Telkom SA SOC Limited

Annual Financial Statements

for the year ended 31 March 2019

This is an online report that is available on Telkom's investor relations website www.telkom.co.za/ir

Telkom SA SOC Ltd
(Registration number: 1991/005476/30)
JSE share code: TKG
ISIN: ZAE000044897

Board of directors to the date of approval of the annual financial statements
JA Mabuza (outgoing chairman),
MS Moloko (incoming chairman),
SN Maseko (group chief executive officer),
TBL Molefe (group chief financial officer),
SL Botha, GW Dempster, N Kapila,
KT Kweyama, PCS Luthuli, DD Mokgatle,
KW Mzondeki, F Petersen-Cook, SP Sibisi,
RG Tomlinson, LL von Zeuner

Preparer and supervisor of the annual financial statements
These financial statements were prepared by the Telkom finance staff under the supervision of the group chief financial officer, Tsholofelo Molefe CA (SA).

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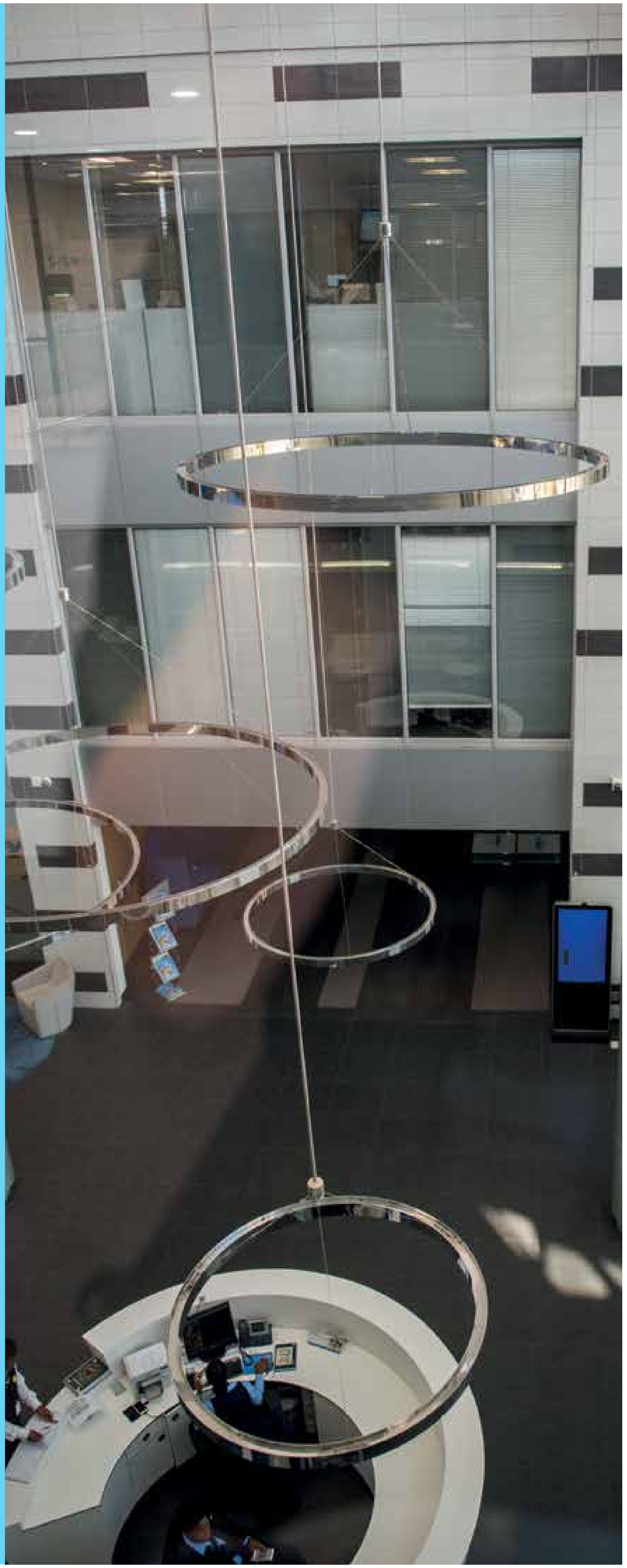
Introduction statements



Directors' responsibility statement

for the year ended 31 March 2019

The directors are responsible for the preparation, integrity and fair presentation of the separate and consolidated financial statements of Telkom SA SOC Limited (the company), its subsidiaries, joint ventures, associates and structured entities (together, the group). It is their responsibility to ensure that the financial statements fairly present the financial position of the company and group as at the end of the financial year, the results of the operations and the cashflow information is in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), Interpretations as issued by the IFRS Interpretations Committee (IFRIC), the SAICA financial reporting guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Johannesburg Stock Exchange (JSE) Listings Requirements and the Companies Act of South Africa, 71 of 2008, as amended.

The financial statements are prepared based on appropriate accounting policies which have been consistently applied and have incorporated prudent judgement and estimates. The directors are of the opinion that the information contained in the financial statements fairly presents the financial position at year-end and the financial performance and cash flows of the group and the company for the year then ended.

The directors have the responsibility for ensuring that accurate and complete accounting records are kept to enable the group and the company to satisfy their obligation with respect to the preparation of financial statements. The directors are also responsible for the oversight of the group's system of internal controls. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

The group's external auditors, PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Grant Thornton Inc., jointly audited the group and company financial statements and have expressed an independent opinion on the consolidated and separate financial statements. Their unqualified opinion is on pages 7 to 12.

The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

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 group 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 have reviewed the group and the company budgets and cash flow forecasts for the year to 31 March 2020 and 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 financial statements. The directors have no reason to believe that the company or its subsidiaries will not be going concerns in the year ahead. These financial statements support the viability of the group and the company.

Against the background, the directors of the company accept responsibility for the financial statements which appear on pages 13 to 107, which were approved by the board of directors on 24 May 2019, and are signed on its behalf by:

Jabu Mabuza
Chairman

Sipho Maseko
Group chief executive officer

Centurion
24 May 2019

Certificate from the group company secretary

for the year ended 31 March 2019

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

Ayanda Ceba
Group company secretary
24 May 2019

Directors' report

for the year ended 31 March 2019

To the members of Telkom SA SOC Ltd

The directors have pleasure in submitting the financial statements of the group for the year ended 31 March 2019.

Nature of business

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

Financial results

Profit for the year ended 31 March 2019 was R2 831 million (March 2018: R2 998 million) representing basic earnings per share of 561.9 cents per share (March 2018: 575.7 cents per share) and headline earnings per share of 619.2 cents per share (March 2018: 589.3 cents per share). Full details of the financial position and results of the group are set out in the accompanying company and group financial statements.

Dividends

Interim dividend number 23 of 112.14144 cents per share (September 2017: 118.114 cents per share) declared payable on Monday, 3 December 2018 to shareholders recorded in the register of the group at close of business on Friday, 30 November 2018. Ordinary dividend number 24 of 249.40317 cents per share (March 2018: 236.97446 cents per share) declared payable on Tuesday, 18 June 2019 to shareholders recorded in the register of the group at close of business on Friday, 14 June 2019.

Subsidiaries, associates and other investments

Particulars of the material subsidiaries of the group are set out in note 39 of the accompanying financial statements.

The attributable interest of the group in the after tax earnings of its subsidiaries for the year ended 31 March 2019 were:

	2019 Rm	Restated 2018 Rm
Aggregate amount of profit after taxation	1 360	1 871

Share capital

Details of the authorised, issued and unissued share capital of the company as at 31 March 2019, are contained in note 22 of the accompanying financial statements.

Share repurchase

Telkom purchased 901 068 shares from the market through Rossal No 65 (Pty) Ltd for the purpose of the employee share plan.

Borrowing powers

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

Capital expenditure and commitments

Details of the company and group's capital commitments on property, plant and equipment as well as intangible assets are set out in note 35 of the accompanying financial statements.

Significant events and transactions

Significant events and transactions during the year under review are disclosed on note 40 of the accompanying financial statements.

Events after the reporting date

Events subsequent to the reporting date are set out in note 41 of the accompanying financial statements.

Directorate

The following changes occurred in the composition of the board of directors from 1 April 2018 to the date of this report:

Appointments	Date
Dr SP Sibisi	1 April 2019
TBL Molefe	1 July 2018

Resignations	Date
DJ Fredericks	30 June 2018
I Kgaboesele	23 August 2018
Dr H Touré	23 August 2018

The board of directors at the date of this report is as follows:

- JA Mabuza (outgoing chairman)
- MS Moloko (incoming chairman)
- SN Maseko (group chief executive officer)
- TBL Molefe (group chief financial officer)
- SL Botha
- GW Dempster
- N Kapila
- KT Kweyama
- PCS Luthuli
- DD Mokgatle
- KW Mzondeki
- F Petersen-Cook
- SP Sibisi
- RG Tomlinson
- LL von Zeuner

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

Directors' interest

At 31 March 2019, the following directors held a beneficial interest in the shares of Telkom SA.

Executive

SN Maseko	143 561
TBL Molefe	6 000

Non-executive

JA Mabuza	11 500
KW Mzondeki	748

24 May 2019

Audit committee report

for the year ended 31 March 2019

Introduction

The audit committee presents its report for the financial year ended 31 March 2019. The report is presented in accordance with the group's memorandum of incorporation, the requirements of the Companies Act of South Africa, 71 of 2008, as amended (Companies Act), as well as the recommendations contained in the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV). The audit committee's activities are also guided by a formal charter in line with the JSE Listings Requirements.

In supporting the board's mandate of ensuring effective governance and integrity of financial information, the role of the audit committee in discharging its responsibilities was critical in this financial year, particularly in the wake of the recent corporate governance failures experienced by various entities in the country and globally.

During the year under review, Telkom continued to implement a first and second line defence assurance model to assist in strengthening the control environment within the divisions and subsidiaries.

Membership and meetings

The audit committee comprised the following independent non-executive directors and convened nine times during the financial year ended 31 March 2019 to discharge both its statutory and board responsibilities. The number of meetings was necessitated by a range of matters that needed attention and in-depth consideration.

Mr GW Dempster was appointed chairman effective 23 August 2018, following the resignation of Mr I Kgaboesele from the board effective 23 August 2018.

The attendance of the audit committee during the financial year was as follows:

Member	Attendance
I Kgaboesele (former chairman)*	4/4
GW Dempster (chairman)**	5/5
PCS Luthuli***	6/6
KW Mzondeki	9/9
RG Tomlinson	9/9
LL von Zeuner	9/9

** Resigned on 23 August 2018.*
*** Mr Dempster was appointed audit committee chairman, with effect from 23 August 2018 following the resignation of Mr I Kgaboesele.*
**** Appointed with effect from 25 May 2018.*

The individual members satisfy the requirements to serve as members of an audit committee as stipulated in section 94 of the Companies Act, and have the requisite qualifications, adequate knowledge and experience required.

The group chief executive officer, group chief financial officer, group executive: Telkom audit services, and the external auditors attend the audit committee by invitation. The audit committee also meets separately with external auditors and management as and when required.

Effective functioning of the audit committee

The audit committee independently oversees the effectiveness of the organisation's assurance functions and services as well as the integrity of the annual financial statements.

The committee is comfortable that it has discharged its responsibilities in accordance with its mandate as stipulated in its terms of reference as well as in accordance with the Companies Act. The audit committee through an independent evaluation process, is satisfied with its effectiveness and performance.

Given the newly appointed chairman of the audit committee, new group chief financial officer and new external auditors, focus was placed on the three lines of defence by these assurance providers to ensure a smooth transition of the adequacy and effectiveness of the internal control system during the year under review.

To this end, the audit committee carried out the following duties and responsibilities during the year:

Execution of its mandate

- In conjunction with the risk committee
  - reviewed identified business risks' (including IT and information security risks) appropriateness, and their management and control;
  - obtained regular updates from management regarding compliance to applicable laws, legislation and regulation;
  - obtained regular updates on material open litigation, other proceedings and related reserves and their related impact; and
  - reviewed the adequacy and effectiveness of the IT and information security environment's control framework and governance structures.
- Reviewed management's corrective actions in response to significant internal and external audit findings
- Reviewed the group's statement on internal control systems prior to board endorsement
- Satisfied itself that the internal audit coverage plans follow an approved risk-based approach for effectively addressing risk areas
- Considered the results of work performed by, and the conclusions of the internal audit function, in relation to the effectiveness of governance, risk management and control processes and compliance to applicable laws, regulation and legislation
- Assessed and evaluated the independence, effectiveness and skills of the internal audit function, in accordance with its mandate
- Accepted the responsibility for the appointment, compensation and oversight of the work of the external auditors (who report directly to the committee)
- Considered any material problems, reservations and observations, or any potentially contentious accounting treatments or judgements, or significant unusual transactions, going-concern issues, arising from the external audit
- Reviewed and recommended to the board the publicly disclosed interim and annual financial information, including the integrated report

As part of the 2019 external audit appointment process the committee requested, received and considered from the external auditors, decision letters or explanations issued by the Independent Regulatory Board for Auditors (IRBA) or any other regulator and any summaries relating to monitoring procedures and deficiencies issued by the external auditors and corrective action taken, where applicable.

Annual evaluation by the audit committee

The group audit committee reviewed the competency and effectiveness of the group chief financial officer, Tsholofelo Molefe. The committee satisfied itself of the appropriateness of the expertise and experience of Tsholofelo Molefe.

The audit committee also assessed and evaluated the effectiveness of the group's finance function. The committee is satisfied with the experience and expertise.

External auditors

Telkom's joint external auditors during the year under review have been PricewaterhouseCoopers and SizweNtsalubaGobodo Grant Thornton.

As part of the external audit plan, the group's external auditors identified risk areas of material misstatement and adequately addressed the areas.

The audit committee is satisfied that the group's external auditors, are independent and were appointed in terms of the requirements of section 90(2) of the Companies Act, 71 of 2008.

The audit committee also considered controls relating to non-audit services, compensation as well as terms of engagement and ensured that these did not impair on the independence of the external auditors in discharging their duties.

Conclusion

Based on the results of the formally documented review of the group's system of internal controls and risk management, including the design, implementation and effectiveness of the internal controls conducted by Telkom Audit Services, the internal audit function, during FY2019 and considering information and explanations given by management and discussions with the external auditors on the results of the audit, the audit committee has considered all significant control matters and associated action plans. Having regard to the aforementioned, nothing has come to the attention of the audit committee that leads it to conclude that the group's system of internal controls and risk management are not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

In terms of its mandate, the audit committee reviewed the integrated report including the financial statements for the year ended 31 March 2019 and recommended to the board for approval.

Graham W Dempster
Chairman of the audit committee
24 May 2019

Independent auditors' report

for the year ended 31 March 2019

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 (the group) as at 31 March 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Telkom SA SOC Limited's consolidated and separate financial statements set out on pages 15 to 106 comprise:
- the statements of financial position as at 31 March 2019;
- the statements of profit and loss and comprehensive income for the year then ended;
- the statements of changes in equity for the year then ended;
- the statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' 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 International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

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T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800, www.pwc.co.za

Chief Executive Officer: T D Shango

Management Committee: S N Madikane, J S Masondo, P J Mothibe, C Richardson, F Tonelli, C Volschenk

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

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

SNG Grant Thornton, 20 Morris Street East, Woodmead, 2191
P.O. Box 2939, Saxonwold, 2132, T: 011 231 0600

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Victor Sekese (Chief Executive)

A comprehensive list of all Directors is available at the company offices or registered office

SizweNtsalubaGobodo Grant Thornton Incorporated Registration Number: 2005/034639/21

Our audit approach

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Adoption of IFRS 15 'Revenue from Contract with Customers' *(Consolidated and separate financial statements)*	
The group adopted IFRS 15 'Revenue from Contracts with Customers' (IFRS 15) for the first time in the 2019 reporting year, applying the fully retrospective approach. The first time application of IFRS 15 had a significant impact on the systems and processes implemented in the group to appropriately account for revenue and the revenue deferral, as well on the values recognised in the consolidated and separate financial statements. The application of IFRS 15 in the Information and Communications Technology industry is complex, due to numerous products and plans being offered; multiple element arrangements (bundled products); and a high dependency on multiple automated systems used and manual processes applied in the recognition of revenue. The implementation of this new accounting standard required significant judgements and estimates to be made by management, which included the following: 1. Principal versus agent considerations a. Arrangements with third-party dealers incorporating the customer premises equipment (CPE); and b. Arrangements with subsidiaries. 2. Identification and accounting for customer acquisition costs. 1. Principal versus agent considerations The group provides a range of mobile devices and bundled arrangements comprising voice and data services to its customers, via third-party dealers. Management applied judgement in accordance with the principles of IFRS 15 to determine whether the group acts as an agent or principal in these situations. This judgement includes an assessment of whether these goods or services are controlled by the group before being transferred to the end customer, taking into account the control indicators as per IFRS 15. It was concluded that the group acts as a principal where it provides network services. Where the group sells devices and where this sale is within the right of return period agreed with the third-party dealers (agents), it was concluded that the group acts as principal. The company's recognised revenue includes revenue generated from customer contracts between the company and its subsidiaries, which have been retained in the name of the company. In terms of these arrangements certain contracts were ceded to subsidiaries, however subsequently it was determined that the cessions were not legally binding. Management applied judgement in accordance with the principles in IFRS 15 to determine whether the primary obligation for service delivery in accordance with these contracts remains with the company, and whether price risk owing to the contracts not ceded is deemed to reside with the company. Management concluded that the company acts as principal for these contracts. Under IAS 18 'Revenue', the standard applied in the prior year, revenue was recognised when the significant risks and rewards of ownership have passed to the buyer. Management assessed the IAS 18 indicators for the recognition of revenue for the handsets purchased by the dealer. Telkom sells devices and network services through third-party dealers and Telkom Express stores. Third-party dealers package these devices on post-paid contracts for which they are reimbursed by Telkom. In the prior year the group recognised revenue and cost of sales twice on the same device. This resulted in a material prior period error of handsets revenue and cost of sales recognised under IAS 18. Management corrected the prior period error retrospectively in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.	**Our audit procedures included, inter alia, the following:** - We evaluated the accounting policies applied in the recognition of revenue in accordance with the principles of IFRS 15. - We reviewed the group's implementation of IFRS 15 during the current reporting period through discussions at various levels of management. Our procedures included reviewing the recognition of the effect on the prior year comparatives due to application of the fully retrospective approach, financial statement disclosures and the recognition and measurement principles applied in recording revenue. - With the assistance of our accounting specialists, we assessed the accounting estimates and judgements made by management in respect of the operations of the group by comparing management's analysis of the impact of IFRS 15 to the principles of IFRS 15. - We evaluated the calculations performed by management by agreeing the information used in the calculations to the underlying audited accounting records. - We recalculated management's assessment for mathematical accuracy. Based on the procedures performed above, no material variances were noted. **Procedures performed on areas of significant judgement and estimation included, inter alia, the following:** **1. Principal versus agent considerations** a. Arrangements with third-party dealers incorporating the customer premises equipment (CPE) - With the assistance of our accounting specialists, we assessed whether the company acted as a principal or agent for each performance obligation on a sample of significant contracts using the relevant control indicators applied by management and taking into account the right of return policy with third-party dealers, in accordance with the requirements of IFRS 15. This included an assessment of but not limited to, which party maintains primary obligation for the delivery of the goods or services to the client; which party assumed inventory risk; and which party has pricing latitude. Specifically in relation to inventory risk, due cognisance was given to the group's ability to redirect inventory with or without third-party dealer approval. - With regards to the third-party dealer agreements, we obtained an understanding of management's recognition criteria in relation to the CPE revenue in accordance with the principles of IFRS 15. This was further evaluated through obtaining an understanding of the related accounting entries processed by management to recognise these transactions. - We evaluated the accounting treatment of the group's recognition of CPE revenue which resulted in the prior period error and tested the accuracy of the adjustment processed. Based on the procedures performed above, no material variances were noted.

Independent auditors' report

for the year ended 31 March 2019

Our audit approach continued

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Adoption of IFRS 15 'Revenue from Contract with Customers' *(Consolidated and separate financial statements)*	

2. Identification and accounting for customer acquisition costs.
The company incurs various commission costs in relation to the acquisition of contracts with its customers by third-party dealers. These commission costs are paid on new contracts entered into with the end customer. Where the costs incurred to obtain a contract are incremental and the company expects to recover these costs, IFRS 15 requires these costs to be capitalised and recognised as an expense over the contract term agreed with the customer. Based on management's assessment of these various commission costs and consideration of IFRS 15 principles, management concluded that the various commissions are either capitalised and recognised as an expense through amortisation over the contract period or recognised as an expense as and when incurred.
 	
The adoption of IFRS 15 is considered to be an area of most significance in our audit of the current year due to the complexity of applying the standard in the industry that the group operates in; the significant judgements involved in its application thereof; and the significant disclosure requirements.
 	
The above matters are disclosed in the following accounting policies and notes to the financial statements:
- Note 2.2.1 Adoption of IFRS 15 Revenue from contracts with customers;
- Note 2.3.1 Prior period error – mobile CPE revenue recognition;
- Note 2.6.5 Recognition and measurement of revenue;
- Note 2.7.9 Revenue recognition and measurement; and
- Note 4 Revenue.
	2. Consideration of the identification and accounting for customer acquisition costs
	- Evaluated a sample of legal/contractual agreements between the company and the third-party dealers and based on discussions with management we gained an understanding of the business rules contained within these contracts. With the assistance of our accounting specialists we assessed whether management's conclusions on capitalisation or expensing of customer acquisition costs, and the accounting treatment thereof were appropriate and consistently applied in accordance with the principles of IFRS 15. Based on the procedures performed above, we noted no material exceptions.
	
	We performed, inter alia, the following procedures to evaluate the application of IFRS 15 in the current year:
	- With the assistance of our IT audit specialists we evaluated the relevant IT systems, the design of controls, and the operating effectiveness of controls over the:
	  - Capture and recording of revenue transactions;
	  - Authorisation of rate changes and the input of this information into the billing systems; and
	  - Calculation of amounts billed to customers.
	- We inspected a sample of customer contracts, assessed the determination of the transaction price and its allocation to the performance obligations identified within a multi-element arrangement based on the relative standalone selling prices, and evaluated whether these performance obligations were rendered over time or at a particular point in time.
	
	Based on the procedures performed, we noted no material exceptions.

Prior period error: Smart Office Connexion Group Holdings (Pty) Ltd (SOX Group) consolidation *(Consolidated financial statements)*	
In the current year management identified that in terms of IFRS 10, 'Consolidated Financial Statements', Business Connexion (Pty) Ltd (BCX) (the holding company of Smart Office Connexion (SOX) and wholly owned subsidiary of the company) did not have control over the SOX Group since the date of acquisition. This conclusion was made by management based on a review of the contractual obligations and rights of the shareholders, which resulted in BCX not having control over the SOX Group. Accordingly it was concluded that the SOX Group should not have been consolidated in prior years. As a result of management's re-assessment, the SOX Group has been deconsolidated and has been measured as an equity-accounted investment in the current year. We considered this to be a matter of most significance in the current year's audit due to the significant judgement exercised by management in applying IFRS 10 and determining that this is a prior period error.	**Our audit procedures included, inter alia, the following to evaluate management's assessment of IFRS 10 and the prior period error:** - We obtained the internal accounting memoranda prepared by management, the supporting contractual arrangements and legal opinions. - We evaluated management's assessment of the SOX matter in relation to the IFRS 10 criteria. Key to this assessment was understanding whether the substantive protective rights for the non-controlling shareholder aligned with management's assessment that the group exerts joint control over the SOX Group, in accordance with the relevant accounting standard - IAS 28, 'Investments in Associates and Joint Ventures'.

Key audit matter	How our audit addressed the key audit matter
Prior period error: Smart Office Connexion Group Holdings (Pty) Ltd (SOX Group) consolidation *(Consolidated financial statements)*	
The matter is disclosed in the following accounting policies and notes to the financial statements: - Note 2.3.2 Prior period error - Smart Office Connexion group consolidation; - Note 2.8 Adjustment to the statements of profit or loss and other comprehensive income; - Note 2.9 Adjustments to the statements of financial position; and - Note 7 Investment income and income from associates.	**Our audit procedures included, inter alia, the following to evaluate management's assessment of IFRS 10 and the prior period error, continued:** - We assessed the deconsolidation of the SOX Group for the 2017 and 2018 financial years by agreeing the opening restated balances of the respective years to management's consolidation workings for those years. Based on the procedures performed, we noted no material exceptions. - We assessed the recognition of the equity accounted investment of the SOX Group as at 31 March 2017, 31 March 2018 and 31 March 2019, against the requirements of IAS 28 and we tested the accounting entries processed by management. Based on the procedures performed, we noted no material exceptions. - We evaluated the accuracy of the restatement disclosures made in the notes to the financial statements with reference to the calculations and accounting entries processed by management. Based on the procedures performed, we noted no material exceptions.
Impairment of trade and other receivables and contract assets *(Consolidated and separate financial statements)*	
The group adopted IFRS 9, 'Financial Instruments' for the first time in the current year. Previously, IAS 39 - Financial Instruments: Recognition and Measurement was applied. As a result, the accounting policies applicable to financial instruments have been amended accordingly. IFRS 9 requires the recognition of expected credit losses (ECLs) on all financial assets and off balance sheet exposures within the scope of its impairment model. The key areas impacted were: 1. Trade receivables from the group's ordinary activities; and 2. Contract assets relating to the sale of handsets. Refer to the following accounting policies and notes to the financial statements: - Note 2.6.4. Impairment of trade and other receivables, finance lease receivables and contract assets; - Note 2.2.2 Adoption of IFRS 9 Financial Instruments; - Note 14.3.2.1. Impairment of financial assets, Trade receivables; and - Note 19 Trade and other receivables and contract assets. The impairment of financial assets was considered to be a matter of most significance in the current year audit due to the following: - The magnitude of the impairments recognised as at 31 March 2019; - Judgement applied by management in determining the ECL, particularly in relation to determining the expected loss percentages in the provision matrix; and - Extensive disclosure requirements resulting from the adoption of IFRS 9 and the related incremental disclosures of IFRS 7, Financial Instruments: Disclosures.	**With the assistance of our valuation experts and accounting specialists, we performed the following audit procedures:** We assessed the appropriateness of accounting policies and evaluated the impairment methodologies applied by management against the requirements of IFRS 9. **1. Trade receivables from the group's ordinary activities** - We assessed the expected loss percentages applied to the provision matrix against historical default rates. Based on the procedures performed, we noted no material exceptions. - We independently recalculated the ECL based on the assumptions and methodology assessed above. Based on the procedures performed, we noted no material exceptions. **2. Contract assets relating to the sale of handsets** - We performed an independent impairment calculation. We adjusted management's impairment approach to take into consideration the financing components included in these receivables using the effective interest rate based on the contract, in accordance with the principles of IFRS 9. No material variances were noted between our independent calculation and management's impairment assessment. We assessed the adequacy of disclosures in the financial statements against the requirements of IFRS 9 and IFRS 7. Based on the procedures performed, we noted no material exceptions.

Independent auditors' report

for the year ended 31 March 2019

Other information

The directors are responsible for the other information. The other information comprises the information included in the Telkom SA SOC Limited's Financial Statements for the year ended 31 March 2019, 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 auditors' report, and the Telkom SA SOC Limited Integrated Report for the year ended 31 March 2019, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditors' 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 auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

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

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

Auditors' 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 auditors' 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 auditors' 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 auditors' 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 and separate 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, related safeguards.

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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Grant Thornton Incorporated have been the joint auditors of Telkom SA SOC Limited for 1 year.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: KJ Dikana
Registered Auditor
Johannesburg

24 May 2019

Sizwe NtsalubaGobodo Grant Thornton Inc.

