Notes to the annual financial statements continued

for the year ended 31 March 2025

3. Performance continued

3.2 Revenue

Significant accounting judgements, estimates and assumptions

Recognition and measurement of revenue

Stand-alone selling prices and transaction price
The stand-alone selling prices for mobile devices are based on the standard list prices at which the Group sells them separately (without a service contract). Stand-alone selling prices for communication services are set based on prices for non-bundled offers with the same range of services. The transaction price is calculated as the total consideration receivable from the customer over the contract term.

Significant financing component
In order to determine whether a significant financing component exists, a model was designed, that calculates the financing component on a contract-by-contract basis. If the financing component is less than 5% of the total transaction price allocated to the customer premises equipment (CPE), it is deemed not to be significant and the financing component will not be recognised separately.

Google Equiano
As part of the Google Equiano arrangement entered into during the 2024 financial year, Openserve received an upfront payment for granting the use of terrestrial network to Google for 15 years. Aligned with the Group policy and IFRS 15 principles, management concluded that this has a significant financing element.

Management applied judgement to determine an approximate USD rate at which Openserve could be granted USD finance for a similar amount and period to determine the significant financing component. A USD rate was used, as revenue will be earned in USD, and the equipment used to build the network was also paid for in USD.

The significant financing element is recognised as a finance cost and the transaction price (deferred revenue and revenue) is increased with the financing component over the 15-year period.

Customer relationship periods
The average customer relationship periods for wholesale, voice and non-voice services are utilised to expense the capitalised installation revenue and cost. Management applies judgement about the data used to determine the customer relationship period estimate. The estimate is based on the historical churn information (refer to note 3.2.3). The churn is determined by considering the service installation and disconnection dates, the weighted average age of the customer base and the service connection status of the customers. Changes in average customer relationship periods are accounted for as a change in accounting estimate.

Agent vs principal considerations
When deciding on the most appropriate basis for presenting revenue or related costs, both the legal form and the substance of the agreement between the Group and the counterparty are reviewed to determine each party's respective role in the transaction.

Consideration is given to which party controls the goods or services. If that is not clear, the Group evaluates the following control indicators, among others, when determining whether it is acting as a principal or an agent in transactions with customers and the recording of revenue on a gross, or net, basis:

- The Group is primarily responsible for fulfilling the promise to provide the specified good or service;
- The Group has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer; and
- The Group has discretion in establishing the price for the specified good or service.

Software, cloud services and related services
The Group has applied judgement to determine whether it acts as an agent or principal in these arrangements in accordance with the principles of IFRS 15. One of the judgements made is whether control passes to the Group prior to the passing thereof to the customer. Where the vendor has the primary obligation to fulfil the services to the customers, the Group concluded that control does not pass to the Group and, as a result, it acts as an agent in these arrangements.

Included in the Group service offerings are software and related licences that are sold with the ability to access the vendor's latest technology via product updates. The assessment of whether the Group acts as a principal or an agent is judgemental. The Group deems the defining characteristic of each arrangement to be whether its material performance obligation is to deliver software, cloud services and related services or to arrange access to such goods or services.

A key consideration in assessing whether the Group or the vendor is responsible for the software, cloud services and related services relates to the management of the updates to the software. Where the Group has concluded that the upgrades are critical to the functionality of the software and the effective functionality of the solution, and such updates can only be delivered by the vendor, the Group acts as an agent for such software sales as the vendor has the primary obligation to fulfil the services to the customers.

Unless the Group obtains the right to direct the use of a piece of software between customers, e.g. gain access to a pool of software licences, the Group has concluded that it does not carry inventory risk for software.

The Group generally has pricing discretion in a contract for the resale of software, vendor cloud services and other related services, but has concluded that this factor in isolation does not result in the Group concluding that it can act as a principal in these transactions.

Vendor resold services
For vendor resold service warranty and maintenance products, a customer purchases a product from the Group that is delivered over time directly by the vendor. These service contracts are sold alongside, but separately from, the associated products, with the Group acting as an agent for the contract on behalf of the vendor. The Group's responsibility is to arrange for the provision of the specified service by the vendor, and the Group does not control the specified service before it is transferred to the customer. The Group therefore acts as an agent with respect to vendor resold services for which it is not primarily responsible for fulfilling the performance obligation.

Revenue from sale arrangements where the Group acts as an agent is recognised on a net basis, with the commission or gross profit earned on these contracts recognised as revenue.

