

Annual leave

In terms of Telkom's policy, employees are entitled to accumulate vested leave benefits not taken within a leave cycle, to a cap of 22 days (2014: 22 days) which must be taken within an 18-month (2014: 18-month) leave cycle. The leave cycle is reviewed annually and is in accordance with legislation.

Bonus

The bonus scheme consists of performance bonuses which are dependent on the achievement of certain financial and non-financial targets. The bonus is payable annually to all qualifying employees after the company's results have been made public.

Non-employee-related provisions

The decrease in non-employee-related provisions is due to the reclassification at 30 September 2014 of an amount of R304 million to trade and other receivables to more accurately reflect the substance of a transaction with a third party. The partial settlement of the fine imposed by the Competition Commission has also contributed to the decrease in the non-employee-related provision.

Other provisions contain provisions for certain legal matters that have been disclosed in the contingencies note (refer to note 39).

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
30. Deferred revenue	2 189	2 300	2 186	2 297
Non-current deferred revenue	687	869	687	869
Current portion of deferred revenue	1 502	1 431	1 499	1 428

Included in deferred revenue is profit on the sale and leaseback of certain Telkom buildings of R42 million (2014: R53 million) and short term portion of R11 million (2014: R11 million). A profit of R11 million per annum is recognised in income on a straight-line basis, over the period of the lease ending 2019.

Refer to note 4 for the change in estimate in respect of the voice customer relationship period.

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
31. Employee benefits	452	35	452	35
Telkom Pension Fund asset	28	35	28	35
Post-retirement medical aid recognition of net plan asset	424	—	424	—

The group provides benefits for all its permanent employees through the Telkom Pension Fund and the Telkom Retirement Fund. Membership of one of the funds is compulsory. In addition, certain retired employees receive medical aid benefits and a telephone rebate. The liabilities for all of the benefits are actuarially determined in accordance with accounting requirements each year. In addition, statutory funding valuations for the retirement and pension funds are performed at intervals not exceeding three years.

Actuarial valuations were performed by qualified actuaries to determine the benefit obligation, plan asset and service costs for the pension and retirement funds for each of the financial periods presented.

Notes to the consolidated annual financial statements (continued)

For the year ended 31 March 2015

31. Employee benefits (continued)

Telkom Pension Fund

The Telkom Pension Fund is a defined benefit fund that was created in terms of the Post Office Amendment Act 85 of 1991. The Telkom Pension Fund consists only of active members.

The latest actuarial valuation performed at 31 March 2015 indicates that the pension fund is in a surplus position of R180 million (2014: R180 million). The recognition of the surplus is limited due to the application of the asset limitation criteria in IAS19 Employee Benefits. The Telkom Pension Fund is closed to new members. The pension plan exposes the group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market risk.

The funded status of the Telkom Pension Fund is disclosed below.

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
The Telkom Pension Fund				
The net periodic pension costs include the following components:				
Interest cost on projected benefit obligations	18	20	18	20
Curtailment gain	–	(1)	–	(1)
Service cost on projected benefit obligations	4	6	4	6
Interest on plan assets	(20)	(24)	(20)	(24)
Net periodic pension gain recognised in profit and loss	2	1	2	1
The net periodic other comprehensive income includes the following components:				
Actuarial gain from financial assumption changes	–	(82)	–	(82)
Asset ceiling in terms of IAS 19.64	(6)	96	(6)	96
Net periodic pension expense recognised in other comprehensive income	(6)	14	(6)	14
Cumulative actuarial gain	84	84	84	84
Pension fund contributions	(1)	(2)	(1)	(2)
The status of the pension plan obligation is as follows:				
At beginning of year	194	262	194	262
Interest cost	18	20	18	20
Current service cost	4	6	4	6
Employee contributions	1	2	1	2
Benefits paid	(103)	(34)	(103)	(34)
Curtailment gain	–	(18)	–	(18)
Actuarial loss/(gain)	26	(44)	26	(44)
Benefit obligation at end of year	140	194	140	194
Plan assets at fair value:				
At beginning of year	374	362	374	362
Interest on plan assets	20	24	20	24
Benefits paid	(103)	(34)	(103)	(34)
Contributions	1	1	1	1
Curtailment loss	–	(17)	–	(17)
Actuarial gain	28	38	28	38
Plan assets at end of year	320	374	320	374
Present value of funded obligation	140	194	140	194
Fair value of plan assets	(320)	(374)	(320)	(374)
Fund surplus	(180)	(180)	(180)	(180)
Asset ceiling in terms of IAS 19.64	152	145	152	145
Recognised net asset	(28)	(35)	(28)	(35)
Interest on plan assets	20	24	20	24
Actuarial gain on plan assets	28	38	28	38
Actual return on plan assets	48	62	48	62

