Notes to the financial statements continued

for the year ended 31 March 2024

5. Long-term assets

5.1 Property, plant and equipment

Significant accounting judgements, estimates and assumptions

Estimation of useful lives and residual values for property, plant and equipment
The useful lives of assets are based on management's estimation. Management considers the impact of changes in technology, customer service requirements and availability of capital funding to determine the optimum useful life expectation for each of the individual categories of property, plant and equipment. 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 rollout strategy. The impact of the change in the expected useful lives of property, plant and equipment is described fully in note 3.4.9. The measurement 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 the estimation of what their condition will be like at that time. Changes in the useful lives and/or residual values are accounted for as a change in accounting estimate.

Impairments of property, plant and equipment
Management is required to make judgements concerning the cause as well as the amount of impairment. 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 units. This requires management to make significant judgements concerning the existence of impairment indicators, identifying cash-generating units, and estimating the remaining useful lives of assets as well as projected cash flows to determine fair value less costs of disposal or value in use. Management's analysis of cash-generating units involves an assessment of the ability of a group of assets 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 there are indicators that 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 value in use. Value in use is calculated using the discounted cash flow valuation method. The determination of value in use is based on a number of factors which include the discount rate, revenue growth, terminal growth rates, EBITDA margins and capital expenditure. 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 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).

Summary of material accounting policies

Recognition of property, plant and equipment

The cost of an item of property, plant and equipment (PPE) 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.

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. Subsequent costs are included in the carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of any component accounted for as a separate asset is derecognised when replaced.

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

Subsequent measurement
Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Repairs and maintenance expenses are charged to profit or loss during the reporting period in which they are incurred.

Depreciation, residual values and useful lives
The residual value of PPE 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 technical nature of the assets of the Group, the residual value is assumed to be zero based on the 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 estimated useful lives applied are provided in note 3.4.9.

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.

Impairment of property, plant and equipment
The Group regularly reviews its non-financial assets and cash-generating units for any indication of impairment. An impairment test is performed 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 to the asset's or cash-generating unit's estimated recoverable amount.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or a CGU exceeds its estimated recoverable amount.

Previously recognised impairment losses 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) had no impairment loss been recognised in prior years.

Notes to the financial statements continued

for the year ended 31 March 2024

5. Long-term assets continued

5.1 Property, plant and equipment continued

Group	2024 Cost Rm	2024 Accumulated depreciation, impairment and write-offs Rm	2024 Carrying value Rm	2023 Cost Rm	2023 Accumulated depreciation and write-offs Rm	2023 Carrying value Rm
Freehold land and buildings	7 056	(4 975)	2 081	7 612	(4 875)	2 737
Network equipment	100 810	(80 039)	20 771	98 718	(78 726)	19 992
Support equipment	6 642	(5 673)	969	6 437	(5 415)	1 022
Furniture and office equipment	823	(601)	222	814	(617)	197
Data processing equipment and software	3 227	(2 875)	352	3 357	(2 955)	402
Under construction	1 538	–	1 538	1 759	–	1 759
Other[1]	508	(439)	69	512	(443)	69
	120 604	(94 602)	26 002	119 209	(93 031)	26 178

Company	2024 Cost Rm	2024 Accumulated depreciation, impairment and write-offs Rm	2024 Carrying value Rm	2023 Cost Rm	2023 Accumulated depreciation and write-offs Rm	2023 Carrying value Rm
Freehold land and buildings	1 457	(875)	582	1 326	(738)	588
Network equipment	22 088	(14 775)	7 313	21 881	(14 837)	7 044
Support equipment	355	(226)	129	317	(208)	109
Furniture and office equipment	165	(106)	59	152	(100)	52
Data processing equipment and software	2 123	(1 875)	248	2 249	(2 003)	246
Under construction	930	–	930	847	–	847
Other[1]	121	(97)	24	112	(92)	20
	27 239	(17 954)	9 285	26 884	(17 978)	8 906

[1] *Other includes, for example, intruder detection systems, surveillance equipment, access control systems, mechanical aids and tools, etc.*

Finance charges of R39 million (31 March 2023: R61 million) were capitalised to property, plant and equipment and intangible assets in the current financial year.

