

25. Share-based compensation reserve

Telkom's shareholders approved the Telkom Employee Share Plan at the September 2013 Annual General Meeting. The scheme covers both operational and management employees and is aimed at giving shares to Telkom employees, at a Rnil exercise price, at the end of the vesting period. Although the number of shares awarded to employees was communicated at the grant date, the ultimate number of shares that vest may differ based on certain performance conditions being met. Refer to note 31.

The fund has been created but the related compensation expense will be recognised over the vesting period of shares granted.

The movement within the share-based compensation reserve is:

Balance at beginning of year

Net increase in equity

Employee cost

Balance at end of year

Group		Company	
2015 Rm	2014 Rm	2015 Rm	2014 Rm
11	–	11	–
115	11	115	11
115	11	115	11
126	11	126	11

26. Non-distributable reserves

Opening balance

Movement during the year

Foreign currency translation reserve

Recycling of foreign currency translation reserve in profit and loss

Transfer of treasury shares

Realised gains of the cell captive reserve

Revaluation of the cell captive reserve

The balance comprises:

Cell captive reserve

Shares held by subsidiaries and in escrow

Group		Company	
2015 Rm	2014 Rm	2015 Rm	2014 Rm
1 507	2 580	786	1 859
2 580	2 164	1 859	1 569
(1 073)	416	(1 073)	290
–	4	–	–
–	122	–	–
(775)	–	(775)	–
(519)	(53)	(519)	(53)
221	343	221	343
1 507	2 580	786	1 859
2 282	2 580	1 561	1 859
(775)	–	(775)	–

The group has a cell captive preference share investment to fund Telkom's post-retirement medical aid liability.

The fair value gains from the cell captive are recognised in profit or loss. The fair value gains are transferred to the non-distributable reserves until the date that the investment and the corresponding fair value gains are realised. On this date the fair value gains are transferred back to retained earnings.

The reserve also represents amounts paid by Telkom to subsidiaries, Rossal No 65 Proprietary Limited and Acajou Investments Proprietary Limited, for the acquisition of Telkom's shares to be utilised in terms of the Telkom Employee Share Plan.