SizweNtsalubaGobodo Grant Thornton Inc.
Director: SY Lockhat
Registered Auditor
Johannesburg

24 May 2019

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Annual financial statements

Statements of profit or loss and other comprehensive income

for the year ended 31 March 2019

	Notes	Group 31 March 2019 Rm	Group Restated 31 March* 2018 Rm	Company 31 March 2019 Rm	Company Restated 31 March* 2018 Rm
Revenue	4	41 774	39 661	39 029	37 635
Other income	5	719	607	1 762	2 024
Payments to other operators		2 940	2 606	2 913	2 554
Cost of handsets, equipment and directories		5 205	4 411	3 040	2 230
Sales commission, incentives and logistical costs		1 457	935	1 244	751
Enterprise subcontracting costs**		–	–	10 658	11 671
Employee expenses	6.1	10 777	10 677	5 451	5 654
Other operating expenses		3 153	2 991	559	725
Maintenance		3 074	2 696	4 878	5 379
Marketing		806	763	727	614
Impairment of receivables and contract assets	19	384	635	408	509
Service fees	6.2	2 934	3 028	2 461	2 184
Operating leases	6.3	1 182	1 104	1 271	1 068
EBITDA		10 581	10 422	7 181	6 320
Depreciation of property, plant and equipment	6.4	4 842	4 760	4 450	4 419
Amortisation of intangible assets	6.4	702	778	567	622
Write-offs, impairments and losses of property, plant and equipment and intangible assets	6.4	270	47	150	24
Operating profit		4 767	4 837	2 014	1 255
Investment income	7	185	186	818	785
Income/(loss) from associates	7	2	(70)	–	–
Net finance charges, hedging costs and fair value movements	8	947	842	1 093	785
Net finance charges		885	884	1 016	847
Cost of hedging		88	167	88	167
Foreign exchange and fair value movements		(26)	(209)	(11)	(229)
Profit before taxation		4 007	4 111	1 739	1 255
Taxation	9	1 176	1 113	306	(48)
Profit for the year		2 831	2 998	1 433	1 303
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss					
Exchange gains/(losses) on translating foreign operations***	24	23	(22)	–	–
Items that will not be reclassified to profit or loss					
Defined benefit plan actuarial gains/(losses)	28	1 352	(652)	1 346	(652)
Income tax relating to actuarial gains/(losses)		(67)	–	(67)	–
Other comprehensive income/(loss) for the year, net of taxation		1 308	(674)	1 279	(652)
Total comprehensive income for the year		4 139	2 324	2 712	651
Profit attributable to:					
Owners of Telkom		2 795	2 917	1 433	1 303
Non-controlling interests		36	81	–	–
Profit for the year		2 831	2 998	1 433	1 303
Total comprehensive income attributable to:					
Owners of Telkom		4 101	2 243	2 712	652
Non-controlling interests		38	81	–	–
Total comprehensive income for the year		4 139	2 324	2 712	652
Basic earnings per share (cents)	10	561.9	575.7		
Diluted earnings per share (cents)	10	551.8	563.6		

* *Restated. Refer to note 2.2, 2.3, 2.4 and 2.8.*
** *Subcontracting costs relating to Enterprise customers which were sold to BCX on 1 November 2016 from Telkom, refer to note 4.*
*** *This component of OCI does not attract any tax.*

Statements of financial position

as at 31 March 2019

	Notes	Group 31 March 2019 Rm	Group Restated 31 March* 2018 Rm	Group Restated 1 April* 2017 Rm	Company 31 March 2019 Rm	Company Restated 31 March* 2018 Rm	Company Restated 1 April* 2017 Rm
Assets							
Non-current assets		37 961	36 359	34 339	41 784	39 463	35 313
Property, plant and equipment	12	32 035	30 324	27 863	30 171	28 092	24 938
Intangible assets	13	4 521	4 492	4 719	2 830	2 808	2 991
Investment in subsidiaries	15.1.1	–	–	–	2 846	2 856	2 856
Loans and preference share investment in subsidiaries	15.1.2	–	–	–	4 801	4 361	3 193
Other investments	15.2	78	100	314	140	140	140
Employee benefits	28	729	627	635	729	627	635
Other financial assets	20	133	60	60	–	–	–
Finance lease receivables	16	210	262	310	210	262	310
Deferred taxation	17	255	494	438	57	317	250
Current assets		14 783	13 778	13 539	14 445	13 310	11 460
Inventories	18	1 267	1 341	1 268	862	944	859
Income tax receivable	33	76	54	9	–	–	–
Loans to subsidiaries	15.1.2	–	–	–	152	152	152
Finance lease receivables	16	108	112	237	108	112	237
Trade and other receivables	19	7 425	6 370	7 012	8 427	6 970	5 750
Contract assets	19	2 518	1 672	1 031	2 518	1 672	1 031
Other financial assets	20	388	163	126	229	163	78
Other investments	15.2	1 573	1 509	2 388	1 574	1 509	2 388
Cash and cash equivalents	21	1 428	2 557	1 468	575	1 788	965
Assets classified as held for sale	11	200	204	12	–	–	1 409
Total assets		52 944	50 341	47 890	56 229	52 773	48 182
Equity and liabilities							
Equity attributable to owners of the parent		29 573	26 957	27 635	26 824	25 617	27 855
Share capital	22	5 050	5 050	5 208	5 050	5 050	5 208
Share-based compensation reserve	23	512	377	452	487	362	431
Non-distributable reserves	24	1 621	1 579	1 376	1 033	1 011	753
Retained earnings		22 390	19 951	20 599	20 254	19 194	21 463
Non-controlling interests		195	194	197	–	–	–
Total equity		29 768	27 151	27 832	26 824	25 617	27 855
Non-current liabilities		6 740	10 268	6 991	6 469	9 986	6 716
Interest-bearing debt	25	4 840	7 158	4 733	4 824	7 109	4 661
Employee related provisions	26	1 186	2 388	1 536	1 164	2 368	1 516
Non-employee related provisions	26	7	39	51	15	7	10
Other financial liabilities	20	79	–	–	–	–	–
Deferred revenue	27	466	502	529	466	502	529
Deferred taxation	17	162	181	142	–	–	–
Current liabilities		16 436	12 922	13 067	22 936	17 170	13 611
Trade and other payables	29	7 406	6 898	7 465	11 704	10 494	8 728
Shareholders for dividend**	34	29	58	25	29	27	23
Interest-bearing debt	25	5 401	2 239	1 535	5 370	2 204	1 507
Employee related provisions	26	1 175	1 325	1 383	860	1 069	1 067
Non-employee related provisions	26	141	164	124	30	52	39
Deferred revenue	27	1 396	1 597	1 571	1 338	1 510	1 499
Income tax payable	33	572	361	431	568	346	305
Other financial liabilities	20	316	250	440	3 037	1 467	440
Credit facilities utilised	21	–	30	93	–	1	3
Total liabilities		23 176	23 190	20 058	29 405	27 156	20 327
Total equity and liabilities		52 944	50 341	47 890	56 229	52 773	48 182

* *Restated. Refer to note 2.2, 2.3, and 2.9.*
** *Includes dividend payable to non-controlling interests of Yellow Pages.*

Statements of changes in equity

for the year ended 31 March 2019

Group	Share capital Rm	Non-distributable reserves Rm	Share-based compensation reserve Rm	Retained earnings Rm	Total Rm	Non-controlling interest Rm	Total equity Rm
	Attributable to equity holders of Telkom						
Balance at 1 April 2017 (as previously reported)	5 208	1 376	452	20 533	27 569	337	27 906
Adjustments on initial adoption of IFRS 15 – Revenue from Contracts with Customers*	–	–	–	(61)	(61)	–	(61)
SOX deconsolidation*	–	–	–	127	127	(140)	(13)
Restated balance at 1 April 2017	5 208	1 376	452	20 599	27 635	197	27 832
Total comprehensive income	–	(22)	–	2 265	2 243	81	2 324
Profit for the year (restated)*	–	–	–	2 917	2 917	81	2 998
Other comprehensive losses	–	(22)	–	(652)	(674)	–	(674)
Exchange losses on translating foreign operations	–	(22)	–	–	(22)	–	(22)
Net defined benefit plan remeasurements	–	–	–	(652)	(652)	–	(652)
Transactions with owners recorded directly in equity							
Revaluation of the sinking fund investment transferred to non-distributable reserves (refer to note 24)	–	170	–	(170)	–	–	–
Increase in share-based compensation reserve (refer to note 23)	–	–	29	–	29	–	29
Increase in subsidiaries share-based compensation reserve (refer to note 23)	–	–	19	–	19	–	19
Vesting of Telkom and BCX share plan (refer to note 24)	–	123	(123)	–	–	–	–
Increase in treasury shares (refer to note 24)	–	(68)	–	–	(68)	–	(68)
Shares repurchased and cancelled	(158)	–	–	(601)	(759)	–	(759)
Disposal of non-controlling interest (refer to note 11)	–	–	–	–	–	(3)	(3)
Dividend declared** (refer to note 10)	–	–	–	(2 142)	(2 142)	–	(2 142)
Contributions by and distributions to non-controlling interest							
Dividends declared**	–	–	–	–	–	(81)	(81)
Restated balance at 31 March 2018	5 050	1 579	377	19 951	26 957	194	27 151
Balance as at 31 March 2018 (as previously reported)	5 050	1 579	377	20 020	27 026	359	27 385
Adjustments on initial adoption of IFRS 15 – Revenue from Contracts with Customers*	–	–	–	(90)	(90)	–	(90)
Adjustments on initial adoption of IFRS 9 – Financial Instruments	–	–	–	207	207	–	207
SOX remeasurement*	–	–	–	(96)	(96)	–	(96)
SOX deconsolidation*	–	–	–	117	117	(165)	(48)
Restated balance at 1 April 2018	5 050	1 579	377	20 158	27 164	194	27 358
Total comprehensive income	–	21	–	4 080	4 101	38	4 139
Profit for the year	–	–	–	2 795	2 795	36	2 831
Other comprehensive income	–	21	–	1 285	1 306	2	1 308
Exchange gains on translating foreign operations	–	21	–	–	21	2	23
Net defined benefit plan remeasurements	–	–	–	1 285	1 285	–	1 285
Transactions with owners recorded directly in equity							
Revaluation of the sinking fund investment transferred to non-distributable reserves (refer to note 24)	–	68	–	(68)	–	–	–
Increase in share-based compensation reserve (refer to note 23)	–	–	125	–	125	–	125
Increase in subsidiaries share-based compensation reserve (refer to note 23)	–	–	10	–	10	–	10
Increase in treasury shares (refer to note 24)	–	(47)	–	–	(47)	–	(47)
Dividend declared** (refer to note 10)	–	–	–	(1 780)	(1 780)	–	(1 780)
Contributions by and distributions to non-controlling interest							
Dividends declared**	–	–	–	–	–	(37)	(37)
Balance at 31 March 2019	**5 050**	**1 621**	**512**	**22 390**	**29 573**	**195**	**29 768**

* Restated. Refer to note 2.2 and 2.3.2.

** Dividend declared includes dividend to the non-controlling interests of Yellow Pages and the BCX group.

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 2017 (as previously reported)	5 208	753	431	21 524	27 916
Adjustments on initial adoption of IFRS 15 – Revenue from Contracts with Customers*	–	–	–	(61)	(61)
Restated balance at 1 April 2017	5 208	753	431	21 463	27 855
Total comprehensive income	–	–	–	651	651
Profit for the year (restated)*	–	–	–	1 303	1 303
Other comprehensive losses	–	–	–	(652)	(652)
Transactions with owners recorded directly in equity					
Revaluation of the sinking fund investment transferred to non-distributable reserves (refer to note 24)	–	170	–	(170)	–
Increase in treasury shares (refer to note 24)	–	(68)	–	–	(68)
Sale of shares to BCX	–	58	–	–	58
Increase in share-based compensation reserve (refer to note 23)	–	–	29	–	29
Vesting of Telkom share plan (refer to note 24)	–	98	(98)	–	–
Shares repurchased and cancelled	(158)	–	–	(602)	(760)
Dividend declared (refer to note 10)	–	–	–	(2 148)	(2 148)
Restated balance at 31 March 2018	5 050	1 011	362	19 194	25 617
Balance as at 31 March 2018 (as previously reported)	5 050	1 011	362	19 284	25 707
Adjustments on initial adoption of IFRS 15 – Revenue from Contracts with Customers*	–	–	–	(90)	(90)
Adjustments on initial adoption of IFRS 9 – Financial Instruments	–	–	–	194	194
Restated balance at 1 April 2018	5 050	1 011	362	19 388	25 811
Total comprehensive income	–	–	–	2 712	2 712
Profit for the year	–	–	–	1 433	1 433
Other comprehensive income	–	–	–	1 279	1 279
Net defined benefit plan remeasurements	–	–	–	1 279	1 279
Transactions with owners recorded directly in equity					
Revaluation of the sinking fund investment transferred to non-distributable reserves (refer to note 24)	–	66	–	(66)	–
Increase in treasury shares (refer to note 24)	–	(47)	–	–	(47)
Sale of shares to BCX	–	3	–	–	3
Increase in share-compensation reserve (refer to note 23)	–	–	125	–	125
Dividend declared (refer to note 10)	–	–	–	(1 780)	(1 780)
Balance at 31 March 2019	**5 050**	**1 033**	**487**	**20 254**	**26 824**

* Restated. Refer to note 2.2, 2.7 and 2.8.

Statements of cash flows

for the year ended 31 March 2019

		Group		Company	
	Notes	31 March 2019 Rm	Restated 31 March* 2018 Rm	31 March 2019 Rm	31 March 2018 Rm
Cash flows from operating activities		5 706	6 039	3 676	3 729
Cash receipts from customers		40 341	40 091	38 374	37 970
Cash paid to suppliers and employees		(31 438)	(29 978)	(32 489)	(31 577)
Cash generated from operations	30	8 903	10 113	5 885	6 393
Interest received		441	310	293	258
Dividend received		–	–	116	91
Finance charges paid	32	(847)	(722)	(840)	(669)
Taxation paid	33	(945)	(1 472)	–	(200)
Cash generated from operations before dividend paid		7 552	8 229	5 454	5 873
Dividend paid	34	(1 846)	(2 190)	(1 778)	(2 144)
Cash flows utilised for investing activities		(7 522)	(6 617)	(5 643)	(4 651)
Proceeds on disposal of property, plant and equipment and intangible assets		35	82	22	30
Additions to assets for capital expansion		(7 584)	(7 756)	(7 227)	(7 217)
Loans repaid by subsidiaries		–	–	162	286
Realisation of investments in other financial assets		45	31	–	–
Transfer of funds from subsidiaries for sinking fund (preference share settlement reserve)		–	–	1 400	1 200
Investments made by FutureMakers		(18)	(24)	–	–
Proceeds on realisation of sinking fund		–	1 050	–	1 050
Cash flows from financing activities		717	1 731	755	1 747
Loans raised	31	3 246	7 680	3 246	7 680
Loans repaid	31	(2 544)	(4 685)	(2 547)	(4 678)
Purchase of shares for the Telkom and subsidiaries long-term incentive share scheme		(47)	(68)	(47)	(68)
Shares repurchased and cancelled		–	(759)	3	(760)
Finance lease repaid	31	(42)	(16)	(4)	(6)
Repayment of derivatives		(222)	(546)	(222)	(546)
Proceeds from derivatives		326	125	326	125
Net (decrease)/increase in cash and cash equivalents		(1 099)	1 153	(1 212)	825
Net cash and cash equivalents at 1 April		2 527	1 374	1 787	962
Net cash and cash equivalents at the end of the year	21	**1 428**	**2 527**	**575**	**1 787**

** Restated. Refer to note 2.10.*

Notes to the financial statements

for the year ended 31 March 2019

1. Corporate information

Telkom SA SOC Limited (Telkom), the ultimate parent of the group, is a company incorporated and domiciled in the Republic of South Africa (South Africa) whose shares are publicly traded on the Johannesburg Stock Exchange (JSE). The main objective of Telkom, its subsidiaries, joint ventures and associates (the group) is to supply telecommunication, multimedia, technology, information, mobile communication services and other related information technology services to the group's customers in Africa. Refer to note 2.7 for a description of the products and services offered by the group.

2. Significant accounting policies, judgements, estimates and assumptions

2.1 Basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and in compliance with the SAICA Financial Reporting Guide 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 of South Africa 2008.

The financial statements are disclosed 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 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 changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. Details of the group's significant accounting policies are set out below and are consistent with those applied in the previous financial year except for the adopted standards and amendments as listed below.

In the process of preparing the financial statements for the current year, the aggregation of certain line items on the financial statements has been reassessed. These line items were disclosed in more detail on the financial statements. These included:

- Investments in subsidiaries;
- Loans and preference share investment in subsidiaries;
- Selling, general and administrative expenses;
- Cost of sales; and
- Investment income and income from associates.

2.2 Adoption of new accounting standards

2.2.1 Adoption of IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard replaces revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard requires the entities in the Telkom group to apportion revenue earned from contracts to the identified performance obligations in the contracts on a relative stand-alone selling price basis, based on a five-step model.

The standard also requires the capitalisation of costs incremental to obtaining the contract and recognition of these costs as an expense over the contract term. Telkom has applied the practical expedient to only defer costs related to contracts with terms over 12 months.

The group is in the business of supplying fixed voice and data services to post and pre-paid customers and the sale of subscription based value-added voice services and calling plans. The group also sells fixed-line customer premises equipment and services, both for voice and data needs. Mobile communication services include voice and data services and customer premises equipment. Sundry revenue includes directory services and wireless data services. The equipment and services are sold both on their own in separate identified contracts with customers and together as a bundled package of goods and/or services. Separate performance obligations are identified to the extent that the goods and services are distinct and the customer can benefit from it, either on its own or together with other goods and services.

In accordance with the transition provisions in IFRS 15, the group has adopted the new standard using the fully retrospective approach and has restated comparative numbers for the 31 March 2018 financial period respectively.

The group applied the following practical expedients when applying IFRS 15 retrospectively:

- The group did not restate comparative numbers for contracts that were completed at 1 April 2017; and
- The group did not restate comparative numbers for contracts that began and ended in the same annual reporting period.

Notes to the financial statements

for the year ended 31 March 2019

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

2.2 Adoption of new accounting standards continued

2.2.1 Adoption of IFRS 15 Revenue from Contracts with Customers continued

The nature and changes in the financial statements were as follows:

Type of item affected	Nature and characteristics of the item affected	Nature of change required on implementation of the new standard	Impact
Contract costs	The group incurs commission costs in relation to contracts entered into with customers. Commission costs are paid based on new contracts entered into.	Where the costs incurred relate to the acquisition of a contract, the standard requires the costs to be capitalised and recognised as an expense over the contract terms engaged with the customer.	The adoption of the standard has led to a higher level of costs qualifying for deferral over the contract term. This has led to a reduction in costs recognised on the date that a contract is signed with a customer as the costs are now initially accounted for as a contract asset and recognised as an expense over the contract term as opposed to being expensed on contract inception.
Installation fee revenue	The group earns installation fees for various installation services attached to the provision of fixed and mobile services. Installation fees are recognised for both fixed-term and month-to-month contracts.	Where the payment of an installation fee provides the customer with a material substantive right, the installation fee should be recognised over an estimated customer relationship period as opposed to recognition on the date that delivery is completed.	The group had previously recognised installation fees on fixed-term contracts over an estimated customer relationship period. Where installation fees were received in relation to month-to-month service contracts, the installation fees were previously recognised on the date of completion of the installation service. The adoption of the standard has resulted in the deferral of installation fees over the estimated customer relationship period. This led to a reduction in revenue in the comparative statement of profit or loss and will lead to an increase in revenue in future periods as the revenue is recognised over the customer relationship period.
Fixed-line and Mobile customer premises equipment	The group bundles voice, data and customer premises equipment together in its post-paid contracts. Revenue related to the customer premises equipment is recognised once control of the equipment has been transferred to the customer. Customers settle the obligation relating to the equipment over the contract term. The term is usually in excess of 12 months.	Revenue relating to each item bundled together in a contract will be recognised based on the allocated transaction price. The transaction price will be allocated based on the relative stand-alone selling price of each item in the bundle. The group has elected to apply the practical expedient to not recognise a significant financing component for any contract where the contract term is less than 12 months. Where the contract term exceeds 12 months, a portion of the transaction price allocated to customer premises equipment will be recognised as significant financing component revenue over the contract term.	**Fixed-line:** The group previously did not recognise revenue allocated to equipment where the equipment was provided to the customer as a "free" element of a bundle. The adoption of IFRS 15 has resulted in a portion of the service revenue attributable to the "free" elements in fixed-line contracts being recognised upfront, when control is transferred, as opposed to being recognised over the contract term as part of the subscription revenue. This has resulted in an increase in customer premises equipment revenue and a reduction in service revenue. **Mobile:** The group has historically been allocating revenue primarily to the main data, voice and equipment elements in a contract. Revenue was not previously allocated to a financing component. The adoption of IFRS 15 has resulted in a reduction in customer premises equipment revenue as a larger portion of the total transaction price is now allocated to service related revenue as well as the recognition of a significant financing component.

The following accounting policies are applicable to revenue recognition and the related disclosures following the adoption of the new standard:

Contract costs

Contract assets are capitalised and amortised over the contract term. The amortised costs are included as part of costs of contracts with customers or other operating expenses as determined by the costs of contracts with customers policy.

Significant financing component

The group assesses post-paid contracts at inception to determine whether a significant financing component exists. If the financing component is less than 5% of the total transaction price allocated to the customer premises equipment, it is deemed not to be significant and the finance component will not be recognised separately.
The financing element is assessed on a contract-by-contract basis.

2.2.2 Adoption of IFRS 9 Financial Instruments

The new standard includes the final classification and measurement model for financial assets and liabilities as well as the new expected credit loss (ECL) model for the impairment of financial assets that replaces the incurred loss model prescribed in IAS 39. The IAS 39 classification model for financial liabilities has been retained, however changes in own credit risk will be presented in other comprehensive income for liabilities designated at fair value through profit or loss. IFRS 9 also includes new requirements for general hedge accounting.

Initial classification and measurement

IFRS 9 introduces new measurement categories for financial assets. The impact of the measurement categories of IFRS 9 on the group's financial instruments is illustrated in the table below.

	Measurement category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	Original (IAS 39) Rm	New (IFRS 9) Rm	Difference
Assets (As at 1 April 2017)					
Other investments	Fair value through profit or loss	Fair value through profit or loss	2 399	2 399	–
Loans and preference shares to subsidiaries	Loans and receivables	Amortised cost	3 345	3 345	–
Trade and other receivables	Loans and receivables	Amortised cost	7 557	7 557	–
Other financial assets					
Forward exchange contracts	Fair value through profit or loss	Fair value through profit or loss	54	54	–
Firm commitments	Fair value through profit or loss	Fair value through profit or loss	24	24	–
Asset finance receivables	Loans and receivables	Amortised cost	73	73	–
Loans	Loans and receivables	Amortised cost	35	35	–
Finance lease receivables	Loans and receivables	Amortised cost	547	547	–
Cash and cash equivalents	Loans and receivables	Amortised cost	1 612	1 612	–
Liabilities (As at 1 April 2017)					
Interest-bearing debt	Amortised cost	Amortised cost	(6 285)	(6 285)	–
Trade and other payables	Amortised cost	Amortised cost	(7 516)	(7 516)	–
Shareholders for dividend	Amortised cost	Amortised cost	(25)	(25)	–
Other financial liabilities					
Forward exchange contracts	Fair value through profit or loss	Fair value through profit or loss	(189)	(189)	–
Firm commitments	Fair value through profit or loss	Fair value through profit or loss	(229)	(229)	–
Interest rate swaps	Fair value through profit or loss	Fair value through profit or loss	(22)	(22)	–

Impairment

IFRS 9 requires the group to record expected credit losses on all of its debt securities, loans, trade receivables, other receivables, cash and cash equivalents and finance lease receivables, either on a 12-month or lifetime basis.

The group has elected the simplified approach to recognise lifetime expected losses for its trade and other receivables and contract assets as permitted by IFRS 9. The group has assessed and concluded that due to the short-term nature of its trade and other receivable balances, the trade receivable balances are not significantly exposed to the impact of changes in the macro-economic environment. The provision model will therefore not include economic environmental changes as assumptions applied in deriving the expected loss on its trade and other receivables and contract assets. The group has historically been raising provisions for bad debt based on incurred losses.

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.

Notes to the financial statements

for the year ended 31 March 2019

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

2.2 Adoption of new accounting standards continued

2.2.2 Adoption of IFRS 9 Financial Instruments continued

Impairment continued

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 to the specific category of receivable.

IFRS 9 has revised the criteria for the write-off of a financial instrument. The group has historically been writing off trade receivables at the point where a trade receivable balance is handed over for debt collection. Trade receivables are handed over for collection when the group has been unable to collect outstanding amounts through its internal collection processes. The subsequent collection was then accounted for as a reduction in the provision for bad debt expense. Following the adoption of IFRS 9, the group has 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. This has resulted in an increase in the trade receivable balance of R746 million and R559 million in the allowance account for credit losses. The net adjustment has been accounted for as an adjustment to the opening balance of retained earnings on transition to IFRS 9.

Telkom recognises lifetime expected credit losses on finance lease receivables in terms of the simplified approach to recognise lifetime expected credit losses. 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 the 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.

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

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.

Hedge accounting

Subsequent to making the decision which informed the transition disclosures in the 31 March 2018 financial statements, the group has elected to continue applying the hedge accounting requirements of IAS 39.

Transition

The group is applying IFRS 9 retrospectively, applying the practical expedients relating to the accounting for expected credit losses, in terms of which the opening balance of retained earnings has been adjusted in the current financial period.

The impairment loss on trade receivables was previously recognised where it was assessed that the receivable was impaired. The impairment was based on an assessment of the extent to which customers had defaulted on payments due and an assessment of their ability to make payments based on their creditworthiness and historical write-offs experience. The adoption of IFRS 9 has resulted in a reduction of the allowance for credit losses of R61 million (group) and R48 million (Telkom company) due to a lower estimated loss based on the revised model.

2.3 Prior period error

2.3.1 Prior period error – mobile CPE revenue recognition

As part of the IFRS 15 implementation process, the group reassessed the revenue recognition principles and the judgement applied to mobile CPE sales to independently owned dealer stores. It was identified that upon transfer of a device to a dealer, revenue was recognised relating to the sales of devices. At this point, the group would also recognise the cost of sale relating to the inventory transferred to the dealer.

Subsequent to this transaction, in the event where a device would be bundled with a post-paid mobile contract, Telkom would recognise revenue again as a second transaction relating to the device sold with the post-paid contract.

At this point, the group would reimburse the dealer for the device and recognise the cost of reimbursement as a cost of sale transaction. The accounting treatment adopted resulted in the overstatement of operating revenue and corresponding cost of sales.

There was however no material impact on the net operating revenue, EBITDA, profit before tax or basic earnings per share and headline earnings per share. The previous accounting treatment had no impact on the statement of financial position as it only resulted in an overstatement of the revenue and cost of sales line items respectively.

Taking into account the agent versus principal rules defined in IFRS 15, the accounting treatment for the current period has been corrected to only reflect a device sale once the device has been sold outright to an end customer or been bundled in a post-paid contract.

2.3.2 Prior period error – Smart Office Connexion group consolidation

Telkom group, through its wholly owned subsidiary BCX, is invested in the Smart Office Connexion (SOX) group. The SOX group consists of nine individual entities. These entities were consolidated during the prior financial year.

During the current financial year, it was identified that owing to substantive protective rights granted to the minority shareholder, BCX did not have control of the subsidiaries as defined by IFRS 10 Consolidated Financial Statements.

The matter has been assessed as a material prior period error and has been corrected by restating the comparative financial statements as required by IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The effect of the restatement is the deconsolidation of the SOX group on a line-by-line basis in the financial statements and the recognition of the investments in the underlying entities of the SOX group on an equity accounted basis in terms of IAS 28 Investments in Associates and Joint Ventures.

During the comparative financial period, the investment in the SOX group was classified as held for sale. The consolidated net asset value of the SOX group was assessed in terms of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations and it was concluded that there was no remeasurement required at a Telkom group level. Following the change to account for the investments as equity accounted investments, a remeasurement was identified. The income from joint ventures and associates line item in the financial statements has been restated to reflect the remeasurement as an adjustment in the 2018 financial year. This resulted in an additional R96 million impairment accounted for in the 2018 financial year.

Refer to note 2.8 and 2.9 for each materially affected line item as part of the adoption of the new standards and the correction of the prior period error.

2.4 Reclassification error

2.4.1 Change in presentation of the statement of profit or loss and other comprehensive income from a hybrid to a by-nature of expense basis

In the current financial reporting period, the JSE queried the hybrid presentation basis applied in Telkom's statement of profit or loss and other comprehensive income. The JSE is of the opinion that this basis is contrary to the requirements of IFRS.

The JSE however concurred with management's view that this presentation basis did not result in a material misstatement of the previously reported financial results.

As part of the resolution of the matter, Telkom proposed to address the error by changing its presentation basis from a hybrid to a by-nature presentation basis in the spirit of supporting "the effective functioning of the capital markets and the JSE's regulatory objectives". The proposal was accepted by the JSE and subsequently implemented across the Telkom group.

The change in presentation basis has resulted in the removal of the cost of sales line item from the statement of profit or loss and other comprehensive income. The cost of sales line has been replaced by the following two items which previously made up total cost of sales:
- Costs of handsets, equipment and directories
- Sales commission, incentives and logistical costs

These line items are now being presented separately.

In addition, as requested by the JSE, we have included an accounting policy note which clarifies the nature of the costs on the by-nature presentation basis as follows:

Costs of handsets, equipment, directories, sales commission, incentives and logistical costs

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

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

Following the change referred to above, the subtotal "net operating revenue" was removed from the statement of profit or loss and other comprehensive income.

As the group continues to implement its current business plan, a greater focus has been placed on the key reporting metrics on which the group provides financial guidance:
- Gross Operating Revenue
- EBITDA Margin
- CAPEX to Revenue
- Net Debt to EBITDA

The chief operating decision maker no longer measures its business units on a "net operating revenue" basis and it has therefore been considered appropriate to remove this line item from the financial statements to accurately reflect the manner in which management reviews the financial performance of the group.

The changes made above have had no impact on any of the reported key metrics as noted above and do not impact any of the financial guidance issued by the group. The group has re-presented the 31 March 2018 statement of profit or loss and other comprehensive income.

