Notes to the financial statements continued

for the year ended 31 March 2024

2. Accounting framework and significant judgements continued

2.7 Restatement of the statement of profit or loss and other comprehensive income continued

	Company		
	For the year ended 31 March 2023		
Extract from the statement of profit or loss and other comprehensive income	As previously reported Rm	IFRS 17[1] Rm	Restated Rm
Revenue	33 687	203	33 890
Operating revenue	33 368	–	33 368
Interest revenue	319	–	319
Insurance revenue	–	203	203
Insurance service result	1	(1)	–
Insurance service expenses	–	(209)	(209)
EBITDA	4 824	(7)	4 817
Operating loss	(11 294)	(7)	(11 301)
Investment income	1 058	7	1 065
Loss before taxation	(11 783)	–	(11 783)
Taxation	2 039	–	2 039
Loss for the year	(9 744)	–	(9 744)

[1] *Refer to* note 2.2.1

3. Performance

3.1 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's 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 stores channel 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 prior 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; and
- Interest on overdue accounts.

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

Swiftnet forms part of the Gyro segment. In the current year, Swiftnet has been classified as a non-current asset held for sale and presented as a discontinued operation in the Group statement of profit or loss and other comprehensive income. The difference on financial statement line items between the segment and the statement of profit or loss and other comprehensive income relates to Swiftnet. Refer to note 12.2 for details.

Notes to the financial statements continued

for the year ended 31 March 2024

3. Performance continued

3.1 Segment information continued

March 2024	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]	4 526	26 140	11 779	785	–	–	–	43 230
Revenue from contracts with customers recognised over time[3]	4 072	22 525	9 259	–	–	–	–	35 856
Voice	–	5 244	2 023	–	–	–	–	7 267
Interconnection	247	526	–	–	–	–	–	773
Data	3 825	16 178	2 586	–	–	–	–	22 589
Information technology services[3]	–	–	3 833	–	–	–	–	3 833
Customer premises equipment related services	–	96	753	–	–	–	–	849
Interest revenue	–	314	64	–	–	–	–	378
Sundry revenue	–	167	–	–	–	–	–	167
Revenue from contracts with customers recognised at a point in time[3]	327	3 334	2 520	–	–	–	–	6 181
Customer premises equipment	–	3 301	276	–	–	–	–	3 577
Information technology hardware and software[3]	–	–	2 244	–	–	–	–	2 244
Sundry revenue	327	33	–	–	–	–	–	360
Lease revenue	127	–	–	785	–	–	–	912
Insurance revenue	–	281	–	–	–	–	–	281
Intersegmental operating revenue[3]	7 985	189	1 136	699	219	(9 578)	(650)	–
Other income	262	721	62	20	1 031	(1 201)	–	895
Total expenses	(8 839)	(22 957)	(11 683)	(418)	(966)	10 779	–	(34 084)
Cost of handsets, equipment, software and directories	–	(3 867)	(2 361)	–	–	103	–	(6 125)
Sales commission, incentives and logistical costs	–	(2 748)	–	–	–	–	–	(2 748)
Payments to other operators	(736)	(2 664)	(380)	–	–	452	–	(3 328)
Insurance service expense	–	(185)	–	–	–	–	–	(185)
Employee expenses	(2 851)	(1 111)	(3 432)	(123)	(378)	–	–	(7 895)
Other expenses	(292)	(6 452)	(3 674)	(36)	(229)	8 488	–	(2 195)
Maintenance	(2 034)	(2 520)	(1 102)	(32)	(79)	923	–	(4 844)
Marketing	(33)	(672)	(117)	–	(7)	–	–	(829)
Impairment of receivables, contract assets and loans	(73)	(1 445)	(161)	6	(11)	–	–	(1 684)
Service fees	(2 636)	(1 188)	(432)	(229)	(209)	693	–	(4 001)
Lease-related expenses	(184)	(105)	(24)	(4)	(53)	120	–	(250)
EBITDA for reportable segments including intersegmental transactions	3 934	4 093	1 294	1 086	284	–	(650)	10 041
Depreciation, amortisation, impairments and write-offs								(5 561)
Operating profit								4 480
Investment income								253
Net finance charges, hedging costs and fair value movements								(2 197)
Profit before taxation								2 536
Other segment information								
Capital expenditure of property, plant and equipment and intangible assets	2 547	2 651	416	359	161	–	–	6 134

