11. Property, plant and equipment

Group	2022 Cost Rm	2022 Accumulated depreciation and write-offs Rm	2022 Carrying value Rm	2021 Cost Rm	2021 Accumulated depreciation and write-offs Rm	2021 Carrying value Rm
Freehold land and buildings	**7 317**	**(4 410)**	**2 907**	7 209	(4 416)	2 793
Network equipment	**95 464**	**(64 579)**	**30 885**	91 517	(63 518)	27 999
Support equipment	**5 948**	**(4 595)**	**1 353**	5 619	(4 531)	1 088
Furniture and office equipment	**767**	**(515)**	**252**	889	(577)	312
Data processing equipment and software	**3 375**	**(2 735)**	**640**	3 750	(3 105)	645
Under construction	**2 172**	**–**	**2 172**	3 268	–	3 268
Other[1]	**513**	**(403)**	**110**	647	(481)	166
	115 556	**(77 237)**	**38 319**	**112 899**	**(76 628)**	**36 271**

Company	2022 Cost Rm	2022 Accumulated depreciation and write-offs Rm	2022 Carrying value Rm	2021 Cost Rm	2021 Accumulated depreciation and write-offs Rm	2021 Carrying value Rm
Freehold land and buildings	**4 463**	**(2 430)**	**2 033**	4 396	(2 348)	2 048
Network equipment	**94 553**	**(63 880)**	**30 673**	90 381	(62 648)	27 733
Support equipment	**4 738**	**(3 874)**	**864**	4 494	(3 763)	731
Furniture and office equipment	**149**	**(58)**	**91**	163	(58)	105
Data processing equipment and software	**3 334**	**(2 709)**	**625**	3 709	(3 082)	627
Under construction	**1 349**	**–**	**1 349**	2 590	–	2 590
Other[1]	**410**	**(310)**	**100**	538	(381)	157
	108 996	**(73 261)**	**35 735**	**106 271**	**(72 280)**	**33 991**

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

Finance charges of R78 million (31 March 2021: R31 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 329 million (31 March 2021: R4 552 million) for Group and R2 587 million (31 March 2021: R4 145 million) for Company. Expenditure due to maintenance is R3 621 million (31 March 2021: R3 112 million) for Group and R3 617 million (31 March 2021: R2 967 million) for Company.

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

Notes to the financial statements continued

for the year ended 31 March 2022

11. Property, plant and equipment continued

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
2022								
Freehold land and buildings	2 793	92	257	1	(3)	(220)	(13)	2 907
Network equipment	27 999	5 682	1 173	–	2	(3 844)	(127)	30 885
Support equipment	1 088	122	518	–	–	(358)	(17)	1 353
Furniture and office equipment	312	26	6	–	(2)	(79)	(11)	252
Data processing equipment and software	645	177	7	–	–	(185)	(4)	640
Under construction	3 268	818	(1 885)	–	(10)	–	(19)	2 172
Other	166	52	(79)	–	–	(27)	(2)	110
	36 271	6 969	(3)	1	(13)	(4 713)	(193)	38 319
2021								
Freehold land and buildings	2 871	72	99	(1)	(4)	(214)	(30)	2 793
Network equipment	26 689	4 729	750	7	–	(4 039)	(137)	27 999
Support equipment	1 216	243	(22)	–	(2)	(345)	(2)	1 088
Furniture and office equipment	299	76	18	(1)	–	(74)	(6)	312
Data processing equipment and software	666	124	51	–	–	(200)	4	645
Under construction	1 680	2 432	(825)	–	(1)	–	(18)	3 268
Other	187	16	5	–	–	(46)	4	166
	33 608	7 692	76	5	(7)	(4 918)	(185)	36 271