2.4.2 Reclassification of intercompany loans

Following the adoption of IFRS 9 Financial Instruments, the group elected to disclose its loans to subsidiaries as a separate line item on the statement of financial position. This was previously disclosed as part of the investments in subsidiaries line item. Following the reclassification, Telkom also identified that it had incorrectly included the short-term portion of the loans in non-current assets. Telkom has corrected this by restating the comparative statement of financial position.

2.5 Standards and interpretations in issue not yet adopted and not yet effective

Information on standards issued by the IASB, but not effective for the current financial year, has been provided below where it is expected that the new standards will have a material impact on the group.

Management anticipates that all relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments neither adopted nor listed below are not expected to have a material impact on the group's financial statements.

The following new standard in issue has not yet been adopted and is not yet effective. The standard is effective for the 31 March 2020 financial period.

2.5.1 IFRS 16 Leases

IFRS 16 Leases, issued by the IASB in January 2016, is effective for reporting periods beginning on, or after, 1 January 2019 and will be adopted by the group on 1 April 2019.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Notes to the financial statements

for the year ended 31 March 2019

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

2.5 Standards and interpretations in issue not yet adopted and not yet effective continued

2.5.1 IFRS 16 Leases continued

Leases where the group acts as lessor

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The group is not materially affected by the changes made to operating and finance leases and the treatment of residual guaranteed values. However, additional disclosures will be required in the 2020 financial year.

Leases in which the group is a lessee

The adoption of the standard will result in a significant increase in the asset and liability position from the recognition of right-of-use assets and lease liabilities representing the present value of future minimum lease payments discounted at a rate appropriate after taking the lease term into account, attributable to the following major lease categories:

- Mast and Tower infrastructure lease agreements
- Property leases (including warehousing)
- Vehicle fleet leases

The right-of-use assets will be subsequently measured using the cost model as set out in IAS 16 Property, Plant and Equipment. The right-of-use liabilities will subsequently be measured at amortised cost.

As at the reporting date, the group has non-cancellable operating lease commitments of R1 906 million.

The adoption of the new standard will not affect the profit after tax over the duration of a contract as the total lease payments which would have been expensed over the lease term are unaffected. However, due to the impact of higher finance charges in the early years of the lease, the impact on earnings will initially be dilutive, before being accretive in later periods.

The new standard moves the majority of lease payments below EBITDA, as well as a depreciation charge on the right-of-use asset and interest expense on the lease liability as opposed to operating lease expenses. This will result in an increase in EBITDA over the lease term. Application of the standard will also impact key ratios linked to EBITDA e.g. Net debt to EBITDA.

Under IAS 17 Leases, the operating lease payments were included in cash flows from operating activities. Following the adoption of IFRS 16 Leases, the lease payments will be included in cash flows from financing activities. This will result in an increase in the inflows from operating activities and an increase in the outflows from financing activities owing to a significant reclassification between the line items on the statement of cash flows.

The following key judgements will be applied in the adoption of the new standard:

Lease discount rate	Except where a discount rate implicit in the lease has been stipulated in the lease agreement, the discount rate for a lease will be determined with reference to the incremental borrowing rate for a loan with a similar period as the lease term. The rate will be determined by Telkom treasury, which acts as a centralised treasury function.
Separation of lease components	Where a lease includes various components, which are not service related, management has applied the practical expedient to treat the components as one lease.
Low value assets and short-term leases	The group has elected to apply the practical expedient to account for all short-term leases (<12 months) as operating expenses. All leases where the underlying asset being used is of low value (<$5 000) are assessed on a lease-by-lease basis and accounted for as expenses as incurred.
Lease term	It will be assumed that in the event where a lease termination clause exists, which is exercisable at the lessee's discretion, that the termination option will not be exercised. It has been assumed that where a lease contract is currently ongoing on a monthly basis, that the lease term be limited to the one month enforceable period and therefore that the lease be excluded from the lease population for the calculation of the right-of-use asset and liability on adoption of the standard. Where a contract contains a renewal clause, management has assumed that the lease will be renewed for a period calculated based on past historical renewal behaviour, taking into consideration the strategic nature of the asset. For intercompany mast and towers agreements, where contract term discussions are still ongoing, the contract term has been assessed as the useful life of the asset given the strategic nature of the assets and Telkom company's prior involvement with these assets.

Transition

The group is adopting the new standard on 1 April 2019, using the modified retrospective approach. The cumulative effect of adopting IFRS 16 will therefore be recognised as an adjustment to the opening balance of retained earnings at 1 April 2019, with no restatement of comparative information.

The group will also adopt the practical expedient in IFRS 16 to apply the new standard to all contracts being accounted for under IAS 17 and IFRIC 4 at 1 April 2019 and to apply the principles outlined in IFRS 16 for identifying a lease to all new contracts entered into after that date.

2.6 Significant accounting judgements, estimates and assumptions

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

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

2.6.1 Property, plant and equipment (PPE) and intangible assets (IA)

The useful lives of assets are based on management's estimation. Management considers the impact of changes in technology, customer service requirements and availability of capital funding to determine the optimum useful life expectation for each of the individual categories of property, plant and equipment and intangible assets. Due to the rapid technological advancement in the telecommunications industry, the estimation of useful lives could differ significantly on an annual basis due to unexpected changes in the roll-out strategy. The impact of the change in the expected useful life of property, plant and equipment is described more fully in note 6. The measurement of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives and the estimation of what their condition will be like at that time. Changes in the useful lives and/or residual values are accounted for as a change in accounting estimate.

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

2.6.2 Asset retirement obligations

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

2.6.3 Impairments of property, plant and equipment and intangible assets

Management is required to make judgements concerning the cause and timing as well as the amount of impairment as indicated in notes 12 and 13. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services, market changes, legal changes, operating environments and other circumstances that could indicate that an impairment exists. The group applies the impairment assessment to its cash-generating units. This requires management to make significant judgements concerning the existence of impairment indicators, identification of cash-generating units, and estimating the remaining useful lives of assets as well as projected cash flows to determine fair value less costs of disposal or value in use. Management's analysis of cash-generating units involves an assessment of a group of assets' abilities to independently generate cash inflows and involves analysing the extent to which different products make use of the same assets. Management's judgement is also required when assessing whether there are indicators that a previously recognised impairment loss should be reversed.

Where impairment indicators exist, the determination of the recoverable amount of a cash-generating unit requires management to make assumptions to determine the fair value less cost of disposal and value in use. Value in use is calculated using the discounted cash flow valuation method. Key assumptions on which management has based its determination of fair value less costs of disposal include the existence of binding sale agreements. The determination of value in use is based on a number of factors which include the weighted average cost of capital, projected revenues, gross margins, average revenue per customer, capital expenditure, expected customer base (subscribers) and market share. The judgements, assumptions and methodologies used can have a material impact on the recoverable amount and ultimately the amount of impairment loss recognised.

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

2.6.4 Impairment of trade and other receivables, finance lease receivables and contract assets

The group has elected the simplified approach to recognise lifetime expected losses for its trade and finance lease receivables and contract assets as permitted by IFRS 9. The group has assessed and concluded that due to the short-term nature of its trade and other receivable balances, the trade receivable balances are not significantly exposed to the impact of changes in the macro-economic environment. The provision model will therefore not include economic environmental changes as assumptions applied in deriving the expected loss on its trade, other receivables and finance lease 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.

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 to the specific category of receivable.

Following the adoption of IFRS 9, the group has 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.

Telkom recognises lifetime expected credit losses on finance lease receivables in terms of the simplified approach. 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.

Twelve month expected credit losses are calculated for cash and cash equivalents using the general approach.

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.

Notes to the financial statements

for the year ended 31 March 2019

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

2.6 Significant accounting judgements, estimates and assumptions continued

2.6.5 Recognition and measurement of revenue

2.6.5.1 Stand-alone selling prices and transaction price

The stand-alone selling prices for mobile devices were historically determined based on the standard list prices at which the group sold 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. Based on historical data, Telkom has used the actual contract term to determine the transaction price as opposed to a shorter period. This is because the group expects the renewal date of a contract to be at the end of the contract as opposed to an early renewal.

2.6.5.2 Significant financing component

The group applies the practical expedient in IFRS 15 paragraph 63 to not recognise a significant financing component for any contract where the contract term is less than 12 months. A model was designed to determine whether a significant financing component exists. This model calculates the financing component on a contract-by-contract basis. If the financing component is less than 5% of the total transaction price allocated to the customer premises equipment, it is deemed not to be significant and the finance component will not be recognised separately.

2.6.5.3 Material right considerations

The group considers installation fees on month-to-month contracts to provide a material right to the customer to extend the contract without paying an additional installation fee. This installation fee is therefore a separate performance obligation and is deferred over an estimated customer relationship period where it is concluded that the installation fee gives rise to a material substitution right.

2.6.5.4 Customer relationship periods

The average customer relationship periods for wholesale, voice and non-voice services are utilised to amortise the deferred installation revenue and cost. Management applies judgements about the data used to determine the customer relationship period estimate. The estimate is based on the historical churn information (refer to note 4). The churn is determined by considering the service installation and disconnection dates, the weighted customer base ageing and the service connection status of the customers. Changes in average customer relationship periods are accounted for as a change in accounting estimate.

2.6.5.5 Agent vs principal considerations in relation to cooperation with third party dealers

The group co-operates with a network of dealers who sell contract services (including these bundled with mobile devices), pre-paid services and mobile devices (without bundling them with a Telkom services contract). Telkom accounts for device sales through the dealers as a principal as Telkom can unilaterally redirect the handsets between dealers without the approval of the dealer in order to best realise the handset. This is a strong indication that Telkom retains control of the handset and therefore that control of the handset has not passed to the dealer.

In terms of IFRS 15, Telkom has identified the specified goods or services being provided to the customer - the handset in this instance. A specified good or service is a distinct good or service (or a distinct bundle of goods or services) that will be transferred to the customer. An entity is the principal in a transaction if it obtains control of the specified goods or services before they are transferred to the customer. An entity is an agent if it does not control the specified goods or services before they are transferred to the customer. We have assessed whether Telkom is a principal or agent for the device obligation on a contract-by-contract basis using the relevant indicators, taking into account the right of return policy with third party dealers.

Refer to note 4 for the significant judgements and estimates applicable to the revenue recognised in Telkom SA SOC Ltd for the Enterprise customer contracts which were sold to BCX, but not contractually ceded.

2.6.6 Deferred taxation asset

Management's judgement is exercised when determining the probability of future taxable profits which will determine whether deferred taxation assets should be recognised or derecognised (refer to note 17). The realisation of deferred taxation assets will depend on whether it is possible to generate sufficient taxable income, taking into account any legal restrictions on the length and nature of the taxation asset. When deciding whether to recognise unutilised deferred taxation credits as deferred tax assets, management needs to determine the extent that the future obligations are likely to be available for set-off against the deferred taxation asset. In the event that the assessment of the future obligation and future utilisation changes, the change in the recognised deferred taxation asset is recognised in profit or loss. The carrying amount of the deferred tax asset is reviewed at each reporting date and adjusted to reflect changes in the probability that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2.6.7 Taxation

Management determines the income tax charge in accordance with the applicable tax laws and rules which are subject to interpretation. The calculation of the group's total tax charge necessarily involves judgements, including those involving estimations, in respect of certain items whose tax treatment cannot be finalised until resolution has been reached with the tax authority or, as appropriate, through a formal legal process. The resolution of some of these items may give rise to material profits, losses and/or cash flows. Where the effect of these laws and rules is not clear, or where it is not certain that the taxation authorities will agree with the entity's tax treatment of a certain matter, the taxation liability estimates are made by management based on the approach which can be determined with the most certainty. In these cases, the taxation liability is determined based on the most likely outcome 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 is often dependent on the efficiency of the legal processes. Some complex tax issues may take a number of years before they are resolved. Payments in respect of taxation liabilities for an accounting period result from payments on account and on the final resolution of open items.

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.

The calculation of the deferred tax charge, as well as balances at reporting date, are dependant on the applicable tax rates. The determination of this rate requires the application of management's judgement based on the group's expectations at reporting date on how the deferred tax assets are expected to be recovered or the liabilities are expected to be settled.

2.6.8 Employee benefits

The group provides defined benefit plans for certain post-employment benefits. The obligation and assets related to each of the post-retirement benefits are determined through an actuarial valuation. The actuarial valuation relies heavily on assumptions as disclosed in note 28. 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 Bond Exchange of South Africa. The discount rate is expected to follow the trend of inflation.

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

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

2.6.9 Provisions

For other provisions, estimates are made of legal or constructive obligations resulting in the raising of provisions, and the expected date of probable outflow of economic benefits to assess whether the provision should be discounted (refer to note 26). 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.

2.6.10 Contingent liabilities

On an ongoing basis, the group is party to various legal disputes, the outcomes of which cannot be assessed with a high degree of certainty. A liability is recognised where, based on the group's legal views, advice and application of professional judgement, it is considered probable that an outflow of resources will be required to settle a present obligation that can be measured reliably. Disclosure of other contingent liabilities is made in note 36 unless the possibility of a loss arising is considered remote.

2.7 Summary of significant accounting policies

2.7.1 Basis of consolidation

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

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

2.7.2 Subsidiaries

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

2.7.3 Transactions with non-controlling interests

Non-controlling interests in subsidiaries are identified separately from the group's equity. The interests of non-controlling shareholders are initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the 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 deficit balance.

2.7.4 Joint arrangements

A joint arrangement is an arrangement where two or more parties have joint control over another entity. In a joint arrangement, parties are bound by a contractual arrangement that gives two or more of the parties joint control of the arrangement. A joint arrangement is classified and accounted for as either a joint operation or joint venture.

In a joint operation, parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. These parties are the joint operators. The group recognises its own assets, liabilities, revenues and expenses that are incurred or earned separately to other joint operators. Otherwise, the group recognises its share of assets, liabilities, revenues and expenses when these items are incurred jointly.

In a joint venture, parties that jointly control the joint arrangement have rights to the net assets of the arrangement. These parties are called joint ventures. The group accounts for the joint venture using the equity method. Under the equity accounting method, the investment in the joint venture is carried in the statement of financial position at cost plus post-acquisition changes in the group's share of the net assets of the joint venture. The share of the profit of the joint venture is included in income from associates.

2.7.5 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.

2.7.6 Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are carried at cost at company level and adjusted for any impairment losses.

Notes to the financial statements

for the year ended 31 March 2019

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

2.7 Summary of significant accounting policies continued

2.7.7 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 of 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 pooling of interest method.

2.7.8 Goodwill

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

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

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

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

Goodwill is tested for impairment annually or when indicators of impairment are identified.

2.7.9 Revenue recognition and measurement

2.7.9.1 Nature of goods and services

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Mobile devices and customer premises equipment revenue Revenue for this category is recognised by the Openserve, Consumer and BCX business units.	The group recognises revenue when a customer takes possession of the communication equipment or products. The total transaction price is allocated to the mobile device or CPE equipment 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 have therefore applied the total contractual term in the calculation of the total consideration receivable under a contract. The amount of revenue recognised for devices is adjusted for expected returns, which are estimated based on the historical data. For devices sold separately (i.e. without the telecommunications contract), customers pay full price at the point of sale. For devices sold in bundled packages, customers usually pay monthly in equal instalments over the contract term. The group assesses whether a significant financing component exists for all contracts in excess of 12 months. A financing element of greater than 5% of the portion of the transaction price allocated to the mobile device or customer equipment has been deemed to represent a significant financing component. The significant financing component is determined using a discount representative of the risk associated to the specific customer. The group does not provide separate warranties on equipment delivered to customers and therefore no performance obligations are identified associated to this.

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Mobile and fixed-line telecommunication services The Openserve business unit provides the following services: ***Broadband solutions*** This includes next generation access, across fibre and copper networks enabling high-speed internet connectivity. ***Optical and carrier solutions*** Services constitute the provision of client-specific backhaul and managed connectivity, assuring world-class quality and reliability. ***Enterprise solutions*** Products include business-to-business connectivity, underpinned primarily by Ethernet-based products. ***Global solutions*** Interconnect-based services connecting South Africa and the rest of the global market. The Consumer business unit provides the following services to customers: ***Broadband data*** ***Voice*** ***Content*** ***Gaming*** ***Small Medium Entity Information, Communication and Technology solutions*** The BCX business unit provides fixed telecommunication voice and data services to customers including: ***Business mobility*** ***Global telecommunication services*** ***Broadband*** ***Internet and value-added services***	The group recognises revenue as these telecommunication services are provided. The services are billed and paid on a monthly basis. 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 fee is a separate performance obligation and is recognised over an estimated customer relationship period. The customer usually pays the fee upfront when the installation has been completed. Refer to note 4 for the customer relationship periods per customer type. Interconnection revenue is derived from calls and other traffic that originate in other operators' networks but use the Telkom network. The group receives interconnection fees based on agreements entered into with other telecommunication operators. These revenues are recognised in the period in which these services were rendered.
Information technology revenue BCX provides Information Technology goods and services to customers within the group. The diversified technology product portfolio provides a wide range of services including: ***Solutions*** Cloud computing, unified communications and collaboration, security, big data analytics and mobility. ***IT products*** Enterprise and applications solutions, IT-managed services and infrastructure and cloud solutions.	Revenue from a contract to provide a service is recognised in the accounting period in which services are rendered. Installation fees are a separate performance obligation and is recognised based on the actual services provided, determined as the proportion of the total time expected to install to the time that has elapsed at the reporting date. Servicing fees included in the price of products sold are recognised by reference to the proportion of the cost to the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold. Revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred. Revenue from the provision of IT hardware and software is recognised once control of the goods have been transferred to the customer.
Directory services and advertising revenue These services are rendered through the Yellow Pages subsidiary and includes the following products and services: ***Advertising*** ***Digital and social media advertising, across a number of platforms*** ***E-commerce*** ***Omni-channel offerings***	Revenue from printed directories is recognised once the directories are released for distribution. Electronic directory and advertising revenue is recognised over the contract term as the performance obligations are met based on the total transaction price agreed for the contract. The 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.

Notes to the financial statements

for the year ended 31 March 2019

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

2.7 Summary of significant accounting policies continued

2.7.9 Revenue recognition and measurement continued

2.7.9.1 Nature of goods and services continued

Turnkey property management solutions, as well as property and mast and tower rental income, is generated by the group through its Gyro subsidiaries.

All revenue is presented net of Value Added Tax, rebates and discounts.

Invoice and payment terms are set out in note 19 to the financial statements.

2.7.9.2 Contract costs

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

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

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

2.7.9.3 Contract assets

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

2.7.10 Costs of handsets, equipment, directories, sales commission, incentives and logistical costs

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

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

2.7.11 Property, plant and equipment

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

At initial recognition, acquired property, plant and equipment is recognised at its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates. Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. 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. 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.

The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

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

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

The estimated useful lives applied are provided in note 6.5.

2.7.12 Intangible assets

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

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

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

The expected useful lives applied are provided in note 6.7.

2.7.13 Asset retirement obligations

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

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

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

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

2.7.15 Inventories

Merchandise, installation material and maintenance 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.

2.7.16 Financial instruments

2.7.16.1 Recognition and initial measurement

Loans and trade receivables are initially recognised when they are originated. All other financial instruments are initially recognised at fair value when the group becomes a party to the contractual provisions of the instrument, and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument. At initial recognition, the group classifies financial assets as measured at amortised cost or fair value through profit or loss.

All financial instruments are initially recognised at fair value, plus, 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. Financial instruments are recognised when the group becomes a party to the contractual arrangements. 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.

2.7.16.2 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.

Financial assets: classification

On initial recognition, a financial asset is classified as measured at amortised cost or fair value through profit or loss. Refer to note 14 for the categories of financial instruments.

Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost, as described above, are measured at fair value through profit or loss.

Notes to the financial statements

for the year ended 31 March 2019

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

2.7 Summary of significant accounting policies continued

2.7.16 Financial instruments continued

2.7.16.2 Classification and subsequent measurement continued

Financial assets: subsequent measurement and gains and losses

Financial assets at fair value through profit or loss - The group's other investments fall into this category	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost - The group's cash and cash equivalents, trade and other receivables, finance lease receivables, loans to subsidiaries and asset finance receivables fall into this category of financial instruments	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The fair value of financial assets and liabilities that are actively traded in financial markets is determined by reference to quoted market prices at the close of business on the reporting date. The group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the event or change in circumstances that caused the transfer has occurred.

Financial liabilities: classification and subsequent measurement

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

2.7.16.3 Offsetting

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

2.7.16.4 Derecognition of financial instruments

Financial assets

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

Financial liabilities

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

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

2.7.16.5 Hedge accounting

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

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

2.7.17 Cash and cash equivalents

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

2.7.18 Treasury shares

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

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

2.7.19 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

The land and buildings 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 leases are capitalised at the lease's inception at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.7.20 Employee benefits

Post-employment benefits

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

Defined benefit plans

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

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

Telkom Retirement Fund Reserves

In terms of its rules, Telkom Retirement Fund operates a number of reserve accounts, namely 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 on determining the net value of the fund (fund assets less the fund obligation).

2.7.21 Share-based payments

The group has a share-based payment compensation plan. The plan is an equity-settled plan, consisting of the long-term incentive plan (LTIP), the employee share ownership plan (ESOP) and 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 the dividend distribution. The dividend received by employees is recognised as a reduction in equity. The amount of dividend received by employees who have left service prior to vesting conditions being met is recognised in profit or loss at the end of each reporting date.

2.7.22 Sinking fund investment

The sinking fund investment is accounted for at fair value and all fair value movements are accounted for in the statement of profit or loss. As the fair value movements are unrealised gains/losses, they are transferred from retained earnings to non-distributable reserves.

2.7.23 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 and to sell these receivables 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 is not met and the group does not transfer all risks and rewards (i.e. credit risk), the lease receivable is not derecognised and is reclassified to asset finance receivables and a corresponding liability is also recognised as an asset finance payable (refer to note 20).

Notes to the financial statements

for the year ended 31 March 2019

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

2.8 Adjustment to the statements of profit or loss and other comprehensive income

	Group						
	For the year ended 31 March 2018						
	As previously reported Rm	SOX Decon-solidation **** Rm	SOX Remeasure-ment **** Rm	Change in presentation basis and reclassifi-cations *** Rm	IFRS 15 Rm	Mobile CPE restatement **** Rm	Restated Rm
Operating revenue	41 018	(656)	–	–	(60)	(641)	39 661
Voice**	13 679	–	–	–	(128)	–	13 551
Interconnection	1 034	–	–	–	–	–	1 034
Data*	13 629	–	–	–	153	–	13 782
Customer premises equipment**	3 988	–	–	–	(227)	(641)	3 120
Significant financing component**	–	–	–	–	142	–	142
Sundry revenue	1 662	–	–	–	–	–	1 662
Information technology	7 026	(656)	–	–	–	–	6 370
Other income	607	–	–	–	–	–	607
Payments to other operators	2 606	–	–	–	–	–	2 606
Cost of sales	6 256	(238)	–	(6 018)	–	–	–
Cost of handsets, equipment and directories	–	–	–	5 052	–	(641)	4 411
Sales commission, incentives and logistical costs	–	–	–	966	(31)	–	935
Employee expenses	10 917	(240)	–	–	–	–	10 677
Selling, general and administrative expenses	7 132	(47)	–	(7 085)	–	–	–
Other operating expenses	–	–	–	2 991	–	–	2 991
Maintenance	–	–	–	2 696	–	–	2 696
Marketing	–	–	–	763	–	–	763
Impairment of receivables and contract assets	–	–	–	635	–	–	635
Service fees	3 054	(26)	–	–	–	–	3 028
Operating leases	1 116	(12)	–	–	–	–	1 104
EBITDA	10 544	(93)	–	–	(29)	–	10 422
Depreciation of property, plant and equipment	4 780	(20)	–	–	–	–	4 760
Amortisation of intangible assets	778	–	–	–	–	–	778
Write-offs, impairments/(reversals) and losses of property, plant and equipment and intangible assets	47	–	–	–	–	–	47
Operating profit	4 939	(73)	–	–	(29)	–	4 837
Investment income	203	(17)	–	–	–	–	186
Income/(loss) from associates	–	26	(96)	–	–	–	(70)
Net finance charges, hedging costs and fair value movements	851	(9)	–	–	–	–	842
Net finance charges	893	(9)	–	–	–	–	884
Cost of hedging	–	–	–	167	–	–	167
Foreign exchange and fair value movements	(42)	–	–	(167)	–	–	(209)
Profit before taxation	4 291	(55)	(96)	–	(29)	–	4 111
Taxation	1 133	(20)	–	–	–	–	1 113
Profit for the year	3 158	(35)	(96)	–	(29)	–	2 998

	Group						
	For the year ended 31 March 2018						
	As previously reported Rm	SOX Decon-solidation **** Rm	SOX Remeasure-ment **** Rm	Change in presentation basis and reclassifi-cations *** Rm	IFRS 15 Rm	Mobile CPE restatement **** Rm	Restated Rm
Other comprehensive income							
Items that will be reclassified subsequently to profit or loss							
Exchange gains on translating foreign operations	(22)	–	–	–	–	–	(22)
Items that will not be reclassified to profit or loss							
Defined benefit plan actuarial loss	(652)	–	–	–	–	–	(652)
Income tax relating to actuarial loss	–	–	–	–	–	–	–
Other comprehensive income for the year, net of taxation	(674)	–	–	–	–	–	(674)
Total comprehensive income for the year	2 484	(35)	(96)	–	(29)	–	2 324
Profit attributable to:							
Owners of Telkom	3 052	(10)	(96)	–	(29)	–	2 917
Non-controlling interests	106	(25)	–	–	–	–	81
Profit for the year	3 158	(35)	(96)	–	(29)	–	2 998
Total comprehensive income attributable to:							
Owners of Telkom	2 378	(10)	(96)	–	(29)	–	2 243
Non-controlling interests	106	(25)	–	–	–	–	81
Total comprehensive income for the year	2 484	(35)	(96)	–	(29)	–	2 324
Basic earnings per share (cents)	602.3	(2.0)	(18.9)	–	(5.7)	–	575.7
Diluted earnings per share (cents)	589.7	(1.9)	(18.6)	–	(5.6)	–	563.6

** Includes a R45 million restatement relating to installation fees. Refer to note 2.2.1.*
*** Refer to note 2.2.1.*
**** Refer to note 2.4.*
***** Refer to note 2.3.1 and 2.3.2.*

Notes to the financial statements

for the year ended 31 March 2019

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

2.8 Adjustment to the statements of profit or loss and other comprehensive income continued

	Company				
	For the year ended 31 March 2018				
	As previously reported Rm	Change in presentation basis and reclassifi-cations *** Rm	IFRS 15 Rm	Mobile CPE restatement *** Rm	Restated Rm
Operating revenue	38 336	–	(60)	(641)	37 635
Voice**	16 405	–	(128)	–	16 277
Interconnection**	1 028	–	–	–	1 028
Data*	14 266	–	153	–	14 419
Customer premises equipment**	4 577	–	(227)	(641)	3 709
Significant financing component**	–	–	142	–	142
Sundry revenue	169	–	–	–	169
Information technology	1 891	–	–	–	1 891
Other income	2 024	–	–	–	2 024
Enterprise subcontracting costs	11 671	–	–	–	11 671
Payments to other operators	2 554	–	–	–	2 554
Cost of sales	3 653	(3 653)	–	–	–
Cost of handsets, equipment and directories	–	2 871	–	(641)	2 230
Sales commission, incentives and logistical costs	–	782	(31)	–	751
Employee expenses	5 654	–	–	–	5 654
Selling, general and administrative expenses	7 227	(7 227)	–	–	–
Other operating expenses	–	725	–	–	725
Maintenance	–	5 379	–	–	5 379
Marketing	–	614	–	–	614
Impairment of receivables and contract assets	–	509	–	–	509
Service fees	2 184	–	–	–	2 184
Operating leases	1 068	–	–	–	1 068
EBITDA	6 349	–	(29)	–	6 320
Depreciation of property, plant and equipment	4 419	–	–	–	4 419
Amortisation of intangible assets	622	–	–	–	622
Write-offs, impairments/(reversals) and losses of property, plant and equipment and intangible assets	24	–	–	–	24
Operating profit	1 284	–	(29)	–	1 255
Investment income	785		–	–	785
Net finance charges, hedging costs and fair value movements	785	–	–	–	785
Net finance charges	847	–	–	–	847
Cost of hedging	–	167	–	–	167
Foreign exchange and fair value movements	(62)	(167)	–	–	(229)
Profit before taxation	1 284	–	(29)	–	1 255
Taxation	(48)	–	–	–	(48)
Profit for the year	**1 332**	**–**	**(29)**	**–**	**1 303**
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss					
Exchange gains on translating foreign operations	–	–	–	–	–
Items that will not be reclassified to profit or loss					
Defined benefit plan actuarial loss	(652)	–	–	–	(652)
Income tax relating to actuarial loss	–	–	–	–	–
Other comprehensive income for the year, net of taxation	(652)	–	–	–	(652)
Total comprehensive income for the year	**680**	**–**	**(29)**	**–**	**651**

* *Includes a R45 million restatement relating to installation fees. Refer to note 2.2.1.*
** *Refer to note 2.2.1.*
*** *Refer to note 2.3.1 and 2.3.2.*

