Telkom SA SOC Ltd

Group Abridged Annual Results

for the year ended
31 March 2023

Seamlessly connecting our customers to a better life

Telkom

Telkom SA SOC Ltd

(Incorporated in the Republic of South Africa)

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(Telkom, the Company, or the Group)

www.telkom.co.za

Telkom SA SOC Ltd is listed on the JSE Ltd. Information can be accessed on Reuters under the symbol TKGJ.J and on Bloomberg under the symbol TKG.SJ. Information on Reuters and Bloomberg is provided by a third party and is not incorporated by reference herein. Telkom has not approved or verified such information and does not accept any liability for the accuracy of such information.

Special note regarding forward-looking statements

All statements, other than statements of historical facts, including, among others, statements regarding our strategy, future financial position and plans, objectives, capital expenditure (capex), projected costs and anticipated cost savings and financing plans and projected levels of growth in the communications market, are forward-looking statements. Forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "envisage", "intend", "plan", "project", "estimate", "anticipate", "believe", "hope", "can", "is designed to" or similar phrases. However, the absence of such words does not necessarily mean a statement is not forward-looking. Forward-looking statements involve several known and unknown risks, uncertainties and other factors that could cause our actual results and outcomes to be materially different from historical results or any future results expressed or implied by such forward-looking statements. Factors that could cause our actual results or outcomes to differ materially from our expectations include, but are not limited to, those risks identified in Telkom's most recent integrated report available at https://group.telkom.co.za/ir/.

Telkom cautions readers not to place undue reliance on these forward-looking statements. All written and verbal forward-looking statements attributable to Telkom, or persons acting on Telkom's behalf, are qualified in their entirety by these cautionary statements. Unless we are required by law to update these statements, we will not necessarily update any of these statements after the date of this document, so that they conform either to the actual results or to changes in our expectations.

Any forward-looking financial information disclosed in these Group annual results for the year ended 31 March 2023 ("results announcement") has not been reviewed or audited or otherwise reported on by our joint independent external auditors.

Pro forma information

This pro forma financial information is the responsibility of the board of directors and due to its nature, may not fairly present Telkom's financial position, changes in equity and results of operations or cash flows due to its nature.

The pro forma financial information contained in this results announcement was reported on by the Group's joint independent external auditors. Their unmodified reasonable assurance report was prepared in terms of ISAE 3420 and is on page 30.

The pro forma financial information has been prepared excluding the impact of voluntary severance package, voluntary early retirement package and S189 costs, the impairment of assets charge in the current year, the related tax impact on results and the write-up of invested capital of BCX and Gyro to fair value and net debt and free cash flow (FCF) which are non-defined IFRS measures (the "pro forma adjustments"). This constitutes pro forma financial information to the extent that it is not extracted from the segment disclosure included in the audited consolidated abridged financial statements for the year ended 31 March 2023. This pro forma financial information was presented to eliminate the impact of the pro forma adjustments from the audited consolidated abridged financial statements for the year ended 31 March 2023 to achieve a comparable year-on-year analysis and show the underlying performance of the business. The pro forma adjustments were determined in terms of the Group accounting policies disclosed in the audited consolidated abridged financial statements for the year ended 31 March 2023.

The joint independent external auditors' audit report by PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Grant Thornton Inc. does not report on all the information contained in this results announcement. Shareholders are therefore advised that to obtain a full understanding of the nature of the joint independent external auditors' engagement they should obtain a copy of the joint independent auditors' audit report together with the accompanying financial information from Telkom's registered office.

The Board of Directors ('Board') takes full responsibility for the preparation of this results announcement that has been correctly extracted from the underlying audited consolidated abridged financial statements. The information contained in this document is also available on Telkom's investor relations website https://group.telkom.co.za/ir/.

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Key indicators

43 138
Operating revenue
R'million
0.9% ↑
FY2022: 42 756

17 819
Mobile service revenue
R'million
1.8% ↑
FY2022: 17 505

12 323
Fixed service revenue
R'million
9.7% ↓
FY2022: 13 649

6 371
Information technology revenue
R'million
13.7% ↑
FY2022: 5 604

9 552
EBITDA*
R'million
19.8% ↓
FY2022: 11 908

7 401
Capex
R'million
1.1% ↓
FY2022: 7 484

(2 722)
Free cash flow (FCF)**
R'million
30.9% ↓
FY2022: (2 080)

71.0
BEPS*
Cents per share
86.8% ↓
FY2022: 536.6

134.6
HEPS*
Cents per share
76.6% ↓
FY2022: 575.3

3 469
Cash balance at the end of the year
R'million
7.1% ↑
FY2022: 3 239

1.8
Net debt to EBITDA***
times
0.6x ↑
FY2022: 1.2

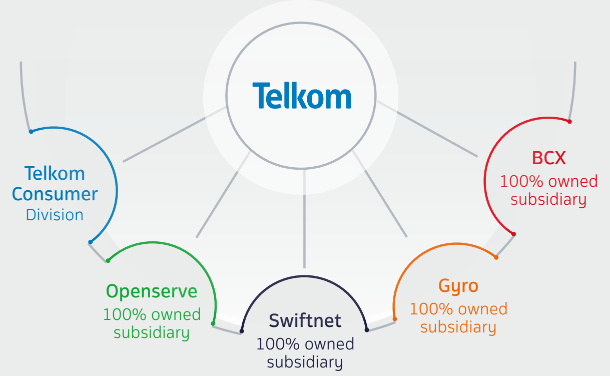
* *Refer to page 4 for the reconciliation of the reported figures to the pro forma adjusted figures.*

** *This is a non-defined IFRS measure.*

Telkom operating structure

Telkom SA SOC Ltd represents Telkom Group (Telkom or the Group), which comprises Telkom Company and its subsidiaries. Telkom Company comprises a division, namely Telkom Consumer. Telkom Group operating subsidiaries are Openserve, BCX and Gyro Group.

In the context of our operating model, business units comprise our division and subsidiaries.



Telkom Consumer is South Africa's largest fixed broadband provider measured by network deployed, an internet service provider and, together with its mobile network, a converged communications provider. Telkom Small and Medium Business (SMB) is included in this segment.

Openserve is South Africa's leading wholesale infrastructure connectivity provider with the largest open-access network across South Africa.

BCX is a state-of-the-art technology company that provides information and communications technology (ICT) solutions and an integrated portfolio of technology solutions in South Africa.

Swiftnet manages and commercialises the masts and towers portfolio.

Gyro manages Telkom's properties and data centres.

The United Nations Sustainable Development Goals (SDGs)

SUSTAINABLE DEVELOPMENT GOALS

The following four SDGs were identified as presenting the most material opportunities for Telkom to enhance its positive impact and minimise its negative impact:

- **SDG 4** Quality education
- **SDG 9** Industry, innovation and infrastructure
- **SDG 8** Decent work and economic growth
- **SDG 12** Responsible consumption and production

Telkom can further support and influence the following SDGs:

- **SDG 1** No poverty
- **SDG 6** Clean water and sanitation
- **SDG 10** Reduced inequalities
- **SDG 16** Peace, justice and strong institutions

Throughout this report, the relevant SDG icon indicates where related information is discussed.

Our ESG strategy

Telkom has made significant strides in its environmental, social and governance (ESG) journey, with the introduction of a new operating model in the form of an ESG Impact Council, to support the execution of the strategy that was approved for the financial year ended 31 March 2023 (FY2023 or the year). This is a hybrid model led by a small central team, supported by ESG champions in each business unit. We are heartened by the measurable progress made on the goals in FY2023 and will continue to refine our approach through the lenses of governance, strategy, management, metrics and performance, in line with market and stakeholder expectations.

Telkom is intentional and unequivocal in its pursuit to deliver sustainable value to stakeholders, and our ESG strategy provides a framework for deliberate action to achieve this.

FY2023 highlights

- The establishment of an ESG Impact Council, which brings together participants from across the Group to deliberate on the execution of our strategy and find opportunities to improve
- Quantifiable impact on the lives of thousands of South Africans through leveraging our procurement, enterprise and supplier development, and social investment spend towards job creation and digital literacy
- A significant reduction in our scope 1 and 2 emissions, largely due to site terminations, in support of our decarbonisation journey.
- We have concluded our first scope 3 emissions baseline and will commence reporting on progress in reducing these emissions in our value chain in FY2024

Priorities in FY2024

On the premise that "what is managed can be measured", we will be broadening the scope of ESG key performance indicators (KPIs) measured by the business, to deepen our compliance with evolving frameworks and standards for sustainability-related disclosure.

Further priorities are to improve management of our energy, waste and water nexus to enhance resource efficiency and further reduce our emissions, and to build partnerships and initiatives to address and influence scope 3 emissions in those parts of our value chain over which we have indirect control. Refer to the FY2023 integrated report for more details on our ESG strategy.

In line with global trends, Telkom has committed to linking a percentage of pay to ESG performance. Embedding the link between ESG and remuneration in FY2024, through both short-term and long-term incentives, will help to focus collective accountability on our key ESG goals. The FY2023 remuneration report will contain more details.

Pro forma financial information

Certain financial information presented in this results announcement constitutes pro forma financial information in terms of the JSE Listings Requirements. The pro forma financial information is presented to help the reader analyse the underlying performance of Telkom. The pro forma adjustments for the financial year ended 31 March 2023 include the impact of the impairment of R13 017 million and the related tax impact of R3 477 million, restructuring costs of R1 065 million and the related tax impact of R288 million, the invested capital write-up of BCX and Gyro of R10 479 million with no tax implications as this results in permanent differences and net debt and free cash flow which are non-defined IFRS measures.

Unless otherwise stated, the pro forma consolidated income statement and all related key performance indicators and messages in this results announcement are based on this adjusted base. The applicable criteria against which this pro forma financial information was prepared for the year are set out below.

Impairment of assets

The financial results for the year ended 31 March 2023 reaffirm the need to act with urgency to turn around the Group's performance. Significant market changes and current economic conditions – including accelerated loadshedding, low anticipated economic growth rates and a high interest rate environment – coupled with evolving technological advancements, have had an adverse effect on the Group. The impairment review was prompted by the fact that Telkom's shares have been trading at a significantly lower value compared to its net asset value for a considerable length of time. The Board decided to impair the Group's cash-generating units, namely Openserve and Telkom Consumer, in the amount of R13 017 million. This follows Telkom's strategy to accelerate its migration to newer technologies. A significant portion of the Group's copper assets were impaired in 2013.

The impairment charge is a non-cash item and will not impact the EBITDA that the Group generates from its operations. It is akin to an accelerated depreciation charge that has no impact on the Group's cash position, indebtedness or ability to fund its capital programme from its own resources. However, basic earnings per share has been adversely impacted by the once-off non-cash impairment charge and is therefore 2 595.5 cents per share lower for FY2023 than for the prior year. The non-cash impairment charge is excluded from headline earnings per share from continuing operations, which is 601.1 cents per share or 104.5% lower than the prior year.

Improve
management of our energy, waste and water nexus

Restructuring costs

The Group announced a restructuring process in February 2023 and extended voluntary early retirement packages and voluntary severance packages to all employees in the Group. More than 1 700 employees were affected, and as a result restructuring costs of R1 065 million were recorded during FY2023.

Invested capital

As a result of the headroom between the enterprise valuation when compared to the carrying value the assets of Swiftnet and BCX were written up to align their invested capital values to the rest of the group. The R10 479 million invested capital pro forma refers to the “write-up” of assets allocated to Swiftnet of R5 323 million and BCX of R5 156 million.

Please refer to page 39 for the ROIC calculation per technology and segment.

Extract of the audited consolidated abridged statement of profit and loss	**Pro forma March 2023 Rm**	Pro forma adjustment Rm	March 2023 Rm
Operating expenses	**21 440**	1 065	22 505
Employee expenses	**8 227**	1 065	9 292
EBITDA	**9 552**	(1 065)	8 487
Depreciation, amortisation, impairment and write-offs	**7 636**	13 017	20 653
Operating profit	**1 916**	(14 082)	(12 166)
Taxation	**234**	(3 765)	(3 531)
Profit/loss for the year	**346**	(10 317)	(9 971)
BEPS (cents)	**71.0**		(2 058.9)
HEPS (cents)	**134.6**		(25.7)
Return on invested capital (%)	**3.5**		(23.3)
Operating profit/(loss) after tax	**1 338**	(10 317)	(8 979)
Invested capital (closing balance)	**37 965**		37 965
Return on invested capital at fair value (%)	**2.8**		(23.6)
Operating profit/(loss) after tax	**1 338**	(10 317)	(8 979)
Invested capital at fair value	**48 444**	(10 479)	37 965

The prior year ending 31 March 2022 has not been impacted by pro forma adjustments.

Segment reporting

Segment reporting is provided on page 28 as part of the notes to the financial statements.

Results from operations

Group profit after tax* decreased by 86.9% to R346 million (FY2022: R2 631 million). This is mainly attributable to the 19.8% decrease in EBITDA* to R9 552 million and a 9.5% increase in depreciation, amortisation, impairments, and write-offs*. This was partially offset by a decrease in the tax expense of 79.9%, resulting in a 76.6% decrease in headline earnings per share (HEPS)* to 134.6 cents per share.

** Refer to page 4 for the reconciliation of the reported figures to the pro forma adjusted figures.*

Overview of our business

1

Telkom announced its Group abridged annual results for the year ended 31 March 2023 on 13 June 2023 in Centurion, South Africa.

Message from Group Chief Executive Officer, Serame Taukobong

The year was characterised by unprecedented levels of loadshedding, constrained consumer spending, and dynamic competition against the backdrop of a sluggish economy with persistent inflationary pressures.

As we continued to manage the transition to next-generation technologies, Group performance was under pressure from a pronounced reduction in legacy revenues for the year. Despite this, revenue grew marginally. However, the incremental costs of loadshedding reduced overall profitability, notwithstanding our efforts to manage operating costs.

Competition intensified in the mobile, fibre and IT services businesses. In response, we have embarked on a Group-wide cost transformation journey to return the Group's profitability to above 25% in the medium term while driving revenue growth in ever-evolving markets.

* *Refer to* *page 4* *for the reconciliation of the reported figures to the pro forma adjusted figures.*

Performance overview

Revenue was marginally up by 0.9% to R43 138 million despite challenging trading conditions as our mobile and broadband strategies continued bearing fruit. The migration of revenues from legacy to newer technologies, our investment in the Mobile post-paid base to drive higher annuity revenue, and the impact of sustained loadshedding put pressure on our operating costs. Normalised Group EBITDA* decreased by 19.8% excluding a R1 065 million provision for restructuring costs. Normalised HEPS* and BEPS* dropped by 76.6% to 134.6 cents and by 86.8% to 71.0 cents, respectively.

Openserve saw growth across its next-generation data-led products, now representing close to 70% of its revenue base, as it continued the journey to transform its revenue mix. Fixed-data next-generation revenue grew by 10.2%, driven by the increased rollout of fibre and healthy growth in carrier services and enterprise services, contributing to Openserve's leadership in providing open-access connectivity across South Africa.

Performance was limited by pricing gaps between new-generation business and legacy business, as declines in fixed-voice and legacy revenues accelerated during the year. Revenue declined by 4.0% to R12 897 million. Although costs were well managed and grew by less than inflation, significant increases in backup power due to unreliable energy supply put pressure on profitability. Openserve continued to expand its fibre footprint across all channels and increased the number of homes passed with fibre by 23.9%, surpassing the 1 million homes mark. Homes connected advanced by 26.7% to 47.4%; high-capacity carrier connectivity to base stations increased by 5.1% while enterprise market connectivity grew by 2.5%. Openserve's investment in upgrading its existing fibre nodes, and an undersea cable partnership with Google that gives it access to 12 Tbps of capacity, will further enhance Openserve's position as the leading provider of high-speed connectivity in South Africa.

Overall revenue for **Telkom Consumer** was stable at R25 673 million. Revenue growth of 4.0% for Mobile operations and a 14.8% upswing in handset and equipment sales revenue were offset by the planned decline in traditional copper-based voice services, which now represent a reduced 5.8% of total external revenues.

Mobile service revenue growth of 1.8% resulted from the expansion of our total customer base, which grew pleasingly by 7.8% to 18.3 million customers at a blended average revenue per user (ARPU) of R86, driven by our competitive customer value propositions. Our post-paid strategy paid off as our customer base advanced by 11.0% to reach the 3.0 million mark at an ARPU of R201. Our pre-paid base also continued growing by 7.2% to reach 15.3 million at an ARPU of R64.

