Notes to the condensed consolidated annual financial statements – continued

for the year ended 31 March 2017

11 Inventories	**2017 Rm**	2016 Rm
Inventories	**1 384**	971
Gross inventories	**1 522**	1 062
Write-down of inventories to net realisable value	**(138)**	(91)

The increase was mainly attributable to the increase in installation, maintenance and network equipment. Refer to note 8 for inventory required for capital requirements.

12 Net cash and cash equivalents	**2017 Rm**	2016 Rm
Net cash and cash equivalents	**1 519**	2 542
Cash shown as current assets	**1 612**	2 548
Cash and bank balances	**953**	418
Short-term deposits	**659**	2 130
Credit facilities utilised	**(93)**	(6)

The lower cash balance is as a result of dividend payment, voluntary severance and retirement packages settled in the current financial year.

13 Deferred taxation	**2017 Rm**	2016 Rm
Deferred taxation is made up as follows:	**303**	283
Deferred taxation asset	**442**	434
Deferred taxation liability	**(139)**	(151)

The group did not recognise deferred tax assets of R400 million (2016: R1.1 billion) in respect of temporary differences amounting to R1.4 billion (2016: R4 billion) that can be carried forward against future taxable income.

14 Financial risk management

Exposure to continuously changing market conditions has made management of financial risk critical for the group. Treasury policies, risk limits and control procedures are continuously monitored by the board of directors through its audit and risk committee.

The condensed consolidated annual financial statements do not include all financial risk management information and disclosures required in the consolidated annual financial statements and should be read in conjunction with the group's consolidated annual financial statements as at 31 March 2017. The group uses derivatives as hedging instruments.

14.1 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group is exposed to liquidity risk as a result of uncertain cash flows as well as the capital commitments of the group.

Liquidity risk is managed by the group's Treasury department in accordance with policies and guidelines formulated by the group's executive committee. In terms of its borrowing requirements the group ensures that sufficient facilities exist to meet its immediate obligations.

Compared to the 2016 financial year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

14.2 Fair value of financial instruments

The carrying amount of financial instruments approximates fair value, with the exception of interest-bearing debt (at amortised cost) which has a fair value of R6 578 million (2016: R5 569 million) and a carrying amount of R6 285 million (2016: R5 269 million) (refer to note 16).