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Telkom SA SOC Ltd

Annual Financial Statements

for the year ended 31 March 2024

Telkom

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

Telkom SA SOC Ltd

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

Preparer and supervisor of the financial statements

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

Board approval

These financial statements were authorised for issue on 17 June 2024 by the Telkom SA SOC Ltd Board of Directors and published on 18 June 2024. The Board has the power to amend and reissue the financial statements.

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Introduction statements

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Directors' responsibility statement

for the year ended 31 March 2024

The Directors are responsible for the preparation, integrity, and fair presentation of the consolidated and separate 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 and Company as at the end of the financial year, the results of the operations and the cash flow information is in conformity with IFRS® Accounting Standards of the International Accounting Standards Board (IASB), the South African Institute of Chartered Accountants (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 requirements of 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 external auditor has expressed an independent opinion on the annual financial statements.

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 responsible for the controls over, and the security of, the website and, where applicable, for establishing and controlling the process for electronically distributing the annual financial statements and other financial information to shareholders and to the Companies and Intellectual Property Commission.

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 this background, the Directors of the Company accept responsibility for the annual financial statements, which were approved by the Board of Directors on 17 June 2024, and are signed on its behalf by:

Serame Taukobong

Mvuleni Geoffrey Qhena
Chairperson

Serame Taukobong
Group Chief Executive Officer

Centurion
17 June 2024

Group Chief Executive Officer and Group Chief Financial Officer responsibility statement

for the year ended 31 March 2024

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

- The annual financial statements set out on pages 18 to 151, fairly present in all material respects the financial position, financial performance and cash flows of Telkom SA SOC Ltd in terms of IFRS;
- To the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- Internal financial controls have been put in place to ensure that material information relating to 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 as Executive Directors with primary responsibility for implementation and execution of controls;
- Where we are not satisfied, we have disclosed to the Audit Committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and
- We are not aware of any fraud involving Directors.

Serame Taukobong

Nonkululeko Dlamini

Serame Taukobong
Group Chief Executive Officer

17 June 2024

Nonkululeko Dlamini
Group Chief Financial Officer

17 June 2024

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.

Ephy Motlhamme

Ephy Motlhamme
Group Company Secretary
17 June 2024

Directors' report

To the members of Telkom SA SOC Ltd

The Directors have pleasure in submitting the annual financial statements of the Group and Company for the year ended 31 March 2024.

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 in compliance 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

Total profit for the year ended 31 March 2024 for continuing and discontinued operations was R1 881 million (31 March 2023: R9 971 million loss) representing basic earnings per share of 385.5 cents per share (31 March 2023: 2 058.9 cents loss per share) and headline earnings per share of 376.0 cents per share (31 March 2023: 35.5 cents loss per share). Full details of the financial position and results of the Group are set out in the accompanying audited Company and Group annual financial statements (annual financial statements).

Dividends

Following the suspension of the dividend policy for three years from FY2021, a revised dividend policy was developed and approved by the Board.

Subsidiaries, associates and other investments

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

The attributable interest of the Group in the after-tax earnings of its subsidiaries for the year ended 31 March 2024 were:

	31 March 2024 Rm	31 March 2023 Rm
Aggregate amount of profit/(loss) after taxation	**1 401**	(4 395)

Share capital

Details of the authorised, issued and unissued share capital of the Company as at 31 March 2024 are contained in note 9.1 of the accompanying annual financial statements.

Share repurchases

Telkom did not purchase shares from the market through Rossal No 65 (Pty) Ltd for the purpose of the employee share plan in FY2024.

Borrowing powers

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

Capital expenditure and commitments

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

Significant events and transactions

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

Directors' report continued

Events after the reporting date

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

Directorate

The following changes occurred in the composition of the Board of Directors from 1 April 2023 to the date of this report:

Appointments	Date
N Dlamini	1 December 2023

Resignations	Date
N Ford-Hoon	6 September 2023
M Nyati	28 September 2023
DJ Reyneke (former Group Chief Financial Officer)	30 November 2023

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

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

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

Directors' interest

At 31 March 2024, the following Directors held a beneficial interest in the shares of Telkom SA SOC Ltd:

Executive Directors	Shares
S Taukobong	47 857
DJ Reyneke*	9377

** Resigned as an Executive Director on 30 November 2023.*

Non-executive Directors	
B Kennedy	200

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

*** Resigned with effect from 29 February 2024.*

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, 71 of 2008 (as amended) (Companies Act), King IV Report on Corporate Governance for South Africa, 2016 (King IV) and the JSE Listings Requirements (JSE LR).

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

The Audit Committee consisted of six independent Non-executive Directors from 1 April 2023 to 6 September 2023 and five independent Non-executive directors from 7 September 2023 to 31 March 2024. Keith Rayner is the Chairperson of the Audit Committee.

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

Attendance and membership

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

Member	Attendance
KA Rayner (Chairperson)	5/5
N Ford-Hoon*	3/4
KP Lebina	5/5
PCS Luthuli	5/5
H Singh	5/5
LL von Zeuner	5/5

* *Apology.*
* *Resigned 6 September 2023.*

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

Responsibility

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

- The effectiveness of the Internal Audit function;
- The appointment and/or termination of the External Auditor, including their audit fee, expertise, independence, and objectivity;
- The nature and extent of any non-audit services performed by the External Auditor;
- The External Auditor's suitability and recommendation to the shareholders for appointment and reappointment;
- The reports of both Internal and External Auditors;
- The expertise and experience of the Group Chief Financial Officer (GCFO);
- The effectiveness of the finance function;
- Financial reporting systems to ensure that Company and Group reporting procedures are functioning properly;
- The governance of information technology (IT) and associated risks;
- The internal financial control compliance, combined assurance and enterprise risk management effectiveness;
- Interim results and report and audited Company and consolidated annual financial statements for the financial year ended 31 March 2024 (annual financial statements), 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 the content is reliable and recommending it to the Board for approval); and
- Policies and procedures for preventing and detecting fraud.

Annual financial statements

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

Audit Committee report continued

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

IFRS 16 valuation	The review and consideration of the IFRS 16 valuation because of the high number of leases. The major lease categories that gave rise to a right-of-use (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 2024, the ROU asset and liability were reflected at R5 594 million consisting of R5 773 million continued operations and R179 million discontinued operations (31 March 2023: R5 360 million) and R6 641 million consisting of R6 461 million continued operations and R180 million discontinued operations), respectively, with related depreciation and interest of R1 475 million consisting of R1 463 million continued operations and R12 million discontinued operations (31 March 2023: R1 274 million) and R602 million consisting of R586 million continued operations and R16 million discontinued operations (31 March 2023: R488 million) for the 12-month period under review.
Dividend consideration	Telkom's goal is to return cash to shareholders after sufficiently funding capex and strengthening the balance sheet. Management has considered the Group's business plans and is confident that Telkom will be in a position to pay dividends in the near term, with FY2025 targeted as the first year-end to consider paying a dividend. A revised dividend policy has been drafted and approved by the Board. The proposed new policy will be based on available free cash flow while prioritising a strong balance sheet and future capex requirements. The dividend payout is 40% of free cash flow and will be declared and paid on an annual basis, with a resulting dividend yield comparable with local telecommunications companies.
Actuarial assumptions	The review and approval of the actuarial assumptions for recommendation to the Board for both the interim period-end and financial year-end for financial computation and compilation purposes.
Impairment testing	The review of the impairment testing of Telkom Group cash generating units (CGUs), resulted in no impairment for BCX and Swiftnet, Telkom Consumer CGU, and Openserve CGU.
Expected credit loss provisions	The review of the impairment of trade and other receivables, finance lease receivables and contract assets, and intercompany receivables in accordance with IFRS 9.
Key audit matters	The review and consideration of the key audit matters detailed in the External Auditor's report on the annual financial statements, namely: – The review of impairment testing of the Telkom Group CGUs, resulting in no impairment for BCX and Swiftnet, Telkom Consumer CGU, and Openserve CGU; and – IFRS 15 agent versus principal assessment.
Group Chief Executive Officer and Group Chief Financial Officer Responsibility Statement	The review and consideration of the Group Chief Executive Officer and Group Chief Financial Officer Responsibility Statement as required in terms of paragraph 3.84(k) of the JSE LR.
Remediation of Internal Control Deficiencies	The review and consideration of timeously implemented remedial actions by management regarding internal control deficiencies identified by Internal Audit.
Compliance with King IV and JSE Regulatory Disclosures	The review and consideration of the King IV disclosures, practices, and principles and the JSE corporate governance disclosures in accordance with the JSE LR and the JSE Disclosure Policy.

Audit Committee report continued

Execution of Audit Committee mandate

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

During the year, the Audit Committee:

In respect of the auditors:

- Considered and satisfied itself that the external audit firm and the engagement partner 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 auditors during the year;
- Approved the fees paid to the auditors for the 2024 financial year; and
- The Audit Committee Chairperson held separate meetings with the auditors prior to Audit Committee meetings.

In respect of financial reporting:

- Considered the appropriateness and experience of the GCFO as required by the JSE LR;
- Reviewed the annual financial statements and ensured that there are adequate controls in place to ensure the correct compilation of the annual financial statements;
- Reviewed the appropriateness of any amendments to accounting policies and internal financial controls; and
- Reviewed the integrated reporting process.

In respect of Internal Audit:

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

In respect of the Audit Committee:

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

In respect of information technology governance:

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

External Auditors

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

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

The Board delegated the responsibility to review the Company's current appointed Auditors for reappointment to the Audit Committee. The Audit Committee makes a recommendation to the Board and the Board then makes a recommendation to the shareholders in the notice of annual general meeting (AGM). The Audit Committee recommended the reappointment of the firm and individual partner to the Board and the Board has recommended the same to the shareholders in the AGM notice.

The Group transitioned to a single external audit firm, PricewaterhouseCoopers Inc. (PwC), for the period under review, following the expiry of the term of the joint audit with SizweNtsalubaGobodo (SNG) Grant Thornton.

Auditor independence

The Audit Committee is also responsible for determining that the 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 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 External Auditors amounted to R681 000 for the financial year ended 31 March 2024 (31 March 2023: R1 525 640). Non-audit fees as a percentage of audit fees for the year ended 31 March 2024 is approximately 1%. Fees accrued for audit work performed for the financial year ended 31 March 2024 by the External Auditors amounted to R81.75 million (31 March 2023: R113.3 million).

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

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

Audit Committee report continued

Internal auditors

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

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

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

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

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

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

Internal Audit and the 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 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 2024.

Combined assurance

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

Audit Committee statement

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

The Audit Committee has considered and discussed the annual financial statements with both management and External Auditors. During this process, the Audit Committee:

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

A key requirement of our annual financial statements is for the annual financial statements 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 annual financial statements meets this requirement.

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

Keith Rayner CA(SA)
Chairperson: Audit Committee

17 June 2024

Independent auditor's 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 2024, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting 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 18 to 151 comprise:

- the consolidated and separate statements of financial position as at 31 March 2024;
- 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, including material accounting policy information.

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.

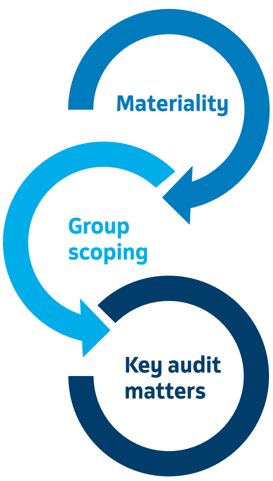
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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)*.

Our audit approach

Overview



Overall group materiality

- R339.7 million, which represents 0.8% of consolidated revenue from continuing operations for the year ended 31 March 2024.

Group audit scope

- We performed full-scope audits on four components.
- Analytical procedures were performed over the remaining components that were considered to be insignificant.

Key audit matters

- Impairment assessment of the Telkom Consumer and Openserve cash generating units ("CGUs"); and
- Assessment of whether the Group is the principal or agent when recognising revenue from information technology services and information technology hardware and software.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Independent auditor's report continued

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R339.7 million
How we determined it	0.8% of consolidated revenue from continuing operations.
Rationale for the materiality benchmark applied	We chose consolidated revenue from continuing operations, because in our view, it is the benchmark against which the performance of the Group is most commonly measured by users where year on year profits are volatile. Consolidated revenue from continuing operations is considered to be a key objective and focus of the Group's businesses and a key performance indicator for management and investors. Revenue from discontinued operations was excluded as it does not reflect a consistent measurement of the Group's performance into the future. We chose 0.8% as the benchmark threshold, based on our professional judgement, which is lower than the quantitative materiality threshold that we would typically apply when using consolidated revenue to compute materiality. We took into account various factors, including the intended users and distribution of the financial statements, and the financial covenants over the Group's debt.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates in.

Our scoping assessment included consideration of the Group's financially significant components and the sufficiency of work performed over the material financial statement line items within the consolidated financial statements. Components were considered to be financially significant based on their contribution to consolidated revenue, consolidated EBITDA, consolidated assets and consolidated liabilities.

We performed full-scope audits on four components. In respect of the components that were not considered to be significant, we performed analytical review procedures to assess whether any risks exist that would require additional audit procedures.

In establishing the overall approach to the group audit, we determined the type of work that was needed to be performed by us, as the group engagement team, and by the component auditors, in order to issue our audit opinion on the consolidated financial statements of the Group. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

We issued group audit instructions to the component audit teams, outlining key aspects such as risk assessment, materiality, and scope. We held meetings with the auditors from the significant components. During these meetings we discussed our group instructions, developments relevant to the component, audit execution, significant risks, findings of their procedures and other matters that could be of relevance to the consolidated financial statements.

We assessed the competence, knowledge and experience of the component auditors and evaluated the procedures performed on the significant audit areas to assess the adequacy thereof in pursuit of our audit opinion on the consolidated financial statements.

Further audit procedures were also performed by the group audit engagement team, including substantive procedures over the consolidation process. The work performed at a component level, and the procedures performed at the group level, provided us with sufficient evidence to express an opinion on the consolidated financial statements as a whole.

Key audit matters

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

Independent auditor's report continued

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of the Telkom Consumer and Openserve cash generating units ("CGUs") *This key audit matter relates to the consolidated and separate financial statements.* Refer to the following notes to the financial statements for the disclosures as it relates to this key audit matter: - Note 5.1: Property, plant and equipment; - Note 5.2: Intangible assets; - Note 5.3: Impairment of goodwill and cash-generating units; - Note 5.4: Investment property; and - Note 6.3: Right-of-use assets and lease liabilities. The Group regularly reviews its non-financial assets and CGUs for any indication of impairment. An impairment test is performed when indicators, including changes in technology, market, economic, legal and operating environments, availability of funding or discontinuance of services could result in changes to an asset's or CGUs estimated recoverable amount. For both CGUs, the Group has identified impairment indicators relating to the economic climate in South Africa being under strain. Further to this, both CGUs are dependent on technology, and for some of its operations the old technology (legacy assets) was still being utilised. Based on the Group's assessment of the recoverable amounts of these CGUs, the recoverable amount of the CGUs exceeded the carrying value as at 31 March 2024, resulting in no impairment being recognised. In determining the recoverable amount of the CGUs, the Group determines the value in use of each CGU using the discounted cash flow (DCF) method. For both CGUs, management applied judgement and estimation in determining the following key assumptions and inputs applied in the determination of the recoverable amounts of the CGUs: - Revenue growth; - EBITDA margins; - Discount rates; and - Terminal growth rates. We considered the impairment assessment of the Telkom Consumer and Openserve CGUs to be a matter of most significance to our current year audit due to the judgement and estimation applied by management in determining the recoverable amounts of these CGUs.	Our audit addressed this key audit matter as follows: We tested the mathematical accuracy of the value-in-use models used by management and found no material differences. We assessed the appropriateness of the valuation model applied by management, with reference to market practice and the requirements of International Accounting Standard 36 – *Impairment of Assets* ("IAS 36"). We assessed the reasonability of the Telkom Consumer and Openserve CGUs' board approved budgets included in the business plans (which forms the basis of the DCF) as follows: - Obtained an understanding of the process followed in developing the approved budgets and the assumptions applied. - Assessed the reasonableness of management's budgeting techniques by comparing the prior year approved budgets to the current year actual results. Where differences were noted, this was followed up through discussions with management and inspection of underlying supporting documentation. We assessed the reasonableness of the EBITDA margins, revenue growth rate, terminal growth rates and discount rates applied by management in their value in use calculations by performing the following audit procedures: - 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 benchmarked the revenue growth rate assumptions to industry data and history to assess their reasonability. We found the forecast assumptions to be comparable with these benchmarks; - Compared the terminal growth rates to forecast industry trends and independently sourced terminal growth rates for similar operations. No significant deviations were noted; and - With the assistance of our valuation expertise, we independently sourced data such as the long-term growth rates, cost of debt, risk-free rates in the applicable market, market risk premiums, debt/equity ratios, and the beta of comparable companies. We then independently calculated a discount rate for both CGUs using our independently sourced data. We applied this independently calculated discount rate to our independent valuation scenarios, it was determined that management's overall recoverable amount was within an acceptable range and therefore we accepted management's recoverable amount as being reasonable. With respect to the Telkom Consumer and Openserve CGUs, we compared the recoverable amount as assessed by way of the procedures above to the carrying amounts of both CGUs. It was noted that the recoverable amount of the Telkom Consumer and Openserve CGUs exceeded the carrying amount of each respective CGU and therefore no impairment was recorded by management in the current year. We reperformed management's sensitivity analysis to assess whether the recoverable amount of both CGUs are sensitive to any changes in discount rates and terminal growth rates that would result in the available headroom being depleted. We compared the results of our sensitivity analysis to management's impairment results to identify those CGUs considered sensitive to a change in assumptions for disclosure purposes. We did not note any aspects requiring further consideration. We assessed the appropriateness of the disclosures in the financial statements against the requirements of IAS 36. We did not note any aspects requiring further consideration.

Independent auditor's report continued

Key audit matters	How our audit addressed the key audit matters

Assessment of whether the Group is the principal or agent when recognising revenue from information technology services and information technology hardware and software
 	
This key audit matter relates to the consolidated financial statements only.
 	
Refer to the following notes to the financial statements for the disclosures as it relates to this key audit matter:
- Note 2.3.1: IFRS 15 restatement of revenue, cost of handsets, equipment, software and directories and other expenses;
- Note 2.7: Restatement of the statement of profit or loss and other comprehensive income;
- Note 3.1: Segment information; and
- Note 3.2: Revenue.
 	
For the year ended 31 March 2024, the Group, through the Business Connexion Group Limited (BCX) segment, recognised revenue from information technology services and information technology hardware and software amounting to R3.8 billion and R2.2 billion respectively.
 	
The Group applies the principles of IFRS 15 – *Revenue from contracts with customers* ("IFRS 15") to account for its revenue in relation to information technology services and information technology hardware and software.
 	
When deciding on the most appropriate basis for presenting revenue or related costs, both the legal form and the substance of the agreement between the Group and the counterparty are reviewed to determine each party's respective role in the transaction. In achieving this, consideration is given to which party controls the goods or services before it is transferred to the customer. If that is not clear, the Group then applies judgement in evaluating the following control indicators, amongst others, when determining whether it is acting as principal or agent in transactions with customers and the recording of revenue on a gross, or net, basis:
- the Group is primarily responsible for fulfilling the promise to provide the specified goods or service;
- the Group has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer; and
- the Group has discretion in establishing the price for the specified good or service.
 	
In addition, the Group enters into contracts with customers to provide integrated solutions. The nature of the promised goods or services are inputs into a working solution and the customer does not derive value from the standalone goods and services. The Group has applied its judgement and determined that it acts as principal in these integrated solution arrangements.
 	
We considered the assessment of whether the Group is acting as a principal or an agent when recognising revenue from information technology services and information technology hardware and software, to be a matter of most significance to our current year audit due to the judgement applied in evaluating whether the Group acts as a principal or an agent.
	Our audit addressed this key audit matter as follows:
	
	Through discussions with management and the related operational staff we obtained an understanding of the end-to-end business process regarding the recognition of revenue from information technology services and information technology hardware and software.
	
	With the assistance of our internal accounting specialists, for a sample of certain revenue contracts, we assessed the appropriateness of management's assessment of whether they act as a principal or agent against the requirements of IFRS 15. This assessment was performed on certain relevant revenue contracts, and the IFRS 15 principles were replicated across our sample testing performed on revenue transactions.
	
	For our sample of revenue transactions, we assessed the reasonableness of management's determination of whether the Group is the principal or agent, in accordance with IFRS 15, by performing the following procedures:
	- inspecting the underlying contractual agreements and/or purchase orders between the Group and the end-customers to identify;
	  • the performance obligations associated with the contract with the customer and assessing if the Group obtains control of the goods before providing them to the end customer, with reference to the terms of the contractual agreements; and
	  • whether the sale of the software and licences are part of an integrated solution provided by the Group.
	
	We did not identify any material matters in this regard requiring further consideration.
	
	We tested the adjustment made by management to account for revenue on a net basis where they acted as an agent in accordance with IFRS 15 for the current and prior year. We did not identify any material matters in this regard requiring further consideration.
	
	We assessed the adequacy of the disclosures made in the financial statements pertaining to the principal or agent considerations, with reference to the requirements of IFRS 15 and International Accounting Standard 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. We did not note any aspects requiring further consideration.

Independent auditor's report continued

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Telkom SA SOC Ltd Annual Financial Statements for the year ended 31 March 2024", which includes the Directors' report, the Audit Committee report and the Certificate from the Group Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the document titled "Telkom SA SOC Ltd Integrated Report for the year ended 31 March 2024", 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 IFRS Accounting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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.

Independent auditor's report continued

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. has been the sole auditor of Telkom SA SOC Limited for 1 year.

Prior to the commencement of the current year audit PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Grant Thornton Inc. were the joint auditors of Telkom SA SOC Limited for five years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: SN Madikane
Registered Auditor
Johannesburg, South Africa
17 June 2024

Annual financial statements

2

Statements of profit or loss and other comprehensive income

for the year ended 31 March 2024

		Group		Company	
	Notes	31 March 2024 Rm	Restated[1] 31 March 2023 Rm	31 March 2024 Rm	Restated[1] 31 March 2023 Rm
Revenue	3.2.1	**42 463**	41 838	**30 865**	33 890
Operating revenue		**41 805**	41 274	**30 270**	33 368
Interest revenue		**377**	361	**314**	319
Insurance revenue	7.2.3.1	**281**	203	**281**	203
Other income	3.3	**895**	863	**1 751**	1 780
Payments to other operators	3.4.1	**(3 328)**	(3 399)	**(2 664)**	(2 964)
Cost of handsets, equipment, software and directories	3.4.2	**(6 125)**	(6 341)	**(3 867)**	(4 280)
Sales commission, incentives and logistical costs	3.4.3	**(2 748)**	(2 522)	**(2 748)**	(2 521)
Enterprise subcontracting costs[2]		**–**	–	**(4 623)**	(5 592)
Insurance service expenses	7.2.3.1	**(185)**	(209)	**(185)**	(209)
Employee expenses	3.4.4	**(7 895)**	(9 292)	**(1 519)**	(3 397)
Other expenses	3.4.5	**(2 195)**	(2 324)	**(697)**	(857)
Wholesale voice and non-voice services	3.4.6	**–**	(196)	**(5 638)**	(3 574)
Maintenance	3.4.7	**(4 842)**	(4 152)	**(2 608)**	(3 241)
Marketing		**(829)**	(812)	**(678)**	(712)
Impairment of receivables, contract assets and loans	7.1.4	**(1 688)**	(1 237)	**(1 451)**	(1 145)
Service fees	3.4.8	**(3 849)**	(3 870)	**(1 397)**	(2 171)
Lease-related expenses		**(246)**	(325)	**(156)**	(190)
EBITDA		**9 428**	8 022	**4 385**	4 817
Depreciation of property, plant and equipment	3.4.9	**(3 350)**	(5 092)	**(1 155)**	(3 038)
Depreciation of right-of-use assets	3.4.9	**(1 463)**	(1 255)	**(1 404)**	(1 439)
Depreciation of investment property	3.4.9	**–**	–	**(112)**	(55)
Amortisation of intangible assets	3.4.9	**(632)**	(746)	**(426)**	(577)
Write-offs and impairments of property, plant and equipment and intangible assets	3.4.9	**(80)**	(13 496)	**(28)**	(6 354)
Impairment of investment in subsidiaries	7.2.1	**–**	–	**(28)**	(4 655)
Operating profit/(loss)		**3 903**	(12 567)	**1 232**	(11 301)
Investment income	6.1	**229**	140	**4 381**	1 064
Net finance charges and fair value movements	6.2	**(2 181)**	(1 485)	**(2 002)**	(1 546)
Finance charges on lease liabilities		**(586)**	(478)	**(468)**	(464)
Net finance charges – other		**(1 541)**	(987)	**(1 562)**	(1 115)
Foreign exchange and fair value movements		**(54)**	(20)	**28**	33
Profit/(loss) before taxation		**1 951**	(13 912)	**3 611**	(11 783)
Taxation	8.1	**(497)**	3 644	**(59)**	2 039
Profit/(loss) for the year from continuing operations		**1 454**	(10 268)	**3 552**	(9 744)
Profit from discontinued operation	12.2	**427**	297	**–**	–
Profit/(loss) for the year		**1 881**	(9 971)	**3 552**	(9 744)
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss					
Exchange gains on translating foreign operations[3]	9.3	**11**	17	**–**	–
Items that will not be reclassified to profit or loss					
Defined benefit plan actuarial gains	10.1	**4**	98	**5**	101
Income tax relating to other comprehensive income		**(1)**	(27)	**(1)**	(28)
Other comprehensive income for the year, net of taxation		**14**	88	**4**	73
Total comprehensive income/(loss) for the year		**1 895**	(9 883)	**3 556**	(9 671)
Profit/(loss) attributable to:					
Owners of Telkom		**1 877**	(9 973)	**3 552**	(9 744)
Non-controlling interests		**4**	2	**–**	–
Profit/(loss) for the year		**1 881**	(9 971)	**3 552**	(9 744)
Total comprehensive income/(loss) attributable to:					
Owners of Telkom		**1 891**	(9 885)	**3 556**	(9 671)
Non-controlling interests		**4**	2	**–**	–
Total comprehensive income/(loss) for the year		**1 895**	(9 883)	**3 556**	(9 671)

Statements of profit or loss and other comprehensive income continued

for the year ended 31 March 2024

	Notes	Group 31 March 2024 Rm	Group Restated[1] 31 March 2023 Rm	Company 31 March 2024 Rm	Company Restated[1] 31 March 2023 Rm
Basic earnings/(loss) per share (cents)					
Continuing operations	3.5	**297.8**	(2 120.2)		
Discontinued operation	3.5	**87.7**	61.3		
Total basic earnings/(loss) per share (cents)		**385.5**	(2 058.9)		
Diluted earnings/(loss) per share (cents)					
Continuing operations	3.5	**291.0**	(2 120.2)		
Discontinued operation	3.5	**85.7**	61.3		
Total diluted earnings/(loss) per share (cents)		**376.7**	(2 058.9)		

[1] *Group has been restated for the adoption of IFRS 17, the Swiftnet discontinued operation and the BCX IFRS 15 restatement. Company has been restated for the adoption of IFRS 17. Refer to notes 2.2, 2.3, 2.7 and 12.2.*

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

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

Statements of financial position

as at 31 March 2023

	Notes	Group 31 March 2024 Rm	Group 31 March 2023 Rm	Company 31 March 2024 Rm	Company 31 March 2023 Rm
Assets					
Non-current assets		43 006	42 307	43 070	43 824
Property, plant and equipment	5.1	26 002	26 178	9 285	8 906
Right-of-use assets	6.3.1	5 594	5 360	4 582	5 045
Intangible assets	5.2	5 327	4 493	3 141	2 342
Investment property	5.4	–	–	911	977
Investment in subsidiaries	7.2.1	–	–	13 480	14 713
Loans to subsidiaries	7.2.2	–	–	8 885	9 038
Other investments	7.2.3	106	108	–	–
Other receivables[1]		48	72	–	–
Employee benefits	10.1	1 283	1 266	1 283	1 266
Other financial assets	7.3	173	182	89	89
Finance lease receivables	4.1.1	313	344	28	33
Deferred taxation	8.2	4 160	4 304	1 386	1 415
Current assets		16 216	17 317	11 464	14 052
Inventories	4.2	903	1 091	355	317
Income tax receivable	8.3	115	79	–	–
Finance lease receivables	4.1.1	266	304	10	19
Trade and other receivables	4.3	8 215	9 314	6 165	8 744
Contract assets	3.2.4.1	2 204	2 440	2 204	2 440
Other current assets	3.2.4.2	545	462	545	462
Other financial assets	7.3	63	93	48	77
Loans to subsidiaries	7.2.2	–	–	133	126
Insurance contract asset[2]	7.2.3	141	61	141	60
Cash and cash equivalents	4.4	3 747	3 469	1 863	1 807
Restricted cash		17	4	–	–
Assets included in disposal group classified as held for sale	12.2	1 969	–	1 239	–
Total assets		**61 191**	**59 624**	**55 773**	**57 876**
Equity and liabilities					
Equity attributable to owners of the parent		26 196	24 184	26 721	23 094
Share capital	9.1	5 050	5 050	5 050	5 050
Share-based compensation reserve	9.2	1 535	1 414	1 321	1 250
Non-distributable reserves	9.3	750	739	278	278
Retained earnings		18 861	16 981	20 072	16 516
Non-controlling interests		(21)	(23)	–	–
Total equity		**26 175**	**24 161**	**26 721**	**23 094**
Non-current liabilities		17 359	17 550	15 641	16 580
Interest-bearing debt	6.4	11 535	11 999	11 535	11 999
Lease liabilities	6.3.2	4 100	4 617	3 788	4 216
Provisions	6.5	336	368	294	332
Other financial liabilities	7.3	202	198	–	–
Deferred revenue	3.2.4.3	899	128	24	33
Deferred taxation	8.2	287	240	–	–
Current liabilities		17 176	17 913	13 411	18 202
Trade and other payables	4.5	8 996	10 419	8 108	12 874
Shareholders for dividend	9.4	24	25	24	25
Interest-bearing debt	6.4	2 682	2 357	2 682	2 357
Lease liabilities	6.3.2	2 361	1 272	1 366	1 139
Provisions	6.5	1 093	1 893	214	559
Deferred revenue	3.2.4.3	1 651	1 475	968	1 123
Income tax payable	8.3	–	2	–	–
Other financial liabilities	7.3	369	470	49	125
Liabilities included in disposal group classified as held for sale	12.2	481	–	–	–
Total liabilities		**35 016**	**35 463**	**29 052**	**34 782**
Total equity and liabilities		**61 191**	**59 624**	**55 773**	**57 876**

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

[2] *This was previously Investment in cell captives, renamed with the adoption of IFRS 17.*

Statements of changes in equity

as at 31 March 2023

	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 2022	5 050	968	1 238	26 813	34 069	(25)	34 044
Total comprehensive income/(loss)	–	17	–	(9 902)	(9 885)	2	(9 883)
(Loss)/profit for the year	–	–	–	(9 973)	(9 973)	2	(9 971)
Other comprehensive income	–	17	–	71	88	–	88
Exchange gains on translating foreign operations	–	17		–	17	–	17
Net defined benefit plan remeasurements	–	–	–	71	71	–	71
Transactions with owners recorded directly in equity							
Movement on the insurance service result transferred to non-distributable reserves (refer to note 9.3)	–	1	–	(1)	–	–	–
Fair value movement on the first party cell captive transferred to non-distributable reserves (refer to note 9.3)	–	6	–	(6)	–	–	–
Increase in share-based compensation reserve (refer to note 9.2)	–	–	80	–	80	–	80
Increase in subsidiaries' share-based compensation reserve (refer to note 9.2)	–	–	96	–	96	–	96
Vesting of Telkom and BCX share scheme (refer to note 9.3)	–	2	–	–	2	–	2
Increase in treasury shares (refer to note 9.3)	–	(255)	–	–	(255)	–	(255)
Deregistration of VS Gaming	–	–	–	81	81	–	81
Dividend declared (refer to note 9.4)	–	–	–	(4)	(4)	–	(4)
Balance at 31 March 2023	**5 050**	**739**	**1 414**	**16 981**	**24 184**	**(23)**	**24 161**
Balance at 1 April 2023	5 050	739	1 414	16 981	24 184	(23)	24 161
Total comprehensive income	–	11	–	1 880	1 891	4	1 895
Profit for the year		–	–	1 877	1 877	4	1 881
Other comprehensive income	–	11	–	3	14	–	14
Exchange gains on translating foreign operations		11	–	–	11	–	11
Net defined benefit plan remeasurements	–	–	–	3	3	–	3
Transactions with owners recorded directly in equity							
Increase in share-based compensation reserve (refer to note 9.2)		–	36	–	36	–	36
Increase in subsidiaries' share-based compensation reserve (refer to note 9.2)		–	85	–	85	–	85
Dividend declared (refer to note 9.4)		–	–	–	–	(2)	(2)
Balance at 31 March 2024	**5 050**	**750**	**1 535**	**18 861**	**26 196**	**(21)**	**26 175**

