

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 transferred 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.