Group accounting policies

for the year ended 28 February 2019

BASIS OF ACCOUNTING AND REPORTING

The consolidated financial statements as set out on pages 96 to 195 have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Significant details of the Group's accounting policies are set out below and are consistent with those applied in the previous year.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability, if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The financial statements comply with the International Financial Reporting Standards ("IFRS") of the International Accounting Standards Board, Interpretations issued by the IFRS Interpretations Committee, the JSE Listings Requirements, the Companies Act as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

ADOPTION OF NEW ACCOUNTING STANDARDS

The Group adopted the following new accounting standards:

Applicable standard	Key requirements or changes in accounting policy	Impact of application of amendment
IFRS 15 *Revenue from Contracts with Customers* *Effective date 1 January 2018*	The new standard requires entities to recognise revenue to depict the transfer of goods or services to customers, that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five-step methodology that is required to be applied to all contracts with customers. The new standard also results in enhanced disclosures with respect to revenue earned, and provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements.	During the year, the Group implemented IFRS 15 using the modified retrospective approach. The Group's revenue is primarily derived from product sales, for which the point of recognition is dependent on contract sales terms. As the transfer of risks and rewards generally coincides with the transfer of control at a point in time, the timing and amount of revenue recognised by the Group is not materially affected. There was no significant impact on opening retained earnings as at 1 March 2018 as a result of the adoption of the new accounting standard. No significant recognition and measurement differences were noted during implementation.

Applicable standard	Key requirements or changes in accounting policy	Impact of application of amendment
IFRS 9 *Financial Instruments* *Effective date* *1 January 2018*	The new standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. IFRS 9 applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. IFRS 9 also results in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.	In the current year, the Group has applied IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments that are effective for the financial year commencing 1 March 2018. i) Classification and measurement of financial assets and liabilities There is no material impact to the financial statements on transition to IFRS 9, other than the classification changes as shown in the accounting policy on financial instruments. These classification changes have not impacted the measurement or carrying amount of financial instruments. ii) Impairment of financial assets The primary change relates to the assessment of provisioning for potential future credit losses on financial assets. The Group applies the IFRS 9 simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables. To measure the ECL, a provision matrix has been used and trade receivables have been grouped based on the days past due. No material change was noted when assessing the ECL under the new model when compared to the previous policies applied by the Group.

ADOPTION OF AMENDMENTS TO EXISTING STANDARDS

- Amendments to IFRS 2 *Classification and Measurement of Share-Based Payment Transactions* effective 1 January 2018
- IFRIC 22 *Foreign Currency Transactions and Advance Considerations* effective 1 January 2018
- Amendments resulting from Annual Improvements 2014 – 2016 Cycle effective 1 January 2018

The application of the amendments to the existing standards had no material impact on the disclosures or amounts recognised in the Group's consolidated financial statements.

Group accounting policies continued

for the year ended 28 February 2019

NEW OR REVISED ACCOUNTING STANDARDS AND AMENDMENTS TO EXISTING STANDARDS NOT YET EFFECTIVE

At the date of authorisation of these annual financial statements, the following new or revised standards and amendments to existing standards applicable to the Group were in issue but not yet effective:

Applicable standard	Key requirements or changes in accounting policy	Implementation progress and expected impact
IFRS 16 *Leases* *Effective date 1 January 2019*	The new standard addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. The principal impact of IFRS 16 will be to change the accounting treatment by lessees of leases currently classified as operating leases. Lease agreements will give rise to the recognition by the lessee of an asset, representing the right to use the leased item, and a related liability for future lease payments. Lease costs will be recognised in profit or loss in the form of depreciation of the right-of-use asset over the lease term, and finance charges representing the unwind of the discount on the lease liability. Certain exemptions from recognising leases on the statement of financial position are available for leases with terms of 12 months or less or where the underlying asset is of low value.	**Implementation progress** During the year, each division within the Datatec Group undertook an impact assessment of its leases and completed and planned for the necessary changes to internal systems and processes to embed the new accounting requirements. **Expected impact** The most significant impact on the Group for applying IFRS 16, based on contractual arrangements in place at 28 February 2019, will be the recognition of lease liabilities of between US$110 million and US$125 million, along with right-of-use assets with a similar aggregate value. This liability corresponds to the minimum lease payments under operating leases adjusted for the effects of discounting. Lease liabilities principally relate to property where the Group is a lessee under an operating lease arrangement. The impact of the standard on underlying* earnings and profit before tax following the adoption is not expected to be material although the statement of comprehensive income presentation of the cost of leases will be allocated between the depreciation of right-of-use assets, and a finance charge representing the unwinding of the discount on the leases. The Group will not be applying the recognition and measurement requirements of IFRS 16 to short-term leases less than 12 months and low value leases. The Group has elected to apply the modified retrospective approach on transition. The cumulative effect on transition to IFRS 16 will be recognised in retained earnings at 1 March 2019 and is not expected to be material. The comparative period will not be restated.