Statements of changes in equity continued

for the year ended 31 March 2024

Company	Share capital Rm	Non-distributable reserves Rm	Share-based compensation reserve Rm	Retained earnings Rm	Total equity Rm
	Attributable to equity holders of Telkom				
Balance at 1 April 2022	5 050	526	1 128	26 194	32 898
Total comprehensive loss	–	–	–	(9 671)	(9 671)
Loss for the year	–	–	–	(9 744)	(9 744)
Other comprehensive income	–	–	–	73	73
Net defined benefit plan remeasurements	–	–	–	73	73
Transactions with owners recorded directly in equity					
Movement on the insurance service result transferred to non-distributable reserves (refer to note 9.3)	–	1	–	(1)	–
Fair value movement on the first party cell captive transferred to non-distributable reserves (refer to note 9.3)	–	6	–	(6)	–
Increase in treasury shares (refer to note 9.3)	–	(255)	–	–	(255)
Increase in share-based compensation reserve (refer to note 9.2)	–	–	80	–	80
Increase in Openserve share-based compensation reserve (refer to note 9.2)	–	–	42	–	42
Balance at 31 March 2023	**5 050**	**278**	**1 250**	**16 516**	**23 094**
Balance at 1 April 2023	5 050	278	1 250	16 516	23 094
Total comprehensive income	–	–	–	3 556	3 556
Profit for the year	–	–	–	3 552	3 552
Other comprehensive income	–	–	–	4	4
Net defined benefit plan remeasurements	–	–	–	4	4
Transactions with owners recorded directly in equity					
Increase in share-based compensation reserve (refer to note 9.2)	–	–	36	–	36
Increase in Openserve share-based compensation reserve (refer to note 9.2)	–	–	35	–	35
Balance at 31 March 2024	**5 050**	**278**	**1 321**	**20 072**	**26 721**

Statements of cash flows

for the year ended 31 March 2024

		Group		Company	
	Notes	31 March 2024 Rm	31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Cash flows from operating activities		**8 003**	5 126	**4 442**	3 975
Cash receipts from customers		**43 469**	40 422	**32 532**	30 350
Cash paid to suppliers and employees		**(33 234)**	(33 717)	**(27 250)**	(25 840)
Cash generated from operations	3.6	**10 235**	6 705	**5 282**	4 510
Interest received		**447**	282	**565**	609
Dividend received[1]		**–**	–	**616**	255
Finance charges paid	6.6	**(2 304)**	(1 456)	**(2 066)**	(1 546)
Taxation paid	8.3	**(422)**	(547)	**–**	–
Repayment of derivatives – FECs		**(82)**	(28)	**(65)**	(28)
Proceeds from derivatives – FECs		**132**	178	**111**	178
Cash generated from operations before dividend paid		**8 006**	5 134	**4 443**	3 978
Dividend paid	9.4	**(3)**	(8)	**(1)**	(3)
Cash flows utilised for investing activities		**(6 197)**	(5 827)	**(3 037)**	(3 536)
Proceeds on disposal of property, plant and equipment and intangible assets		**90**	92	**65**	60
Additions to property, plant and equipment and intangible assets[2]		**(6 331)**	(6 620)	**(3 331)**	(4 415)
Loans repaid by subsidiaries		**–**	–	**174**	96
SMME loans advanced to external parties	7.3	**(7)**	(97)	**(7)**	(97)
SMME loans repaid by external parties	7.3	**17**	–	**10**	–
Investments made by FutureMakers		**(9)**	(9)	**–**	–
Cash received from FutureMakers		**–**	–	**–**	9
Repayment of derivatives – FECs		**(93)**	(49)	**(73)**	(49)
Proceeds from derivatives – FECs		**149**	317	**125**	317
Proceeds from plan assets	10.1	**–**	543	**–**	543
Restricted cash		**(13)**	(4)	**–**	–
Cash flows (utilised)/received from financing activities		**(1 336)**	931	**(1 349)**	703
Loans raised	3.7	**9 363**	25 970	**9 363**	25 970
Loans repaid	3.7	**(9 513)**	(23 650)	**(9 513)**	(23 650)
Purchase of shares for the Telkom and subsidiaries long-term incentive share scheme		**–**	(250)	**–**	(250)
Capital repayment of principal lease liability		**(1 201)**	(1 086)	**(1 214)**	(1 314)
Repayment of derivatives – interest rate swaps		**–**	(53)	**–**	(53)
Proceeds from derivatives – interest rate swaps		**15**	–	**15**	–
Net increase in cash and cash equivalents		**470**	230	**56**	1 142
Cash and cash equivalents at 1 April[3]		**3 469**	3 239	**1 807**	665
Cash and cash equivalents at the end of the year	4.4	**3 939**	**3 469**	**1 863**	**1 807**

1 *The increase in dividends received for Company is due to cash dividends received from BCX and Gyro Properties.*

2 *The decrease in additions to property, plant and equipment and intangible assets for Company is mainly due to the Openserve carve-out in September 2022. Openserve's additions were part of Telkom Company for the first five months of the prior year.*

3 *Included in the cash and cash equivalents is the Swiftnet cash to the amount of R192 million (31 March 2023: R407 million). In the current year, Swiftnet has been disclosed as a non-current asset held for sale. Refer to note 12.2.*

Notes to the financial statements

for the year ended 31 March 2024

1. Corporate information

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

2. Accounting framework and significant judgements

2.1 Basis of preparation

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

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

The financial statements are prepared on the historical cost basis, with the exception of certain financial instruments subsequently measured at fair value. The carrying values of the recognised assets and liabilities that are designated as hedged items in fair value hedges, that would otherwise be carried at amortised cost, are adjusted to record the fair values attributable to the risks that are being hedged in effective hedge relationships. Details of the Group's material 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 to standards listed below were adopted, effective 1 April 2023, and did not have a material impact on the Group:

Consideration	Effective date
IAS 1 (Presentation of Financial Statements) Amendments regarding the disclosure of accounting policies	Annual periods beginning on or after 1 January 2023
IAS 12 (Income Taxes) Amendments regarding deferred tax related to assets and liabilities arising from a single transaction	Annual periods beginning on or after 1 January 2023
IAS 12 (Income Taxes) Amendments regarding international tax reform – pillar two model rules	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

Adoption of IFRS 17 (Insurance Contracts)
The Group has retrospectively adopted IFRS 17 (Insurance Contracts) with effect from 1 April 2023. Through the cell captives, as part of the Group's core business, the Group sells life insurance and device insurance to its customers. Across the Group, IFRS 17 is only applicable to the third-party insurance cell captives (Guardrisk short-term life insurance cell captive and Mutual and Federal Risk Financing Limited (MFRF) short-term handset and device insurance). The Group qualified to use the premium allocation approach (PAA) for both cell captives, resulting in an immaterial quantitative impact on adoption.

The Group continues to invest in its insurance business and considers the revenue from insurance as part of its operating revenue. As required by IFRS 17, the Group has now disaggregated the presentation of its insurance results business on the face of its statement of profit or loss and other comprehensive income. The disaggregation resulted in the Group introducing an insurance revenue line of R281 million (31 March 2023: R203 million) and an insurance service expense line of R185 million (31 March 2023: R209 million) in the statement of profit or loss and other comprehensive income. The impact is neutral on net profit or loss after tax for the year. Refer to note 2.7 for each affected line item.

Adoption of IAS 12 amendments
With effect from 1 April 2023, the Group retrospectively adopted the IAS 12 amendments for deferred tax relating to assets and liabilities arising from a single transaction. The amendment prohibits the use of the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. The amendments apply to taxable and deductible temporary differences associated with right-of-use assets and lease liabilities as well as decommissioning obligations and corresponding amounts recognised as assets at the beginning of the earliest comparative period presented.

The adoption of IAS 12 amendments did not have an impact in the primary financial statements' presentation across the Group. The amendment resulted in a restatement in the Group deferred tax disclosure note due to some of the Group entities having calculated the deferred tax on right-of-use assets and lease liabilities on a net basis, as well the elimination of the intercompany right-of-use assets and lease liabilities being on net basis. There is no disclosure impact on Telkom Company. Refer to note 8.2 for the restatement impact.

Notes to the financial statements continued

for the year ended 31 March 2024

2. Accounting framework and significant judgements continued

2.2 New accounting pronouncements continued

2.2.1 Other standards, amendments to standards and interpretations continued

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. The amendments are not expected to have a material impact.

Consideration	Effective date
IFRS 16 (Leases) Amendments regarding lease liability in a sale and leaseback, seller-lessee subsequent measurement in sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale	Annual periods beginning on or after 1 January 2024
IAS 1 (Presentation of Financial Statements) Amendment regarding non-current liabilities with covenants	Annual periods beginning on or after 1 January 2024
IAS 7 (Statement of Cash Flows) and IFRS 7 (Financial Instruments: Disclosures) Amendment regarding supplier finance arrangement disclosure	Annual periods beginning on or after 1 January 2024
IAS 21 (The Effects of Changes in Foreign Exchange Rates) Amendment regarding the entity's transaction or operation in a foreign currency that is not exchangeable into other currency at a measurement date for a specified purpose	Annual periods beginning on or after 1 January 2025

2.3 Restatements due to prior period errors

2.3.1 IFRS 15 restatement of revenue, cost of handsets, equipment, software and directories and other expenses

Principal versus agent
IFRS 15 (Revenue from Contracts with Customers) requires the entity to evaluate certain control indicators when determining whether the entity is acting as a principal or agent in transactions with customers and the recording of revenue on a gross or net basis.

In the current financial year, it was identified that a number of revenue transactions in BCX, for which the Group would have been considered to be an agent, using information available at that time, were incorrectly recognised and presented on a gross basis (as a principal) in prior years.

The error resulted in the overstatement of revenue, cost of handsets, equipment, software and directories and other expenses in the statement of profit or loss and other comprehensive income in the comparative periods.

This incorrect application of the accounting principles in the prior year has been adjusted as a prior period error through the reversal of revenue, cost of handsets, equipment, software and directories and other expenses and only recognising the margin as revenue (on a net basis). Refer to note 2.7 for each materially affected line items as part of the correction of the error.

There is no impact on EBITDA, profit before and after tax and retained earnings for the prior year. The error also did not impact the statement of cash flows and statement of financial position.

2.3.2 Restatement of headline earnings per share and diluted headline earnings per share

On 31 March 2023, the Group correctly calculated and accounted for tax in the Group statement of profit or loss and other comprehensive income. However, the Group incorrectly adjusted for tax on the headline earnings, relating to the profit on disposal of property, plant and equipment and intangible assets, write-offs of property, plant and equipment and intangible assets and impairment of property, plant and equipment and intangible assets.

The tax impact of the profit on disposal of property, plant and equipment and intangible assets was incorrectly adjusted for as an impact to write-offs of property, plant and equipment and intangible assets, and the tax impact on the write-offs of property, plant and equipment and intangible assets was not accounted for when adjusting the headline earnings. The tax impact on impairment of property, plant and equipment and intangible assets was incorrectly calculated by including tax impact on impairment of goodwill.

The accounting consequences of this incorrect tax adjustment was a R47 million overstatement of headline earnings that was used in calculating headline earnings per share and diluted headline earnings per share for the year ended 31 March 2023. Refer to note 3.5 for the impact of this restatement on the aggregated amounts previously disclosed.

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:

Notes to the financial statements continued

for the year ended 31 March 2024

2. Accounting framework and significant judgements continued

2.4 Significant accounting judgements, estimates and assumptions continued

Significant accounting judgements, estimates and assumptions	Note reference
Significant judgement in measuring the significant financing component in the Google Equiano transaction	Note 3.2
Recognition and measurement of revenue	Note 3.2
Taxation	Note 8.1
Estimation of useful lives and residual values for property, plant and equipment	Note 5.1
Impairments of property, plant and equipment	Note 5.1
IFRS 16 (Leases)	Note 6.3
Estimation of useful lives and residual values for intangible assets	Note 5.2
Impairments of intangible assets	Note 5.2
CGU and goodwill impairment assessment	Note 5.3
Investment property	Note 5.4
Impairment of financial assets (expected credit losses)	Note 7.1.4
Deferred taxation asset	Note 8.2
Inventories	Note 4.2
Provisions	Note 6.5
Employee benefits	Note 10.1
Supply chain financing arrangements	Note 4.5
Contingent liabilities	Note 6.8
Significant judgement in assessing if Swiftnet SOC Ltd (Swiftnet) meets the conditions to be classified as held for sale in accordance with IFRS 5 (Non-current Assets Held for Sale)	Note 12.2

2.5 Summary of material accounting policies

2.5.1 Basis of consolidation

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

2.5.2 Subsidiaries

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

2.5.3 Transactions with non-controlling interests

Non-controlling interests are initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree'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.

Notes to the financial statements continued

for the year ended 31 March 2024

2. Accounting framework and significant judgements continued

2.5 Summary of material accounting policies continued

2.5.7 Sale of business

The loss of control of a subsidiary usually occurs when the parent sells or otherwise transfers its controlling interest in a single transaction or as a result of multiple transactions. The loss of control represents a significant economic event that requires the parent to stop consolidating the subsidiary and to recognise any gain or loss.

On losing controlling interest in a subsidiary, the Group applies the following accounting principles:

- The Group derecognises the subsidiary's assets (including goodwill) and liabilities, and any non-controlling interest in the subsidiary.
- The Group recognises, at fair value, any interest retained in the former subsidiary, if any. The resulting difference between the net assets and consideration is recognised in profit or loss as a gain or loss on disposal.
- Amounts previously recognised in other comprehensive income related to the subsidiary are either reclassified to profit or loss or directly transferred to retained earnings, depending on the requirement of the applicable IFRS standard(s).

When the change of ownership does not result in a change of control, both the carrying amounts of the controlling and non-controlling interests are adjusted to reflect their revised interests in the subsidiary. Any difference between the adjustment against the non-controlling interest and the fair value of the consideration received or paid is directly recognised in equity.

Non-current asset or disposal group held for sale
A non-current asset or disposal group is designated as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The classification as held for sale of a non-current asset or disposal group occurs when it is available for immediate sale in its present condition and the sale is highly probable.

Where a disposal group held for sale will result in the loss of control or joint control of a subsidiary or joint operation, respectively, all the assets and liabilities of that subsidiary or joint operation are classified as held for sale, regardless of whether a non-controlling interest in the former subsidiary or an ongoing interest in the joint operation is to be retained after the sale.

Before classification of a non-current asset or disposal group as held for sale, it is reviewed for impairment. No depreciation or amortisation is provided on non-current assets from the date they are classified as held for sale.

If a non-current asset or disposal group is classified as held for sale, but the criteria for classification as held for sale are no longer met, the classification of such non-current asset or disposal group as held for sale is ceased.

On ceasing such classification, the non-current assets are reflected at the lower of:

- The carrying amount before classification as held for sale, adjusted for any depreciation or amortisation that would have been recognised had the assets not been classified as held for sale; or
- The recoverable amount at the date the classification as held for sale ceases.

2.5.8 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.

Notes to the financial statements continued

for the year ended 31 March 2024

2. Accounting framework and significant judgements continued

2.6 Significant changes in the current financial year

Google Equiano undersea internet cable contract

The Openserve arrangement with Google (Google Equiano) and its affiliates (Google) became effective in the current financial year. The accounting policies as disclosed were used to account for the full arrangement.

The Google Equiano arrangement has the following elements:

	Transaction	Description	Significant accounting impact on the 31 March 2024 annual financial statements
2.6.1	Fibre pair right-of-use	Google granted Openserve the right-of-use of a distinct fibre pair. The transaction contains a lease as defined in IFRS 16 which resulted in the recognition of a right-of-use asset and a corresponding lease liability. The lease is for a period of 15 years and the full payment is payable on or before the end of the first half of the 2025 financial year, thus, similar to 30 September 2023, the lease remains classified as a current liability.	Google handed over the fibre pair to Openserve in May 2023. Initially a right-of-use asset as well as a corresponding lease liability of R994 million were recognised. During the second half of the 2024 financial year, Openserve paid cash of R23 million, which is a portion of the R994 million liability that was recognised on, 30 September 2023 and the remainder is payable on or before the end of the first half of the 2025 financial year. The lease liability was recalculated to reflect the latest payment terms agreed by the parties. Further, the right-of-use asset was adjusted by depreciation and the lease liability by interest.
2.6.2.1	Cable landing station right-of-use	Openserve granted Google the right to use a distinct space on its cable landing station. The lease period is for 15 years. The transaction met the classification criteria of an operating lease in accordance with IFRS 16. The terms of the arrangement requires Google to pay Openserve in advance for the use of the cable landing station and annually for the maintenance and operating costs. Google made the advance payment in May 2023 of USD3.6 million. USD3.4 million was recognised in deferred lease revenue and will be released to the statement of profit or loss and other comprehensive income as lease revenue on a straight-line basis over the lease period. USD0.2 million was recognised immediately in the statement of profit or loss and other comprehensive income as it related to the acquisition of permits. The maintenance and operating income are recognised as other income on an annual basis.	Openserve handed over the cable landing station to Google in April 2023. Cash and cash equivalents of R62 million has been recognised as well as deferred lease revenue of R62 million. The deferred revenue has been split between the current and non-current portion.

Notes to the financial statements continued

for the year ended 31 March 2024

2. Accounting framework and significant judgements continued

2.6 Significant changes in the current financial year continued

Google Equiano undersea internet cable contract continued

	Transaction	Description	Significant accounting impact on the 31 March 2024 annual financial statements
2.6.2.2	Grant of use of terrestrial network on system 1	Openserve grants Google 50% terrestrial network capacity on the South African and Botswana border routes. The use of this network met the IFRS 15 revenue recognition criteria. Google will pay Openserve USD17.7 million in advance for the use of the South African network and USD0.6 million in advance for the use of the Botswana border network, over a period of 15 years. The advance payment will be deferred and released to the statement of profit or loss and other comprehensive income as revenue over 15 years. In addition, a contract liability and trade receivable, adjusted for significant financing in terms of IFRS 15, were recognised for the advanced payment relating to the network. Google will pay annual maintenance and operating costs to Openserve, which are recognised as other income.	System 1 of the terrestrial network was provided to Google in June 2023. A trade receivable of R348 million was recognised in addition to R11.5 million cash and cash equivalents for the advance payment in respect of the Botswana border network and R360 million as deferred revenue. The deferred revenue has been split between the current and non-current portion. The trade receivable is receivable on or before the end of the first half of the 2025 financial year, and was subjected to expected credit loss assessment. The assessment considered credit risk, the updated payment terms and payment negotiations between the parties, and based on the assessment an immaterial expected credit loss was recognised.
2.6.2.3	Grant of use of submarine cable	Openserve grants Google the use of its submarine network bandwidth capacity on the Eastern African Submarine Cable System (EASSy), West Africa Cable System (WACS) and South Atlantic 3 West Africa Submarine cable (S3WS) for an initial period of 15 years or the lifespan of the cable systems, whichever is shorter. The terms of the agreement provide that Google will pay Openserve in advance for the use of the cables. The advanced payment has been recognised as deferred revenue and will be released to the statement of profit or loss and other comprehensive income as revenue over 15 years. R254 million was recognised as cash and cash equivalents and deferred revenue for the advanced payment. The deferred revenue has been split between the current and non-current portion. In addition, Google will pay Openserve annually for maintenance and operating expenses, which are recognised as other income. Openserve owns a percentage of the capacity in each of the submarine cables, which is not physically distinct and will grant a portion of its capacity to Google. According to IFRS 16: B20, a capacity or other portion of an asset that is not physically distinct is not an identified asset, unless it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset. Due to the fact that the cable capacity is not physically distinct, and the capacity granted by Openserve is not substantially all of the capacity of the whole cable, the capacity granted by Openserve to Google is not a lease. Therefore, the grant of use of the submarine cable is accounted for as an IFRS 15 transaction.	Openserve handed over the submarine cable and the services commenced in April 2023 (WACS, S3WS and EASSy). R254 million was recognised as cash and cash equivalents and deferred revenue for the advanced payment. The deferred revenue has been split between the current and non-current portion.

Notes to the financial statements continued

for the year ended 31 March 2024

2. Accounting framework and significant judgements continued

2.7 Restatement of the statement of profit or loss and other comprehensive income

	Group				
	For the year ended 31 March 2023				
	As previously reported Rm	IFRS 17[1] Rm	Swiftnet discontinued operation[2] Rm	BCX revenue and costs[3] Rm	Restated Rm
Revenue	43 138	203	(696)	(807)	41 838
Operating revenue	42 777	–	(696)	(807)	41 274
Interest revenue	361	–	–	–	361
Insurance revenue	–	203	–	–	203
Other income	863	–	–	–	863
Insurance service result	1	(1)	–	–	–
Payments to other operators	(3 399)	–	–	–	(3 399)
Cost of handsets, equipment, software and directories	(7 089)	–	–	748	(6 341)
Sales commission, incentives and logistical costs	(2 522)	–	–	–	(2 522)
Insurance service expenses	–	(209)	–	–	(209)
Employee expenses	(9 292)	–	–	–	(9 292)
Other expenses	(2 384)	–	1	59	(2 324)
Wholesale voice and non-voice services	(196)	–	–	–	(196)
Maintenance	(4 154)	–	2	–	(4 152)
Marketing	(812)	–	–	–	(812)
Impairment of receivables, contract assets and loans	(1 255)	–	18	–	(1 237)
Service fees	(4 080)	–	210	–	(3 870)
Lease-related expenses	(332)	–	7	–	(325)
EBITDA	8 487	(7)	(458)	–	8 022
Depreciation of property, plant and equipment	(5 125)	–	33	–	(5 092)
Depreciation of right-of-use assets	(1 274)	–	19	–	(1 255)
Amortisation of intangible assets	(746)	–	–	–	(746)
Write-offs and impairments of property, plant and equipment and intangible assets	(13 508)	–	12	–	(13 496)
Operating loss	(12 166)	(7)	(394)	–	(12 567)
Investment income	148	7	(15)	–	140
Net finance charges, hedging costs and fair value movements	(1 484)	–	(1)	–	(1 485)
Finance charges on lease liabilities	(488)	–	10	–	(478)
Net finance charges – other	(972)	–	(15)	–	(987)
Foreign exchange and fair value movements	(24)	–	4	–	(20)
Loss before taxation	(13 502)	–	(410)	–	(13 912)
Taxation	3 531	–	113	–	3 644
Loss for the year from continuing operations	(9 971)	–	(297)	–	(10 268)
Profit from discontinued operation	–	–	297	–	297
Loss for the year	(9 971)	–	–	–	(9 971)
Total comprehensive loss for the year	(9 883)	–	–	–	(9 883)
Loss attributable to:					
Owners of Telkom	(9 973)	–	–	–	(9 973)
Non-controlling interests	2	–	–	–	2
Loss for the year	(9 971)	–	–	–	(9 971)
Total comprehensive loss attributable to:					
Owners of Telkom	(9 885)	–	–	–	(9 885)
Non-controlling interests	2	–	–	–	2
Total comprehensive loss for the year	(9 883)	–	–	–	(9 883)

[1] *Refer to* note 2.2.1.
[2] *Refer to* notes 12.2.
[3] *Refer to* note 2.3.

Notes to the financial statements continued

for the year ended 31 March 2024

2. Accounting framework and significant judgements continued

2.7 Restatement of the statement of profit or loss and other comprehensive income continued

	Company		
	For the year ended 31 March 2023		
Extract from the statement of profit or loss and other comprehensive income	**As previously reported Rm**	**IFRS 17[1] Rm**	**Restated Rm**
Revenue	33 687	203	33 890
Operating revenue	33 368	–	33 368
Interest revenue	319	–	319
Insurance revenue	–	203	203
Insurance service result	1	(1)	–
Insurance service expenses	–	(209)	(209)
EBITDA	4 824	(7)	4 817
Operating loss	(11 294)	(7)	(11 301)
Investment income	1 058	7	1 065
Loss before taxation	(11 783)	–	(11 783)
Taxation	2 039	–	2 039
Loss for the year	(9 744)	–	(9 744)

[1] *Refer to* note 2.2.1

3. Performance

3.1 Segment information

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

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

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

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

EBITDA is defined as earnings before investment income and finance cost (which includes gains and losses on foreign exchange transactions), tax, depreciation, amortisation and write-offs, impairments and losses of property, plant and equipment and intangible assets, and is also presented inclusive of the following items:

- Interest revenue; and
- Interest on overdue accounts.

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

Swiftnet forms part of the Gyro segment. In the current year, Swiftnet has been classified as a non-current asset held for sale and presented as a discontinued operation in the Group statement of profit or loss and other comprehensive income. The difference on financial statement line items between the segment and the statement of profit or loss and other comprehensive income relates to Swiftnet. Refer to note 12.2 for details.

Notes to the financial statements continued

for the year ended 31 March 2024

3. Performance continued

3.1 Segment information continued

March 2024	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]	4 526	26 140	11 779	785	–	–	–	43 230
Revenue from contracts with customers recognised over time[3]	4 072	22 525	9 259	–	–	–	–	35 856
Voice	–	5 244	2 023	–	–	–	–	7 267
Interconnection	247	526	–	–	–	–	–	773
Data	3 825	16 178	2 586	–	–	–	–	22 589
Information technology services[3]	–	–	3 833	–	–	–	–	3 833
Customer premises equipment related services	–	96	753	–	–	–	–	849
Interest revenue	–	314	64	–	–	–	–	378
Sundry revenue	–	167	–	–	–	–	–	167
Revenue from contracts with customers recognised at a point in time[3]	327	3 334	2 520	–	–	–	–	6 181
Customer premises equipment	–	3 301	276	–	–	–	–	3 577
Information technology hardware and software[3]	–	–	2 244	–	–	–	–	2 244
Sundry revenue	327	33	–	–	–	–	–	360
Lease revenue	127	–	–	785	–	–	–	912
Insurance revenue	–	281	–	–	–	–	–	281
Intersegmental operating revenue[3]	7 985	189	1 136	699	219	(9 578)	(650)	–
Other income	262	721	62	20	1 031	(1 201)	–	895
Total expenses	(8 839)	(22 957)	(11 683)	(418)	(966)	10 779	–	(34 084)
Cost of handsets, equipment, software and directories	–	(3 867)	(2 361)	–	–	103	–	(6 125)
Sales commission, incentives and logistical costs	–	(2 748)	–	–	–	–	–	(2 748)
Payments to other operators	(736)	(2 664)	(380)	–	–	452	–	(3 328)
Insurance service expense	–	(185)	–	–	–	–	–	(185)
Employee expenses	(2 851)	(1 111)	(3 432)	(123)	(378)	–	–	(7 895)
Other expenses	(292)	(6 452)	(3 674)	(36)	(229)	8 488	–	(2 195)
Maintenance	(2 034)	(2 520)	(1 102)	(32)	(79)	923	–	(4 844)
Marketing	(33)	(672)	(117)	–	(7)	–	–	(829)
Impairment of receivables, contract assets and loans	(73)	(1 445)	(161)	6	(11)	–	–	(1 684)
Service fees	(2 636)	(1 188)	(432)	(229)	(209)	693	–	(4 001)
Lease-related expenses	(184)	(105)	(24)	(4)	(53)	120	–	(250)
EBITDA for reportable segments including intersegmental transactions	3 934	4 093	1 294	1 086	284	–	(650)	10 041
Depreciation, amortisation, impairments and write-offs								(5 561)
Operating profit								4 480
Investment income								253
Net finance charges, hedging costs and fair value movements								(2 197)
Profit before taxation								**2 536**
Other segment information								
Capital expenditure of property, plant and equipment and intangible assets	2 547	2 651	416	359	161	–	–	6 134

Notes to the financial statements continued

for the year ended 31 March 2024

3. **Performance** continued

3.1 **Segment information** continued

Restated March 2023[2, 3]	Openserve Rm	Telkom Consumer Rm	BCX Rm	Gyro Rm	Other Rm	Eliminations Rm	IFRS 16 reversal Rm	Consolidated Rm
Revenue from external customers[1, 3]	4 089	25 567	12 154	724	–	–	–	42 534
Revenue from contracts with customers recognised over time[3]	3 976	21 774	9 486	–	–	–	–	35 236
Voice	–	5 864	2 528	–	–	–	–	8 392
Interconnection	281	505	–	–	–	–	–	786
Data	3 440	14 806	2 718	–	–	–	–	20 964
Information technology services[3]	–	–	3 593	–	–	–	–	3 593
Customer premises equipment related services	–	97	605	–	–	–	–	702
Interest revenue	–	319	42	–	–	–	–	361
Sundry revenue	255	183	–	–	–	–	–	438
Revenue from contracts with customers recognised at a point in time[3]	–	3 590	2 668	–	–	–	–	6 258
Customer premises equipment	–	3 529	739	–	–	–	–	4 268
Information technology hardware and software[3]	–	–	1 929	–	–	–	–	1 929
Sundry revenue	–	61	–	–	–	–	–	61
Lease revenue	113	–	–	724	–	–	–	837
Insurance revenue[2]	–	203	–	–	–	–	–	203
Intersegmental operating revenue[3]	8 808	309	1 062	906	541	(10 781)	(845)	–
Other income	231	821	69	13	838	(1 109)	–	863
Total expenses	(9 436)	(23 402)	(11 478)	(512)	(914)	11 890	–	(33 852)
Cost of handsets, equipment, software and directories	–	(4 305)	(2 051)	–	–	15	–	(6 341)
Sales commission, incentives and logistical costs	–	(2 522)	–	–	–	–	–	(2 522)
Payments to other operators	(709)	(2 685)	(409)	–	–	404	–	(3 399)
Insurance service expense[2]	–	(209)	–	–	–	–	–	(209)
Employee expenses	(3 240)	(1 246)	(3 394)	(133)	(214)	–	–	(8 227)
Other expenses[3]	(752)	(962)	(3 929)	(28)	(265)	3 611	–	(2 325)
Wholesale voice and non-voice services	–	(6 174)	(196)	–	–	6 174	–	(196)
Maintenance	(1 689)	(2 453)	(838)	(25)	(67)	918	–	(4 154)
Marketing	(26)	(677)	(82)	(1)	(26)	–	–	(812)
Impairment of receivables, contract assets and loans	(30)	(1 058)	(90)	(20)	(57)	–	–	(1 255)
Service fees	(2 834)	(987)	(459)	(298)	(279)	777	–	(4 080)
Lease-related expenses	(156)	(124)	(30)	(7)	(6)	(9)	–	(332)
EBITDA for reportable segments including intersegmental transactions	3 692	3 295	1 807	1 131	465	–	(845)	9 545
Reconciliation of operating loss to loss before tax								
Normalisations								
Restructuring expenses								(1 065)
EBITDA for reportable segments								8 480
Depreciation, amortisation, impairments and write-offs								(20 653)
Operating loss								(12 173)
Investment income								155
Net finance charges, hedging costs and fair value movements								(1 484)
Loss before taxation								(13 502)
Other segment information								
Capital expenditure of property, plant and equipment and intangible assets	2 700	3 820	455	261	165	–	–	7 401

[1] *Revenue includes transactions generated by subsidiaries of BCX in countries outside of South Africa. These are however not considered material to the Group and are thus not disclosed separately. Group revenue increased marginally, driven by an increase in mobile service revenue and IT software and licences sales. This was offset by a decrease in fixed, mobile and IT service revenue due to the challenging operating environment.*

[2] *Restated for the adoption of IFRS 17. Refer to notes 2.2.1 and 2.7.*

[3] *These line items represent the net amounts in the BCX segment. The prior year segment has been restated due to the IFRS 15 principal versus agent assessment. Refer to notes 2.3.1 and 2.7.*

Notes to the financial statements continued

for the year ended 31 March 2024

3. Performance continued

3.1 Segment information continued

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

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

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

3.2 Revenue

Significant accounting judgements, estimates and assumptions

Recognition and measurement of revenue

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

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

Google Equiano
As part of the Google Equiano arrangement, Openserve will receive an upfront payment for granting the use of terrestrial network to Google for 15 years. Aligned with the Group policy and IFRS 15 principles, management concluded that this has a significant financing element. Management applied judgement and determined an approximate USD rate at which Openserve could be granted USD finance for a similar amount and period to determine the significant financing component. A USD rate was used as revenue will be earned in USD currency and equipment used to build the network was paid for in USD currency.

The significant financing element is recognised as a finance cost and the transaction price (deferred revenue and revenue) is increased with the financing component over the 15-year period. Refer to note 2.6 for more details.

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

Agent vs principal considerations
When deciding on the most appropriate basis for presenting revenue or related costs, both the legal form and the substance of the agreement between the Group and the counterparty are reviewed to determine each party's respective role in the transaction.

Consideration is given to which party controls the goods or services. If that is not clear, the Group evaluates the following control indicators, among others, when determining whether it is acting as a principal or agent in transactions with customers and the recording of revenue on a gross, or net, basis:

- The Group is primarily responsible for fulfilling the promise to provide the specified goods or service;
- The Group has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer; and
- The Group has discretion in establishing the price for the specified good or service.

Software, cloud services and related services
The Group has applied judgement to determine whether it acts as an agent or principal in these arrangements in accordance with the principles of IFRS 15. One of the judgements made is whether control passes to the Group prior to the passing thereof to the customer. Where the vendor has the primary obligation to fulfil the services to the customers, the Group concluded that control does not pass to the Group and, as a result, it acts as an agent in these arrangements.

