

Notes to the consolidated annual financial statements

for the year ended 31 March 2017

1 Corporate information

Telkom SA SOC Limited (Telkom), the ultimate parent of the group, is a company incorporated and domiciled in the Republic of South Africa (South Africa) whose shares are publicly traded. The main objective of Telkom, its subsidiaries and associate (the group) is to supply telecommunication, multimedia, technology, information, mobile communication services and other related information technology services to the group customers, as well as mobile communication services, in Africa. The group's services and products include:

- > fixed-line retail voice services to post-paid, pre-paid and private payphone customers using PSTN (Public Switched Telephone Network) lines, including ISDN (Integrated Services Digital Network) lines, and the sale of subscription based value-added voice services and calling plans
- > fixed-line customer premises equipment rental, sales and services both voice and data needs and these include PABX, computers, routers, modems, telephone handsets and other ancillary equipment
- > interconnection services, including terminating and transiting traffic from South African mobile operators, as well as from international operators and transiting traffic from mobile to international destinations;
- > fixed-line data services, including domestic and international data transmission services, such as point-to-point leased lines, ADSL (Asymmetrical Digital Subscriber Line) services, packet-based services, managed data networking services and internet access and related information technology services
- > W-CDMA (Wideband Code Division Multiple Access), a 3G next generation network, including fixed voice services, data services and nomadic voice services
- > mobile communication services, including voice services, data services and handset sales through its mobile brand called Telkom Mobile
- > Business Connexion provides business solutions based on information and communication technology and manages ICT systems and products, services and solution throughout Africa
- > other services including directory services, through Trudon (Pty) Ltd, wireless data services, through Swiftnet (Pty) Ltd and included internet services outside South Africa

Convergence is one of our key strategic initiatives in building a sustainable future for Telkom. We will lead the provision of Converged Services in South Africa in support of our mission statement: Seamlessly connecting people to a better life. The strategy is to transform Telkom into an integrated fixed, mobile, IT and content provider, leveraging our unique strengths in the fixed, mobile and IT markets in order to drive sustainable revenue growth, defend our core business and create efficiencies over the longer term.

2 Significant accounting policies

2.1 Basis of preparation

The consolidated annual financial statements comply with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), the Companies Act of South Africa, 2008, the JSE Listings Requirements and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council.

The consolidated annual financial statements are presented in South African Rand, which is the group's presentation currency. All financial information presented in Rand has been rounded to the nearest million.

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

The following new standards and amendments to standards have been early adopted.

Standard(s), Amendment(s)	Salient feature of the changes	Effective date
IFRS 12 Disclosure of Interests in Other Entities	Amendment clarifying the scope of IFRS 12 with respect to interests in entities classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. This amendment has been adopted and has no impact on the group.	1 January 2017
IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	The amendment clarifies that an entity needs to consider whether any tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendment provides guidance on how an entity should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount. This amendment has been adopted and does not have an impact on the group.	1 January 2017

2 Significant accounting policies – continued

2.1 Basis of preparation – continued

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

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the group. Information on those expected to be relevant to the group's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the group's financial statements.

The following new standards, amendments to standards and interpretations in issue have not yet been adopted and are not yet effective. All standards are effective for annual periods beginning on or after the effective date.

Pronouncement	Title	Effective date
IFRS 2 Share -based Payments	Amendment on the classification and measurement of share-based payment transactions. The amendment addresses the following: i) Effects of vesting conditions on cash settled share-based payments ii) Accounting for modification of terms and conditions on cash settled share based payments that changes to equity-settled payments iii) Classification of share-based payments with net settled features. This amendment is likely to have an impact on the group, however the materiality of the impact has not been assessed. The amendment will be adopted on 31 March 2018 reporting period	1 January 2018
IFRS 4 Insurance Contracts	Applying IFRS 9 Financial Instruments and IFRS 4 Insurance Contracts. Two amendments to IFRS 4 aiming to address the interaction between the two standards: i) Insurers that meet specified requirements are granted a temporary exemption from IFRS 9 ii) Introduction of an optional accounting policy choice to allow the insurers to apply the overlay approach to designated financial assets when it first applies IFRS 9. The impact of the amendment has not been assessed. The amendment will be adopted on 31 March 2018 reporting period	1 January 2018
IFRS 7 Financial Instruments Disclosures	a) Amendments requiring disclosures about the initial application of IFRS 9 The impact of the amendment is being assessed b) Additional hedge accounting disclosures resulting from the introduction of a hedge accounting chapter in IFRS 9. The group plans to adopt and apply this standard in its 31 March 2019 financial reporting period, with Interim results 30 September 2018 (30 September 2017 comparative information being the first set of financial statement that will be affected)	1 January 2018*
IFRS 10 Consolidated Financial Statements	Amendment of the accounting for a split of gains or losses on the loss of control between: (i) the recognition of gains or losses in profit or loss of a parent company (ii) the elimination against the carrying amounts of investments in the existing associate/joint venture and former subsidiary when control over the subsidiary is lost. This amendment will not have an impact on the group	TBA
IFRIC 22 Foreign Currency Transactions and Advance Consideration	The amendment clarifies the exchange rate to use in transactions that involve advance consideration paid or received in foreign currency. The amendment will be adopted on 31 March 2018 reporting period.	1 January 2018
IAS 7 Statement of Cash Flow Disclosure Initiative	This amendment requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment has not been adopted and will have an impact on disclosures for the Telkom group.	1 January 2017

