Group **accounting policies**

for the year ended 29 February 2020

BASIS OF ACCOUNTING AND REPORTING

The consolidated annual financial statements as set out on pages 134 to 241 have been prepared on the historical cost basis except for certain financial instruments and cash-settled share-based payment schemes that are measured at fair values. Significant details of the Group's accounting policies are set out below and are consistent with those applied in the previous year with the exception of changes due to implementation of the new standard, as explained in the adoption of the new accounting standard below.

Accounting policies for which no choice is permitted in terms of International Financial Reporting Standards ("IFRS") have been included only if management considers that the disclosure will assist users in understanding the financial statements as a whole, after taking into account the materiality of the item being discussed. Accounting policies which are not applicable from time to time have been removed, but will be included if the type of transaction occurs in future or becomes material.

The consolidated annual financial statements comply with the IFRS of the International Accounting Standards Board, Interpretations issued by the IFRS Interpretations Committee, the JSE Listings Requirements, the Companies Act of South Africa 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 THE NEW ACCOUNTING STANDARD

The Group adopted the following new accounting standard:

Applicable standard	Key requirements or changes in accounting policy	Impact of application of amendment
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 has been a change to the accounting treatment by lessees of leases previously classified as operating leases. Lease agreements 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 are 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 balance sheet are available for leases with terms of 12 months or less or where the underlying asset is of low value.	During the year, the Group implemented IFRS 16 using the modified retrospective approach, under which the cumulative effect of the initial application is recognised in retained earnings as at 1 March 2019. Accordingly, comparative information presented for FY19 has not been restated. The most significant impact on the Group of applying IFRS 16, based on contractual arrangements in place at 28 February 2019, has been the recognition of lease liabilities of US$99.6 million, along with right-of-use assets with a similar aggregate value. This liability corresponds to the minimum lease payments due 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 considered to be material although the statement of comprehensive income presentation of the previous operating lease expense is now allocated between the depreciation of the right-of-use assets, and a finance charge representing the unwinding of the discount on the leases. In applying IFRS 16 for the first time, the Group has used certain practical expedients permitted by the standard in the application of the initial accounting. Refer to Note 37 for further detail on the application of IFRS 16.

ADOPTION OF AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS

- 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;
- Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement* effective 1 January 2019;
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* effective 1 January 2019; and
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation* effective 1 January 2019.

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

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 accounting standards and amendments to existing standards applicable to the Group were in issue but not yet effective:

- IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*;
- Amendments to IFRS 3 *Definition of a business*;
- Amendments to IAS 1 and IAS 8 *Definition of Material*; and
- Conceptual *Framework Amendments to References to the Conceptual Framework in IFRS Standards.*

The Group does not currently believe that the adoption of these amendments will have a material impact on the consolidated results or financial position of the Group.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION

In the application of the Group's accounting policies described below, 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 on its material acquisitions. Specifically market-observable data is used for derivatives (forward-currency contracts) in the form of the latest foreign currency exchange rates that are available.

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

Group **accounting policies** continued

for the year ended 29 February 2020

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 goodwill included in the statement of financial position (disclosed in Note 9) and is considered to be a key audit matter. 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 the segments (disclosed in Note 33) to these consolidated financial statements. The resulting value-in-use calculations are sensitive to changes in the timing or quantum of future cash flows and weighted average cost of capital. Changes in one or more of these inputs to management's estimations could result in the recognition of an impairment charge. Refer to Note 9 for further discussion of the methodology and rationale for selecting these inputs to management's estimations.
- Estimates made in determining the probability of future taxable income are made on the basis of the budgets and forecasts authorised by directors as well as considering the likely movement in subsequent periods based on growth given from known internal and external factors, thereby justifying the recognition of deferred tax assets included in the statement of financial position (disclosed in Note 12).
- Estimates made in determining the level of provision required for obsolete inventory and the accounting for rebates from suppliers. Inventory obsolescence is determined by reference to the risk profile of a vendor which considers the age of the inventory, the ability to rotate stock, the turnover of the stock and any other extenuating circumstances that management are aware of (disclosed in Note 14).
- Estimates are made in determining the amount or timing relating to restructuring, legal claims, taxes pension and dilapidation obligations. Refer to Note 22 for uncertainties disclosed for each of the categories listed.
- Estimates are utilised when measuring the expected credit losses ("ECLs") which are applied to determine the provision recorded against the gross value of trade receivables (disclosed in Note 15). The Group applies the simplified approach as permitted by IFRS 9 when providing for loss allowances on trade receivables. Factors which are considered for each of the operating segments are as follows:
  - For Logicalis, where publicly available information on future expected performance of entities forming part of the Group's trade receivable balance is present, this information is considered by management in assessing the likelihood of an ECL arising for the trade receivable assessed. Assessments of trade receivables are done at least biannually and all receivables are assessed as to whether there are any factors that might indicate a need to impair any part of the receivable balance.
  - For Westcon International, in measuring ECLs, past experience is considered to be the most significant indicator to determine historic write-off rates for trade receivables that reach different aging categories that fall past due. A provision is then created based on this experience being the estimated likelihood of a debt being written off once it reaches the ageing bucket. For higher value receivables which are lower volume, the receivable is reviewed independently for indicators of impairment such as age past due, the geography in which the customer resides, and the knowledge of the customer's situation based on the Group's discussions and dealings with particular customers. In making the above assessments, the Group considers forward looking information such as known changes in the macroeconomic environment of customers located in a certain geography or the deterioration in the Group's relationship or discussions with a particular customer. For lower value receivables which are higher volume, Westcon International apply a percentage to the ageing buckets of these receivables. These percentages are derived by comparing the amounts ultimately written off in each ageing category to the total amount of customer receivables in each ageing category.
  - For Analysys Mason, trade receivables are assessed monthly for expected credit losses. Factors including the geography in which the customer resides, communication with the client, and any publicly available information regarding the entity are considered.