The Group has elected to adopt IFRS 16 when it becomes effective and this amendment will have an impact on the financial statements for the year ended 29 February 2020.

In addition to the above, the Group does not currently believe that the adoption of the following amendments will have a material impact on the consolidated results or financial position of the Group:

- Annual Improvements to IFRS Standards 2015 – 2017 Cycle Amendments to IFRS 3 *Business Combinations* effective 1 January 2019, IFRS 10 *Consolidated Financial Statements* and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture effective 1 January 2019
- IFRIC 23 *Uncertainty over Income Tax Treatments* effective 1 January 2019.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION

In the application of the Group's accounting policies described on the following pages, the directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors which are considered to be relevant. Actual results may differ from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Certain of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent that it is available and the Group also engages third parties to perform valuations.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in the relevant notes.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key areas of estimation included in the Group's annual financial statements, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- Estimates made in determining the recoverable amount of acquired intangible assets and capitalised development expenditure included in the statement of financial position (disclosed in Note 9). The Group continually assesses the carrying value of its intangible assets recognised as part of historical acquisitions. This requires an estimation of the value-in-use, based on estimated future cash flows and discount rates of the asset or cash-generating units to which these assets belong.
- Estimates made in determining the recoverable amount of goodwill included in the statement of financial position (disclosed in Note 8). Similar to acquired intangible assets, this requires an estimation of the value-in-use of the cash-generating unit to which the goodwill is allocated. The Group's cash-generating units are consistent with those segments (disclosed in Note 34) to these consolidated financial statements.
- Estimates made in determining the probability of future taxable income thereby justifying the recognition of deferred tax assets included in the statement of financial position (disclosed in Note 11).
- Estimates made in determining the level of provision required for obsolete inventory and impairment losses recognised on trade receivables and the accounting for rebates from suppliers (disclosed in Notes 13 and 14, respectively).
- Estimates made in determining changes in estimated useful lives and residual values of capitalised development expenditure (disclosed in Note 9).
- Estimates made in determining the fair value of the earn-out asset relating to the disposal of Westcon Americas to SYNNEX (disclosed in Note 37).
- Estimates are utilised when measuring the ECLs which is applied to determine the provision recorded against the gross value of trade receivables (disclosed in Note 14).

Critical judgements in applying accounting policies

Agent versus principal

In the process of applying the Group's accounting policies, the directors made a judgement in determining whether the Group is acting as a principal or as an agent. When deciding the most appropriate basis for presenting revenue or related costs, both legal form and substance of the agreement between the Group and the counterparty are reviewed to determine each party's respective role in the transaction.

BASIS OF CONSOLIDATION

The Group reports in US Dollar as the US Dollar is the functional currency in which the major part of the Group's trading is conducted and is consistent with the economic substance of most of the Group's transaction flows worldwide. Reporting in US Dollar also simplifies financial analysis and is more meaningful to global investors, shareholders and for international benchmarking.

The translation of the Group components where the functional currency is not US Dollar, including the holding company, is performed as follows:

(a) Assets (including goodwill) and liabilities (including comparative information) are translated at the closing rate ruling at the date of each statement of financial position.

Group accounting policies continued

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(b) Income and expense items for all periods presented (including comparative information) are translated at a weighted average rate that approximates the ruling exchange rates at the dates of the transactions.

Exchange differences arising from the translations in (a) and (b) are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

(c) The functional currency of the parent company is South African Rand. The share capital and share premium of the parent company are translated into US Dollar at the closing exchange rates.

The exchange differences arising on this translation (c) are recognised directly in equity and accumulated in non-distributable reserves.

The consolidated financial statements incorporate the financial statements of the Company and all enterprises controlled by the Company during the reporting period.