Included in the Group service offerings, software and related licences are sold with the ability to access the vendor's latest technology via product updates. The assessment of whether the Group acts as a principal or an agent is judgemental. The Group deems the defining characteristic of each arrangement to be whether its material performance obligation is to deliver software, cloud services and related services or to arrange access to such goods or services.

Notes to the financial statements continued

for the year ended 31 March 2024

3. Performance continued

3.2 Revenue continued

3.2 Revenue continued

Recognition and measurement of revenue continued

A key consideration in assessing whether the Group or the vendor is responsible for the software, cloud services and related services relates to the management of the updates to the software. Where the Group has concluded that the upgrades are critical to the functionality of the software and the effective functionality of the solution, and such updates can only be delivered by the vendor, the Group acts as agent for such software sales as the vendor has the primary obligation to fulfil the services to the customers.

Unless the Group obtains the right to direct the use of a piece of software between customers, e.g. gain access to a pool of software licences, the Group has concluded that it does not carry inventory risk for software.

The Group generally has pricing discretion in a contract for the resale of software, vendor cloud services and other related services, but has concluded that this factor in isolation does not result in the Group concluding that it can act as a principal in these transactions.

Vendor resold services
For vendor resold service warranty and maintenance products, a customer purchases a product from the Group that is delivered over time directly by the vendor. These service contracts are sold alongside, but separately from the associated products, and the Group serves as the agent for the contract on behalf of the vendor. The Group's responsibility is to arrange for the provision of the specified service by the vendor, and the Group does not control the specified service before it is transferred to the customer. The Group therefore acts as agent with respect to vendor resold services in which the Group is not primarily responsible for fulfilling the performance obligation.

Revenue from sale arrangements where the Group acts as agent is recognised on a net basis, and the commission or gross profit earned on these contracts is recognised as revenue.

Franchisee
The Group utilises franchise stores to sell its contracts (including those bundled with mobile devices), pre-paid services and mobile devices (without bundling them with a Telkom services contract). The franchisee sells both post-paid and pre-paid contracts. The entity is the principal in a transaction if it obtains control of the specified goods or services before they are transferred to the customer. An entity is an agent if it does not control the specified goods or services before they are transferred to the customer. Telkom accounts for device sales through the franchise stores as a principal as Telkom can unilaterally redirect the handsets between franchisees without the approval of the franchisee to best realise the handset. It has been assessed whether Telkom is a principal or agent for the device obligation on a contract-by-contract basis using the relevant indicators, considering the right of return policy with third-party franchisee. 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.

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

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

Bill-and-hold arrangements
The Group enters into bill-and-hold arrangements on hardware sales. Judgement is applied to determine if the criteria below are met to, to support revenue recognition in terms of the principles of IFRS 15:

- The reason for the bill-and-hold arrangement must be substantive;
- The product must be identified separately as belonging to the customer;
- The product currently must be ready for physical transfer to the customer; and
- The Group cannot have the ability to use the product or to direct it to another customer.

Hardware and software as part of an integrated solution
The Group enters into contracts with customers to provide integrated solutions. Contracts are assessed individually to determine whether the products and services are distinct, i.e. the product or service is separately identifiable from the other promises in the contract with the customer and whether the customer can benefit from the goods or services either on its own or together with other resources that are readily available.

The nature of the promised goods or services are inputs into a working solution and the customer does not derive value from the stand-alone goods and services. The Group has applied its judgement and views these arrangements, in some instances, as a single performance obligation that needs to be met as the goods and services are not separately identifiable and the customer cannot benefit from either the goods or the services separately. The resulting conclusion impacts the agent versus principal assessment of the revenue recognition for these arrangements. The Group acts as principal in these integrated solution arrangements.

The revenue on these contracts is therefore recognised on a principal basis over time using the output method (i.e. value to the customer of the goods or services transferred to date relative to the remaining goods or services promised).

Notes to the financial statements continued

for the year ended 31 March 2024

3. Performance continued

3.2 Revenue continued

Reassessment of leases relating to customer premises equipment (CPE)

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

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

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

Notes to the financial statements continued

for the year ended 31 March 2024

3. Performance continued

3.2 Revenue continued

Summary of material accounting policies continued

Nature of goods and services

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

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

Notes to the financial statements continued

for the year ended 31 March 2024

3. Performance continued

3.2 Revenue continued

Summary of material accounting policies continued

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

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

Notes to the financial statements continued

for the year ended 31 March 2024

3. Performance continued

3.2 Revenue continued

Summary of material accounting policies continued

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

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

Notes to the financial statements continued

for the year ended 31 March 2024

3. Performance continued

3.2 Revenue continued

Summary of material accounting policies continued

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

Products and services	Segment	Timing of revenue recognition	Nature of goods and services and significant payment terms
Information technology revenue	**BCX** *Stand-alone hardware*	Revenue is recognised at a point in time once control of the goods is transferred to the customer, being when the customer accepts delivery of the goods.	The Group acts as principal in these arrangements and revenue is recognised on a gross basis.
	BCX *Standard stand-alone software*	Where the Group is acting as an agent, the Group will recognise revenue at a point in time once the Group has fulfilled its performance obligation, being when the right to access the licensing product has transferred to the customer. In the instance where the Group is acting as principal, the Group will recognise revenue at a point in time once control of the goods have transferred to the customer, being when the right to access the licensing product or software has been transferred to the customer.	The Group acts as a principal in certain contracts and as an agent in other contracts, depending on the nature and scope of the contract. Management applies judgement in establishing whether the Group has control of the software licences prior to the licences being transferred to the customer and therefore whether the Group acts as agent or principal in these contracts. Where it has been determined that the Group did not control the software licences prior to the licences being transferred to the customer, the Group will recognise revenue as an agent on a net basis. Where the Group controls the software licences prior to the licences being transferred to the customer, the Group will recognise revenue as a principal on a gross basis.
	BCX *Renewal of software licences*	Revenue is recognised at a point in time once control of the goods is transferred to the customer with regards to the software licence after it has been renewed.	As the Group does not control the software licences at any point before the licences are transferred to the customer, the Group acts as an agent in the transaction and will account for the revenue as an agent as the Group has no further responsibility with regards to the software licences after control is passed to the customer.
	BCX *Vendor resold services*	Revenue is recognised at a point in time once the contract start date is initiated.	The Group sells service warranty and maintenance contracts on behalf of its vendors, which are accounted for on a net basis as the Group is acting as an agent in the agreement. The commission or gross profit earned on these sales is recognised as revenue. A service warranty or maintenance package is sold alongside hardware or software products. The Group's responsibility is to arrange for the provision of the specified service by the original equipment manufacturer/vendor, and the Group does not control the specified service before it is transferred to the customer. The Group therefore has no obligation to the customer in terms of the service or maintenance once the sale has been made and the contract with the vendor has been concluded.

Notes to the financial statements continued

for the year ended 31 March 2024

3. Performance continued

3.2 Revenue continued

Summary of material accounting policies continued

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

Products and services	Segment	Timing of revenue recognition	Nature of goods and services and significant payment terms
Information technology revenue	**BCX** *Hardware and software as part of an integrated solution*	Revenue is recognised over time, making use of the output method.	Where the Group is contracted to deliver integrated Converged Communication and/or IT solutions, the solutions are considered as a single performance obligation that is satisfied over time. The nature of the promised goods or services are inputs into a working solution and the customer does not derive value from the stand-alone good and services. The measurement of the value to the customer of the goods or services transferred to date, relative to the remaining goods or services promised, is the most faithful basis of measuring progress. The Group acts as principal in these arrangements. Revenue is recognised on a gross basis.
	BCX *IT services*	Where the Group acts as principal, revenue is recognised over time as the services are being consumed. Where the Group acts as an agent, revenue is recognised at a point in time when control is transferred to the customer, being when the customer is provided access to the service.	Where the Group is primarily responsible for the delivery of a service and the service is considered to be distinct from other performance obligations stipulated within the contract with customers, the Group acts as principal. Revenue is recognised on a gross basis. Where the Group does not have the primary responsibility for the acceptability of the service and therefore does not control the service prior to the transfer thereof to the customer, the Group acts as agent. Revenue is recognised on a net basis.
Sundry revenue: electronic directory services and advertising revenue	**Telkom Consumer** This includes the following products and services: *Advertising* *Digital and social media advertising, across a number of platforms* *E-commerce* *Omni-channel offerings*	Electronic directory and advertising revenue is recognised over the contract term as the performance obligations are met based on the total transaction price agreed for the contract.	The relevant stand-alone selling prices are based on market prices. The contract term for the services in this revenue stream is usually 12 months or less and therefore no significant financing element has been included in the revenue recognition for this revenue stream.
Sundry revenue	**Telkom Consumer** This includes the following products and services: *Printed directory services*	Revenue from printed directories is recognised at a point in time when the directories are released for distribution.	The relevant stand-alone selling prices are based on market prices.
	Openserve This includes the following products and services: *International other,* included in international other is maritime services.	Revenue from maritime services is recognised at a point in time as the performance obligations are met based on the contract.	The maritime services are for three-year fixed contracts. The services offered are billed on a monthly basis as they are utilised by the customer, regardless of the contract term. There is no significant financing component as services are billed on a monthly basis, based on services offered to customers at a point in time. The maritime services billings (stand-alone prices) are based on agreed contract prices that are signed by both the market participants on the contract.

Notes to the financial statements continued

for the year ended 31 March 2024

3. Performance continued

3.2 Revenue continued

Revenue from other contracts

Leases
Rental income from property and masts and towers is generated by the Group through its subsidiaries. The revenue is recognised as part of the Gyro and Openserve segments. The revenue is accounted for as operating lease revenue and recorded on a straight-line basis in accordance with IFRS 16.

Insurance revenue
Our insurance customers are covered for the month that they have paid insurance premiums. To have continuous cover and a valid claim, premium payments must be up to date and where a payment is not received on time, the contract lapses subject to insurance business regulatory requirements. Insurance revenue reflects the number of premium receipts to which the insurer is entitled in exchange for services provided on device and funeral cover products. The Group allocates the premium receipts to each period of insurance contract services based on the passage of time.

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

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

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

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

The Group's normal operating cycle for contract costs capitalised are 24 to 36 months and, as such, contract costs capitalised are disclosed as current assets.

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

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

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

The Group's normal operating cycle for contract assets are 24 to 36 months and, as such, contract assets are disclosed as current assets.

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

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

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

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

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

Notes to the financial statements continued

for the year ended 31 March 2024

3. Performance continued

3.2 Revenue continued

3.2.1 Disaggregation of revenue

	Company	
	31 March 2024 Rm	Restated[1] 31 March 2023 Rm
Revenue	**30 865**	33 890
Revenue from contracts with customers recognised over time	**26 368**	28 797
Voice	**6 354**	7 992
Interconnection	**581**	660
Data	**18 853**	18 975
Information technology	**–**	490
Customer premises equipment related services	**96**	163
Interest revenue	**314**	319
Sundry revenue	**170**	198
Revenue from contracts with customers recognised at a point in time	**4 216**	4 850
Customer premises equipment	**4 183**	4 789
Sundry revenue	**33**	61
Lease revenue[2]	**–**	40
Insurance revenue	**281**	203

[1] *Restated due to IFRS 17 adoption. Refer to note 2.7 for details.*

[2] *Lease revenue is Rnil in the current year due to Openserve carve-out.*

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

Included in Telkom Company revenue is revenue to the value of R4 623 million (31 March 2023: R5 592 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.

3.2.2 Transaction price allocated to the remaining performance obligations

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

	Group 31 March 2024		
	2025 Rm	**2026 Rm**	**Beyond 2027 Rm**
Voice	**260**	**118**	**26**
Data	**2 587**	**1 153**	**855**
Information technology	**228**	**22**	**12**

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

Notes to the financial statements continued

for the year ended 31 March 2024

3. Performance continued

3.2 Revenue continued

3.2.2 Transaction price allocated to the remaining performance obligations continued

	Company 31 March 2024		
	2025 Rm	**2026 Rm**	**Beyond 2027 Rm**
Data	**260**	**118**	**26**
Voice	**2 485**	**1 052**	**149**

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

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

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

3.2.3 Customer relationship periods

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

- Voice revenue: 5.5 years (31 March 2023: 5.5 years)
- Wholesale revenue: 4 years (31 March 2023: 4 years)
- Non-voice revenue: 3.5 years (31 March 2023: 3.5 years)

There has been no change in the average CRPs in respect of non-voice revenue, voice revenue and wholesale revenue during the 2024 financial year.

Notes to the financial statements continued

for the year ended 31 March 2024

3. Performance continued

3.2 Revenue continued

3.2.4 Assets and liabilities related to contracts with customers

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

3.2.4.1 Contract assets

	Group		Company	
	31 March 2024 Rm	31 March 2023 Rm	**31 March 2024 Rm**	31 March 2023 Rm
Contract assets	**2 204**	2 440	**2 204**	2 440
Gross contract assets	**2 808**	2 948	**2 808**	2 948
Impairment of contract assets	**(604)**	(508)	**(604)**	(508)
Allowance account for expected credit losses – contract assets	**604**	508	**604**	508
Opening balance as previously reported	**508**	496	**508**	496
Charged to statement of profit or loss and other comprehensive income	**397**	116	**397**	116
Contract assets written off	**(301)**	(104)	**(301)**	(104)

Contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include sending reminders, pinging the accounts for additional debit order collections, suspending the services, handing over the debt to external debt collectors and not receiving the debtors' positive feedback that confirms the amounts as collectable, failure of a debtor to engage in a repayment plan with the Group, blacklisting the customer, and failure to make contractual payments.

The decrease in the gross contract asset balance is due to lower CPE sales as a result of stringent credit vetting of customers due to higher default in the current year. The increase in the allowance for expected credit losses is driven by an increase in default rates as a result of the current macro-economic conditions. This also resulted in higher write-offs in the current year.

Refer to note 7.1.4 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 contract assets factored is R1 083 million (31 March 2023: R1 371 million).

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

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

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

Notes to the financial statements continued

for the year ended 31 March 2024

3. Performance continued

3.2 Revenue continued

3.2.4 Assets and liabilities related to contracts with customers continued

3.2.4.2 Other current assets

	Group		Company	
	31 March 2024 Rm	31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Other current assets	**545**	462	**545**	462
Contract costs capitalised	**272**	240	**272**	240
Ongoing commission capitalised assets	**273**	222	**273**	222
Contract costs capitalised	**272**	240	**272**	240
Opening balance	**240**	255	**240**	255
Contract costs capitalised during the year	**303**	254	**303**	254
Contracts cancelled during the year	**(28)**	(27)	**(28)**	(27)
Amortisation recognised as cost of providing services during the year	**(243)**	(242)	**(243)**	(242)

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

	Group		Company	
Ongoing commission capitalised assets	31 March 2024 Rm	31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Contract asset – ongoing commission	**273**	222	**273**	222
Ongoing commission (included in trade and other payables)	**(273)**	(222)	**(273)**	(222)
Opening balance	**222**	211	**222**	211
Expense amortised in the current year	**(153)**	(126)	**(153)**	(126)
New contracts entered into	**306**	242	**306**	242
Contracts cancelled during the year	**(102)**	(105)	**(102)**	(105)
Closing balance	**273**	222	**273**	222

3.2.4.3 Deferred revenue

	Group		Company	
	31 March 2024 Rm	31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Deferred revenue	**2 550**	1 603	**992**	1 156
Non-current deferred revenue	**899**	128	**24**	33
Current portion of deferred revenue	**1 651**	1 475	**968**	1 123

The deferred revenue balance consists primarily of deferred installation fees, deferred revenue from the Google cable landing station, deferred revenue from the grant of use of terrestrial network on system 1 and revenue billed in advance due to Telkom's various billing cycles. Deferred revenue increased mainly due to the Google Equiano transaction. Refer to note 2.6 for more details.

At the end of the prior year, R1 475 million (31 March 2022: R1 633 million) for Group and R1 123 million (31 March 2022: R1 483 million) for Company was recognised as a current liability.

The total revenue recognised in the current year, which related to carried forward deferred revenue associated with installation fee revenue, deferred revenue from the Google cable landing station, deferred revenue from the grant of use of terrestrial network on system 1 and revenue payable in advance, is disclosed in the table below. The amounts recognised as a contract liability will generally be utilised within the next reporting period.

Notes to the financial statements continued

for the year ended 31 March 2024

3. Performance continued

3.2 Revenue continued

3.2.4 Assets and liabilities related to contracts with customers continued

3.2.4.3 Deferred revenue continued

Revenue recognised in relation to deferred revenue (contract liabilities):	Group 31 March 2024 Rm	Group 31 March 2023 Rm	Company 31 March 2024 Rm	Company 31 March 2023 Rm
Deferred revenue	**1 224**	1 213	**992**	1 035

The table above illustrates the portion of the revenue recognised in the current period which related to carried forward deferred revenue associated with installation fee revenue, deferred revenue from the Google cable landing station, deferred revenue from the grant of use of terrestrial network on system 1 and revenue billed in advance.

3.3. Other income

	Group 31 March 2024 Rm	Group 31 March 2023 Rm	Company 31 March 2024 Rm	Company 31 March 2023 Rm
Other income	**895**	863	**1 751**	1 780
Interest received from trade receivables[1]	**203**	137	**162**	106
Sundry income[2]	**477**	452	**1 392**	1 414
Profit on disposal of assets[3]	**215**	274	**197**	260

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

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

[3] *Included in the current year profit on disposal of assets for Group and Company is a gain on disposal of contract assets to the amount of R123 million (31 March 2023: R198 million).*

3.4 Expenses

Summary of material accounting policies

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

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

Payments to other operators
Costs charged based on usage by other service providers in the same line of business. These services are directly related to offering of the products or services to customers, and exclude amounts paid in relation to internal consumption.

Notes to the financial statements continued

for the year ended 31 March 2024

3. Performance continued

3.4 Expenses continued

3.4.1 Payments to other operators

	Group		Company	
	31 March 2024 Rm	31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Payments to other operators	(3 328)	(3 399)	(2 664)	(2 964)

Payments to other operators decreased due to lower roaming traffic costs paid to other operators for Telkom Company.

3.4.2 Cost of handsets, equipment, software and directories

	Group		Company	
	31 March 2024 Rm	Restated[1] 31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Cost of handsets, equipment, software and directories	(6 125)	(6 341)	(3 867)	(4 280)

[1] *Refer to note 2.7.*

Cost of handsets, equipment, software and directories decreased mainly due to lower mobile post-paid sales and higher rebates received.

3.4.3 Sales commission, incentives and logical costs

	Group		Company	
	31 March 2024 Rm	31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Sales commission, incentives and logistical costs	(2 748)	(2 522)	(2 748)	(2 521)

Sales commission, incentives and logistical costs increased due to higher commissions from growth in the commissionable base and increased connections via commissionable channels.

3.4.4 Employee expenses

	Group		Company	
	31 March 2024 Rm	31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Employee expenses	(7 895)	(9 292)	(1 519)	(3 397)
Salaries and wages[1]	(6 932)	(7 665)	(1 166)	(2 608)
Post-retirement pension and retirement fund (refer to notes 10.2 and 10.3)[2]	(481)	(582)	(48)	(200)
Post-retirement medical aid (refer to note 10.4)[3]	7	176	7	176
Post-retirement telephone rebates (refer to note 10.5)	(39)	(36)	(39)	(36)
Share-based compensation expense (refer to note 9.2)	(121)	(176)	(36)	(80)
Other benefits[4]	(509)	(1 255)	(238)	(764)
Employee expenses capitalised to capital projects[2]	180	246	1	115

[1] *Salaries and wages for Company decreased mainly due to the Openserve carve-out in the prior financial year. Openserve was a division of Telkom Company for the first five months of the 2023 financial year.*

[2] *The decrease in Company post-retirement pension and retirement fund and employee expenses capitalised to capital projects is mainly due to Openserve carve-out. In the prior year, five months of Openserve expense was included in Company.*

[3] *The decrease in post-retirement medical aid is due to curtailment paid by the Company for 31 May 2023 restructuring that was not taken into account in the 31 March 2023 valuation report.*

[4] *Other benefits include, among others, skills development, annual leave, performance incentive, service bonuses, voluntary employee severance/voluntary early retirement and retrenchment package costs and termination benefits. Included in other benefits for 31 March 2023 were restructuring costs amounting to R1 065 million for Group and R420 million for Company. The decrease is also due to lower leave pay and training costs compared to the prior year.*

Notes to the financial statements continued

for the year ended 31 March 2024

3. Performance continued

3.4 Expenses continued

3.4.5 Other expenses

	Group		Company	
	31 March 2024 Rm	Restated[1] 31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Other expenses	**(2 195)**	(2 324)	**(697)**	(857)
Sundry expenses[2]	**(402)**	(400)	**(36)**	(66)
Licence fees	**(287)**	(393)	**(207)**	(331)
Subsistence and travel	**(55)**	(60)	**(15)**	(19)
Third party service costs	**(927)**	(968)	**(134)**	(118)
Image building and market research costs	**(73)**	(74)	**(60)**	(71)
Telephone rebate – Openserve employees	**–**	–	**(17)**	–
Donations	**(66)**	(55)	**(35)**	(34)
Losses[3]	**(305)**	(314)	**(149)**	(171)
Other	**(80)**	(60)	**(44)**	(47)

[1] *Refer to note 2.7.*

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

[3] *Losses include losses as a result of damages to private property of third-parties, costs of extinguishing fire and excess payments to insurers.*

3.4.6 Wholesale voice and non-voice services

	Group		Company	
	31 March 2024 Rm	31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Wholesale voice and non-voice services	**–**	(196)	**(5 638)**	(3 574)
Data connectivity	**–**	(71)	**(3 222)**	(1 922)
Broadband access	**–**	(8)	**(1 475)**	(878)
Managed services	**–**	(107)	**(137)**	(100)
Line rental cost	**–**	(10)	**(804)**	(674)

Wholesale voice and non-voice services increased for Company mainly due to Openserve carve-out, in the prior year five months costs were included as Openserve carve-out happened in September 2022.

3.4.7 Maintenance

	Group		Company	
	31 March 2024 Rm	Restated[1] 31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Maintenance	**(4 842)**	(4 152)	**(2 608)**	(3 241)

[1] *Refer to note 2.7.*

Maintenance costs have increased for the Group due to higher maintenance costs and support contract costs. The decrease for Company is due to the Openserve carve-out. In the prior year, five months of Openserve costs were included in Company.

Notes to the financial statements continued

for the year ended 31 March 2024

3. Performance continued

3.4 Expenses continued

3.4.8 Service fees

	Group		Company	
	31 March 2024 Rm	Restated[1] 31 March 2023 Rm	**31 March 2024 Rm**	31 March 2023 Rm
Service fees	**(3 849)**	(3 870)	**(1 397)**	(2 171)
Facilities and property management	**(2 443)**	(2 524)	**(715)**	(1 357)
Consultancy, security and other services	**(1 406)**	(1 346)	**(682)**	(814)
Audit fees[2]	**(82)**	(113)	**(44)**	(76)
Consultancy services[2,3]	**(403)**	(497)	**(97)**	(168)
Security and other services[2]	**(921)**	(736)	**(541)**	(570)

[1] *Refer to note 2.7.*

[2] *In the current year, we have disclosed a breakdown of consultancy, security and other services. The change is made to better reflect the nature of the expense.*

[3] *Consultancy services include non-audit fees of R680 000 (31 March 2023: R1.5 million).*

Facilities and property management decreased mainly due to lower diesel refuelling costs for standby generators and lower utility costs. The decrease in Company is mainly due to the Openserve carve-out. Openserve was part of Telkom Company for the first five months of the 2023 financial year.

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

	Group		Company	
	31 March 2024 Rm	Restated[1] 31 March 2023 Rm	**31 March 2024 Rm**	31 March 2023 Rm
Depreciation, amortisation, impairments and write-offs of non-financial assets	**(5 525)**	(20 589)	**(3 125)**	(11 463)
Depreciation of property, plant and equipment[1]	**(3 350)**	(5 092)	**(1 155)**	(3 038)
Depreciation of right-of-use assets	**(1 463)**	(1 255)	**(1 404)**	(1 439)
Depreciation of investment property	**–**	–	**(112)**	(55)
Amortisation of intangible assets	**(632)**	(746)	**(426)**	(577)
Write-offs of property, plant and equipment and intangible assets[2]	**(80)**	(260)	**(28)**	(225)
Impairment of property, plant and equipment and intangible assets[2]	**–**	(13 236)	**–**	(6 129)

[1] *Refer to note 2.7.*

[2] *The decrease is mainly due to the impairment recognised in the prior year.*

	Group		Company	
The estimated useful lives assigned to groups of property, plant and equipment are:	**Years 2024**	Years 2023	**Years 2024**	Years 2023
Freehold buildings	**5 to 43**	5 to 50	**5 to 40**	5 to 40
Network equipment				
Cables	**4 to 30**	4 to 30	**4 to 30**	4 to 30
Switching equipment	**5 to 18**	5 to 18	**5 to 18**	5 to 18
Transmission equipment	**5 to 20**	5 to 20	**5 to 20**	5 to 20
Other	**2 to 20**	2 to 20	**2 to 20**	2 to 20
Support equipment	**5 to 12**	5 to 12	**5 to 10**	5 to 10
Furniture and office equipment	**10 to 15**	5 to 15	**11 to 15**	11 to 15
Data processing equipment and software	**2 to 10**	5 to 10	**5 to 10**	5 to 10
Telkom support services equipment	**2 to 20**	2 to 20	**2 to 20**	2 to 20

Notes to the financial statements continued

for the year ended 31 March 2024

3. Performance continued

3.4 Expenses continued

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

The expected useful lives assigned to investment property are:	Company	
	Years 2024	Years 2023
Investment property	**5 to 40**	5 to 40

The expected useful lives assigned to intangible assets are:	Group		Company	
	Years 2024	Years 2023	Years 2024	Years 2023
Software and licences	**5 to 10**	3 to 10	**5 to 10**	5 to 10
Trademarks, copyrights and other	**5 to 20**	5 to 20	**5 to 20**	5 to 13

During the year, the Group reassessed the useful lives on various property, plant and equipment and intangible assets. The reassessment takes into account the Group's current capex strategy and changes in the technological environment. The reassessment of useful lives decreased the depreciation expense by R37 million (31 March 2023: decrease of R98 million) and decreased the amortisation expense by R2 million (31 March 2023: increase of R133 million) at Company level and decreased the depreciation expense by R143 million (31 March 2023: decrease of R80 million) and decreased the amortisation expense by R8 million (31 March 2023: decrease of R128 million) at Group level. With all other factors remaining constant, depreciation for future periods is expected to increase by R37 million for Company and by R143 million for Group, and amortisation for future periods is expected to increase by R2 million for Company and R8 million for the Group. Refer to notes 5.1 and 5.2 for the related accounting policies.

3.5 Earnings and dividends per share

Summary of material accounting policies

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

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

Headline earnings per share
Headline earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 1/2023 Headline Earnings issued by the South African Institute of Chartered Accountants and as required by the JSE Ltd.

Earnings per share	Group	
	31 March 2024	Restated[1] 31 March 2023
Continuing operations		
Basic earnings/(loss) per share (cents)	**297.8**	(2 120.2)
Diluted earnings/(loss) per share (cents)	**291.0**	(2 120.2)
Headline earnings/(loss) per share (cents)[2,3]	**288.1**	(99.3)
Diluted headline earnings/(loss) per share (cents)[2,3]	**281.6**	(99.3)

Notes to the financial statements continued

for the year ended 31 March 2024

3. Performance continued

3.5 Earnings and dividends per share continued

Discontinued operation	Group 31 March 2024	Group 31 March 2023
Basic earnings per share (cents)	**87.7**	61.3
Diluted earnings per share (cents)	**85.7**	61.3
Headline earnings per share (cents)[2]	**87.9**	63.8
Diluted headline earnings per share (cents)[2]	**85.9**	63.8

[1] *Refer to note 2.7.*

[2] *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 1/2023 issued in this regard as well as the relevant requirements of IAS 33.*

[3] *Headline earnings has been restated for the prior period error which impacted headline and diluted headline earnings per share. The "As previously reported" column below takes into account the restatement of the discontinued operation as referred to in footnote 1.*

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Reconciliation of weighted average number of ordinary shares:	Group 31 March 2024 Number of shares	Group 31 March 2023 Number of shares
Weighted ordinary shares in issue	**511 140 239**	511 140 239
Weighted average number of treasury shares	**(24 235 611)**	(26 755 821)
Weighted average number of shares outstanding	**486 904 628**	484 384 418
Reconciliation of diluted weighted average number of ordinary shares:		
Weighted average number of shares outstanding	**486 904 628**	484 384 418
Expected future vesting of shares related to Group share scheme incentive plans[1]	**11 350 936**	–
Diluted weighted average number of shares outstanding	**498 255 564**	484 384 418

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

	31 March 2024		Restated 31 March 2023	
Continuing operations **Reconciliation between earnings/(loss) and headline earnings/(loss):**	**Gross Rm**	**Net Rm**	Gross Rm	Net Rm
Profit/(loss) for the year		**1 454**		(10 268)
Non-controlling interests		**(4)**		(2)
Profit/(loss) attributable to owners of Telkom		**1 450**		(10 270)
Profit on disposal of property, plant and equipment and intangible assets	**(81)**	**(110)**	(64)	(85)
Impairment of property, plant and equipment and intangible assets	**–**	**–**	13 236	9 679
Write-offs of property, plant and equipment and intangible assets	**80**	**63**	260	195
Headline earnings/(loss)		**1 403**		(481)
Discontinued operation				
Profit for the year		**427**		297
Write-offs of property, plant and equipment and intangible assets	**1**	**1**	12	12
Headline earnings		**428**		309

Notes to the financial statements continued

for the year ended 31 March 2024

3. Performance continued

3.5 Earnings and dividends per share continued

Restatement of prior period error

The impact of this restatement, as referred to in note 2.3.2, on the aggregated amounts previously disclosed were:

	Group As at 31 March 2023		
Continuing operations *Reconciliation between loss and headline loss:*	As previously reported[3] Rm	Restatement Rm	Restated Rm
Loss for the year (as previously reported)	(9 971)	–	(9 971)
Loss for the year from continued operations	(10 268)	–	(10 268)
Non-controlling interests	(2)	–	(2)
Loss attributable to owners of Telkom	(10 270)	–	(10 270)
Profit on disposal of property, plant and equipment and intangible assets	(64)	(21)	(85)
Impairments of property, plant and equipment and intangible assets	9 662	17	9 679
Write-offs of property, plant and equipment and intangible assets	250	(55)	195
Headline loss	(422)	(59)	(481)
Discontinued operation *Reconciliation between earnings and headline earnings:*			
Profit for the period	297	–	297
Write-offs of property, plant and equipment and intangible assets	–	12	12
Headline earnings	297	12	309

Headline (loss)/earnings per share (cents)	Cents		
Continuing operations	(87.1)	(12.2)	(99.3)
Discontinued operation	61.3	2.5	63.8
Total headline loss	(25.8)	(9.7)	(35.5)
Diluted headline (loss)/earnings per share (cents)			
Continuing operations	(87.1)	(12.2)	(99.3)
Discontinued operation	61.3	2.5	63.8
Total headline loss	(25.8)	(9.7)	(35.5)

Notes to the financial statements continued

for the year ended 31 March 2024

3. Performance continued

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

	Group		Company	
	31 March 2024 Rm	Restated[1] 31 March 2023 Rm	**31 March 2024 Rm**	Restated[1] 31 March 2023 Rm
Cash generated from operations[2]	**10 235**	6 705	**5 282**	4 510
Profit/(loss) before tax	**2 537**	(13 501)	**3 611**	(11 783)
Finance charges and fair value movements	**2 197**	1 484	**2 002**	1 546
Investment income	**(253)**	(156)	**(4 381)**	(1 064)
Interest received from trade receivables and subsidiaries	**(203)**	(137)	**(162)**	(106)
Non-cash items	**7 347**	22 320	**3 874**	17 554
Depreciation, amortisation, impairment and write-offs	**5 561**	20 653	**3 124**	11 463
Increase in impairment of trade receivables, contract assets and loans[3]	**1 683**	1 255	**1 451**	1 145
(Decrease)/increase in provisions	**(846)**	441	**(394)**	(77)
Impairment of investment in subsidiaries	**–**	–	**28**	4 655
Insurance revenue	**(281)**	(203)	**(281)**	(203)
Insurance service expenses	**184**	209	**184**	209
Reversal of FutureMakers impairment	**–**	(10)	**–**	–
Gain on termination of leases	**(35)**	(12)	**(13)**	(14)
Profit from disposal of property, plant and equipment and intangible assets	**(81)**	(64)	**(61)**	(48)
Gain on sale of contract assets	**(123)**	(198)	**(123)**	(198)
Foreign exchange movements	**148**	243	**87**	256
Share-based payment expenses	**121**	174	**36**	80
Movement in deferred revenue	**1 016**	(168)	**(164)**	286
Movement in working capital	**(1 390)**	(3 305)	**338**	(1 637)
Movement in inventories	**244**	(64)	**(26)**	109
(Increase)/decrease in trade receivables, contract assets, finance lease receivables and other receivables	**(948)**	(3 001)	**720**	(5 037)
(Decrease)/increase in trade and other payables and prepayments	**(686)**	(240)	**(356)**	3 291