We continued to extend our network footprint, launching our 5G services and effectively utilising the newly procured spectrum, with a particular emphasis on the low-frequency band (800 MHz), to enhance coverage of our LTE services. This benefited our mobile broadband subscriber base, which grew 9.2% to 11.6 million, representing 63.7% of our total mobile base now using wireless broadband.

BCX had a challenging year but managed to maintain stable revenue levels at R14 252 million. Performance was driven by a 9.1% growth in the IT business, which was offset by declines in the Converged Communications business. The IT business growth was largely due to double-digit revenue growth in the hardware and software business, albeit at lower margins. The Converged Communications business continued to be impacted by migration to next-generation technologies and robust competition in the market. BCX is bolstering its skills and capabilities to support and guide its customers in transitioning to cloud-based solutions and adopting new business models requiring modern ICT solutions.

Our masts and towers business, **Swiftnet**, continued commercialising its productive portfolio and saw marginal revenue growth of 0.9% to R1 304 million, driven by construction of 66 additional towers and eight new in-building coverage solutions (IBS) sites. Continued modernisation by mobile network operators (MNOs) on our sites, coupled with new base station sites and the deployment of 5G by our clients, grew revenue from continuing customers by 10.3%, mitigating the impact of terminations and decommissioning by two customers. After launching its first 5G outdoor Distribution Antenna System (oDAS) small cell sites, for future site deployments in support of our customers' 5G rollout plans, Swiftnet successfully tested the technical capability of our power-as-a-service (PaaS) solution. Swiftnet's EBITDA margin remains healthy at 68.8%.

Gyro advanced property development planning activity for select development opportunities. This attracted interest and resulted in Gyro concluding non-binding memoranda with property development investment partners for the execution of the development projects. The intent is to commence construction for some projects during the new financial year.

Significant market changes and economic factors, including accelerated loadshedding, low economic growth and a high interest rate environment, coupled with fast-evolving technologies, have had an adverse effect on the Group. These in line with the requirements of assessing and testing for **impairment** as per IAS 36 (Impairment of Assets), resulted in an impairment of R13 017 million (excluding tax effects) in respect of two of the Group's cash-generating units, namely Openserve and Telkom Consumer. The impairment is a non-cash adjustment and does not impact the Group's EBITDA, has no impact on Telkom's cash position, and affects neither the Group's compliance with debt covenants nor its ability to fund its capital expenditure programme.

Regulatory developments

Spectrum

The Independent Communications Authority of South Africa (ICASA) started the second spectrum licensing process (auction) by publishing an Information Memorandum (IM) in August 2022, soliciting comments on potential frequency bands to be included in the licensing process. The IM containing all necessary auction-related information (spectrum bands, caps, reserve prices, obligations, etc.) has not yet been published. It is anticipated that more than 200 MHz of new spectrum will be on offer in the second auction, including the unsold 800 MHz spectrum lot. In terms of the settlement agreement between ICASA and Telkom reached in April 2022, ICASA will consider the spectrum holdings emanating from the previous auction, including the imbalances in the sub 1 GHz band, and the impact of the auction on competition in designing the next auction. ICASA further stated that it would conduct an inquiry into a secondary market for spectrum.

ICASA also indicated that the second spectrum auction will take place in 2024. Considering the current financial markets and the impact of loadshedding on business, and to allow sufficient time for ICASA to conduct the necessary studies as per the settlement agreement, Telkom is in agreement that a postponement of the next auction is necessary.

The previous Minister of the Department of Communications and Digital Technologies proposed 31 March 2023 as the final date to switch off all analogue broadcasting signals, although this date was not officially confirmed. The current Minister has not yet announced a final switch-off date and therefore the use of the sub 1 GHz bands remains constrained. Following the analogue switch-off, ICASA could move digital transmitters out of the 700 MHz and 800 MHz frequency bands, making these bands available for mobile use on a national basis.

Telkom has in the interim used its assigned 800 MHz spectrum to deploy mobile services in those areas not affected by broadcasting. The remaining auction acquisition fee will be payable when the band is cleared and available for mobile services.

Call termination rates

ICASA started its review of call termination rates (CTRs) in terms of the Call Termination Regulations, 2014 in May 2021. Following the publication of a questionnaire and a Discussion Document in November 2021 and public hearings in February 2022, ICASA published its Findings Document on 28 March 2022.

Of particular concern to Telkom is the changed approach of the regulator regarding which entities qualify for asymmetric termination rates (AMTRs) in the mobile market. In its Findings Document ICASA found that, rather than entities qualifying for asymmetry based on market share, only new entrants that have been in the market for less than three years would qualify for AMTRs. On 23 September 2022, Telkom launched a court application for review of the Findings Document. Telkom's argument is that ICASA's change of approach as to who qualifies for asymmetry is irrational given that the entrenched duopoly and related market dynamics persist, despite the gains Telkom has made in the mobile market. There is therefore no rationale for removing AMTRs for smaller operators. Telkom contends that rather than promoting competition, this would benefit the larger operators by overcompensating them for costs incurred, or undercompensating smaller operators if it continued to apply the same cost standard.

Outlook

FY2023 was a challenging year, with unexpected additional cost pressures caused by loadshedding amid an already strained economy. The impact of continued migration to newer technologies was felt across most of our businesses, and with increasing competition resulting in downward pricing pressure in the market, we launched our cost transformation programme to mitigate this impact and rebase our operating costs to improve profitability in the medium term. In the last quarter of the year, we launched a labour consultation process aimed at restructuring the organisation to meet future demands. The Openserve and BCX businesses were the most impacted in the Group. This process is largely complete and has realised its intended goal. The benefits of this restructuring will materialise partially in FY2024, with the full impact expected from FY2025 onwards.

While we did not meet certain of our financial framework criteria, the resulting revenue growth at 0.9% for the year was masked by pronounced declines in legacy revenue in FY2023. As the impact of these declines decrease in FY2024, FY2025 and beyond, the returns on our historical and ongoing investments in new technologies will become more apparent.

Along with the **cost transformation journey**, we aim to improve our EBITDA margin to historical levels of around 25% in the medium term. While we rebase our cost base in FY2024, all business units have also been tasked with driving top-line growth while simultaneously evolving their business models to drive the future sustainability of Telkom.

We expect Telkom Mobile to continue growing its customer base in line with the industry. Openserve will continue driving growth of next-generation products and services with a focus on monetising its network and exploring diversification opportunities. BCX's recent strategic acquisitions and partnerships to bolster its skill capabilities will enhance its overall proposition, providing more value to clients. Swiftnet will continue increasing tenancies on its existing portfolio, acquiring sites and constructing new towers in line with MNO demand, actively enabling 5G rollout in South Africa, and bolstering its offering with power solutions to help customers maintain network availability.

Telkom remains committed to realising value

Telkom continues to consider its options to **maximise value for shareholders**, premised on Telkom's market capitalisation not reflecting its intrinsic value. While interest remains for the masts and towers business and fibre business, we will consider the continued interest in these assets carefully, with the goal of realising the best return for shareholders. In the meantime, we have future growth plans in place for these assets and will continue operating them for the benefit of the Group.

The various initiatives currently underway have progressed as follows:

- The process for the disposal of a full or partial stake of **Swiftnet**, the masts and towers business, is well on track. Telkom has received non-binding offers from shortlisted bidders
- Following the legal separation of **Openserve** into a standalone entity, various processes have been initiated with the goal of realising value. Telkom has received numerous credible expressions of interest from a range of suitable local and international partners. We are encouraged by the level of interest shown in Openserve by potential strategic partners
- Management has been investigating the possible introduction of a strategic equity partner at **BCX** to enhance scale, growth and its capabilities in various growth areas including cloud services and cybersecurity. A process is currently underway to assess the market for potential international and/or local partners and to consider available options in this regard. Telkom has formally appointed advisors to drive this process

Further updates will be made to the market as and when considered necessary.

Resumption of dividend policy postponed

FY2023 marks the final year of the three-year dividend suspension period. The Board has concluded that in light of the Group's cash position and the current economic environment, the resumption of a **dividend** should be **postponed** for at least another year. While we are committed to returning cash to shareholders in the medium term, we consider it prudent to first strengthen our cash position as we navigate the Telkom cost transformation journey along with market and economic conditions.

Serame Taukobong
Group Chief Executive Officer

Successfully launched our 5G services and deployed 318 active 5G sites.

Financial capital

Financial information summary

Statutory performance

Revenue up
0.9%
to R43 138 million

Group EBITDA* down
19.8%
to R9 552 million with an EBITDA margin* of
22.1%

BEPS* and HEPS* down
86.8%
and **76.6%**, respectively

Underlying financial performance	March 2023 Rm	March 2022 Rm	Variance %
Gross operating revenue	**43 138**	42 756	0.9
EBITDA*	**9 552**	11 908	(19.8)
EBITDA margin (%)*	**22.1**	27.9	(5.8)
Capex	**7 401**	7 484	(1.1)
FCF**	**(2 722)**	(2 080)	(30.9)
BEPS (cents)*	**71.0**	536.6	(86.8)
HEPS (cents)*	**134.6**	575.3	(76.6)
Net debt** to EBITDA* (times)	**1.8**	1.2	0.6

Group revenue maintained

Group revenue increased marginally by 0.9% to R43 138 million, driven by a decrease in fixed and IT service revenue due to the challenging operating environment and the decline in the legacy fixed business as customers migrated to modern technologies such as fibre and LTE. This was offset by an increase in mobile handset and IT hardware and software sales, which are at lower margins, and a 1.8% increase in mobile service revenue.

* *Refer to page 4 for the reconciliation of the reported figures to the pro forma adjusted figures.*

** *This is a non-defined IFRS measure.*

EBITDA impacted by higher handset costs and operational expenses

Group EBITDA* was down 19.8% at R9 552 million, and the EBITDA margin* contracted by 5.8 percentage points (ppts) to 22.1%. This was mainly attributable to a 25.5% increase in our cost of handset and equipment, mainly due to higher mobile handset sales of 14.8% and the increase in IT hardware and software revenue of 65.8%.

Operating expenditure (opex)* increased by 7.3% largely impacted by accelerated loadshedding and an average Group-wide salary increase of 6.0%, which was effective from 1 April 2022. Tough economic conditions further contributed to the 56.3% increase in impairment of receivables.

Mobile cost to serve deteriorated slightly by 0.7 ppts to 28.4% compared to the prior year, impacted by accelerated loadshedding and the increase in costs associated with the post-paid market, such as distribution channel costs. This was mitigated by optimising roaming costs as we maintained stringent roaming traffic thresholds and migrated traffic to our network, supported by ongoing network investment.

HEPS impacted by lower EBITDA

HEPS* decreased by 76.6% to 134.6 cents while BEPS* decreased by 86.8% to 71.0 cents compared to the prior year. This was due to a 19.8% decline in EBITDA* and a 9.5% increase in depreciation, amortisation, impairments and write-offs*, partially offset by a lower tax expense compared to the prior year.

Capital allocation

Capital investment decreased slightly by 1.1% to R7 401 million with a capex to revenue ratio of 17.2%, in line with our guidance. We mainly invested in our Mobile business, which expanded its mobile footprint by 3.2% to 7 546 integrated sites. A fibre to the home (FTTH) connectivity rate of 47.4% was maintained while we continued to accelerate our fibre rollout, increasing homes passed by 23.9% and homes connected by 26.7% year on year. We will continue to focus on expanding our FTTH footprint while simultaneously connecting premises to ensure we maintain a high connectivity rate.

The disclosure of capex changed to include the subsidiary expenditure in the relevant investment categories in the comparatives.

Capex	March 2023 Rm	March 2022 Rm	Variance %
Fibre	**1 794**	2 379	(24.6)
Mobile	**3 724**	2 756	35.1
IT solutions	**452**	545	(17.1)
Network rehabilitation/sustainment	**187**	173	8.1
Core network	**549**	741	(25.9)
Masts and towers	**224**	366	(38.8)
Digital platforms and innovation	**63**	68	(7.4)
Property development and optimisation	**57**	111	(48.6)
Shared services and other	**351**	345	1.7
Total	**7 401**	7 484	(1.1)
Capex to revenue ratio (%)	**17.2%**	17.5%	

* *Refer to page 4 for the reconciliation of the reported figures to the pro forma adjusted figures.*

Balance sheet

Bank and cash balances increased 7.1% to R3 469 million from 31 March 2022. The Group increased the utilisation of committed facilities during FY2023 to repay maturing bonds, loans and funding needs while negotiating and securing long-term debt. The utilisation of committed facilities gave rise to an increase in loans raised and corresponding loans repaid, with a net funding raised of R2 320 million. The additional debt raised and 19.8% decline in EBITDA* contributed to our net debt** to EBITDA* of 1.8x.

Balance sheet	March 2023 Rm	March 2022 Rm	Variance %
Bank and cash balances	**3 469**	3 239	7.1
Current borrowings	**(3 630)**	(4 745)	23.5
Non-current borrowings	**(16 616)**	(12 561)	(32.3)
Net debt**	**(16 777)**	(14 067)	(19.3)
Net debt to EBITDA* (times)**	**1.8**	1.2	0.6

Although improved in the second half, FCF** was under pressure mainly due to the impact of mobile post-paid sales on working capital

Free cash flow (FCF)** weakened to negative R2 722 million (FY2022: negative R2 080 million), primarily as a result of the 45.0% decrease in cash generated from operations before dividend paid, impacted by the R3 218 million decline in profit before tax* compared to the prior year. This was partially offset by a 17.6% decrease in cash paid for capex.

FCF**	March 2023 Rm	March 2022 Rm	Variance %
Cash generated from operations	**6 705**	9 886	(32.2)
Repayment of lease liability	**(1 086)**	(1 076)	(0.9)
Interest received	**282**	235	20.0
Finance charges paid	**(1 456)**	(1 188)	(22.6)
Taxation paid	**(547)**	(764)	28.4
Cash generated from operations before dividend paid and received	**3 898**	7 093	(45.0)
Spectrum acquisition	**–**	(1 142)	100.0
Cash paid for capex	**(6 620)**	(8 031)	17.6
Total	**(2 722)**	(2 080)	(30.9)

* *Refer to page 4 for the reconciliation of the reported figures to the pro forma adjusted figures.*
** *This is a non-defined IFRS measure.*

Productive capital

Openserve

Openserve saw growth across its next-generation data-led products, which now represent close to 70% of its revenue base. It continues its journey to transform its revenue mix, while enabling its strategic imperatives of creating digitally led products and services and providing the best customer experience on its scalable and cost-efficient network.

As a separate legal entity, Openserve continues to drive its growth and market diversification strategy, focusing on future areas of growth, building a sustainable mix of revenue from multiple channels, and strengthening its customer engagements with long-lasting partnerships.

5.8% increase in fixed-data revenue

7.8% revenue growth from external channels

Openserve saw growth across its next-generation data-led products

Openserve continues its journey to transform

67.6% revenue from next-generation products and services

47.4% FTTH connectivity rate

13.8% increase in data consumption to 1 895 petabytes

10.2% next-generation revenue growth

openserve

Performance overview

Overall fixed-data revenue increased by 5.8%, driven by year-on-year growth of R807 million (10.2%) in total next-generation revenue. This growth was underpinned by a significant 18.6% increase in next-generation broadband connectivity. The continued demand for next-generation infrastructure was complemented by growth in carrier services of 10.7% and in enterprise connectivity of 7.9%.

Openserve's contribution to Telkom Group revenue grew by 7.8%, as it transitioned its technology, revenue and channel mix to create a more robust client portfolio and unlock sustained value. Next-generation connectivity enabled by fibre now contributes more than 90% of Openserve's total external revenue, while next-generation services now represent close to 70% of Openserve's total revenue. While this trend is successfully driving the overall revenue transformation from legacy to next-generation, the accelerated decline in fixed-voice revenue of R992 million (26.1%), together with the legacy data revenue decline of R418 million (30.3%), resulted in an overall Openserve revenue decline of 4.0% to R12 897 million.

The increased levels of loadshedding resulted in a significant increase in diesel spend in FY2023. Despite this, Openserve saw only a marginal increase of 1.3% (R117 million) in operating costs, due to a sustained focus on executing cost-efficiency initiatives such as legacy technology decommissioning, site optimisation and process re-engineering and automation.

Given the constrained macro environment aggravated by the continued energy crisis, coupled with the accelerated legacy voice decline and migration from legacy technologies, Openserve saw an EBITDA contraction of R693 million to R3 692 million excluding the impact of restructuring costs of R437 million, yielding a margin of 28.6%. Notwithstanding these challenges, Openserve is focused on evolving its revenue mix towards next-generation products; transforming its fixed costs by innovating its business processes; and improving the cost to serve by reconfiguring its operating model to execute on strategic objectives.

