

Telkom may dump the value of its legacy assets

Telkom said on Wednesday (5 June) that its board of directors is considering writing off the carrying value of the group's old fixed-line network.

By [Thabiso Mochiko](#) 6 Jun 2013



Telkom's fixed-line business has been deteriorating for a while as more people switch to mobile.

"A decision to impair will draw a clear line between the historic position of Telkom and our future as a network provider of high speed, quality broadband," said group chief executive Siphon Maseko.

He said the decision to impair the legacy assets would allow the group to "reset our base and be competitive".

"Telkom, in line with other fixed line companies globally, has for more than a decade, faced technology changes, competition from mobile operators and an evolving regulatory landscape which have all contributed to lower investment returns from its legacy network assets", Maseko said.

Billions being invested

Telkom is investing billions in upgrading its legacy assets into high speed lines and to a superior Internet protocol-based network. The upgrading is also aimed at meeting the high data demands from customers.

"This transition will also enable the group to improve operational efficiency, as it is a major benefit of new technology," said Maseko.

"It will also send a clear message to our stakeholders that we are prepared to take bold action to ensure that Telkom is positioned to succeed. It is important for us to focus on sustainable earnings in future and the market segments where Telkom has a competitive advantage," Maseko said.

Telkom said a non-cash impairment charge that may follow the review by the board, would not impact on the significant cash flow which the group generated from its operations.

"A non-cash impairment charge is akin to an accelerated depreciation charge, which has no impact on Telkom's strong cash position, low indebtedness and ability to fund its capital programmes from its own resources," Maseko said.

According to Telkom for considerable time the price at which Telkom shares have been trading has been significantly lower than their net asset value (NAV). At the end of September last year Telkom's NAV per

share was R57.

According to Telkom the International Accounting Standards, sets down the recommendation that when the carrying value of an entity's net assets is more than its market capitalisation, it is an indication that the carrying value of the assets may be impaired.

Telkom said a non-cash impairment charge, that may follow the review by the board, would not impact on the significant cash flow which the group generated from its operations.

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