Notes to the annual financial statements continued

for the year ended 31 March 2025

3. Performance continued

3.2 Revenue continued

Significant accounting judgements, estimates and assumptions continued

Recognition and measurement of revenue continued

Franchisee
The Group utilises franchise stores to sell its contracts (including those bundled with mobile devices), pre-paid services and mobile devices (without bundling them with a Telkom services contract), and fixed-line services. An entity is the principal in a transaction if it obtains control of the specified goods or services before they are transferred to the customer. An entity is an agent if it does not control the specified goods or services before they are transferred to the customer.

In terms of IFRS 15, Telkom has identified the specified goods or services being provided to the customer, the handset in this instance. A specified good or service is a distinct good or service (or a distinct bundle of goods or services) that will be transferred to the customer.

Enterprise revenue
Management has assessed that the primary obligation for service delivery to the Enterprise customers remains with Telkom SA SOC Ltd, therefore Telkom recognises gross revenue for the Enterprise customer contracts that were sold to BCX, but not contractually ceded. Similarly, price risk owing to the contracts not ceded is deemed to reside with Telkom. Cognisance is given to the fact that mechanisms exist for a transfer of credit risk between Telkom and BCX. It is on this basis that management has concluded that revenue from such contracts should be recognised in the accounting records of Telkom as a principal with the customers.

Bill-and-hold arrangements
The Group enters into bill-and-hold arrangements for hardware sales. Judgement is applied to determine if the criteria below are met to support revenue recognition in terms of the principles of IFRS 15:

- The reason for the bill-and-hold arrangement must be substantive;
- The product must be identified separately as belonging to the customer;
- The product must be ready for physical transfer to the customer; and
- The Group cannot have the ability to use the product or to direct it to another customer.

Hardware and software as part of an integrated solution
The Group enters into contracts with customers to provide integrated solutions. Contracts are assessed individually to determine whether the products and services are distinct, i.e. the product or service is separately identifiable from the other promises in the contract with the customer and whether the customer can benefit from the goods or services either on its own or together with other resources that are readily available. The nature of the promised goods or services are inputs into a working solution and the customer does not derive value from the stand-alone goods and services. The Group has applied its judgement and views these arrangements, in some instances, as a single performance obligation that needs to be met as the goods and services are not separately identifiable, and the customer cannot benefit from either the goods or the services separately.

The resulting conclusion impacts the agent versus principal assessment of the revenue recognition for these arrangements. The Group acts as principal in these integrated solution arrangements.

The revenue on these contracts is therefore recognised on a principal basis over time using the output method (i.e. value to the customer of the goods or services transferred to date relative to the remaining goods or services promised).

Reassessment of leases relating to CPE
The Group enters into contracts with customers, which involve both the delivery of services and CPE. Prior to the adoption of IFRS 16, these contracts were accounted for as operating leases under IAS 17 (Leases). On adoption of IFRS 16, the Group elected the practical expedient not to reassess whether an existing contract is, or contains, a lease, and management accordingly retained the assessment made under IAS 17 for these existing lease contracts. Subsequent to the adoption of IFRS 16, it was identified that these existing lease contracts, which have reached the end of the initial lease term, continue on a month-to-month basis, allowing the customer to exit the contract with no penalty. This is different to the terms that applied during the initial lease term, wherein the customer could not exit without a penalty.

According to IFRS 16, if an entity chooses the practical expedient described above, then an entity shall identify a lease by applying the requirements of IFRS 16 only to contracts entered into or changed after the adoption date. However, IFRS 16 is silent on what constitutes a change to an existing contract.

Management exercised significant judgement and determined that the lease contracts continuing on a month-to-month basis without an exit penalty, subsequent to the initial lease term, constitute a change in the contract. Therefore, management reassessed whether these contracts contain a lease in terms of IFRS 16. Upon such reassessment, it was determined that while the CPE represents an identified asset, the customer does not have the right to direct how and for what purpose the CPE is used throughout the period of use. The Group, being the supplier, has such a right and therefore such arrangements do not contain a lease. It is on this basis that management has concluded that revenue from such contracts should be recognised under IFRS 15 (Revenue from Contracts with Customers).