Scalable network

Our competitive advantage and ability to create value was underpinned by an investment of R2.7 billion in modernising and expanding our network this year. Openserve aggressively expanded its fibre footprint, increasing the number of homes passed with fibre by 23.9% to 1 040 565, in line with its strategic objective of providing connectivity across South Africa and connecting the country to the rest of the world. This was further enhanced by Openserve's partnership with Google to land its Equiano cable, the biggest undersea cable along the west coast of Africa, at Openserve's cable landing station in Melkbosstrand. This partnership will enable Openserve to offer terrestrial services, connecting the cable to its own points of presence (POPs) as well as carrier-neutral data centres across South Africa.

In line with the increased data consumption of 1 895 petabytes (an increase of 13.8%) year-on-year, Openserve's investment in upgrading its existing fibre nodes, and its cable partnership with Google, with a capacity of 12 Tbps, will further enhance Openserve's position as the leading provider of high-speed connectivity in South Africa.

Productive capital continued

Openserve

Commercialise the network

Aligned to our connect-led strategy, we continue to plan and build our scalable and modular network in areas with higher propensity to connect. This focused deployment saw the number of homes connected on our fibre network increasing by 26.7% to 492 812 during the year, giving us an industry-leading connectivity rate of 47.4%. The increased demand for fibre connectivity was seen across multiple channels, with high-capacity carrier connectivity increasing by 5.1% while enterprise market connectivity grew by 2.5%.

Openserve continues to focus on providing innovative solutions aimed at enabling multi-use of its fibre infrastructure. The design of its extensive fibre network – particularly with the introduction of X-PON technology, which augments Openserve's FTTx architecture – enables it to provide higher bandwidth and low latency services to consumers, enterprises and future 5G requirements. This allowed Openserve to launch its Fibre Connect Premium product, an SLA-enabled fibre broadband service with voice capabilities aimed at SMB and Enterprise customers.

Further improvements were made across the broadband product portfolio to enhance our value propositions by introducing speed upgrades, asymmetrical speed solutions and pricing enhancements. Such attractive value propositions enabled the activation of more than 546 000 services, including broadband and other value-added services such as voice over internet protocol, intercom and security.

Transform service delivery

Driven by the strategic imperative to commercialise our network, Openserve improved its time to connect customers to its fibre-enabled broadband network (average time to install) by 20%. Despite ongoing power challenges and incidents of theft and vandalism, Openserve stayed true to its ethos of "once connected, stay connected" by maintaining high availability indices of 99.89%, 99.50% and 99.99% across our access, transport and core network layers, respectively. The quality and agility of our connectivity network were also recognised by customers, resulting in an interaction Net Promoter Score improvement of 2.9%.

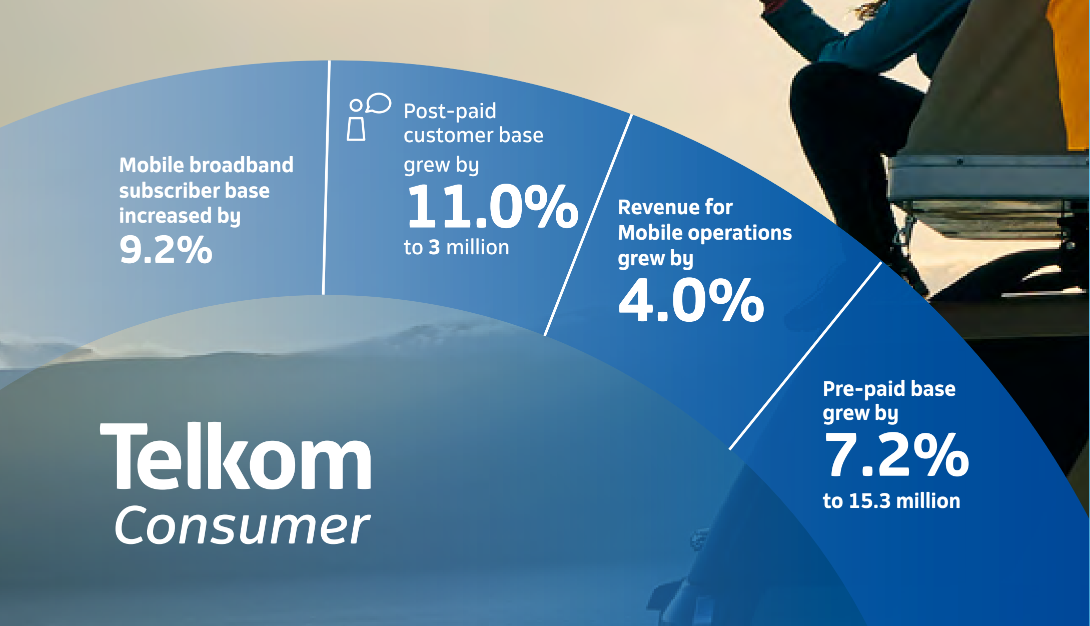
In September 2022, Openserve's Connect app was named as a winner at TM Forum's Excellence Awards, which recognise companies globally for their innovative achievements, digital transformation and customer centricity. Openserve continues to innovate by introducing new capabilities across its recently launched Unified Partner Platform. The platform provides an enriched digital channel that heightens customer experience and improves efficiencies, ensuring that clients continue to make Openserve their connectivity partner of choice.

Productive capital

Telkom Consumer

Our Mobile business maintained revenue stability. This was primarily driven by the continued expansion of the mobile subscriber base, bolstered by the growth of high-speed broadband customers. In addition, our efforts to expand our fibre business have fostered favourable outcomes, even in the face of adversity.

Total external revenue for Mobile operations amounted to R21 617 million, translating to a growth rate of 4.0%. This was spurred by an upswing in top-line performance, fuelled by a robust 14.8% increase in handset and equipment sales revenue. Our strategic focus on de-risking ourselves from traditional copper-based voice services continued to yield results, as these services continued to decline as forecast by 28.9%. Our fibre business exhibited strong growth of 24.9% year on year, buoyed by a 16% surge in the customer base. This growth trajectory was reinforced by a 4% uptick in fibre ARPU. The growth was supported by a revision of fibre value propositions that included refreshed unlimited portfolios. In addition, we launched fixed-mobile converged bundles, branded as Fusion, which combine fibre bundles with the mobile FlexOn bundle. These factors all contributed to deliver relatively flat revenue of R25 673 million for the Consumer unit, holding to only a 0.3% decline, reflecting our continued efforts to accelerate migration from legacy to next-generation technologies. Our copper-based voice services now represent a reduced 5.8% (FY2022: 8.2%) of external operating revenue and are declining year on year as planned.



Accelerated Mobile growth

The Mobile business grew its external service revenue by 1.8% to R17 819 million. This was primarily driven by the expansion of our customer base, which achieved an upswing of 7.8% to 18.3 million at a blended ARPU of R86 (FY2022: R90). Our post-paid customer base grew by 11.0% to 3.0 million at an ARPU of R201 (FY2022: R212), while our pre-paid base grew by 7.2% to 15.3 million at an ARPU of R64 (FY2022: R66). These figures bear testimony to our focus on sustained business growth, reinforced by our commitment to delivering unparalleled customer value propositions and experience.

The Mobile business ended the year with an EBITDA margin of 20.5%, generating EBITDA of R4 472 million, which represents a decline of 23.3% compared to the prior year. The increase in cost of sales (R639 million) was partially offset by leveraging on the increase in device sales and interest revenue of R512 million, while incurring an additional R201 million in cost to serve. This after taking into consideration the improvement in external service revenue of R314 million.

The EBITDA decline of R1 360 million can be attributed to (i) the operational costs incurred from network expansion (R183 million); (ii) the increase in electricity rates in utility expenses, as well as network growth (R201 million); (iii) the negative impact of loadshedding (R322 million); and (iv) the increase in bad debt (R375 million) due to adverse economic conditions, and an increase in expected credit losses driven by higher post-paid sales and constrained consumer disposable income. In total, debtors coverage has remained stable. In addition, we adjusted our ratings scorecard for onboarding new customers.

Despite the challenges, the Mobile business was still able to deliver results, demonstrating resilience in the face of economic headwinds. The management team remains focused on driving sustainable growth by continuously improving operational efficiency and optimising cost structures to achieve commercial uplift.

Drive high-speed broadband

In a market battered by stagnant economic growth, with rising inflation and interest rates draining the consumer pocket, the focus shifted from aggressive acquisitions to offering better value to existing customers. The pressure on consumers was apparent in the shift in purchase behaviour, as users increasingly sought value on our private pricing platform Mo'Nice, with 25% of the base representing a 19.8% increase, consequently realising a 9.1% revenue upswing. Furthermore, we saw an increase in customers using airtime advanced on our airtime lending platform to improve customer tenure.

Telkom saw an improvement in net sentiment towards the brand (2023 annual South African Telecoms Sentiment Index by DataEQ), with an 18.1% improvement year-on-year representing the highest uplift in four years. The positive sentiment was driven largely by increased receptivity to our product propositions.

The post-paid portfolio was boosted by the introduction of new mobile smartphone plans FlexOn and Infinite, which respond to consumers' need for simplicity and value. Tarifica rates the FlexOn and Infinite plans as the top-value mobile post-paid offer in South Africa in all user categories. As part of our drive to leverage innovation and use of insights in response to customer needs, we launched the Telkom Fusion portfolio of products to help customers consolidate their on-the-go (mobile) and on-premise fixed wireless access (FWA) spend. The brand also extended its portfolio of fixed wireless access propositions by entering the 5G FWA space. While these are still early days, 5G is expected to supplement the 4G and fibre propositions where necessary.

Consequently, our mobile data revenue increased by 2.9% to R12 926 million. The mobile broadband subscriber base increased by 9.2% to 11.6 million, representing 63.7% of our total mobile base now using wireless broadband.

Productive capital continued

Telkom Consumer

Expand mobile network

The unquenchable thirst for data was evident once more, spurring a 19.9% surge in our data traffic to 1 167 petabytes. To further strengthen our position as a provider of mobile network services, we continued to invest in our mobile programme with capital expenditure of R2 582 million for the year, while investing R1 142 million in spectrum. This enabled us to extend our network footprint by 3.2% to 7 546 sites. 57% of data traffic is now on 4.5G, primarily utilised for fixed wireless access, while 39% of traffic continues to be carried on the 4G network, predominantly for mobile data services. Moreover, since the launch of our 5G services we have successfully deployed 318 active 5G sites, and continue to lead on our status to be a data-led mobile provider.

We have effectively utilised the newly procured spectrum, with a particular emphasis on the low-frequency band (800 MHz), to enhance the coverage of our LTE services. The low-frequency site footprint currently makes up 41.3% of our overall site base, increasing our ability to facilitate data mobility and grow our penetration of voice over LTE (VoLTE) services, which have now exceeded the 40% penetration rate.

Telkom has come through a year marred by unparalleled levels of loadshedding and an alarming number of incidents of theft and vandalism targeting network infrastructure. Despite these challenges, our team replaced over 5 000 backup batteries and undertook repair work on over 1 600 sites, which was crucial in restoring services and maintaining network stability.

Drive digital and financial services revenue

Telkom remains committed to the continued adoption of airtime lending, a business segment that now represents just over 30% of monthly pre-paid recharges. Approximately 6 million customers have leveraged this offering, and we have broadened its reach by introducing an auto top-up service for clients who elect to use it. Our non-connectivity revenue proved to be a strong contributor to our overall growth, with a 16% uptick in our mobile financial and micro-content services yielding an amount of R1 257 million.

Our digital and financial technology revenue streams are progressively gaining traction. The provision of financial services products and channels presents avenues for mitigating risks in our core business, as well as for extending sales channels and generating new revenue streams. With data as the foundation, we will maintain a pricing strategy centred on delivery of value, while offering segmented value propositions.

As we continue to mitigate legacy risks and prioritise non-connectivity solutions to cultivate customer loyalty, our strategic investments in mobile and fibre technologies will propel the next phase of our growth. Our business has been strategically positioned to enable us to optimise our cash flows, invest in initiatives and sustain a competitive edge. In pursuit of our strategic objectives, we are committed to driving growth in the mobile broadband sector by leading the way in fixed wireless access technology while continually optimising our segmental mix. Moreover, we intend to increase revenue from our fibre infrastructure and ramp up our efforts to generate additional revenue streams from digital and financial services.

Productive capital

BCX

During the year under review, the ICT industry benefited from the easing in global supply chain constraints and recovery in the availability of chipsets. This resulted in an upturn in technology refresh projects by enterprises. However elevated loadshedding levels, high local inflation and deteriorating economic conditions led to financial constraints on enterprises. This is reflected in BCX's performance for the year.

The IT business continued to experience revenue growth as it benefitted from improved global supply chain and took advantage of the increase in IT transformation projects by enterprises. This positively impacted our product (hardware and software) business. However, the resultant revenue mix negatively impacted the margins of the business.

The Converged Communications business remained under pressure, as we continue to migrate clients from legacy technologies to more affordable next-generation technologies. Revenue in this business unit was impacted by both the planned migration from legacy to next-generation services and the accelerated commoditisation of data and voice related services.

Migration of clients to next-generation technologies

The shift to high-margin IT Business

EBITDA margin of **12.7%**

IT business revenue increased by **9.1%**

Hardware and software business growth of **42.7%**

BCX

Performance overview

Revenue for the year was R14 252 million, a decline of 0.2% compared to prior year. Current year performance is supported by the growth in the IT business, which is partially offset by declines in the Converged Communications business.

The **IT business** experienced growth, with IT clients growing by 9.7% year-on-year. Revenue increased by 9.1% to R7 644 million, owing primarily to the hardware and software business growth of 42.7%. The positive IT hardware and software business performance is largely due to the improved order fulfilment and execution of technology refresh and IT infrastructure transformation projects. The faster growth in hardware and software revenues, against services revenues impacted the profitability of the business. The focus of the Group is to prioritise high-margin, annuity services revenues.

The **Converged Communications** business revenue declined by 9.2% to R6 608 million, largely due to declines in fixed voice revenues and data revenues. Legacy voice revenues experienced pressure, as we continued the five-year migration strategy from legacy to next-generation. Both controllable churn (BCX-driven migration) and uncontrollable churn continued to add revenue pressures on the business, as customers move to newer technologies. The number of telephone lines have declined by 13.3% and voice minutes by 14.8%. In line with our goals to grow next-generation Converged Communications revenues, we saw an uptake in next generation data services offerings. However, average revenue per client declined due to commoditisation of these products and services, and legacy broadband subscribers declined at a more rapid rate than the growth in next-generation broadband subscribers, resulting in an overall decline in broadband subscribers of 16.6%.

EBITDA, excluding restructuring costs of R198 million, declined by 2.4% to R1 807 million, mainly due to reduced margins from the Converged Communications business because of the migration of legacy to next generation solutions, customer churn as well as the unfavourable revenue mix in the IT business. Compared to the prior year, EBITDA margins decreased by 0.3 percentage points, resulting in an EBITDA margin of 12.7%.

Converged Communications

BCX embarked on a five-year legacy-to-next-generation migration of the Converged Communications products and services in 2019. During the two years of the COVID-19 pandemic the migration initiatives slowed down as enterprises paused most of these projects – extending the original glidepath by about 18 months. During the year under review, migration projects resumed, resulting in revenue declines. Revenue decline rates however, particularly those of data revenues, are lower than pre-COVID rates as we approach the tail end of the migration glidepath.

Data-related services have crossed a pivotal point, with next generation services comprising about two-thirds (73%) of the revenues. Voice services still comprise high legacy services – 85%. These legacy services, however, are localised to a few specific sectors of the market.

The Converged Communications business's focus remains the industrialisation of products and services, cost optimisation to reduce cost to serve and the acceleration of the legacy to next-generation migration. We introduced XaaS services (Anything as a Service), UCaaS (Unified Communication as a Service) and CCaaS (Contact Centre as a Service), to accelerate the migration to next-generation services.

Information Technology

The IT business for BCX is comprised of two key revenue pillars: the Cloud Platform Solutions (CPS) business, which is the ICT infrastructure, arm of BCX, as well as the Digital Platform Solutions (DPS) business, which comprises the digital services arm of BCX.

Productive capital continued

BCX

Cloud Platform Solutions (CPS)

The CPS business showed strong year-on-year growth on the back of strong IT hardware and software sales growth of 42.7%. Significant technology refresh projects by our clients, easing of chip shortages, and clearing prior year backlogs led to a notable growth in the hardware business.

