year has been re-presented to be consistent with the Company disclosure.*

3.4.5 Wholesale voice and non-voice services

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	31 March 2023 Rm	31 March 2022 Rm
Wholesale voice and non-voice services	(196)	(59)	(3 574)	–
Data connectivity	(71)	(32)	(1 922)	–
Broadband access	(8)	(22)	(878)	–
Managed services	(107)	(2)	(100)	–
Line rental cost	(10)	(3)	(674)	–

3.4.6 Maintenance

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	31 March 2023 Rm	31 March 2022 Rm
Maintenance	(4 154)	(3 879)	(3 241)	(4 728)

Maintenance costs have increased for the Group due to higher subcontractor costs, maintenance costs and support contract costs.

3.4.7 Marketing

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	31 March 2023 Rm	31 March 2022 Rm
Marketing	(812)	(729)	(712)	(649)

Marketing costs have increased due to higher media and non-media commissions paid as well as sponsorship payments for the Youth Employment Service programme.

Notes to the financial statements continued

for the year ended 31 March 2023

3. Performance continued

3.4 Expenses continued

3.4.8 Service fees

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Service fees	**(4 080)**	(3 388)	**(2 171)**	(2 878)
Facilities and property management	**(2 734)**	(2 178)	**(1 357)**	(1 842)
Consultancy, security and other services	**(1 346)**	(1 210)	**(814)**	(1 036)

3.4.9 Lease-related expenses

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Lease-related expenses	**(332)**	(168)	**(190)**	(95)

During the current year, the Group undertook an extensive process to renew expired lease agreements relating to strategic leased assets which are still in use. For expired lease agreements relating to strategic leased assets still in use, the Group policy requires that the lease period be extended in line with the Group's rolling forecast period. The increase in the lease-related expense is mainly due to additional lease payments made as a result of variances identified between the original payment terms and the new payments terms under the renewed lease agreements.

3.4.10 Depreciation, amortisation, impairments and write-offs of non-financial assets

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Depreciation, amortisation, impairments and write-offs of non-financial assets	**(20 653)**	(6 975)	**(11 463)**	(6 872)
Depreciation of property, plant and equipment	**(5 125)**	(4 713)	**(3 038)**	(4 298)
Depreciation of right-of-use assets	**(1 274)**	(1 184)	**(1 439)**	(1 643)
Depreciation of investment property	**–**	–	**(55)**	–
Amortisation of intangible assets	**(746)**	(831)	**(577)**	(729)
Write-offs of property, plant and equipment and intangible assets	**(272)**	(247)	**(225)**	(202)
Impairment of property, plant and equipment and intangible assets	**(13 236)**	–	**(6 129)**	–

	Group		Company	
The estimated useful lives assigned to groups of property, plant and equipment are:	**Years 2023**	Years 2022	**Years 2023**	Years 2022
Freehold buildings	**5 to 50**	5 to 50	**5 to 40**	5 to 40
Network equipment				
Cables	**4 to 30**	4 to 30	**4 to 30**	4 to 30
Switching equipment	**5 to 18**	5 to 18	**5 to 18**	5 to 18
Transmission equipment	**5 to 20**	5 to 20	**5 to 20**	5 to 20
Other	**2 to 20**	2 to 20	**2 to 20**	2 to 20
Support equipment	**5 to 12**	5 to 12	**5 to 10**	5 to 10
Furniture and office equipment	**5 to 15**	5 to 15	**11 to 15**	11 to 15
Data processing equipment and software	**5 to 10**	3 to 10	**5 to 10**	5 to 10
Telkom support services equipment	**2 to 20**	2 to 20	**2 to 20**	2 to 20

Notes to the financial statements continued

for the year ended 31 March 2023

3. Performance continued

3.4 Expenses continued

3.4.10 Depreciation, amortisation, impairments and write-offs of non-financial assets continued

	Company	
The expected useful lives assigned to investment property are:	**Years 2023**	Years 2022
Investment property	**5 to 40**	N/A

	Group		Company	
The expected useful lives assigned to intangible assets are:	**Years 2023**	Years 2022	**Years 2023**	Years 2022
Software and licences	**3 to 10**	3 to 10	**5 to 10**	5 to 10
Trademarks, copyrights and other	**5 to 20**	5 to 13	**5 to 13**	5 to 13

During the year, the Group reassessed the useful lives on various property, plant and equipment and intangible assets. The reassessment takes into account the Group's current capex strategy and changes in the technological environment. The reassessment of useful lives decreased the depreciation expense by R98 million (31 March 2022: decrease of R508 million) and decreased the amortisation expense by R128 million (31 March 2022: decrease of R28 million) at Company level and decreased the depreciation expense by R81 million (31 March 2022: decrease of R514 million) and decreased the amortisation expense by R132 million (31 March 2022: decrease of R28 million) at Group level. With all other factors remaining constant, depreciation for future periods is expected to increase by R98 million for Company and by R81 million for Group, and amortisation for future periods is expected to increase by R128 million for Company and R132 million for the Group. Refer to notes 5.1 and 5.2 for the related accounting policies.

3.5 Earnings and dividend per share

Summary of significant accounting policies

Basic earnings per share
Earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the profit after tax attributable to ordinary shareholders. For the purpose of calculating earnings per share, treasury shares are deducted from the number of ordinary shares in issue.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares and is based on the net profit attributable to ordinary shareholders.

Headline earnings per share
Headline earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 1/2021 Headline Earnings issued by the South African Institute of Chartered Accountants and as required by the JSE Ltd.

	Group	
Earnings and dividend per share	**31 March 2023**	31 March 2022
Total operations		
Basic (loss)/earnings per share (cents)	**(2 058.9)**	536.6
Diluted (loss)/earnings per share (cents)	**(2 058.9)**	519.9
Headline (loss)/earnings per share (cents)[1]	**(25.8)**	575.3
Diluted headline (loss)/earnings per share (cents)[1]	**(25.8)**	557.5

[1] *The disclosure of headline earnings is a requirement of the JSE Listings Requirements. It has been calculated in accordance with the South African Institute of Chartered Accountants' Circular 1/2021 issued in this regard as well as the relevant requirements of IAS 33.*

Notes to the financial statements continued

for the year ended 31 March 2023

3. Performance continued

3.5 Earnings and dividend per share continued

	Group	
Reconciliation of weighted average number of ordinary shares:	**Number of shares**	Number of shares
Weighted ordinary shares in issue	**511 140 239**	511 140 239
Weighted average number of treasury shares	**(26 755 821)**	(20 985 607)
Weighted average number of shares outstanding	**484 384 418**	490 154 632
Reconciliation of diluted weighted average number of ordinary shares:		
Weighted average number of shares outstanding	**484 384 418**	490 154 632
Expected future vesting of shares related to Group share scheme incentive plans[1]	**–**	15 702 826
Diluted weighted average number of shares outstanding	**484 384 418**	505 857 458

[2] *The expected future vesting of shares amounting to 18.7 million, related to Group share scheme incentive plans, has not been taken into account in the current year due to the loss for the year causing it to be anti-dilutive.*

	31 March 2023		31 March 2022	
Total operations	**Gross Rm**	**Net[2] Rm**	Gross Rm	Net[2] Rm
Reconciliation between (loss)/earnings and headline (loss)/earnings:				
(Loss)/profit for the year		**(9 971)**		2 631
Non-controlling interests		**(2)**		(1)
(Loss)/profit attributable to owners of Telkom		**(9 973)**		2 630
Profit on disposal of property, plant and equipment and intangible assets	**(64)**	**(64)**	(14)	(14)
Loss on disposal of a subsidiary	**–**	**–**	3	3
Impairments of property, plant and equipment and intangible assets	**13 236**	**9 662**	–	–
Write-offs of property, plant and equipment and intangible assets	**272**	**250**	247	201
Headline (loss)/earnings		**(125)**		2 820

[2] *The taxation impact consists of a R22 million increase (31 March 2022: R46 million) in tax expense related to recoupment and scrapping of disposals and write-offs of property, plant and equipment and intangible assets, as well as a R3 574 million increase in impairments of property, plant and equipment and intangible assets.*

Notes to the financial statements continued

for the year ended 31 March 2023

3. Performance continued

3.6 Reconciliation of (loss)/profit before tax to cash generated from operations

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	31 March 2023 Rm	31 March 2022 Rm
Cash generated from operations	**6 705**	9 886	**4 510**	9 417
(Loss)/profit before tax	**(13 502)**	3 798	**(11 783)**	5 127
Finance charges and fair value movements	**1 484**	1 279	**1 546**	1 423
Investment income	**(148)**	(144)	**(1 057)**	(4 163)
Interest received from trade receivables and subsidiaries	**(137)**	(122)	**(106)**	(69)
Non-cash items	**22 313**	7 201	**17 547**	6 859
Depreciation, amortisation, impairment and write-offs	**20 653**	6 975	**11 463**	6 872
Increase/(decrease) in expected credit loss provision	**625**	64	**515**	(28)
Bad debts written off	**630**	739	**630**	718
Increase/(decrease) in provisions	**441**	(419)	**(77)**	(394)
Impairment of investment in subsidiaries	**–**	–	**4 655**	–
Insurance service result	**(1)**	2	**(1)**	2
Reversal of FutureMakers impairment	**(10)**	–	**–**	–
Gain on termination of leases	**(12)**	(33)	**(14)**	(91)
Profit from disposal of property, plant and equipment	**(64)**	(14)	**(48)**	(12)
Gain on sale of contract assets	**(198)**	(154)	**(198)**	(154)
Foreign exchange movements	**243**	(1)	**256**	(13)
Share-based payment expenses	**174**	203	**80**	164
Movement in deferred revenue	**(168)**	(161)	**286**	(205)
Movement in working capital	**(3 305)**	(2 126)	**(1 637)**	240
Movement in inventories	**(64)**	(79)	**109**	(73)
Increase in trade receivables, contract assets, finance lease receivables and other receivables	**(3 001)**	(1 343)	**(5 037)**	(640)
(Decrease)/increase in trade and other payables and prepayments	**(240)**	(704)	**3 291**	953

3.7 Changes in liabilities arising from financing activities

	Group			
2023	Derivative liabilities – interest rate swaps Rm	Interest–bearing debt Rm	Lease liabilities Rm	Total Rm
Balance as at 31 March 2022	69	11 932	5 374	17 375
Cash flow movements	(53)	2 320	(1 571)	696
Repayment of derivatives	(53)	–	–	(53)
Loans raised	–	25 970	–	25 970
Loans repaid	–	(23 650)	–	(23 650)
Repayment of lease liability	–	–	(1 571)	(1 571)
Non-cash flow movements	–	104	2 085	2 189
Foreign exchange revaluation on loans	–	21	–	21
Insurance premium amortised	–	11	–	11
Finance charges capitalised to interest-bearing debt[1]	–	72	–	72
Additions to lease liabilities	–	–	1 203	1 203
Termination of leases	–	–	(144)	(144)
Lease modifications	–	–	538	538
IFRS 16 interest capitalised	–	–	488	488
Balance as at 31 March 2023	16	14 356	5 888	20 260

Notes to the financial statements continued

for the year ended 31 March 2023

3. Performance continued

3.7 Changes in liabilities arising from financing activities continued

	Group			
2022	Derivative liabilities – interest rate swaps Rm	Interest–bearing debt Rm	Lease liabilities Rm	Total Rm
Balance as at 31 March 2021	202	10 866	4 972	16 040
Cash flow movements	(105)	957	(1 443)	(591)
Repayment of derivatives	(105)	–	–	(105)
Loans raised	–	1 150	–	1 150
Loans repaid	–	(193)	–	(193)
Finance leases repaid/reclassified to lease liabilities	–	–	(3)	(3)
Repayment of lease liability	–	–	(1 440)	(1 440)
Non-cash flow movements	(28)	109	1 845	1 926
Foreign exchange revaluation on loans	–	(9)	–	(9)
Finance charges capitalised to interest-bearing debt[1]	–	107	–	107
Insurance premium amortised	–	11	–	11
Additions to lease liabilities	–	–	997	997
Termination of leases	–	–	(58)	(58)
Lease modifications	–	–	456	456
IFRS 16 interest capitalised	–	–	450	450
Valuation loss	(28)	–	–	(28)
Balance as at 31 March 2022	69	11 932	5 374	17 375

	Company			
2023	**Derivative liabilities – interest rate swaps Rm**	**Interest–bearing debt Rm**	**Lease liabilities Rm**	**Total Rm**
Balance as at 31 March 2022	**69**	**11 932**	**6 103**	**18 104**
Cash flow movements	**(53)**	**2 320**	**(1 775)**	**492**
Repayment of derivatives	**(53)**	**–**	**–**	**(53)**
Loans raised	**–**	**25 970**	**–**	**25 970**
Loans repaid	**–**	**(23 650)**	**–**	**(23 650)**
Repayment of lease liability	**–**	**–**	**(1 775)**	**(1 775)**
Non-cash flow movements	**–**	**104**	**1 027**	**1 131**
Foreign exchange revaluation on loans	**–**	**21**	**–**	**21**
Insurance premium amortised	**–**	**11**	**–**	**11**
Finance charges capitalised to interest-bearing debt[1]	**–**	**72**	**–**	**72**
Additions to lease liabilities	**–**	**–**	**1 068**	**1 068**
Termination of leases	**–**	**–**	**(166)**	**(166)**
Lease modifications	**–**	**–**	**963**	**963**
IFRS 16 interest capitalised	**–**	**–**	**464**	**464**
Leases transferred from Yellow Pages	**–**	**–**	**26**	**26**
Leases transferred to Openserve	**–**	**–**	**(1 328)**	**(1 328)**
Balance as at 31 March 2023	**16**	**14 356**	**5 355**	**19 727**

Notes to the financial statements continued

for the year ended 31 March 2023

3. Performance continued

3.7 Changes in liabilities arising from financing activities continued

	Company			
2022	Derivative liabilities – interest rate swaps Rm	Interest–bearing debt Rm	Lease liabilities Rm	Total Rm
Balance as at 31 March 2021	202	10 866	6 161	17 229
Cash flow movements	(105)	957	(2 043)	(1 191)
Repayment of derivatives	(105)	–	–	(105)
Loans raised	–	1 150	–	1 150
Loans repaid	–	(193)	–	(193)
Repayment of lease liability	–	–	(2 043)	(2 043)
Non-cash flow movements	(28)	109	1 985	2 066
Foreign exchange revaluation on loans	–	(9)	–	(9)
Finance charges capitalised to interest-bearing debt[1]	–	107	–	107
Insurance premium amortised	–	11	–	11
Additions to lease liabilities	–	–	1 000	1 000
Termination of leases	–	–	(150)	(150)
Lease modifications	–	–	618	618
IFRS 16 interest capitalised	–	–	517	517
Valuation loss	(28)	–	–	(28)
Balance as at 31 March 2022	69	11 932	6 103	18 104

[1] *Interest accruals include the effect of interest amortised and accrued for in the closing balance of interest-bearing debt.*

4. Working capital

4.1 Lease receivables

4.1.1 Finance lease receivables

The Group provides voice and non-voice services to its customers, which make use of router and PABX equipment that are dedicated to specific customers. The disclosed information relates to those arrangements which were assessed to be finance leases.

	Group		
2023	**Total Rm**	**<1 year Rm**	**1 – 5 years Rm**
Minimum lease payments receivable			
Lease payments receivable	**750**	**365**	**385**
Unearned finance income	**(77)**	**(36)**	**(41)**
Present value of minimum lease income (Lease receivables)	**673**	**329**	**344**
Expected credit loss	**(25)**		
Carrying amount	**648**		
2022			
Minimum lease payments receivable			
Lease payments receivable	453	207	246
Unearned finance income	(46)	(24)	(22)
Present value of minimum lease income (Lease receivables)	407	183	224

Notes to the financial statements continued

for the year ended 31 March 2023

4. Working capital continued

4.1 Lease receivables continued

4.1.1 Finance lease receivables continued

	Company		
2023	**Total Rm**	**<1 year Rm**	**1 – 5 years Rm**
Minimum lease payments receivable			
Lease payments receivable	**71**	**34**	**37**
Unearned finance income	**(9)**	**(5)**	**(4)**
Present value of minimum lease income (Lease receivables)	**62**	**29**	**33**
Expected credit loss	**(10)**		
Carrying amount	**52**		
2022			
Minimum lease payments receivable			
Lease payments receivable	114	55	59
Unearned finance income	(15)	(8)	(7)
Present value of minimum lease income (Lease receivables)	99	47	52

4.1.2 Operating lease revenue

	Group operating leases			
2023	**Total Rm**	**<1 year Rm**	**1 – 5 years Rm**	**>5 years Rm**
Rental receivable on buildings	**(185)**	**(39)**	**(138)**	**(8)**
Customer premises equipment receivables	**(3)**	**(2)**	**(1)**	**–**
Exchanges	**(178)**	**(71)**	**(70)**	**(37)**
Masts and towers	**(1 835)**	**(577)**	**(1 243)**	**(15)**
Total	**(2 201)**	**(689)**	**(1 452)**	**(60)**
2022				
Rental receivable on buildings	(94)	(14)	(46)	(34)
Customer premises equipment receivables	(6)	(4)	(2)	–
Exchanges	(381)	(126)	(189)	(66)
Masts and towers	(1 634)	(535)	(1 079)	(20)
Total	(2 115)	(679)	(1 316)	(120)

	Company operating leases			
2023	**Total Rm**	**<1 year Rm**	**1 – 5 years Rm**	**>5 years Rm**
Customer premises equipment receivables	**(3)**	**(2)**	**(1)**	**–**
Total	**(3)**	**(2)**	**(1)**	**–**
2022				
Rental receivable on buildings	(8)	(2)	(3)	(3)
Customer premises equipment receivables	(6)	(4)	(2)	–
Exchanges	(171)	(53)	(85)	(33)
Total	(185)	(59)	(90)	(36)

Notes to the financial statements continued

for the year ended 31 March 2023

4. Working capital continued

4.2 Inventories

Significant accounting judgements, estimates and assumptions

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Judgement is involved in determining whether inventories need to be written off to net realisable value. Factors considered include the age of the stock, inventory turnover, exchange rates, new device models released and the ability to bundle devices with other value-added services, such as voice, data and SMSes.

Inventory write-downs related to slow-moving stock are determined by considering the following:

Slow-moving stock
For network build stock, the identification of obsolete and excess warehouse stock for build stock entails the running of quarterly reports by management detailing obsolete and excess stock:

- Obsolete stock: all material items per material group with no movement for the last 12 months.
- Excess stock: all material items per material group with more than 12 months' stock on hand, with five years' stock cover consideration.

New items not yet used and items planned for projects are excluded. The balance is then taken through the write-off process.

The identification of obsolete and excess stock for maintenance spares entails the running of quarterly reports by management detailing obsolete and excess spares:

- Obsolete stock: all material items per material group with no movement for the last 24 months.
- Excess stock: all material items per material group with more than 24 months' stock on hand.

New items not yet used and items planned for projects are excluded. The balance is then taken through the write-off process.

Summary of significant accounting policies

Stock valuation and work-in-progress
Inventory is measured at the lower of cost and net realisable value.

The purchase cost of inventories comprises the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of the finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of inventory.

Initial cost of inventories, where relevant, includes the transfer of gains and losses on qualifying fair value hedges recognised as firm commitments, in respect of foreign currency denominated purchases.

Merchandise, installation material, maintenance material and network equipment inventories are stated at the lower of cost, determined on a weighted average basis and estimated net realisable value. Inventory is assessed for write-down to the net realisable value at each reporting date. The reversal of any write-downs is also considered where increases in the net realisable value have been identified.

Notes to the financial statements continued

for the year ended 31 March 2023

4. Working capital continued

4.2 Inventories continued

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Inventories	**1 091**	1 084	**317**	833
Gross inventories	**1 320**	1 244	**321**	940
Write-down of inventories to net realisable value	**(229)**	(160)	**(4)**	(107)
Inventories consist of the following categories:	**1 320**	1 244	**321**	940
Installation material, maintenance material and network equipment	**468**	541	**1**	540
Merchandise	**852**	703	**320**	400
Write-down of inventories to net realisable value	**229**	160	**4**	107
Opening balance	**160**	154	**107**	112
Charged to selling, general and administrative expenses	**70**	15	**22**	15
Write-down provision transferred to Openserve (Pty) Ltd	**–**	–	**(119)**	–
Inventories written off	**(1)**	(9)	**(6)**	(20)

During the current financial year, R123 million (31 March 2022: R33 million) for Group and Rnil (31 March 2022: R33 million) for Company was transferred from inventories to property, plant and equipment. The transfers only take place from CWIP.

4.3 Trade and other receivables

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Trade and other receivables	**9 314**	7 797	**8 744**	6 788
Trade receivables	**6 877**	5 210	**4 875**	4 880
Gross trade receivables	**9 785**	7 506	**7 113**	6 518
Impairment of receivables	**(2 908)**	(2 296)	**(2 238)**	(1 638)
Other receivables	**1 525**	1 970	**3 398**	1 550
Prepayments	**912**	617	**471**	358

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. The repayment terms of trade receivables vary between 21 days and 90 days from date of invoice. Interest charged on overdue accounts varies between the prime rate and a rate of 18%, depending on the contract terms.

Trade receivables are recognised initially at the transaction price, unless they contain significant financing components, in which case they are recognised at fair value.

Other receivables generally arise from transactions outside the usual operating activities of the Group. Other receivables include sundry debtors, staff bursaries and staff loans.

Other receivables increased at Company level mainly due to the Openserve carve-out. Certain interdivisional other receivables would have been eliminated before the carve-out within Telkom Company as it related to business units within the Company. Post the carve-out, these balances are not eliminated at Company level, resulting in an increase in the overall balance.

Notes to the financial statements continued

for the year ended 31 March 2023

4. Working capital continued

4.3 Trade and other receivables continued

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Allowance account for expected credit losses – trade receivables	**2 908**	2 296	**2 238**	1 638
Opening balance as previously reported	**2 296**	2 318	**1 638**	1 752
Charged to statement of profit or loss and other comprehensive income	**1 112**	534	**945**	421
Enterprise loss allowance movement	**–**	–	**(93)**	(54)
Receivables written off	**(500)**	(556)	**(252)**	(481)

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group and failure to make contractual payments that are based on the agreed arrangement period.

The increase in the impairment of trade receivables is largely as a result of the deterioration of the debtor's book in Telkom Company due to constrained consumer disposable income.

Refer to note 7.1.4 for a detailed credit risk analysis.

4.4 Net cash and cash equivalents

Summary of significant accounting policies
Cash and cash equivalents comprise cash on hand, deposits held on call and short-term deposits with an initial maturity of less than three months when entered into.

	Group		Company	
Net cash and cash equivalents	**31 March 2023 Rm**	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Cash disclosed as current assets	**3 469**	3 239	**1 807**	665
Cash and bank balances	**2 120**	3 104	**457**	530
Short-term deposits	**1 349**	135	**1 350**	135
Net cash and cash equivalents	**3 469**	3 239	**1 807**	665
Undrawn borrowing facilities	**2 837**	4 900	**2 520**	4 600

The significant increase in short-term deposits is due to cash inflows from the proceeds of the post-retirement medical aid assets of R543 million (refer to note 10.1) and the TL33 bond of R700 million to refinance the TL27 maturing during April 2023. The decrease in undrawn borrowing facilities is mainly due to the utilisation of the revolving credit facilities of R1 500 million. The revolving credit facilities form part of committed facilities.

The undrawn borrowing facilities are unsecured and bear interest at a rate that will be mutually agreed between the borrower and lender at the time of drawdown. These facilities are subject to annual review and are in place to ensure liquidity. At 31 March 2023, R2.27 billion (31 March 2022: R4.35 billion) of these undrawn facilities were committed.

Short-term deposits
Short-term deposits are made mostly for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Borrowing powers
Telkom's Directors may mortgage or encumber Telkom's property, or any part thereof, and issue debentures, whether secured or unsecured, whether outright or as security for debt, liability or obligation of Telkom or any third party. For this purpose, the borrowing powers of Telkom are unlimited, but are subject to the restrictive financial covenants as well as specific restrictive clauses in the current funding arrangements.

Notes to the financial statements continued

for the year ended 31 March 2023

4. Working capital continued

4.5 Trade and other payables

Summary of significant accounting policies

Supply chain financing arrangements
The Group participates in supply chain financing (SCF) arrangements. The SCF arrangements allow suppliers that decide to participate to trade invoices and receive the funding earlier than the invoice due date from the participating funder. The Group pays the participating funder based on the original contractual supplier payment terms and has no further obligation to the participating funder.

Assessment of SCF arrangements, and whether they result in changes to the trade payable classification of interest-bearing debt, takes into consideration numerous factors, which include the impact of the arrangement on the supplier's payment term, nature of 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 reporting date, none of the traded invoices subject to the SCF arrangement met the requirements to be reclassified as interest-bearing debt. Thus, the arrangement does not have an impact on the Group's trade payables, net debt and cash flows.

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Trade and other payables	**10 419**	10 339	**12 874**	12 376
Trade and other payables	**6 211**	5 930	**9 981**	8 819
Accruals	**4 208**	4 409	**2 893**	3 557

Trade and other payables and accruals are obligations to pay for goods and services that have been acquired in the ordinary course of business.

Accruals and other payables mainly represent licence fees and amounts payable for goods received, net of Value Added Tax obligations.

The Group's standard payment terms of trade payables is within 90 days after the date of the receipt of the invoice.

R1 411 million (31 March 2022: R1 169 million) of the total trade payables is subject to supplier financing where the suppliers have decided to receive the invoice amounts before the due date from independent external funders.

5. Long-term assets

5.1 Property, plant and equipment

Significant accounting judgements, estimates and assumptions

Estimation of useful lives and residual values for property, plant and equipment
The useful lives of assets are based on management's estimation. Management considers the impact of changes in technology, customer service requirements and availability of capital funding to determine the optimum useful life expectation for each of the individual categories of property, plant and equipment. Due to the rapid technological advancement in the telecommunications industry, the estimation of useful lives could differ significantly on an annual basis due to unexpected changes in the rollout strategy. The impact of the change in the expected useful lives of property, plant and equipment is described fully in note 3.4.10. The measurement of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives and the estimation of what their condition will be like at that time. Changes in the useful lives and/or residual values are accounted for as a change in accounting estimate.

Impairments of property, plant and equipment
Management is required to make judgements concerning the cause as well as the amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services, market changes, legal changes, operating environments and other circumstances that could indicate that an impairment exists. The Group applies the impairment assessment to its cash-generating units. This requires management to make significant judgements concerning the existence of impairment indicators, identifying cash-generating units, and estimating the remaining useful lives of assets as well as projected cash flows to determine fair value less costs of disposal or value in use. Management's analysis of cash-generating units involves an assessment of the ability of a group of assets to independently generate cash inflows, and involves analysing the extent to which different products make use of the same assets. Management's judgement is also required when assessing whether there are indicators that a previously recognised impairment loss should be reversed.

Where impairment indicators exist, the determination of the recoverable amount of a cash-generating unit requires management to make assumptions to determine the value in use. Value in use is calculated using the discounted cash flow valuation method. The determination of value in use is based on a number of factors which include the discount rate, revenue growth, terminal growth rates, EBITDA margins and capital expenditure. The judgements, assumptions and methodologies used can have a material impact on the recoverable amount and ultimately the amount of impairment loss recognised.

Notes to the financial statements continued

for the year ended 31 March 2023

5. Long-term assets continued

5.1 Property, plant and equipment continued

Significant accounting judgements, estimates and assumptions continued

In calculating value in use, consideration is also given to the completion of a network that is still partially completed at the date of performing the impairment test. Significant judgement is applied in determining if network expansion should be treated as a partially completed asset or the enhancement of an asset (which cash flows are not allowed to be considered in calculation of value in use).

Summary of significant accounting policies

Recognition of property, plant and equipment
The cost of an item of property, plant and equipment is recognised as an asset if it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Subsequent costs are included in the carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of any component accounted for as a separate asset is derecognised when replaced.

Assets under construction represent freehold buildings, operating software, network and support equipment and include all direct expenditure as well as related borrowing costs capitalised, but exclude the costs of abnormal amounts of waste material, labour or other resources incurred in the production of self-constructed assets.

Subsequent measurement
Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Repairs and maintenance expenses are charged to profit or loss during the reporting period in which they are incurred.

Depreciation, residual values and useful lives
The residual value of PPE assets is the estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated cost of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Due to the technical nature of the assets of the Group, the residual value is assumed to be zero based on the active market that is likely to exist at the end of the asset's useful life, which can be used to estimate the residual values.

The estimated useful lives applied are provided in note 3.4.10.

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 and the date the asset is derecognised. Idle assets continue to attract depreciation.

Impairment of property, plant and equipment
The Group regularly reviews its non-financial assets and cash-generating units for any indication of impairment. An impairment test is performed when indicators, including changes in technology, market, economic, legal and operating environments, availability of funding or discontinuance of services occur and could result in changes to the asset's or cash-generating unit's estimated recoverable amount.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or a CGU exceeds its estimated recoverable amount.

Previously recognised impairment losses are 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.