2.9 Adjustments to the statements of financial position

	Group							
	As at 31 March 2018				As at 1 April 2017			
	As previously reported Rm	SOX Restatement Rm	IFRS 15 Rm	Restated Rm	As previously reported Rm	SOX Restatement Rm	IFRS 15 Rm	Restated Rm
Assets								
Non-current assets	36 417	(58)	–	36 359	34 125	214	–	34 339
Property, plant and equipment	30 377	(53)	–	30 324	27 918	(55)	–	27 863
Intangible assets	4 492	–	–	4 492	4 720	(1)	–	4 719
Other investments	100	–	–	100	40	274	–	314
Employee benefits	627	–	–	627	635	–	–	635
Other financial assets	60	–	–	60	60	–	–	60
Finance lease receivables	262	–	–	262	310	–	–	310
Deferred taxation	499	(5)	–	494	442	(4)	–	438
Current assets	14 127	(403)	54	13 778	13 912	(384)	11	13 539
Inventories	1 435	(94)	–	1 341	1 384	(116)	–	1 268
Income tax receivable	54	–	–	54	9	–	–	9
Finance lease receivables	112	–	–	112	237	–	–	237
Trade and other receivables	8 126	(138)	(1 618)	6 370	8 156	(124)	(1 020)	7 012
Contract assets	–	–	1 672	1 672	–	–	1 031	1 031
Other financial assets	163	–	–	163	126	–	–	126
Other investments	1 509	–	–	1 509	2 388	–	–	2 388
Cash and cash equivalents	2 728	(171)	–	2 557	1 612	(144)	–	1 468
Assets classified as held for sale	–	204	–	204	12	–	–	12
Total assets	**50 544**	**(257)**	**54**	**50 341**	**48 049**	**(170)**	**11**	**47 890**
Equity and liabilities								
Equity attributable to owners of the parent	27 026	21	(90)	26 957	27 569	127	(61)	27 635
Share capital	5 050	–	–	5 050	5 208	–	–	5 208
Share-based compensation reserve	377	–	–	377	452	–	–	452
Non-distributable reserves	1 579	–	–	1 579	1 376	–	–	1 376
Retained earnings	20 020	21	(90)	19 951	20 533	127	(61)	20 599
Deferral of incremental contract costs	–	–	149	–	–	–	118	–
Deferral of installation fee revenue	–	–	(46)	–	–	–	(1)	–
Earlier recognition of fixed-line customer premises equipment revenue and recognition of significant financing component	–	–	32	–	–	–	27	–
Lower recognition of mobile customer premises equipment revenue and recognition of significant financing component	–	–	(225)	–	–	–	(205)	–
Non-controlling interests	359	(165)	–	194	337	(140)	–	197
Total equity	**27 385**	**(144)**	**(90)**	**27 151**	**27 906**	**(13)**	**(61)**	**27 832**

Notes to the financial statements

for the year ended 31 March 2019

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

2.9 Adjustments to the statements of financial position continued

Group

	As at 31 March 2018				As at 1 April 2017			
	As previously reported Rm	SOX Restatement Rm	IFRS 15 Rm	Restated Rm	As previously reported Rm	SOX Restatement Rm	IFRS 15 Rm	Restated Rm
Non-current liabilities	10 240	(10)	38	10 268	7 004	(13)	–	6 991
Interest-bearing debt	7 165	(7)	–	7 158	4 744	(11)	–	4 733
Employee related provisions	2 388	–	–	2 388	1 536	–	–	1 536
Non-employee related provisions	44	(5)	–	39	56	(5)	–	51
Deferred revenue	464	–	38	502	529	–	–	529
Deferred taxation	179	2	–	181	139	3	–	142
Current liabilities	12 919	(103)	106	12 922	13 139	(144)	72	13 067
Trade and other payables	6 878	(78)	98	6 898	7 516	(122)	71	7 465
Shareholders for dividend	58	–	–	58	25	–	–	25
Interest-bearing debt	2 247	(8)	–	2 239	1 541	(6)	–	1 535
Employee related provisions	1 340	(15)	–	1 325	1 397	(14)	–	1 383
Non-employee related provisions	164	–	–	164	124	–	–	124
Deferred revenue	1 589	–	8	1 597	1 570	–	1	1 571
Income tax payable	363	(2)	–	361	433	(2)	–	431
Other financial liabilities	250	–	–	250	440	–	–	440
Credit facilities utilised	30	–	–	30	93	–	–	93
Total liabilities	23 159	(113)	144	23 190	20 143	(157)	72	20 058
Total equity and liabilities	50 544	(257)	54	50 341	48 049	(170)	11	47 890

Company

	As at 31 March 2018				As at 1 April 2017			
	As previously reported Rm	IFRS 15 Rm	Reclassifications* Rm	Restated Rm	As previously reported Rm	IFRS 15 Rm	Reclassifications* Rm	Restated Rm
Assets								
Non-current assets	39 615	–	(152)	39 463	35 465	–	(152)	35 313
Property, plant and equipment	28 092	–	–	28 092	24 938	–	–	24 938
Intangible assets	2 808	–	–	2 808	2 991	–	–	2 991
Investment in subsidiaries	7 369	–	(4 513)	2 856	6 201	–	(3 345)	2 856
Loans and preference share investment in subsidiaries	–	–	4 361	4 361	–	–	3 193	3 193
Other investments	140	–	–	140	140	–	–	140
Employee benefits	627	–	–	627	635	–	–	635
Finance lease receivables	262	–	–	262	310	–	–	310
Deferred taxation	317	–	–	317	250	–	–	250
Current assets	13 104	54	152	13 310	11 297	11	152	11 460
Inventories	944	–	–	944	859	–	–	859
Loans to subsidiaries	–	–	152	152	–	–	152	152
Finance lease receivables	112	–	–	112	237	–	–	237
Trade and other receivables	8 588	(1 618)	–	6 970	6 770	(1 020)	–	5 750
Contract assets	–	1 672	–	1 672	–	1 031	–	1 031
Other financial assets	163	–	–	163	78	–	–	78
Other investments	1 509	–	–	1 509	2 388	–	–	2 388
Cash and cash equivalents	1 788	–	–	1 788	965	–	–	965
Assets classified as held for sale	–	–	–	–	1 409	–	–	1 409
Total assets	52 719	54	–	52 773	48 171	11	–	48 182

Company

	As at 31 March 2018				As at 1 April 2017			
	As previously reported Rm	IFRS 15 Rm	Reclassifications* Rm	Restated Rm	As previously reported Rm	IFRS 15 Rm	Reclassifications* Rm	Restated Rm
Equity and liabilities								
Equity attributable to owners of the parent	25 707	(90)	–	25 617	27 916	(61)	–	27 855
Share capital	5 050	–	–	5 050	5 208	–	–	5 208
Share-based compensation reserve	362	–	–	362	431	–	–	431
Non-distributable reserves	1 011	–	–	1 011	753	–	–	753
Retained earnings	19 284	(90)	–	19 194	21 524	(61)	–	21 463
Deferral of incremental contract costs	–	149	–	–	–	118	–	–
Deferral of installation fee revenue	–	(46)	–	–	–	(1)	–	–
Earlier recognition of fixed-line customer premises equipment revenue and recognition of significant financing component	–	32	–	–	–	27	–	–
Lower recognition of mobile customer premises equipment revenue and recognition of significant financing component	–	(225)	–	–	–	(205)	–	–
Total equity	25 707	(90)	–	25 617	27 916	(61)	–	27 855
Non-current liabilities	9 948	38	–	9 986	6 716	–	–	6 716
Interest-bearing debt	7 109	–	–	7 109	4 661	–	–	4 661
Employee related provisions	2 368	–	–	2 368	1 516	–	–	1 516
Non-employee related provisions	7	–	–	7	10	–	–	10
Deferred revenue	464	38	–	502	529	–	–	529
Current liabilities	17 064	106	–	17 170	13 539	72	–	13 611
Trade and other payables	10 396	98	–	10 494	8 657	71	–	8 728
Shareholders for dividend	27	–	–	27	23	–	–	23
Interest-bearing debt	2 204	–	–	2 204	1 507	–	–	1 507
Employee related provisions	1 069	–	–	1 069	1 067	–	–	1 067
Non-employee related provisions	52	–	–	52	39	–	–	39
Deferred revenue	1 502	8	–	1 510	1 498	1	–	1 499
Income tax payable	346	–	–	346	305	–	–	305
Other financial liabilities	1 467	–	–	1 467	440	–	–	440
Credit facilities utilised	1	–	–	1	3	–	–	3
Total liabilities	27 012	144	–	27 156	20 255	72	–	20 327
Total equity and liabilities	52 719	54	–	52 773	48 171	11	–	48 182

* Refer to note 2.4.2.

Notes to the financial statements

for the year ended 31 March 2019

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

2.10 Adjustments to the statements of cash flows

	Group		
	For the year ended 31 March 2018		
	As previously reported Rm	SOX Restatement* Rm	Restated Rm
Cash flows from operating activities	6 084	(45)	6 039
Cash receipts from customers	41 049	(958)	40 091
Cash paid to suppliers and employees	(30 878)	900	(29 978)
Cash generated from operations	10 171	(58)	10 113
Interest received	327	(17)	310
Finance charges paid	(731)	9	(722)
Taxation paid	(1 493)	21	(1 472)
Cash generated from operations before dividend paid	8 274	(45)	8 229
Dividend paid	(2 190)	–	(2 190)
Cash flows utilised for investing activities	(6 634)	17	(6 617)
Proceeds on disposal of property, plant and equipment and intangible assets	82	–	82
Additions to assets for capital expansion	(7 773)	17	(7 756)
Realisation of investments in other financial assets	31	–	31
Investments made by FutureMakers	(24)	–	(24)
Proceeds on realisation of sinking fund	1 050	–	1 050
Cash flows from financing activities	1 729	2	1 731
Loans raised	7 680	–	7 680
Loans repaid	(4 685)	–	(4 685)
Purchase of shares for the Telkom and subsidiaries long-term incentive share scheme	(68)	–	(68)
Shares repurchased and cancelled	(759)	–	(759)
Finance lease repaid	(18)	2	(16)
Repayment of derivatives	(546)	–	(546)
Proceeds from derivatives	125	–	125
Net increase/(decrease) in cash and cash equivalents	1 179	(26)	1 153
Net cash and cash equivalents at 1 April	1 519	(145)	1 374
Net cash and cash equivalents at the end of the year	2 698	(171)	2 527

* *Refer to note 2.3.2.*

3. Segment information

The 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 CODM reviews the performance of the operating segments on an EBITDA basis. During the period, management removed the net operating revenue line item from its assessment of the performance for segment reporting purposes. For this purpose, the reportable segments have been determined as Openserve, Consumer, BCX, Gyro and "Other". Gyro also met the quantitative thresholds to be disclosed as a separate segment in the current reporting period.

EBITDA is defined as earnings before finance income and finance cost (which includes gains and losses on foreign exchange transactions), tax, depreciation and amortisation, and is also presented inclusive of the following items:

- Significant financing component; and
- Interest on overdue accounts

The significant financing component is included in operating revenue as a separate component of revenue.

"Other" includes Yellow Pages and other business units.

The 31 March 2018 segment information has been restated for the adoption of IFRS 15 Revenue from Contracts with Customers, the change in presentation basis and the SOX and Mobile CPE error.

During the current reporting period, the structure of the segment below has been updated to reflect operating expenses on an operating segment level. The comparative segment has been restated to reflect intersegmental transactions in all operating expenses and costs included in net operating revenue per segment. During the current year, the Fastnet business was transferred from the Gyro group into BCX. The comparative segment information has been restated to include Fastnet as part of the BCX segment.

The current period EBITDA for segmental purposes has been normalised for voluntary severance, retirement and retrenchment package expenses of R728 million.

	Openserve Rm	Consumer Rm	BCX Rm	Gyro Rm	Other Rm	Eliminations Rm	Consolidated Rm
March 2019							
Revenue from external customers*	4 207	18 866	17 426	609	666	–	41 774
Revenue recognised over time							
Voice	–	6 845	5 633	–	–	–	12 478
Interconnection	792	270	–	–	–	–	1 062
Data	3 415	8 913	3 446	–	–	–	15 774
Information technology services	–	–	5 841	–	–	–	5 841
Significant financing component revenue	–	191	–	–	–	–	191
Sundry revenue	–	–	269	–	–	–	269
Revenue recognised at a point in time							
Customer premises equipment	–	2 635	1 314	–	–	–	3 949
Information technology hardware	–	–	923	–	–	–	923
Sundry revenue	–	12	–	–	666	–	678
Operating lease revenue	–	–	–	609	–	–	609
Intersegmental operating revenue	12 733	348	2 154	560	1 349	(17 144)	–
Other income	378	615	117	–	809	(1 200)	719
Payments to other operators	(954)	(1 958)	(729)	–	–	701	(2 940)
Cost of handsets, equipment and directories	–	(2 959)	(2 121)	–	(244)	119	(5 205)
Sales commission, incentives and logistical costs	(6)	(1 250)	(213)	–	–	12	(1 457)
Employee expenses	(3 628)	(735)	(4 538)	(104)	(1 032)	(12)	(10 049)
Selling, general and administrative expenses	(4 009)	(10 951)	(8 125)	(88)	(1 083)	16 839	(7 417)
Service fees	(1 721)	(416)	(490)	(185)	(335)	213	(2 934)
Operating leases	(708)	(530)	(241)	(107)	(68)	472	(1 182)
Earnings before interest, tax, depreciation and amortisation (EBITDA) for reportable segments including intersegmental transactions	6 292	1 030	3 240	685	62	–	11 309
Reconciliation of operating profit to profit before tax							
Normalisations							
Voluntary severance, retirement and retrenchment package expenses							(728)
Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) for reportable segments							10 581
Depreciation, amortisation, impairments, write-offs and losses							(5 814)
Operating profit							4 767
Investment income							185
Income/(loss) from associates							2
Net finance charges, hedging costs and fair value movements							(947)
Profit before taxation							4 007
Other segment information							
Capital expenditure of property, plant and equipment and intangible assets	4 034	3 070	304	60	206	–	7 674

* *Revenue includes balances 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.*

Notes to the financial statements

for the year ended 31 March 2019

3. Segment information continued

	Openserve ** Rm	Consumer ** Rm	BCX ** Rm	Gyro Rm	Other ** Rm	Eliminations ** Rm	Consolidated ** Rm
Restated March 2018* **							
Revenue from contracts with external customers*	4 296	16 129	17 790	709	737	–	39 661
Revenue recognised over time							
Voice	–	7 052	6 499	–	–	–	13 551
Interconnection	868	166	–	–	–	–	1 034
Data	3 351	6 773	3 563	–	95	–	13 782
Information technology services	–	–	5 678	–	–	–	5 678
Significant financing component revenue	–	142	–	–	–	–	142
Sundry revenue	–	–	218	–	–	–	218
Revenue recognised at a point in time							
Customer premises equipment	–	1 980	1 140	–	–	–	3 120
Information technology hardware	–	–	692	–	–	–	692
Sundry revenue	77	16	–	–	642	–	735
Operating lease revenue	–	–	–	709	–	–	709
Intersegmental operating revenue***	13 229	372	2 473	235	3 720	(20 029)	–
Other income	345	807	3	–	769	(1 317)	607
Payments to other operators	(1 296)	(1 247)	(922)	–	(12)	871	(2 606)
Cost of handsets, equipment and directories	(1)	(2 163)	(2 051)	–	–	(196)	(4 411)
Sales commission, incentives and logistical costs	(48)	(779)	(184)	–	–	76	(935)
Employee expenses	(4 145)	(1 003)	(4 777)	(59)	(693)	–	(10 677)
Selling, general and administrative expenses***	(4 380)	(11 463)	(8 178)	(161)	(3 305)	20 402	(7 085)
Service fees	(1 502)	(323)	(629)	(410)	(164)	–	(3 028)
Operating leases	(594)	(476)	(215)	–	(12)	193	(1 104)
Earnings before interest, tax, depreciation and amortisation (EBITDA) for reportable segments including intersegmental transactions	5 904	(146)	3 310	314	1 040	–	10 422
Reconciliation of operating profit to profit before tax							
Earnings before interest, tax, depreciation and amortisation (EBITDA) for reportable segments							10 422
Depreciation, amortisation, impairments/(reversals), write-offs and losses							(5 585)
Operating profit							4 837
Investment income							186
Income/(loss) from associates							(70)
Net finance charges, hedging costs and fair value movements							(842)
Profit before taxation							4 111
Other segment information							
Capital expenditure of property, plant and equipment and intangible assets	4 728	2 359	504	29	289	–	7 909

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.

* *Revenue includes balances 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.*

** *Restated. Refer to note 2.2, 2.3, 2.4 and 2.8.*

*** *Restated to reflect the revised measurement basis used by the CODM to measure the performance of the reportable segments in the current financial year.*

4. Revenue

4.1 Disaggregation of revenue

	Company 31 March 2019 Rm	Company Restated 31 March 2018* Rm
Revenue	39 029	37 635
Revenue recognised over time	34 354	33 757
Voice	14 718	16 277
Interconnection	1 065	1 028
Data	16 217	14 419
Information technology	2 163	1 891
Significant financing component revenue	191	142
Revenue recognised at a point in time	4 675	3 878
Customer premises equipment	4 464	3 709
Sundry revenue	211	169

* *Restated. Refer to note 2.2 and 2.8.*

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

Included in Telkom company revenue is revenue, to the value of R10 658 million (31 March 2018: R11 671 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. Management has assessed that the primary obligation for service delivery to the Enterprise clients remains with Telkom, similarly price risk owing to the contracts not ceded is deemed to reside with Telkom. Cognisance is given to the fact that mechanisims exist for a transfer of credit risk between Telkom and BCX. Given the above set of circumstances and in contemplation of the IFRS requirements, management has concluded that revenue from such contracts should be recognised in the accounting records of Telkom as a principal with the customers.

4.2 Transaction price allocated to the remaining performance obligations

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

	Group 2020 Rm	Group 2021 Rm	Group Beyond 2021 Rm
Voice	257	43	–
Interconnection	–	–	–
Data	3 141	1 570	1 142
Information technology	195	–	–
Significant financing component	–	–	–

	Company 2020 Rm	Company 2021 Rm	Company Beyond 2021 Rm
Voice	257	43	–
Interconnection	–	–	–
Data	3 141	1 570	1 142

All consideration 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 does not disclose information about remaining performance obligations that have original expected durations of one year or less.

The group and company apply the practical expedient in paragraph C5(d) of IFRS 15 and does not disclose the amount of the transaction price allocated to the remaining performance obligations and when the group and company expects to recognise that amount as revenue for the year ended 31 March 2018.

Notes to the financial statements

for the year ended 31 March 2019

4. Revenue continued

4.3 Customer relationship periods

Following the reassessment of the customer relationship periods (CRP), there has been no change accounted for in the customer relationship periods in the current financial year.

The CRP is determined as follows:

– Voice revenue: 6.5 years
– Wholesale revenue: 4 years
– Non-voice revenue: 5.5 years

5. Other income

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
	719	607	1 762	2 024
Interest received from trade receivables*	250	130	117	110
Sundry income	467	418	1 623	1 726
Profit on disposal of property, plant and equipment (PPE) and intangible assets (IA)	2	59	22	188

** Interest received on trade receivables relates to interest on overdue trade receivable 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 the effective interest rate.*

6. Operating expenses

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
6.1 Employee expenses	10 777	10 677	5 451	5 654
Salaries and wages	8 766	8 465	4 233	4 460
Post-retirement pension and retirement fund (refer to note 28)	517	672	517	582
Post-retirement medical aid (refer to note 28)	(62)	(59)	(62)	(59)
Post-retirement telephone rebates (refer to note 28)	41	40	41	40
Share-based compensation expense (refer to note 23)	135	48	126	29
Other benefits*	1 843	2 059	1 057	1 150
Employee expenses capitalised to capital projects	(463)	(548)	(461)	(548)

** Other benefits include, amongst others, skills development, annual leave, performance incentive, service bonuses, voluntary employee severance/ voluntary early retirement and retrenchment package costs and termination benefits. Included in other benefits is a R728 million (31 March 2018: Rnil) expense for voluntary severance, retirement and retrenchment packages.*

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
6.2 Service fees	2 934	3 028	2 461	2 184
Facilities and property management	1 674	1 536	1 551	1 305
Consultancy, security and other services	1 260	1 492	910	879
6.3 Operating leases*	1 182	1 104	1 271	1 068
Land and buildings	822	575	915	738
Transmission and data lines	–	175	–	–
Equipment	32	42	31	22
Vehicles	328	312	325	308

** Operating lease commitments are disclosed in note 35.*

6.4 Depreciation, amortisation, impairments, write-offs and losses

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
	5 814	5 585	5 167	5 065
Depreciation of property, plant and equipment	4 842	4 760	4 450	4 419
Amortisation of intangible assets	702	778	567	622
Write-offs, impairments and losses of property, plant and equipment and intangible assets	270	47	150	24
The estimated useful lives assigned to groups of property, plant and equipment are:				
	Years	Years	Years	Years
Freehold buildings	10 to 50	10 to 50	10 to 40	10 to 50
Network equipment				
Cables	2 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 18	5 to 18	5 to 18	5 to 18
Other	2 to 18	2 to 15	2 to 18	2 to 15
Support equipment	3 to 13	3 to 13	5 to 13	5 to 13
Furniture and office equipment	3 to 15	1 to 15	11 to 15	11 to 15
Data processing equipment and software	3 to 10	1 to 10	5 to 10	5 to 10
Telkom support services equipment	2 to 20	1 to 20	2 to 20	1 to 20
The expected useful lives assigned to intangible assets are:				
Software and licences	3 to 10	2 to 11	5 to 10	5 to 10
Trademarks, copyrights and other	4 to 13	3 to 13	4 to 13	4 to 13

During the year, the group reassessed the useful lives on various technologies. 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 and amortisation expense at a company level by R530 million (31 March 2018: R150 million) and decreased the depreciation and amortisation expense at a group level by R537 million (31 March 2018: R280 million).

The depreciation for the remaining useful life of the group's assets will be increased by this amount.

7. Investment income and income from associates

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
	187	116	818	785
Interest income	185	186	760	636
Dividend income from subsidiaries	–	–	58	149
Income/(loss) from associates	2	(70)	–	–

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

Notes to the financial statements

for the year ended 31 March 2019

8. Net finance charges, hedging costs and fair value movements

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
	947	842	1 093	785
Net finance charges on interest-bearing debt*	885	884	1 016	847
Local debt	944	1 019	1 075	982
Less: Finance charges capitalised**	(59)	(135)	(59)	(135)
Foreign exchange, fair value movements and costs of hedging	62	(42)	77	(62)
Foreign exchange (gain)/loss	490	(517)	504	(552)
Cost of hedging	88	167	88	167
Fair value adjustments	(516)	308	(515)	323
Capitalisation rate for borrowing costs (%)	10.2	10.3	10.2	10.3

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

* *For interest-bearing debt movement, refer to note 25.*
** *Finance charges on qualifying assets are capitalised to property, plant and equipment and intangible assets.*

9. Taxation

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
	1 176	1 113	306	(48)
South African normal company taxation	1 057	1 137	153	19
Current taxation	928	1 113	–	–
Underprovision for prior year	129	24	153	19
Deferred taxation (refer to note 17)	119	(56)	153	(67)
Capital allowances	229	615	229	575
Provisions and other allowances	(14)	(592)	5	(577)
Tax losses	(81)	(64)	(81)	(65)
Acquisition of BCX****	(13)	(15)	–	–
Overprovision for prior year	(2)	–	–	–
Withholding tax	–	–	–	–
Common control transaction	–	32	–	–
Reconciliation of taxation rate	%	%	%	%
Effective rate	29.4	27.6	17.6	(3.7)
South African normal rate of taxation	28.0	28.0	28.0	28.0
Adjusted for:	1.4	(0.4)	(10.4)	(31.7)
Exempt income	(2.2)	(2.2)	(14.6)	(21.8)
Dividends received	–	–	(0.9)	(3.3)
Profit on sale of assets	–	–	–	–
Other exempt income*	(2.2)	(2.2)	(13.7)	(18.5)
Disallowable expenditure	5.3	5.0	5.8	7.9
Capital expenditure	0.3	1.1	1.8	1.4
Other disallowed expenditure**	5.0	3.9	4.0	6.5
Foreign tax	–	–	–	–
Tax losses not utilised	–	0.5	–	1.6
Recognition of prior year unrecognised deferred tax asset	(0.8)	–	(1.8)	–
Deferred tax asset limitation***	0.1	(6.2)	–	(21.0)
Recoupment	–	0.3	–	–
Common control transaction	–	0.4	–	–
Other	(0.5)	1.2	–	–
Net underprovision for prior year	(0.5)	0.6	0.2	1.6

* *Other exempt income mainly consists of capital profit on sale of assets and accounting fair value reversals for taxation purposes.*
** *Other disallowable expenditure mainly includes professional fees and legal fees which are not tax deductible.*
*** *Deferred tax recognised as a result of the reassessment of the recoverable amount of the deferred tax asset based on the forecasted future taxable income.*
**** *The movement for the year relates to the amortisation of intangible assets acquired as part of the BCX acquisition.*

10. Earnings and dividend per share

	Group	
	31 March 2019 Rm	Restated 31 March 2018 Rm
Total operations		
Basic earnings per share (cents)*	561.9	575.7
Diluted earnings per share (cents)*	551.8	563.6
Headline earnings per share (cents)*	619.2	589.3
Diluted headline earnings per share (cents)*	608.1	577.0
	Number of shares	Number of shares
Reconciliation of weighted average number of ordinary shares:		
Weighted ordinary shares in issue	511 140 239	522 421 876
Weighted average number of treasury shares	(13 759 299)	(15 728 674)
Weighted average number of shares outstanding	**497 380 940**	**506 693 202**
Reconciliation of diluted weighted average number of ordinary shares:		
Weighted average number of shares outstanding	497 380 940	506 693 202
Expected future vesting of shares related to group share scheme incentive plans (refer to note 23)	9 146 285	10 840 186
Diluted weighted average number of shares outstanding	**506 527 225**	**517 533 388**

* *The disclosure of headline earnings is a requirement of the JSE Limited and is not a recognised measure under IFRS. It has been calculated in accordance with the South African Institute of Chartered Accountants' circular 4/2018 issued in this regard.*

Total operations		
Reconciliation between earnings and headline earnings:	Rm	Rm
Profit for the year	2 831	2 998
Non-controlling interests	(36)	(81)
Profit attributable to owners of Telkom	2 795	2 917
Profit on disposal of property, plant and equipment and intangible assets	(2)	(59)
Write-offs, impairments and losses of property, plant and equipment and intangible assets	270	47
Remeasurement of associates	30	96
Taxation effects**	(13)	(15)
Headline earnings	**3 080**	**2 986**
Dividend per share (cents)	349.11	408.89

The dividend per share is based on a dividend of 236.97 cents per share declared on 28 May 2018 and 112.14 cents per share declared on 13 November 2018 (31 March 2018: 290.75 cents per share declared on 1 June 2017 and 118.11 cents per share declared on 10 November 2017). 511,140,239 number of ordinary shares were outstanding on the dates of the dividend declaration (31 March 2018: 526,948,700).

***The taxation impact consists of a R13 million increase (31 March 2018: R15 million) in tax expense related to recoupment of tax on write-offs of property, plant and equipment and intangible assets.*

Notes to the financial statements

for the year ended 31 March 2019

11. Business combinations and disposals

Subsidiaries classified as held for sale in the year

In the prior period, BCX initiated a review of its investment portfolio. At 31 March 2018, management had identified its full African portfolio and the Smart Office Connexion group as held for sale.

During the current period, management reversed the decision to dispose of its African subsidiaries in the Southern African Development Community (SADC). The investment in BCX Nigeria and BCX Tanzania remains classified as held for sale.

The mandate provided to management by the board to dispose of the Smart Office Connexion group expired in June 2018 and the asset was no longer held for sale at this date. During the second half of the year, management re-initiated the sale negotiations regarding the sale. As at 31 March 2019, the sale of the SOX group is considered highly probable. The asset held for sale is accounted for at its fair value less costs of disposal of R200 million (31 March 2018: R204 million).

The remaining investments classified as held for sale are immaterial to the financial statements as a whole and have not been disclosed separately in the statement of financial position and statement of profit or loss and other comprehensive income.

	2019 Rm
African subsidiaries – BCX Tanzania and BCX Nigeria	
Revenue	366
Expenses	(358)
Net finance costs and fair value movements	(11)
Loss before tax	(3)
Taxation	(2)
Loss for the period	(5)
Total non-current assets	28
Total current assets	149
Total non-current liabilities	1
Total current liabilities	94

The assets above were revalued to the lower of the carrying value at the date of classification as held for sale and the fair value less costs to sell in the prior period.

There was no additional impairment loss recognised on these assets in the current financial period.

An impairment of R30 million (31 March 2018: R96 million) was recognised on the investment in SOX following the increase in carrying value of the investment owing to the equity accounted income of R26 million (31 March 2018: R20 million) of the SOX group of entities.

