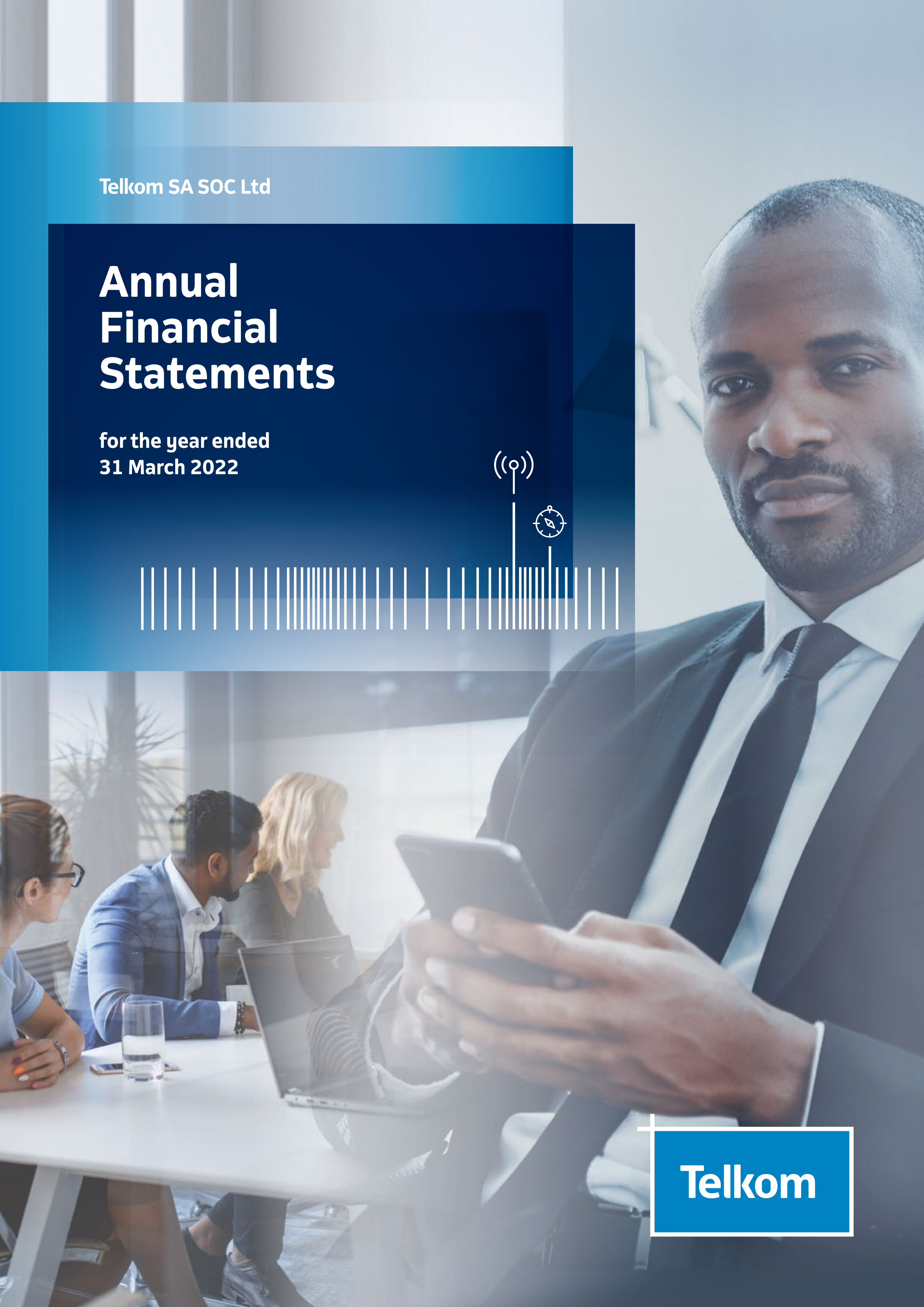
Telkom SA SOC Ltd

Annual Financial Statements

for the year ended
31 March 2022



Telkom

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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 10 June 2022 by the Telkom SA SOC Ltd Board of Directors and published on 14 June 2022. The Directors have the power to amend and reissue the financial statements.

Contents

1

Introduction statements

Directors' responsibility statement

for the year ended 31 March 2022

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 cash flow 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, 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 joint external auditors have expressed an unmodified independent opinion on the Company and 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 10 June 2022, and are signed on its behalf by:

Sello Moloko
Chairperson

Serame Taukobong
Group Chief Executive Officer

Centurion
10 June 2022

CEO and CFO responsibility statement

for the year ended 31 March 2022

The Directors, whose names are stated below, hereby confirm that:

- The annual financial statements set out on pages 2 to 117, fairly present in all material respects the financial position, financial performance and cash flows of Telkom SA SOC Ltd in terms of IFRS
- 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 Telkom SA SOC Ltd and its consolidated subsidiaries have been provided to effectively prepare the financial statements of Telkom SA SOC Ltd
- 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 within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the Audit Committee and the auditors, the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves Directors and have taken the necessary remedial action

Serame Taukobong
Group Chief Executive Officer
10 June 2022

D J Reyneke
Group Chief Financial Officer
10 June 2022

Certificate from the Group Company Secretary

I hereby certify in accordance with section 88(2)(e) of the Companies Act, 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

10 June 2022

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 2022.

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

Profit for the year ended 31 March 2022 was R2 631 million (March 2021: R2 428 million) representing basic earnings per share of 536.6 cents per share (March 2021: 489.9 cents per share) and headline earnings per share of 575.3 cents per share (March 2021: 522.2 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

Telkom is in its second year of the three-year dividend suspension period. The Board remains committed to reinstate the dividend policy at the end of FY2023 in line with the Board commitment on suspension of the dividend policy in FY2021. The Board is reviewing the dividend policy.

Subsidiaries, associates and other investments

Particulars of the material subsidiaries of the Group are set out in note 40 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 2022 were:

	2022 Rm	2021 Rm
Aggregate amount of profit after taxation	1 914	2 241

Share capital

Details of the authorised, issued and unissued share capital of the Company as at 31 March 2022, are contained in note 23 of the accompanying annual financial statements.

Share repurchases

Telkom purchased 8 416 809 shares from the market through Rossal No 65 (Pty) Ltd for the purpose of the employee share plan. The average price per share was R46.55.

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 11 and 13 of the accompanying Group annual financial statements.

Significant events and transactions

Significant events and transactions during the year under review are disclosed in note 41 of the accompanying Group annual financial statements.

Events after the reporting date

Events subsequent to the reporting date are set out in note 42 of the accompanying Group annual financial statements.

Directorate

The following changes occurred in the composition of the Board of Directors from 1 April 2021 to the date of this report:

Appointments	Date
O Ighodaro	1 July 2021
EG Matenge-Sebesho	1 July 2021
S Taukobong	1 January 2022
SH Yoon	1 May 2022

Resignations	Date
S Maseko	31 December 2021
AN Samuels	1 July 2021

The Board of Directors at the date of this report is as follows:
- MS Moloko (Chairperson)
- S Taukobong (Group Chief Executive Officer)
- DJ Reyneke (Group Chief Financial Officer)
- O Ighodaro
- N Kapila
- PCS Luthuli
- EG Matenge-Sebesho
- KW Mzondeki
- F Petersen-Cook
- KA Rayner
- SP Sibisi
- H Singh
- RG Tomlinson
- LL von Zeuner
- SH Yoon

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

Directors' interest

At 31 March 2022, the following Directors held a beneficial interest in the shares of Telkom SA SOC Ltd:

Executive	
S Maseko*	52 520
S Taukobong	22 200
DJ Reyneke	–

Non-executive	
KW Mzondeki	748

* *Resigned on 31 December 2021 and shares are held through the Bambanani Family Trust.*

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, King IV and the JSE Listings Requirements.

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 the 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 five independent Non-executive Directors from 1 April 2021 to 31 March 2022. Keith Rayner is the Chairperson of the committee.

The Board believes that the Directors collectively possess 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 (Chairperson)	7/7
PCS Luthuli	7/7
KW Mzondeki	7/7
H Singh	7/7
LL von Zeuner	7/7

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, respectively. These reporting responsibilities are designed to manage 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 the joint external auditors (refer to "external auditors" below for details and definition), including their audit fee, independence and objectivity
- The nature and extent of any non-audit services performed by the joint independent external auditors
- The auditor suitability and recommendation for appointment and reappointment
- The reports of both internal and joint independent external auditors
- The expertise and experience of the Chief Financial Officer
- Financial reporting systems to ensure that 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 2022 ("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)
- 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 Listings Requirements (JSE LR) and the requirements of the Companies Act of South Africa, 2008.

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 as a result of the high number of leases. The major lease categories that gave rise to the ROU asset and related liability primarily relate to the Masts and Towers infrastructure lease agreements, co-location agreements, property leases, and vehicle fleet leases. As at 31 March 2022, the ROU asset and liability were reflected at R4 945 million (31 March 2021: R4 519 million) and R5 374 million (31 March 2021: R4 972 million), respectively, with related depreciation and interest of R1 184 million (31 March 2021: R947 million) and R450 million (31 March 2021: R445 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-end.
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), resulting in no impairment adjustments.
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 matter detailed in the joint independent auditors' report on the audited company/consolidated annual financial statements.
GCEO and GCFO responsibility statement	The review and consideration of the GCEO and GCFO responsibility statement 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 Listings Requirements. During the year, the Audit Committee:

In respect of the joint independent external 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 independent external auditors during the year;
- Approved the fees paid to the joint independent external auditors for the 2022 financial year;
- Approved and confirmed non-audit services and attendant fees, which the joint independent external auditors performed during the year under review; and
- The Audit Committee Chairperson held separate meetings with the external auditors prior to Audit Committee meetings.

In respect of financial reporting:

- Considered the appropriateness and experience of the Group Chief Financial Officer 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 company and group 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; and
- The Audit Committee Chairperson held separate meetings with the Chief 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.

In respect of governance:

- Ensured that the acting debt officer, Nomhle Mnguni, has the necessary qualifications and experience.

Audit Committee report

External auditors

The Audit Committee has primary responsibility for overseeing the relationship with, and performance of, the joint independent external auditors. This includes making the recommendation on the appointment, reappointment 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 from the joint independent external auditors, and agreed both the interim and financial year-end audit fees. The Audit Committee received updates during the year on the audit process, including how the auditor had challenged Telkom Group's assumptions on the significant matters noted in this report.

In terms of section 90(1) of the Companies Act and in accordance with its Board charter, the Company must appoint two independent external audit firms and two designated engagement partners that comply with the requirements of section 90(2) of the Companies Act and with the JSE LR each year at its annual general meeting (AGM). The Board delegated the responsibility to review the Company's current appointed joint independent external auditors for reappointment to the Audit Committee. The Board would then make a recommendation to the shareholders in the notice of AGM, based on the outcome of the review and report of the Audit Committee to the Board. The current appointed joint independent external audit firms are PricewaterhouseCoopers Inc. (PwC) and SizweNtsalubaGobodo (SNG) Grant Thornton Inc. and the respective current appointed engagement partners are Messrs KJ Dikana and GM Hafiz ("joint independent external auditors").

In compliance with paragraph 3.84(g)(iii) of the JSE Listings Requirements, the Audit Committee assessed the respective audit firms as well as the related engagement partners' suitability for appointment, taking into account the quality of the audit work and related reporting to the Audit Committee, industry expertise of the firm and its designated partners, findings by the IRBA, and statements relating to independence as well as the representations made by the external auditors to the Audit Committee including those under ISQC 1 ("The Auditor Suitability Review").

Based on the results of the Auditor Suitability Review and a review of the joint independent external auditors' independence, the Audit Committee recommended the reappointment of the joint independent external auditors for the March 2023 year-end at the annual general meeting by way of a separate ordinary resolution. The Board concurred with the recommendation.

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 Chairperson of the Audit Committee of all non-audit services. Fees paid for non-audit services to the joint external auditors amounted to R1.65 million for the financial year ended 31 March 2022 (31 March 2021: R1.7 million). Non-audit fees, as a percentage of audit fees, for the year ended 31 March 2022, is approximately 1.64%. Fees accrued for audit work performed for the financial year ended 31 March 2022 by the joint independent external auditors amounted to R99.8 million (31 March 2021: R95.5 million).

The Audit Committee Chairperson met with the joint independent external auditors prior to each Audit Committee meeting to discuss and review the content of the joint independent 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 Independent Regulatory Board for Auditors and other relevant legislation, have been followed. The Audit Committee is satisfied that the joint independent 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 on 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-source service providers form part of Telkom's internal audit function and report directly into the CAE.

The internal control systems of the Company 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 Chairperson of the Audit Committee met with the CAE prior to each Audit Committee meeting to discuss and review the content of the internal report to the Audit Committee.

Internal audit and the joint independent external auditors have unrestricted access to the Audit Committee, the Audit Committee Chairperson, the Risk Committee Chairperson and the Chairperson 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 chairperson 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 risks 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 2022.

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 three 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 three 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 joint independent external auditors, the Audit Committee is of the opinion that the financial records may be relied upon as the basis for preparation of the audited company/consolidated AFS.

The Audit Committee has considered and discussed the audited company/consolidated AFS with both management and the 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 on 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 joint external auditors;
- noted the tenure of the joint independent external audit firms;
- noted the tenure of the designated independent external audit partners; and
- discussed the Audit Committee's views on the effectiveness of the Chief Audit Executive.

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 South African Companies Act, 2008 and the JSE Listings Requirements. 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

10 June 2022

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 2022, 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 117 comprise:

- **the consolidated and separate statements of financial position as at 31 March 2022;**
- **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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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

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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, investment in Business Connexion Group Limited (BCX) and property, plant and equipment (applicable to the consolidated and separate financial statements) The Group's net assets include R1.3 billion of goodwill at the reporting date. The goodwill is attributable to two cash generating units (CGUs), the Company (Telkom) and Business Connexion Group Limited (BCX). The Group assessed internal and external indicators of impairment of the CGUs. Key indicators of impairment included the market capitalisation being below the net asset value and the decline in the value in use mainly driven by a decline in cash flow projections in relation to the Telkom and BCX CGU's respectively, which may trigger impairment of the underlying assets. As required by International Accounting Standard 36, Impairment of Assets (IAS 36), the Group performs an impairment assessment of goodwill on an annual basis and when impairment indicators are identified. The goodwill impairment assessment was a matter of most significance to our audit of the consolidated financial statements due to the significant judgements and assumptions made by management when performing the impairment assessment, and in estimating the key assumptions applied, particularly: - BCX cash flows are generated using Telkom's network assets; - Discount rate; - Cash flow forecasts, in particular the revenue growth rates and EBITDA margin; and - Terminal growth rates. For the year ended 31 March 2022, management performed an impairment assessment over the goodwill balance by performing the following: - Assessing the recoverable amount which was determined as the value in use 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.	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. A key consideration in this evaluation was the assessment of the Enterprise cash flows within BCX which are generated using Telkom's network assets. 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 IFRS 16 was included in the value in use valuation model used by management, and 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 as per our valuation methodology. 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. 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 comparability. We found the forecast assumptions to be comparable with these benchmarks; - Compared the terminal growth rates to forecast industry trends and to past growth rate trends. This was found to be comparable with historical trends; 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.

Independent auditors' report

for the year ended 31 March 2022

Our audit approach continued

Key audit matter	How our audit addressed the key audit matter
This matter is disclosed in note 2.4.14 and note 13 to the consolidated and separate financial statements. In addition to the goodwill in the consolidated financial statements, the impairment considerations apply equally to the investment in BCX and the property, plant and equipment (PPE) in the separate financial statements. The Company holds a 100% interest in BCX and accounts for this investment as a subsidiary in terms of International Accounting Standard 27 – Separate Financial Statements (IAS 27). Under IAS 36, the Company is required to test investments in subsidiaries carried at cost for impairment if there is an indicator of impairment. Management identified an impairment indicator regarding the material investment in BCX due to the matters noted in the goodwill section above, 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 and the PPE is a matter of most significance to our audit of the separate financial statements due to the significant judgements and assumptions made by management when performing the impairment assessment, and in estimating the key assumptions applied, as specified under the goodwill section above. This matter is disclosed in note 11 and note 15 to the consolidated and separate financial statements.	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. 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 whether the CGUs were not sensitive to reasonably possible changes in key assumptions. 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 value in use range exceeded the carrying amount of the BCX investment. 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 the Telkom CGU which includes PPE and goodwill, and noted that no impairment was identified. We assessed the appropriateness of the disclosures in the consolidated and separate financial statements as set out in notes 2.4.14 and 13 against the requirements of IAS 36.

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 2022”, which includes the Directors’ Report, the Audit Committee’s Report and the Certificate from the Group and 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 2022”, 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.

Independent auditors' report

for the year ended 31 March 2022

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 judgment 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.

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 4 years.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: KJ Dikana
Registered Auditor
Johannesburg

10 June 2022

SizweNtsalubaGobodo Grant Thornton Inc.

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

10 June 2022

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.

2

Annual financial statements

Notes to the financial statements

Annexures to the financial statements

Statements of profit or loss and other comprehensive income

for the year ended 31 March 2022

	Notes	Group 31 March 2022 Rm	Group 31 March 2021 Rm	Company 31 March 2022 Rm	Company 31 March 2021 Rm
Revenue	4	**42 756**	43 222	**38 272**	39 220
Operating revenue		**42 474**	42 939	**38 016**	38 980
Interest revenue		**282**	283	**256**	240
Other income	5	**686**	619	**1 240**	1 018
Insurance service result	15.2	**(2)**	15	**(2)**	15
Payments to other operators[1]		**(3 393)**	(3 878)	**(3 318)**	(3 822)
Cost of handsets, equipment, software and directories	6.1	**(5 648)**	(4 781)	**(3 589)**	(2 722)
Sales commission, incentives and logistical costs	6.2	**(2 516)**	(2 425)	**(2 369)**	(2 243)
Enterprise subcontracting costs[2]		**–**	–	**(6 415)**	(7 157)
Employee expenses	6.3	**(8 693)**	(9 312)	**(4 528)**	(4 762)
Other expenses	6.4	**(2 315)**	(2 197)	**(992)**	(953)
Maintenance		**(3 879)**	(3 971)	**(4 728)**	(4 871)
Marketing		**(729)**	(747)	**(649)**	(671)
Impairment of receivables and contract assets	19	**(803)**	(1 039)	**(690)**	(884)
Service fees	6.5	**(3 388)**	(3 316)	**(2 878)**	(2 858)
Lease-related expenses	6.6	**(168)**	(487)	**(95)**	(449)
EBITDA		**11 908**	11 703	**9 259**	8 861
Depreciation of property, plant and equipment	6.7	**(4 713)**	(4 918)	**(4 298)**	(4 546)
Depreciation of right-of-use assets	6.7	**(1 184)**	(947)	**(1 643)**	(1 416)
Amortisation of intangible assets	6.7	**(831)**	(805)	**(729)**	(708)
Write-offs and impairments of property, plant and equipment and intangible assets	6.7	**(247)**	(200)	**(202)**	(193)
Operating profit		**4 933**	4 833	**2 387**	1 998
Investment income	7	**144**	188	**4 163**	1 643
Income from associates		**–**	1	**–**	–
Net finance charges and fair value movements	8	**(1 279)**	(1 527)	**(1 423)**	(1 747)
Finance charges on lease liabilities		**(450)**	(445)	**(517)**	(560)
Net finance charges – other		**(662)**	(804)	**(745)**	(936)
Cost of hedging		**–**	(153)	**–**	(153)
Foreign exchange and fair value movements		**(167)**	(125)	**(161)**	(98)
Profit before taxation		**3 798**	3 495	**5 127**	1 894
Taxation	9	**(1 167)**	(1 067)	**(313)**	(164)
Profit for the year		**2 631**	**2 428**	**4 814**	**1 730**
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss					
Exchange gains/(losses) on translating foreign operations[3]	25	**4**	(25)	**–**	–
Items that will not be reclassified to profit or loss					
Defined benefit plan actuarial gains/(losses)	29	**341**	(69)	**340**	(69)
Income tax relating to other comprehensive income		**(79)**	19	**(79)**	19
Other comprehensive income for the year, net of taxation		**266**	(75)	**261**	(50)
Total comprehensive income for the year		**2 897**	**2 353**	**5 075**	**1 680**
Profit attributable to:					
Owners of Telkom		**2 630**	2 422	**4 814**	1 730
Non-controlling interests		**1**	6	**–**	–
Profit for the year		**2 631**	**2 428**	**4 814**	**1 730**
Total comprehensive income attributable to:					
Owners of Telkom		**2 896**	2 347	**5 075**	1 680
Non-controlling interests		**1**	6	**–**	–
Total comprehensive income for the year		**2 897**	**2 353**	**5 075**	**1 680**
Basic earnings per share (cents)	10	**536.6**	489.9		
Diluted earnings per share (cents)	10	**519.9**	484.0		

[1] *Payments to other operators decreased mainly due to lower mobile roaming and interconnect traffic.*
[2] *Subcontracting costs relates to Enterprise customer contracts which Telkom sold to BCX, refer to note 4.*
[3] *This component of other comprehensive income does not attract any tax.*

