

3 Segment information

The executive committee (Exco) is the group's chief operating decision maker (CODM). Management has determined the operating segments based on the reports reviewed by Exco that are used to make the strategic decisions, allocate resources, and assess performance.

For the period ended 31 March 2016, the Telkom group presented two reportable segments, namely Telkom and BCX.

In the period under review, the group started implementing a more flexible and agile operating and reporting model to manage performance and allocate resources. In its journey to fully operationalise this aspiration, the CODM has started to assess the performance of the business units on a net operating revenue level and make decisions about the allocation of resources for fixed stream, mobile stream and BCX at an EBITDA level.

In September 2016 (Interim report), the group reported four segments, namely Openserve, Consumer, Enterprise and BCX. On 1 November 2016, Telkom company sold one of its business divisions (Enterprise division) to BCX, a wholly owned subsidiary of Telkom. The Enterprise segment was integrated into the BCX segment, resulting in three reportable segments, Openserve, Consumer and BCX for the group at the reporting date. Subsequently, Enterprise is no longer a reportable segment as its operating results are not regularly reviewed by the group's CODM. The results of the Enterprise business have been included into the BCX segment as if the sale transactions occurred on 1 April 2016 and the comparative information has been restated on the same basis.

"Other" includes Swiftnet, Trudon and other non-trading entities.

The financial information reviewed by the CODM excludes inter-segment revenue and cost allocations as the transfer pricing principles continue to evolve.

Notes to the consolidated annual financial statements – continued

for the year ended 31 March 2017

The segment information provided to Exco for the reportable segments is as follows:

3 Segment information – continued	Openserve	Consumer	BCX*	Other	Consolidated
	Rm	Rm	Rm	Rm	Rm
March 2017					
Transactions with external customers					
Operating revenue from external customers	5 150	15 048	19 686	1 086	40 970
Payment to other operators					(2 618)
Cost of sales					(6 498)
Segment net operating revenue	3 819	10 978	16 559	498	31 854
Fixed stream	3 819	8 974	–	–	12 793
Mobile stream	–	2 004	–	–	2 004
BCX group	–	–	16 559	–	16 559
Other	–	–	–	498	498

	Fixed stream	Mobile stream	BCX *	Other	Eliminations	Consolidated
	Rm	Rm	Rm	Rm	Rm	Rm
Reconciliation of operating profit to profit before tax						
Transactions with external customers and within the segments (before cost allocations and eliminations)						
Segment net operating revenue	15 189	2 004	17 692	631	(3 662)	31 854
Other Income	692	62	58	503	(581)	734
Operating expenses	(9 617)	(1 467)	(9 806)	(4 930)	4 173	(21 647)
Earnings before interest, tax, depreciation and amortisation (EBITDA) for reportable segments excluding voluntary packages	6 264	599	7 944	(3 796)	(70)	10 941
Voluntary severance and early retirement packages						(66)
Depreciation, amortisation, impairment, write-offs and losses						(5 661)
Operating profit						5 214
Investment income						219
Finance charges and fair value movement						(888)
Profit before taxation						4 545
Other segment information**						
Capital expenditure of property, plant and equipment and intangible assets	6 262	1 936	366	42	–	8 606

* Includes Enterprise results as if the transaction was effective on 1 April 2016.

** The R8.6 billion of capital expenditure includes R48 million that was purchased as inventory for network expansion. Refer to note 4 for revenue disclosed per product disclosure.

3 Segment information – continued	Openserve	Consumer	BCX*	Other	Consolidated
	Rm	Rm	Rm	Rm	Rm

2016

Transactions with external customers

Operating revenue from external customers	5 310	11 983	18 887	1 145	37 325
Payment to other operators					(2 793)
Cost of sales					(5 011)
Segment net operating revenue	4 362	8 666	15 935	558	29 521
Fixed stream	4 362	7 424	–	–	11 786
Mobile stream	–	1 242	–	–	1 242
BCX group	–	–	15 935	–	15 935
Other	–	–	–	558	558

Fixed stream	Mobile stream	BCX*	Other	Eliminations	Consolidated
Rm	Rm	Rm	Rm	Rm	Rm

Reconciliation of operating profit to profit before tax**Transactions with external customers and within the segments (before cost allocations and eliminations)**

Segment net operating revenue	11 786	1 242	16 612	776	(895)	29 521
Other Income	484	4	–	882	(89)	1 281
Operating expenses	(9 568)	(1 348)	(4 129)	(5 630)	842	(19 833)
Earnings before interest, tax, depreciation and amortisation (EBITDA) for reportable segments excluding voluntary packages	2 702	(102)	12 483	(3 972)	(142)	10 969
Voluntary severance and early retirement packages						(2 193)
Depreciation, amortisation, impairment, write-offs and losses						(5 498)
Operating profit						3 278
Investment income						203
Finance charges and fair value movement						(622)
Profit before taxation						2 859
Other segment information**						
Capital expenditure of property, plant and equipment and intangible assets	5 101	660	139	39	–	5 939

* Includes Enterprise results as if the transaction was effective on 1 April 2015. BCX has been included from the date of acquisition 31 August 2015.

** The R5.9 billion of capital expenditure includes R101 million that was purchased as inventory for network expansion.

Refer to note 4 for revenue disclosed per product disclosure.