EOH

Our purpose is to SOLVE

INTEGRATED REPORT 2020

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ABOUT **THE INTEGRATED REPORT**

Introduction and scope of the report

EOH Holdings Limited (EOH Holdings or the Company) is committed to transparent reporting and aims to provide information to its stakeholders that will allow them to make informed decisions about the Company's ability to create value.

SCOPE OF THE REPORT

In this report, the performance of the Company and its subsidiaries (hereafter referred to as 'EOH' or 'the Group') as well as its associates and joint venture for the year ended 31 July 2020 are reviewed. The report also covers EOH's strategic journey, business model, governance practices as well as an overview of the risks that EOH encountered over the 2020 financial year.

EOH's integrated report contains the full set of audited Consolidated Annual Financial Statements for the year ended 31 July 2020.

PREPARATION OF THE INTEGRATED REPORT

The following reporting requirements, guidelines and frameworks were considered when preparing this report:

- The Companies Act of South Africa
- The Listings Requirements of the JSE Limited (JSE Listings Requirements)
- The principles of the King IV Report on Corporate Governance™ or King IV™ (King IV)*
- The Global Reporting Initiative's Sustainability Reporting Standards
- The UN SDGs
- International Financial Reporting Standards (IFRS)
- International Integrated Reporting Council (IIRC) integrated reporting (<IR>) Framework

EOH continues to progress on the journey outlined by King IV, while ensuring increased integration of reported financial, social, governance and environmental information. EOH uses the concepts, guiding principles and content elements contained in the <IR> Framework as a platform for this integrated report.

MATERIALITY

EOH's integrated report focuses on information that is material to EOH's business. It provides a concise overview of EOH's performance, prospects and ability to provide sustainable value for all its stakeholders. The legitimate interests of all stakeholders have been taken into account and all material information has been included in this report.

ASSURANCE

EOH is on a journey of maturity with regards to combined assurance and is in its infancy of having a mature combined assurance model.

The Board of directors of the Company (the Board), assisted by the Audit Committee, is responsible for ensuring the integrity of the integrated report. Accordingly, EOH applies a combined assurance model which incorporates and optimises all assurance services and functions to enable an effective control environment, to support the integrity of information used for internal decision making by management, the governing body and its committees and also supports the integrity of the organisation's external reports.

The Group's financial, operating, compliance and risk management controls are assessed by the Group's internal audit function, which is overseen by the Audit Committee.

The audit opinion expressed by the external auditors is included in their audit report as part of the Consolidated Annual Financial Statements.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements which are based on assumptions and management's view of EOH's future performance. Such statements are, by their nature, estimates, subject to risks and uncertainties, which may result in EOH's actual performance being different from that expressed or implied in any forward-looking statements. These statements have not been audited by EOH's external auditors.

BOARD RESPONSIBILITY

The board acknowledges overall responsibility and accountability for the integrity of this report. Executive management, assisted by a dedicated reporting team under the direction of the Chief Financial Officer, were responsible for the preparation and consolidation of this report. The board believes that this report is a balanced and appropriate representation of the financial and operational performance of EOH and that this report has been prepared in accordance with the IIRC Integrated Reporting <IR> Framework. Upon recommendation from the audit committee, the board approved this report on 1 December 2020.

Stephen van Coller
Chief Executive Officer

Megan Pydigadu
Chief Financial Officer

Andrew Mthembu
Chairman

1 December 2020

ABOUT **EOH**

EOH is one of South Africa's largest technology services companies and has a wide range of solutions in Industry Consulting, IT Services, Systems Integration, Software, Industrial Technologies and Business Process Outsourcing. The Group continues to be an undisputed market leader in its core ICT businesses which operate principally under the iOCO brand name. Our solutions are systemic to both the public and private sector in South Africa and we are an integral technology partner for a number of leading JSE-listed, blue-chip companies as well as key metros and government departments. As a proudly South African business, EOH is committed to sustainable transformation, making a positive, meaningful contribution to society, and is a Level 1 Broad-based Black Economic Empowerment (B-BBEE) contributor.

The Group's 7 333* employees deliver services to over 5 000 enterprise customers across all major industries throughout South Africa. The Group also has a footprint across Africa, Europe and Middle East.

* *Total employees including contractors*

The EOH business comprises three major pillars with clear alignment of focus and groupings of value:

iOCO

Sales & Advisory	iOCO Services	iOCO Technology	iOCO Digital
Go-To-Market	Network Solutions	Computer Software Reseller	Application Development (App Dev)
Solutioning	Manage & Operate	Enterprise Applications	Data Analysis
	Digital Industries	Computer Hardware Reseller	Cloud & Security
	Knowledge Process Outsourcing		International
			Automation

ICT business focused on traditional and cutting-edge technology system integration with a range of solutions, products and services across the ICT value chain

NEXTEC

The Power of People and Technology Realised

Business Process Outsourcing	Intelligent Infrastructure Solutions

A variety of businesses focused on business process outsourcing and intelligent infrastructure at various stages of incubation for growth and scaling