Notes to the annual financial statements continued

for the year ended 31 March 2025

3. Performance continued

3.2 Revenue continued

Summary of material accounting policies

Nature of goods and services
Revenue from contracts with customers

The Group has elected to apply the IFRS 15 practical expedient on the significant financing component that allows the Group not to adjust the transaction price for the significant financing component for contracts where the time difference between customer payment and transfer of goods or services is expected to be within 12 months or less. The Group sells products and services both separately as well as part of bundled packages. The Group recognises revenue when it transfers control of a product or service to a customer. Products and services that form part of bundled packages are recognised separately if they are distinct. Further detail is provided below:

Products and services	Segment	Timing of revenue recognition	Nature of goods and services and significant payment terms
CPE and device revenue	Telkom Consumer and BCX	The Group recognises revenue at a point in time when a customer takes control of the communication equipment or products.	Sale of portable, handheld equipment or devices designed for communication and access to information. These include different CPE and mobile devices. The total transaction price is allocated to the mobile device or CPE on a relative stand-alone selling price basis. The relevant stand-alone selling prices are based on the market prices (as indicated in the Group's device catalogues and trade lists) of the individual performance obligations identified in the contract. The total consideration noted above is determined based on the assessed contract term. Some contracts include an early renewal clause. Based on the assessment of historical data, the Group has determined that there is not a significant number of contracts that are renewed on an earlier basis and has therefore applied the total contractual term in the calculation of the total consideration receivable under a contract. Contract assets are recognised when customers have obtained control of the device for post-paid contracts. The amount of revenue recognised for devices is adjusted for expected returns, which are estimated based on the historical data. For devices sold separately (i.e. without the telecommunications contract), customers pay full price at the point of sale. For devices sold in bundled packages, customers usually pay monthly in equal instalments over the contract term. The Group does not provide separate warranties on equipment delivered to customers and therefore no performance obligations are identified associated to this.
Interest revenue	Telkom Consumer and BCX	The Group recognises revenue over time on the effective interest rate method.	The implied financing element included in the transaction price charged to the customer. The Group assesses whether a significant financing component exists for all contracts exceeding 12 months. A financing element greater than 5% of the portion of the transaction price allocated to the mobile device or customer equipment has been deemed to represent a significant financing component. The significant financing component is determined using an average discount rate that reflects the risk associated with the customers. The assessment of the existence of a financing component is performed on a contract-by-contract basis. The transaction price is reduced by the financing component, and this component is recognised over the contract period.

Notes to the annual financial statements continued

for the year ended 31 March 2025

3. Performance continued

3.2 Revenue continued

Summary of material accounting policies continued

Nature of goods and services continued
Revenue from contracts with customers continued

Products and services	Segment	Timing of revenue recognition	Nature of goods and services and significant payment terms
Mobile and fixed-line telecommunication services (voice, interconnection and data)	**Openserve, Telkom Consumer and BCX** **Openserve** Openserve provides the following services: *Broadband solutions* This includes next-generation access across fibre and copper networks enabling high-speed internet connectivity. *Optical and carrier solutions* Services constitute the provision of client-specific backhaul and managed connectivity, assuring world-class quality and reliability. *Enterprise solutions* Products include business-to-business connectivity, underpinned primarily by Ethernet-based products. *Global solutions* Interconnect-based services connecting South Africa and the rest of the global market. **Telkom Consumer** The Telkom Consumer business unit provides the following services to customers: *Broadband data* Broadband data refers to high-speed internet access that is always on and faster than the traditional dial-up access. Broadband includes several high-speed transmission technologies, such as digital subscriber line (DSL), fibre, wireless and satellite. *Voice* Voice telecommunications refer to the communication of sound over a distance using wire or wireless telephones and related technology. ***Content*** Content services are provided through association with a variety of content providers, which allows subscription for a fee to games, competitions, videos, social sites and entertainment. *Gaming* Gaming services are provided through the VS Gaming brand, providing a virtual sports platform with regular tournaments and ladders across all major game titles and skills levels, as well as spectator access. *Small and Medium Entity Information, Communication and Technology solutions* Small and Medium Entity Information, Communication and Technology solutions services are data centre infrastructure components as well as an increasing number of content, software, hardware and support services delivered over the internet. *CPE-related revenue* This relates to routers and switches. Although the CPEs represent an identified asset, the customer does not have the right to direct how and for what purpose they are used throughout the period of use. Therefore, such contracts do not contain a lease in terms of IFRS 16. *Global solutions* Interconnect-based services connecting South Africa and the rest of the global market.	The Group recognises revenue over time as these telecommunication services are provided. The Group used an output method based on customer consumption, as this accurately represents the level of performance obligation satisfaction.	Mobile and fixed-line telecommunication services may be sold in bundled or separate packages. The revenue for the telecommunication services is recognised over time as the services are provided. Services purchased by a customer beyond the contract are treated as a separate contract and recognition of revenue from such services is based on the actual voice or data usage, or is made upon the expiration of the Group's obligation to provide the services. For pre-paid services, the customer pays the full price at the point of sale. For post-paid contracts, customers usually pay monthly in equal instalments over the contract term together with the additional billing for out-of-bundle usage. Where the payment of an installation fee attributable to a fixed telecommunication service on a month-to-month contract provides the customer with a material substantive right, the installation is a separate performance obligation and is recognised over an estimated customer relationship period. The customer usually pays the fee upfront when the installation has been completed. Refer to note 3.2.3 for the customer relationship periods per customer type. Interconnection revenue is derived from calls and other traffic that originate in other operators' networks but use the Telkom network. The Group receives interconnection fees based on agreements entered into with other telecommunication operators. These revenues are recognised in the period in which these services are rendered.