Statements of financial position

as at 31 March 2022

		Group		Company	
	Notes	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Assets					
Non-current assets		49 893	47 901	54 331	52 634
Property, plant and equipment	11	38 319	36 271	35 735	33 991
Right-of-use assets	12.1	4 945	4 519	5 666	5 523
Intangible assets	13	4 248	4 605	2 426	2 924
Investment in subsidiaries	15.1.1	–	–	8 376	8 418
Loans to subsidiaries	15.1.2	–	–	500	–
Other investments	15.2	170	115	–	–
Employee benefits	29	1 566	1 317	1 566	1 317
Other financial assets	21.1	113	81	10	–
Finance lease receivables	16.1	224	270	52	85
Deferred taxation	17	308	723	–	376
Current assets		16 124	15 930	12 044	12 032
Inventories	18	1 084	1 026	833	779
Income tax receivable	33	30	91	–	–
Finance lease receivables	16.1	183	228	47	79
Trade and other receivables	19.1	7 797	7 227	6 788	6 890
Contract assets	19.2	2 055	1 747	1 976	1 635
Other current assets	20	466	459	466	459
Other financial assets	21.1	69	88	68	88
Investment in cell captives	15.2	59	61	59	61
Cash and cash equivalents	22.1	3 239	5 003	665	2 041
Restricted cash	22.2	1 142	–	1 142	–
Total assets		**66 017**	**63 831**	**66 375**	**64 666**
Equity and liabilities					
Equity attributable to owners of the parent		34 069	31 366	32 898	27 863
Share capital	23	5 050	5 050	5 050	5 050
Share-based compensation reserve	24	1 238	1 036	1 128	964
Non-distributable reserves	25	968	1 361	526	732
Retained earnings		26 813	23 919	26 194	21 117
Non-controlling interests		(25)	(25)	–	–
Total equity		**34 044**	**31 341**	**32 898**	**27 863**
Non-current liabilities		13 422	15 121	13 285	15 326
Interest-bearing debt	26	8 221	10 173	8 221	10 173
Lease liabilities	12.2	4 340	3 761	4 553	4 325
Provisions	27	380	619	358	601
Other financial liabilities	21.2	106	107	–	–
Deferred revenue	28	138	235	125	227
Deferred taxation	17	237	226	28	–
Current liabilities		18 551	17 369	20 192	21 477
Trade and other payables	30	10 339	11 493	12 376	14 028
Shareholders for dividend	34	28	31	28	31
Interest-bearing debt	26	3 711	693	3 711	693
Lease liabilities	12.2	1 034	1 211	1 550	1 836
Provisions	27	1 276	1 613	802	1 043
Deferred revenue	28	1 633	1 696	1 483	1 587
Income tax payable	33	3	9	–	11
Other financial liabilities	21.2	527	622	242	2 248
Credit facilities utilised	22.1	–	1	–	–
Total liabilities		**31 973**	**32 490**	**33 477**	**36 803**
Total equity and liabilities		**66 017**	**63 831**	**66 375**	**64 666**

Statements of changes in equity

for the year ended 31 March 2022

	Attributable to equity holders of Telkom						
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
Balance as at 1 April 2020 (as previously reported)	5 050	1 642	835	21 977	29 504	(29)	29 475
Restatement of third party service costs	–	–	–	(114)	(114)	–	(114)
Restated balance at 1 April	5 050	1 642	835	21 863	29 390	(29)	29 361
Correction of prior period error during 2021	–	–	–	(44)	(44)	–	(44)
Total comprehensive income	–	(25)	–	2 372	2 347	6	2 353
Profit for the year	–	–	–	2 422	2 422	6	2 428
Other comprehensive income	–	(25)	–	(50)	(75)	–	(75)
Exchange losses on translating foreign operations	–	(25)	–	–	(25)	–	(25)
Net defined benefit plan remeasurements	–	–	–	(50)	(50)	–	(50)
Transactions with owners recorded directly in equity							
Fair value movement on the sinking fund investment transferred to non-distributable reserves (refer to note 25)	–	1	–	(1)	–	–	–
Movement on the insurance service result transferred to non-distributable reserves (refer to note 25)	–	15	–	(15)	–	–	–
Increase in share-based compensation reserve (refer to note 24)	–	–	154	–	154	–	154
Increase in subsidiaries' share-based compensation reserve (refer to note 24)	–	–	49	–	49	–	49
Vesting of Telkom and BCX share plan (refer to note 24)	–	2	(2)	–	–	–	–
Escrow shares realised for settlement to employees (refer to note 25)	–	12	–	–	12	–	12
Increase in treasury shares (refer to note 25)	–	(286)	–	–	(286)	–	(286)
Dividend declared (refer to note 34)	–	–	–	(256)	(256)	–	(256)
Contributions by and distributions to non-controlling interest							
Dividend declared[1]	–	–	–	–	–	(2)	(2)
Balance at 31 March 2021	**5 050**	**1 361**	**1 036**	**23 919**	**31 366**	**(25)**	**31 341**

Statements of changes in equity continued

for the year ended 31 March 2022

	Attributable to equity holders of Telkom						
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**
Balance at 1 April 2021 (as previously reported)	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 gains 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 25)	–	(2)	–	2	–	–	–
Increase in share-based compensation reserve (refer to note 24)	–	–	164	–	164	–	164
Increase in subsidiaries' share-based compensation reserve (refer to note 24)	–	–	39	–	39	–	39
Vesting of Telkom and BCX share plan (refer to note 25)	–	1	(1)	–	–	–	–
Increase in treasury shares (refer to note 25)[2]	–	(396)	–	–	(396)	–	(396)
Contributions by and distributions to non-controlling interest							
Dividend declared[1]	–	–	–	–	–	(1)	(1)
Balance at 31 March 2022	**5 050**	**968**	**1 238**	**26 813**	**34 069**	**(25)**	**34 044**

[1] *Dividend declared includes dividend to the non-controlling interests of the BCX Group.*
[2] *Treasury shares increased due to the share buy-back for the Telkom and subsidiaries long-term incentive share scheme.*

Statements of changes in equity continued

for the year ended 31 March 2022

	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 as at 1 April 2020 (as previously reported)	5 050	989	810	19 709	26 558
Total comprehensive income	–	–	–	1 680	1 680
Profit for the year	–	–	–	1 730	1 730
Other comprehensive income	–	–	–	(50)	(50)
Net defined benefit plan remeasurements	–	–	–	(50)	(50)
Transactions with owners recorded directly in equity					
Fair value movement on the sinking fund investment transferred to non-distributable reserves (refer to note 25)	–	1	–	(1)	–
Movement on the insurance service result transferred to non-distributable reserves (refer to note 25)	–	15	–	(15)	–
Increase in treasury shares (refer to note 25)	–	(285)	–	–	(285)
Escrow shares realised for settlement to employees (refer to note 25)	–	12	–	–	12
Increase in share-based compensation reserve (refer to note 24)	–	–	154	–	154
Dividend declared (refer to note 34)	–	–	–	(256)	(256)
Balance at 31 March 2021	**5 050**	**732**	**964**	**21 117**	**27 863**
Balance at 1 April 2021 (as previously reported)	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 25)	–	(2)	–	2	–
Increase in treasury shares (refer to note 25)[1]	–	(204)	–	–	(204)
Increase in share-based compensation reserve (refer to note 24)	–	–	164	–	164
Balance at 31 March 2022	**5 050**	**526**	**1 128**	**26 194**	**32 898**

[1] *Treasury shares increased due to the share buy-back for the Telkom long-term incentive share scheme.*

Statements of cash flows

for the year ended 31 March 2022

		Group		Company	
	Notes	31 March 2022 Rm	Restated 31 March 2021[1] Rm	31 March 2022 Rm	Restated 31 March 2021[1] Rm
Cash flows from operating activities		**8 152**	10 941	**8 578**	8 889
Cash receipts from customers		**41 614**	43 790	**38 340**	39 646
Cash paid to suppliers and employees		**(31 728)**	(29 407)	**(28 923)**	(28 192)
Cash generated from operations	31	**9 886**	14 383	**9 417**	11 454
Interest received		**235**	332	**113**	243
Dividend received		**22**	–	**402**	26
Finance charges paid	32	**(1 188)**	(1 291)	**(1 317)**	(1 434)
Taxation paid	33	**(764)**	(2 194)	**–**	(1 112)
Repayment of derivatives – FECs		**(114)**	(158)	**(114)**	(158)
Proceeds from derivatives – FECs		**80**	126	**80**	126
Cash generated from operations before dividend paid		**8 157**	11 198	**8 581**	9 145
Dividend paid	34	**(5)**	(257)	**(3)**	(256)
Cash flows utilised for investing activities		**(9 298)**	(8 294)	**(8 798)**	(7 402)
Proceeds on disposal of property, plant and equipment and intangible assets		**16**	6	**14**	3
Additions to assets for capital expansion		**(8 031)**	(8 311)	**(7 124)**	(7 598)
Loans advanced to subsidiaries		**–**	–	**(500)**	–
Loans repaid by subsidiaries		**–**	–	**–**	128
Investments made by FutureMakers		**(53)**	(54)	**–**	–
Investment in SA SME Fund		**(9)**	–	**(9)**	–
Cash received from FutureMakers		**–**	–	**42**	–
Repayment of derivatives – FECs		**(267)**	(477)	**(267)**	(477)
Proceeds from derivatives – FECs		**188**	378	**188**	378
Restricted cash	22.2	**(1 142)**	–	**(1 142)**	–
Withdrawal from the Absa sinking fund investment		**–**	164	**–**	164
Cash flows from financing activities		**(617)**	(2 371)	**(1 156)**	(2 679)
Loans raised	35	**1 150**	268	**1 150**	268
Loans repaid	35	**(193)**	(1 400)	**(193)**	(1 400)
Purchase of shares for the Telkom and subsidiaries long-term incentive share scheme		**(393)**	(285)	**(393)**	(285)
Repayment of lease liability		**(1 076)**	(856)	**(1 615)**	(1 164)
Repayment of derivatives – interest rate swaps		**(105)**	(98)	**(105)**	(98)
Net (decrease)/increase in cash and cash equivalents		**(1 763)**	276	**(1 376)**	(1 192)
Net cash and cash equivalents at 1 April		**5 002**	4 726	**2 041**	3 233
Net cash and cash equivalents at the end of the year	**22.1**	**3 239**	**5 002**	**665**	**2 041**

[1] *The Group restated the statement of cash flows to correctly classify repayments of R158 million and proceeds of R126 million in respect of FECs relating to inventory purchases, and R477 million of repayments and R378 million of proceeds in respect of the FECs relating to capital expenditure from financing activities to operating activities and investing activities, respectively. Due to the reclassification, the FEC fair value movements which form part of inventory working capital movement changed, as well as the FEC fair value movement capitalised to property, plant and equipment. This resulted in a decrease of R139 million in cash paid to suppliers and employees and an increase in additions to assets for capital expansion of R139 million. The change in classification of the cash flows did not impact the net cash and cash equivalents balance at the end of the reporting period.*

Notes to the financial statements

for the year ended 31 March 2022

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 Johannesburg Stock Exchange (JSE). 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 2.5.9.1 for a description of the products and services offered by the Group.

2. Significant accounting policies, judgements, estimates and assumptions

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 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 New accounting pronouncements

2.2.1 Other standards, amendments to standards and interpretations

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. The adoption of IFRS 17 will result in larger disclosures within the Group, however, the recognition and measurement in terms of the standard is not expected to be material.

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
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 37 (Provisions, Contingent Liabilities and Contingent Assets) Onerous Contracts – Costs of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022
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

2.3 The assessment of the Russia-Ukraine conflict as part of accounting judgements and sources of estimation uncertainty

The geopolitical situation in Eastern Europe intensified on 24 February 2022 with Russia's invasion of Ukraine. The war between the two countries continues to evolve as military activity proceeds and additional sanctions are imposed.

The war has created uncertainties and caused volatility in commodity prices and impacts on the global supply chain.

The Group does not have direct exposure, largely because of not having significant suppliers, vendors or customers in the affected countries. Indirectly, the most likely impact will be on the overall economic uncertainty and negative impacts on the global economy and major financial markets arising from the war. The extent of the financial impact, or how long the war will last, is still not quantifiable.

Going concern

The Group does not have direct exposure in Ukraine/Russia, which could potentially threaten its ability to continue as a going concern. The Group will, however, continue to monitor the indirect impact resulting from the uncertainties in the global economy.

The natural disasters and social unrest experienced recently also did not have a significant impact on the going concern.

Notes to the financial statements continued

for the year ended 31 March 2022

2. Significant accounting policies, judgements, estimates and assumptions 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:

2.4.1 Estimation of useful lives and residual values for property, plant and equipment (PPE) and intangible assets (IA)

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 and 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 impact of the change in the expected useful lives of property, plant and equipment is described fully in note 6.7. 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.

For intangible assets that incorporate both a tangible and intangible portion, management uses judgement to assess which element is more significant to determine whether it should be treated as property, plant and equipment or intangible assets.

2.4.2 IFRS 16 (Leases)

2.4.2.1 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 to the budgeting forecast cycle.

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

2.4.2.3 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.

2.4.3 Inventories

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, short cables and faulty equipment 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.

Short cables

When a customer requests a cable of a specific length, the required length is cut upon request and delivered to the customer. The remaining short length cable remains in stock.

Faulty equipment

This category includes equipment that is faulty. This equipment is stored in an area in the warehouse referred to as the National Repair Centre.

2.4.4 Asset retirement obligations

Where an asset retirement obligation exists, estimation is applied in determining the expected future cash flows and the discount rate used to determine its present value when the legal or constructive obligation to dismantle or restore the site arises, as well as the estimated useful life of the related asset.

IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) requires concluded lease agreements that have a contractual restoration obligation to be provided for if those obligations will have to be settled at the expiry of the lease agreement, should the lease not be renewed. The vast majority of Telkom leases contain a rehabilitation clause, which contractually binds the tenant to maintain the property in a good condition, along with the need for them to redecorate, remove any additions they have made to the property, or reinstall any parts of the property they have removed when the lease comes to an end.

Lease obligation data and determination are managed by the service provider who determines the rehabilitation costs per square metre based on current market costs for restoring similar properties. The service provider then provides the data to Telkom. Telkom assesses the reasonability of the costs per square metre as well as the possibility of the obligation realising, before capturing the rehabilitation liability. The split between current and non-current is done based on the lease end date.

2.4.5 Impairments of property, plant and equipment, right-of-use assets and intangible assets

Management is required to make judgements concerning the cause as well as the amount of impairment as indicated in notes 11 and 13. 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 a group of assets' abilities 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.

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).

2.4.6 Impairment of financial assets (expected credit losses)

2.4.6.1 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.

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.

Notes to the financial statements continued

for the year ended 31 March 2022

2. Significant accounting policies, judgements, estimates and assumptions continued

2.4 Significant accounting judgements, estimates and assumptions continued

2.4.6 Impairment of financial assets (expected credit losses) continued

2.4.6.2 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.

2.4.6.3 Cash and cash equivalents

Twelve month expected credit losses are calculated for cash and cash equivalents using the general approach. As cash and cash equivalents are current assets, 12-month and lifetime expected losses are the same. For reporting 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.

2.4.6.4 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.

2.4.6.5 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.

2.4.7 Recognition and measurement of revenue

2.4.7.1 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.

2.4.7.2 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, compared to when the payment is received, is 12 months or less. A model was designed to determine whether a significant financing component exists. This model 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.

2.4.7.3 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.

2.4.7.4 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 4). 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.

2.4.7.5 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). 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.

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. 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. 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.

Enterprise revenue

Telkom SA SOC Ltd recognises gross revenue for the Enterprise customer contracts which were sold to BCX, but not contractually ceded. Management has assessed that the primary obligation for service delivery to the Enterprise customers remains with Telkom. 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.

2.4.7.6 Reassessment of "grandfathered" 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.

If an entity chooses the practical expedient in IFRS 16 described above, then an entity shall identify a lease using the requirements of IFRS 16 only to contracts entered into or changed after the adoption date. IFRS 16, however, 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).

2.4.8 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 (refer to note 17). 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 R308 million (31 March 2021: R723 million).

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

2.4.9 Taxation

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.

2.4.10 Employee benefits

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 29. 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.

2.4.11 Provisions

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 (refer to note 27). 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.

Notes to the financial statements continued

for the year ended 31 March 2022

2. Significant accounting policies, judgements, estimates and assumptions continued

2.4 Significant accounting judgements, estimates and assumptions continued

2.4.12 Contingent liabilities

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. Disclosure of other contingent liabilities is made in note 37 unless the possibility of a loss arising is considered remote.

2.4.13 The assessment of COVID-19

The year was characterised by the third and fourth waves of COVID-19 infections in South Africa, driven by the emergence of the Delta and Omicron variants. While economic activity across South Africa has started to recover due to the easing of lockdown restrictions, economic concerns remain due to higher levels of unemployment and the resurgence of the COVID-19 virus.

The Group continues to experience varied impacts as a consequence of COVID-19, largely due to the diverse nature of its operations, the impact of which is included in the actual results over the past financial year. The Group experienced a significant increase in growth across its carrier and broadband market segments since the advent of the COVID-19 pandemic, pushed by significant demand for internet connectivity. The decline in the traditional fixed-line business continues and is intensified by the impact of businesses downsizing or introducing remote working policies for employees. This decline has been countered by an increase in the demand across the Group's next-generation services, which are powered by fibre. As more companies and people adopt hybrid forms of work, the home has become the new hub of communication, fuelling tremendous growth across fixed fibre and backhaul requirements for mobile operators.

2.4.14 CGU and goodwill 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 Telkom Group CGUs, the Group considered several sources of estimation uncertainty and makes certain assumptions or judgements about the future.

Management uses cash flow projections per 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:

a) Revenue growth;

b) EBITDA margins;

c) Discount rates; and

d) Terminal growth rates

Refer to note 13 for details of the impairment testing.

2.4.15 Supply chain financing arrangements

Assessment of supplier finance arrangements and whether they result in changes on the trade payable classification to interest-bearing debt takes into consideration numerous factors, which includes the impact of the arrangement on the supplier's payment terms, nature of relationships between the Group and the funders, changes on 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. Refer to note 30.

2.5 Summary of significant accounting policies

2.5.1 Basis of consolidation

The financial statements incorporate the financial statements of Telkom and entities (including special purpose entities) controlled by Telkom, its subsidiaries and associates.

Where necessary, adjustments are made to the financial statements of subsidiaries and associates to bring the accounting policies used in line with those used by the Group.

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 the control of the subsidiary commences until the date that control ceases.

2.5.3 Transactions with non-controlling interests

Non-controlling interests in subsidiaries are identified separately from the Group's equity. The interests of non-controlling shareholders 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.

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 Goodwill

Goodwill arising in a business combination is recognised as an 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.

Goodwill is tested for impairment annually.

Notes to the financial statements continued

for the year ended 31 March 2022

2. Significant accounting policies, judgements, estimates and assumptions continued

2.5 Summary of significant accounting policies continued

2.5.9 Revenue recognition and measurement

2.5.9.1 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.

Products and services	Segment	Timing of revenue recognition	Nature of goods and services and significant payment terms
Mobile devices and customer premises equipment (CPE) revenue	**Openserve, 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. 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.

Products and services	Segment	Timing of revenue recognition	Nature of goods and services and significant payment terms
Mobile and fixed-line telecom-munication services	**Openserve, Telkom Consumer and BCX** The Openserve business unit 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. The Telkom Consumer business unit provides the following services to customers: ***Broadband data*** ***Voice*** ***Content*** ***Gaming*** ***Small and Medium Entity Information, Communication and Technology solutions*** ***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. The BCX business unit provides fixed telecommunication voice and data services to customers including: ***Business mobility*** ***Global telecommunication services*** ***Broadband*** ***Internet and value-added services***	The Group recognises revenue over time as these telecommunication 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 4 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.
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.

Notes to the financial statements continued

for the year ended 31 March 2022

2. Significant accounting policies, judgements, estimates and assumptions continued

2.5 Summary of significant accounting policies continued

2.5.9 Revenue recognition and measurement continued

2.5.9.1 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
Directory services and advertising revenue	**Telkom Consumer** These services are rendered through the Yellow Pages subsidiary and include the following products and services: ***Advertising*** ***Digital and social media advertising, across a number of platforms*** ***E-commerce*** ***Omni-channel offerings***	Revenue from printed directories is recognised at a point in time when the directories are released for distribution. 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

Group and Company sundry revenue includes all the revenue that is not separately disclosed, such as revenue from directory services, advertising revenue, content revenue and gaming revenue.

Revenue from other contracts

Property and masts and towers rental income 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 collection of cash flows.

All revenues are presented net of Value Added Tax, rebates and discounts. Invoice and payment terms are set out in note 19 of the financial statements.

2.5.9.2 Contract costs

Contract costs eligible for capitalisation as incremental costs of obtaining a contract comprise commission and connection incentives paid on new contracts 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.

2.5.9.3 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 contract assets derecognition.

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.

2.5.10 Contract liabilities

Contract liabilities (deferred revenue) 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.

2.5.11 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.

2.5.12 Cost of handsets, equipment, software and directories and sales commission, incentives and logistical costs

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 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.

2.5.13 Property, plant and equipment

Recognition of PPE

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.

At initial recognition, acquired property, plant and equipment is recognised at its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates. 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. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

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 Telkom 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 6.7.

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.

2.5.14 Leases

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

2.5.14.1 The Group as a lessee

For any new contracts entered into on or after 1 April 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an 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 their own or together with an asset that is readily available in the market, and the underlying asset is neither highly dependent on nor highly interrelated 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. Although this exemption has been elected, it is not applicable in the current financial year.

Notes to the financial statements continued

for the year ended 31 March 2022

2. Significant accounting policies, judgements, estimates and assumptions continued

2.5 Summary of significant accounting policies continued

2.5.14 Leases continued

2.5.14.1 The Group as a lessee continued

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, when it is new, is R73 200 or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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.

2.5.14.2 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.

2.5.15 Intangible assets

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.