IP

Information Services	Sybrin	Syntell

A group of high potential IP companies with scalable technology

GEOGRAPHIC REACH

EOH UK
Application Management business

ALLOS Italy
HR SAP Success factors business
Own IP products

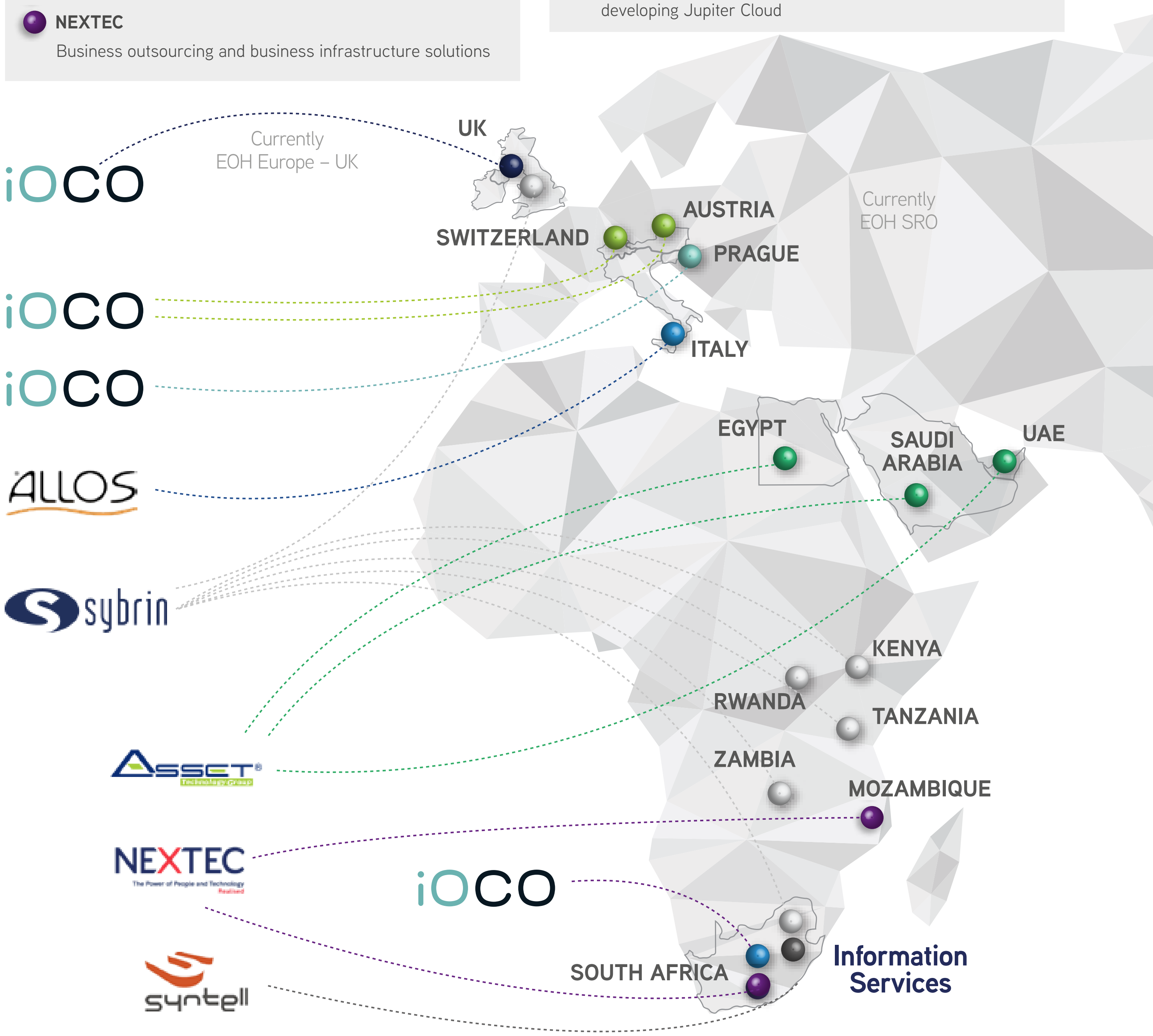
iOCO Prague
Cloud business
Exploring IP reseller opportunities

NEXTEC
Business outsourcing and business infrastructure solutions

Sybrin
Presence across Africa and the UK
Payment solutions
Intelligent process automation and intelligent document processing
Clearing systems

EOH Switzerland
Presence in Switzerland and Austria
Sales channel for iOCO

ASSET Technology Group
Presence in Egypt, UAE and Saudi Arabia
EIM, Portals, CRM, Middleware, Smart Solutions
Own IP products (mainly EIM) Jupiter, Arrow, Telco + developing Jupiter Cloud



ABOUT **EOH** CONTINUED

OUR GROUP PURPOSE

In a world where rapidly changing technologies are altering the course of humanity, our purpose is what defines us, reverberating deep within our core. Our purpose evokes pride, integrity and innovation in everything we do and moves us towards a sustainable and transformative future.

SOLVE

Exponentially . Courageously . Together

Our purpose is to SOLVE – for our clients and for ourselves. We exist to solve challenges courageously and exponentially using our deep industry expertise. While the world around us continues to transform, we adapt and remain united and anti-fragile through our commitment to each other, our clients and stakeholders.

OUR VALUES

Authenticity	Partnership	Adaptability	Ingenuity	Mastery
Be open	Be a partner	Be flexible	Be innovative	Be excellent

TIMELINE

1998
- Listing on JSE

2001-JULY 2018
- Aggressive acquisition driven business model culminating in 272 legal entities and gross debt of c.R4 billion

SEPTEMBER 2018
- Appointment: Stephen van Coller (Group CEO)

OCTOBER 2018
- Closure of BEE Lebashe deal with R750 million injector in September and December 2018

EARLY 2019

JANUARY 2019
- Appointment: Megan Pydigadu (Group CFO)

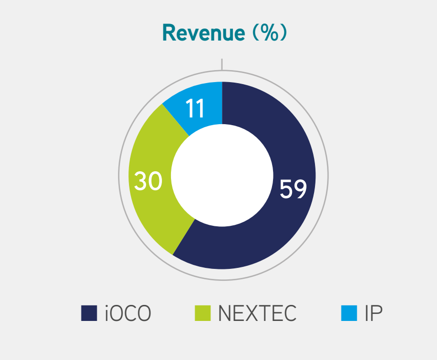
FEBRUARY 2019
- ENSafrica investigation initiated

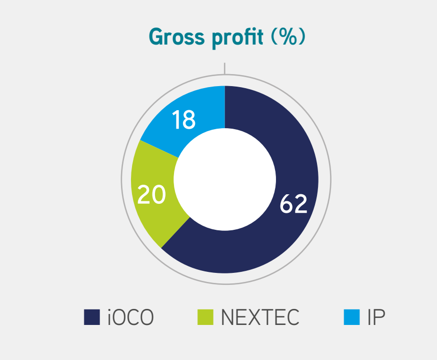
APRIL 2019
- Appointment: Fatima Newman (Group CRO)
- Disposal programme aimed at reducing debt and rationalising business announced to market