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

Company	Carrying value at the beginning of the year Rm	Additions Rm	Transfers Rm	Disposals Rm	Depreciation Rm	Write-offs impairment reversals Rm	Carrying value at the end of the year Rm
2022							
Freehold land and buildings	2 048	92	64	(1)	(158)	(12)	2 033
Network equipment	27 733	5 682	1 120	–	(3 741)	(121)	30 673
Support equipment	732	121	200	–	(181)	(8)	864
Furniture and office equipment	106	–	5	–	(11)	(9)	91
Data processing equipment and software	627	176	8	–	(183)	(3)	625
Under construction	2 589	79	(1 302)	–	–	(17)	1 349
Other	156	51	(83)	–	(24)	–	100
	33 991	6 201	12	(1)	(4 298)	(170)	35 735
2021							
Freehold land and buildings	2 133	68	31	(1)	(153)	(30)	2 048
Network equipment	26 441	4 712	650	–	(3 938)	(132)	27 733
Support equipment	775	150	14	–	(207)	(1)	731
Furniture and office equipment	95	10	16	–	(11)	(5)	105
Data processing equipment and software	646	123	51	–	(197)	4	627
Under construction	1 269	2 035	(696)	–	–	(18)	2 590
Other	172	15	6	–	(40)	4	157
	31 531	7 113	72	(1)	(4 546)	(178)	33 991

Expansion of the mobile network contributed to 42% of the additions to assets; 33% of capital expenditure was on the deployment of fibre; 11% of the capital expenditure was on the next-generation POTN core network; 6% of the capital expenditure relates to Service on Demand driven expansion; and 3% relates to the investment on rehabilitation and sustainment of the network. The balance of 5% capital expenditure is attributable to investment in IT solutions, upgrade and growth projects on Telkom Properties and Shared Services. The focus on the mobile network expansion and fibre rollout is expected to continue over the next few years.

The Group and Company have a process of determining whether an asset, which incorporates both a tangible and an intangible element, should be recognised as a tangible or an intangible asset based on management's judgement, facts available and the significance of each element to the total value of the asset. Assets with a carrying value to the net amount of R12 million (31 March 2021: R64 million) for 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 R20 million (31 March 2021: Rnil) for Group were transferred from property, plant and equipment to intangible assets in the current year.

At Group, transfers were effected between property, plant and equipment, intangible assets and inventory (the transfers only take place from CWIP). Transfers in Company mostly related to property, plant and equipment and intangible assets.

Assets with a carrying value of R33 million (31 March 2021: R42 million) for Group and R33 million (31 March 2021: R41 million) for Company relate to inventory that was transferred to property, plant and equipment in the current year.

Changes to the estimated useful lives of property, plant and equipment resulted in a decrease in depreciation to the value of R508 million (31 March 2021: R110 million) for Company and R514 million (31 March 2021: R120 million) for Group. Refer to note 6.7 for the useful lives.

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 are included for testing in the impairment testing for the Telkom CGU. No impairment was identified. Refer to note 13. 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 13.

	Group	
	31 March 2022	
Property, plant and equipment subject to operating leases	**Freehold land and buildings Rm**	**Furniture and office equipment Rm**
Opening carrying amount	761	57
Additions	36	11
Depreciation	(50)	(3)
Transfers	194	(1)
Disposals	(4)	(28)
Closing carrying amount	**937**	**36**

12. Right-of-use assets and lease liabilities

The Group leases three asset categories, namely vehicles, property and network equipment. Vehicle leases mainly include a fleet of vehicles that are used by the technicians as part of the network operations. Property leases mainly relate to the lease of land and buildings/sites used for office purposes as well as property where masts and towers are erected. Network equipment mainly relates to the co-location on masts and towers and the lease of exchange assets.

The lease agreements do not impose any covenants on the Group. The existing leases do not have residual value guarantees.

At 31 March 2022, the Group has not committed to leases which have not yet commenced. There were no sale and leaseback transactions for the Group in the current or prior year.

Generally, the lease term is fixed but there is also a number of leases that run on a month-to-month basis. The Group applies judgement in assessing whether extension or termination options will be exercised and these options are only included in the lease term if the lease is reasonably certain to be extended or terminated.

In the current year, the lease calculation assumes that the Group will continue to use the strategic month-to-month contract for the next five years (current forecast period). Additionally, the Group concluded that it is reasonable that it will exercise available renewal options for all leases of strategic need, except in the case that there is evidence that it will not. For the rest of the assets, the lease calculation is based on the fixed term per the contract.

Some leases allow for earlier termination. In this case, the Group is required to serve a certain notice period and there is no financial penalty.

At 31 March 2022, a number of lease contracts relating to network equipment and properties include renewal options for various renewal periods. Due to the judgement exercised in relation to the determination of the lease period as outlined in the accounting policy, the Group is exposed to potential future cash outflows relating to an indefinite period which have not been included in the lease liability because it is not reasonably certain that the lease will be extended beyond the estimated lease period. The Group elected to not apply the COVID-19 related rent concession practical expedient.