Notes to the Consolidated Annual Financial Statements

for the year ended 31 July 2019

1. Significant accounting policies

Reporting entity

EOH Holdings Limited ('EOH' or the 'Company') is a holding company domiciled in South Africa that is listed on the JSE Limited in the category Technology: Software and Computer Services sector. EOH is one of the largest information and communications technology ('ICT') services providers in Africa and is committed to providing the technology, knowledge, skills and organisational ability critical to the development and growth of the markets it serves. The consolidated Annual Financial Statements of EOH, as at 31 July 2019 and for the year ended 31 July 2019, comprise the Company and its subsidiaries (together referred to as 'the Group') and the Group's investments in associates and joint ventures.

1.1 Statement of compliance

The consolidated Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and its interpretations adopted by the International Accounting Standards Board ('IASB'), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act No 71 of 2008 of South Africa and the JSE Limited Listings Requirements.

1.2 Basis of preparation

The consolidated Annual Financial Statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value through profit or loss at the end of each reporting period as explained in the accounting policies below.

The consolidated Annual Financial Statements are presented in South African Rand, which is the Group's presentation currency, rounded to the nearest thousand except for when otherwise indicated. The going concern basis has been used in preparing the consolidated Annual Financial Statements as the directors have a reasonable expectation that the Group will continue as a going concern for the foreseeable future.

The accounting policies applied in the consolidated Annual Financial Statements are consistent with those applied in the previous years, except as set out below.

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time to its annual reporting period commencing 1 August 2018:

- IFRS 9 – Financial Instruments (IFRS 9)
- IFRS 7 – Financial Instruments: Disclosure (IFRS 7)
- IFRS 15 – Revenue from Contracts with Customers (IFRS 15)

From the date of initial application of IFRS 9 and IFRS 15 on 1 August 2018, the Group had to change its accounting policies and make certain adjustments to equity as at 1 August 2018. The adjustments to equity as at 1 August 2018 were due to additional impairment allowances under IFRS 9. The adoption of IFRS 15 did not have a material impact on the Group as at 1 August 2018.

Refer to note 2.1 for more information regarding the new standards adopted by the Group.

The significant accounting policies are set out below.

1.3 Significant accounting judgements and sources of estimation uncertainty

In preparing the consolidated Annual Financial Statements, management is required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts presented in the consolidated Annual Financial Statements and related disclosures. Use of available information, historical experience and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated Annual Financial Statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

Where relevant, the Group has provided sensitivity analyses demonstrating the impact of changes in key estimates and assumptions on reported results.

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the consolidated Annual Financial Statements:

	Judgement relates to:	Note
Deferred taxation assets	Judgement around future financial performance	10, 30
Revenue	Judgement in principal versus agent considerations	26
Discontinued operations	Judgement as to whether a component is a discontinued operation	16

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

	Estimate relates to:	Note
Impairment of goodwill and intangible assets	Estimates in determining the recoverable amount of the asset or cash-generating unit (CGU)	5,6
Provisions for licences	Estimates in determining the amount and timing of the provisions	24
Revenue	Estimation of percentage of completion	26
Tax liability	Estimation in determining taxation liability	30
Impairment of trade receivables and contract assets	Estimates in calculating the expected credit loss (ECL) provision on trade receivables and contract assets	44

1. Significant accounting policies continued

1.4 Basis of consolidation

The consolidated Annual Financial Statements incorporate the Annual Financial Statements of the Company and its subsidiaries.

The results of subsidiaries are included in the consolidated Annual Financial Statements from the effective date of acquisition to the effective date of disposal. Adjustments are made when necessary to the Annual Financial Statements of subsidiaries to bring their accounting policies in line with those of the Group.

Intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein and are recognised in equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for the non-controlling interest.

1.5 Summary of significant accounting policies

Investments in associates and joint ventures

The Group has investments in associates and joint ventures. Interests in associates and joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

Under the equity method of accounting, investments are initially recognised in the consolidated statement of financial position at cost and adjusted subsequently to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture.

When the Group's share of losses in an associate or a joint venture exceeds its interest in that associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the other entity.

When a Group entity transacts with an associate or joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated Annual Financial Statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the impairment of the non-financial assets policy.

Translation of foreign currencies

(a) Functional and presentation currency

Items included in the Annual Financial Statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency').

(b) Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in the entity's functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous consolidated Annual Financial Statements are recognised in profit or loss in the period in which they arise.

(c) Foreign operations

The results and financial position of a foreign operation that have a functional currency different from the Group's presentation currency are translated into the presentation currency using the following procedures:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.
- Income and expenses for each item of profit or loss and other comprehensive income are translated at the average exchange rates for the period of the transactions.
- All resulting exchange differences are recognised in other comprehensive income and accumulated in equity.