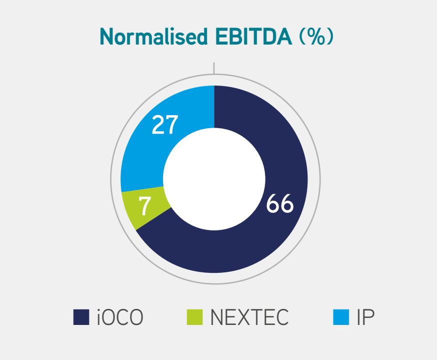
JUNE 2019
- Enhanced King IV compliant Board

2020 PERFORMANCE OVERVIEW

Revenue	R11 277 million
Gross profit	R2 469 million
Core Normalised EBITDA	R827 million*







SALIENT FEATURES FOR THE YEAR

- Core iOCO business delivered positive performance and remained resilient despite COVID-19 disruption
- NEXTEC turnaround evident in the second half of the year under review
- Completion of growth strategy with defined focus areas for the near-term
- Progress made towards establishing a fit-for-purpose capital structure leading to positive EBITDA
- Sound liquidity position
- Significant progress made towards reducing leverage

JULY 2019

- Announced 70% sale agreement between CCS and RIB resulting in a partnership as part of disposal programme
- ICT business relaunched as iOCO
- Release of ENSafrica investigation report

OCTOBER 2019

- Turnaround Plan implemented with clear priorities under the pillars of Credibility, Liquidity, and Transparency
- Entered into deleverage plan with lenders to be completed Q3: 2021

DECEMBER 2019

- Appointment of PwC as the new auditors for FY2020
- Exceeded R1 billion disposal target for 2019

FEBRUARY 2020

- Appointment of Andrew Mthembu as Chairman of the Board

APRIL 2020

- Launched iOCO strategy
- Repaid R542 million to lenders largely from disposal proceeds
- Announced sale of remaining 30% stake in CCS

FY 2021

IMPLEMENTATION OF GROWTH STRATEGY

** Core normalised EBITDA per the consolidated annual financial statements is R932 million. The difference of R105 million relates to non-sustainable COVID-19 savings.*

OUR BUSINESS MODEL **AND VALUE CREATION**

The evolution of EOH has been anchored in two phases which started with a focus on stabilising the business using the following 3 pillars: **Credibility, Transparency and Liquidity.**
The second phase entails the long-term growth strategy and is only possible off a sound base and framework.
The growth stage was initiated within the last year through a bottom up strategy assessment of the core business as the sound progress in bedding down of the business structure and debt relief became evident.

CAPITAL INPUTS

FINANCIAL CAPITAL
- **Leverage**
- **Working capital management**
- **Normalised EBITDA**

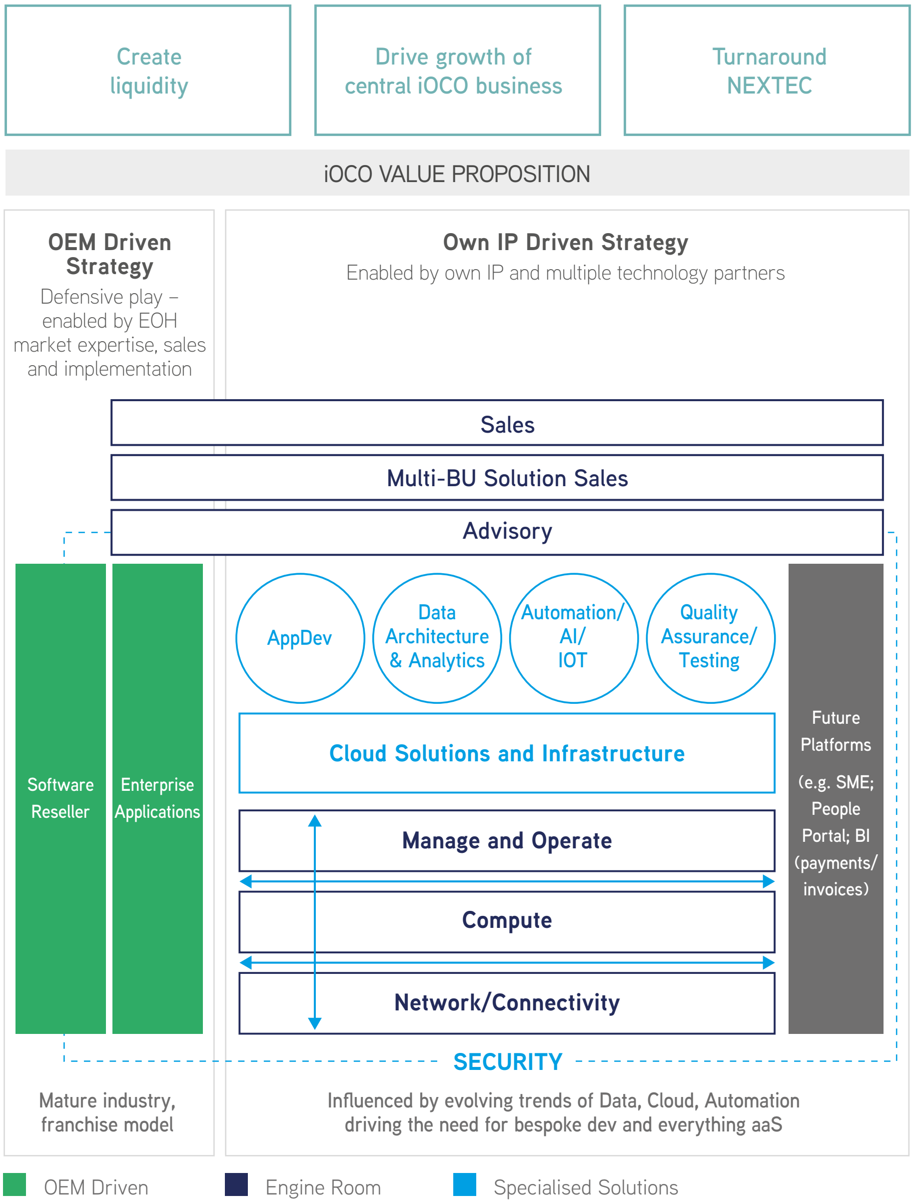
INTELLECTUAL CAPITAL
- **Own IP platforms**
- **OEM capability**
- **Specialised and bespoke solutions**
- **Technological expertise**