For internally generated intangible assets, directly attributable cost includes:

- Costs of materials and services used or consumed in generating the intangible asset
- Costs of employee benefits arising from the generation of the intangible asset
- Fees to register a legal right
- Amortisation of patents and licences that are used to generate the intangible asset

The following are not components of the cost of an internally generated intangible asset:

- Selling, administrative and other general overhead expenditure unless this expenditure can be directly attributed to preparing the asset for use
- Identified inefficiencies and initial operating losses incurred before the asset achieves planned performance
- Expenditure on training staff to operate the asset

These costs do not include the costs incurred in the research phase related to the intangible asset. Licences, software, trademarks, copyrights and other intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

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.

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 6.7.

2.5.16 Asset retirement obligations

Asset retirement obligations related to property, plant and equipment are recognised at the present value of expected future cash flows when the obligation to dismantle or restore the site arises. The increase in the related asset's carrying value is depreciated over its estimated useful life. The unwinding of the discount is included in net finance charges. Changes in the measurement of an existing liability that result from changes in the estimated timing or amount of the outflow of resources required to settle the liability, or a change in the discount rate, are accounted for as increases or decreases to the original cost of the recognised assets. If the amount deducted exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss.

2.5.17 Impairment of property, plant and equipment and intangible assets (including goodwill)

The Group regularly reviews its non-financial assets and cash-generating units for any indication of impairment. 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 test is performed. 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.

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 depreciation or amortisation) had no impairment loss been recognised in prior years.

2.5.18 Inventories

Stock valuation and work-in-progress

Inventory is measured at the lower of cost and net realisable value.

The purchase cost of inventories comprise 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 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.

The basis of determining the net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2.5.19 Financial instruments

2.5.19.1 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.

Preference shares, which are mandatorily redeemable in cash on a specific date, are classified as financial liabilities. The unwinding of the discounted liability is recorded as finance costs in the statement of profit or loss and other comprehensive income.

2.5.19.2 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 14 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.

Notes to the financial statements continued

for the year ended 31 March 2022

2. Significant accounting policies, judgements, estimates and assumptions continued

2.5 Summary of significant accounting policies continued

2.5.19 Financial instruments continued

2.5.19.2 Classification and subsequent measurement continued

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.

2.5.19.3 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.

2.5.19.4 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.

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.

2.5.19.5 Hedge accounting

The Group uses derivative financial instruments, 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.

2.5.20 Cash and cash equivalents

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.

2.5.21 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 historic 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.

2.5.22 Employee benefits

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.

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 reserve 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).

2.5.23 Share-based payments

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.

2.5.24 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 (Mutual and Federal and Guardrisk). The customers are responsible for paying the premium.

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 ensure 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 significant insurance risk from the third parties (policyholders) in a controlled manner by investing in the businesses that is 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 can't be covered by collected insurance premiums. For device insurance, this relates 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

Telkom, as the cell owner of both cell captives, is obliged to ensure that the respective 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 which 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 that all possible risk mitigation actions are implemented.

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 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.

The results of the cell captive arrangement 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 insurance cell captive.

Notes to the financial statements continued

for the year ended 31 March 2022

2. Significant accounting policies, judgements, estimates and assumptions continued

2.5 Summary of significant accounting policies continued

2.5.24 Investment in insurance third-party cell captive continued

The value of the investment in insurance cell captive is determined based on the net asset value of the insurance cell captive at the reporting date.

Movements during the year, which are included in the net returns of the investment in insurance cell captive, comprise the following:

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

The detailed movement in the investment in insurance cell captive has been included in note 15.2.

2.5.25 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.

2.5.26 Investment in SA SME Fund

In the current financial year, Telkom entered into an agreement with the SA SME Fund in terms of which Telkom will provide equity funding through share subscriptions. Telkom does not have control over the fund as Telkom 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.

2.5.27 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. Refer to note 21.

2.5.28 Taxation

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.

2.5.29 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 terms, nature of relationships between the Group and the funders, timing of 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 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.

2.5.30 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 plan;
- Shares repurchased for the purpose of the 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.

3. 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, Openserve and Telkom Small and Medium Business (SMB), as well as its subsidiaries, BCX 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 customers include primarily sole proprietors and customers who typically consume simplex products and are similar to 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 channels which is the same channel as that of the Telkom Consumer customers.

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 2022

3. Segment information continued

March 2022	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	2 462	934	1 057	(13 610)	(821)	–
Other income	276	575	64	–	392	(621)	–	686
Insurance service result	–	–	–	–	(2)	–	–	(2)
Total expenses	(9 541)	(21 829)	(13 105)	(399)	(889)	14 231	–	(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	(3 086)	(1 021)	(4 024)	(133)	(429)	–	–	(8 693)
Selling, general and administrative expenses	(5 738)	(12 151)	(6 215)	(266)	(460)	13 548	–	(11 282)
Earnings before interest, tax, depreciation and amortisation (EBITDA) for reportable segments including intersegmental transactions	4 163	4 499	2 288	1 221	558	–	(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

March 2021	Openserve Rm	Telkom Consumer Rm	BCX Rm	Gyro Rm	Other Rm	Elimina-tions Rm	IFRS 16 reversal Rm	Consoli-dated Rm
Revenue from external customers[1]	3 690	25 520	13 324	688	–	–	–	43 222
Revenue from contracts with customers recognised over time	3 589	22 614	11 676	–	–	–	–	37 879
Voice	–	7 170	3 182	–	–	–	–	10 352
Interconnection	435	485	–	–	–	–	–	920
Data	3 077	14 578	3 127	–	–	–	–	20 782
Information technology services	–	–	4 511	–	–	–	–	4 511
Customer premises equipment related services	–	132	770	–	–	–	–	902
Interest revenue	–	240	42	–	–	–	–	282
Sundry revenue	77	9	44	–	–	–	–	130
Revenue from contracts with customers recognised at a point in time	–	2 906	1 648	–	–	–	–	4 554
Customer premises equipment	–	2 520	215	–	–	–	–	2 735
Information technology hardware	–	–	1 433	–	–	–	–	1 433
Sundry revenue	–	386	–	–	–	–	–	386
Lease revenue	101	–	–	688	–	–	–	789
Intersegmental operating revenue	9 795	295	2 418	765	836	(13 428)	(681)	–
Other income	197	540	76	–	283	(477)	–	619
Insurance service result	–	–	–	–	15	–	–	15
Total expenses	(9 507)	(21 347)	(13 354)	(318)	(1 262)	13 905	–	(31 883)
Cost of handsets, equipment, software and directories	–	(2 846)	(2 025)	–	–	90	–	(4 781)
Sales commission, incentives and logistical costs	–	(2 243)	(182)	–	–	–	–	(2 425)
Payments to other operators	(770)	(3 052)	(491)	–	–	435	–	(3 878)
Employee expenses	(2 917)	(970)	(4 159)	(113)	(886)	3	–	(9 042)
Selling, general and administrative expenses[2]	(5 820)	(12 236)	(6 497)	(205)	(376)	13 377	–	(11 757)
Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) for reportable segments including intersegmental transactions	4 175	5 008	2 464	1 135	(128)	–	(681)	11 973
Reconciliation of operating profit to profit before tax								
Normalisations								
Voluntary severance, retirement and retrenchment package expenses								(270)
Earnings before interest, tax, depreciation and amortisation (EBITDA) for reportable segments								11 703
Depreciation, amortisation, impairments and write-offs								(6 870)
Operating profit								4 833
Investment income								188
Income from associates								1
Net finance charges, hedging costs and fair value movements								(1 527)
Profit before taxation								**3 495**
Other segment information								
Capital expenditure of property, plant and equipment and intangible assets	2 942	4 597	519	217	173	–	–	8 448

[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.*

[2] *In the prior year, service fees and lease-related expenses were disclosed separately. These have been included in selling, general and administrative expenses in the current year to simplify the disclosure. The prior year segment has been re-presented for comparability purposes.*

Notes to the financial statements continued

for the year ended 31 March 2022

3. 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.

4. Revenue

4.1 Disaggregation of revenue

	Company	
	31 March 2022 Rm	31 March 2021 Rm
Revenue	**38 272**	39 220
Revenue from contracts with customers recognised over time	**33 780**	36 246
Voice	**9 969**	10 840
Interconnection	**801**	920
Data	**21 205**	21 731
Information technology	**1 227**	1 460
Customer premises equipment related services	**322**	1 055
Interest revenue	**256**	240
Revenue from contracts with customers recognised at a point in time	**4 398**	2 873
Customer premises equipment	**4 247**	2 742
Sundry revenue	**151**	131
Lease revenue	**94**	101

Refer to note 3 for the disaggregated revenue per segment for the Group.

Included in Telkom Company revenue is revenue to the value of R6 415 million (31 March 2021: R7 157 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. Refer to note 2.4.7.5 for the significant judgements and estimates considered in determining that Telkom is the principal in relation to these transactions.

4.2 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 2022		
	2023 Rm	**2024 Rm**	**Beyond 2025 Rm**
Voice	**414**	**171**	**32**
Data	**2 294**	**1 016**	**105**
Information technology	**156**	**13**	**–**

	31 March 2021		
	2022 Rm	2023 Rm	Beyond 2024 Rm
Voice	431	148	14
Data	2 347	779	50
Information technology	125	8	–

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

	31 March 2021		
	2022 Rm	2023 Rm	Beyond 2024 Rm
Voice	431	148	14
Data	2 347	779	50

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.

4.3 Customer relationship periods

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

- Voice revenue: 5.5 years (31 March 2021: 5.5 years)
- Wholesale revenue: 4 years (31 March 2021: 4 years)
- Non-voice revenue: 3.5 years (31 March 2021: 3.5 years)

There has been no change in the average CRP in respect of non-voice revenue, voice revenue and wholesale revenue during the 2022 financial year.

5. Other income

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	**31 March 2022 Rm**	31 March 2021 Rm
Other income	**686**	619	**1 240**	1 018
Interest received from trade receivables[1]	**122**	151	**69**	108
Sundry income[2]	**363**	401	**914**	839
Profit on disposal of assets[3]	**201**	67	**257**	71

[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 Telkom Company includes income from management fees charged to subsidiaries. The Group and Company number includes 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, 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 R154 million (31 March 2021: R63 million).*

6. Expenses

6.1 Cost of handsets, equipment, software and directories

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	**31 March 2022 Rm**	31 March 2021 Rm
Cost of handsets, equipment, software and directories Cost of handsets, equipment, software and directories increased as a result of higher post-paid and long-term evolution (LTE) sales year on year. The prior year was negatively impacted by COVID-19.	**(5 648)**	(4 781)	**(3 589)**	(2 722)

Notes to the financial statements continued

for the year ended 31 March 2022

6. Expenses continued

6.2 Sales commission, incentives and logistical costs

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	**31 March 2022 Rm**	31 March 2021 Rm
Sales commission, incentives and logistical costs	**(2 516)**	(2 425)	**(2 369)**	(2 243)

Sales commission, incentives and logistical costs increased slightly as a result of higher commissions due to the growth in the commissionable base.

6.3 Employee expenses

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	**31 March 2022 Rm**	31 March 2021 Rm
Employee expenses	**(8 693)**	(9 312)	**(4 528)**	(4 762)
Salaries and wages	**(7 590)**	(7 755)	**(3 719)**	(3 466)
Post-retirement pension and retirement fund (refer to note 29)	**(535)**	(536)	**(335)**	(364)
Post-retirement medical aid (refer to note 29)	**150**	122	**150**	122
Post-retirement telephone rebates (refer to note 29)	**(41)**	(35)	**(41)**	(35)
Share-based compensation expense (refer to note 24)	**(203)**	(203)	**(164)**	(154)
Other benefits[1]	**(811)**	(1 117)	**(750)**	(1 077)
Employee expenses capitalised to capital projects	**337**	212	**331**	212

[1] *Other benefits include, amongst others, skills development, annual leave, performance incentive, service bonuses, voluntary employee severance/voluntary early retirement and retrenchment package costs and termination benefits.*

6.4 Other expenses

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	**31 March 2022 Rm**	31 March 2021 Rm
Other expenses	**(2 315)**	(2 197)	**(992)**	(953)
Included in the other expenses line item are the following expenses:				
Operating expenses	**(1 934)**	(1 886)	**(661)**	(608)
Sundry expenses[1]	**(211)**	(147)	**(62)**	(80)
Licence fees	**(377)**	(370)	**(360)**	(354)
Subsistence and travel	**(33)**	(18)	**(19)**	(8)
Third party service costs	**(979)**	(1 055)	**–**	–
Image building and market research costs	**(55)**	(48)	**(54)**	(49)
Commission	**(121)**	(110)	**(121)**	(110)
Data procedure expenses	**(59)**	(76)	**–**	–
Other	**(99)**	(62)	**(45)**	(7)
Non-operating expenses	**(381)**	(311)	**(331)**	(345)
Donations	**(71)**	(1)	**(34)**	(32)
Losses[2]	**(301)**	(307)	**(297)**	(307)
Other	**(9)**	(3)	**–**	(6)

[1] *Sundry expenses include, amongst 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.*

6.5 Service fees

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Service fees	**(3 388)**	(3 316)	**(2 878)**	(2 858)
Facilities and property management	**(2 178)**	(2 037)	**(1 842)**	(1 815)
Consultancy, security and other services	**(1 210)**	(1 279)	**(1 036)**	(1 043)

6.6 Lease-related expenses

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Lease-related expenses	**(168)**	(487)	**(95)**	(449)

Included in lease-related expenses is an amount of R8 million (31 March 2021: R54 million) for Group and Rnil (31 March 2021: Rnil) for Company related to short-term leases as well as month-to-month leases that are non-strategic in nature. Of the total amount, low-value leases consist of Rnil (31 March 2021: Rnil) for Group and Company. Lease renewals were fast tracked resulting in leases, that were previously expensed as month-to-month, being renewed for a fixed period. These leases have been capitalised to right-of-use assets and lease liabilities and are no longer accounted for as month-to-month, resulting in the decrease in lease-related expenses. This resulted in an increase in the right-of-use asset and lease liability.

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

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Depreciation, amortisation, impairments and write-offs of non-financial assets	**(6 975)**	(6 870)	**(6 872)**	(6 863)
Depreciation of property, plant and equipment	**(4 713)**	(4 918)	**(4 298)**	(4 546)
Depreciation of right-of-use assets	**(1 184)**	(947)	**(1 643)**	(1 416)
Amortisation of intangible assets	**(831)**	(805)	**(729)**	(708)
Write-offs and impairments of property, plant and equipment and intangible assets	**(247)**	(200)	**(202)**	(193)

	Group		Company	
The estimated useful lives assigned to groups of property, plant and equipment are:	2022 Years	2021 Years	2022 Years	2021 Years
Freehold buildings	**5 to 50**	5 to 50	**5 to 40**	10 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 18	**5 to 20**	5 to 18
Other	**2 to 20**	2 to 18	**2 to 20**	2 to 18
Support equipment	**5 to 12**	5 to 13	**5 to 10**	5 to 13
Furniture and office equipment	**5 to 15**	5 to 15	**11 to 15**	11 to 15
Data processing equipment and software	**3 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

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

During the year, the Group reassessed the useful lives on various property, plant and equipment 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 R508 million (31 March 2021: decrease of R110 million) and decreased the amortisation expense by R28 million (31 March 2021: increase of R66 million) at a Company level and decreased the depreciation expense by R514 million (31 March 2021: decrease of R120 million) and decreased the amortisation expense by R28 million (31 March 2021: increase of R62 million) at a Group level. Depreciation for future periods is expected to increase by R508 million for Company and by R514 million for Group. Amortisation for future periods is expected to increase by R28 million for Company and Group. Refer to notes 2.4.1 and 2.5.13 for the related accounting policies.

Notes to the financial statements continued

for the year ended 31 March 2022

7. Investment income

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

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

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

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

8. Net finance charges and fair value movements

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

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

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

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

9. Taxation

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Taxation	**(1 167)**	(1 067)	**(313)**	(164)
South African normal company taxation	**(820)**	(870)	**11**	54
Current taxation[1]	**(827)**	(945)	**–**	–
Overprovision for prior year[2]	**7**	75	**11**	54
Deferred taxation (refer to note 17)	**(347)**	(197)	**(324)**	(218)
Capital allowances[3]	**(492)**	(156)	**(566)**	(154)
Provisions and other allowances	**(186)**	(196)	**(127)**	(264)
Tax losses[1]	**353**	234	**345**	234
Acquisition of BCX	**8**	9	**–**	–
Tax rate change	**(24)**	–	**(15)**	–
(Underprovision)/overprovision for prior year[2]	**(6)**	(88)	**39**	(34)

Reconciliation of taxation rate	**%**	%	**%**	%
South African normal rate of taxation	**28.0**	28.0	**28.0**	28.0
Increased/(decreased) by the following adjustments:	**2.7**	2.5	**(21.9)**	(19.3)
Non-taxable income	**(0.3)**	(0.2)	**(22.6)**	(22.9)
Dividends received	**(0.2)**	–	**(22.5)**	(22.3)
Profit on sale of assets	**(0.1)**	(0.1)	**(0.1)**	–
Cell captive fair value adjustments	**–**	(0.1)	**–**	(0.3)
Other exempt income	**–**	–	**–**	(0.3)
Non-deductible expenditure	**2.4**	2.3	**1.2**	4.6
Capital expenditure[3]	**1.6**	0.6	**0.8**	0.7
IFRS 2 share-based payment adjustments	**0.1**	0.5	**0.1**	0.4
Interest and penalties	**0.1**	0.5	**–**	–
Other disallowed expenditure[4]	**0.6**	0.7	**0.3**	3.5
Prior year adjustments	**(0.1)**	0.4	**(0.8)**	(1.0)
Prior year (overprovision)/underprovision tax expense[2]	**(0.1)**	0.4	**(0.8)**	(1.0)
Other taxes	**0.7**	–	**0.3**	–
Tax rate change[5]	**0.7**	–	**0.3**	–
Effective rate[2]	**30.7**	30.5	**6.1**	8.7

[1] *The decrease in current tax is primarily attributable to the increase in tax losses.*
[2] *The effective tax rate increase of 0.2% to 30.7% (FY2021: 30.5%) is primarily attributable to the the tax rate change set off by a reduction in prior year adjustments.*
[3] *The increase of 1% in the non-deductible expenditure relating to fixed assets to 1.6% (FY2021: 0.6%) is attributable to an increase in assets scrapped (that do not qualify for tax deductions), reduction of adjustments to intangible assets from FY2021 to FY2022 and an increase in project loss write-offs on assets.*
[4] *Other comprises mainly of consulting fees, legal fees and donations which are not tax deductible.*
[5] *As per the announcement by the Minister of Finance in the 2022 budget speech, the corporate tax rate is changing from 28% to 27% effective for years of assessment ending on or after 31 March 2023. The reduction of the corporate tax rate resulted in a reduction of the Group's deferred tax asset balance to align to the future utilisation thereof.*

Notes to the financial statements continued

for the year ended 31 March 2022

10. Earnings and dividend per share

	Group	
	31 March 2022 Rm	31 March 2021 Rm
Total operations		
Basic earnings per share (cents)	**536.6**	489.9
Diluted earnings per share (cents)	**519.9**	484.0
Headline earnings per share (cents)[1]	**575.3**	522.2
Diluted headline earnings per share (cents)[1]	**557.5**	516.0

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	**(20 985 607)**	(16 718 676)
Weighted average number of shares outstanding	**490 154 632**	**494 421 563**

Reconciliation of diluted weighted average number of ordinary shares:		
Weighted average number of shares outstanding	**490 154 632**	494 421 563
Expected future vesting of shares related to Group share scheme incentive plans (refer to note 24)	**15 702 826**	5 995 674
Diluted weighted average number of shares outstanding	**505 857 458**	**500 417 237**

[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.*

	31 March 2022		31 March 2021	
	Gross Rm	**Net[2] Rm**	Gross Rm	Net[2] Rm
Total operations				
Reconciliation between earnings and headline earnings:				
Profit for the year		**2 631**		2 428
Non-controlling interests		**(1)**		(6)
Profit attributable to owners of Telkom		**2 630**		2 422
Profit on disposal of property, plant and equipment and intangible assets	**(14)**	**(14)**	(4)	(4)
Loss on disposal of a subsidiary	**3**	**3**	–	–
Write-offs and impairments of property, plant and equipment and intangible assets	**247**	**201**	200	164
Headline earnings		**2 820**		2 582
Dividend per share (cents)		**–**		**50.08**

[2] *The taxation impact consists of a R46 million increase (31 March 2021: R36 million) in tax expense related to recoupment and scrapping of disposals and write-offs of property, plant and equipment and intangible assets.*

The prior year dividend per share is based on a dividend of 50.08 cents per share declared on 19 June 2020. A total of 511 140 239 ordinary shares were outstanding on the date of the dividend declaration. No dividends were declared in the current financial period. Refer to the statement of changes in equity.

11. Property, plant and equipment

Group	2022 Cost Rm	2022 Accumulated depreciation and write-offs Rm	2022 Carrying value Rm	2021 Cost Rm	2021 Accumulated depreciation and write-offs Rm	2021 Carrying value Rm
Freehold land and buildings	7 317	(4 410)	2 907	7 209	(4 416)	2 793
Network equipment	95 464	(64 579)	30 885	91 517	(63 518)	27 999
Support equipment	5 948	(4 595)	1 353	5 619	(4 531)	1 088
Furniture and office equipment	767	(515)	252	889	(577)	312
Data processing equipment and software	3 375	(2 735)	640	3 750	(3 105)	645
Under construction	2 172	–	2 172	3 268	–	3 268
Other[1]	513	(403)	110	647	(481)	166
	115 556	(77 237)	38 319	112 899	(76 628)	36 271

Company	2022 Cost Rm	2022 Accumulated depreciation and write-offs Rm	2022 Carrying value Rm	2021 Cost Rm	2021 Accumulated depreciation and write-offs Rm	2021 Carrying value Rm
Freehold land and buildings	4 463	(2 430)	2 033	4 396	(2 348)	2 048
Network equipment	94 553	(63 880)	30 673	90 381	(62 648)	27 733
Support equipment	4 738	(3 874)	864	4 494	(3 763)	731
Furniture and office equipment	149	(58)	91	163	(58)	105
Data processing equipment and software	3 334	(2 709)	625	3 709	(3 082)	627
Under construction	1 349	–	1 349	2 590	–	2 590
Other[1]	410	(310)	100	538	(381)	157
	108 996	(73 261)	35 735	106 271	(72 280)	33 991

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

Finance charges of R78 million (31 March 2021: R31 million) were capitalised to property, plant and equipment and intangible assets in the current financial year.