Notes to the consolidated annual financial statements – continued

for the year ended 31 March 2017

2 Significant accounting policies – continued

2.1 Basis of preparation – continued

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

Pronouncement	Title	Effective date
IAS 28 Investment in Associates or Joint Ventures	See IFRS 10 Consolidated Financial Statements Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. Adoption of this amendment will not have an impact on the group.	TBA
IAS 28 Investment in Associates or Joint Ventures	Amendment clarifying that a venture capital organisation, or a mutual fund, unit trust and similar entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture. The impact of the amendment has not been assessed.	1 January 2018
IAS 39 Financial Instruments: Recognition and Measurement	Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet their 'own use' scope exception. The group plans to adopt and apply this standard in its 31 March 2019 financial reporting period, with Interim results 30 September 2018 (30 September 2017 comparative information) being the first set of financial statement that will be affected. The impact is however in the process of being quantified.	1 January 2018*
IAS 40 Investment Property	Amendment clarifying the requirements on transfers to or from investment property. The impact of the amendment has not been assessed. The amendment will be adopted for the 31 March 2018 reporting period.	1 January 2018

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments (2014) is effective for periods beginning on or after 1 January 2018 and will replace substantially all of the requirements relating to the recognition and measurement of financial instruments in IAS 39 Financial instruments: Recognition and Measurement. The new standard includes the final classification and measurement model for financial assets and liabilities as well as the new expected credit losses (ECL) model for the impairment of financial assets that replaces the incurred loss model prescribed in IAS 39. The IAS 39 classification model for financial liabilities has been retained, however changes in own credit risk will be presented in other comprehensive income for liabilities designated at fair value through profit or loss.

IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements.

The group has started assessing the impact of IFRS 9 but is not yet in a position to provide quantified information. Based on the analysis done so far, the main areas of expected impact are as follows:

- > The classification and measurement of the group's financial assets will need to be reviewed based on the new criteria that consider the assets' contractual cashflows and the business model in which they are managed
- > IFRS 9 will affect the way the group currently recognises credit losses in the profit and loss (P&L) statement. An expected credit loss-based impairment will need to be recognised on the group's trade receivables (see note 19) and financial assets currently classified as held-to-maturity (see note 15) unless classified as held at fair value through profit or loss in accordance with the new criteria. The ECL model is not expected to cause a major increase in allowances for short-term trade receivables because of their short-term nature. The group will make use of the practical expedients in the standard, in particular the use of the provision matrix, which should help in measuring the loss allowance for short-term trade receivables

2 Significant accounting policies – continued

2.1 Basis of preparation - continued

IFRS 15 Revenue from contracts with customers

IFRS 15 provides principles that an entity will apply to determine the measurement and timing of revenue recognition from contracts with customers. The underlying principle is that an entity will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

Although the group has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated annual financial statements, the detailed quantification has not been completed. It expects to disclose additional quantitative information before it adopts the relevant standard.

Based on the initial findings, and taking cognisance of the group's existing accounting policies regarding revenue recognition, which essentially state that revenues are recognised when the goods and service are rendered, it is anticipated that there could be a change in the timing of revenue recognition over the period of a customer contract dependent on the identification of different performance obligations and the allocation of the total purchase price consideration to these obligations. It is anticipated that this could impact all Telkom's revenue streams, however, overall revenue recognition over the duration of the contract period will not be impacted.