Critical judgements in applying accounting policies

COVID-19

On 11 March 2020 the World Health Organization ("WHO") declared the coronavirus outbreak causing the disease COVID-19 to be a global pandemic. The directors have reviewed the future profit and cash flow projections in conjunction with the current economic climate as well as banking facilities in place to support all the operations, in order to express an opinion on the adequacy of working capital and the ability to continue as a going concern for the foreseeable future. These projections covered future financial performance, solvency and liquidity for a period of 12 months from the date of approval of these financial statements, including performing sensitivity analyses and stress testing of various possible scenarios, varying in severity, related to COVID-19. The scenario analysis included contingency planning for restructuring actions to be taken in response to the more severe scenarios in order to assess the Group's ability to continue as a going concern in a range of possible outcomes from the impact of COVID-19.

The Group's projections and sensitivity analyses show that the Group has sufficient capital and liquidity to continue to meet its short-term obligations and as a result it is appropriate to prepare these annual financial statements on a going concern basis.

As the date on which the WHO declared COVID-19 a global pandemic (11 March 2020) was after the reporting date of the Group, the Group considers this to be a non-adjusting event after the reporting date as the directors are of the view that the impact of the pandemic on the global markets and economy could not have sufficiently been anticipated at 29 February 2020. Accordingly the financial effects resulting from the impact of COVID-19 after 29 February 2020 have not been retroactively adjusted for in the Group's consolidated financial statements.

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

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

(b) Income and expense items for all periods presented (including comparatives) 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 average and closing exchange rates of the Group's material currencies are listed below:

	Average US$ exchange rates FY20	**Closing US$ exchange rates FY20**	Average US$ exchange rates FY19	Closing US$ exchange rates FY19
US$/British Pound	**1.27**	**1.28**	1.32	1.33
US$/Euro	**1.11**	**1.10**	1.16	1.14
Brazilian Real/US$	**4.06**	**4.47**	3.75	3.73
Australian Dollar/US$	**1.46**	**1.52**	1.37	1.39
Singapore Dollar/US$	**1.37**	**1.39**	1.36	1.35
South African Rand/US$	**14.67**	**15.61**	13.56	13.94

The consolidated financial statements incorporate the financial statements of the Company and all enterprises controlled by the Company during the reporting period. The assessment of whether the Group has control over the investee is carried out at acquisition or inception.

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 may have been changes to one or more of the elements of control. 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.

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. 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.

Goodwill arising on acquisition is recognised as an asset and initially measured at the excess of consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

Group **accounting policies** continued

for the year ended 29 February 2020

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.

FOREIGN CURRENCY TRANSACTIONS

The Group operates in various countries with various functional currencies. 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 or 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

Owned assets

All property, plant and equipment have been stated at cost less accumulated depreciation and any recognised impairment loss 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. Estimation of the useful economic life includes an assessment of the expected rate of technological developments and the intensity at which assets are expected to be used based on historic usage of similar property, plant and equipment. Revision of the useful life is considered if there are significant changes to the initial usage assumptions.

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**

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.

LEASING

Change in accounting policy

The new IFRS 16 *Leases* standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee is required to recognise right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to former practice, ie lessors continue to classify leases as finance or operating leases. Up to and including the FY19 financial year, leases for property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Leases as a lessee

Right-of-use assets

The Group leases various property, plant and equipment. Rental contracts are typically entered for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a range of terms and conditions. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Items of low value have been determined based on the nature of the assets. Similar items are categorised and assessed to determine whether items are considered to be low value. Low-value items include assets such as laptops and phones.