HUMAN CAPITAL
- **7 333 employees**
- **Superior market expertise and sales capability**
- **Entrepreneurial culture**
- **Level 1 BBBEE**

SOCIAL AND RELATIONSHIP CAPITAL
- **Scale and capability**
- **Strategic relationship with key tech partners**
- **Preferential procurement**
- **Long-term SED partners**
- **Strong governance culture**

NATURAL CAPITAL
- **Energy and water used**

OUR BUSINESS MODEL AND STRATEGY



Sector exposure

Financial Services	Telecoms	Health

CAPITAL OUTCOMES

CAPITAL TRADE-OFFS

Creating value involves accepting the inevitable trade-offs between the various capitals as we conduct our business activities.

Significant trade-offs during the 2020 financial year are shown below:

Optimise cost base

Scale IP assets with right partners

NEXTEC VALUE PROPOSITION

NEXTEC focuses on two main pillars:

People Outsourcing Solutions

Supplying solutions around recruitment staffing training and development and Change Management

Intelligent Infrastructure Solutions

Designing, installing, managing and creating bespoke data platforms using the latest OEM technology solutions in the infrastructure environment across multiple sectors.

Industrial

Public Sector

FINANCIAL CAPITAL
- Revenue R11 277 million
- Net working capital improved by R251 million to R332 million for FY2020
- Core Normalised EBITDA R827 million

During the year, we exited a number of non-core assets that were either too balance sheet intensive in terms of credit lines or that had a high risk profile. This reduced the intellectual capital available to the Group through these businesses, but released funds to repay debt ahead of schedule, increasing financial capital. Disposal and exit of the buildings and equipment linked to these businesses reduces manufactured capital as well as our environmental footprint.

INTELLECTUAL CAPITAL
- Continued progress in consolidating and aligning businesses

HUMAN CAPITAL
- Launched a new employee value proposition (EVP)
- R36.7 million invested in training

Over the last two years, EOH has made a significant investment in resources to improve and enhance governance, risk and compliance in the Group. While this cost represents a reduction in financial capital, the additions increase the human and intellectual capital in the Group and help to safeguard its reputation (social and relationship capital).

SOCIAL AND RELATIONSHIP CAPITAL
- Engaged in 224 learnership programmes for unemployed people. EOH provided R11.8 million in support of e-DEAF learnership and AET programmes
- Level 1 B-BBEE status retained

Work done pro bono, such as the development of web solutions for the Solidarity Fund and B4SA, resulted in reduced financial capital available for other initiatives. However, the response by EOH's businesses to support customers, government and society during the COVID-19 pandemic demonstrates the intellectual capital available to the Group and increased social and relationship capital.

NATURAL CAPITAL
- Lower energy and water use due to the reduction in number of buildings and company vehicles used and COVID-19 lockdown
- Carbon footprint reduced by 39%

Following the COVID-19 lockdown, employees and contractors receiving more than R250 000 a year were asked to make a three-month salary sacrifice to preserve cash. This represents a trade-off between the Group's human capital and its financial sustainability.

OUR SIX **SUSTAINABILITY THEMES**

1

Solutions that create value for our customers

To lead and grow innovative and sustainable technology solutions

Taking responsibility for getting the solution right first time, being a partner for life

Excellence in project execution, continuously evolving a modern world of work

Stimulate economic growth by encouraging entrepreneurialism and creating shareholder value

Nurturing a more sustainable world through technologies that are relevant to our future

Priority goals:

- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
- 17 PARTNERSHIPS FOR THE GOALS

For more information see page 46

2

A diverse, ethical, and talented workforce

To be a responsible employer, nurturing talent and the best people

To hire the best people, nurturing talent and opportunity for people from diverse backgrounds

Rewarding people appropriately for high performance and ethical leadership in the workplace

Wellbeing, collaboration and equality in the workplace, with zero tolerance for discrimination

Development, training (EOH Academy) and financial assistance for employees wanting to study further

Creating a culture that is built on diversity and inclusion

Priority goals:

- 4 QUALITY EDUCATION
- 8 DECENT WORK AND ECONOMIC GROWTH

For more information see page 49

3

A vibrant and innovative digital ecosystem

To nurture innovation, partnerships and growth in the digital sector

Evolving technology solutions that make a valuable contribution to society

Building solid and ethical business relationships with vendors, nurturing ICT sector growth

Playing a leading role in the evolution of digital policies and practices fit for our future world

Investing in emerging technology enterprises to drive industry inclusion and transformation

Priority goals:

- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
- 17 PARTNERSHIPS FOR THE GOALS

For more information see page 54

"As one of South Africa's leading technology players it is essential that EOH plays its role in ensuring that ethical, values-based and sustainable practices are entrenched in our industry and society. We are committed to delivering against the 2030 Agenda of the UN SDGs and operating in a principles-based way to create sustainable value for all of our stakeholders."

4

Building technology skills in communities

To invest in the digital and maths skills needed by future generations

Contributing to career development programmes with Afrika Tikkun, building digital skills

Bursaries, learnerships and skills programmes for ICT students

Strategically partnering with the Maths Centre to enable improved matric results

EOH Graduate programme and the "One Young World" initiative to nurture leadership skills

Priority goals:

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

11 SUSTAINABLE CITIES AND COMMUNITIES

For more information see page 56

5

The elimination of corruption

Share the lessons we have learnt and enable high integrity business

Courageous Leadership Series to lead by example and share the lessons we have learnt

Deliver the CODE programme to ensure the highest standard of integrity and ethics

Adopt the Ten Principles of the UN Global Compact and embed a principles-based workplace

Futureproof EOH with best practice governance, risks and controls

Priority goals:

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

For more information see page 58

6

Taking action on climate change

Protecting our planet through enabling technologies

To lead by example by reducing our carbon footprint though eco-friendly practices

To continue to support the evolution of technologies that support smart cities

Technology solutions for customers that enable the efficient use of resources

Nurture of NEXTEC technology opportunities that contribute to climate action

Priority goals:

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

For more information see page 60

CHAIRMAN'S **REPORT**

"What has changed in the year under review is the amount of energy and time we have been able to devote to proactive, rather than remedial, activities. We are finally able to focus on building an operationally strong and focused business that is aligned with our customers' needs, particularly in respect of digital transformation."