Although contract and fulfilment costs are currently capitalised and amortised over the expected average customer relationship period, further detailed assessment for compliance to IFRS 15 is still required.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The group plans to adopt the standard in its results for the financial year ending 31 March 2019, on a fully retrospective approach, using the practical expedients for completed contracts, which will entail that completed contracts that started and ended in the same comparative reporting period, as well as contracts that are completed at the beginning of the earliest period presented, will not be restated.

IFRS 16 Leases

IFRS 16 Leases, issued by the IASB in January 2016, is effective for reporting periods beginning on or after 1 January 2019.

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

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

In the case where the group is a lessee, the long-term operating leases will be recognised as non-current assets and financial liabilities in the consolidated statement of financial position. In the statement of comprehensive income, the lease expense profile will be front-loaded for individual leases and presented as depreciation and interest rather than as an operating expense (with the exception of variable rentals which will be expensed as incurred). This will result in a number of the group's key performance indicators being affected – EBITDA being a case in point. The statement of cash flows will also be affected, with payments needing to be split between repayments of principal and interest.

The group is assessing the effects of IFRS 16 and cannot provide an estimate of the effects of the new lease standard until a detailed review has been performed.

Notes to the consolidated annual financial statements – continued

for the year ended 31 March 2017

2 Significant accounting policies – continued

2.2 Correction of prior period errors and change in accounting policies

Correction of prior period errors

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy and a retrospective restatement. An additional statement of financial position as at 31 March 2015 is presented in these consolidated financial statements due to the retrospective correction of a prior period error.

2.2.1 Telkom Retirement Fund

During the 31 March 2016 reporting period, the group reported the restatement of the balances as a "Reassessment of the Telkom Retirement Fund (TRF) Defined Benefit Plan". For classification purposes, it should be noted that the reassessment of the TRF constituted an error and not a change in accounting policy as previously stated. All relevant IAS 8 disclosures (nature, correction amounts and the amount of correction at the beginning of the year) regarding the error were appropriately disclosed in the March 2016 financial statements.

2.2.2 Fair value hierarchy

During the previous reporting periods, the group reported the fair value hierarchy of the TL20 bonds as level 1 instead of level 2 based on the fact that it could access the quoted price of the bonds. According to IFRS 13, bonds can only be level 1 if they are quoted on active market. The TL20 bonds are quoted on the market, however their transactions are not sufficiently frequent for the market to be regarded as liquid.

The group has corrected this disclosure by changing the TL20 fair value hierarchy from level 1 to level 2. The group has assessed that there has been no impact on the fair value of the TL20 bonds in the prior year as the quoted price is an adjusted market price, for perceived changes in risk as well as the time value of money. The group will continue to assess if the quoted price of the listed TL20 bonds is considered to be a level 1 or level 2 price and if further adjustment might be required.

2.2.3 Fraud – Trudon

During the current financial year, the group uncovered financial irregularities at one of its subsidiaries, Trudon, resulting in the termination of the services of the general manager IT.

An internal investigation into the financial irregularities was launched, which identified invoicing and accounting irregularities which led to the incorrect recognition and subsequent measurement of intangible assets over a period of several years. The investigation also identified the past practice of irregularly capitalising operating expenditure as intangible assets. The nature of the errors identified included:

- > Intangible assets capitalised for which there was no evidence of a valid asset or expense as a result of the above financial irregularities
- > Expenses capitalised to intangible assets which on re-evaluation of the nature of expense, based on the invoice detail, was deemed to not meet the recognition criteria of IAS 38 at date of capitalisation
- > Identification of intangible assets which were no longer in use and which had been decommissioned in earlier periods but not de-recognised at time of decommissioning
- > Income tax implications in relation to expenses and wear and tear allowances deducted in prior periods relating to invoices associated with financial irregularities which, based on senior counsel opinion, should not have been deducted for tax purposes

These issues identified constituted material prior period errors and have been corrected by restating each of the affected line items for the prior period as shown in the table 2.5 and 2.6 below.

2.2.4 Change in accounting policies

Cost of sales

The group has previously included all the expenses that can be directly linked to revenue received for services provided and goods sold to customers in the definition of cost of sales.

Following the sale of the Enterprise business to BCX in November 2016, the group elected to change its accounting policy for cost of sales to only include expenses directly linked to revenue from the sale of goods. This decision to change the accounting policy in the view of management will provide more reliable and relevant information to ensure consistent presentation across the group following the sale of Enterprise to BCX. Please refer to note 2.4.22 for the new accounting policy.

This change in policy has resulted in the reclassification of these line items in the comparative statement of profit or loss and other comprehensive income. Refer to note 2.5.

