1. Basis of preparation (continued)

The consolidated annual financial statements are presented in South African Rands (ZAR), which is the group's functional and presentation currency, rounded to the nearest million.

The group has adopted all new and amended accounting pronouncements issued by the IASB that are effective for financial years commencing 1 April 2018. None of the new or amended accounting pronouncements that are effective for the financial year commencing 1 April 2018 had a material impact on the group.

2. Principal accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out in the relevant notes to the consolidated financial statements. The accounting policies represent those policies that were effective for the group at the time of the unbundling from Naspers Limited.

The accounting policies have been consistently applied to all years presented.

The group adopted the following new accounting pronouncements, set out below, during the current period.

Subsequent measurement	
Accounting pronouncement	**Adoption impact**
IFRS 9 Financial Instruments (IFRS 9) IFRS 9 replaces the previous financial instrument recognition and measurement guidance applied by the group as contained in IAS 39 Financial Instruments: Recognition and Measurement.	The group has applied IFRS 9 from 1 April 2018 and elected not to restate comparatives on transition. The impact of adoption has been recognised as an adjustment to the opening balance of retained earnings as at 1 April 2018. The only significant impact of adoption was an increase in impairment allowances on trade receivables due to the IFRS 9 requirement to consider forward-looking information when determining expected credit losses. The cumulative net impact of adopting IFRS 9 was an increase of ZAR170m in expected credit losses on trade receivables and a corresponding decrease of ZAR157m in retained earnings and ZAR13m in non-controlling interests. Principles of IFRS 9 hedge accounting have been applied by the group.
IFRS 15 Revenue from Contracts with Customers (IFRS 15) IFRS 15 replaces the previous revenue recognition guidance applied by the group as contained in IAS 18 Revenue.	The group has applied IFRS 15 on a retrospective basis hence the impact is included in the comparative information contained in the summarised consolidated financial results. The application of IFRS 15 did not have a significant impact on the group's results or financial position. The only impact from the adoption of IFRS 15 was the reclassification from set-top box revenue to installation revenue of ZAR308m in the prior year.
IFRIC 22 Foreign Currency Transactions and Advance Consideration (IFRIC 22) IFRIC 22 clarifies that non-monetary assets and liabilities arising from the payment/receipt of advance consideration (e.g. prepaid expenses and deferred revenue) are not retranslated to the entity's functional currency after initial recognition.	The group has applied IFRIC 22 on a prospective basis, with the impact of adoption recognised as an adjustment to the opening balance of retained earnings as at 1 April 2018. The impact of adoption was an increase in prepaid expenses of ZAR205m, and a corresponding increase of ZAR174m in retained earnings and ZAR31m in non-controlling interests.

2. Principal accounting policies (continued)

Pronouncements adopted with adjustments to the opening balance of retained earnings

Adjustments to the opening balances of the statement of financial position (extract)

As at 1 April	**2018 Restated ZAR'm**	**2018 Change in accounting policy * ZAR'm**	**2018 Previously reported ZAR'm**
ASSETS			
Non-current assets	**24 101**	**-**	**24 101**
Current assets (subtotal)	**14 512**	**35**	**14 477**
Programme and film rights	5 115	205	4 910
Trade and other receivables	4 657	(170)	4 827
TOTAL ASSETS	**38 613**	**35**	**38 578**
EQUITY AND LIABILITIES			
Capital and reserves attributable to the group's equity holders	**(4 633)**	**17**	**(4 650)**
Other reserves	(7 156)	-	(7 156)
Retained earnings	2 523	17	2 506
Non-controlling interests	**(1 325)**	**18**	**(1 343)**
TOTAL EQUITY	**(5 958)**	**35**	**(5 993)**
Non-current liabilities	**28 526**	**-**	**28 526**
Current liabilities	**16 045**	**-**	**16 045**
TOTAL EQUITY AND LIABILITIES	**38 613**	**35**	**38 578**

** Represents the impacts of adopting IFRS 9 Financial Instruments and IFRIC 22 Foreign Currency Transactions and Advance Consideration as of 1 April 2018.*

Impairment of financial assets - Impact of IFRS 9

The group has four types of financial assets that are subject to the expected credit loss model:
- **a)** trade receivables from commercial subscriptions and sale of hardware,
- **b)** trade receivables from technology customers,
- **c)** other receivables relating to sundry services and sales, and
- **d)** related party receivables

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, no impairment loss was identified.

a) Trade receivables from commercial subscriptions and hardware

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables from the sales of commercial subscriptions and hardware have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates for the current and prior year are based on the payment profiles of sales over a period of 36 month before 31 March 2019 or 1 April 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information including macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the gross domestic product (GDP) and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The majority of commercial subscription and hardware revenue is prepaid.

The majority of these receivables relates to retailers with low credit risk. The group identifies specific credit loss allowances if these receivables are greater than 90 days. There were no specific loss allowances identified for the current and prior year.

Receivables are written-off after 365 days. No specific write-offs were recognised by the group during the current year.