Andrew Mthembu
Chairman

Q Could you describe the external operating environment prevailing in the year under review?

The year under review was a tale of two halves with the second half being fundamentally and radically defined by the global coronavirus pandemic, and by national responses aimed at curbing its spread. In South Africa, a hard lockdown on travel, gatherings and many types of economic activity resulted in an economy that was already under strain operating in crisis mode. While this placed increased pressure on our customers, it also opened up opportunities to lead their digital transformation.

Increased demand for technology solutions to support remote working during lockdown and beyond, and for secure cloud solutions in particular, has seen our suite of services lauded as standard-setting in the market. Although we are under no illusions as to the severity of the macroeconomic repercussions, this does provide cause for cautious optimism as to our prospects.

Q Could you describe the major changes that occurred in terms of the composition of the board and its structure?

The passing of our former chairman, Dr Xolani Humphrey Mkhwanazi, shook the board and all of those who knew him personally. He played a pivotal role in our fight against corruption, and worked diligently to enable EOH to become a company that was capable, courageous and trusted. He navigated an immensely difficult time in the company's history with dignity, morality and aplomb. His was an outstanding contribution and he continues to be sorely missed.

We also saw the resignation of two independent non-executive directors. Anushka Bogdanov, who chaired our Social and Ethics Committee resigned on 28 July 2020, while the resignation of Dr Moretlo Molefi, who joined the Board in 2017, will take effect on 20 January 2021.

On a more positive note, we were delighted to welcome to the board Mr Jabu Moleketi, Mr Andrew Marshall and Mr Sipho Ngidi – all experienced, skilled individuals who offer unique and valuable expertise across various disciplines.

I am pleased to observe that the board in its current form is a coherent, energetic, and effective team. That said, we persevere in our efforts to strengthen it further, and to bolster it with people with business acumen and a firm sense of the South African socio-economic reality. Now, more than ever before, is a time that will reward courageous, effective leadership.

We have created a new board structure: the Asset Disposal and Acquisition sub-committee. This sub-committee has extensive experience in restructuring and refinancing and I must hasten to point out that it is largely focused on asset disposals for the time being. It became apparent that we needed the coordination a board structure could provide in order to ensure that we dispose of the right elements of the business in a way that makes sense, and that leaves behind a core business that provides a focused, end-to-end solution to the market.

The acquisition part of the name, for now, is aspirational, but the intention is to build a Group with a strong, healthy balance sheet that is once more in a position, having learnt from the past, where it can make reasoned, strategic acquisitions. The desired end result remains a focused, efficient business capable of becoming the digital-transformation enabler for our customers.

Q Are you happy with the degree of diversity at board level and within EOH? Is this a focus area going forward?

We are on the right path in terms of board composition. There is progress still to be made, both in terms of gender and in terms of race, but as evidenced by our most recent appointments, this is progress that we are aggressively pursuing.

We remain committed to ensuring that the skill sets of our core businesses are as diverse as possible in line with our sustainability objective of building a diverse, ethical and talented workforce. We have to start looking seriously at all levels of the organisation to make sure we have adequate talent pipelines, especially in the market-development sectors, and that we are able to deliver on our commitment to transform the company, particularly below C-suite level, to ensure that EOH is demographically relevant.

Q What were the board's priorities in the year under review?

The board's priorities remain, in essence, the same as they were last year. Firstly, to embed our newly adopted strategy aimed at enhancing delivery to clients. Secondly, to retain and attract the best talent and finally, to return value to shareholders, and to our broader stakeholder universe. Ensuring business continuity while navigating COVID-19 was also a significant priority area for the Board over the past few months.

What has changed in the year under review is the amount of energy and time we have been able to devote to proactive, rather than remedial, activities. While corruption and governance will always be top of mind, we have established a firm foundation in those respects, and the emphasis must now shift to performance.

We are finally able to focus on building an operationally strong and focused business that is aligned with our customers' needs, particularly in respect of digital transformation.

Q You mentioned business continuity while navigating COVID-19 earlier – how has the EOH board responded to the COVID-19 pandemic?

The priority when faced with a crisis of this nature is cash preservation, particularly in an organisation like ours which sits with high levels of debt. The board and management pursued that agenda vigorously, and, I think, effectively. That said, there is still a lot of work to be done, and we have to continue to be cash conscious. In particular, it is worthwhile to undertake a rationalisation of our cost structure, and I see great potential in the adoption of intelligent automation processes to further reduce costs.

We are fortunate, though, that we are a company whose strategic objective is to be the end-to-end enabler of digital transformation. What the pandemic has done is to accelerate the Fourth Industrial Revolution, and entrench in our customers' minds the absolute necessity of digital transformation. If we are able to identify and tap into these opportunities in the marketplace, then we are well placed to emerge from this crisis in a better position than we entered it in.

I have been very pleased with the positive feedback from our customers with regards to the service levels received from the teams during the crisis. We are proud that our service has not been compromised, and that we have been able to support our customers with the same – and in some cases increased – levels of productivity during the lockdown.

Q What keeps you up at night as the chairman of the board?

As well as coordinating the way in which the parts of our business function together, we need to execute on a robust go-to-market strategy to effectively sell the benefits of digital transformation at C-suite level, which requires strategic and detailed market-analysis capability.

I also think that the market continues to undervalue the business and I do not believe that the current share price is a fair reflection of the inherent value within the organisation. I am confident though, that as we continue to consistently deliver on our turnaround promises and as our capital structure normalises, we will start seeing a positive change in market sentiment.