12. Property, plant and equipment

	2019			2018					
Group	Cost Rm	Accumulated depreciation and write-offs Rm	Carrying value Rm	Cost Rm	Accumulated depreciation and write-offs Rm	Carrying value as previously reported Rm	SOX restatement * Rm	Reclassification adjustment ** Rm	Restated carrying value Rm
Freehold land and buildings	7 185	(4 297)	2 888	6 867	(3 997)	2 870	–	3	2 873
Leasehold buildings	41	(34)	7	70	(39)	31	(27)	–	4
Network equipment	83 782	(59 254)	24 528	79 223	(57 097)	22 126	–	(79)	22 047
Support equipment	5 977	(4 915)	1 062	5 191	(4 420)	771	–	453	1 224
Furniture and office equipment	779	(473)	306	797	(329)	468	(9)	(153)	306
Data processing equipment and software	4 170	(3 199)	971	4 294	(3 111)	1 183	–	(27)	1 156
Under construction	2 111	–	2 111	2 754	–	2 754	–	(256)	2 498
Other	671	(509)	162	622	(448)	174	(17)	59	216
	104 716	(72 681)	32 035	99 818	(69 441)	30 377	(53)	–	30 324

The net reclassification adjustment and net SOX restatement is made up of the following components:

	SOX restatement			Reclassification adjustment		
	Increase/ (Decrease) to cost	(Increase)/ Decrease to accumulated depreciation	Net adjustment	Increase/ (Decrease) to cost	Increase/ (Decrease) to accumulated depreciation	Net adjustment
Freehold land and buildings	(1)	(1)	–	201	198	3
Leasehold buildings	(43)	(16)	(27)	(2)	(2)	–
Network equipment	–	–	–	(919)	(840)	(79)
Support equipment	–	–	–	940	487	453
Furniture and office equipment	(28)	(19)	(9)	(81)	72	(153)
Data processing equipment and software	–	–	–	(44)	(17)	(27)
Under construction	–	–	–	(256)	–	(256)
Other	(30)	(13)	(17)	150	91	59
	(102)	(49)	(53)	(11)	(11)	–

	2019			2018		
Company	Cost Rm	Accumulated depreciation and write-offs Rm	Carrying value Rm	Cost Rm	Accumulated depreciation and write-offs Rm	Carrying value Rm
Freehold land and buildings	4 463	(2 310)	2 153	4 348	(2 248)	2 100
Leasehold buildings	33	(27)	6	14	(13)	1
Network equipment	82 769	(58 495)	24 274	77 414	(55 728)	21 686
Support equipment	4 807	(3 966)	841	4 705	(3 799)	906
Furniture and office equipment	136	(42)	94	136	(32)	104
Data processing equipment and software	4 132	(3 380)	752	4 093	(3 231)	862
Under construction	1 905	–	1 905	2 286	–	2 286
Other	544	(398)	146	508	(361)	147
	98 789	(68 618)	30 171	93 504	(65 412)	28 092

Finance charges of R59 million (31 March 2018: R135 million) were capitalised to property, plant and equipment and intangible assets in the current financial year.

The capital expenditure under property, plant and equipment relates to expansions of R2 898 million for group and R2 741 million for company (31 March 2018 expansions: R7 263 million for group and R6 951 million for company). Expenditure due to maintenance of R4 345 million for group and R4 274 million for company (31 March 2018 maintenance: R153 million for group and Rnil for company).

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

There were no material property assets held for sale at the 31 March 2019 reporting date.

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for the year ended 31 March 2019

12. Property, plant and equipment continued

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

Group	Carrying value at the beginning of the year Rm	Additions Rm	Transfers Rm	Foreign Currency translation Rm	Disposals Rm	Depreciation Rm	Write-offs, impairments and impairment reversals Rm	Carrying value at the end of the year Rm
2019								
Freehold land and buildings	2 873	165	52	2	(8)	(192)	(4)	2 888
Leasehold buildings	4	–	5	–	–	(2)	–	7
Network equipment	22 047	5 242	1 251	–	(5)	(3 946)	(61)	24 528
Support equipment	1 224	197	103	2	(4)	(384)	(76)	1 062
Furniture and office equipment	306	67	11	2	(10)	(68)	(2)	306
Data processing equipment and software	1 156	119	(97)	–	(7)	(199)	(1)	971
Under construction	2 498	1 244	(1 566)	1	(6)	–	(60)	2 111
Other	216	–	7	1	–	(51)	(11)	162
	30 324	7 034	(234)	8	(40)	(4 842)	(215)	32 035

	Carrying value at the beginning of the year Rm	Additions Rm	Transfers Rm	Foreign Currency translation Rm	Disposals Rm	Depreciation Rm	Write-offs, impairments and impairment reversals Rm	Carrying value at the end of the year as previously reported Rm	SOX restatement * Rm	Reclassification adjustment ** Rm	Restated carrying value at the end of the year Rm
2018											
Freehold land and buildings	2 808	181	81	–	(1)	(196)	(3)	2 870	–	3	2 873
Leasehold buildings	34	12	–	–	(1)	(14)	–	31	(27)	–	4
Network equipment	18 205	5 205	2 555	–	(1)	(3 814)	(24)	22 126	–	(79)	22 047
Support equipment	1 000	84	62	–	–	(373)	(2)	771	–	453	1 224
Furniture and office equipment	336	337	(54)	–	(8)	(118)	(25)	468	(9)	(153)	306
Data processing equipment and software	1 130	150	127	–	(1)	(225)	2	1 183	–	(27)	1 156
Under construction	4 241	1 417	(2 906)	–	(4)	–	6	2 754	–	(256)	2 498
Other	164	30	26	(2)	(3)	(40)	(1)	174	(17)	59	216
	27 918	7 416	(109)	(2)	(19)	(4 780)	(47)	30 377	(53)	–	30 324

* Refer to note 2.3.2 and 2.8.

** During the current financial year, it was identified that there was a reclassification error between certain classes of property, plant and equipment in the prior year. This did not affect the total carrying value of property, plant and equipment as disclosed in the prior year financial statements. The carrying values as at 31 March 2018 have been restated with the reclassification adjustments.

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

Company	Carrying value at the beginning of the year Rm	Additions Rm	Transfers Rm	Disposals Rm	Depreciation Rm	Write-offs, impairments and impairment reversals Rm	Carrying value at the end of the year Rm
2019							
Freehold land and buildings	2 100	145	41	(2)	(127)	(4)	2 153
Leasehold buildings	1	–	6	–	(1)	–	6
Network equipment	21 686	5 165	1 304	–	(3 846)	(35)	24 274
Support equipment	906	180	10	–	(233)	(22)	841
Furniture and office equipment	104	–	–	–	(11)	1	94
Data processing equipment and software	862	116	(30)	–	(195)	(1)	752
Under construction	2 286	1 130	(1 457)	–	–	(54)	1 905
Other	147	40	8	–	(37)	(12)	146
	28 092	6 776	(118)	(2)	(4 450)	(127)	30 171
2018							
Freehold land and buildings	1 503	102	633	(10)	(125)	(3)	2 100
Leasehold buildings	2	–	–	–	(1)	–	1
Network equipment	17 663	5 188	2 639	–	(3 780)	(24)	21 686
Support equipment	1 012	83	61	–	(248)	(2)	906
Furniture and office equipment	28	2	86	–	(10)	(2)	104
Data processing equipment and software	820	143	130	(14)	(220)	3	862
Under construction	3 807	1 409	(2 935)	(1)	–	6	2 286
Other	103	24	56	–	(35)	(1)	147
	24 938	6 951	670	(25)	(4 419)	(23)	28 092

33% of the capital expenditure in Telkom company relates to the expansion of existing networks and services. Expansion of the Mobile network also contributed to a 41% growth in PPE. 17% of capital expenditure was on the Next Generation Network programme. The balance of 9% capital expenditure is mainly attributable to investment in Network Evolution initiatives, sustainment programmes, IT and OSS systems and property upgrades and growth projects. The build programme that provides capacity for growth in services and for migrations of services, with focus on Next Generation Network technologies, is expected to continue over the next few years.

The group and company has a process of determining whether an asset which incorporates both a tangible and an intangible element, should be recognised as a tangible or an intangible asset, based on management's judgement, facts available and the significance of each element to the total value of the asset. Assets with a carrying value to the net amount of R101 million (31 March 2018: R50.5 million) for group and R91 million (31 March 2018: R50.5 million) for company were reclassified from property, plant and equipment to intangible assets in the current year.

Assets with a carrying value of R475.4 million (31 March 2018: R22 million) for group and R474.4 million (31 March 2018: R22 million) for company relates to inventory that was transferred to property, plant and equipment in the current year. In addition, assets with a carrying value of R2.64 million (31 March 2018: R12 million) for group and R2.64 million (31 March 2018: R1 409 million) for company were reclassified from property, plant and equipment to assets held for sale in the current year.

Changes to the estimated useful lives of property, plant and equipment resulted in a decrease in depreciation to the value of R509 million (31 March 2018: R94.5 million) for company and R512 million (31 March 2018: R224.5 million) for group.

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

At group, transfers were effected between property, plant and equipment, intangible assets and inventory. Transfers in company mostly related to property, plant and equipment, assets held for sale and intangible assets.

Notes to the financial statements

for the year ended 31 March 2019

13. Intangible assets

Group	2019 Cost Rm	2019 Accumulated amortisation and write-offs Rm	2019 Carrying value Rm	2018 Cost Rm	2018 Accumulated amortisation and write-offs Rm	2018 Carrying value as previously reported Rm	2018 Reclassification adjustment * Rm	2018 Restated carrying value Rm
Goodwill	1 268	(9)	1 259	1 253	–	1 253	–	1 253
Trademarks, copyrights and other	769	(512)	257	915	(673)	242	–	242
Software	12 030	(9 284)	2 746	11 504	(8 615)	2 889	(44)	2 845
Under construction	259	–	259	114	(6)	108	44	152
	14 326	(9 805)	4 521	13 786	(9 294)	4 492	–	4 492

The net reclassification adjustment above is made up of the following components:

	Reclassification adjustment Increase/(decrease) to cost	Reclassification adjustment Increase/(decrease) to accumulated depreciation	Reclassification adjustment Net adjustment
Software	22	66	(44)
Under construction	44	-	44

Company	2019 Cost Rm	2019 Accumulated amortisation and write-offs Rm	2019 Carrying value Rm	2018 Cost Rm	2018 Accumulated amortisation and write-offs Rm	2018 Carrying value Rm
Trademarks, copyrights and other	37	(37)	–	175	(175)	–
Software	11 601	(8 974)	2 627	11 147	(8 421)	2 726
Under construction	203	–	203	82	–	82
	11 841	(9 011)	2 830	11 404	(8 596)	2 808

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

Group	Carrying value at the beginning of the year Rm	Additions Rm	Business combination Rm	Transfers Rm	Foreign currency translation Rm	Disposals Rm	Amortisation Rm	Write-offs and impairments Rm	Carrying value at the end of the year Rm
2019									
Goodwill	1 253	–	15	–	–	–	–	(9)	1 259
Trademarks, copyrights and other	242	15	4	65	–	–	(57)	(12)	257
Software	2 845	492	(3)	120	–	(30)	(645)	(33)	2 746
Under construction	152	117	–	(7)	–	–	–	(3)	259
	4 492	624	16	178	–	(30)	(702)	(57)	4 521

Group	Carrying value at the beginning of the year Rm	Additions Rm	Business combination Rm	Transfers Rm	Foreign currency translation Rm	Disposals Rm	Amortisation Rm	Write-offs and impairments Rm	Carrying value at the end of the year as previously reported Rm	Reclassification adjustment * Rm	Restated carrying value at the end of the year Rm
2018											
Goodwill	1 253	–	–	–	–	–	–	–	1 253	–	1 253
Trademarks, copyrights and other	307	3	–	(6)	–	(1)	(61)	–	242	–	242
Software	2 870	458	–	287	(9)	(1)	(716)	–	2 889	(44)	2 845
Under construction	290	32	–	(211)	–	(2)	(1)	–	108	44	152
	4 720	493	–	70	(9)	(4)	(778)	–	4 492	–	4 492

* *During the current financial year, it was identified that there was a reclassification error between certain classes of intangible assets in the prior year. This did not affect the total carrying value of intangible assets as disclosed in the prior year financial statements. The carrying values as at 31 March 2018 have been restated with the reclassification adjustments.*

Company	Carrying value at the beginning of the year Rm	Additions Rm	Transfers Rm	Disposals Rm	Amortisation Rm	Write-offs and impairments Rm	Carrying value at the end of the year Rm
2019							
Software	2 726	409	79	–	(567)	(20)	2 627
Under construction	82	100	24	–	–	(3)	203
	2 808	509	103	–	(567)	(23)	2 830
2018							
Software	2 715	372	261	–	(622)	–	2 726
Under construction	276	28	(211)	(11)	–	–	82
	2 991	400	50	(11)	(622)	–	2 808

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

Intangible assets that are material to the group consist of software, trademarks and other, whose average remaining amortisation period is 2.2 years (31 March 2018: 3.3 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 goodwill impairment testing for the Telkom CGU. No impairment was identified.

Approximately R265 million (31 March 2018: R194 million) and R165 million (31 March 2018: R116 million) of additions relate to externally acquired intangible assets for group and company, respectively, while R357 million (31 March 2018: R284 million) relates to internal developments for group and R345 million (31 March 2018: R284 million) relates to internal developments for company.

Changes to the estimated useful lives of intangible assets resulted in a decrease in amortisation to the value of R21 million (31 March 2018: R55.5 million) for company and R24.6 million (31 March 2018: R55.5 million) for group.

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

Notes to the financial statements

for the year ended 31 March 2019

13. Intangible assets continued

	Group 2019 Rm	Group 2018 Rm
The group's goodwill balance is reconciled as follows:		
Opening balance	1 253	1 253
Acquisition of NGA (Pty) Ltd	15	–
Impairment of African Arete	(9)	–
Closing balance	**1 259**	**1 253**

Impairment testing of cash generating units (CGU):

In determining the recoverable amount of the Telkom group CGUs, the group considered several sources of estimation uncertainty and made certain assumptions/judgements about the future.

The group assessed internal and external indicators of impairment of the CGU and concluded that the carrying value approximates the recoverable amount. No impairment losses or reversals were recognised in profit or loss during the year.

Impairment testing

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit, or group of units, to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

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

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

A five-year period is used for the discounted cash flows.

BCX CGU

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

Valuation of BCX's divisions and its subsidiaries where there are non-controlling interests has been performed.

The BCX CGU was then valued using a sum-of-the-parts approach.

The valuation was performed on an Enterprise value basis, and as such, third party interest-bearing liabilities as at the valuation date were not deducted from the Enterprise value. The intercompany is netted off according to the BCX consolidation schedule.

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

Gross margin

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

Terminal growth rates

A growth rate of 5.3% was applied in South African entities. A range of 1.8% to 7.7% growth rate was applied in foreign entities. The terminal value was determined at the end of year 5 of the cash flow forecasts.

Discount rates

In the valuation, a local South African WACC range of 15% to 16.6% has been applied as a discount rate. No specific risk premiums applied, as potential forecast risks were modelled as scenarios.

Based on the value in use calculation, the estimated value in use of BCX is R21 771 million, while its carrying amount is R4 724 million. As the indicated value in use range exceeds the carrying amount of the BCX CGU, there is no impairment.

Sensitivity to changes in assumptions

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

Telkom CGU

On the Telkom CGU, an impairment indicators test has been performed in March 2019. The test considered the relationship between the CGUs market capitalisation and book value, gross operating revenue growth and EBITDA. The market capitalisation of the CGU is higher than its book value and operating revenue showed an increase and EBITDA remained flat in the last 12 months. This indicates that the Telkom CGU is not impaired.

14. Financial instruments and risk management

14.1 Financial risk management objectives and policies

The group's principal financial liabilities, other than derivatives, comprise interest-bearing debt and trade and other payables. The main purpose of these financial liabilities is to raise finance for the group's operations.

The group has finance lease receivables, trade and other receivables, contract assets, cash receivables and short-term deposits that arise directly from its operations.

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

Risk management

Treasury policies, risk limits and control procedures are continuously monitored by the board of directors through its 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, contract assets and payables arise directly from the company's operations.

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

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

	Notes	Group At fair value through profit or loss Rm	Group At amortised cost Rm
2019			
Classes of financial instruments per statement of financial position			
Assets		1 873	11 979
Other investments*	15.2	1 642	–
Contract assets – handset receivables	19	–	2 518
Trade and other receivables**	19	–	7 425
Other financial assets	20	231	290
Forward exchange contracts		161	–
Firm commitments		70	–
Asset finance receivables		–	290
Loans		–	–
Finance lease receivables	16	–	318
Cash and cash equivalents	21	–	1 428
Liabilities		(280)	(17 791)
Interest-bearing debt	25	–	(10 241)
Trade and other payables	29	–	(7 406)
Shareholders for dividend	34	–	(29)
Other financial liabilities	20	(280)	–
Forward exchange contracts		(13)	–
Firm commitments		(237)	–
Interest rate swaps		(30)	–
Asset finance payables	20	–	(115)

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for the year ended 31 March 2019

14. Financial instruments and risk management continued

14.1 Financial risk management objectives and policies continued

	Notes	At fair value through profit or loss Rm	At amortised cost Rm
2018			
Classes of financial instruments per statement of financial position			
Assets		1 722	10 669
Other investments*	15.2	1 559	–
Contract assets – handset receivables	19	–	1 672
Trade and other receivables**	19	–	6 006
Other financial assets	20	163	60
Forward exchange contracts		14	–
Firm commitments		149	–
Asset finance receivables		–	29
Loans		–	31
Finance lease receivables	16	–	374
Cash and cash equivalents	21	–	2 557
Liabilities		(250)	(16 383)
Interest-bearing debt	25	–	(9 397)
Trade and other payables	29	–	(6 898)
Shareholders for dividend	34	–	(58)
Other financial liabilities	20	(250)	–
Forward exchange contracts		(222)	–
Firm commitments		(5)	–
Interest rate swaps		(23)	–
Credit facilities utilised	21	–	(30)

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

		Company	
	Notes	At fair value through profit or loss Rm	At amortised cost Rm
2019			
Classes of financial instruments per statement of financial position			
Assets		1 943	15 570
Other investments	15.2	1 714	–
Contract assets – handset receivables	19	–	2 518
Trade and other receivables**	19	–	8 427
Other financial assets	20	229	–
Forward exchange contracts		159	–
Firm commitments		70	–
Loans and preference share investments in subsidiaries	15.1	–	3 732
Finance lease receivables	16	–	318
Cash and cash equivalents	21	–	575
Liabilities		(280)	(24 684)
Interest-bearing debt	25	–	(10 194)
Trade and other payables	29	–	(11 704)
Shareholders for dividend	34	–	(29)
Other financial liabilities	20	(280)	(2 757)
Forward exchange contracts		(13)	–
Firm commitments		(237)	–
Interest rate swaps		(30)	–
BCX Treasury fund		–	(2 757)

	Notes	At fair value through profit or loss Rm	At amortised cost Rm
2018			
Classes of financial instruments per statement of financial position			
Assets		1 812	14 212
Other investments	15.2	1 649	–
Contract assets – handset receivables	19	–	1 672
Trade and other receivables**	19	–	6 795
Other financial assets	20	163	–
Forward exchange contracts		14	–
Firm commitments		149	–
Loans and preference share investments in subsidiaries	15.1	–	3 583
Finance lease receivables	16	–	374
Cash and cash equivalents	21	–	1 788
Liabilities		(250)	(21 052)
Interest-bearing debt	25	–	(9 313)
Trade and other payables	29	–	(10 494)
Shareholders for dividend	34	–	(27)
Other financial liabilities	20	(250)	(1 217)
Forward exchange contracts		(222)	–
Firm commitments		(5)	–
Interest rate swaps		(23)	–
BCX treasury fund		–	(1 217)
Credit facilities utilised	21	–	(1)

Other investments are disclosed net of investments accounted for using the equity method of R209 million (31 March 2018: R254 million).
*** Trade and other receivables are disclosed net of prepayments of R481 million (31 March 2018: R175 million) for the company and R687 million (31 March 2018: R364 million) for the group.*

14.2 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. Refer to note 14.2 for the fair values of financial instruments measured at fair value and financial instruments where the fair value materially differs from the carrying amount.

The carrying amount of financial instruments approximates fair value, with the exception of interest-bearing debt (at amortised cost) for Telkom company which has a fair value of R10 327 million (31 March 2018: R9 694 million) and a carrying amount of R10 194 million (31 March 2018: R9 412 million).

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

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

Notes to the financial statements

for the year ended 31 March 2019

14. Financial instruments and risk management continued

14.2 Fair value of financial instruments continued

Type of financial instrument – Group	Fair value at 31 March 2019 Rm	Valuation technique	Significant inputs
Derivative assets	231	Discounted cash flows	Yield curves Market interest rates
Derivative liabilities	(280)		
Investment in Absa sinking fund	1 573	Quoted market prices adjusted for counterparty credit risk	Market prices
Investment in FutureMakers	69	Discounted cash flows	Cash flow forecasts and market related discount rates
Interest-bearing debt	(10 327)	Discounted cash flows and quoted bond prices	Market interest 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	Group Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
2019					
Assets measured at fair value					
Forward exchange contracts	20	161	–	161	–
Firm commitments	20	70	–	70	–
Investment made by FutureMakers	15.2	69	–	–	69
Investment in Absa sinking fund	15.2	1 573	–	1 573	–
Liabilities measured at fair value					
Forward exchange contracts	20	(13)	–	(13)	–
Firm commitments	20	(237)	–	(237)	–
Interest rate swaps	20	(30)	–	(30)	–
Liabilities measured at amortised cost					
Interest-bearing debt	25	(10 327)	–	(10 327)	–
2018					
Assets measured at fair value					
Forward exchange contracts	20	14	–	14	–
Firm commitments	20	149	–	149	–
Investment made by FutureMakers	15.2	50	–	–	50
Investment in Absa sinking fund	15.2	1 509	–	1 509	–
Liabilities measured at fair value					
Forward exchange contracts	20	(222)	–	(222)	–
Firm commitments	20	(5)	–	(5)	–
Interest rate swaps	20	(23)	–	(23)	–
Liabilities measured at amortised cost					
Interest-bearing debt	25	(9 694)	–	(9 694)	–

	Notes	Company Total Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
2019					
Assets measured at fair value					
Forward exchange contracts	20	159	–	159	–
Firm commitments	20	70	–	70	–
Investment in Absa sinking fund	15.2	1 573	–	1 573	–
Liabilities measured at fair value					
Forward exchange contracts	20	(13)	–	(13)	–
Firm commitments	20	(237)	–	(237)	–
Interest rate swaps	20	(30)	–	(30)	–
Liabilities measured at amortised cost					
Interest-bearing debt	25	(10 327)	–	(10 327)	–
2018					
Assets measured at fair value					
Forward exchange contracts	20	14	–	14	–
Firm commitments	20	149	–	149	–
Investment in Absa sinking fund	15.2	1 509	–	1 509	–
Liabilities measured at fair value					
Forward exchange contracts	20	(222)	–	(222)	–
Firm commitments	20	(5)	–	(5)	–
Interest rate swaps	20	(23)	–	(23)	–
Liabilities measured at amortised cost					
Interest-bearing debt	25	(9 596)	–	(9 596)	–

14.3 Credit risk

14.3.1 Credit risk management

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

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

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

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

Notes to the financial statements

for the year ended 31 March 2019

14. Financial instruments and risk management continued

14.3 Credit risk continued

14.3.1 Credit risk management continued

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 has the following types of financial assets that are subject to the expected credit loss model:

- Trade receivables from the group's ordinary activities
- Contract assets relating to the sale of handsets
- Finance lease receivables
- Loans to subsidiaries
- Asset finance receivables
- Cash and cash equivalents

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	
	2019 Rm	2018 Rm	2019 Rm	2018 Rm
Trade receivables (refer to note 19)	5 884	4 811	5 278	5 248
Telkom SA	6 968	3 940	6 283	5 850
Business and residential	1 970	1 343	1 970	1 492
Global, corporate and wholesale	3 498	1 596	3 132	3 357
Government	1 153	862	1 153	862
Other customers	347	139	28	139
South African subsidiaries	123	1 698	–	–
Impairment of trade receivables (refer to note 19)	(1 207)	(827)	(1 005)	(602)
Contract assets (refer to note 19)	2 161	1 425	2 161	1 425
Gross contract assets	2 331	1 520	2 331	1 520
Impairment of contract assets (refer to note 19)	(170)	(95)	(170)	(95)
Subtotal for trade receivables and contract assets	8 045	6 236	7 439	6 673
Other receivables	854	1 195	2 668	1 547
Derivatives	231	163	229	163
Asset finance receivable	–	29	–	–
Loans	–	31	–	–
Other investments	1 642	1 559	1 714	1 649
Finance lease receivables	318	374	318	374
Net cash and cash equivalents	1 428	2 527	575	1 787
	12 518	12 114	12 943	12 193

14.3.2 Impairment of financial assets

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

14.3.2.1 Trade receivables

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 historic ageing and write-off data by considering the expected provision of a debtor based on its age at the end of the reporting period, as well as a provision being raised for the debtor based on the likelihood of it ending up in the ageing category where the instrument is likely to be written off.

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

For device debtors, Telkom uses loss rates from the trade receivables ageing analysis. These aren't 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 whole.

Post write-off recoveries

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

14.3.2.2 Finance lease receivables and asset finance receivables

The group recognises lifetime expected credit losses on finance lease receivables and asset finance receivables in terms of the simplified approach. Whenever an amount receivable is billed, the amount is moved from finance leases or asset finance 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, specifically the fixed-line segment. The same loss rates that are used for the 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.

14.3.2.3 Cash and cash equivalents

Twelve month expected credit losses are calculated for cash and cash equivalents using the general approach. Due to the fact that the group's cash and cash equivalents are noted as being current assets, the twelve month and lifetime expected losses are expected to be equivalent. In addition, given that these amounts are invested with South Africa's largest four banks, management's expectation is that the impact on the total provision is negligible.
As at the reporting date, the group does not hold any provisions 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.

14.3.2.4 Intercompany loans and preference shares

Telkom company has intercompany loans and preference shares with BCX and Gyro/Swiftnet. The exposure to these two entities is R3.8 billion and R1.2 billion respectively. All the loans made by Telkom SA SOC Limited in 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 expected credit loss. No material expected credit loss was accounted for on any of these instruments. Refer to note 15.1.2 for key assumptions applicable to intercompany loans and preference shares.

	Group – Carrying amount			Company – Carrying amount		
	2019 Rm			2019 Rm		
The ageing of trade receivables at the reporting date was:	Trade receivables ageing	Allowance for expected credit losses ageing	Average expected credit loss ratio (%)	Trade receivables ageing	Allowance for expected credit losses ageing	Average expected credit loss ratio (%)
Current	3 340	61	1.8	3 154	49	1.6
21 to 60 days	912	42	4.6	766	38	5.0
61 to 90 days	397	38	9.5	306	34	11.1
91 to 120 days	226	41	18.2	174	32	18.4
120+ days	2 216	1 025	46.3	1 883	852	45.2
	7 091	1 207	17.0	6 283	1 005	16.0

	Group – Carrying amount			Company – Carrying amount		
	2018 Rm			2018 Rm		
The ageing of trade receivables at the reporting date was:	Trade receivables ageing	Allowance for expected credit losses ageing	Average expected credit loss ratio (%)	Trade receivables ageing	Allowance for expected credit losses ageing	Average expected credit loss ratio (%)
Current	2 820	74	2.6	3 430	48	1.4
21 to 60 days	1 267	47	3.7	974	42	4.4
61 to 90 days	822	78	9.5	792	73	9.2
91 to 120 days	160	68	42.3	117	61	52.1
120+ days	569	560	98.4	537	378	70.4
	5 638	827	14.7	5 850	602	10.3

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

Included in the allowance for doubtful debts for Telkom company, are individually impaired receivables with a balance of R211 million (31 March 2018: R354 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.

Notes to the financial statements

for the year ended 31 March 2019

14. Financial instruments and risk management continued

14.3 Credit risk continued

14.3.2 Impairment of financial assets continued

	Group & Company - Carrying amount			Group & Company - Carrying amount		
	2019 Rm			2018 Rm		
The ageing of contract assets at the reporting date was:	Contract asset ageing	Allowance for expected credit losses ageing	Average expected credit loss ratio (%)	Contract asset ageing	Allowance for expected credit losses ageing	Average expected credit loss ratio (%)
Current	247	4	1.6	161	2	1.4
21 to 60 days	219	11	5.0	143	6	4.4
61 to 90 days	247	27	10.9	161	15	9.2
91 to 120 days	384	71	18.5	250	35	13.9
120+ days	1 234	57	4.6	805	37	4.6
	2 331	170	7.3	1 520	95	6.3

14.4 Liquidity risk management

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

Liquidity risk is managed by the group's treasury department in accordance with policies and guidelines formulated by the group's executive committees. In terms of its 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.

There were no material changes in the exposure to liquidity risk and its objectives, policies and processes for managing and measuring the risk during the 2019 financial year.