Notes to the annual financial statements continued

for the year ended 31 March 2025

3. Performance continued

3.2 Revenue continued

Summary of material accounting policies *continued*

Nature of goods and services *continued*
Revenue from contracts with customers *continued*

Products and services	Segment	Timing of revenue recognition	Nature of goods and services and significant payment terms
Mobile and fixed-line telecommunication services (voice, interconnection and data) *continued*	**BCX** BCX provides fixed telecommunication voice and data services to customers including: *Business mobility* Managed wireless broadband and dedicated access over microwave, 4G/5G and satellite, and secure machine-to-machine connectivity. *Managed application-centric data networking* Multiprotocol Label Switching, software-defined wide area network (software-defined WAN) and secure access service edge-based data networking for private and public enterprise branch aggregation with service level agreements and hyperscaler onramps. *Managed local area networking* Fixed or wireless local area networking for enterprises certified by multiple technology manufacturers; includes centralised or dedicated controllers and switches. *Global telecommunication services* Global telecommunication services relate to global connectivity mainly through virtual private network (VPN) services that usually cater for connectivity of local enterprise customers that have branches outside of South Africa. *Unified collaboration* Fixed-voice solutions evolving to unified collaboration as a service, including on-premises or hosted PABXs, cloud telephone and managed hosted contact centres. *Broadband or dedicated access* Fibre or wireless access for point-to-point or point-to-cloud connectivity from enterprise branches, typically to the internet for software-defined WAN and cloud-hosted applications. *Internet and value-added services* Dedicated or broadband express internet for private or public sector branches or from data centres, including features addressing security and peering. *Converged communication services* BCX provides converged communication voice and data services to customers. *CPE-related services* CPE is installed to provide converged communication services and an asset of BCX.	The Group recognises revenue over time as these telecommunication services are provided.	Voice and data connectivity services, and their installations provided to consumer and enterprise customers. Mobile and fixed-line telecommunication services may be sold in bundled or separate packages. The revenue for the telecommunication services is recognised over time as the services are provided. Services purchased by a customer beyond the contract are treated as a separate contract and recognition of revenue from such services is based on the actual voice or data usage, or is made upon the expiration of the Group's obligation to provide the services. For pre-paid services, the customer pays the full price at the point of sale. For post-paid contracts, customers usually pay monthly in equal instalments over the contract term together with the additional billing for out-of-bundle usage. Where the payment of an installation fee attributable to a fixed telecommunication service on a month-to-month contract provides the customer with a material substantive right, the installation is a separate performance obligation and is recognised over an estimated customer relationship period. The customer usually pays the fee upfront when the installation has been completed. Refer to note 3.2.3 for the customer relationship periods per customer type. Interconnection revenue is derived from calls and other traffic that originate in other operators' networks but use the Telkom network. The Group receives interconnection fees based on agreements entered into with other telecommunication operators. These revenues are recognised in the period in which these services are rendered.

Notes to the annual financial statements continued

for the year ended 31 March 2025

3. Performance continued

3.2 Revenue continued

Summary of material accounting policies continued

Nature of goods and services continued
Revenue from contracts with customers *continued*