[1] *Restated for IFRS 17 adoption. Refer to note 2.7 for details.*

[2] *This includes Swiftnet's cash generated from operations of R14 million (31 March 2023: R376 million). In the current year, Swiftnet has been disclosed as a non-current asset held for sale. Refer to note 12.2.*

[3] *In the prior year, this line was split between two line items: increase/(decrease) in expected credit loss provision and bad debt written off. In the current year, these lines have been aggregated into one line to align with the statement of profit or loss and other comprehensive income. The comparatives have been restated.*

Notes to the financial statements continued

for the year ended 31 March 2024

3. Performance continued

3.7 Changes in liabilities arising from financing activities

	Group			
2024	**Derivative liabilities – interest rate swaps Rm**	**Interest–bearing debt Rm**	**Lease liabilities Rm**	**Total Rm**
Balance as at 31 March 2023	**16**	**14 356**	**5 888**	**20 260**
Cash flow movements	**–**	**(150)**	**(1 792)**	**(1 942)**
Loans raised	–	9 363	–	9 363
Loans repaid	–	(9 513)	–	(9 513)
Repayment of lease liability[1]	–	–	(1 792)	(1 792)
Non-cash flow movements	**(16)**	**11**	**2 365**	**2 360**
Foreign exchange revaluation on loans	–	(9)	–	(9)
Insurance premium amortised	–	16	–	16
Finance charges capitalised to interest-bearing debt[2]	–	4	–	4
Additions to lease liabilities	–	–	1 417	1 417
Termination of leases	–	–	(88)	(88)
Lease modifications	–	–	544	544
IFRS 16 interest capitalised	–	–	602	602
Accrued lease payments	–	–	70	70
Valuation gain	(16)	–	–	(16)
Leases transferred to non-current assets held for sale	–	–	(180)	(180)
Balance as at 31 March 2024	**–**	**14 217**	**6 461**	**20 678**
2023				
Balance as at 31 March 2022	69	11 932	5 374	17 375
Cash flow movements	(53)	2 320	(1 571)	696
Repayment of derivatives	(53)	–	–	(53)
Loans raised	–	25 970	–	25 970
Loans repaid	–	(23 650)	–	(23 650)
Repayment of lease liability[1]	–	–	(1 571)	(1 571)
Non-cash flow movements	–	104	2 085	2 189
Foreign exchange revaluation on loans	–	21	–	21
Finance charges capitalised to interest-bearing debt[2]	–	72	–	72
Insurance premium amortised	–	11	–	11
Additions to lease liabilities	–	–	1 203	1 203
Termination of leases	–	–	(144)	(144)
Lease modifications	–	–	538	538
IFRS 16 interest capitalised	–	–	488	488
Balance as at 31 March 2023	16	14 356	5 888	20 260

[1] *Repayment of lease liability includes interest repayments of R602 million (31 March 2023: R488 million) for Group and R468 million (31 March 2023: R464 million) for Company which are classified as operating activities in the statement of cash flows. Repayment of capital portion in the statement of cash flows includes a prepayment of R2 million (31 March 2023: R3 million) for Group and Company. The payments were further increased by the movement of R10 million for Group and R11 million for Company in accrued lease payments.*

Notes to the financial statements continued

for the year ended 31 March 2024

3. Performance continued

3.7 Change in liabilities arising from financing activities continued

	Company			
2024	**Derivative liabilities – interest rate swaps Rm**	**Interest–bearing debt Rm**	**Lease liabilities Rm**	**Total Rm**
Balance as at 31 March 2023 as previously reported	**16**	**14 356**	**5 355**	**19 727**
Cash flow movements	**–**	**(150)**	**(1 669)**	**(1 819)**
Loans raised	–	9 363	–	9 363
Loans repaid	–	(9 513)	–	(9 513)
Repayment of lease liability[1]	–	–	(1 669)	(1 669)
Non-cash flow movements	**63**	**11**	**1 467**	**1 541**
Foreign exchange revaluation on loans	–	(9)	–	(9)
Insurance premium amortised	–	16	–	16
Finance charges capitalised to interest-bearing debt[2]	–	4	–	4
Additions to lease liabilities	–	–	495	495
Termination of leases	–	–	(199)	(199)
Lease modifications	–	–	624	624
IFRS 16 interest capitalised	–	–	468	468
Accrued lease payments	79	–	79	158
Valuation gain	(16)	–	–	(16)
Balance as at 31 March 2024	**79**	**14 217**	**5 153**	**19 449**
2023				
Balance as at 31 March 2022	69	11 932	6 103	18 104
Cash flow movements	(53)	2 320	(1 775)	492
Repayment of derivatives	(53)	–	–	(53)
Loans raised	–	25 970	–	25 970
Loans repaid	–	(23 650)	–	(23 650)
Repayment of lease liability[1]	–	–	(1 775)	(1 775)
Non-cash flow movements	–	104	1 027	1 131
Foreign exchange revaluation on loans	–	21	–	21
Finance charges capitalised to interest-bearing debt[2]	–	72	–	72
Insurance premium amortised	–	11	–	11
Additions to lease liabilities	–	–	1 068	1 068
Termination of leases	–	–	(166)	(166)
Lease modifications	–	–	963	963
IFRS 16 interest capitalised	–	–	464	464
Leases transferred from Trudon	–	–	26	26
Leases transferred to Openserve	–	–	(1 328)	(1 328)
Balance as at 31 March 2023	16	14 356	5 355	19 727

1 *Repayment of lease liability includes interest repayments of R602 million (31 March 2023: R488 million) for Group and R468 million (31 March 2023: R464 million) for Company which are classified as operating activities in the statement of cash flows. Repayment of capital portion in the statement of cash flows includes a prepayment of R2 million (31 March 2023: R3 million) for Group and Company. The payments were further increased by the movement of R10 million for Group and R11 million for Company in accrued lease payments.*

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

Notes to the financial statements continued

for the year ended 31 March 2024

4. Working capital

4.1 Lease receivables

4.1.1 Finance lease receivables

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

	Group		
2024	**Total Rm**	**<1 year Rm**	**1 – 5 years Rm**
Minimum lease payments receivable			
Lease payments receivable	**691**	**334**	**357**
Unearned finance income	**(76)**	**(36)**	**(40)**
Present value of minimum lease income (Lease receivables)	**615**	**298**	**317**
Expected credit loss	**(36)**		
Carrying amount	**579**		
2023			
Minimum lease payments receivable			
Lease payments receivable	750	365	385
Unearned finance income	(77)	(36)	(41)
Present value of minimum lease income (Lease receivables)	673	329	344
Expected credit loss	(25)		
Carrying amount	648		

Credit risk has increased for the Group resulting in an increase in ECL compared to the prior year even though the carrying amount has decreased. The increase in the ECL was due to specific customers' account balances that have been long outstanding.

	Company		
2024	**Total Rm**	**<1 year Rm**	**1 – 5 years Rm**
Minimum lease payments receivable			
Lease payments receivable	**56**	**24**	**32**
Unearned finance income	**(8)**	**(4)**	**(4)**
Present value of minimum lease income (Lease receivables)	**48**	**20**	**28**
Expected credit loss	**(10)**		
Carrying amount	**38**		
2023			
Minimum lease payments receivable			
Lease payments receivable	71	34	37
Unearned finance income	(9)	(5)	(4)
Present value of minimum lease income (Lease receivables)	62	29	33
Expected credit loss	(10)		
Carrying amount	52		

Notes to the financial statements continued

for the year ended 31 March 2024

4. Working capital continued

4.1 Lease receivables continued

4.1.2 Operating lease revenue

	Group operating leases			
2024	**Total Rm**	**<1 year Rm**	**1 – 5 years Rm**	**>5 years Rm**
Rental receivable on buildings	**(73)**	**(37)**	**(36)**	**–**
Customer premises equipment receivables	**(7)**	**(4)**	**(3)**	**–**
Exchanges	**(94)**	**(94)**	**–**	**–**
Masts and towers[1]	**(2 417)**	**(684)**	**(1 733)**	**–**
Total	**(2 591)**	**(819)**	**(1 772)**	**–**
2023				
Rental receivable on buildings	(185)	(39)	(138)	(8)
Customer premises equipment receivables	(3)	(2)	(1)	–
Exchanges	(178)	(71)	(70)	(37)
Masts and towers[1]	(1 835)	(577)	(1 243)	(15)
Total	(2 201)	(689)	(1 452)	(60)

[1] *In the current year, Swiftnet has been disclosed as a non-current asset held for sale. Future rentals will not materialise once Swiftnet has been sold.*

	Company operating leases			
2024	**Total Rm**	**<1 year Rm**	**1 – 5 years Rm**	**>5 years Rm**
Rental receivable on buildings	**244**	**76**	**168**	**–**
Customer premises equipment receivables	**(7)**	**(4)**	**(3)**	**–**
Exchanges	**–**	**–**	**–**	**–**
Total	**237**	**72**	**165**	**–**
2023				
Rental receivable on buildings[1]	396	81	315	–
Customer premises equipment receivables	(3)	(2)	(1)	–
Total	393	79	314	–

[1] *The prior year was restated to correct disclosure relating to future rental receivable on investment property buildings which was omitted in the prior year. The error does not have any impact on the information presented within the primary statements and only impacted this note disclosure.*

Notes to the financial statements continued

for the year ended 31 March 2024

4. Working capital continued

4.2 Inventories

Significant accounting judgements, estimates and assumptions

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

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

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

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

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

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

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

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

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

Summary of material accounting policies

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

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

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

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

Notes to the financial statements continued

for the year ended 31 March 2024

4. Working capital continued

4.2 Inventories continued

	Group		Company	
	31 March 2024 Rm	31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Inventories	903	1 091	355	317
Gross inventories	1 143	1 320	393	321
Write-down of inventories to net realisable value	(240)	(229)	(38)	(4)
Inventories consist of the following categories:	1 143	1 320	393	321
Installation material, maintenance material and network equipment	431	468	1	1
Merchandise	712	852	392	320
Write-down of inventories to net realisable value	240	229	38	4
Opening balance	229	160	4	107
Charged to statement of profit or loss and other comprehensive income	36	70	34	22
Write-down provision transferred to Openserve (Pty) Ltd	–	–	–	(119)
Inventories written off	(25)	(1)	–	(6)

During the current financial year, R4 million (31 March 2023: R123 million) for Group and R4 million (31 March 2023: Rnil) for Company were transferred from inventories to property, plant and equipment. The transfers only take place from CWIP.

4.3 Trade and other receivables

	Group		Company	
	31 March 2024 Rm	31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Trade and other receivables	8 215	9 314	6 165	8 744
Trade receivables	6 174	6 877	3 874	4 875
Gross trade receivables	9 369	9 785	6 698	7 113
Impairment of receivables	(3 195)	(2 908)	(2 824)	(2 238)
Other receivables	1 079	1 525	1 878	3 398
Prepayments	962	912	413	471

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.

The decrease in trade receivables is mainly due to payments from mobile dealers and government departments as well as write-offs. Although there was a decrease in the gross trade receivables, the increase in the impairment of receivables is driven by an increase in default rates and higher write-offs experienced in the current year as a result of the current macro-economic conditions.

Other receivables generally arise from transactions outside the usual operating activities of the Group. Other receivables include sundry debtors, staff bursaries and staff loans. Other receivables decreased at Company level mainly due to a decrease in intercompany balances between Telkom and Openserve.

Notes to the financial statements continued

for the year ended 31 March 2024

4. Working capital continued

4.3 Trade and other receivables continued

	Group		Company	
	31 March 2024 Rm	31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Allowance account for expected credit losses – trade receivables	**3 195**	2 908	**2 824**	2 238
Opening balance as previously reported	**2 908**	2 296	**2 238**	1 638
Charged to statement of profit or loss and other comprehensive income	**1 285**	1 112	**1 048**	945
Enterprise loss allowance movement	**–**	–	**(40)**	(93)
Receivables written off	**(998)**	(500)	**(422)**	(252)

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include sending reminders, pinging the accounts for additional debit order collections, suspending the services, handing over the debt to external debt collectors and not receiving the debtors positive feedback that confirms the amounts as collectable, failure of a debtor to engage in a repayment plan with the Group, blacklisting the customer, and failure to make contractual payments.

Refer to note 7.1.4 for a detailed credit risk analysis.

4.4 Cash and cash equivalents

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

	Group		Company	
Net cash and cash equivalents	31 March 2024 Rm	31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Cash and cash equivalents	**3 747**	3 469	**1 863**	1 807
Cash and bank balances	**2 687**	2 120	**803**	457
Short-term deposits	**1 060**	1 349	**1 060**	1 350
Undrawn borrowing facilities	**5 563**	2 837	**5 250**	2 520

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 2024, R4 billion (31 March 2023: R2.27 billion) of these undrawn facilities were committed by the banks. The R1 563 million uncommitted portion is subject to bank approval.

Undrawn borrowing facilities increased due to the committed facilities of R2 billion utilised in the prior year and repaid with new long-term facilities in the current year and an additional new facility of R1 billion in current year.

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 2024

4. Working capital continued

4.5 Trade and other payables

Summary of material accounting policies

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

Assessment of SCF arrangements, and whether they result in changes to the trade payable classification of interest-bearing debt, takes into consideration numerous factors, which include the impact of the arrangement on the supplier's payment term, nature of relationships between the Group and the funders, changes in cash flows, whether there are any guarantees provided by the Group to the funders, as well as whether the supplier has discharged the Group from its obligation.

Considering the above assessment at reporting date, none of the traded invoices subject to the SCF arrangement met the requirements to be reclassified as interest-bearing debt. Thus, the arrangement does not have an impact on the Group's trade payables, net debt and cash flows.

	Group		Company	
	31 March 2024 Rm	31 March 2023 Rm	**31 March 2024 Rm**	31 March 2023 Rm
Trade and other payables	**8 996**	10 419	**8 108**	12 874
Trade payables	**5 004**	6 211	**5 548**	9 981
Accruals	**3 992**	4 208	**2 560**	2 893

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

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

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

R1 435 million (31 March 2023: R1 411 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.

Trade and other payables decreased mainly due to lower capex spend and the payment of spectrum in the current year.

Notes to the financial statements continued

for the year ended 31 March 2024

5. Long-term assets

5.1 Property, plant and equipment

Significant accounting judgements, estimates and assumptions

Estimation of useful lives and residual values for property, plant and equipment
The useful lives of assets are based on management's estimation. Management considers the impact of changes in technology, customer service requirements and availability of capital funding to determine the optimum useful life expectation for each of the individual categories of property, plant and equipment. Due to the rapid technological advancement in the telecommunications industry, the estimation of useful lives could differ significantly on an annual basis due to unexpected changes in the rollout strategy. The impact of the change in the expected useful lives of property, plant and equipment is described fully in note 3.4.9. The measurement of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives and the estimation of what their condition will be like at that time. Changes in the useful lives and/or residual values are accounted for as a change in accounting estimate.

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

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

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

Summary of material accounting policies

Recognition of property, plant and equipment

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

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

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

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

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

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

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

The estimated useful lives applied are provided in note 3.4.9.

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

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

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

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

Notes to the financial statements continued

for the year ended 31 March 2024

5. Long-term assets continued

5.1 Property, plant and equipment continued

Group	2024 Cost Rm	2024 Accumulated depreciation, impairment and write-offs Rm	2024 Carrying value Rm	2023 Cost Rm	2023 Accumulated depreciation and write-offs Rm	2023 Carrying value Rm
Freehold land and buildings	7 056	(4 975)	2 081	7 612	(4 875)	2 737
Network equipment	100 810	(80 039)	20 771	98 718	(78 726)	19 992
Support equipment	6 642	(5 673)	969	6 437	(5 415)	1 022
Furniture and office equipment	823	(601)	222	814	(617)	197
Data processing equipment and software	3 227	(2 875)	352	3 357	(2 955)	402
Under construction	1 538	–	1 538	1 759	–	1 759
Other[1]	508	(439)	69	512	(443)	69
	120 604	(94 602)	26 002	119 209	(93 031)	26 178

Company	2024 Cost Rm	2024 Accumulated depreciation, impairment and write-offs Rm	2024 Carrying value Rm	2023 Cost Rm	2023 Accumulated depreciation and write-offs Rm	2023 Carrying value Rm
Freehold land and buildings	1 457	(875)	582	1 326	(738)	588
Network equipment	22 088	(14 775)	7 313	21 881	(14 837)	7 044
Support equipment	355	(226)	129	317	(208)	109
Furniture and office equipment	165	(106)	59	152	(100)	52
Data processing equipment and software	2 123	(1 875)	248	2 249	(2 003)	246
Under construction	930	–	930	847	–	847
Other[1]	121	(97)	24	112	(92)	20
	27 239	(17 954)	9 285	26 884	(17 978)	8 906

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

Finance charges of R39 million (31 March 2023: R61 million) were capitalised to property, plant and equipment and intangible assets in the current financial year.

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

Notes to the financial statements continued

for the year ended 31 March 2024

5. Long-term assets continued

5.1 Property, plant and equipment continued

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

	Group								
2024	**Carrying value at the beginning of the year Rm**	**Additions Rm**	**Transfers Rm**	**Foreign currency translation Rm**	**Disposals Rm**	**Depreciation[2] Rm**	**Write-offs Rm**	**Reclassified to held for sale[1] Rm**	**Carrying value at the end of the year Rm**
Freehold land and buildings	**2 737**	**139**	**195**	**1**	**(6)**	**(224)**	**–**	**(761)**	**2 081**
Network equipment	**19 992**	**2 985**	**538**	**–**	**–**	**(2 640)**	**(26)**	**(78)**	**20 771**
Support equipment	**1 022**	**126**	**124**	**–**	**–**	**(298)**	**(4)**	**(1)**	**969**
Furniture and office equipment	**197**	**14**	**85**	**–**	**(1)**	**(72)**	**(1)**	**–**	**222**
Data processing equipment and software	**402**	**79**	**3**	**–**	**–**	**(118)**	**(14)**	**–**	**352**
Under construction	**1 759**	**1 343**	**(1 025)**	**(1)**	**–**	**(1)**	**(17)**	**(520)**	**1 538**
Other	**69**	**13**	**3**	**1**	**–**	**(17)**	**–**	**–**	**69**
	26 178	**4 699**	**(77)**	**1**	**(7)**	**(3 370)**	**(62)**	**(1 360)**	**26 002**

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

[1] *Refer to note 12.2.*

[2] *Included in the depreciation is R20 million (31 March 2023: R33 million) relating to Swiftnet. Refer to note 12.2.*

Notes to the financial statements continued

for the year ended 31 March 2024

5. Long-term assets continued

5.1 Property, plant and equipment continued

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

	Company						
2024	**Carrying value at the beginning of the year Rm**	**Additions Rm**	**Transfers Rm**	**Disposals Rm**	**Depreciation Rm**	**Write-offs Rm**	**Carrying value at the end of the year Rm**
Freehold land and buildings	**588**	**24**	**14**	**(4)**	**(40)**	**–**	**582**
Network equipment	**7 044**	**951**	**319**	**–**	**(1 001)**	**–**	**7 313**
Support equipment	**109**	**3**	**38**	**(1)**	**(19)**	**(1)**	**129**
Furniture and office equipment	**52**	**5**	**10**	**–**	**(7)**	**(1)**	**59**
Data processing equipment and software	**246**	**76**	**7**	**–**	**(81)**	**–**	**248**
Under construction	**847**	**478**	**(389)**	**–**	**–**	**(6)**	**930**
Other	**20**	**3**	**8**	**–**	**(7)**	**–**	**24**
	8 906	**1 540**	**7**	**(5)**	**(1 155)**	**(8)**	**9 285**

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

Expansion of the mobile network contributed to 32% of the additions to assets. In total, 36% of capital expenditure was on the deployment of fibre and 12% was on the next-generation POTN core network, rehabilitation and sustainment was 6%, and 7% relates to Masts and Towers. The balance of 7% capital expenditure is attributable to investment in IT solutions, Telkom properties, regulatory and compliance, strategic initiatives, shared services and other. The focus on the mobile network expansion and fibre rollout is expected to continue over the next few years.

Assets with a carrying value to the net amount of R4 million (31 March 2023: Rnil) for the Group and Company were transferred from intangible assets to property, plant and equipment in the current year. Assets with a carrying value to the net amount of R74 million (31 March 2023: R23 million) for Group were transferred from property, plant and equipment to intangible assets in the current year. At the Group level, transfers were effected between property, plant and equipment, intangible assets and inventory (the transfers only take place from CWIP).

Transfers in the Company mostly related to property, plant and equipment, investment property and intangible assets. Assets with a carrying value of R4 million (31 March 2023: R123 million) for Group and R4 million (31 March 2023: Rnil) for Company relate to inventory that was transferred to property, plant and equipment in the current year. Assets with a carrying amount of R2 million (31 March 2023: R1 032 million) for Company have been transferred from property, plant and equipment to investment property (refer to note 5.4).

Changes to the estimated useful lives of property, plant and equipment resulted in a decrease in depreciation to the value of R37 million (31 March 2023: R98 million) for Company and R143 million (31 March 2023: R80 million) for Group. Refer to note 3.4.9 for the useful lives.

Notes to the financial statements continued

for the year ended 31 March 2024

5. Long-term assets continued

5.1 Property, plant and equipment continued

The capital expenditure under property, plant and equipment relates to expansions of R3 633 million (31 March 2023: R2 802 million) for Group and R1 258 million (31 March 2023: R2 219 million) for Company. Expenditure due to maintenance is R744 million (31 March 2023: R2 737 million) for Group and R282 million (31 March 2023: R1 255 million) for Company. Additions of R309 million for Group relate to Swiftnet additions, which is classified as held for sale.

In addition to the goodwill in the consolidated financial statements, the impairment considerations apply equally to the investment in Openserve and BCX (refer to note 5.3) and the property, plant and equipment in the separate financial statements. Included in the impairment of property, plant and equipment for the Group for 31 March 2023 is R187 million relating to the impairment of BCX freehold land and buildings, network equipment, support equipment and furniture and office equipment. No impairment was recognised on property, plant and equipment in the current financial year.

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

Property, plant and equipment subject to operating leases

	Group			
	31 March 2024		31 March 2023	
	Freehold land and buildings Rm	Furniture and office equipment Rm	Freehold land and buildings Rm	Furniture and office equipment Rm
Opening carrying amount	1 627	12	1 533	31
Additions	64	1	42	17
Depreciation	(145)	(29)	(126)	(6)
Transfers	111	42	285	–
Disposals	(26)	(1)	(107)	(30)
Closing carrying amount	1 631	25	1 627	12

Notes to the financial statements continued

for the year ended 31 March 2024

5. Long-term assets continued

5.2 Intangible assets

Significant accounting judgements, estimates and assumptions

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

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

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

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

Summary of material accounting policies

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

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

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

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

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

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

The expected useful lives applied are provided in note 3.4.9.

Notes to the financial statements continued

for the year ended 31 March 2024

5. Long-term assets continued

5.2 Intangible assets continued

Summary of material accounting policies continued

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

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

	2024			2023		
Group	**Cost Rm**	**Accumulated amortisation, impairment and write-offs Rm**	**Carrying value Rm**	Cost Rm	Accumulated amortisation and write-offs Rm	Carrying value Rm
Goodwill	**1 367**	**(72)**	**1 295**	1 367	(72)	1 295
Trademarks, copyrights and other	**2 551**	**(535)**	**2 016**	1 621	(426)	1 195
Software	**13 133**	**(11 371)**	**1 762**	12 756	(11 060)	1 696
Under construction	**262**	**(8)**	**254**	315	(8)	307
	17 313	**(11 986)**	**5 327**	16 059	(11 566)	4 493

Company						
Trademarks, copyrights and other	**2 118**	**(155)**	**1 963**	1 146	(47)	1 099
Software	**9 519**	**(8 416)**	**1 103**	9 390	(8 242)	1 148
Under construction	**75**	**–**	**75**	95	–	95
	11 712	**(8 571)**	**3 141**	10 631	(8 289)	2 342

Notes to the financial statements continued

for the year ended 31 March 2024

5. Long-term assets continued

5.2 Intangible assets continued

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

	Group							
2024	**Carrying value at the beginning of the year Rm**	**Additions Rm**	**Transfers Rm**	**Disposals Rm**	**Amortisation[1] Rm**	**Write-offs Rm**	**Reclassified to held for sale[2] Rm**	**Carrying value at the end of the year Rm**
Goodwill	1 295	–	–	–	–	–	–	1 295
Trademarks, copyrights and other	1 195	972	–	–	(150)	(1)	–	2 016
Software	1 696	319	260	–	(485)	(17)	(11)	1 762
Under construction	307	134	(184)	(2)	–	–	(1)	254
	4 493	1 425	76	(2)	(635)	(18)	(12)	5 327

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

[1] *Included in the amortisation is R3 million (31 March 2023: Rnil) relating to Swiftnet. Refer to note 12.2.*

[2] *Refer to note 12.2.*

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

	Company					
2024	**Carrying value at the beginning of the year Rm**	**Additions Rm**	**Transfers Rm**	**Amortisation Rm**	**Write-offs Rm**	**Carrying value at the end of the year Rm**
Trademarks, copyrights and other	1 099	971	1	(108)	–	1 963
Software	1 148	232	62	(319)	(20)	1 103
Under construction	95	44	(64)	–	–	75
	2 342	1 247	(1)	(427)	(20)	3 141

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

Notes to the financial statements continued

for the year ended 31 March 2024

5. Long-term assets continued

5.2 Intangible assets continued

The goodwill in Group is attributable to goodwill that arose on acquisition of BCX in August 2015 and subsequent acquisitions made by BCX and BCX's acquisition of Dotcom Software Solutions (Pty) Ltd in December 2022.

Intangible assets that are material to the Group consist of software, trademarks and other, whose average remaining amortisation period is two years (31 March 2023: two years).

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

Intangible assets under construction are included for testing in the impairment testing for the Telkom, BCX and Openserve CGUs.

Approximately R1 098 million (31 March 2023: R1 328 million) and R1 010 million (31 March 2023: R1 176 million) of additions relate to externally acquired intangible assets for the Group and the Company, respectively, while R324 million (31 March 2023: R506 million) relates to internal developments for the Group and R237 million (31 March 2023: R461 million) relates to internal developments for the Company. Additions of R3 million for Group relate to Swiftnet additions which is classified as held for sale.

Changes to the estimated useful lives of intangible assets resulted in a decrease in amortisation to the value of R2 million (31 March 2023: R128 million) for the Company and R8 million (31 March 2023: 132 million) for the Group. Refer to note 3.4.9 for the useful lives.

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

5.3 Impairment of goodwill and cash-generating units

Significant accounting judgements, estimates and assumptions

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

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

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

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

Summary of material accounting policies

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

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

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

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

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

Notes to the financial statements continued

for the year ended 31 March 2024

5. Long-term assets continued

5.3 Impairment of goodwill and cash-generating units continued

	Group	
The Group's goodwill balance is as follows:	**2024 Rm**	2023 Rm
Opening balance	**1 295**	1 259
Acquisition of Dotcom Software Solutions (Pty) Ltd	**–**	99
Impairment	**–**	(63)
Closing balance	**1 295**	1 295

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

Impairment considerations

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

The Group's CGUs consist of Telkom Consumer, Openserve, BCX and Gyro. BCX is the only CGU that has goodwill. In line with IAS 36 (Impairment of Assets), management has performed an annual impairment assessment of CGUs as of 31 March 2024.

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

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

Notes to the financial statements continued

for the year ended 31 March 2024

5. Long-term assets continued

5.3 Impairment of goodwill and cash-generating units continued

BCX CGU

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

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

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

EBITDA margin

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

Growth rates

The growth rates were consistent with publicly available information relating to long-term average growth rates for the market in which the CGU operated. The compound annual growth rate used for revenue is 4.9% (31 March 2023: 8.4%) and EBITDA ranges between 11.5% and 16.0% (31 March 2023: 12.6% and 15.5%).

Terminal growth rates

A terminal growth rate of 5% (31 March 2023: 4% to 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

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

The pre-tax discount rate for the BCX CGU is 21.6% (31 March 2023: 21.3% to 22.5%). An in-perpetuity calculation was also included after five years as per the terminal growth rate disclosure.

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

Sensitivity to changes in assumptions

Given the significant headroom computed, no further sensitivity analysis has been performed.

Telkom Consumer CGU

Telkom Consumer operates in South Africa. The economic climate of South Africa is under strain due to numerous factors. Telkom Consumer's business is dependent on technology, and for some of its operations the old technology (legacy assets) was still being utilised.

The five-year budgets indicated that the economic performance of the CGU had not materially changed from the previous valuation. Even though the discount rates had sightly increased from the previous valuation, this was not material enough to warrant an impairment loss. Effectively, the five-year budgets have been adjusted to incorporate the changes, resulting in the recoverable amount of the CGU being higher than its carrying value.

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

EBITDA margin

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

Growth rates

The growth rates were consistent with publicly available information relating to long-term average growth rates for the market in which the CGU operated. The compound annual growth rate used for revenue is 3.9% (31 March 2023: 2.6%) and EBITDA is 10.8% (31 March 2023: 14%).

Terminal growth rates

A terminal growth rate of 3% (31 March 2023: 3%) was applied. The terminal value was determined at the end of year five of the cash flow forecasts. The growth rate considered steady state of growth rates to extrapolate revenue beyond the forecast period cash flows.

Discount rate

An equity market risk premium was applied to account for the additional risk associated with equity investments, in excess of the risk-free rate. The pre-tax discount rate for the Telkom CGU is 17.4% (31 March 2023: 15% to 16.4%). An in-perpetuity calculation was also included after five years as per the terminal rate disclosure.

Based on the value-in-use calculation, the recoverable amount of the Telkom CGU is higher than the carrying value as at 31 March 2024, indicating no impairment loss.

Sensitivity to changes in assumptions

The recoverable amount is most sensitive to the discount rate and terminal growth rate:

- A 17.93% pre-tax discount rate, in absolute terms, would result in the recoverable amount of Consumer CGU to approximate its carrying amount.
- A 2.47% terminal growth rate, in absolute terms, would result in the recoverable amount of Consumer CGU to approximate its carrying amount.

Openserve CGU

Openserve operates in South Africa. The economic climate of South Africa is under strain due to numerous factors. Openserve's business is dependent on technology, and for some of its operations the old technology (legacy assets) was still being utilised.

The five-year budgets indicated that the economic performance of the CGU had not materially changed from the previous valuation. Even though the discount rates had sightly increased from the previous valuation, this was not material enough to warrant an impairment loss. Effectively, the five-year budgets have been adjusted to incorporate the changes, resulting in the recoverable amount of the CGU being higher than its carrying value.

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

EBITDA margin

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

Growth rates

The growth rates were consistent with publicly available information relating to long-term average growth rates for the market in which the CGU operated. The compound annual growth rate used for revenue is 4.2% (31 March 2023: 3.1%) and EBITDA is 6.2% (31 March 2023: 3.6%).

Notes to the financial statements continued

for the year ended 31 March 2024

5. Long-term assets continued

5.3 Impairment of goodwill and cash-generating units continued

Openserve CGU continued

Terminal growth rates
A terminal growth rate of 5.0% (31 March 2023: 5%) was applied. The terminal value was determined at the end of year five of the cash flow forecasts. The growth rate considered steady state of growth rates to extrapolate revenue beyond the forecast period cash flows.

Discount rate
An equity market risk premium was applied to account for the additional risk associated with equity investments, in excess of the risk-free rate. The pre-tax discount rate for the Openserve CGU is 16.7% (31 March 2023: 14.7% to 16.1%). An in-perpetuity calculation was also included after five years as per the terminal rate disclosure.

Based on the value-in-use calculation, the recoverable amount of the Openserve CGU is higher than the carrying value as at 31 March 2024, indicating no impairment loss.

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

5.4 Investment property

Significant accounting judgements, estimates and assumptions

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

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

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

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

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

Summary of material accounting policies

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

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

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

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

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

Investment property is measured in terms of the cost model.

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

Notes to the financial statements continued

for the year ended 31 March 2024

5. Long-term assets continued

5.4 Investment property continued

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

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

	2024					
Company	**Opening balance Rm**	**Additions Rm**	**Transfers Rm**	**Depreciation Rm**	**Write-offs Rm**	**Carrying value Rm**
Investment property	**977**	**48**	**(1)**	**(112)**	**(1)**	**911**

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

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

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

Details of valuation

The effective date of the valuations was 31 March 2024 and resulted in a fair value of R2 038 million (31 March 2023: R2 014 million). Valuations of these investment properties were conducted by independent and qualified industry specialists in the prior year and reassessed by management in the current year.