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

		Group					
	Notes	Carrying amount Rm	Contractual cash flows Rm	0 – 12 months Rm	1 – 2 years Rm	2 – 5 years Rm	> 5 years Rm
2019							
Non-derivative financial liabilities							
Interest-bearing debt (excluding finance leases)	25	10 198	10 379	5 554	801	1 746	2 278
Trade and other payables	29	7 406	7 406	7 406	–	–	–
Finance lease liabilities	25	43	45	29	15	1	–
Shareholders for dividend	34	29	29	29	–	–	–
Derivative financial liabilities							
Interest rate swaps	20	30	30	30	–	–	–
Firm commitments	20	237	237	237	–	–	–
Forward exchange contracts	20	13	13	13	–	–	–
Asset finance payables	20	115	115	36	40	39	–
		18 071	18 254	13 334	856	1 786	2 278

		Group					
	Notes	Carrying amount Rm	Contractual cash flows Rm	0 – 12 months Rm	1 – 2 years Rm	2 – 5 years Rm	> 5 years Rm
2018							
Non-derivative financial liabilities							
Interest-bearing debt (excluding finance leases)	25	9 320	9 672	2 204	3 657	2 001	1 810
Credit facilities utilised	21	30	30	30	–	–	–
Trade and other payables	29	6 898	6 898	6 898	–	–	–
Finance lease liabilities	25	77	92	43	49	–	–
Shareholders for dividend	34	58	58	58	–	–	–
Derivative financial liabilities							
Interest rate swaps	20	23	23	23	–	–	–
Firm commitments	20	5	5	5	–	–	–
Forward exchange contracts	20	222	222	222	–	–	–
		16 633	17 000	9 483	3 706	2 001	1 810

		Company					
	Notes	Carrying amount Rm	Contractual cash flows Rm	0 – 12 months Rm	1 – 2 years Rm	2 – 5 years Rm	> 5 years Rm
2019							
Non-derivative financial liabilities							
Interest-bearing debt (excluding finance leases)	25	10 194	10 374	5 550	800	1 746	2 278
Trade and other payables	29	11 704	11 704	11 704	–	–	–
Shareholders for dividend	34	29	29	29	–	–	–
Derivative financial liabilities							
Interest rate swaps	20	30	30	30	–	–	–
Firm commitments	20	237	237	237	–	–	–
Forward exchange contracts	20	13	13	13	–	–	–
		22 207	22 387	17 563	800	1 746	2 278

		Company					
	Notes	Carrying amount Rm	Contractual cash flows Rm	0 – 12 months Rm	1 – 2 years Rm	2 – 5 years Rm	> 5 years Rm
2018							
Non-derivative financial liabilities							
Interest-bearing debt (excluding finance leases)	25	9 309	9 661	2 200	3 650	2 001	1 810
Credit facilities utilised	21	1	1	1	–	–	–
Trade and other payables	29	10 494	10 494	10 494	–	–	–
Finance lease liabilities	25	4	4	4	–	–	–
Shareholders for dividend	34	27	27	27	–	–	–
Derivative financial liabilities							
Interest rate swaps	20	23	23	23	–	–	–
Firm commitments	20	5	5	5	–	–	–
Forward exchange contracts	20	222	222	222	–	–	–
		20 085	20 437	12 976	3 650	2 001	1 810

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14. Financial instruments and risk management continued

14.5 Market risk

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

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

There has been no significant change noted to the manner in which credit risk is managed in the current period.

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 70% (2018: 54%) of the total debt. The debt profile of mainly fixed rate debt has been maintained to limit the group's exposure to interest rate increases.

The guideline is to target a fixed/floating debt ratio of 65% fixed, but adjusted to market conditions. In a scenario of low interest rates, a higher ratio may be established.

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

	Group		Company	
	Average maturity	Notional amount Rm	Average maturity	Notional amount Rm
2019				
Interest rate swaps outstanding				
Pay fixed and receive floating	4 years	2 982	4 years	2 982
2018				
Interest rate swaps outstanding				
Pay fixed and receive floating	3.19 years	1 080	3.19 years	1 080

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

Foreign currency exchange rate risk management

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

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

Refer to note 20 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
2019				
Currency				
USD	415	5 982	386	5 560
Euro	14	241	14	239
Other	5	97	5	92
		6 320		5 891
2018				
Currency				
USD	148	1 998	169	2 239
Euro	16	244	16	244
Other	1	11	1	10
		2 253		2 493

	Group		Company	
Sell	Foreign contract value m	Contract value Rm	Foreign contract value m	Contract value Rm
2019				
Currency				
USD	5	79	–	–
GBP	4	80	4	80
		159		80
2018				
Currency				
USD	1	7	–	–
Euro	–	6	–	6
Other	–	–	–	–
		13		6

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14. Financial instruments and risk management continued

14.5 Market risk continued

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

	Group			Company		
	Euro Rm	United States Dollar Rm	Other Rm	Euro Rm	United States Dollar Rm	Other Rm
2019						
Net foreign currency monetary assets/(liabilities)						
Functional currency of company operation						
South African rand	(170)	(856)	1	(171)	(864)	–
2018*						
Net foreign currency monetary assets/(liabilities)						
Functional currency of company operation						
South African rand	(133)	(427)	4	(132)	(363)	–

The comparative has been restated to correctly include foreign loans which were incorrectly excluded previously.

Sensitivity analysis

Interest rate risk

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

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

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the group's and company's profit for the year ended 31 March 2019 would decrease/increase by R102 million (31 March 2018: decrease/increase by R23 million).

The following table illustrates the sensitivity to a 100 basis points change in the interest rates on profit 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
2019				
Assets				
Other financial assets	22	(22)	22	(22)
Forward exchange contracts	22	(22)	22	(22)
Liabilities				
Other financial liabilities	80	(80)	80	(80)
Interest rate swaps	80	(80)	80	(80)
	102	(102)	102	(102)
2018				
Assets				
Other financial assets	9	(9)	9	(9)
Forward exchange contracts	9	(9)	9	(9)
Liabilities				
Other financial liabilities	14	(14)	14	(14)
Interest rate swaps	14	(14)	14	(14)
	23	(23)	23	(23)

Foreign exchange currency risk

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

If foreign exchange rates had been 10% higher/lower and all other variables were held constant, the group's and company's profit for the year ended 31 March 2019 would increase/decrease by R38 million for group (31 March 2018: increase/decrease by R27 million) and R22 million for company (31 March 2018: increase/decrease by R17 million).

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
2019				
Assets				
Other financial assets	578	(578)	578	(578)
Forward exchange contracts	578	(578)	578	(578)
Liabilities				
Other financial liabilities	(588)	588	(588)	588
Firm commitments	(588)	588	(588)	588
Interest-bearing debt	(28)	28	(12)	12
	(38)	38	(22)	22
2018				
Assets				
Other financial assets	221	(221)	221	(221)
Forward exchange contracts	221	(221)	221	(221)
Liabilities				
Other financial liabilities	(228)	228	(227)	227
Firm commitments	(227)	227	(227)	227
Forward exchange contracts	(1)	1	–	–
Interest-bearing debt	(20)	20	(11)	11
	(27)	27	(17)	17

14.6 Equity price risk

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

At the reporting date, the total amount for local equity investments was R1 642 million (31 March 2018: R1 559 million). A 5% increase in the local and foreign equity portfolios at the reporting date would have increased profit or loss by R82 million (31 March 2018: R78 million) before tax. An equal and opposite change would have decreased profit or loss. A 5% fluctuation represents management's assessment of the reasonably possible changes in equity prices.

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

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14. Financial instruments and risk management continued

14.7 Capital management

The group's policy is to manage the capital structure to ensure maximisation of shareholders' return, growth and ability to meet its obligations. Capital comprises equity and net debt which is monitored using, inter alia, a net debt to EBITDA ratio. The group's guidance is to keep the ratio below 1 times.

Net debt is defined as interest-bearing debt and credit facilities utilised, less cash and cash equivalents. EBITDA is defined as earnings before depreciation, amortisation, impairment and losses, investment income, finance charges and fair value movements and taxation and includes significant financing revenue recognised under IFRS 15 Revenue from Contracts with Customers.

The group's dividend policy, of an annual dividend of 60 percent of headline earnings with an interim dividend of 40 percent of interim headline earnings, aims to provide shareholders with a competitive return on their investment, while assuring sufficient reinvestment of profits to achieve its strategy. The determination to pay dividends, and the amount of dividends, will be based on a number of factors, including the consideration of the financial results, capital and operating requirements, net debt levels and growth opportunities.

The net debt to EBITDA ratio at reporting date was as follows:

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
Non-current portion of interest-bearing debt	4 840	7 158	4 824	7 109
Current portion of interest-bearing debt	5 401	2 239	5 370	2 204
Credit facilities utilised	–	30	–	1
Less: Cash and cash equivalents	(1 428)	(2 557)	(575)	(1 788)
Net debt	8 813	6 870	9 619	7 526
EBITDA	10 581	10 422	7 181	6 320
Net debt to EBITDA ratio	**0.8**	**0.7**	**1.3**	**1.2**

15. Investments

15.1.1 Investments in subsidiaries

	Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm
	2 846	2 856
Yellow Pages (formerly known as TDS Directory Operations/Trudon) Proprietary Limited		
64.90% shareholding at cost	167	167
Swiftnet Proprietary Limited (Gyro Masts and Towers)		
100% shareholding at cost	25	25
Intekom Proprietary Limited*		
100% shareholding at cost	–	10
Business Connexion Group Limited (BCX)		
100% shareholding at cost	2 654	2 654
Gyro Properties Proprietary Limited		
100% shareholding at cost (R100)	–	–
Gyro Solutions Proprietary Limited		
100% shareholding at cost (R100)	–	–

** Deregistered in the current financial year.*

15.1.2 Loans and preference share investment in subsidiaries

	Carrying value	
	2019 Rm	2018 Rm
Loans to BCX	3 615	3 329
1. An interest-bearing loan was granted to assist BCX in acquiring the Cybernest business unit. The loan accrues interest at a prevailing six-month JIBAR rate plus 200 basis points. The loan term is five years, payable in equal bi-annual repayments commencing after the first anniversary following the effective date. The other loan to BCX relates to the repayment of the RMB loan as well as a revolving facility to assist BCX with working capital requirements. These loans accrue interest at rates linked to the three-month JIBAR with variables of 1.9%.	128	280
2. Telkom also holds preference shares relating to the sale of the Enterprise business in November 2016 to BCX at a fixed interest rate of 13.5% over a 15-year period.	3 487	3 049
Current portion of Cybernest and RMB loans.	152	152
Gyro preference shares Telkom holds preference shares to the value of R1 186 million in the Gyro group relating to the sale of assets and liabilities transactions to Gyro as described in note 11. All preference shares were issued effective 1 April 2017 and are repayable in 15 years. The preference share is split as follows:	1 186	1 032
Gyro Properties: The preference share carries interest at a fixed rate of 15.3%	113	98
Gyro Solutions: The preference share carries interest at a fixed rate of 15.3%	4	4
Gyro Masts and Towers: The preference share carries interest at a fixed rate of 14.9%	1 069	930

Loans key assumptions

All the loans made by Telkom SA SOC Limited in 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 expected credit loss. No material expected credit loss was accounted for on any of these instruments.

The fair value of loans and preference shares approximate the fair value as the instruments have been granted on market related terms.

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15. Investments continued

15.2 Other investments

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
15.2.1 Non-current other investments				
Unlisted investment	78	100	140	140
FutureMakers Fund	69	50	140	140
Investment	79	60	150	150
Devaluation/impairment	(10)	(10)	(10)	(10)
Investment in associates	9	27	–	–
Joint ventures	–	23	–	–
15.2.2 Current other investments				
At fair value through profit or loss	1 573	1 509	1 574	1 509
Absa sinking fund investment	1 573	1 509	1 574	1 509

Absa sinking fund investment

The Absa sinking fund investment is accounted for at fair value through profit or loss. The investment is a part of the Absa Cell Captive which is held in the form of a 100% preference share. The Cell Captive is divided into two ringfenced funds. The annuity fund, which serves as the fund asset for Telkom's Post Retirement Medical Aid liability (refer to note 28) and the sinking fund. The investment above relates to the sinking fund and represents the fair value of the underlying investments made by the fund. The sinking fund is invested in highly liquid instruments and is classified as a current asset as it is management's intention to liquidate portions of the asset in the short term.

FutureMakers Fund

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

Telkom company holds the investment at cost. Telkom group consolidates the fund and holds the investments within the fund at fair value. The fund has 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 the prior financial year, the partnership agreement was amended to also include BCX. BCX invested an amount of R100 million which is reflected as an investment 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 (NPC) 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. The year-end of the associate, 31 December, is different to that of the company and the impact is not material.

Fair value

Refer to note 14.2 for the respective fair value disclosures related to the investments noted above.

16. Finance lease receivables

The group provides voice and non-voice services to its customers, which make use of router and PABX equipment that is dedicated to specific customers. The disclosed information relates to those arrangements which were assessed to be finance leases in terms of IAS 17.

Group	Total Rm	< 1 year Rm	1 – 5 years Rm	> 5 years Rm
2019				
Minimum lease payments receivable				
Lease payments receivable	374	137	237	–
Unearned finance income	(56)	(29)	(27)	–
Present value of minimum lease income (lease receivables)	318	108	210	–
2018				
Minimum lease payments receivable				
Lease payments receivable	447	146	301	–
Unearned finance income	(73)	(34)	(39)	–
Present value of minimum lease income (lease receivables)	374	112	262	–

Company	Total Rm	< 1 year Rm	1 – 5 years Rm	> 5 years Rm
2019				
Minimum lease payments receivable				
Lease payments receivable	374	137	237	–
Unearned finance income	(56)	(29)	(27)	–
Present value of minimum lease income (lease receivables)	318	108	210	–
2018				
Minimum lease payments receivable				
Lease payments receivable	447	146	301	–
Unearned finance income	(73)	(34)	(39)	–
Present value of minimum lease income (lease receivables)	374	112	262	–

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17. Deferred taxation

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
	93	313	57	317
Opening balance	313	296	317	250
Profit and loss movements and opening balance movements	(158)	56	(193)	67
Capital allowances	(229)	(615)	(229)	(575)
IFRS 9 adjustment	(39)	–	(39)	–
Provisions and other allowances	14	592	(6)	577
Tax losses	81	64	81	65
Overprovision prior year	2	–	–	–
Other	2	–	–	–
Common control transactions/business combinations	11	15	–	–
Other comprehensive income deferred tax impact	(67)	–	(67)	–
Other equity movements	5	–	–	–
Movement related to disposals of subsidiaries	–	(39)	–	–
The balance comprises:	93	313	57	317
Capital allowances	(1 190)	(961)	(1 121)	(892)
Provisions and other allowances	1 328	1 307	1 099	1 144
Business combination	(57)	(68)	–	–
Common control transaction	(32)	(32)	–	–
Tax losses	148	67	146	65
Other	3	–	–	–
Other comprehensive income tax impact	(107)	–	(67)	–
Deferred taxation balance is made up as follows:	93	313	57	317
Deferred taxation assets	255	494	57	317
Deferred taxation liabilities	(162)	(181)	–	–

The decrease in the deferred tax balance in the current year is attributable to a R67 million (31 March 2018: Rnil) additional liability raised in Telkom SA SOC Limited relating to the actuarial gains recognised on the post-employment benefit plans. This movement was accounted for in other comprehensive income. The remaining movement in the asset is attributable to the IFRS implication noted below, as well as the full recognition of the deferred tax asset in respect of prior year losses and the utilisation of temporary differences.

At 31 March 2018, the group did not recognise a deferred tax asset of R341 million in respect of temporary differences and tax losses amounting to R1 220 million that could be carried forward against future taxable income. These differences originated in Telkom company in the prior year. There was no unrecognised deferred tax asset as at 31 March 2019.

The adoption of IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments has had no impact on the deferred tax asset position as a result of the limitation of the deferred tax asset applied in the Telkom company results in the prior year. The 1 April 2018 adjustment to the allowance account for credit losses attributable to the change in the write-off criteria following the adoption of IFRS 9 has resulted in a reduction of the deferred tax asset of R41 million.

18. Inventories

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
	1 267	1 341	862	944
Gross inventories	1 497	1 549	1 003	1 123
Write-down of inventories to net realisable value	(230)	(208)	(141)	(179)
Inventories consist of the following categories:	1 267	1 341	862	944
Installation material, maintenance material and network equipment	374	248	374	562
Merchandise	893	1 093	488	382
Write-down of inventories to net realisable value	230	208	141	179
Opening balance	208	180	179	162
Charged to selling, general and administrative expenses	117	44	14	35
Inventories written off	(95)	(16)	(52)	(18)

19. Trade and other receivables and contract assets

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
	7 425	6 370	8 427	6 970
Trade receivables	5 884	4 811	5 278	5 248
Gross trade receivables	7 091	5 638	6 283	5 850
Impairment of receivables	(1 207)	(827)	(1 005)	(602)
Other receivables	854	1 195	2 668	1 547
Prepayments	687	364	481	175

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 45 days from date of invoice. Interest charged on overdue accounts varies between a rate of prime and a rate of 18%, depending on the contract terms.

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

Other receivables generally arise from transactions outside the usual operating activities of the group.

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
Contract assets	2 518	1 672	2 518	1 672
Gross contract assets - Handset receivables	2 331	1 520	2 331	1 520
Contract cost assets	226	149	226	149
Ongoing commission capitalised assets	131	98	131	98
Impairment of contract assets - Handset receivables	(170)	(95)	(170)	(95)
Contract cost assets	226	149	226	149
Assets recognised from costs incurred to obtain a contract	149	118	149	118
Contract costs capitalised during the year	255	154	255	154
Amortisation recognised as cost of providing services during the year	(178)	(123)	(178)	(123)

The contract assets associated to costs to acquire a contract relate to commission and incentive costs paid to dealers and sales staff which are considered incremental to the acquisition of a contract. The costs were previously expensed as incurred. The contract asset is 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 loss on the contract asset.

Significant changes in contract assets

Contract assets have increased due to an increase in handset sales included as part of post-paid contracts. Contract costs capitalised have increased as the group incurred more costs to obtain contracts.

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
Ongoing commission capitalised assets				
Contract asset - ongoing commission	131	98	131	98
Ongoing commission (include in trade and other payables)	(131)	(98)	(131)	(98)
Opening balance	98	71	98	71
Expense amortised in the current year	(79)	(57)	(79)	(57)
New contracts entered into	143	107	143	107
Contracts cancelled during the year	(31)	(23)	(31)	(23)
Closing balance	131	98	131	98
Allowance account for credit losses - trade receivables	1 207	827	1 005	602
Opening balance as previously reported	827	528	602	384
Adoption of IFRS 9 Financial Instruments - adjustment to allowance account measurement	(61)	–	(48)	–
Adoption of IFRS 9 Financial Instruments - change to write-off criteria	559	–	559	–
Charged to statement of profit or loss and other comprehensive income	184	537	208	411
Enterprise bad debt provision movement	–	–	(105)	–
Receivables written off	(302)	(238)	(211)	(193)
Allowance account for credit losses - contract assets	170	95	170	95
Opening balance as previously reported	95	65	95	65
Charged to statement of profit or loss and other comprehensive income	200	98	200	98
Contract assets written off	(125)	(68)	(125)	(68)

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19. Trade and other receivables and contract assets continued

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period ranging between 90 days past due and 180 days past due, based on the customer segment.

Refer to note 14.3 for detailed credit risk analysis.

20. Other financial assets and liabilities

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
Non-current other financial assets at amortised cost consist of:	133	60	–	–
Asset finance receivables	133	29	–	–
NGA loans	–	31	–	–
Current portion of other financial assets at fair value through profit or loss consists of:				
Derivative instruments used for hedging	231	163	229	163
Forward exchange contracts	161	14	159	14
Firm commitments	70	149	70	149
Current portion of other financial assets at amortised cost consists of:				
Asset finance receivables	157	–	–	–
Non-current other financial liabilities at amortised cost consist of:				
Asset finance payables	(79)	–	–	–
Current other financial liabilities at fair value through profit or loss consist of:				
Derivative instruments used for hedging	(280)	(250)	(280)	(250)
Forward exchange contracts	(13)	(222)	(13)	(222)
Firm commitments	(237)	(5)	(237)	(5)
Interest rate swaps	(30)	(23)	(30)	(23)
Current other financial liabilities at amortised cost consist of:	(36)	–	(2 757)	(1 217)
Asset finance payables	(36)	–	–	–
BCX Treasury fund	–	–	(2 757)	(1 217)

Derivatives not designated as hedging instruments

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. Refer to note 14.5.

Derivative instruments are measured at fair value through profit or loss.

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 its firm commitments.

A decrease in fair value of the forward exchange contracts, designated as fair value hedges, of R509 million (31 March 2018: R319 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.

21. Net cash and cash equivalents

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
Cash disclosed as current assets	1 428	2 557	575	1 788
Cash and bank balances	1 308	1 498	573	761
Short-term deposits	120	1 059	2	1 027
Credit facilities utilised	–	(30)	–	(1)
Net cash and cash equivalents	1 428	2 527	575	1 787
Undrawn borrowing facilities	6 402	5 250	6 050	5 250

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 2019, R5.3 billion (31 March 2018: R4.5 billion) of these undrawn facilities were committed.

Short-term deposits

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

Borrowing powers

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

22. Share capital

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
Authorised and issued share capital is made up as follows:				
Authorised				
1,000,000,000 ordinary shares of R10 each	10 000	10 000	10 000	10 000
Issued				
504,975,439 (31 March 2018: 504,975,439) ordinary shares of R10 each	5 050	5 050	5 050	5 050
6,164,800 (31 March 2018: 6,164,800) shares at no consideration	–	–	–	–

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	526 948 700	511 140 239	526 948 700
Shares repurchased and cancelled during the year	–	(15 808 461)	–	(15 808 461)
Shares in issue at the end of the year	511 140 239	511 140 239	511 140 239	511 140 239

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

Capital management

Refer to note 14.7 for detailed capital management disclosure.

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for the year ended 31 March 2019

23. Share-based compensation reserve

Telkom's shareholders approved the Telkom group share plan at the September 2013 Annual General Meeting. The scheme covers certain operational and management employees and is aimed at giving shares to group employees, at a Rnil exercise price, at the end of the vesting period. Although the number of shares awarded to employees was communicated at the grant date, the ultimate number of shares that vest may differ based on certain performance conditions being met. Refer to note 28.

	Group		Company	
The movement within the share-based compensation reserve is:	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
Balance at the beginning of the year	377	452	362	431
Net increase/(decrease) in equity	135	(75)	125	(69)
Employee cost (refer to note 6)	135	48	125	29
Vesting of shares	–	(123)	–	(98)
Balance at the end of the year	**512**	**377**	**487**	**362**

24. Non-distributable reserves

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
	1 621	1 579	1 033	1 011
Opening balance	1 579	1 376	1 011	753
Movement during the year	42	203	22	258
Foreign currency translation reserve	23	(22)	–	–
Increase in Treasury shares for Telkom company share plan	(47)	(68)	(47)	(68)
Vesting of shares under group share plan	–	123	–	98
Sale of Treasury shares to BCX	–	–	3	58
Revaluation of the sinking fund investment reserve	66	170	66	170

The reserve also represents amounts paid by Telkom to subsidiary, Rossal No 65 Proprietary Limited, for the acquisition of Telkom's shares to be utilised in terms of the Telkom Share Plan.

Fair value of ordinary shares in Telkom are held as follows:

	2019		2018	
	Number of shares	Rm	Number of shares	Rm
Treasury shares in Escrow	13 084 228	954	12 977 305	687
Rossal No 65 Proprietary Limited	–	–	1 930 875	102
Total	**13 084 228**	**954**	**14 908 180**	**789**

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

25. Interest-bearing debt

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
Non-current interest-bearing debt	4 840	7 158	4 824	7 109
Total interest-bearing debt	10 241	9 397	10 194	9 313
Net interest-bearing debt	10 198	9 320	10 194	9 309
Finance leases	43	77	–	4
Less: Current portion of interest-bearing debt	(5 401)	(2 239)	(5 370)	(2 204)
Local debt	(5 370)	(2 200)	(5 370)	(2 200)
Bond	(2 320)	–	(2 320)	–
Commercial paper bills	(1 200)	(1 000)	(1 200)	(1 000)
Other loans	(1 850)	(1 200)	(1 850)	(1 200)
Foreign debt	(5)	(4)	–	–
Finance leases	(26)	(35)	–	(4)
Total interest-bearing debt is made up as follows:	10 241	9 397	10 194	9 313
(a) Local debt	10 070	9 198	10 070	9 198
Telkom debt instruments	10 070	9 198	10 070	9 198
Name, maturity, rate p.a., nominal value				
TL20, 2020, 15% (fixed) (2018:15%), R2 500 million (2018: R2 500 million)	2 320	2 148	2 320	2 148
TL22, 2021, 8.58%	250	250	250	250
TL23, 2022, 8.84%	592	592	592	592
TL24, 2022, 9.04% (fixed)	423	423	423	423
TL25, 2024, 9.57%	835	835	835	835
TL26, 2024, 9.15%	400	400	400	400
TL27, 2023, 8.70%	500	–	500	–
TL28, 2025, 9.28% (fixed)	500	–	500	–
TL29, 2025, 8.99%	500	–	500	–
Commercial paper bills, 2019, 7.75%	400	346	400	346
Commercial paper bills, 2020, 8.05%	800	654	800	654
Loans, 2019 – 2021, 8.00% – 9.33%	2 550	3 550	2 550	3 550
Total interest-bearing debt is made up of R10 241 million debt at amortised cost (31 March 2018: R9 397 million debt at amortised cost). Finance costs accrued on debt are included in trade and other payables (refer to note 29).				
Other loans are repayable quarterly and bi-annually, and have maturities ranging from 2019 to 2021.				
Commercial paper bills are repayable at maturity with six and twelve months settlement periods.				
All other loans, bonds and commercial paper bills are priced based on the three-month JIBAR plus a margin.				
(b) Foreign debt	128	122	124	111
Telkom	124	111	124	111
Maturity, rate p.a., nominal value				
Euro: 2022 – 2025, 0.14% (2018: 0.14%), €7.6 million (2018: €7.6 million)	124	111	124	111
BCX	4	11	–	–
Stanbic Tanzania	4	7	–	–
US Dollar denominated loan, repayable over 36 months at an interest rate of 9%.				
Barclays Commercial Mortgage	–	4	–	–
A pound sterling denominated loan repayable over 20 years at an interest rate of UK prime + 1.25%.				

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25. Interest-bearing debt continued

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
(c) Finance leases	43	77	–	4
Telkom Content Delivery Platform Software	–	4	–	4
This amount is repayable within a period of five years at an approximate interest rate of 12.10%.				
BCX various leases	39	67	–	–
Finance leases are in respect of capitalised leased assets with a carrying value of R6 million (31 March 2018: R59 million). BCX has the option to purchase these assets at the end of the lease term.				
These amounts are repayable between periods of three and five years.				
Interest rates vary between 6.00% and 14.48%.				
Yellow Pages various leases	4	6	–	–
The amounts are repayable within five years at an interest rate linked to the prime rate.				
Included in non-current and current debt is:				
Debt guaranteed by the South African Government	124	111	124	111

The company may issue or re-issue 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 21.

Interest-bearing debt

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

Debt covenants applicable to Telkom syndicated loans require the following for the group:

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

During the year, no non-compliance with the requirements of the covenants were noted.

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

The repayment of the current portion of interest-bearing debt of R5 370 million (31 March 2018: R2 204 million) for company and R5 401 million (31 March 2018: R2 239 million) for group as at 31 March 2019 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.

26. Provisions

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
Non-current employee related provisions	1 186	2 388	1 164	2 368
Subsidiary defined benefit plans (refer to note 28 for the reconciliation of the opening to closing balance)	22	21	–	–
Telephone rebates (refer to note 28 for the reconciliation of the opening to closing balance)	412	402	412	402
Telkom Retirement Fund (refer to note 28 for the reconciliation of the opening to closing balance)	752	1 965	752	1 966
Current portion of employee related provisions	1 175	1 325	860	1 069
Annual leave	466	573	302	388
Balance at the beginning of the year	573	509	388	348
Charged to employee expenses	(89)	101	(91)	75
BCX leave provision recovery	–	16	–	15
Leave paid/utilised	(18)	(53)	5	(50)
Post-retirement medical aid	–	6	–	–
Telephone rebates	39	39	39	39
Bonus, termination packages and other benefits	670	707	519	642
Balance at the beginning of the year	707	828	642	680
Charged to employee expenses	703	761	533	687
Payments made	(740)	(882)	(656)	(725)
Non-current non-employee related provisions				
Other	7	39	15	7
Current portion of non-employee related provisions				
Other	141	164	30	52

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 15-30 days (31 March 2018: 22-30 days) which must be taken within a 6 -19 month (31 March 2018: 12-18 month) leave cycle. The leave cycle is reviewed annually and is in accordance with legislation.

Bonus

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

Voluntary Early Retirement Package (VERP)/Voluntary Severance Package (VSP) and retrenchment provision

During the year under review, the group initiated a voluntary severance and retrenchment process. An expense relating to the process of R728 million (31 March 2018: Rnil) was recognised.

Non-employee related provisions

Other provisions relate to the ICASA licence fee provision, a restoration provision, provisions for legal matters as disclosed in the contingencies note (refer to note 36) and contingent consideration relating to prior year business combinations.