Products and services	Segment	Timing of revenue recognition	Nature of goods and services and significant payment terms
IT revenue	***BCX*** *Stand-alone hardware*	Revenue is recognised at a point in time once control of the goods is transferred to the customer when the customer accepts delivery of the goods.	Sale of IT hardware. The Group acts as principal in these arrangements and revenue is recognised on a gross basis.
	BCX *Standard stand-alone software*	Where the Group is acting as an agent, the Group will recognise revenue at a point in time once the Group has fulfilled its performance obligation, being when the right to access the licensing product has transferred to the customer. In the instance where the Group is acting as a principal, the Group will recognise revenue at a point in time once control of the goods has transferred to the customer, being when the right to access the licensing product or software has been transferred to the customer.	BCX acts as an agent on sales of software. The Group acts as a principal in certain contracts and as an agent in other contracts, depending on the nature and scope of the contract. Management applies judgement in establishing whether the Group has control of the software licences prior to the licences being transferred to the customer, and therefore whether the Group acts as an agent or principal in these contracts. Where it has been determined that the Group did not control the software licences prior to the licences being transferred to the customer, the Group will recognise revenue as an agent on a net basis. Where the Group controls the software licences prior to the licences being transferred to the customer, the Group will recognise revenue as a principal on a gross basis.
	BCX *Renewal of software licences*	Revenue is recognised at a point in time once control of the goods is transferred to the customer with regard to the software licence after it has been renewed.	Renewal of contracts for sale of IT software. As the Group does not control the software licences at any point before the licences are transferred to the customer, the Group acts as an agent in the transaction and will account for the revenue as an agent as the Group has no further responsibility with regard to the software licences after control is passed to the customer.
	BCX *Vendor resold services*	Revenue is recognised at a point in time upon commencement of the contract.	The Group sells service warranty and maintenance contracts for software applications or hardware on behalf of its vendors, which are accounted for on a net basis as the Group is acting as an agent in the agreement. The commission or gross profit earned on these sales is recognised as revenue. A service warranty or maintenance package is sold alongside hardware or software products. The Group's responsibility is to arrange for the provision of the specified service by the original equipment manufacturer/ vendor, and the Group does not control the specified service before it is transferred to the customer. The Group therefore has no obligation to the customer in terms of the service or maintenance once the sale has been made and the contract with the vendor has been concluded.
	BCX *Hardware and software as part of an integrated solution*	Revenue is recognised over time, using the output method. This method is based on the project rollout delivery status as it accurately reflects BCX's performance in satisfying the full performance obligation related to the integrated solution.	The nature of the offering is that of a design network or hardware solution, sometimes combined with software, sold as an integrated solution to the customer. Where the Group is contracted to deliver integrated converged communication and/or IT solutions, these solutions are regarded as a single performance obligation that is satisfied over time. The promised goods or services are considered inputs into a working solution, meaning that the customer does not derive value from the stand-alone goods or services. The measurement of the value to the customer of the goods or services transferred to date, relative to the remaining goods or services promised, is the most accurate basis of measuring progress. The Group acts as a principal in these arrangements. Revenue is recognised on a gross basis.

Notes to the annual financial statements continued

for the year ended 31 March 2025

3. Performance continued

3.2 Revenue continued

Summary of material accounting policies continued

Nature of goods and services continued
Revenue from contracts with customers *continued*

Products and services	Segment	Timing of revenue recognition	Nature of goods and services and significant payment terms
IT revenue continued	***BCX*** *IT services*	Where the Group acts as the principal, revenue is recognised over time as the services are consumed. The output method, based on the status of service delivery, is used because the right to revenue amount corresponds to the status of the satisfied performance obligation.	Sales of IT applications and/or hardware support and maintenance. Where the Group is primarily responsible for delivering the service, and the service is considered distinct from other performance obligations stipulated within the contract with the customer, the Group acts as a principal. Revenue is recognised on a gross basis. Conversely, where the Group does not have the primary responsibility for the acceptability of the service and therefore does not control the service prior to the transfer thereof to the customer, the Group acts as an agent. Revenue is recognised on a net basis.
Sundry revenue: electronic directory services and advertising revenue	**Telkom Consumer** This includes the following products and services: *Advertising* *Digital and social media advertising across a number of platforms* *E-commerce* *Omni-channel offerings*	Electronic directory and advertising revenue is recognised over the contract term as the performance obligations are met, based on the total transaction price agreed upon for the contract. The output method is used, based on the period advertised over the total period contracted for. This is because the customer is only obligated to pay for the period where the advertising has occurred.	Sale of online advertising space in a directory. The relevant stand-alone selling prices are based on market prices. The contract term for the services in this revenue stream is usually 12 months or less and therefore no significant financing element has been included in the revenue recognition for this revenue stream.
Sundry revenue	**Telkom Consumer** This includes the following products and services: *Printed directory services*	Revenue from printed directories is recognised at a point in time when the directories are released for distribution.	Sale of advertising space in printed hard copy directory.. The relevant stand-alone selling prices are based on market prices.
	Openserve This includes the following products and services: *International other*, included in international other is maritime services.	Maritime revenue is recognised at a point in time as the performance obligations are met based on the contract.	The maritime earned as a result of being part of the undersea cables consortium. There is no significant financing component as services are billed on a monthly basis, at a point in time.