Control is achieved when the Group:
- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control listed above. Consolidation of subsidiaries begins when the Group obtains control over a subsidiary and ceases when the Group loses control of a subsidiary. Profit or loss and each component of other comprehensive income are attributable to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributable to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The operating results of Group entities are included from the effective date of acquisition to the effective date of disposal. All significant inter-company transactions, balances, income and expenses are eliminated in full on consolidation.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

BUSINESS COMBINATIONS

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions of recognition under IFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the consideration transferred, the excess is recognised immediately in profit or loss. Costs associated with the acquisition are expensed, and may include such costs as advisory, legal, accounting, valuation and other professional costs associated with the transaction.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Contingent consideration is measured at fair value at the acquisition date and included as part of the consideration transferred in a business combination. Subsequent adjustments to the consideration are recognised against the cost of the acquisition, with corresponding adjustments against goodwill, only to the extent that they arise from new information obtained within the measurement period (which is not more than 12 months from the acquisition date) about facts and circumstances that existed at the acquisition date. All other subsequent adjustments that do not qualify as measurement period adjustments, classified as assets or liabilities, are measured at fair value and recognised in profit or loss.

A non-controlling interest in the acquiree is initially measured at the proportion of the net fair value of the assets, liabilities and contingent liabilities recognised. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the share of changes in equity since the date of the combination.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (refer above) or additional assets or liabilities are recognised to reflect new information obtained about the facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in variations in the Group's control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent. Additionally, the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income is transferred within equity between foreign currency translation reserve and non-controlling interests.

Restructuring of entities or businesses under common control

A business combination of entities or businesses under common control is excluded from IFRS 3 *Business Combinations* as it involves the combination of businesses that are ultimately controlled by the same company as before. Any such business combination is accounted for at the net asset value of the entity or business transferred and no goodwill is raised on these business combinations. Any difference between the net asset value of the entity or business transferred and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

FOREIGN CURRENCY TRANSACTIONS

Transactions in currencies other than the functional currency are initially recorded at the rates of exchange ruling on the dates of the transactions. At each reporting date, assets and liabilities denominated in currencies other than the functional currency are translated at the rates prevailing at the reporting date. Profits and losses arising on such translations are recognised in profit or loss, except for unrealised profits and losses on exchange arising from equity loans, which are accumulated in the foreign currency translation reserve until the loan is derecognised, at which time it is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment have been stated at cost less accumulated depreciation and any recognised impairment losses except land, which is shown at cost less any recognised impairment loss. Depreciation is calculated based on cost using the straight-line method over the estimated useful lives of the assets less their residual value.

The basis of depreciation provided on property, plant and equipment is as follows:

	Useful lives (years)
Office furniture and equipment	2 – 6
Motor vehicles	2 – 4
Computer equipment	2 – 6
Buildings	20
Leasehold improvements	Shorter of useful life/period of the lease

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Land and buildings comprise mainly warehouses and offices. Software purchased to support the Group's back-office, accounting and customer relationship functions that is an integral part of the hardware, is included in computer equipment and is depreciated over its expected useful life.

All assets' residual values and useful lives are reviewed at each reporting date and any changes to these estimates are accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

LEASING

Finance lease as a lessee

Assets leased in terms of agreements which are considered to be finance leases are capitalised at their fair value at the inception of the lease or, if lower, at the present value of minimum lease payments. Capitalised leased assets are depreciated at the same rate and on the same basis as equivalent owned assets or over the term of the lease if this is shorter and there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term. The liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease finance charges are amortised over the duration of the underlying leases, using the effective interest method.

Finance lease as a lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the net investment in the lease, which is determined by discounting the gross investment in the lease at the interest rate implicit in the lease. The gross investment in the lease is the aggregate of the minimum lease payments accruing to the lessor. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

Operating leases

Operating leases, mainly for the rental of premises, office furniture, computer equipment and motor vehicles, are not capitalised and rentals are expensed on a straight-line basis over the lease term.

CAPITALISED DEVELOPMENT EXPENDITURE

An intangible asset arising from internal development (or from the development phase of an internal project) is recognised only if the Group can demonstrate all of the following conditions:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
(b) its intention or ability to complete the intangible asset, and use or sell it;
(c) how the intangible asset will generate probable future economic benefits, including the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
(d) the availability of adequate technical, financial and other resources to complete the development, and to use or sell the intangible asset; and
(e) its ability to reliably measure the expenditure attributable to the intangible asset during its development.

