1. Results of operations continued

1.2 Revenue

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of indirect taxes, estimated returns, rebates and discounts, and after eliminated sales within the Group.

Revenue from the sale of goods is recognised when:
- the Group has transferred to the customer the risks and rewards of ownership of the goods; and
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; and
- the amount of revenue, and associated costs incurred or to be incurred, can be measured reliably; and
- it is probable that the economic benefits associated with a transaction will flow to the Group.

Revenue from the rendering of a service is recognised when:
- the amount of revenue, and associated costs incurred or to be incurred, can be measured reliably; and
- it is probable that the economic benefits associated with a transaction will flow to the Group; and
- the stage of completion of the transaction at the end of the reporting period can be measured reliably.

The main categories of revenue are as follows:

(a) Prepaid airtime, data and related revenue

Sales of prepaid airtime and data are recognised when the Group sells airtime and data to the customer. Incentives relating to these sales, based on contractual criteria, are recognised only once the associated criteria have been met. For this category of revenue the Group will act as either a principal or an agent.

(b) Postpaid airtime, data and related revenue

Sales of postpaid airtime and data are recognised on airtime and data contracted to be delivered to customers for a period of time and billed on a monthly basis in arrears. Incentives relating to these sales, based on contractual criteria, are recognised only once the associated criteria have been met. For this category of revenue the Group will act as either a principal or an agent.

(c) Prepaid and postpaid SIM cards

Revenue is recognised when a SIM card is initially sold to the customer. Activation bonuses received from the networks are recognised when the SIM card is activated on the relevant cellular network. Ongoing revenue and other incentives are recognised once the associated contractual criteria have been met. The point of activation is determined by the relevant cellular networks. For this category of revenue the Group acts as a principal.

(d) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. These services include location-based services, SMS transaction services, media, call centre and data transaction revenue, and technology revenue. For this category of revenue the Group will act as either a principal or an agent.

(e) Electricity commission

Commissions on the sale of prepaid electricity are recognised when the Group sells electricity to the customer on behalf of the utility suppliers. Commissions are recorded based on agreed rates per the contracts. For this category of revenue the Group acts as an agent.

(f) Sales of handsets, tablets and other devices

Revenue is recognised when the handset, tablet or device is sold to the customer. For this category of revenue the Group acts as a principal.

Critical accounting estimates and assumptions

Significant judgements are made by management when concluding whether the Group is transacting as an agent or a principal. The assessment is performed for each separate revenue stream in the Group. The assessment requires an analysis of key indicators, specifically whether the Group:
- carries any inventory risk;
- has the primary responsibility for providing the goods or services to the customer;
- has the latitude to establish pricing; and
- bears the customer's credit risk.

These indicators are used to determine whether the Group has exposure to the significant risks and rewards associated with the sale of goods or rendering of services. For example, any sale relating to inventory that is held by the Group, not on consignment, is a strong indicator that the Group is acting as a principal.

Where the Group acts in its capacity as principal for the sale of goods or the rendering of services, as it does in the sale of physical prepaid airtime and the sale of handsets, revenue is recognised as the fair value of the consideration receivable net of discounts and taxes. Where the Group acts in its capacity as an agent, as it does in the sale of electricity and PINless airtime, the amount of revenue recorded is the fair value of commission received or receivable.

1. Results of operations continued

1.2 Revenue continued

	2016 R'000	2015 R'000
Prepaid airtime, data and related revenue	**24 147 786**	20 245 563
Postpaid airtime, data and related revenue	**141 397**	127 030
Prepaid and postpaid SIM cards	**607 833**	701 223
Services	**542 748**	442 600
Electricity commission	**246 371**	201 170
Handsets, tablets and other devices	**322 967**	178 886
Other revenue*	**195 620**	147 750
	26 204 722	22 044 222

** Other revenue primarily comprises meter installations, device rentals and ticket sales.*

1.3 Operating profit

	2016 R'000	2015 R'000
The following has been charged/(credited) in arriving at operating profit:		
Acquisition-related costs	**21 639**	1 971
Advertising and promotional expenses	**12 215**	14 252
Amortisation of intangible assets**	**130 353**	121 819
Audit fees – services as auditors	**16 816**	14 188
Audit fees – other	**2 468**	491
Consulting fees	**28 261**	29 645
Contingent purchase price release* (refer to note 3.2.1)	**(48 120)**	(923)
Depreciation	**42 738**	40 813
Foreign exchange profit*	**(73 499)**	(20 443)
Impairment of loans	**—**	4 907
Impairment of trade receivables	**6 418**	14 463
Impairment of trade receivables – provision	**2 923**	(4 738)
Impairment of intangible assets	**2 568**	—
Impairment of inventory	**5 368**	—
IT infrastructure costs and computer-related costs	**23 321**	21 117
Legal fees	**3 282**	14 701
Loss/(profit) on disposal of subsidiaries	**3 885**	(3 962)
Profit on disposal of associates	**—**	(37 238)
Management fees paid	**6 241**	5 624
Motor vehicle expenses	**9 559**	9 484
Operating lease rentals – premises[(a)]	**32 894**	33 692
Overseas travel	**6 512**	5 536
Profit on disposal of property, plant and equipment*	**(500)**	(1 707)

** Included in other income on the Group income statement.*
*** Included in the amortisation charge is an amount of R77.5 million (2014: R73.5 million) in respect of the purchased starter pack bases and postpaid bases, which is charged to the changes in inventories of finished goods line in the income statement.*

[(a)] Leases in which a significant portion of the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments under operating leases, net of incentives, are charged to the income statement on a straight-line basis over the period of the lease.