The capital expenditure under property, plant and equipment relates to expansions of R3 329 million (31 March 2021: R4 552 million) for Group and R2 587 million (31 March 2021: R4 145 million) for Company. Expenditure due to maintenance is R3 621 million (31 March 2021: R3 112 million) for Group and R3 617 million (31 March 2021: R2 967 million) for Company.

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

Notes to the financial statements continued

for the year ended 31 March 2022

11. Property, plant and equipment continued

The carrying amounts of property, plant and equipment can be reconciled as follows: Group	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
2022								
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**
2021								
Freehold land and buildings	2 871	72	99	(1)	(4)	(214)	(30)	2 793
Network equipment	26 689	4 729	750	7	–	(4 039)	(137)	27 999
Support equipment	1 216	243	(22)	–	(2)	(345)	(2)	1 088
Furniture and office equipment	299	76	18	(1)	–	(74)	(6)	312
Data processing equipment and software	666	124	51	–	–	(200)	4	645
Under construction	1 680	2 432	(825)	–	(1)	–	(18)	3 268
Other	187	16	5	–	–	(46)	4	166
	33 608	**7 692**	**76**	**5**	**(7)**	**(4 918)**	**(185)**	**36 271**

The carrying amounts of property, plant and equipment can be reconciled as follows: Company	Carrying value at the beginning of the year Rm	Additions Rm	Transfers Rm	Disposals Rm	Depreciation Rm	Write-offs and impairment reversals Rm	Carrying value at the end of the year Rm
2022							
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**
2021							
Freehold land and buildings	2 133	68	31	(1)	(153)	(30)	2 048
Network equipment	26 441	4 712	650	–	(3 938)	(132)	27 733
Support equipment	775	150	14	–	(207)	(1)	731
Furniture and office equipment	95	10	16	–	(11)	(5)	105
Data processing equipment and software	646	123	51	–	(197)	4	627
Under construction	1 269	2 035	(696)	–	–	(18)	2 590
Other	172	15	6	–	(40)	4	157
	31 531	**7 113**	**72**	**(1)**	**(4 546)**	**(178)**	**33 991**

Expansion of the mobile network contributed to 42% of the additions to assets; 33% of capital expenditure was on the deployment of fibre; 11% of the capital expenditure was on the next-generation POTN core network; 6% of the capital expenditure relates to Service on Demand driven expansion; and 3% relates to the investment on rehabilitation and sustainment of the network. The balance of 5% capital expenditure is attributable to investment in IT solutions, upgrade and growth projects on Telkom Properties and Shared Services. The focus on the mobile network expansion and fibre rollout is expected to continue over the next few years.

The Group and Company have a process of determining whether an asset, which incorporates both a tangible and an intangible element, should be recognised as a tangible or an intangible asset based on management's judgement, facts available and the significance of each element to the total value of the asset. Assets with a carrying value to the net amount of R12 million (31 March 2021: R64 million) for 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 R20 million (31 March 2021: Rnil) for Group were transferred from property, plant and equipment to intangible assets in the current year.

At Group, transfers were effected between property, plant and equipment, intangible assets and inventory (the transfers only take place from CWIP). Transfers in Company mostly related to property, plant and equipment and intangible assets.

Assets with a carrying value of R33 million (31 March 2021: R42 million) for Group and R33 million (31 March 2021: R41 million) for Company relate to inventory that was transferred to property, plant and equipment in the current year.

Changes to the estimated useful lives of property, plant and equipment resulted in a decrease in depreciation to the value of R508 million (31 March 2021: R110 million) for Company and R514 million (31 March 2021: R120 million) for Group. Refer to note 6.7 for the useful lives.

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 are included for testing in the impairment testing for the Telkom CGU. No impairment was identified. Refer to note 13. 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 13.

	Group	
	31 March 2022	
Property, plant and equipment subject to operating leases	**Freehold land and buildings Rm**	**Furniture and office equipment Rm**
Opening carrying amount	761	57
Additions	36	11
Depreciation	(50)	(3)
Transfers	194	(1)
Disposals	(4)	(28)
Closing carrying amount	**937**	**36**

12. 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 2022, 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 2022, 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 an indefinite 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. The Group elected to not apply the COVID-19 related rent concession practical expedient.

Notes to the financial statements continued

for the year ended 31 March 2022

12. Right-of-use assets and lease liabilities continued

12.1 Right-of-use assets

Group	2022 Cost Rm	2022 Accumulated depreciation and write-offs Rm	2022 Carrying value Rm	2021 Cost Rm	2021 Accumulated depreciation and write-offs Rm	2021 Carrying value Rm
Vehicles	361	(318)	43	388	(273)	115
Property	1 494	(584)	910	1 264	(400)	864
Network equipment	5 841	(1 849)	3 992	4 722	(1 182)	3 540
	7 696	**(2 751)**	**4 945**	**6 374**	**(1 855)**	**4 519**

Company	2022 Cost Rm	2022 Accumulated depreciation and write-offs Rm	2022 Carrying value Rm	2021 Cost Rm	2021 Accumulated depreciation and write-offs Rm	2021 Carrying value Rm
Vehicles	323	(296)	27	348	(256)	92
Property	1 001	(511)	490	977	(543)	434
Network equipment	8 378	(3 229)	5 149	7 045	(2 048)	4 997
	9 702	**(4 036)**	**5 666**	**8 370**	**(2 847)**	**5 523**

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

Group	Opening balance Rm	Cancelled leases Rm	New leases entered into Rm	Lease remeasurement[1] Rm	Depreciation Rm	Closing balance Rm
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**
2021						
Vehicles	358	(91)	22	(55)	(119)	115
Property	917	(3)	104	48	(202)	864
Network equipment	3 227	(22)	868	92	(626)	3 540
	4 502	**(116)**	**994**	**85**	**(947)**	**4 519**

Company	Opening balance Rm	Cancelled leases Rm	New leases entered into Rm	Lease remeasurement[1] Rm	Depreciation Rm	Closing balance Rm
2022						
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**
2021						
Vehicles	339	(91)	3	(52)	(107)	92
Property	961	(2)	36	(321)	(239)	434
Network equipment	4 975	(90)	1 096	85	(1 069)	4 997
	6 275	**(183)**	**1 135**	**(288)**	**(1 416)**	**5 523**

[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 increased mainly due to a high number of lease renewals of network equipment.*

12.2 Lease liabilities

Group

The closing balances for non-current lease liabilities can be reconciled as follows:	2022 Rm	2021 Rm
Vehicles	(9)	(37)
Property	(900)	(828)
Network equipment	(3 431)	(2 896)
	(4 340)	(3 761)

The closing balances for current lease liabilities can be reconciled as follows:	2022 Rm	2021 Rm
Vehicles	(39)	(109)
Property	(237)	(229)
Network equipment	(758)	(873)
	(1 034)	(1 211)

Company

The closing balances for non-current lease liabilities can be reconciled as follows:	2022 Rm	2021 Rm
Vehicles	(2)	(27)
Property	(385)	(390)
Network equipment	(4 166)	(3 908)
	(4 553)	(4 325)

The closing balances for current lease liabilities can be reconciled as follows:	2022 Rm	2021 Rm
Vehicles	(28)	(98)
Property	(221)	(306)
Network equipment	(1 301)	(1 432)
	(1 550)	(1 836)

The total cash outflow for leases in 2022 was R1 526 million (31 March 2021: R1 301 million) for the Group and R2 132 million (31 March 2021: R1 724 million) for the Company. Finance charges on lease liabilities of R450 million (31 March 2021: R445 million) for Group and R517 million (31 March 2021: R560 million) for Company have been recognised in the statement of profit of loss and other comprehensive income for the year ended 31 March 2022.

Refer to note 14.4 for the maturity analysis on lease liabilities.

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

In the current financial year, the Telkom Group has earned R7 million (31 March 2021: R9 million) subleasing income. Telkom Company does not earn any subleasing income.

Notes to the financial statements continued

for the year ended 31 March 2022

13. Intangible assets

Group	2022 Cost Rm	2022 Accumulated amortisation, impairments and write-offs Rm	2022 Carrying value Rm	2021 Cost Rm	2021 Accumulated amortisation and write-offs Rm	2021 Carrying value Rm
Goodwill	1 268	(9)	1 259	1 268	(9)	1 259
Trademarks, copyrights and other	570	(448)	122	568	(399)	169
Software	12 120	(9 642)	2 478	12 527	(9 673)	2 854
Under construction	403	(14)	389	323	–	323
	14 361	**(10 113)**	**4 248**	**14 686**	**(10 081)**	**4 605**

Company	2022 Cost Rm	2022 Accumulated amortisation, impairments and write-offs Rm	2022 Carrying value Rm	2021 Cost Rm	2021 Accumulated amortisation and write-offs Rm	2021 Carrying value Rm
Trademarks, copyrights and other	5	(4)	1	5	(3)	2
Software	11 713	(9 385)	2 328	12 033	(9 277)	2 756
Under construction	97	–	97	166	–	166
	11 815	**(9 389)**	**2 426**	**12 204**	**(9 280)**	**2 924**

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

Group	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
2022						
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**
2021						
Goodwill	1 259	–	–	–	–	1 259
Trademarks, copyrights and other	210	14	1	(56)	–	169
Software	3 050	449	125	(749)	(21)	2 854
Under construction	220	293	(196)	–	6	323
	4 739	**756**	**(70)**	**(805)**	**(15)**	**4 605**

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

Company	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
2022						
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**
2021						
Trademarks, copyrights and other	3	–	1	(2)	–	2
Software	2 920	435	122	(706)	(15)	2 756
Under construction	216	139	(189)	–	–	166
	3 139	**574**	**(66)**	**(708)**	**(15)**	**2 924**

The goodwill in Group is attributable to Yellow Pages, goodwill that arose on acquisition of BCX in August 2015 and subsequent acquisitions made by the BCX Group.

Intangible assets that are material to the Group consist of software, trademarks and other, whose average remaining amortisation period is 2 years (31 March 2021: 2 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 R242 million (31 March 2021: R134 million) and R22 million (31 March 2021: R48 million) of additions relate to externally acquired intangible assets for Group and Company, respectively, while R272 million (31 March 2021: R609 million) relates to internal developments for Group and R250 million (31 March 2021: R524 million) relates to internal developments for Company.

Changes to the estimated useful lives of intangible assets resulted in a decrease in amortisation to the value of R28 million (31 March 2021: R66 million) for Company and R28 million (31 March 2021: R62 million) for Group. Refer to note 6.7 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 or impaired. The total write-off balance is not considered significant to the financial statements as a whole in the current or prior financial years.

	Group	
The Group's goodwill balance is as follows:	**2022 Rm**	2021 Rm
Closing balance	**1 259**	**1 259**

Description	Telkom CGU Rm	BCX CGU Rm	Total goodwill recognised Rm
Carrying amount	**63**	**1 196**	**1 259**

Notes to the financial statements continued

for the year ended 31 March 2022

13. Intangible assets continued

Impairment considerations

Management has performed an annual impairment assessment for all goodwill balances as at 31 March 2022 in line with the requirements of IAS 36 (Impairment of Assets), and performed impairment assessments for Telkom Company due to the key indicator of impairment identified for Telkom being the market capitalisation fell below the net asset value.

Management also tested the investment in BCX for impairment. The key indicator of impairment identified for BCX was the decline in the value in use (mainly driven by a decline in cash flow projections) and the carrying value.

IFRS 16 impact on the cash flow forecasts

As a right-of-use (ROU) asset does not generate cash inflows largely independent from other assets, the ROU asset will be 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, that is cash flows to replace the ROU 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. The discount rate has been adjusted to include the lease liability and the cost of leasing.

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 Directors 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 average annual growth rate used for revenue is 3.2% and EBITDA is 3.9%.

Terminal growth rates
A terminal growth rate of 4.5% was applied. The growth rate considered steady state of growth rates to extrapolate revenue beyond the forecast period cash flows.

Discount rate
Discount rates used reflect 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.

The pre-tax discount rate for the BCX CGU ranges from 20.4% to 21.6%. 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 CGU

Value in use, using the discounted cash flow method, was adopted as the valuation basis. Based on this, the income approach is used as the primary valuation approach, with the market approach as a cross check. The latter involves calculating multiples of comparable listed companies and comparing the results to the implied Telkom multiple from the income approach valuation. A five-year period is used for the discounted cash flows, approved by senior management and/or the Board of Directors of the Group.

The Telkom 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 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 4.1% and EBITDA is 6.4%.

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 Telkom CGU ranges from 14.4% to 15.7%. An in-perpetuity calculation was also included after five years as per the terminal rate disclosure.

Based on the value in use calculation, the estimated value in use of Telkom significantly exceeded its carrying amount. As the value in use range exceeds the carrying amount of the Telkom CGU, 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.

14. Financial instruments and risk management

14.1 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 risk. The Group's senior management oversees the management of these risks.

Risk management

Treasury policies, risk limits and control procedures are continuously monitored by the Board of Directors through it's 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, 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 2022

14. Financial instruments and risk management continued

14.1 Financial risk management objectives and policies continued

The table below sets out the Group's classification of financial assets and liabilities.	Notes	Group At fair value through profit or loss Rm	Group At amortised cost Rm
2022			
Classes of financial instruments per statement of financial position			
Assets		**303**	**12 071**
Other investments[1]	15.2	**224**	**–**
Trade and other receivables[2]	19	**–**	**7 180**
Other financial assets	21.1	**69**	**103**
Forward exchange contracts		**16**	**–**
Firm commitments		**53**	**–**
Asset finance receivables		**–**	**103**
Finance lease receivables	16.1	**–**	**407**
Cash and cash equivalents	22.1	**–**	**3 239**
Investment in SA SME Fund	21.1	**10**	**–**
Restricted cash	22.2	**–**	**1 142**
Liabilities		**(274)**	**(22 658)**
Interest-bearing debt	26	**–**	**(11 932)**
Trade and other payables	30	**–**	**(10 339)**
Shareholders for dividend	34	**–**	**(28)**
Other financial liabilities	21.1	**(252)**	**–**
Forward exchange contracts		**(147)**	**–**
Firm commitments		**(36)**	**–**
Interest rate swaps		**(69)**	**–**
Asset finance payables	21.2	**–**	**(200)**
Financial guarantees	21.2	**(22)**	**–**
Vendor financing	21.2	**–**	**(159)**
2021			
Classes of financial instruments per statement of financial position			
Assets		256	12 311
Other investments[1]	15.2	168	–
Trade and other receivables[2]	19	–	6 729
Other financial assets	21.1	88	81
Firm commitments		88	–
Asset finance receivables		–	81
Finance lease receivables	16.1	–	498
Cash and cash equivalents	22.1	–	5 003
Liabilities		(422)	(22 698)
Interest-bearing debt	26	–	(10 866)
Trade and other payables	30	–	(11 493)
Shareholders for dividend	34	–	(31)
Other financial liabilities	21.1	(400)	–
Forward exchange contracts		(179)	–
Firm commitments		(19)	–
Interest rate swaps		(202)	–
Asset finance payables	21.2	–	(193)
Financial guarantees	21.2	(22)	–
Vendor financing	21.2	–	(114)
Credit facilities utilised	22.1	–	(1)

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

	Notes	Company At fair value through profit or loss Rm	Company At amortised cost Rm
2022			
Classes of financial instruments per statement of financial position			
Assets		**137**	**8 336**
Other investments	15.2	**59**	**–**
Trade and other receivables[2]	19	**–**	**6 430**
Other financial assets	21.1	**68**	**–**
Forward exchange contracts		**16**	**–**
Firm commitments		**52**	**–**
Finance lease receivables	16.1	**–**	**99**
Cash and cash equivalents	22.1	**–**	**665**
Investment in SA SME Fund	21.1	**10**	**–**
Restricted cash	22.2	**–**	**1 142**
Liabilities		**(242)**	**(24 336)**
Interest-bearing debt	26	**–**	**(11 932)**
Trade and other payables	30	**–**	**(12 376)**
Shareholders for dividend	34	**–**	**(28)**
Other financial liabilities	21.1	**(242)**	**–**
Forward exchange contracts		**(137)**	**–**
Firm commitments		**(36)**	**–**
Interest rate swaps		**(69)**	**–**
2021			
Classes of financial instruments per statement of financial position			
Assets		149	8 815
Other investments	15.2	61	–
Trade and other receivables[2]	19	–	6 610
Other financial assets	21.1	88	–
Firm commitments		88	–
Finance lease receivables	16.1	–	164
Cash and cash equivalents	22.1	–	2 041
Liabilities		(394)	(26 779)
Interest-bearing debt	26	–	(10 866)
Trade and other payables	30	–	(14 028)
Shareholders for dividend	34	–	(31)
Other financial liabilities	21.1	(394)	(1 854)
Forward exchange contracts		(173)	–
Firm commitments		(19)	–
Interest rate swaps		(202)	–
BCX treasury fund		–	(1 854)

[1] *Other investments are disclosed net of investments accounted for using the equity method of R5 million (31 March 2021: R7 million).*
[2] *Trade and other receivables are disclosed excluding prepayments of R358 million (31 March 2021: R280 million) for the Company and R617 million (31 March 2021: R498 million) for the Group.*

Notes to the financial statements continued

for the year ended 31 March 2022

14. Financial instruments and risk management continued

14.2 Fair value of financial instruments

14.2.1 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 R12 007 million (31 March 2021: R11 078 million) and a carrying amount of R11 932 million (31 March 2021: R10 866 million).

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 2022 Rm	Valuation technique	Significant inputs
Derivative assets	**69**	Discounted cash flows	Yield curves Market interest rates
Derivative liabilities	**(252)**		
Financial guarantees	**(22)**	Discounted cash flows	Market foreign exchange rates
Investment in FutureMakers entities	**165**	Discounted cash flows	Cash flow forecasts and market-related discount rates
Investment in SA SME Fund	**10**	Discounted cash flows	Cash flow forecasts and market-related discount rates
Interest-bearing debt	**(12 007)**	Discounted cash flows and quoted bond prices	Market interest rates Market foreign exchange rates

14.2.2 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.

		Group			
	Notes	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
2022					
Assets measured at fair value					
Derivative assets					
Forward exchange contracts	21.1	**16**	**–**	**16**	**–**
Firm commitments	21.1	**53**	**–**	**53**	**–**
Investment made by FutureMakers	15.2	**165**	**–**	**–**	**165**
Investment in SA SME Fund	21.1	**10**	**–**	**–**	**10**
Liabilities measured at fair value					
Derivative liabilities					
Forward exchange contracts	21.2	**(147)**	**–**	**(147)**	**–**
Firm commitments	21.2	**(36)**	**–**	**(36)**	**–**
Interest rate swaps	21.2	**(69)**	**–**	**(69)**	**–**
Financial guarantees	21.2	**(22)**	**–**	**–**	**(22)**
Liabilities measured at amortised cost					
Interest-bearing debt[1]	26	**(12 007)**	**–**	**(12 007)**	**–**
2021					
Assets measured at fair value					
Derivative assets					
Firm commitments	21.1	88	–	88	–
Investment made by FutureMakers	20	107	–	–	107
Liabilities measured at fair value					
Derivative liabilities					
Forward exchange contracts	21.2	(179)	–	(179)	–
Firm commitments	21.2	(19)	–	(19)	–
Interest rate swaps	21.2	(202)	–	(202)	–
Financial guarantees	21.2	(22)	–	–	(22)
Liabilities measured at amortised cost					
Interest-bearing debt[1]	26	(11 078)	–	(11 078)	–

Notes to the financial statements continued

for the year ended 31 March 2022

14. Financial instruments and risk management continued

14.2 Fair value of financial instruments continued

14.2.2 Fair value hierarchy continued

	Notes	Company			
		Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
2022					
Assets measured at fair value					
Derivative assets					
Forward exchange contracts	21.1	**16**	**–**	**16**	**–**
Firm commitments	21.1	**52**	**–**	**52**	**–**
Investment in SA SME Fund	21.1	**10**	**–**	**–**	**10**
Liabilities measured at fair value					
Derivative liabilities					
Forward exchange contracts	21.2	**(137)**	**–**	**(137)**	**–**
Firm commitments	21.2	**(36)**	**–**	**(36)**	**–**
Interest rate swaps	21.2	**(69)**	**–**	**(69)**	**–**
Liabilities measured at amortised cost					
Interest-bearing debt[1]	26	**(12 007)**	**–**	**(12 007)**	**–**
2021					
Assets measured at fair value					
Derivative assets					
Firm commitments	21.1	88	–	88	–
Liabilities measured at fair value					
Derivative liabilities					
Forward exchange contracts	21.2	(173)	–	(173)	–
Firm commitments	21.2	(19)	–	(19)	–
Interest rate swaps	21.2	(202)	–	(202)	–
Liabilities measured at amortised cost					
Interest-bearing debt[1]	26	(11 078)	–	(11 078)	–

[1] *The carrying amount of interest-bearing debt is R11 932 million (31 March 2021: R10 866 million) for Group and 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 the fair value.*

14.3 Credit risk

14.3.1 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. Telkom 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 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.