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Plan assets balance comprises:				
Cash and cash equivalents	26	67	26	67
Equity securities	154	238	154	238
Property	5	–	5	–
Bonds	42	35	42	35
Foreign investments	93	34	93	34
Total	320	374	320	374
Sensitivity analysis				
Increasing discount rate by 0.5 %	(5)	(7)	(5)	(7)
Decreasing discount rate by 0.5 %	5	6	5	6

Funding arrangements

The Telkom Pension Fund investment strategy has been implemented through the appointment of two asset managers with global balanced mandates. Within these mandates the manager is responsible for and has sole discretion of determining the asset allocation, i.e. the mix of the various asset classes used, based on their investment views. In addition a small additional allocation to a specialist manager in the Africa Equity and SA Cash asset classes was added to further diversify the portfolio and to provide return enhancement. The Telkom Pension Fund's total asset allocation is thus derived by combining the two balanced asset managers' portfolios with the Africa and additional cash allocation.

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Principal actuarial assumptions were as follows:				
Assumptions regarding future mortality are based on mortality tables. The current longevities underlying the values of the liabilities in the defined benefit plan are as follows:				
Males over 65	16.3	16.3	16.3	16.3
Females over 65	20.5	20.4	20.5	20.4
Discount rate (%)	7.3	9.2	7.3	9.2
Interest on plan assets (%)	7.3	9.2	7.3	9.2
Salary inflation rate (%)	6.4	7.7	6.4	7.7
Pension increase allowance (%)	4.9	6.2	4.9	6.2
The overall long-term expected interest on assets is 7.3 %. This is based on the new IAS19R net interest requirement.				
The assumed rates of mortality are determined by reference to the SA85-90 (Light) ultimate table, as published by the Actuarial Society of South Africa, for pre-retirement purposes and the PA(90) ultimate table, minus one year age rating as published by the Institute and Faculty of Actuaries in London and Scotland, for retirement purposes.				
	100	100	100	100
Funding level per statutory actuarial valuation (%)				
The number of employees registered under the Telkom Pension Fund	51	71	51	71
The fund portfolio consists of the following percentages:				
Equities (%)	48	64	48	64
Bonds (%)	13	9	13	9
Cash (%)	8	18	8	18
Foreign investments (%)	29	9	29	9
Property (%)	2	–	2	–
Total	100	100	100	100

The total estimated contributions to be paid to the pension fund by the employer for the year ending 31 March 2016 is R2.3 million.

Notes to the consolidated annual financial statements (continued)

For the year ended 31 March 2015

31. Employee benefits (continued)

The Telkom Retirement Fund

The Telkom Retirement Fund was established on 1 July 1995 as a hybrid defined benefit and defined contribution plan. Existing employees were given the option to either remain in the Telkom Pension Fund or to be transferred to the Telkom Retirement Fund. All pensioners of the Telkom Pension Fund and employees who retired after 1 July 1995 were transferred to the Telkom Retirement Fund. Upon transfer the government ceased to guarantee the deficit in the Telkom Retirement Fund. Subsequent to 1 July 1995 further transfers of existing employees occurred. As from 1 September 2009 all new appointments will belong to the Telkom Retirement Fund but will not be able to retire from the Telkom Retirement Fund at

retirement age. These members would be required to purchase their pensions from an insurance company.

The Telkom Retirement Fund is a defined contribution plan with regards to in-service members. On retirement, an employee is transferred from the defined contribution plan to a defined benefit plan. Telkom, as a guarantor, is contingently liable for any deficit in the Telkom Retirement Fund. Moreover, all of the assets in the Fund, including any potential excess, belong to the participants of the scheme. Telkom is unable to benefit from the excess, in the form of future reduced contributions. The pensioner pool of the Telkom Retirement Fund only consists of pensioners and is funded through a liability driven investment strategy

(LDI). Pensioner increases are subject to affordability targeting between 70% and 100% of CPI.

