NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2013

	Group		Company	
	2013	2012	**2013**	2012
	Rm	Rm	**Rm**	Rm
37. COMMITMENTS				
Capital commitments authorised	**7,542**	7,480	**7,501**	7,400
Telkom	**7,293**	6,768	**7,294**	6,768
Other	**249**	712	**207**	632
International	**–**	2	**–**	–
South Africa	**249**	710	**207**	632
Commitments against authorised capital expenditure	**2,855**	827	**2,854**	821
Telkom	**2,829**	789	**2,829**	789
Other	**26**	38	**25**	32
International	**–**	–	**–**	–
South Africa	**26**	38	**25**	32
Authorised capital expenditure not yet contracted	**4,687**	6,653	**4,646**	6,579
Telkom	**4,464**	5,979	**4,464**	5,979
Other	**223**	674	**182**	600
International	**–**	2	**–**	–
South Africa	**223**	672	**182**	600

Capital commitments are largely attributable to purchases of property, plant and equipment and software (included in intangible assets).

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

	Total	**<1 year**	**1 to 5 years**	**>5 years**
	Rm	**Rm**	**Rm**	**Rm**
Group				
Operating lease commitments and receivables				
2013				
Land and buildings	**1,321**	**340**	**772**	**209**
Rental receivable on buildings	**(522)**	**(226)**	**(288)**	**(8)**
Customer premises equipment receivables	**(40)**	**(22)**	**(18)**	**–**
Total	**759**	**92**	**466**	**201**
2012				
Land and buildings	675	197	378	100
Vehicles	311	311	–	–
Equipment	6	6	–	–
Rental receivable on buildings	(403)	(154)	(249)	–
Customer premises equipment receivables	(42)	(30)	(12)	–
Total	547	330	117	100

37. COMMITMENTS (continued)

Company

Operating lease commitments and receivables

	Total Rm	<1 year Rm	1 to 5 years Rm	>5 years Rm
2013				
Land and buildings	**1,164**	**309**	**670**	**185**
Rental receivable on buildings	**(522)**	**(226)**	**(288)**	**(8)**
Customer premises equipment receivables	**(40)**	**(22)**	**(18)**	**–**
Total	**602**	**61**	**364**	**177**
2012				
Land and buildings	504	167	284	53
Vehicles	311	311	–	–
Equipment	6	6	–	–
Rental receivable on buildings	(403)	(154)	(249)	–
Customer premises equipment receivables	(42)	(30)	(12)	–
Total	376	300	23	53

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.

Telkom is in negotiations with various suppliers to renew the commitments.

	Total Rm	<1 year Rm	1 to 5 years Rm	>5 years Rm
Group finance lease commitments				
2013				
Building				
Minimum lease payments	**1,153**	**157**	**792**	**204**
Finance charges	**(383)**	**(100)**	**(271)**	**(12)**
Finance lease obligation	**770**	**57**	**521**	**192**
2012				
Building				
Minimum lease payments	1,297	143	722	432
Finance charges	(490)	(106)	(332)	(52)
Finance lease obligation	807	37	390	380
Vehicles				
Minimum lease payments	47	47	–	–
Finance charges	(3)	(3)	–	–
Finance lease obligation	44	44	–	–

37. COMMITMENTS (continued)

	Total Rm	<1 year Rm	1 to 5 years Rm	>5 years Rm
Company finance lease commitments				
2013				
Building				
Minimum lease payments	**1,149**	**155**	**790**	**204**
Finance charges	**(383)**	**(100)**	**(271)**	**(12)**
Finance lease obligation	**766**	**55**	**519**	**192**
2012				
Building				
Minimum lease payments	1,290	141	718	431
Finance charges	(489)	(106)	(331)	(52)
Finance lease obligation	801	35	387	379
Vehicles				
Minimum lease payments	47	47	–	–
Finance charges	(3)	(3)	–	–
Finance lease obligation	44	44	–	–

Finance leases

Finance leases on vehicles relates to the lease of Swap bodies. The lease term for the Swap bodies is April 2008 to March 2013 and Telkom is in negotiations with various suppliers to renew the commitments in this regard.

A major portion of the finance leases relates to the sale and lease-back of the Group's office buildings. The lease term negotiated for the buildings is for a period of 25 years ending 2019. The minimum lease payments are subject to an annual escalation of 10% p.a. Telkom has the right to sub-let part of the buildings. In case of breach of contract, the lessor is entitled to cancel the lease agreement and claim damages.

Telkom has the option to renew the lease and the first option to purchase the buildings. Telkom expects to pay R1,15 billion on these buildings over the next six years. Refer to note 18 for lease payments.

Telkom has a commitment to migrate customers to new cable systems with regard to long-term capacity leases on cables when the existing cables are decommissioned before the lease period expires. Refer to note 18 for lease payments.

There are no major restrictions imposed by lease arrangements.