Capitalised development assets are amortised using the straight-line method over their useful lives, which generally do not exceed 10 years.

An item of capitalised development assets is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

All other expenditure on research activities is recognised as an expense in the period in which it is incurred.

OTHER INTANGIBLE ASSETS

Other intangible assets include those intangible assets acquired and identified as part of a business combination, and software acquired separately.

An intangible asset is recognised when it meets the following criteria:

(a) it is identifiable;
(b) the entity has control over the asset;
(c) it is probable that economic benefits will flow to the entity; and
(d) the cost of the asset can be measured reliably.

Other intangible assets are amortised using the straight-line method over their useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The basis of amortisation provided on intangible assets is as follows:

	Useful lives (years)
Trademarks, marketing, customer and vendor relationships	Maximum of 10
Software	2 – 6

Intangible assets which do not meet the criteria listed above are recognised as expenses in the period in which they are incurred.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

GOODWILL

Goodwill represents the excess cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquiree at the date of acquisition. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the business combination. Goodwill is carried at cost less accumulated impairment losses. The carrying amount of goodwill (or relevant portion thereof) is included in computing the gains or losses on the disposal of an entity.

Impairment tests are conducted annually or more frequently when an indication of impairment exists on goodwill attributed to the cash-generating units, based on the value-in-use and other appropriate methods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit *pro rata* based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss and is not reversed in subsequent periods.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The results and assets and liabilities of associates and joint ventures are incorporated in these financial statements using the equity method of accounting.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate and joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

IMPAIRMENT

At each reporting date, or more frequently when an indication of impairment exists, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but will never exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

INVENTORIES

Inventories, comprising spares/maintenance inventory, finished goods and merchandise for resale, are stated at the lower of cost and net realisable value and are mainly valued on the weighted average cost basis.

Provision is made for obsolete and slow-moving inventory.

Contract work-in-progress is recognised on the percentage of completion method by reference to the milestones for each contract.

FINANCIAL INSTRUMENTS

Changes in accounting policy

The following is the Group's new accounting policy for financial instruments under IFRS 9:
- at fair value through profit or loss ("FVTPL"); or
- at amortised cost.

a) Classification and measurement

The Group determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Group's business model for managing financial assets and their contractual cash flow characteristics. Financial liabilities are measured at amortised cost unless they are required to be measured at FVTPL (such as derivatives).

The Group completed a detailed assessment of its financial assets and liabilities as at 1 March 2018. The following table shows the classification prior to and after the adoption of IFRS 9:

Financial asset/ liability	Original classification	Original measurement	Classification under IFRS 9	Level of financial instrument
Trade and other receivables	Amortised cost	Amortised cost	Financial assets at amortised cost	Level 3
Bonds	Held to maturity financial assets	Amortised cost	Financial assets at amortised cost	Level 1
Cash and cash equivalents	Amortised cost	Amortised cost	Amortised cost	Level 3
Derivatives	Derivatives at FVTPL	FVTPL	Derivatives at FVTPL	Level 2
Trade and other payables	Financial liabilities at amortised cost	Amortised cost	Financial liabilities at amortised cost	Level 3
Short-term and long-term interest-bearing liabilities	Financial liabilities at amortised cost	Amortised cost	Financial liabilities at amortised cost	Level 3
Amounts owing to vendors	Designated at FVTPL	FVTPL	Designated at FVTPL	Level 3
Borrowings	Financial liabilities at amortised cost	Financial liabilities at amortised cost	Financial liabilities at amortised cost	Level 3

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments and are initially measured at fair value. In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3, based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:
- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- level 3 inputs are inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Group engages third-party qualified valuers to perform the valuation. Information about the valuation techniques and inputs used in determining the fair value of the assets and liabilities is disclosed in Notes 19 and 27.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or expense over the period of the instrument. Effectively, this method determines the rate that exactly discounts the estimated future cash payments or receipts (excluding expected credit losses) through the expected life of the financial instrument or, if appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

Foreign exchange gains or losses

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the operating costs line item.
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the operating costs line item.

Derivative instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk and interest rate risk, including forward exchange contracts, interest rate swap agreements and foreign currency collars. Further details of derivative financial instruments are disclosed in Note 27 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both the legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

Other derivatives are presented as current assets or current liabilities.

