

11. Business combinations and disposals

11.1 Subsidiaries disposed of in the current year

11.1.1 BCX ICT Services Limited ('Nigeria')

BCX ICT Services Limited ('Nigeria'), a 100% subsidiary of Business Connexion International Group Holding Proprietary Limited, was sold for a purchase consideration of USD 640 599.70 (approximately R10 million). The effective date of sale is 31 January 2020.

	2020 Rm
The net cash flows attributable to the operating, investing and financing activities of discontinued operations:	
Net assets disposed of	26
Remeasurement	(16)
Net asset value	10
Consideration	10
Profit on disposal	-
FCTR – Investment in foreign operation	(91)
FCTR – Reclassified from equity to profit or loss	41
Net loss on sale	(50)

11.1.2 BCX Tanzania Limited ('Tanzania')

Business Connexion Tanzania Limited ('Tanzania') is a subsidiary of BCX (Pty) Ltd. The subsidiary was sold for a purchase consideration of USD 1 000 000 (approximately R15 million). The effective date of the sale is 1 September 2019.

	2020 Rm
The net cash flows attributable to the operating, investing and financing activities of discontinued operations:	
Net assets disposed of	39
Remeasurement	(15)
Non-controlling interest	(9)
Net asset value	15
Consideration	15
Profit on disposal	-
FCTR – Investment in foreign operation	(9)
FCTR – Reclassified from equity to profit or loss	14
Net gain on sale	5

11.2 Associates disposed of in the current year

Smart Office Connexion Group Holdings (Pty) Ltd ('SOX')

In May 2019, an agreement was entered into to dispose of BCX's interest in SOX. The effective date of the disposal was 13 September 2019, being the date that all conditions precedent were met. The proceeds on disposal were received on 18 September 2019. The consolidated profit on disposal was calculated as follows:

	2020 Rm
Carrying amount of the investment	200
BCX equity accounted earnings for the period ended 30 September 2019	10
Proceeds on sale	(219)
Profit on disposal	9

Notes to the financial statements continued

for the year ended 31 March 2020

11. Business combinations and disposals continued

11.3 Acquisition of non-controlling interest in the current year

Yellow Pages (Pty) Ltd minority interest buy-out

On 20 March 2019, the Telkom Board approved the acquisition of the minority shareholding and certain intangible assets in Yellow Pages (Pty) Ltd. In May 2019, the parties to the transaction, Telkom SA SOC Limited, Truemancon Holdings (Pty) Ltd and Lourie Trade and Invest (Pty) Ltd, Applemint Properties 117 (RF) (Pty) Ltd and Yellow Pages, signed the sale of shares agreement.

During August 2019, the transaction was concluded. Telkom acquired the remaining 35.1% of Yellow Pages resulting in Telkom holding 100% in Yellow Pages. The total consideration of R210.6 million was attributed as follows:

- R159.4 million to the acquisition of the 35.1% non-controlling interest
- R51.2 million to the acquisition of an intangible asset

The share and intangible asset purchase transaction was accounted for as a step acquisition in line with the requirements of IFRS 10 *Consolidated Financial Statements* and IAS 38 *Intangible Assets*, respectively.

The step acquisition resulted in the Group increasing its share in the subsidiary from 64.9% to 100%.

12. Property, plant and equipment

Group	2020			2019		
	Cost Rm	Accumulated depreciation and write-offs Rm	Carrying value Rm	Cost Rm	Accumulated depreciation and write-offs Rm	Carrying value Rm
Freehold land and buildings	7 332	(4 461)	2 871	7 185	(4 297)	2 888
Leasehold buildings*	–	–	–	41	(34)	7
Network equipment	88 198	(61 509)	26 689	83 782	(59 254)	24 528
Support equipment	5 891	(4 675)	1 216	5 977	(4 915)	1 062
Furniture and office equipment	811	(512)	299	779	(473)	306
Data processing equipment and software	3 872	(3 206)	666	4 170	(3 199)	971
Under construction	1 680	–	1 680	2 111	–	2 111
Other	698	(511)	187	671	(509)	162
	108 482	(74 874)	33 608	104 716	(72 681)	32 035

Company	2020			2019		
	Cost Rm	Accumulated depreciation and write-offs Rm	Carrying value Rm	Cost Rm	Accumulated depreciation and write-offs Rm	Carrying value Rm
Freehold land and buildings	4 551	(2 418)	2 133	4 463	(2 310)	2 153
Leasehold buildings*	–	–	–	33	(27)	6
Network equipment	87 255	(60 814)	26 441	82 769	(58 495)	24 274
Support equipment	4 675	(3 900)	775	4 807	(3 966)	841
Furniture and office equipment	147	(52)	95	136	(42)	94
Data processing equipment and software	3 833	(3 187)	646	4 132	(3 380)	752
Under construction	1 269	–	1 269	1 905	–	1 905
Other	581	(409)	172	544	(398)	146
	102 311	(70 780)	31 531	98 789	(68 618)	30 171

* Finance lease assets were reclassified to right-of-use assets on adoption of IFRS 16.

Finance charges of R51 million (31 March 2019: R59 million) were capitalised to property, plant and equipment and intangible assets in the current financial year.

The capital expenditure under property, plant and equipment relates to expansions of R3 647 million for Group and R3 156 million for Company (31 March 2019 expansions: R2 898 million for Group and R2 741 million for Company). Expenditure due to maintenance of R3 119 million for Group and R2 956 million for Company (31 March 2019 maintenance: R4 345 million for Group and R4 274 for Company).

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

Property, plant and equipment with a carrying amount of R6.5 million is held for sale at the 31 March 2020 reporting date for Group and Company. As this is not material, it has not been disclosed separately on the statement of financial position.

The carrying amounts of property, plant and equipment can be reconciled as follows:								
Group	Carrying value at the beginning of the year Rm	Additions Rm	Transfers Rm	Foreign Currency translation Rm	Disposals Rm	Depreciation Rm	Write-offs, impairments and impairment reversals Rm	Carrying value at the end of the year Rm
2020								
Freehold land and buildings	2 888	103	78	2	(5)	(193)	(2)	2 871
Network equipment	24 528	5 194	1 065	–	4	(4 012)	(90)	26 689
Support equipment	1 062	161	359	1	(11)	(367)	11	1 216
Furniture and office equipment	306	46	19	1	(8)	(63)	(2)	299
Data processing equipment and software	971	66	(175)	–	(1)	(182)	(13)	666
Under construction	2 111	1 141	(1 425)	–	(1)	–	(146)	1 680
Other	162	55	25	–	(3)	(51)	(1)	187
	32 028	6 766	(54)	4	(25)	(4 868)	(243)	33 608
2019								
Freehold land and buildings	2 873	165	52	2	(8)	(192)	(4)	2 888
Leasehold buildings	4	–	5	–	–	(2)	–	7
Network equipment	22 047	5 242	1 251	–	(5)	(3 946)	(61)	24 528
Support equipment	1 224	197	103	2	(4)	(384)	(76)	1 062
Furniture and office equipment	306	67	11	2	(10)	(68)	(2)	306
Data processing equipment and software	1 156	119	(97)	–	(7)	(199)	(1)	971
Under construction	2 498	1 244	(1 566)	1	(6)	–	(60)	2 111
Other	216	–	7	1	–	(51)	(11)	162
	30 324	7 034	(234)	8	(40)	(4 842)	(215)	32 035