

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
38. Commitments				
Capital commitments authorised	5 500	5 055	5 500	5 000
Commitments against authorised capital expenditure	1 057	1 132	1 057	1 132
Authorised capital expenditure not yet contracted	4 443	3 923	4 443	3 868

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.

	Total Rm	<1 year Rm	1 - 5 years Rm	>5 years Rm
Group				
Operating lease commitments and receivables				
2015				
Land and buildings	1 844	506	1 237	101
Rental receivable on buildings	(1 179)	(373)	(772)	(34)
Customer premises equipment receivables	(46)	(30)	(16)	–
Vehicles	1 951	423	563	965
Total	2 570	526	1 012	1 032
2014				
Land and buildings	1 910	380	1 430	100
Rental receivable on buildings	(727)	(269)	(451)	(7)
Customer premises equipment receivables	(46)	(28)	(18)	–
Vehicles	496	496	–	–
Swap bodies	12	12	–	–
Total	1 645	591	961	93
Company				
Operating lease commitments and receivables				
2015				
Land and buildings	1 822	502	1 219	101
Rental receivable on buildings	(1 179)	(373)	(772)	(34)
Customer premises equipment receivables	(46)	(30)	(16)	–
Vehicles	1 951	423	563	965
Total	2 548	522	994	1 032
2014				
Land and buildings	1 785	355	1 330	100
Rental receivable on buildings	(727)	(269)	(451)	(7)
Customer premises equipment receivables	(46)	(28)	(18)	–
Vehicles	496	496	–	–
Swap bodies	12	12	–	–
Total	1 520	566	861	93

Notes to the consolidated annual financial statements (continued)

For the year ended 31 March 2015

38. Commitments (continued)

Operating leases

The group 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 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, for 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 - 5 years Rm	>5 years Rm
Group finance lease commitments				
2015				
Building				
Minimum lease payments	824	187	637	–
Finance charges	(192)	(79)	(113)	–
Finance lease obligation	632	108	524	–
Software				
Minimum lease payments	24	6	18	–
Finance charges	(5)	(2)	(3)	–
Finance lease obligation	19	4	15	–
2014				
Building				
Minimum lease payments	997	172	825	–
Finance charges	(284)	(91)	(193)	–
Finance lease obligation	713	81	632	–
Software				
Minimum lease payments	33	8	25	–
Finance charges	(8)	(3)	(5)	–
Finance lease obligation	25	5	20	–
Company finance lease commitments				
2015				
Building				
Minimum lease payments	824	187	637	–
Finance charges	(192)	(79)	(113)	–
Finance lease obligation	632	108	524	–
Software				
Minimum lease payments	24	6	18	–
Finance charges	(5)	(2)	(3)	–
Finance lease obligation	19	4	15	–
2014				
Building				
Minimum lease payments	995	170	825	–
Finance charges	(284)	(91)	(193)	–
Finance lease obligation	711	79	632	–

	Total Rm	<1 year Rm	1 - 5 years Rm	> 5 years Rm
Company finance lease commitments				
2014				
Software				
Minimum lease payments	33	8	25	–
Finance charges	(8)	(3)	(5)	–
Finance lease obligation	25	5	20	–

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 four years and nine months ending on December 2019.

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%. Telkom has the right to sublet part of the buildings. In case of breach of contract, the lessor is entitled to cancel the lease agreement and claim damages.

The exit strategy pertaining to the corporate offices within the Pretoria CBD, which is subject to a lease that expires in 2019, is being assessed.

Telkom has the option to renew the lease and the first option to purchase the buildings.

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 18 for lease payments.

There are no major restrictions imposed by lease arrangements.

39. Contingencies

Contingent liabilities

Matters before ICASA

Phutuma Networks (Pty) Ltd (Phutuma)

Phutuma filed a complaint against Telkom at ICASA's Complaints and Compliance Committee (the CCC) in February 2010. On 16 February 2015, after the matter having been heard by the CCC, Telkom received the CCC's final ruling dated 27 November 2014. The CCC ruled that the complaint had been withdrawn and that as a result thereof, it is not able to make any recommendations to the ICASA council. Telkom thus regards the matter as finalised on that basis.

End-User and Service Charter Regulations

Allegations have been made at the CCC regarding Telkom's alleged non-compliance with the requirements of the End-User and Service Charter Regulations relating to the clearance of reported faults. The CCC heard the matter and has ruled that Telkom is not in breach of the Regulations and recommended that ICASA review the regulations. Telkom has initiated administrative review proceedings seeking to set aside the applicability of the Regulations since the CCC ruling is not binding on ICASA. The review has not been finalised as yet.

High Court

Telkom/ICASA, Neotel and CCC

Neotel requested Telkom to provide access to Telkom's local loop in November 2010. Telkom declined the request and Neotel submitted a formal complaint to the CCC which made an order directing Telkom to provide Neotel access to Telkom's local loop. Telkom launched an interim relief application for an order that the CCC order not be implemented pending a review application in the High Court to review and set aside the CCC order. The parties have since agreed to a court order in terms of which Telkom withdrew its application for interim relief and ICASA in turn undertook not to implement the CCC order pending the outcome of Telkom's application for review. No date has been set down as yet for the hearing of the review application.