ACKNOWLEDGEMENTS

I would firstly like to thank my board and our senior management. It is refreshing to observe their sense of ownership and accountability. After all the work that has been done to instil an ethos of courageous leadership and to deal effectively with the legacy of the past, we have ended up with a committed team that does not shy away from what needs to be done, and I think that bodes well for our future.

I would also like to thank the EOH employees. It has been an understandably challenging period, but for the first time it doesn't feel as though we have hundreds of disparate entities each pursuing their own goals. We finally have high-functioning teams that operate symbiotically, that support one another and that are led by people with a clear vision of a strategy that supports the work of the entire organisation.

In conclusion I would like to say that EOH, as an organisation, is an exciting place to be these days. We have the capability to become the leading digital transformation enabler throughout Africa and beyond. With thorough due diligence and an overarching strategic focus, we are going to be able to offer a compelling suite of services and become the preferred partner for the most exciting companies.

Andrew Mthembu
Chairman

OUR OPERATING **CONTEXT**

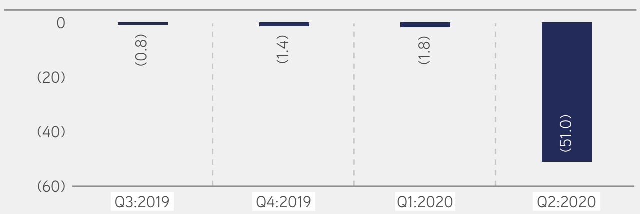
The EOH Group has navigated two crises, firstly the legacy issues due to corporate and governance failings and a second crisis when COVID-19 impacted operations at a time when significant progress had been made towards stabilising the business and positioning it for a sustainable growth trajectory.

ECONOMIC CONDITIONS

Global economic growth slowed to 2.5% in calendar year 2019 as growth moderated in emerging markets and decelerated sharply in the advanced economies. World trade volumes contracted for the seventh consecutive month in December 2019 as trade tensions continued to weigh on sentiment. This was particularly evident in emerging markets[1].

Real gross domestic product (GDP) in South Africa contracted by 1.4% in the fourth quarter of 2019, following a decrease of 0.8% in the third quarter of 2019[1]. The slowdown in economic activity was linked to a slowdown in household real disposable income, weaker consumer confidence and rising unemployment.

SA GDP growth (%)



Source: Stats SA

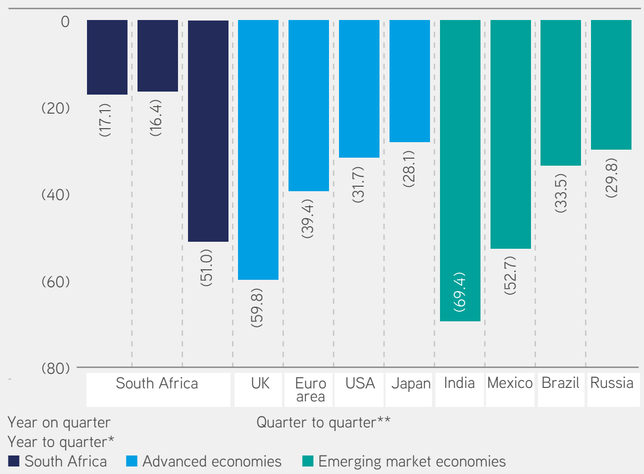
The first and second quarters of 2020 were characterised by the impact of the COVID-19 pandemic on global demand and supply. World trade volumes contracted further in the second quarter of 2020, due to the sharp decline in output in many countries as a result of production stoppages and ports operating at reduced capacity. South Africa's economy suffered a significant contraction during the second quarter of 2020, when the government introduced lockdown restrictions in response to COVID-19. GDP fell by approximately 16% between the first and second quarters of 2020, resulting in an annualised contraction of 51%[2]. This significantly exceeds the annualised economic slowdown of 6.1% recorded in the first quarter of 2009 during the global financial crisis.

Business confidence[3], which was at low levels throughout 2019, fell to an all-time low in the second quarter of 2020, before returning to 2019 levels in the third quarter. This statistic provides insight into the mindset of EOH's B2B client base.

[1] Full Quarterly Bulletin – No 295 – March 2020
[2] StatsSA
[3] RMB/BER Business Confidence Index

According to the Quarterly employment statistics (QES) survey released by Statistics South Africa (Stats SA), formal sector jobs decreased by 671 000 year-on-year in the second quarter of 2020. The official unemployment rate increased to a record high of 30.1% in the first quarter of 2020, indicative of a labour market already in distress before the outbreak of the COVID-19 pandemic.

Real gross domestic product for the second quarter of 2020 (% change)



Source: Full Quarterly Bulletin – No 297 – September 2020

OUR CUSTOMERS' EVOLVING NEEDS DUE TO COVID-19

While many of our customers were under pressure as a result of COVID-19, which had an impact on our ability to drive growth, this was offset by the need to fast track digital transformation. There has been increased demand from clients for solutions focused on security, cloud computing and remote access solutions. We were able to use our digital technology expertise to enable customers to be resilient and transformative, and in the process developed a number of solutions aimed at supporting our customers and government during COVID-19 and beyond. We worked with clients to develop solutions to enable a safe return to work through our range of crisis management tools and remote working solutions, for example the Sikhona App (page 47) and our Infor solution, which improves supply chain efficiencies with streamlined online collaboration.

A range of clients that were not historically in eCommerce started accelerating the digitisation of their new client experiences and business models. eCommerce solutions delivered to customers included Digital On-boarding Verification Solution (DOVS), which uses advanced facial recognition software, 3D face-mapping and real-time liveliness testing to instantly and securely onboard and verify customers from their mobile devices.

Digitisation of the back office environment and cost optimisation also took centre stage. This is also evident in industries, where digital industrial technologies are increasingly being used to automate manufacturing, mining and quality control to improve quality and reduce reliance on human intervention.

ESG

There has been increased focus on a global scale on environmental, social and governance (ESG) issues in recent years. Stakeholders are looking for standardised, consistent and easy-to-understand data on key sustainability topics and are demanding more transparency from corporates regarding their efforts in this regard. For many investors, sustainability is a priority in terms of how they make their investment decisions. A management team that identifies and understands the key ESG topics that are material to the company and the industry is better able to manage risk, execute strategy and create long-term increases in shareholder value.