Notes to the financial statements continued

for the year ended 31 March 2023

5. Long-term assets continued

5.1 Property, plant and equipment continued

Group	2023 Cost Rm	2023 Accumulated depreciation, impairment and write-offs Rm	2023 Carrying value Rm	2022 Cost Rm	2022 Accumulated depreciation and write-offs Rm	2022 Carrying value Rm
Freehold land and buildings	**7 612**	**(4 875)**	**2 737**	7 317	(4 410)	2 907
Network equipment	**98 718**	**(78 726)**	**19 992**	95 464	(64 579)	30 885
Support equipment	**6 437**	**(5 415)**	**1 022**	5 948	(4 595)	1 353
Furniture and office equipment	**814**	**(617)**	**197**	767	(515)	252
Data processing equipment and software	**3 357**	**(2 955)**	**402**	3 375	(2 735)	640
Under construction	**1 759**	**–**	**1 759**	2 172	–	2 172
Other[1]	**512**	**(443)**	**69**	513	(403)	110
	119 209	**(93 031)**	**26 178**	115 556	(77 237)	38 319

Company	2023 Cost Rm	2023 Accumulated depreciation, impairment and write-offs Rm	2023 Carrying value Rm	2022 Cost Rm	2022 Accumulated depreciation and write-offs Rm	2022 Carrying value Rm
Freehold land and buildings	**1 326**	**(738)**	**588**	4 463	(2 430)	2 033
Network equipment	**21 881**	**(14 837)**	**7 044**	94 553	(63 880)	30 673
Support equipment	**317**	**(208)**	**109**	4 738	(3 874)	864
Furniture and office equipment	**152**	**(100)**	**52**	149	(58)	91
Data processing equipment and software	**2 249**	**(2 003)**	**246**	3 334	(2 709)	625
Under construction	**847**	**–**	**847**	1 349	–	1 349
Other[1]	**112**	**(92)**	**20**	410	(310)	100
	26 884	**(17 978)**	**8 906**	108 996	(73 261)	35 735

[1] *Other includes, for example, intruder detection systems, surveillance equipment, access control systems, mechanical aids and tools, etc.*

Finance charges of R61 million (31 March 2022: R78 million) were capitalised to property, plant and equipment and intangible assets in the current financial year.

No material property, plant and equipment has been pledged as security.

Notes to the financial statements continued

for the year ended 31 March 2023

5. Long-term assets continued

5.1 Property, plant and equipment continued

The carrying amounts of property, plant and equipment can be reconciled as follows:

	Group								
2023	**Carrying value at the beginning of the year Rm**	**Additions Rm**	**Transfers Rm**	**Foreign currency translation Rm**	**Disposals Rm**	**Depreciation Rm**	**Impairment Rm**	**Write-offs Rm**	**Carrying value at the end of the year Rm**
Freehold land and buildings	2 907	124	277	–	(8)	(245)	(230)	(88)	2 737
Network equipment	30 885	3 838	832	–	–	(4 145)	(11 289)	(129)	19 992
Support equipment	1 353	144	386	–	–	(436)	(420)	(5)	1 022
Furniture and office equipment	252	46	38	2	(8)	(81)	(47)	(5)	197
Data processing equipment and software	640	124	41	–	(2)	(190)	(208)	(3)	402
Under construction	2 172	1 227	(1 607)	–	(11)	–	–	(22)	1 759
Other	110	15	2	–	–	(28)	(28)	(2)	69
	38 319	5 518	(31)	2	(29)	(5 125)	(12 222)	(254)	26 178

2022	Carrying value at the beginning of the year Rm	Additions Rm	Transfers Rm	Foreign currency translation Rm	Disposals Rm	Depreciation Rm	Write-offs, impairments and impairment reversals Rm	Carrying value at the end of the year Rm
Freehold land and buildings	2 793	92	257	1	(3)	(220)	(13)	2 907
Network equipment	27 999	5 682	1 173	–	2	(3 844)	(127)	30 885
Support equipment	1 088	122	518	–	–	(358)	(17)	1 353
Furniture and office equipment	312	26	6	–	(2)	(79)	(11)	252
Data processing equipment and software	645	177	7	–	–	(185)	(4)	640
Under construction	3 268	818	(1 885)	–	(10)	–	(19)	2 172
Other	166	52	(79)	–	–	(27)	(2)	110
	36 271	6 969	(3)	1	(13)	(4 713)	(193)	38 319

Notes to the financial statements continued

for the year ended 31 March 2023

5. Long-term assets continued

5.1 Property, plant and equipment continued

The carrying amounts of property, plant and equipment can be reconciled as follows:

	Company							
2023	**Carrying value at the beginning of the year Rm**	**Additions Rm**	**Transfers Rm**	**Disposals Rm**	**Depreciation Rm**	**Impairment Rm**	**Write-offs Rm**	**Carrying value at the end of the year Rm**
Freehold land and buildings	2 033	32	(1 006)	(151)	(106)	(131)	(83)	588
Network equipment	30 672	2 194	712	(18 837)	(2 653)	(4 940)	(104)	7 044
Support equipment	864	68	24	(668)	(95)	(83)	(1)	109
Furniture and office equipment	91	6	19	(15)	(11)	(35)	(3)	52
Data processing equipment and software	625	75	38	(194)	(156)	(141)	(1)	246
Under construction	1 349	1 094	(822)	(759)	–	–	(15)	847
Other	100	4	(8)	(44)	(17)	(14)	(1)	20
	35 734	3 473	(1 043)	(20 668)	(3 038)	(5 344)	(208)	8 906

2022	Carrying value at the beginning of the year Rm	Additions Rm	Transfers Rm	Disposals Rm	Depreciation Rm	Write-offs and impairment Rm	Carrying value at the end of the year Rm
Freehold land and buildings	2 048	92	64	(1)	(158)	(12)	2 033
Network equipment	27 733	5 682	1 120	–	(3 741)	(121)	30 673
Support equipment	732	121	200	–	(181)	(8)	864
Furniture and office equipment	106	–	5	–	(11)	(9)	91
Data processing equipment and software	627	176	8	–	(183)	(3)	625
Under construction	2 589	79	(1 302)	–	–	(17)	1 349
Other	156	51	(83)	–	(24)	–	100
	33 991	6 201	12	(1)	(4 298)	(170)	35 735

Expansion of the mobile network including the purchase of additional spectrum contributed to 63% of the additions to assets. In total, 23% of capital expenditure was on the deployment of fibre and 9% was on the next-generation POTN core network. The balance of 5% capital expenditure is attributable to investment in IT solutions, Telkom properties, regulatory and compliance, rehabilitation and sustainment, strategic initiatives, shared services and other. The focus on the mobile network expansion and fibre rollout is expected to continue over the next few years.

Assets with a carrying value to the net amount of Rnil (31 March 2022: R12 million) for the Group and Company were transferred from intangible assets to property, plant and equipment in the current year. Assets with a carrying value to the net amount of R23 million (31 March 2022: R20 million) for Group were transferred from property, plant and equipment to intangible assets in the current year. At the Group level, transfers were effected between property, plant and equipment, intangible assets and inventory (the transfers only take place from CWIP).

Transfers in the Company mostly related to property, plant and equipment, investment property and intangible assets. Assets with a carrying value of R123 million (31 March 2022: R33 million) for Group and Rnil (31 March 2022: R33 million) for Company relate to inventory that was transferred to property, plant and equipment in the current year. Assets with a carrying amount of R1 032 million for Company have been transferred from property, plant and equipment to investment property in the current year as part of the Openserve carve-out (refer to notes 5.4 and 12.2).

Changes to the estimated useful lives of property, plant and equipment resulted in a decrease in depreciation to the value of R98 million (31 March 2022: R508 million) for Company and R81 million (31 March 2022: R514 million) for Group. Refer to note 3.4.10 for the useful lives.

The capital expenditure under property, plant and equipment relates to expansions of R2 802 million (31 March 2022: R3 329 million) for Group and R2 219 million (31 March 2022: R2 587 million) for Company. Expenditure due to maintenance is R2 737 million (31 March 2022: R3 621 million) for Group and R1 255 million (31 March 2022: R3 617 million) for Company.

In addition to the goodwill in the consolidated financial statements, the impairment considerations apply equally to the investment in Openserve and BCX (refer to note 5.3) and the property, plant and equipment in the separate financial statements. Included in the impairment of property, plant and equipment for the Group is an amount of R187 million relating to the impairment of BCX freehold land and buildings, network equipment, support equipment and furniture and office equipment. This is due to management's evaluation which indicated that certain assets may be impaired, the key indicator being actual returns were lower in terms of the assets noted.

Notes to the financial statements continued

for the year ended 31 March 2023

5. Long-term assets continued

5.1 Property, plant and equipment continued

Property, plant and equipment consists mainly of network equipment. The network equipment within the Company does not generate cash inflows that are largely independent of those from other assets or groups of assets. Property, plant and equipment is included for testing in the impairment testing for the Telkom CGU (refer to note 5.3). The recoverability of PPE is largely dependent on macro-economic factors, which include cash flows to be generated through the network assets, as well as internal assumptions and estimates related to realisation levels and operating costs. The impairment test included assessing the recoverable amount of PPE, with reference to all cash flows (including the fair value contributory asset income), and comparing this to the carrying amount of the PPE (refer to note 5.3).

Property, plant and equipment subject to operating leases

	Group	
	31 March 2023	
	Freehold land and buildings Rm	Furniture and office equipment Rm
Opening carrying amount	1 533	31
Additions	42	17
Depreciation	(126)	(6)
Transfers	285	–
Disposals	(107)	(30)
Closing carrying amount	1 627	12

5.2 Intangible assets

Significant accounting judgements, estimates and assumptions

Estimation of useful lives and residual values for intangible assets
The useful lives of assets are based on management's estimation. Management considers the impact of changes in technology, customer service requirements and availability of capital funding to determine the optimum useful life expectation for each of the individual categories of intangible assets. Due to the rapid technological advancement in the telecommunications industry, the estimation of useful lives could differ significantly on an annual basis due to unexpected changes in the rollout strategy. The measurement of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives and the estimation of what their condition will be like at that time. Changes in the useful lives and/or residual values are accounted for as a change in accounting estimate.

Impairments of intangible assets
Management is required to make judgements concerning the cause as well as the amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services, market changes, legal changes, operating environments and other circumstances that could indicate that an impairment exists. The Group applies the impairment assessment to its cash-generating units. This requires management to make significant judgements concerning the existence of impairment indicators, identifying cash-generating units, and estimating the remaining useful lives of assets as well as projected cash flows to determine fair value less costs of disposal or value in use. Management's analysis of cash-generating units involves an assessment of the ability of a group of assets to independently generate cash inflows, and involves analysing the extent to which different products make use of the same assets. Management's judgement is also required when assessing whether there are indicators that a previously recognised impairment loss should be reversed.

Where impairment indicators exist, the determination of the recoverable amount of a cash-generating unit requires management to make assumptions to determine the value in use. Value in use is calculated using the discounted cash flow valuation method. The determination of value in use is based on a number of factors which include the discount rate, revenue growth, terminal growth rates, EBITDA margins and capital expenditure. The judgements, assumptions and methodologies used can have a material impact on the recoverable amount and ultimately the amount of impairment loss recognised.

In calculating value in use, consideration is also given to the completion of a network that is still partially completed at the date of performing the impairment test. Significant judgement is applied in determining if network expansion should be treated as the completion of a partially completed asset or the enhancement of an asset (which cash flows are not allowed to be considered in calculation of value in use).

Summary of significant accounting policies

Initial recognition and measurement
At initial recognition, acquired intangible assets are recognised at their purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates. The recognised cost includes any directly attributable costs for preparing the asset for its intended use. Internally generated intangible assets are recognised at cost comprising all directly attributable costs necessary to create and prepare the asset to be capable of operating in the manner intended by management.

Intangible assets under construction represent application and other non-integral software and include all direct expenditure as well as related borrowing costs capitalised, but exclude the costs of abnormal amounts of waste material, labour or other resources incurred in the production of self-constructed assets.

Notes to the financial statements continued

for the year ended 31 March 2023

5. Long-term assets continued

5.2 Intangible assets continued

Summary of significant accounting policies continued

Subsequent measurement
After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Repairs and maintenance expenses are charged to profit or loss during the reporting period in which they are incurred.

Subsequent costs in respect of intangible assets already functioning as intended by management are capitalised, provided that they meet the definition of an asset (e.g. relate to additional features and enhancements that result in additional future economic benefits).

Amortisation, residual values and useful lives
The residual value of intangible assets is the estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated cost of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Due to the nature of the asset, the residual value is assumed to be zero unless there is a commitment by a third party to purchase the asset at the end of its useful life or when there is an active market that is likely to exist at the end of the asset's useful life, which can be used to estimate the residual values. The residual values of intangible assets, the amortisation methods used, and their useful lives are reviewed on an annual basis at reporting date and adjusted prospectively as required.

Amortisation commences when the intangible assets are available for their intended use and is recognised on a straight-line basis over the assets' expected useful lives. Amortisation ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

The expected useful lives applied are provided in note 3.4.10.

Impairment of intangible assets (including goodwill)
The Group regularly reviews its non-financial assets and cash-generating units for any indication of impairment. An impairment test is performed when indicators, including changes in technology, market, economic, legal and operating environments, availability of funding or discontinuance of services occur and could result in changes to the asset's or cash-generating unit's estimated recoverable amount. Goodwill, intangible assets with indefinite useful lives and intangible assets under construction are tested for impairment annually regardless of whether an indicator of impairment has been identified.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or a CGU exceeds its estimated recoverable amount.

Previously recognised impairment losses, other than goodwill, are 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 amortisation) had no impairment loss been recognised in prior years.

	2023			2022		
Group	**Cost Rm**	**Accumulated amortisation, impairment and write-offs Rm**	**Carrying value Rm**	Cost Rm	Accumulated amortisation and write-offs Rm	Carrying value Rm
Goodwill	**1 367**	**(72)**	**1 295**	1 268	(9)	1 259
Trademarks, copyrights and other	**1 621**	**(426)**	**1 195**	570	(448)	122
Software	**12 756**	**(11 060)**	**1 696**	12 120	(9 642)	2 478
Under construction	**315**	**(8)**	**307**	403	(14)	389
	16 059	**(11 566)**	**4 493**	14 361	(10 113)	4 248
Company						
Trademarks, copyrights and other	**1 146**	**(47)**	**1 099**	5	(4)	1
Software	**9 390**	**(8 242)**	**1 148**	11 713	(9 385)	2 328
Under construction	**95**	**–**	**95**	97	–	97
	10 631	**(8 289)**	**2 342**	11 815	(9 389)	2 426

Notes to the financial statements continued

for the year ended 31 March 2023

5. Long-term assets continued

5.2 Intangible assets continued

The carrying amounts of intangible assets can be reconciled as follows:

	Group								
2023	**Carrying value at the beginning of the year Rm**	**Additions Rm**	**Business combination Rm**	**Transfers Rm**	**Disposals Rm**	**Amortisation Rm**	**Impairment Rm**	**Write-offs and impairment reversals Rm**	**Carrying value at the end of the year Rm**
Goodwill	1 259	–	99	–	–	–	(63)	–	1 295
Trademarks, copyrights and other	122	1 142	38	29	(38)	(81)	(17)	–	1 195
Software	2 478	496	–	340	1	(665)	(934)	(20)	1 696
Under construction	389	245	–	(316)	(13)	–	–	2	307
	4 248	1 883	137	53	(50)	(746)	(1 014)	(18)	4 493

2022	Carrying value at the beginning of the year Rm	Additions Rm	Transfers Rm	Amortisation Rm	Write-offs, impairments and impairment reversals Rm	Carrying value at the end of the year Rm
Goodwill	1 259	–	–	–	–	1 259
Trademarks, copyrights and other	169	2	2	(50)	(1)	122
Software	2 854	222	212	(781)	(29)	2 478
Under construction	323	289	(199)	–	(24)	389
	4 605	513	15	(831)	(54)	4 248

The carrying amounts of intangible assets can be reconciled as follows:

	Company							
2023	**Carrying value at the beginning of the year Rm**	**Additions Rm**	**Transfers Rm**	**Disposals Rm**	**Amortisation Rm**	**Impairment Rm**	**Write-offs Rm**	**Carrying value at the end of the year Rm**
Trademarks, copyrights and other	1	1 141	–	–	(43)	–	–	1 099
Software	2 328	451	78	(375)	(534)	(785)	(15)	1 148
Under construction	97	81	(56)	(25)	–	–	(2)	95
	2 426	1 673	22	(400)	(577)	(785)	(17)	2 342

2022	**Carrying value at the beginning of the year Rm**	**Additions Rm**	**Transfers Rm**	**Amortisation Rm**	**Write-offs Rm**	**Carrying value at the end of the year Rm**
Trademarks, copyrights and other	2	–	–	(1)	–	1
Software	2 756	213	109	(728)	(22)	2 328
Under construction	166	59	(118)	–	(10)	97
	2 924	272	(9)	(729)	(32)	2 426

Notes to the financial statements continued

for the year ended 31 March 2023

5. Long-term assets continued

5.2 Intangible assets continued

The goodwill in Group is attributable to goodwill that arose on acquisition of BCX in August 2015 and subsequent acquisitions made by BCX. The additions to goodwill in the current year relate to the BCX acquisition of Dotcom Software Solutions (Pty) Ltd. Refer to note 12.2 for more information.

Intangible assets that are material to the Group consist of software, trademarks and other, whose average remaining amortisation period is two years (31 March 2022: two years).

No other intangible asset apart from goodwill has been assessed as having an indefinite useful life.

Intangible assets under construction are included for testing in the impairment testing for the Telkom CGU.

Approximately R1 328 million (31 March 2022: R242 million) and R1 176 million (31 March 2022: R22 million) of additions relate to externally acquired intangible assets for the Group and the Company, respectively, while R506 million (31 March 2022: R272 million) relates to internal developments for the Group and R461 million (31 March 2022: R250 million) relates to internal developments for the Company.

Changes to the estimated useful lives of intangible assets resulted in a decrease in amortisation to the value of R128 million (31 March 2022: R28 million) for the Company and R132 million (31 March 2022: R28 million) for the Group. Refer to note 3.4.10 for the useful lives.

Where assets have become technologically obsolete or can no longer contribute towards the Group and Company's revenue-generating capacity, the assets are written off. The total write-off balance is not considered significant to the financial statements as a whole in the current or prior financial years.

5.3 Impairment of goodwill and cash-generating units

Significant accounting judgements, estimates and assumptions

CGU impairment assessment
IAS 36 (Impairment of Assets) requires assets to be assessed for impairment when impairment indicators are evident. This standard also requires goodwill to be assessed for impairment on an annual basis.

In determining the recoverable amount of the Group's CGUs, the Group considered several sources of estimation uncertainty and makes certain assumptions or judgements about the future.

Management uses the cash flow projections per the Board-approved business plans. These cash flow projections are based on a five-year outlook for the current year-end. Management applied the following key assumptions in the discounted cash flow (DCF) valuation model:

- Revenue growth;
- EBITDA margins;
- Discount rates; and
- Terminal growth rates.

Summary of significant accounting policies

Measurement
Goodwill is measured at cost less accumulated impairment losses and is not amortised. Goodwill is tested for impairment annually or when an indication of impairment exists.

Goodwill impairment assessment
Goodwill arising in a business combination is recognised as an intangible asset at the date of acquisition.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net fair value of the acquiree's identifiable net assets.

If the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase gain.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

Notes to the financial statements continued

for the year ended 31 March 2023

5. Long-term assets continued

5.3 Impairment of goodwill and cash-generating units continued

	Group	
The Group's goodwill balance is as follows:	**2023 Rm**	2022 Rm
Opening balance	**1 259**	1 259
Acquisition of Dotcom Software Solutions (Pty) Ltd	**99**	–
Impairment	**(63)**	–
Closing balance	**1 295**	1 259

Description	**Telkom CGU Rm**	**BCX CGU Rm**	**Total goodwill recognised Rm**
Carrying amount	**–**	**1 295**	**1 295**

Impairment considerations

The Group tests impairment at a cash-generating unit (CGU) level. As a right-of-use (ROU) asset does not generate cash inflows largely independent from other assets, the ROU asset is tested for impairment together with the CGU to which such an asset belongs. From an IFRS 16 perspective, the assumptions assume the reinvestment of the ROU asset, i.e. cash flows to replace the ROU asset have been included in the model. Management adjusted the value in use model by excluding the cash outflows in respect of the lease payments as it relates to financing and including the cash outflows to replace the ROU asset.

In prior years, the Group's CGUs consisted of Telkom, BCX, Yellow Pages and Gyro. In the current year, the operations of Yellow Pages have been integrated into Telkom, effective 1 July 2022. This resulted in the Yellow Pages assets no longer generating independent cash flows from those of Telkom Consumer. Yellow Pages is now part of Telkom Consumer CGU. The Openserve Telkom division was carved out of the Company through legal separation. The process and contracts that were then put in place resulted in these assets generating independent cash flows. Effectively, these restructuring transactions changed the former way of the Group asset aggregation, resulting in the Group CGUs being Telkom Consumer, Openserve, BCX and Gyro.

BCX and Telkom Consumer are the only CGUs that have goodwill. In line with IAS 36 (Impairment of Assets), management has performed an annual impairment assessment of the Telkom Consumer and BCX CGUs to cover the impairment of the goodwill balances as of 31 March 2023.

Management has identified impairment indicators on Telkom Consumer and Openserve CGUs, and further details are noted below.

The Group utilised the value in use, using the discounted cash flow method, as the valuation basis for all CGUs. Based on this, the income approach was used. A five-year period is used for the discounted cash flows, approved by senior management and/or the Board of the Group.

Notes to the financial statements continued

for the year ended 31 March 2023

5. Long-term assets continued

5.3 Impairment of goodwill and cash-generating units continued

BCX CGU

Value in use, using the discounted cash flow method, was adopted as the valuation basis. Based on this, the income approach was used. A five-year period is used for the discounted cash flows, approved by senior management and/or the Board of the Group.

The BCX CGU was then valued using a sum-of-the-parts approach. The valuation was performed on an enterprise value basis.

The value in use calculation took into consideration the following key assumptions:

EBITDA margin
The budgeted EBITDA margin was used based on past experience and management's future expectations of business performance.

Growth rates
The growth rates were consistent with publicly available information relating to long-term average growth rates for the market in which the CGU operated. The compound annual growth rate used for revenue is 8.4% and EBITDA ranges between 12.6% and 15.5%.

Terminal growth rates
Terminal growth rates ranging between 4% and 5% were applied. The terminal value was determined at the end of year five of the cash flow forecasts. The growth rate considered steady state of growth rates to extrapolate revenue beyond the forecast period cash flows.

Discount rate
The discount rate used reflects both time value of money and other specific risks relating to the entity. The discount rate was calculated based on comparable companies in the industry. An equity market risk premium was applied to account for the additional risk associated with equity investments, in excess of the risk-free rate.

The pre-tax discount rate for the BCX CGU ranges from 21.3% to 22.5%. An in-perpetuity calculation was also included after five years as per the terminal growth rate disclosure.

Based on the value in use calculation, the estimated value in use of BCX significantly exceeds the carrying amount of the BCX CGU. As such, there is no impairment loss to be recognised.

Sensitivity to changes in assumptions
Given the significant headroom computed, no further sensitivity analysis has been performed.

Telkom Consumer CGU

Telkom Consumer operates in South Africa. The economic climate of South Africa is under strain due to numerous factors. Telkom Consumer's business is dependent on technology, and for some of its operations the old technology (legacy assets) was still being utilised. The COVID-19 period highlighted the need for efficient virtual ways of working, resulting in highly innovative technology being introduced to the market. The technological evolvement and the economic climate have negatively affected the Telkom Consumer business, evidenced by no growth in operating profits and declining operating cash flows. The incorporation of these factors into the five-year budgets indicated the economic performance of the CGU had declined. Effectively, the five-year budgets have been adjusted to incorporate this outlook, resulting in the recoverable amount of the CGU being lower than its carrying value.

The value in use calculation took into consideration the following key assumptions:

EBITDA margin
The budgeted EBITDA margin is based on experience and management's future expectations of business performance.

Growth rates
The growth rates were consistent with publicly available information relating to long-term average growth rates for the market in which the CGU operated. The compound annual growth rate used for revenue is 2.6% and EBITDA is 14%.

Terminal growth rates
A terminal growth rate of 3% was applied. The terminal value was determined at the end of year five of the cash flow forecasts. The growth rate considered steady state of growth rates to extrapolate revenue beyond the forecast period cash flows.

Discount rate
An equity market risk premium was applied to account for the additional risk associated with equity investments, in excess of the risk-free rate. The pre-tax discount rate for the Telkom CGU ranges from 15% to 16.4%. An in-perpetuity calculation was also included after five years as per the terminal rate disclosure.

Based on the value in use calculation, the recoverable amount of the Telkom CGU is lower than the carrying value as at 31 March 2023, indicating an impairment loss will be recognised.

Notes to the financial statements continued

for the year ended 31 March 2023

5. Long-term assets continued

5.3 Impairment of goodwill and cash-generating units continued

Telkom Consumer CGU continued

Valuation results	CGU carrying amount Rm	Recoverable amount Rm	Goodwill Rm	Impairment loss Rm
Impairment of Telkom cash-generating unit	**20 975**	**14 957**	**(63)**	**(5 955)**

Openserve CGU

Openserve (Pty) Ltd operates in South Africa. The economic climate of South Africa is under strain due to numerous factors. This has negatively impacted the Openserve operational and economic outlooks, resulting in a deterioration in business sales and growth. The five-year budgets indicated the economic performance of the CGU had declined. Effectively, the five-year budgets have been adjusted to incorporate this outlook, resulting in the recoverable amount of the CGU being lower than its carrying value.

The value in use calculation took into consideration the following key assumptions:

EBITDA margin
The budgeted EBITDA margin is based on experience and management's future expectations of business performance.

Growth rates
The growth rates were consistent with publicly available information relating to long-term average growth rates for the market in which the CGU operated. The compound annual growth rate used for revenue is 3.1% and EBITDA is 3.6%.

Terminal growth rates
A terminal growth rate of 5% was applied. The terminal value was determined at the end of year five of the cash flow forecasts. The growth rate considered steady state of growth rates to extrapolate revenue beyond the forecast period cash flows.

Discount rate
An equity market risk premium was applied to account for the additional risk associated with equity investments, in excess of the risk-free rate. The pre-tax discount rate for the Openserve CGU ranges from 14.7% to 16.1%. An in-perpetuity calculation was also included after five years as per the terminal rate disclosure.

Based on the value in use calculation, the recoverable amount of the Openserve CGU is lower than the carrying value as at 31 March 2023, indicating an impairment loss will be recognised.

Valuation results	CGU carrying amount Rm	Recoverable amount Rm	Impairment loss Rm
Impairment of Openserve cash-generating unit	**22 122**	**15 123**	**(6 999)**

Notes to the financial statements continued

for the year ended 31 March 2023

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 cash-generating units for any indication of impairment. An impairment test is performed when indicators, including changes in technology, market, economic, legal and operating environments, availability of funding or discontinuance of services occur and could result in changes to the asset's or cash-generating unit's estimated recoverable amount.

Previously recognised impairment losses are 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 fair value of investment property is measured at the value provided by an approved professional valuer, although they are presented at cost.

The valuation performed on the investment property will be based on open market value.

Summary of significant 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 costs incurred initially to acquire an investment property and costs incurred subsequently to add to, replace part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of a replaced 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 and the date the asset is derecognised.

Notes to the financial statements continued

for the year ended 31 March 2023

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.

	2023			
Company	**Opening balance Rm**	**Transfers Rm**	**Depreciation Rm**	**Carrying value Rm**
Investment property	–	1 032	(55)	977

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 owned are being leased out to Openserve, a 100% owned subsidiary of the Group.

Details of valuation

The effective date of the valuations was 31 March 2023 and resulted in a fair value of R2 014 million. Valuations of these investment properties were conducted by independent and qualified industry specialists.

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
Amounts recognised in profit and loss for the year	**2023 Rm**
Rental income from investment property	46

Notes to the financial statements continued

for the year ended 31 March 2023

6. Financing structure and commitments

6.1 Investment income

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	31 March 2023 Rm	31 March 2022 Rm
Investment income	**148**	144	**1 057**	4 163
Interest income	**148**	122	**512**	50
Dividend income from subsidiaries	**–**	–	**545**	4 091
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.

In the current financial year, the Group and Company received a dividend of Rnil (31 March 2022: R22 million) from the Mutual and Federal third-party cell captive.

6.2 Net finance charges and fair value movements

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	31 March 2023 Rm	31 March 2022 Rm
Net finance charges and fair value movements	**(1 484)**	(1 279)	**(1 546)**	(1 423)
Net finance charges	**(1 460)**	(1 112)	**(1 579)**	(1 262)
Finance charges on lease liabilities	**(488)**	(450)	**(464)**	(517)
Net finance charges on local debt[1]	**(1 017)**	(740)	**(1 154)**	(823)
Less: Finance charges capitalised[2]	**45**	78	**39**	78
Foreign exchange and fair value movements	**(24)**	(167)	**33**	(161)
Foreign exchange loss	**(532)**	(136)	**(546)**	(125)
Fair value adjustments	**508**	(31)	**579**	(36)
Capitalisation rate for borrowing costs (%)	**7.7**	6.6	**7.7**	6.6

[1] *For interest-bearing debt movement refer to* *note 6.4*.

[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 increased from R1 112 million in March 2022 to R1 460 million in March 2023 for the Group and increased from R1 262 million in March 2022 to R1 579 million in March 2023 for the Company, respectively. The increase in finance charges is largely due to increases in interest rates and higher debt levels in the current financial year.

