Notes to the consolidated annual financial statements – continued

for the year ended 31 March 2017

34 Taxation paid*	Group 2017 Rm	Group 2016 Rm	Company 2017 Rm	Company 2016 Rm
	(1 181)	(288)	**(666)**	(52)
Net tax payable at beginning of year	**(640)**	(341)	**(653)**	(344)
Restatement	**–**	(14)		–
Current taxation	**(713)**	(572)	**(65)**	(371)
Witholding tax	**–**	(1)	**–**	–
Additional payment to SARS	**(250)**	–	**(251)**	–
Acquisition of BCX	**–**	(10)	**–**	–
Interest accrued	**(2)**	10	**(2)**	10
Net tax payable at end of year	**424**	640	**305**	653

** Included in the 2016 taxation paid is a refund from SARS of R199 million.*

35 Dividend paid	Group 2017 Rm	Group 2016 Rm	Company 2017 Rm	Company 2016 Rm
	(2 171)	(1 402)	**(2 111)**	(1 290)
Dividend payable at beginning of year	**(22)**	(19)	**(20)**	(19)
Declared during the year - Dividend on ordinary shares:	**(2 095)**	(1 291)	**(2 114)**	(1 291)
Dividends declared to non-controlling interests	**(79)**	(114)	**–**	–
Dividend payable at end of year	**25**	22	**23**	20

36 Commitments	Group 2017 Rm	Group 2016 Rm	Company 2017 Rm	Company 2016 Rm
Capital commitments authorised	**8 158**	6 574	**8 017**	6 500
Commitments against authorised capital expenditure	**6 594**	3 388	**6 524**	3 379
Authorised capital expenditure not yet contracted	**1 564**	3 186	**1 493**	3 121

Capital commitments are largely attributable to purchases of property, plant and equipment and software.

Management expects these commitments to be financed from internally generated cash and borrowings.

	Group Total Rm	Group <1 year Rm	Group 1 - 5 years Rm	Group >5 years Rm
Operating lease commitments and receivables				
2017				
Land and buildings	**2 913**	**644**	**1 522**	**747**
Rental receivable on buildings	**(1 236)**	**(413)**	**(721)**	**(102)**
Customer premises equipment receivables	**(37)**	**(21)**	**(16)**	**–**
Vehicles	**726**	**167**	**557**	**2**
Other	**52**	**12**	**40**	**–**
Total	**2 418**	**389**	**1 382**	**647**

36 Commitments
– continued

	Group			
	Total Rm	<1 year Rm	1 - 5 years Rm	>5 years Rm
Operating lease commitments and receivables				
2016				
Land and buildings	2 629	441	2 119	69
Rental receivable on buildings	(1 481)	(281)	(1 172)	(28)
Customer premises equipment receivables	(35)	(21)	(14)	–
Vehicles	921	165	756	–
Other	97	78	18	1
Total	2 131	382	1 707	42

	Company			
	Total Rm	**<1 year Rm**	**1 - 5 years Rm**	**>5 years Rm**
Operating lease commitments and receivables				
2017				
Land and buildings	**1 420**	**514**	**903**	**3**
Rental receivable on buildings	**(1 236)**	**(413)**	**(721)**	**(102)**
Customer premises equipment receivables	**(37)**	**(21)**	**(16)**	**–**
Vehicles	**718**	**167**	**551**	**–**
Total	**865**	**247**	**717**	**(99)**
2016				
Land and buildings	2 078	353	1 680	45
Rental receivable on buildings	(1 481)	(281)	(1 172)	(28)
Customer premises equipment receivables	(35)	(21)	(14)	–
Vehicles	914	162	752	–
Total	1 476	213	1 246	17

Operating leases

The group leases certain buildings, vehicles and equipment. The majority of the lease terms negotiated for equipment-related premises are ten years with other leases signed for five and three years. The majority of the leases contain an option clause entitling Telkom to renew the lease agreements for a period usually equal to the main lease term.

The minimum lease payments under these agreements are subject to annual escalations, which range from 6% to 15%.

Penalties in terms of the lease agreements are only payable should Telkom vacate a premises and negotiate to terminate the lease agreement prior to the expiry date, in which case the settlement payment will be negotiated in accordance with the market conditions of the premises. Future minimum lease payments under operating leases are included in the above note. Onerous leases for buildings, of which the company has no further use, no possibility of sub-lease and no option to cancel, are provided for in full and included in other provisions.