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

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

	Company	
Amounts recognised in profit and loss for the year	**2024 Rm**	2023 Rm
Rental income from investment property	**79**	**46**

Notes to the financial statements continued

for the year ended 31 March 2024

6. Financing structure and commitments

6.1 Investment income

	Group		Company	
	31 March 2024 Rm	Restated[1] 31 March 2023 Rm	31 March 2024 Rm	Restated[1] 31 March 2023 Rm
Investment income	**229**	140	**4 381**	1 064
Interest income	**229**	140	**1 115**	519
Dividend income from subsidiaries	**–**	–	**3 266**	545
Dividend received in cash	**–**	–	**616**	255
Non-cash dividend	**–**	–	**2 650**	290

[1] *Refer to note 2.7.*

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.

The increase in interest income for Company is due to the loans granted to Openserve in the prior year as part of the carve-out. The increase in dividend received is mainly due to dividends received from BCX of R2 436 million.

R2 650 million of the dividends declared by BCX and Gyro are non-cash and were net settled through the entities' intercompany accounts.

6.2 Net finance charges and fair value movements

	Group		Company	
	31 March 2024 Rm	31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Net finance charges and fair value movements	**(2 181)**	(1 485)	**(2 002)**	(1 546)
Net finance charges	**(2 127)**	(1 465)	**(2 030)**	(1 579)
Finance charges on lease liabilities	**(586)**	(478)	**(468)**	(464)
Net finance charges on local and foreign debt[2]	**(1 580)**	(1 032)	**(1 590)**	(1 154)
Less: Finance charges capitalised[3]	**39**	45	**28**	39
Foreign exchange and fair value movements	**(54)**	(20)	**28**	33
Foreign exchange loss	**(185)**	(532)	**(101)**	(546)
Fair value adjustments	**131**	512	**129**	579
Capitalisation rate for borrowing costs (%)	**10.2**	7.7	**10.2**	7.7

[1] *Refer to note 2.7.*

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

[3] *Finance charges on general borrowings are capitalised to qualifying assets (property, plant and equipment and intangible assets).*

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

Finance charges on local and foreign debt increased from R1 465 million in March 2023 to R2 127 million in March 2024 for the Group and increased from R1 579 million in March 2023 to R2 030 million in March 2024 for the Company, respectively. The increase in finance charges is largely due to increases in interest rates and higher average debt levels during the current financial year.

Notes to the financial statements continued

for the year ended 31 March 2024

6. Financing structure and commitments continued

6.3 Right-of-use assets and lease liabilities

Significant accounting judgements, estimates and assumptions

Lease term

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

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

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

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

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

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

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

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

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

Notes to the financial statements continued

for the year ended 31 March 2024

6. Financing structure and commitments continued

6.3 Right-of-use assets and lease liabilities continued

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

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

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

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

The Group has elected to apply the following recognition exemptions:

Recognition exemptions

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

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

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

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

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.

Notes to the financial statements continued

for the year ended 31 March 2024

6. Financing structure and commitments continued

6.3 Right-of-use assets and lease liabilities continued

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

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

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

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

At 31 March 2024, 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 2024, a number of lease contracts relating to network equipment and properties include renewal options for various renewal periods. Due to the judgement exercised in relation to the determination of the lease period as outlined in the accounting policy, the Group is exposed to potential future cash outflows relating to the renewal period which have not been included in the lease liability because it is not reasonably certain that the lease will be extended beyond the estimated lease period.

Notes to the financial statements continued

for the year ended 31 March 2024

6. Financing structure and commitments continued

6.3 Right-of-use assets and lease liabilities continued

6.3.1 Right-of-use assets

	2024			2023		
Group	**Cost Rm**	**Accumulated depreciation and write-offs Rm**	**Carrying value Rm**	Cost Rm	Accumulated depreciation and write-offs Rm	Carrying value Rm
Vehicles	224	(141)	83	245	(81)	164
Property	1 310	(716)	594	1 470	(626)	844
Network equipment	8 736	(3 819)	4 917	7 050	(2 698)	4 352
	10 270	(4 676)	5 594	8 765	(3 405)	5 360
Company						
Vehicles	1	–	1	1	–	1
Property	439	(296)	143	468	(258)	210
Network equipment	8 802	(4 364)	4 438	8 003	(3 169)	4 834
	9 242	(4 660)	4 582	8 472	(3 427)	5 045

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

	Group						
2024	**Opening balance Rm**	**Cancelled leases Rm**	**New leases entered into Rm**	**Lease remeasurement[1] Rm**	**Depreciation[2] Rm**	**Reclassified to held for sale Rm**	**Closing balance Rm**
Vehicles	164	(15)	1	9	(76)	–	83
Property	844	(26)	99	71	(215)	(179)	594
Network equipment	4 352	(37)	1 325	461	(1 184)	–	4 917
	5 360	(78)	1 425	541	(1 475)	(179)	5 594

2023	Opening balance Rm	Cancelled leases Rm	New leases entered into Rm	Lease remeasurement Rm	Depreciation Rm	Closing balance Rm
Vehicles	44	(2)	196	10	(84)	164
Property	910	(65)	190	26	(217)	844
Network equipment	3 991	(80)	918	494	(971)	4 352
	4 945	(147)	1 304	530	(1 272)	5 360

[1] *Lease remeasurements include changes due to CPI escalations and lease modifications due to changes in lease contracts as well as lease renewals. Lease remeasurements are lower in the current year than in the prior year for the Group and Company, due to significant modifications done in FY2023 which were not required in FY2024.*

[2] *Included in the depreciation is R12 million (31 March 2023: R19 million) relating to Swiftnet. Refer to note 12.2.*

Notes to the financial statements continued

for the year ended 31 March 2024

6. Financing structure and commitments continued

6.3 Right-of-use assets and lease liabilities continued

6.3.1 Right-of-use assets continued

	Company					
2024	**Opening balance Rm**	**Cancelled leases Rm**	**New leases entered into Rm**	**Lease remeasure-ment[1] Rm**	**Depreciation Rm**	**Closing balance Rm**
Vehicles	**1**	**–**	**–**	**–**	**–**	**1**
Property	**209**	**(31)**	**22**	**29**	**(85)**	**144**
Network equipment	**4 835**	**(155)**	**479**	**597**	**(1 319)**	**4 437**
	5 045	**(186)**	**501**	**626**	**(1 404)**	**4 582**

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

[1] *Lease remeasurements include changes due to CPI escalations and lease modifications due to changes in lease contracts as well as lease renewals. Lease remeasurements are lower in the current year than in the prior year for the Group and Company, due to significant modifications done in FY2023 which were not required in FY2024.*

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

6.3.2 Lease liabilties

	Group	
The closing balances for non-current lease liabilities can be reconciled as follows:	**2024 Rm**	2023 Rm
Vehicles	**(15)**	(86)
Property	**(680)**	(866)
Network equipment	**(3 405)**	(3 665)
	(4 100)	(4 617)
The closing balances for current lease liabilities can be reconciled as follows:		
Vehicles	**(80)**	(84)
Property	**(187)**	(232)
Network equipment	**(2 094)**	(956)
	(2 361)	(1 272)

Notes to the financial statements continued

for the year ended 31 March 2024

6. Financing structure and commitments continued

6.3 Right-of-use assets and lease liabilities continued

6.3.2 Lease liabilties continued

	Company	
The closing balances for non-current lease liabilities can be reconciled as follows:	**2024 Rm**	2023 Rm
Property	**(112)**	(171)
Network equipment	**(3 676)**	(4 045)
	(3 788)	(4 216)

	Company	
The closing balances for current lease liabilities can be reconciled as follows:	**2024 Rm**	2023 Rm
Property	**(69)**	(81)
Network equipment	**(1 297)**	(1 058)
	(1 366)	(1 139)

The total cash outflow for leases, including finance charges, in 2024 was R1 787 million (31 March 2023: R1 574 million where R10 million relates to the discontinued operation – refer to note 12) for the Group and R1 682 million (31 March 2023: R1 778 million) for the Company. Finance charges on lease liabilities of R586 million (31 March 2023: R488 million where R10 million relates to the discontinued operation – refer to note 12) for the Group and R468 million (31 March 2023: R464 million) for the Company have been recognised in the statement of profit of loss and other comprehensive income for the year ended 31 March 2024.

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

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

In the current financial year, the Group has earned R140 million (31 March 2023: R8 million) subleasing income and the Company has earned R5 million (31 March 2023: Rnil) subleasing income.

6.4 Interest-bearing debt

	Group		Company	
	31 March 2024 Rm	Restated[1] 31 March 2023 Rm	**31 March 2024 Rm**	Restated[1] 31 March 2023 Rm
Total interest-bearing debt	**14 217**	14 356	**14 217**	14 356
Non-current interest-bearing debt	**11 535**	11 999	**11 535**	11 999
Local debt	**11 535**	11 948	**11 535**	11 948
Foreign debt	**–**	51	**–**	51
Current portion of interest-bearing debt	**2 682**	2 357	**2 682**	2 357
Local debt	**2 682**	2 308	**2 682**	2 308
Bonds	**2 113**	500	**2 113**	500
Accrued interest	**169**	178	**169**	178
Other loans[2]	**400**	1 630	**400**	1 630
Foreign debt	**–**	49	**–**	49

[1] *R680 million of the non-current portion and R113 million of the current portion of interest-bearing debt was incorrectly classified as foreign debt as at 31 March 2023. The loan is granted and repaid in South African rand and therefore has been restated accordingly as local debt. This has no impact on the statement of financial position and only impacts the disclosure within the notes.*

[2] *Other loans relate to loans from local financial institutions. The decrease relates to repayments made in the current year.*

Notes to the financial statements continued

for the year ended 31 March 2024

6. Financing structure and commitments continued

6.4 Interest-bearing debt continued

	Group		Company	
	31 March 2024 Rm	Restated[1] 31 March 2023 Rm	31 March 2024 Rm	Restated[1] 31 March 2023 Rm
Total interest-bearing debt is made up as follows:	**14 217**	14 356	**14 217**	14 356
(a) Local debt	**14 217**	14 256	**14 217**	14 256
Telkom debt instruments	**14 217**	14 256	**14 217**	14 256
Name, maturity, rate p.a., nominal value				
TL25, 2024, 9.57% (fixed)	**835**	835	**835**	835
TL26, 2024, 10.367%	**400**	400	**400**	400
TL27, 2023, 8.908%	**–**	500	**–**	500
TL28, 2025, 9.28% (fixed)	**1 000**	1 000	**1 000**	1 000
TL29, 2025, 10.24%	**500**	500	**500**	500
TL30, 2024, 9.810%	**877**	877	**877**	877
TL31, 2026, 10.020%	**623**	623	**623**	623
TL32, 2027, 10.017%	**1 000**	1 000	**1 000**	1 000
TL33, 2033, 10.4%	**700**	700	**700**	700
Export Credit Agency (ECA) loan, 2029 - 2033, 10.00% - 10.22%	**3 667**	1 586	**3 667**	1 586
Export Credit Risk Agreement – insurance premium (unamortised cost)	**(167)**	(72)	**(167)**	(72)
Other loans, 2025 - 2030, 8.65% - 9.45%	**4 613**	6 129	**4 613**	6 129
Accrued interest	**169**	178	**169**	178
Total interest-bearing debt is made up of R14 217 million debt at amortised cost (31 March 2023: R14 356 million) for the Group and for the Company. Finance costs accrued on debt are included in interest-bearing debt. Other loans have maturities ranging from 2025 to 2030. The ECA loan is repayable quarterly and has maturities ranging from 2029 to 2033. The floating debts are priced based on the three-month JIBAR plus a margin.				
(b) Foreign debt	**–**	100	**–**	100
Telkom				
Maturity, rate p.a., nominal value				
Euro, 2023 - 2025, 0.14% (Euro 5.1 million)	**–**	100	**–**	100
Included in non-current and current debt is:				
Debt guaranteed by the South African Government	**–**	100	**–**	100

[1] *R680 million of the non-current portion and R113 million of the current portion of interest-bearing debt was incorrectly classified as foreign debt as at 31 March 2023. The loan is granted and repaid in South African rand and therefore has been restated accordingly as local debt. This has no impact on the statement of financial position and only impacts the disclosure within the notes.*

During the year, R9 363 million (31 March 2023: R25 970 million) debt was raised for the Group and the Company. R9 513 million (31 March 2023: R23 650 million) debt was repaid for the Group and for the 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 4.4.

Interest-bearing debt

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

Notes to the financial statements continued

for the year ended 31 March 2024

6. Financing structure and commitments continued

6.4 Interest-bearing debt continued

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

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

As at 31 March 2024, Telkom's net debt to EBITDA ratio was 1.7x (31 March 2023: 1.8x) and finance charges cover 5.2x (31 March 2023: 10.3x). As at 31 March 2024, Telkom's net debt to EBITDA ratio, excluding lease liabilities, was 1.0x.

Telkom has complied with the financial covenants of its borrowing facilities during the 2024 reporting period.

Repayments/refinancing of the current portion of interest-bearing debt
The repayment of the current portion of interest-bearing debt of R2 682 million (31 March 2023: R2 357 million) for the Company and for the Group as at 31 March 2024 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.

6.5 Provisions

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

	Group		Company	
	31 March 2024 Rm	31 March 2023 Rm	**31 March 2024 Rm**	31 March 2023 Rm
Non-current provisions	**336**	368	**294**	332
Non-current employee-related provisions	**280**	321	**273**	313
Subsidiary defined benefit plans (refer to note 10.4 for reconciliation of the opening balance to closing balance)	**7**	8	**–**	–
Telephone rebates (refer to note 10.5 for the reconciliation of the opening to closing balance)	**273**	313	**273**	313
Non-current non-employee-related provisions				
Other	**56**	47	**21**	19
Current provisions	**1 093**	1 893	**214**	559
Current portion of employee-related provisions	**795**	1 544	**183**	536
Annual leave	**423**	499	**62**	82
Balance at the beginning of the year	**499**	454	**82**	276
Charged to employee expenses	**(62)**	74	**(20)**	3
Leave provision moved to Openserve (Pty) Ltd	**–**	–	**–**	(199)
Trudon leave take-on balance	**–**	–	**–**	2
Leave paid/utilised	**(14)**	(29)	**–**	–
Telephone rebates (refer to note 10.5 for the reconciliation of the opening to closing balance)	**43**	43	**43**	43
Bonus, termination packages and other benefits	**329**	1 002	**78**	411
Balance at the beginning of the year	**1 002**	633	**411**	456
Charged to employee expenses	**373**	1 060	**130**	506
Bonus provision moved to Openserve (Pty) Ltd	**–**	–	**–**	(123)
Payments made	**(1 046)**	(691)	**(463)**	(428)
Current portion of non-employee-related provisions				
Other	**298**	349	**31**	23

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 22 - 30 days (31 March 2023: 10 - 30 days), which must be taken within a 12 - 18 months (31 March 2023: 6 - 19 months) leave cycle. The leave cycle is reviewed annually and is in accordance with legislation.

Notes to the financial statements continued

for the year ended 31 March 2024

6. Financing structure and commitments continued

6.5 Provisions continued

Bonus

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

Non-employee-related provisions

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

6.6 Finance charges paid

	Group		Company	
	31 March 2024 Rm	31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Finance charges paid	**(2 304)**	(1 456)	**(2 066)**	(1 546)
Finance charges and fair value movements per statement of profit or loss and other comprehensive income	**(2 197)**	(1 484)	**(2 002)**	(1 546)
Non-cash items	**(107)**	28	**(64)**	–
Movements in interest accruals and interest on uncertain tax provisions	**(8)**	72	**(8)**	72
Borrowing costs capitalised (refer to note 6.2)	**(39)**	(45)	**(28)**	(39)
Hedging costs	**(218)**	(305)	**(230)**	(305)
Fair value adjustment	**10**	64	**–**	(6)
Foreign exchange loss	**148**	242	**202**	278

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

6.7 Commitments

6.7.1 Capital commitments

	Group		Company	
	31 March 2024 Rm	31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Capital commitments authorised	**6 186**	6 366	**2 887**	2 824
Commitments against authorised capital expenditure	**809**	1 964	**194**	779
Authorised capital expenditure not yet contracted	**5 377**	4 402	**2 693**	2 045

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.

Notes to the financial statements continued

for the year ended 31 March 2024

6. Financing structure and commitments continued

6.8 Contingencies

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

Contingent liabilities
Other than the disclosures below, no significant movement or new matters have been noted on the contingent positions as reported in the 31 March 2024 financial statements.

High court

Radio Surveillance Security Services (RSSS)
On 27 August 2020, RSSS served a new summons on Telkom based largely on the same events which gave rise to its previous unsuccessful action. RSSS is claiming the return of 444 disputed alarm systems, alternatively payment of R210 million and a payment of R319 million for alleged outstanding rentals for the disputed alarm monitoring systems. Pleadings have closed in the matter. Telkom is continuing with an application for security for costs against RSSS. RSSS has been placed into provisional liquidation by Telkom, and Telkom is proceeding with steps to place RSSS into final liquidation.

Class action against Telkom and Mutual and Federal Risk Financing Ltd
During June 2021, Telkom received a High Court application to certify a class action against it. The application arises from minor billing discrepancies relating to VAT 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 filed its answering affidavit in the application during July 2023. The applicants have taken no further steps to advance the matter since receiving Telkom's answering affidavit.

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

Masstores (Pty) Ltd (Masstores)
During November 2021, Masstores launched arbitration proceedings against BCX. The claim is for an amount of approximately R166 million for alleged breach of contract. Pleadings have closed and the matter is currently proceeding, with steps being taken to prepare for a hearing.

Government Gazette announcement on Telkom
On 19 July 2023, the Pretoria High Court handed down judgment setting aside Presidential Proclamation 49 of 2022 (the "Proclamation"). The Proclamation gave the SIU authority to investigate various matters including the contracting for network and advisory services, and the disposal of former Telkom subsidiaries. The Pretoria High Court declared both the Proclamation and the SIU investigation into Telkom as unconstitutional, invalid and of no force or effect. The President of the Republic of South Africa and the SIU were granted leave to appeal the judgment on 11 December 2023, and the appeal is currently pending before the Supreme Court of Appeal.

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

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

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk

7.1 Financial instruments and risk management

Summary of material accounting policies

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

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

Classification and subsequent measurement

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

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

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

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

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

Derecognition of financial instruments

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

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

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

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

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

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.

Notes to the financial statements continued

for the year ended 31 March 2024

7. **Financial risk** continued

7.1 **Financial instruments and risk management** continued

Derecognition of financial instruments continued

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.

7.1.1 Financial risk management objectives and policies

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

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

7.1.2 Risk management

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

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

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

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.2 Risk management continued

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

		Group	
2024	Notes	At fair value through profit or loss Rm	At amortised cost Rm
Classes of financial instruments per statement of financial position			
Assets		**305**	**11 775**
Other investments[1]	7.2.3	237	–
Trade and other receivables[2]	4.3	–	7 253
SMME loans	7.3	–	72
Other financial assets	7.3	51	84
Forward exchange contracts		35	–
Firm commitments		1	–
Interest rate swaps		15	–
Asset finance receivables		–	84
Finance lease receivables	4.1.1	–	579
Cash and cash equivalents	4.4	–	3 747
Investment in equity fund	7.3	10	–
Investment in first-party cell captive	7.3	7	–
Restricted cash		–	17
Loans and advances	7.3	–	23
Liabilities		**(76)**	**(23 732)**
Interest-bearing debt	6.4	–	(14 217)
Trade and other payables	4.5	–	(8 996)
Shareholders for dividend	9.4	–	(24)
Other financial liabilities	7.3	(76)	–
Forward exchange contracts		(21)	–
Firm commitments		(55)	–
Asset finance payables	7.3	–	(323)
Vendor financing	7.3	–	(172)

[1] *Other investments are disclosed net of investments accounted for using the equity method of R10 million (31 March 2023: R9 million).*

[2] *Trade and other receivables are disclosed excluding prepayments of R413 million (31 March 2023: R471 million) for the Company and R962 million (31 March 2023: R912 million) for the Group.*

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.2 Risk management continued

		Group	
2023	Notes	At fair value through profit or loss Rm	At amortised cost Rm
Classes of financial instruments per statement of financial position			
Assets		258	12 700
Other investments[1]	7.2.3	160	–
Trade and other receivables[2]	4.3	–	8 402
SMME loans	7.3	–	72
Other financial assets	7.3	81	93
Forward exchange contracts		45	–
Firm commitments		21	–
Interest rate swaps		15	–
Asset finance receivables		–	93
Finance lease receivables	4.1.1	–	648
Cash and cash equivalents	4.4	–	3 469
Investment in equity fund	7.3	10	–
Investment in first-party cell captive	7.3	7	–
Restricted cash		–	4
Short-term loans and advances		–	12
Liabilities		(142)	(25 326)
Interest-bearing debt	6.4	–	(14 356)
Trade and other payables	4.5	–	(10 419)
Shareholders for dividend	9.4	–	(25)
Other financial liabilities	7.3	(131)	–
Forward exchange contracts		(45)	–
Firm commitments		(86)	–
Asset finance payables	7.3	–	(309)
Financial guarantees	7.3	(11)	–
Vendor financing	7.3	–	(217)

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.2 Risk management continued

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

2024	Notes	Company At fair value through profit or loss Rm	Company At amortised cost Rm
Classes of financial instruments per statement of financial position			
Assets		**205**	**16 744**
Other investments	7.2.3	**141**	**–**
Trade and other receivables[2]	4.3	**–**	**5 752**
SMME loans	7.3	**–**	**72**
Loans to subsidiaries	7.2.2	**–**	**9 018**
Other financial assets		**48**	**–**
Forward exchange contracts		**33**	**–**
Interest rate swaps		**15**	**–**
Finance lease receivables	4.1.1	**–**	**38**
Cash and cash equivalents	4.4	**(1)**	**1 864**
Investment in equity fund	7.3	**10**	**–**
Investment in first-party cell captive	7.3	**7**	**–**
Liabilities		**(49)**	**(22 349)**
Interest-bearing debt	6.4	**–**	**(14 217)**
Trade and other payables	4.5	**–**	**(8 108)**
Shareholders for dividend	9.4	**–**	**(24)**
Other financial liabilities	7.3	**(49)**	**–**
Forward exchange contracts		**(16)**	**–**
Firm commitments		**(33)**	**–**

[1] *Other investments are disclosed net of investments accounted for using the equity method of R10 million (31 March 2023: R9 million).*

[2] *Trade and other receivables are disclosed excluding prepayments of R413 million (31 March 2023: R471 million) for the Company and R962 million (31 March 2023: R912 million) for the Group.*

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.2 Risk management continued

2023	Notes	Company At fair value through profit or loss Rm	Company At amortised cost Rm
Classes of financial instruments per statement of financial position			
Assets		154	19 368
Other investments	7.2.3	60	–
Trade and other receivables[2]	4.3	–	8 273
SMME loans	7.3	–	72
Loans to subsidiaries	7.2.2	–	9 164
Other financial assets	7.3	77	–
Forward exchange contracts		40	–
Firm commitments		22	–
Interest rate swaps		15	–
Finance lease receivables	4.1.1	–	52
Cash and cash equivalents	4.4	–	1 807
Investment in equity fund	7.3	10	–
Investment in first-party cell captive	7.3	7	–
Liabilities		(125)	(27 255)
Interest-bearing debt	6.4	–	(14 356)
Trade and other payables	4.5	–	(12 874)
Shareholders for dividend	9.4	–	(25)
Other financial liabilities	7.3	(125)	–
Forward exchange contracts		(39)	–
Firm commitments		(86)	–

7.1.3 Fair value of financial instruments

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

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

The carrying amount of financial instruments approximates fair value, with the exception of interest-bearing debt (at amortised cost) for the Company and Group which has a fair value of R14 380 million (31 March 2023: R14 395 million) and a carrying amount of R14 217 million (31 March 2023: R14 356 million).

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.3 Fair value of financial instruments continued

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

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

Type of financial instrument – Group	Fair value at 31 March 2024 Rm	Valuation technique	Significant inputs
Derivative assets	**51**	Discounted cash flows	Yield curves Market interest rates
Derivative liabilities	**(76)**		
Investment in FutureMakers entities	**96**	Discounted cash flows	Cash flow forecasts and market-related discount rates
Investment in equity fund	**10**	Discounted cash flows	Cash flow forecasts and market-related discount rates
Investment in first party cell captive	**7**	Discounted cash flows	Cash flow forecasts and market-related discount rates
Interest-bearing debt	**(14 380)**	Discounted cash flows and quoted bond prices	Market interest rates Market foreign exchange rates

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

Level 1: Quoted prices in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices that are observable for the asset or liability.
Level 3: Inputs for the asset or liability that are not based on observable market data.

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

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.3 Fair value of financial instruments continued

		Group			
31 March 2024	Notes	Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
Assets measured at fair value					
Derivative assets					
Forward exchange contracts	7.3	**35**	**–**	**35**	**–**
Firm commitments	7.3	**1**	**–**	**1**	**–**
Interest rate swaps	7.3	**15**	**–**	**15**	**–**
Investment made by FutureMakers	7.2.3	**96**	**–**	**–**	**96**
Investment in equity fund	7.3	**10**	**–**	**–**	**10**
Investment in first-party cell captive	7.3	**7**	**–**	**–**	**7**
Liabilities measured at fair value					
Derivative liabilities					
Forward exchange contracts	7.3	**(21)**	**–**	**(21)**	**–**
Firm commitments	7.3	**(55)**	**–**	**(55)**	**–**
Liabilities measured at amortised cost					
Interest-bearing debt[1]	6.4	**(14 380)**	**–**	**(14 380)**	**–**
31 March 2023					
Assets measured at fair value					
Derivative assets					
Forward exchange contracts	7.3	45	–	45	–
Firm commitments	7.3	21	–	21	–
Interest rate swaps	7.3	15	–	15	–
Investment made by FutureMakers	7.2.3	99	–	–	99
Investment in equity fund	7.3	10	–	–	10
Investment in first-party cell captive	7.3	7	–	–	7
Liabilities measured at fair value					
Derivative liabilities					
Forward exchange contracts	7.3	(45)	–	(45)	–
Firm commitments	7.3	(86)	–	(86)	–
Financial guarantees	7.3	(11)	–	–	(11)
Liabilities measured at amortised cost					
Interest-bearing debt[1]	6.4	(14 395)	–	(14 395)	–

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.3 Fair value of financial instruments continued

		Company			
2024	Notes	**Total Rm**	**Level 1 Rm**	**Level 2 Rm**	**Level 3 Rm**
Assets measured at fair value					
Derivative assets					
Forward exchange contracts	7.3	**33**	**–**	**33**	**–**
Interest rate swaps	7.3	**15**	**–**	**15**	**–**
Investment in equity fund	7.3	**10**	**–**	**–**	**10**
Investment in first-party cell captive	7.3	**7**	**–**	**–**	**7**
Assets measured at cost					
Investment property	5.4	**2 038**	**–**	**–**	**2 038**
Liabilities measured at fair value					
Derivative liabilities					
Forward exchange contracts	7.3	**(16)**	**–**	**(16)**	**–**
Firm commitments	7.3	**(33)**	**–**	**(33)**	**–**
Liabilities measured at amortised cost					
Interest-bearing debt[1]	6.4	**(14 380)**	**–**	**(14 380)**	**–**

2023					
Assets measured at fair value					
Derivative assets					
Forward exchange contracts	7.3	40	–	40	–
Firm commitments	7.3	22	–	22	–
Interest rate swaps	7.3	15	–	15	–
Investment in equity fund	7.3	10	–	–	10
Investment in first-party cell captive	7.3	7	–	–	7
Assets measured at cost					
Investment property	5.4	2 014	–	–	2 014
Liabilities measured at fair value					
Derivative liabilities					
Forward exchange contracts	7.3	(39)	–	(39)	–
Firm commitments	7.3	(86)	–	(86)	–
Liabilities measured at amortised cost					
Interest-bearing debt[1]	6.4	(14 395)	–	(14 395)	–

[1] *The carrying amount of interest-bearing debt is R14 217 million (31 March 2023: R14 356 million) for the Group and the Company. Interest-bearing debt is measured at amortised cost, however is included in the fair value hierarchy table above to achieve the IFRS 13 disclosure requirements relating to the disclosure of fair value.*

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.4 Credit risk

Significant accounting judgements, estimates and assumptions

Impairment of financial assets (expected credit losses)

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

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

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

Trade receivables have been grouped together based on similar credit characteristics and a separate expected loss provision matrix has been calculated for each of the categories based on the net loss history associated with the specific category of receivables. Following the adoption of IFRS 9, the Group implemented a process whereby trade receivable balances are only written off at the point where there is no longer any probable recovery on a trade receivable balance.

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

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

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

Other receivables, loans and financial assets at amortised cost
The Group uses the general approach to calculate expected credit losses on all other receivables, loans and other financial assets that are measured at amortised cost or at fair value through other comprehensive income. The general approach is based on a stage approach – stage one being 12-month expected losses and stage two being lifetime expected losses. Impairments of all other financial assets that are not measured using the simplified approach will be calculated as the difference between the carrying value of the asset and the present value of the expected cash flows, discounted at the original effective interest rate of the instrument.

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

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.4 Credit risk continued

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

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

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

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

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

The Group and Company have the following types of assets that are subject to the expected credit loss model:

- Trade receivables from the Group's ordinary activities
- Contract assets
- Finance lease receivables
- Other receivables
- Loans
- Asset finance receivables
- Cash and cash equivalents
- Restricted cash

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.4 Credit risk continued

Credit risk management continued

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

	Group – Carrying amount		Company – Carrying amount	
	2024 Rm	2023 Rm	**2024 Rm**	2023 Rm
Trade receivables (refer to note 4.3)	**6 174**	6 877	**3 874**	4 875
Telkom SA	**9 161**	9 627	**6 698**	7 113
Business and residential	**4 425**	3 974	**4 027**	3 741
Global, corporate and wholesale	**3 960**	4 344	**1 906**	2 199
Government	**774**	1 163	**765**	1 173
Other customers	**2**	146	**–**	–
BCX subsidiaries – External	**208**	158	**–**	–
Impairment of trade receivables (refer to note 4.3)	**(3 195)**	(2 908)	**(2 824)**	(2 238)
Contract assets (refer to note 3.2.4.1)	**2 204**	2 440	**2 204**	2 440
Gross contract assets	**2 808**	2 948	**2 808**	2 948
Impairment of contract assets (refer to note 3.2.4.1)	**(604)**	(508)	**(604)**	(508)
Subtotal for trade receivables and contract assets	**8 378**	9 317	**6 078**	7 315
Other receivables	**1 079**	1 525	**1 878**	3 398
Loans to Openserve (refer to note 7.2.1)	**–**	–	**8 662**	8 760
Loans granted to Openserve	**–**	–	**8 719**	8 817
Impairment of Openserve loans	**–**	–	**(57)**	(57)
SMME loans (refer to note 7.3)	**72**	72	**72**	72
SMME loans granted	**78**	99	**78**	99
Impairment of SMME loans	**(6)**	(27)	**(6)**	(27)
Derivatives	**36**	66	**33**	62
Other investments	**96**	99	**–**	–
Finance lease receivables	**615**	673	**48**	62
Cash and cash equivalents	**3 747**	3 469	**1 863**	1 807
Restricted cash	**17**	4	**–**	–
	14 040	15 225	**18 634**	21 476

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

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

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

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

Post write-off recoveries
The Company's receivable and contract assets' book data shows that a large proportion of recoveries relative to the write-off came through subsequent to an account being written off. Post write-off recoveries are considered in the expected credit loss model to better reflect the appropriate customer credit risk view.

Default
Financial assets are in default when contractual payments are 90 days past due contractual payment terms. This term of 90 days past due is viewed as appropriate considering the Group collection processes, volume of customers, as well as the customer relationship experience.

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.4 Credit risk continued

Impairment of receivables, contract assets and loans	Group – Carrying amount 2024 Rm	Group – Carrying amount Restated[1] 2023 Rm	Company – Carrying amount 2024 Rm	Company – Carrying amount Restated[1] 2023 Rm
Impairment of receivables (refer to note 4.3)	**(1 285)**	(1 094)	**(1 048)**	(945)
Impairment of contract assets (refer to note 3.2.4.1)	**(397)**	(116)	**(397)**	(116)
Impairment of Openserve loans (refer to note 7.2.2)	**–**	–	**–**	(57)
Impairment of SMME loans (refer to note 7.3)	**(6)**	(27)	**(6)**	(27)
	(1 688)	(1 237)	**(1 451)**	(1 145)

[1] *Refer to note 2.7.*

Post write-off recoveries credited within the impairment of receivables, contract	Group 2024 Rm	Group 2023 Rm	Company 2024 Rm	Company 2023 Rm
Post write-off recoveries	**233**	162	**233**	162

During the current financial year, R998 million (31 March 2023: R500 million) for Group and R422 million (31 March 2023: R252 million) for Company of trade receivables and R301 million (31 March 2023: R104 million) for Group and Company of contract assets were written-off and are still subject to enforcement activity, such as external debt collection processes and Credit Bureau listing. Refer to notes 4.3 and 3.2.4.1 for details.