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

Notes to the financial statements continued

for the year ended 31 March 2024

5. Long-term assets continued

5.1 Property, plant and equipment continued

The carrying amounts of property, plant and equipment can be reconciled as follows:

	Group								
2024	**Carrying value at the beginning of the year Rm**	**Additions Rm**	**Transfers Rm**	**Foreign currency translation Rm**	**Disposals Rm**	**Depreciation[2] Rm**	**Write-offs Rm**	**Reclassified to held for sale[1] Rm**	**Carrying value at the end of the year Rm**
Freehold land and buildings	2 737	139	195	1	(6)	(224)	–	(761)	2 081
Network equipment	19 992	2 985	538	–	–	(2 640)	(26)	(78)	20 771
Support equipment	1 022	126	124	–	–	(298)	(4)	(1)	969
Furniture and office equipment	197	14	85	–	(1)	(72)	(1)	–	222
Data processing equipment and software	402	79	3	–	–	(118)	(14)	–	352
Under construction	1 759	1 343	(1 025)	(1)	–	(1)	(17)	(520)	1 538
Other	69	13	3	1	–	(17)	–	–	69
	26 178	4 699	(77)	1	(7)	(3 370)	(62)	(1 360)	26 002

2023	Carrying value at the beginning of the year Rm	Additions Rm	Transfers Rm	Foreign Currency translation Rm	Disposals Rm	Depreciation[2] Rm	Impairment Rm	Write-offs Rm	Carrying value at the end of the year Rm
Freehold land and buildings	2 907	124	277	–	(8)	(245)	(230)	(88)	2 737
Network equipment	30 885	3 838	832	–	–	(4 145)	(11 289)	(129)	19 992
Support equipment	1 353	144	386	–	–	(436)	(420)	(5)	1 022
Furniture and office equipment	252	46	38	2	(8)	(81)	(47)	(5)	197
Data processing equipment and software	640	124	41	–	(2)	(190)	(208)	(3)	402
Under construction	2 172	1 227	(1 607)	–	(11)	–	–	(22)	1 759
Other	110	15	2	–	–	(28)	(28)	(2)	69
	38 319	5 518	(31)	2	(29)	(5 125)	(12 222)	(254)	26 178

[1] *Refer to note 12.2.*

[2] *Included in the depreciation is R20 million (31 March 2023: R33 million) relating to Swiftnet. Refer to note 12.2.*

Notes to the financial statements continued

for the year ended 31 March 2024

5. Long-term assets continued

5.1 Property, plant and equipment continued

The carrying amounts of property, plant and equipment can be reconciled as follows:

	Company						
2024	**Carrying value at the beginning of the year Rm**	**Additions Rm**	**Transfers Rm**	**Disposals Rm**	**Depreciation Rm**	**Write-offs Rm**	**Carrying value at the end of the year Rm**
Freehold land and buildings	**588**	**24**	**14**	**(4)**	**(40)**	**–**	**582**
Network equipment	**7 044**	**951**	**319**	**–**	**(1 001)**	**–**	**7 313**
Support equipment	**109**	**3**	**38**	**(1)**	**(19)**	**(1)**	**129**
Furniture and office equipment	**52**	**5**	**10**	**–**	**(7)**	**(1)**	**59**
Data processing equipment and software	**246**	**76**	**7**	**–**	**(81)**	**–**	**248**
Under construction	**847**	**478**	**(389)**	**–**	**–**	**(6)**	**930**
Other	**20**	**3**	**8**	**–**	**(7)**	**–**	**24**
	8 906	**1 540**	**7**	**(5)**	**(1 155)**	**(8)**	**9 285**