2 Significant accounting policies – continued

2.3 Significant accounting judgements, estimates and assumptions

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

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

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

The useful lives of assets are based on management's judgement and estimation. Management considers the impact of changes in technology, customer service requirements, availability of capital funding and required return on assets and equity to determine the optimum useful life expectation for each of the individual categories of property, plant and equipment and intangible assets. Due to the rapid technological advancement in the telecommunications industry, the estimation of useful lives could differ significantly on an annual basis due to unexpected changes in the roll-out strategy. The impact of the change in the expected useful life of property, plant and equipment is described more fully in note 12. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives and what their condition will be at that time. Changes in the useful lives and/or residual values are accounted for as a change in accounting estimate.

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

2.3.2 Asset retirement obligations

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

2.3.3 Impairments of property, plant and equipment and intangible assets

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

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

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

2.3.4 Impairment of receivables

An impairment loss is recognised on trade receivables that are assessed to be impaired (refer to notes 14 and 19). The impairment is based on an assessment of the extent to which customers have defaulted on payments already due and an assessment of their ability to make payments based on their credit worthiness and historical write-offs experience. Should the assumptions regarding the financial condition of the customer change, actual write-offs could differ significantly from the impairment loss recognised.

Notes to the consolidated annual financial statements – continued

for the year ended 31 March 2017

2 Significant accounting policies – continued

2.3 Significant accounting judgements, estimates and assumptions – continued

2.3.5 Customer relationship periods

The average customer relationship periods for Wholesale, Voice and Non-Voice services are utilised to amortise the deferred installation revenue and cost. Management makes judgements about the customer relationship period estimate based on the historical churn information. The churn is determined by considering the service installation and disconnection dates, the weighted customer base ageing and the service connection status of the customers. Changes in average customer relationship periods are accounted for as a change in accounting estimates.

2.3.6 Deferred taxation asset

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

The period of assessment of probable future taxable income for the purpose of assessing whether a deferred tax asset should be raised has been restricted to three years. The company has included the tax implications in the three-year forecast of taxable income which required the application of significant judgement and estimates.

Management has taken careful consideration to the expected effect in respect of transactions forming part of Telkom's strategic imperative to maximise value from its properties and other assets on future taxable income of the company.

2.3.7 Taxation

Management determines the income tax charge in accordance with the applicable tax laws and rules which are subject to interpretation. The calculation of the group's total tax charge necessarily involves judgements, including those involving estimations, in respect of certain items whose tax treatment cannot be finalised until resolution has been reached with the tax authority or, as appropriate, through a formal legal process. The resolution of some of these items may give rise to material profits, losses and/or cash flows. Where the effect of these laws and rules is not clear, the taxation liability estimates are made by management on all highly probable tax positions based on the single most likely outcome approach. Tax assets are only recognised when the amounts receivable are virtually certain.

The resolution of taxation issues is not always within the control of the group and is often dependent on the efficiency of the legal processes. Some complex tax issues may take a number of years before they are resolved. Payments in respect of taxation liabilities for an accounting period results from payments on account and on the final resolution of open items. As a result, there can be substantial differences between the taxation charge in the statement of profit or loss and comprehensive income and the current tax payments.

2.3.8 Deferred taxation rate

Management makes judgements on the tax rate applicable based on the group's expectations at reporting date on how the asset is expected to be recovered or the liability is expected to be settled.

2.3.9 Employee benefits

The group provides defined benefit plans for certain post-employment benefits. The obligation and assets related to each of the post-retirement benefits are determined through an actuarial valuation. The actuarial valuation relies heavily on assumptions as disclosed in note 29. The assumptions determined by management make use of information obtained from the group's employment agreements with staff and pensioners, market-related returns on similar investments, market-related discount rates and other available information. The assumptions concerning the interest on assets and expected change in liabilities are determined on a uniform basis, considering long-term historical returns and future estimates of returns and medical inflation expectations. In the event that further changes in assumptions are required, the future amounts of post-employment benefits may be affected materially.

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

2 Significant accounting policies – continued

2.3 Significant accounting judgements, estimates and assumptions - continued

2.3.9 Employee benefits - continued

The overall interest on assets is determined based on the market prices prevailing at that date, applicable to the period over which the obligation is to be settled.

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

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

2.3.10 Leases

The group provides customer specific solutions to certain entities using access network equipment and involving leases with the group acting as the lessor. The group has determined, based on an evaluation of the terms and conditions of the arrangements that it retains, all the significant risks and rewards of ownership of the equipment and accounts for the contracts as finance leases. The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. This can be the case for fibre optical cables. Judgement is applied in determining if a fibre arrangement specifies the fibre/spectrum/wavelength or merely capacity. If a portion is not physically distinct, it is not considered to be a specified asset.