Notes to the annual financial statements continued

for the year ended 31 March 2025

3. Performance continued

3.2 Revenue continued

Summary of material accounting policies continued

Revenue from other contracts

IFRS 16 lease revenue

Rental income from property, masts and towers, CPE and exchanges is generated by the Group through its subsidiaries. The revenue is recognised as part of the Gyro, Openserve and BCX segments. The revenue is accounted for as operating lease revenue and recorded on a straight-line basis in accordance with IFRS 16.

IFRS 17 insurance revenue

Telkom's insurance customers are covered for the month that they have paid insurance premiums. To have continuous cover and a valid claim, premium payments must be up to date and when a payment is not received on time, the contract lapses subject to insurance business regulatory requirements. Insurance revenue reflects the number of premium receipts to which the insurer is entitled in exchange for services provided on device and funeral cover products. The Group allocates premium receipts to each period of the insurance contract services based on the passage of time.

All revenues are presented net of value-added tax (VAT), rebates and discounts. Invoice and payment terms are set out in note 4.3 of the annual financial statements.

Significant financing component

The Group applies the practical expedient in IFRS 15 paragraph 63 to not recognise a significant financing component for any contract when the goods and services provided are 12 months or less, compared to when the payment is received.

Material right considerations

The Group considers installation fees on month-to-month contracts to provide a material substantive right to the customer, as the customer can extend or renew the contract each month without paying an additional installation fee. This installation fee is a separate performance obligation and is capitalised and expensed over an estimated customer relationship period where it is concluded that the installation fee gives rise to a material substantive right.

Contract costs

Contract costs that are eligible for capitalisation as incremental costs of obtaining a contract include commissions and connection incentives paid on new contracts that have been entered into. Contract costs are capitalised unless the practical expedient in IFRS 15 paragraph 94 is applied, which states that incremental costs to obtain a contract can be recognised as an expense when incurred if the amortisation period of the asset, that the entity otherwise would have recognised, is one year or less. Contract costs are capitalised in the month of service activation if the Group expects to recover these costs, and are amortised over the contract term.

The Group's normal operating cycle for contract costs capitalised is 24 to 36 months and, as such, contract costs capitalised are disclosed as current assets.

The amortisation of the contract asset is included in sales commission, incentives and logistical costs based on the nature of the costs being deferred.

In all other cases, contract costs are expensed as incurred.

Contract assets

Contract assets represent the Group's right to consideration in exchange for mobile devices and CPE. The contract asset is recognised at the point where the Group transfers control of the device or CPE to the end customer.

The Group's normal operating cycle for contract assets is 24 to 36 months and, as such, contract assets are disclosed as current assets.

IFRS 15 is silent regarding the derecognition of contract assets. Therefore, in terms of IAS 8, the Group has adopted a policy of using IFRS 9 derecognition principles and IFRS 7 derecognition disclosure principles when accounting for the derecognition of contract assets.

The Group recognises the gain on derecognition within the other income line item and/or loss on derecognition within the other expenses line item on the statement of profit or loss and other comprehensive income. The proceeds received are classified as cash generated from operating activities in the statement of cash flows.

Deferred revenue (contract liabilities)

Deferred revenue is accounted for or recognised at the earlier of the due date of the invoice and the date that the payment is received from the customer before the performance obligation is satisfied.

A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer.

Deferred installation fees and revenue billed in advance represent customer payments received in advance of performance (contract liabilities). This is included in deferred revenue on the statement of financial position.

Notes to the annual financial statements continued

for the year ended 31 March 2025

3. Performance continued

3.2 Revenue continued

3.2.1 Disaggregation of revenue

	Company	
	31 March 2025	31 March 2024
	Rm	Rm
Revenue	**32 287**	30 865
Revenue from contracts with customers recognised over time	**27 658**	26 368
Voice	**6 315**	6 354
Interconnection	**628**	581
Data	**20 156**	18 853
Customer premises equipment related services	**84**	96
Interest revenue	**299**	314
Sundry revenue	**176**	170
Revenue from contracts with customers recognised at a point in time	**4 322**	4 216
Customer premises equipment	**4 319**	4 183
Sundry revenue	**3**	33
Lease revenue	**15**	—
Insurance revenue	**292**	281

Refer to note 3.1 for the disaggregated revenue per segment for the Group.

Included in Telkom Company revenue is an amount of R4 498 million (31 March 2024: R4 623 million), which relates to Enterprise customer contracts that were sold to BCX in previous financial years but have been retained in the name of Telkom SA SOC Ltd.