Bonds

Bonds with a fixed maturity date are classified as financial assets at amortised cost and are measured using the effective interest method.

Trade and other receivables

Trade and other receivables are initially recognised at fair value, and are subsequently measured at amortised cost using the effective interest method, less any expected credit losses.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts and are measured at amortised cost using the effective interest method. Bank overdrafts are presented in current liabilities on the statement of financial position.

Borrowings

Borrowings are initially recorded at fair value, net of direct issue costs, and are subsequently measured at amortised cost using the effective interest method. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables

Trade and other payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of the direct issue costs. Repurchases of the Company's own equity instruments are recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12 *Income Taxes*.

Interest income

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Interest income is recognised in profit or loss and is included in the “interest income” line item.

b) Impairment of financial assets

A financial asset not measured at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. The Group assesses, on a forward-looking basis, the expected credit losses, based on the contractual cash flows and the cash flows that are expected to be received associated with its assets at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The simplified approach has been applied to trade receivables as permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of trade receivables.

The expected credit loss model applies a percentage, based on an assessment of historical default rates and certain forward looking information, against receivables that are grouped into certain age brackets. This method for calculating a provision is further supplemented by a specific review against higher value and aged trade receivables where there are other more specific risk factors as outlined below.

Losses are recognised in the statement of comprehensive income.

c) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring and not associated with the ongoing activities of the entity.

Provisions for dilapidations and asset retirement obligations are recognised when the Group has a present obligation to return modified or utilised assets to a specified standard. Provisions for dilapidations and asset retirement obligations are measured at the directors’ best estimate of the expenditure required to settle the obligation at the statement of financial position date, and are discounted to present value where the effect is material.

AMOUNTS OWING TO VENDORS

Amounts owing to vendors represent purchase considerations owing in respect of acquisitions. These purchase considerations are to be settled with the vendors in cash or shares on fulfilment of agreed performance criteria. Amounts payable to vendors are included in the purchase consideration at acquisition and, to the extent that agreed performance criteria are not met, affect the profit or loss in the period in which that determination is made. Amounts owing to vendors are designated at fair value through profit or loss and are stated at fair value with any gains or losses on remeasurement recognised in profit or loss.

TAXATION

The taxation expense represents the sum of the current taxation and deferred taxation. Current taxation comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment of tax payable for previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Group's consolidated annual financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. However, in some jurisdictions goodwill relating to the purchase of businesses and assets is tax deductible, resulting in a temporary difference.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also dealt with in other comprehensive income or equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for a business combination.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

REVENUE

Changes in accounting policy

The following is the Group's new accounting policy for revenue under IFRS 15:

The Group recognises revenue from the following sources:

Revenue from product sales

- Revenue from sales of hardware/direct product sales
- Revenue from sales of software/fulfilment product sales
- Revenue from vendor resold services and product maintenance sales.

Revenue from services

- Revenue from professional services
- Revenue from other services.

Revenue from annuity services

- Revenue from cloud services
- Revenue from other annuity services.

Revenue is measured based on the price specified in a contract when control of a product or service is transferred to a customer.

Group accounting policies continued

for the year ended 28 February 2019

Revenue from product sales

The Group's principal revenue stream is the resale of vendor-provided hardware, software licensing and maintenance goods. The Group acts primarily as a reseller and as such, revenue is recognised at a point in time when control passes to the customer, being when goods are delivered to the customer per the chosen delivery method or on the delivery instructions per the purchase order, or where access to the licensing product has passed to the customer.

A receivable is recognised by the Group when the goods are delivered as this represents the point in time at which the right to consideration becomes unconditional, and only the passage of time is required before payment is due. Where partial delivery has taken place and the Group has agreed to invoice the customer once all goods are delivered, an accrual of revenue is recognised for the goods delivered (together with their associated costs).

The Group has standard terms and conditions for customer sales that are tailored to suit individual contracts. A contract is therefore deemed to be in place upon submission of a purchase order (or evidence of buying request) from the customer alongside confirmation from the subsidiary. Alternatively, fulfilment of an order by the Group is deemed to represent a contract per the standard terms and conditions. The contract in place with the customer per the above will include a sales price that is fixed or determinable.