Telkom guarantees any actuarial shortfall of the pensioner pool in the retirement fund. This liability is initially funded through assets of the retirement fund.

The Telkom Retirement Fund is governed by the Pension Funds Act 24 of 1956. In terms of section 37A of this Act, the pension benefits payable to the pensioners cannot be reduced. If therefore the present value of the funded obligation were to exceed the fair value of plan assets, Telkom would be required to fund the statutory deficit.

The funded status of the Telkom Retirement Fund is disclosed below:

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
The Telkom Retirement Fund				
The net periodic retirement costs include the following components:				
Interest cost on projected benefit obligations	972	855	972	855
Interest on plan assets	(972)	(855)	(972)	(855)
Net periodic pension expense recognised in profit and loss	–	–	–	–
The net periodic other comprehensive income includes the following components:				
Actuarial (loss)/gain due to financial assumptions	(312)	1 128	(312)	1 128
Actuarial loss due to demographic assumptions	(122)	(14)	(122)	(14)
Asset ceiling in terms of IAS 19.64	455	(1 011)	455	(1 011)
Net periodic pension expense recognised in other comprehensive income	21	103	21	103
Cumulative actuarial loss	(1 100)	(666)	(1 100)	(666)
Retirement fund contributions	617	601	617	601
Benefit obligation:				
At beginning of year	10 951	10 704	10 951	10 704
Interest cost	972	855	972	855
Benefits paid	(902)	(799)	(902)	(799)
Liability for new pensioners	476	168	476	168
Past service cost	21	–	21	–
Curtailment loss	–	772	–	772
Actuarial loss/(gain)	1 369	(749)	1 369	(749)
Benefit obligation at end of year for defined benefit plan	12 887	10 951	12 887	10 951

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
The Telkom Retirement Fund				
Plan assets at fair value:				
At beginning of year	11 962	10 704	11 962	10 704
Interest on plan assets	972	855	972	855
Benefits paid	(902)	(799)	(902)	(799)
Asset backing new pensioners' liabilities	476	168	476	168
Curtailment gain	–	669	–	669
Actuarial gain	935	365	935	365
Plan assets at end of year	13 443	11 962	13 443	11 962
Present value of funded obligation	12 887	10 951	12 887	10 951
Asset ceiling in terms of IAS 19.64	556	1 011	556	1 011
Fair value of plan assets	13 443	11 962	13 443	11 962
Unrecognised net asset	–	–	–	–
Interest on plan assets	972	855	972	855
Actuarial gain on plan assets	935	365	935	365
Actual return on plan assets	1 907	1 220	1 907	1 220
Plan asset balance comprises:				
Equities	3 092	6 579	3 092	6 579
Property	1 075	–	1 075	–
Bonds	5 377	–	5 377	–
Africa	807	–	807	–
Cash	269	–	269	–
Foreign investments	2 823	5 383	2 823	5 383
Total	13 443	11 962	13 443	11 962

Funding arrangements

The Telkom Retirement Fund pensioner portfolio's strategic asset allocation (SAA) is determined by an asset liability model (ALM) based on the Fund's unique liabilities, as determined by its member data and Fund rules. The SAA is a reflection of the Fund's targeted post-retirement interest rate (PRI), and the investment strategy is built around the target of providing consistent annual pension increases of between 70% and 100% of CPI.

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Included in the fair value of plan assets is:				
Office buildings occupied by Telkom	1 024	953	1 024	953
Telkom shares	17	10	17	10
The Telkom Retirement Fund invests its funds in South Africa and internationally. Twelve fund managers invest in South Africa and five of these managers specialise in trades with bonds on behalf of the Retirement Fund.				
Principal actuarial assumptions were as follows:				
Assumptions regarding future mortality are based on mortality tables. The current longevities underlying the values of the liabilities in the defined benefit plan are as follows:				
Males over 65	16.3	16.3	16.3	16.3
Females over 65	20.5	20.4	20.5	20.4
Discount rate (%)	7.3	9.2	7.3	9.2
Interest on plan assets (%)	7.3	9.2	7.3	9.2
Pension increase allowance (%)	4.9	6.2	4.9	6.2
The assumed rates of mortality are determined by reference to the SA85-90 (Light) ultimate table, as published by the Actuarial Society of South Africa, for pre-retirement purposes and the PA(90) Ultimate table, minus one year age rating as published by the Institute and Faculty of Actuaries in London and Scotland, for retirement purposes.				

