

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.7 Commercial commitments

Incentives for handset upgrades

The Group's present policy is to pay incentives to service providers (SPs) for handset upgrades. These upgrades are only payable once the subscribers have completed a 21-month period with the SP since the initial commencement of their contract or previous upgrade and the eligible subscribers have exercised their rights to receive upgrades for new postpaid contracts with minimum terms. The value of the obligation may vary depending on the prevailing business rules at the time of the upgrade. The total number of eligible subscribers who had not yet exercised their right to upgrade at 31 December 2015 was 1 233 652 (2014: 1 555 033) and the estimated commitment in respect of these incentives amounts to R972 million (2014: R841 million).

6.8 Contingent liabilities

The Group does not recognise contingent liabilities in the statement of financial position until future events indicate that it is probable that an outflow of resources will take place and a reliable estimate can be made, at which time a provision is raised.

	2015 Rm	2014 Rm
Contingent liabilities	875	932
Licence fee and regulatory matters	–	598
Litigation and other matters	865	323
Other	10	11

Litigation and other matters

Uncertain tax exposures in various tax jurisdictions where the Group operates.