Telkom 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 to subsidiaries
- Asset finance receivables
- Cash and cash equivalents
- Restricted cash

The maximum exposure to credit risk for financial assets at the reporting date by type of instrument and counterparty was:	Group – Carrying amount 2022 Rm	Group – Carrying amount 2021 Rm	Company – Carrying amount 2022 Rm	Company – Carrying amount 2021 Rm
Trade receivables (refer to note 19)	**5 210**	5 077	**4 880**	4 947
Telkom SA	**7 282**	7 198	**6 518**	6 699
Business and residential	**3 113**	3 060	**3 113**	3 060
Global, corporate and wholesale	**3 500**	3 579	**2 771**	3 135
Government	**564**	964	**551**	950
Other customers	**105**	(405)	**83**	(446)
South African subsidiaries	**224**	197	**–**	–
Impairment of trade receivables (refer to note 19)	**(2 296)**	(2 318)	**(1 638)**	(1 752)
Contract assets (refer to note 19)	**2 055**	1 747	**1 976**	1 635
Gross contract assets	**2 551**	2 157	**2 472**	2 045
Impairment of contract assets (refer to note 19)	**(496)**	(410)	**(496)**	(410)
Subtotal for trade receivables and contract assets	**7 265**	6 824	**6 856**	6 582
Other receivables	**1 970**	1 652	**1 550**	1 663
Derivatives	**69**	88	**68**	88
Other investments	**165**	107	**–**	–
Finance lease receivables	**407**	498	**99**	164
Net cash and cash equivalents	**3 239**	5 002	**665**	2 041
Restricted cash	**1 142**	–	**1 142**	–
	14 257	14 171	**10 380**	10 538

14.3.2 Impairment of financial assets

The approach and methodology applied by Telkom when calculating expected credit losses under IFRS 9 are shown in the sub-sections below. Refer to note 19 for the reconciliation of the expected credit loss balances recognised.

14.3.2.1 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.

Where a customer's service has been suspended or cancelled, an additional impairment is raised based on the historical write-off amount for trade receivables which have been included in the suspended/cancelled category.

For contract asset debtors, Telkom 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, other receivables and loans, based on the IFRS 9 principles. Refer to notes 2.4.6.1, 2.4.6.2, 2.4.6.3, 2.4.6.4 and 2.4.6.5 for the accounting policy and approach adopted. 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

Telkom Company 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 2022

14. Financial instruments and risk management continued

14.3 Credit risk continued

14.3.2 Impairment of financial assets continued

14.3.2.1 Trade receivables and contract assets continued

	Group – Carrying amount 2022			Company – Carrying amount 2022		
The ageing of trade receivables at the reporting date was[1]:	Trade receivables ageing Rm	Allowance for expected credit losses ageing Rm	Average expected credit loss ratio %	Trade receivables ageing Rm	Allowance for expected credit losses ageing Rm	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**

	Group – Carrying amount Restated 2021[1]			Company – Carrying amount Restated 2021[1]		
The ageing of trade receivables at the reporting date was[1]:	Trade receivables ageing Rm	Allowance for expected credit losses ageing Rm	Average expected credit loss ratio %	Trade receivables ageing Rm	Allowance for expected credit losses ageing Rm	Average expected credit loss ratio %
Current	3 853	210	5.5	3 479	168	4.8
21 to 60 days past due	769	187	24.3	750	144	19.2
61 to 90 days past due	311	167	53.7	285	126	44.2
91 to 120 days past due	405	181	44.7	365	167	45.8
121 to 150 days past due	282	263	93.3	219	210	95.9
151 to 240 days past due	405	194	47.9	433	177	40.9
241 to 330 days past due	278	216	77.7	209	119	56.9
331 to 361 days past due	165	95	57.6	147	60	40.8
361+ days past due	927	805	86.8	812	581	71.6
	7 395	**2 318**	**31.3**	**6 699**	**1 752**	**26.2**

[1] *In the current financial year, the ageing buckets have been further disaggregated to provide more granular disclosure of the categories. When updating the prior year, it was identified that there was an error in the loss rates calculated and disclosed in the prior financial year. The error related only to the loss rates disclosed and did not impact the amount of the actual ECL calculated in the prior year. The prior year ageing has therefore been adjusted for these loss rates and thus restated.*

The movement in the allowance for impairment in respect of trade receivables during the year is disclosed in note 19.

Included in the allowance for impairment for Telkom Company, are individually impaired receivables with a balance of R166 million (31 March 2021: R365 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.

Telkom does 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.

14.3.2.2 Cash and cash equivalents

Twelve-month expected credit losses are calculated for cash and cash equivalents using the general approach. Due to the fact that the Group's cash and cash equivalents are noted as being current assets, the 12-month and lifetime expected losses are expected to be equivalent. In addition, given that these amounts are invested with South Africa's largest four banks, management's expectation is that the impact on the total impairment is negligible.

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.

Notes to the financial statements continued

for the year ended 31 March 2022

14. Financial instruments and risk management continued

14.4 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.

Liquidity risk is managed by the Group's treasury department 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					
	Notes	Carrying amount Rm	Contractual cash flows Rm	0 – 12 months Rm	1 – 2 years Rm	2 – 5 years Rm	>5 years Rm
2022							
Non-derivative financial liabilities							
Interest-bearing debt	26	**11 932**	**13 890**	**4 330**	**2 335**	**6 482**	**743**
Lease liabilities	12.2	**5 374**	**6 850**	**1 366**	**1 277**	**2 805**	**1 402**
Trade and other payables	30	**10 339**	**10 339**	**10 339**	**–**	**–**	**–**
Shareholders for dividend	34	**28**	**28**	**28**	**–**	**–**	**–**
Asset finance payables	21	**200**	**200**	**200**	**–**	**–**	**–**
Financial guarantees	21	**22**	**22**	**22**	**–**	**–**	**–**
Vendor financing	21	**159**	**159**	**159**	**–**	**–**	**–**
Derivative financial liabilities							
Interest rate swaps	21	**69**	**69**	**69**	**–**	**–**	**–**
Firm commitments	21	**36**	**36**	**36**	**–**	**–**	**–**
Forward exchange contracts	21	**147**	**147**	**147**	**–**	**–**	**–**
		28 306	**31 740**	**16 696**	**3 612**	**9 287**	**2 145**
2021							
Non-derivative financial liabilities							
Interest-bearing debt	26	10 866	13 437	1 903	1 984	6 767	2 783
Credit facilities utilised	22.1	1	1	1	–	–	–
Lease liabilities	20	4 972	6 890	1 272	1 124	2 701	1 793
Trade and other payables	12.2	11 493	11 493	11 493	–	–	–
Shareholders for dividend	34	31	31	31	–	–	–
Asset finance payables	21	193	193	193	–	–	–
Financial guarantees	21	22	22	22	–	–	–
Vendor financing	21	114	114	114	–	–	–
Derivative financial liabilities							
Interest rate swaps	21	202	202	202	–	–	–
Firm commitments	21	19	19	19	–	–	–
Forward exchange contracts	21	179	179	179	–	–	–
		28 092	32 581	15 429	3 108	9 468	4 576

	Notes	Company					
		Carrying amount Rm	Contractual cash flows Rm	0 - 12 months Rm	1 - 2 years Rm	2 - 5 years Rm	>5 years Rm
2022							
Non-derivative financial liabilities							
Interest-bearing debt	26	**11 932**	**13 887**	**4 327**	**2 335**	**6 482**	**743**
Lease liabilities	12.2	**6 103**	**7 418**	**1 956**	**1 897**	**2 545**	**1 020**
Trade and other payables	30	**12 376**	**12 376**	**12 376**	**–**	**–**	**–**
Shareholders for dividend	34	**28**	**28**	**28**	**–**	**–**	**–**
Derivative financial liabilities							
Interest rate swaps	21	**69**	**69**	**69**	**–**	**–**	**–**
Firm commitments	21	**36**	**36**	**36**	**–**	**–**	**–**
Forward exchange contracts	21	**137**	**137**	**137**	**–**	**–**	**–**
		30 681	**33 951**	**18 929**	**4 232**	**9 027**	**1 763**
2021							
Non-derivative financial liabilities							
Interest-bearing debt	26	10 866	13 434	1 900	1 984	6 767	2 783
Lease liabilities	12.2	6 161	8 056	1 909	1 782	3 156	1 209
Trade and other payables	30	14 028	14 028	14 028	–	–	–
Shareholders for dividend	34	31	31	31	–	–	–
Derivative financial liabilities							
Interest rate swaps	21	202	202	202	–	–	–
Firm commitments	21	19	19	19	–	–	–
Forward exchange contracts	21	173	173	173	–	–	–
		31 480	35 943	18 262	3 766	9 923	3 992

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 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. Refer to note 2.4.15 for the supplier financing significant accounting judgements, estimates and assumptions.

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 797 million through SCF, of which R814 million is due after 31 March 2022.

Notes to the financial statements continued

for the year ended 31 March 2022

14. Financial instruments and risk management continued

14.5 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.

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 43% (2021: 48%) 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
2022				
Interest rate swaps outstanding				
Pay fixed and receive floating	**1.85 years**	**2 869**	**1.85 years**	**2 869**
2021				
Interest rate swaps outstanding				
Pay fixed and receive floating	2.8 years	2 959	2.8 years	2 959

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 21 for the balances recognised relating to hedging instruments and hedged items.

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

Purchased	Group Foreign contract value m	Group Contract value Rm	Company Foreign contract value m	Company Contract value Rm
2022				
Currency				
USD	**207**	**3 157**	**184**	**2 825**
Euro	**14**	**245**	**14**	**242**
Chinese Yuan	**356**	**831**	**356**	**831**
		4 233		**3 898**
2021				
Currency				
USD	173	2 680	154	2 398
Euro	15	282	14	263
Chinese Yuan	979	2 266	979	2 266
		5 228		4 927

Sell	Group Foreign contract value m	Group Contract value Rm	Company Foreign contract value m	Company Contract value Rm
2022				
Currency				
USD	**–**	**2**	**–**	**–**
Chinese Yuan	**64**	**148**	**64**	**148**
		150		**148**
2021				
Currency				
USD	2	33	–	–
Euro	1	5	–	5
Other	1	16	–	–
		54		5

Notes to the financial statements continued

for the year ended 31 March 2022

14. Financial instruments and risk management continued

14.5 Market risk continued

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
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)**
2021									
Net foreign currency monetary assets/ (liabilities)									
Functional currency of Company operation									
South African rand	(26)	(1 359)	(1 334)	–	(1)	(26)	(1 360)	(1 334)	(1)

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 is 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 for the year ended 31 March 2022 would decrease/increase by R72 million (31 March 2021: decrease/increase by R100 million) for Group and R55 million (31 March 2021: decrease/increase by R99 million) for Company.

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

Classes of financial instruments per statement of financial position	Group movement + 1% Profit Rm	Group movement - 1% Profit Rm	Company movement + 1% Profit Rm	Company movement - 1% Profit Rm
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)
2021				
Assets				
Other financial assets	3	(3)	–	–
Forward exchange contracts	3	(3)	–	–
Liabilities				
Other financial liabilities	97	(97)	99	(99)
Interest rate swaps	83	(83)	83	(83)
Forward exchange contracts	16	(16)	16	(16)
Asset finance payable	(2)	2	–	–
	100	(100)	99	(99)

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 for the year ended 31 March 2022 would increase/decrease by R127 million for Group (31 March 2021: increase/decrease by R264 million) and R130 million for Company (31 March 2021: increase/decrease by R261 million).

Notes to the financial statements continued

for the year ended 31 March 2022

14. Financial instruments and risk management continued

14.5 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**
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)**
2021				
Assets				
Other financial assets	36	(36)	36	(36)
Firm commitments	36	(36)	36	(36)
Liabilities				
Other financial liabilities	(285)	285	(284)	284
Firm commitments	185	(185)	185	(185)
Forward exchange contracts	(470)	470	(469)	469
Interest-bearing debt	(13)	13	(13)	13
Financial guarantees	(2)	2	–	–
	(264)	264	(261)	261

14.6 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 of Directors reviews and approves all equity investment decisions above R100 million.

At the reporting date, the total amount for local equity investments was R167 million (31 March 2021: R107 million). A 10% increase (31 March 2021: 10% increase) in the local equity portfolios at the reporting date would have increased profit or loss by R17 million (31 March 2021: R11 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.

14.7 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).

	Group		Company	
The net debt (excluding lease liabilities) to EBITDA at reporting date was as follows:	**31 March 2022 Rm**	31 March 2021 Rm	**31 March 2022 Rm**	31 March 2021 Rm
Non-current portion of interest-bearing debt	**8 221**	10 173	**8 221**	10 173
Current portion of interest-bearing debt	**3 711**	693	**3 711**	693
Credit facilities utilised	**–**	1	**–**	–
Less: Cash and cash equivalents	**(3 239)**	(5 003)	**(665)**	(2 041)
Less: Restricted cash	**(1 142)**	–	**(1 142)**	–
Net debt	**7 551**	5 864	**10 125**	8 825

15. Investments

15.1 Investment in subsidiaries and loans to subsidiaries

15.1.1 Investment in subsidiaries

	Company	
	31 March 2022 Rm	31 March 2021 Rm
	8 376	8 418
Yellow Pages (Pty) Ltd (formerly known as TDS Directory Operations/Trudon)		
100% shareholding at cost	**326**	326
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	**98**	140

15.1.2 Loans to subsidiaries

	Carrying value	
	2022 Rm	2021 Rm
Loan to Swiftnet	**500**	–

The Telkom Board of Directors 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.

Notes to the financial statements continued

for the year ended 31 March 2022

15. Investments continued

15.2 Other investments

15.2.1 Non-current other investments

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Unlisted investment	170	115	–	–
FutureMakers Fund	165	107	–	–
Investment	175	117	–	–
Devaluation/impairment	(10)	(10)	–	–
Investment in associates	5	8	–	–

15.2.2 Current other investments

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Current other investments	59	61	59	61
Investment in third party cell captive	3	–	3	–
Investment in insurance cell captive	56	61	56	61
Initial investment	5	5	5	5
Insurance service result	51	56	51	56
Insurance service result				
At 1 April	56	41	56	41
Net insurance revenue	(2)	15	(2)	15
Premiums earned	126	105	126	105
Claims paid	(84)	(78)	(84)	(78)
Investment income	3	4	3	4
Gross commission paid	(3)	–	(3)	–
Other expenses	(15)	(11)	(15)	(11)
Preference dividend paid	(22)	–	(22)	–
Taxation paid	(7)	(5)	(7)	(5)
At 31 March	54	56	54	56

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.

Telkom Company accounts for this at cost as an investment in a subsidiary. Telkom 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 cell captive

Telkom has entered into a cell captive arrangement with Mutual and Federal and Guard Risk. Both Mutual and Federal and Guard Risk are licensed insurance companies. Mutual and Federal underwrites the Telkom device insurance and Guard Risk underwrites the Telkom life insurance.

Both 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 (Guard Risk 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 ensure lives with the main product being the death benefit cover. Both the Mutual and Federal third party cell captive and the Guard Risk 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.

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 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

Telkom, as the cell owner of both cell captives, 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 whose 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 Guard Risk, 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.

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 Telkom Insurance division's management 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 insurance 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.

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 insurance cell captive. 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.

15.3 Impairment considerations

The Company holds a 100% interest in BCX and accounts for this investment as a subsidiary 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 identified an impairment indicator regarding the material investment in BCX due to the matters noted in the goodwill section and performed impairment tests as a result. Refer to note 13.

Notes to the financial statements continued

for the year ended 31 March 2022

16. Lease receivables

16.1 Finance lease receivables

The Group provides voice and non-voice services to its customers, which make use of router and PABX equipment that is dedicated to specific customers. The disclosed information relates to those arrangements which were assessed to be finance leases in terms of IFRS 16.

Group	Total Rm	<1 year Rm	1 - 5 years Rm	>5 years Rm
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**	**–**
2021				
Minimum lease payments receivable				
Lease payments receivable	565	260	305	–
Unearned finance income	(67)	(32)	(35)	–
Present value of minimum lease income (Lease receivables)	**498**	**228**	**270**	**–**

Company	Total Rm	<1 year Rm	1 - 5 years Rm	>5 years Rm
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**	**–**
2021				
Minimum lease payments receivable				
Lease payments receivable	189	93	96	–
Unearned finance income	(25)	(14)	(11)	–
Present value of minimum lease income (Lease receivables)	**164**	**79**	**85**	**–**

16.2 Operating lease revenue

	Group operating leases			
	Total Rm	<1 year Rm	1 - 5 years Rm	>5 years Rm
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)**
2021				
Rental receivable on buildings	(102)	(31)	(39)	(32)
Exchanges	(196)	(62)	(134)	–
Masts and towers	(1 376)	(484)	(866)	(26)
Total	**(1 674)**	**(577)**	**(1 039)**	**(58)**

	Company operating leases			
	Total Rm	**<1 year Rm**	**1 - 5 years Rm**	**>5 years Rm**
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)**
2021				
Rental receivable on buildings	(24)	(21)	(2)	(1)
Exchanges	(165)	(53)	(112)	–
Total	**(189)**	**(74)**	**(114)**	**(1)**

17. Deferred taxation

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	**31 March 2022 Rm**	31 March 2021 Rm
Deferred taxation	**71**	497	**(28)**	376
Opening balance	**497**	675	**376**	575
Profit and loss and opening balance movements	**(348)**	(197)	**(325)**	(218)
Capital allowances	**(493)**	(156)	**(566)**	(154)
Provisions and other allowances	**(186)**	(196)	**(128)**	(264)
Tax losses[1]	**353**	234	**345**	234
Overprovision/(underprovision) prior year[1]	**(6)**	(88)	**39**	(34)
Rate change[2]	**(24)**	–	**(15)**	–
Common control transactions/business combinations	**8**	9	**–**	–
Other comprehensive income deferred tax impact[1]	**(78)**	19	**(79)**	19
The balance comprises:	**71**	497	**(28)**	376
Capital allowance	**(3 628)**	(3 247)	**(3 654)**	(3 222)
Provisions and other allowances	**3 215**	3 468	**3 038**	3 218
Business combination	**(49)**	(39)	**–**	–
Common control transaction	**(30)**	(32)	**–**	–
Tax losses	**1 028**	733	**1 017**	730
Other comprehensive income tax impact	**(465)**	(386)	**(429)**	(350)
Deferred taxation balance is made up as follows:[1]	**71**	497	**(28)**	376
Deferred taxation assets	**308**	723	**–**	376
Deferred taxation liabilities	**(237)**	(226)	**(28)**	–

1 *The decrease of R426 million in the deferred tax asset (DTA) balance is attributable to the following:*
- *R347 million is the net movement in temporary differences through the statement of profit or loss, primarily as a result of a deferred tax liability (DTL) attributable to fixed assets or movement in provisions, set off by the DTA recognised on tax losses; and*
- *R79 million movement through other comprehensive income (OCI) due to the additional liability raised in Telkom SA SOC Ltd, including actuarial gains recognised on the post-employment benefit plans.*

2 *As per the announcement by the Minister of Finance in the 2022 budget speech, the corporate tax rate is changing from 28% to 27% effective for years of assessment ending on or after 31 March 2023. The reduction of the corporate tax rate resulted in a reduction of the Group's deferred tax asset balance to align to the future utilisation thereof.*

Notes to the financial statements continued

for the year ended 31 March 2022

18. Inventories

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Inventories	1 084	1 026	833	779
Gross inventories	1 244	1 180	940	891
Write-down of inventories to net realisable value	(160)	(154)	(107)	(112)
Inventories consist of the following categories:	1 244	1 180	940	890
Installation material, maintenance material and network equipment	541	477	540	476
Merchandise	703	703	400	414
Write-down of inventories to net realisable value	160	154	107	112
Opening balance	154	158	112	124
Charged to selling, general and administrative expenses	15	22	15	22
Inventories written off	(9)	(26)	(20)	(34)

In line with the Group strategy, the Group's inventory increased in the current financial period due to the accelerated deployment of fibre which required additional inventory to be purchased.

During the current financial year, R33 million (31 March 2021: R42 million) for Group and R33 million (31 March 2021: R41 million) for Company was transferred from inventories to property, plant and equipment. The transfers only take place from CWIP.

19. Trade and other receivables and contract assets

19.1 Trade and other receivables

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Trade and other receivables	7 797	7 227	6 788	6 890
Trade receivables	5 210	5 077	4 880	4 947
Gross trade receivables	7 506	7 395	6 518	6 699
Impairment of receivables	(2 296)	(2 318)	(1 638)	(1 752)
Other receivables	1 970	1 652	1 550	1 663
Prepayments	617	498	358	280

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.

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Allowance account for credit losses – trade receivables	2 296	2 318	1 638	1 752
Opening balance as previously reported	2 318	1 877	1 752	1 193
Charged to statement of profit or loss and other comprehensive income	534	1 008	421	853
Enterprise loss allowance movement	–	–	(54)	(119)
Receivables written off	(556)	(567)	(481)	(175)

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

Refer to note 14.3 for a detailed credit risk analysis.

19.2 Contract assets

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Contract assets	**2 055**	1 747	**1 976**	1 635
Gross contract assets	**2 551**	2 157	**2 472**	2 045
Impairment of contract assets	**(496)**	(410)	**(496)**	(410)
Allowance account for credit losses – contract assets	**496**	410	**496**	410
Opening balance as previously reported	**410**	432	**410**	432
Charged to statement of profit or loss and other comprehensive income	**269**	31	**269**	31
Contract assets written off	**(183)**	(53)	**(183)**	(53)

Contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst 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 14.3 for a detailed credit risk analysis.

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 contracts factored is R1 009 million (31 March 2021: R422 million).

Per the arrangements, Telkom retains the contractual right to receive cash flows, and has assumed a contractual obligation to pay these 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 portfolios were 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.