The service business also demonstrated resilience in maintaining revenue performance in the face of significant market pressures. The cybersecurity business saw growth in demand for security products, Security Advisory services and Managed Detection and Response services from its recently launched Security Operations Centre. The business delivered revenue growth of 10% and, in line with plan, turned profitable during the year.

There is increased demand for outsourcing and service integration as clients focus more on driving business value from their ICT infrastructure. The pressures on the local economy are reflected by our clients' demand for value for money as they embark on digital transformation projects, seeking for savings beyond just their ICT budgets. The impact of unstable electricity supply had an impact on our business due to high diesel usage, power generation costs in our data centres and our clients' inability to trade during power cuts.

Digital Platform Solutions (DPS)

Compared to the prior year, DPS grew revenue by 1.0%, and delivered double-digit bottom-line growth. The revenue growth was driven by double-digit growth of the Internet of Things (IoT) business 11.1%, an 8.1% growth in the Artificial Intelligence for IT operations (AIOps) and a 2.4% growth in the SAP business.

The key focus of these areas was to add new clients to our portfolios and to diversify our product/service offerings. The SAP business also became less dependent on the internal clients (within the Telkom Group) and added new clients from the public and private sectors. The business successfully completed three SAP S4HANA migrations during this financial year, which has established us as a leading player in the market and demonstrates our capability to support our clients with the S4 migration agenda.

We have recognised the accelerated cloud migrations in the recent past as our clients seek to drive digital experiences and innovation for their customers. We successfully acquired Dotcom, a Microsoft Azure solutions company, to further strengthen our cloud offerings and solutions.

The other key focus areas of the business unit are to complete the modernisation of our own IP solutions and extend Dotcom's footprint into other industries to leverage our Microsoft licensing client contracts.

Productive capital

Swiftnet

As part of the commercialisation focus, **Swiftnet** constructed new towers and new in-building coverage solutions (IBS) sites. The portfolio experienced the continuation of modernisation of equipment by MNOs, coupled with the deployment of 5G and new base station sites as mobile network operators (MNOs) deployed their respective permanent spectrum allocations. Swiftnet's overall financial performance was satisfactory, with improved underlying earnings performance and strong EBITDA margins, despite the negative impact on revenue as a result of site terminations by one of the MNOs and legacy technology decommissioning and optimisation by Openserve.

Expect continuation of modernisation by MNOs

Commercialising and growing the productive portfolio

68.8% EBITDA margin

66 new towers built

Productive portfolio increased to **4 016** towers

480 approved building plans

Optimise and grow masts and towers portfolio

Swiftnet commercialised the productive portfolio by increasing it to 4 016 towers, driven by new builds of 66 towers and new tenancies. In addition, 8 In Building Coverage Solutions (IBS) and 10 Power-as-a-Service (Paas) sites were established, to test technical requirements. Despite terminations by one MNO and legacy technology decommissioning and optimisation by Openserve, Swiftnet grew total revenue marginally by 0.9% to R1 304 million while achieving healthy revenue growth from continuing customers of 10.3% to R920 million, attributed to lease escalations, new tenancies and equipment upgrades on existing sites.

Our proactive site acquisition and permitting initiatives resulted in 480 approved building plans that are ready to be executed when triggered by anchor tenancy.

We successfully launched our first 5G outdoor Distribution Antenna System (oDAS) small cell sites. This forms the basis for future site deployments in support of our customers' 5G rollout plans. We also successfully tested the technical capability of our PaaS solution, which has been accepted by MNOs. This solution is planned for greater deployment in the new financial year as a value-added commercial offering and enables alternative power availability to our customers in view of the negative power challenges they currently experience.

Swiftnet achieved an EBITDA of R896 million at a 68.8% EBITDA margin. Excluding the impact of once-off transaction advisory services during the year, EBITDA amounted to R927 million, an increase in EBITDA from R909 million reported in the prior year. This reflects an improvement in underlying earnings performance at an EBITDA margin of 71.1% from 70.4% reported in the prior year.

Productive capital

Gyro

Gyro remains on course to realise value and optimise the property portfolios in Gyro Properties and Telkom. Gyro advanced development planning activity for select development opportunities and concluded non-binding memorandums of understanding (MOUs) with development investment partners for the execution of the development projects. Gyro continued to rationalise the property portfolio through the disposal of decommissioned assets that are no longer required for core operational purposes, resulting in sale proceeds from property disposal transactions. We continued to execute on energy interventions during the year, and plan to implement more significant interventions in the new financial year that will contribute meaningfully to reducing the carbon emissions while improving the resilience of power supply.

Reduce property operating costs

Success in disposing of excess non-core properties

39 property sale transactions

43 properties in the property transfer process

Generate additional cash inflows for the Group

Interventions to maximise energy security

Performance overview

Total revenue increased by 0.6% to R1 630 million, largely due to growth in the masts and towers business ('Swiftnet'), offset by terminations by one of our MNO clients and Openserve's decommissioning and optimisation on the masts and towers and properties. Overall, EBITDA decreased by 7.4% to R1 131 million, (excluding restructuring costs) impacted by transaction advisory expenses and increased property operating costs.

Commercialise the property portfolio

In view of the advanced property development work that continued from the beginning of the financial year, for select property development opportunities, the development pipeline attracted interest resulting in non-binding MOUs being concluded with property development investors. Partnerships with the prospective investors are at the individual property project level or a cluster of similar property projects, with the intent to commence construction for some projects during the new financial year.

Reduce building costs and enhance operational efficiencies

Gyro continued to reduce property operating costs by terminating property services for properties that are no longer utilised for operational purposes and disposing of assets that are unsuitable for repurposing or development opportunities. We executed two property auctions during the financial year and realised sales proceeds of R64 million out of 39 property sale transactions. There are 43 sold properties in the property transfer process and we plan to dispose of more vacated properties in the new financial year.

We plan to address energy efficiency and energy security more effectively in the new year both for the short and medium terms through interventions that maximise energy security and contribute meaningfully towards decarbonisation. Execution of energy projects is in progress through various interventions across the Telkom business units, with the objective of ensuring the resilience and efficiency of Telkom's network and operations while contributing towards attaining the ESG strategy targets.

Human capital

We reviewed our human capital requirements in view of the operating context and macro-economic outlook. We initiated a restructuring process aligned with our federated business model, following the structural separation of Openserve in FY2023 and in line with our future growth ambitions

Restructuring

Telkom issued a Section 189 notice on 14 February 2023, commencing a consultation process to restructure the organisation.

In line with the consultation process, Telkom extended voluntary severance packages and voluntary early retirement packages to all employees. To date, 1 165 employees have accepted voluntary severance and early retirement packages.

The consultation processes continue and are expected to be concluded in the first half of FY2024.

Leadership and talent development

We designed our leadership development framework. Our partnership with the UCT Graduate School of Business provides us with a range of programmes to develop potential leaders' operational, tactical and strategic skills in support of our talent management framework.

To further support Telkom's growth ambitions, six new development programmes involving over 300 delegates were launched during the second half of FY2023.

Programmes

- We launched the first intake of the **Managers of Managers programme (MoMP)** during the last quarter of FY2022, with 71 middle management level employees. This is a formal NQF Level 8 programme with a strong practical and business component. These delegates concluded the programme, and pending results, the formal graduation will be in December 2023. The new intake commenced in January 2023 with 34 delegates
- The **Foundational Management programme** is similar to the MoMP, but geared towards junior management and specialists moving into management roles. The first intake of the programme commenced in January 2022 with 66 delegates. These delegates concluded the programme, and pending results, the formal graduation will be in December 2023. The new intake commenced in January 2023 with 68 delegates
- The **Digital Leadership programme** is an 18-month formal postgraduate diploma in digital management combined with a business action learning project. It provides a platform for applying learning throughout the programme to upskill delegates and benefit the business. In total, 47 senior managers and executives commenced the programme in November 2020 and 39 successfully graduated in December 2022
- We launched an **Innovation and Design Thinking programme** in November 2022 with 37 delegates to support our drive to build innovation skills
- A second intake of the **Digital Skills programme** was launched in November 2022 with 111 delegates. This NQF Level 5 qualification aims to build general digital skills across various levels as a "top-up" skillset. A total of 109 delegates started the first intake in January 2022 and will finish their programme in May 2023

Female leadership development

- The **Female Leadership Development programme (FLDP)** is a well-established programme aimed at developing female leaders as part of our talent development initiatives. The fourth cohort of 42 delegates graduated in June 2022, completing the 15-month programme after its migration to a fully virtual programme. Five promotions (12% of the FLDP participants) were made and a 95% retention rate achieved. The fifth cohort of the FLDP commenced with 58 candidates in the FLDP Ascend programme and 27 candidates in the FLDP Transcend programme
- The **Women in Operations programme** focuses on the growth and development of qualified, high-potential, high-performance women, building leadership capability at operational and junior management levels. It continues to drive workplace transformation in Openserve. The fourth cohort of 28 women commenced in June 2022 and will conclude in January 2024

KPIs and key measures

- Employee voluntary turnover
- Training and development spend
- Number of graduates and learners supported
- Number of learnerships and internships
- Employee diversity statistics
- Total recordable injury frequency rate
- Lost-time injury frequency rate

Intellectual capital

Telkom focused on driving delivery against its multi-year IT and digital transformation strategy to enhance operational efficiency and improve customer experience.

During the year we enhanced our IT Enterprise Application landscape and received global recognition for some applications.

Year in review

Customer experience

We delivered a mobile digital app to enable self-service capability for user management and self-service deal and promotion management for our wholesale customers at Openserve. The mobile digital app, Openserve Connect, enables end-user customers to manage their broadband connection and internet service.

Openserve Connect was globally recognised by TM Forum for the Customer Experience and Trust Award at the 15th Annual TM Forum Excellence Awards as part of the Digital Transformation World conference held in Denmark in September 2022.

In addition, we enhanced the MyTelkom mobile app by introducing simplicity and additional sales capabilities for better customer interaction.

Openserve Connect

was globally recognised by TM Forum for the Customer Experience and Trust Award

Operational efficiency

We consolidated multiple systems at Openserve and BCX to improve our operational efficiency.

Multiple BSS* systems were consolidated into a modern Openserve BSS, improving efficiency by standardising, simplifying and automating processes. This project optimises legacy infrastructure, mitigates billing risk, and simplifies ordering. This has reduced broadband billing and invoicing time from weeks to between two to three days.

BCX consolidated the ERP systems of its subsidiaries to enable seamless and streamlined processes.

Acquisitions over the past few years, and subsequent divisionalisation of BCX subsidiaries, have led to the use of multiple and disparate ERP platforms. This has resulted in challenges with business operations, such as:

- Cumbersome processes
- Duplication of certain finance functions
- Compromises in the control environment
- Multiple manual handoff points resulting in high data error potential
- Data transfer via batch run resulting in delayed and outdated information
- Inefficient processes due to the many manual interventions required with these processes
- Difficulty and delays in reporting and analytics

Prior to the implementation of one ERP CEB, UCS and Fastnet operated on separate ERP solutions. Manual integration to the BCX Group SAP ECC instance was required to generate a Company-wide view of business operations. The disparate systems impacted accuracy and timely reporting, but also negatively impacted BCX's ability to fully serve customers. Subsequent to the migration, the following efficiencies have been realised:

- Process optimisation and standardisation through automation, reducing the need for manual processing in addition to technology rationalisation
- More accurate, meaningful and timely information that enables decision-making across the business
- Improved execution of customer requests in a timely and consistent manner, improving customer experience. Better visibility and understanding of customer needs, building a stronger reputation among customers
- The ability to work effectively and efficiently with modernised systems that are easier to use, enabling employees to spend more time on higher-value tasks
- Working towards the long-term goal of reducing errors with better data outcomes and a reduction in the amount of manual intervention required

* *BSS (business support systems) refers to the set of software programs that allow telecommunications organisations to manage and streamline all customer-facing activities—from ordering services to resolving billing issues.*

Key strategic focus areas

- Improved customer satisfaction through simplified self-service capability
- Effective billing through consolidation, standardisation and modernisation of BSS
- Insight-driven decision-making through leveraging machine learning capability
- System and cyber resilience through continuous strengthening of cybersecurity posture
- Increased efficiency through modernisation of platforms and improving time to market

KPIs and key measures

- Order to cash transformation
- Customer experience
- Data-driven insights
- Operational efficiency
- Governance and risk management

Social and relationship capital

Our investment in small businesses earned us recognition at the inaugural Presidential SMME and Co-operative Awards, and we maintained our commitment with the launch of two new investment vehicles.

Year in review

Supporting ESD: FutureMakers

In November 2022, FutureMakers was awarded a Presidential SMME and Co-operative Award for Small Business Investment as recognition of Telkom's R250 million investment in the Telkom Future Fund in 2022.

In addition to this prestigious award, Telkom currently has a portfolio of 311 small, medium and micro enterprises (SMMEs) creating more than 66 500 job opportunities.

Telkom continued its commitment to SMMEs with the launch of two new investment vehicles to the value of R58 million in FY2023. The R58 million invested in Aions through FutureMakers will grow relevant digital value propositions and technology capabilities for Telkom.

In partnership with ABSA, Telkom invested R39 million in strategic SMMEs in our supply chain to enable SMME expansion.

Supporting education

The Telkom Foundation invested R64 million in programmes focused on improving teaching and learning in science, technology, English and mathematics (STEM) as gateway subjects to accessing science and technology post-schooling studies and future economic opportunities. The Foundation expanded its programmes in FY2023 to reskill unemployed youth, enabling them to access employment and entrepreneurial opportunities in the ICT sector.

R26 million was invested in education, R20 million in digital skills and R7 million in social development programmes (FY2022: R77 million).

In addition, Telkom runs the Telkom Centre of Excellence (COE) programme with 15 COEs at universities across the country supporting research and technology. To date, the COE programme has supported 3 641 postgraduate students in science and engineering, to develop technical and soft skills, such as project management and communication. This improves the skills supply in the country and aligns with Telkom's SDG 4 commitment.

Telkom's investment of R125 million since 1997 has played a crucial role in ensuring the success of the programme.

Key strategic focus areas

Diversify our supply chain and sales value chain (such as dealers) and accelerate innovation in the technology sector, focusing on SMMEs. This is a mitigating factor in managing supply chain risks

Digital skills development and digital literacy

Holistic school development and integrating ICT in schools

SMMEs have created 66 536 jobs

Indirect jobs **65 097**

Direct jobs **1 439**

KPIs and key measures

- Number of SMMEs impacted or supported
- Number of jobs created (direct and indirect)
- R'million invested in digital skills programmes
- R'million invested in the Telkom Foundation
- Number of learners and teachers impacted
- B-BBEE ratings
- Employment equity plan targets
- Diversification of procurement spend

Natural capital

In line with our 2035 carbon neutral and 2040 net-zero ambitions, we continue to focus on annual emissions reductions through energy efficiency and renewable energy initiatives.

Year in review

In April 2022, we commissioned a 168 kWp solar photovoltaic (PV) plant at our Belville site. Other highlights for the year include:

- Completing the LED lighting installation project for Telkom Park, Bellville and 60 of our exchanges
- Decommissioning of our legacy equipment assisted in reducing our CO_2 emissions
- The ongoing installation of lithium batteries as backup power as an alternative to using diesel generators during power outages

A 168 kWp solar PV plant

for Bellville was commissioned in April 2022

Driving energy efficiency and provision of alternative energy

Power outages have become common in South Africa in recent times. As a result, the Group responded to minimise the adverse effects of energy shortages and create efficiencies.

It is important that Telkom develops a strategy to focus on crucial asset classes where business interruption would significantly impact contractual obligations and customer experience. The strategy will provide the Group with a tool for coordinating actions and efforts and promoting transparency among all interested stakeholders.

Telkom's largest energy source is electricity from the national grid, at 85%. The remaining 15% of energy is from fossil fuel (petrol and diesel) for vehicle fleet, and backup generators and renewable energy plants.

Due to accelerated loadshedding in FY2023, diesel consumption for backup generators increased by 190.79%, resulting in a 46.44% increase in scope 1 emissions. To optimise diesel costs, reduce scope 1 emissions and provide reliable supply of alternative energy, the Group has accelerated the installation of lithium batteries at exchanges and towers.

Cumulatively, there were 5 585 hours of loadshedding during the year. Overall, Telkom spent R503 million during this period. A huge spike in loadshedding (2 072 hours) was seen in the last quarter of FY2023, accounting for 36.6% of overall diesel spend.