Notes to the consolidated annual financial statements (continued)

For the year ended 31 March 2015

31. Employee benefits (continued)

The Telkom Retirement Fund (continued)

Funding level per statutory actuarial valuation (%)

The number of pensioners registered under the Telkom Retirement Fund

The number of in-service employees registered under the Telkom Retirement Fund

The fund portfolio consists of the following percentages:

Equities (%)

Property (%)

Bonds (%)

Africa (%)

Cash (%)

Foreign investments (%)

Total

Group		Company	
2015 Rm	2014 Rm	2015 Rm	2014 Rm
100	100	100	100
12 366	12 744	12 366	12 744
18 282	19 127	18 282	19 127
23	55	23	55
8	–	8	–
40	45	40	45
6	–	6	–
2	–	2	–
21	–	21	–
100	100	100	100

The total estimated contributions to be paid to the Telkom Retirement Fund by the employer for the year ending 31 March 2016 is R621 million.

Medical benefits

Telkom makes certain contributions to medical funds in respect of current and retired employees. The scheme is a defined benefit plan. The expense in respect of current employees' medical aid is disclosed in note 6.3. The amounts due in respect of post-retirement medical benefits to current and retired employees have been actuarially determined and provided for as set out in note 29. Telkom has terminated future post-retirement medical benefits in respect of employees joining after 1 July 2000.

There are three major categories of members entitled to the post-retirement medical aid: pensioners who retired before 1994 ('Pre-94'); those who retired after 2013; and the in-service members. The pensioners retiring post 2013 and the in-service members' liability are subject to a rand cap, which increases as per board approval. During the current financial year the group settled its obligation with the post-1994 pensioners.

Eligible employees must be employed by Telkom until retirement age to qualify for the post-retirement medical aid benefit. The most recent actuarial valuation of the benefit was performed as at 31 March 2015.

Telkom has allocated certain investments to fund this liability as set out in note 16.2.

The annuity policy of the cell captive investment is the medical plan asset.

The group is entitled to a refund of the full surplus in the annuity policy once all the beneficiaries have been paid. As such the group has recognised the full asset.

	Group		Company	
Medical aid	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Benefit obligation:				
At beginning of year	4 102	7 821	4 081	7 798
Interest cost	276	468	276	468
Service cost	4	62	4	62
Actuarial loss/(gain)	478	(863)	478	(863)
Transfer of Trudon as held for sale	(21)	–	–	–
Curtailment gain	–	(2 403)	–	(2 403)
Settlement (gain)/loss*	(221)	234	(221)	234
Benefits paid from plan assets	(204)	(210)	(204)	(210)
Contributions paid by Telkom*	(2 023)	(1 007)	(2 023)	(1 005)
Benefit obligation at end of year	2 391	4 102	2 391	4 081

*Refer to note 29.

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Plan assets at fair value:				
At beginning of year	2 728	2 493	2 728	2 493
Interest on plan assets	236	197	236	197
Benefits paid from plan assets	(204)	(210)	(204)	(210)
Contributions in respect of plan assets	–	85	–	85
Actuarial gain	55	163	55	163
Plan assets at end of year	2 815	2 728	2 815	2 728
Present value of funded obligation	2 391	4 102	2 391	4 081
Fair value of plan assets	(2 815)	(2 728)	(2 815)	(2 728)
(Asset)/liability as disclosed in the statement of financial position (refer to note 29)	(424)	1 374	(424)	1 353
The net periodic other comprehensive income includes the following components:				
Actuarial (loss)/gain due to financial assumptions	(259)	246	(259)	246
Actuarial (loss)/gain due to demographic assumptions	(164)	780	(164)	780
Net periodic pension expense and income recognised in other comprehensive income	(423)	1 026	(423)	1 026
Cumulative actuarial loss	(1 923)	(1 500)	(1 923)	(1 500)
Plan assets at fair value:				
Interest on plan assets	236	197	236	197
Actuarial gain on plan assets	55	163	55	163
Actual return on plan assets	291	360	291	360
Plan asset balance comprises:				
Cash and cash equivalents	310	246	310	246
Equity securities	1 154	1 336	1 154	1 336
Bonds	535	382	535	382
Foreign investments	816	764	816	764
Total	2 815	2 728	2 815	2 728

All equity securities and government bonds have quoted prices in active markets.