2. Principal accounting policies (continued)

On that basis, the loss allowance for trade receivables as at 31 March 2019 and 1 April 2018 (on adoption of IFRS 9) was determined as follows:

31 March 2019	Current	Days past due				Total*
		>30	>60	>90	>120	
Expected loss rate (%)	9	10	18	30	51	24
Gross carrying amount (ZAR'm)	984	438	249	112	750	2 533
Lifetime expected credit losses (ZAR'm)	89	44	46	34	385	598

1 April 2018	Current	Days past due				Total*
		>30	>60	>90	>120	
Expected loss rate (%)	10	16	25	30	36	25
Gross carrying amount (ZAR'm)	934	463	171	168	1 514	3 250
Lifetime expected credit losses (ZAR'm)	89	74	43	50	544	800

** The total expected loss rate (%) represents an average percentage.*

b) Trade receivables from technology customers

The majority of technology contract assets are subject to IFRS 9 impairment tests. The group has applied the full lifetime expected credit loss method on a similar basis to trade receivables of commercials subscriptions and hardware sales.

After IFRS 9 assessments were conducted by the group, the expected credit loss was not determined to be material.

c) Other receivables relating to sundry services and sales

The group applies an internal expected credit loss model on a similar basis to trade receivables of commercials subscriptions and hardware sales to measure the expected credit losses which uses a lifetime expected loss allowance for other receivables.

After IFRS 9 assessments were conducted by the group, the expected credit loss was not determined to be material.

d) Related party receivables

In assessing the expected credit loss on related party receivable balances, the following was considered:

- Whether the borrower has sufficient available highly liquid current assets (which can be accessed immediately after taking into consideration any more senior external or internal loans which would need to be repaid) to repay the outstanding intercompany loan if the loan was demanded at reporting date. If sufficient highly liquid current assets could be accessed the probability of default would approximate 0%.
- If it was determined that the borrower does not have sufficient highly liquid current assets, the group would allow the borrower to continue trading or to sell assets over a period of time. A review of a cash flow forecast was performed to give an indication of the expected trading cash flows and/or liquid assets expected to be generated during the recovery period. The expected credit losses was limited to the effect of discounting the amount due on the loan over the period until cash is realised and repaid to the group. IFRS 9 requires the discount rate to be the loan's effective interest rate. The intercompany loans are interest free and repayable on demand and such have an effective interest rate of 0%. Accordingly, for such loans, discounting over the recovery period has no effect.

Upon assessment the expected credit loss was determined as Rnil (2018: Rnil).

Reclassifications of financial instruments on adoption of IFRS 9

On the date of initial application, 1 April 2018, the financial instruments of the group were as follows, with any reclassifications noted:

2. Principal accounting policies (continued)

	Measurement category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	Original ZAR'm	New ZAR'm	Difference ZAR'm
Non-current financial assets					
Investments held at fair value through other comprehensive income	Available-for-sale	Fair value through other comprehensive income	105	105	-
Amounts due from related parties	Amortised cost	Amortised cost	1 191	1 191	-
Current financial assets					
Trade receivables	Amortised cost	Amortised cost	2 833	2 663	(170)
Other receivables	Amortised cost	Amortised cost	1 994	1 994	-
Amounts due from related parties	Amortised cost	Amortised cost	139	139	-
Derivative assets	Held to maturity	Fair value through profit/loss / Fair value through other comprehensive income*	96	96	-
Non-current financial liabilities					
Long-term loans and other liabilities	Amortised cost	Amortised cost	189	189	-
Amounts due to related parties	Amortised cost	Amortised cost	15 000	15 000	-
Derivative liabilities	Held to maturity	Fair value through profit/loss / Fair value through other comprehensive income*	404	404	-
Current financial liabilities					
Trade payables	Amortised cost	Amortised cost	1 999	1 999	-
Other payables	Amortised cost	Amortised cost	9 431	9 431	-
Amounts due to related parties	Amortised cost	Amortised cost	316	316	-
Derivative liabilities	Held to maturity	Fair value through profit/loss / Fair value through other comprehensive income*	1 105	1 105	-

** Derivative financial instruments are always at fair value through profit/loss unless they are qualifying hedging instruments in a cash flow hedge.*

Accounting judgements and sources of estimation uncertainty

The preparation of the consolidated financial statements necessitates the use of estimates, assumptions and judgements by management. These estimates and assumptions affect the reported amounts of assets, liabilities and contingent assets and liabilities at the statement of financial position date as well as reported income and expenses. Although estimates are based on management's best knowledge and judgement of current facts as at the statement of financial position date, the actual outcome may differ from these estimates.

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

The significant accounting estimates and judgements have been set out in the note to which it relates, these are:

	Note reference	Estimate/judgement relates to:
Equity compensation benefits	6	Valuation/estimates of vesting
Empowerment transaction	8	Valuation
Deferred taxation assets	9	Uncertainties around future financial performance
Taxation contingencies	14	Uncertainties
Property, plant and equipment	18	Residual values and useful lives
Programme and film rights	19	Amortisation period
Goodwill and other intangible assets	23	Impairment