Notes to the financial statements continued

for the year ended 31 March 2024

4. Working capital continued

4.2 Inventories

Significant accounting judgements, estimates and assumptions

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Judgement is involved in determining whether inventories need to be written off to net realisable value. Factors considered include the age of the stock, inventory turnover, exchange rates, new device models released and the ability to bundle devices with other value-added services, such as voice, data and SMSes.

Inventory write-downs related to slow-moving stock are determined by considering the following:

Slow-moving stock
For network build stock, the identification of obsolete and excess warehouse stock for build stock entails the running of quarterly reports by management detailing obsolete and excess stock:

- Obsolete stock: all material items per material group with no movement for the last 12 months.
- Excess stock: all material items per material group with more than 12 months' stock on hand, with five years' stock cover consideration.

New items not yet used and items planned for projects are excluded. The balance is then taken through the write-off process.

The identification of obsolete and excess stock for maintenance spares entails the running of quarterly reports by management detailing obsolete and excess spares:

- Obsolete stock: all material items per material group with no movement for the last 24 months.
- Excess stock: all material items per material group with more than 24 months' stock on hand.

New items not yet used and items planned for projects are excluded. The balance is then taken through the write-off process.

Summary of material accounting policies

Stock valuation and work-in-progress
Inventory is measured at the lower of cost and net realisable value.

The purchase cost of inventories comprises the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of the finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of inventory.

Initial cost of inventories, where relevant, includes the transfer of gains and losses on qualifying fair value hedges recognised as firm commitments, in respect of foreign currency denominated purchases.

Merchandise, installation material, maintenance material and network equipment inventories are stated at the lower of cost, determined on a weighted average basis and estimated net realisable value. Inventory is assessed for write-down to the net realisable value at each reporting date. The reversal of any write-downs is also considered where increases in the net realisable value have been identified.

Notes to the financial statements continued

for the year ended 31 March 2024

4. Working capital continued

4.2 Inventories continued

	Group		Company	
	31 March 2024 Rm	31 March 2023 Rm	**31 March 2024 Rm**	31 March 2023 Rm
Inventories	**903**	1 091	**355**	317
Gross inventories	**1 143**	1 320	**393**	321
Write-down of inventories to net realisable value	**(240)**	(229)	**(38)**	(4)
Inventories consist of the following categories:	**1 143**	1 320	**393**	321
Installation material, maintenance material and network equipment	**431**	468	**1**	1
Merchandise	**712**	852	**392**	320
Write-down of inventories to net realisable value	**240**	229	**38**	4
Opening balance	**229**	160	**4**	107
Charged to statement of profit or loss and other comprehensive income	**36**	70	**34**	22
Write-down provision transferred to Openserve (Pty) Ltd	**–**	–	**–**	(119)
Inventories written off	**(25)**	(1)	**–**	(6)

During the current financial year, R4 million (31 March 2023: R123 million) for Group and R4 million (31 March 2023: Rnil) for Company were transferred from inventories to property, plant and equipment. The transfers only take place from CWIP.

4.3 Trade and other receivables

	Group		Company	
	31 March 2024 Rm	31 March 2023 Rm	**31 March 2024 Rm**	31 March 2023 Rm
Trade and other receivables	**8 215**	9 314	**6 165**	8 744
Trade receivables	**6 174**	6 877	**3 874**	4 875
Gross trade receivables	**9 369**	9 785	**6 698**	7 113
Impairment of receivables	**(3 195)**	(2 908)	**(2 824)**	(2 238)
Other receivables	**1 079**	1 525	**1 878**	3 398
Prepayments	**962**	912	**413**	471

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. The repayment terms of trade receivables vary between 21 days and 90 days from date of invoice. Interest charged on overdue accounts varies between the prime rate and a rate of 18%, depending on the contract terms.

Trade receivables are recognised initially at the transaction price, unless they contain significant financing components, in which case they are recognised at fair value.

The decrease in trade receivables is mainly due to payments from mobile dealers and government departments as well as write-offs. Although there was a decrease in the gross trade receivables, the increase in the impairment of receivables is driven by an increase in default rates and higher write-offs experienced in the current year as a result of the current macro-economic conditions.

Other receivables generally arise from transactions outside the usual operating activities of the Group. Other receivables include sundry debtors, staff bursaries and staff loans. Other receivables decreased at Company level mainly due to a decrease in intercompany balances between Telkom and Openserve.