

	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 The CCC ruled that the complaint had been withdrawn and that as a result thereof, it is not able to make any recommendations to the ICASA council.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.

Notes to the consolidated annual financial statements (continued)

For the year ended 31 March 2015

39. Contingencies (continued)

Radio Surveillance Security Services (Pty) Ltd (RSSS)

RSSS sued Telkom for R215 million (including VAT). Telkom is defending the claim and has filed a plea and counterclaim for R22 million. An application will be made for special court to be allocated due to duration of the proposed trial. The parties are exploring a possible settlement

Phutuma Networks (Pty) Ltd (Phutuma)

In August 2009, Phutuma issued a summons against Telkom, arising from a tender published by Telkom in November 2007, claiming damages in the amount of R5.5 billion. 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 November 2014, the SCA rescinded its previous order and in February 2015, the SCA granted Phutuma leave to appeal.

African Pre-paid Services Nigeria Limited (APSN) v Multi-Links (MLT): Arbitration matter

In December 2014, APSN withdrew its claim, in arbitration proceedings, against MLT (a previous subsidiary of Telkom, in Nigeria), and MLT also withdrew its counterclaim against APSN, as part of a settlement agreement concluded between Telkom and MLT on the one hand and Blue Label and others on the other hand, in respect of an action instituted by both Telkom and MLT against Blue Label, African Pre-paid Services, APSN and three others. The settlement was on a walk away basis.

Other

HIP Oils Topco Ltd (HIP Oils)

With the sale of Telkom's shares in MLT to HIP Oils, Telkom provided a taxation indemnity and a creditors indemnity to HIP Oils and MLT where such liability was incurred prior to 3 October 2011 and to the extent that such liability exceeded the amounts set out in the creditors list to the Sale and Purchase Agreement. Telkom also undertook to indemnify HIP Oils of any contingent liabilities and obligations owed or owing to creditors of MLT where such liability or obligation was incurred and not disclosed to HIP Oils prior to October 2011. In December 2014, Telkom and HIP Oils concluded a settlement agreement in terms of which both parties waived and abandoned all their claims against each other and released and indemnified each other from all past and future liabilities.

Section 197: Labour Relations Act

Telkom has also been engaging with organised labour in relation to the outsourcing of various business operations in an effort to unlock operating and cost efficiencies in line with the company's multi-year turnaround strategy. This necessitated invoking a process in terms of section 197 of the Labour Relations Act, in a bid to outsource certain services as going concerns. Section 197 (7) states that Telkom and the new employers are jointly and severally liable to any employee who becomes entitled to receive a payment as a result of the employee's dismissal for a reason relating to the new employer's operational requirements or liquidation or sequestration.

Telkom will be held liable for a period of 12 months after the date of transfer, which may result in an onerous obligation.

Onerous lease obligation

In its bid to create a single corporate office at its owned Centurion campus, Telkom is in the process of terminating the head office lease of buildings in the CBD with the Telkom Retirement Fund. The optimal exit strategy is being considered and may result in an onerous cost if the settlement value is more than the present value of the lease obligation.

Tax matter

Following Telkom's objection, the assessment received from SARS in respect of the 2010 year of assessment has been resolved as at 31 March 2015.

Contingent assets

Tax matter

As noted in the 2014 consolidated annual financial statements, the tax treatment of the loss that arose in 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 the prior financial year, relating to the 2012 sale, is contingent and will only be recognised once the matter has been resolved with SARS. Refer to note 32.