# Notes to the annual financial statements continued

for the year ended 31 March 2025

## 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:

For network build stock, management runs quarterly reports to identify obsolete and excess warehouse stock. The definitions are as follows:

- Obsolete stock: All material items per material group that have had no movement for the past 12 months.
- Excess stock: All material items per material group that have 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.
For maintenance spares, management also runs quarterly reports to identify obsolete and excess stock. The definitions are as follows:

- Obsolete stock: All material items per material group that have had no movement for the past 24 months.
- Excess stock: All material items per material group that have 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 (excluding those that can be subsequently recovered 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 when determining the costs of inventory.

Where relevant, the initial cost of inventories includes the transfer of gains and losses on qualifying fair value hedges that are recognised as firm commitments in respect of purchases made in foreign currencies.

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.

| | Group | | Company | |
|---|---|---|---|---|
| | **31 March 2025** | 31 March 2024 | **31 March 2025** | 31 March 2024 |
| | **Rm** | Rm | **Rm** | Rm |
| **Inventories** | **747** | 903 | **237** | 355 |
| Gross inventories | **966** | 1 143 | **335** | 393 |
| Write-down of inventories to net realisable value | **(219)** | (240) | **(98)** | (38) |
| **Inventories consist of the following categories:** | **966** | 1 143 | **334** | 393 |
| Installation material, maintenance material and network equipment | **295** | 431 | **1** | 1 |
| Merchandise | **671** | 712 | **333** | 392 |
| **Write-down of inventories to net realisable value** | **219** | 240 | **98** | 38 |
| Opening balance | **240** | 229 | **38** | 4 |
| Charged to statement of profit or loss and other comprehensive income | **124** | 36 | **118** | 34 |
| Inventories written off | **(145)** | (25) | **(58)** | — |

During the current financial year, R30 million (31 March 2024: R4 million) for Group and Company were transferred from inventories to property, plant and equipment. The transfers only take place from capital work in progress (CWIP).

The decrease in inventory is mainly due to a management initiative to reduce stock holdings to avoid higher write-offs.