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27. Deferred revenue

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
Deferred revenue	1 862	2 099	1 804	2 012
Non-current deferred revenue	466	502	466	502
Current portion of deferred revenue	1 396	1 597	1 338	1 510

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

Revenue recognised in relation to contract liabilities				
Deferred installation fee revenue	1 493	1 339	1 361	1 246

The table above illustrates the portion of the revenue recognised in the current period which related to carried forward deferred revenue associated to installation fee revenue and revenue billed in advance.

28. Employee benefits

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
Non-current assets	729	627	729	627
Telkom Pension Fund asset	23	22	23	22
Post-retirement medical aid recognition of net plan asset	706	605	706	605

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 10.4 years (31 March 2018: 11.2 years). The next full valuations for all funds will be performed at 31 March 2020.

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 2019 indicates that the pension fund is in a surplus position of R99 million (31 March 2018: R113 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 risk.

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
The funded status of the Telkom Pension Fund is disclosed below.				
The Telkom Pension Fund				
The net periodic pension costs include the following components:				
Interest cost on projected benefit obligations	8	9	8	9
Service cost on projected benefit obligations	2	2	2	2
Interest on plan assets after asset restriction	(10)	(11)	(10)	(11)
Curtailment	2	–	2	–
Net periodic pension expense recognised in profit or loss	**2**	**–**	**2**	**–**
The net periodic other comprehensive income includes the following components:				
Actuarial gain from financial assumption changes	(5)	–	(5)	–
Asset ceiling in terms of IAS 19.64	4	9	4	9
Net periodic pension (income)/expense recognised in other comprehensive income	**(1)**	**9**	**(1)**	**9**
Cumulative actuarial gain	(81)	(80)	(81)	(80)
Pension fund contributions	–	(1)	–	(1)
The status of the pension plan obligation is as follows:				
At beginning of the year	89	92	89	92
Interest cost	8	9	8	9
Current service cost	2	2	2	2
Employee contributions	1	1	1	1
Benefits paid	(32)	(9)	(32)	(9)
Actuarial gain	(4)	(6)	(4)	(6)
VERP release of liability	(11)	–	(11)	–
Benefit obligation at the end of the year	**53**	**89**	**53**	**89**
Plan assets at fair value:				
At beginning of the year	202	196	202	196
Interest on plan assets	19	19	19	19
Benefits paid	(32)	(9)	(32)	(9)
Contributions	1	1	1	1
VERP payments made	(12)	–	(12)	–
Actuarial loss	(26)	(5)	(26)	(5)
Plan assets at the end of the year	**152**	**202**	**152**	**202**
Present value of funded obligation	53	89	53	89
Fair value of plan assets	(152)	(202)	(152)	(202)
Fund surplus	(99)	(113)	(99)	(113)
Asset ceiling in terms of IAS 19.64	76	91	76	91
Recognised net asset	**(23)**	**(22)**	**(23)**	**(22)**
Interest on plan assets after asset restriction	11	11	11	11
Actuarial loss on plan assets	(27)	(5)	(27)	(5)
Actual return on plan assets	**(16)**	**6**	**(16)**	**6**
Plan assets balance comprises of:				
Cash and cash equivalents	8	25	8	25
Equity securities	74	83	74	83
Property	4	4	4	4
Bonds	22	34	22	34
Commodities	2	5	2	5
Foreign investments	42	51	42	51
Total	**152**	**202**	**152**	**202**

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28. Employee benefits continued

Funding arrangements

The Telkom Pension Fund investment strategy has been implemented through the appointment of several asset managers with global balanced 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. The Telkom Pension Fund's total asset allocation is thus derived by combining the asset managers' portfolios with the Africa and additional cash allocation.

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

Principal actuarial assumptions were as follows:

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

	Group		Company	
	31 March 2019	Restated 31 March 2018	31 March 2019	Restated 31 March 2018
Males over 65	16.6	16.5	16.6	16.5
Females over 65	20.7	20.7	20.7	20.7
Discount rate (%)	9.7	8.8	9.7	8.8
Interest on plan assets (%)	9.7	8.8	9.7	8.8
Salary inflation rate (%)	6.6	6.9	6.6	6.9
Pension increase allowance (%)	5.0	5.0	5.0	5.0

The overall long-term expected interest on assets is 9.7%. 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.

	Group 31 March 2019	Group Restated 31 March 2018	Company 31 March 2019	Company Restated 31 March 2018
Funding level per statutory actuarial valuation (%)	100	100	100	100
The number of employees registered under the Telkom Pension Fund	22	32	22	32
The fund portfolio consists of the following percentages:				
Cash (%)	6	13	6	13
Equities (%)	49	41	49	41
Property (%)	2	2	2	2
Bonds (%)	15	17	15	17
Commodities (%)	1	2	1	2
Foreign Investments (%)	27	25	27	25
Total	**100**	**100**	**100**	**100**

The total estimated contributions to be paid to the pension fund by the employer for the year ending 31 March 2020 is R0.4 million.

The Telkom Retirement Fund

The Telkom Retirement Fund was established on 1 July 1995 as a hybrid defined benefit and defined contribution plan. Existing employees were given the option to either remain in the Telkom Pension Fund or to be transferred to the Telkom Retirement Fund. All pensioners of the Telkom Pension Fund and employees who retired after 1 July 1995 were transferred to the Telkom Retirement Fund. Upon transfer, the Government ceased to guarantee the deficit in the Telkom Retirement Fund. Subsequent to 1 July 1995 further transfers of existing employees occurred. As from 1 September 2009 all new appointments will belong to the Telkom Retirement Fund but will not be able to retire from the Telkom Retirement Fund at retirement age. 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 (LDI). Pensioner increases are subject to affordability targeting 100% of CPI.

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

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

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

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

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
The Telkom Retirement Fund				
The net periodic retirement costs include the following components:				
Interest cost on projected benefit obligations	3 641	3 517	3 641	3 517
Interest on plan assets	(3 562)	(3 431)	(3 562)	(3 431)
Service cost on projected benefit obligations	567	586	567	496
Curtailment	8	–	8	–
Net periodic pension expense recognised in profit or loss	**654**	**672**	**654**	**582**
The net periodic other comprehensive income includes the following components:				
Actuarial gain due to financial assumptions changes	3 090	287	3 090	287
Actuarial loss due to experience adjustments	(1 364)	106	(1 364)	106
Actuarial loss due to demographic assumptions changes	(391)	(922)	(391)	(922)
Net periodic pension income/(expense) recognised in other comprehensive income	**1 335**	**(529)**	**1 335**	**(529)**
Cumulative actuarial loss	(559)	(1 894)	(559)	(1 894)
Benefit obligation:				
At the beginning of the year	41 621	38 404	41 621	38 404
Interest cost	3 641	3 517	3 641	3 517
Current service cost	567	586	567	586
Employee contributions	289	290	289	290
Benefits paid	(2 342)	(1 579)	(2 342)	(1 579)
Transfers in	44	3	44	3
Curtailment gain	(1 001)	–	(1 001)	–
Actuarial (gain)/loss	(4 601)	400	(4 601)	400
Benefit obligation at the end of the year for defined benefit plan	**38 218**	**41 621**	**38 218**	**41 621**
At the beginning of the year	39 655	37 253	39 655	37 253
Interest on plan assets	3 562	3 431	3 562	3 431
Employer contributions	533	400	533	400
Employee contributions	289	290	289	290
Benefits paid	(2 342)	(1 579)	(2 342)	(1 579)
Curtailment loss	(1 009)	–	(1 009)	–
Transfers in	44	3	44	3
Actuarial loss	(3 266)	(143)	(3 266)	(143)
Plan assets at the end of the year	**37 466**	**39 655**	**37 466**	**39 655**

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28. Employee benefits continued

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
Present value of funded obligation	38 218	41 621	38 218	41 621
Fair value of plan assets	37 466	39 655	37 466	39 655
Net liability	**752**	**1 966**	**752**	**1 966**
Interest on plan assets	3 562	3 431	3 562	3 431
Actuarial loss on plan assets	(3 266)	(143)	(3 266)	(143)
Actual return on plan assets	**296**	**3 288**	**296**	**3 288**
Plan asset balance comprises:				
Equities	4 519	6 918	4 519	6 918
Property	1 618	2 012	1 618	2 012
Bonds	14 593	12 698	14 593	12 698
Africa	4 141	2 972	4 141	2 972
Cash	3 325	6 124	3 325	6 124
Foreign investments	9 268	8 931	9 268	8 931
Total	**37 464**	**39 655**	**37 464**	**39 655**

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 (PRI), and the investment strategy is built around the target of providing consistent annual pension increases of between 70% to 100% of CPI.

Included in the fair value of plan assets is:				
Telkom shares	23	29	23	29

The Telkom Retirement Fund invests its funds in South Africa and internationally. Twelve fund managers invest in South Africa and five of these managers specialise in trades with bonds on behalf of the Retirement Fund.

Principal actuarial assumptions were as follows:

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

Males over 65	16.6	16.5	16.6	16.5
Females over 65	20.7	20.7	20.7	20.7
Discount rate (%)	9.7	8.8	9.7	8.8
Interest on plan assets (%)	9.7	8.8	9.7	8.8
Pension increase allowance (%)	5.6	5.9	5.6	5.9

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

Funding level per statutory actuarial valuation (%)	100	100	100	100
The number of pensioners registered under the Telkom Retirement Fund	12 458	12 480	12 458	12 480
The number of in-service employees entitled to retire in the Telkom Retirement Fund	11 956	12 608	11 956	12 608
The fund portfolio consists of the following percentages:				
Equities (%)	12	17	12	17
Property (%)	4	5	4	5
Bonds (%)	39	32	39	32
Africa (%)	11	8	11	8
Cash (%)	9	15	9	15
Foreign investments (%)	25	23	25	23
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 2020 is R519 million.

Medical benefits

Telkom makes certain contributions to medical funds in respect of current and retired employees. The scheme is a defined benefit plan. The expense in respect of current employees' medical aid is disclosed in note 6.1. 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 26. Telkom has terminated future post-retirement medical benefits in respect of employees joining after 1 July 2000.

There are three major categories of members entitled to the post-retirement medical aid: pensioners who retired before 1994 ('Pre-94'); those who retired after 2013; and the in-service members. The pensioners retiring post 2013 and the in-service members' liability are subject to a rand cap, which increases as per the board's the 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 2019.

Telkom has allocated certain investments to fund this liability as set out in note 15.2. The annuity policy of the sinking fund investment is the medical plan asset. The group is entitled to a refund of the full surplus in the annuity policy once all the beneficiaries have been paid. As such, the group has recognised the full asset.

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

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
Medical aid				
Benefit obligation:				
At the beginning of the year	2 240	2 288	2 212	2 260
Interest cost	192	208	192	208
Service cost	2	2	2	2
Actuarial gain	(237)	(41)	(231)	(41)
Curtailment loss	1	–	1	–
Buy-outs paid by Telkom	(1)	–	(1)	–
Benefits paid from plan assets	(180)	(182)	(180)	(182)
Contributions paid by Telkom	(33)	(35)	(33)	(35)
Benefit obligation at the end of the year	**1 984**	**2 240**	**1 962**	**2 212**
Plan assets at fair value:				
At the beginning of the year	2 817	2 872	2 817	2 872
Interest on plan assets	256	269	256	269
Benefits paid from plan assets	(180)	(182)	(180)	(182)
Actuarial loss	(225)	(142)	(225)	(142)
Plan assets at the end of the year	**2 668**	**2 817**	**2 668**	**2 817**
Present value of funded obligation	1 984	2 240	1 962	2 212
Fair value of plan assets	(2 668)	(2 817)	(2 668)	(2 817)
	(684)	**(577)**	**(706)**	**(605)**
Liability as disclosed in the statement of financial position (refer to note 26)	22	28	–	–
Asset as disclosed in the statement of financial position	(706)	(605)	(706)	(605)
The net periodic other comprehensive income includes the following components:				
Actuarial gain due to financial assumptions changes	169	5	169	5
Actuarial loss due to experience adjustments	(182)	(101)	(182)	(101)
Actuarial loss due to demographic assumptions changes	25	(5)	19	(5)
Net periodic pension income/(expense) recognised in other comprehensive income	**12**	**(101)**	**6**	**(101)**
Cumulative actuarial loss	(1 969)	(1 981)	(1 975)	(1 981)
Plan assets at fair value:				
Interest on plan assets	256	269	256	269
Actuarial loss on plan assets	(225)	(142)	(225)	(142)
Actual return on plan assets	**31**	**127**	**31**	**127**
Plan asset balance comprises:				
Cash and cash equivalents	285	273	285	273
Equity securities	929	1 138	929	1 138
Bonds	530	613	530	613
Foreign investments	924	793	924	793
Total	**2 668**	**2 817**	**2 668**	**2 817**

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

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28. Employee benefits continued

Funding arrangements

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

	Group		Company	
	2019	2018	2019	2018
Included in the fair value of plan assets is:				
Telkom shares	0.4	0.3	0.4	0.3
Principal actuarial assumptions were as follows:				
Assumptions regarding future mortality are based on mortality tables. The current longevities underlying the values of the liabilities in the defined benefit plan are as follows:				
Males over 65	16.6	16.5	16.6	16.5
Females over 65	20.7	20.7	20.7	20.7
Discount rate (%)	9.7	8.8	9.7	8.8
Interest on plan assets (%)	9.7	8.8	9.7	8.8
Medical inflation rate (%)	7.6	7.9	7.6	7.9
The assumed rates of mortality are determined by reference to the SA85-90 (Light) ultimate table, as published by the Actuarial Society of South Africa, for pre-retirement purposes and the PA(90) ultimate table, minus one year age rating as published by the Institute and Faculty of Actuaries in London and Scotland, for retirement purposes.				
Contractual retirement age	65	65	65	65
Average retirement age	55	60	55	60
Number of in-service members	679	785	679	785
Number of pensioners	3 723	3 996	3 723	3 996
The fund portfolio consists of the following percentages:				
Cash and money market investments (%)	10	22	10	22
Equities (%)	35	10	35	10
Bonds (%)	20	40	20	40
Foreign investments (%)	35	28	35	28
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 2020 is Rnil as the liability is currently significantly overfunded.

Telephone rebates

Telkom provides telephone rebates to its pensioners who joined prior to 1 August 2009. The most recent actuarial valuation was performed as at 31 March 2019. 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 risk, such as longevity, currency, interest rate and market risk.

The status of the telephone rebate liability is disclosed below:

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
Benefit obligation:				
At the beginning of the year	441	404	441	404
Current service cost	3	2	3	2
Interest cost	40	37	40	37
Actuarial (loss)/gain	(3)	22	(3)	22
Curtailment loss	(1)	–	(1)	–
Benefits paid	(29)	(24)	(29)	(24)
Liability as disclosed in the statement of financial position (refer to note 26)	**451**	**441**	**451**	**441**
The net periodic other comprehensive income includes the following components:				
Actuarial gain/(loss) due to financial assumptions changes	34	(17)	34	(17)
Actuarial loss due to experience adjustments	(46)	(5)	(46)	(5)
Actuarial loss due to demographic assumptions changes	15	–	15	–
Net periodic pension income/(expense) recognised in other comprehensive income	**3**	**(22)**	**3**	**(22)**
Cumulative actuarial loss	(1)	(4)	(1)	(4)
Principal actuarial assumptions were as follows:				
Assumptions regarding future mortality are based on mortality tables. The current longevities underlying the values of the liabilities in the defined benefit plan are as follows:				
Males over 65	16.6	16.5	16.6	16.5
Females over 65	20.7	20.7	20.7	20.7
Discount rate (%)	9.7	8.8	9.7	8.8
Contractual retirement	65	65	65	65
Average retirement age	55	60	55	60
The assumed rates of mortality are determined by reference to the SA85-90 (Light) ultimate table, as published by the Actuarial Society of South Africa, for pre-retirement purposes and the PA(90) ultimate table minus one year age rating, as published by the Institute and Faculty of Actuaries in London and Scotland, for retirement purposes.				
Number of members	7 972	9 271	7 972	9 271
Number of pensioners	13 135	12 772	13 135	12 772

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28. Employee benefits continued

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
	Increase/(decrease) on the post-employment liability			
Sensitivity analysis				
The Telkom Pension Fund				
Increasing discount rate by 0.5%	(2)	(3)	(2)	(3)
Decreasing discount rate by 0.5%	2	3	2	3
Increase in inflation rate by 0.5%	2	3	2	3
Decrease in inflation rate by 0.5%	(2)	(3)	(2)	(3)
The Telkom Retirement Fund				
Increasing discount rate by 0.5%	(1 091)	(1 241)	(1 091)	(1 241)
Decreasing discount rate by 0.5%	1 195	1 364	1 195	1 364
Increase in inflation rate by 1%	2 584	2 920	2 584	2 920
Decrease in inflation rate by 1%	(2 182)	(2 451)	(2 182)	(2 451)
Medical benefits				
Increasing discount rate by 0.5%	(65)	(81)	(65)	(81)
Decreasing discount rate by 0.5%	69	87	69	87
Increase in inflation rate by 1%	110	139	110	139
Decrease in inflation rate by 1%	(98)	(123)	(98)	(123)
Telephone rebates				
Increasing discount rate by 0.5%	(17)	(20)	(17)	(20)
Decreasing discount rate by 0.5%	19	19	19	19
Increase in inflation rate (%)	300	340	300	340

Share scheme

Telkom's shareholders approved the Telkom forfeitable share plan (FSP) and the additional share award (ASA) at the September 2013 Annual General Meeting. The sixth grant has occurred under this plan in June 2018.

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

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

An employee turnover assumption of 2.15% to 13.9% has been used in calculating the expected number of shares that will vest.

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

	Vesting financial year					
Telkom LTIP grants	**2019**	2020	2021	2022	2023	2024
Telkom LTIP – 2014 financial year						
Vesting timelines	**20%**	–	–	–	–	–
Probability of meeting non-market related criteria	**Fully vested**	–	–	–	–	–
Telkom LTIP – 2015 financial year						
Vesting timelines	**30%**	20%	–	–	–	–
Probability of meeting non-market related criteria	**Fully vested**	50%	–	–	–	–
Telkom LTIP – 2016 financial year						
Vesting timelines	**50%**	30%	20%	–	–	–
Probability of meeting non-market related criteria	**Fully vested**	0%	0%	–	–	–
Telkom LTIP – 2017 financial year						
Vesting timelines	**–**	50%	30%	20%	–	–
Probability of meeting non-market related criteria	**–**	90%	90%	90%	–	–
Telkom LTIP – 2018 financial year						
Vesting timelines	**–**	–	50%	30%	20%	–
Probability of meeting non-market related criteria	**–**	–	75%	80%	80%	–
Telkom LTIP – 2019 financial year						
Vesting timelines	**–**	–	–	50%	30%	20%
Probability of meeting non-market related criteria	**–**	–	–	90%	90%	90%

	Vesting financial year					
Telkom ESOP grants	**2019**	2020	2021	2022	2023	2024
Telkom ESOP – 2016 financial year						
Vesting timelines	**100%**	–	–	–	–	–
Probability of meeting non-market related criteria	**Fully vested**	–	–	–	–	–
Telkom ESOP – 2017 financial year						
Vesting timelines	**–**	100%	–	–	–	–
Probability of meeting non-market related criteria	**–**	55%	–	–	–	–
Telkom ESOP – 2018 financial year						
Vesting timelines	**–**	–	100%	–	–	–
Probability of meeting non-market related criteria	**–**	–	75%	–	–	–
Telkom ESOP – 2019 financial year						
Vesting timelines	**–**	–	–	100%	–	–
Probability of meeting non-market related criteria	**–**	–	–	90%	–	–

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

	Vesting financial year					
BCX LTIP grant	**2019**	2020	2021	2022	2023	2024
BCX grant – 2017 financial year						
Vesting timelines	**25%**	25%	25%	–	–	–
Probability of meeting non-market related criteria	**100%**	100%	100%	–	–	–

	Vesting financial year					
BCX ESOP grant	**2019**	2020	2021	2022	2023	2024
BCX grant – 2019 financial year						
Vesting timelines	**–**	–	–	100%	–	–
Probability of meeting non-market related criteria	**–**	–	–	90%	–	–

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

	Vesting financial year					
Yellow Pages grants	**2019**	2020	2021	2022	2023	2024
Yellow Pages grant – 2017 financial year						
Vesting timelines	**–**	40%	30%	30%	–	–
Probability of meeting non-market related criteria	**–**	50%	100%	100%	–	–
Yellow Pages grant – 2018 financial year						
Vesting timelines	**–**	–	40%	30%	30%	–
Probability of meeting non-market related criteria	**–**	–	100%	100%	100%	–
Yellow Pages grant – 2019 financial year						
Vesting timelines	**–**	–	–	40%	30%	30%
Probability of meeting non-market related criteria	**–**	–	–	100%	100%	100%

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

	Vesting financial year					
Gyro LTIP grants	**2019**	2020	2021	2022	2023	2024
Gyro Grant – 2018 financial year						
Vesting timelines	**–**	–	50%	30%	20%	–
Probability of meeting non-market related criteria	**–**	–	75%	80%	80%	–
Gyro Grant – 2019 financial year						
Vesting timelines	**–**	–	–	50%	30%	20%
Probability of meeting non-market related criteria	**–**	–	–	90%	90%	90%

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28. Employee benefits continued

Gyro ESOP grants	Vesting financial year 2019	2020	2021	2022	2023	2024
Gyro Grant – 2018 financial year						
Vesting timelines	–	–	100%	–	–	–
Probability of meeting non-market related criteria	–	–	75%	–	–	–
Gyro Grant – 2019 financial year						
Vesting timelines	–	–	–	100%	–	–
Probability of meeting non-market related criteria	–	–	–	90%	–	–

Certain BCX employees were granted shares in terms of a BCX share plan. Based on the BCX group achieving the performance condition, the shares will vest between the 2019 and 2022 financial years.

Certain Yellow Pages employees were granted shares in terms of a Yellow Pages share plan. Based on Yellow Pages achieving the performance condition, the shares will vest between the 2020 and 2024 financial years.

Certain Gyro employees were granted shares in terms of a Gyro share plan. Based on Gyro achieving the performance condition, the shares will vest between the 2021 and 2024 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 2019 is 1.66 years (31 March 2018: 1.79 years).

The following table illustrates the movement of the maximum number of shares that were granted to employees:

	Group		Company	
	31 March 2019	Restated 31 March 2018	31 March 2019	Restated 31 March 2018
Beginning of the year	12 977 305	10 024 780	12 547 143	8 830 865
Vested shares during the year	(3 760 590)	(3 336 227)	(3 709 001)	(3 276 736)
Forfeited shares and other movements during the year	(1 191 114)	741 286	(989 135)	1 727 825
Granted during the year	5 058 627	5 547 466	4 689 309	5 265 189
Outstanding at the end of the year	**13 084 228**	**12 977 305**	**12 538 316**	**12 547 143**

The fair value of the shares granted have been calculated by an actuary using the Black-Scholes-Merton model and the following values at grant date.

	Group and Company		
	Market share price (R)	Share price volatility	Future risk free interest rate
Telkom			
Grant 1	27.30	35%	8.5%
Grant 2	76.11	35%	6.7%
Grant 3	64.31	35%	8.0%
Grant 4	65.00	35%	8.5%
Grant 5	80.03	35%	8.0%
Grant 6			
– Vesting 30 June 2021	52.64	35%	7.4%
– Vesting 30 June 2022	52.64	35%	7.6%
– Vesting 30 June 2023	52.64	35%	8.0%
BCX			
Grant 1	70.82	35%	8.5%
Grant 2	52.64	35%	7.4%
Yellow Pages			
Grant 1	55.50	35%	8.5%
Grant 2	55.50	35%	8.0%
Grant 3	56.13	35%	8.0%
Gyro			
Grant 1			
– Vesting 30 June 2020	55.50	35%	7.7%
– Vesting 30 June 2021	55.50	35%	7.8%
– Vesting 30 June 2022	55.50	35%	8.0%
Grant 2			
– Vesting 30 June 2021	52.64	35%	7.4%
– Vesting 30 June 2022	52.64	35%	7.6%
– Vesting 30 June 2023	52.64	35%	8.0%

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.

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29. Trade and other payables

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
	7 406	6 898	11 704	10 494
Trade, other payables and accruals	7 302	6 824	11 599	10 420
Finance cost accrued	104	74	105	74

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

Telkom's standard payment terms of trade payables is at the end of the following month following the date of the receipt of the invoice.

Included in the current and prior year balance is the refund from SARS and related interest. Refer to note 36.

30. Reconciliation of profit for the year to cash generated from operations

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
Cash generated from operations	8 903	10 113	5 885	6 392
Profit for the year	2 831	2 998	1 433	1 303
Finance charges and fair value movements	947	842	1 093	785
Taxation	1 176	1 113	306	(48)
Investment income and income from associates	(187)	(116)	(818)	(785)
Interest received from trade receivables and subsidiaries	(250)	(130)	(117)	(110)
Non-cash items	5 519	5 779	4 839	5 172
Depreciation, amortisation, impairment and write-offs	5 814	5 585	5 167	5 065
(Decrease)/increase in provisions	(162)	181	(182)	222
Sale of property, plant and equipment	(2)	(59)	(22)	(188)
Foreign exchange movements	(29)	25	(41)	61
Share based payment expenses	135	48	125	29
Deferred revenue	(237)	(1)	(208)	(17)
Movement in working capital	(1 133)	(373)	(851)	75
Inventories	(94)	(56)	(127)	(110)
Accounts receivable	(1 280)	(11)	(1 662)	(1 833)
Accounts payable	241	(306)	938	2 018

31. Net debt reconciliation

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
Total interest-bearing debt at reporting date	10 241	9 397	10 194	9 313
Total interest-bearing debt at the beginning of the financial year	9 397	6 268	9 313	6 168
Loans raised	3 246	7 680	3 246	7 680
Loans repaid	(2 544)	(4 685)	(2 547)	(4 679)
Finance leases repaid	(42)	(16)	(4)	(6)
Foreign exchange revaluation on loans	12	–	14	–
Finance charges capitalised to interest-bearing debt	172	150	172	150

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

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

32. Finance charges paid

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
	(847)	(722)	(840)	(669)
Finance charges and fair value movements per statement of profit or loss and other comprehensive income	(947)	(842)	(1 093)	(785)
Non-cash items	100	120	253	116
Movements in interest accruals and interest on uncertain tax provisions	(76)	147	(76)	147
Net discount amortised	172	150	172	150
Borrowing costs capitalised (refer to note 8)	(59)	(135)	(59)	(135)
Hedging costs	88	169	88	169
Fair value adjustment	(67)	(186)	(65)	(171)
Interest on BCX sinking fund capitalised	–	–	140	17
Unrealised foreign exchange loss	42	(25)	53	(61)

33. Taxation paid

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
	(945)	(1 472)	–	(200)
Net tax payable at the beginning of the year	(307)	(422)	(346)	(305)
Current taxation	(1 064)	(1 136)	(153)	(19)
Additional payment to SARS	–	(200)	–	(200)
Interest accrued	(70)	(21)	(69)	(22)
Net tax payable at the end of the year	496	307	568	346

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34. Dividend paid

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
	(1 846)	(2 190)	(1 778)	(2 144)
Dividend payable at the beginning of the year	(58)	(25)	(27)	(23)
Declared during the year – dividend on ordinary shares	(1 780)	(2 142)	(1 780)	(2 148)
Dividends declared to non-controlling interests	(37)	(81)	–	–
Dividend payable at the end of the year	29	58	29	27

35. Commitments

	Group		Company	
	31 March 2019 Rm	Restated 31 March 2018 Rm	31 March 2019 Rm	Restated 31 March 2018 Rm
Capital commitments authorised	9 744	9 270	9 589	9 252
Commitments against authorised capital expenditure	5 671	4 350	5 516	4 332
Authorised capital expenditure not yet contracted	4 073	4 920	4 073	4 920

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

Management expects these commitments to be financed from internally generated cash and other borrowings.

	Group operating leases			
	Total Rm	<1 year Rm	1 – 5 years Rm	>5 years Rm
2019				
Operating lease commitments				
Land and buildings	3 790	739	1 863	1 188
Vehicles	214	168	46	–
Other	115	30	85	–
Operating lease receivables				
Rental receivable on buildings	(2 193)	(691)	(1 445)	(57)
Customer premises equipment receivables	(20)	(14)	(6)	–
Total	**1 906**	**232**	**543**	**1 131**
2018				
Operating lease commitments				
Land and buildings	3 304	602	1 765	937
Vehicles	5	3	2	–
Other	43	41	2	–
Operating lease receivables				
Rental receivable on buildings	(2 219)	(574)	(1 621)	(24)
Customer premises equipment receivables	(30)	(19)	(11)	–
Total	**1 103**	**53**	**137**	**913**

	Company operating leases			
	Total Rm	<1 year Rm	1 – 5 years Rm	>5 years Rm
2019				
Operating lease commitments				
Land and buildings	2 565	623	1 445	497
Vehicles	203	162	41	–
Operating lease receivables				
Rental receivable on buildings	(2 114)	(682)	(1 419)	(13)
Customer premises equipment receivables	(20)	(14)	(6)	–
Total	**634**	**89**	**61**	**484**
2018				
Operating lease commitments				
Land and buildings	1 968	496	1 338	134
Operating lease receivables				
Rental receivable on buildings	(2 219)	(574)	(1 621)	(24)
Customer premises equipment receivables	(30)	(19)	(11)	–
Total	**(281)**	**(97)**	**(294)**	**110**

The group leases certain buildings, vehicles and equipment. The majority of the lease terms negotiated for equipment-related premises are ten years with other leases signed for seven, five and three years. The majority of the leases contain an option clause entitling Telkom to renew the lease agreements for a period usually equal to the main lease term.