Notes to the financial statements continued

for the year ended 31 March 2024

3. **Performance** continued

3.1 **Segment information** continued

Restated March 2023[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]	4 089	25 567	12 154	724	–	–	–	42 534
Revenue from contracts with customers recognised over time[3]	3 976	21 774	9 486	–	–	–	–	35 236
Voice	–	5 864	2 528	–	–	–	–	8 392
Interconnection	281	505	–	–	–	–	–	786
Data	3 440	14 806	2 718	–	–	–	–	20 964
Information technology services[3]	–	–	3 593	–	–	–	–	3 593
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]	–	3 590	2 668	–	–	–	–	6 258
Customer premises equipment	–	3 529	739	–	–	–	–	4 268
Information technology hardware and software[3]	–	–	1 929	–	–	–	–	1 929
Sundry revenue	–	61	–	–	–	–	–	61
Lease revenue	113	–	–	724	–	–	–	837
Insurance revenue[2]	–	203	–	–	–	–	–	203
Intersegmental operating revenue[3]	8 808	309	1 062	906	541	(10 781)	(845)	–
Other income	231	821	69	13	838	(1 109)	–	863
Total expenses	(9 436)	(23 402)	(11 478)	(512)	(914)	11 890	–	(33 852)
Cost of handsets, equipment, software and directories	–	(4 305)	(2 051)	–	–	15	–	(6 341)
Sales commission, incentives and logistical costs	–	(2 522)	–	–	–	–	–	(2 522)
Payments to other operators	(709)	(2 685)	(409)	–	–	404	–	(3 399)
Insurance service expense[2]	–	(209)	–	–	–	–	–	(209)
Employee expenses	(3 240)	(1 246)	(3 394)	(133)	(214)	–	–	(8 227)
Other expenses[3]	(752)	(962)	(3 929)	(28)	(265)	3 611	–	(2 325)
Wholesale voice and non-voice services	–	(6 174)	(196)	–	–	6 174	–	(196)
Maintenance	(1 689)	(2 453)	(838)	(25)	(67)	918	–	(4 154)
Marketing	(26)	(677)	(82)	(1)	(26)	–	–	(812)
Impairment of receivables, contract assets and loans	(30)	(1 058)	(90)	(20)	(57)	–	–	(1 255)
Service fees	(2 834)	(987)	(459)	(298)	(279)	777	–	(4 080)
Lease-related expenses	(156)	(124)	(30)	(7)	(6)	(9)	–	(332)
EBITDA for reportable segments including intersegmental transactions	3 692	3 295	1 807	1 131	465	–	(845)	9 545
Reconciliation of operating loss to loss before tax								
Normalisations								
Restructuring expenses								(1 065)
EBITDA for reportable segments								8 480
Depreciation, amortisation, impairments and write-offs								(20 653)
Operating loss								(12 173)
Investment income								155
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

[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 service revenue and IT software and licences sales. This was offset by a decrease in fixed, mobile and IT service revenue due to the challenging operating environment.*

[2] *Restated for the adoption of IFRS 17. Refer to notes 2.2.1 and 2.7.*

[3] *These line items represent the net amounts in the BCX segment. The prior year segment has been restated due to the IFRS 15 principal versus agent assessment. Refer to notes 2.3.1 and 2.7.*

Notes to the financial statements continued

for the year ended 31 March 2024

3. Performance continued

3.1 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.

3.2 Revenue

Significant accounting judgements, estimates and assumptions

Recognition and measurement of revenue

Stand-alone selling prices and transaction price
The stand-alone selling prices for mobile devices are based on the standard list prices at which the Group sells them separately (without a service contract). Stand-alone selling prices for communication services are set based on prices for non-bundled offers with the same range of services. The transaction price is calculated as the total consideration receivable from the customer over the contract term.

Significant financing component
In order to determine whether a significant financing component exists, a model was designed, which calculates the financing component on a contract-by-contract basis. If the financing component is less than 5% of the total transaction price allocated to the customer premises equipment (CPE), it is deemed not to be significant and the finance component will not be recognised separately.

Google Equiano
As part of the Google Equiano arrangement, Openserve will receive an upfront payment for granting the use of terrestrial network to Google for 15 years. Aligned with the Group policy and IFRS 15 principles, management concluded that this has a significant financing element. Management applied judgement and determined an approximate USD rate at which Openserve could be granted USD finance for a similar amount and period to determine the significant financing component. A USD rate was used as revenue will be earned in USD currency and equipment used to build the network was paid for in USD currency.

The significant financing element is recognised as a finance cost and the transaction price (deferred revenue and revenue) is increased with the financing component over the 15-year period. Refer to note 2.6 for more details.

Customer relationship periods
The average customer relationship periods for wholesale, voice and non-voice services are utilised to expense the capitalised installation revenue and cost. Management applies judgements about the data used to determine the customer relationship period estimate. The estimate is based on the historical churn information (refer to note 3.2.3). 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 estimate.

Agent vs principal considerations
When deciding on the most appropriate basis for presenting revenue or related costs, both the legal form and the substance of the agreement between the Group and the counterparty are reviewed to determine each party's respective role in the transaction.

Consideration is given to which party controls the goods or services. If that is not clear, the Group evaluates the following control indicators, among others, when determining whether it is acting as a principal or agent in transactions with customers and the recording of revenue on a gross, or net, basis:

- The Group is primarily responsible for fulfilling the promise to provide the specified goods or service;
- The Group has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer; and
- The Group has discretion in establishing the price for the specified good or service.

Software, cloud services and related services
The Group has applied judgement to determine whether it acts as an agent or principal in these arrangements in accordance with the principles of IFRS 15. One of the judgements made is whether control passes to the Group prior to the passing thereof to the customer. Where the vendor has the primary obligation to fulfil the services to the customers, the Group concluded that control does not pass to the Group and, as a result, it acts as an agent in these arrangements.

Included in the Group service offerings, software and related licences are sold with the ability to access the vendor's latest technology via product updates. The assessment of whether the Group acts as a principal or an agent is judgemental. The Group deems the defining characteristic of each arrangement to be whether its material performance obligation is to deliver software, cloud services and related services or to arrange access to such goods or services.