Notes to the financial statements continued

for the year ended 31 March 2023

6. Financing structure and commitments continued

6.3 Right-of-use assets and lease liabilities

Significant accounting judgements, estimates and assumptions

Lease term

Renewal and termination options

In determining the lease term, all facts and circumstances are considered that create an economic incentive to exercise a renewal option, or not exercise a termination option. Renewal options and periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated. The Group applies judgement in assessing whether it is reasonably certain that options will be exercised. Factors considered include the past history of renewing leases, the length of the non-cancellable period of the lease, the Group's rolling budgeting forecast period of five years and the importance of the underlying asset to the Group's operations. The Group applied the rolling budgeting forecast period on all its strategic month-to-month leases or strategic leases with indefinite lease periods.

The lease term will be reassessed at the occurrence of a significant event, which is either a change in the rolling forecast cycle or other major events not within the Group's control.

Month-to-month leases

The Group has leases that continue contractually on a month-to-month basis for an indefinite period or continue automatically on a month-to-month basis after expiry. In these agreements, the Group can terminate the agreement and neither party would incur a contractual penalty payment on termination. However, in determining the lease term, the Group considered the broader economics of the contract including factors such as the strategic importance of the asset, whether alternative suitable locations are available, the budgeting forecast cycle, and that management is not reasonably certain of business decisions that it will take beyond this period. Based on the above, the lease term of all strategic month-to-month leases are aligned with the budgeting forecast cycle.

Lease discount rate

Except where a discount rate implicit in the lease has been stipulated in the lease agreement, the lease payments are discounted using the incremental borrowing rate. The calculation of an incremental borrowing rate requires significant judgement. The incremental borrowing rate is calculated as a function of base rate, plus credit spread, plus other adjustments. Other adjustments take into account the lease period, currency of the lease payments, lease duration and lease-specific adjustments such as asset class and country risk premiums.

Base rate is a risk-free rate based on the interest rate swap curve of the country of the lease payments currency and the base is matched to the lease period.

The credit spread for the Company is based on Telkom's bond yield spread over the equivalent risk-free rate. The credit spread for other Group entities (BCX, Gyro, Openserve and Yellow Pages) is based on their credit spread relative to the Group.

Lease and non-lease components

In lease agreements, where the gross rental amount includes operational costs, the Group applies judgement in allocating the consideration in the contract to each lease and non-lease component based on their relative stand-alone selling prices. The stand-alone selling prices of each component are based on available market prices. In such cases where the market price is unavailable, the stand-alone selling price will be calculated.

Impairments of right-of-use assets

Management is required to make judgements concerning the cause as well as the amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services, market changes, legal changes, operating environments and other circumstances that could indicate that an impairment exists. The Group applies the impairment assessment to its cash-generating units. This requires management to make significant judgements concerning the existence of impairment indicators, identifying cash-generating units, and estimating the remaining useful lives of assets as well as projected cash flows to determine fair value less costs of disposal or value in use. Management's analysis of cash-generating units involves an assessment the ability of a group of assets to independently generate cash inflows, and involves analysing the extent to which different products make use of the same assets. Management's judgement is also required when assessing whether there are indicators that a previously recognised impairment loss should be reversed.

Where impairment indicators exist, the determination of the recoverable amount of a cash-generating unit requires management to make assumptions to determine the value in use. Value in use is calculated using the discounted cash flow valuation method. The determination of value in use is based on a number of factors which include the discount rate, revenue growth, EBITDA margins and capital expenditure. The judgements, assumptions and methodologies used can have a material impact on the recoverable amount and ultimately the amount of impairment loss recognised.

Notes to the financial statements continued

for the year ended 31 March 2023

6. Financing structure and commitments continued

6.3 Right-of-use assets and lease liabilities continued

Summary of significant accounting policies
The Group's leases include network equipment (mainly consisting of masts and towers), property and vehicles.

The Group as a lessee
At inception of a contract, the Group considers whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key conditions, which are whether:

- The contract contains an identified asset, which is either explicitly or implicitly identified in the contract;
- The Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- The Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

Recognition of leases
At the commencement date of a lease, the Group shall recognise a right-of-use asset and lease liability for contracts that are or contain a lease, except in the case where recognition exemptions are elected.

The Group has elected to apply the following recognition exemptions:

Recognition exemptions

Short-term leases	Leases that, at the commencement date, have a lease term of 12 months or less (after considering lease extension options and management's intention with the use of the leased asset) are expensed on a straight-line basis over the lease term. This is accounted for in the lease-related expenses line item on the statement of profit or loss and other comprehensive income.
Low-value assets	All leases, where the underlying asset being used is of low value, are assessed on a lease-by-lease basis and expensed on a straight-line basis over the lease term. This is accounted for in the lease-related expenses line item on the statement of profit or loss and other comprehensive income. Leased assets are classified as low value if the value of the asset is R73 200 or less when purchased new, regardless of the age of the asset. The low-value criteria are applied to the underlying asset that can benefit the entity on its own or together with an asset that is readily available in the market, and the underlying asset is neither highly dependent on nor highly inter-related with other assets. As required by IFRS 16, if an asset is subleased by the Group, the head lease is not accounted for as a low-value lease even when the low-value criteria are met.

Lease and non-lease components
A number of lease contracts include both lease and non-lease components. The Group allocates the consideration in the contract to each lease and non-lease component based on the amount as stipulated in the lease agreement as the rental for the asset is separate from the operational costs in the majority of the agreements. In lease agreements, where the gross rental amount includes operational costs, an estimate will be made to determine which portion of the gross rental relates to operational costs, which will inform the separation of the operational costs on these contracts. The Group has not elected the practical expedient to account for non-lease components as part of its lease liabilities and right-of-use assets. Therefore, non-lease components are accounted for as operating expenses and are recognised in profit or loss as they are incurred.

Right-of-use assets – initial and subsequent measurement
After the adoption date, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The right-of-use assets are measured at cost, which is made up of the initial measurement of the lease liabilities, any initial direct costs incurred by the Group, any lease payments made in advance of the lease commencement date, less any lease incentives received. Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of any lease liabilities. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. Right-of-use assets are subject to impairment in accordance with the principles of IAS 36 (Impairment of Assets).

The Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. office equipment) and for short-term leases, i.e. leases that, at commencement date, have lease terms of 12 months or less. The Group defines low-value leases as leases of assets for which the value of the underlying asset is R73 200 or less when it is new. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the financial statements continued

for the year ended 31 March 2023

6. Financing structure and commitments continued

6.3 Right-of-use assets and lease liabilities continued

Lease liabilities – initial and subsequent measurement

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that are based on an index or rate (measured using the index or rate at commencement date) and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the Group is reasonably certain to exercise the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

Subsequent to initial measurement, the lease liability will be reduced for payments made and increased by the interest cost. Interest costs are included in finance charges in the statement of profit or loss and other comprehensive income over the lease period. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount payable under a residual value guarantee or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. Furthermore, a revision to Telkom's rolling budget/forecast is considered a significant event which would trigger a reassessment of the lease term. Any change to the lease term would result in a remeasurement of the associated lease liability.

The Group as a lessor

Where the Group is a lessor, it determines at inception whether the lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not. The land and building elements of a lease of land and buildings are considered separately for the purposes of lease classification unless it is impracticable to do so.

Finance lease receivables are subject to the derecognition requirements of IFRS 9 as stipulated by IFRS 16. Finance lease receivables transferred with recourse remain classified as finance lease receivables. This is due to the fact that the derecognition criteria will not be met as the Company would not have transferred all the risks and rewards. Finance lease receivables transferred without recourse are derecognised as all the risks and rewards have been transferred.

Right-of-use assets and lease liabilities

The Group leases three asset categories, namely vehicles, property and network equipment. Vehicle leases mainly include a fleet of vehicles that are used by the technicians as part of the network operations. Property leases mainly relate to the lease of land and buildings/sites used for office purposes as well as property where masts and towers are erected. Network equipment mainly relates to the co-location on masts and towers and the lease of exchange assets.

The lease agreements do not impose any covenants on the Group. The existing leases do not have residual value guarantees.

At 31 March 2023, the Group has not committed to leases which have not yet commenced. There were no sale and leaseback transactions for the Group in the current or prior year.

Generally, the lease term is fixed but there is also a number of leases that run on a month-to-month basis. The Group applies judgement in assessing whether extension or termination options will be exercised and these options are only included in the lease term if the lease is reasonably certain to be extended or terminated.

In the current year, the lease calculation assumes that the Group will continue to use the strategic month-to-month contract for the next five years (current forecast period). Additionally, the Group concluded that it is reasonable that it will exercise available renewal options for all leases of strategic need, except in the case that there is evidence that it will not. For the rest of the assets, the lease calculation is based on the fixed term per the contract.

Some leases allow for earlier termination. In this case, the Group is required to serve a certain notice period and there is no financial penalty.

At 31 March 2023, a number of lease contracts relating to network equipment and properties include renewal options for various renewal periods. Due to the judgement exercised in relation to the determination of the lease period as outlined in the accounting policy, the Group is exposed to potential future cash outflows relating to the renewal period which have not been included in the lease liability because it is not reasonably certain that the lease will be extended beyond the estimated lease period.

Notes to the financial statements continued

for the year ended 31 March 2023

6. Financing structure and commitments continued

6.3 Right-of-use assets and lease liabilities continued

6.3.1 Right-of-use assets continued

	2023			2022		
Group	Cost Rm	Accumulated depreciation and write-offs Rm	Carrying value Rm	Cost Rm	Accumulated depreciation and write-offs Rm	Carrying value Rm
Vehicles	245	(81)	164	361	(318)	43
Property	1 470	(626)	844	1 494	(584)	910
Network equipment	7 050	(2 698)	4 352	5 841	(1 849)	3 992
	8 765	(3 405)	5 360	7 696	(2 751)	4 945
Company						
Vehicles	1	–	1	323	(296)	27
Property	468	(258)	210	1 001	(511)	490
Network equipment	8 003	(3 169)	4 834	8 378	(3 229)	5 149
	8 472	(3 427)	5 045	9 702	(4 036)	5 666

The carrying amounts for the right-of-use assets can be reconciled as follows:

	Group					
2023	Opening balance Rm	Cancelled leases Rm	New leases entered into Rm	Lease remeasurement Rm	Depreciation Rm	Closing balance Rm
Vehicles	44	(2)	196	10	(84)	164
Property	910	(65)	190	26	(217)	844
Network equipment	3 991	(80)	918	494	(971)	4 352
	4 945	(147)	1 304	530	(1 272)	5 360
2022						
Vehicles	115	–	7	21	(99)	44
Property	864	(4)	154	114	(218)	910
Network equipment	3 540	(50)	899	469	(867)	3 991
	4 519	(54)	1 060	604	(1 184)	4 945

Notes to the financial statements continued

for the year ended 31 March 2023

6. Financing structure and commitments continued

6.3 Right-of-use assets and lease liabilities continued

6.3.1 Right-of-use assets continued

	Company						
2023	**Opening balance Rm**	**Cancelled leases Rm**	**New leases entered into Rm**	**Lease remeasurement[1] Rm**	**Depreciation Rm**	**Transfers[2] Rm**	**Closing balance Rm**
Vehicles	**27**	**–**	**183**	**–**	**(34)**	**(175)**	**1**
Property	**490**	**(56)**	**39**	**25**	**(131)**	**(158)**	**209**
Network equipment	**5 149**	**(95)**	**937**	**918**	**(1 274)**	**(800)**	**4 835**
	5 666	**(151)**	**1 159**	**943**	**(1 439)**	**(1 133)**	**5 045**

2022	Opening balance Rm	Cancelled leases Rm	New leases entered into Rm	Lease remeasurement[1] Rm	Depreciation Rm	Closing balance Rm
Vehicles	92	–	1	23	(89)	27
Property	434	(61)	57	243	(183)	490
Network equipment	4 997	(50)	1 015	558	(1 371)	5 149
	5 523	(111)	1 073	824	(1 643)	5 666

[1] *Lease remeasurements include changes due to CPI escalations and lease modifications due to changes in lease contracts as well as lease renewals. Lease remeasurements are lower in the current year than in the prior year for the Group, due to significant modifications done in FY2022 which were not required in FY2023. Lease remeasurements increased for the Company mainly due to a high number of lease renewals of network equipment.*

[2] *Transfers relate to leases that were transferred to Openserve (Pty) Ltd at their carrying value as part of the Openserve carve-out.*

6.3.2 Lease liabilities

	Group	
The closing balances for non-current lease liabilities can be reconciled as follows:	**2023 Rm**	2022 Rm
Vehicles	**(86)**	(9)
Property	**(866)**	(900)
Network equipment	**(3 665)**	(3 431)
	(4 617)	(4 340)
The closing balances for current lease liabilities can be reconciled as follows:		
Vehicles	**(84)**	(39)
Property	**(232)**	(237)
Network equipment	**(956)**	(758)
	(1 272)	(1 034)

	Company	
The closing balances for non-current lease liabilities can be reconciled as follows:	**2023 Rm**	2022 Rm
Vehicles	**–**	(2)
Property	**(171)**	(385)
Network equipment	**(4 045)**	(4 166)
	(4 216)	(4 553)

Notes to the financial statements continued

for the year ended 31 March 2023

6. Financing structure and commitments continued

6.3 Right-of-use assets and lease liabilities continued

6.3.2 Lease liabilities continued

	Company	
The closing balances for current lease liabilities can be reconciled as follows:	**2023 Rm**	2022 Rm
Vehicles	**–**	(28)
Property	**(81)**	(221)
Network equipment	**(1 058)**	(1 301)
	(1 139)	(1 550)

The total cash outflow for leases in 2023 was R1 574 million (31 March 2022: R1 526 million) for the Group and R1 778 million (31 March 2022: R2 132 million) for the Company. Finance charges on lease liabilities of R488 million (31 March 2022: R450 million) for the Group and R464 million (31 March 2022: R517 million) for the Company have been recognised in the statement of profit of loss and other comprehensive income for the year ended 31 March 2023.

Refer to note 7.1.5 for the maturity analysis on lease liabilities.

6.3.3 Subleasing income from right-of-use assets and gains/losses from sale and leaseback transactions

In the current financial year, the Group has earned R8 million (31 March 2022: R7 million) subleasing income. The Company does not earn any subleasing income.

6.4 Interest-bearing debt

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Total interest-bearing debt	**14 356**	11 932	**14 356**	11 932
Non-current interest-bearing debt	**11 999**	8 221	**11 999**	8 221
Local debt	**11 268**	7 344	**11 268**	7 344
Foreign debt	**731**	877	**731**	877
Current portion of interest-bearing debt	**2 357**	3 711	**2 357**	3 711
Local debt	**2 195**	3 558	**2 195**	3 558
Bonds	**500**	1 015	**500**	1 015
Accrued interest	**178**	107	**178**	107
Other loans[1]	**1 517**	2 436	**1 517**	2 436
Foreign debt	**162**	153	**162**	153

[1] *Other loans relate to loans from Absa Group Limited, Standard Bank and Futuregrowth Asset Management.*

Notes to the financial statements continued

for the year ended 31 March 2023

6. Financing structure and commitments continued

6.4 Interest-bearing debt continued

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Total interest-bearing debt is made up as follows:	**14 356**	11 932	**14 356**	11 932
(a) Local debt	**13 463**	10 902	**13 463**	10 902
Telkom debt instruments	**13 463**	10 902	**13 463**	10 902
Name, maturity, rate p.a., nominal value				
TL23, 2022, 5.907%	**–**	592	**–**	592
TL24, 2022, 9.04% (fixed)	**–**	423	**–**	423
TL25, 2024, 9.57% (fixed)	**835**	835	**835**	835
TL26, 2024, 9.45%	**400**	400	**400**	400
TL27, 2023, 8.908%	**500**	500	**500**	500
TL28, 2025, 9.28% (fixed)	**1 000**	1 000	**1 000**	1 000
TL29, 2025, 9.198%	**500**	500	**500**	500
TL30, 2024, 8.952%	**877**	877	**877**	877
TL31, 2026, 9.162%	**623**	623	**623**	623
TL32, 2027, 9.1%	**1 000**	1 000	**1 000**	1 000
TL33, 2033, 9.533%	**700**	–	**700**	–
Export Credit Agency (ECA) loan, 2023 – 2030, 9.783%	**793**	907	**793**	907
Export Credit Risk Agreement – insurance premium (unamortised cost)	**(72)**	(83)	**(72)**	(83)
Other loans, 2023 – 2029, 8.65% – 9.45%	**6 129**	3 221	**6 129**	3 221
Accrued interest	**178**	107	**178**	107
(b) Foreign debt	**893**	1 030	**893**	1 030
Telkom				
Maturity, rate p.a., nominal value				
ECA ZAR, 2023 – 2030, 9.783%	**793**	907	**793**	907
Euro, 2023 – 2025, 0.14% (Euro 5.1 million)	**100**	123	**100**	123
Included in non-current and current debt is:				
Debt guaranteed by the South African Government	**100**	123	**100**	123

Total interest-bearing debt is made up of R14 356 million debt at amortised cost (31 March 2022: R11 932 million) for the Group and for the Company. Finance costs accrued on debt are included in interest-bearing debt.

Other loans have maturities ranging from 2023 to 2029. The ECA loan is repayable quarterly and matures in 2030.

The floating debts are priced based on the three-month JIBAR plus a margin.

During the year, R25 970 million (31 March 2022: R1 150 million) debt was raised for the Group and the Company. R23 650 million (31 March 2022: R193 million) debt was repaid for the Group and for the Company.

The Company increased the utilisation of the committed short-term facilities during the year to fund maturing debts and working capital while negotiating and securing longer term debts.

The Company may issue or reissue locally registered debt instruments in terms of the Post Office Amendment Act, 85 of 1991. The borrowing powers of the Company are set out as per note 4.4.

Interest-bearing debt

Interest-bearing debt is at amortised cost, and finance costs accrued on debt are included in interest-bearing debt. The debt is unsecured but limits the Group's ability to create encumbrances on revenue or assets and secure any indebtedness without securing the outstanding debts equally and rateably with such indebtedness.

Notes to the financial statements continued

for the year ended 31 March 2023

6. Financing structure and commitments continued

6.4 Interest-bearing debt continued

Debt covenants applicable to Telkom loans require the following for the Group:

- Net debt to EBITDA of 3:1
- EBITDA to finance charges of at least 3.5:1

As at 31 March 2023, Telkom's net debt to EBITDA ratio was 1.8x (31 March 2022: 1.2x) and interest cover 10.3x (31 March 2022: 11x). As at 31 March 2023, Telkom's net debt to EBITDA ratio, excluding lease liabilities, was 1.3x.

Telkom has complied with the financial covenants of its borrowing facilities during the 2023 reporting period.

Repayments/refinancing of the current portion of interest-bearing debt
The repayment of the current portion of interest-bearing debt of R2 357 million (31 March 2022: R3 711 million) for the Company and for the Group as at 31 March 2023 is expected to be repaid from available cash, operational cash flow or the issue of new debt instruments.

Management believes that sufficient funding facilities will be available at the date of repayment. Refer to note 2.2.

6.5 Provisions

Significant accounting judgements, estimates and assumptions

Estimates are made of legal or constructive obligations resulting in the raising of provisions, and the expected date of probable outflow of economic benefits to assess whether the provision should be discounted. Liabilities provided for legal matters require judgements regarding projected outcomes and ranges of losses based on historical experience and recommendations of legal counsel. Litigation is however unpredictable and actual costs incurred could differ materially from those estimated at the reporting date.

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Non-current provisions	**368**	380	**332**	358
Non-current employee-related provisions	**321**	364	**313**	338
Subsidiary defined benefit plans (refer to note 10.4 for the reconciliation of the opening to closing balance)	**8**	26	**–**	–
Telephone rebates (refer to note 10.5 for the reconciliation of the opening to closing balance)	**313**	338	**313**	338
Non-current non-employee-related provisions				
Other	**47**	16	**19**	20
Current provisions	**1 893**	1 276	**559**	802
Current portion of employee-related provisions	**1 544**	1 126	**536**	771
Annual leave	**499**	454	**82**	276
Balance at the beginning of the year	**454**	473	**276**	288
Charged to employee expenses	**74**	(13)	**3**	(12)
Leave provision moved to Openserve (Pty) Ltd	**–**	–	**(199)**	–
Trudon leave take-on balance	**–**	–	**2**	–
Leave paid/utilised	**(29)**	(6)	**–**	–
Telephone rebates (refer to note 10.5 for the reconciliation of the opening to closing balance)	**43**	39	**43**	39
Bonus, termination packages and other benefits	**1 002**	633	**411**	456
Balance at the beginning of the year	**633**	968	**456**	687
Charged to employee expenses	**1 060**	725	**506**	373
Bonus provision moved to Openserve (Pty) Ltd	**–**	–	**(123)**	–
Payments made	**(691)**	(1 060)	**(428)**	(604)
Current portion of non-employee-related provisions				
Other	**349**	150	**23**	31

Annual leave
In terms of the Group's policy, employees are entitled to accumulate vested leave benefits not taken within a leave cycle to a cap of 10 – 30 days (31 March 2022: 10 – 30 days), which must be taken within a 6 – 19 month (31 March 2022: 6 -19 month) leave cycle. The leave cycle is reviewed annually and is in accordance with legislation.

Notes to the financial statements continued

for the year ended 31 March 2023

6. Financing structure and commitments continued

6.5 Provisions continued

Bonus

The bonus scheme consists of performance bonuses which are dependent on the achievement of certain financial and non-financial targets. The bonus is payable annually to all qualifying employees after the Group's results have been made public, with a 14th cheque payable to a certain group of employees.

Restructuring provision

During the current year, the Group initiated a voluntary severance and retrenchment process. An expense relating to the process of R1 065 million for the Group and R420 million for the Company was recognised. Refer to note 13 for more information on the restructuring.

Non-employee-related provisions

Other provisions relate to the ICASA licence fee provision, restoration provisions and other general provisions.

6.6 Finance charges paid

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Finance charges paid	**(1 456)**	(1 188)	**(1 546)**	(1 317)
Finance charges and fair value movements per statement of profit or loss and other comprehensive income	**(1 484)**	(1 279)	**(1 546)**	(1 423)
Non-cash items	**28**	91	**–**	106
Movements in interest accruals and interest on uncertain tax provisions	**72**	1	**72**	1
Borrowing costs capitalised (refer to note 6.2)	**(45)**	(78)	**(39)**	(78)
Hedging costs	**(305)**	181	**(305)**	181
Fair value adjustment	**64**	(3)	**(6)**	2
Interest on BCX sinking fund capitalised	**–**	–	**–**	21
Foreign exchange loss/(gain)	**242**	(10)	**278**	(21)

The Group classifies interest paid as cash flow from operating activities.

6.7 Commitments

6.7.1 Capital commitments

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Capital commitments authorised	**6 366**	9 085	**2 824**	8 602
Commitments against authorised capital expenditure	**1 964**	2 119	**779**	2 010
Authorised capital expenditure not yet contracted	**4 402**	6 966	**2 045**	6 592

Capital commitments comprise commitments for property, plant and equipment and intangible assets.

Management expects these commitments to be financed from internally generated cash and borrowings. Refer to note 2.2.

Notes to the financial statements continued

for the year ended 31 March 2023

6. Financing structure and commitments continued

6.8 Contingencies

Significant accounting judgements, estimates and assumptions

On an ongoing basis, the Group is party to various legal disputes, the outcomes of which cannot be assessed with a high degree of certainty. A liability is recognised where, based on the Group's legal views, advice and application of professional judgement, it is considered probable that an outflow of resources will be required to settle a present obligation that can be measured reliably. The disclosure of other contingent liabilities is made unless the possibility of a loss arising is considered remote.

Contingent liabilities

Other than the disclosures below, no significant movement or new matters have been noted on the contingent positions as reported in the 31 March 2023 financial statements.

High court

Radio Surveillance Security Services (RSSS)

On 27 August 2020, RSSS served a new summons on Telkom based largely on the same events which gave rise to its previous unsuccessful action. RSSS is claiming the return of 444 alarm systems, alternatively payment of R210 million and a payment of R319 million for alleged outstanding rentals for certain disputed alarm monitoring systems. Pleadings have closed in the matter, however, Telkom is in the process of applying for security for costs against RSSS. Telkom has applied for the liquidation of RSSS as a result of several cost orders in Telkom's favour. The liquidation proceedings were argued on 17 February 2023 and RSSS has now been placed in provisional liquidation.

Class action against Telkom and Mutual and Federal Risk Financing Ltd

During June 2021, Telkom received a High Court application to certify a class action against it. The application arises from minor billing discrepancies on device insurance premiums relating to VAT. Mutual and Federal Risk Financing Ltd acts as underwriter for the device insurance and has also been cited in the court proceedings. Telkom is continuing to take steps to oppose the application for certification of the class action.

Phutuma Networks (Pty) Ltd (Phutuma)

In August 2009, Phutuma served a summons on Telkom claiming damages in the amount of R5.5 billion, arising from a tender published by Telkom in November 2007. The High Court granted absolution from the instance in Telkom's favour. The Supreme Court of Appeal (SCA) had initially dismissed Phutuma's application for leave to appeal in October 2014. On 4 November 2014, the SCA rescinded its order granted in October 2014. In early 2015, the SCA referred the application for leave to appeal back to the full bench of the North Gauteng High Court. The leave to appeal was heard in September 2016 and was upheld. The matter now needs to be re-enrolled for trial. To date, Phutuma has failed to set down the matter for hearing before the same judge who granted absolution. Telkom has proposed that the matter begins anew before another judge. Telkom has not heard from Phutuma and it has taken no further steps to advance the litigation.

Masstores (Pty) Ltd (Masstores)

During November 2021, Masstores (a subsidiary of Massmart Ltd) launched arbitration proceedings against BCX claiming for damages in the amount of approximately R160 million as a result of alleged breach of contract. Masstores was recently granted leave to amend its claim after BCX filed various exceptions. BCX recently filed its statement of defence and counterclaims. Pleadings have now closed and the parties will meet to discuss the further conduct of the matter.

Government Gazette announcement on Telkom

On 25 January 2022, Telkom received notice that the Special Investigating Unit (SIU) would launch an investigation into contracting and procurement processes in respect of telex and advisory services and alleged maladministration in the disposals of iWayAfrica, Africa Online Mauritius and Multi-Links Telecommunications. Telkom has approached the High Court to declare the proclamation on the SIU invalid. Telkom contends that the SIU has no jurisdiction over it. The High Court challenge was heard during November 2022 and the parties are currently awaiting judgement in the matter.

Telkom follows robust corporate governance principles and has done so in executing the Telkom strategy to consolidate its operations in South Africa. The aforementioned matters date back as far as 2006 and most of them have been repeatedly reported on in respective Telkom reports.

Therefore, at this point, Telkom expects no material impact on its financial statements resulting from the outcomes of the SIU investigation.

Notes to the financial statements continued

for the year ended 31 March 2023

7. Financial risk

7.1 Financial instruments and risk management

Summary of significant accounting policies

Recognition and initial measurement
Financial instruments are recognised when the Group becomes a party to the contractual arrangements.

All financial instruments are initially recognised at fair value plus or minus, in the case of financial assets and liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue. All regular way transactions are accounted for on settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Classification and subsequent measurement
Financial assets: classification and subsequent measurement
The Group classifies financial assets on initial recognition as measured at amortised cost or fair value through profit or loss (FVTPL) on the basis of the Group's business model for managing the financial asset and the cash flow characteristics of the financial asset. Refer to note 7.1.2 for the categories of financial instruments.

Financial assets are subsequently measured at amortised cost where they are held with the objective to collect contractual cash flows that are solely payments of principal amount outstanding and interest on the outstanding amount. These include cash and cash equivalents, trade and other receivables and loans to subsidiaries.

All other financial assets not measured at amortised cost, as described above, are subsequently measured at fair value through profit or loss. These include other investments.

Financial liabilities: classification and subsequent measurement
Financial liabilities are classified as measured at amortised cost or fair value through profit or loss (FVTPL). Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities. Financial liabilities at amortised cost are initially recognised at fair value less transaction costs and are thereafter carried at amortised cost using the effective interest method. Any gain or loss on derecognition of the financial liabilities is also recognised in profit or loss.

Offsetting of financial instruments
Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Derecognition of financial instruments
Financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group accounts for the transfer or factoring of the financial asset to the third parties as follows:

- If the entity transfers substantially all the risks and rewards of ownership of the financial asset, then the Group derecognises the financial asset.
- If the entity retains substantially all the risks and rewards of ownership, then the Group continues to recognise the financial asset.

Where the Group retains the right to service the derecognised financial asset for a fee, service fees are accounted for as follows:

- If the fee to be received is not expected to compensate the Group adequately for performing the servicing, a servicing liability for the servicing obligation shall be recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset shall be recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset. Where the benefits of servicing approximately compensate the service provider for its servicing responsibilities, there is no servicing asset or liability and the service contract's fair value is zero.

Notes to the financial statements continued

for the year ended 31 March 2023

7. Financial risk continued

7.1 Financial instruments and risk management continued

Derecognition of financial instruments continued

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial asset or liability, the difference between the consideration and the carrying amount on the settlement date is included in finance charges and fair value movements for the year.

Hedge accounting
The Group uses derivative financial iinstruments (such as forward currency contracts, cross currency swaps and options) to hedge its foreign currency risks, variability in cash flows and interest rate risks. Derivative financial instruments, including forward currency contracts that are designated as hedging instruments in an effective hedge, are initially recognised at fair value on the date on which a derivative contract is entered into. Telkom applies fair value hedge accounting for firm commitments.