The minimum lease payments under these agreements are subject to annual escalations, which range from 6% to 15%.

Penalties in terms of the lease agreements are only payable should Telkom vacate a premises and negotiate to terminate the lease agreement prior to the expiry date, in which case the settlement payment will be negotiated in accordance with the market conditions of the premises. Future minimum lease payments under operating leases are included in the above note. Onerous leases for buildings, of which the company has no further use, no possibility of sub-lease and no option to cancel, are provided for in full and included in other provisions.

	Group finance lease commitments			
	Total Rm	<1 year Rm	1 – 5 years Rm	>5 years Rm
2019				
Equipment				
Minimum lease payments	162	66	96	–
Finance charges	(3)	(2)	(1)	–
Finance lease obligation	**159**	**64**	**95**	**–**
2018				
Software				
Minimum lease payments	11	6	5	–
Finance charges	(1)	(1)	–	–
Finance lease obligation	**10**	**5**	**5**	**–**
Equipment				
Minimum lease payments	24	9	15	–
Finance charges	(3)	(2)	(1)	–
Finance lease obligation	**21**	**7**	**14**	**–**

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35. Commitments continued

	Company finance lease commitments			
	Total Rm	<1 year Rm	1 – 5 years Rm	>5 years Rm
2019				
Software				
Minimum lease payments	–	–	–	–
Finance charges	–	–	–	–
Finance lease obligation	**–**	**–**	**–**	**–**
2018				
Software				
Minimum lease payments	11	6	5	–
Finance charges	(2)	(1)	(1)	–
Finance lease obligation	**9**	**5**	**4**	**–**

Finance leases

Yellow Pages leases equipment and these finance leases have been secured by printers with a book value of R4.2 million.

The minimum lease payments under these agreements are subject to annual escalations, which range from 7% to 10%.

There are no major restrictions imposed by lease arrangements.

36. Contingencies

Contingent liabilities

Other than the disclosures below, there have been no significant movement or new matters noted on the contingent positions as reported in the 31 March 2018 financial statements.

High court

Radio Surveillance Security Services (Pty) Ltd (RSSS)

In December 2011, RSSS served a summons on Telkom for the sum of R216 million. Telkom defended the matter. The trial was finalised in March 2018. Judgement was granted in April 2018. The claim of RSSS was dismissed with costs. RSSS made an application for leave to appeal to the Supreme Court of Appeal, which was dismissed. The matter is considered settled.

Phutuma Networks (Pty) Ltd (Phutuma)

In August 2009, Phutuma served a summons on Telkom, claiming for damages, in the amount of R5.5 billion, arising from a tender published by Telkom in November 2007. The High Court granted absolution from the instance, in Telkom's favour. The Supreme Court of Appeal (SCA) had initially dismissed Phutuma's application for leave to appeal in October 2014. On 4 November 2014, the SCA rescinded its order granted in October 2014. In early 2015, the SCA referred the application for leave to appeal back to the full bench of the North Gauteng High Court. The leave to appeal was heard in September 2016 and was upheld. The matter now needs to be re-enrolled for trial.

Tax matters

As noted in the prior year consolidated annual financial statements, the tax treatment of the loss that arose in the 2012 and 2014 financial years on the sale of foreign subsidiaries is based on a specific set of circumstances and a complex legislative environment. The 2012 matter was heard in the Tax Court in August 2018 and an appeal has been filed against the Tax Court judgement received, and as such, the dispute with SARS remains unresolved. The tax refund received, relating to the 2012 sale, therefore remains contingent and will only be recognised once the matter has been resolved.

37. Directors' interest and prescribed officers

	Group and Company			
	Beneficial		Non Beneficial	
Number of shares	Direct	Indirect	Direct	Indirect
Directors' shareholding				
2019				
Executive				
SN Maseko	143 561	–	–	–
TBL Molefe	6 000	–	–	–
	149 561	**–**	**–**	**–**
Non-executive				
JA Mabuza	11 500	–		
I Kgaboesele[1]	12 000	–	–	–
KW Mzondeki	748	–	–	–
	24 248	**–**	**–**	**–**

There has been no change in the above since 31 March 2019 to the date of approval of the financial statements.

	Direct	Indirect	Direct	Indirect
2018				
Executive				
SN Maseko	52 520	–	–	–
DJ Fredericks	48 711	534	–	–
	101 231	534	–	–
Non-executive				
JA Mabuza	26 000	–	–	–
I Kgaboesele	12 000	–	–	–
KW Mzondeki	748	–	–	–
	38 748	–	–	–

	Group and Company				
	Fees R	Remuneration R	Performance Bonus R	Fringe and other benefits R	Total R
2019					
Emoluments per director:					
Non-executive	4 522 632	6 352 738	–	–	10 875 370
N Kapila	298 335	535 732	–	–	834 067
JA Mabuza	337 060	1 325 000	–	–	1 662 060
KW Mzondeki	642 867	596 291	–	–	1 239 158
SL Botha	363 737	387 960	–	–	751 697
KT Kweyama	253 037	387 960	–	–	640 997
F Petersen-Cook	371 618	387 960	–	–	759 578
LL Von Zeuner	564 361	387 960	–	–	952 321
GW Dempster	477 471	387 960	–	–	865 431
RG Tomlinson	411 017	387 960	–	–	798 977
H Toure[1]	50 350	269 203	–	–	319 553
I Kgaboesele[1]	213 571	185 163	–	–	398 734
MS Moloko	166 887	387 960	–	–	554 847
DD Mokgatle	145 371	387 960	–	–	533 331
PCS Luthuli[4]	226 950	337 669	–	–	564 619
Executive that held office during 31 March 2019		12 880 151	9 814 345	15 194	22 709 690
SN Maseko (CEO)		8 291 500	7 006 091	12 096	15 309 687
TBL Molefe (GCFO)[2]		3 155 663	2 308 254	99	5 464 016
DJ Fredericks (GCFO)[3]		1 432 988	500 000	2 999	1 935 987
Total emoluments – paid by Telkom	**4 522 632**	**19 232 889**	**9 814 345**	**15 194**	**33 585 060**

[1] Resigned on 23 August 2018
[2] Appointed on 1 July 2018
[3] Resigned on 30 June 2018
[4] Appointed on 25 May 2018

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37. Directors' interest and prescribed officers continued

	Group and Company				
	Fees R	Remuneration R	Performance Bonus R	Fringe and other benefits R	Total R
2018					
Emoluments per director:					
Non-executive	3 741 884	5 608 055	–	–	9 349 939
N Kapila	286 850	523 093	–	–	809 943
JA Mabuza	219 422	1 293 746	–	–	1 513 168
KW Mzondeki	575 868	548 810	–	–	1 124 678
SL Botha	272 600	378 810	–	–	651 410
KT Kweyama	219 600	378 810	–	–	598 410
F Petersen-Cook	366 076	378 810	–	–	744 886
LL Von Zeuner	548 418	378 810	–	–	927 228
GW Dempster	286 850	378 810	–	–	665 660
T Dingaan (Skweyiya)	17 500	41 191	–	–	58 691
RG Tomlinson	375 468	378 810	–	–	754 278
H Toure	78 550	523 093	–	–	601 643
I Kgaboesele	494 682	378 810	–	–	873 492
MS Moloko	–	13 226	–	–	13 226
DD Mokgatle	–	13 226	–	–	13 226
Executive that held office during 31 March 2018		13 615 000	11 703 218	23 994	25 342 212
SN Maseko (CEO)		8 050 000	7 580 163	11 997	15 642 160
DJ Fredericks (CFO)		5 565 000	4 123 055	11 997	9 700 052
Total emoluments – paid by Telkom	**3 741 884**	**19 223 055**	**11 703 218**	**23 994**	**34 692 151**

Refer to remuneration report for appointments and resignations.

Included in fringe and other benefits is motor car insurance for SN Maseko of R11 997 (31 March 2018: R11 997), motor car insurance for DJ Fredericks of R2 999 (31 March 2018: R11 997) and motor car insurance for TBL Molefe of Rnil (31 March 2018: Rnil).

SN Maseko was granted 220 912 shares (31 March 2018: 215 155 shares) and the total IFRS 2 expense increased by R1 053 750 (31 March 2018: decreased by R187 185). DJ Fredericks was granted 75 359 shares (31 March 2018: 148 737 shares) and the total IFRS 2 expense increased by R359 462 (31 March 2018: decreased by R129 401). TBL Molefe was granted 56 051 shares (31 March 2018: 0 shares) and the total IFRS 2 expense increased by R267 363 (31 March 2018: Rnil). The group reassessed the estimated amount of shares to vest to executives based on the current performance against vesting targets. This decreased the share scheme expense in the current year.

	Group and Company				
	Remuneration * R	Incentive bonus R	Fringe and other benefits ** R	Total R	Pension – TRF 13% *** R
2019					
Emoluments per prescribed officer:					
AN Samuels	5 150 000	3 414 416	12 096	8 576 512	388 310
AC Beukes[1]	1 287 398	815 893	3 711	2 107 002	116 167
CJ Moganwa[2]	1 181 151	–	74	1 181 225	102 598
PJ Bogoshi[3]	3 916 667	2 882 223	99	6 798 989	381 875
S Taukobong[3]	5 000 000	3 665 238	9 096	8 674 334	455 000
NM Lekota	3 493 760	2 553 963	99	6 047 822	366 845
LTS Maloba	3 552 500	1 777 150	99	5 329 749	300 186
IM Russell[4]	833 333	–	3 069 986	3 903 319	65 000
TBL Molefe[5]	1 051 888	769 418	–	1 821 306	79 312
DJ Fredericks[6]	4 298 963	1 500 000	9 096	5 808 059	458 269
L Siyo[7]	2 933 333	1 760 000	10 997	4 704 330	58 667
Total emoluments – granted by Telkom	32 698 993	19 138 300	3 115 353	54 952 647	2 772 229

[1] *Appointed on 13 December 2018*
[2] *Appointed on 7 January 2019*
[3] *Appointed on 1 June 2018*
[4] *Resigned on 31 May 2018*
[5] *Appointed on 1 July 2018*
[6] *Appointed on 1 July 2018 and resigned on 14 October 2018*
[7] *Appointed on 1 May 2018*

	Group and Company				
	Remuneration * R	Incentive bonus R	Fringe and other benefits ** R	Total R	Pension – TRF 13% *** R
2018					
Emoluments per prescribed officer:					
BC Armstrong	1 250 336	–	4 736 586	5 986 922	79 771
AN Samuels	5 000 000	3 816 500	11 997	8 828 497	377 000
LM De Villiers	3 387 101	2 295 218	1 424 527	7 106 846	460 646
IM Russell	5 000 000	–	11 997	5 011 997	390 000
NM Lekota	3 392 000	2 640 079	–	6 032 079	356 160
A Vitai	6 004 900	4 634 525	3 209 501	13 848 926	–
I Mophatlane	2 100 082	–	8 231 682	10 331 764	105 004
T Seopa	2 018 441	–	3 791 836	5 810 277	152 190
LTS Maloba	1 354 703	686 560	–	2 041 263	115 513
TBL Molefe	4 085 000	3 142 969	–	7 227 969	308 009
Total emoluments – granted by Telkom	**33 592 563**	**17 215 851**	**21 418 126**	**72 226 540**	**2 344 293**

	Total vested shares year to date	Number of shares FY2014/2015	Number of shares FY2015/2016	Number of shares FY2016/2017	Number of shares FY2017/2018	Number of shares FY2018/2019	IFRS 2 expense
Share allocation per prescribed officer:							
2019							
AN Samuels	42 828	55 629	40 431	59 179	133 637	91 475	1 609 985
AC Beukes	–	–	–	–	–	–	–
CJ Moganwa	–	–	–	–	–	–	–
PJ Bogoshi	–	–	–	–	–	62 611	298 654
S Taukobong	–	–	–	–	–	186 503	889 619
NM Lekota	–	–	–	–	67 994	46 542	546 337
LTS Maloba	–	–	–	–	-	22 085	105 345
IM Russell	188 089	68 922	41 981	54 621	122 946	-	478 817
TBL Molefe	–	–	–	–	109 181	56 051	788 157
DJ Fredericks	–	–	–	–	–	–	–
	230 917	**124 551**	**82 412**	**113 800**	**433 758**	**465 267**	**4 716 914**

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37. Directors' interest and prescribed officers continued

	Total Vested Shares Year To Date	Number of Shares FY2013/2014	Number of Shares FY2014/2015	Number of Shares FY2015/2016	Number of Shares FY2016/2017	Number of Shares FY2017/2018	IFRS 2 Expense
Share allocation per prescribed officer:							
2018							
BC Armstrong	131 040	24 958	82 717	50 553	65 773	50 127	(124 487)
AN Samuels	20 861	–	55 629	40 431	59 179	133 637	(233 173)
LM De Villiers	197 569	96 277	54 569	33 239	43 246	67 896	(84 962)
IM Russell	51 979	32 734	68 922	41 981	54 621	122 946	(234 226)
NM Lekota	–	–	–	–	–	67 994	(59 155)
A Vitai	198 825	–	95 374	58 929	76 670	160 494	(167 599)
I Mophatlane	118 914	–	–	–	255 384	–	(118 729)
T Seopa	59 491	–	–	–	147 805	–	(76 833)
LTS Maloba	–	–	–	–	–	–	–
TBL Molefe	–	–	–	–	–	109 181	(94 987)
	778 679	153 969	357 211	225 133	702 678	712 275	(1 194 151)

The group has identified EXCO members as prescribed officers because they exercise general executive control over the business.

* *Remuneration includes basic salary, company contribution towards TRF and flexible allowance and has been apportioned based on the period served as prescribed officers. Comparative information has been provided for members identified as prescribed officers.*
** *Fringe and other benefits include motor car insurance, relocation benefits, separation packages, notional completion bonuses and leave payments.*
*** *The pension contribution is a company contribution.*

38. Related parties

	Group 31 March 2019 Rm	Group Restated 31 March 2018 Rm	Company 31 March 2019 Rm	Company Restated 31 March 2018 Rm
Details of material transactions and balances with related parties not disclosed separately in the financial statements were as follows:				
With shareholders:				
Government of South Africa				
Related party balances				
Finance lease receivable	207	229	207	229
Trade receivables	1 370	1 010	1 098	792
Provision for doubtful debt	(212)	(207)	(231)	(250)
Related party transactions				
Revenue	(4 128)	(4 557)	(3 561)	(3 992)

At 31 March 2019, the Government of South Africa held 40.5% (31 March 2018: 40.5%) of Telkom's shares, and had the ability to exercise significant influence, and the Public Investment Corporation held 11.9% (31 March 2018: 12.9%) of Telkom's shares.

	Group 31 March 2019 Rm	Group Restated 31 March 2018 Rm	Company 31 March 2019 Rm	Company Restated 31 March 2018 Rm
With subsidiaries:				
Business Connexion Proprietary Limited				
Related party balances				
Trade receivables			988	1 861
Other receivables			–	54
Loans, preference shares and other facilities			3 783	3 481
Other financial liabilities			(2 757)	(1 217)
Trade and other payables			(2 802)	(969)
Related party transactions				
Revenue and other income			(6 212)	(6 580)
Expenses			1 902	2 710
Interest received			(478)	(387)
Interest expense			143	–
Yellow Pages Proprietary Limited				
Related party balances				
Trade receivables			4	2
Other receivables			–	58
Trade and other payables			(63)	(280)
Other payables			(186)	(187)
Related party transactions				
Revenue			(53)	(61)
Dividend received			(58)	(149)
Interest paid			7	10
Swiftnet Proprietary Limited				
Related party balances				
Trade receivables			2	2
Other receivables			176	176
Loans, preference shares and other facilities			1 069	930
Trade and other payables			(616)	(640)
Related party transactions				
Revenue			(106)	(8)
Expenses			310	258
Interest received			(139)	(109)
Rossal No 65 Proprietary Limited				
Related party balances				
Trade and other payables			–	1
Related party transactions				
Dividend paid			–	(6)
VS Gaming Proprietary Limited (formerly Acajou Investments Proprietary Limited)				
Related party balances				
Trade and other payables			(109)	(17)
Other receivables			–	61
Related party transactions				
Expenses			–	15
Intekom Proprietary Limited				
Related party balances				
Trade and other payables			–	(109)
Telkom Foundation				
Related party balances				
Sundry provision			–	1
Trade and other payables			(29)	(6)
Related party transactions				
Expenses			64	94

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38. Related parties continued

	Group 31 March 2019 Rm	Group Restated 31 March 2018 Rm	Company 31 March 2019 Rm	Company Restated 31 March 2018 Rm
Gyro Services Proprietary Limited				
Related party balances				
Other receivables			198	604
Loans, preference shares and other facilities			4	4
Trade and other payables			(429)	(165)
Related party transactions				
Revenue			(19)	–
Expenses			105	–
Other income			–	(115)
Interest received			(1)	–
Interest paid			4	2
Gyro Properties Proprietary Limited				
Related party balances				
Loans, preference shares and other facilities			113	98
Trade and other payables			(82)	(39)
Related party transactions				
Expenses			102	36
Interest received			(15)	(12)

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 2019, 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 31 March 2019 Rm	Group Restated 31 March 2018 Rm	Company 31 March 2019 Rm	Company Restated 31 March 2018 Rm
With entities under common control:				
Major public entities				
Related party balances				
Trade receivables	42	54	14	25
Provision for doubtful debt	(2)	(10)	–	(9)
Trade payables	(35)	(12)	(1)	(2)
Related party transactions				
Revenue (excluding operating lease income)	(456)	(573)	(314)	(439)
Operating expenses (excluding operating lease expense)	399	427	214	218
Operating lease income	(27)	(23)	(27)	(23)
Operating lease expense	30	19	30	19
Key management personnel compensation:				
(Including directors and prescribed officers' emoluments)				
Related party transactions				
Short-term employee benefits	272	247	204	211
Post-employment benefits	17	15	14	13
Termination benefits	13	25	5	7
Equity compensation benefits	22	(3)	20	(3)

Terms and conditions of transactions with related parties
Except as indicated above, outstanding balances at 31 March 2019 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 2019, 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.

39. Group interest in subsidiaries and associates

Set out below is a list of the significant subsidiaries and associates of the group at 31 March 2019, held directly by Telkom SA. 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: RSA – Republic of South Africa

	Country of incorporation	Issued share capital 2019 R	Interest in issued ordinary share capital 2019 %	Ownership interest held by non-controlling interest 2019 %	Issued share capital 2018 R	Interest in issued ordinary share capital 2018 %	Ownership interest held by non-controlling interest 2018 %
Business Connexion (Pty) Ltd	RSA	2 280 500	100	–	2 280 500	100	–
Yellow Pages (Pty) Ltd	RSA	100 000	64.9	35.1	100 000	64.9	35.1
Rossal No 65 (Pty) Ltd	RSA	100	100	–	100	100	–
Acajou Investments (Pty) Ltd t/a VS Gaming	RSA	100	100	–	100	100	–
Intekom (Pty) Ltd	RSA	10 001 000	100	–	10 001 000	100	–
Swiftnet (Pty) Ltd	RSA	5 000 000	100	–	5 000 000	100	–
Number Portability Company	RSA	100	20	–	100	20	–
Gyro Properties	RSA	100	100	–	100	100	–
Gyro Solutions	RSA	100	100	–	100	100	–

The total non-controlling interest for the year is R197 million (restated 31 March 2018: R194 million) and relates to Yellow Pages and Business Connexion. The non-controlling interest relating to Business Connexion is not considered material to the group.

Non-controlling interest relating to Yellow Pages	2019	2018
Dividends paid to non-controlling interest	63	81
Current assets	558	638
Non-current assets	69	5
Current liabilities	(10)	(86)
Non-current liabilities	(22)	(40)

The group's interest in the Number Portability Company and BCX associates and joint ventures are not regarded as individually material. The equity method is used to account for the financial information of the associate. The investments are recorded at cost in the company financial statements.

Interest in operating profits, before eliminations, from subsidiaries and associates	Revenue Rm	EBITDA Rm	EBIT Rm	Net profit/(loss) Rm
2019				
Business Connexion (Pty) Ltd	19 524	2 717	2 039	1 032
Yellow Pages (Pty) Ltd	651	138	126	101
Swiftnet (Pty) Ltd	987	376	361	140
Rossal No 65 (Pty) Ltd	–	–	–	–
Acajou Investments (Pty) Ltd t/a VS Gaming	14	(40)	(43)	(43)
Intekom (Pty) Ltd	–	(99)	(99)	(99)
Telkom Foundation*	64	(15)	(15)	(12)
Gyro Properties	131	108	104	62
Gyro Solutions	435	230	228	179
2018				
Business Connexion (Pty) Ltd	20 511	3 643	3 077	1 616
Yellow Pages (Pty) Ltd	850	219	210	137
Swiftnet (Pty) Ltd	912	312	277	95
Rossal No 65 (Pty) Ltd	–	–	–	–
Acajou Investments (Pty) Ltd t/a VS Gaming	26	(32)	(35)	(35)
Intekom (Pty) Ltd	–	–	–	–
Telkom Foundation*	94	37	37	37
Gyro Properties	257	18	15	4
Gyro Solutions	265	28	27	17

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

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.

* *Non profit making trust.*

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40. Significant events and transactions

Results of the Telkom Annual General Meeting regarding directors re-appointments

On 23 August 2018, all board members were elected as per the Annual General Meeting ordinary resolutions.

Dividends

The Telkom Board declared an ordinary dividend of 237 cents per share on 28 May 2018 which was paid on 25 June 2018 to shareholders registered on 22 June 2018.

The Telkom Board also declared an ordinary dividend of 112 cents per share on 13 November 2018 which was paid on 3 December 2018 to shareholders registered on 30 November 2018.

Employee Share Plan

In May and June 2018, Telkom purchased 901 068 shares from the market through Rossal, a wholly owned subsidiary, for the purposes of the employee share plan.

Allocation of shares in terms of the Telkom Employee Share Plan

On 25 May 2018, the board approved the sixth allocation of shares to employees in terms of its Employee Share Plan.

The number of shares to vest will depend on the extent to which the performance conditions are met at the end of the applicable vesting period.

Vesting of shares

In terms of the Telkom Share Plan 101 191 and 31 500 shares vested to Mr Sipho Maseko and Mr Deon Fredericks respectively in June 2018.

Appointment of new group chief financial officer and executive director

Telkom announced on 27 June 2018 that Mr Deon Fredericks would step down as group chief financial officer and executive director with effect 30 June 2018. Ms Tsholofelo Molefe has been appointed as the new group chief financial officer and as an executive director of the Telkom Board with effect from 1 July 2018.

BCX Section 189 process

On 7 November 2018, BCX issued a company-wide communication advising its employees that it had served unions with a notice in terms of section 189 of the Labour Relations Act. The matter was finalised in February 2019.

Conclusion of Telkom and Vodacom roaming and facilities leasing agreement

On 7 November 2018, Telkom and Vodacom concluded a new roaming and facilities agreement. The roaming agreement covers 2G, 3G and LTE roaming with seamless handovers between Telkom and Vodacom networks. The facilities leasing agreement will allow Telkom to use Vodacom towers, antennas and shelters to build out its own network. Telkom currently has a roaming agreement with MTN which expires in June 2019. The company is conducting a phased transition from the current roaming agreement, which will be concluded by the end of the contract period.

Change in JSE sponsor

Telkom announced on 22 March 2019 that it had made a decision that Telkom will be rotating the role of The Standard Bank of South Africa Limited as JSE sponsor, with effect from 30 June 2019.

The company has appointed Nedbank Corporate and Investment Banking, a division of Nedbank Limited, as JSE sponsor, with effect from 1 July 2019.

Appointment of non-executive director

Telkom announced on 21 February 2019 that Dr Sibusiso Sibisi has been appointed to the board of directors of the company as an independent non-executive director with effect from 1 April 2019.

Retirement of non-executive director

Telkom announced on 24 August 2018 that Dr Hamadoun Touré has resigned from the board of directors of Telkom as an independent non-executive director with effect from 23 August 2018.

Telkom announced on 24 July 2018 that Mr Itumeleng Kgaboesele, an independent non-executive director, would be retiring from the Telkom Board with effect from 23 August 2018.

On 21 February 2019, Telkom advised the market that Mr Jabu Mabuza will be stepping down as an independent non-executive director and the chairman of the board of directors of Telkom, with effect from 31 May 2019.

Mr Sello Moloko, currently an independent non-executive director of the board, will act as the new chairman of the Telkom Board with effect from 1 June 2019.

Appointment of new external auditors

On 23 August 2018, the AGM ratified the appointment of PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Grant Thornton Inc. for appointment as the joint external auditors for the group for the financial year ending 31 March 2019.

41. Events after the reporting date

Dividends

The Telkom Board declared an ordinary dividend of 249.40 cents per share on 27 May 2019, payable on 18 June 2019 to shareholders registered at the close of business on 14 June 2019.

Acquisition of Trudon (Pty) Ltd minority interest

On 20 March 2019, the Telkom Board approved the acquisition of the minority shareholding in Trudon (Pty) Ltd. During May 2019, the parties to the transaction signed the sale of shares agreement. The parties are awaiting approval from the Competition Commission to finalise the transaction.

Disposal of SOX interests

On 20 March 2019, the Telkom Board approved BCX's disposal of its stake in SOX Holdings (Smart Office Connection Group Holdings Ltd).

On 22 May 2019, the parties have agreed to the disposal of BCX's shares in the form of a repurchase of shares agreement, in terms of which SOX Holdings will buy back BCX's shares. The agreement is subject to the fulfilment (or waiver where appropriate) of certain condition precedents, including:

- Competition Commission approval; and
- The conclusion of service, support and maintenance agreements between BCX and SOX.

Other matters

The directors are not aware of any other matter or circumstance since the financial year ended 31 March 2019 and the date of this report, or otherwise dealt with in the financial statements, which significantly affects the financial position of the group and the results of its operations.

Annexure A – Shareholder analysis

	Number of shareholders	Percentage	Holdings	Percentage
Range of shareholders				
1 – 100 shares	54 936	69.79	1 938 525	0.38
101 – 1 000 shares	21 307	27.06	5 691 623	1.11
1 001 – 10 000 shares	1 841	2.34	4 791 306	0.94
10 001 – 50 000 shares	294	0.37	6 946 850	1.36
50 001 – 100 000 shares	113	0.14	8 325 023	1.63
100 001 – 1 000 000 shares	191	0.24	62 183 856	12.17
1 000 001 and more shares	45	0.06	421 263 056	82.41
	78 727	**100**	**511 140 239**	**100**
Type of shareholder				
Banks/brokers	282	0.36	156 656 052	30.65
Close corporations	34	0.04	32 102	0.01
Endowment funds	142	0.18	686 713	0.13
Individuals	75 763	96.24	12 049 306	2.36
Insurance companies	48	0.06	8 898 852	1.74
Investment companies	4	0.01	120 575	0.02
Medical aid schemes	10	0.01	36 615	0.01
Mutual funds	229	0.29	31 982 447	6.26
Other corporations	54	0.07	208 069 240	40.71
Private companies	108	0.14	712 828	0.14
Public companies	4	0.01	92 588	0.02
Retirement funds	150	0.19	76 491 313	14.96
Treasury Stock	4	0.01	14 291 626	2.80
Trusts	1 895	2.41	1 019 982	0.20
	78 727	**100**	**511 140 239**	**100**
Geographical holdings by owner				
South Africa	78 293	99.45	344 231 806	67.35
United States	90	0.11	95 798 433	18.74
United Kingdom	134	0.17	35 560 704	6.96
Europe	87	0.11	25 948 677	5.08
Other	123	0.16	9 600 619	1.88
	78 727	**100**	**511 140 239**	**100**
Beneficial shareholders of more than 2%				
The Government of the Republic of South Africa			207 038 058	40.51
Government Employees Pension Fund			60 817 266	11.90
Telkom Treasury Stock			14 291 626	2.80
			282 146 950	**55.21**
Public and non-public shareholders				
Non-public shareholders			221 612 167	43.36
The Government of the Republic of South Africa			207 038 058	40.51
Government buffer account			9 461	–
Telkom Treasury Stock			14 291 626	2.80
Executive and non-executive directors*			173 809	0.03
Subsidiaries directors*			99 213	0.02
Public shareholders				
Institutional and retail investors			289 528 072	56.65
			511 140 239	**100**

** Director holdings consist of direct and indirect holdings.*

The information above is based on registered shareholders, except where only beneficial shareholders' information was available as at 31 March 2019.

Administration

Company registration number
1991/005476/30

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Rosebank, 2196
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Sponsor
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Standard Bank Centre
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Rosebank, 2196

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* Until 30 June 2019
** Effective from 1 July 2019

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