11. PRIOR YEAR ERRORS

Venture capital accounting to equity accounting

As from 30 November 2016, the Group applied the exemption available in IAS 28 – *Investments in Associates and Joint Ventures* to account for the investment in Oxigen Services India, Oxigen Online and 2DFine Holdings Mauritius as venture capital investments. Therefore, the investment was accounted for in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement* at fair value with changes in fair value recognised in profit or loss. Any changes in the fair value would have been recognised in the Group income statement.

This accounting treatment was highly judgemental therefore the Group included detailed disclosure on the critical judgement it had applied.

In June 2018, the Group received notification from the JSE proactive monitoring panel stating that they did not agree with the exemption we had applied in IAS 28. This resulted in a protracted engagement with the JSE to determine the appropriate accounting treatment. After lengthy discussions with the JSE, including the JSE consulting with the Financial Reporting Investigation Panel, the JSE concluded that the Group should not have applied venture capital accounting.

The Group has therefore agreed to not apply the exemption available under IAS 28 – *Investments in Associates and Joint Ventures* to the investment in Oxigen Services India, Oxigen Online and 2DFine Holdings and now account for these associates and joint venture using equity accounting principles.

Revenue – principal versus agent

The Group earns subscription revenue through the provision of content, products and services to customers. During the current year it was determined that certain contracts of this nature that had been accounted for as principal in the prior period should in fact be accounted for as agent. The effect of this error is an equal decrease in revenue and changes in inventories of finished goods. There is no effect on operating profit or net profit after tax.

Put option liability classification

The Airvantage Proprietary Limited put option is carried at fair value through profit and loss. In the prior year this was incorrectly classified as trade and other payables. Whilst the measurement and disclosures complied with IFRS 7 and IAS 39, the classification on the face of the Group statement of financial position was incorrect. This has been rectified in the current year and is now correctly included in the line item "Financial liabilities at fair value through profit and loss". There is no effect on the Group income statement. The amount reclassified is R98 million.

These errors have been corrected by restating each of the affected financial statement line items in the prior periods as follows:

Effect on Group statement of financial position (extract)	31 May 2018 (as previously reported) R'000	31 May 2018 (restated) R'000	Difference R'000	31 May 2017 (as previously reported) R'000	1 June 2017 (restated) R'000	Difference R'000
Investment in and loans to associates and joint ventures	6 398 305	6 684 584	286 279	315 833	731 788	415 955
Investment in and loans to venture capital associates and joint ventures	277 835	—	(277 835)	544 165	—	(544 165)
Effect on assets			8 444			(128 210)
Retained earnings	4 283 854	4 327 523	43 669	3 640 034	3 555 242	(84 792)
Foreign currency translation reserve	76 841	41 615	(35 226)	99 215	55 797	(43 418)
Effect on reserves			8 443			(128 210)
Non-current trade and other payables	2 550	—	2 500	—	—	—
Current trade and other payables	5 086 196	4 990 799	95 397	—	—	—
Financial liabilities at fair value through profit and loss	45 360	143 307	97 947	—	—	—
Effect on liabilities			—			—

11. PRIOR YEAR ERRORS continued

Put option liability classification continued

Effect on Group income statement (extract)	31 May 2018 (as previously reported) R'000	31 May 2018 (restated) R'000	Difference R'000	31 May 2017 (as previously reported) R'000	1 June 2017 (restated) R'000	Difference R'000
Revenue	26 800 265	26 734 249	(66 016)			
Changes in inventories of finished goods	(24 441 772)	(24 375 756)	66 016			
(Loss)/gain on associates measured at fair value	(173 645)	–	173 645	160 200	–	(160 200)
Share of gains/(losses) from associates and joint ventures	565 812	520 628	(45 184)	(164 941)	(89 533)	75 408
Net profit for the year attributable to equity holders of the parent	993 624	1 122 085	128 461	781 254	696 462	(84 792)
EPS	116.12	131.13	15.01	114.13	101.75	(12.38)
Diluted EPS	108.10	123.03	14.93	113.17	100.89	(12.28)
HEPS	115.42	130.44	15.02	114.19	101.80	(12.39)
Diluted HEPS	107.41	122.34	14.93	113.22	100.94	(12.28)
Core HEPS	120.61	135.62	15.01	116.24	103.85	(12.39)

12. 2018 ACCOUNTING POLICIES

Amendments were made to IFRS 15 – *Revenue from Contracts with Customers* and IFRS 9 – *Financial Instruments*. Both statements are effective for accounting periods beginning on or after 1 January 2018 and adopted by BLT in the current financial year ended 31 May 2019.

We have adopted these standards as allowed in terms of the modified retrospective approach, and therefore have not restated the comparatives.

The prior year comparative figures are presented under the original accounting policies as were applicable at the time of disclosure. The relevant notes below were included in the prior year financial statements, and are provided again to give clarity on the basis of preparation for the comparative figures.

12.1 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;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue, and associated costs incurred or to be incurred, can be measured reliably;
- 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

Sale of prepaid airtime and data represents the majority of Group revenue. Prepaid airtime is either physical or virtual. Physical airtime is sold in bulk to customers (who themselves are generally distributors) as and when they place orders with Blue Label. Customers will either collect the physical airtime stock at Blue Label depots or it will be delivered via courier to them. Virtual airtime is delivered to a customer in the form of a stock file via SFTP. The stock file contains the same information delivered to Blue Label by the mobile networks, being PIN numbers, product codes, serial numbers and expiry dates.