10. ACCOUNTING FRAMEWORK

10.1 Basis of preparation

The principal accounting policies applied in the preparation of the Group annual financial statements are in the related notes and are consistent with those adopted in the prior year, unless otherwise specified. Refer to note 10.5.

The Group annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act, No 71 of 2008.

The term IFRS includes International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC). The standards referred to are set by the International Accounting Standards Board (IASB).

The Group annual financial statements are prepared under the historical cost convention, adjusted for financial instruments measured at fair value through profit and loss. Amounts are rounded to the nearest thousand with the exception of earnings per share, ordinary share capital and equity compensation benefit. The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the notes to which they relate.

10.2 Going concern

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within its current funding levels into the foreseeable future.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing the financial statements.

10.3 Standards, amendments and interpretations not yet effective

At the date of authorisation of these annual financial statements, the following relevant standards, amendments, and interpretations to existing standards were in issue but not yet effective. These will apply to the Group's accounting periods beginning on 1 June 2019 or later periods, and have not been elected to be early adopted by the Group.

10. ACCOUNTING FRAMEWORK continued

10.3 Standards, amendments and interpretations not yet effective continued

The salient features of those standards, amendments, and interpretations have been described below.

Standard	Description of change	Management actions and assessed impact	Effective date – accounting periods beginning on or after
IFRS 16 – *Leases*	This IFRS sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"); ▶ IFRS 16 replaces the previous leases standard, IAS 17 – *Leases, and related Interpretations*; ▶ IFRS 16 has one model for lessees which will result in almost all leases being included on the statement of financial position. The lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. No significant changes have been included for lessors.	The Group has assessed the estimated impact that the initial application of IFRS 16 will have on its Group income statement, Group statement of financial position and Group statement of cash flows once adopted on 1 June 2019. In preparation for the adoption of IFRS 16 the following actions have been undertaken: ▶ Management has provided formal training programmes relating to IFRS 16 to all employees involved in the supervision of the finance function. ▶ As part of the training programme, a workshop session was held to identify business units where IFRS 16 may have an impact. ▶ Assessment questionnaires were completed for each business unit to identify leasing arrangements of significance to the Group. The results of the work undertaken thus far have indicated that the Group is not a lessee of significance across the majority of its operations. Key leasing arrangements identified thus far include: **Leases of office and warehousing space** The Group leases office and warehousing space to accommodate the Groups employees and operations. These leases are generally of a longer term (three to five years) with the most significant of which being the lease for the Group's head office and main hub of operations in Sandton. Dependent on the Group's business plan, or to address the need when it arises, the Group does also lease properties for shorter or longer timeframes. Based on the leases identified thus far, the Group currently has approximately 25 existing commitments with external parties to the Group in relation to these leasing arrangements, with an indicative average remaining term of 25 months. The indicative remaining lease commitment for future minimum lease payments for these leases is approximately R143 million. **Leases of retail stores** The Group, primarily through its WiConnect business, operates retail stores in shopping malls and retail centres all of which are leased from their respective landlords. Based on the leases identified thus far, the Group currently has approximately 69 existing commitments with external parties to the Group in relation to these leasing arrangements, with an indicative average remaining term of 24 months. The indicative remaining lease commitment for future minimum lease payments for these leases is approximately R26 million. **Leases of equipment (office and other equipment)** The Group primarily purchases equipment utilised by its operations on an outright purchase basis. However, where outright purchase is not financially optimal, operational needs are satisfied with leased equipment. Based on the leases identified thus far, the Group currently has approximately five existing commitments with external parties to the Group in relation to these leasing arrangements, with an indicative average remaining term of 12 months. The indicative remaining lease commitment for future minimum lease payments for these leases is approximately R1 million. The Group does not engage in significant leasing activities as a lessor (where the Group is a lessor, these activities are not believed to be core to the operations of the Group). ▶ The Group is continuing to assess the impact of the accounting changes that will arise under IFRS 16 and cannot yet reasonably quantify the impact; ▶ The Group plans to apply IFRS 16 initially on 1 June 2019, using the modified retrospective approach applying the practical expedients of IFRS 16. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 June 2019, with no restatement of comparative information; and ▶ The Group will elect to recognise the right-of-use assets at an amount equal to the lease liability at 1 June 2019.	1 January 2019