

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

4 WORKING CAPITAL

4.1 Inventories

Inventories mainly comprise handsets, SIM cards, accessories held for sale and consumable items.

Inventories are measured at the lower of cost and net realisable value. The cost of inventory is determined using the weighted average method. Cost comprises direct materials and where applicable, overheads that have been incurred in bringing the inventories to their present location and condition, excluding borrowing costs. Net realisable value represents the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

As the functional currencies of MTN Sudan Company Limited and MTN Syria (JSC) are currencies of hyperinflationary economies, inventories relating to these subsidiaries are measured at the lower of the restated cost and net realisable value.

	2015 Rm	2014 Rm
Finished goods (handsets, SIM cards and accessories) – at cost	6 766	3 775
Consumables	59	100
Less: Write-down to net realisable value	(1 190)	(463)
	5 635	3 412

Scancom Limited (MTN Ghana) has secured facilities through the pledge of its inventories amounting to R47 million (2014: R39 million) (note 6.1).

Reconciliation of write-down of inventory

	At beginning of the year Rm	Additions ¹ Rm	Reversals ¹ Rm	Utilised Rm	Exchange and other movements Rm	At end of the year Rm
2015						
Movement in write down	(463)	(688)	19	33	(91)	(1 190)
2014						
Movement in write down	(571)	(7)	101	10	4	(463)

¹ A write-down on inventories of R669 million (2014: R94 million reversal of write down) was recognised in the current year. This amount is included in other operating expenses in profit or loss (note 2.4).