Payment terms are on a customer by customer basis and there are no typically financing components. Where there are, these are accounted for separately based on the financing component, which can be separately established. Discounts are also considered to be unique to a contract and are apportioned evenly between each performance obligation. In certain cases, where discounts are agreed with a supplier and passed on to a client, this is treated as a reduction in both the cost of the item and consequently to the standalone selling price of that item. The contract value is *pro-rated* over the performance obligations of the contract after the discount has been applied.

Sale of vendor resold services and product maintenance

The Group sells maintenance contracts on behalf of its vendors which is accounted for on a net basis because the Group is acting as an agent. The commission or gross profit earned on these sales is recognised as revenue.

The remaining terms, conditions and accounting for sales of product maintenance are exactly as per the sale of hardware and software as described above.

For vendor resold services and maintenance, the obligation is to provide the licence to the client. As such, this performance obligation is met as the licence(s) are passed over to the client (this may occur, for instance, when licence keys are handed to the client or when a contract representing the licence is assigned dependent on the applicable deal). Thus, vendor resold maintenance is recognised "upfront" at a single point in time.

Revenue from services

The Group earns revenue from professional services contracts with customers which are categorised by "milestone", "time and material" and "block hour" contracts. Customers gain immediate use of the output of the service once the professional service has been rendered.

The performance obligations are recognised over time where the performance obligation complies with the criteria under IFRS 15 of providing an asset with no alternative use. The revenue on the performance obligation is recognised based on the stage of completion of the contract.

The directors have assessed that the stage of completion is determined by the amount of time that is needed to complete the performance obligation. Where a performance obligation does not meet the necessary criteria under IFRS 15 to be able to recognise the revenue over time, it will be recognised in-time once the performance obligation has been satisfied and delivered to the customer.

Where recorded revenue exceeds amounts invoiced to clients, the excess is classified as accrued income and where recorded revenue is less than the amounts invoiced to clients, the difference is classified as deferred revenue.

Revenue from cloud and annuity services

The Group provides annuity services to perform a specified service over a specified period of time. The specified service would comprise a single series of services that are transferred to the client over the agreed period. Annuity services performed by the Group primarily relate to the provision of managed IT and cloud and in-house maintenance services and are recognised as the customer simultaneously receives and consumes the benefit of the services provided. Annuity services are recognised over time and equally over the life of the annuity service.

Agent versus principal
Revenue from sales arrangements where the Group acts as agent (primarily vendor provided services and maintenance agreements) is recognised on a net basis and the commission or gross profit earned on these contracts is recognised as revenue.

The Group has no continuing obligation following delivery of the goods, and does not provide warranty of the goods or licences, but helps to facilitate repairs and/or returns to the vendor where delivered goods are shown to be faulty.

FINANCE COSTS

Finance costs include the borrowing costs on bank overdrafts and trade finance, finance leases and debt issuance costs which are recognised in profit or loss using the effective interest method.

SHARE-BASED PAYMENTS

The Group issues equity-settled and cash-settled share-based incentives to certain employees.

Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest, and adjusted for the effect of non-market-based vesting conditions. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

For cash-settled share-based payments, the liability for the fair value of all unexercised share rights which are expected to vest is determined initially at grant date and then revalued at each reporting date and amortised over the applicable vesting period.

Fair value is measured by use of appropriate option pricing models. The expected life used in the models has been adjusted, based on the directors' best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

PENSION SCHEME ARRANGEMENTS

Certain subsidiaries of the Group make contributions to various defined contribution retirement plans on behalf of employees, in accordance with the local practice in the country of operation. These contributions are charged against profit or loss as incurred.

The Group has no liability to these defined contribution retirement plans other than the payment of its share of the contribution in terms of the agreement with the funds and employees concerned, which differs from country to country.

DIVIDENDS DECLARED

The liability for dividends and related taxation thereon is raised only when the dividend is declared.

UNDERLYING* EARNINGS PER SHARE

In addition to the presentation of headline earnings per share and earnings per share, the Group presents underlying* earnings per share. Underlying* earnings per share is determined on the same weighted average number of shares as used in earnings per share.

Underlying* earnings are earnings excluding impairments of goodwill and intangible assets, profit or loss on sale of investments and assets, amortisation of acquired intangible assets, unrealised foreign exchange movements, acquisition-related adjustments, fair value movements on acquisition-related financial instruments, restructuring costs relating to fundamental reorganisations and the taxation effect on all of the aforementioned.