8. Change of control in investment in TTCS

The Group acquired 49% of the TTCS Group ('TTCS') in 2015 and had since been equity-accounting the investment.

TTCS provides system integration, product delivery, maintenance and support services predominantly to customers in Zimbabwe and growing operations in Zambia, Malawi, Kenya, Uganda, Rwanda, Tanzania, Ghana, Botswana and Nigeria, as well as other project delivery in sub-Saharan Africa.

As at 31 July 2018, the Group had the following balances in relation to TTCS:
Equity-accounted investment – R453 million
Other financial assets (loan) – R87 million
Trade and other receivables – R424 million

During the first half of 2019, an error in consideration of the impact of the impairment indicators on the measurement of TTCS Zimbabwe was re-evaluated. The recoverability of trade receivables and loan balances and the expected cash flows were re-evaluated in terms of IAS 39 and the carrying value of the investment in the TTCS Group was re-evaluated, resulting in prior year impairment provisions of R542 million, which was adjusted for as a prior period error, adjusting the opening balances for 2019. Refer to note 3 for further details on the correction of the prior period error.

Obtaining control

The Group gained control of the TTCS Group of Companies on 17 January 2019 as a result of investigations and a settlement between SAP, the Department of Justice in the United States of America and TTCS, with the Board of directors of TTCS being reconstituted to afford EOH 60% of the voting rights. Judgement was applied in assessing whether there was control and the Group was considered to have power over TTCS, exposure or rights to variable returns from its involvement with TTCS and the ability to use its power over TTCS to effect the Group's returns from this date onwards. The direct and effective shareholding in each entity remained unchanged.

Obtaining control required the Group to recognise TTCS as a subsidiary and therefore 'dispose' of its associate at fair value as part of the acquisition of the subsidiary.

As a result of the deemed disposal of the investment in TTCS as an associate, a loss on disposal of R146 million was recognised. This loss was as a result of the Group's reliance on the Zimbabwean operations and the recent and continuing disruptions within Zimbabwe, as well as the impact of changes in local currency.

The (loss)/profit for the period from the investment in associate and deemed disposal subsequently is:

Figures in Rand thousand	Five months ended 31 December 2018	Year ended 31 July 2018
Share of (loss)/profit from equity-accounted associate investment	(14 297)	20 589
Non-cash, once-off, accounting loss on deemed disposal of associate*	(146 460)	–
	(160 757)	20 589

* *The value of TTCS Group is based on a valuation of the current shareholding and the following key assumptions:*
– a four-year forecast for the TTCS Group's operations;
– a weighted average cost of capital of between 17,0% and 23,6% (depending on the country of operation);
– a terminal growth rate of 2,1%; and
– discounts of 10% to 30% for a lack of marketability and the current illiquid nature of the investments which increased significantly as a result of the recent deterioration in local currency, as recognised through the Old Mutual Implied Rate.

The businesses were valued at approximately R64 million at 31 December 2018. Conservatively, as a result of the continuing uncertainty regarding Zimbabwe and the new currency, management's expectation was that dividends were not likely to be paid in the medium to long term. Therefore, when calculating goodwill and the loss on disposal, an enterprise value of Rnil has been used.

The subsequent deemed acquisition of TTCS as a subsidiary impacted the Group as follows:

Figures in Rand thousand	31 December 2018**
Fair value of assets and liabilities acquired	
Non-current assets	37 058
Current assets	48 590
Current liabilities (including minority portion of EOH payables)***	(387 346)
Net liabilities acquired	(301 698)
Non-controlling interests measured at their share of the fair value of the net assets/value of TTCS (including minority portion of EOH payables)***	300 448
Amount capitalised	(1 250)
Goodwill	70 877
Goodwill impairment	(70 877)
Net cash outflow*	(1 250)

* *Given the nature of the acquisition, there is no additional consideration payable.*
** *The fair value of the assets and liabilities acquired has been translated to ZAR based on an Old Mutual Implied Rate of 2,79 at 31 December 2018 for TTCS Zimbabwe, resulting in a negative net asset value as the majority of the loans and trade payables are denominated in foreign currencies, while current assets are predominantly USD RTGS-based. The loans of R86 million and trade payables of R480 million payable to EOH at 31 December 2018 are included in current liabilities and have been eliminated against trade receivables and loans on consolidation.*
*** *Minority portion of EOH payables are eliminated on consolidation.*

8. Change of control in investment in TTCS continued

Figures in Rand thousand	2019
Loss after tax contribution to trading results for the period	(9 557)
Contribution had the effective date of obtaining control been 1 August 2018	(16 155)

There were no acquisition-related costs during the period included in operating expenses in the statement of profit or loss.

The contribution to the trading results of the TTCS Group have been accounted for from the effective date of the business combination. The accounting of these subsidiaries is based on best estimates and fair values.

Loss of control

A Sale of Shares Agreement (SSA) was entered into between the Group and the previous shareholder, whereby the Group sold its entire 49% shareholding to the previous shareholder, with the risk and benefit of the 49% shareholding passing with effect from 1 May 2019. From 1 May 2019, the Group no longer has any board representation at TTCS and does not have the ability to appoint any board members. The Group effectively lost control over TTCS on 1 May 2019.

The SSA contained three suspensive conditions for the sale and purchase to be completed and as at 31 July 2019, one of the suspensive conditions, being the relevant exchange control approval from the Reserve Bank of Zimbabwe, was not received. As the sale was not yet concluded at the reporting date, the retained investment was classified as held for sale (refer to note 15).

The Group accounts for the investment retained in TTCS upon loss of control, as an investment in associate under IAS 28.

According to IFRS 10, when a parent loses control of a subsidiary, it must recognise any investment retained in the former subsidiary at its fair value at the date when control is lost. The fair value of the retained investment is Rnil.

The results of TTCS for the current period as well as the prior period are shown as discontinued operations (refer to note 16).

The Group realised an accounting profit on loss of control of R125 million. Loans owing by TTCS to the Group were waived and the Group has an SAP settlement liability of R46 million on behalf of the TTCS Group.

9. Other financial assets

Figures in Rand thousand	2019	Restated 2018
Financial assets at fair value through profit or loss	28 332	138 788
Listed equity linked investments	–	89 020
Other financial instruments	28 332	49 768
Debt instruments at amortised cost	59 996	565 944
Amounts receivable from sale of the GCT Group	–	299 962
Equity accounted investment receivables	42 413	100 326
Enterprise development loan receivables	4 520	76 733
Other loans and receivables	13 063	88 923
Total financial assets	88 328	704 732
Non-current other financial assets	11 610	499 040
Current other financial assets	76 718	205 692
	88 328	704 732

Impairment allowance

At 31 July 2019, a total impairment allowance of R519 million (2018: R202 million) has been raised against debt instruments carried at amortised cost.

An impairment allowance of R414 million (2018: R124 million) has been raised for amounts receivable from the sale of the GCT Group. The allowance was raised based on the general approach and considers their current probability of default and collateral provided as security for the loan. The directors are actively engaged in the recovery of the receivables.

The balance of the impairment allowance is related to the other debt instruments and has been shown as a net amount. The allowances raised are based on the general approach, considering the probability of default and collateral (if any).

Refer to note 2.1 for further information regarding the transition to IFRS 9 and note 3 for further information regarding the prior year restatement.

Refer to note 44 for the disclosure on the expected credit losses.