Funding arrangements

The general funding arrangements from the plan assets is to maximise long-term capital growth and long-term total return on Telkom's portfolio. The portfolios are managed as a segregated portfolio which includes international investments. The investment objective is to provide an absolute return, measured over a 36 month period, in excess of CPI-X plus 5 % per annum. The funding arrangements of the plan assets driven by designated asset managers to manage Telkom's portfolios by applying a flexible approach, which includes holding equities, property fixed income or money market assets as part of the investment strategy, in variable weightings, at any point in time.

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Principal actuarial assumptions were as follows:				
Assumptions regarding future mortality are based on mortality tables. The current longevities underlying the values of the liabilities in the defined benefit plan are as follows:				
Males over 65	16.3	16.3	16.3	16.3
Females over 65	20.5	20.4	20.5	20.4
Discount rate (%)	7.3	9.2	7.3	9.2
Interest on plan assets (%)	7.3	9.2	7.3	9.2
Salary inflation rate (%)	4.9	7.7	4.9	7.7
Medical inflation rate (%)	6.9	8.2	6.9	8.2
The assumed rates of mortality are determined by reference to the SA85-90 (Light) ultimate table, as published by the Actuarial Society of South Africa, for pre-retirement purposes and the PA(90) ultimate table, minus one year age rating as published by the Institute and Faculty of Actuaries in London and Scotland, for retirement purposes.				
Contractual retirement age	65	65	65	65
Average retirement age	60	60	60	60
Number of in-service members	1 697	1 830	1 697	1 830
Number of pensioners	4 281	8 640	4 281	8 640

Notes to the consolidated annual financial statements (continued)

For the year ended 31 March 2015

31. Employee benefits (continued)

Medical benefits (continued)

Group and company

The valuation results are sensitive to changes in the underlying assumptions. The following table provides an indication of the impact of changing the significant assumptions below:

	Current assumption Rm	Decrease Rm	Increase Rm
	6.9%	(1.0%)	1%
	2 391	(144)	164
		(6.0%)	6.9%
	280	(10)	12
		(3.6%)	4.3%
	7.3%	(0.5%)	0.5%
	2 391	110	(101)
		4.6%	(4.2%)
	280	10	(11)
		3.6%	(3.9%)
	PA(90)Ultimate-1	(10%)	10%
	2 391	(106)	109
		(4.4%)	4.6%
	280	(8)	8
		(2.9%)	2.9%
	8.2%	(1.0%)	+1%
	4 081	(347)	411
		(8.5%)	10.1%
	530	(32)	38
		(6.0%)	7.2%
	9.2%	(0.5%)	0.5%
	4 081	457	(380)
		11.2%	(9.3%)
	530	(1)	1
		0%	0%
	PA(90) Ultimate-1	(10.0%)	+10%
	4,081	(157)	154
		(3.8%)	3.8%
	530	(14)	14
		(2.6%)	2.6%

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
	41	49	41	49
	19	14	19	14
	11	9	11	9
	29	28	29	28
	100	100	100	100

	The fund portfolio consists of the following percentages:			
	Equities (%)			
	Bonds (%)			
	Cash and money market investments (%)			
	Foreign investments (%)			
	Total			

Telephone rebates

Telkom provides telephone rebates to its pensioners who joined prior to 1 August 2009. The most recent actuarial valuation was performed as at 31 March 2015. Eligible employees must be employed by Telkom until retirement age to qualify for the telephone rebates. The scheme is a defined benefit plan.