The ageing of trade receivables at the reporting date was:	Group – Carrying amount 2024: Trade receivables ageing Rm	Group – Carrying amount 2024: Allowance for expected credit losses ageing Rm	Group – Carrying amount 2024: Average expected credit loss ratio %	Company – Carrying amount 2024: Trade receivables ageing Rm	Company – Carrying amount 2024: Allowance for expected credit losses ageing Rm	Company – Carrying amount 2024: Average expected credit loss ratio %
Current	**4 618**	**200**	**4.3**	**3 311**	**162**	**4.9**
21 to 60 days past due	**1 091**	**340**	**31.2**	**757**	**322**	**42.5**
61 to 90 days past due	**306**	**186**	**60.8**	**201**	**172**	**85.6**
91 to 120 days past due	**283**	**180**	**63.6**	**215**	**151**	**70.2**
121 days to 150 days past due	**294**	**165**	**56.1**	**159**	**151**	**95.0**
151 days to 240 days past due	**500**	**428**	**85.6**	**389**	**365**	**93.8**
241 days to 330 days past due	**693**	**322**	**46.5**	**304**	**294**	**96.7**
331 days to 361 days past due	**170**	**147**	**86.5**	**154**	**134**	**87.0**
361+ days past due	**1 414**	**1 227**	**86.8**	**1 207**	**1 074**	**89.0**
	9 369	**3 195**	**34.1**	**6 697**	**2 825**	**42.2**

Significant changes within ageing brackets

The increase in the 61 to 90, 121 to 150 and 151 to 240 ageing brackets is due to the mobile dealers balance in the prior year being higher due to outstanding net-offs that have been processed in the current year, as a result of a change in the express stores consignment stock model.

The increase in the 241 to 330 ageing bracket for Company is due to an increase in the mobile ECL provision due to higher termination penalties and an increase in ceased and suspended customers.

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.4 Credit risk continued

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

The decrease in gross trade receivable of R416 million for Group was mainly due to payments made by mobile dealers and government departments as well as write-offs. The increase in the impairment of receivables of R173 million was driven by an increase in default rates and higher write-offs experienced in the current year as a result of the current macro-economic conditions.

The Group used macro-economic factors such as GDP projections, inflation rate, interest rates and high fuel prices in the ECL estimate.

The movement in the allowance for impairment in respect of trade receivables during the year is disclosed in notes 4.3. Included in the allowance for impairment for the Company are individually impaired receivables with a balance of R209 million (31 March 2023: R169 million) which have been identified as being unable to service their debt obligation. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the future cash flows. The Group does not hold any collateral over these balances.

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

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

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.5 Liquidity risk management

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

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

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

		Group					
2024	Notes	**Carrying amount Rm**	**Contractual cash flows Rm**	**0 – 12 months Rm**	**1 – 2 years Rm**	**2 – 5 years Rm**	**>5 years Rm**
Non-derivative financial liabilities							
Interest-bearing debt	6.4	**14 217**	**18 161**	**3 795**	**3 334**	**7 155**	**3 877**
Lease liabilities	6.3.2	**6 461**	**8 995**	**2 965**	**1 716**	**3 494**	**820**
Trade and other payables	4.5	**8 996**	**8 996**	**8 996**	**–**	**–**	**–**
Shareholders for dividend	9.4	**24**	**24**	**24**	**–**	**–**	**–**
Asset finance payables	7.3	**323**	**357**	**150**	**109**	**98**	**–**
Vendor financing	7.3	**172**	**172**	**172**	**–**	**–**	**–**
Derivative financial liabilities							
Firm commitments	7.3	**55**	**55**	**55**	**–**	**–**	**–**
Forward exchange contracts	7.3	**21**	**21**	**21**	**–**	**–**	**–**
		30 269	**36 781**	**16 178**	**5 159**	**10 747**	**4 697**

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

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.5 Liquidity risk management continued

		Company					
2024	Notes	Carrying amount Rm	Contractual cash flows Rm	0 – 12 months Rm	1 – 2 years Rm	2 – 5 years Rm	>5 years Rm
Non-derivative financial liabilities							
Interest-bearing debt	6.4	**14 217**	**18 161**	**3 795**	**3 334**	**7 155**	**3 877**
Lease liabilities	6.3.2	**5 154**	**6 296**	**1 651**	**1 484**	**2 539**	**622**
Trade and other payables	4.5	**8 108**	**8 108**	**8 108**	**–**	**–**	**–**
Shareholders for dividend	9.4	**24**	**24**	**24**	**–**	**–**	**–**
Derivative financial liabilities							
Firm commitments	7.3	**33**	**33**	**33**	**–**	**–**	**–**
Forward exchange contracts	7.3	**16**	**16**	**16**	**–**	**–**	**–**
		27 552	**32 638**	**13 627**	**4 818**	**9 694**	**4 499**

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

Supplier financing arrangements

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

The supplier's participation is entirely at the supplier's discretion. The arrangement allows suppliers to trade the invoice and receive the funding earlier than the invoice due date. During the current reporting period, suppliers have traded invoices amounting to R3 674 million through SCF, of which R488 million is due after 31 March 2024 (31 March 2023: suppliers have traded invoices amounting to R3 600 million through SCF, of which R530 million was due after 31 March 2023).

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.6 Market risk

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

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

The Financial Stability Board has initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets. The South African Revenue Bank (SARB) has indicated its intention to move away from JIBAR and to create an alternative reference rate for South Africa. The SARB has indicated its initial preference for the adoption of the South African Rand Overnight Index Average (ZARONIA) as the preferred unsecured candidate to replace JIBAR in cash and derivative instruments. In November 2023, the SARB designated ZARONIA as the successor rate to replace JIBAR. The observation period for ZARONIA ended on 3 November 2023 and the SARB has indicated that market participants may use the published ZARONIA as a reference rate in pricing financial contracts going forward. The SARB has indicated that the transition from JIBAR to ZARONIA is a multi-year initiative and has not yet communicated a cessation date for JIBAR.

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 32% (2023: 29%) of the total debt. The debt has been maintained to limit the Group's exposure to interest rate increases.

The targeted fixed/floating debt ratio is 30:70, 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
2024				
Interest rate swaps outstanding				
Pay fixed and receive floating	**1.38 years**	**2 777**	**1.38 years**	**2 777**
2023				
Interest rate swaps outstanding				
Pay fixed and receive floating	1.25 years	2 277	1.25 years	2 277

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.

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.6 Market risk continued

The Group enters into forward exchange contracts to hedge foreign currency exposure of the Group's operations and liabilities. Refer to note 7.3 for the balances recognised relating to hedging instruments and hedged items.

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

	Group		Company	
Purchased	**Foreign contract value m**	**Contract value Rm**	**Foreign contract value m**	**Contract value Rm**
2024				
Currency				
USD	**129**	**2 451**	**111**	**2 098**
Euro	**8**	**167**	**6**	**133**
GBP	**1**	**13**	**–**	**1**
Chinese Yuan	**45**	**117**	**45**	**117**
		2 748		**2 349**
2023				
Currency				
USD	191	3 423	167	3 004
Euro	14	284	10	201
Chinese Yuan	202	533	202	533
		4 240		3 738

	Group		Company	
Sold	**Foreign contract value m**	**Contract value Rm**	**Foreign contract value m**	**Contract value Rm**
2024				
Currency	**2**	**34**	**34**	**645**
USD	**–**	**–**	**6**	**131**
Euro	**–**	**–**	**43**	**114**
		34		**890**
2023				
Currency				
USD	1	18	–	–
Euro	1	16	–	–
		34		–

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.6 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
2024									
Net foreign currency monetary assets/(liabilities)									
Functional currency of company operation									
South African rand	**(3)**	**(1 058)**	**(32)**	**(1)**	**–**	**(1)**	**(718)**	**(3)**	**–**
2023									
Net foreign currency monetary assets/(liabilities)									
Functional currency of company operation									
South African rand	(41)	(1 272)	(236)	1	(1)	(32)	(1 180)	(204)	(1)

Sensitivity analysis

Interest rate risk

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

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

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the profit/loss for the year ended 31 March 2024 would decrease/increase by R54 million (31 March 2023: decrease/increase by R44 million) for the Group and R40 million (31 March 2023: decrease/increase by R32 million) for the Company.

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.6 Market risk continued

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

	Group movement		Company movement	
Classes of financial instruments per statement of financial position	**+ 1% Profit Rm**	**- 1% Profit Rm**	**+ 1% Profit Rm**	**- 1% Profit Rm**
2024				
Assets				
Other financial assets	48	(48)	31	(31)
Forward exchange contracts	3	(3)	2	(2)
Cash and cash equivalents	10	(10)	–	–
Interest rate swaps	29	(29)	29	(29)
Finance lease receivables	6	(6)	–	–
Liabilities				
Other financial liabilities	(3)	3	–	–
Asset finance payable	(3)	3	–	–
Interest-bearing debt	9	(9)	9	(9)
	54	(54)	40	(40)
2023				
Assets				
Other financial assets	41	(41)	26	(26)
Forward exchange contracts	5	(5)	5	(5)
Interest rate swaps	21	(21)	21	(21)
Cash and cash equivalents	9	(9)	–	–
Finance lease receivables	6	(6)	–	–
Liabilities				
Other financial liabilities	3	(3)	6	(6)
Forward exchange contracts	6	(6)	6	(6)
Asset finance payable	(3)	3	–	–
	44	(44)	32	(32)

Foreign exchange currency risk

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

If foreign exchange rates had been 10% higher/lower and all other variables were held constant, the Group's and Company's profit/loss for the year ended 31 March 2024 would increase/(decrease) by R78 million for Group (31 March 2023: increase/(decrease) by R305 million) and R78 million for Company (31 March 2023: increase/(decrease) by R303 million).

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.6 Market risk continued

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

	Group		Company	
Classes of financial instruments per statement of financial position	+ 10% movement (Depreciation) Rm	- 10% movement (Appreciation) Rm	+ 10% movement (Depreciation) Rm	- 10% movement (Appreciation) Rm
2024				
Assets				
Other financial assets	214	(214)	214	(214)
Forward exchange contracts	214	(214)	214	(214)
Liabilities				
Other financial liabilities	(136)	136	(136)	136
Firm commitments	(66)	66	(66)	66
Forward exchange contracts	(70)	70	(70)	70
	78	(78)	78	(78)
2023				
Assets				
Other financial assets	161	(161)	161	(161)
Firm commitments	123	(123)	123	(123)
Forward exchange contracts	38	(38)	38	(38)
Liabilities				
Other financial liabilities	(455)	455	(454)	454
Firm commitments	(123)	123	(123)	123
Forward exchange contracts	(332)	332	(331)	331
Interest-bearing debt	(10)	10	(10)	10
Financial guarantees	(1)	1	–	–
	(305)	305	(303)	303

7.1.7 Equity price risk

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

At the reporting date, the total amount for local equity investments was R102 million (31 March 2023: R103 million). A 10% increase (31 March 2023: 10% increase) in the local equity portfolios at the reporting date would have increased profit or loss by R10 million 31 March 2023: R10 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 it is performed on the same basis as the prior year.

7.1.8 Capital management

The Group's policy is to manage the capital structure to ensure maximisation of shareholders' return, growth and ability to meet its obligations. Capital comprises equity and net debt which is monitored using, inter alia, a net debt to EBITDA ratio.

Net debt is defined as interest-bearing debt and credit facilities utilised, less restricted cash and cash and cash equivalents. EBITDA is defined as earnings before investment income 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 interest revenue and interest on overdue accounts.

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.1 Financial instruments and risk management continued

7.1.8 Capital management continued

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

	Group		Company	
	31 March 2024 Rm	Restated[1] 31 March 2023 Rm	31 March 2024 Rm	Restated 31 March 2023 Rm
Non-current portion of interest-bearing debt	**11 535**	11 999	**11 535**	11 999
Current portion of interest-bearing debt	**2 682**	2 357	**2 682**	2 357
Less: Cash and cash equivalents	**(3 747)**	(3 469)	**(1 863)**	(1 807)
Less: Restricted cash	**(17)**	(4)	**–**	–
Net debt	**10 453**	10 883	**12 354**	12 549
EBITDA[1]	**9 428**	8 022	**4 385**	4 817

[1] *EBITDA has been restated due to IFRS 17 implementation and Swiftnet being classified as a discontinued operation. Refer to note 2.7.*

7.2 Investments

7.2.1 Investment in subsidiaries

	Company	
	31 March 2024 Rm	31 March 2023 Rm
Investment in subsidiaries	**13 480**	14 713
Openserve (Pty) Ltd	**6 676**	6 641
100% shareholding at cost	**11 296**	11 296
Impairment	**–**	(4 655)
Accumulated impairment	**(4 655)**	–
Share-based compensation reserve (refer to note 9.2)	**35**	–
Trudon (Pty) Ltd	**17**	30
100% shareholding at cost	**326**	326
Impairment	**(12)**	–
Accumulated impairment	**(44)**	(44)
Return of investment[1]	**(253)**	(252)
Swiftnet SOC Ltd (Gyro Masts and Towers)[2]		
100% shareholding at cost	**–**	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 Group (Pty) Ltd		
100% shareholding at cost (R100)	**5**	5
Investment in the FutureMakers Fund	**74**	90
Shareholding at cost	**100**	100
Impairment	**(16)**	–
Accumulated impairment	**(10)**	(10)

[1] *Return on investment is due to the operations of Trudon being integrated with Telkom in the prior year.*

[2] *Investment in Swiftnet is disclosed as an asset held for sale in the current year. Refer to note 12.2.*

Impairment considerations

The Company holds a 100% interest in BCX, Openserve and Trudon and accounts for these investments as subsidiaries in terms of IAS 27 (Separate Financial Statements). Under IAS 36 (Impairment of Assets), the Group is required to test investments in subsidiaries carried at cost for impairment if there is an indicator of impairment. In the current year, there were no indicators on impairment for these investments.

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.2 Investments continued

7.2.2 Loans to subsidiaries

	Company	
	Carrying value	
	31 March 2024 Rm	31 March 2023 Rm
Loans to subsidiaries	**9 018**	9 164
Loan to Swiftnet	**356**	404
Non-current portion of Swiftnet loan	**225**	404
Current portion of Swiftnet loan	**131**	–
Loans to Openserve	**8 662**	8 760
Loans granted to Openserve	**8 719**	8 817
Non-current portion of loans granted to Openserve	**8 717**	8 691
Current portion of loans granted to Openserve	**2**	126
Accumulated impairment loss on loans to Openserve	**(57)**	(57)

Loan to Swiftnet

The Telkom Board approved a R500 million loan from Telkom to Swiftnet on 31 March 2022. The loan was provided to Swiftnet to finance capital expenditure requirements and/or discharge indebtedness incurred for the purposes of financing such capital expenditure requirements. The loan is payable in 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. The R131 million has been classified as current based on the assumption that it will be realised as part of the Swiftnet sale transaction.

Loans to Openserve

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

The first loan is a R4.2 billion loan which is payable over 5 years and 6 months and accrues interest at a rate of three-month JIBAR plus a margin of 1.65%. Quarterly interest payments will be made against the loan. The capital is repayable in five instalments, with the next instalment due on 31 March 2026.

The second loan of R4.8 billion is payable over 10 years and accrues interest at a rate of three-month JIBAR plus a margin of 1.85%. Capital will be paid as a bullet repayment at the end of the loan period.

Loans to subsidiaries key assumptions

All the loans made by Telkom to its subsidiaries are accounted for at amortised cost. Loans to subsidiaries are considered to have low credit risk as the subsidiaries are performing well and there has been no deterioration of credit risk since the loans were originated. Therefore, the loss allowance recognised during the period was limited to the 12-month ECL. During the current financial year, no material ECL was accounted for on the loan to Swiftnet and ECL of Rnil (31 March 2023: R57 million) was accounted for on the loans to Openserve.

BCX loan

In March 2024, Telkom and its wholly owned subsidiary, BCX, entered a term loan and Revolving Credit Facility (RCF) agreement, in terms of which Telkom commits to set aside R1 billion for BCX. The committed funds can be drawn by BCX over 3 years and 6 months, commencing from the date when Telkom notifies BCX that the conditions precedent are met. Any drawn amount will incur interest at JIBAR plus an additional margin of 1.65%. On 31 March 2024, BCX had not drawn on either facility.

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.2 Investments continued

7.2.3 Other investments

Significant accounting judgements, estimates and assumptions

Determination of onerous contract
A contract is onerous at initial recognition where the expected fulfilment cash flows, any previously recognised acquisition cash flows and any cash flows arising from the contract, at the date of initial recognition, in total are a net outflow. The Group uses estimates to determine future expected cash flows. The estimation considers available historic information about claims, and statistical data relating to events that affect the loss ratio such as crime rate, mortality rate, etc. The insurance contracts were determined to be non-onerous on initial recognition.

Summary of material accounting policies

FutureMakers Fund
This fund is an Enterprise and Supplier Development (ESD) programme. In partnership with Identity FutureFund (Pty) Ltd, the fund was created in terms of the Department of Trade and Industry's Code of Good Practice on Black Economic Empowerment 2007, as amended, and specifically in terms of the Information and Technology Charter.

The Company accounts for this at cost as an investment in a subsidiary. The Group consolidates the fund and holds the investments within the fund at fair value. The underlying investments in the fund have been designated as at fair value through profit or loss as this more appropriately reflects the basis on which management measures and monitors the performance of the investment. No change was made to this designation following the adoption of IFRS 9. In 2018, the partnership agreement was amended to also include BCX. BCX invested an amount of R100 million, which is reflected as a financial asset in the BCX stand-alone financial statements and included in cash and cash equivalents in the Group financial statements.

Investment in associate
The Number Portability Company (Pty) Ltd was incorporated in response to Regulations of 2005 that required a national centralised database of ported numbers for mobile numbers. The investment has been classified as an associate in line with the requirements of the revised IAS 28 (Investments in Associates and Joint Ventures). The year-end of the associate, 31 December, is different to that of the Company and the impact is not material.

Investment in insurance first-party cell captive
Telkom has entered into a first-party cell captive arrangement with Guardrisk. The first-party cell is to insure the life of Telkom's employees and their related parties. Telkom will pay insurance premiums to Guardrisk periodically. In the event that a life is lost, the claims will be paid from the cell captive.

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

Investment in insurance third-party cell captive
Telkom is a cell captive owner for two third-party cell captive arrangements with Mutual and Federal Risk Financing Limited (MFRF) and Guardrisk. Both MFRF and Guardrisk are licensed insurance companies. MFRF underwrites the Telkom device insurance and Guardrisk underwrites the Telkom life insurance.

The device insurance allows Telkom's customers to insure their devices against theft, accidental loss, and accidental physical damage. The life insurance allows customers to insure lives with the main product being the death benefit cover.

Both third-party cells are ring-fenced insurance businesses and Telkom's participation is restricted to the results of the insurance businesses.

Based on the nature of the shareholder and subscription and Intermediary contracts between Telkom and MFRF and Guardrisk, Telkom compensates the underwriters for claims arising from the contracts issued to the public when the premiums cannot cover those claims. The contract between Telkom and the underwriters is classified as reinsurance contracts issued.

In the Group, the cell captive arrangements effectively represent investments in a separate class of shares in the cell captive insurer (Guardrisk and MFRF). 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 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.

Classification
Insurance contracts are contracts under which the Group accepts significant insurance risk from its cell captive underwriters (MFRF and Guardrisk) by agreeing to compensate the underwriters if a specified uncertain future event covered by the insurance adversely affects the third-party policyholders. The contracts issued by the underwriters to the policyholders meet this definition.

Contract boundary period
The measurement of the insurance contracts only considers cash flows within the boundary. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the entity can compel the policyholder to pay the premiums or in which the entity has a substantive obligation to provide the policyholder with insurance contract services.

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.2 Investments continued

7.2.3 Other investments continued

Investment in insurance third-party cell captive continued

Measurement
The Group applies the premium allocation approach (PAA) on the device and life insurance contracts as they have a coverage period of one year or less. Both the device insurance and life insurance do not meet the definition of insurance contracts with direct participating rights.

The Group manages insurance contracts by product lines, i.e. device insurance and life insurance, within the Consumer operating segment. Insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further assessed and grouped into three cohorts, namely:

- Contracts that are onerous at initial recognition;
- Contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently; and
- Remaining group contracts.

All the insurance contracts were determined to be non-onerous on initial recognition.

Insurance liability measurement
The insurance cell recognises the insurance contracts with the policyholders at the earlier of the beginning of the coverage period, date when the first payment from a policyholder is due or when the first payment is received, if there is no due date, and when the insurance cell becomes onerous in relation to onerous insurance contracts.

Liability of remaining coverage
Using the PAA measurement, the liability for remaining coverage is measured as:

- Insurance premiums received at initial recognition;
- Less insurance acquisition cash flows incurred at initial recognition.

Subsequently:

- Opening liability of remaining coverage as per the previous reporting period;
- Add insurance revenue received;
- Less insurance revenue recognised;
- Less acquisition costs paid;
- Add acquisition cash flows incurred in the period; and
- Add interest attributed to the profit share account/investment income over a period.

Insurance acquisition cash flows incurred
Insurance acquisition cash flows incurred consist of cash flows that arise from costs of selling, underwriting, insurance acquisition and other insurance business operating expenses.

Liability for Incurred Claims (LIC)
LIC consist of claims incurred but not yet honoured and paid. The Group does not adjust for the time value of money as the time between providing the insurance service and the related claim date are not more than a year. The fulfilment cash flows are determined on an unbiased basis and reflects the Group's estimate of the claim liability. The estimate considers all information available without undue costs relating to the cash flows arising from substantive rights and obligations that exist during the reporting period.

Acquisition costs
The Group accounting policy choice is to expense insurance acquisition cash flows as and when they are incurred as the insurance coverage period is 12 months or less.

Insurance risk
Insurance risk is the risk that the premiums received to cover the insured events are not sufficient to cover the claims liability.

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 significant insurance risk from the underwriters in a controlled manner by investing in the businesses that are liable to compensate the third party in the event that a specified risk occurs.

Insurance contract risk is unpredictable by nature. To determine the insurance premiums, the underwriters use available historical claims information and actuarial science techniques.

The underwriter's risk is that the actual insurance claims liability exceeds the premiums collected from the policyholders.

The number of claims at any given boundary period cannot be predicted with certainty and is affected by the following unforeseen events 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 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.
- Crime rate: risk that the level of crime gets out of control, resulting in frequent high number of claims due to death, for life insurance, and theft, for device insurance.

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.2 Investments continued

7.2.3 Other investments continued

Investment in insurance third-party cell captive continued

As the cell owner of both cell captives, Telkom is obliged to ensure that the cell always maintains financially sound requirements (solvency and liquidity). Where the cell's solvency and liquidity requirements are adversely affected, Telkom is required to inject capital into the cell. The insurance business risk exposure is currently within the Group's risk appetite on both cell captives. Therefore, Telkom has opted not to re-insure its insurance risk on both cell captives.

Telkom develops an annual business plan and its performance is reviewed monthly, including the assessment of financial statements of the respective cell to monitor the financial performance and position. The claims ratio is closely monitored to ensure that they have considered all the possible risk, and mitigation actions are implemented.

	Group		Company	
	31 March 2024 Rm	31 March 2023 Rm	**31 March 2024 Rm**	31 March 2023 Rm
Non-current other investments				
Unlisted investment	**106**	108	**–**	–
FutureMakers Fund	**96**	99	**–**	–
Investment	**96**	99	**–**	–
Devaluation/impairment	**–**	–	**–**	–
Investment in associates	**10**	9	**–**	–
Current other investments	**141**	61	**141**	60
Insurance contract asset	**141**	61	**141**	60

7.2.3.1 Reconciliation of insurance contract assets

	Group and Company			
	31 March 2024		**31 March 2023**	
Device insurance	**Liability of Remaining Coverage (LRC) – Excluding Loss Component Rm**	**Liability of Incurred Claim (LIC) Rm**	Liability of Remaining Coverage (LRC) – Excluding Loss Component Rm	**Liability of Incurred Claim (LIC) Rm**
Insurance contract asset/(liability) balance as at 1 April	**255**	**(199)**	56	–
Insurance revenue	**273**	**–**	197	–
Insurance service expenses	**(16)**	**(163)**	(5)	(199)
Incurred claims and directly attributable costs	**–**	**(130)**	–	(179)
Insurance acquisition cash flows	**(16)**	**–**	(5)	–
Insurance operating costs	**–**	**(33)**	–	(20)
Insurance service result	**257**	**(163)**	192	(199)
Insurance finance income	**15**	**–**	6	–
Taxation	**(30)**	**–**	1	–
Total recognised in the statement of profit or loss and other comprehensive income	**242**	**(163)**	199	(199)
Cash flows				
Premiums received	**(273)**	**–**	(194)	–
Premiums recognised	**273**	**–**	194	–
Incurred claims and directly attributable costs recognised	**–**	**163**	–	179
Incurred claims and directly attributable costs paid	**–**	**(163)**	–	(179)
Insurance acquisition cash flows recognised	**16**	**–**	5	–
Insurance acquisition cash flows paid	**(16)**	**–**	(5)	–
Total cash flows	**–**	**–**	–	–
Insurance contract asset balance as at 31 March	**497**	**(362)**	255	(199)

There was no loss component in FY2023 and FY2024.

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.2 Investments continued

7.2.3 Other investments continued

7.2.3.1 Reconciliation of insurance contract assets continued

	Group and Company			
	31 March 2024		31 March 2023	
Life insurance	Liability of Remaining Coverage (LRC) – Excluding Loss Component Rm	Liability of Incurred Claim (LIC) Rm	Liability of Remaining Coverage (LRC) – Excluding Loss Component Rm	Liability of Incurred Claim (LIC) Rm
Insurance contract asset balance as at 1 April	**9**	**(5)**	3	–
Insurance revenue	8	–	6	–
Insurance service expenses	–	(6)	–	(5)
Incurred claims and related costs	–	(5)	–	(4)
Insurance operating costs	–	(1)	–	(1)
Insurance service result	**8**	**(6)**	6	(5)
Insurance finance income	1	–	–	–
Taxation	(1)	–	–	–
Total recognised in the statement of profit or loss and other comprehensive income	**8**	**(6)**	6	(5)
Cash flows				
Premiums received	(8)	–	(6)	–
Premiums recognised	8	–	6	–
Incurred claims and directly attributable costs recognised	–	6	–	5
Incurred claims and directly attributable costs paid	–	(6)	–	(5)
Insurance contract asset balance as at 31 March	**17**	**(11)**	9	(5)

There was no loss component in FY2023 and FY2024.

For both cell captives the adjustment for non-financial risk is considered to be immaterial.

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.3 Other financial assets and liabilities

Summary of material accounting policies

Investment in equity fund

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

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

Asset finance receivables and asset finance payables

The Group leases equipment to certain customers. In BCX, the business model for managing finance lease receivables is to collect contractual cash flows. Some finance lease receivables are also securitised to financial institutions. Where the derecognition criteria for the sale of the lease receivable to the financial institution in terms of IFRS 9 has been met, the lease receivable is derecognised. If the derecognition criteria are not met and the Group does not transfer all risks and rewards (i.e. credit risk), the lease receivable is not derecognised.

	Group		Company	
	31 March 2024 Rm	31 March 2023 Rm	**31 March 2024 Rm**	31 March 2023 Rm
Other financial assets				
Non-current other financial assets	**173**	182	**89**	89
Other financial assets at amortised cost	**156**	165	**72**	72
Asset finance receivables	**73**	93	**–**	–
SMME loans	**72**	72	**72**	72
Long-term loans and advances	**11**	–	**–**	–
Other financial assets at fair value through profit or loss	**17**	17	**17**	17
Investment in equity fund	**10**	10	**10**	10
Investment in first-party cell captive	**7**	7	**7**	7
Current other financial assets	**63**	93	**48**	77
Other financial assets at amortised cost	**12**	12	**–**	–
Short-term loans and advances	**12**	12	**–**	–
Other financial assets at fair value through profit or loss				
Derivative instruments used for hedging	**51**	81	**48**	77
Forward exchange contracts[1]	**35**	45	**33**	40
Firm commitments[1]	**1**	21	**–**	22
Interest rate swaps	**15**	15	**15**	15
Other financial liabilities				
Non-current other financial liabilities	**(202)**	(198)	**–**	–
Other financial liabilities at amortised cost				
Asset finance payables	**(202)**	(198)	**–**	–
Current other financial liabilities	**(369)**	(470)	**(49)**	(125)
Other financial liabilities at amortised cost	**(293)**	(328)	**–**	–
Asset finance payables[2]	**(121)**	(111)	**–**	–
Vendor financing	**(172)**	(217)	**–**	–
Other financial liabilities at fair value through profit or loss	**(76)**	(142)	**(49)**	(125)
Derivative instruments used for hedging	**(76)**	(131)	**(49)**	(125)
Forward exchange contracts[1]	**(21)**	(45)	**(16)**	(39)
Firm commitments[1]	**(55)**	(86)	**(33)**	(86)
Financial guarantees	**–**	(11)	**–**	–

[1] *The movement in the forward exchange contracts and firm commitments relates to the volatility of the forex market.*

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

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.3 Other financial assets and liabilities continued

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

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

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

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

The loan amounts for the seven borrowers range from a minimum of R2.5 million to a maximum of R10 million. The loans are all at a zero-interest rate and have different instalments and period terms.

Aligned with IFRS 9 principles, Telkom uses the general approach in calculating ECL on loans. The SMMEs' credit risk scores are not publicly available and there is currently no history available in which the credit risk can be assessed. Based on the nature and size of the SMMEs, their credit risk is regarded as significant, thus a lifetime ECL will be calculated. In the current financial year, an ECL of R6 million (31 March 2023: R27 million) was recognised on the loans.

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

Derivatives that do not meet the hedge accounting requirements:
The Group uses forward exchange contracts and interest rate swaps to economically hedge its foreign exchange and interest rate exposures. This relates to the "Other" category of forward exchange contracts as referred to in note 7.1.6. These derivative instruments are measured at fair value through profit or loss.

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

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

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

Hedge effectiveness is determined at inception of the hedge relationship and at every reporting period-end through the assessment of the hedged items and hedging instrument to determine whether there is still an economic relationship between the two.

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

Notes to the financial statements continued

for the year ended 31 March 2024

7. Financial risk continued

7.3 Other financial assets and liabilities continue

Fair value hedge continued

Derivatives that meet the hedge accounting requirements:

	Group				
	Nominal amount of the hedging instrument Rm	Carrying amount of the hedging instrument		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		
2024					
Foreign exchange risk fair value hedging relationship					
Forward exchange contracts	**2 748**	**35**	**(21)**	**Other financial assets and other financial liabilities**	**121**
2023					
Foreign exchange risk fair value hedging relationship					
Forward exchange contracts	4 240	45	(45)	Other financial assets and other financial liabilities	284

	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		
2024					
Foreign exchange risk fair value hedging relationship					
Forward exchange contracts	**2 349**	**33**	**(16)**	**Other financial assets and other financial liabilities**	**121**
2023					
Foreign exchange risk fair value hedging relationship					
Forward exchange contracts	3 738	40	(39)	Other financial assets and other financial liabilities	284

A decrease in fair value of the forward exchange contracts, designated as fair value hedges, of R121 million (31 March 2023: R284 million) has been recognised in finance charges and fair value movements and offset with a similar gain on the hedged items (property, plant and equipment and inventory). The ineffective portion recognised in the current financial year was immaterial.

Notes to the financial statements continued

for the year ended 31 March 2024

8. Taxation

8.1 Income tax expense

Significant accounting judgements, estimates and assumptions

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

Summary of material accounting policies

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

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

Notes to the financial statements continued

for the year ended 31 March 2024

8. Taxation continued

8.1 Income tax expense continued

	Group		Company	
	31 March 2024 Rm	Restated[7] 31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Taxation[1]	**(655)**	3 531	**(59)**	2 039
Discontinued operation	**(158)**	(113)	**–**	–
Continued operations	**(497)**	3 644	**(59)**	2 039
South African normal company taxation	**(258)**	(499)	**(30)**	–
Current taxation[2]	**(258)**	(502)	**(30)**	–
Overprovision for prior year	**–**	3	**–**	–
Deferred taxation (refer to note 8.2)	**(239)**	4 031	**(29)**	2 039
Capital allowances[1]	**(1 115)**	3 252	**(362)**	1 490
Provisions and other allowances	**412**	293	**(131)**	345
Tax losses[1]	**458**	470	**471**	197
Acquisition of BCX[3]	**9**	9	**–**	–
(Underprovision)/overprovision for prior year[2]	**(3)**	7	**(7)**	7
Withholding tax	**–**	(1)	**–**	–

Reconciliation of taxation rate	**%**	%	**%**	%
South African normal rate of taxation	**27.0**	27.0	**27.0**	27.0
Increased/(decreased) by the following adjustments:	**(1.5)**	(0.9)	**(25.4)**	(9.7)
Non-taxable income	**(3.1)**	0.1	**(25.0)**	1.3
Dividends received	**–**	–	**(24.5)**	1.3
Profit on sale of assets	**–**	–	**(0.3)**	–
Cell captive fair value adjustments	**–**	–	**(0.2)**	–
Other exempt income[8]	**(3.1)**	0.1	**–**	–
Non-deductible expenditure[4]	**2.0**	(0.9)	**(0.4)**	(11.1)
Capital expenditure[5]	**3.4**	(0.5)	**0.2**	(0.3)
IFRS 2 share-based payment adjustments	**(2.0)**	0.2	**(1.2)**	0.2
Interest and penalties	**0.1**	–	**–**	–
Other disallowed expenditure	**0.5**	(0.6)	**0.6**	(11.0)
Prior year adjustments	**(0.4)**	–	**–**	0.1
Prior year (overprovision)/underprovision tax expense[2]	**(0.4)**	–	**–**	0.1
Other taxes	**–**	(0.1)	**–**	–
Differences in tax rates, foreign tax and withholding tax	**–**	(0.1)	**–**	–
Effective rate[6]	**25.5**	26.1	**1.6**	17.3

[1] *The increase of R4 186 million in the prior year tax credit to a tax expense of R655 million in the current year is primarily due to the movement from a significant loss before tax in the prior year as a result of the impairment of property plant and equipment and intangible assets to a profit before tax in the current year.*

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

[3] *Non-deductible write-offs in respect of previous acquisition of BCX.*

[4] *The current year tax expense is increased by the non-deductible capital expenditure, whereas the prior year tax credit was reduced by these adjustments.*

[5] *The increase of greater than 100% in the non-deductible capital expenditure is primarily attributable to an increase in assets scrapped, that do not qualify for tax deductions.*

[6] *The decrease of 0.6% in the effective tax rate is primarily attributable to the non taxable accounting treatment of asset disposals as well as share based payments.*

[7] *Refer to note 12.2.*

[8] *This relates to relates to the accounting treatment of scrap items sold.*

Notes to the financial statements continued

for the year ended 31 March 2024

8. Taxation continued

8.2 Deferred taxation

Significant accounting judgements, estimates and assumptions

Deferred taxation asset

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

Source of estimation uncertainty

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

Future taxable profits are determined based on business plans for individual entities in the Group and the probable reversal of taxable temporary differences in future. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves. The Group recognised deferred tax assets in the current year amounting to R4 160 million (31 March 2023: R4 304 million).