Any goodwill recognised on foreign operations and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of those foreign operations are treated as assets and liabilities of the foreign operations.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

1. Significant accounting policies continued

1.5 Summary of significant accounting policies continued

Non-current assets held for sale and discontinued operations *continued*

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:
- represents a separate major line of business or geographical area of operations; or
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. The prior period is also re-presented for all operations that have been discontinued by the end of the reporting period.

Additional disclosures are provided in note 16. All other notes to the consolidated Annual Financial Statements include amounts for continuing operations, unless indicated otherwise.

Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently at cost less accumulated depreciation and any impairment. Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	50 years
Furniture and fixtures	10 years
Motor vehicles	5 years
Office equipment	3 to 6 years
IT equipment	2 to 5 years
Leasehold improvements	Period of the lease
Technical equipment	3 to 10 years
Other equipment	5 to 10 years

Land is not depreciated.

Leased assets are depreciated over the shorter of the lease term and the asset's useful life. If it is reasonably certain that the Group will obtain ownership by the end of the lease term, the asset is then depreciated over the useful life of the asset.

The residual value and useful life of each asset is reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Goodwill and intangible assets

(a) Goodwill

Goodwill is measured as described in note 6. Goodwill is not amortised but tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carrying at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which businesses are managed and monitored by common cluster heads and financial directors/managers.

(b) Intellectual property and contracts purchased

Separately acquired intellectual property is measured at historical cost. Intellectual property and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

1. Significant accounting policies continued

1.5 Summary of significant accounting policies continued

***Goodwill and intangible assets** continued*

(c) Internally generated software

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as an intangible asset when the following criteria are met:

- It is technically feasible to complete the asset so that it will be available for use or sale.
- There is an intention to complete and use or sell it.
- There is an ability to use or sell it.
- It will generate probable future economic benefits.
- There are available technical, financial and other resources to complete the development and to use or sell the asset.
- The expenditure attributable to the asset during its development can be measured reliably.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Research expenditure and development expenditure that does not meet the above criteria are recognised as an expense as incurred.

(d) Acquired computer software and other intangible assets

Acquired computer software and other intangible assets are measured at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(e) Amortisation methods and periods

The amortisation period for intangible assets is reviewed on an annual basis and adjustments, where applicable, are accounted for as a change in accounting estimate. Amortisation, charged to profit or loss, is provided to write down the intangible assets, on a straight-line basis, over the finite useful life of the asset, as follows:

Item	Useful life
Contracts purchased	2 to 5 years
Customer relationships	2 to 15 years
Intellectual property	2 to 10 years
Internally generated software	3 to 15 years
Other intangible assets	2 to 13 years
Computer software	2 to 3 years

Impairment of non-financial assets

Goodwill and intangible assets not subject to amortisation are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Financial instruments

Financial assets

The Group adopted IFRS 9 retrospectively on 1 August 2018; however, the Group elected not to restate comparative information. Accordingly, information relating to 31 July 2018 does not reflect the requirements of IFRS 9 but rather those of IAS 39 – Financial Instruments: Recognition and Measurement. Refer to note 2.1 for details regarding the initial application of IFRS 9 and the resulting impact.

(a) Classification

From 1 August 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured at amortised cost: i.e. trade receivables, loans and receivables and cash and cash equivalents.
- Those to be measured subsequently at fair value through profit or loss (FVPL), i.e. equity and cell captive investments.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets are not reclassified unless the Group changes its business model, which the Group has not done.

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

1. Significant accounting policies continued

1.5 Summary of significant accounting policies continued

Financial instruments continued

***Financial assets** continued*

***(b) Measurement** continued*

Subsequent to initial recognition, financial assets are measured at:

- amortised cost – subsequently measured at amortised cost using the effective interest method, less expected credit losses (ECLs). ECLs are presented as a separate line item in the statement of profit or loss; and
- FVPL – subsequently measured at fair value with changes recognised in profit or loss and presented within operating expenses in the statement of profit or loss in the period in which it arises.

(c) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(d) Impairment

The Group assesses on a forward-looking basis the ECLs associated with its debt instruments carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The Group recognises a loss allowance for ECLs on all loans and receivables using the general approach. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contracts assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Refer to note 44 for further details on the methodology applied by the Group.

Financial liabilities

(a) Measurement

At initial recognition, the Group measures a financial liability at its fair value plus, in the case of a financial liability not at FVPL, directly attributable transaction costs. Transaction costs of financial liabilities carried at FVPL are expensed in profit or loss.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and contingent consideration liabilities arising on acquisition of businesses (vendors for acquisition).

Trade and other payables and loans and borrowings are subsequently measured at amortised cost, using the effective interest method.

Contingent consideration arising on acquisition of businesses is classified either as equity or a financial liability. Refer to note 19 for further detail on the contingent consideration classified as equity. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss. The liability for amounts due to vendors represents the expected purchase consideration owing in respect of acquisitions which will be settled in cash resources when the relevant profit warranties have been fulfilled.

(b) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are subsequently measured at amortised cost.

Taxation

(a) Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income or equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively; or
- a business combination.