The status of the telephone rebate liability is disclosed below:

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Benefit obligation:				
At beginning of year	375	422	375	422
Current service cost	3	4	3	4
Interest cost	33	31	33	31
Actuarial loss/(gain)	88	(56)	88	(56)
Curtailment loss	–	(1)	–	(1)
Benefits paid	(28)	(25)	(28)	(25)
Liability as disclosed in the statement of financial position (refer to note 29)	471	375	471	375
The net periodic other comprehensive income includes the following components:				
Actuarial gain due to demographic assumptions	5	6	5	6
Actuarial (loss)/gain due to financial assumptions	(93)	50	(93)	50
Net periodic pension income recognised in other comprehensive income	(88)	56	(88)	56
Cumulative actuarial gain	43	131	43	131
Sensitivity analysis				
Increase in discount rate by 0.5 %	(24)	(16)	(24)	(16)
Decrease in discount rate by 0.5 %	26	18	26	18
Principal actuarial assumptions were as follows:				
Assumptions regarding future mortality are based on mortality tables. The current longevities underlying the values of the liabilities in the defined benefit plan are as follows:				
Males over 65	16.3	16.3	16.3	16.3
Females over 65	20.5	20.4	20.5	20.4
Discount rate (%)	7.3	9.2	7.3	9.2
Contractual retirement age	65	65	65	65
Average retirement age	60	60	60	60
The assumed rates of mortality are determined by reference to the standard published mortality table PA (90) Ultimate standard tables, as published by the Institute and Faculty of Actuaries in London and Scotland, rated down one year to value the pensioners.				
Number of members	11 494	12 498	11 494	12 498
Number of pensioners	10 928	10 746	10 928	10 746

Telkom employee share plan

Telkom's shareholders approved the Telkom Forfeitable Share Plan (FSP) and the Additional Share Award (ASA) at the September 2013 Annual General Meeting. Two grants have occurred under this plan at 31 March 2015.

The FSP is made up of Long Term Incentive Scheme (LTIP) and the Employee Share Ownership Plan (ESOP). In the FSP employees acquire shareholder rights immediately on the forfeitable shares (these include dividends and voting rights).

The ASA scheme is awarded to eligible participating members. This scheme is only applicable for the first grant of shares. If all conditions are met, the shares on this scheme will vest in the 2017 financial year.

Notes to the consolidated annual financial statements (continued)

For the year ended 31 March 2015

31. Employee benefits (continued)

Telkom employee share plan (continued)

The grant and vesting timelines for the LTIP are as follows:

Vesting financial year	Grant financial year		
	2014	2015	2016
2017 Financial Year	50 %	–	–
2018 Financial Year	30 %	50%	–
2019 Financial Year	20 %	30%	50 %
2020 Financial Year	–	20%	30 %
2021 Financial Year	–	–	20 %

The grant and vesting timelines for the ESOP are as follows:

Vesting financial year	Grant financial year		
	2014	2015	2016
2017 Financial Year	100 %	–	–
2018 Financial Year	–	100%	–
2019 Financial Year	–	–	100 %

In order for the vesting to occur the targets (including performance conditions) must be met. The targets are measured in each financial year after the grant date. In calculating the expense it is assumed that the probability of meeting the conditions is 100 %.

The weighted average remaining vesting period for the shares outstanding as at 31 March 2015 is 2.8 years (2014: 2.8 years).

	Group		Company	
	2015	2014	2015	2014
The following table illustrates the movement of the maximum number of shares that were granted to employees for the 2014 and 2015 grant:				
Beginning of the year	7 101 388	–	7 101 388	–
Forfeited shares during the year	(1 036 691)	–	(1 036 691)	–
Granted during the year	4 872 132	7 101 388	4 872 132	7 101 388
Outstanding at end of the year	10 936 829	7 101 388	10 936 829	7 101 388
The fair value of the shares granted has been calculated by an actuary using the Black-Scholes-Merton model and the following values at grant date:				
Market share price (R)	76.11	27.30	76.11	27.30
Dividend yield (%)	–	–	–	–
Share price volatility	35% p.a	35 % p.a	35% p.a	35 % p.a
Future risk free interest rate	6.7% p.a	8.5 % p.a	6.7% p.a	8.5 % p.a
The principal assumptions used in calculating the expected number of shares that will vest are as follows:				
Employee turnover (%)	3.3	3	3.3	3
Meeting specified performance criteria (%)	100	100	100	100

The key performance indicators for the first grant are free cash flow targets and net promoter score targets. The second grant key indicators are headline earnings per share, free cash flow, return on equity, total shareholder return, customer loyalty measure and assurance and fulfillment measures.