Corporates are expected to enhance their sustainability disclosures in order to be consistent with the Sustainability Accounting Standards Board (SASB) and demonstrate how ESG issues are incorporated into strategy. SASB has developed industry-based standards intended to help companies "identify the handful of ESG and sustainability topics that most directly impact their value creation". EOH acknowledges the importance of ESG reporting and has made great strides in improving its governance framework and reporting over the past 18 months. This year's sustainability information is reported in terms of the Global Reporting Initiative's (GRI) Standards, Core option, and a GRI Index that links to our sustainability disclosures is available on our website www.eoh.co.za. We are in the process of evaluating our functions and operations as part of our sustainability strategy in order to enhance our reporting through these voluntary frameworks.

EOH is committed to embedding sustainability as part of our business practice. This requires alignment with the requirements of King IV Code as well as aligning to and adopting the 10 principles of the United Nations Global Compact. We have also prioritised eight Sustainable Development Goals (SDGs) that are contextually factual to our offering and operations.

In this year we achieved a Board approved sustainability policy that resulted in the rollout of training during the year on our prioritised Sustainability Themes, SDGs, understanding the Triple Bottom line and an overview of ESG pillars for assessing risks and returns.

In the coming year, we plan to implement an ESG system to assess the materiality of the indirect benefits and value creation made by EOH on multiple stakeholders through our interaction with clients, suppliers, society, the environment as well as existing and emerging market segments.

THE EOH **STRATEGIC JOURNEY**

Since embarking on its turnaround strategy, EOH has made great progress towards building a sustainable organisation while navigating the negative effects of the issues inherited from previous management as well as the impact of COVID-19.

The near-term priority of the current management team has been on improving EBITDA performance as well as the disposal of non-core units as part of a deleverage strategy while building a robust governance framework to enable the future growth of the business.

Our business is now more focused and less complex, with our capital structure and cash generation improving. As we embark on the new phase in our evolution following a period of consolidation, our emphasis is now on enhancing our value proposition and growing our core business from a top-line and earnings perspective.

We are well positioned to take advantage of the exponential shifts in the world today, which create an opportunity to be the most attractive digital transformation enabler throughout Africa and beyond.

2018 – 2019: WHERE WE STARTED

1 Deleveraging

- Gross debt of R4.5 billion
- Result of aggressive acquisition driven growth phase

2 Liquidity

- Disposal process initiated
- Unsustainable working capital levels
- Low cash conversion

3 One-off costs

- Significant one-off costs including impairment of assets, vendors for acquisitions liabilities and OEM one-off settlements

4 Business structure

- Complicated structure with 272 legal entities
- Tax inefficiencies

2021+
FUTURE VALUE PLAY

2 Liquidity

- EBITDA cash conversion target of >80% for FY2021
- Neutral working capital for FY2021
  - IP disposal and partnership deals completed
  - Flexibility around capital allocation decisions

1 Deleveraging

- Gross debt target of <R1.5 billion by FY2021
  - Strong balance sheet to provide flexibility and optionality

3 One-off costs

- Advisory costs vastly reduced
- OEM settlements minimised
- Reduced impairment losses

4 Business structure

- Return to positive profitability following execution on growth strategy
- NEXTEC value extracted
- Overheads right sized
- EBITDA margin target >10% over medium term

2020
WHERE WE ARE

1 Deleveraging

- Committed to R1.6 billion deleverage plan of which R950 million has been repaid to date[1]
- Sold 81 companies, investments in companies and business units yielding proceeds of R1.4 billion
- Gross debt of R2.0 billion[1]

4 Business structure

- Completion of first bottom up, zero-based strategy for iOCO
- Progress on NEXTEC business review and clean up of legacy public sector contracts in iOCO
- Formalising of corporate structure
- Implementation of sustainable cost cutting measures – reducing property portfolio, procurement processes

3 One-off costs

- Large legacy liabilities associated with vendors substantially complete
- Advisory costs peaked with completion of ENSafrica review and debt reorganisation due

2 Liquidity

- IP assets plan in place to accelerate deleveraging
- Ongoing closure and sale of high risk businesses
- Cash pooling and management implementation to remove inefficiencies
- Creditors and working capital focus

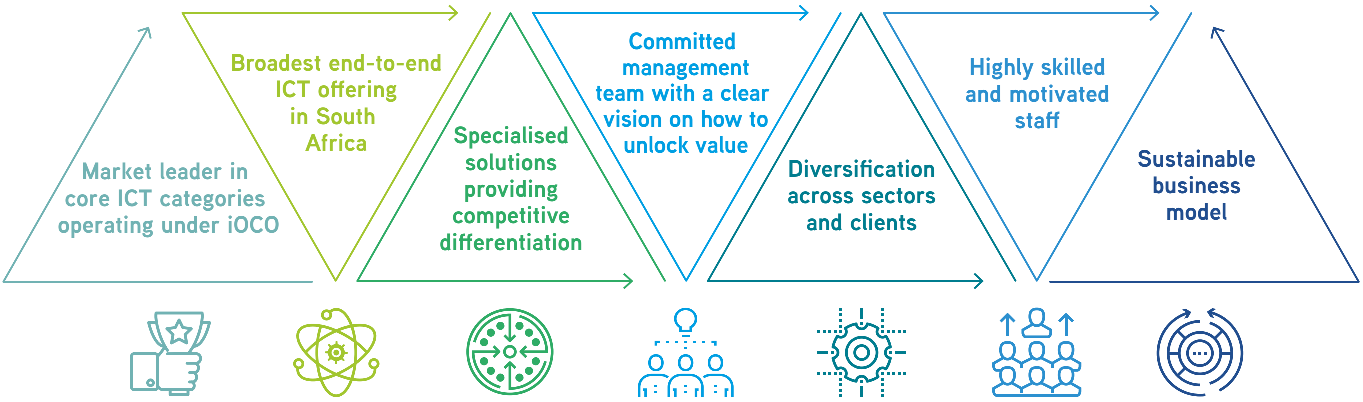
[1] *At 1 December 2020*

CHIEF EXECUTIVE OFFICER'S **REPORT**

"Despite moving from one crisis to another we have made real, steady progress in terms of transparency, liquidity and credibility. We have seen a meaningful improvement in EBITDA performance, the disposal of non-core units is ongoing, our business is more focused and less complex, our balance sheet is improving and the business is now cash-positive."