Notes to the financial statements continued

for the year ended 31 March 2022

20. Other current assets

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	**31 March 2022 Rm**	31 March 2021 Rm
Other current assets	**466**	459	**466**	459
Contract costs capitalised	**255**	261	**255**	261
Ongoing commission capitalised assets	**211**	198	**211**	198
Contract costs capitalised	**255**	261	**255**	261
Opening balance	**261**	299	**261**	299
Contract costs capitalised during the year	**276**	265	**276**	265
Contracts cancelled during the year	**(25)**	(26)	**(25)**	(26)
Amortisation recognised as cost of providing services during the year	**(257)**	(277)	**(257)**	(277)

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.

Ongoing commission capitalised assets				
Contract asset – ongoing commission	**211**	198	**211**	198
Ongoing commission (included in trade and other payables)	**(211)**	(198)	**(211)**	(198)
Opening balance	**198**	237	**198**	237
Expense amortised in the current year	**(117)**	(127)	**(117)**	(127)
New contracts entered into	**234**	206	**234**	206
Contracts cancelled during the year	**(104)**	(118)	**(104)**	(118)
Closing balance	**211**	**198**	**211**	**198**

21. Other financial assets and liabilities

21.1 Other financial assets

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Non-current other financial assets	113	81	10	–
Other financial assets at amortised cost				
Asset finance receivables	103	81	–	–
Other financial assets at fair value through profit or loss				
Investment in SA SME Fund	10	–	10	–
Current other financial assets	69	88	68	88
Other financial assets at fair value through profit or loss				
Derivative instruments used for hedging				
Forward exchange contracts	16	–	16	–
Firm commitments	53	88	52	88

Investment in SA SME 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 current 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.

21.2 Other financial liabilities

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Non-current other financial liabilities	(106)	(107)	–	–
Other financial liabilities at amortised cost				
Asset finance payables	(106)	(107)	–	–
Current other financial liabilities	(527)	(622)	(242)	(2 248)
Other financial liabilities at amortised cost	(253)	(200)	–	(1 854)
Asset finance payables	(94)	(86)	–	–
Vendor financing	(159)	(114)	–	–
BCX treasury fund[1]	–	–	–	(1 854)
Other financial liabilities at fair value through profit or loss	(274)	(422)	(242)	(394)
Derivative instruments used for hedging	(252)	(400)	(242)	(394)
Forward exchange contracts	(147)	(179)	(137)	(173)
Firm commitments	(36)	(19)	(36)	(19)
Interest rate swaps	(69)	(202)	(69)	(202)
Financial guarantees	(22)	(22)	–	–

[1] *The BCX treasury fund decreased mainly due to the dividend declared by BCX to Telkom Company in the current financial year.*

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 is due to the realisation of the losses. 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.

Notes to the financial statements continued

for the year ended 31 March 2022

21. Other financial assets and liabilities continued

21.2 Other financial liabilities continued

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 to the value of USD1.4 million. As part of the disposal agreement, BCX Nigeria needs to contractually reduce BCX's guaranteed exposure by an average amount of USD375 000 per quarter, starting on 31 March 2020, and then quarterly thereafter. The guarantee period ends 31 December 2022.

The total exposure on the financial guarantee relating to Nigeria (now a third party – Arravo Global Services) amounts to R22 million as at 31 March 2022 (31 March 2021: R22 million), based on an expected credit loss (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 14.5. 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.

	Group				
		Carrying amount of the hedging instrument			
Derivatives that meet the hedge accounting requirements:	**Nominal amount of the hedging instrument Rm**	**Assets Rm**	**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**
2022					
Foreign exchange risk fair value hedging relationship					
Forward exchange contracts	**4 233**	**16**	**(147)**	**Other financial assets and other financial liabilities**	**121**
2021					
Foreign exchange risk fair value hedging relationship					
Forward exchange contracts	2 963	–	(179)	Other financial assets and other financial liabilities	460

	Company				
	Nominal amount of the hedging instrument Rm	Carrying amount of the hedging instrument		Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge effectiveness Rm
		Assets Rm	Liabilities Rm		
2022					
Foreign exchange risk fair value hedging relationship					
Forward exchange contracts	**3 898**	**16**	**(137)**	**Other financial assets and other financial liabilities**	**121**
2021					
Foreign exchange risk fair value hedging relationship					
Forward exchange contracts	2 661	–	(173)	Other financial assets and other financial liabilities	460

A decrease in fair value of the forward exchange contracts, designated as fair value hedges, of R121 million (31 March 2021: R460 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.

22. Net cash and cash equivalents and restricted cash

22.1 Net cash and cash equivalents

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Cash disclosed as current assets	**3 239**	5 003	**665**	2 041
Cash and bank balances	**3 104**	3 637	**530**	675
Short-term deposits	**135**	1 366	**135**	1 366
Credit facilities utilised	**–**	(1)	**–**	–
Net cash and cash equivalents	**3 239**	**5 002**	**665**	**2 041**
Undrawn borrowing facilities	**4 900**	6 578	**4 600**	5 750

The significant decrease in short-term deposits and the overall decrease in cash and cash equivalents is due to cash outflows attributable to capex spend. The Group utilised available cash throughout the year and did not obtain funding except for the spectrum auction payment.

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 2022, R4.35 billion (31 March 2021: R5.5 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 2022

22. Net cash and cash equivalents and restricted cash continued

22.2 Restricted cash

The restricted cash balance comprises an amount of R1 142 million relating to a portion of the ICASA spectrum auction fee.

At the spectrum auction conducted by ICASA in March 2022, Telkom successfully bid for 2 x 10 MHz in the 800 MHz band and 22 MHz in the 3 500 MHz band. On 22 March 2022, Telkom was officially awarded the spectrum at a cost of R2 114 million, of which R1 142 million was payable within 30 working days from 23 March 2022. The outstanding payment of R972 million relates to a portion of the 800 MHz which ICASA is expected to commence the licensing of in July 2022.

Prior to the auction being finalised, Telkom had launched a court application against ICASA, in which it claimed that it was constrained in its ability to acquire the amount of spectrum it needs to compete effectively. In light of the pending litigation proceedings, Telkom, at their discretion, paid the amount of R1 142 million into a trust account at Werksmans Attorneys, their attorney on record, with specific instructions:

- if Telkom is ultimately unsuccessful in the court application or if the matter is settled out of court, the monies are to be used by Werksmans Attorneys to pay the auction fees to ICASA; or
- if Telkom is ultimately successful in the court application, the monies are to be repaid to Telkom, together with the interest that may have accrued and less any fees and charges to be deducted in terms of the agreement signed with Werksmans Attorneys.

The above instruction to Werksmans Attorneys cannot be revoked by Telkom under any circumstances.

The payment of R1 142 million has been reflected as an investing activity on the statement of cash flows.

Refer to note 42 for the events that took place after the reporting date.

23. Share capital

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	**31 March 2022 Rm**	31 March 2021 Rm
Authorised and issued share capital is made up as follows:				
Authorised				
1,000,000,000 ordinary shares of R10 each	**10 000**	10 000	**10 000**	10 000
Issued				
504,975,439 (31 March 2021: 504,975,439) ordinary shares of R10 each (fully paid up)	**5 050**	5 050	**5 050**	5 050
6,164,800 (31 March 2021: 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, 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 SA SOC Ltd. 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 14.7 for detailed capital management disclosure.

24. Share-based compensation reserve

Telkom's shareholders approved the Telkom Group share plan 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 29.

	Group		Company	
The movement within the share-based compensation reserve is:	**31 March 2022 Rm**	31 March 2021 Rm	**31 March 2022 Rm**	31 March 2021 Rm
Balance at the beginning of the year	**1 036**	835	**964**	810
Net increase in equity	**202**	201	**164**	154
Employee cost (refer to note 6)	**203**	203	**164**	154
Vesting of shares	**(1)**	(2)	**–**	–
Balance at the end of the year	**1 238**	**1 036**	**1 128**	**964**

25. Non-distributable reserves

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	**31 March 2022 Rm**	31 March 2021 Rm
Non-distributable reserves	**968**	1 361	**526**	732
Opening balance	**1 361**	1 642	**732**	989
Movement during the year	**(393)**	(281)	**(206)**	(257)
Increase/(decrease) in foreign currency translation reserve	**4**	(25)	**–**	–
Movement in treasury shares for Telkom and subsidiaries share scheme	**(396)**	(286)	**(204)**	(285)
Vesting of shares under Group share plan	**1**	2	**–**	–
Escrow shares realised for settlement to employees	**–**	12	**–**	12
Revaluation of the sinking fund investment reserve	**–**	1	**–**	1
Insurance service result	**(2)**	15	**(2)**	15

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 share plan.

	2022		2021	
Fair value of ordinary shares in Telkom are held as follows:	**Number of shares**	**Rm**	Number of shares	Rm
Treasury shares in Escrow	**23 021 555**	**1 024**	16 056 950	680
Rossal No 65 (Pty) Ltd	**736 309**	**33**	919 749	39
Total	**23 757 864**	**1 057**	**16 976 699**	**719**

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

Notes to the financial statements continued

for the year ended 31 March 2022

26. Interest-bearing debt

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	**31 March 2022 Rm**	31 March 2021 Rm
Total interest-bearing debt	**11 932**	10 866	**11 932**	10 866
Non-current interest-bearing debt	**8 221**	10 173	**8 221**	10 173
Local debt	**7 344**	9 135	**7 344**	9 135
Foreign debt	**877**	1 038	**877**	1 038
Current portion of interest-bearing debt	**3 711**	693	**3 711**	693
Local debt	**3 558**	693	**3 558**	693
Bonds	**1 015**	–	**1 015**	–
Accrued interest	**107**	–	**107**	–
Other loans[1]	**2 436**	693	**2 436**	693
Foreign debt	**153**	–	**153**	–

[1] *Other loans relate to loans from Absa, Standard Bank and Future Growth.*

Total interest-bearing debt is made up as follows:	**11 932**	10 866	**11 932**	10 866
(a) Local debt	**10 902**	9 828	**10 902**	9 828
Telkom debt instruments	**10 902**	9 828	**10 902**	9 828
Name, maturity, rate p.a., nominal value				
TL23, 2022, 5.907%	**592**	592	**592**	592
TL24, 2022, 9.04% (fixed)	**423**	423	**423**	423
TL25, 2024, 9.57% (fixed)	**835**	835	**835**	835
TL26, 2024, 6.217%	**400**	400	**400**	400
TL27, 2023, 5.442%	**500**	500	**500**	500
TL28, 2025, 9.28% (fixed)	**1 000**	1 000	**1 000**	1 000
TL29, 2025, 5.732%	**500**	500	**500**	500
TL30, 2024, 5.718%	**877**	877	**877**	877
TL31, 2026, 5.928%	**623**	623	**623**	623
TL32, 2027, 5.808%	**1 000**	1 000	**1 000**	1 000
Export Credit Agency (ECA) loan, 2022 - 2030, 6.367%	**907**	907	**907**	907
Export Credit Risk Agreement – insurance premium (unamortised cost)	**(83)**	(94)	**(83)**	(94)
Other loans, 2022 - 2026, 5.15% - 6.225%	**3 221**	–	**3 221**	–
Loans, 2021 - 2026, 4.4% - 5.6%[2]	**–**	2 265	**–**	2 265
Accrued interest	**107**	–	**107**	–

Total interest-bearing debt is made up of R11 932 million debt at amortised cost (31 March 2021: R10 866 million debt at amortised cost). Finance costs accrued on debt are included in interest-bearing debt.

Other loans are repayable quarterly and have maturities ranging from 2022 to 2026.

The ECA loan is repayable quartely from 2022 to 2030.

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

(b) Foreign debt	**1 030**	1 038	**1 030**	1 038
Telkom				
Maturity, rate p.a., nominal value				
ECA ZAR loan: 2022 - 2030, 6.367%	**907**	907	**907**	907
Euro: 2022 - 2025, 0.14% (2021: 0.14%), €7.6 million (2021: €7.6 million)	**123**	131	**123**	131
Included in non-current and current debt is:				
Debt guaranteed by the South African Government	**123**	131	**123**	131

[2] *These loans were settled in the current financial year.*

During the year under review, R1 150 million (31 March 2021: R268 million) debt was raised for Group and Company. R193 million (31 March 2021: R1 400 million) debt was repaid for Group and Company.

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 22.

Interest-bearing debt

Interest-bearing debt is at amortised cost, and finance costs accrued on debt are included in interest-bearing debt. The debts are 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.

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 2022, Telkom's net debt to EBITDA ratio was 1.2x (31 March 2021: 0.9x) and interest cover 12.3x (31 March 2021: 11x).

Telkom has complied with the financial covenants of its borrowing facilities during the 2022 reporting period.

Repayments/refinancing of the current portion of interest-bearing debt

The repayment of the current portion of interest-bearing debt of R3 711 million (31 March 2021: R693 million) for Company and Group as at 31 March 2022 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.

Notes to the financial statements continued

for the year ended 31 March 2022

27. Provisions

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Non-current provisions	**380**	619	**358**	601
Non-current employee-related provisions	**364**	606	**338**	579
Subsidiary defined benefit plans (refer to note 29 for the reconciliation of the opening to closing balance)	**26**	27	**–**	–
Telephone rebates (refer to note 29 for the reconciliation of the opening to closing balance)	**338**	325	**338**	325
Telkom Retirement Fund (refer to note 29 for the reconciliation of the opening to closing balance)	**–**	254	**–**	254
Non-current non-employee-related provisions				
Other	**16**	13	**20**	22
Current provisions	**1 276**	1 613	**802**	1 043
Current portion of employee-related provisions	**1 126**	1 480	**771**	1 014
Annual leave	**454**	473	**276**	288
Balance at the beginning of the year	**473**	479	**288**	306
Charged to employee expenses	**(13)**	25	**(12)**	(12)
Leave paid/utilised	**(6)**	(31)	**–**	(6)
Telephone rebates (refer to note 29 for the reconciliation of the opening to closing balance)	**39**	39	**39**	39
Bonus, termination packages and other benefits	**633**	968	**456**	687
Balance at the beginning of the year	**968**	1 234	**687**	1 209
Charged to employee expenses	**725**	1 186	**373**	810
Payments made	**(1 060)**	(1 452)	**(604)**	(1 332)
Current portion of non-employee-related provisions				
Other	**150**	133	**31**	29

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 2021: 15 - 30 days) which must be taken within a 6 - 19 month (31 March 2021: 6 -19 month) leave cycle. The leave cycle is reviewed annually and is in accordance with legislation.

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.

Telkom Retirement Fund

The decrease in the Telkom Retirement Fund obligation is largely due to the fund being in a surplus position. Refer to note 29.

Non-employee-related provisions

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

28. Deferred revenue

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	**31 March 2022 Rm**	31 March 2021 Rm
Deferred revenue	**1 771**	1 931	**1 608**	1 814
Non-current deferred revenue	**138**	235	**125**	227
Current portion of deferred revenue	**1 633**	1 696	**1 483**	1 587

Deferred revenue recognised at the beginning of the year

At the end of the prior year, R1 696 million (31 March 2021: R1 754 million) for Group and R1 587 million (31 March 2021: R1 616 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 to 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.

	31 March 2022 Rm	Restated 31 March 2021[1] Rm	**31 March 2022 Rm**	Restated 31 March 2021[1] Rm
Revenue recognised in relation to contract liabilities				
Deferred revenue	**1 635**	1 729	**1 508**	1 563

[1] *The prior year revenue recognised in relation to contract liabilities has been restated. There was no impact on the primary statements.*

Notes to the financial statements continued

for the year ended 31 March 2022

29. Employee benefits

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Non-current assets	**1 566**	1 317	**1 566**	1 317
Telkom Pension Fund asset	**17**	17	**17**	17
Post-retirement medical aid recognition of net plan asset	**1 549**	1 300	**1 549**	1 300

The increase in employee benefits, specifically the plan assets, is largely due to the actuarial gain. The actuarial gain is primarily due to the change in experience adjustments.

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Defined benefit plan actuarial gains/(losses)	**341**	(69)	**341**	(69)
Telkom Pension Fund net actuarial (loss)/gain	**(1)**	1	**(1)**	1
Telkom Retirement Fund net actuarial gain/(loss)	**247**	(212)	**247**	(212)
Medical aid net actuarial gain	**99**	145	**99**	145
Telephone rebate net actuarial gain/(loss)	**1**	(1)	**1**	(1)
Long service award net actuarial loss	**(5)**	(2)	**(5)**	(2)

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 9.9 years (31 March 2021: 10 years).

The next full valuations for all funds will be performed at 31 March 2023.

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 2022 indicates that the pension fund is in a surplus position of R145 million (31 March 2021: R121 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 31 March 2022 Rm	Group 31 March 2021 Rm	Company 31 March 2022 Rm	Company 31 March 2021 Rm
The Telkom Pension Fund				
The net periodic pension costs include the following components:				
Interest cost on projected benefit obligations	5	5	5	5
Service cost on projected benefit obligations	1	1	1	1
Interest on plan assets after asset restriction	(7)	(7)	(7)	(7)
Net periodic pension expense recognised in profit or loss	(1)	(1)	(1)	(1)
The net periodic other comprehensive income includes the following components:				
Actuarial gain due to demographic assumption changes	(2)	(2)	(2)	(2)
Asset ceiling in terms of IAS 19.64	3	1	3	1
Net periodic pension income/(expense) recognised in other comprehensive income	1	(1)	1	(1)
Cumulative actuarial gain	(73)	(74)	(73)	(74)
The status of the pension plan obligation is as follows:				
At the beginning of the year	48	53	48	53
Interest cost	5	6	5	6
Current service cost	1	1	1	1
Benefits paid	(5)	(12)	(5)	(12)
Actuarial gain	(2)	–	(2)	–
Benefit obligation at the end of the year	47	48	47	48
Plan assets at fair value:				
At the beginning of the year	168	146	168	146
Interest on plan assets	19	16	19	16
Benefits paid	(4)	(12)	(4)	(12)
Actuarial gain	10	18	10	18
Plan assets at the end of the year	193	168	193	168
Present value of funded obligation	47	48	47	48
Fair value of plan assets	(193)	(168)	(193)	(168)
Fund surplus	(146)	(121)	(146)	(121)
Asset ceiling in terms of IAS 19.64	129	104	129	104
Recognised net asset	(17)	(17)	(17)	(17)
Interest on plan assets after asset restriction	12	10	12	10
Actuarial gain on plan assets	10	18	10	18
Actual return on plan assets	22	28	22	28
Plan assets balance comprises:				
Cash and cash equivalents	5	7	5	7
Equity securities	91	71	91	71
Property	6	3	6	3
Bonds	35	33	35	33
Commodities	1	2	1	2
Foreign investments	55	52	55	52
Total	193	168	193	168

Notes to the financial statements continued

for the year ended 31 March 2022

29. Employee benefits continued

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.

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 2022 Rm	31 March 2021 Rm	**31 March 2022 Rm**	31 March 2021 Rm
Males over 65	**16.8**	16.7	**16.8**	16.7
Females over 65	**20.9**	20.9	**20.9**	20.9
Discount rate (%)	**10.75**	11.5	**10.75**	11.5
Interest on plan assets (%)	**10.75**	11.5	**10.75**	11.5
Salary inflation rate (%)	**6.0**	6.7	**6.0**	6.7
Pension increase allowance (%)	**5.5**	5.5	**5.5**	5.5

The overall long-term expected interest on assets is 10.75%. 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.

Funding level per statutory actuarial valuation (%)	**100**	100	**100**	100
The number of employees registered under the Telkom Pension Fund	**18**	20	**18**	20
The fund portfolio consists of the following percentages:				
Cash (%)	**2**	4	**2**	4
Equities (%)	**47**	42	**47**	42
Property (%)	**3**	2	**3**	2
Bonds (%)	**18**	20	**18**	20
Commodities (%)	**1**	1	**1**	1
Foreign Investments (%)	**29**	31	**29**	31
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 2023 is R0.5 million.

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 were 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 31 March 2022 Rm	Group 31 March 2021 Rm	Company 31 March 2022 Rm	Company 31 March 2021 Rm
The Telkom Retirement Fund				
The net periodic retirement costs include the following components:				
Interest cost on projected benefit obligations	4 071	3 869	4 071	3 869
Interest on plan assets	(4 077)	(3 836)	(4 077)	(3 836)
Service cost on projected benefit obligations	541	500	541	500
Curtailment	–	4	–	4
Net periodic pension expense recognised in profit or loss	**535**	**537**	**535**	**537**
The net periodic other comprehensive income includes the following components:				
Actuarial loss due to financial assumptions changes	(49)	(2 036)	(49)	(2 036)
Actuarial gain due to experience adjustments	282	1 824	282	1 824
Actuarial gain due to demographic assumptions changes	13	–	13	–
Net periodic pension income/(expense) recognised in other comprehensive income	**246**	**(212)**	**246**	**(212)**
Cumulative actuarial loss	(525)	(771)	(525)	(771)
Benefit obligation:				
At the beginning of the year	36 939	34 972	36 939	34 972
Interest cost	4 071	3 869	4 071	3 869
Current service cost	541	500	541	500
Employee contributions	292	264	292	264
Benefits paid	(2 157)	(2 190)	(2 157)	(2 190)
Transfers in	40	11	40	11
Curtailment gain	–	(2 036)	–	(2 036)
Actuarial loss	884	1 551	884	1 551
Benefit obligation at the end of the year	**40 610**	**36 939**	**40 610**	**36 939**
Plan assets:				
At the beginning of the year	36 684	35 420	36 684	35 420
Interest on plan assets	4 107	3 836	4 107	3 836
Change in asset restriction	–	(448)	–	(448)
Employer contributions	543	495	543	495
Employee contributions	292	264	292	264
Benefits paid	(2 157)	(2 190)	(2 157)	(2 190)
Curtailment loss	–	(2 041)	–	(2 041)
Transfers in	40	11	40	11
Actuarial gain	2 730	1 337	2 730	1 337
Plan assets at the end of the year	**42 239**	**36 684**	**42 239**	**36 684**
Present value of funded obligation	40 610	36 939	40 610	36 939
Fair value of plan assets	42 239	36 684	42 239	36 684
Fund surplus	(1 629)	255	(1 629)	255
Asset ceiling in terms of IAS 19.64	1 629	–	1 629	–
Net liability	**–**	**255**	**–**	**255**
Interest on plan assets	4 107	3 836	4 107	3 836
Actuarial gain on plan assets	2 730	1 337	2 730	1 337
Actual return on plan assets	6 837	5 173	6 837	5 173
Plan asset balance comprises:				
Equities	6 517	3 599	6 517	3 599
Property	1 902	1 080	1 902	1 080
Bonds	18 673	14 253	18 673	14 253
Africa	3 139	3 523	3 139	3 523
Cash	1 233	5 515	1 233	5 515
Foreign investments	10 775	8 714	10 775	8 714
Total	**42 239**	**36 684**	**42 239**	**36 684**

Notes to the financial statements continued

for the year ended 31 March 2022

29. Employee benefits continued

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	
	31 March 2022 Rm	31 March 2021 Rm	**31 March 2022 Rm**	31 March 2021 Rm
Included in the fair value of plan assets is:				
Telkom shares	**26**	25	**26**	25
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.				
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:				
Males over 65	**16.8**	16.7	**16.8**	16.7
Females over 65	**20.9**	20.9	**20.9**	20.9
Discount rate (%)	**10.75**	11.5	**10.75**	11.5
Interest on plan assets (%)	**10.75**	11.5	**10.75**	11.5
Pension increase allowance (%)	**4.48**	4.5	**4.48**	4.5

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.