The right-of-use asset is measured initially at cost and subsequently at cost less any accumulated depreciation and impairment losses. Impairment losses are determined in accordance with IAS 36 (refer to impairment policy below). Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Lease liabilities
The lease liability is measured initially at the present value of the lease payments that are not paid at commencement date, discounted at the Group's incremental borrowing rate, unless the rate implicit in the lease is readily determinable. The lease liability is subsequently increased by lease finance charges and decreased by lease payments made. Lease finance charges are amortised over the duration of the underlying leases, using the effective interest method. Incremental borrowing rates have been determined based on country-specific factors and vary across the Group.

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 or the entities cost of borrowing. 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 using the effective interest rate method.

Practical expedients
In applying IFRS 16 for the first time, the Group used the following practical expedients permitted by the standard in the application of the initial accounting:

- the application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments in determining whether leases are onerous;
- not reassessing whether a contract is, or contains, a lease at the date of initial application;
- the use of hindsight in determining the lease term where contracts contain options to extend or terminate the lease;
- accounting for leases that, at 1 January 2019, had a remaining lease term of 12 months or less on a straight-line basis over the remaining lease term;
- accounting for leases for which the underlying asset is of low value continue on a straight-line basis over the lease term; and
- exclusion of initial direct costs from the measurement of the right-of-use asset at 1 January 2019.

The Group has also made the election to recognise the right-of-use asset on adoption of IFRS 16 at an amount equal to the lease liability, adjusted by the amount of any accrued or prepaid lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessees' incremental borrowing rates as at 1 March 2019.

CAPITALISED SOFTWARE 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 conditions as described in IAS 38.

Capitalised development assets are amortised using the straight-line method over their useful lives, which generally do not exceed seven years. The estimation of useful lives of capitalised development assets is based on the term of the initial software licences or expectations about the future use after taking into account technological developments.

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 acquired in a business combination is recognised separately when it meets the recognition criteria in terms of IAS 38. Intangible assets acquired as part of a business combination are capitalised at fair value on acquisition date whereas purchased intangible assets are capitalised at cost.

Group **accounting policies** continued

for the year ended 29 February 2020

Other intangible assets are amortised using the straight-line method over their useful lives. Factors considered in estimating the useful life of an intangible asset include:

- legal, regulatory or contractual provisions that may limit or extend the useful life;
- the effects of obsolescence, demand, competition, and other economic factors;
- the expected useful lives of related assets;
- the expected use of the intangible asset by the Company;
- the level of maintenance expenditures expected;
- the expected retention period of customers; and
- the expected completion date of the backlog projects.

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.

	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 and 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 and is measured and managed at an operating segment level. Goodwill is carried at cost less accumulated impairment losses.

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, determined by assessing the discounted cash flows associated with expected budgeted and forecast results of the cash-generating units. In determining the recoverable amount of goodwill, the Group obtains external valuations to support the impairment test of the cash-generating unit. Determining whether goodwill is impaired requires an estimate of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable pre-tax discount rate in order to calculate present value. The impairment review is therefore conducted by reference to a discounted cash flow model applied to the underlying cash-generating unit including the carrying value of goodwill to ensure that the business remains profitable, cash generative and supports the ongoing recognition of the goodwill.

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.

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.

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.

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.

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

FINANCIAL INSTRUMENTS

Financial instruments are valued at either:
- at fair value through profit and loss ("FVTPL"); or
- at amortised cost.

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).

a) Classification and measurement

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 for its level 2 financial instruments.

Foreign exchange gains and 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; and
- 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 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.

Group **accounting policies** continued

for the year ended 29 February 2020

Bonds

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

Trade receivables

Trade receivables are initially recognised at fair value, and are subsequently measured at amortised cost using the effective interest method (where credit exceeds normal terms), less any expected credit losses. The Group holds collateral in the form of credit insurance policies against trade receivables, where appropriate. The insured levels are taken into account when estimating the expected credit losses against specific customer debts.

Other receivables

Other receivables include prepayments, accrued income and claims/refunds due for value added tax as well as rebates due (from vendors according to vendor rebate programmes). Prepayments mainly represent prepaid vendor costs on services that are recognised over time where the cost of providing the service is deferred over the same time period. Accrued income arises on certain contracts where a deferred timetable for billing a customer has been agreed. These items are all recognised at amortised cost.

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. Revolving credit facilities are short term in nature and are drawn down to cover short-term trading needs.

The Group has a syndicate revolving line of credit that is classified as overdrafts. This consists of an Invoice Finance facility which is secured on the trade receivables of the Group. The revolving line of credit is classified as being short term as it is repayable on demand in certain conditions (refer to Note 24).

