Notes to the annual financial statements continued

for the year ended 31 March 2025

5. Long-term assets continued

5.1 Property, plant and equipment continued

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 in the impairment testing for the Telkom CGU (refer to note 5.3). The recoverability of property, plant and equipment 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 property, plant and equipment, with reference to all cash flows (including the fair value contributory asset income), and comparing this to the carrying amount of the property, plant and equipment (refer to note 5.3).

Property, plant and equipment subject to operating leases

	Group			
	31 March 2025		31 March 2024	
	Freehold land and buildings	**Furniture and office equipment**	Freehold land and buildings	Furniture and office equipment
	Rm	**Rm**	Rm	Rm
Opening carrying amount	**1 631**	**25**	1 627	12
Additions	**36**	**—**	64	1
Depreciation	**(126)**	**(40)**	(145)	(29)
Transfers	**125**	**167**	111	42
Disposals	**(20)**	**(1)**	(26)	(1)
Disposal of a subsidiary[1]	**(814)**	**—**	—	—
Closing carrying amount	**832**	**151**	1 631	25

[1.] *Swiftnet was sold in the current financial year. Refer to notes 12.2 and 12.3.*

5.2 Intangible assets

Significant accounting judgements, estimates and assumptions

Estimation of useful lives and residual values for intangible assets

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 intangible assets. 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 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 intangible assets

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 CGUs. This requires management to make significant judgements concerning the existence of impairment indicators, identifying CGUs, 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 CGUs 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, determining the recoverable amount of a CGU requires management to make assumptions to determine the value in use. The 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 that 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 partially completed at the date impairment test is performed. Significant judgement is applied in determining if network expansion should be treated as the completion of a partially completed asset or the enhancement of an asset (for which cash flows are not allowed to be considered in the calculation of value in use).

Notes to the annual financial statements continued

for the year ended 31 March 2025

5. Long-term assets continued

5.2 Intangible assets continued

Summary of material accounting policies

Initial recognition and measurement
At initial recognition, acquired intangible assets are recognised at their purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates. The recognised cost includes any directly attributable costs for preparing the asset for its intended use. Internally generated intangible assets are recognised at cost comprising all directly attributable costs necessary to create and prepare the asset to be capable of operating in the manner intended by management.

Intangible assets under construction represent application and other non-integral software 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
After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Repairs and maintenance expenses are charged to profit or loss during the reporting period in which they are incurred.

Subsequent costs in respect of intangible assets already functioning as intended by management are capitalised, provided that they meet the definition of an asset (e.g. relate to additional features and enhancements that result in additional future economic benefits).

Amortisation, residual values and useful lives
The residual value of intangible 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 at the age and in the condition expected at the end of its useful life. Due to the nature of the asset, the residual value is assumed to be zero unless there is a commitment by a third party to purchase the asset at the end of its useful life or if an active market is likely to exist at the end of the asset's useful life, which can be used to estimate the residual values. The residual values of intangible assets, the amortisation methods used, and their useful lives are reviewed annually at the reporting date and adjusted prospectively as required.

Amortisation commences when the intangible assets are available for their intended use and is recognised on a straight-line basis over the expected useful lives of the assets. Amortisation ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised.

The expected useful lives applied are provided in note 3.4.9.

Impairment of intangible assets (including goodwill)
The Group regularly reviews its non-financial assets and CGUs 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 the discontinuation of services and could result in changes to an asset's or CGU's estimated recoverable amount. Goodwill, intangible assets with indefinite useful lives and intangible assets under construction are tested for impairment annually regardless of whether an indicator of impairment has been identified.

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, other than goodwill, 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 amortisation) had no impairment loss been recognised in prior years.

	2025			2024			2023		
	Cost	Accumulated amortisation, impairment and write-offs	Carrying value	Cost	Accumulated amortisation, impairment and write-offs	Carrying value	Cost	Accumulated amortisation, impairment and write-offs	Carrying value
Group	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Goodwill	**1 367**	**(72)**	**1 295**	1 367	(72)	1 295	1 367	(72)	1 295
Trademarks, copyrights and other	**2 551**	**(685)**	**1 866**	2 551	(535)	2 016	1 621	(426)	1 195
Software	**13 363**	**(11 544)**	**1 819**	13 133	(11 371)	1 762	12 756	(11 060)	1 696
Under construction	**480**	**(39)**	**441**	262	(8)	254	315	(8)	307
	17 761	**(12 340)**	**5 421**	17 313	(11 986)	5 327	16 059	(11 566)	4 493
Company									
Trademarks, copyrights and other	**2 118**	**(262)**	**1 856**	2 118	(155)	1 963	1 146	(47)	1 099
Software	**9 666**	**(8 455)**	**1 211**	9 519	(8 416)	1 103	9 390	(8 242)	1 148
Under construction	**248**	**—**	**248**	75	—	75	95	—	95
	12 032	**(8 717)**	**3 315**	11 712	(8 571)	3 141	10 631	(8 289)	2 342

Notes to the annual financial statements continued

for the year ended 31 March 2025

5. Long-term assets continued

5.2 Intangible assets continued

The carrying amounts of intangible assets can be reconciled as follows:

	Group							
2025	**Carrying value at the beginning of the year Rm**	**Additions Rm**	**Disposal of subsidiary[1] Rm**	**Transfers Rm**	**Amortisation Rm**	**Write-offs and impairment Rm**	**Reclassified to held for sale reversal[1] Rm**	**Carrying value at the end of the year Rm**
Goodwill	**1 295**	**—**	**—**	**—**	**—**	**—**	**—**	**1 295**
Trademarks, copyrights and other	**2 016**	**—**	**—**	**—**	**(150)**	**—**	**—**	**1 866**
Software	**1 762**	**479**	**(11)**	**57**	**(439)**	**(40)**	**11**	**1 819**
Under construction	**254**	**237**	**(1)**	**(20)**	**—**	**(30)**	**1**	**441**
	5 327	**716**	**(12)**	**37**	**(589)**	**(70)**	**12**	**5 421**

2024	Carrying value at the beginning of the year Rm	Additions Rm	Transfers Rm	Disposals Rm	Amortisation Rm	Write-offs Rm	Reclassified to held for sale[1] Rm	Carrying value at the end of the year Rm
Goodwill	1 295	—	—	—	—	—	—	1 295
Trademarks, copyrights and other	1 195	972	—	—	(150)	(1)	—	2 016
Software	1 696	319	260	—	(485)	(17)	(11)	1 762
Under construction	307	134	(184)	(2)	—	—	(1)	254
	4 493	1 425	76	(2)	(635)	(18)	(12)	5 327

1. *Swiftnet was sold in the current financial year. In the prior year Swiftnet was held for sale. Assets classified as held for sale were reversed in the current year and were subsequently disposed of as reflected in the disposal of subsidiary column. These balances relate to assets held for sale as at 31 March 2024, which have been reclassified per note 12.3. Refer to notes 12.2 and 12.3.*

The carrying amounts of intangible assets can be reconciled as follows:

	Company					
2025	**Carrying value at the beginning of the year Rm**	**Additions Rm**	**Transfers Rm**	**Amortisation Rm**	**Write-offs Rm**	**Carrying value at the end of the year Rm**
Trademarks, copyrights and other	**1 963**	**—**	**1**	**(108)**	**—**	**1 856**
Software	**1 103**	**397**	**1**	**(280)**	**(10)**	**1 211**
Under construction	**75**	**149**	**24**	**—**	**—**	**248**
	3 141	**546**	**26**	**(388)**	**(10)**	**3 315**
2024						
Trademarks, copyrights and other	1 099	971	1	(108)	—	1 963
Software	1 148	232	62	(319)	(20)	1 103
Under construction	95	44	(64)	—	—	75
	2 342	1 247	(1)	(427)	(20)	3 141

Notes to the annual financial statements continued

for the year ended 31 March 2025

5. Long-term assets continued

5.2 Intangible assets continued

The goodwill in the Group is attributable to the goodwill that arose on acquisition of BCX in August 2015, and subsequent acquisitions made by BCX, including its acquisition of Dotcom Software Solutions (Pty) Ltd in December 2022.

Intangible assets that are material to the Group consist of software, trademarks and other, with an average remaining amortisation period is three years (31 March 2024: two years).

No other intangible asset apart from goodwill has been assessed as having an indefinite useful life.

Intangible assets under construction are included in the impairment testing for the Telkom, BCX and Openserve CGUs.

Approximately R83 million (31 March 2024: R1 098 million) and R81 million (31 March 2024: R1 010 million) of additions relate to externally acquired intangible assets for the Group and the Company, respectively, while R632 million (31 March 2024: R324 million) relates to internal developments for the Group and R466 million (31 March 2024: R237 million) relates to internal developments for the Company.

Changes to the estimated useful lives of intangible assets resulted in a decrease in amortisation to the value of R19 million (31 March 2024: R2 million) for the Company and R25 million (31 March 2024: R8 million) for the Group. Refer to note 3.4.9 for details on the useful lives.

Where assets have become technologically obsolete or can no longer contribute towards the Group and Company's revenue-generating capacity, the assets are written off. The total write-off balance is not considered significant to the annual financial statements in the current or prior financial years.

5.3 Impairment of goodwill and cash-generating units

Significant accounting judgements, estimates and assumptions

CGU impairment assessment
IAS 36 (Impairment of Assets) requires assets to be assessed for impairment when impairment indicators are evident. This standard also requires goodwill to be assessed for impairment on an annual basis.

In determining the recoverable amount of the Group's CGUs, the Group considered several sources of estimation uncertainty and made certain assumptions or judgements about the future.

Management uses the cash flow projections based on the Board-approved business plans. These cash flow projections are based on a five-year outlook for the current year-end. Management applied the following key assumptions in the discounted cash flow valuation model:

- Revenue growth;
- EBITDA margins;
- Discount rates; and
- Terminal growth rates.

Summary of material accounting policies

Measurement
Goodwill is measured at cost less accumulated impairment losses and is not amortised. Goodwill is tested for impairment annually or when an indication of impairment exists.

Goodwill impairment assessment
Goodwill arising in a business combination is recognised as an intangible asset at the date of acquisition.

Goodwill is measured as an excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net fair value of the acquiree's identifiable net assets.

If the Group’s interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer’s previously held equity interest in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase gain.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of profit or loss on disposal.