Notes to the consolidated annual financial statements – continued

for the year ended 31 March 2017

36 Commitments – continued	Group finance lease commitments			
	Total Rm	<1 year Rm	1 - 5 years Rm	>5 years Rm
2017				
Software				
Minimum lease payments	11	6	5	–
Finance charges	(1)	(1)	–	–
Finance lease obligation	10	5	5	–
Equipment				
Minimum lease payments	86	30	46	10
Finance charges	(12)	(6)	(5)	(1)
Finance lease obligation	74	24	41	9
Vehicles				
Minimum lease payments	18	6	12	–
Finance charges	–	–	–	–
Finance lease obligation	18	6	12	–
2016				
Building				
Minimum lease payments	17	6	11	–
Finance charges	(2)	(1)	(1)	–
Finance lease obligation	15	5	10	–
Software				
Minimum lease payments	84	25	59	–
Finance charges	(13)	(6)	(7)	–
Finance lease obligation	71	19	52	–
Vehicles				
Minimum lease payments	19	7	12	–
Finance charges	(2)	(1)	(1)	–
Finance lease obligation	17	6	11	–

	Company finance lease commitments			
	Total Rm	<1 year Rm	1 - 5 years Rm	>5 years Rm
2017				
Software				
Minimum lease payments	11	6	5	–
Finance charges	(1)	(1)	–	–
Finance lease obligation	10	5	5	–
2016				
Software				
Minimum lease payments	17	6	11	–
Finance charges	(2)	(1)	(1)	–
Finance lease obligation	15	5	10	–

36 Commitments – continued

Finance leases
Finance leases on software relates to the lease of Content Delivery Platform software. The lease term for the software is for a period of two years and nine months ending on December 2019.

Telkom has a commitment to migrate customers to new cable systems when the existing cables are decommissioned before the lease period expires. Refer to note 16 for lease payments.

BCX leases certain buildings, vehicles and equipment. The majority of the lease terms negotiated for equipment-related premises range from three to ten years. The majority of the leases contain an option clause entitling BCX to renew the lease agreements for a period usually equal to the main lease term.

The minimum lease payments under these agreements are subject to annual escalations, which range from 7% to 10%.

There are no major restrictions imposed by lease arrangements.

37 Contingencies

Contingent liabilities

Matters before ICASA
End-User and Service Charter Regulations
Based on ICASA's Complaints and Compliance Committee (CCC) ruling in the prior period, Telkom has initiated administrative review proceedings seeking to set aside the applicability of the Regulations in issue. The review application is in process and no hearing date has been allocated as yet. In the interim, however, ICASA promulgated the Amended End-User and Subscriber Charter Regulations on 1 April 2016, in terms of which the fault clearance measurement for fixed services was amended to 90% fault clearance within five days, instead of three days. Telkom is in the process of assessing the impact of the amended Regulations on Telkom going forward.

High Court
Radio Surveillance Security Services (Pty) Ltd (RSSS)
In December 2011, RSSS issued summons against Telkom for the sum of R216 million. Telkom is defending the matter and has filed a plea and a counterclaim for R22 million. No contract was concluded with RSSS, no purchase orders were issued and no quotations were accepted by Telkom. The trial, which was initially heard in May 2016, has been re-enrolled for hearing in late August 2017.

Phutuma Networks (Pty) Ltd (Phutuma)
In August 2009, Phutuma served summons on Telkom, claiming damages to the amount of R5.5 billion arising from the cancellation of a tender published by Telkom in November 2007. The High Court granted absolution from the instance in Telkom's favour. The Supreme Court of Appeal (SCA) had initially dismissed Phutuma's application for leave to appeal in October 2014. In early 2015, the SCA referred the appeal back to the North Gauteng High Court. The appeal which was heard in September 2016, was upheld. A request has been made for the re-enrolment of the matter for trial. We are awaiting a court date.

Other
Section 197: Labour Relations Act
Telkom invoked a process, in terms of section 197 of the Labour Relations Act, to outsource certain service functions in Telkom as going concerns. Section 197 (8) states that Telkom and the new employers are jointly and severally liable to any employee who was transfered and becomes entitled to receive payment as a result of the employee's dismissal for reasons relating to the new employer's operational requirements or liquidation. Telkom will be held liable for a period of 12 months after the date of transfer, which may result in an onerous obligation.

Contingent assets
Tax matters
As noted in the 2015 consolidated annual financial statements, the tax treatment of the loss that arose in the 2012 and 2014 financial years on the sale of foreign subsidiaries is based on a specific set of circumstances and a complex legislative environment. A tax refund received during prior periods, relating to the 2012 sale, is contingent and will only be recognised once the matter has been resolved with SARS.