Site co-location and tower sharing agreements are assessed to determine whether they should be classified as a finance lease or operating lease on the basis of transfer of significant risks and rewards. Telkom acts as a lessor and lessee in these agreements.

2.3.11 Provisions

For other provisions, estimates are made of legal or constructive obligations resulting in the raising of provisions, and the expected date of probable outflow of economic benefits to assess whether the provision should be discounted. (Refer to Note 27.) Liabilities provided for legal matters require judgements regarding projected outcomes and ranges of losses based on historical experience and recommendations of legal counsel. Litigation is, however, unpredictable and actual costs incurred could differ materially from those estimated at the reporting date.

2.3.12 Contingent liabilities

On an ongoing basis the group is party to various legal disputes, the outcomes of which cannot be assessed with a high degree of certainty. A liability is recognised where, based on the group's legal views and advice, it is considered probable that an outflow of resources will be required to settle a present obligation that can be measured reliably. Disclosure of other contingent liabilities is made in note 37 unless the possibility of a loss arising is considered remote.

2.3.13 Contingent assets

Contingent assets are not recognised in the financial statements. When there is a probability that there will be an inflow of economic benefits to Telkom relating to a contingent asset; it is disclosed in the Contingencies note. The related income and asset are only recognised when it is virtually certain that there will be an inflow of economic benefits.

2.3.14 Segment information

For judgements, estimates and assumptions relating to operating segments refer to note 3.

Notes to the consolidated annual financial statements – continued

for the year ended 31 March 2017

2 Significant accounting policies – continued

2.4 Summary of significant accounting policies

2.4.1 Basis of consolidations

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

2.4.2 Subsidiaries

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

2.4.3 Transactions with non-controlling interests

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

2.4.4 Joint arrangements

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

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

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

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

2.4.5 Associates

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

2.4.6 Investments in subsidiaries, associates and joint ventures

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

2.4.7 Business combinations

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

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

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

2 Significant accounting policies – continued

2.4 Summary of significant accounting policies - continued

2.4.7 Business combinations - continued

Business combinations in which all of the combining entities or businesses are ultimately controlled by the same party/parties both before and after the business combinations (and where control is not transitory) are referred to as common control business combinations. The carrying amounts of the acquired entity are the consolidated carrying amounts as reflected in the consolidated financial statements of the selling entity. The excess of the cost of the transaction over the acquirer's proportionate share of the net asset value acquired in common control transactions is allocated to equity. This is in accordance with the pooling of interest method.

2.4.8 Goodwill

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

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

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

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

2.4.9 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value added tax, returns and rebates and after eliminating sales within the group.

Telkom assesses whether it is acting as an agent or principal in its revenue arrangement using the specific criteria in IAS 18. According to these criteria; the principal has exposure to the significant risks and rewards associated with the sale of goods or rendering of services. Examples of principalship include assumption of inventory risk, customer credit risk, responsibility to provide products or services and having latitude in setting prices.

2.4.10 Dealer incentives

The group provides incentives to its dealers by means of trade discounts. Incentives are based on sales volume and value of transactions. Revenue is recognised gross of discounts to the extent that the discounts are not granted to the customer. Revenue is recognised net of discounts when the discounts are granted to the customer.

2.4.11 Retail voice

Pre-paid

Pre-paid traffic service and payphone card revenue collected in advance is deferred and recognised based on actual usage or upon expiration of the usage period, whichever comes first. The terms and conditions of certain pre-paid products allow unused minutes to be carried over. Revenue related to the unused minutes carried over is deferred until usage or expiration.

Telkom provides incentives to its retail payphone card distributors as trade discounts. Revenue for retail payphone cards is recorded as traffic revenue, net of these discounts as the cards are used.

Post-paid

Revenue related to local, long distance, network-to-network, roaming and international call connection services is recognised when the call is placed or the connection provided.

2.4.12 Interconnection

Interconnection revenue for call termination, call transit, and network usage is recognised as the traffic flow occurs.

2.4.13 Customer premises equipment

Revenue related to the sale of communication equipment, products and value-added services is recognised upon delivery and acceptance of the product or service by the customer.