Funding level per statutory actuarial valuation (%)	**100**	100	**100**	100
The number of pensioners registered under the Telkom Retirement Fund	**12 956**	13 205	**12 956**	13 205
The number of in-service employees entitled to retire in the Telkom Retirement Fund	**10 630**	10 142	**10 630**	10 142
The fund portfolio consists of the following percentages:				
Equities (%)	**15**	10	**15**	10
Property (%)	**5**	3	**5**	3
Bonds (%)	**44**	38	**44**	38
Africa (%)	**7**	10	**7**	10
Cash (%)	**3**	15	**3**	15
Foreign investments (%)	**26**	24	**26**	24
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 2023 is R552 million.

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 6.3. 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 27. 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' liability 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 2022.

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

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	**31 March 2022 Rm**	31 March 2021 Rm
Medical aid				
Benefit obligation:				
At the beginning of the year	**1 657**	1 702	**1 635**	1 680
Interest cost	**173**	180	**173**	180
Service cost	**1**	1	**1**	1
Actuarial (gain)/loss	**(111)**	29	**(111)**	29
Buy-outs paid by Telkom	**–**	(30)	**–**	(30)
Benefits paid from plan assets	**(197)**	(198)	**(197)**	(198)
Contributions paid by Telkom	**–**	(27)	**–**	(27)
Benefit obligation at the end of the year	**1 523**	**1 657**	**1 501**	**1 635**
Plan assets at fair value:				
At the beginning of the year	**2 935**	2 656	**2 935**	2 656
Interest on plan assets	**324**	303	**324**	303
Benefits paid from plan assets	**(197)**	(198)	**(197)**	(198)
Actuarial (loss)/gain	**(12)**	174	**(12)**	174
Plan assets at the end of the year	**3 050**	**2 935**	**3 050**	**2 935**
Present value of funded obligation	**1 523**	1 657	**1 501**	1 635
Fair value of plan assets	**(3 050)**	(2 935)	**(3 050)**	(2 935)
Fund surplus	**(1 527)**	(1 278)	**(1 549)**	(1 300)
Liability as disclosed in the statement of financial position (refer to note 27)	**26**	27	**–**	–
Asset as disclosed in the statement of financial position	**(1 553)**	(1 305)	**(1 549)**	(1 300)
The net periodic other comprehensive income includes the following components:				
Actuarial loss due to financial assumptions changes	**(18)**	(81)	**(18)**	(81)
Actuarial (loss)/gain due to experience adjustments	**(8)**	240	**(8)**	240
Actuarial gain/(loss) due to demographic assumptions changes	**125**	(15)	**125**	(15)
Net periodic pension income recognised in other comprehensive income	**99**	**144**	**99**	**144**
Cumulative actuarial loss	**(1 556)**	(1 655)	**(1 562)**	(1 661)
Plan assets at fair value:				
Interest on plan assets	**324**	303	**324**	303
Actuarial (loss)/gain on plan assets	**(12)**	174	**(12)**	174
Actual return on plan assets	**312**	**477**	**312**	**477**
Plan asset balance comprises:				
Cash and cash equivalents	**613**	606	**613**	606
Equity securities	**990**	882	**990**	882
Bonds	**1 383**	1 369	**1 383**	1 369
Foreign investments	**64**	78	**64**	78
Total	**3 050**	**2 935**	**3 050**	**2 935**

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

Notes to the financial statements continued

for the year ended 31 March 2022

29. Employee 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 is 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 2022 Rm	31 March 2021 Rm	**31 March 2022 Rm**	31 March 2021 Rm
Included in the fair value of plan assets is:				
Telkom shares	**0.8**	0.3	**0.8**	0.3
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:				
Males over 65	**16.8**	16.7	**16.8**	16.7
Females over 65	**20.9**	20.9	**20.9**	20.9
Discount rate (%)	**10.75**	11.5	**10.75**	11.5
Interest on plan assets (%)	**10.75**	11.5	**10.75**	11.5
Medical inflation rate (%)	**8.0**	8.7	**8.0**	8.7

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.

Contractual retirement age	**65**	65	**65**	65
Average retirement age	**56**	55	**56**	55
Number of in-service members	**399**	419	**399**	419
Number of pensioners	**3 076**	3 322	**3 076**	3 322
The fund portfolio consists of the following percentages:				
Cash and money market investments (%)	**20**	20	**20**	20
Equities (%)	**32**	30	**32**	30
Bonds (%)	**46**	47	**46**	47
Foreign investments (%)	**2**	3	**2**	3
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 2023 is Rnil as the liability is currently significantly overfunded.

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 2022. 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.

	Group		Company	
The status of the telephone rebate liability is disclosed below:	**31 March 2022 Rm**	31 March 2021 Rm	**31 March 2022 Rm**	31 March 2021 Rm
Benefit obligation:				
At the beginning of the year	**364**	355	**364**	355
Current service cost	**2**	3	**2**	3
Interest cost	**39**	39	**39**	39
Actuarial (gain)/loss	**(1)**	1	**(1)**	1
Curtailment loss	**–**	(6)	**–**	(6)
Benefits paid	**(27)**	(28)	**(27)**	(28)
Liability as disclosed in the statement of financial position (refer to note 27)	**377**	**364**	**377**	**364**
The net periodic other comprehensive income includes the following components:				
Actuarial loss due to financial assumptions changes	**(19)**	(14)	**(19)**	(14)
Actuarial gain due to experience adjustments	**15**	13	**15**	13
Actuarial gain due to demographic assumptions changes	**5**	–	**5**	–
Net periodic pension income/(expense) recognised in other comprehensive income	**1**	**(1)**	**1**	**(1)**
Cumulative actuarial loss	**104**	103	**104**	103
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:				
Males over 65	**16.8**	16.7	**16.8**	16.7
Females over 65	**20.9**	20.9	**20.9**	20.9
Discount rate (%)	**10.75**	11.5	**10.75**	11.5
Contractual retirement age	**65**	65	**65**	65
Average retirement age	**56**	55	**56**	55

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.

Number of members	**5 039**	5 191	**5 039**	5 191
Number of pensioners	**13 058**	13 049	**13 058**	13 049

Notes to the financial statements continued

for the year ended 31 March 2022

29. Employee benefits continued

	Increase/(decrease) on the post-employment liability			
	Group		Company	
Sensitivity analysis	**31 March 2022 Rm**	31 March 2021 Rm	**31 March 2022 Rm**	31 March 2021 Rm
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%	**(1 239)**	(1 150)	**(1 239)**	(1 150)
Decrease in discount rate by 0.5%	**1 351**	1 254	**1 351**	1 254
Increase in inflation rate by 1%	**2 933**	2 723	**2 933**	2 723
Decrease in inflation rate by 1%	**(2 485)**	(2 302)	**(2 485)**	(2 302)
Increase in net TRF fund rate by 0.5%	**427**	382	**427**	382
Decrease in net TRF fund rate by 0.5%	**(421)**	(376)	**(421)**	(376)
Increase in TRF take-up ratio from 55.6% to 100%	**651**	605	**651**	605
Medical benefits				
Increase in discount rate by 0.5%	**(45)**	(49)	**(45)**	(49)
Decrease in discount rate by 0.5%	**48**	52	**48**	52
Increase in inflation rate by 1%	**76**	86	**76**	86
Decrease in inflation rate by 1%	**(69)**	(77)	**(69)**	(77)
Change in post-retirement mortality rating from -1 to -2 years	**66**	71	**66**	71
Change in post-retirement mortality rating from -1 to 0 years	**(64)**	(69)	**(64)**	(69)
Telephone rebates				
Increase in discount rate by 0.5%	**(13)**	(12)	**(13)**	(12)
Decrease in discount rate by 0.5%	**14**	13	**14**	13
Increase in inflation rate by 5%	**212**	195	**212**	195
Change in post-retirement mortality rating from -1 to -2 years	**6**	5	**6**	5
Change in post-retirement mortality rating from -1 to 0 years	**(6)**	(5)	**(6)**	(5)
Increase in normal retirement age from 56 years to 60 years	**(28)**	(26)	**(28)**	(26)
Decrease in normal retirement age from 56 years to 50 years	**24**	22	**24**	22

Share scheme

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 1.33% to 7.69% 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 plan are as follows:

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

	Vesting Financial Year					
Telkom ESOP grants	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Telkom ESOP – 2019 financial year						
Vesting timelines	100%	–	–	–	–	–
Probability of meeting non-market-related criteria	92%	–	–	–	–	–
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%	–	–

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

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

Notes to the financial statements continued

for the year ended 31 March 2022

29. Employee benefits continued

BCX ESOP grants	Vesting Financial Year 2022	2023	2024	2025	2026	2027
BCX grant – 2019 financial year						
Vesting timelines	100%	–	–	–	–	–
Probability of meeting non-market-related criteria	92%	–	–	–	–	–
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%	–	–

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

Yellow Pages grants	Vesting Financial Year 2022	2023	2024	2025	2026	2027
Yellow Pages grant – 2018 financial year						
Vesting timelines	30%	–	–	–	–	–
Probability of meeting non-market-related criteria	–	–	–	–	–	–
Yellow Pages grant – 2019 financial year						
Vesting timelines	30%	30%	–	–	–	–
Probability of meeting non-market-related criteria	–	–	–	–	–	–
Yellow Pages grant – 2021 financial year						
Vesting timelines	–	–	100%	–	–	–
Probability of meeting non-market-related criteria	–	–	–	–	–	–

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

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

	Vesting Financial Year					
Gyro ESOP grants	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Gyro grant – 2019 financial year						
Vesting timelines	**100%**	–	–	–	–	–
Probability of meeting non-market-related criteria	**92%**	–	–	–	–	–
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%**	–	–

The probabilities were independently verified by the actuaries.

Certain BCX employees were granted shares in terms of a BCX share plan. Based on the BCX Group achieving the performance condition, the shares will vest between the 2022 and 2027 financial years.

Certain Yellow Pages employees were granted shares in terms of a Yellow Pages share plan. Based on Yellow Pages achieving the performance condition, the shares will vest between the 2022 and 2024 financial years.

Certain Gyro employees were granted shares in terms of a Gyro share plan. Based on Gyro achieving the performance condition, the shares will vest between the 2022 and 2027 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 2022 is 1.06 years (31 March 2021: 0.74 years).

	Group		Company	
The following table illustrates the movement in the maximum number of shares that were granted to employees:	**31 March 2022**	31 March 2021	**31 March 2022**	31 March 2021
Beginning of the year	**16 056 950**	12 414 814	**14 674 928**	10 580 038
Vested shares during the year	**(3 179 763)**	(3 193 897)	**(3 047 640)**	(3 044 567)
Forfeited shares and other movements during the year	**(1 359 779)**	(2 444 147)	**(916 540)**	(2 140 723)
Granted during the year	**11 504 147**	9 280 180	**6 744 638**	9 280 180
Outstanding at the end of the year	**23 021 555**	**16 056 950**	**17 455 386**	**14 674 928**

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 2022

29. Employee benefits 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%
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%
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%
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%

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.

30. Trade and other payables

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Trade and other payables	**10 339**	11 493	**12 376**	14 028
Trade and other payables	**5 930**	6 837	**8 819**	9 903
Accruals	**4 409**	4 551	**3 557**	4 020
Finance cost accrued	**–**	105	**–**	105

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

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

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. Refer to note 2.4.15.

31. Reconciliation of profit before tax to cash generated from operations

	Group		Company	
	31 March 2022 Rm	Re-presented 31 March 2021[1] Rm	31 March 2022 Rm	Re-presented 31 March 2021[1] Rm
Cash generated from operations	**9 886**	14 383	**9 417**	11 454
Profit before tax	**3 798**	3 495	**5 127**	1 894
Finance charges and fair value movements	**1 279**	1 527	**1 423**	1 747
Investment income and income from associates	**(144)**	(189)	**(4 163)**	(1 643)
Interest received from trade receivables and subsidiaries	**(122)**	(151)	**(69)**	(108)
Non-cash items	**7 201**	7 209	**6 859**	6 820
Depreciation, amortisation, impairment and write-offs	**6 975**	6 870	**6 872**	6 863
Increase in expected credit loss provision	**64**	419	**(28)**	538
Bad debts written off	**739**	620	**718**	346
Decrease in provisions	**(419)**	(386)	**(394)**	(656)
Insurance service result	**2**	(15)	**2**	(15)
Gain on termination of leases	**(33)**	(9)	**(91)**	(9)
(Profit)/loss from disposal of property, plant and equipment	**(14)**	5	**(12)**	–
Gain on sale of contract assets	**(154)**	(62)	**(154)**	(62)
Foreign exchange movements	**(1)**	(217)	**(13)**	(260)
Share-based payment expenses	**203**	203	**164**	154
Write-off of VS Gaming loan	**–**	–	**–**	99
Movement in deferred revenue	**(161)**	(219)	**(205)**	(178)
Movement in working capital	**(2 126)**	2 492	**240**	2 744
Movement in inventories	**(79)**	(77)	**(73)**	(164)
(Increase)/decrease in trade receivables, contract assets, finance lease receivables and other receivables	**(1 343)**	385	**(640)**	(235)
(Decrease)/increase in trade and other payables and prepayments	**(704)**	2 184	**953**	3 143

[1] *In the prior financial year, the gain on sale of contract assets was included in the movement in trade receivables, contract assets, finance lease receivables and other receivables line item. In the current year, this is disclosed separately as a gain on sale of contract assets. The comparative period has been re-presented for comparability purposes.*

Notes to the financial statements continued

for the year ended 31 March 2022

32. Finance charges paid

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Finance charges paid	**(1 188)**	(1 291)	**(1 317)**	(1 434)
Finance charges and fair value movements per statement of profit or loss and other comprehensive income	**(1 279)**	(1 527)	**(1 423)**	(1 747)
Non-cash items	**91**	236	**106**	313
Movements in interest accruals and interest on uncertain tax provisions	**1**	21	**1**	21
Borrowing costs capitalised (refer to note 8)	**(78)**	(31)	**(78)**	(31)
Hedging costs	**181**	529	**181**	529
Fair value adjustment	**(3)**	(18)	**2**	(16)
Interest on BCX sinking fund capitalised	**–**	–	**21**	89
Foreign exchange gain	**(10)**	(265)	**(21)**	(279)

33. Taxation paid

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Taxation paid[1]	**(764)**	(2 194)	**–**	(1 112)
Net tax payable at the beginning of the year	**82**	(1 231)	**(11)**	(1 161)
Current taxation	**(827)**	(870)	**–**	54
Other taxes paid (STT and witholding tax)	**–**	9	**–**	–
Other	**8**	(4)	**–**	–
Interest accrued	**–**	(16)	**11**	(16)
Net tax payable at the end of the year	**(27)**	(82)	**–**	11

[1] *The decrease in tax payments is primarily attributable to net payments to the amount of R1 172 million included in FY2021 in respect of prior years and the final settlement of the fully provided for prior period disputes with SARS, including the FY2012 dispute previously reported on relating to the loss on the disposal of a foreign subsidiary.*

34. Dividend paid

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Dividend paid	**(5)**	(257)	**(3)**	(256)
Dividend payable at the beginning of the year	**(31)**	(31)	**(31)**	(31)
Declared during the year – dividend on ordinary shares	**–**	(256)	**–**	(256)
Dividends declared to non-controlling interests	**(2)**	(1)	**–**	–
Dividend payable at the end of the year	**28**	31	**28**	31

35. Changes in liabilities arising from financing activities

2022	Group			
	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)
Insurance premium amortised	–	11	–	11
Finance charges capitalised to interest-bearing debt	–	107	–	107
Additions to lease liabilities	–	–	997	997
Termination of leases	–	–	(58)	(58)
Lease modifications	–	–	456	456
IFRS 16 interest capitalised	–	–	450	450
Valuation gain/loss	(28)	–	–	(28)
Balance as at 31 March 2022	**69**	**11 932**	**5 374**	**17 375**

Re-presented 2021[1]	Derivative liabilities – interest rate swaps[1] Rm	Interest–bearing debt Rm	Lease liabilities Rm	Total Rm
Balance as at 31 March 2020	143	12 005	4 775	16 923
Cash flow movements	(98)	(1 132)	(1 299)	(2 529)
Repayment of derivatives	(98)	–	–	(98)
Loans raised	–	268	–	268
Loans repaid	–	(1 400)	–	(1 400)
Finance leases repaid/reclassified to lease liabilities	–	–	(104)	(104)
Repayment of lease liability	–	–	(1 195)	(1 195)
Non-cash flow movements	157	(7)	1 496	1 646
Foreign exchange revaluation on loans[1]	–	(17)	–	(17)
Insurance premium amortised[1]	–	10	–	10
Additions to lease liabilities[2]	–	–	980	980
Termination of leases[2]	–	–	(120)	(120)
Lease modifications[2]	–	–	191	191
IFRS 16 interest capitalised	–	–	445	445
Valuation gain/loss	157	–	–	157
Balance as at 31 March 2021	**202**	**10 866**	**4 972**	**16 040**

Notes to the financial statements continued

for the year ended 31 March 2022

35. 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)**
Insurance premium amortised	**–**	**11**	**–**	**11**
Finance charges capitalised to interest-bearing debt	**–**	**107**	**–**	**107**
Additions to lease liabilities	**–**	**–**	**1 000**	**1 000**
Termination of leases	**–**	**–**	**(150)**	**(150)**
Lease modifications	**–**	**–**	**618**	**618**
IFRS 16 interest capitalised	**–**	**–**	**517**	**517**
Valuation gain/loss	**(28)**	**–**	**–**	**(28)**
Balance as at 31 March 2022	**69**	**11 932**	**6 103**	**18 104**

Re-presented 2021[1]	Derivative liabilities – interest rate swaps[1] Rm	Interest-bearing debt Rm	Lease liabilities Rm	Total Rm
Balance as at 31 March 2020	143	12 005	6 674	18 822
Cash flow movements	(98)	(1 132)	(1 724)	(2 954)
Repayment of derivatives	(98)	–	–	(98)
Loans raised	–	268	–	268
Loans repaid	–	(1 400)	–	(1 400)
Repayment of lease liability	–	–	(1 724)	(1 724)
Non-cash flow movements	157	(7)	1 211	1 361
Foreign exchange revaluation on loans[1]	–	(17)	–	(17)
Insurance premium amortised[1]	–	10	–	10
Additions to lease liabilities[2]	–	–	1 131	1 131
Termination of leases[2]	–	–	(187)	(187)
Lease modifications[2]	–	–	(293)	(293)
IFRS 16 interest capitalised	–	–	560	560
Valuation gain/loss	157	–	–	157
Balance as at 31 March 2021	**202**	**10 866**	**6 161**	**17 229**

1 *In the prior financial year, interest-bearing debt and lease liabilities were disclosed together in the net debt reconciliation. In the current year, the reconciliation has been updated to include interest rate swaps and to separately disclose interest-bearing debt and lease liabilities. When updating the reconciliation based on the new format, it was identified that the foreign exchange revaluation on loans was incorrectly disclosed as a debit and that the amortisation of the insurance premium was accidentally omitted in the prior year. The comparative disclosures have been re-presented for comparability purposes.*

2 *In the prior financial year, these line items were disclosed together in one line item, "lease liabilities net movement". In the current year, this line has been split into three separate line items in order to provide more information to the user. The comparatives have been re-presented for comparability purposes.*

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

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

36. Commitments

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Capital commitments authorised	**9 085**	12 303	**8 602**	11 660
Commitments against authorised capital expenditure	**2 119**	2 007	**2 010**	1 808
Authorised capital expenditure not yet contracted	**6 966**	10 296	**6 592**	9 852

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.

	Group finance lease commitments			
	Total Rm	<1 year Rm	1 - 5 years Rm	>5 years Rm
2021				
Equipment				
Minimum lease payments	2	2	–	–
Finance charges	–	–	–	–
Finance lease obligation	**2**	**2**	**–**	**–**

Telkom Group has no finance lease commitments as at 31 March 2022.