The Group has elected to continue applying the hedge accounting requirements of IAS 39.

For fair value hedges, the designated hedging instruments and firm commitments are subsequently remeasured at fair value at each reporting date. The gain or loss relating to both the effective and ineffective portion of hedging instruments is recognised immediately in profit or loss on remeasurement. When a firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

7.1.1 Financial risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise interest-bearing debt, lease liabilities and trade and other payables. The Group's financial liabilities are subjected to fair value measurements and adjustments.

The Group has finance lease receivables, trade and other receivables, contract assets, cash receivables, restricted cash and short-term deposits that arise directly from its operations. The main purpose of the interest-bearing debt is to raise finance for the Group's operations.

The Group is exposed to liquidity, credit and market risks. The Group's senior management oversees the management of these risks.

7.1.2 Risk management

Treasury policies, risk limits and control procedures are continuously monitored by the Board through the Audit Committee and Risk Committee.

The Group holds or issues financial instruments to finance its operations, for the investment of short-term funds and to manage currency and interest rate risks. In addition, financial instruments such as trade receivables and payables arise directly from the Company's operations.

The Group finances its operations primarily by a mixture of issued share capital, retained earnings, and long-term and short-term loans. The Group uses derivative financial instruments to manage its exposure to market risks from changes in interest and foreign exchange rates. The derivatives used for this purpose are principally interest rate swaps and forward exchange contracts and the Group does not speculate in derivative instruments. The Group applied fair value hedge accounting in the current and prior financial years.

Notes to the financial statements continued

for the year ended 31 March 2023

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.2 Risk management continued

The table below sets out the Group's classification of financial assets and liabilities.

2023	Notes	Group At fair value through profit or loss Rm	Group At amortised cost Rm
Classes of financial instruments per statement of financial position			
Assets		**258**	**12 700**
Other investments[1]	7.2.3	160	–
Trade and other receivables[1]	4.3	–	8 402
SMME loans	7.3	–	72
Other financial assets	7.3	81	93
Forward exchange contracts		45	–
Firm commitments		21	–
Interest rate swaps		15	–
Asset finance receivables		–	93
Finance lease receivables	4.1.1	–	648
Cash and cash equivalents	4.4	–	3 469
Investment in equity fund	7.3	10	–
Investment in first-party cell captive	7.3	7	–
Restricted cash		–	4
Short-term loans and advances	7.3	–	12
Liabilities		**(142)**	**(25 326)**
Interest-bearing debt	6.4	–	(14 356)
Trade and other payables	4.5	–	(10 419)
Shareholders for dividend	9.4	–	(25)
Other financial liabilities	7.3	(131)	–
Forward exchange contracts		(45)	–
Firm commitments		(86)	–
Asset finance payables	7.3	–	(309)
Financial guarantees	7.3	(11)	–
Vendor financing	7.3	–	(217)

Notes to the financial statements continued

for the year ended 31 March 2023

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.2 Risk management continued

2022	Notes	Group At fair value through profit or loss Rm	Group At amortised cost Rm
Classes of financial instruments per statement of financial position			
Assets		303	12 071
Other investments[1]	7.2.3	224	–
Trade and other receivables[1]	4.3	–	7 180
Other financial assets	7.3	69	103
Forward exchange contracts		16	–
Firm commitments		53	–
Asset finance receivables		–	103
Finance lease receivables	4.1.1	–	407
Cash and cash equivalents	4.4	–	3 239
Investment in equity fund	7.3	10	–
Restricted cash		–	1 142
Liabilities		(274)	(22 658)
Interest-bearing debt	6.4	–	(11 932)
Trade and other payables	4.5	–	(10 339)
Shareholders for dividend	9.4	–	(28)
Other financial liabilities	7.3	(252)	–
Forward exchange contracts		(147)	–
Firm commitments		(36)	–
Interest rate swaps		(69)	–
Asset finance payables	7.3	–	(200)
Financial guarantees	7.3	(22)	–
Vendor financing	7.3	–	(159)

[1] *Other investments are disclosed net of investments accounted for using the equity method of R9 million (31 March 2022: R5 million).*

[2] *Trade and other receivables are disclosed excluding prepayments of R471 million (31 March 2022: R358 million) for the Company and R912 million (31 March 2022: R617 million) for the Group.*

Notes to the financial statements continued

for the year ended 31 March 2023

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.2 Risk management continued

The table below sets out the Company's classification of financial assets and liabilities.

2023	Notes	Company At fair value through profit or loss Rm	Company At amortised cost Rm
Classes of financial instruments per statement of financial position			
Assets		**154**	**10 204**
Other investments	7.2.3	60	–
Trade and other receivables[1]	4.3	–	8 273
SMME loans	7.3	–	72
Other financial assets	7.3	77	–
Forward exchange contracts		40	–
Firm commitments		22	–
Interest rate swaps		15	–
Finance lease receivables	4.1.1	–	52
Cash and cash equivalents	4.4	–	1 807
Investment in equity fund	7.3	10	–
Investment in first-party cell captive	7.3	7	–
Liabilities		**(125)**	**(27 255)**
Interest-bearing debt	6.4	–	(14 356)
Trade and other payables	4.5	–	(12 874)
Shareholders for dividend	9.4	–	(25)
Other financial liabilities	7.3	(125)	–
Forward exchange contracts		(39)	–
Firm commitments		(86)	–

Notes to the financial statements continued

for the year ended 31 March 2023

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.2 Risk management continued

2022	Notes	Company At fair value through profit or loss Rm	Company At amortised cost Rm
Classes of financial instruments per statement of financial position			
Assets		137	8 336
Other investments	7.2.3	59	–
Trade and other receivables[1]	4.3	–	6 430
Other financial assets	7.3	68	–
Forward exchange contracts		16	–
Firm commitments		52	–
Finance lease receivables	4.1.1	–	99
Cash and cash equivalents	4.4	–	665
Investment in equity fund	7.3	10	–
Restricted cash		–	1 142
Liabilities		(242)	(24 336)
Interest-bearing debt	6.4	–	(11 932)
Trade and other payables	4.5	–	(12 376)
Shareholders for dividend	9.4	–	(28)
Other financial liabilities	7.3	(242)	–
Forward exchange contracts		(137)	–
Firm commitments		(36)	–
Interest rate swaps		(69)	–

[1] *Trade and other receivables are disclosed excluding prepayments of R471 million (31 March 2022: R358 million) for the Company and R912 million (31 March 2022: R617 million) for the Group.*

7.1.3 Fair value of financial instruments

Valuation techniques and assumptions applied for the purposes of measuring fair value
Fair value of all financial instruments noted in the statement of financial position approximates carrying value except as disclosed below.

The fair value of financial instruments is included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. The fair value of cash and short-term deposits, trade and other receivables, contract assets, finance leases, shareholders for dividend and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments and market-related interest rates included in finance lease receivables. Long-term receivables and borrowings are evaluated by the Group based on parameters such as interest rates, specific country factors and the individual creditworthiness of the customer. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at the reporting date, the carrying amount of such receivables, net of allowances, are not materially different from their calculated fair values. Fair values of quoted bonds are based on price quotations at the reporting date.

The carrying amount of financial instruments approximates fair value, with the exception of interest-bearing debt (at amortised cost) for the Company and Group which has a fair value of R14 395 million (31 March 2022: R12 007 million) and a carrying amount of R14 356 million (31 March 2022: R11 932 million).

Notes to the financial statements continued

for the year ended 31 March 2023

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.3 Fair value of financial instruments continued

The fair value of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations.

For financial assets and liabilities not traded in an active market, a valuation technique is applied to derive the fair value, which takes into account quoted prices for similar or identical liabilities in active markets using observable inputs where necessary.

Type of financial instrument – Group	Fair value at 31 March 2023 Rm	Valuation technique	Significant inputs
Derivative assets	81	Discounted cash flows	Yield curves Market interest rates
Derivative liabilities	(131)		
Financial guarantees	(11)	Discounted cash flows	Market foreign exchange rates
Investment in FutureMakers entities	99	Discounted cash flows	Cash flow forecasts and market-related discount rates
Investment in equity fund	10	Discounted cash flows	Cash flow forecasts and market-related discount rates
Investment in first-party cell captive	7	Discounted cash flows	Cash flow forecasts and market-related discount rates
Interest-bearing debt	(14 395)	Discounted cash flows and quoted bond prices	Market interest rates Market foreign exchange rates

Fair value hierarchy
The following table presents the Group's assets and liabilities that are measured at fair value at reporting date. The different levels have been defined as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices, that are observable for the asset or liability.

Level 3: Inputs for the asset or liability that are not based on observable market data.

There were no transfers between levels in the current financial year.

Notes to the financial statements continued

for the year ended 31 March 2023

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.3 Fair value of financial instruments continued

		Group			
2023	Notes	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Assets measured at fair value					
Derivative assets					
Forward exchange contracts	7.3	45	–	45	–
Firm commitments	7.3	21	–	21	–
Interest rate swaps	7.3	15	–	15	–
Investment made by FutureMakers	7.2.3	99	–	–	99
Investment in equity fund	7.3	10	–	–	10
Investment in first-party cell captive	7.3	7	–	–	7
Liabilities measured at fair value					
Derivative liabilities					
Forward exchange contracts	7.3	(45)	–	(45)	–
Firm commitments	7.3	(86)	–	(86)	–
Financial guarantees	7.3	(11)	–	–	(11)
Liabilities measured at amortised cost					
Interest-bearing debt[1]	6.4	(14 395)	–	(14 395)	–
2022					
Assets measured at fair value					
Derivative assets					
Forward exchange contracts	7.3	16	–	16	–
Firm commitments	7.3	53	–	53	–
Investment made by FutureMakers	7.2.3	165	–	–	165
Investment in equity fund	7.3	10	–	–	10
Liabilities measured at fair value					
Derivative liabilities					
Forward exchange contracts	7.3	(147)	–	(147)	–
Firm commitments	7.3	(36)	–	(36)	–
Interest rate swaps	7.3	(69)	–	(69)	–
Financial guarantees	7.3	(22)	–	–	(22)
Liabilities measured at amortised cost					
Interest-bearing debt[1]	6.4	(12 007)	–	(12 007)	–

Notes to the financial statements continued

for the year ended 31 March 2023

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.3 Fair value of financial instruments continued

		Company			
2023	Notes	**Total Rm**	**Level 1 Rm**	**Level 2 Rm**	**Level 3 Rm**
Assets measured at fair value					
Derivative assets					
Forward exchange contracts	7.3	**40**	**–**	**40**	**–**
Firm commitments	7.3	**22**	**–**	**22**	**–**
Interest rate swaps	7.3	**15**	**–**	**15**	**–**
Investment in equity fund	7.3	**10**	**–**	**–**	**10**
Assets measured at cost					
Investment property	5.4	**2 014**	**–**	**–**	**2 014**
Liabilities measured at fair value					
Derivative liabilities					
Forward exchange contracts	7.3	**(39)**	**–**	**(39)**	**–**
Firm commitments	7.3	**(86)**	**–**	**(86)**	**–**
Liabilities measured at amortised cost					
Interest-bearing debt[1]	6.4	**(14 395)**	**–**	**(14 395)**	**–**
2022					
Assets measured at fair value					
Derivative assets					
Forward exchange contracts	7.3	16	–	16	–
Firm commitments	7.3	52	–	52	–
Investment in equity fund	7.3	10	–	–	10
Liabilities measured at fair value					
Derivative liabilities					
Forward exchange contracts	7.3	(137)	–	(137)	–
Firm commitments	7.3	(36)	–	(36)	–
Interest rate swaps	7.3	(69)	–	(69)	–
Liabilities measured at amortised cost					
Interest-bearing debt[1]	6.4	(12 007)	–	(12 007)	–

[1] *The carrying amount of interest-bearing debt is R14 356 million (31 March 2022: R11 932 million) for the Group and the Company. Interest-bearing debt is measured at amortised cost, however is included in the fair value hierarchy table above to achieve the IFRS 13 disclosure requirements relating to the disclosure of fair value.*

7.1.4 Credit risk

Significant accounting judgements, estimates and assumptions

Impairment of financial assets (expected credit losses)

Trade receivables and finance lease receivables
IFRS 9 (Financial Instruments) requires the Group to recognise expected credit losses on financial assets that are measured at amortised cost (loans, trade receivables, other receivables, and cash and cash equivalents) or at fair value through other comprehensive income, on a lease receivable and on a contract asset, either on a 12-month or lifetime basis.

The Group has elected the simplified approach to recognise lifetime expected losses for its trade receivables and lease receivables as permitted by IFRS 9. The historical loss rates are adjusted when their impact is material to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the financial asset.

For trade receivables, impairment losses calculated using the simplified approach are calculated using a provision matrix. The provision matrix is a probability-weighted model, which applies an expected loss percentage, based on the net write-off history experienced on receivables, to each ageing category of receivables at the end of each month in order to calculate the total provision to be raised on the receivable balances.

Trade receivables have been grouped together based on similar credit characteristics and a separate expected loss provision matrix has been calculated for each of the categories based on the net loss history associated with the specific category of receivables.

Following the adoption of IFRS 9, the Group implemented a process whereby trade receivable balances are only written off at the point where there is no longer any probable recovery on a trade receivable balance.

Notes to the financial statements continued

for the year ended 31 March 2023

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.4 Credit risk continued

Significant accounting judgements, estimates and assumption continued

Impairment of financial assets (expected credit losses) continued

Trade receivables and finance lease receivables continued
Whenever a finance lease receivable is billed, the amount is moved from finance lease receivables to trade receivables and forms part of the trade receivables balance. To determine an expected credit loss for the outstanding lease receivables, the total outstanding amounts are proportioned into the various ageing buckets based on the proportions experienced in trade receivables. The same loss rates that are used for the fixed-line trade receivables segment are then applied to the outstanding lease receivables balance to derive the expected loss on finance lease receivables over the lifetime of the instrument. The underlying assumption attached to this is that the exposure to the finance lease balance will realise as the balance is billed to the customer over the lifetime of the instrument and will thus follow the same pattern of expected loss as the trade receivable balance.

Contract assets
The Group has elected the simplified approach to recognise lifetime expected losses for its contract assets as permitted by IFRS 9. The expected credit loss is calculated as a function of default rate multiplied by the balance of the contract asset. The expected loss is calculated using a probability-weighted model, which applies an expected loss percentage based on net write-off history experienced over the average contract remaining period.

Cash and cash equivalents
Expected credit losses on cash and cash equivalents are calculated using the general approach. As cash and cash equivalents are current assets, 12-month and lifetime expected losses are the same. For disclosure purposes, expected credit losses on cash and cash equivalents will be calculated based on a 12-month period if the debtors/bank has low credit risk. Impairment on cash and cash equivalents is calculated at each reporting date. However, no impairment loss is recognised on cash and cash equivalents where the calculated expected credit loss is not material.

Other receivables, loans and financial assets at amortised cost
The Group uses the general approach to calculate expected credit losses on all other receivables, loans and other financial assets that are measured at amortised cost or at fair value through other comprehensive income. The general approach is based on a stage approach – stage one being 12-month expected losses and stage two being lifetime expected losses.

Impairments of all other financial assets that are not measured using the simplified approach will be calculated as the difference between the carrying value of the asset and the present value of the expected cash flows, discounted at the original effective interest rate of the instrument.

Forward-looking information consideration
Historical credit loss rates are adjusted by a forward-looking estimate when there is reason to believe that forward-looking information will have a significant impact. Forward-looking information can be based on the future projections of macro-economics and other available market information. The Group used macro-economics, such as GDP projections, to calculate a forward-looking top-up.

Credit risk management
Credit risk, or the risk of financial loss, is the risk that a counterparty will not meet its contractual obligations as they fall due per the stipulated contractual terms. The Group is exposed to credit risk from its operating activities and from investing activities, including deposits with banks and financial institutions. The Company is not exposed to significant concentrations of credit risk as credit limits are set on an individual basis and reviewed annually.

The Group's maximum exposure to credit risk is represented by the gross carrying amount of the financial assets that are exposed to credit risk.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each type of customer. Management reduces the risk of irrecoverable debt by improving credit management through credit checks and limits. To reduce the risk of counterparty failure, limits are set based on the individual ratings of counterparties by well-known rating agencies. Trade receivables comprise a large and widespread customer base, covering residential, business, government, wholesale, global and corporate customer profiles.

Credit checks are performed on all customers, other than pre-paid customers, on application for new services on an ongoing basis, where appropriate.

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed annually or when the need arises. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

The Group and Company have the following types of assets that are subject to the expected credit loss model:
- Trade receivables from the Group's ordinary activities;
- Contract assets
- Finance lease receivables
- Other receivables
- Loans
- Asset finance receivables
- Cash and cash equivalents
- Restricted cash

Notes to the financial statements continued

for the year ended 31 March 2023

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.4 Credit risk continued

Credit risk management continued

The maximum exposure to credit risk for financial assets at the reporting date by type of instrument and counterparty was:

	Group – Carrying amount		Company – Carrying amount	
	2023 Rm	2022 Rm	**2023 Rm**	2022 Rm
Trade receivables (refer to note 4.3)	**6 877**	5 210	**4 875**	4 880
Telkom SA	**9 627**	7 282	**7 113**	6 518
Business and residential	**3 974**	3 113	**3 741**	3 113
Global, corporate and wholesale	**4 344**	3 500	**2 199**	2 771
Government	**1 163**	564	**1 173**	551
Other customers	**146**	105	**–**	83
South African subsidiaries	**158**	224	**–**	–
Impairment of trade receivables (refer to note 4.3)	**(2 908)**	(2 296)	**(2 238)**	(1 638)
Contract assets (refer to note 3.2.4.1)	**2 440**	2 055	**2 440**	1 976
Gross contract assets	**2 948**	2 551	**2 948**	2 472
Impairment of contract assets (refer to note 3.2.4.1)	**(508)**	(496)	**(508)**	(496)
Subtotal for trade receivables and contract assets	**9 317**	7 265	**7 315**	6 856
Other receivables	**1 525**	1 970	**3 398**	1 550
Loans to Openserve (refer to note 7.2.1)	**-**	-	**8 760**	-
Loans granted to Openserve	**-**	-	**8 817**	-
Impairment of Openserve loans	**-**	-	**(57)**	-
SMME loans (refer to note 7.3)	**72**	-	**72**	-
SMME loans granted	**99**	-	**99**	-
Impairment of SMME loans	**(27)**	-	**(27)**	-
Derivatives	**66**	69	**62**	68
Other investments	**99**	165	**-**	-
Finance lease receivables	**673**	407	**62**	99
Net cash and cash equivalents	**3 469**	3 239	**1 807**	665
Restricted cash	**4**	1 142	**-**	1 142
	15 225	14 257	**21 476**	10 380

Impairment of financial assets
The Group's approach and methodology when calculating expected credit losses under IFRS 9 are shown in the sub-sections below. Refer to note 4.3 for the reconciliation of the expected credit loss balances recognised.

Trade receivables and contract assets
The Group's receivables are split between different customer segments. Lifetime expected credit losses are calculated per segment for trade receivables using the simplified approach as the instruments do not contain a significant financing component. This is calculated using a provision matrix which has been derived from the Group's historical ageing and write-off data by considering the expected provision of a debtor based on its age at the end of the reporting period, as well as a provision being raised for the debtor based on the likelihood of it ending up in the ageing category where the instrument is likely to be written off.

For contract asset debtors, the Group uses loss rates from the trade receivables ageing analysis. These are not applied at a segment level, but an average loss rate is calculated per ageing bucket, evenly weighting the various segments and applying these across the contract asset debtors.

Application of forward-looking information
The Group calculated ECL on trade receivables, finance lease receivables, contract assets, cash and cash equivalents, and other receivables and loans, based on the IFRS 9 principles. In the current year, the Group adjusted the ECL rates for forward-looking information based on professional judgement around the future projections of macro-economics and other market-available information. The Group used macro-economics, such as GDP projections, to calculate forward-looking values. Based on the above, the Group did not adjust the ECL rates for forward-looking information as the impact was determined to be immaterial.

Post write-off recoveries
The Company's receivable books data shows that a significant proportion of recoveries come through subsequent to an account being written off. In the fixed-line book, for example, accounts are written off fairly quickly, as the collection strategy after write-off is more effective than before. Post write-off recoveries are taken into account in the expected credit loss model.

Notes to the financial statements continued

for the year ended 31 March 2023

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.4 Credit risk continued

Impairment of receivables, contract assets and loans	Group – Carrying amount 2023 Rm	Group – Carrying amount 2022 Rm	Company – Carrying amount 2023 Rm	Company – Carrying amount 2022 Rm
Impairment of receivables (refer to note 4.3)	(1 112)	(534)	(945)	(421)
Impairment of contract assets (refer to note 3.2.4.1)	(116)	(269)	(116)	(269)
Impairment of Openserve loans (refer to note 7.2.2)	–	–	(57)	–
Impairment of SMME loans (refer to note 7.3)	(27)	–	(27)	–
	(1 255)	(803)	(1 145)	(690)

The ageing of trade receivables at the reporting date was:	Group – Carrying amount 2023 Trade receivables ageing Rm	Group – Carrying amount 2023 Allowance for expected credit losses ageing Rm	Group – Carrying amount 2023 Average expected credit loss ratio %	Company – Carrying amount 2023 Trade receivables ageing Rm	Company – Carrying amount 2023 Allowance for expected credit losses ageing Rm	Company – Carrying amount 2023 Average expected credit loss ratio %
Current	5 140	336	6.5	3 578	214	6.0
21 to 60 days past due	925	140	15.1	546	126	23.1
61 to 90 days past due	350	142	40.6	267	133	49.8
91 to 120 days past due	255	132	51.8	198	125	63.1
121 to 150 days past due	369	124	33.6	322	86	26.7
151 to 240 days past due	578	279	48.3	489	209	42.7
241 to 330 days past due	381	214	56.2	362	198	54.7
331 to 361 days past due	144	109	75.7	137	101	73.7
361+ days past due	1 643	1 432	87.2	1 214	1 046	86.2
	9 785	2 908	29.7	7 113	2 238	31.5

The ageing of trade receivables at the reporting date was:	Group – Carrying amount 2022 Trade receivables ageing Rm	Group – Carrying amount 2022 Allowance for expected credit losses ageing Rm	Group – Carrying amount 2022 Average expected credit loss ratio %	Company – Carrying amount 2022 Trade receivables ageing Rm	Company – Carrying amount 2022 Allowance for expected credit losses ageing Rm	Company – Carrying amount 2022 Average expected credit loss ratio %
Current	4 006	171	4.3	3 486	86	2.5
21 to 60 days past due	585	134	22.9	536	108	20.1
61 to 90 days past due	275	82	29.8	257	72	28.0
91 to 120 days past due	231	110	47.6	168	91	54.1
121 to 150 days past due	103	93	90.3	97	85	87.9
151 to 240 days past due	564	323	57.3	432	209	48.4
241 to 330 days past due	223	191	85.7	216	170	78.8
331 to 361 days past due	162	132	81.5	167	123	73.7
361+ days past due	1 357	1 060	78.1	1 159	694	59.9
	7 506	2 296	30.6	6 518	1 638	25.1

Notes to the financial statements continued

for the year ended 31 March 2023

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.4 Credit risk continued

The movement in the allowance for impairment in respect of trade receivables during the year is disclosed in note 4.3.

Included in the allowance for impairment for the Company are individually impaired receivables with a balance of R169 million (31 March 2022: R166 million) which have been identified as being unable to service their debt obligation. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the future cash flows. The Group does not hold any collateral over these balances.

The Group and Company do not age the contract asset as none of the amounts related to the contract asset is past due. Telkom uses one rate across all the contract assets and that rate is the average of the contract assets over the average remaining life of the contract asset.

Cash and cash equivalents
As at the reporting date, the Group has not recognised any expected credit losses for cash and cash equivalents. This approach will only be reconsidered should there be a future downgrade of the banks with which the amounts are invested.

7.1.5 Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group is exposed to liquidity risk as a result of variable cash flows as well as capital commitments of the Group.

The Group's treasury department manages liquidity risk in accordance with policies and guidelines formulated by the Group's Executive Committee. In terms of the borrowing requirements, the Group ensures that sufficient facilities exist to meet its immediate obligations. Short-term liquidity gaps may be funded through undrawn facilities and commercial paper bills.

The table below summarises the maturity profile of the Group's financial liabilities based on undiscounted contractual cash flows at the reporting date.

		Group					
2023	Notes	**Carrying amount Rm**	**Contractual cash flows Rm**	**0 – 12 months Rm**	**1 – 2 years Rm**	**2 – 5 years Rm**	**>5 years Rm**
Non-derivative financial liabilities							
Interest-bearing debt	6.4	**14 356**	**18 232**	**3 435**	**4 504**	**8 334**	**1 959**
Lease liabilities	6.3.2	**5 889**	**7 530**	**1 616**	**1 557**	**3 096**	**1 261**
Trade and other payables	4.5	**10 419**	**10 419**	**10 419**	**–**	**–**	**–**
Shareholders for dividend	9.4	**25**	**25**	**25**	**–**	**–**	**–**
Asset finance payables	7.3	**309**	**309**	**309**	**–**	**–**	**–**
Financial guarantees	7.3	**11**	**11**	**11**	**–**	**–**	**–**
Vendor financing	7.3	**217**	**217**	**217**	**–**	**–**	**–**
Derivative financial liabilities							
Firm commitments	7.3	**86**	**86**	**86**	**–**	**–**	**–**
Forward exchange contracts	7.3	**45**	**45**	**45**	**–**	**–**	**–**
		31 357	**36 874**	**16 163**	**6 061**	**11 430**	**3 220**

		Group					
2022	Notes	Carrying amount Rm	Contractual cash flows Rm	0 – 12 months Rm	1 – 2 years Rm	2 – 5 years Rm	>5 years Rm
Non-derivative financial liabilities							
Interest-bearing debt	6.4	11 932	13 890	4 330	2 335	6 482	743
Lease liabilities	6.3.2	5 374	6 850	1 366	1 277	2 805	1 402
Trade and other payables	4.5	10 339	10 339	10 339	–	–	–
Shareholders for dividend	9.4	28	28	28	–	–	–
Asset finance payables	7.3	200	200	200	–	–	–
Financial guarantees	7.3	22	22	22	–	–	–
Vendor financing	7.3	159	159	159	–	–	–
Derivative financial liabilities							
Interest rate swaps	7.3	69	69	69	–	–	–
Firm commitments	7.3	36	36	36	–	–	–
Forward exchange contracts	7.3	147	147	147	–	–	–
		28 306	31 740	16 696	3 612	9 287	2 145

Notes to the financial statements continued

for the year ended 31 March 2023

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.5 Liquidity risk management continued

2023	Notes	Company Carrying amount Rm	Contractual cash flows Rm	0 – 12 months Rm	1 – 2 years Rm	2 – 5 years Rm	>5 years Rm
Non-derivative financial liabilities							
Interest-bearing debt	6.4	14 356	18 232	3 435	4 504	8 334	1 959
Lease liabilities	6.3.2	5 355	6 668	1 516	1 446	2 879	827
Trade and other payables	4.5	12 874	12 874	12 874	–	–	–
Shareholders for dividend	9.4	25	25	25	–	–	–
Derivative financial liabilities							
Firm commitments	7.3	86	86	86	–	–	–
Forward exchange contracts	7.3	39	39	39	–	–	–
		32 735	37 924	17 975	5 950	11 213	2 786

2022	Notes	Company Carrying amount Rm	Contractual cash flows Rm	0 – 12 months Rm	1 – 2 years Rm	2 – 5 years Rm	>5 years Rm
Non-derivative financial liabilities							
Interest-bearing debt	6.4	11 932	13 887	4 327	2 335	6 482	743
Lease liabilities	6.3.2	6 103	7 418	1 956	1 897	2 545	1 020
Trade and other payables	4.5	12 376	12 376	12 376	–	–	–
Shareholders for dividend	9.4	28	28	28	–	–	–
Derivative financial liabilities							
Interest rate swaps	7.3	69	69	69	–	–	–
Firm commitments	7.3	36	36	36	–	–	–
Forward exchange contracts	7.3	137	137	137	–	–	–
		30 681	33 951	18 929	4 232	9 027	1 763

Supplier financing arrangements

The Group participates in supply chain financing (SCF) arrangements. The Group continues to pay its suppliers based on the agreed payment terms and provides no guarantees granted to the participating funders. The arrangement does not have an impact on the Group's trade payables, net debts and cash flows. Invoices subject to supplier finance are classified as trade payables based on management's judgement applied. Cash paid in relation to these suppliers is recognised as part of cash paid to suppliers and employees in operating activities in the cash flow statement.

The supplier's participation is entirely at the supplier's discretion. The arrangement allows suppliers to trade the invoice and receive the funding earlier than the invoice due date. During the current reporting period, suppliers have traded invoices amounting to R3 600 million through SCF, of which R530 million is due after 31 March 2023 (31 March 2022: suppliers have traded invoices amounting to R3 797 million through SCF, of which R814 million was due after 31 March 2022).

7.1.6 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective of market risk management is to manage and control market risk exposure. Market risks comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity risk.

Changes in the market prices have an impact on the values of the underlying derivatives, and an analysis has been prepared on the basis of changes in one variable and all other variables remaining constant.