Notes to the consolidated annual financial statements – continued

for the year ended 31 March 2017

2 Significant accounting policies – continued

2.4 Summary of significant accounting policies – continued

2.4.14 Data

The group provides data communication services under post-paid and pre-paid payment arrangements. Revenue includes fees for installation and activation, which are deferred over the expected average customer relationship period. Costs incurred on first-time installations that form an integral part of the network are capitalised and depreciated over the life of the expected average customer relationship period. All other installation and activation costs are expensed as incurred. Post-paid and pre-paid service arrangements include subscription fees, typically monthly fees, which are recognised over the subscription period. Revenue related to the unused data carried over is deferred until usage or expiration.

2.4.15 Rendering of services

Revenue from a contract to provide a service is recognised by reference to the stage of completion of the contract.

Stage of completion of the contract is determined as follows:

- > Installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install to the time that has elapsed at the reporting date
- > Servicing fees included in the price of products sold are recognised by reference to the proportion of the cost to the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold
- > Revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred

2.4.16 Deferred revenue and expenses

Activation revenue and costs are deferred and recognised systematically over the expected duration of the customer relationship because it is considered to be part of the customers' ongoing rights to telecommunication services and the operator's continuing involvement. Any excess of the costs over revenues is expensed immediately.

The customer relationship period for wholesale changed from five to four years. Customer relationship period for voice is six and a half years and non-voice is five and a half years in the year under review.

2.4.17 Post-paid contract and pre-paid products

Contract products are defined as arrangements with multiple deliverables. The arrangement consideration is allocated to each deliverable, based on the fair value of each deliverable on a selling price standalone basis as a percentage of the aggregated fair value of individual deliverables.

- > Revenue from the handset is recognised when the handset is delivered
- > Monthly service revenue received from the customer is recognised in the period in which the service is delivered
- > Airtime revenue is recognised on the usage basis commencing on activation date. Unused airtime is deferred in full and recognised in the month of usage, on termination of the contract by the subscriber or when it expires
- > Revenue from the sale of pre-paid products is recognised when the product is delivered to the customer
- > Revenue from the sale of pre-paid airtime is deferred until such time as the customer uses the airtime, or the credit expires
- > Free minutes, data and SMSs are accounted for as a separate identifiable deliverable and revenue allocated to free minutes is deferred and recognised when the free minutes are used, or expire

2.4.18 Customer loyalty programmes

The free minutes and data (award credits) granted to Telkom customers are accounted for as a separately identifiable component of a sales transaction in which they are granted. Award credits are determined by reference to their fair value. The fair value of award credits takes into account the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from the initial sale transaction. Revenue from award credits is deferred and recognised as revenue when the customer redeems the award credit.

2.4.19 Connection Incentives

Intermediaries and customers are paid cash as a connection incentive. Cash incentives paid to intermediaries are expensed in the period in which they are incurred. Cash incentives paid to customers are recognised as intangible assets and expensed over the contract period.

2 Significant accounting policies – continued

2.4 Summary of significant accounting policies - continued

2.4.20 Incentives

Incentives paid to service providers and dealers for products delivered to the customer are expensed as incurred. Incentives paid to service providers and dealers for services delivered are expensed in the period that the related revenue is recognised.

2.4.21 Roaming agreements

Amounts paid to other mobile operators in terms of roaming agreements are expensed at the earlier of minutes being utilised or expiry thereof. A prepayment to this effect is recognised if it is probable that the group will obtain future economic benefits from such unused minutes.

2.4.22 Cost of sales

Cost of sales comprises the cost goods sold including any allocation of the direct overhead expenses, net of supplier rebates and discounts including:

- > commission costs paid to external parties for the sale of goods sold
- > logistics and delivery expenses relating to the goods sold

All other costs are disclosed by nature with the following being the key categories

- > Employee expenses
- > Selling, general and administrative expenses
- > Service fees
- > Operating leases
- > Depreciation and amortisation

2.4.23 Property, plant and equipment

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

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation is charged from the date the asset is available for use on a straight-line basis over the estimated useful life and ceases at the earlier of the date that the asset is classified as held for sale and the date the asset is derecognised. Idle assets continue to attract depreciation.

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

The estimated useful lives applied are provided in note 6.7.

2.4.24 Intangible assets

At initial recognition acquired intangible assets are recognised at their purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates. The recognised cost includes any directly attributable costs for preparing the asset for its intended use. Internally generated intangible assets are recognised at cost comprising all directly attributable costs necessary to create and prepare the asset to be capable of operating in the manner intended by management. Licences, software, trademarks, copyrights and other intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation commences when the intangible assets are available for their intended use and is recognised on a straight-line basis over the assets' expected useful lives. Amortisation ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

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

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

The expected useful lives applied are provided in note 6.7.

