2.5.30 Non-distributable reserves

Non-distributable reserves include reserves that have been grouped together as these are accounting reserves, which have arisen as a result of the specific requirements in the accounting standards.

Non-distributable reserves include the following:

- Translation reserve: comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into South African rand;
- Treasury shares: the reserve also represents the treasury shares as well as amounts paid by Telkom to its subsidiary, Rossal No 65 (Pty) Ltd, for the acquisition of Telkom's shares to be utilised in terms of the Telkom share plan;
- Shares repurchased for the purpose of the share scheme; and
- Revaluation of the sinking fund investment reserve: the fair value gains from the sinking fund investment were recognised in profit or loss in the prior years. The fair value gains were transferred to the non-distributable reserves until the date that the investment and corresponding fair value gains are realised. On this date, the fair value gains are transferred back to retained earnings.

3. 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, Openserve and Telkom Small and Medium Business (SMB), as well as its subsidiaries, BCX 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 customers include primarily sole proprietors and customers who typically consume simplex products and are similar to product nature and customer profiling within the Telkom Consumer segment. A large portion of the SMB customer base makes use of the Telkom Direct Stores channels which is the same channel as that of the Telkom Consumer customers.

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
- Interest on overdue accounts

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

Notes to the financial statements continued

for the year ended 31 March 2022

3. Segment information continued

March 2022	Openserve Rm	Telkom Consumer Rm	BCX Rm	Gyro Rm	Other Rm	Eliminations Rm	IFRS 16 reversal Rm	Consolidated Rm
Revenue from external customers[1]	3 792	25 411	12 867	686	–	–	–	42 756
Revenue from contracts with customers recognised over time	3 698	22 190	10 777	–	–	–	–	36 665
Voice	–	6 535	2 980	–	–	–	–	9 515
Interconnection	319	482	–	–	–	–	–	801
Data	3 248	14 581	3 011	–	–	–	–	20 840
Information technology services	–	–	3 971	–	–	–	–	3 971
Customer premises equipment related services	–	105	739	–	–	–	–	844
Interest revenue	–	256	26	–	–	–	–	282
Sundry revenue	131	231	50	–	–	–	–	412
Revenue from contracts with customers recognised at a point in time	–	3 221	2 090	–	–	–	–	5 311
Customer premises equipment	–	3 111	483	–	–	–	–	3 594
Information technology hardware	–	–	1 607	–	–	–	–	1 607
Sundry revenue	–	110	–	–	–	–	–	110
Lease revenue	94	–	–	686	–	–	–	780
Intersegmental operating revenue	9 636	342	2 462	934	1 057	(13 610)	(821)	–
Other income	276	575	64	–	392	(621)	–	686
Insurance service result	–	–	–	–	(2)	–	–	(2)
Total expenses	(9 541)	(21 829)	(13 105)	(399)	(889)	14 231	–	(31 532)
Cost of handsets, equipment, software and directories	–	(3 686)	(2 274)	–	–	312	–	(5 648)
Sales commission, incentives and logistical costs	–	(2 369)	(147)	–	–	–	–	(2 516)
Payments to other operators	(717)	(2 602)	(445)	–	–	371	–	(3 393)
Employee expenses	(3 086)	(1 021)	(4 024)	(133)	(429)	–	–	(8 693)
Selling, general and administrative expenses	(5 738)	(12 151)	(6 215)	(266)	(460)	13 548	–	(11 282)
Earnings before interest, tax, depreciation and amortisation (EBITDA) for reportable segments including intersegmental transactions	4 163	4 499	2 288	1 221	558	–	(821)	11 908
Depreciation, amortisation, impairments and write-offs								(6 975)
Operating profit								4 933
Investment income								144
Net finance charges, hedging costs and fair value movements								(1 279)
Profit before taxation								**3 798**
Other segment information								
Capital expenditure of property, plant and equipment and intangible assets	3 472	2 832	567	418	195	–	–	7 484

