4. Non-financial instruments continued

4.4 Inventories

Inventories comprise prepaid airtime (including physical prepaid airtime), handsets and other related products.

Inventories are stated at the lower of cost (net of rebates and discounts) or estimated net realisable value. 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. The cost of inventory is determined by means of the weighted average cost basis. Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses. Provisions are made for obsolete, unusable and unsaleable inventory and for latent damage first revealed when inventory items are taken into use or offered for sale. Where unused PINs have been recycled and included in inventory for resale, the Group recognises the stock at no value.

	2021 R'000	2020 R'000
Finished goods		
Prepaid airtime	**875 963**	510 238
Handsets	**39 189**	39 535
Other*	**50 794**	27 177
	965 946	576 950

* Other inventory mainly consists of starter packs and consumables.

Inventories with a cost of R16.3 billion (2020: R18.8 billion) were sold during the year and have been charged to the income statement

Included in the above balances are provisions for obsolete, unusable and unsalable inventory and for latent damage to the value of R1.3 million (2020: R20.8 million).

A general notarial bond is held by Investec Bank Limited over airtime up to R1.5 billion (2020: R1.5 billion).

There is no unrealised profit included in Cell C prepaid airtime inventory at year-end due to Cell C only recognising revenue from the sale of period airtime on utilisation by the customer.

4.5 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating expenses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The increase in the provision due to the passage of time is recognised as an interest expense.

	Provision relating to the closure of WiConnect R'000	Other provisions R'000	Total R'000
Opening balance	**28 291**	**1 243**	**29 534**
Used during the year	**(20 879)**	**—**	**(20 879)**
Reversed	**(6 912)**	**(1 243)**	**(8 155)**
Closing carrying amount	**500**	**—**	**500**

Provision relating to the closure of WiConnect

The restructuring provision is as a result of the ceasing of operations in WiConnect. The provision mainly comprised retrenchment costs, onerous contracts and other sundry costs resulting from closure. At year-end, the provision for legal fees remains. Refer to note 11 for further information.

The Group is not involved in any significant litigation at year-end.