2023	Carrying value at the beginning of the year Rm	Additions Rm	Transfers Rm	Disposals Rm	Depreciation Rm	Impairment Rm	Write-offs Rm	Carrying value at the end of the year Rm
Freehold land and buildings	2 033	32	(1 006)	(151)	(106)	(131)	(83)	588
Network equipment	30 672	2 194	712	(18 837)	(2 653)	(4 940)	(104)	7 044
Support equipment	864	68	24	(668)	(95)	(83)	(1)	109
Furniture and office equipment	91	6	19	(15)	(11)	(35)	(3)	52
Data processing equipment and software	625	75	38	(194)	(156)	(141)	(1)	246
Under construction	1 349	1 094	(822)	(759)	–	–	(15)	847
Other	100	4	(8)	(44)	(17)	(14)	(1)	20
	35 734	3 473	(1 043)	(20 668)	(3 038)	(5 344)	(208)	8 906

Expansion of the mobile network contributed to 32% of the additions to assets. In total, 36% of capital expenditure was on the deployment of fibre and 12% was on the next-generation POTN core network, rehabilitation and sustainment was 6%, and 7% relates to Masts and Towers. The balance of 7% capital expenditure is attributable to investment in IT solutions, Telkom properties, regulatory and compliance, strategic initiatives, shared services and other. The focus on the mobile network expansion and fibre rollout is expected to continue over the next few years.

Assets with a carrying value to the net amount of R4 million (31 March 2023: Rnil) for the Group and Company were transferred from intangible assets to property, plant and equipment in the current year. Assets with a carrying value to the net amount of R74 million (31 March 2023: R23 million) for Group were transferred from property, plant and equipment to intangible assets in the current year. At the Group level, transfers were effected between property, plant and equipment, intangible assets and inventory (the transfers only take place from CWIP).

Transfers in the Company mostly related to property, plant and equipment, investment property and intangible assets. Assets with a carrying value of R4 million (31 March 2023: R123 million) for Group and R4 million (31 March 2023: Rnil) for Company relate to inventory that was transferred to property, plant and equipment in the current year. Assets with a carrying amount of R2 million (31 March 2023: R1 032 million) for Company have been transferred from property, plant and equipment to investment property (refer to note 5.4).

Changes to the estimated useful lives of property, plant and equipment resulted in a decrease in depreciation to the value of R37 million (31 March 2023: R98 million) for Company and R143 million (31 March 2023: R80 million) for Group. Refer to note 3.4.9 for the useful lives.

Notes to the financial statements continued

for the year ended 31 March 2024

5. Long-term assets continued

5.1 Property, plant and equipment continued

The capital expenditure under property, plant and equipment relates to expansions of R3 633 million (31 March 2023: R2 802 million) for Group and R1 258 million (31 March 2023: R2 219 million) for Company. Expenditure due to maintenance is R744 million (31 March 2023: R2 737 million) for Group and R282 million (31 March 2023: R1 255 million) for Company. Additions of R309 million for Group relate to Swiftnet additions, which is classified as held for sale.

In addition to the goodwill in the consolidated financial statements, the impairment considerations apply equally to the investment in Openserve and BCX (refer to note 5.3) and the property, plant and equipment in the separate financial statements. Included in the impairment of property, plant and equipment for the Group for 31 March 2023 is R187 million relating to the impairment of BCX freehold land and buildings, network equipment, support equipment and furniture and office equipment. No impairment was recognised on property, plant and equipment in the current financial year.

Property, plant and equipment consists mainly of network equipment. The network equipment within the Company does not generate cash inflows that are largely independent of those from other assets or groups of assets. Property, plant and equipment is included for testing in the impairment testing for the Telkom CGU (refer to note 5.3). The recoverability of PPE is largely dependent on macro-economic factors, which include cash flows to be generated through the network assets, as well as internal assumptions and estimates related to realisation levels and operating costs. The impairment test included assessing the recoverable amount of PPE, with reference to all cash flows (including the fair value contributory asset income), and comparing this to the carrying amount of the PPE (refer to note 5.3).

Property, plant and equipment subject to operating leases

	Group			
	31 March 2024		31 March 2023	
	Freehold land and buildings Rm	Furniture and office equipment Rm	Freehold land and buildings Rm	Furniture and office equipment Rm
Opening carrying amount	1 627	12	1 533	31
Additions	64	1	42	17
Depreciation	(145)	(29)	(126)	(6)
Transfers	111	42	285	–
Disposals	(26)	(1)	(107)	(30)
Closing carrying amount	1 631	25	1 627	12