A solar PV plant for Bellville was commissioned in April 2022 and is in operation. Telkom Park's additional 1 MW solar PV project was deferred to FY2024 due to a delay in Small Scale Embedded Generation approval. In addition, we have decommissioned some legacy equipment to reduce energy consumption.

Over the course of this year, we worked towards reducing dependency on non-renewable energy by identifying sustainable and cleaner energy options to complement our current portfolio of energy sources. To this end, Openserve proactively deployed smart power backup technology at more than 310 of its sites and is confident of doubling such deployments in FY2024. Work is underway to leverage smart deployments across Openserve's sites to introduce remote monitoring of power and environmental equipment. We are confident that such initiatives will not only reduce the anticipated increase in diesel usage, but also provide a sustainable energy mix for the future.

Key strategic focus areas

- Energy-efficiency initiatives
- Power factor correction
- Tariff optimisation
- Renewable energy
- Smart meters
- E-waste recycling

KPIs and key measures

- Scope 1 and 2 emissions
- Water consumption

Operational data

Subscribers	March 2023	March 2022	Variance %
Broadband subscribers			
Fixed broadband subscribers[1]	567 289	584 189	(2.9)
Mobile broadband subscribers	11 633 561	10 650 526	9.2
Fixed subscribers			
Internet all-access subscribers[2]	240 401	298 695	(19.5)
Fixed access lines ('000)[3]	793	997	(20.5)
Revenue per fixed access line (rand)	5 049	5 060	(0.2)
Fixed-voice ARPU	292.83	275.63	6.2
Fixed broadband ARPU	280.96	273.92	2.6
Managed data network sites	27 323	35 418	(22.9)
Mobile subscribers			
Active mobile subscribers[4]	18 262 331	16 936 464	7.8
Pre-paid	15 301 339	14 269 139	7.2
Post-paid	2 960 992	2 667 325	11.0
ARPU (rand)	86.43	89.94	(3.9)
Pre-paid	63.74	65.67	(2.9)
Post-paid	200.69	212.47	(5.5)
Volumes			
Fixed broadband (petabytes)	1 895	1 665	13.8
Mobile broadband (petabytes)	1 167	973	19.9
Total fixed-line traffic (millions of minutes)	5 086	6 178	(17.7)
Network			
Fibre to the home	1 040 565	839 691	23.9
Fibre homes passed and connected	492 812	389 109	26.7
Enterprise business services	41 898	41 368	1.3
Next-generation technology services	72 974	68 667	6.3
Carrier services	20 192	19 210	5.1
Fibre to base station connections	9 003	8 655	4.0
Mobile sites integrated	7 546	7 313	3.2
Active fibre connectivity rate (%)	47.4	46.3	1.1
Group employees	11 624	11 898	(2.3)
Telkom Company employees	1 597	7 114	(77.6)
Consumer	1 292	1 138	13.5
Openserve	–	5 647	(100.0)
Corporate Centre	305	329	(7.3)
Openserve	5 647	–	100.0
BCX group employees	4 274	4 588	(6.8)
Trudon employees[5]	–	91	(100.0)
Gyro employees	106	105	1.0

1 Includes xDSL and FTTH lines of which 3 402 (FY2022: 3 747) are internal lines.
2 Includes Telkom internet asymmetrical DSL, integrated services digital network (ISDN) and WiMAX subscribers.
3 Includes copper voice and broadband, ISDN and fixed look-a-like. Excludes Telkom internal lines.
4 Based on a subscriber who participated in a revenue-generating activity within the last 90 days.
5 Transferred to Consumer

Operational data

2

Financial performance

3

Operating revenue

	March 2023 Rm	March 2022 Rm	Variance %
Fixed	**14 127**	15 338	(7.9)
Voice and subscriptions	**4 004**	5 055	(20.8)
Usage	**1 624**	2 041	(20.4)
Subscriptions	**2 380**	3 014	(21.0)
Interconnection	**281**	319	(11.9)
Fixed-line domestic	**169**	181	(6.6)
Fixed-line international	**112**	138	(18.8)
Data	**8 038**	8 275	(2.9)
Data connectivity	**6 023**	6 111	(1.4)
Internet access and related services	**1 451**	1 490	(2.6)
Managed data network services	**560**	678	(17.4)
Multimedia services	**4**	(4)	(200.0)
Customer premises equipment sales and rentals	**1 491**	1 407	6.0
Sales	**789**	592	33.3
Rentals	**702**	815	(13.9)
Other revenue	**313**	282	11.0
Mobile	**21 617**	20 791	4.0
Mobile voice and subscriptions	**4 388**	4 460	(1.6)
Mobile interconnection	**505**	482	4.8
Mobile data	**12 926**	12 563	2.9
Mobile handset and equipment sales	**3 479**	3 030	14.8
Interest revenue	**319**	256	24.6
Information technology	**6 371**	5 604	13.7
Information technology service solutions	**2 602**	2 925	(11.0)
Application solutions	**957**	948	0.9
IT hardware and software	**2 664**	1 607	65.8
Industrial technologies	**106**	98	8.2
Interest revenue	**42**	26	61.5
Other	**1 023**	1 023	–
Trudon	**299**	337	(11.3)
Gyro	**724**	686	5.5
Total	**43 138**	42 756	0.9

Mobile statement of profit or loss

	March 2023 Rm	March 2022 Rm	March 2021 Rm
Revenue	**21 799**	21 415	20 154
Payments to other operators	**(2 652)**	(2 598)	(2 961)
Cost of handsets, equipment and directories	**(4 097)**	(3 458)	(2 597)
Sales commission, incentive and logistical costs	**(2 405)**	(2 258)	(2 121)
Other income	**473**	292	229
Operating expenses	**(8 646)**	(7 561)	(7 080)
Employee expenses	**(630)**	(435)	(371)
Selling, general and administrative	**(7 141)**	(6 619)	(6 107)
Service fees	**(763)**	(575)	(427)
Operating leases	**(112)**	68	(175)
EBITDA	**4 472**	5 832	5 624

This has been extracted from the financial information underpinning the reviewed financial information.

Masts and towers statement of profit or loss

	March 2023 Rm	March 2022 Rm	March 2021 Rm
Operating revenue	**1 304**	1 292	1 237
Operating expenses	**(407)**	(383)	(243)
Other operating expenses	**(172)**	(216)	(194)
Impairment of receivables and contract assets	**(18)**	12	(15)
Service fees	**(210)**	(177)	(31)
Operating leases	**(7)**	(2)	(3)
EBITDA	**897**	909	994

This has been extracted from the financial information underpinning the reviewed financial information.

Pro forma summary abridged consolidated statement of profit and loss

	Pro forma* March 2023 Rm	March 2022 Rm	Variance %
Revenue	**43 138**	42 756	0.9
Payments to other operators	**(3 399)**	(3 393)	(0.2)
Cost of handsets, equipment, software and directories	**(7 089)**	(5 648)	(25.5)
Sales commission, incentive and logistical costs	**(2 522)**	(2 516)	(0.2)
Other income	**863**	686	25.8
Insurance service result	**1**	(2)	150.0
Operating expenses	**(21 440)**	(19 975)	(7.3)
Employee expenses	**(8 227)**	(8 693)	5.4
Other expenses	**(2 384)**	(2 256)	(5.7)
Wholesale voice and non-voice services	**(196)**	(59)	(232.2)
Maintenance	**(4 154)**	(3 879)	(7.1)
Marketing	**(812)**	(729)	(11.4)
Impairment of receivables, contract assets and loans	**(1 255)**	(803)	(56.3)
Service fees	**(4 080)**	(3 388)	(20.4)
Lease-related expenses	**(332)**	(168)	(97.6)
EBITDA	**9 552**	11 908	(19.8)
Depreciation, amortisation, impairment and write-offs	**(7 636)**	(6 975)	(9.5)
Operating profit	**1 916**	4 933	(61.2)
Investment income	**148**	144	2.8
Net finance charges and fair value movements	**(1 484)**	(1 279)	(16.0)
Finance charges on lease liabilities	**(488)**	(450)	(8.4)
Net finance charges	**(972)**	(662)	(46.8)
Foreign exchange and fair value movements	**(24)**	(167)	85.6
Profit before taxation	**580**	3 798	(84.7)
Taxation	**(234)**	(1 167)	79.9
Profit for the year	**346**	2 631	(86.9)

* Refer to page 4 for the reconciliation of the reported figures to the pro forma adjusted figures.

Notes

Cost of handsets, equipment, software and directories increased by 25.5% to R7 089 million due to high-end mobile contract sales resulting in higher average handset cost and higher post-paid revenue, as well as an increase in mobile handset and equipment sales and IT hardware and software sales.

Other income increased 25.8% to R863 million largely due to a gain on disposal of contract assets of R198 million.

Wholesale voice and non-voice services increased by 232.2% to R196 million. These services relate to data connectivity, broadband access, managed services and line rental costs.

Impairment of receivables, contract assets and loans increased 56.3% to R1 255 million mainly as a result of the deterioration of the debtor's book in Consumer due to constrained consumer disposable income.

Service fees increased 20.4% to R4 080 million mainly attributable to higher diesel consumption due to increased loadshedding.

Lease-related expenses increased 97.6% to R332 million mainly due to additional lease payments made as a result of variances identified between the original payment terms and the new payment terms under the renewed lease agreements.

Net finance charges and fair value movements increased 16.0% to R1 484 million mainly attributable to the increase in finance charges, which was largely due to increases in interest rates and higher debt levels during the year partially offset by recognised gains in the valuation of forward exchange contracts (FECs) and interest rate swaps, due to a weaker rand and aggressive interest rate increases, respectively. The Group pays the fixed interest leg of the swap and receives the floating interest leg, while paying the floating interest to lenders on the underlined debt.

Taxation decreased 79.9% to R234 million due to the 84.7% decrease in profit before taxation.

Summary audited abridged consolidated statement of financial position

	March 2023 Rm	March 2022 Rm	Variance %
Assets			
Non-current assets	**42 307**	49 893	(15.2)
Property, plant and equipment	**26 201**	38 319	(31.6)
Right-of-use assets	**5 360**	4 945	8.4
Intangible assets	**4 470**	4 248	5.2
Other investments	**108**	170	(36.5)
Other receivables	**72**	–	100.0
Employee benefits	**1 266**	1 566	(19.2)
Other financial assets	**182**	113	61.1
Finance lease receivables	**344**	224	53.6
Deferred taxation	**4 304**	308	1 297.4
Current assets	**17 317**	16 124	7.4
Inventories	**1 091**	1 084	0.6
Income tax receivable	**79**	30	163.3
Finance lease receivables	**304**	183	66.1
Trade and other receivables	**9 314**	7 797	19.5
Contract assets	**2 440**	2 055	18.7
Other current assets	**462**	466	(0.9)
Other financial assets	**93**	69	34.8
Investment in cell captives	**60**	59	1.7
Cash and cash equivalents	**3 469**	3 239	7.1
Restricted cash	**4**	1 142	(99.6)
Total assets	**59 624**	66 017	(9.7)
Equity and liabilities			
Equity attributable to owners of the parent	**24 184**	34 069	(29.0)
Share capital	**5 050**	5 050	–
Share-based compensation reserve	**1 414**	1 238	14.2
Non-distributable reserves	**739**	968	(23.7)
Retained earnings	**16 981**	26 813	(36.7)
Non-controlling interest	**(23)**	(25)	(8.0)
Total equity	**24 161**	34 044	(29.0)
Non-current liabilities	**17 550**	13 422	30.8
Interest-bearing debt	**11 999**	8 221	46.0
Lease liability	**4 617**	4 340	6.4
Provisions	**368**	380	(3.2)
Other financial liabilities	**198**	106	86.8
Deferred revenue	**128**	138	(7.2)
Deferred taxation	**240**	237	1.3
Current liabilities	**17 913**	18 551	(3.4)
Trade and other payables	**10 419**	10 339	0.8
Shareholders for dividend	**25**	28	(10.7)
Interest-bearing debt	**2 357**	3 711	(36.5)
Lease liabilities	**1 272**	1 034	23.0
Provisions	**1 893**	1 276	48.4
Deferred revenue	**1 475**	1 633	(9.7)
Income tax payable	**2**	3	(33.3)
Other financial liabilities	**470**	527	(10.8)
Total liabilities	**35 463**	31 973	10.9
Total equity and liabilities	**59 624**	66 017	(9.7)

Notes

Property, plant and equipment decreased by 31.6% to R26 201 million due to the non-cash impairment charge of R13 billion.

Employee benefits decreased by 19.2% to R1 266 million primarily due to the withdrawal of the R543 million from the post-retirement medical aid plan assets recognised.

Finance lease receivables increased by 59.2% to R648 million largely due to significant growth in Integrated Technology Solution Sales (ITSS) in BCX which has resulted in a general increase in the overall finance lease receivable book.

Deferred tax increased to R4 064 million from R71 million in the prior year is mainly as a result of the R3 105 million net movement in temporary differences through the statement of profit or loss, primarily as a result of a deferred tax asset created on the impairment attributable to fixed assets.

Trade and other receivables increased by 19.5% to R9 314 million mainly due to the 33.3% higher customer premises equipment sales from fixed business and 65.8% increase in IT hardware and software sales.

Contract assets increased by 18.7% to R2 440 million as a result of the 14.8% increase in mobile handset and equipment sales.

Interest-bearing debt increased by 20.3% to R14 357 million attributable to net loans raised of R2 320 million to fund capital expenditure.

Provisions increased by 36.5% to R2 261 million mainly as a result of the restructuring cost of R1 065 million.

Summary audited abridged consolidated statement of cash flows

	March 2023 Rm	March 2022 Rm	Variance %
Cash flows from operating activities	**5 126**	8 152	(37.1)
Cash receipts from customers	**40 422**	41 614	(2.9)
Cash paid to suppliers and employees	**(33 717)**	(31 728)	(6.3)
Cash generated from operations	**6 705**	9 886	(32.2)
Interest received	**282**	235	20.0
Dividend received	**–**	22	(100.0)
Finance charges paid	**(1 456)**	(1 188)	(22.6)
Taxation paid	**(547)**	(764)	28.4
Repayment of derivatives – FECs	**(28)**	(114)	75.4
Proceeds from derivatives – FECs	**178**	80	122.5
Cash generated from operations before dividend paid	**5 134**	8 157	(37.1)
Dividend paid	**(8)**	(5)	(60.0)
Cash flows utilised from investing activities	**(5 827)**	(9 298)	(37.3)
Proceeds on disposal of property, plant and equipment and intangible assets	**92**	16	475.0
Additions to property, plant and equipment and intangible assets for capital expansion	**(6 620)**	(8 031)	17.6
ESD loans advance external parties	**(97)**	–	(100.0)
Investments made by FutureMakers	**(9)**	(53)	83.0
Investment in equity fund	**–**	(9)	100.0
Repayment of derivatives – FECs	**(49)**	(267)	81.6
Proceeds from derivatives – FECs	**317**	188	68.6
Proceeds from plan assets	**543**	–	100.0
Restricted cash	**(4)**	(1 142)	99.6
Cash flows from financing activities	**931**	(617)	250.9
Loans raised	**25 970**	1 150	2 158.3
Loans repaid	**(23 650)**	(193)	(12 153.9)
Purchase of shares for the Telkom and subsidiaries' long-term incentive share scheme	**(250)**	(393)	36.4
Repayment of principal lease liability	**(1 086)**	(1 076)	(0.9)
Repayment of derivatives – interest rate swaps	**(53)**	(105)	49.5
Net increase/(decrease) in cash and cash equivalents	**230**	(1 763)	113.0
Net cash and cash equivalents at 1 April	**3 239**	5 002	(35.2)
Net cash and cash equivalents at the end of the year	**3 469**	3 239	7.1

Notes

Cash generated from operations declined by 32.2% to R6 705 million largely attributable the 84.7% decrease in profit before taxation.

Additions to assets for capital expansion decreased 17.6% to R6 620 million in line with the Group strategy.

Loans raised of R25 790 million as the Group increased the utilisation of committed facilities during FY2023 to repay maturing bonds, loans and funding needs while negotiating and securing long-term debt. The utilisation of committed facilities gave rise to an increase in loans raised and corresponding loans repaid, with net funding raised of R2 320 million.

