2. New standards and interpretations

2.1 Adoption of new standards, amendments to standards and interpretations

The Group applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in the reporting period, but do not have an impact on the consolidated Annual Financial Statements of the Group.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue and Related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 August 2018. The Group elected to apply the standard to all contracts as at 1 August 2018.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

The adoption of IFRS 15 did not have a material impact on the Group as at 1 August 2018 because the measurement methods have not changed based on the new standard.

The adoption of IFRS 15 did not have a material impact for the year ended 31 July 2019 on the statement of profit or loss, statement of other comprehensive income, statement of financial position or the Group's operating, investing and financing cash flows because the measurement methods have not changed based on the new standard.

IFRS 9 – Financial Instruments

IFRS 9 – Financial Instruments replaces IAS 39 – Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied IFRS 9 retrospectively without restating comparatives, with an initial application date of 1 August 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings and non-controlling interests.

The effect of adopting IFRS 9 as at 1 August 2018 was as follows:

Figures in Rand thousand	Classification	Restated balance under IAS 39	1 August 2018 remeasurement	Balance under IFRS 9
Impairment allowance				
Other financial assets	Amortised cost	167 106	35 521	202 627
Trade and other receivables	Amortised cost	447 154	126 826	573 980
Contract assets	Contract assets	–	37 534	37 534
Finance lease receivables	Finance lease receivables	–	9 909	9 909

The total adjustment to equity was a decrease in retained earnings of R205 692 and a decrease in non-controlling interests of R4 098.

The nature of these adjustments are described below:

(a) Classification and measurement

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Group's financial assets:

- Trade and other receivables and other financial assets classified as loans and receivables as at 31 July 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost beginning 1 August 2018.

There are no changes in classification and measurement for the Group's financial liabilities.

Upon the adoption of IFRS 9, the Group had the following required or elected reclassifications:

Figures in Rand thousand	Original classification	New classification	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Other financial assets*	Loans and receivables	Amortised cost	601 465	565 944
Other financial assets	Fair value through profit or loss	Fair value through profit or loss	138 788	138 788
Trade and other receivables*	Loans and receivables	Amortised cost	3 857 664	3 730 838

* *The change in carrying amount is a result of additional impairment allowance. See the discussion on impairment below.*

2. New standards and interpretations continued

2.1 Adoption of new standards, amendments to standards and interpretations continued

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

Figures in Rand thousand	Allowance for impairment under IAS 39 as at 31 July 2018	Remeasurement	ECL under IFRS 9 as at 1 August 2018
Loans and receivables under IAS 39/Financial assets at amortised cost under IFRS 9, finance lease receivables and contract assets	614 260	209 790	824 050

2.2 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated Annual Financial Statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 16 – Leases

IFRS 16 primarily affects the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases for lessees and requires recognition of an asset (the right to use the leased item) and a financial liability in relation to rentals payable.

The Group expects that the most significant impact of the new standard will result from operating property leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of R414 million. For these the Group will recognise lease liabilities on 1 August 2019, representing the present value of the future minimum lease payments discounted at an appropriate rate after taking into account the lease term, value, economic environment and security over the asset applicable. The Group will recognise corresponding right-of-use assets in respect of these leases. Preliminary IFRS 16 impact assessments have quantified the value thereof to be R374 million.

IFRS 16 introduces optional exemptions for short-term and low-value leases to be expensed. A threshold of USD$5 000 is applied in identifying low-value leases. Non-lease components will continue to be recognised as an expense in operating expenses as they are incurred.

With the implementation of IFRS 16, operating lease costs, formerly recognised as part of operating expenses, will be replaced with the recognition of depreciation on the right-of-use assets and interest on the lease liabilities over the lease term in profit or loss. This will impact debt ratios and other key metrics. The replacement of operating lease costs will result in a positive impact on EBITDA.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability will be classified within financing activities, increasing interest paid.

Accounting by lessors will not significantly change. Lessors continue to distinguish leases as operating or finance. The Group's involvement in contracts as a lessor are insignificant with an immaterial impact on the consolidated Annual Financial Statements.

The Group will apply the standard from 1 August 2019 and intends to apply the simplified transition approach, not restating comparative amounts for the year prior to adoption. Right of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid lease expenses). The Group has elected to apply the practical expedient to not reassess the lease definition.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the interpretation may affect its consolidated Annual Financial Statements. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the interpretation on a timely basis.

2.3. Standards and interpretations early adopted

The Group has chosen not to early adopt any new standards or interpretations.