NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

1. CORPORATE INFORMATION

Telkom SA 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 Telkom, its subsidiaries, joint venture and associate (the Group) is to supply telecommunication, multimedia, technology, information and other related information technology services to Telkom's customers, as well as mobile communication services, in South Africa and certain other African countries. The Group's services and products include:

- Fixed-line retail voice services to post-paid, pre-paid and private pay phone customers using PSTN (Public Switched Telephone Network) lines, including ISDN (Integrated Services Digital Network) lines, and the sale of subscription based value added voice services and calling plans;
- Fixed-line customer premises equipment rental and sales services both voice and data needs and these include PABX, Computers, Routers, Modems, Telephone handsets and other ancillary equipment;
- Interconnection services, including terminating and transiting traffic from South African mobile operators, as well as from international operators and transiting traffic from mobile to international destinations;
- Fixed-line data services, including domestic and international data transmission services, such as point-to-point leased lines, ADSL (Asymmetrical Digital Subscriber Line) services, packet based services, managed data networking services and Internet access and related information technology services;
- Data Centre Operations includes e-commerce, application service provider, hosting, data storage, email and security services;
- W-CDMA (Wideband Code Division Multiple Access), a 3G next generation network, including fixed voice services, data services and nomadic voice services;
- Mobile communication services, including voice services, data services and handset sales through its mobile brand called Telkom Mobile; and
- Other services including directory services, through Trudon (Pty) Ltd, wireless data services, through Swiftnet (Pty) Ltd and Internet services outside South Africa, through the iWayAfrica Group.

Convergence is one of our key strategic initiatives in building a sustainable future for Telkom. We will lead the provision of Converged Services in South Africa in support of our mission statement: Seamlessly connecting people to a better life. Our strategy is to transform Telkom into an integrated fixed, mobile, IT and content provider, leveraging our unique strengths in the fixed, mobile and IT markets in order to drive sustainable revenue growth, defend our core business and create efficiencies over the longer term.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated annual financial statements comply with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the Companies Act of South Africa, 2008.

The consolidated annual financial statements are presented in South African rand, which is the Group's functional currency. All financial information presented in rand has been rounded to the nearest million.

The 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 set out below, and are consistent with those applied in the previous financial year, except for the following standards which were early adopted:

- IAS 1 Presentation of Financial Statements: Presentation of items of other comprehensive income
- IAS 1 Presentation of Financial Statements: Clarification of the requirements for comparative information
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Joint Ventures and Associates

Adoption of amendments to standards, new standards and new interpretations

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. Management assessed whether or not the Group has control over its investees (previously consolidated or not) in accordance with the new definition of control and the related guidance set out in IFRS 10. The standard had no impact on the Group as entities controlled and consolidated by Telkom have not changed as a result of adopting IFRS 10. There are no additional entities that require consolidation as a result of the adoption of IFRS 10.