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.

Notes to the financial statements continued

for the year ended 31 March 2024

4. Working capital continued

4.3 Trade and other receivables continued

	Group		Company	
	31 March 2024 Rm	31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Allowance account for expected credit losses – trade receivables	**3 195**	2 908	**2 824**	2 238
Opening balance as previously reported	**2 908**	2 296	**2 238**	1 638
Charged to statement of profit or loss and other comprehensive income	**1 285**	1 112	**1 048**	945
Enterprise loss allowance movement	**–**	–	**(40)**	(93)
Receivables written off	**(998)**	(500)	**(422)**	(252)

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include sending reminders, pinging the accounts for additional debit order collections, suspending the services, handing over the debt to external debt collectors and not receiving the debtors positive feedback that confirms the amounts as collectable, failure of a debtor to engage in a repayment plan with the Group, blacklisting the customer, and failure to make contractual payments.

Refer to note 7.1.4 for a detailed credit risk analysis.

4.4 Cash and cash equivalents

Summary of material accounting policies
Cash and cash equivalents comprise cash on hand, deposits held on call and short-term deposits with an initial maturity of less than three months when entered into.

	Group		Company	
Net cash and cash equivalents	31 March 2024 Rm	31 March 2023 Rm	31 March 2024 Rm	31 March 2023 Rm
Cash and cash equivalents	**3 747**	3 469	**1 863**	1 807
Cash and bank balances	**2 687**	2 120	**803**	457
Short-term deposits	**1 060**	1 349	**1 060**	1 350
Undrawn borrowing facilities	**5 563**	2 837	**5 250**	2 520

The undrawn borrowing facilities are unsecured and bear interest at a rate that will be mutually agreed between the borrower and lender at the time of drawdown. These facilities are subject to annual review and are in place to ensure liquidity. At 31 March 2024, R4 billion (31 March 2023: R2.27 billion) of these undrawn facilities were committed by the banks. The R1 563 million uncommitted portion is subject to bank approval.

Undrawn borrowing facilities increased due to the committed facilities of R2 billion utilised in the prior year and repaid with new long-term facilities in the current year and an additional new facility of R1 billion in current year.

Short-term deposits
Short-term deposits are made mostly for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Borrowing powers
Telkom's Directors may mortgage or encumber Telkom's property, or any part thereof, and issue debentures, whether secured or unsecured, whether outright or as security for debt, liability or obligation of Telkom or any third party. For this purpose, the borrowing powers of Telkom are unlimited, but are subject to the restrictive financial covenants as well as specific restrictive clauses in the current funding arrangements.