# Notes to the condensed consolidated annual financial statements

for the year ended 31 March 2017

## 1 Corporate information

Telkom South Africa SOC Limited (Telkom) is a company incorporated and domiciled in the Republic of South Africa (South Africa) whose shares are publicly traded. The main objective of the Telkom group is to supply telecommunication, multimedia, technology, information and other related information technology services to the group customers, as well as mobile communication services, in Africa.

## 2 Basis of preparation and accounting policies

**2.1 Basis of preparation**

The condensed consolidated annual financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and in compliance with the Listings Requirements of the JSE Limited, the South African Companies Act, 2008, as amended, the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and the Financial Reporting Standards Council.

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

The condensed consolidated annual financial statements are prepared on the historical cost basis, with the exception of certain financial instruments initially (and sometimes subsequently) measured at fair value. Details of the group's significant accounting policies are consistent with those applied in the previous financial year except for those listed below.

**Significant accounting judgements, estimates and assumptions**

In preparing these condensed consolidated annual 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 financial statements for the year ended 31 March 2016 except for the changes in note 2.2, note 4 and the assumptions used to calculate the deferred tax asset in Telkom company.

**Significant accounting policies**

The condensed consolidated annual financial statements have been prepared in accordance with the accounting policies adopted in the group's last annual financial statements for the year ended 31 March 2016, except for the adoption of the amendments, new standards and changes in accounting policies as described in note 2.2.

**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 amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide 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. These amendments have been adopted and do not have an impact on the group. | 1 January 2017 |

The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.