The Financial Stability Board has initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets. The South African Revenue Bank (SARB) has indicated their intention to move away from JIBAR and to create an alternative reference rate for South Africa. The SARB has indicated their initial preference for the adoption of the South African Rand Overnight Index Average (ZARONIA) as the preferred unsecured candidate to replace JIBAR in cash and derivative instruments. ZARONIA has been published for the purposes of observing the rate and how it behaves, but has not been formally adopted by the SARB as the successor rate to JIBAR. Accordingly, there is still uncertainty surrounding the timing and manner in which the transition would occur and how this would affect various financial instruments held by the Group.

Notes to the financial statements continued

for the year ended 31 March 2023

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.6 Market risk continued

Interest rate risk management
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises from the repricing of the Group's forward cover and floating rate debt as well as incremental funding or new borrowings and refinancing of existing borrowings.

The Group's policy is to manage interest cost through the utilisation of a mix of fixed and floating rate debt. In order to manage this mix in a cost-efficient manner and to hedge specific exposure in the interest rate repricing profile of the existing borrowings, the Group makes use of interest rate swaps. Fixed rate debt represents approximately 29% (2022: 43%) of the total debt. The debt has been maintained to limit the Group's exposure to interest rate increases.

The guideline is to target a fixed/floating debt ratio of 30% to 70% fixed, but adjusted to market conditions. In a scenario of low interest rates, a higher ratio may be established.

The table below summarises the interest rate swaps outstanding as at the reporting date:

	Group		Company	
	Average maturity	Notional amount Rm	Average maturity	Notional amount Rm
2023				
Interest rate swaps outstanding				
Pay fixed and receive floating	**1.25 years**	**2 277**	**1.25 years**	**2 277**
2022				
Interest rate swaps outstanding				
Pay fixed and receive floating	1.85 years	2 869	1.85 years	2 869

The floating rate is based on the three-month JIBAR, and is settled quarterly in arrears. The interest rate swaps are used to manage interest rate risk on debt instruments.

Foreign currency exchange rate risk management
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's foreign currency exposure arises in its procurement environment where opex and capex items are procured from international suppliers. The Group manages its foreign currency exchange rate risk by hedging all identifiable exposures via various financial instruments suitable to the Group's risk exposure.

The Group enters into forward exchange contracts to hedge foreign currency exposure of the Group's operations and liabilities.

Refer to note 7.3 for the balances recognised relating to hedging instruments and hedged items.

The following table details the forward exchange contracts outstanding at the reporting date:

	Group		Company	
Purchased	Foreign contract value m	Contract value Rm	Foreign contract value m	Contract value Rm
2023				
Currency				
USD	**191**	**3 423**	**167**	**3 004**
Euro	**14**	**284**	**10**	**201**
Chinese Yuan	**202**	**533**	**202**	**533**
		4 240		**3 738**
2022				
Currency				
USD	207	3 157	184	2 825
Euro	14	245	14	242
Chinese Yuan	356	831	356	831
		4 233		3 898

Notes to the financial statements continued

for the year ended 31 March 2023

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.6 Market risk continued

Sell	Group Foreign contract value m	Group Contract value Rm	Company Foreign contract value m	Company Contract value Rm
2023				
Currency				
USD	1	18	–	–
Euro	1	16	–	–
		34	–	–
2022				
Currency				
USD	–	2	–	–
Chinese Yuan	64	148	64	148
		150		148

The Group has various monetary assets and liabilities in currencies other than the parent company's functional currency. The following table represents the net currency exposure (net carrying amount of foreign denominated monetary assets and liabilities) of the Group according to the different foreign currencies.

	Group					Company			
	Euro Rm	United States Dollar Rm	Chinese Yuan Rm	British Pound Sterling Rm	Other Rm	Euro Rm	United States Dollar Rm	Chinese Yuan Rm	Other Rm
2023									
Net foreign currency monetary assets/(liabilities)									
Functional currency of company operation									
South African rand	(41)	(1 272)	(236)	1	(1)	(32)	(1 180)	(204)	(1)
2022									
Net foreign currency monetary assets/(liabilities)									
Functional currency of company operation									
South African rand	(26)	(1 039)	(258)	1	(2)	(27)	(1 072)	(258)	(3)

Sensitivity analysis

Interest rate risk

An interest rate sensitivity analysis is based on an increase or decrease of 1% (100 basis points) in the South African market interest rates and the prevailing information as at the reporting date.

The analysis assumes that all other variables remain constant. The analysis and changes in interest rates are performed on the same basis as was used in prior years.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the profit/loss for the year ended 31 March 2023 would decrease/increase by R44 million (31 March 2022: decrease/increase by R72 million) for the Group and R32 million (31 March 2022: decrease/increase by R55 million) for the Company.

Notes to the financial statements continued

for the year ended 31 March 2023

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.6 Market risk continued

The following table illustrates the sensitivity to a 100 basis points change in the interest rates (1%) on profit/loss before taxes, with all other variables held constant:

	Group movement		Company movement	
Classes of financial instruments per statement of financial position	**+ 1% Profit Rm**	**- 1% Profit Rm**	**+ 1% Profit Rm**	**- 1% Profit Rm**
2023				
Assets				
Other financial assets	41	(41)	26	(26)
Forward exchange contracts	5	(5)	5	(5)
Cash and cash equivalents	9	(9)	–	–
Interest rate swaps	21	(21)	21	(21)
Finance lease receivables	6	(6)	–	–
Liabilities				
Other financial liabilities	3	(3)	6	(6)
Forward exchange contracts	6	(6)	6	(6)
Asset finance payable	(3)	3	–	–
	44	(44)	32	(32)
2022				
Assets				
Other financial assets	19	(19)	–	–
Cash and cash equivalents	17	(17)	–	–
Finance lease receivables	2	(2)	–	–
Liabilities				
Other financial liabilities	53	(53)	55	(55)
Interest rate swaps	44	(44)	44	(44)
Forward exchange contracts	11	(11)	11	(11)
Asset finance payable	(2)	2	–	–
	72	(72)	55	(55)

Foreign exchange currency risk

The foreign currency sensitivity analysis is based on a 10% strengthening or weakening of the rand against all currencies from the rates applicable and prevailing information as at the reporting date.

If foreign exchange rates had been 10% higher/lower and all other variables were held constant, the Group's and Company's profit/loss for the year ended 31 March 2023 would increase/decrease by R305 million for Group (31 March 2022: increase/decrease by R127 million) and R303 million for Company (31 March 2022: increase/decrease by R130 million).

Notes to the financial statements continued

for the year ended 31 March 2023

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.6 Market risk continued

The following table illustrates the sensitivity to a 10% change in the exchange rates before taxes, with all other variables held constant:

	Group		Company	
Classes of financial instruments per statement of financial position	**+ 10% movement (Depreciation) Rm**	**- 10% movement (Appreciation) Rm**	**+ 10% movement (Depreciation) Rm**	**- 10% movement (Appreciation) Rm**
2023				
Assets				
Other financial assets	161	(161)	161	(161)
Firm commitments	123	(123)	123	(123)
Forward exchange contracts	38	(38)	38	(38)
Liabilities				
Other financial liabilities	(455)	455	(454)	454
Firm commitments	(123)	123	(123)	123
Forward exchange contracts	(332)	332	(331)	331
Interest-bearing debt	(10)	10	(10)	10
Financial guarantees	(1)	1	–	–
	(305)	305	(303)	303
2022				
Assets				
Other financial assets	(216)	216	(216)	216
Firm commitments	(216)	216	(216)	216
Liabilities				
Other financial liabilities	357	(357)	358	(358)
Forward exchange contracts	357	(357)	358	(358)
Interest-bearing debt	(12)	12	(12)	12
Financial guarantees	(2)	2	–	–
	127	(127)	130	(130)

7.1.7 Equity price risk

The Group's investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. Changes in the fair value of equity securities held by the Group will fluctuate because of changes in market prices, caused by factors specific to the individual equity issuer, or factors affecting all similar equity securities traded on the market. The Group is not exposed to commodity price risk. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board reviews and approves all equity investment decisions above R100 million.

At the reporting date, the total amount for local equity investments was R103 million (31 March 2022: R167 million). A 10% increase (31 March 2022: 10% increase) in the local equity portfolios at the reporting date would have increased profit or loss by R10 million (31 March 2022: R17 million) before tax. An equal and opposite change would have decreased profit or loss. A 10% fluctuation represents management's assessment of the reasonably possible changes in equity prices.

There will be no other impact on equity as the equity securities are classified as at fair value through profit or loss. The analysis assumes that all other variables remain constant and is performed on the same basis as the prior year.

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, inter alia, 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, finance cost, tax, depreciation, amortisation, write-offs, impairments and losses and includes significant financing revenue recognised under IFRS 15 (Revenue from Contracts with Customers).

Notes to the financial statements continued

for the year ended 31 March 2023

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.8 Capital management continued

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

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Non-current portion of interest-bearing debt	**11 999**	8 221	**11 999**	8 221
Current portion of interest-bearing debt	**2 357**	3 711	**2 357**	3 711
Less: Cash and cash equivalents	**(3 469)**	(3 239)	**(1 807)**	(665)
Less: Restricted cash	**(4)**	(1 142)	**–**	(1 142)
Net debt	**10 883**	7 551	**12 549**	10 125
EBITDA	**8 487**	11 908	**4 824**	9 259

7.2 Investments

7.2.1 Investment in subsidiaries

	Company	
	31 March 2023 Rm	31 March 2022 Rm
Investment in subsidiaries	**14 713**	8 376
Openserve (Pty) Ltd[1]	**6 641**	–
100% shareholding at cost	**11 296**	–
Impairment	**(4 655)**	–
Yellow Pages (Pty) Ltd (formerly known as TDS Directory Operations/Trudon)[2]	**30**	326
100% shareholding at cost	**326**	326
Impairment	**(44)**	–
Return of investment	**(252)**	–
Swiftnet (Pty) Ltd (Gyro Masts and Towers)		
100% shareholding at cost	**1 239**	1 239
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 Solutions (Pty) Ltd		
100% shareholding at cost (R100)	**5**	5
Investment in the FutureMakers Fund	**90**	98

[1] *On 14 July 2022, the Telkom Board approved the carve-out and legal separation of the Openserve division through the sale of Telkom's infrastructure business as a going concern to Openserve NewCo (Openserve (Pty) Ltd) effective 1 September 2022, resulting in Openserve (Pty) Ltd becoming a 100% subsidiary of Telkom (refer to note 2.6).*

[2] *The Company entered into a sale of business agreement with its 100% owned subsidiary, Yellow Pages. The operations of Yellow Pages have been integrated into Telkom effective 1 July 2022. The legal entity known as Yellow Pages (Pty) Ltd will continue as a going concern due to the subsidiaries that still reside therein as well as their separate operations.*

Impairment considerations

The Company holds a 100% interest in BCX, Openserve and Yellow Pages and accounts for these investment 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.

Management noted that the investment in Openserve plus the loans granted to Openserve were higher than the net asset value of Openserve. Therefore, an impairment test was carried out on the investment in Openserve.

Management utilised the value in use approach, using the discounted cash flow method, as the valuation basis for the Openserve CGU. Based on this, the income approach was used. The Openserve legal entity's five-year period budget approved by senior management and the Board of the Group was used for the discounted cash flow.

Results	**2023 Rm**
Investment in Openserve	**11 296**
Loans to Openserve	**8 760**
Total	**20 056**
Recoverable amount	**15 401**
Impairment	**(4 655)**

Notes to the financial statements continued

for the year ended 31 March 2023

7. Financial risk continued

7.2 Investments continued

7.2.2 Loans to subsidiaries

	Company Carrying value 2023 Rm	Company Carrying value 2022 Rm
Loans to subsidiaries	**9 164**	500
Loan to Swiftnet	**404**	500
Loans to Openserve	**8 760**	–
Loans granted to Openserve	**8 817**	–
Non-current portion of loans granted to Openserve	**8 691**	–
Current portion of loans granted to Openserve	**126**	–
Impairment loss on loans to Openserve	**(57)**	–

Loan to Swiftnet
The Telkom Board approved a R500 million loan from Telkom to Swiftnet on 31 March 2022. The loan was provided to Swiftnet to finance capital expenditure requirements and/or discharge indebtedness incurred for the purposes of financing such capital expenditure requirements. The loan is payable over 5.5 years and accrues interest at a rate of three-month JIBAR plus a margin of 1.65%. The payments against the loan are on a voluntary basis by the borrower.

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

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 payments will be made against the loan.

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.

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 period was limited to the 12-month ECL. During the current financial year, no material ECL was accounted for on the loan to Swiftnet and an impairment loss of R57 million was accounted for on the loans to Openserve.

7.2.3 Other investments

Summary of significant 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 Information and Technology 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 financial statements and included in cash and cash equivalents in the Group financial statements.

Investment in associate
The Number Portability Company 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 to 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 will pay insurance premiums to Guardrisk periodically. In the event that a life is lost, the claims will be paid from the cell captive.

The first-party cell is not subject to IFRS 17 or IFRS 4 as it is not an insurance contract as defined in IFRS 4. The Telkom share subscription is accounted for as an IFRS 9 financial asset at fair value through profit or loss.

Notes to the financial statements continued

for the year ended 31 March 2023

7. Financial risk continued

7.2 Investments continued

7.2.3 Other investments continued

Investment in insurance third-party cell captive
Telkom has entered into a third-party cell captive arrangement with Mutual and Federal and Guardrisk. Both Mutual and Federal and Guardrisk are licensed insurance companies. Mutual and Federal underwrites the Telkom device insurance and Guardrisk underwrites the Telkom life insurance.

Both third-party cells are ring-fenced insurance businesses and Telkom's participation is restricted to the results of the insurance businesses. The cell captive arrangements effectively represent investments in a separate class of shares in the cell captive insurer (Guardrisk and Mutual and Federal). The customer is responsible for paying the premium.

Insurance risk
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 the Mutual and Federal third-party cell captive and the Guardrisk third-party cell captive meet the IFRS 4 (Insurance Contracts) definition of an insurance contract. Accordingly, the cell captive arrangement is accounted for in terms of IFRS 4.

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 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 a sizeable insurance risk from the third parties (policyholders) in a controlled manner by investing in the businesses that are liable to compensate the third party in the event a specified risk occurs.

The following are events/risks that may lead to insufficient capital being available to honour the customer claims:

- Loss rate risk – risk that the actual experienced loss/claims are higher than that assumed and cannot be covered by collected insurance premiums. For device insurance, this talks to claims due to loss of devices or accidental physical damage or theft. For life insurance, this relates to loss of insured life/assumed mortality rate.
- 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.

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. Due to the insignificance of the risk exposure at this stage on both cell captives, Telkom has opted not to reinsure its insurance risk on both cell captives.

Telkom develops an annual business plan and its performance is reviewed on a monthly basis, including the assessment of financial statements of the respective cell to monitor the financial performance and position. The risks are also mitigated through the cell captive arrangement with Mutual and Federal and Guardrisk, respectively, as both companies have vast experience in the insurance and financial management of insurance contracts. The claims ratio is closely monitored to ensure that they have considered all the possible risk, and mitigation actions are implemented.

Concentrations of insurance risk
In determining the value of the insurance liability/asset position, assumptions are made regarding the loss rates. The insurance investment is more sensitive to the loss/claim rates. Aligned with IFRS 4 requirements, on initial recognition, Telkom recognised its contribution to the cell captives as an investment in insurance cell captive in the statement of financial position.

The assumptions are informed by extensive industry-level insights and experience and are assessed annually. The assumptions are aligned to the Standards of Actual Practice. The uncertainty of these rates may result in the actual experienced claims being different from the assumptions, however, due to the close monitoring of the claims behaviour and vast experience and understanding of the insurance business, the difference between the assumptions and actuals are both quantitatively and qualitatively immaterial. Additionally, the uncertainties are resolved within a short period of time (less than 12 months). Management is of the view that at this stage risk exposure is not material enough to warrant reinsuring the risk. The risk arising from the sensitivity of the assumptions are mitigated through the governance and close monitoring of the cell performance and position by the management of Telkom's insurance division and the respective cell captive boards.

Measurement
Aligned with IFRS 4 requirements, on initial recognition, Telkom recognised its contribution to the cell captives as an investment in cell captives in the statement of financial position.

Subsequently, the results of the insurance business are determined in accordance with the shareholders' agreement. In accordance with IFRS 4, the underwriting activities are determined on an annual basis whereby the earned premiums and incurred costs of claims and related expenses are recognised as an insurance service result in the statement of profit or loss and other comprehensive income.

Notes to the financial statements continued

for the year ended 31 March 2023

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 results of the cell captive arrangements are presented on a net basis in the statement of financial position as either a net receivable from, or net payable to, the Group as an investment in cell captives. The value of the investment in the insurance cell captives is determined based on the net asset value of the insurance cell captives at the reporting date. Movements during the year, which are included in the net returns of the investment in insurance cell captives, comprise the following:

- Premiums earned;
- Claims recovered;
- Investment and other income earned from the cell captive assets;
- Claims paid; and
- Other operational and marketing expenses.

Telkom does not incur or recognise any commission from this existing insurance contract.

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. The insurance liability in the cell is derecognised from the statement of financial position when it is extinguished. The insurance liability is extinguished when the obligation specified in the contract is discharged or cancelled or expires based on the insurance contract terms.

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Non-current other investments				
Unlisted investment	**108**	170	**–**	–
FutureMakers Fund	**99**	165	**–**	–
Investment	**99**	175	**–**	–
Devaluation/impairment	**–**	(10)	**–**	–
Investment in associates	**9**	5	**–**	–
Current other investments	**61**	59	**60**	59
Investment in third-party cell captive	**4**	3	**4**	3
Investment in insurance cell captive	**57**	56	**56**	56
Initial investment	**5**	5	**5**	5
Insurance service result	**52**	51	**51**	51
Insurance service result				
At 1 April	**51**	56	**51**	56
Net insurance revenue	**1**	(2)	**1**	(2)
Premiums earned	**195**	126	**195**	126
Claims paid	**(174)**	(84)	**(174)**	(84)
Investment income	**6**	3	**6**	3
Gross commission paid	**(3)**	(3)	**(3)**	(3)
Other expenses	**(22)**	(15)	**(22)**	(15)
Preference dividend paid	**–**	(22)	**–**	(22)
Taxation paid	**(1)**	(7)	**(1)**	(7)
At 31 March	**52**	54	**52**	54

Notes to the financial statements continued

for the year ended 31 March 2023

7. Financial risk continued

7.3 Other financial assets and liabilities

Summary of significant 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 SMEs. This partnership of the fund and the accredited companies will also build a high-quality mentorship cohort to support said enterprises and entrepreneurs. Pursuant to the aforesaid initiative, various leading private sector entities committed to provide equity funding to the fund.

In the prior financial year, Telkom entered into an agreement with this fund in terms of which Telkom will provide equity funding through share subscriptions at a 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 receivables and asset finance payables
The Group leases equipment to certain customers. In BCX, the business model for managing finance lease receivables is to collect contractual cash flows. Some finance lease receivables are also securitised to financial institutions. 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.

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Other financial assets				
Non-current other financial assets	**182**	113	**89**	10
Other financial assets at amortised cost	**165**	103	**72**	–
Asset finance receivables	**93**	103	**–**	–
SMME loans	**72**	–	**72**	–
Other financial assets at fair value through profit or loss	**17**	10	**17**	10
Investment in equity fund	**10**	10	**10**	10
Investment in first-party cell captive	**7**	–	**7**	–
Current other financial assets	**93**	69	**77**	68
Other financial assets at fair value through profit or loss				
Derivative instruments used for hedging	**81**	69	**77**	68
Forward exchange contracts[1]	**45**	16	**40**	16
Firm commitments[1]	**21**	53	**22**	52
Interest rate swaps[1]	**15**	–	**15**	–
Short-term loans and advances	**12**	–	**–**	–
Other financial liabilities				
Non-current other financial liabilities	**(198)**	(106)	**–**	–
Other financial liabilities at amortised cost				
Asset finance payables[2]	**(198)**	(106)	**–**	–
Current other financial liabilities	**(470)**	(527)	**(125)**	(242)
Other financial liabilities at amortised cost	**(328)**	(253)	**–**	–
Asset finance payables[2]	**(111)**	(94)	**–**	–
Vendor financing	**(217)**	(159)	**–**	–
Other financial liabilities at fair value through profit or loss	**(142)**	(274)	**(125)**	(242)
Derivative instruments used for hedging	**(131)**	(252)	**(125)**	(242)
Forward exchange contracts[1]	**(45)**	(147)	**(39)**	(137)
Firm commitments[1]	**(86)**	(36)	**(86)**	(36)
Interest rate swaps[1]	**–**	(69)	**–**	(69)
Financial guarantees	**(11)**	(22)	**–**	–

[1] *The movement in the forward exchange contracts and firm commitments relates to the volatility of the forex market. The decrease in the interest rate swaps liability and increase in the interest rate swaps asset is due to the realisation of the losses and increasing interest rates. The Group pays the fixed interest leg of the swap and receives the floating interest leg in return. The interest rate swaps are used to hedge the debt which is predominately floating rate debt.*

[2] *The increase in asset finance payables in the current year is due to the increase in the number of high-value asset financing transactions that have been concluded.*

Notes to the financial statements continued

for the year ended 31 March 2023

7. Financial risk continued

7.3 Other financial assets and liabilities continued

SMME loans

The Group grants interest-free loans for 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.

In the current financial period, Absa Group Limited, on behalf of Telkom, entered into loan agreements with seven Small Medium Macro Enterprises (SMMEs)/borrowers. Absa Group Limited has been appointed by Telkom to act as its agent for the purposes of managing and administering the Enterprise and Supplier Development (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 installments and period terms.

Aligned with IFRS 9 principles, Telkom uses the general approach in calculating ECL 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 ECL will be calculated. In the current financial year, an ECL of R27 million was recognised on the loans.

Financial guarantee

The sale of Business Connexion ICT Services (BCX Nigeria), previously a wholly owned subsidiary of Business Connexion International Group Holdings, was concluded on 31 January 2020. BCX has, in the prior years, provided Stanbic Bank with a financial guarantee in respect of BCX Nigeria's banking facility with Stanbic Bank. The guarantee period ends 30 June 2023.

The total exposure on the financial guarantee relating to Nigeria (now a third party - Arravo Global Services) amounts to R11 million as at 31 March 2023 (31 March 2022: R22 million), based on an ECL valuation that was performed to quantify the potential exposure. The total exposure of the financial guarantee will be triggered if Arravo is unable to meet its obligations in terms of the repayment agreement. During the current financial year, the default probability has been assessed by management as being likely. Management accounted for the full exposure as a financial guarantee liability and this is disclosed as part of other financial liabilities.

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 hedge

The foreign forward exchange contracts, designated as fair value hedges, are being used to hedge the exposure to changes attributable to movement in the spot exchange rate 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 every reporting period end through the assessment of the hedged items and hedging instrument to determine whether there is still an economic relationship between the two.

The critical terms of the hedging instrument entered into exactly match the terms of the hedged item. As such, the economic relationship and hedge effectiveness are based on the qualitative factors and the use of a hypothetical derivative, where appropriate.

Notes to the financial statements continued

for the year ended 31 March 2023

7. Financial risk continued

7.3 Other financial assets and liabilities continued

Fair value hedge continued

Derivatives that meet the hedge accounting requirements:

	Group				
	Nominal amount of the hedging instrument Rm	Carrying amount of the hedging instrument Assets Rm	Carrying amount of the hedging instrument Liabilities Rm	Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge effectiveness Rm
2023					
Foreign exchange risk fair value hedging relationship					
Forward exchange contracts	**4 240**	**45**	**(45)**	**Other financial assets and other financial liabilities**	**284**
2022					
Foreign exchange risk fair value hedging relationship					
Forward exchange contracts	4 233	16	(147)	Other financial assets and other financial liabilities	121

	Company				
	Nominal amount of the hedging instrument Rm	Carrying amount of the hedging instrument Assets Rm	Carrying amount of the hedging instrument Liabilities Rm	Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge effectiveness Rm
2023					
Foreign exchange risk fair value hedging relationship					
Forward exchange contracts	**3 738**	**40**	**(39)**	**Other financial assets and other financial liabilities**	**284**
2022					
Foreign exchange risk fair value hedging relationship					
Forward exchange contracts	3 898	16	(137)	Other financial assets and other financial liabilities	121

A decrease in fair value of the forward exchange contracts, designated as fair value hedges, of R284 million (31 March 2022: R121 million) has been recognised in finance charges and fair value movements and offset with a similar gain on the hedged items (property, plant and equipment and inventory). The ineffective portion recognised in the current financial year was immaterial.

Notes to the financial statements continued

for the year ended 31 March 2023

8. Taxation

8.1 Income tax expense

Significant accounting judgements, estimates and assumptions

Management determines the income tax charge in accordance with the applicable tax laws and rules which are subject to interpretation. The calculation of the Group's total tax charge involves judgements and estimations in respect of certain items whose tax treatment cannot be finalised until resolution has been reached with the involved parties. The resolution of some items may give rise to material profits, losses and/or cash flows. Where the effect of tax is not certain, taxation liability estimates are made by management based on the available information, using either the most likely outcome approach or the expected value approach. Tax assets are only recognised when amounts receivable are virtually certain. The resolution of taxation issues is not always within the control of the Group and, as a result, there can be substantial differences between the taxation charge in the statement of profit or loss and other comprehensive income and the current tax payments.

Summary of significant accounting policies

Current tax is calculated as amounts that are expected to be paid (or recovered), using the tax rates and laws that have been enacted or substantively enacted by the reporting period date. Deferred tax is calculated on all taxable temporary differences that exist at the reporting date, except those that are exempted based on IAS 12.

Telkom periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation. The Group establishes provisions where the position is considered more likely than not to occur. The provision is recognised and measured based on the single most likely outcome approach.

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Taxation[1]	**3 531**	(1 167)	**2 039**	(313)
South African normal company taxation	**(499)**	(820)	**–**	11
Current taxation[2]	**(502)**	(827)	**–**	–
Overprovision for prior year	**3**	7	**–**	11
Deferred taxation (refer to note 8.2)	**4 031**	(347)	**2 039**	(324)
Capital allowances[1]	**3 252**	(492)	**1 490**	(566)
Provisions and other allowances	**293**	(186)	**345**	(127)
Tax losses[1]	**470**	353	**197**	345
Acquisition of BCX	**9**	8	**–**	–
Tax rate change	**–**	(24)	**–**	(15)
Overprovision/(underprovision) for prior year[2]	**7**	(6)	**7**	39
Withholding tax	**(1)**	–	**–**	–

	%	%	**%**	%
Reconciliation of taxation rate				
South African normal rate of taxation	**27.0**	28.0	**27.0**	28.0
Increased/(decreased) by the following adjustments:	**(0.9)**	2.7	**(9.7)**	(21.9)
Non-taxable income	**0.1**	(0.3)	**1.3**	(22.6)
Dividends received	**–**	(0.2)	**1.3**	(22.5)
Profit on sale of assets	**–**	(0.1)	**–**	(0.1)
Cell captive fair value adjustments	**–**	–	**–**	–
Other exempt income	**0.1**	–	**–**	–
Non-deductible expenditure[4]	**(0.9)**	2.4	**(11.1)**	1.2
Capital expenditure[5]	**(0.5)**	1.6	**(0.3)**	0.8
IFRS 2 share-based payment adjustments	**0.2**	0.1	**0.2**	0.1
Interest and penalties	**–**	0.1	**–**	–
Other disallowed expenditure[6]	**(0.6)**	0.6	**(11.0)**	0.3
Prior year adjustments	**–**	(0.1)	**0.1**	(0.8)
Prior year (overprovision)/underprovision tax expense[2]	**–**	(0.1)	**0.1**	(0.8)
Other taxes	**(0.1)**	0.7	**–**	0.3
Differences in tax rates, foreign tax and withholding tax	**(0.1)**	–	**–**	–
Tax rate change	**–**	0.7	**–**	0.3
Effective rate[3]	**26.1**	30.7	**17.3**	6.1

[1] *The decrease of R4 698 million in the prior year tax expense to a tax credit of R3 531 million in the current year is primarily due to the decrease in current tax and the current year deferred tax impact of the impairment of property, plant and equipment and intangible assets and tax losses.*

[2] *The decrease in current tax is primarily attributable to the reduction in the Group's profit before tax and taxable income.*

[3] *The decrease of 4.6% in the effective tax rate is primarily attributable to the R17 302 million decline in the Group's profit before tax to a loss before tax, the decrease of R4 698 million in the tax expense to a tax credit and the reduction in the current year's tax credit by an increase in net non-deductible expenses and the 1% reduction in the statutory tax rate from 28% to 27%.*

[4] *The current year tax credit is reduced by the non-deductible expenditure adjustments, whereas the prior year tax expense was increased by these adjustments. The result is a net increase of 3.7% in the net non-deductible expenditure. The primary reason for the increase is addressed below.*

[5] *The increase of 2.1% in the non-deductible capital expenditure is primarily attributable to the current year impairment of property, plant and equipment and intangible assets which is non-deductible, set off by a reduction in assets scrapped that do not qualify for tax deductions.*

[6] *Other comprises mainly the write-off of investments, consulting fees, legal fees and donations which are not tax deductible. The increase of 1.2% is primarily attributable to the write-off of the investments in the FutureMakers Fund and the increase of non-deductible consulting fees.*

Notes to the financial statements continued

for the year ended 31 March 2023

8. Taxation continued

8.2 Deferred taxation

Significant accounting judgements, estimates and assumptions

Deferred taxation asset
Management's judgement is exercised when determining the probability of future taxable profits which will determine whether deferred taxation assets should be recognised or derecognised. The realisation of deferred taxation assets will depend on whether it is possible to generate sufficient taxable income, taking into account any legal restrictions on the length and nature of the taxation asset. When deciding whether to recognise unutilised deferred taxation credits as deferred tax assets, management needs to determine the extent that the future obligations are likely to be available for set-off against the deferred taxation asset. In the event that the assessment of the future obligation and future utilisation changes, the change in the recognised deferred taxation asset is recognised in profit or loss. The carrying amount of the deferred tax asset is reviewed at each reporting date and adjusted to reflect changes in the probability that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Source of estimation uncertainty
Deferred tax assets are recognised for unused tax losses, unused tax credit and deductible temporary differences (as applicable) to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be used. The Group is required to make significant estimates in assessing whether future taxable profits will be available.