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

	Group		Company	
	31 March 2024 Rm	Restated[3] 31 March 2023 Rm	**31 March 2024 Rm**	31 March 2023 Rm
Deferred taxation[1]	**3 873**	4 064	**1 386**	1 415
Opening balance	**4 064**	71	**1 415**	(28)
Profit and loss and opening balance movements	**(248)**	4 022	**(29)**	2 039
Capital allowances[2,3]	**(1 115)**	3 226	**(362)**	1 490
Provisions and other allowances[3]	**412**	319	**(131)**	345
Tax losses	**458**	470	**471**	197
(Underprovision)/overprovision prior year	**(3)**	7	**(7)**	7
Common control transactions/business combinations	**8**	9	**–**	(568)
Held for sale adjustment	**48**	–	**–**	–
Other comprehensive income deferred tax impact	**1**	(38)	**1**	(28)
The balance comprises:	**3 873**	4 064	**1 386**	1 415
Capital allowances[3]	**(1 669)**	(1 510)	**(2 604)**	(2 242)
Provisions and other allowances[3]	**4 053**	4 579	**2 736**	2 873
Business combination	**(31)**	(40)	**–**	–
Common control transactions	**–**	(31)	**–**	–
Tax losses	**1 977**	1 523	**1 712**	1 241
Other comprehensive income tax impact	**(457)**	(457)	**(458)**	(457)
Deferred taxation balance is made up as follows:[1]	**3 873**	4 064	**1 386**	1 415
Deferred taxation assets[1]	**4 160**	4 304	**1 386**	1 415
Deferred taxation liabilities	**(287)**	(240)	**–**	–

[1] The Group considered the following factors in assessing whether it is probable that the Group will have future taxable profits against which the deferred tax asset (DTA) can be utilised:

- *It is expected that the circumstances resulting in the Group's tax losses will not continue and that no additional tax losses will arise within the next two to three years.*
- *The DTA that arose as a result of the impairment of property, plant and equipment and intangible assets in the prior year will continue to be utilised within approximately seven years through the use of the assets. The commencement of the utilisation in the current year is evident in the reduction of the DTA attributable to the movement in capital allowances.*

[2] The decrease of R4 341 million on capital allowances is due to the reduced depreciation charge following the impairments that were raised in the prior year.

[3] Restated due to the adoption of the IAS 12 amendments. The restatement has resulted in the adjustment of a negative R26 million and R26 million to capital allowances and provisions and other allowances, respectively, under the profit and loss and opening balance movements and negative R813 million and R813 million to capital allowances balance and provisions and other allowances balance, respectively. Refer to note 2.2.1 for details.

Notes to the financial statements continued

for the year ended 31 March 2024

8. Taxation continued

8.3 Taxation paid

	Group		Company	
	31 March 2024 Rm	31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Taxation paid[1]	(422)	(547)	–	–
Net tax receivable at the beginning of the year	77	27	–	–
Current taxation	(443)	(497)	(31)	–
Cell captive tax	31	–	31	–
Discontinued operation	30	–	–	–
Net tax receivable at the end of the year[2]	(117)	(77)	–	–

[1] *Taxation paid in the current year is R125 million lower than the R547 million paid in FY2023 as a result of restructuring costs provided for in the prior year which were not deductible for tax.*

[2] *Included in the net tax receivable is R2 million relating to the Swiftnet disclosure as non-current assets held for sale.*

9. Equity structure

9.1 Share capital

	Group		Company	
Authorised and issued share capital is made up as follows:	31 March 2024 Rm	31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Authorised				
1,000,000,000 ordinary shares of R10 each	10 000	10 000	10 000	10 000
Issued				
504 975 439 (31 March 2023: 504 975 439) ordinary shares of R10 each (fully paid up)	5 050	5 050	5 050	5 050
6 164 800 (31 March 2023: 6 164 800) shares at no consideration[1]	–	–	–	–

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

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

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

Capital management

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.

Refer to note 7.1.8 for the detailed capital management disclosure.

Notes to the financial statements continued

for the year ended 31 March 2024

9. Equity structure continued

9.2 Share-based compensation reserve

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

	Group		Company	
The movement within the share-based compensation reserve is:	**31 March 2024 Rm**	31 March 2023 Rm	**31 March 2024 Rm**	31 March 2023 Rm
Balance at the beginning of the year	**1 414**	1 238	**1 250**	1 128
Net increase in equity	**121**	176	**71**	122
Employee cost (refer to note 3.4.4)	**121**	176	**36**	80
Openserve share-based compensation reserve[1]	**–**	–	**35**	42
Balance at the end of the year	**1 535**	1 414	**1 321**	1 250

[1] *From 1 September 2022, Openserve is a 100% owned subsidiary of the Group. For shares granted before 1 September 2022, where Openserve does not have an obligation to pay for the shares, it has been assessed that these shares need to be equity-settled in Telkom Company. This is because Telkom has the obligation to settle for the services rendered to Openserve. For services rendered by the Openserve employees post the carve-out date, the share-based compensation reserve was increased in the current financial year by R35 million (31 March 2023: R42 million) with the corresponding entry to the investment in Openserve.*

9.3 Non-distributable reserves

Summary of material accounting policies

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

Non-distributable reserves include the following:

- Translation reserve: comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into South African rand;
- Treasury shares: the reserve also represents the treasury shares as well as amounts paid by Telkom to its subsidiary, Rossal No 65 (Pty) Ltd, for the acquisition of Telkom's shares to be utilised in terms of the Telkom share scheme; and
- Shares repurchased for the purpose of the Telkom Group employee share scheme.

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

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

Notes to the financial statements continued

for the year ended 31 March 2024

9. Equity structure continued

9.3 Non-distributable reserves continued

	Group		Company	
	31 March 2024 Rm	31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Non-distributable reserves	**750**	739	**278**	278
Opening balance	**739**	968	**278**	526
Movement during the year	**11**	(229)	**–**	(248)
Increase in foreign currency translation reserve	**11**	17	**–**	–
Movement in treasury shares for Telkom and subsidiaries share scheme	**–**	(250)	**–**	(250)
Take-on of Trudon (Pty) Ltd share reserve	**–**	(5)	**–**	(5)
Vesting of shares under Telkom Group share scheme	**–**	2	**–**	–
Insurance service result	**–**	1	**–**	1
Revaluation of the first-party cell captive	**–**	6	**–**	6

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

	2024		2023	
Fair value of ordinary shares in Telkom are held as follows:	Number of shares	Rm	Number of shares	Rm
Treasury shares in Escrow	**17 008 725**	**510**	24 025 672	858
Rossal No 65 (Pty) Ltd	**5 166 604**	**155**	2 838 959	102
Total	**22 175 329**	**665**	26 864 631	960

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

9.4 Dividend paid

	Group		Company	
	31 March 2024 Rm	31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Dividend paid	**(3)**	(8)	**(1)**	(3)
Dividend payable at the beginning of the year	**(25)**	(28)	**(25)**	(28)
Declared during the year – dividend on ordinary shares	**–**	(4)	**–**	–
Dividends declared to non-controlling interests	**(2)**	(1)	**–**	–
Dividend payable at the end of the year	**24**	25	**24**	25

Notes to the financial statements continued

for the year ended 31 March 2024

10. Employee benefits

10.1 Employee benefits summary

Significant judgements, estimates and assumptions

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

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

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

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

Summary of material accounting policies

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

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

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

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

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

Notes to the financial statements continued

for the year ended 31 March 2024

10. Employee benefits continued

10.1 Employee benefits summary continued

Employee benefits	Group 31 March 2024 Rm	Group 31 March 2023 Rm	Company 31 March 2024 Rm	Company 31 March 2023 Rm
Non-current assets	**1 283**	1 266	**1 283**	1 266
Telkom Pension Fund asset	**17**	17	**17**	17
Telkom Retirement Fund asset	**–**	115	**–**	115
Post-retirement medical aid recognition of net plan asset	**1 266**	1 134	**1 266**	1 134

The increase in employee benefits, specifically the plan assets, is largely due to the increase in medical aid plan assets.

Defined benefit plan actuarial gains	**4**	98	**5**	101
Telkom Pension Fund net actuarial gain	**1**	107	**1**	107
Telkom Retirement Fund net actuarial loss	**(18)**	(9)	**(18)**	(9)
Medical aid net actuarial loss	**(28)**	(28)	**(28)**	(28)
Telephone rebate net actuarial gain	**49**	32	**49**	32
Long service award net actuarial loss	**–**	(4)	**1**	(1)

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 10 years (31 March 2023: 9.5 years).
The next full valuations for all funds will be performed at 31 March 2025.

Notes to the financial statements continued

for the year ended 31 March 2024

10. Employee benefits continued

10.1 Employee benefits summary continued

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

	Group		Company	
	31 March 2024	31 March 2023	**31 March 2024**	31 March 2023
Males over 65 (years)	**17.00**	16.90	**17.00**	16.90
Females over 65 (years)	**21.30**	21.00	**21.30**	21.00
Discount rate (%)	**12.40**	11.50	**12.40**	11.50
Interest on plan assets (%)	**12.40**	11.50	**12.40**	11.50
Salary inflation rate (%)	**6.60**	6.00	**6.60**	6.00
Telkom Pension Fund pension increase allowance (%)	**5.59**	5.20	**5.59**	5.20
Telkom Retirement Fund pension increase allowance (%)	**5.59**	5.19	**5.59**	5.19
Medical inflation rate (%)	**8.60**	8.00	**8.60**	8.00
Contractual retirement age	**65**	65	**65**	65
Average retirement age	**56**	56	**56**	56

The overall long-term expected interest on assets is 12.4%. This is based on the IAS 19 net interest requirement.

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

Notes to the financial statements continued

for the year ended 31 March 2024

10. Employee benefits continued

10.2 The Telkom Pension Fund

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

The latest actuarial valuation performed at 31 March 2024 indicates that the pension fund is in a surplus position of R30 million (31 March 2023: R30 million). The recognition of the surplus is limited due to the application of the asset limitation criteria in IAS 19 (Employee Benefits). The Telkom Pension Fund is closed to new members. The pension plan exposes the Group to actuarial risks, such as longevity, currency, interest rate and market risks.

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

	Group		Company	
The Telkom Pension Fund	**31 March 2024 Rm**	31 March 2023 Rm	**31 March 2024 Rm**	31 March 2023 Rm
The net periodic pension costs include the following components:				
Interest cost on projected benefit obligations	**6**	6	**6**	6
Service cost on projected benefit obligations	**1**	1	**1**	1
Interest on plan assets after asset restriction	**(10)**	(14)	**(10)**	(14)
Curtailment	**(8)**	–	**(8)**	–
Net periodic pension expense recognised in profit or loss	**(11)**	(7)	**(11)**	(7)
The net periodic other comprehensive income includes the following components:				
Actuarial gain from financial assumption changes	**1**	2	**1**	2
Actuarial (gain)/loss due to demographic assumption changes	**(1)**	116	**(1)**	116
Asset ceiling in terms of IAS 19.64	**1**	(10)	**1**	(10)
Net periodic pension income recognised in other comprehensive income	**1**	108	**1**	108
Cumulative actuarial gain	**36**	35	**36**	35
The status of the pension plan obligation is as follows:				
At the beginning of the year	**51**	47	**51**	47
Interest cost	**6**	6	**6**	6
Current service cost	**1**	1	**1**	1
Benefits paid	**(1)**	–	**(1)**	–
Actuarial gain	**(3)**	(3)	**(3)**	(3)
Curtailment	**(7)**	–	**(7)**	–
Benefit obligation at the end of the year	**47**	51	**47**	51

Notes to the financial statements continued

for the year ended 31 March 2024

10. Employee benefits continued

10.2 The Telkom Pension Fund continued

	Group		Company	
	31 March 2024 Rm	31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Plan assets at fair value:				
At the beginning of the year	**81**	193	**81**	193
Interest on plan assets	**10**	22	**10**	22
Benefits paid	**(1)**	–	**(1)**	–
Transfer of Employer Surplus Account (ESA) to TRF	**–**	(115)	**–**	(115)
Actuarial loss	**(3)**	(19)	**(3)**	(19)
Curtailment	**(10)**	–	**(10)**	–
Plan assets at the end of the year	**77**	81	**77**	81
Present value of funded obligation	**47**	51	**47**	51
Fair value of plan assets	**(77)**	(81)	**(77)**	(81)
Fund surplus	**(30)**	(30)	**(30)**	(30)
Asset ceiling in terms of IAS 19.64	**13**	13	**13**	13
Recognised net asset	**(17)**	(17)	**(17)**	(17)
Interest on plan assets after asset restriction	**2**	8	**2**	8
Actuarial loss on plan assets	**(3)**	(19)	**(3)**	(19)
Actual return on plan assets	**(1)**	(11)	**(1)**	(11)
Plan assets balance comprises:				
Cash and cash equivalents	**2**	3	**2**	3
Equity securities	**30**	35	**30**	35
Property	**2**	2	**2**	2
Bonds	**11**	15	**11**	15
Commodities	**1**	1	**1**	1
Foreign investments	**31**	25	**31**	25
Total	**77**	81	**77**	81

Funding arrangements

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

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

	Group		Company	
	31 March 2024	31 March 2023	31 March 2024	31 March 2023
Funding level per statutory actuarial valuation (%)	**100**	100	**100**	100
The number of employees registered under the Telkom Pension Fund	**14**	18	**14**	18
The fund portfolio consists of the following percentages:				
Cash (%)	**3**	3	**3**	3
Equities (%)	**39**	44	**39**	44
Property (%)	**2**	3	**2**	3
Bonds (%)	**15**	18	**15**	18
Commodities (%)	**1**	1	**1**	1
Foreign investments (%)	**40**	31	**40**	31
Funding level per statutory actuarial valuation (%)	**100**	**100**	**100**	**100**

The total estimated contributions to be paid to the pension fund by the employer for the year ending 31 March 2025 is R0.4 million.

Notes to the financial statements continued

for the year ended 31 March 2024

10. Employee benefits continued

10.3 The Telkom Retirement Fund

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

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

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

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

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

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

	Group		Company	
The Telkom Retirement Fund	**31 March 2024 Rm**	31 March 2023 Rm	**31 March 2024 Rm**	31 March 2023 Rm
The net periodic retirement costs include the following components:				
Interest cost on projected benefit obligations	**4 905**	4 479	**4 905**	4 479
Interest on plan assets	**(4 941)**	(4 502)	**(4 941)**	(4 502)
Service cost on projected benefit obligations	**517**	614	**517**	614
Curtailment	**135**	–	**135**	–
Net periodic pension expense recognised in profit or loss	**616**	591	**616**	591
The net periodic other comprehensive income includes the following components:				
Actuarial gain due to financial assumptions changes	**1 118**	2 297	**1 118**	2 297
Actuarial loss due to experience adjustments	**(1 045)**	(2 306)	**(1 045)**	(2 306)
Actuarial loss due to demographic assumptions changes	**(91)**	–	**(91)**	–
Net periodic pension expense recognised in other comprehensive income	**(18)**	(9)	**(18)**	(9)
Cumulative actuarial loss	**(552)**	(534)	**(552)**	(534)
Benefit obligation:				
At the beginning of the year	**41 179**	40 610	**41 179**	40 610
Interest cost	**4 905**	4 479	**4 905**	4 479
Current service cost	**517**	614	**517**	614
Employee contributions	**287**	332	**287**	332
Benefits paid	**(3 191)**	(2 107)	**(3 191)**	(2 107)
Transfers in	**105**	236	**105**	236
Actuarial gain	**(893)**	(2 985)	**(893)**	(2 985)
Curtailment	**(1 206)**	–	**(1 206)**	–
Transfers out	**(1)**	–	**(1)**	–
Benefit obligation at the end of the year	**41 702**	41 179	**41 702**	41 179

Notes to the financial statements continued

for the year ended 31 March 2024

10. Employee benefits continued

10.3 The Telkom Retirement Fund continued

	Group		Company	
	31 March 2024 Rm	31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Plan assets:				
At the beginning of the year	**42 190**	42 239	**42 190**	42 239
Interest on plan assets	**5 017**	4 668	**5 017**	4 668
Employer contributions	**518**	600	**518**	600
Employee contributions	**287**	332	**287**	332
Benefits paid	**(3 191)**	(2 107)	**(3 191)**	(2 107)
Transfers in	**105**	236	**105**	236
Transfer of Employer Surplus Account (ESA) to TRF	**–**	115	**–**	115
Actuarial loss	**(1 815)**	(3 893)	**(1 815)**	(3 893)
Curtailment	**(1 340)**	–	**(1 340)**	–
Transfers out	**1**	–	**1**	–
Plan assets at the end of the year	**41 772**	42 190	**41 772**	42 190
Present value of funded obligation	**41 702**	41 179	**41 702**	41 179
Fair value of plan assets	**41 772**	42 190	**41 772**	42 190
Fund surplus	**(70)**	(1 011)	**(70)**	(1 011)
Asset ceiling in terms of IAS 19.64	**70**	896	**70**	896
Net liability	**–**	(115)	**–**	(115)
Interest on plan assets	**5 017**	4 668	**5 017**	4 668
Actuarial gain on plan assets	**(1 815)**	(3 893)	**(1 815)**	(3 893)
Actual return on plan assets	**3 202**	775	**3 202**	775
Plan asset balance comprises:				
Equities	**4 784**	5 889	**4 784**	5 889
Property	**2 717**	1 995	**2 717**	1 995
Bonds	**17 034**	17 612	**17 034**	17 612
Africa	**3 085**	2 845	**3 085**	2 845
Cash	**4 073**	3 512	**4 073**	3 512
Foreign investments	**10 079**	10 337	**10 079**	10 337
Total	**41 772**	42 190	**41 772**	42 190

Funding arrangements

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

	Group		Company	
Included in the fair value of plan assets are:	31 March 2024 Rm	31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Telkom shares	**38**	21	**38**	21

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

Notes to the financial statements continued

for the year ended 31 March 2024

10. Employee benefits continued

10.3 The Telkom Retirement Fund continued

	Group		Company	
	31 March 2024	31 March 2023	**31 March 2024**	31 March 2023
Funding level per statutory actuarial valuation (%)	**100**	100	**100**	100
The number of pensioners registered under the Telkom Retirement Fund	**12 912**	12 654	**12 912**	12 654
The number of in-service employees entitled to retire in the Telkom Retirement Fund	**9 773**	10 915	**9 773**	10 915
The fund portfolio consists of the following percentages:				
Equities (%)	**11**	14	**11**	14
Property (%)	**7**	5	**7**	5
Bonds (%)	**41**	42	**41**	42
Africa (%)	**7**	7	**7**	7
Cash (%)	**10**	8	**10**	8
Foreign investments (%)	**24**	24	**24**	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 2025 is R538 million.

10.4 Medical benefits

Telkom makes certain contributions to medical aid funds in respect of current and retired employees. The scheme is a defined benefit plan. The expense in respect of current employees' medical aid is disclosed in note 3.4.4. The amounts due in respect of post-retirement medical benefits to current and retired employees have been actuarially determined and provided for as set out in note 6.5. Telkom has terminated future post-retirement medical benefits in respect of employees joining after 1 July 2000.

There are three major categories of members entitled to the post-retirement medical aid: pensioners who retired before 1994 (Pre-94); those who retired after 2013; and the in-service members. The pensioners retiring post 2013 and the in-service members' liabilities 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 2024.

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

Notes to the financial statements continued

for the year ended 31 March 2024

10. Employee benefits continued

10.4 Medical benefits continued

	Group		Company	
Medical aid	**31 March 2024 Rm**	31 March 2023 Rm	**31 March 2024 Rm**	31 March 2023 Rm
Benefit obligation:				
At the beginning of the year	**1 386**	1 523	**1 364**	1 501
Interest cost	**154**	158	**154**	158
Service cost	**1**	1	**1**	1
Actuarial gain	**(99)**	(116)	**(99)**	(116)
Curtailment loss	**(1)**	5	**(1)**	5
Benefits paid from plan assets	**(179)**	(185)	**(179)**	(185)
Benefit obligation at the end of the year	**1 262**	1 386	**1 240**	1 364
Plan assets at fair value:				
At the beginning of the year	**2 516**	3 050	**2 516**	3 050
Interest on plan assets	**299**	338	**299**	338
Benefits paid from plan assets	**(179)**	(185)	**(179)**	(185)
Employer contributions refund	**–**	(543)	**–**	(543)
Actuarial loss	**(108)**	(144)	**(108)**	(144)
Plan assets at the end of the year	**2 528**	2 516	**2 528**	2 516
Present value of funded obligation	**1 262**	1 386	**1 240**	1 364
Fair value of plan assets	**(2 528)**	(2 516)	**(2 528)**	(2 516)
Fund surplus	**(1 266)**	(1 130)	**(1 288)**	(1 152)
Liability as disclosed in the statement of financial position (refer to note 6.5)	**7**	8	**–**	–
Asset as disclosed in the statement of financial position	**(1 273)**	(1 138)	**(1 288)**	(1 152)
The net periodic other comprehensive income includes the following components:				
Actuarial loss due to financial assumptions changes	**(57)**	(81)	**(57)**	(81)
Actuarial gain/(loss) due to experience adjustments	**37**	(3)	**37**	(3)
Actuarial gain due to demographic assumptions changes	**48**	36	**48**	36
Net periodic pension income/(expense) recognised in other comprehensive income	**28**	(48)	**28**	(48)
Cumulative actuarial loss	**(1 576)**	(1 604)	**(1 582)**	(1 610)
Plan assets at fair value:				
Interest on plan assets	**299**	338	**299**	338
Actuarial loss on plan assets	**(108)**	(144)	**(108)**	(144)
Actual return on plan assets	**191**	194	**191**	194
Plan asset balance comprises:				
Cash and cash equivalents	**55**	63	**55**	63
Equity securities	**1 203**	1 095	**1 203**	1 095
Bonds	**1 217**	1 288	**1 217**	1 288
Foreign investments	**53**	70	**53**	70
Total	**2 528**	2 516	**2 528**	2 516

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

Notes to the financial statements continued

for the year ended 31 March 2024

10. Employee benefits continued

10.4 Medical benefits continued

Funding arrangements

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

	Group		Company	
	31 March 2024 Rm	31 March 2023 Rm	**31 March 2024 Rm**	31 March 2023 Rm
Included in the fair value of plan assets are:				
Telkom shares	**0.5**	0.7	**0.5**	0.7
The fund portfolio consists of the following percentages:				
Cash and money market investments (%)	**2**	2	**2**	2
Equities (%)	**47**	44	**47**	44
Bonds (%)	**49**	51	**49**	51
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 2025 is Rnil as the liability is currently significantly over funded.

10.5 Telephone rebates

Telkom provides telephone rebates to its pensioners who joined prior to 1 August 2009. The most recent actuarial valuation was performed as at 31 March 2024. Eligible employees must be employed by Telkom until retirement age to qualify for the telephone rebates. The scheme is a defined benefit plan.

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

The status of the telephone rebate liability is disclosed below:

	Group		Company	
Telephone rebates	**31 March 2024 Rm**	31 March 2023 Rm	**31 March 2024 Rm**	31 March 2023 Rm
Benefit obligation:				
At the beginning of the year	**356**	377	**356**	377
Current service cost	**1**	2	**1**	2
Interest cost	**39**	39	**39**	39
Actuarial gain	**(49)**	(32)	**(49)**	(32)
Curtailment loss	**(1)**	(4)	**(1)**	(4)
Benefits paid	**(30)**	(26)	**(30)**	(26)
Liability as disclosed in the statement of financial position (refer to note 6.5)	**316**	356	**316**	356
The net periodic other comprehensive income includes the following components:				
Actuarial gain due to financial assumptions changes	**38**	18	**38**	18
Actuarial gain due to experience adjustments	**12**	17	**12**	17
Actuarial loss due to demographic assumptions changes	**(1)**	(3)	**(1)**	(3)
Net periodic pension income recognised in other comprehensive income	**49**	32	**49**	32
Cumulative actuarial loss	**185**	136	**185**	136
Number of members	**3 664**	4 183	**3 664**	4 183
Number of pensioners	**13 746**	13 596	**13 746**	13 596

Notes to the financial statements continued

for the year ended 31 March 2024

10. Employee benefits continued

10.6 Sensitivity analysis

	Group		Company	
	31 March 2024 Rm	31 March 2023 Rm	**31 March 2024 Rm**	31 March 2023 Rm
	Increase/(decrease) on the post-employment liability			
The Telkom Pension Fund				
Increase in discount rate by 0.5%	**(1)**	(1)	**(1)**	(1)
Decrease in discount rate by 0.5%	**1**	1	**1**	1
Increase in inflation rate by 1%	**2**	3	**2**	3
Decrease in inflation rate by 1%	**(2)**	(3)	**(2)**	(3)
Increase in salary inflation by 1%	**2**	3	**2**	3
Decrease in salary inflation by 1%	**(2)**	(3)	**(2)**	(3)
Change in post-retirement mortality rating from -1 to -3 years	**–**	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%	**(1 213)**	(1 181)	**(1 213)**	(1 181)
Decrease in discount rate by 0.5%	**1 313**	1 282	**1 313**	1 282
Increase in inflation rate by 1%	**2 874**	2 798	**2 874**	2 798
Decrease in inflation rate by 1%	**(2 395)**	(2 219)	**(2 395)**	(2 219)
Increase in net TRF fund rate by 0.5%	**368**	431	**368**	431
Decrease in net TRF fund rate by 0.5%	**(364)**	(426)	**(364)**	(426)
Increase in TRF take-up ratio from 55.6% to 100%	**387**	409	**387**	409
Medical benefits				
Increase in discount rate by 0.5%	**(33)**	(38)	**(33)**	(38)
Decrease in discount rate by 0.5%	**35**	41	**35**	41
Increase in inflation rate by 1%	**56**	66	**56**	66
Decrease in inflation rate by 1%	**(51)**	(59)	**(51)**	(59)
Change in post-retirement mortality rating from -1 to -3 years	**52**	58	**52**	58
Change in post-retirement mortality rating from -1 to 0 years	**(51)**	(57)	**(51)**	(57)
Telephone rebates				
Increase in discount rate by 0.5%	**(9)**	(11)	**(9)**	(11)
Decrease in discount rate by 0.5%	**9**	12	**9**	12
Increase in inflation rate by 5%	**139**	184	**139**	184
Change in post-retirement mortality rating from -1 to -3 years	**4**	5	**4**	5
Change in post-retirement mortality rating from -1 to 0 years	**(4)**	(5)	**(4)**	(5)
Increase in normal retirement age from 56 years to 60 years	**(19)**	(5)	**(19)**	(5)
Decrease in normal retirement age from 56 years to 50 years	**16**	5	**16**	5

10.7 Telkom Group share scheme

Summary of material accounting policies

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

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

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

Notes to the financial statements continued

for the year ended 31 March 2024

10. Employee benefits continued

10.7 Telkom Group share scheme continued

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

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 1.5% to 9.6% has been used in calculating the expected number of shares that will vest. The turnover relates to the various entities within the Group.

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

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

Telkom ESOP grants					
Telkom ESOP – 2022 financial year					
Vesting timelines	–	100%	–	–	–
Probability of meeting non-market-related criteria	–	92%	–	–	–
Telkom ESOP – 2023 financial year					
Vesting timelines	–	–	100%	–	–
Probability of meeting non-market-related criteria	–	–	94%	–	–

Notes to the financial statements continued

for the year ended 31 March 2024

10. Employee benefits continued

10.7 Telkom Group share scheme continued

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

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

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

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

Notes to the financial statements continued

for the year ended 31 March 2024

10. Employee benefits continued

10.7 Telkom Group share scheme continued

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

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

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

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

Notes to the financial statements continued

for the year ended 31 March 2024

10. Employee benefits continued

10.7 Telkom Group share scheme continued

The probabilities were independently verified by the actuaries.

Certain BCX employees were granted shares in terms of a BCX share scheme. Based on the BCX Group achieving the performance condition, the shares will vest between the 2024 and 2028 financial years.

Certain Trudon employees were granted shares in terms of a Trudon share scheme. Based on Trudon achieving the performance condition, the shares will vest between the 2024 and 2028 financial years. The Trudon shares will be included as part of the Telkom shares.

Certain Gyro employees were granted shares in terms of a Gyro share scheme. Based on Gyro achieving the performance condition, the shares will vest between the 2024 and 2028 financial years.

Certain Openserve employees were granted shares in terms of an Openserve share scheme. Based on Openserve achieving the performance condition, the shares will vest between the 2024 and 2028 financial years.

In order for the vesting to occur, the targets (including performance conditions) must be met. The targets are measured in each financial year after the grant date.

The weighted average remaining vesting period for all the shares outstanding as at 31 March 2024 is 0.89 years (31 March 2023: 1.2 years).