Company finance lease commitments

Telkom Company has no finance lease commitments as at 31 March 2022 or 31 March 2021.

Finance leases

There are no major restrictions imposed by lease arrangements.

Notes to the financial statements continued

for the year ended 31 March 2022

37. Contingencies

Contingent liabilities

Other than the disclosures below, there have been no significant movement or new matters noted on the contingent positions as reported in the 31 March 2021 financial statements.

High Court

Radio Surveillance Security Services (RSSS)

On 27 August 2020, RSSS served a new summons on Telkom. In terms of the summons, RSSS claims that certain information came to light during the initial trial against Telkom in 2017. RSSS is now claiming the return of 444 alarm systems, alternatively payment of R210 million and a payment of R319 million for alleged outstanding rentals for the alarms. The plaintiff made certain amendments to its summons, and Telkom has filed its plea to the amended summons. Pleadings have closed and the parties are currently in the discovery phase. Discovery is a process during which each party discloses all relevant documents, reports and other evidence relevant to the matter, in preparation for the trial. Telkom is, however, applying for a liquidation of RSSS due to non-payment of legal costs owing to Telkom to date. The liquidation hearing has been set down to be heard in August 2022.

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. Mutual and Federal Risk Financing Ltd acts as underwriter for the device insurance and has also been cited in the court proceedings. Telkom is currently taking 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 for 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 and is awaiting Phutuma's feedback regarding the proposal.

Masstores (Pty) Ltd (Masstores)

During November 2021, Masstores (a subsidiary of Massmart Ltd) launched arbitration proceedings against BCX claiming for damages to the amount of R160 million as a result of alleged breach of contract. BCX is in the process of preparing its defence and has filed an exception to the Masstores claim.

Government Gazette announcement on Telkom

On 26 January 2022, Telkom noted Government Gazette no. 11385, published on 25 January 2022 giving the Special Investigating Unit (SIU) authority to investigate several matters including contracting and possible maladministration regarding the disposals of its former subsidiaries, iWayAfrica, Africa Online Mauritius and Multi-Links Telecommunications Ltd. The SIU investigation is now pending and Telkom is engaging with the SIU as to the progressing of the matter. Telkom will deal with the investigation on its merits at the appropriate forum should this become necessary.

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 to 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.

38. Directors' interest and prescribed officers

Directors' shareholding

Number of shares	Group and Company – Beneficial – Direct	Group and Company – Beneficial – Indirect	Group and Company – Non-beneficial – Direct	Group and Company – Non-beneficial – Indirect
2022				
Executive				
SN Maseko[1]	22 200	30 320	–	–
S Taukobong[2]	22 200	–	–	–
DJ Reyneke	–	–	–	–
	44 400	30 320	–	–
Non-executive				
AN Samuels[3]	–	–	–	–
KW Mzondeki	748	–	–	–
	748	–	–	–

There has been no change in the above since 31 March 2022 to the date of approval of the financial statements.

Number of shares	Group and Company – Beneficial – Direct	Group and Company – Beneficial – Indirect	Group and Company – Non-beneficial – Direct	Group and Company – Non-beneficial – Indirect
2021				
Executive				
SN Maseko	52 520	–	–	–
TBL Molefe	–	–	–	–
DJ Reyneke	–	–	–	–
	52 520	–	–	–
Non-executive				
AN Samuels	102 094	–	–	–
KW Mzondeki	748	–	–	–
	102 842	–	–	–

1 *Resigned with effect from 31 December 2021.*
2 *Appointed with effect from 1 January 2022.*
3 *Resigned with effect from 1 July 2021.*

Notes to the financial statements continued

for the year ended 31 March 2022

38. 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[1]	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[1]	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[2]	105 999	109 710	–	–	215 709
H Singh	470 000	469 984	–	–	939 984

	Remuneration[5] 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)[3]	9 400 000	5 265 974	19 533 650	34 199 624
S Taukobong (Group Chief Executive Officer)[4]	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				**63 458 231**

	Group and Company				
Emoluments per Director:	Retainer fees R	Attendance fees R	Performance bonus R	Fringe and other benefits R	Total R
2021					
Non-executive	6 352 595	6 246 423	–	–	12 599 018
N Kapila	584 908	461 813	–	–	1 046 721
KW Mzondeki	424 000	687 578	–	–	1 111 578
SL Botha	211 998	252 967	–	–	464 965
KT Kweyama	317 997	378 259	–	–	696 256
F Petersen-Cook	424 000	588 392	–	–	1 012 392
LL Von Zeuner	424 000	625 092	–	–	1 049 092
RG Tomlinson	424 000	711 132	–	–	1 135 132
MS Moloko	1 591 299	477 363	–	–	2 068 662
DD Mokgatle	353 330	281 424	–	–	634 754
PCS Luthuli	424 000	428 399	–	–	852 399
S Sibisi	424 000	472 385	–	–	896 385
KA Rayner	424 000	632 339	–	–	1 056 339
A Samuels	105 999	89 676	–	–	195 675
H Singh	219 064	159 605	–	–	378 669

	Group and Company			
	Remuneration[5] R	Performance bonus R	Fringe and other benefits R	Total R
Executives who held office during 31 March 2021	15 338 988	14 216 240	19 216 743	48 771 971
SN Maseko (Group Chief Executive Officer)	8 830 449	10 216 240	16 397 068	35 443 757
TBL Molefe (Group Chief Financial Officer)	5 600 000	–	2 817 780	8 417 780
DJ Reyneke (Group Chief Financial Officer)	908 539	4 000 000	1 895	4 910 434
Total emoluments – paid by Telkom				**61 370 989**

[1] *Appointed with effect from 1 July 2021.*
[2] *Resigned with effect from 1 July 2021.*
[3] *Resigned with effect from 31 December 2021.*
[4] *Appointed as GCEO designate with effect from 1 October 2021.*
[5] *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 SN Maseko of R11 997 (31 March 2021: R11 997). Included in fringe and other benefits is motor car insurance for DJ Reyneke of R11 997 and S Taukobong of R5 998.

DJ Reyneke was granted 108 146 shares (31 March 2021: 345 893 shares) and the total IFRS 2 expense increased by R803 525 (31 March 2021: R3 265 229). S Taukobong was granted 278 552 shares and the total IFRS 2 expense increased by R2 069 641. The Group reassessed the estimated amount of shares to vest to Executives based on the current performance against vesting targets.

	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[4]	**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**

	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
2021					
AC Beukes	4 809 998	5 130 000	78 911	10 018 909	437 708
PJ Bogoshi	5 123 000	5 322 797	296	10 446 093	499 493
S Taukobong	6 300 000	6 936 300	12 292	13 248 592	573 300
NM Lekota	3 766 273	4 500 000	1 960 732	10 227 005	395 459
LTS Maloba	4 000 000	4 208 000	12 292	8 220 292	338 000
L Siyo	4 000 000	4 092 000	12 292	8 104 292	232 000
Total emoluments – granted by Telkom	**27 999 271**	**30 189 097**	**2 076 815**	**60 265 183**	**2 475 960**

[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.*
[4] *Appointed as GCEO designate with effect from 1 October 2021.*

Notes to the financial statements continued

for the year ended 31 March 2022

38. Directors' interest and prescribed officers continued

Share allocation per prescribed officer:	Total vested shares year to date	Number of shares FY2016/2017	Number of shares FY2017/2018	Number of shares FY2018/2019	Number of shares FY2019/2020	Number of shares FY2020/2021	Number of shares FY2021/2022	IFRS 2 expense
2022								
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

Share allocation per prescribed officer:	Total vested shares year to date	Number of shares FY2015/2016	Number of shares FY2016/2017	Number of shares FY2017/2018	Number of shares FY2018/2019	Number of shares FY2019/2020	Number of shares FY2020/2021	IFRS 2 expense
2021								
AC Beukes	20 254	12 500	–	–	45 455	36 275	505 561	5 470 829
PJ Bogoshi	–	–	–	–	62 611	63 364	517 998	6 079 105
S Taukobong	–	–	–	–	186 503	53 899	637 007	8 282 741
NM Lekota	62 416	–	21 042	67 994	46 542	46 583	380 816	4 725 296
LM Siyo	–	–	–	–	–	37 106	404 449	4 168 279
LTS Maloba	–	–	–	–	–	46 356	404 449	4 255 599
	82 670	12 500	21 042	67 994	341 111	283 583	2 850 280	32 981 849

39. Related parties

Details of material transactions and balances with related parties not disclosed separately in the financial statements were as follows:	Group 31 March 2022 Rm	Group Restated 31 March 2021[1] Rm	Company 31 March 2022 Rm	Company Restated 31 March 2021[1] Rm
With shareholders:				
Government of South Africa				
Related party balances				
Finance lease receivable	**146**	240	**48**	93
Trade receivables	**911**	911	**471**	629
Impairment of trade receivables	**(264)**	(232)	**(11)**	(76)
Related party transactions				
Revenue	**(4 625)**	(4 414)	**(3 240)**	(3 333)

At 31 March 2022, the Government of South Africa held 40.5% (31 March 2021: 40.5%) of Telkom's shares and had the ability to exercise significant influence, and the Public Investment Corporation held 15.13% (31 March 2021: 15.48%) of Telkom's shares.

	Company 31 March 2022 Rm	Company 31 March 2021 Rm
With subsidiaries:		
Business Connexion (Pty) Ltd		
Related party balances		
Trade receivables	**610**	829
Other receivables	**14**	70
Other financial liabilities	**–**	(1 854)
Trade and other payables	**(2 839)**	(2 267)
Related party transactions		
Revenue and other income	**(3 502)**	(3 675)
Expenses	**2 197**	2 261
Interest received	**–**	(3)
Interest expense	**72**	104
Dividend received	**(2 446)**	(990)
Yellow Pages (Pty) Ltd		
Related party balances		
Trade receivables	**(2)**	1
Other receivables	**–**	–
Trade and other payables	**(186)**	(158)
Related party transactions		
Revenue	**(29)**	(34)
Dividend received	**(34)**	(26)
Interest paid	**3**	5
Swiftnet (Pty) Ltd		
Related party balances		
Trade receivables	**2**	2
Other receivables	**206**	359
Loans	**500**	–
Trade and other payables	**(75)**	(1 275)
Related party transactions		
Revenue	**(18)**	–
Expenses	**627**	576
Dividend received	**(1 464)**	(415)
Interest expense	**22**	30

Notes to the financial statements continued

for the year ended 31 March 2022

39. Related parties contiued

	Company	
	31 March 2022 Rm	31 March 2021 Rm
Rossal No 65 (Pty) Ltd		
Related party transactions		
Expenses	**–**	3
VS Gaming (Pty) Ltd (formerly Acajou Investments (Pty) Ltd)		
Related party balances		
Other receivables	**(10)**	(10)
Trade and other payables	**92**	83
Telkom Foundation		
Related party balances		
Trade and other payables	**(45)**	(24)
Related party transactions		
Expenses	**74**	53
Interest expense	**1**	–
Gyro Solutions (Pty) Ltd		
Related party balances		
Trade receivables	**10**	19
Other receivables	**–**	8
Trade and other payables	**(277)**	(289)
Related party transactions		
Expenses	**118**	71
Other income	**(5)**	(2)
Interest expense	**1**	–
Dividend received	**(103)**	(41)
Gyro Properties (Pty) Ltd		
Related party balances		
Trade and other payables	**(42)**	(50)
Related party transactions		
Expenses	**180**	113
Interest expense	**2**	3
Dividend received	**(44)**	(37)

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 2022, 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 2022 Rm	Restated 31 March 2021[1] Rm	**31 March 2022 Rm**	Restated 31 March 2021[1] Rm
With entities under common control:				
Major public entities				
Related party balances				
Finance lease receivable	**48**	88	**–**	–
Trade receivables	**369**	318	**276**	285
Impairment of trade receivables	**(106)**	(83)	**(76)**	(66)
Trade payables	**(1)**	(1)	**(1)**	(1)
Related party transactions				
Revenue (excluding lease income)	**(658)**	(713)	**(392)**	(477)
Operating expenses (excluding lease expense)	**278**	277	**278**	277
Lease income	**(31)**	(32)	**(31)**	(32)
Lease expense	**42**	42	**42**	42
Key management personnel compensation				
(Including Directors and prescribed officers' remuneration):				
Related party transactions				
Short-term employee benefits	**229**	273	**209**	254
Post-employment benefits	**16**	14	**14**	13
Termination benefits	**8**	5	**8**	1
Equity compensation benefits	**71**	77	**66**	68

[1] *In the current financial year, it was identified that certain amounts from major public entities were incorrectly included in the disclosure relating to the Government of South Africa. The comparatives have been restated to only include related party amounts with regard to the Government of South Africa. The comparatives related to major public entities have also been restated due to changes in the major public entities listing in the current financial year.*

Terms and conditions of transactions with related parties

Except as indicated above, outstanding balances at 31 March 2022 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 2022, 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.

Notes to the financial statements continued

for the year ended 31 March 2022

40. Group interest in subsidiaries and associates

Set out below is a list of the significant subsidiaries and associates of the Group at 31 March 2022, 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 2022 R	Interest in issued ordinary share capital 2022 %	Ownership interest held by non-controlling interest 2022 %	Issued share capital 2021 R	Interest in issued ordinary share capital 2021 %	Ownership interest held by non-controlling interest 2021 %
Business Connexion (Pty) Ltd	RSA	**2 280 500**	**100**	**–**	2 280 500	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	–

The disclosure of the interest in Number Portability Company is as follows:	31 March 2022 Rm	31 March 2021 Rm
Closing carrying value	**12**	9

The total non-controlling interest for the year is R25 million (31 March 2021: R25 million) and relates to Business Connexion and Yellow Pages and is not considered material to the Group.

Interest in operating profits, before eliminations, from subsidiaries	Revenue Rm	EBITDA Rm	EBIT Rm	Net profit/ (loss) Rm
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[2]	**74**	**3**	**3**	**2**
Gyro Properties (Pty) Ltd	**131**	**85**	**74**	**55**
Gyro Solutions (Pty) Ltd	**356**	**155**	**150**	**109**
2021				
Business Connexion (Pty) Ltd	15 742	2 296	1 797	1 359
Yellow Pages (Pty) Ltd	386	43	11	13
Swiftnet (Pty) Ltd	1 237	994	976	723
Rossal No 65 (Pty) Ltd	–	3	3	3
Acajou Investments (Pty) Ltd t/a VS Gaming	–	–	2	2
Telkom Foundation[2]	53	1	1	1
Gyro Properties (Pty) Ltd	195	97	93	69
Gyro Solutions (Pty) Ltd	325	101	96	71

[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.*
[2] *Non-profit making trust.*

None of the Group's equity-accounted investees are publicly listed entities and consequently do not have published price quotations.

Notes to the financial statements continued

for the year ended 31 March 2022

41. Significant events and transactions

Results of the Telkom annual general meeting regarding Directors reappointments

On 25 August 2021, the following Board members were elected or re-elected as per the annual general meeting ordinary resolutions:

- O Ighodaro
- N Kapila
- EG Matenge-Sebesho
- KW Mzondeki
- F Petersen-Cook
- SP Sibisi
- H Singh
- RG Tomlinson

Vesting of shares

In terms of the Telkom share plan, 198 279 shares vested to Mr Sipho Maseko and 21 674 shares vested to Mr Dirk Reyneke in June 2021.

Resignation and appointment of Group Chief Executive Officer (GCEO)

Telkom announced on 23 July 2021 that Mr Sipho Maseko would step down as GCEO and Executive Director of the Telkom Group and that the Board had appointed Mr Serame Taukobong as GCEO designate. Telkom further announced on 14 December 2021 that Mr Sipho Maseko would step down with effect from 31 December 2021 and Mr Serame Taukobong would take over the role of GCEO with effect from 1 January 2022.

Resignation of Non-executive Directors

Telkom announced on 1 July 2021 that Mr Alphonzo Samuels, a Non-executive Director, had resigned from the Telkom Board with effect from 1 July 2021.

Appointment of Non-executive Directors

Telkom announced on 1 July 2021 that Mses Olufunke Ighodaro and Ethel Matenge-Sebesho had been appointed to the Board of Directors as independent Non-executive Directors with effect from 1 July 2021.

Listing of masts and towers business

In September 2021, Telkom announced its plan to list its masts and towers business, Swiftnet (Pty) Ltd, on the JSE before the end of March 2022. Following the recent global events, current market conditions and the impact on the Capital Markets, Telkom is following a measured approach as it continues to explore a number of value unlock options.

Legal separation of Openserve

Telkom announced in November 2021 that the legal separation of the Openserve business unit is on track. Once finalised, Openserve will be operating as a standalone subsidiary of the Telkom Group.

42. Events after the reporting date

Appointment of Non-executive Director

Telkom announced on 26 April 2022 that Mr Sung Hyuck Yoon had been appointed to the Board of Directors as an independent Non-executive Director with effect from 1 May 2022.

Spectrum auction

The litigation referred to in note 22.2, which was scheduled for hearing in the High Court in early April 2022, was settled amicably between the two parties on 8 April 2022 resulting in the R1 142 million being paid by Werksmans Attorneys to ICASA on 6 May 2022.

Divisionalisation of Yellow Pages (Pty) Ltd

The Telkom Board approved an in-principle decision to divisionalise one of its 100% owned subsidiaries, Yellow Pages (Pty) Ltd, into the Telkom Consumer business unit. It is envisaged that this process will have a positive impact on the operational efficiency of the Group. The process is expected to commence in FY2023, after the implementation plans have been finalised.

Other matters

The Directors are not aware of any other matter or circumstance since the financial year ended 31 March 2022 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.

Annexure A

3

Annexure A – Shareholder analysis

	Number of shareholders	Percentage	Holdings	Percentage
Range of shareholders				
1 - 100 shares	61 105	70.03	1 957 709	0.38
101 - 1 000 shares	22 582	25.88	6 003 573	1.17
1 001 - 10 000 shares	2 806	3.22	7 623 393	1.49
10 001 - 50 000 shares	402	0.46	8 924 934	1.75
50 001 - 100 000 shares	111	0.13	7 986 379	1.56
100 001 - 1 000 000 shares	214	0.25	64 468 275	12.61
1 000 001 and more shares	40	0.05	414 175 976	81.03
	87 260	100	511 140 239	100
Type of shareholder				
Banks/brokers	97	0.11	70 664 751	13.82
Close corporations	39	0.04	88 932	0.02
Endowment funds	119	0.14	1 047 597	0.20
Individuals	84 007	96.27	17 164 278	3.36
Insurance companies	51	0.06	8 141 238	1.59
Investment companies	4	0.00	978 332	0.19
Medical aid schemes	19	0.02	1 121 207	0.22
Mutual funds	243	0.28	57 483 847	11.25
Other corporations	78	0.09	207 118 678	40.52
Private companies	191	0.22	6 405 971	1.25
Public companies	2	0.00	8 278	0.00
Retirement funds	338	0.39	120 649 354	23.60
Telkom Treasury Stock	5	0.01	18 837 135	3.69
Trusts	2 067	2.37	1 430 641	0.28
	87 260	100	511 140 239	100
Geographical holdings by owner				
South Africa	86 987	99.69	423 792 120	82.91
United States	35	0.04	59 862 720	11.71
United Kingdom	68	0.08	19 709 669	3.86
Europe	31	0.04	4 714 556	0.92
Other	139	0.16	3 061 174	0.60
	87 260	100	511 140 239	100

Annexure A – Shareholder analysis continued

	Holdings	Percentage
Beneficial shareholders of more than 2%		
The Government of the Republic of South Africa	207 038 058	40.51
Government Employees Pension Fund	77 316 959	15.13
Telkom Treasury Stock	18 837 135	3.69
	303 192 152	**59.33**
Foreign custodians holding 2% or more		
State Street Bank & Trust Co (Custodian)	21 921 693	4.29
Citibank (Custodian)	20 271 604	3.97
Bank of New York (Custodian)	13 265 224	2.60
	55 458 521	10.86
Public and non-public shareholders		
Non-public shareholders	225 967 056	44.22
The Government of the Republic of South Africa	207 038 058	40.51
Government buffer account	9 461	0.00
Telkom Treasury Stock	18 837 135	3.69
Executive and Non-executive Directors and prescribed officers and their respective associates[1]	49 453	0.01
Subsidiaries Directors[1]	32 949	0.01
Public shareholders		
Institutional and retail investors	285 173 183	55.78
	511 140 239	**100**

[1] *Director holdings comprise direct and indirect holdings.*

The information above is based on registered shareholders, except where only beneficial shareholders' information was available as at 31 March 2022.

Notes:

Notes:

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Abbreviations

ALM	Asset Liability Model
ASA	Additional share award
BCX	Business Connexion (Pty) Ltd
CAE	Chief Audit Executive
CAPEX	Capital expenditure
CGU	Cash-generating unit
CPE	Customer premises equipment
CODM	Chief operating decision maker
CPI	Consumer price index
CRP	Customer relationship period
CWIP	Capital work in progress
DTA	Deferred tax asset
DTL	Deferred tax liability
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
ECL	Expected credit losses
ESD	Enterprise and Supplier Development
ESOP	Employee share ownership plan
ETR	Effective tax rate
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
ISRE	International Standards on Review Engagements
IT	Information Technology
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
JSE LR	JSE Listings Requirements
LTIP	Long-term incentive plan
MHz	Megahertz
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 Reserve Bank
SARS	South African Revenue Services
SCF	Supply chain financing
SIU	Special Investigating Unit
SMB	Small and Medium Business
SMEs	Small and medium entities
STT	Securities Transfer Tax
TDS	Telkom Direct Stores
TKG	The Telkom Group's JSE share code
TPF	Telkom Pension Fund
TRF	Telkom Retirement Fund
TSA	Talent share award
USD	United States dollar
WACC	Weighted average cost of capital

Administration

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