

Notes to the financial statements continued

for the year ended 31 March 2022

18. Inventories

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Inventories	1 084	1 026	833	779
Gross inventories	1 244	1 180	940	891
Write-down of inventories to net realisable value	(160)	(154)	(107)	(112)
Inventories consist of the following categories:	1 244	1 180	940	890
Installation material, maintenance material and network equipment	541	477	540	476
Merchandise	703	703	400	414
Write-down of inventories to net realisable value	160	154	107	112
Opening balance	154	158	112	124
Charged to selling, general and administrative expenses	15	22	15	22
Inventories written off	(9)	(26)	(20)	(34)

In line with the Group strategy, the Group's inventory increased in the current financial period due to the accelerated deployment of fibre which required additional inventory to be purchased.

During the current financial year, R33 million (31 March 2021: R42 million) for Group and R33 million (31 March 2021: R41 million) for Company was transferred from inventories to property, plant and equipment. The transfers only take place from CWIP.

19. Trade and other receivables and contract assets

19.1 Trade and other receivables

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Trade and other receivables	7 797	7 227	6 788	6 890
Trade receivables	5 210	5 077	4 880	4 947
Gross trade receivables	7 506	7 395	6 518	6 699
Impairment of receivables	(2 296)	(2 318)	(1 638)	(1 752)
Other receivables	1 970	1 652	1 550	1 663
Prepayments	617	498	358	280

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.

Other receivables generally arise from transactions outside the usual operating activities of the Group. Other receivables include sundry debtors, staff bursaries and staff loans.

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Allowance account for credit losses – trade receivables	2 296	2 318	1 638	1 752
Opening balance as previously reported	2 318	1 877	1 752	1 193
Charged to statement of profit or loss and other comprehensive income	534	1 008	421	853
Enterprise loss allowance movement	–	–	(54)	(119)
Receivables written off	(556)	(567)	(481)	(175)

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments that are based on the agreed arrangement period.

Refer to note 14.3 for a detailed credit risk analysis.

19.2 Contract assets

	Group		Company	
	31 March 2022 Rm	31 March 2021 Rm	31 March 2022 Rm	31 March 2021 Rm
Contract assets	2 055	1 747	1 976	1 635
Gross contract assets	2 551	2 157	2 472	2 045
Impairment of contract assets	(496)	(410)	(496)	(410)
Allowance account for credit losses – contract assets	496	410	496	410
Opening balance as previously reported	410	432	410	432
Charged to statement of profit or loss and other comprehensive income	269	31	269	31
Contract assets written off	(183)	(53)	(183)	(53)

Contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

Refer to note 14.3 for a detailed credit risk analysis.

Sale of contract assets

Telkom entered into agreements with financial institutions to factor a ring-fenced group of contract assets. The gross carrying amount of the contracts factored is R1 009 million (31 March 2021: R422 million).

Per the arrangements, Telkom retains the contractual right to receive cash flows, and has assumed a contractual obligation to pay these cash flows received to the financial institution.

Based on the structure of the agreements, the IFRS 9 (Financial Instruments) "pass through" criteria were met for the derecognition of the contract assets and the contract asset portfolios were derecognised in its entirety as significant risks and rewards were transferred. The total cash inflow related to the derecognition is included in cash flows from operating activities in the statement of cash flows.

As part of the agreement, Telkom is obligated to pay the financial institution only from the cash collected from the customers and, as such, Telkom assumes no further obligation in relation to the agreement. In the case that there is a credit note, Telkom will not be required to refund the financial institution for the credit note. Telkom has no continuing involvement with the transferred contract asset.

Significant changes in contract assets

Contract assets have increased from the prior year, mainly due to the growth in Mobile sales and increasing device costs.