March 2021	Openserve Rm	Telkom Consumer Rm	BCX Rm	Gyro Rm	Other Rm	Elimina-tions Rm	IFRS 16 reversal Rm	Consoli-dated Rm
Revenue from external customers[1]	3 690	25 520	13 324	688	–	–	–	43 222
Revenue from contracts with customers recognised over time	3 589	22 614	11 676	–	–	–	–	37 879
Voice	–	7 170	3 182	–	–	–	–	10 352
Interconnection	435	485	–	–	–	–	–	920
Data	3 077	14 578	3 127	–	–	–	–	20 782
Information technology services	–	–	4 511	–	–	–	–	4 511
Customer premises equipment related services	–	132	770	–	–	–	–	902
Interest revenue	–	240	42	–	–	–	–	282
Sundry revenue	77	9	44	–	–	–	–	130
Revenue from contracts with customers recognised at a point in time	–	2 906	1 648	–	–	–	–	4 554
Customer premises equipment	–	2 520	215	–	–	–	–	2 735
Information technology hardware	–	–	1 433	–	–	–	–	1 433
Sundry revenue	–	386	–	–	–	–	–	386
Lease revenue	101	–	–	688	–	–	–	789
Intersegmental operating revenue	9 795	295	2 418	765	836	(13 428)	(681)	–
Other income	197	540	76	–	283	(477)	–	619
Insurance service result	–	–	–	–	15	–	–	15
Total expenses	(9 507)	(21 347)	(13 354)	(318)	(1 262)	13 905	–	(31 883)
Cost of handsets, equipment, software and directories	–	(2 846)	(2 025)	–	–	90	–	(4 781)
Sales commission, incentives and logistical costs	–	(2 243)	(182)	–	–	–	–	(2 425)
Payments to other operators	(770)	(3 052)	(491)	–	–	435	–	(3 878)
Employee expenses	(2 917)	(970)	(4 159)	(113)	(886)	3	–	(9 042)
Selling, general and administrative expenses[2]	(5 820)	(12 236)	(6 497)	(205)	(376)	13 377	–	(11 757)
Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) for reportable segments including intersegmental transactions	4 175	5 008	2 464	1 135	(128)	–	(681)	11 973
Reconciliation of operating profit to profit before tax								
Normalisations								
Voluntary severance, retirement and retrenchment package expenses								(270)
Earnings before interest, tax, depreciation and amortisation (EBITDA) for reportable segments								11 703
Depreciation, amortisation, impairments and write-offs								(6 870)
Operating profit								4 833
Investment income								188
Income from associates								1
Net finance charges, hedging costs and fair value movements								(1 527)
Profit before taxation								**3 495**
Other segment information								
Capital expenditure of property, plant and equipment and intangible assets	2 942	4 597	519	217	173	–	–	8 448

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.*

2 *In the prior year, service fees and lease-related expenses were disclosed separately. These have been included in selling, general and administrative expenses in the current year to simplify the disclosure. The prior year segment has been re-presented for comparability purposes.*

Notes to the financial statements continued

for the year ended 31 March 2022

3. 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.

4. Revenue

4.1 Disaggregation of revenue

	Company	
	31 March 2022 Rm	31 March 2021 Rm
Revenue	**38 272**	39 220
Revenue from contracts with customers recognised over time	**33 780**	36 246
Voice	**9 969**	10 840
Interconnection	**801**	920
Data	**21 205**	21 731
Information technology	**1 227**	1 460
Customer premises equipment related services	**322**	1 055
Interest revenue	**256**	240
Revenue from contracts with customers recognised at a point in time	**4 398**	2 873
Customer premises equipment	**4 247**	2 742
Sundry revenue	**151**	131
Lease revenue	**94**	101

Refer to note 3 for the disaggregated revenue per segment for the Group.

Included in Telkom Company revenue is revenue to the value of R6 415 million (31 March 2021: R7 157 million), which relates to Enterprise customer contracts which were sold to BCX in previous financial years, which have been retained in the name of Telkom SA SOC Ltd. Refer to note 2.4.7.5 for the significant judgements and estimates considered in determining that Telkom is the principal in relation to these transactions.

4.2 Transaction price allocated to the remaining performance obligations

The tables below include revenue expected to be recognised in the future, related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	Group 31 March 2022		
	2023 Rm	**2024 Rm**	**Beyond 2025 Rm**
Voice	**414**	**171**	**32**
Data	**2 294**	**1 016**	**105**
Information technology	**156**	**13**	**–**

	31 March 2021		
	2022 Rm	2023 Rm	Beyond 2024 Rm
Voice	431	148	14
Data	2 347	779	50
Information technology	125	8	–