21. Other financial assets and liabilities

21.1 Other financial assets

	Group		Company	
	31 March 2021 Rm	31 March 2020 Rm	31 March 2021 Rm	31 March 2020 Rm
Non-current other financial assets	81	192	–	–
Other financial assets at amortised cost				
Asset finance receivables	81	192	–	–
Current other financial assets	88	759	88	507
Other financial assets at amortised cost				
Asset finance receivables	–	226	–	–
Other financial assets at fair value through profit or loss				
Derivative instruments used for hedging	88	533	88	507
Forward exchange contracts	–	533	–	507
Firm commitments	88	–	88	–

21.2 Other financial liabilities

	Group		Company	
	31 March 2021 Rm	31 March 2020 Rm	31 March 2021 Rm	31 March 2020 Rm
Non-current other financial liabilities	(107)	(62)	–	–
Other financial liabilities at amortised cost				
Asset finance payables	(107)	(62)	–	–
Current other financial liabilities	(622)	(919)	(2 248)	(3 426)
Other financial liabilities at amortised cost	(200)	(233)	(1 854)	(2 753)
Asset finance payables	(86)	(57)	–	–
Vendor financing	(114)	(176)	–	–
BCX treasury fund	–	–	(1 854)	(2 753)
Other financial liabilities at fair value through profit or loss	(422)	(686)	(394)	(673)
Derivative instruments used for hedging	(400)	(673)	(394)	(673)
Forward exchange contracts	(179)	–	(173)	–
Firm commitments	(19)	(530)	(19)	(530)
Interest rate swaps	(202)	(143)	(202)	(143)
Financial guarantees	(22)	(13)	–	–

The South African rand appreciated in March 2021 against the USD. This resulted in losses in the fair value of FEC's and corresponding gains in the firm commitments. The losses in the interest rate swaps is due to the deterioration of the South African economy and the impact of the lower interest rate environment. The Group pays the fixed interest leg of the swap and receives the floating interest leg. The current fixed rates are higher than the floating rate in return. The interest rate swaps are used to hedge the debt which is predominately floating rate debt.

Financial guarantee

The sale of Business Connexion ICT Services (BCX Nigeria), previously a wholly owned subsidiary of Business Connexion International Group Holdings, was concluded on 31 January 2020. BCX has, in prior years, provided Stanbic Bank with a financial guarantee in respect of BCX Nigeria's banking facility with Stanbic Bank to the value of USD3 million. As part of the disposal agreement, BCX Nigeria needs to contractually reduce BCX's guaranteed exposure by an average amount of USD375 000 per quarter, starting on 31 March 2020, and then quarterly thereafter. The guarantee period ends 31 December 2022.

The total exposure on the financial guarantee relating to Nigeria (now a 3rd party – Arravo Global Services) amounts to R22 million as at 31 March 2021 (31 March 2020: R46 million), based on an expected credit loss (ECL) valuation that was performed to quantify the potential exposure. The total exposure of the financial guarantee will be triggered if Arravo was unable to meet its obligations in terms of the repayment agreement. During the current financial year, the default probability has been assessed by management as being likely. Management accounted for the full exposure as a financial guarantee liability and this is disclosed as part of other financial liabilities.

Notes to the financial statements continued

for the year ended 31 March 2021

21. Other financial assets and liabilities continued

21.2 Other financial liabilities continued

Derivatives
Derivatives held for risk management purposes include hedges that either meet the hedge accounting requirements or hedges that are economic hedges, but do not meet the hedge accounting requirements. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Derivatives that do not meet the hedge accounting requirements
The Group uses forward exchange contracts and interest rate swaps to economically hedge its foreign exchange and interest rate exposures. This relates to the "Other" category of forward exchange contracts as referred to in note 14.5. These derivative instruments are measured at fair value through profit or loss.

Derivatives that meet the hedge accounting requirements
The Group uses forward exchange contracts to hedge its exposure to changes attributable to movements in the spot exchange rate of its firm commitments. These derivatives are designated as fair value hedges.

Fair value hedges
The foreign forward exchange contracts, designated as fair value hedges, are being used to hedge the exposure to changes attributable to movements in the spot exchange rate of its firm commitments.

The Group implements fair value hedge accounting where the hedging relationship meets the requirements of IAS 39.

Hedge effectiveness is determined at inception of the hedge relationship and at every reporting period end through the assessment of the hedged items and hedging instrument to determine whether there is still an economic relationship between the two.

The critical terms of the hedging instrument entered into exactly match the terms of the hedged item. As such, the economic relationship and hedge effectiveness are based on the qualitative factors and the use of a hypothetical derivative, where appropriate.

	Group				
		Carrying amount of the hedging instrument			
Derivatives that meet the hedge accounting requirements:	Nominal amount of the hedging instrument Rm	Assets Rm	Liabilities Rm	Line item in the statement of financial position where the hedging instrument is located Rm	Changes in fair value used for calculating hedge effectiveness Rm
2021					
Foreign exchange risk fair value hedging relationship					
Forward exchange contracts	**2 963**	**–**	**(179)**	**Other financial assets and other financial liabilities**	**460**
2020					
Foreign exchange risk fair value hedging relationship					
Forward exchange contracts	3 621	533	–	Other financial assets and other financial liabilities	619

	Company				
	Nominal amount of the hedging instrument Rm	Carrying amount of the hedging instrument Assets Rm	Carrying amount of the hedging instrument Liabilities Rm	Line item in the statement of financial position where the hedging instrument is located Rm	Changes in fair value used for calculating hedge effectiveness Rm
2021					
Foreign exchange risk fair value hedging relationship					
Forward exchange contracts	2 661	–	(173)	Other financial assets and other financial liabilities	460
2020					
Foreign exchange risk fair value hedging relationship					
Forward exchange contracts	3 344	507	–	Other financial assets and other financial liabilities	619

A decrease in fair value of the forward exchange contracts, designated as fair value hedges, of R460 million (31 March 2020: R619 million) has been recognised in finance charges and fair value movements and offset with a similar gain on the hedged items (property, plant and equipment and inventory). The ineffective portion recognised in the current financial year was immaterial.

22. Net cash and cash equivalents

	Group		Company	
	31 March 2021 Rm	31 March 2020 Rm	31 March 2021 Rm	31 March 2020 Rm
Cash disclosed as current assets	5 003	4 728	2 041	3 233
Cash and bank balances	3 637	2 208	675	713
Short-term deposits	1 366	2 520	1 366	2 520
Credit facilities utilised	(1)	(2)	–	–
Net cash and cash equivalents	5 002	4 726	2 041	3 233
Undrawn borrowing facilities	**6 578**	**6 634**	**5 750**	**5 750**

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 2021, R5.5 billion (31 March 2020: R5.5 billion) of these undrawn facilities was committed.

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.