Future taxable profits are determined based on business plans for individual entities in the Group and the probable reversal of taxable temporary differences in future. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves. The Group recognised deferred tax assets in the current year amounting to R4 304 million (31 March 2022: R308 million).

Based on the five-year business plan, it is envisaged that Telkom will have future taxable profits available against which the deferred tax asset can be used.

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Deferred taxation[1]	**4 064**	71	**1 415**	(28)
Opening balance	**71**	497	**(28)**	376
Profit and loss and opening balance movements	**4 022**	(356)	**2 039**	(325)
Capital allowances[2]	**3 252**	(493)	**1 490**	(566)
Provisions and other allowances	**293**	(186)	**345**	(128)
Tax losses	**470**	353	**197**	345
Overprovision/(underprovision) prior year	**7**	(6)	**7**	39
Rate change	**–**	(24)	**–**	(15)
Common control transactions/business combinations	**9**	8	**(568)**	–
Other comprehensive income deferred tax impact[1]	**(38)**	(78)	**(28)**	(79)
The balance comprises:	**4 064**	71	**1 415**	(28)
Capital allowances[2]	**(697)**	(3 628)	**(2 242)**	(3 654)
Provisions and other allowances	**3 766**	3 215	**2 873**	3 038
Business combination	**(40)**	(49)	**–**	–
Common control transactions	**(31)**	(30)	**–**	–
Tax losses	**1 523**	1 028	**1 241**	1 017
Other comprehensive income tax impact	**(457)**	(465)	**(457)**	(429)
Deferred taxation balance is made up as follows:[1]	**4 064**	71	**1 415**	(28)
Deferred taxation assets[2]	**4 304**	308	**1 415**	–
Deferred taxation liabilities	**(240)**	(237)	**–**	(28)

[1] *The Group considered the following factors in assessing whether it is probable that the Group will have future taxable profits against which the deferred tax asset (DTA) can be utilised:*
- *It is expected that the circumstances resulting in the Group's tax losses will not continue and that no additional tax losses will arise within the next two to three years.*
- *The DTA that arose as a result of the impairment of property, plant and equipment and intangible assets will be utilised within approximately 8 years through the use of the assets impaired.*

[2] *The increase of R3 993 million in the DTA balance is attributable to the following:*
- *R4 031 million net movement in temporary differences through the statement of profit or loss, primarily as a result of the DTA recognised on the impairment of property, plant and equipment and intangible assets and the DTA recognised on tax losses; and*
- *Set off by the R38 million movement through other comprehensive income (OCI) primarily as a result of the additional deferred tax liability raised in Telkom on the net defined benefit plan remeasurements.*

Notes to the financial statements continued

for the year ended 31 March 2023

8. Taxation continued

8.3 Taxation paid

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	31 March 2023 Rm	31 March 2022 Rm
Taxation paid[1]	(547)	(764)	–	–
Net tax payable at the beginning of the year	27	82	–	(11)
Current taxation	(497)	(827)	–	–
Other	–	8	–	–
Interest accrued	–	–	–	11
Net tax payable at the end of the year	(77)	(27)	–	–

[1] *Taxation paid in the current year is R217 million lower than the R764 million paid in FY2022 as a result of a reduction in the Group's profits.*

9. Equity structure

9.1 Share capital

Authorised and issued share capital is made up as follows:	Group 31 March 2023 Rm	Group 31 March 2022 Rm	Company 31 March 2023 Rm	Company 31 March 2022 Rm
Authorised				
1,000,000,000 ordinary shares of R10 each	10 000	10 000	10 000	10 000
Issued				
504,975,439 (31 March 2022: 504,975,439) ordinary shares of R10 each (fully paid up)	5 050	5 050	5 050	5 050
6,164,800 (31 March 2022: 6,164,800) shares at no consideration[1]	–	–	–	–

[1] *This relates to shares issued in terms of the employee share scheme.*

The following table illustrates the movement within the number of shares issued:	Number of shares		Number of shares	
Shares in issue at the beginning of the year	511 140 239	511 140 239	511 140 239	511 140 239
Shares repurchased and cancelled during the year	–	–	–	–
Shares in issue at the end of the year	511 140 239	511 140 239	511 140 239	511 140 239

There is only one class of shares, namely ordinary shares. Each share has the same right to receive dividends and the repayment of capital and represents one vote at shareholders' meetings of Telkom. Other than voting rights, there are no other preferences attached to the shares.

The unissued shares are under the control of the Directors until the next annual general meeting. The Directors have been given the authority by the shareholders to buy back Telkom's own shares up to a limit of 10% of the current issued share capital.

Capital management
Refer to note 7.1.8 for detailed capital management disclosure.

Notes to the financial statements continued

for the year ended 31 March 2023

9. Equity structure continued

9.2 Share-based compensation reserve

Telkom's shareholders approved the Group share scheme at the September 2013 annual general meeting. The scheme covers certain operational and management employees and is aimed at giving shares to Group employees, at a Rnil exercise price at the end of the vesting period. Although the number of shares awarded to employees was communicated at the grant date, the ultimate number of shares that vest may differ based on certain performance conditions being met (refer to note 10.7).

	Group		Company	
The movement within the share-based compensation reserve is:	**31 March 2023 Rm**	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Balance at the beginning of the year	**1 238**	1 036	**1 128**	964
Net increase in equity	**176**	202	**122**	164
Employee cost (refer to note 3.4.3)	**176**	203	**80**	164
Openserve share-based compensation reserve[1]	**–**	–	**42**	–
Vesting of shares	**–**	(1)	**–**	–
Balance at the end of the year	**1 414**	1 238	**1 250**	1 128

[1] *From 1 September 2022, Openserve is a 100% owned subsidiary of the Group. Refer to notes 7.2.1 and 12.2 for more information. For shares granted before 1 September 2022, where Openserve does not have an obligation to pay for the shares, it has been assessed that these shares need to be equity-settled in Telkom Company. This is because Telkom has the obligation to settle for the services rendered to Openserve. For services rendered by the Openserve employees post the carve-out date, the share-based compensation reserve was increased in the current financial year by R42 million with the corresponding entry to the investment in Openserve.*

9.3 Non-distributable reserves

Summary of significant accounting policies

Non-distributable reserves

Non-distributable reserves include reserves that have been grouped together as these are accounting reserves, which have arisen as a result of the specific requirements in the accounting standards.

Non-distributable reserves include the following:

- Translation reserve: comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into South African rand;
- Treasury shares: the reserve also represents the treasury shares as well as amounts paid by Telkom to its subsidiary, Rossal No 65 (Pty) Ltd, for the acquisition of Telkom's shares to be utilised in terms of the Telkom share scheme;
- Shares repurchased for the purpose of the Telkom Group employee share scheme; and
- Revaluation of the sinking fund investment reserve: the fair value gains from the sinking fund investment were recognised in profit or loss in the prior years. The fair value gains were transferred to the non-distributable reserves until the date that the investment and corresponding fair value gains are realised. On this date, the fair value gains are transferred back to retained earnings.

Treasury shares

Where the Group acquires shares for purposes of its employee share scheme, such shares are measured at acquisition cost and disclosed as a reduction of equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Such shares are not remeasured for changes in fair value. Any difference between the historical par value of the shares acquired and the consideration transferred for the acquisition of the shares is accounted for as an adjustment to retained earnings.

Where the Group chooses or is required to buy equity instruments from another party to satisfy its obligations to its employees under the share-based payment arrangement by delivery of its own shares, the transaction is accounted for as equity-settled. This applies regardless of whether the employee's rights to the equity instruments were granted by the Group itself, or by its shareholders, or were settled by the Group itself or its shareholders.

Notes to the financial statements continued

for the year ended 31 March 2023

9. Equity structure continued

9.3 Non-distributable reserves continued

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	31 March 2023 Rm	31 March 2022 Rm
Non-distributable reserves	739	968	278	526
Opening balance	968	1 361	526	732
Movement during the year	(229)	(393)	(248)	(206)
Increase in foreign currency translation reserve	17	4	–	–
Movement in treasury shares for Telkom and subsidiares share scheme	(250)	(396)	(250)	(204)
Take-on of Yellow Pages (Pty) Ltd share reserve	(5)	–	(5)	–
Vesting of shares under Telkom Group share scheme	2	1	–	–
Insurance service result	1	(2)	1	(2)
Revaluation of the first-party cell captive	6	–	6	–

The reserve also represents amounts paid by Telkom to subsidiary, Rossal No 65 (Pty) Ltd, for the acquisition of Telkom's shares to be utilised in terms of the Telkom Group share scheme.

	2023		2022	
Fair value of ordinary shares in Telkom are held as follows:	Number of shares	Rm	Number of shares	Rm
Treasury shares in Escrow	24 025 672	858	23 021 555	1 024
Rossal No 65 (Pty) Ltd	2 838 959	102	736 309	33
Total	26 864 631	960	23 757 864	1 057

All shares will be allocated to employees as part of the share scheme.

9.4 Dividend paid

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	31 March 2023 Rm	31 March 2022 Rm
Dividend paid	(8)	(5)	(3)	(3)
Dividend payable at the beginning of the year	(28)	(31)	(28)	(31)
Declared during the year – dividend on ordinary shares	(4)	–	–	–
Dividends declared to non–controlling interests	(1)	(2)	–	–
Dividend payable at the end of the year	25	28	25	28

Notes to the financial statements continued

for the year ended 31 March 2023

10. Employee benefits

10.1 Employee benefits summary

Significant accounting policies, judgements, estimates and assumptions

The Group provides defined benefit plans for certain post-employment benefits. The obligation and assets related to each of the post-retirement benefits are determined through an actuarial valuation. The actuarial valuation relies heavily on assumptions as disclosed in note 10.1. The assumptions determined by management make use of information obtained from the Group's employment agreements with staff and pensioners, market-related returns on similar investments, market-related discount rates and other available information. The assumptions concerning the interest on assets and expected change in liabilities are determined on a uniform basis, considering long-term historical returns and future estimates of returns and medical inflation expectations. In the event that further changes in assumptions are required, the future amounts of post-employment benefits may be affected materially.

The discount rate reflects the average timing of the estimated defined benefit payments. The discount rate is based on long-term South African Government bonds with the longest maturity period as reported by the JSE debt market. The discount rate is expected to follow the trend of inflation.

The interest cost on the defined benefit obligation and the interest on assets are accounted for through the net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

The forfeitable share incentives are allocated to employees based on vesting conditions linked to time and performance measures. The total shareholder return is considered in estimating the fair value of the grant at grant date. The Group allocates the number of shares per employee based on a formula taking into account the annual guaranteed package, percentage of gross profit and share price at grant date. The shares to be allocated are limited to approximately 5% of issued share capital and vest between three and five years. The additional share scheme award provides for the granting of shares to eligible participating employees, equivalent in value to the increase in share price from the grant date (based on the specific grant price) to the vesting date.

Summary of significant accounting policies

Post-employment benefits

The Group provides defined benefit and defined contribution plans for the benefit of employees. These plans are funded by the employees and the Group, taking into account recommendations of the independent actuaries. The post-retirement telephone rebate liability is unfunded.

Defined benefit plans

The Group provides defined benefit plans for pension, retirement, post-retirement medical aid benefits and telephone rebates to qualifying employees. The Group's net obligation in respect of defined benefits is calculated separately for each plan by estimating the amount of future benefits earned in return for services rendered.

The amount reported in the statement of financial position represents the present value of the defined benefit obligations, using the projected credit unit method, reduced by the fair value of the related plan assets. To the extent that there is uncertainty as to the entitlement to the surplus, no asset is recognised. The effects of this asset limitation and actuarial gains and losses are recognised in other comprehensive income. Interest, service cost, settlement gains or losses and curtailment gains or losses related to the defined benefit plan are recognised in the statement of profit or loss.

Notes to the financial statements continued

for the year ended 31 March 2023

10. Employee benefits continued

10.1 Employee benefits summary continued

Summary of significant accounting policies continued

Telkom Retirement Fund reserves
In terms of its rules, the Telkom Retirement Fund operates a number of reserve accounts, namely a member share account, risk and expense reserve account, processing error account, pension reserves account and solvency reserve account.

The risk and expense reserve account comprises the funds required to support fluctuations in the payment of the in-service death and disability benefits and administration expenses. The processing error reserve account comprises the balance as identified at 31 March 2008 plus all investment returns and appreciation earned by the fund less investment-related expenses, taxation and all amounts allocated to members, pensioners and reserve accounts. The member surplus account comprises the actuarial surplus allocated to members and pensioners. Solvency reserve is held within the pensions account to act as a buffer against worse-than-expected experience and equal to an amount set by the actuary of the fund from time to time to ensure a prudent funding level that is subject to affordability. The pensions account comprises the funds required to pay each pension that has been granted in terms of the rules. All these reserves are taken into account by the actuaries in determining the net value of the fund (fund assets less the fund obligation).

	Group		Company	
Employee benefits	**31 March 2023 Rm**	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Non-current assets	**1 266**	1 566	**1 266**	1 566
Telkom Pension Fund asset	**17**	17	**17**	17
Telkom Retirement Fund asset	**115**	–	**115**	–
Post-retirement medical aid recognition of net plan asset	**1 134**	1 549	**1 134**	1 549

The decrease in employee benefits, specifically the plan assets, is largely due to the withdrawal of R543 million from the post-retirement medical aid plan assets.

Defined benefit plan actuarial gains	**98**	341	**101**	341
Telkom Pension Fund net actuarial gain/(loss)	**107**	(1)	**107**	(1)
Telkom Retirement Fund net actuarial (loss)/gain	**(9)**	247	**(9)**	247
Medical aid net actuarial (loss)/gain	**(28)**	99	**(28)**	99
Telephone rebate net actuarial gain	**32**	1	**32**	1
Long service award net actuarial loss	**(4)**	(5)	**(1)**	(5)

The Group provides benefits for its permanent employees through the Telkom Pension Fund and the Telkom Retirement Fund. Membership to one of the funds is compulsory. In addition, certain retired employees receive medical aid benefits and a telephone rebate. The liabilities for all of the benefits are actuarially determined in accordance with accounting requirements each year. In addition, statutory funding valuations for the retirement and pension funds are performed at intervals not exceeding three years.

Actuarial valuations were performed by qualified actuaries to determine the benefit obligation, plan asset and service costs for the pension and retirement funds for each of the financial periods presented.

General information applicable to all funds
The weighted average duration of all the post-employment benefit obligations is 9.5 years (31 March 2022: 9.9 years).

The next full valuations for all funds will be performed at 31 March 2024.

Notes to the financial statements continued

for the year ended 31 March 2023

10. Employee benefits continued

10.1 Employee benefits summary continued

Principal actuarial assumptions were as follows:
Assumptions regarding future mortality are based on mortality tables. The current longevities underlying the values of the liabilities in the defined benefit plan are as follows:

	Group		Company	
	31 March 2023	31 March 2022	**31 March 2023**	31 March 2022
Males over 65	**16.90**	16.80	**16.90**	16.80
Females over 65	**21.00**	20.90	**21.00**	20.90
Discount rate (%)	**11.50**	10.75	**11.50**	10.75
Interest on plan assets (%)	**11.50**	10.75	**11.50**	10.75
Salary inflation rate (%)	**6.00**	6.00	**6.00**	6.00
Telkom Pension Fund pension increase allowance (%)	**5.20**	5.50	**5.20**	5.50
Telkom Retirement Fund pension increase allowance (%)	**5.19**	4.48	**5.19**	4.48
Medical inflation rate (%)	**8.00**	8.00	**8.00**	8.00
Contractual retirement age	**65**	65	**65**	65
Average retirement age	**56**	56	**56**	56

The overall long-term expected interest on assets is 11.50%. This is based on the IAS 19 net interest requirement.

The assumed rates of mortality are determined by reference to the SA85-90 (Light) ultimate table, as published by the Actuarial Society of South Africa, for pre-retirement purposes and the PA(90) ultimate table, minus one year age rating as published by the Institute and Faculty of Actuaries in London and Scotland, for retirement purposes.

Notes to the financial statements continued

for the year ended 31 March 2023

10. Employee benefits continued

10.2 The Telkom Pension Fund

The Telkom Pension Fund is a defined benefit fund that was created in terms of the Post Office Amendment Act, 85 of 1991.

The latest actuarial valuation performed at 31 March 2023 indicates that the pension fund is in a surplus position of R30 million (31 March 2022: R145 million). The recognition of the surplus is limited due to the application of the asset limitation criteria in IAS 19 (Employee Benefits). The Telkom Pension Fund is closed to new members. The pension plan exposes the Group to actuarial risks, such as longevity, currency, interest rate and market risks.

The funded status of the Telkom Pension Fund is disclosed below.

	Group		Company	
The Telkom Pension Fund	**31 March 2023 Rm**	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
The net periodic pension costs include the following components:				
Interest cost on projected benefit obligations	**6**	5	**6**	5
Service cost on projected benefit obligations	**1**	1	**1**	1
Interest on plan assets after asset restriction	**(14)**	(7)	**(14)**	(7)
Net periodic pension expense recognised in profit or loss	**(7)**	(1)	**(7)**	(1)
The net periodic other comprehensive income includes the following components:				
Actuarial gain from financial assumption changes	**2**	–	**2**	–
Actuarial loss/(gain) due to demographic assumption changes	**116**	(2)	**116**	(2)
Asset ceiling in terms of IAS 19.64	**(10)**	3	**(10)**	3
Net periodic pension income recognised in other comprehensive income	**108**	1	**108**	1
Cumulative actuarial gain	**35**	(73)	**35**	(73)
The status of the pension plan obligation is as follows:				
At the beginning of the year	**47**	48	**47**	48
Interest cost	**6**	5	**6**	5
Current service cost	**1**	1	**1**	1
Benefits paid	**–**	(5)	**–**	(5)
Actuarial gain	**(3)**	(2)	**(3)**	(2)
Benefit obligation at the end of the year	**51**	47	**51**	47

Notes to the financial statements continued

for the year ended 31 March 2023

10. Employee benefits continued

10.2 The Telkom Pension Fund continued

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	31 March 2023 Rm	31 March 2022 Rm
Plan assets at fair value:				
At the beginning of the year	193	168	193	168
Interest on plan assets	22	19	22	19
Benefits paid	–	(4)	–	(4)
Transfer of Employer Surplus Account (ESA) to TRF	(115)	–	(115)	–
Actuarial (loss)/gain	(19)	10	(19)	10
Plan assets at the end of the year	81	193	81	193
Present value of funded obligation	51	47	51	47
Fair value of plan assets	(81)	(193)	(81)	(193)
Fund surplus	(30)	(146)	(30)	(146)
Asset ceiling in terms of IAS 19.64	13	129	13	129
Recognised net asset	(17)	(17)	(17)	(17)
Interest on plan assets after asset restriction	8	12	8	12
Actuarial (loss)/gain on plan assets	(19)	10	(19)	10
Actual return on plan assets	(11)	22	(11)	22
Plan assets balance comprises:				
Cash and cash equivalents	3	5	3	5
Equity securities	35	91	35	91
Property	2	6	2	6
Bonds	15	35	15	35
Commodities	1	1	1	1
Foreign investments	25	55	25	55
Total	81	193	81	193

Funding arrangements

The Telkom Pension Fund invests its funds in South Africa and internationally. Two fund managers invest in South Africa and globally through their balanced funds. The Telkom Pension Fund is a closed defined benefit fund which no new employees can join.

There is no material investment in Telkom shares included in the Telkom Pension Fund asset.

	Group		Company	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Funding level per statutory actuarial valuation (%)	100	100	100	100
The number of employees registered under the Telkom Pension Fund	18	18	18	18
The fund portfolio consists of the following percentages:				
Cash (%)	3	2	3	2
Equities (%)	44	47	44	47
Property (%)	3	3	3	3
Bonds (%)	18	18	18	18
Commodities (%)	1	1	1	1
Foreign Investments (%)	31	29	31	29
Total	100	100	100	100

The total estimated contributions to be paid to the pension fund by the employer for the year ending 31 March 2024 is R0.4 million.

Notes to the financial statements continued

for the year ended 31 March 2023

10. Employee benefits continued

10.3 The Telkom Retirement Fund

The Telkom Retirement Fund was established on 1 July 1995 as a hybrid defined benefit and defined contribution plan. Existing employees were given the option to either remain in the Telkom Pension Fund or to be transferred to the Telkom Retirement Fund. All pensioners of the Telkom Pension Fund and employees who retired after 1 July 1995 were transferred to the Telkom Retirement Fund. Upon transfer, the government ceased to guarantee the deficit in the Telkom Retirement Fund. Subsequent to 1 July 1995, further transfers of existing employees occurred. As from 1 September 2009 all new appointments are on a defined contribution scheme. These members would be required to purchase their pensions from an insurance company.

The pensioner pool of the Telkom Retirement Fund only consists of pensioners and is funded through a liability-driven investment strategy. Pensioner increases are subject to affordability, targeting 70% to 100% of CPI.

Telkom guarantees any actuarial shortfall of the pensioner pool in the retirement fund. This liability is initially funded through assets of the retirement fund.

The Telkom Retirement Fund is governed by the Pension Funds Act, 24 of 1956. In terms of section 37A of this Act, the pension benefits payable to the pensioners cannot be reduced. Therefore, if the present value of the funded obligation was to exceed the fair value of plan assets, Telkom would be required to fund the statutory deficit.

The retirement fund exposes the Group to actuarial risks, such as longevity, currency, interest rate and market risks.

The funded status of the Telkom Retirement Fund is disclosed below:

	Group		Company	
The Telkom Retirement Fund	**31 March 2023 Rm**	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
The net periodic retirement costs include the following components:				
Interest cost on projected benefit obligations	**4 479**	4 071	**4 479**	4 071
Interest on plan assets	**(4 502)**	(4 077)	**(4 502)**	(4 077)
Service cost on projected benefit obligations	**614**	541	**614**	541
Net periodic pension expense recognised in profit or loss	**591**	535	**591**	535
The net periodic other comprehensive income includes the following components:				
Actuarial gain/(loss) due to financial assumptions changes	**2 297**	(49)	**2 297**	(49)
Actuarial (loss)/gain due to experience adjustments	**(2 306)**	282	**(2 306)**	282
Actuarial gain due to demographic assumptions changes	**–**	13	**–**	13
Net periodic pension (expense)/income recognised in other comprehensive income	**(9)**	246	**(9)**	246
Cumulative actuarial loss	**(534)**	(525)	**(534)**	(525)
Benefit obligation:				
At the beginning of the year	**40 610**	36 939	**40 610**	36 939
Interest cost	**4 479**	4 071	**4 479**	4 071
Current service cost	**614**	541	**614**	541
Employee contributions	**332**	292	**332**	292
Benefits paid	**(2 107)**	(2 157)	**(2 107)**	(2 157)
Transfers in	**236**	40	**236**	40
Actuarial (gain)/loss	**(2 985)**	884	**(2 985)**	884
Benefit obligation at the end of the year	**41 179**	40 610	**41 179**	40 610

Notes to the financial statements continued

for the year ended 31 March 2023

10. Employee benefits continued

10.3 The Telkom Retirement Fund continued

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	31 March 2023 Rm	31 March 2022 Rm
Plan assets:				
At the beginning of the year	**42 239**	36 684	**42 239**	36 684
Interest on plan assets	**4 668**	4 107	**4 668**	4 107
Employer contributions	**600**	543	**600**	543
Employee contributions	**332**	292	**332**	292
Benefits paid	**(2 107)**	(2 157)	**(2 107)**	(2 157)
Transfers in	**236**	40	**236**	40
Transfer of Employer Surplus Account (ESA) to TRF	**115**	–	**115**	–
Actuarial (loss)/gain	**(3 893)**	2 730	**(3 893)**	2 730
Plan assets at the end of the year	**42 190**	42 239	**42 190**	42 239
Present value of funded obligation	**41 179**	40 610	**41 179**	40 610
Fair value of plan assets	**42 190**	42 239	**42 190**	42 239
Fund surplus	**(1 011)**	(1 629)	**(1 011)**	(1 629)
Asset ceiling in terms of IAS 19.64	**896**	1 629	**896**	1 629
Net liability	**(115)**	–	**(115)**	–
Interest on plan assets	**4 668**	4 107	**4 668**	4 107
Actuarial gain on plan assets	**(3 893)**	2 730	**(3 893)**	2 730
Actual return on plan assets	**775**	6 837	**775**	6 837
Plan asset balance comprises:				
Equities	**5 889**	6 517	**5 889**	6 517
Property	**1 995**	1 902	**1 995**	1 902
Bonds	**17 612**	18 673	**17 612**	18 673
Africa	**2 845**	3 139	**2 845**	3 139
Cash	**3 512**	1 233	**3 512**	1 233
Foreign investments	**10 337**	10 775	**10 337**	10 775
Total	**42 190**	42 239	**42 190**	42 239

Funding arrangements

The Telkom Retirement Fund pensioner portfolio's strategic asset allocation (SAA) is determined by an asset liability model (ALM) based on the fund's unique liabilities, as determined by its member data and fund rules. The SAA is a reflection of the fund's targeted post-retirement interest rate, and the investment strategy is built around the target of providing consistent annual pension increases of between 70% to 100% of CPI.

	Group		Company	
Included in the fair value of plan assets are:	31 March 2023 Rm	31 March 2022 Rm	31 March 2023 Rm	31 March 2022 Rm
Telkom shares	**21**	26	**21**	26

The Telkom Retirement Fund investment strategy has been implemented through the appointment of several asset managers with local and global segregated mandates. Within these mandates, the managers are responsible for and have sole discretion of determining the asset allocation, i.e. the mix of the various asset classes used based on their investment views. In addition, a portion was allocated to Africa Equity and SA cash asset classes were added to further diversify the portfolio and to provide return enhancement.

Notes to the financial statements continued

for the year ended 31 March 2023

10. Employee benefits continued

10.3 The Telkom Retirement Fund continued

	Group		Company	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Funding level per statutory actuarial valuation (%)	100	100	100	100
The number of pensioners registered under the Telkom Retirement Fund	12 654	12 956	12 654	12 956
The number of in-service employees entitled to retire in the Telkom Retirement Fund	10 915	10 630	10 915	10 630
The fund portfolio consists of the following percentages:				
Equities (%)	14	15	14	15
Property (%)	5	5	5	5
Bonds (%)	42	44	42	44
Africa (%)	7	7	7	7
Cash (%)	8	3	8	3
Foreign investments (%)	24	26	24	26
Total	**100**	100	**100**	100

The total estimated contributions to be paid to the Telkom Retirement Fund by the employer for the year ending 31 March 2024 is R650 million.

10.4 Medical benefits

Telkom makes certain contributions to medical aid funds in respect of current and retired employees. The scheme is a defined benefit plan. The expense in respect of current employees' medical aid is disclosed in note 3.4.3. The amounts due in respect of post-retirement medical benefits to current and retired employees have been actuarially determined and provided for as set out in note 6.5. Telkom has terminated future post-retirement medical benefits in respect of employees joining after 1 July 2000.

There are three major categories of members entitled to the post-retirement medical aid: pensioners who retired before 1994 (Pre-94); those who retired after 2013; and the in-service members. The pensioners retiring post 2013 and the in-service members' laibilities are subject to a rand cap, which increases as per the Board's approval.

Eligible employees must be employed by Telkom until retirement age to qualify for the post-retirement medical aid benefit. The most recent actuarial valuation of the benefit was performed as at 31 March 2023.

The medical aid plan exposes the Group to actuarial risks, such as longevity, currency, interest rate and market risks.