1. Significant accounting policies continued

1.5 Summary of significant accounting policies continued

***Taxation** continued*

(b) Tax assets and liabilities

Tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

(c) Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, unless the deferred tax liability arises from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction which:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax liabilities are not recognised in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are adjusted if recovery is no longer probable.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Leases

(a) Group as lessor

The Group, as lessor, leases assets to customers. The accounting treatment depends on whether the leases are classified as an operating or finance lease:

- **Finance leases:** The Group derecognises the leased asset from property, plant and equipment and recognises a finance lease receivable in the statement of financial position at an amount equal to the net investment in the lease. Finance lease income is recognised based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.
- **Operating leases:** Operating lease income is recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. The respective leased assets are included in the statement of financial position based on their nature.

(b) Group as lessee

The Group leases assets as lessee. The accounting treatment applied is as follows:

- **Finance leases**: Finance leases are capitalised as the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments, at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. The lease payments are apportioned between the finance charge and the amount to reduce the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.
- **Operating leases:** Operating lease payments are recognised as expenses on a straight-line basis over the lease term. Any contingent rents are expensed in the period they are incurred.

Inventory

Inventory is measured at the lower of cost and net realisable value. The cost of inventory is based on the first-in, first-out formula and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to their present location and condition.

Stated capital

Shares in the Company held by its subsidiaries or re-acquired by the Group, are classified in the Group's shareholders' interest as treasury shares. The consideration paid, including any directly attributable incremental costs (net of income taxes) on those treasury shares, is deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments and any distributions received on the treasury shares are eliminated on consolidation. Consideration paid or received is recognised directly in equity.

1. Significant accounting policies continued

1.5 Summary of significant accounting policies continued

Share-based payments

(a) Employee share plans

The Group has three share schemes: the EOH Share Trust, the Mthombo Trust and the EOH Share Ownership Plan, under which share-based compensation benefits are provided to employees through issue of share options. Information relating to these schemes is set out in note 41.

The fair value of the share options granted is measured at grant date using the Binomial model and recognised as an employee benefit expense with a corresponding increase in equity over the vesting period. The total amount to be expensed is determined by reference to the fair value of the options granted on grant date using the binomial model. The share options are only conditional on employees remaining in service and have no other performance conditions attached. The impact of any service conditions are excluded in determining the fair value of the options.

At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the service conditions. The Group recognises the impact of the revision to original estimates in profit or loss with a corresponding adjustment to equity.

(b) Lebashe transaction

Lebashe has invested in EOH ordinary share capital and in EOH A shares (a new class of equity issued to Lebashe at a nominal value). The unlisted EOH A shares will be redeemed for a number of EOH ordinary shares, based on a formula, at the end of a five-year period.

The share-based payment expense is measured with reference to the fair value of the equity instruments issued as EOH benefits from a BEE perspective, the fair value of which cannot be accurately measured. The share-based payment expense is recognised, in this case, when the A shares are granted as there are no vesting conditions.

Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, compensated absences as well as profit sharing and bonus payments are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service and recognised as current liabilities in the statement of financial position. The liabilities are recognised in the period in which the service is rendered and are measured at the amounts expected to be paid when the liabilities are settled (i.e. they are not discounted).

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

(b) Post-employment obligations

The Group pays contributions to a privately administered retirement benefit plan on behalf of employees. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense as they fall due.

Revenue

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for certain sales of software licences where it is agent.

The Group primarily generates revenue from providing the following goods and services: software/licence contracts, hardware sales, maintenance contracts, managed services contracts and other services. The transaction price recognised is based on the contracted amounts.

Software/licence contracts	**Agent** These are contracts that are billed on behalf of software vendors for the right to use the software. The Group is an agent in these arrangements and recognises the net amount as revenue at a point in time when the software licences are delivered to the customer. **Principal** There are also cases under software/licence contracts where the Group is principal as the Group obtains control of the goods before it is transferred to the customer. Revenue is recognised over time as the customer benefits as and when the Group performs. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.
Hardware sales	Revenue is recognised at a point in time when control of the hardware has transferred, being when the hardware is delivered.

1. Significant accounting policies continued

1.5 Summary of significant accounting policies continued

Revenue continued

Maintenance contracts	These contracts are normally an agreement that allows customers access to maintenance like upgrades and patches for software or hardware at an agreed fee. Revenue is recognised over time as the customer benefits as and when the Group performs. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Anyresulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.
Managed services	Services are provided to customers based on a defined service level agreement for which they are billed periodically. Revenue is recognised over time as the customer benefits as and when the Group performs. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.
Other services	Revenue is recognised over time as the customer benefits as and when the Group performs. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(a) Significant financing component

Generally, the Group receives short-term advances from its customers and in certain cases there are delayed payment terms of generally 30 days. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised goods or services to the customer and when the customer pays for these goods or services will be one year or less.

(b) Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policies on financial assets.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Finance charges

Finance charges comprise interest payable on borrowings and the interest expense component of finance lease charges, both calculated using the effective interest rate.