3.2.2 Transaction price allocated to the remaining performance obligations

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

	Group					
	31 March 2025			31 March 2024		
	2026	**2027**	**Beyond 2028**	2025	2026	Beyond 2027
	Rm	**Rm**	**Rm**	Rm	Rm	Rm
Voice	**242**	**107**	**41**	260	118	26
Data	**2 389**	**903**	**149**	2 587	1 153	855
Information technology	**194**	**12**	**13**	228	22	12

	Company					
	31 March 2025			31 March 2024		
	2026	**2027**	**Beyond 2028**	2025	2026	Beyond 2027
	Rm	**Rm**	**Rm**	Rm	Rm	Rm
Data	**2 388**	**903**	**149**	2 485	1 052	149
Voice	**242**	**107**	**41**	260	118	26

All revenue from contracts with customers is included in the amounts presented above.

The Group and Company apply the practical expedient in paragraph 121 of IFRS 15 and do not disclose information about the remaining performance obligations that have original expected durations of 12 months or less.

Notes to the annual financial statements continued

for the year ended 31 March 2025

3. Performance continued

3.2 Revenue continued

3.2.3 Customer relationship periods

The customer relationship periods (CRPs) in the current financial year are as follows:

- Voice revenue: 5.5 years (31 March 2024: 5.5 years)
- Wholesale revenue: 4 years (31 March 2024: 4 years)
- Non-voice revenue: 3.5 years (31 March 2024: 3.5 years)

There has been no change in the average CRPs in respect of non-voice revenue, voice revenue and wholesale revenue during the 2025 financial year.

3.2.4 Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

3.2.4.1 Contract assets

	Group		Company	
	31 March 2025 Rm	31 March 2024 Rm	**31 March 2025 Rm**	31 March 2024 Rm
Contract assets	**2 344**	2 204	**2 344**	2 204
Gross contract assets	**3 085**	2 808	**3 085**	2 808
Impairment of contract assets	**(741)**	(604)	**(741)**	(604)
Allowance account for expected credit losses - contract assets	**741**	604	**741**	604
Opening balance	**604**	508	**604**	508
Charged to statement of profit or loss and other comprehensive income	**375**	397	**375**	397
Contract assets written off	**(238)**	(301)	**(238)**	(301)

Contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include sending reminders, pinging the accounts for additional debit order collections, suspending the services, handing the debt over to external debt collectors and not receiving positive feedback from the debtors that confirms the amounts as collectable, failure of a debtor to engage in a repayment plan with the Group, blacklisting the customer, and failure to make contractual payments.

The increase in the gross contract asset balance is due to the increase in the sale of devices in the current financial year. Although the gross carrying amount increased, the expected credit loss charged to the statement of profit or loss and other comprehensive income decreased due to the alleviation of customer distress and initiatives that have been put in place to improve collections and recoveries.

Refer to note 7.1.4 for a detailed credit risk analysis.

Notes to the annual financial statements continued

for the year ended 31 March 2025

3. Performance continued

3.2 Revenue continued

3.2.4 Assets and liabilities related to contracts with customers continued

3.2.4.1 Contract assets continued

Sale of contract assets
Telkom entered into agreements with financial institutions to factor a ring-fenced group of contract assets. The gross carrying amount of the contract assets factored is R875 million (31 March 2024: R1 083 million). The profit on disposal of contract assets is accounted for in other income. Refer to note 3.3.

Per the arrangements, Telkom retains the contractual right to receive cash flows, and has assumed a contractual obligation to pay the cash flows received to the financial institution.

Based on the structure of the agreements, the criteria for "pass through" under IFRS 9 (Financial Instruments) have been met, resulting in the derecognition of the contract assets. Consequently, the contract asset portfolio has been derecognised in its entirety as significant risks and rewards have been transferred. The total cash inflow related to the derecognition is included in the cash flows from operating activities in the statement of cash flows.

As part of the agreement, Telkom is obligated to pay the financial institution only from the cash collected from the customers and, as such, Telkom assumes no further obligation in relation to the agreement. Where there is a credit note, Telkom will not be required to refund the financial institution for the credit note. Telkom has no continuing involvement with the transferred contract asset.