Notes to the financial statements continued

for the year ended 31 March 2023

10. Employee benefits continued

10.4 Medical benefits continued

Medical aid	Group 31 March 2023 Rm	Group 31 March 2022 Rm	Company 31 March 2023 Rm	Company 31 March 2022 Rm
Benefit obligation:				
At the beginning of the year	**1 523**	1 657	**1 501**	1 635
Interest cost	**158**	173	**158**	173
Service cost	**1**	1	**1**	1
Actuarial gain	**(116)**	(111)	**(116)**	(111)
Curtailment loss	**5**	–	**5**	–
Benefits paid from plan assets	**(185)**	(197)	**(185)**	(197)
Benefit obligation at the end of the year	**1 386**	1 523	**1 364**	1 501
Plan assets at fair value:				
At the beginning of the year	**3 050**	2 935	**3 050**	2 935
Interest on plan assets	**338**	324	**338**	324
Benefits paid from plan assets	**(185)**	(197)	**(185)**	(197)
Employer contributions refund	**(543)**	–	**(543)**	–
Actuarial loss	**(144)**	(12)	**(144)**	(12)
Plan assets at the end of the year	**2 516**	3 050	**2 516**	3 050
Present value of funded obligation	**1 386**	1 523	**1 364**	1 501
Fair value of plan assets	**(2 516)**	(3 050)	**(2 516)**	(3 050)
Fund surplus	**(1 130)**	(1 527)	**(1 152)**	(1 549)
Liability as disclosed in the statement of financial position (refer to note 6.5)	**8**	26	**–**	–
Asset as disclosed in the statement of financial position	**(1 138)**	(1 553)	**(1 152)**	(1 549)
The net periodic other comprehensive income includes the following components:				
Actuarial loss due to financial assumptions changes	**(81)**	(18)	**(81)**	(18)
Actuarial loss due to experience adjustments	**(3)**	(8)	**(3)**	(8)
Actuarial gain due to demographic assumptions changes	**36**	125	**36**	125
Net periodic pension (expense)/income recognised in other comprehensive income	**(48)**	99	**(48)**	99
Cumulative actuarial loss	**(1 604)**	(1 556)	**(1 610)**	(1 562)
Plan assets at fair value:				
Interest on plan assets	**338**	324	**338**	324
Actuarial loss on plan assets	**(144)**	(12)	**(144)**	(12)
Actual return on plan assets	**194**	312	**194**	312
Plan asset balance comprises:				
Cash and cash equivalents	**63**	613	**63**	613
Equity securities	**1 095**	990	**1 095**	990
Bonds	**1 288**	1 383	**1 288**	1 383
Foreign investments	**70**	64	**70**	64
Total	**2 516**	3 050	**2 516**	3 050

All equity securities and government bonds have quoted prices in active markets.

Notes to the financial statements continued

for the year ended 31 March 2023

10. Employee benefits continued

10.4 Medical benefits continued

Funding arrangements

The general funding arrangements from the plan assets is to maximise long-term capital growth and long-term total return on Telkom's portfolio. The portfolios are managed as a segregated portfolio which includes international investments. The investment objective is to provide an absolute return, measured over a 36-month period, in excess of CPI-X plus 5% per annum. The funding arrangements of the plan assets are driven by designated asset managers to manage Telkom's portfolios by applying a flexible approach, which includes holding equities, property, fixed income or money market assets as part of the investment strategy, in variable weightings, at any point in time.

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Included in the fair value of plan assets are:				
Telkom shares	**0.7**	0.8	**0.7**	0.8
The fund portfolio consists of the following percentages:				
Cash and money market investments (%)	**2**	20	**2**	20
Equities (%)	**44**	32	**44**	32
Bonds (%)	**51**	46	**51**	46
Foreign investments (%)	**3**	2	**3**	2
Total	**100**	100	**100**	100

The total estimated contributions to be paid to the post-retirement medical aid by the employer for the year ending 31 March 2024 is Rnil as the liability is currently significantly overfunded.

10.5 Telephone rebates

Telkom provides telephone rebates to its pensioners who joined prior to 1 August 2009. The most recent actuarial valuation was performed as at 31 March 2023. Eligible employees must be employed by Telkom until retirement age to qualify for the telephone rebates. The scheme is a defined benefit plan.

The telephone rebate benefit exposes the Group to actuarial risks, such as longevity, currency, interest rate and market risks.

The status of the telephone rebate liability is disclosed below:

	Group		Company	
Telephone rebates	**31 March 2023 Rm**	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
Benefit obligation:				
At the beginning of the year	**377**	364	**377**	364
Current service cost	**2**	2	**2**	2
Interest cost	**39**	39	**39**	39
Actuarial gain	**(32)**	(1)	**(32)**	(1)
Curtailment loss	**(4)**	–	**(4)**	–
Benefits paid	**(26)**	(27)	**(26)**	(27)
Liability as disclosed in the statement of financial position (refer to note 6.5)	**356**	377	**356**	377
The net periodic other comprehensive income includes the following components:				
Actuarial gain/(loss) due to financial assumptions changes	**18**	(19)	**18**	(19)
Actuarial gain due to experience adjustments	**17**	15	**17**	15
Actuarial (loss)/gain due to demographic assumptions changes	**(3)**	5	**(3)**	5
Net periodic pension income recognised in other comprehensive income	**32**	1	**32**	1
Cumulative actuarial loss	**136**	104	**136**	104
Number of members	**4 183**	5 039	**4 183**	5 039
Number of pensioners	**13 596**	13 058	**13 596**	13 058

Notes to the financial statements continued

for the year ended 31 March 2023

10. Employee benefits continued

10.6 Sensitivity analysis

	Group		Company	
	31 March 2023 Rm	31 March 2022 Rm	**31 March 2023 Rm**	31 March 2022 Rm
	Increase/(decrease) on the post-employment liability			
The Telkom Pension Fund				
Increase in discount rate by 0.5%	**(1)**	(1)	**(1)**	(1)
Decrease in discount rate by 0.5%	**1**	1	**1**	1
Increase in inflation rate by 1%	**3**	3	**3**	3
Decrease in inflation rate by 1%	**(3)**	(3)	**(3)**	(3)
Increase in salary inflation by 1%	**3**	3	**3**	3
Decrease in salary inflation by 1%	**(3)**	(3)	**(3)**	(3)
Change in post-retirement mortality rating from -1 to -2 years	**1**	1	**1**	1
Change in post-retirement mortality rating from -1 to 0 years	**(1)**	(1)	**(1)**	(1)
The Telkom Retirement Fund				
Increase in discount rate by 0.5%	**(1 181)**	(1 239)	**(1 181)**	(1 239)
Decrease in discount rate by 0.5%	**1 282**	1 351	**1 282**	1 351
Increase in inflation rate by 1%	**2 798**	2 933	**2 798**	2 933
Decrease in inflation rate by 1%	**(2 219)**	(2 485)	**(2 219)**	(2 485)
Increase in net TRF fund rate by 0.5%	**431**	427	**431**	427
Decrease in net TRF fund rate by 0.5%	**(426)**	(421)	**(426)**	(421)
Increase in TRF take-up ratio from 55.6% to 100%	**409**	651	**409**	651
Medical benefits				
Increase in discount rate by 0.5%	**(38)**	(45)	**(38)**	(45)
Decrease in discount rate by 0.5%	**41**	48	**41**	48
Increase in inflation rate by 1%	**66**	76	**66**	76
Decrease in inflation rate by 1%	**(59)**	(69)	**(59)**	(69)
Change in post-retirement mortality rating from -1 to -2 years	**58**	66	**58**	66
Change in post-retirement mortality rating from -1 to 0 years	**(57)**	(64)	**(57)**	(64)
Telephone rebates				
Increase in discount rate by 0.5%	**(11)**	(13)	**(11)**	(13)
Decrease in discount rate by 0.5%	**12**	14	**12**	14
Increase in inflation rate by 5%	**184**	212	**184**	212
Change in post-retirement mortality rating from -1 to -2 years	**5**	6	**5**	6
Change in post-retirement mortality rating from -1 to 0 years	**(5)**	(6)	**(5)**	(6)
Increase in normal retirement age from 56 years to 60 years	**(5)**	(28)	**(5)**	(28)
Decrease in normal retirement age from 56 years to 50 years	**5**	24	**5**	24

10.7 Telkom Group share scheme

Summary of significant accounting policies

The Group has a share-based payment compensation plan. The plan is an equity-settled plan, consisting of the long-term incentive plan (LTIP), the employee share ownership plan (ESOP) and an additional share award (ASA).

The expense relating to the services rendered by the employees, and the corresponding increase in equity, is measured at the fair value of the equity instruments at their date of grant based on the market price at grant date. This compensation cost is recognised over the vesting period, based on the best available estimate at each reporting date of the number of equity instruments that are expected to vest.

During the vesting period, participants have all the shareholders rights, including the right to vote and share in any dividend distribution.

Notes to the financial statements continued

for the year ended 31 March 2023

10. Employee benefits continued

10.7 Telkom Group share scheme continued

Telkom's shareholders approved the Telkom forfeitable share plan (FSP) and the additional share award (ASA) at the September 2013 annual general meeting.

The FSP is made up of the long-term incentive plan (LTIP) and the employee share ownership plan (ESOP).

In the FSP, employees acquire shareholder rights on the grant date on the forfeitable shares (these include dividends and voting rights).

An employee turnover assumption of 2.26% to 13.65% has been used in calculating the expected number of shares that will vest. The turnover relates to the various entities within the Group.

The vesting timelines and principal assumptions used in calculating the expected number of shares that will vest for the Telkom share scheme are as follows:

	Vesting Financial Year					
Telkom LTIP grants	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Telkom LTIP – 2018 financial year						
Vesting timelines	20%	–	–	–	–	–
Probability of meeting non-market-related criteria	92%	–	–	–	–	–
Telkom LTIP – 2019 financial year						
Vesting timelines	30%	20%	–	–	–	–
Probability of meeting non-market-related criteria	92%	92%	–	–	–	–
Telkom LTIP – 2020 financial year						
Vesting timelines	50%	30%	20%	–	–	–
Probability of meeting non-market-related criteria	92%	92%	92%	–	–	–
Telkom LTIP – 2022 financial year						
Vesting timelines	–	–	50%	30%	20%	–
Probability of meeting non-market-related criteria	–	–	92%	92%	92%	–
Telkom LTIP 2- 2022 financial year						
Vesting timelines	–	–	50%	30%	20%	–
Probability of meeting non-market-related criteria	–	–	93%	93%	93%	–
Telkom LTIP – 2023 financial year						
Vesting timelines	–	–	–	50%	30%	20%
Probability of meeting non-market-related criteria	–	–	–	94%	94%	94%
Telkom LTIP 2 – 2023 financial year						
Vesting timelines	–	–	–	50%	30%	20%
Probability of meeting non-market-related criteria	–	–	–	94%	94%	94%
Telkom ESOP grants						
Telkom ESOP – 2020 financial year						
Vesting timelines	100%	–	–	–	–	–
Probability of meeting non-market-related criteria	92%	–	–	–	–	–
Telkom ESOP – 2022 financial year						
Vesting timelines	–	–	100%	–	–	–
Probability of meeting non-market-related criteria	–	–	92%	–	–	–
Telkom ESOP – 2023 financial year						
Vesting timelines	–	–	–	100%	–	–
Probability of meeting non-market-related criteria	–	–	–	94%	–	–

Notes to the financial statements continued

for the year ended 31 March 2023

10. Employee benefits continued

10.7 Telkom Group share scheme continued

The vesting timelines and principal assumptions used in calculating the expected number of shares that will vest for the BCX share scheme are as follows:

	Vesting Financial Year					
BCX LTIP grants	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
BCX grant – 2019 financial year						
Vesting timelines	30%	20%	–	–	–	–
Probability of meeting non-market-related criteria	92%	92%	–	–	–	–
BCX grant – 2020 financial year						
Vesting timelines	50%	30%	20%	–	–	–
Probability of meeting non-market-related criteria	92%	92%	92%	–	–	–
BCX grant – 2022 financial year						
Vesting timelines	–	–	50%	30%	20%	–
Probability of meeting non-market-related criteria	–	–	92%	92%	92%	–
BCX grant – 2023 financial year						
Vesting timelines	–	–	–	50%	30%	20%
Probability of meeting non-market-related criteria	–	–	–	94%	94%	94%
BCX grant 2 – 2023 financial year						
Vesting timelines	–	–	–	50%	30%	20%
Probability of meeting non-market-related criteria	–	–	–	94%	94%	94%
BCX ESOP grants						
BCX grant – 2020 financial year						
Vesting timelines	100%	–	–	–	–	–
Probability of meeting non-market-related criteria	92%	–	–	–	–	–
BCX grant – 2022 financial year						
Vesting timelines	–	–	100%	–	–	–
Probability of meeting non-market-related criteria	–	–	92%	–	–	–
BCX grant – 2023 financial year						
Vesting timelines	–	–	–	100%	–	–
Probability of meeting non-market-related criteria	–	–	–	94%	–	–

The vesting timelines and principal assumptions used in calculating the expected number of shares that will vest for the Yellow Pages share scheme are as follows:

	Vesting Financial Year					
Yellow Pages grants	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Yellow Pages grant – 2019 financial year						
Vesting timelines	30%	–	–	–	–	–
Probability of meeting non-market-related criteria	–	–	–	–	–	–
Yellow Pages grant – 2021 financial year						
Vesting timelines	–	100%	–	–	–	–
Probability of meeting non-market-related criteria	–	92%	–	–	–	–
Yellow Pages grant – 2023 financial year						
Vesting timelines	–	–	–	100%	–	–
Probability of meeting non-market-related criteria	–	–	–	94%	–	–

Notes to the financial statements continued

for the year ended 31 March 2023

10. Employee benefits continued

10.7 Telkom Group share scheme continued

The vesting timelines and principal assumptions used in calculating the expected number of shares that will vest for the Gyro share scheme are as follows:

	Vesting Financial Year					
Gyro LTIP grants	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Gyro grant – 2018 financial year						
Vesting timelines	20%	–	–	–	–	–
Probability of meeting non-market-related criteria	92%	–	–	–	–	–
Gyro grant – 2019 financial year						
Vesting timelines	30%	20%	–	–	–	–
Probability of meeting non-market-related criteria	92%	92%	–	–	–	–
Gyro grant – 2020 financial year						
Vesting timelines	50%	30%	20%	–	–	–
Probability of meeting non-market-related criteria	92%	92%	92%	–	–	–
Gyro grant – 2022 financial year						
Vesting timelines	–	–	50%	30%	20%	–
Probability of meeting non-market-related criteria	–	–	92%	92%	92%	–
Gyro grant 2 – 2022 financial year						
Vesting timelines	–	–	50%	30%	20%	–
Probability of meeting non-market-related criteria	–	–	93%	93%	93%	–
Gyro grant – 2023 financial year						
Vesting timelines	–	–	–	50%	30%	20%
Probability of meeting non-market-related criteria	–	–	–	94%	94%	94%
Gyro ESOP grants						
Gyro grant – 2020 financial year						
Vesting timelines	100%	–	–	–	–	–
Probability of meeting non-market-related criteria	92%	–	–	–	–	–
Gyro grant – 2022 financial year						
Vesting timelines	–	–	100%	–	–	–
Probability of meeting non-market-related criteria	–	–	92%	–	–	–
Gyro grant – 2023 financial year						
Vesting timelines	–	–	–	100%	–	–
Probability of meeting non-market-related criteria	–	–	–	94%	–	–

The vesting timelines and principal assumptions used in calculating the expected number of shares that will vest for the Openserve share scheme are as follows:

	Vesting Financial Year					
Openserve LTIP grants	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Openserve grant – 2023 financial year						
Vesting timelines	–	–	–	50%	30%	20%
Probability of meeting non-market-related criteria	–	–	–	94%	94%	94%
Openserve ESOP grants						
Openserve grant – 2023 financial year						
Vesting timelines	–	–	–	100%	–	–
Probability of meeting non-market-related criteria	–	–	–	94%	–	–

Notes to the financial statements continued

for the year ended 31 March 2023

10. Employee benefits continued

10.7 Telkom Group share scheme continued

The probabilities were independently verified by the actuaries.

Certain BCX employees were granted shares in terms of a BCX share scheme. Based on the BCX Group achieving the performance condition, the shares will vest between the 2023 and 2028 financial years.

Certain Yellow Pages employees were granted shares in terms of a Yellow Pages share scheme. Based on Yellow Pages achieving the performance condition, the shares will vest between the 2023 and 2028 financial years. The Yellow Pages shares will be included as part of the Telkom shares.

Certain Gyro employees were granted shares in terms of a Gyro share scheme. Based on Gyro achieving the performance condition, the shares will vest between the 2023 and 2028 financial years.

Certain Openserve employees were granted shares in terms of an Openserve share scheme. Based on Openserve achieving the performance condition, the shares will vest between the 2023 and 2028 financial years.

In order for the vesting to occur, the targets (including performance conditions) must be met. The targets are measured in each financial year after the grant date.

The weighted average remaining vesting period for all the shares outstanding as at 31 March 2023 is 1.20 years (31 March 2022: 1.06 years).

The following table illustrates the movement in the maximum number of shares that were granted to employees:

	Group		Company	
	31 March 2023	31 March 2022	**31 March 2023**	31 March 2022
Beginning of the year	**23 021 555**	16 056 950	**17 455 386**	14 674 928
Vested shares during the year	**(3 539 468)**	(3 179 763)	**(2 622 066)**	(3 047 640)
Forfeited shares and other movements during the year	**(3 615 212)**	(1 359 779)	**(1 957 270)**	(916 540)
Granted during the year	**8 158 797**	11 504 147	**3 673 997**	6 744 638
Outstanding at the end of the year	**24 025 672**	23 021 555	**16 550 047**	17 455 386

In relation to market-related performance criteria, IFRS 2 requires a fair value to be placed on employee share grants/options. Fair value is measured as the market price of the entity's share grants/options adjusted for the terms and conditions applicable to the grant/option. Since employee share grants/options are not traded, there is no market price available. For this reason, the fair value of the grants/options must be determined by using an option pricing model.

Notes to the financial statements continued

for the year ended 31 March 2023

10. Employee benefits continued

10.7 Telkom Group share scheme continued

Group and Company	Market share price (R)	Share price volatility	Future risk-free interest rate
Telkom			
Grant 5 (2018 financial year)			
– Vesting 31 March 2020	73.70	35%	8.00%
– Vesting 31 March 2021	73.70	35%	8.00%
– Vesting 31 March 2022	73.70	35%	8.00%
Grant 6 (2019 financial year)			
– Vesting 30 June 2021	52.64	35%	7.40%
– Vesting 30 June 2022	52.64	35%	7.60%
– Vesting 30 June 2023	52.64	35%	8.00%
Grant 7 (2020 financial year)			
– Vesting 30 June 2022	93.82	35%	7.24%
– Vesting 30 June 2023	93.82	35%	7.37%
– Vesting 30 June 2024	93.82	35%	7.53%
Grant 8 (2021 financial year)			
– Vesting 30 June 2023	31.57	40%	4.10%
Grant 9 (2022 financial year)			
– Vesting 30 June 2024	48.11	40%	4.98%
– Vesting 30 June 2025	48.11	40%	5.51%
– Vesting 30 June 2026	48.11	40%	6.01%
Grant 10 (2022 financial year)			
– Vesting 30 June 2024	47.12	45%	5.99%
– Vesting 30 June 2025	47.12	45%	6.53%
– Vesting 30 June 2026	47.12	45%	6.94%
Grant 11 (2023 financial year)			
– Vesting 30 June 2025	36.20	50%	7.09%
– Vesting 30 June 2026	36.20	50%	7.40%
– Vesting 30 June 2027	36.20	50%	7.69%
Grant 11 (2) (2023 financial year)			
– Vesting 30 June 2025	33.79	52%	7.82%
– Vesting 30 June 2026	33.79	52%	7.90%
– Vesting 30 June 2027	33.79	52%	8.04%
BCX			
Grant 2 (2019 financial year)			
– Vesting 30 June 2021	52.64	35%	7.40%
– Vesting 30 June 2022	52.64	35%	7.60%
– Vesting 30 June 2023	52.64	35%	8.00%
Grant 3 (2020 financial year)			
– Vesting 30 June 2022	83.70	35%	6.95%
– Vesting 30 June 2023	83.70	35%	7.10%
– Vesting 30 June 2024	83.70	35%	7.26%
Grant 4 (2022 financial year)			
– Vesting 30 June 2024	48.11	40%	4.98%
– Vesting 30 June 2025	48.11	40%	5.51%
– Vesting 30 June 2026	48.11	40%	6.01%
Grant 5 (2023 financial year)			
– Vesting 30 June 2025	36.20	50%	7.09%
– Vesting 30 June 2026	36.20	50%	7.40%
– Vesting 30 June 2027	36.20	50%	7.69%
Grant 5 (2) (2023 financial year)			
– Vesting 30 June 2025	32.80	52%	7.96%
– Vesting 30 June 2026	32.80	52%	8.10%
– Vesting 30 June 2027	32.80	52%	8.25%
Yellow Pages			
Grant 2 (2019 financial year)	73.50	35%	8.00%
Grant 3 (2020 financial year)	52.64	35%	8.00%
Grant 4 (2021 financial year)	48.11	40%	4.98%
Grant 5 (2023 financial year)	36.20	50%	7.09%

Notes to the financial statements continued

for the year ended 31 March 2023

10. Employee benefits continued

10.7 Telkom Group share scheme continued

Group and Company	Market share price (R)	Share price volatility	Future risk-free interest rate
Gyro			
Grant 1 (2018 financial year)			
– Vesting 30 June 2020	52.89	35%	7.70%
– Vesting 30 June 2021	52.89	35%	7.80%
– Vesting 30 June 2022	52.89	35%	8.00%
Grant 2 (2019 financial year)			
– Vesting 30 June 2021	52.64	35%	7.40%
– Vesting 30 June 2022	52.64	35%	7.60%
– Vesting 30 June 2023	52.64	35%	8.00%
Grant 3 (2020 financial year)			
– Vesting 30 June 2022	93.82	35%	7.24%
– Vesting 30 June 2023	93.82	35%	7.37%
– Vesting 30 June 2024	93.82	35%	7.53%
Grant 4 (2022 financial year)			
– Vesting 30 June 2024	48.11	40%	4.98%
– Vesting 30 June 2025	48.11	40%	5.51%
– Vesting 30 June 2026	48.11	40%	6.01%
Grant 5 (2022 financial year)			
– Vesting 30 June 2024	47.12	45%	5.99%
– Vesting 30 June 2025	47.12	45%	6.53%
– Vesting 30 June 2026	47.12	45%	6.94%
Grant 6 (2023 financial year)			
– Vesting 30 June 2025	36.20	50%	7.09%
– Vesting 30 June 2026	36.20	50%	7.40%
– Vesting 30 June 2027	36.20	50%	7.69%
Openserve			
Grant 1 (2023 financial year)			
– Vesting 30 June 2025	36.20	50%	7.09%
– Vesting 30 June 2026	36.20	50%	7.40%
– Vesting 30 June 2027	36.20	50%	7.69%

The key performance indicators related to the share scheme are Net Promoter Score targets, headline earnings per share, free cash flow, return on invested capital and total shareholder return.

The share price volatility is based on the five-year average volatility observed for the Telkom share price.

Notes to the financial statements continued

for the year ended 31 March 2023

11. Related parties

11.1 Directors' interest and Prescribed Officers

	Group and Company			
	Beneficial		Non-Beneficial	
Directors' shareholding	Direct	Indirect	Direct	Indirect
Number of shares				
2023				
Executive				
S Taukobong	47 857	–	–	–
DJ Reyneke	9 377	–	–	–
	57 234	–	–	–
Non-executive				
B Kennedy[1]	200	–	–	–
	200	–	–	–

There has been no change in the above since 31 March 2023 to the date of approval of the financial statements.

2022				
Executive				
SN Maseko	22 200	30 320	–	–
S Taukobong	22 200	–	–	–
DJ Reyneke	–	–	–	–
	44 400	30 320	–	–
Non-executive				
KW Mzondeki	748	–	–	–
	748	–	–	–

[1] *Appointed with effect from 15 July 2022.*

Notes to the financial statements continued

for the year ended 31 March 2023

11. Related parties continued

11.1 Directors' interest and Prescribed Officers continued

Emoluments per Director	Group and Company				
	Retainer fees R	Attendance fees R	Performance bonus R	Fringe and other benefits R	Total R
2023					
Non-executive	8 375 174	5 499 959	–	–	13 875 133
N Kapila[1]	306 250	125 000	–	–	431 250
KW Mzondeki[1]	195 833	256 250	–	–	452 083
E Matenge-Sebesho	470 000	568 333	–	–	1 038 333
F Petersen-Cook[1]	195 833	212 500	–	–	408 333
LL Von Zeuner	470 000	615 000	–	–	1 085 000
RG Tomlinson	195 833	212 500	–	–	408 333
O Ighodaro	470 000	300 000	–	–	770 000
PCS Luthuli	470 000	423 333	–	–	893 333
S Sibisi	470 000	362 500	–	–	832 500
KA Rayner	470 000	710 000	–	–	1 180 000
SH Yoon[2]	673 225	200 001	–	–	873 226
B Kennedy[3]	313 333	378 218	–	–	691 551
P Lebina[3]	313 333	263 218	–	–	576 551
M Nyati[3]	313 333	193 218	–	–	506 551
IO Selele[3]	313 333	193 218	–	–	506 551
N Ford-Hoon[4]	195 830	121 670	–	–	317 500
MG Qhena[5]	9 038	–	–	–	9 038
H Singh	470 000	365 000	–	–	835 000
MS Moloko[6]	2 060 000	–	–	–	2 060 000

	Remuneration[7] R	Performance bonus R	Fringe and other benefits R	Total R
Executives who held office during 31 March 2023	15 565 200	-	2 216 128	17 781 328
S Taukobong (Group Chief Executive Officer)	9 450 000	-	1 617 235	11 067 235
DJ Reyneke (Group Chief Financial Officer)	6 115 200	-	598 893	6 714 093
Total emoluments – paid by Telkom				31 656 461

[1] *Retired with effect from 24 August 2022.*
[2] *Appointed with effect from 1 May 2022.*
[3] *Appointed with effect from 15 July 2022.*
[4] *Appointed with effect from 1 November 2022.*
[5] *Appointed with effect from 27 March 2023.*
[6] *Resigned with effect no later than 31 March 2023.*
[7] *Remuneration includes basic salary, company contribution to the TRF and flexible benefits.*

Notes to the financial statements continued

for the year ended 31 March 2023

11. Related parties continued

11.1 Directors' interest and Prescribed Officers continued

	Group and Company				
Emoluments per Director	Retainer fees R	Attendance fees R	Performance bonus R	Fringe and other benefits R	Total R
2022					
Non-executive	7 101 703	5 305 607	–	–	12 407 310
N Kapila	735 000	257 097	–	–	992 097
KW Mzondeki	470 000	590 837	–	–	1 060 837
E Matenge-Sebesho	317 998	272 328	–	–	590 326
F Petersen-Cook	470 000	544 538	–	–	1 014 538
LL Von Zeuner	470 000	616 807	–	–	1 086 807
RG Tomlinson	470 000	547 236	–	–	1 017 236
MS Moloko	1 864 708	223 907	–	–	2 088 615
O Ighodaro	317 998	217 328	–	–	535 326
PCS Luthuli	470 000	349 515	–	–	819 515
S Sibisi	470 000	421 677	–	–	891 677
KA Rayner	470 000	684 643	–	–	1 154 643
A Samuels	105 999	109 710	–	–	215 709
H Singh	470 000	469 984	–	–	939 984

	Remuneration[1] R	Performance bonus R	Fringe and other benefits R	Total R
Executives who held office during 31 March 2022	19 474 000	10 976 662	20 600 259	51 050 921
SN Maseko (Group Chief Executive Officer)	9 400 000	5 265 974	19 533 650	34 199 624
S Taukobong (Group Chief Executive Officer)	4 250 000	3 543 762	6 146	7 799 908
DJ Reyneke (Group Chief Financial Officer)	5 824 000	2 166 926	1 060 463	9 051 389
Total emoluments – paid by Telkom				63 458 232

[1] *Remuneration includes basic salary, company contribution to the TRF and flexible benefits.*

Refer to remuneration report for appointments and resignations.

Included in fringe and other benefits is motor car insurance for S Taukobong of R11 997 and DJ Reyneke of R11 997.

S Taukobong was granted 329 651 shares (31 March 2022: 278 552 shares) and the total IFRS 2 expense increased by R2 000 982 (31 March 2022: R2 069 641). DJ Reyneke was granted 106 660 shares (31 March 2022: 108 146 shares) and the total IFRS 2 expense increased by R647 426 (31 March 2022: R803 525). The Group reassessed the estimated amount of shares that will vest for executives based on the current performance against vesting targets.