Return on invested capital

Technology view

FY2023	NGN	Mobile	IT	Masts and towers	Legacy
Return on invested capital at fair value (%)	11.3	6.3	(6.8)	9.5	(314.6)
Operating profit/(loss) after tax	2 621	940	(220)	596	(2 598)
Invested capital	23 216	14 909	3 245	6 249	826

Segmental view

Openserve

Extract from the statement of financial position	Pro forma March 2023 Rm	Impairment adjustment Rm	March 2023 Rm
Total assets	26 331	(4 338)	21 993
Non-current assets	22 793	(4 338)	18 455
Current assets	3 538	–	3 538
Total equity and liabilities	26 331	(4 338)	21 993
Capital and reserves	10 003	(4 338)	5 665
Non-current liabilities	9 957	–	9 957
Current liabilities	6 371	–	6 371
Return on invested capital (%)	4.7		(29.6)
Operating profit/(loss) after tax	731	(5 333)	(4 602)
Invested capital (closing balance)	15 555		15 555

Consumer

Extract from the statement of financial position	Pro forma March 2023 Rm	Impairment adjustment Rm	March 2023 Rm
Total assets	29 353	(4 685)	24 668
Non-current assets	21 363	(4 685)	16 678
Current assets	7 990	–	7 990
Total equity and liabilities	29 353	(4 685)	24 668
Capital and reserves	9 789	(4 685)	5 104
Non-current liabilities	10 428	–	10 428
Current liabilities	9 136	–	9 136
Return on invested capital (%)	(0.9)		(29.9)
Operating loss after tax	(130)	(4 393)	(4 523)
Invested capital	15 136		15 136

BCX

Extract from the statement of financial position	Pro forma March 2023 Rm	Pro forma adjustment* Rm	March 2023 Rm
Total assets	16 294	(5 156)	11 138
Non-current assets	8 204	(5 156)	3 048
Current assets	8 090	–	8 090
Total equity and liabilities	16 294	(5 156)	11 138
Capital and reserves	12 048	(5 156)	6 892
Non-current liabilities	862	–	862
Current liabilities	3 384	–	3 384
Return on invested capital at fair value (%)	7.3		10.8
Operating profit after tax	870	(145)	725
Invested capital	11 841	(5 156)	6 685

* *No tax implication on the write-up adjustment due to permanent differences.*

Gyro

Extract from the statement of financial position	Pro forma March 2023 Rm	Pro forma adjustment* Rm	March 2023 Rm
Total assets	**8 048**	(5 323)	2 725
Non-current assets	**6 747**	(5 323)	1 424
Current assets	**1 302**	–	1 302
Total equity and liabilities	**8 048**	(5 323)	2 725
Capital and reserves	**6 781**	(5 323)	1 458
Non-current liabilities	**541**	–	541
Current liabilities	**726**	–	726
Return on invested capital at fair value (%)	**11.9**		71.1
Operating profit after tax	**772**	(7)	765
Invested capital	**6 398**	(5 323)	1 075

* *No tax implication on the write-up adjustment due to permanent differences.*

Report on the Assurance Engagement on the Compilation of Pro Forma Financial Information included in the 'TelkomSA SOC Limited's Group Abridged Annual Results for the year ended 31 March 2023' (the "2023 Group Abridged Annual Results")

To the Directors of Telkom SA SOC Limited

Pro forma opinion

We have completed our assurance engagement to report on the compilation of the pro forma financial information of Telkom SA SOC Limited (the "Company") by the directors. The pro forma financial information, as set out on pages 3 to 4 of the 2023 Group Abridged Annual Results includes the Voluntary Early Retirement Package ("VERP") costs, Voluntary Severance Package ("VSP") costs, section 189 costs in terms of the Labour Relations Act 66 of 1995 (section 189), impairment of cash generating units, write up of assets on invested capital and the related tax effects on the results for the year ended 31 March 2023 and presentation of net debt and free cash flow ("the pro forma financial information"). The applicable criteria on the basis of which the directors have compiled the pro forma financial information are specified in the JSE Limited (JSE) Listings Requirements and described in the 2023 Group Abridged Annual Results.

The pro forma financial information has been compiled by the directors to illustrate the impact of the Voluntary Early Retirement Package ("VERP") costs, Voluntary Severance Package ("VSP") costs, section 189 costs in terms of the Labour Relations Act 66 of 1995 (section 189), impairment of cash generating units, write up of assets on invested capital and the related tax effects on the results for the year ended 31 March 2023, net debt at 31 March 2023 and free cash flow for the year then ended. As part of this process, information about the Company's financial position and financial performance has been extracted by the directors from the Company's financial statements for the year ended 31 March 2023, on which an audit has been published.

Directors' responsibility

The directors of the Company are responsible for compiling the pro forma financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the 2023 Group Abridged Annual Results.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Professional Conduct for Registered Auditors*, issued by the Independent Regulatory Board for Auditors' (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).*

The firms apply International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements*, or *Other Assurance or Related Services Engagements*, which requires the firms to design, implement and operate systems of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountant's responsibility

Our responsibility is to express an opinion about whether the pro forma financial information has been compiled, in all material respects, by the directors on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the 2023 Group Abridged Annual Results based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the pro forma financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

PricewaterhouseCoopers Inc.

4 Lisbon Lane, Waterfall City, Jukskei View, 2090
Private Bag X36, Sunninghill, 2157, South Africa

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

Chief Executive Officer: L S Machaba

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

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

SizweNtsalubaGobodo Grant Thornton Inc.

20 Morris Street East, Woodmead, 2191,
PO Box 2939, Saxonwold, 2132

T: +27 (11) 231 0600, F: +27 (11) 234 0933,
info@sng.za.com

Victor Sekese (Chief Executive).

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

Registration Number: M2005/034639/21

Report on the Assurance Engagement on the Compilation of Pro Forma Financial Information included in the 'TelkomSA SOC Limited's Group Abridged Annual Results for the year ended 31 March 2023' (the "2023 Group Abridged Annual Results") continued

The purpose of pro forma financial information is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion, the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in the 2023 Group Abridged Annual Results.

PricewaterhouseCoopers Inc.
Director: KJ Dikana
Registered Auditor
Johannesburg

12 June 2023

SizweNtsalubaGobodo Grant Thornton Inc.
P Hiralall
Registered Auditor
Johannesburg

12 June 2023

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

Financial statements

Audited consolidated abridged financial statements

for the year ended 31 March 2023

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Board approval

These consolidated abridged financial statements for the year ended 31 March 2023 were authorised for issue on 12 June 2023 by the Telkom SA SOC Ltd Board of Directors and published on 13 June 2023. The Board has the power to amend and reissue the financial statements.

Directors' responsibility and audit review report

The Directors of the Company take full responsibility for the preparation of the consolidated abridged financial statements for the year ended 31 March 2023. The consolidated abridged financial statements for the year ended 31 March 2023 have been audited by our independent joint auditors PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Grant Thornton Inc.

Preparer and supervisor of the consolidated abridged financial statements

These consolidated abridged financial statements for the year ended 31 March 2023 were prepared by the Telkom Group finance staff under the supervision of the Group Chief Financial Officer, Dirk Reyneke CA(SA).

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Independent auditors' report on the summary consolidated financial statements

for the period ended 31 March 2023

To the Shareholders of Telkom SA SOC Limited

Opinion

The summary consolidated financial statements of Telkom SA SOC Limited, contained in the accompanying abridged report, which comprise the summary consolidated statement of financial position as at 31 March 2023, the summary consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Telkom SA SOC Limited for the year ended 31 March 2023.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, as set out in note 3.1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary consolidated financial statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 12 June 2023. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Director's responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in note 3.1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

PricewaterhouseCoopers Inc.

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Victor Sekese (Chief Executive).

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Registration Number: M2005/034639/21

PricewaterhouseCoopers Inc.
Director: KJ Dikana
Registered Auditor
Johannesburg

12 June 2023

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

12 June 2023

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

Consolidated summary statement of profit or loss and other comprehensive income

for the year ended 31 March 2023

	Notes	31 March 2023 Rm	31 March 2022[2] Rm
Revenue		43 138	42 756
Operating revenue		42 777	42 474
Interest revenue		361	282
Other income[1]		863	686
Insurance service result		1	(2)
Payments to other operators		(3 399)	(3 393)
Cost of handsets, equipment, software and directories	6.1	(7 089)	(5 648)
Sales commission, incentives and logistical costs		(2 522)	(2 516)
Employee expenses	6.2	(9 292)	(8 693)
Other expenses	6.3	(2 384)	(2 256)
Wholesale voice and non-voice services[2]		(196)	(59)
Maintenance	6.5	(4 154)	(3 879)
Marketing	6.6	(812)	(729)
Impairment of receivables, contract assets and loans	6.7	(1 255)	(803)
Service fees	6.8	(4 080)	(3 388)
Lease-related expenses	6.9	(332)	(168)
EBITDA		8 487	11 908
Depreciation of property, plant and equipment	6.4	(5 125)	(4 713)
Depreciation of right-of-use assets	6.4	(1 274)	(1 184)
Amortisation of intangible assets	6.4	(746)	(831)
Write-offs and impairments of property, plant and equipment and intangible assets[3]	6.4	(13 508)	(247)
Operating (loss)/profit		(12 166)	4 933
Investment income		148	144
Net finance charges and fair value movements		(1 484)	(1 279)
Finance charges on lease liabilities		(488)	(450)
Net finance charges – other[4]		(972)	(662)
Foreign exchange and fair value movements[4]		(24)	(167)
(Loss)/profit before taxation		(13 502)	3 798
Taxation	14.1	3 531	(1 167)
(Loss)/profit for the year		(9 971)	2 631

	Notes	31 March 2023 Rm	31 March 2022[2] Rm
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Exchange gains on translating foreign operations[5]		17	4
Items that will not be reclassified to profit or loss			
Defined benefit plan actuarial gains	11	98	341
Income tax relating to other comprehensive income		(27)	(79)
Other comprehensive income for the year, net of taxation		88	266
Total comprehensive (loss)/income for the year		(9 883)	2 897
(Loss)/profit attributable to:			
Owners of Telkom		(9 973)	2 630
Non-controlling interests		2	1
(Loss)/profit for the year		(9 971)	2 631
Total comprehensive (loss)/income attributable to:			
Owners of Telkom		(9 885)	2 896
Non-controlling interests		2	1
Total comprehensive (loss)/income for the year		(9 883)	2 897
Basic (loss)/earnings per share (cents)	7	(2 058.9)	536.6
Diluted (loss)/earnings per share (cents)	7	(2 058.9)	519.9

[1] *Other income increased largely due to the impact of contract asset sales. Refer to note 19.2.*

[2] *In the prior year, wholesale voice and non-voice services were included in the other expenses line item. This has been disclosed separately in the current year, due to a re-presentation at a Telkom Company level on the annual financial statements. Refer to the annual financial statements for more information.*

[3] *Write-offs and impairments of property, plant and equipment (PPE) and intangible assets (IA) include impairments to the amount of R13 236 million. Refer to notes 6.4 and 8.*

[4] *Other net finance charges increased mainly due to higher debt levels and increasing interest rates. The decrease in foreign exchange and fair value movements, is largely due to a gain on the revaluation of forward exchange contracts.*

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

Consolidated summary statement of financial position

as at 31 March 2023

	Notes	31 March 2023 Rm	31 March 2022 Rm
Assets			
Non-current assets		**42 307**	49 893
Property, plant and equipment	8	**26 178**	38 319
Right-of-use assets		**5 360**	4 945
Intangible assets	8	**4 493**	4 248
Other investments		**108**	170
Other receivables[1]		**72**	–
Employee benefits	11	**1 266**	1 566
Other financial assets	10.1	**182**	113
Finance lease receivables		**344**	224
Deferred taxation	14.3	**4 304**	308
Current assets		**17 317**	16 124
Inventories	12	**1 091**	1 084
Income tax receivable	14.4	**79**	30
Finance lease receivables		**304**	183
Trade and other receivables	19.1	**9 314**	7 797
Contract assets	19.2	**2 440**	2 055
Other current assets		**462**	466
Other financial assets	10.1	**93**	69
Investment in cell captives		**61**	59
Cash and cash equivalents	13	**3 469**	3 239
Restricted cash		**4**	1 142
Total assets		**59 624**	66 017

	Notes	31 March 2023 Rm	31 March 2022 Rm
Equity and liabilities			
Equity attributable to owners of the parent		**24 184**	34 069
Share capital		**5 050**	5 050
Share-based compensation reserve		**1 414**	1 238
Non-distributable reserves		**739**	968
Retained earnings		**16 981**	26 813
Non-controlling interests		**(23)**	(25)
Total equity		**24 161**	34 044
Non-current liabilities		**17 550**	13 422
Interest-bearing debt	16	**11 999**	8 221
Lease liabilities		**4 617**	4 340
Provisions	17	**368**	380
Other financial liabilities	10.2	**198**	106
Deferred revenue		**128**	138
Deferred taxation	14.3	**240**	237
Current liabilities		**17 913**	18 551
Trade and other payables[2]		**10 419**	10 339
Shareholders for dividend		**25**	28
Interest-bearing debt	16	**2 357**	3 711
Lease liabilities		**1 272**	1 034
Provisions	17	**1 893**	1 276
Deferred revenue		**1 475**	1 633
Income tax payable	14.4	**2**	3
Other financial liabilities	10.2	**470**	527
Total liabilities		**35 463**	31 973
Total equity and liabilities		**59 624**	66 017

[1] *The other receivables relate to prepayment of services or goods that will not be received within the next 12 months. The current portion of prepayments is disclosed in trade and other receivables (refer to note 19.1).*

[2] *Invoices subject to supplier finance are classified as trade payables based on management's judgement. R1 411 million of the total trade payables is subject to supplier financing. The Group continues to pay its suppliers based on the agreed payment terms and provides no guarantees to the participating funders. The arrangement does not have an impact on the Group's trade payables, net debt and cash flows.*

Consolidated summary statement of changes in equity

for the year ended 31 March 2023

	31 March 2023 Rm	31 March 2022 Rm
Balance at 1 April	34 044	31 341
Attributable to owners of Telkom	34 069	31 366
Non-controlling interests	(25)	(25)
Total comprehensive (loss)/income for the year	(9 883)	2 897
(Loss)/profit for the year	(9 971)	2 631
Other comprehensive income	88	266
Exchange gains on translating foreign operations	17	4
Net defined benefit plan remeasurements	71	262
Dividend declared	(4)	(1)
Increase in share-based compensation reserve	176	203
Vesting of Telkom and BCX share scheme	2	–
Increase in treasury shares[1]	(255)	(396)
Deregistration of VS Gaming	81	–
Balance at 31 March	24 161	34 044
Attributable to owners of Telkom	24 184	34 069
Non-controlling interests	(23)	(25)

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

Consolidated summary statement of cash flows

for the year ended 31 March 2023

	Notes	31 March 2023 Rm	31 March 2022 Rm
Cash flows from operating activities		5 126	8 152
Cash receipts from customers		40 422	41 614
Cash paid to suppliers and employees		(33 717)	(31 728)
Cash generated from operations[1]	22	6 705	9 886
Interest received		282	235
Dividend received		–	22
Finance charges paid		(1 456)	(1 188)
Taxation paid	14.2	(547)	(764)
Repayment of derivatives – FECs		(28)	(114)
Proceeds from derivatives – FECs		178	80
Cash generated from operations before dividend paid		5 134	8 157
Dividend paid		(8)	(5)
Cash flows utilised for investing activities		(5 827)	(9 298)
Proceeds on disposal of property, plant and equipment and intangible assets		92	16
Additions to property, plant and equipment and intangible assets		(6 620)	(8 031)
SMME loans advanced to external parties		(97)	–
Investments made by FutureMakers[2]		(9)	(53)
Investment in equity fund		–	(9)
Repayment of derivatives – FECs		(49)	(267)
Proceeds from derivatives – FECs		317	188
Proceeds from plan assets	11	543	–
Restricted cash		(4)	(1 142)
Cash flows received/(utilised) from financing activities		931	(617)
Loans raised	16	25 970	1 150
Loans repaid	16	(23 650)	(193)
Purchase of shares for the Telkom and subsidiaries long-term incentive share scheme		(250)	(393)
Repayment of principal lease liability		(1 086)	(1 076)
Repayment of derivatives – interest rate swaps		(53)	(105)
Net increase/(decrease) in cash and cash equivalents		230	(1 763)
Net cash and cash equivalents at 1 April		3 239	5 002
Net cash and cash equivalents at the end of the year	13	3 469	3 239

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

[2] *FutureMakers is an enterprise and supplier development (ESD) programme. In partnership with Identity FutureFund (Pty) Ltd, the fund was created in terms of the Department of Trade and Industry's Code of Good Practice on Black Economic Empowerment 2007, as amended, and specifically in terms of the Information and Technology Charter.*

Notes to the consolidated summary financial statements

for the year ended 31 March 2023

1. Independent audit

The consolidated summary financial statements have been derived from the audited Group annual financial statements. The Directors of the Company take full responsibility for the preparation of the consolidated summary financial statements and that the financial information has been correctly derived and is consistent in all material respects with the underlying audited Group annual financial statements. The consolidated summary financial statements for the year ended 31 March 2023 have been audited by our joint auditors, PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Grant Thornton Inc., who have expressed an unmodified opinion thereon. The auditors also expressed an unmodified opinion on the Group annual financial statements from which the consolidated summary financial statements were derived. A copy of the auditors' report on the Group annual financial statements is available for inspection on the Telkom website, together with the financial statements identified in the auditors' report.