3.2.4.2 Other current assets

	Group		Company	
	31 March 2025 Rm	31 March 2024 Rm	31 March 2025 Rm	31 March 2024 Rm
Other current assets	**619**	545	**619**	545
Contract costs capitalised	**275**	272	**275**	272
Ongoing commission capitalised assets	**344**	273	**344**	273
Contract costs capitalised	**275**	272	**275**	272
Opening balance	**272**	240	**272**	240
Contract costs capitalised during the year	**296**	303	**296**	303
Contracts cancelled during the year	**(27)**	(28)	**(27)**	(28)
Amortisation recognised as cost of providing services during the year	**(266)**	(243)	**(266)**	(243)

Contract costs capitalised relate to commission and incentive costs paid to franchisees and sales staff, which are considered incremental to the acquisition and fulfilment of the contract. The contract costs capitalised are amortised as an expense over the term of the contract to which the commission relates. Management expects that the full cost will be recovered through the revenue recognised on these contracts and has consequently not recognised any impairment on the contract costs capitalised.

	Group		Company	
	31 March 2025 Rm	31 March 2024 Rm	31 March 2025 Rm	31 March 2024 Rm
Ongoing commission capitalised assets				
Contract asset - ongoing commission[1]	**344**	273	**344**	273
Ongoing commission (included in trade and other payables)[1]	**(344)**	(273)	**(344)**	(273)
Opening balance	**273**	222	**273**	222
Expense amortised in the current year	**(221)**	(153)	**(221)**	(153)
New contracts entered into	**374**	306	**374**	306
Contracts cancelled during the year	**(82)**	(102)	**(82)**	(102)
Closing balance	**344**	273	**344**	273

[1] *These amounts relate to commissions payable to franchisees based on the subscription value that the post-paid subscribers signed at the inception of their contracts. At contract inception, Telkom would have an asset and related liability for the entire amount related to the ongoing commission payable over the contractual period.*

Notes to the annual financial statements continued

for the year ended 31 March 2025

3. Performance continued

3.2 Revenue continued

3.2.4 Assets and liabilities related to contracts with customers continued

3.2.4.3 Deferred revenue

	Group		Company	
	31 March 2025	31 March 2024	**31 March 2025**	31 March 2024
	Rm	Rm	**Rm**	Rm
Deferred revenue	**2 905**	2 550	**1 009**	992
Non-current deferred revenue	**1 194**	899	**24**	24
Current portion of deferred revenue	**1 711**	1 651	**985**	968

The deferred revenue balance consists primarily of deferred installation fees, deferred revenue from the Google cable landing station, deferred revenue from the grant of use of terrestrial network on system, and revenue billed in advance due to Telkom's various billing cycles. Deferred revenue increased mainly due to the Google Equiano invoice on network system 2 that came through during the current financial year.

The total revenue recognised in the current year, which related to carried forward deferred revenue associated with installation fee revenue, and revenue payable in advance, is disclosed in the table below. The amounts recognised as a contract liability will generally be utilised within the next reporting period.

	Group		Company	
Revenue recognised in relation to deferred revenue (contract liabilities):	**31 March 2025**	31 March 2024	**31 March 2025**	31 March 2024
	Rm	Rm	**Rm**	Rm
Deferred revenue	**1 210**	1 224	**866**	992

3.3 Other income

	Group		Company	
	31 March 2025	31 March 2024	**31 March 2025**	31 March 2024
	Rm	Rm	**Rm**	Rm
Other income	**1 552**	895	**7 094**	1 751
Interest received from trade receivables[1]	**184**	203	**160**	162
Sundry income[2]	**610**	477	**1 764**	1 392
Gain on disposal of Swiftnet (refer to note *12.2*)	**—**	—	**4 998**	—
Profit on disposal of assets[3]	**758**	215	**172**	197
Profit on disposal of property, plant and equipment and intangible assets[4]	**654**	81	**69**	61
Profit on disposal of right-of-use assets	**9**	11	**8**	13
Profit on disposal of contract assets	**95**	123	**95**	123

[1] *Interest received on trade receivables relates to interest on overdue trade receivables accounts. These are financial assets measured at amortised cost. Interest is recognised on a time proportionate basis, taking into account the principal amount outstanding and effective interest rate.*

[2] *Sundry income for the Company includes income from management fees charged to subsidiaries. The Group and Company amounts include gains or losses on lease terminations and other income on the submarine cable systems. Income on submarine cables consists of income for work done on behalf of the consortiums, income on operating cost, maintenance cost (direct cost) and travel fees related to the cable services. Sundry income for the Company increased mainly due to the increase in management fees as a result of the change in Group IT costs.*

[3] *In the current year, the profit on disposal of assets was disaggregated. The comparative has been re-presented for the disaggregation for comparability purposes.*

[4] *The increase for the Group is mainly due to profit on disposal of properties previously included in the Gyro Properties portfolio which were earmarked for auction.*