The following table illustrates the movement in the maximum number of shares that were granted to employees:

	Group		Company	
	31 March 2024	31 March 2023	**31 March 2024**	31 March 2023
Beginning of the year	**24 025 672**	23 021 555	**16 550 047**	17 455 386
Vested shares during the year	**(2 629 020)**	(3 539 468)	**(2 420 247)**	(2 622 066)
Forfeited shares and other movements during the year	**(4 387 927)**	(3 615 212)	**(3 392 892)**	(1 957 270)
Granted during the year	**–**	8 158 797	**–**	3 673 997
Outstanding at the end of the year	**17 008 725**	24 025 672	**10 736 908**	16 550 047

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 2024

10. Employee benefits continued

10.7 Telkom Group share scheme continued

Group and Company	Market share price (R)	Share price volatility	Future risk-free interest rate
Telkom			
Grant 6 (2019 financial year)			
– Vesting 30 June 2021	52.64	35%	7.40%
– Vesting 30 June 2022	52.64	35%	7.60%
– Vesting 30 June 2023	52.64	35%	8.00%
Grant 7 (2020 financial year)			
– Vesting 30 June 2022	93.82	35%	7.24%
– Vesting 30 June 2023	93.82	35%	7.37%
– Vesting 30 June 2024	93.82	35%	7.53%
Grant 8 (2021 financial year)			
– Vesting 30 June 2023	31.57	40%	4.10%
Grant 9 (2022 financial year)			
– Vesting 30 June 2024	48.11	40%	4.98%
– Vesting 30 June 2025	48.11	40%	5.51%
– Vesting 30 June 2026	48.11	40%	6.01%
Grant 10 (2022 financial year)			
– Vesting 30 June 2024	47.12	45%	5.99%
– Vesting 30 June 2025	47.12	45%	6.53%
– Vesting 30 June 2026	47.12	45%	6.94%
Grant 11 (2023 financial year)			
– Vesting 30 June 2025	36.20	50%	7.09%
– Vesting 30 June 2026	36.20	50%	7.40%
– Vesting 30 June 2027	36.20	50%	7.69%
Grant 11 (2) (2023 financial year)			
– Vesting 30 June 2025	33.79	52%	7.82%
– Vesting 30 June 2026	33.79	52%	7.90%
– Vesting 30 June 2027	33.79	52%	8.04%
BCX			
Grant 2 (2019 financial year)			
– Vesting 30 June 2021	52.64	35%	7.40%
– Vesting 30 June 2022	52.64	35%	7.60%
– Vesting 30 June 2023	52.64	35%	8.00%
Grant 3 (2020 financial year)			
– Vesting 30 June 2022	83.70	35%	6.95%
– Vesting 30 June 2023	83.70	35%	7.10%
– Vesting 30 June 2024	83.70	35%	7.26%
Grant 4 (2022 financial year)			
– Vesting 30 June 2024	48.11	40%	4.98%
– Vesting 30 June 2025	48.11	40%	5.51%
– Vesting 30 June 2026	48.11	40%	6.01%
Grant 5 (2023 financial year)			
– Vesting 30 June 2025	36.20	50%	7.09%
– Vesting 30 June 2026	36.20	50%	7.40%
– Vesting 30 June 2027	36.20	50%	7.69%
Grant 5 (2) (2023 financial year)			
– Vesting 30 June 2025	32.80	52%	7.96%
– Vesting 30 June 2026	32.80	52%	8.10%
– Vesting 30 June 2027	32.80	52%	8.25%

Notes to the financial statements continued

for the year ended 31 March 2024

10. Employee benefits continued

10.7 Telkom Group share scheme continued

Group and Company	Market share price (R)	Share price volatility	Future risk-free interest rate
Trudon			
Grant 4 (2021 financial year)	48.11	40%	4.98%
Grant 5 (2023 financial year)	36.20	50%	7.09%
Gyro			
Grant 2 (2019 financial year)			
– Vesting 30 June 2021	52.64	35%	7.40%
– Vesting 30 June 2022	52.64	35%	7.60%
– Vesting 30 June 2023	52.64	35%	8.00%
Grant 3 (2020 financial year)			
– Vesting 30 June 2022	93.82	35%	7.24%
– Vesting 30 June 2023	93.82	35%	7.37%
– Vesting 30 June 2024	93.82	35%	7.53%
Grant 4 (2022 financial year)			
– Vesting 30 June 2024	48.11	40%	4.98%
– Vesting 30 June 2025	48.11	40%	5.51%
– Vesting 30 June 2026	48.11	40%	6.01%
Grant 5 (2022 financial year)			
– Vesting 30 June 2024	47.12	45%	5.99%
– Vesting 30 June 2025	47.12	45%	6.53%
– Vesting 30 June 2026	47.12	45%	6.94%
Grant 6 (2023 financial year)			
– Vesting 30 June 2025	36.20	50%	7.09%
– Vesting 30 June 2026	36.20	50%	7.40%
– Vesting 30 June 2027	36.20	50%	7.69%
Openserve			
Grant 1 (2023 financial year)			
– Vesting 30 June 2025	36.20	50%	7.09%
– Vesting 30 June 2026	36.20	50%	7.40%
– Vesting 30 June 2027	36.20	50%	7.69%

The key performance indicators related to the share scheme are Net Promoter Score targets, headline earnings per share, free cash flow, return on invested capital and total shareholder return.

The share price volatility is based on the five-year average volatility observed for the Telkom share price.

Notes to the financial statements continued

for the year ended 31 March 2024

11. Related parties

11.1 Directors' interest and Prescribed Officers

	Group and Company			
	Beneficial		Non-Beneficial	
Directors' shareholding	**Direct**	**Indirect**	**Direct**	**Indirect**
Number of shares				
2024				
Executive				
S Taukobong	47 857	–	–	–
N Dlamini[1]	–	–	–	–
DJ Reyneke[2]	9 377	–	–	–
	57 234	–	–	–
Non-executive				
B Kennedy	200	–	–	–
	200	–	–	–

[1] *Appointed with effect from 1 December 2023.*

[2] *Resigned as Executive Director with effect from 30 November 2023.*

There has been no change in the above since 31 March 2024 to the date of approval of the financial statements.

2023				
Executive				
S Taukobong	47 857	–	–	–
DJ Reyneke	9 377	–	–	–
	57 234	–	–	–
Non-executive				
B Kennedy	200	–	–	–
	200	–	–	–

Notes to the financial statements continued

for the year ended 31 March 2024

11. Related parties continued

11.1 Directors' interest and Prescribed Officers continued

	Group and Company				
Emoluments per Director	**Retainer fees R**	**Attendance fees R**	**Performance bonus R**	**Fringe and other benefits R**	**Total R**
2024					
Non-executive	7 949 334	5 033 314	–	–	12 982 648
MG Qhena	2 069 039	–	–	–	2 069 039
PCS Luthuli	470 000	465 000	–	–	935 000
LL Von Zeuner	470 000	615 000	–	–	1 085 000
S Sibisi	470 000	300 000	–	–	770 000
KA Rayner	470 000	710 000	–	–	1 180 000
H Singh	470 000	365 000	–	–	835 000
O Ighodaro	470 000	300 000	–	–	770 000
E Matenge-Sebesho	470 000	510 000	–	–	980 000
IO Selele	470 000	260 000	–	–	730 000
B Kennedy	470 000	550 000	–	–	1 020 000
P Lebina	470 000	365 000	–	–	835 000
SH Yoon	735 000	300 000	–	–	1 035 000
N Ford-Hoon[1]	210 295	163 314	–	–	373 609
M Nyati[2]	235 000	130 000	–	–	365 000

	Remuneration[5] R	**Performance bonus R**	**Fringe and other benefits R**	**Total R**
Executives who held office during 31 March 2024	15 693 467	3 517 809	20 587	19 231 863
S Taukobong (Group Chief Executive Officer)	9 450 000	2 972 575	12 293	12 434 868
DJ Reyneke (Group Chief Financial Officer)[3]	4 076 800	–	8 195	4 084 995
N Dlamini (Group Chief Financial Officer)[4]	2 166 667	545 234	99	2 712 000
Total emoluments – paid by Telkom				32 214 511

[1] *Resigned with effect from 6 September 2023.*
[2] *Resigned with effect from 29 September 2023.*
[3] *Resigned as Executive Director with effect from 30 November 2023.*
[4] *Appointed with effect from 1 December 2023.*
[5] *Remuneration includes basic salary, company contribution to the TRF and flexible benefits.*

Notes to the financial statements continued

for the year ended 31 March 2024

11. Related parties continued

11.1 Directors' interest and Prescribed Officers continued

Emoluments per Director	Group and Company Retainer fees R	Attendance fees R	Performance bonus R	Fringe and other benefits R	Total R
2023					
Non-executive	8 375 174	5 499 959	–	–	13 875 133
N Kapila	306 250	125 000	–	–	431 250
KW Mzondeki	195 833	256 250	–	–	452 083
E Matenge-Sebesho	470 000	568 333	–	–	1 038 333
F Petersen-Cook	195 833	212 500	–	–	408 333
LL Von Zeuner	470 000	615 000	–	–	1 085 000
RG Tomlinson	195 833	212 500	–	–	408 333
O Ighodaro	470 000	300 000	–	–	770 000
PCS Luthuli	470 000	423 333	–	–	893 333
S Sibisi	470 000	362 500	–	–	832 500
KA Rayner	470 000	710 000	–	–	1 180 000
SH Yoon	673 225	200 001	–	–	873 226
B Kennedy	313 333	378 218	–	–	691 551
P Lebina	313 333	263 218	–	–	576 551
M Nyati	313 333	193 218	–	–	506 551
IO Selele	313 333	193 218	–	–	506 551
N Ford-Hoon	195 830	121 670	–	–	317 500
MG Qhena	9 038	–	–	–	9 038
H Singh	470 000	365 000	–	–	835 000
MS Moloko	2 060 000	–	–	–	2 060 000

	Remuneration[1] R	Performance bonus R	Fringe and other benefits R	Total R
Executives who held office during 31 March 2023	15 565 200	–	2 216 128	17 781 328
S Taukobong (Group Chief Executive Officer)	9 450 000	–	1 617 235	11 067 235
DJ Reyneke (Group Chief Financial Officer)	6 115 200	–	598 893	6 714 093
Total emoluments – paid by Telkom				31 656 461

[1] *Remuneration includes basic salary, company contribution to the TRF and flexible benefits..*

Refer to remuneration report for appointments and resignations.

Included in fringe and other benefits is motor car insurance for S Taukobong of R11 997, DJ Reyneke of R7 998 and N Dlamini of Rnil.

S Taukobong was granted nil shares (31 March 2023: 329 651 shares) and the total IFRS 2 expense was R5 750 929 (31 March 2023: R8 606 926). DJ Reyneke was granted nil shares (31 March 2023: 106 660 shares) and the total IFRS 2 expense was R1 658 395 (31 March 2023: R3 138 378). N Dlamini was granted nil shares. The IFRS 2 expense is in relation to previously granted shares. The Group reassessed the estimated amount of shares that will vest for executives based on the current performance against vesting targets.

Notes to the financial statements continued

for the year ended 31 March 2024

11. Related parties continued

11.1 Directors' interest and Prescribed Officers continued

	Group and Company				
Emoluments per prescribed officer:	**Remuneration[1] R**	**Incentive bonus R**	**Fringe and other benefits[2] R**	**Total R**	**Pension – TRF 13%[3] R**
2024					
AC Beukes	**5 700 000**	**1 448 296**	**12 292**	**7 160 588**	**518 700**
PJ Bogoshi	**5 783 355**	**967 553**	**296**	**6 751 204**	**563 877**
NM Lekota	**4 351 552**	**1 269 718**	**296**	**5 621 566**	**456 913**
LTS Maloba	**4 119 500**	**–**	**2 337 481**	**6 456 981**	**348 098**
L Siyo	**5 608 727**	**1 760 996**	**12 292**	**7 382 015**	**325 306**
DJ Reyneke	**4 076 800**	**1 643 795**	**8 195**	**5 728 790**	**461 086**
Total emoluments – granted by Telkom	**29 639 934**	**7 090 358**	**2 370 852**	**39 101 144**	**2 673 980**

	Group and Company				
Emoluments per prescribed officer:	Remuneration[1] R	Incentive bonus R	Fringe and other benefits[2] R	Total R	Pension – TRF 13%[3] R
2023					
AC Beukes	5 700 000	–	12 293	5 712 293	518 700
PJ Bogoshi	5 783 355	–	296	5 783 651	563 877
S Taukobong	9 450 000	–	12 293	9 462 293	859 950
NM Lekota	4 351 552	–	296	4 351 848	456 913
LTS Maloba	4 494 000	–	12 293	4 506 293	379 743
L Siyo	5 608 727	–	12 293	5 621 020	325 306
Total emoluments – granted by Telkom	35 387 634	–	49 764	35 437 398	3 104 489

[1] *Remuneration includes basic salary and has been apportioned based on the period served as Prescribed Officers. Comparative information has been provided for members identified as Prescribed Officers.*

[2] *Fringe and other benefits include motor car insurance, relocation benefits, separation packages, notional completion bonuses and leave payments.*

[3] *The pension contribution is a company contribution.*

Notes to the financial statements continued

for the year ended 31 March 2024

11. Related parties continued

11.1 Directors' interest and Prescribed Officers continued

Share allocation per Prescribed Officer:	Total vested shares year to date[1]	Number of shares FY2017/18	Number of shares FY2018/19	Number of shares FY2019/20	Number of shares FY2020/21	Number of shares FY2021/22	Number of shares FY2022/23	IFRS 2 expense R
2024								
AC Beukes	413 257	–	45 455	36 275	505 561	99 344	99 419	2 158 495
PJ Bogoshi	422 368	–	62 611	63 364	517 998	291 284	100 872	3 553 676
NM Lekota	394 544	67 994	46 542	46 583	380 816	76 230	75 899	1 734 221
LTS Maloba	407 859	–	22 085	46 356	404 449	79 475	78 384	1 290 533
L Siyo	285 416	–	–	37 106	404 449	171 051	97 827	2 460 848
DJ Reyneke	331 089	17 693	24 221	14 900	345 893	108 146	106 660	1 658 395
	2 254 533	85 687	200 914	244 584	2 559 166	825 530	559 061	12 856 168

Share allocation per Prescribed Officer:	Total vested shares year to date	Number of shares FY2017/18	Number of shares FY2018/19	Number of shares FY2019/20	Number of shares FY2020/21	Number of shares FY2021/22	Number of shares FY2022/23	IFRS 2 expense R
2023								
AC Beukes	76 199	–	45 455	36 275	505 561	99 344	99 419	4 308 820
PJ Bogoshi	77 019	–	62 611	63 364	517 998	291 284	100 872	5 821 798
S Taukobong	193 425	–	186 503	53 899	637 007	404 310	329 651	8 606 926
NM Lekota	140 654	67 994	46 542	46 583	380 816	76 230	75 899	3 359 199
LM Siyo	15 770	–	–	37 106	404 449	171 051	97 827	4 216 604
LTS Maloba	37 369	–	22 085	46 356	404 449	79 475	78 384	3 601 817
	540 436	67 994	363 196	283 583	2 850 280	1 121 694	782 052	29 915 164

[1] *Included in the total vested shares year to date are shares that vested in terms of the Telkom share scheme rules and IFRS 2 (Share-based Payments) which will only be exercised after the closed period.*

11.2 Related party transactions and balances

The South African Government, represented by the Department of Public Enterprise, exercises significant influence over the Group. Telkom is classified as a schedule 2 major public entity in terms of the Public Finance Management Act. Telkom is part of the national sphere of government and its related parties in that sphere include national departments, constitutional institutions and public entities (schedule 1, 2 and 3). Telkom is therefore related to major public entities, national government departments and all other entities within the national sphere of government. A list of related parties is provided by National Treasury on its website (www.treasury.gov.za).

Related parties include subsidiaries, associates and joint ventures of the Group. It also includes Directors and key management personnel of Telkom and close family members of these related parties. Key management personnel and Directors for Telkom include the Group's Board of Directors and Exco.

The Group has applied the exemption in IAS 24 paragraph 25 in respect of related party transactions and outstanding balances with government-related entities. The nature of the Group's transactions with these entities are within the ordinary course of operations.

	Group		Company	
Details of material transactions and balances not disclosed separately in the financial statements were as follows:	**31 March 2024 Rm**	31 March 2023 Rm	**31 March 2024 Rm**	31 March 2023 Rm
With national entities:				
Related party transactions				
Spectrum	972	–	972	–

At 31 March 2024, the Government of South Africa held 40.5% (31 March 2023: 40.5%) of Telkom's shares and had the ability to exercise significant influence, and the Public Investment Corporation held 15.89% (31 March 2023: 15.63%) of Telkom's shares.

Notes to the financial statements continued

for the year ended 31 March 2024

11. Related parties continued

11.2 Related party transactions and balances continued

	Company	
	31 March 2024 Rm	31 March 2023 Rm
With subsidiaries:		
Business Connexion Group Ltd		
Related party balances		
Trade receivables	184	252
Other receivables	325	456
Trade and other payables	(1 306)	(4 019)
Related party transactions		
Revenue and other income	(498)	(1 639)
Expenses	643	872
Interest expense	62	133
Dividend received	(2 436)	(232)
Openserve (Pty) Ltd		
Related party balances		
Trade receivables	–	11
Other receivables	1 097	1 846
Loans, preference shares and other facilities	8 719	8 820
Trade and other payables	(631)	(1 149)
Related party transactions		
Revenue and other income	(747)	(648)
Expenses	5 716	3 619
Interest received	(932)	(444)
Yellow Pages (Pty) Ltd		
Related party balances		
Trade and other payables	(12)	–
Swiftnet SOC Ltd[1]		
Related party balances		
Trade receivables	–	2
Other receivables	39	303
Loans, preference shares and other facilities	356	404
Trade and other payables	(106)	(214)
Related party transactions		
Expenses	260	403
Dividend received	(483)	(255)
Interest received	(37)	(33)
Interest expense	3	1
VS Gaming (Pty) Ltd (formerly Acajou Investments (Pty) Ltd)		
Related party balances		
Other receivables	(92)	(92)
Trade and other payables	92	92
Telkom Foundation		
Related party balances		
Trade and other payables	(11)	(19)
Related party transactions		
Expenses	64	63
Interest expense	2	1

Notes to the financial statements continued

for the year ended 31 March 2024

11. Related parties continued

11.2 Related party transactions and balances continued

	Company	
	31 March 2024 Rm	31 March 2023 Rm
Gyro Group (Pty) Ltd		
Related party balances		
Trade receivables	**(16)**	8
Other receivables	**8**	8
Trade and other payables	**(143)**	(92)
Related party transactions		
Expenses	**2**	64
Other income	**–**	(9)
Interest paid	**5**	5
Dividend received	**(240)**	–
Gyro Properties (Pty) Ltd		
Related party balances		
Other receivables	**4**	3
Trade and other payables	**(21)**	(58)
Related party transactions		
Expenses	**8**	68
Interest paid	**3**	4
Dividend received	**(107)**	(58)

[1] *Investment in Swiftnet is disclosed as an asset held for sale in the current year. Refer to* *note 12.2*.

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 2024 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 2024 Rm	31 March 2023 Rm	**31 March 2024 Rm**	31 March 2023 Rm
Key management personnel compensation (including Directors and Prescribed Officers' remuneration):				
Related party transactions				
Short-term employee benefits	**198**	192	**162**	166
Post-employment benefits	**11**	14	**10**	13
Termination benefits	**6**	22	**6**	19
Equity compensation benefits	**35**	51	**32**	47

Terms and conditions of transactions with related parties

Except as indicated above, outstanding balances at 31 March 2024 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 2024, 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 2024

12. Group composition

12.1 Group interest in subsidiaries and associates

Set out below is a list of the significant subsidiaries and associates of the Group at 31 March 2024, 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 2024 R	Interest in issued ordinary share capital 2024 %	Ownership interest held by non-controlling interest 2024 %	Issued share capital 2023 R	Interest in issued ordinary share capital 2023 %	Ownership interest held by non-controlling interest 2023 %
Business Connexion Group Ltd	RSA	**2 280 500**	**100**	**–**	2 280 500	100	–
Openserve (Pty) Ltd	RSA	**11 212 194 372**	**100**	**–**	11 212 194 372	100	–
Trudon (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 SOC Ltd[1]	RSA	**5 000 000**	**100**	**–**	5 000 000	100	–
Number Portability Company (Pty) Ltd[2]	RSA	**100**	**20**	**–**	100	20	–
Gyro Properties (Pty) Ltd	RSA	**100**	**100**	**–**	100	100	–
Gyro Group (Pty) Ltd	RSA	**100**	**100**	**–**	100	100	–

[1] *Investment in Swiftnet is disclosed as an asset held for sale in the current year. Refer to* *note 12.2*.

[2] *There are no significant restrictions on the ability of the associate to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group.*

The disclosure of the interest in Number Portability Company (Pty) Ltd is as follows:	31 March 2024 Rm	31 March 2023 Rm
Closing carrying value	**12**	12

The total non-controlling interest for the year is R21 million (31 March 2023: R23 million) and relates to Business Connexion and Trudon and is not considered material to the Group.

Notes to the financial statements continued

for the year ended 31 March 2024

12. Group composition continued

12.1 Group interest in subsidiaries and associates continued

Interest in operating profits, before eliminations, from subsidiaries	Revenue Rm	EBITDA Rm	EBIT Rm	Net profit/ (loss) Rm
2024				
Business Connexion Group Ltd	**12 915**	**1 348**	**849**	**532**
Openserve (Pty) Ltd	**12 511**	**3 952**	**1 428**	**160**
Swiftnet SOC Ltd[1]	**1 321**	**990**	**919**	**659**
Telkom Foundation[2]	**64**	**(9)**	**(9)**	**(7)**
Gyro Properties (Pty) Ltd	**59**	**8**	**–**	**3**
Gyro Group (Pty) Ltd	**274**	**76**	**66**	**54**
2023				
Business Connexion Group Ltd	14 252	1 386	605	478
Openserve (Pty) Ltd	7 548	1 770	(7 105)	(5 586)
Trudon (Pty) Ltd	5	8	12	(26)
Swiftnet SOC Ltd[1]	1 304	896	833	584
Telkom Foundation[2]	63	(3)	(3)	(2)
Gyro Properties (Pty) Ltd	167	125	118	89
Gyro Group (Pty) Ltd	332	89	86	68

[1] *Investment in Swiftnet is disclosed as an asset held for sale in the current year. Refer to note 12.2.*

[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.

12.2 Non-current asset held for sale and discontinued operation

During the 2023 financial year, the Telkom Board approved the disposal of Swiftnet SOC Ltd (Swiftnet), a 100% owned subsidiary. The disposal is part of the Group's Value Unlock Strategy, which aims at realising the intrinsic value of the underlying business.

Significant judgement in assessing if Swiftnet meets the conditions to be classified as held for sale in accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations)

The asset held for sale classification was met during the first half of the 2024 financial year and reported in the September 2023 interim financial statements, after the current preferred bidder presented an offer that was within Telkom's acceptable range. The receipt of an offer within the acceptable range made the transaction structure more certain and the likelihood of finalising the transaction within 12 months highly probable considering the bidder's profile. Subsequent to 30 September 2023, the disposal has progressed as planned with a sale agreement being finalised in March 2024. The disposal is subject to approvals that are expected to be obtained within 12 months based on previous market precedents.

Non-current assets held for sale classification

Swiftnet's assets and liabilities were presented as held for sale in the interim reporting, 30 September 2023, as the sale was considered highly probable. The sale transaction has since progressed as planned. A sale agreement was finalised in March 2024, followed by the issue of the JSE circular in April 2024. The circular reassures the market of management's commitment to sell Swiftnet.

The transaction is expected to be completed within 12 months from year-end. The assets and liabilities of Swiftnet, as well as the investment in Swiftnet, therefore remain classified as held for sale. In line with IFRS 5 requirements, the statement of financial position and the statement of cash flows have not been re-presented for prior periods to reflect the classification as held for sale.

Discontinued operation assessment

In addition to being classified as held for sale, it was confirmed that Swiftnet is a separate component of Telkom and represents a separate major line of business and therefore meets the discontinued operation classification. Consequently, Swiftnet's operating results (revenue and expenses) have been separately disclosed as a single line item in the consolidated statement of profit or loss and other comprehensive income. The comparative statement of profit or loss and other comprehensive income has been re-presented for the discontinued operation.

Notes to the financial statements continued

for the year ended 31 March 2024

12. Group composition continued

12.2 Non-current asset held for sale and discontinued operation continued

Statement of profit or loss and other comprehensive income	31 March 2024 Rm	31 March 2023 Rm
Operating revenue	767	696
Other expenses	–	(1)
Maintenance	(2)	(2)
Impairment of receivables	4	(18)
Service fees	(152)	(210)
Lease-related expenses	(4)	(7)
EBITDA	613	458
Depreciation of property, plant and equipment	(20)	(33)
Depreciation of right-of-use assets	(12)	(19)
Amortisation of intangible assets	(3)	–
Write-offs and impairments of property, plant and equipment and intangible assets	(1)	(12)
Operating profit	577	394
Investment income	24	15
Net finance charges and fair value movements	(16)	1
Profit from discontinued operation before taxation	585	410
Taxation	(158)	(113)
Profit from discontinued operation[1]	427	297

[1] *Presented net of intercompany transactions between Swiftnet and other Telkom Group entities.*

Statement of financial position	31 March 2024 Rm
The carrying amount of assets and liabilities in this disposal group are summarised as follows:	
Assets	
Non-current assets	1 551
Property, plant and equipment	1 360
Right-of-use assets	179
Intangible assets	12
Current assets	418
Trade and other receivables	224
Cash and cash equivalents	192
Income tax receivable	2
Assets included in disposal group classified as held for sale	1 969
Liabilities	
Non-current liabilities	189
Lease liabilities	141
Deferred taxation	48
Current liabilities	292
Trade and other payables	219
Lease liabilities	39
Deferred revenue	34
Liabilities included in disposal group classified as held for sale	481

Notes to the financial statements continued

for the year ended 31 March 2024

12. Group composition continued

12.2 Non-current asset held for sale and discontinued operation continued

Statement of cash flows	31 March 2024 Rm	31 March 2023 Rm
Cash flows generated by Swiftnet for the reporting period under review are as follows:		
Cash flows from operating activities	14	376
Cash flows utilised for investing activities	(210)	(296)
Cash flows from financing activities	(20)	(15)
Net (decrease)/increase in cash and cash equivalents from discontinued operation	(216)	65
Net cash and cash equivalents at 1 April	408	343
Net cash and cash equivalents at the end of the year of the discontinued operation	192	408

	31 March 2024 Rm
Investment in Swiftnet SOC Ltd disclosed as an asset held for sale	1 239

Notes to the financial statements continued

for the year ended 31 March 2024

13. Significant events and transactions

Appointment of a single external auditor
On 12 July 2023, Telkom announced the proposed appointment of PricewaterhouseCoopers Inc. as the single auditor of the Group for the financial year ended 31 March 2024. The appointment was subsequently approved at the AGM held on 24 August 2023. Accordingly, SNG Grant Thornton's contract was terminated on 24 August 2023, following the Group's decision to transition from a joint to a single auditor model.

Results of the Telkom AGM regarding Directors' reappointments
On 24 August 2023, the following Board members were elected or re-elected as per the AGM ordinary resolutions:

- N Ford-Hoon
- O Ighodaro
- PCS Luthuli
- MG Qhena
- KA Rayner
- SP Sibisi
- LL Von Zeuner

Vesting of shares
In terms of the Telkom share scheme rules and IFRS 2 (Share-based Payments), 424 693 shares vested to Mr Serame Taukobong and 230 607 to Mr Dirk Reyneke in June 2023 and will be exercised after the closed period.

Resignation of Non-executive Directors
Telkom announced on 6 September 2023 that Ms N Ford-Hoon, an independent Non-executive Director, had resigned from the Board with effect from 6 September 2023.

Telkom announced on 29 September 2023 that Mr M Nyati, an independent Non-executive Director, had resigned from the Board with effect from 29 September 2023.

Resignation and appointment of Group Chief Financial Officer
Telkom announced on 29 September 2023 the appointment of Ms N Dlamini as the Group CFO and an Executive Director with effect from 1 December 2023. Mr DJ Reyneke, the incumbent Group CFO will be stepping down from the Board with effect from 30 November 2023 and will assume the role of Chief Capital Projects Officer within the Company.

Appointment of Acting Group Company Secretary
On 29 August 2023, Mr K Mosia was appointed as Acting Group Company Secretary of Telkom with effect from 1 September 2023 to 30 November 2023. This follows the resignation of Ms A Ceba as disclosed in the 31 March 2023 annual financial statements.

Appointment of Group Company Secretary
Telkom announced on 30 October 2023 that Ms E Motlhamme has been appointed as Group Company Secretary with effect from 1 December 2023.

Disposal of Telkom's masts and towers business housed in Swiftnet SOC Ltd (Swiftnet) and classification of Swiftnet as a non-current asset held for sale
On 22 March 2024, the Board announced that Telkom had entered into a sale of business agreement in connection with the proposed disposal of Swiftnet. The disposal of Swiftnet will result in loss of control of the subsidiary. Management considers it highly probable that the transaction will be concluded within 12 months and therefore Swiftnet met the IFRS 5 held for sale criteria.

Amendments to Telkom's Domestic Medium Term Note (DMTN) programme and applicable pricing supplements
On 28 March 2024, Telkom announced that it had distributed a notice of request for written consent of noteholders on 27 March 2024 relating to proposed amendments to the Telkom DMTN Programme and applicable pricing supplements for instrument codes TL25, TL26, TL28, TL29, TL30, TL31, TL32 and TL33. This was approved on 20 April 2024.

14. Events after the reporting date

Shareholder approval for the sale of Swiftnet SOC Ltd
Telkom shareholders, by ordinary resolution, have approved the sale of Swiftnet masts and towers business to a consortium led by Actis. The sale is subject to the fulfilment of several other conditions, including regulatory approval from communications regulator ICASA and the Competition Commission.

Transition plan for ZARONIA
The South African Reserve Bank has published an update on the JIBAR transition plan on 6 May 2024. The plan defines a transition path for the South African market defined along three key pillars. The transition plan maps out a clear and achievable strategy for creating robust demand for trading ZARONIA derivatives and ultimately catalysing the broader adoption of ZARONIA. Management continues to monitor the developments in this regard in order to determine future impacts on the Telkom Group.

Other matters
The Directors are not aware of any other matter or circumstance since the financial year ended 31 March 2024 and the date of this report, or otherwise dealt with in the financial statements, which significantly affects the financial position of the Group and the results of its operations.

Annexures to the financial statements

3

Annexure A – Shareholder analysis

	Number of shareholders	Percentage	Holdings	Percentage
Range of shareholders				
1 - 100 shares	59 300	70.64	1 890 208	0.38
101 - 1 000 shares	21 666	25.81	5 687 824	1.11
1 001 - 10 000 shares	2 306	2.75	6 378 280	1.25
10 001 - 50 000 shares	379	0.45	8 858 585	1.73
50 001 - 100 000 shares	92	0.11	6 412 998	1.25
100 001 - 1 000 000 shares	162	0.19	53 555 596	10.48
1 000 001 and more shares	44	0.05	428 356 748	83.80
	83 949	100	511 140 239	100
Type of shareholder				
Banks/brokers	79	0.09	45 708 781	8.94
Close corporations	34	0.04	76 528	0.01
Endowment funds	91	0.11	528 131	0.10
Individuals	80 631	96.04	16 125 055	3.17
Insurance companies	47	0.06	9 836 321	1.92
Investment companies	4	–	549 608	0.11
Medical aid schemes	22	0.03	1 099 994	0.22
Mutual funds	225	0.27	85 538 502	16.73
Other corporations	126	0.15	207 126 295	40.52
Private companies	166	0.20	2 225 312	0.44
Public companies	271	0.32	115 282 373	22.55
Retirement funds	6	0.01	24 110 298	4.72
Telkom Treasury Stock	2 247	2.68	2 933 041	0.57
	83 949	100	511 140 239	100
Geographical holdings by owner				
South Africa	83 736	99.75	453 010 020	88.63
United States	39	0.05	43 710 806	8.55
United Kingdom	23	0.03	8 873 346	1.74
Europe	122	0.14	3 387 435	0.66
Other	29	0.03	2 158 632	0.42
	83 949	100	511 140 239	100

	Holdings	%
Beneficial shareholders of more than 2%		
The Government of the Republic of South Africa	207 038 076	40.52
Government Employees Pension Fund	81 200 364	15.89
PSG Financial Services	20 299 471	3.97
Telkom Treasury Stock	24 110 298	4.72
M&G Investments	15 302 571	2.99
Old Mutual	13 169 101	2.58
	361 119 881	70.67
Foreign custodians holding 2% or more		
Citibank (Custodian)	23 949 009	4.69
State Street Bank & Trust Co (Custodian)	12 383 717	2.42
	36 332 726	7.11

Annexure A – Shareholder analysis continued

Public and non-public shareholders	**Number of shareholders**	**Percentage**	**Holdings**	**Percentage**
Non-public shareholders	30	0.04	231 375 430	45.27
The Government of the Republic of South Africa	18	0.02	207 038 058	40.52
Government buffer account	1	0.00	9 461	0.00
Telkom Treasury Stock	1	0.00	24 110 298	4.72
Executive and Non-executive Directors and Prescribed Officers and their respective associates[1]	6	0.02	57 434	0.01
Subsidiaries' Directors[1]	4	0.00	160 179	0.02
Public shareholders				
Institutional and retail investors	83 919	99.96	279 764 809	54.73
	83 949	100	511 140 239	100

[1] *Directors' holdings comprise direct and indirect beneficial holdings.*

The information above is based on registered shareholders, except where only beneficial shareholders' information was available as at 31 March 2024.

Abbreviations

AGM	Annual General Meeting
ALM	Asset Liability Model
ASA	Additional share award
BCX	Business Connexion (Pty) Ltd
B-BBEE	Broad-Based Black Economic Empowerment
Capex	Capital expenditure
CGU	Cash-generating unit
CODM	Chief operating decision maker
CPI	Consumer price index
CPE	Customer premises equipment
CWIP	Capital work in progress
DTA	Deferred tax asset
EBITDA	Earnings before investment income and finance cost, tax, depreciation, amortisation and write-offs, impairments and losses
ECA	Export Credit Agency
ECL	Expected credit loss
ESD	Enterprise and supplier development
ESOP	Employee share ownership plan
Exco	Group Executive Committee
FCTR	Foreign currency translation reserve
FEC	Foreign exchange contract
FSP	Forfeitable share plan
FVTPL	Fair value through profit or loss
GCEO	Group Chief Executive Officer
GCFO	Group Chief Financial Officer
GDP	Gross Domestic Product
IAS	International Accounting Standard
IASB	International Accounting Standards Board
ICASA	Independent Communications Authority of South Africa
IFRS	IFRS® Accounting Standards
IT	Information technology
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
LTIP	Long-term incentive plan
MFRF	Mutual and Federal Risk Finance
Opex	Operating expenses
POTN	Packet Optical Transport Network
PPE	Property, plant and equipment
ROU	Right-of-use
SAA	Strategic asset allocation
SAICA	South African Institute of Chartered Accountants
SARB	South African Revenue Bank
SCF	Supply chain financing
SIU	Special Investigating Unit
SMB	Small and Medium Business
SMME	Small, medium and micro enterprise
SMS	Short Message Service
TKG	The Telkom Group's JSE share code
TRF	Telkom Retirement Fund
USD	United States dollar
VAT	Value-Added Tax
ZARONIA	South African Rand Overnight Index Average

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