Notes to the financial statements continued

for the year ended 31 March 2023

11. Related parties continued

11.1 Directors' interest and Prescribed Officers continued

	Group and Company				
Emoluments per prescribed officer:	**Remuneration[1] R**	**Incentive bonus R**	**Fringe and other benefits[2] R**	**Total R**	**Pension – TRF 13%[3] R**
2023					
AC Beukes	**5 700 000**	**–**	**12 293**	**5 712 293**	**518 700**
PJ Bogoshi	**5 783 355**	**–**	**296**	**5 783 651**	**563 877**
S Taukobong	**9 450 000**	**–**	**12 293**	**9 462 293**	**859 950**
NM Lekota	**4 351 552**	**–**	**296**	**4 351 848**	**456 913**
LTS Maloba	**4 494 000**	**–**	**12 293**	**4 506 293**	**379 743**
L Siyo	**5 608 727**	**–**	**12 293**	**5 621 020**	**325 306**
Total emoluments – granted by Telkom	**35 387 634**	**–**	**49 764**	**35 437 398**	**3 104 489**

	Group and Company				
Emoluments per prescribed officer:	Remuneration[1] R	Incentive bonus R	Fringe and other benefits[2] R	Total R	Pension – TRF 13%[3] R
2022					
AC Beukes	5 350 000	2 645 240	1 603 531	9 598 771	486 850
PJ Bogoshi	5 455 995	2 426 696	1 386 212	9 268 903	531 960
S Taukobong	3 386 250	–	6 606 218	9 992 468	308 149
NM Lekota	4 105 238	2 101 891	1 809 593	8 016 722	431 050
LTS Maloba	4 280 000	1 421 788	549 852	6 251 640	361 660
L Siyo	4 768 710	2 003 039	12 292	6 784 041	276 585
Total emoluments – granted by Telkom	27 346 193	10 598 654	11 967 698	49 912 545	2 396 254

[1] *Remuneration includes basic salary and has been apportioned based on the period served as prescribed officers. Comparative information has been provided for members identified as prescribed officers.*

[2] *Fringe and other benefits include motor car insurance, relocation benefits, separation packages, notional completion bonuses and leave payments.*

[3] *The pension contribution is a company contribution.*

Notes to the financial statements continued

for the year ended 31 March 2023

11. Related parties continued

11.1 Directors' interest and Prescribed Officers continued

2023 Share allocation per prescribed officer:	Total vested shares year to date	Number of shares FY2017/18	Number of shares FY2018/19	Number of shares FY2019/20	Number of shares FY2020/21	Number of shares FY2021/22	Number of shares FY2022/23	IFRS 2 expense R
AC Beukes	76 199	–	45 455	36 275	505 561	99 344	99 419	4 308 820
PJ Bogoshi	77 019	–	62 611	63 364	517 998	291 284	100 872	5 821 798
S Taukobong	193 425	–	186 503	53 899	637 007	404 310	329 651	8 606 926
NM Lekota	140 654	67 994	46 542	46 583	380 816	76 230	75 899	3 359 199
LM Siyo	15 770	–	–	37 106	404 449	171 051	97 827	4 216 604
LTS Maloba	37 369	–	22 085	46 356	404 449	79 475	78 384	3 601 817
	540 436	67 994	363 196	283 583	2 850 280	1 121 694	782 052	29 915 164

2022 Share allocation per prescribed officer:	Total vested shares year to date	Number of shares FY2016/17	Number of shares FY2017/18	Number of shares FY2018/19	Number of shares FY2019/20	Number of shares FY2020/21	Number of shares FY2021/22	IFRS 2 expense R
AC Beukes	53 391	–	–	45 455	36 275	505 561	99 344	4 705 003
PJ Bogoshi	31 306	–	–	62 611	63 364	517 998	291 284	6 716 356
S Taukobong	146 538	–	–	186 503	53 899	637 007	125 758	6 364 753
NM Lekota	100 094	21 042	67 994	46 542	46 583	380 816	76 230	4 005 610
LM Siyo	–	–	–	–	37 106	404 449	171 051	4 551 663
LTS Maloba	11 043	–	–	22 085	46 356	404 449	79 475	4 022 022
	342 372	21 042	67 994	363 196	283 583	2 850 280	843 142	30 365 407

11.2 Related party transactions and balances

	Group		Company	
Details of material transactions and balances with related parties not disclosed separately in the financial statements were as follows:	31 March 2023 Rm	31 March 2022 Rm	31 March 2023 Rm	31 March 2022 Rm
With shareholders:				
Government of South Africa				
Related party balances				
Finance lease receivable	248	146	25	48
Trade receivables	1 253	911	545	471
Impairment of trade receivables	(217)	(264)	(16)	(11)
Related party transactions				
Revenue	(4 748)	(4 625)	(3 012)	(3 240)

At 31 March 2023, the Government of South Africa held 40.5% (31 March 2022: 40.5%) of Telkom's shares and had the ability to exercise significant influence, and the Public Investment Corporation held 15.63% (31 March 2022: 15.13%) of Telkom's shares.

Notes to the financial statements continued

for the year ended 31 March 2023

11. Related parties continued

11.2 Related party transactions and balances continued

	Company	
	31 March 2023 Rm	31 March 2022 Rm
With subsidiaries:		
Business Connexion (Pty) Ltd		
Related party balances		
Trade receivables	**252**	610
Other receivables	**456**	14
Trade and other payables	**(4 019)**	(2 839)
Related party transactions		
Revenue and other income	**(1 639)**	(3 502)
Expenses	**872**	2 197
Interest expense	**133**	72
Dividend received	**(232)**	(2 446)
Openserve (Pty) Ltd		
Related party balances		
Trade receivables	**11**	–
Other receivables	**1 846**	–
Loans	**8 820**	–
Trade and other payables	**(1 149)**	–
Related party transactions		
Revenue and other income	**(648)**	–
Expenses	**3 619**	–
Interest received	**(444)**	–
Yellow Pages (Pty) Ltd		
Related party balances		
Trade receivables	**–**	(2)
Trade and other payables	**–**	(186)
Related party transactions		
Revenue	**–**	(29)
Dividend received	**–**	(34)
Interest paid	**–**	3
Swiftnet (Pty) Ltd		
Related party balances		
Trade receivables	**2**	2
Other receivables	**303**	206
Loans	**404**	500
Trade and other payables	**(214)**	(75)
Related party transactions		
Revenue	**–**	(18)
Expenses	**403**	627
Dividend received	**(255)**	(1 464)
Interest received	**(33)**	–
Interest expense	**1**	22
VS Gaming (Pty) Ltd (formerly Acajou Investments (Pty) Ltd)		
Related party balances		
Other receivables	**(92)**	(10)
Trade and other payables	**92**	92
Telkom Foundation		
Related party balances		
Trade and other payables	**(19)**	(45)
Related party transactions		
Expenses	**63**	74
Interest expense	**1**	1

Notes to the financial statements continued

for the year ended 31 March 2023

11. Related parties continued

11.2 Related party transactions and balances continued

	Company	
	31 March 2023 Rm	31 March 2022 Rm
Gyro Solutions (Pty) Ltd		
Related party balances		
Trade receivables	8	10
Other receivables	8	–
Trade and other payables	(92)	(277)
Related party transactions		
Expenses	64	118
Other income	(9)	(5)
Interest expense	5	1
Dividend received	–	(103)
Gyro Properties (Pty) Ltd		
Related party balances		
Other receivables	3	–
Trade and other payables	(58)	(42)
Related party transactions		
Expenses	68	180
Interest expense	4	2
Dividend received	(58)	(44)

Except as indicated above, outstanding balances at year-end are unsecured, include interest and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Except as indicated above, for the year ended 31 March 2023 the Company has not made any impairment of amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

	Group		Company	
	31 March 2023 Rm	Restated 31 March[1] 2022 Rm	31 March 2023 Rm	Restated 31 March[1] 2022 Rm
With entities under common control:				
Major public entities				
Related party balances				
Finance lease receivable	116	48	–	–
Trade receivables	728	371	604	278
Impairment of trade receivables	(141)	(106)	(106)	(76)
Trade payables	–	(1)	–	(1)
Related party transactions				
Revenue (excluding lease income)	(647)	(641)	(390)	(374)
Operating expenses (excluding lease expense)	231	252	231	252
Lease income	(39)	(31)	(39)	(31)
Lease expense	41	42	41	42
Key management personnel compensation (including Directors and Prescribed Officers' remuneration):				
Related party transactions				
Short-term employee benefits	192	229	166	209
Post-employment benefits	14	16	13	14
Termination benefits	22	8	19	8
Equity compensation benefits	51	71	47	66

[1] *The comparatives related to major public entities have been restated due to changes in the major public entities listing in the current financial year.*

Notes to the financial statements continued

for the year ended 31 March 2023

11. Related parties continued

11.2 Related party transactions and balances continued

Terms and conditions of transactions with related parties

Except as indicated above, outstanding balances at 31 March 2023 are unsecured, include interest and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Except as indicated above, for the year ended 31 March 2023, the Group has not impaired any of the amounts owed by the related parties. This assessment is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates.

12. Group composition

12.1 Group interest in subsidiaries and associates

Set out below is a list of the significant subsidiaries and associates of the Group at 31 March 2023, held directly by Telkom SA SOC Ltd. Unless otherwise stated, the entities as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interest held equals to the voting rights held by the Group.

	Country of incorporation	Issued share capital 2023 R	Interest in issued ordinary share capital 2023 %	Ownership interest held by non-controlling interest 2023 %	Issued share capital 2022 R	Interest in issued ordinary share capital 2022 %	Ownership interest held by non-controlling interest 2022 %
Business Connexion (Pty) Ltd	RSA	**2 280 500**	**100**	**–**	2 280 500	100	–
Openserve (Pty) Ltd	RSA	**11 212 194 372**	**100**	**–**	–	–	–
Yellow Pages (Pty) Ltd	RSA	**100 000**	**100**	**–**	100 000	100	–
Rossal No 65 (Pty) Ltd	RSA	**100**	**100**	**–**	100	100	–
Acajou Investments (Pty) Ltd t/a VS Gaming	RSA	**100**	**100**	**–**	100	100	–
Swiftnet (Pty) Ltd	RSA	**5 000 000**	**100**	**–**	5 000 000	100	–
Number Portability Company[1]	RSA	**100**	**20**	**–**	100	20	–
Gyro Properties (Pty) Ltd	RSA	**100**	**100**	**–**	100	100	–
Gyro Solutions (Pty) Ltd	RSA	**100**	**100**	**–**	100	100	–

[1] *There are no significant restrictions on the ability of the associate to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group.*

The disclosure of the interest in Number Portability Company is as follows:	31 March 2023 Rm	31 March 2022 Rm
Closing carrying value	**12**	12

The total non-controlling interest for the year is R23 million (31 March 2022: R25 million) and relates to Business Connexion and Yellow Pages and is not considered material to the Group.

Notes to the financial statements continued

for the year ended 31 March 2023

12. Group composition continued

12.1 Group interest in subsidiaries and associates continued

Interest in operating profits, before eliminations, from subsidiaries	Revenue Rm	EBITDA Rm	EBIT Rm	Net profit/ (loss) Rm
2023				
Business Connexion (Pty) Ltd	**14 252**	**1 386**	**605**	**478**
Openserve (Pty) Ltd	**7 548**	**1 770**	**(7 105)**	**(5 586)**
Yellow Pages (Pty) Ltd	**5**	**(8)**	**(12)**	**(26)**
Swiftnet (Pty) Ltd	**1 304**	**896**	**833**	**584**
Telkom Foundation[1]	**63**	**(3)**	**(3)**	**(2)**
Gyro Properties (Pty) Ltd	**167**	**125**	**118**	**89**
Gyro Solutions (Pty) Ltd	**332**	**89**	**86**	**68**
2022				
Business Connexion (Pty) Ltd	15 328	2 361	1 618	1 060
Yellow Pages (Pty) Ltd	337	37	69	50
Swiftnet (Pty) Ltd	1 291	909	869	637
Rossal No 65 (Pty) Ltd	–	–	–	1
Telkom Foundation[1]	74	3	3	2
Gyro Properties (Pty) Ltd	131	85	74	55
Gyro Solutions (Pty) Ltd	356	155	150	109

[1] *Non-profit making trust.*

None of the Group's equity-accounted investees are publicly listed entities and consequently do not have published price quotations.

12.2 Changes in shareholding

Common control transactions

Legal separation of Openserve
On 14 July 2022, the Telkom Board approved the carve-out and legal separation of the Openserve division through the sale of Telkom's infrastructure business as a going concern to Openserve NewCo (Openserve (Pty) Ltd), effective 1 September 2022, resulting in Openserve (Pty) Ltd becoming a 100% subsidiary of Telkom SA SOC Ltd. The purchase price is in the form of two land the Openserve equity shareholding is determined based on the net asset value. Refer to note 7.2.2.

Openserve was under the control of Telkom both before and after the sale transaction. This transaction has no impact at a Telkom Group level. Telkom Company has derecognised the assets and liabilities of Openserve and recognised Openserve NewCo's net asset value as an investment in subsidiary.

The disposal of Openserve by Telkom Company has not been disclosed as a discontinued operation in the current financial year as the cash flows and assets are not separately identifiable and distinguishable. In terms of IFRS 5.31 a component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial purposes, from the rest of the entity. Even though Openserve is disclosed as a reportable segment before and after the carve-out, it is however not considered to be a component in terms of IFRS 5 as it was not a CGU and the cash flows and assets could not be clearly distinguished.

Notes to the financial statements continued

for the year ended 31 March 2023

12. Group composition continued

12.2 Changes in shareholding continued

Common control transactions continued

Legal separation of Openserve continued

Only after the above was done, was Telkom Company in a position to carve out Openserve. The legal separation of Openserve impacted the following financial statement line items on Telkom Company on 1 September 2022 (day 1):

	2023 Rm
Statement of financial position	
Property, plant and equipment	(20 684)
Intangible assets	(375)
Right-of-use assets	(1 156)
Loans to subsidiaries	(196)
Deferred taxation	(598)
Inventory	(388)
Trade and other receivables	(1 571)
Lease liability	1 328
Trade and other payables	2 336
Provisions	357
Deferred revenue	739
Reserves (long service award)	(4)
Net assets disposed	**(20 212)**

Total consideration	20 212
– Investment in Openserve	11 212
– Intercompany loan 1 (refer to note 7.2.2)	4 200
– Intercompany loan 2 (refer to note 7.2.2)	4 800
Common control reserves	–

Yellow Pages (Pty) Ltd ("Yellow Pages") divisionalisation
Telkom entered into a sale of business agreement with its 100% owned subsidiary, Yellow Pages, in terms of which Yellow Pages sold its business to Telkom SA SOC Ltd, with effect from 1 July 2022.

The operations of Yellow Pages have been integrated into Telkom SA SOC Ltd, effective 1 July 2022. The legal entity known as Yellow Pages (Pty) Ltd will continue as a going concern due to the subsidiaries that still reside therein as well as their separate operations. The planned deregistration of Yellow Pages will occur post deregistration of the subsidiaries. This transaction had no impact at a Telkom Group level.

Notes to the financial statements continued

for the year ended 31 March 2023

12. Group composition continued

12.2 Changes in shareholding continued

Common control transactions continued

Yellow Pages (Pty) Ltd ("Yellow Pages") divisionalisation continued

The divisionalisation of Yellow Pages impacted the following financial statements' line items on Telkom Company from 1 July 2022:

	2023 Rm
Statement of profit or loss and other comprehensive income	
Impairment of investment in subsidiaries	44
Loss	**44**

	2023 Rm
Statement of financial position	
Assets	
Property, plant and equipment	4
Intangible assets	47
Right-of-use assets	20
Investments	5
Deferred taxation	28
Inventory	6
Trade and other receivables	103
Contract assets	60
Cash and cash equivalents	105
Goodwill	(7)
Investment in Yellow Pages	(297)
Total assets	**74**
Liabilities	
Interest-bearing debt	(26)
Trade and other payables	(68)
Provisions	(24)
Total liabilities	**(118)**

Acquisitions

Dotcom Software Solutions (Pty) Ltd
BCX acquired 100% shareholding of Dotcom Software Solutions (Pty) Ltd ("Dotcom Software Solutions") with an effective date of 1 December 2022. Dotcom Software Solutions is a Microsoft-affiliated software solutions company specialising in creative cloud and systems solutions for the financial services sector in South Africa.

Dotcom Software Solutions was bought for a total purchase consideration of R150 million. The components of the purchase consideration are as follows:

- R80 million transfer of cash
- R70 million contingent consideration is payable as and when the net profit after tax targets are met. The R70 million is payable in four intervals

The following inputs were used to calculate the fair value of contingent consideration on acquisition date:

- Probabilities of cash flows: 90% threshold for probability for meeting net profit after tax
- Discount rate: 10% risk-free rate

The fair value of contingent consideration as at 1 December 2022 approximates the fair value as at 31 March 2023.

Notes to the financial statements continued

for the year ended 31 March 2023

12. Group composition continued

12.2 Changes in shareholding continued

Acquisitions continued

Dotcom Software Solutions (Pty) Ltd continued

The fair value of the identifiable assets and liabilities at acquisition date were determined as follows:

	2023 Rm
Assets	
Property, plant and equipment	1
Intangible assets	38
Trade and other receivables	15
Other financial assets – Loans and advances	14
Total assets	68
Liabilities	
Trade and other payables	18
Deferred tax liability	10
Employee related provisions and obligations	4
Loans	6
Bank overdraft	1
Total liabilities	39
Total identifiable net assets at fair value	29
Goodwill arising on acquisition	99
Purchase consideration: Cash transferred	80
Purchase consideration: Contingent consideration	48
Analysis of cash flows at acquisition:	
Net cash outflow on acquisition of the subsidiary	
Cash paid	(80)
Cash acquired at acquisition	(1)
Net cash outflow on acquisition	(81)

From the date of acquisition (1 December 2022), Dotcom Software Solutions has contributed R39 million of revenue and R11 million to the net profit before tax from the continuing operations of the Group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been R126 million and R11 million for net profit before tax from continuing operations for the Group.

Goodwill of R99 million was recognised as part of the transaction to acquire Dotcom Software Solutions. The goodwill relates to the skilled and assembled workforce (intellectual capital) that cannot be recognised as a separate intangible asset under IFRS.

Transaction costs of R2 million, which include issue costs, valuation, purchase price allocation (PPA) and due diligence have been expensed since the inception of the acquisition. These expenses were recognised in service fees.

The PPA valuation has been completed by a management expert before reporting period end (31 March 2023).

13. Significant events and transactions

Results of the Telkom annual general meeting regarding directors reappointments

On 24 August 2022, the following Board members were elected or re-elected as per the annual general meeting ordinary resolutions:

- B Kennedy
- KP Lebina
- M Nyati
- IO Selele
- LL Von Zeuner
- SH Yoon

Notes to the financial statements continued

for the year ended 31 March 2023

13. Significant events and transactions continued

Disposal of Swiftnet SOC Ltd ("Swiftnet")
The Board gave in-principle approval to affirm and realise the value of its investment in Swiftnet. Management is exploring various options of realising the value of the masts and towers business and will update the market in due course.

Approval of long-term credit facility agreement
On 18 November 2022, the Telkom Board gave in-principle approval of the R2 billion long-term credit facility. The R2 billion long-term loan agreement was signed in December 2022 and the funds were utilised to purchase spectrum and for general corporate purposes.

Vesting of shares
In terms of the Telkom share scheme rules, no shares vested to Mr Serame Taukobong and to Mr Dirk Reyneke in June 2022 as this was in a prohibited period. The vesting of these shares was deferred until after the end of the prohibited period and thus took place on 24 November 2022, in line with the share scheme rules. In terms of the aforementioned rules, 46 887 shares vested to Mr Serame Taukobong and 17 137 shares vested to Mr Dirk Reyneke on 24 November 2022.

Resignation of Non-executive Directors
Telkom announced on 15 July 2022 that Mr RG Tomlinson, an independent Non-executive Director, had resigned from the Board with effect from 24 August 2022.

Retirement of Non-executive Directors
Telkom announced on 15 July 2022 that Mr N Kapila, Ms F Petersen-Cook and Ms KW Mzondeki, independent Non-executive Directors, had retired from the Board with effect from 24 August 2022.

Appointment of Non-executive Directors
Telkom announced on 26 April 2022 that Mr SH Yoon had been appointed to the Board as an independent Non-executive Director with effect from 1 May 2022. Telkom announced on 15 July 2022 that Mr B Kennedy, Ms P Lebina, Mr M Nyati and Ms IO Selele had been appointed to the Board as independent Non-executive Directors with effect from 15 July 2022. Telkom announced on 28 October 2022 that Ms N Ford-Hoon had been appointed to the Board as an independent Non-executive Director with effect from 1 November 2022.

Resignation and appointment of independent Non-executive Director and Chairperson of Telkom
On 23 November 2022, Telkom advised the market that Mr Sello Moloko informed the Board of his intention to step down as an independent Non-executive Director and the Chairperson by no later than 31 March 2023. On 22 March 2023, Telkom announced the appointment of Mr Mvuleni Geoffrey Qhena as an independent Non-executive Director with effect from 27 March 2023 and Chairperson of the Board with effect from 1 April 2023.

Internal organisational restructuring
Telkom had entered into a formal consultation process with the relevant stakeholders in terms of section 189 of the Labour Relations Act regarding the restructuring of certain operations to ensure the sustainability of the Group. The S189 process impacted all business units and subsidiaries and ensured the sustainability of the Group.

The restructuring process was part of a cost-saving initiative being implemented as the Group manages the migration of revenue between old and new technologies. The Telkom Group is challenged with managing the costs associated with the different technologies, the competitiveness and sustainability of the Group.

15% of employees in the Group have been impacted by the retrenchment process. In line with the consultation process with unions, Telkom extended voluntary severance packages and voluntary early retirement packages to all employees in the Group.

14. Events after the reporting date

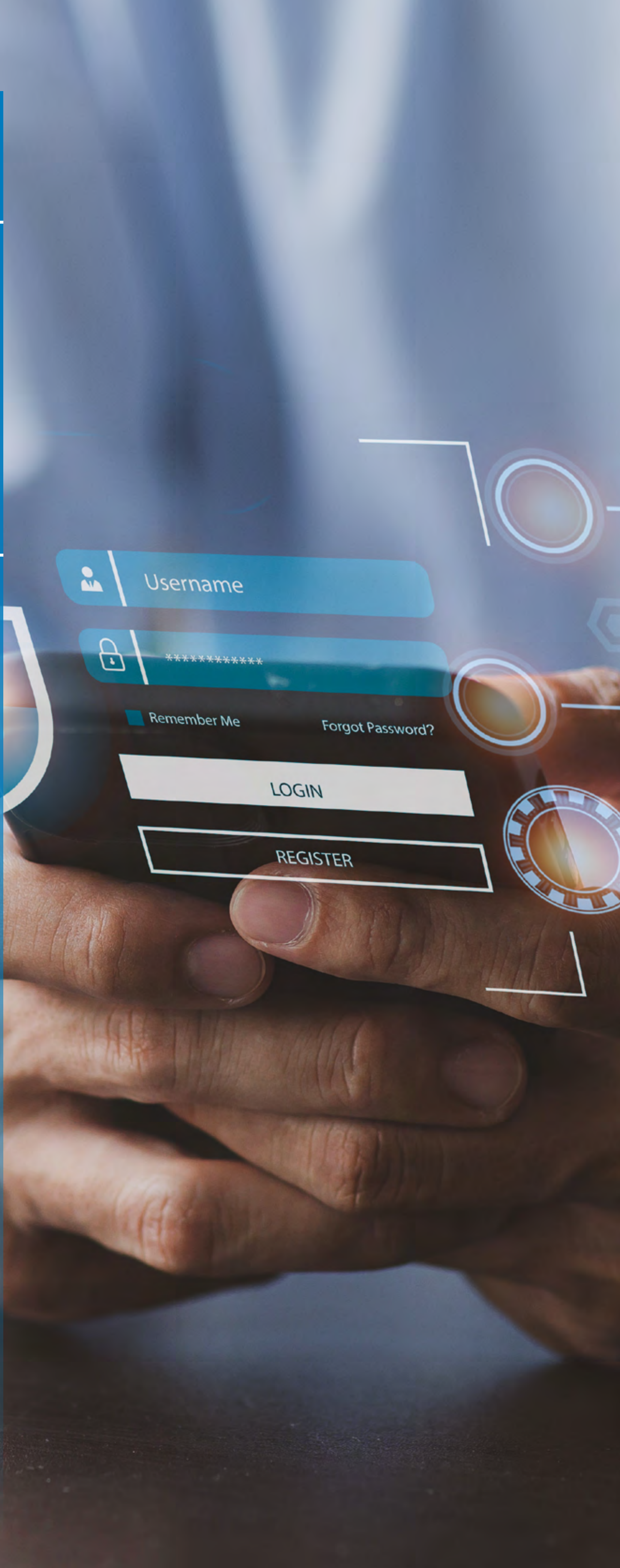
Google Equiano undersea internet cable contract
Openserve (Pty) Ltd, a subsidiary of Telkom, has entered into a master services agreement (MSA) with Google and its affiliates for licences which enable Telkom to operate the Equiano cable system in South Africa. The MSA sets out the rights and obligations of each party and the general terms and conditions of the arrangement but does not set out the specified performance obligations and payment terms. These details are included in order forms that would need to be considered in conjunction with the MSA. The arrangement does not give rise to any accounting implications in the FY2023 reporting period. Accounting implications will only be triggered by the order forms, and the effective dates for all the order forms are subsequent to the financial year-end.

Resignation of Group Company Secretary
Telkom announced on 31 May 2023 that Ms A Ceba has resigned as Group Company Secretary of Telkom with effect from 31 August 2023.

Other matters
The Directors are not aware of any other matter or circumstance since the financial year ended 31 March 2023 and the date of this report, or otherwise dealt with in the financial statements, which significantly affects the financial position of the Group and the results of its operations.

ANNEXURES TO THE FINANCIAL STATEMENTS

3



Annexure A – Shareholder analysis

	Number of shareholders	Percentage	Holdings	Percentage
Range of shareholders				
1 - 100 shares	60 422	70.30	1 921 339	0.38
101 - 1 000 shares	22 346	26.00	5 915 445	1.16
1 001 - 10 000 shares	2 449	2.85	6 752 654	1.32
10 001 - 50 000 shares	414	0.48	9 480 501	1.85
50 001 - 100 000 shares	115	0.13	8 351 401	1.63
100 001 - 1 000 000 shares	165	0.19	51 736 105	10.12
1 000 001 and more shares	42	0.05	426 982 794	83.54
	85 953	100	511 140 239	100
Type of shareholder				
Banks/brokers	85	0.10	57 701 872	11.29
Close corporations	37	0.05	68 376	0.01
Endowment funds	107	0.12	425 684	0.08
Individuals	82 587	96.08	17 840 549	3.49
Insurance companies	44	0.05	7 846 328	1.53
Investment companies	5	0.01	646 041	0.13
Medical aid schemes	19	0.02	1 575 320	0.31
Mutual funds	235	0.27	66 359 937	12.98
Other corporations	73	0.08	207 114 145	40.52
Private companies	172	0.20	2 183 027	0.43
Public companies	2	0.01	42 678	0.01
Retirement funds	439	0.51	118 056 265	23.10
Telkom Treasury Stock	6	0.01	28 324 210	5.54
Trusts	2 142	2.49	2 955 807	0.58
	85 953	100	511 140 239	100
Geographical holdings by owner				
South Africa	85 736	99.75	448 297 331	87.71
United States	33	0.04	42 264 726	8.27
United Kingdom	38	0.04	13 480 715	2.64
Europe	121	0.14	5 124 209	1.00
Other	25	0.03	1 973 258	0.38
	85 953	100	511 140 239	100

	Holdings	%
Beneficial shareholders of more than 2%		
The Government of the Republic of South Africa	207 038 058	40.52
Government Employees Pension Fund	79 883 964	15.63
Telkom Treasury Stock	28 324 210	5.53
M&G Investments	13 431 790	2.63
Old Mutual	12 402 517	2.43
	341 080 539	66.74
Foreign custodians holding 2% or more		
Citibank (Custodian)	28 961 615	5.67
	28 961 615	5.67

Annexure A – Shareholder analysis continued

Public and non-public shareholders	Number of shareholders	Percentage	Holdings	Percentage
Non-public shareholders	18	0.02	235 525 215	46.08
The Government of the Republic of South Africa	1	0.00	207 038 058	40.52
Government buffer account	1	0.00	9 461	0.00
Telkom Treasury Stock	6	0.01	28 324 210	5.53
Executive and Non-executive Directors and prescribed officers and their respective associates[1]	4	0.00	57 434	0.01
Subsidiaries Directors[1]	6	0.01	96 052	0.02
Public shareholders				
Institutional and retail investors	85 935	99.98	275 615 024	53.92
	85 953	100	511 140 239	100

[1] *Director holdings comprise direct and indirect beneficial holdings.*

The information above is based on registered shareholders, except where only beneficial shareholders' information was available as at 31 March 2023.

Abbreviations

ALM	Asset Liability Model
ASA	Additional share award
BCX	Business Connexion (Pty) Ltd
B-BBEE	Broad-Based Black Economic Empowerment
Capex	Capital expenditure
CGU	Cash-generating unit
CODM	Chief operating decision maker
CPI	Consumer price index
CPE	Customer premises equipment
CWIP	Capital work in progress
DTA	Deferred tax asset
EBIT	Earnings before interest and tax
EBITDA	Earnings before investment income and finance cost, tax, depreciation, amortisation and write-offs, impairments and losses
ECA	Export Credit Agency
ECLs	Expected credit losses
ESD	Enterprise and supplier development
ESOP	Employee share ownership plan
Exco	Group Executive Committee
FCTR	Foreign currency translation reserve
FEC	Foreign exchange contract
FSP	Forfeitable share plan
FVTPL	Fair value through profit or loss
GCEO	Group Chief Executive Officer
GDP	Gross Domestic Product
IA	Intangible assets
IAS	International Accounting Standard
IASB	International Accounting Standards Board
ICASA	Independent Communications Authority of South Africa
ICT	Information communication technology
IFRS	International Financial Reporting Standards
IT	Information technology
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
LTIP	Long-term incentive plan
MFRF	Mutual and Federal Risk Finance
MSA	Master services agreement
OCI	Other comprehensive income
POTN	Packet Optical Transport Network
PPE	Property, plant and equipment
ROU	Right-of-use
SAA	Strategic asset allocation
SARB	South African Revenue Bank
SARS	South African Revenue Services
SCF	Supply chain financing
SIU	Special Investigating Unit
SMB	Small and Medium Business
SMME	Small, medium and micro enterprise
SMS	Short Message Service
TDS	Telkom Direct Stores
TKG	The Telkom Group's JSE share code
TRF	Telkom Retirement Fund
USD	United States dollar
VAT	Value-Added Tax
WACC	Weighted average cost of capital

Administration

Company registration number
1991/005476/30

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