

26. Contingent liabilities and legal proceedings

26.1 Unresolved tax matters

The Group is regularly subject to an evaluation by tax authorities of its direct and indirect tax filings. The consequence of such reviews is that disputes can arise with tax authorities over the interpretation or application of certain tax rules applicable to the Group's business. These disputes may not necessarily be resolved in a manner that is favourable to the Group. Additionally, the resolution of the disputes could result in an obligation to the Group. The Group has made sufficient provision for any losses arising from tax exposures that are more likely to occur than not.

The Group has discussions with relevant tax authorities on specific matters regarding the application and interpretation of tax legislation affecting the Group and the industry in which it operates. All reliable assessments of tax exposure identified have been quantified and accounted for as appropriate.

The Group has considered all matters in dispute with tax authorities and has accounted for any exposure identified, if required.

26.2 Various legal contingencies

The Group is currently involved in various legal proceedings and has, in consultation with its legal counsel, assessed the outcome of these proceedings. Following this assessment, the Group's management has determined, after assessing recoverability, that adequate provision has been made in respect of these legal proceedings as at 31 March 2016.

26.3 G.H. Investments ('GHI') and Vodacom Congo (RDC) SA ('Vodacom Congo')

Vodacom Congo contracted with GHI to install ultra-low cost base stations on a revenue share basis. After rolling out three sites, GHI stopped and sought to renegotiate the terms. Vodacom Congo refused. GHI accused it of bad faith and infringement of intellectual property rights. In April 2015, GHI issued a letter of demand claiming payment for a sum of US\$1.16 billion, even though there does not seem to be a proper basis nor any substantiation for the compensation claimed. The dispute has been submitted to mediation under the International Chamber of Commerce. A mediator was appointed in September 2015 who convened a first meeting which took place in early November 2015. A follow-up mediation meeting was scheduled for December 2015, but has been postponed without a new date having been fixed.

26.4 Vodacom Congo (RDC) SA and Vodacom International Limited ('VIL')

There are various legal matters relating to the Group's investment in Vodacom Congo, the most recent of which is a claim brought by Mr Alieu Badara Mohamed Conteh ('Conteh') in the Commercial Court of Kinshasa/Gombe against VIL and Vodacom Congo. Conteh is the controlling shareholder of Congolese Wireless Network s.a.r.l ('CWN'), a company incorporated in the DRC. CWN is a minority shareholder in Vodacom Congo. These proceedings seek to invalidate a court decision removing Conteh as the statutory manager of CWN, as well as the liquidation of Vodacom Congo and the payment of various sums to CWN and Conteh. The action also includes an unsubstantiated claim for US\$14 billion against VIL for its alleged role in helping to undermine Conteh's position as former statutory manager of CWN. The Court of Appeal of Kinshasa/Gombe in December 2015 dismissed Conteh's case against VIL on the grounds of a lack of proper service of legal process.

26.5 Kenneth Makate vs Vodacom (Pty) Limited

Refer to Note 28.2.

26.6 Guarantees

The Group issued various guarantees, relating to external financial obligations of its subsidiaries, which amounted to R113 million (2015: R113 million)

Foreign denominated guarantees amounting to R1 102 million (2015: R911 million) were issued in 2015 in support of Vodacom Congo (RDC) SA, relating to liabilities included in the consolidated statement of financial position.

Vodacom (Pty) Limited provides a guarantee for borrowings entered into by Vodacom Group Limited. At 31 March 2016, and in prior years, none of the borrowings under guarantee were utilised.

27. Post-employment benefits

The Group operates a number of pension plans for the benefit of all its employees throughout the Group, which vary depending on the conditions and practices in the countries concerned. The Group's pension plans are provided through defined contribution schemes. Defined contribution schemes offer employees individual funds that are converted into benefits at the time of retirement. Current contributions to the defined contribution schemes amounted to R258 million (2015: R247 million). South African funds are governed in terms of the Pension Funds Act of 1956. The assets in the funds are held in separate accounts and funds are raised through payments from employees and the Group.