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 as the proceeds are received, net of the direct issue costs. Repurchase of the Company's own equity instruments is 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 mainly arises from bank and other deposits. 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 assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

b) Impairment of financial assets

A financial asset not measured at FVTPL 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, defined as 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 identified from publicly available information such as insolvency proceedings. Other specific risk factors considered in this assessment are the age past due of the receivable, the probability of default by reference to past experience, the extent to which the customer is engaging in discussions to settle the debt or conversely whether there is a dispute ongoing as well as the macroeconomic environment of the geography/market in which the customer is located.

Losses are recognised in the income statement.

(i) Significant increase in credit risk

In assessing whether the credit risk on trade receivables have increased significantly since initial recognition, the Group compares the risk of a default occurring at the reporting date with the risk of default occurring at the date of initial recognition. The Group considers both quantitative and qualitative information that is reasonable and supportable including historical and forward looking information (where publicly available information is present) that is available without undue cost or effort.

Forward looking information includes:

- emerging or anticipated changes in the macroeconomic environment where a customer is located, for example geographies where there is sensitive fluctuations to foreign currency rates and/or where the customer debt is in a volatile currency; and
- anticipated changes in the ownership or management of a customer which is in default, or where long-term relationships with customer management are likely to be compromised.

In particular, the following information is considered when assessing whether credit risk has increased significantly since initial recognition:

- knowledge of financial hardship of a customer, eg liquidation or bankruptcy proceedings, deterioration in a publicly available credit rating, information readily available in the public domain such as media information;
- requests for delays to settlement dates or recurring missed settlement dates;
- deterioration in financial performance of the customer as known through publicly available information or internal discussions; and
- ageing of the trade receivable.

Low risk of default

Customers with a global presence are deemed to have a low credit risk as there is an assumption that they pose a low risk of default. Typically, when these customers are in default it is due to disputes over the provision of a good or service, or billing technicalities, and not due to a credit risk due to an inability to settle their accounts.

The Group assess trade receivables as a low risk of default if the trade receivable has enough capacity to settle their debts.

(ii) Definition of default

A customer is deemed to be in default once the due date for payment per agreed terms and conditions is missed, and no alternative method or timetable for settlement has been agreed to.

(iii) Write-off policy

When the debtor is in severe financial difficulty and there is no prospect of recovering the debt and every effort to collect a customer receivable balance has been exhausted, the balance is written off with approval required through the matrix of authorities defined by each operating segment. A write off will only be approved if there is no realistic prospect of recovery, for example when a customer is in liquidation of subject to bankruptcy proceedings.

Group **accounting policies** continued

for the year ended 29 February 2020

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

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 balance sheet date, and are discounted to present value using the entities' cost of borrowing where the effect is material.

TAXATION

The tax expense represents the sum of the current tax and deferred tax. 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 trade 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 liabilities and assets 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

The following is the Group's 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
- 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 it transfers control of a product or service to a customer.

In recognising revenue, the practical expedient in IFRS 15 paragraph 63 is applied as at inception in contracts with customers the period between the recognition of revenue and expected payment date is always less than one year.

Revenue from product sales

Revenue from sales of hardware/direct product sales

The Group's principal revenue stream is the resale of vendor provided hardware 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 the goods are delivered to the customer per the chosen delivery method.

Revenue from sales of software/fulfilment product sales

Revenue from sales of software represents the resale of software licensing. The Group acts primarily as a reseller and as such revenue is recognised at a point in time where access to the licensing product has passed to the customer.

For the above two revenue streams, 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 part 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 suite individual contracts. A contract is therefore deemed to be in place upon submission of a purchase order (or evident 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 but typically there are no financing components or, where there are, these are accounted for separately based on the financing component which can be separately established. Discounts are agreed with suppliers 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.

Group accounting policies continued

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Revenue from vendor resold services and product maintenance services

The Group sells maintenance contracts on behalf of its vendors which are 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.

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) is passed over to the client (this may be 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

Revenue from professional and other 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 progress towards complete satisfaction of the performance obligation.

The directors have assessed that the progress towards complete satisfaction of the performance obligation is measured 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 contract assets and where recorded revenue is less than the amounts invoiced to clients, the difference is classified as contract liabilities.

Revenue from annuity services

Revenue from cloud services

Cloud services are recognised at a point in time when control passes. This typically is a very short period for a cloud or subscription type products (ie one month). Intangible cloud services are sold as agent and these are typically subscription billed and recognised.

Revenue from other annuity services

The Group provides annuity services to perform the 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.

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.

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 independent experts using appropriate 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 exercise 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.