Notes to the consolidated annual financial statements – continued

for the year ended 31 March 2017

2 Significant accounting policies – continued

2.4 Summary of significant accounting policies – continued

2.4.25 Asset retirement obligations

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

2.4.26 Impairment of property, plant and equipment and intangible assets

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

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

2.4.27 Inventories

Merchandise, installation material and maintenance inventories are stated at the lower of cost, determined on a weighted average basis, and estimated net realisable value.

2.4.28 Financial instruments

Recognition and measurement

Financial instruments are initially recognised at fair value when the company becomes a party to the contractual provisions of the instrument, and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument.

2.4.29 Subsequent measurement

Subsequent to initial recognition, the group classifies financial assets as at fair value through profit or loss, held-to-maturity investments or loans and receivables. Financial liabilities are classified as at fair value through profit or loss or other financial liabilities.

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

2.4.30 Other financial liabilities

Other financial liabilities, including borrowings and derivative liabilities, are initially measured at fair value net of transaction costs, with gains and losses arising on the change in fair value recognised in net finance charges and fair value movements for the year.

Other financial liabilities are subsequently measured at amortised cost, with interest expense recognised in finance charges and fair value movements, on an effective interest rate basis.

2.4.31 Cash and cash equivalents

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

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents defined above, net of credit facilities utilised.

2 Significant accounting policies – continued

2.4 Summary of significant accounting policies - continued

2.4.32 Derecognition

A financial instrument or a portion of a financial instrument is derecognised and a gain or loss recognised when the group's contractual rights expire, financial assets are transferred or financial liabilities are extinguished. On derecognition of a financial asset or liability, the difference between the consideration and the carrying amount on the settlement date is included in finance charges and fair value movements for the year.

Bonds and commercial paper bills are derecognised when the obligation specified in the contract is discharged. The difference between the carrying value of the bond and the amount paid to extinguish the obligation is included in finance charges and fair value movements for the year.

2.4.33 Hedge accounting

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

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

2.4.34 Treasury shares

Where the group acquires, or in substance acquires, its own shares, such shares are measured at acquisition cost and disclosed as a reduction of equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments. Such shares are not remeasured for changes in fair value.

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

2.4.35 Leases

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

The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification unless it is impracticable to do so.

2.4.36 Employee benefits

Post-employment benefits

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

Defined benefit plans

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

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

Notes to the consolidated annual financial statements – continued

for the year ended 31 March 2017

2 Significant accounting policies – continued

2.4 Summary of significant accounting policies – continued

2.4.36 Employee benefits – continued

Telkom Retirement Fund reserves

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

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

2.4.37 Share-based payments

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

Grants of equity instruments, are made to employees in terms of the long-term incentive plan (LTIP) and the employee share ownership plan (ESOP) and are classified as equity-settled share-based payment transactions. The expense relating to the services rendered by the employees, and the corresponding increase in equity, is measured at the fair value of the equity instruments at their date of grant based on the market price at grant date. This compensation cost is recognised over the vesting period, based on the best available estimate at each reporting date of the number of equity instruments that are expected to vest.

During the vesting period; participants have all the shareholders' rights; including the right to vote and share in the dividend distribution. The dividend received by employees is recognised as a reduction in equity. The amount of dividend received by employees who have left service prior to vesting conditions being met is recognised in profit and loss at the end of each reporting date.