2. Corporate information

Telkom SA SOC Ltd (Telkom), the ultimate parent of the Group, is a company incorporated and domiciled in the Republic of South Africa (South Africa) whose shares are publicly traded on the JSE Ltd. The main objective of the Group and its associates is to supply telecommunication, multimedia, technology, information, mobile communication services and other related information technology (IT) services to the Group's customers in Africa. Turnkey property and tower management solutions are also provided through the Gyro Group, which is a wholly owned subsidiary of the Group.

3. Basis of preparation, significant accounting judgements, estimates, assumptions and significant accounting policies

3.1 Basis of preparation

The consolidated summary financial statements have been prepared in accordance with International Financial Reporting Standard, IAS 34 (Interim Financial Reporting) and in compliance with the JSE Listings Requirements, the South African Companies Act, 2008, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council. The consolidated summary financial statements have been prepared on the going concern basis.

The consolidated summary 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 consolidated summary financial statements are prepared on the historical cost basis, with the exception of certain financial instruments subsequently measured at fair value. The Group's significant accounting policies are in terms of IFRS and consistent with for those applied in the previous financial year except for those listed below.

3.2 Going concern assessment

The financial statements have been prepared under the assumption that Telkom SA SOC Ltd operates on a going concern basis, which assumes the Group will be able to discharge its liabilities as they fall due.

In confirming the validity of the going concern basis of preparation, the Group has considered the following specific factors:

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

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

Solvency

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

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

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

Liquidity

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

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

Notes to the consolidated summary financial statements continued

for the year ended 31 March 2023

3. Basis of preparation, significant accounting judgements, estimates, assumptions and significant accounting policies continued

3.3 Significant accounting judgements, estimates and assumptions

In preparing these consolidated summary financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated annual financial statements for the year ended 31 March 2023.

3.3.1 Significant judgements and estimates – change in useful lives of property, plant and equipment and Intangible assets

The useful lives of assets are based on management's estimation. Management considers the impact of changes in technology, customer service requirements and availability of capital funding to determine the optimum useful life expected for each of the individual categories of property, plant and equipment and intangible assets. Due to the rapid technological advancement in the telecommunications industry, the estimation of useful lives could differ significantly on an annual basis due to unexpected changes in the rollout strategy. The measurement of residual values of assets is also based on management's judgement whether the assets will be sold or used at 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. During the period under review, the Group reassessed the useful lives on PPE and IA. The reassessment decreased the depreciation expense by R81 million (31 March 2022: R514 million) for property, plant and equipment and decreased the amortisation expense by R132 million (31 March 2022: R28 million) for intangible assets.

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

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

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

3.3.3 CGU and goodwill impairment assessment

All assets within the scope of IAS 36 (Impairment of Assets) are to be tested for impairment where there is an impairment indicator. Goodwill is tested for impairment on an annual basis and when an impairment indicator exists. Telkom's net asset value is more than the current market capitalisation as at 31 March 2023. This is an indicator of impairment in terms of IAS 36. Based on Telkom's assessment, the indicator has been assessed and an impairment of R63 million has been recognised. Refer to notes 8 and 9.

3.4 New accounting pronouncements

3.4.1 Other standards, amendments to standards and interpretations

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

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

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

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

Notes to the consolidated summary financial statements continued

for the year ended 31 March 2023

3. Basis of preparation, significant accounting judgements, estimates, assumptions and significant accounting policies continued

3.4 New accounting pronouncements continued

3.4.1 Other standards, amendments to standards and interpretations continued

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

4. Significant changes in the current reporting period

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

After the sale transaction, Telkom controls Openserve through its 100% shareholding in the entity Openserve NewCo. This transaction has no impact at a Telkom Group level.

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

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

Google Equiano undersea internet cable contract
Openserve (Pty) Ltd, a subsidiary of Telkom, has entered into a master services agreement with Google and its affiliates for licenses which enable Telkom to operate the Equiano cable system in South Africa. As at 31 March 2023, this arrangement does not give rise to any accounting implications and is not effective in the FY2023 reporting period. Refer to note 24 for more information.

5. Segment information

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

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

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

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

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

- Interest revenue
- Interest on overdue accounts.

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

Notes to the consolidated summary financial statements continued

for the year ended 31 March 2023

5. Segment information continued

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

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for the year ended 31 March 2023

5. Segment information continued

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

[1] *Revenue includes transactions generated by subsidiaries of BCX in countries outside of South Africa. These are however not considered material to the Group and are thus not disclosed separately. Group revenue increased marginally, driven by an increase in mobile handset and IT hardware sales. This was offset by a decrease in fixed, mobile and IT service revenue due to the challenging operating environment. Refer to note 6.1 for more details regarding the corresponding increase in cost of handsets, software, equipment and directories.*

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

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

[4] *In the prior year, wholesale voice and non-voice services were included in the other expenses line item. This has been disclosed separately in the current year, due to a re-presentation at a Telkom Company level on the annual financial statements. Refer to the annual financial statements for more information.*

Notes to the consolidated summary financial statements continued

for the year ended 31 March 2023

5. Segment information continued

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

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

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

6. Expenses

		31 March 2023 Rm	31 March 2022[1] Rm
6.1	**Cost of handsets, equipment, software and directories** Cost of handsets, equipment, software and directories increased mainly due to high-end mobile contract sales resulting in higher average handset costs and higher post-paid revenue, as well as an increase in mobile handset sales.	**(7 089)**	(5 648)
6.2	**Employee expenses** Employee expenses increased mainly due to restructuring costs amounting to R1 065 million.	**(9 292)**	(8 693)
6.3	**Other expenses** Other expenses include third-party costs, sundry expenses, licence fees paid to regulators, market research, and losses as a result of theft of copper and fibre lines. Other expenses increased mainly due to sundry expenses.	**(2 384)**	(2 256)
6.4	**Depreciation, amortisation, impairments and write-offs of non-financial assets**	**(20 653)**	(6 975)
	Depreciation of property, plant and equipment	**(5 125)**	(4 713)
	Depreciation of right-of-use assets	**(1 274)**	(1 184)
	Amortisation of intangible assets	**(746)**	(831)
	Write-offs of property, plant and equipment and intangible assets	**(272)**	(247)
	Impairment of property, plant and equipment and intangible assets	**(13 236)**	–
6.5	**Maintenance** Maintenance costs have increased for the Group due to higher subcontractor costs, maintenance costs and support contract costs.	**(4 154)**	(3 879)
6.6	**Marketing** Marketing costs have increased due to higher media and non-media commissions paid as well as sponsorship payments for the Youth Employment Service programme.	**(812)**	(729)
6.7	**Impairment of receivables, contract assets and loans** Impairment of receivables, contract assets and loans increased mainly due to an increase in impairment of receivables, which is largely as a result of the deterioration of the debtor's book in Telkom Company due to constrained consumer disposable income.	**(1 255)**	(803)
6.8	**Service fees** Service fees increased due to higher property management fees and higher diesel consumption due to increased loadshedding.	**(4 080)**	(3 388)
6.9	**Lease-related expenses** During the current year, the Group undertook an extensive process to renew expired lease agreements relating to strategic leased assets which are still in use. For expired lease agreements relating to strategic leased assets still in use, the Group policy requires that the lease period be extended in line with the Group's rolling forecast period. The increase in the lease-related expense is mainly due to additional lease payments made as a result of variances identified between the original payment terms and the new payment terms under the renewed lease agreements.	**(332)**	(168)

[1] *In the prior year, wholesale voice and non-voice services were included in the other expenses line item. This has been disclosed separately in the current year, due to a re-presentation at a Telkom Company level on the annual financial statements. Refer to the annual financial statements for more information.*

7. Earnings and dividend per share

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

Reconciliation of weighted average number of ordinary shares:	Number of shares	Number of shares
Weighted ordinary shares in issue	**511 140 239**	511 140 239
Weighted average number of treasury shares	**(26 755 821)**	(20 985 607)
Weighted average number of shares outstanding	**484 384 418**	490 154 632

Reconciliation of diluted weighted average number of ordinary shares:		
Weighted average number of shares outstanding	**484 384 418**	490 154 632
Expected future vesting of shares related to Group share scheme incentive plans[2]	**–**	15 702 826
Diluted weighted average number of shares outstanding	**484 384 418**	505 857 458

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

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

Notes to the consolidated summary financial statements continued

for the year ended 31 March 2023

7. Earnings and dividend per share continued

Treasury shares
The Group holds 24 025 672 (31 March 2022: 23 021 555) treasury shares.

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

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

8. Capital additions, disposals and impairment

	31 March 2023 Rm	31 March 2022 Rm
Property, plant and equipment		
Additions	5 518	6 969
Disposals	(29)	(13)
	5 489	6 956
Intangible assets		
Additions	1 883	513
Disposals	(50)	–
	1 833	513

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

Impairment	31 March 2023 Rm
The Group recognised the following impairment losses during 2023:	
Impairment of property, plant and equipment	(12 222)
Impairment of intangible assets	(951)
Impairment of goodwill	(63)
	(13 236)

9. Impairment of goodwill and cash-generating units

	Group	
	31 March 2023 Rm	31 March 2022 Rm
The Group's goodwill balance is as follows:		
Opening balance	1 259	1 259
Acquisition of Dotcom Software Solutions (Pty) Ltd	99	–
Impairment	(63)	–
Closing balance	1 295	1 259

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

Impairment considerations

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

Notes to the consolidated summary financial statements continued

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9. Impairment of goodwill and cash-generating units continued

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

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

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

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

BCX CGU

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

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

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

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

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

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

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

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

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

Sensitivity to changes in assumptions

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

Telkom Consumer CGU

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

Notes to the consolidated summary financial statements continued

for the year ended 31 March 2023

9. Impairment of goodwill and cash-generating units continued

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

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

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

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

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

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

Valuation results

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

Openserve CGU

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

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

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

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

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

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

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

Valuation results

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

Notes to the consolidated summary financial statements continued

for the year ended 31 March 2023

10. Other financial assets and liabilities

10.1 Other financial assets

	31 March 2023 Rm	31 March 2022 Rm
Other financial assets		
Non-current other financial assets	**182**	113
Other financial assets at amortised cost	**165**	103
Asset finance receivables	**93**	103
SMME loans	**72**	–
Other financial assets at fair value through profit or loss	**17**	10
Investment in equity fund	**10**	10
Investment in first-party cell captive	**7**	–
Current other financial assets	**93**	69
Other financial assets at fair value through profit or loss		
Derivative instruments used for hedging	**81**	69
Forward exchange contracts[1]	**45**	16
Firm commitments[1]	**21**	53
Interest rate swaps[1]	**15**	–
Short term loans and advances	**12**	–

10.2 Other financial liabilities

	31 March 2023 Rm	31 March 2022 Rm
Non-current other financial liabilities	**(198)**	(106)
Other financial liabilities at amortised cost		
Asset finance payables[2]	**(198)**	(106)
Current other financial liabilities	**(470)**	(527)
Other financial liabilities at amortised cost	**(328)**	(253)
Asset finance payables[2]	**(111)**	(94)
Vendor financing	**(217)**	(159)
Other financial liabilities at fair value through profit or loss	**(142)**	(274)
Derivative instruments used for hedging	**(131)**	(252)
Forward exchange contracts[1]	**(45)**	(147)
Firm commitments[1]	**(86)**	(36)
Interest rate swaps[1]	**–**	(69)
Financial guarantees	**(11)**	(22)

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

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

11. Employee benefits

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

	31 March 2023 Rm	31 March 2022 Rm
Defined benefit plan actuarial gains	**98**	341
Telkom Pension Fund net actuarial gain/(loss)	**107**	(1)
Telkom Retirement Fund net actuarial (loss)/gain	**(9)**	247
Medical aid net actuarial (loss)/gain	**(28)**	99
Telephone rebate net actuarial gain	**32**	1
Long service award net actuarial loss	**(4)**	(5)

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

Notes to the consolidated summary financial statements continued

for the year ended 31 March 2023

11. Employee benefits continued

Share scheme
On 15 June 2022, the Telkom Group granted shares to a certain group of employees in terms of a long-term incentive plan (LTIP) and the employee share ownership plan (ESOP). The shares are equity-settled and the number of shares to vest will depend on the extent to which the performance conditions are met at the end of the applicable performance period. The shares granted are as follows:

	No. of shares granted 2023
Telkom	
LTIP	2 036 226
ESOP	1 637 773
BCX	
LTIP	672 294
ESOP	965 804
Yellow Pages	
ESOP	48 214
Gyro	
LTIP	206 290
ESOP	142 377
Openserve	
LTIP	427 481
ESOP	2 022 338

The vesting dates for the shares granted to Telkom Company, BCX, Yellow Pages, Openserve and Gyro are as follows, if the performance conditions have been met and if the employee is still in the employment of the Telkom Group:

ESOP grant:
30 June 2025: 100%

LTIP grant
30 June 2025: 50%
30 June 2026: 30%
30 June 2027: 20%

The financial assumptions used for the valuation of these grants are as follows:	Telkom Group 2023 ESOP	Telkom Group 2023 LTIP
Market share price (R)	36.20	36.20
Share price volatility (%)	50	50
Future risk-free interest rate (%)		
– 30 June 2025	7.09	7.09
– 30 June 2026	N/A	7.40
– 30 June 2027	N/A	7.69

12. Inventories

	31 March 2023 Rm	31 March 2022 Rm
Inventories	1 091	1 084
Gross inventories	1 320	1 244
Write-down of inventories to net realisable value	(229)	(160)

13. Net cash and cash equivalents

	31 March 2023 Rm	31 March 2022 Rm
Cash disclosed as current assets	3 469	3 239
Cash and bank balances	2 120	3 104
Short-term deposits	1 349	135
Net cash and cash equivalents	3 469	3 239
Undrawn borrowing facilities	2 837	4 900

The significant increase in short-term deposits is due to cash inflows from the proceeds of the post-retirement medical aid assets of R543 million (refer to note 11) and the TL33 bond of R700 million to refinance the TL27 maturing during April 2023. The decrease in undrawn borrowing facilities is mainly due to the utilisation of the revolving credit facilities of R1 500 million. The revolving credit facilities forms part of committed facilities.

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

14. Taxation and deferred taxation

14.1 Taxation

	31 March 2023 Rm	31 March 2022 Rm
Taxation	3 531	(1 167)

The taxation expense reduced significantly by R4 698 million to a tax credit. This is primarily due to the decline in current tax and the deferred tax impact of the impairment of property, plant and equipment and intangible assets in the current year and tax losses.

14.2 Taxation paid

	31 March 2023 Rm	31 March 2022 Rm
Taxation paid	(547)	(764)

Taxation paid in the current year is R217 million less than the prior year as a result of the reduction in the Group's profit before tax and taxable income.

Notes to the consolidated summary financial statements continued

for the year ended 31 March 2023

14. Taxation and deferred taxation continued

14.3 Deferred taxation

	31 March 2023 Rm	31 March 2022 Rm
Deferred taxation balance is made up as follows:	**4 064**	71
Deferred taxation assets	**4 304**	308
Deferred taxation liabilities	**(240)**	(237)

The increase of R3 993 million in the deferred tax asset (DTA) balance is attributable to the following:

- R4 031 million net movement in temporary differences through the statement of profit or loss, primarily as a result of the DTA recognised on the impairment of property, plant and equipment and intangible assets and the DTA recognised on tax losses; and
- This is set off by the R38 million movement through other comprehensive income (OCI) primarily as a result of the additional deferred tax liability raised in Telkom SA SOC Ltd on the net defined benefit plan remeasurements.

14.4 Net income tax receivable

	31 March 2023 Rm	31 March 2022 Rm
The income tax receivable is made up as follows:	**77**	27
Income tax receivable	**79**	30
Income tax payable	**(2)**	(3)

The R50 million increase in net income tax receivable is mainly due to an overpayment of provisional tax in the current year compared to the final tax liability and prior year overprovisions.