2.4.38 Cell captive

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

2 Significant accounting policies – continued	Group for the year ended 31 March 2016				
	As previously reported	Telkom restatement*	BCX restatement**	Trudon IAS 8 disclosure***	Restated
	Rm	Rm	Rm	Rm	Rm
2.5 Adjustments to the consolidated statement of profit or loss and other comprehensive income					
Continuing operations					
Operating revenue	37 325	–	–	–	37 325
Payments to other operators	2 793	–	–	–	2 793
Cost of sales	6 969	100	(2 047)	(11)	5 011
Net operating revenue	27 563	(100)	2 047	11	29 521
Other income	1 281	–	–	–	1 281
Operating expenses	20 083	(100)	1 968	75	22 026
Employee expenses	10 901	–	1 264	–	12 165
Selling, general and administrative expenses	4 978	–	743	75	5 796
Service fees	3 106	(100)	(41)	–	2 965
Operating leases	1 098	–	2	–	1 100
EBITDA	8 761	–	79	(64)	8 776
Depreciation of property, plant and equipment	4 370	–	79	(1)	4 448
Amortisation of intangible assets	902	–	–	(22)	880
Write-offs, impairment and losses of PPE and IA	170	–	–	–	170
Operating profit	3 319	–	–	(41)	3 278
Investment income	203	–	–	–	203
Finance charges and fair value movements	622	–	–	–	622
Interest	521	–	–	–	521
Foreign exchange loss and fair value movements	101	–	–	–	101
Profit before taxation	2 900	–	–	(41)	2 859
Taxation expense	524	–	–	14	538
Profit for the year	2 376	–	–	(55)	2 321
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss					
Exchange losses on translating foreign operations	(9)	–	–	–	(9)
Items that will not be reclassified to profit or loss					
Defined benefit plan actuarial losses	191	–	–	–	191
Defined benefit plan asset ceiling limitation	86	–	–	–	86
Other comprehensive loss for the year, net of taxation	268	–	–	–	268
Total comprehensive income for the year	2 644	–	–	(55)	2 589
Total operations***					
Basic earnings per share (cents)	439.4				432.4
Diluted earnings per share (cents)	432.8				425.8

* Restated in order to achieve more relevant presentation

** Refer to note 2.2.4

*** Refer to note 2.2.3

Notes to the consolidated annual financial statements – continued

for the year ended 31 March 2017

2 Significant accounting policies – continued	Group - March 2016			Group - March 2015		
	As previously reported Rm	Trudon IAS 8 disclosure * Rm	Restated March 2016 Rm	As previously reported Rm	Trudon IAS 8 disclosure * Rm	Restated March 2015 Rm
2.6 Adjustments to the consolidated statement of financial position						
Assets						
Non-current assets	33 875	(186)	33 689	30 855	(160)	30 695
Property, plant and equipment	25 357	(7)	25 350	24 479	(8)	24 471
Intangible assets	4 584	(179)	4 405	2 982	(152)	2 830
Other investments	2 318	–	2 318	2 231	–	2 231
Employee benefits	846	–	846	452	–	452
Other financial assets	55	–	55	28	–	28
Finance lease receivables	281	–	281	413	–	413
Deferred taxation	434	–	434	270	–	270
Current assets	12 912	(48)	12 864	11 127	(27)	11 100
Inventories	971	–	971	638	–	638
Income tax receivable	57	(14)	43	11	(8)	3
Current portion of finance lease receivables	207	–	207	200	–	200
Trade and other receivables	7 375	(34)	7 341	5 388	(19)	5 369
Current portion of other financial assets	1 754	–	1 754	1 247	–	1 247
Cash and cash equivalents	2 548	–	2 548	3 643	–	3 643
Total assets	46 787	(234)	46 553	41 982	(187)	41 795
Equity and liabilities						
Equity attributable to owners of the parent	26 134	(159)	25 975	24 864	(123)	24 741
Share capital	5 208	–	5 208	5 208	–	5 208
Share-based compensation reserve	241	–	241	126	–	126
Non-distributable reserves	1 507	–	1 507	1 507	–	1 507
Retained earnings	19 178	(159)	19 019	18 023	(123)	17 900
Non-controlling interest	473	(83)	390	363	(64)	299
Total equity	26 607	(242)	26 365	25 227	(187)	25 040
Non-current liabilities	7 104	–	7 104	5 272	–	5 272
Interest bearing debt	4 566	–	4 566	3 244	–	3 244
Employee related provisions	1 665	–	1 665	1 264	–	1 264
Non-employee related provisions	66	–	66	61	–	61
Deferred revenue	656	–	656	687	–	687
Deferred taxation	151	–	151	16	–	16
Current liabilities	13 076	8	13 084	11 483	–	11 483
Trade and other payables	7 134	–	7 134	5 635	–	5 635
Shareholders for dividend	22	–	22	19	–	19
Current portion of interest bearing debt	703	–	703	1 612	–	1 612
Current portion of employee related provisions	2 231	–	2 231	1 882	–	1 882
Current portion of non-employee related provisions	142	–	142	303	–	303
Current portion of deferred revenue	1 708	–	1 708	1 502	–	1 502
Income tax payable	675	8	683	344	–	344
Current portion of other financial liabilities	455	–	455	185	–	185
Credit facilities utilised	6	–	6	1	–	1
Total liabilities	20 180	8	20 188	16 755	–	16 755
Total equity and liabilities	46 787	(234)	46 553	41 982	(187)	41 795

* Refer to note 2.2.3