15. Financial risk management

Exposure to continuously changing market conditions has made management of financial risk for the Group critical. Treasury policies, risk limits and control procedures are continuously monitored by the Board through its Audit Committee and Risk Committee.

15.1 Fair value measurement

15.1.1 Fair value of financial instruments

Valuation techniques and assumptions applied for the purposes of measuring fair value:

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

Notes to the consolidated summary financial statements continued

for the year ended 31 March 2023

15. Financial risk management continued

15.1 Fair value measurement continued

15.1.1 Fair value of financial instruments continued

Derivatives
Derivatives held for risk management purposes include hedges that either meet the hedge accounting requirements or economic hedges that do not meet the hedge accounting requirements.

Derivatives that do not meet the hedge accounting requirements:
The Group uses forward exchange contracts and interest rate swaps to economically hedge its foreign exchange and interest rate exposures. These derivative instruments are measured at fair value through profit or loss.

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

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

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

The estimated net fair values as at the reporting date have been determined using available market information and appropriate valuation methodologies as outlined on the previous page. The fair values of the financial assets and financial liabilities are sensitive to foreign exchange and interest rate movements.

Derivatives are recognised at fair value. The fair values of derivatives are determined using quoted prices or, where such prices are not available, a discounted cash flow analysis is used. These amounts reflect the approximate values of the net derivative position at the reporting date.

The fair values of the borrowings disclosed above are based on quoted prices or, where such prices are not available, the expected future payments are discounted at market interest rates. As a result, they differ from their carrying values.

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 to 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 credit losses (ECL) 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.

Notes to the consolidated summary financial statements continued

for the year ended 31 March 2023

15. Financial risk management continued

15.1 Fair value measurement continued

15.1.2 Fair value hierarchy

The table below analyses financial instruments carried at fair value and amortised cost, by valuation method.

The different levels have been defined as follows:

- Quoted prices in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices that are observable for the asset or liability (level 2); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

	Hierarchy levels[1]	31 March 2023 Rm	31 March 2022 Rm
Assets measured at fair value			
Derivative assets			
Forward exchange contracts	Level 2	45	16
Firm commitments	Level 2	21	53
Interest rate swaps	Level 2	15	–
Investment made by FutureMakers	Level 3	99	165
Investment in equity fund	Level 3	10	10
Investment in first-party cell captive	Level 3	7	–
Liabilities measured at fair value			
Derivative liabilities			
Forward exchange contracts	Level 2	(45)	(147)
Firm commitments	Level 2	(86)	(36)
Interest rate swaps	Level 2	–	(69)
Financial guarantees	Level 3	(11)	(22)
Liabilities measured at amortised cost			
Interest-bearing debt[2]	Level 2	(14 395)	(12 007)

[1] *There have been no transfers between the fair value levels in the period under review.*

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

15.2 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 Executive Committee. In terms of the borrowing requirements, the Group ensures that sufficient facilities exist to meet its immediate obligations. Short-term liquidity gaps may be funded through undrawn facilities and commercial paper bills.

The table below summarises the maturity profile of the Group's interest-bearing debt based on undiscounted contractual cash flows at the reporting date:

	Carrying amount Rm	Contractual cash flows Rm	0 – 12 months Rm	1 – 2 years Rm	2 – 5 years Rm	>5 years Rm
Interest-bearing debt (note 16)	14 356	18 232	3 435	4 504	8 334	1 959

15.3 Interest rate risk management

The Group's policy is to manage interest costs 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.

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

	Average maturity	Notional amount Rm
2023		
Interest rate swaps outstanding		
Pay fixed and receive floating	1.25 years	2 277

Notes to the consolidated summary financial statements continued

for the year ended 31 March 2023

15. Financial risk management continued

15.4 Foreign currency exchange rate risk management

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

The following table details the FECs outstanding at the reporting date:

Purchased	Foreign contract value m	Contract value Rm
2023		
Currency		
USD	191	3 423
Euro	14	284
Chinese Yuan	202	533
		4 240

16. Interest-bearing debt

	31 March 2023 Rm	31 March 2022 Rm
Non-current interest-bearing debt	11 999	8 221
Local debt	11 268	7 344
Foreign debt	731	877
Current portion of interest-bearing debt	2 357	3 711
Local debt	2 195	3 558
Foreign debt	162	153

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

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

17. Provisions

	31 March 2023 Rm	31 March 2022 Rm
Non-current provisions	368	380
Non-current employee-related provisions	321	364
Subsidiary defined benefit plans	8	26
Telephone rebates	313	338
Non-current non-employee-related provisions		
Other	47	16
Current provisions	1 893	1 276
Current portion of employee-related provisions	1 544	1 126
Annual leave	499	454
Telephone rebates	43	39
Bonus, termination packages and other benefits	1 002	633
Current portion of non-employee-related provisions		
Other	349	150

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

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

Restructuring provision
During the current year, the Group initiated a voluntary severance and retrenchment process. An expense relating to the process of R1 065 million was recognised. Refer to note 23.

Non-employee-related provisions
Other current provisions relate to the ICASA license fee provision, restoration provisions and other general provisions.

Notes to the consolidated summary financial statements continued

for the year ended 31 March 2023

18. Commitments

	31 March 2023 Rm	31 March 2022 Rm
Capital commitments authorised	**6 366**	9 085
Commitments against authorised capital expenditure	**1 964**	2 119
Authorised capital expenditure not yet contracted	**4 402**	6 966

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

Management expects these commitments to be financed from internally generated cash and borrowings. Refer to note 3.2.

19. Trade and other receivables and contract assets

19.1 Trade and other receivables

	31 March 2023 Rm	31 March 2022 Rm
Trade and other receivables	**9 314**	7 797
Trade receivables	**6 877**	5 210
Gross trade receivables	**9 785**	7 506
Impairment of receivables	**(2 908)**	(2 296)
Prepayments and other receivables	**2 437**	2 587
Allowance account for expected credit losses – trade receivables	**2 908**	2 296
Opening balance as previously reported	**2 296**	2 318
Charged to statement of profit or loss and other comprehensive income	**1 112**	534
Receivables written off	**(500)**	(556)

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

Trade receivables credit risk remained fairly constant. The increase in the trade receivable balance has resulted in an increase in the ECL amount while the coverage ratio remains fairly constant.

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

19.2 Contract assets

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

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

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

Telkom recognised a derecognition gain of R198 million (31 March 2022: R154 million) within other income in the statement of profit or loss and other comprehensive income. Telkom will continue to explore similar initiatives improve cash flow.

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

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

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

Notes to the consolidated summary financial statements continued

for the year ended 31 March 2023

20. Contingencies

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

High Court
Radio Surveillance Security Services (RSSS)

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

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

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

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

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

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

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

21. Related parties

	31 March 2023 Rm	Restated 31 March[1] 2022 Rm
Details of material transactions and balances with related parties not disclosed separately in the consolidated summary financial statements were as follows:		
With shareholders:		
Government of South Africa		
Related party balances		
Finance lease receivables	248	146
Trade receivables	1 253	911
Impairment of trade receivables	(217)	(264)
Related party transactions		
Revenue	(4 748)	(4 625)

At 31 March 2023, the Government of South Africa held 40.5% (31 March 2022: 40.5%) of Telkom's shares, and had the ability to exercise significant influence, and the Public Investment Corporation held 15.63% (31 March 2022: 15.13%) of Telkom's shares.

	31 March 2023 Rm	Restated 31 March[1] 2022 Rm
With entities under common control:		
Major public entities		
Related party balances		
Finance lease receivables	116	48
Trade receivables	728	371
Impairment of trade receivables	(141)	(106)
Trade payables	–	(1)
Related party transactions		
Revenue (excluding lease income)	(647)	(641)
Operating expenses (excluding lease expense)	231	252
Lease income	(39)	(31)
Lease expense	41	42

[1] *The comparatives related to major public entities have been restated due to changes in the major public entities listing in the current financial year.*

Notes to the consolidated summary financial statements continued

for the year ended 31 March 2023

21. Related parties continued

	31 March 2023 Rm	31 March 2022 Rm
Key management personnel compensation (including Directors and Prescribed Officers' remuneration):		
Related party transactions		
Short-term employee benefits	192	229
Post-employment benefits	14	16
Termination benefits	22	8
Equity compensation benefits	51	71

Terms and conditions of transactions with related parties

Except as indicated above, outstanding balances at 31 March 2023 are unsecured, include interest and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Except as indicated above, for the year ended 31 March 2023, the Group has not impaired any of the amounts owed by the related parties. This assessment is undertaken in each financial period through examining the financial position of the related party and the market in which the related party operates.

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

	31 March 2023 Rm	31 March 2022 Rm
Cash generated from operations	6 705	9 886
(Loss)/profit before tax	(13 502)	3 798
Finance charges and fair value movements	1 484	1 279
Investment income	(148)	(144)
Interest received from trade receivables	(137)	(122)
Non-cash items	22 313	7 201
Depreciation, amortisation, impairment and write-offs	20 653	6 975
Increase in expected credit loss provision	625	64
Bad debts written off	630	739
Increase/(decrease) in provisions	441	(419)
Insurance service result	(1)	2
Reversal of FutureMakers impairment	(10)	–
Gain on termination of leases	(12)	(33)
Profit from disposal of property, plant and equipment	(64)	(14)
Gain on sale of contract assets	(198)	(154)
Foreign exchange movements	243	(1)
Share-based payment expenses	174	203
Movement in deferred revenue	(168)	(161)
Movement in working capital	(3 305)	(2 126)
Movement in inventories	(64)	(79)
Increase in trade receivables, contract assets, finance lease receivables and other receivables	(3 001)	(1 343)
Decrease in trade and other payables and prepayments	(240)	(704)

Notes to the consolidated summary financial statements continued

for the year ended 31 March 2023

23. Significant events and transactions

Results of the Telkom annual general meeting regarding Directors reappointments
On 24 August 2022, the following Board members were elected or re-elected as per the annual general meeting ordinary resolutions:

- B Kennedy
- KP Lebina
- M Nyati
- IO Selele
- LL Von Zeuner
- SH Yoon

Disposal of Swiftnet SOC Ltd ("Swiftnet")
The Board gave in-principle approval to affirm and realise the value of its investment in Swiftnet. Management is exploring various options of realising the value of the masts and towers business and will update the market in due course.

Approval of long-term credit facility agreement
On 18 November 2022, the Telkom Board gave in-principle approval of a R2 billion long-term credit facility. The R2 billion long-term loan agreement was signed in December 2022 and the funds were utilised to purchase spectrum and for general corporate purposes.

Vesting of shares
In terms of the Telkom share scheme rules, no shares vested to Mr Serame Taukobong and to Mr Dirk Reyneke in June 2022 as this was in a prohibited period. The vesting of these shares was deferred till after the end of the prohibited period and thus took place on 24 November 2022, in line with the share scheme rules. In terms of the aforementioned rules, 46 887 shares vested to Mr Serame Taukobong and 17 137 shares vested to Mr Dirk Reyneke on 24 November 2022.

Resignation of Non-executive Directors
Telkom announced on 15 July 2022 that Mr RG Tomlinson, an independent Non-executive Director, had resigned from the Board with effect from 24 August 2022.

Retirement of Non-executive Directors
Telkom announced on 15 July 2022 that Mr N Kapila, Ms F Petersen-Cook and Ms KW Mzondeki, independent Non-executive Directors, had retired from the Board with effect from 24 August 2022.

Appointment of Non-executive Directors
Telkom announced on 26 April 2022 that Mr SH Yoon had been appointed to the Board as an independent Non-executive Director with effect from 1 May 2022. Telkom announced on 15 July 2022 that Mr B Kennedy, Ms P Lebina, Mr M Nyati and Ms IO Selele had been appointed to the Board as independent Non-executive Directors with effect from 15 July 2022. Telkom announced on 28 October 2022 that Ms N Ford-Hoon had been appointed to the Board as an independent Non-executive Director with effect from 1 November 2022.

Resignation and appointment of independent Non-executive Director and Chairperson of Telkom
On 23 November 2022, Telkom advised the market that Mr Sello Moloko informed the Board of his intention to step down as an independent Non-executive Director and the Chairperson by no later than 31 March 2023. On 22 March 2023, Telkom announced the appointment of Mr Mvuleni Geoffrey Qhena as an independent Non-executive Director with effect from 27 March 2023 and Chairperson of the Board with effect from 1 April 2023.

Internal organisational restructuring
Telkom had entered into a formal consultation process with the relevant stakeholders in terms of section 189 of the Labour Relations Act regarding the restructuring of certain operations to ensure the sustainability of the Group. The S189 process impacted all business units and subsidiaries and ensured the sustainability of the Group.

The restructuring process was part of a cost-saving initiative being implemented as the Group manages the migration of revenue between old and new technologies. The Telkom Group is challenged with managing the costs associated with the different technologies, the competitiveness and sustainability of the Group.

15% of employees in the Group have been impacted by the retrenchment process. In line with the consultation process with unions, Telkom extended voluntary severance packages and voluntary early retirement packages to all employees in the Group.

Notes to the consolidated summary financial statements continued

for the year ended 31 March 2023

24. Events after the reporting date

Google Equiano undersea internet cable contract

Openserve (Pty) Ltd, a subsidiary of Telkom, has entered into a master services agreement (MSA) with Google and its affiliates for licenses which enable Telkom to operate the Equiano cable system in South Africa. The MSA sets out the rights and obligations of each party and the general terms and conditions of the arrangement but does not set out the specified performance obligations and payment terms. These details are included in order forms that would need to be considered in conjunction with the MSA. The arrangement does not give rise to any accounting implications in the FY2023 reporting period. Accounting implications will only be triggered by the order forms, and the effective dates for all the order forms are subsequent to the financial year-end.

Resignation of Group Company Secretary

Telkom announced on 31 May 2023 that Ms A Ceba has resigned as Group Company Secretary of Telkom with effect from 31 August 2023.

Other matters

The Directors are not aware of any other matter or circumstance since the financial period ended 31 March 2023 and the date of this report, or otherwise dealt with in the consolidated summary financial statements, which significantly affects the financial position of the Group and the results of its operations.

Abbreviations

BCX	Business Connexion (Pty) Ltd
CAPEX	Capital expenditure
CGU	Cash-generating unit
CODM	Chief operating decision maker
DTA	Deferred tax asset
EBITDA	Earnings before investment income and finance cost, tax, depreciation, amortisation and write-offs, impairments and losses
ECL	Expected credit loss
ESD	Enterprise and Supplier Development
ESOP	Employee share ownership plan
ETR	Effective tax rate
Exco	Group Executive Committee
FECs	Forward exchange contracts
GCEO	Group Chief Executive Officer
IAS	International Accounting Standard
IASB	International Accounting Standards Board
ICASA	Independent Communications Authority of South Africa
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
IT	Information technology
JSE	Johannesburg Stock Exchange
LTIP	Long-term incentive plan
MFRF	Mutual and Federal Risk Finance
OCI	Other comprehensive income
SMB	Telkom Small and Medium Business
SMME	Small Medium Macro Enterprise
SIU	Special Investigating Unit
TGIT	Telkom Group Information Technology
TKG	The Telkom Group's JSE share code

Administration

Company registration number
1991/005476/30

Head office
61 Oak Avenue
Centurion, 0157

Postal address
Telkom SA SOC Ltd
Private Bag X881
Pretoria, 0001

Telkom register helpline
0861 100 948

Group Company Secretary
Ayanda Ceba (FCG) (F.Inst.D)
Tel: +27 12 311 0345
secretariat@telkom.co.za

Investor relations
Nondyebo Mqulwana
Tel: +27 12 311 1041
telkomir@telkom.co.za

Joint auditors
PricewaterhouseCoopers Inc.
4 Lisbon Lane, Waterfall City
Jukskei View, 2090
Tel: +27 11 797 4000

SizweNtsalubaGobodo Grant Thornton Inc.
20 Morris Street East
Woodmead, 2191
Tel: +27 11 231 0600

Transfer secretaries
Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
Private Bag X9000,
Saxonwold, 2132

Sponsor
Nedbank Corporate and Investment Banking a division of Nedbank Ltd
135 Rivonia Road
Sandown
Sandton, 2196

United States ADR depository
The Bank of New York Mellon
Shareholder Relations Department
PO Box 11258
New York
NV 10286-1258
Tel: +1 888 643 4269
Shareowner-svcs@bankofny.com

Telkom Consumer

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