Stephen van Coller
Chief Executive Officer

THE EOH INVESTMENT CASE



Q It has been an unprecedented year. How was EOH positioned when COVID-19 struck, and how is it positioned now?

A year ago, EOH was just emerging from a defining crisis. Corruption had caused massive damage to our reputation, prompted a loss of confidence from investors and lenders, saddled us with huge bank debt, and resulted in a declining cash-realisation rate and return on our assets.

In response to that crisis we focused on three priorities: re-establishing our credibility; committing to widespread transparency and articulating a clear strategy; and improving our liquidity. We made real, tangible progress in each of those areas. Then, in March 2020, another crisis hit.

The impact of the COVID-19 pandemic and of our government's response put clients and ourselves under pressure, and resulted in an unprecedented macroeconomic environment. We had to cope with reduced sales while tackling a high debt burden, and adjust to remote working while managing employee wellbeing. That said, the COVID-19 crisis presented some opportunities with respect to our ability to provide our customers with innovative technological support through our solutions.

Despite moving from one crisis to another, we have made real, steady progress in terms of transparency, liquidity and credibility. We have seen a meaningful improvement in EBITDA performance, the disposal of non-core units is ongoing, our business is more focused and less complex, our balance sheet is improving and the business is now cash-positive.

Q What have been the highlights for the 2020 financial year?

We have made tremendous progress on our deleverage strategy having paid R292 million in capital in the current year and a further R409 million post-year end. To date, R950 million has been paid back to lenders. Our debt burden remains an overhang on the business and on market sentiment. Deleveraging the balance sheet and normalising the capital structure will allow the Group flexibility as we seek to execute on our long-term growth strategy.

Our core iOCO business has stabilised and proven its resilience through the disruption caused by COVID-19. Our specialised solutions and services have enabled customers to quickly transition to remote working and supported the accelerated migration to digital, automation and other cloud solutions. We are immensely proud of how we have been able to help our clients navigate their responses to COVID-19 and thus ensure their business continuity.

Our NEXTEC business has turned the corner and is now in a break-even position due to its new management teams and the implementation of a number of turnaround initiatives which are now bearing fruit. A number of non-core assets have been disposed of which were a significant drain on the performance of the cluster and we look forward to building on the solid foundation we now have in place.

One of our promises to stakeholders when the current management team took over was that we would create transparency in the business, which included creating a transparent business model. To that end, we were able to present our first bottom-up strategy to employees and investors towards the end of the financial year. This was an intense and consultative process that involved engagement with top leadership across the whole Group and regular cross-divisional sessions. We are now in a position to chart our growth path with clear objectives to track our progress and report back to stakeholders.

Q You mentioned that you are now in a position to execute on your recently completed growth strategy. What are your key strategic objectives over the next three to five years?

Our near-term objectives are clear and simple:

1. We need to create liquidity and remove the overhang of the large debt burden on our business
2. Driving growth in our core iOCO business, which is our technology engine room and makes up c.60% of revenue and EBITDA is a key focus area
3. Completing and solidifying the turnaround of the NEXTEC business with a view to realising consistent profit and cash generation
4. Creating a fit-for–purpose cost structure
5. Finding the right growth solution for our high potential IP companies through strategic partnerships and outright disposals where appropriate

Once we deliver on the five objectives stated above, we will be a stronger, leaner organisation and will be able to complete our evolution from a linear product based business model to an integrated platform business with exponential capabilities.

Q You have always positioned the EOH turnaround story alongside the three pillars of transparency, credibility and liquidity. How have you made progress in terms of transparency?

Transparency was always about being clear not only on the issues that were exposed, but on our goals for the company and the way in which we were going to achieve them. We promised the market a growth strategy, and then went about developing our first bottom up, zero-based strategy in 22 years.

Our ability to do so was enhanced by our improved financial systems, discipline and controls, which enabled a clean base for portfolio review, and which will continue to improve our reporting, forecasting and liquidity management going forward.

This process wasn't undertaken in isolation from the business. We knew this was a great opportunity to create understanding and buy-in amongst internal and external stakeholders, and so we actively engaged staff at all levels across the Group, and made sure that investors and the public were kept up to date throughout the process.

What has been fantastic has been the way in which we have managed to continue to focus on our strategic goals in spite of the challenging environment. There is, however, more work to be done and we are now focused on executing on our strategy through a solution-focused rather than product-focused approach.

CHIEF EXECUTIVE OFFICER'S **REPORT** CONTINUED

Q How have you improved EOH's credibility?

In 2019 we focused on improving and enhancing our Governance, Risk and Compliance policies and procedures. We have placed great importance on this which is evidenced by the improvement in our governance, risk and control framework since May 2019. Approximately 97% of our people have completed the various compliance training courses that have been rolled out over the course of the year which is a very pleasing outcome and an indication of our people's commitment to doing the right thing.

Furthermore, the Policies and Procedures that were put in place from this process also enabled a seamless, robust and well governed transition into a remote-working digital environment. These processes allowed our business to function effectively and alongside strong governance practices within a contactless environment.

Q Can you elaborate on your current liquidity position and how it has improved?

Through asset sales and significant business restructuring we have reduced our outstanding debt from R4.1 billion in August 2018 to R2.5 billion as at July 2020. Following the sale of Syntell post-year end, our debt level stood at R2 billion as at 30 November 2020.

Despite COVID-19 and tough economic conditions we were still able to achieve our first capital repayment milestone of R540 million. As at 28 July 2020 we had delivered R360 million in cash savings in four months, and reflected a positive cash balance of R1 billion. This has only been possible as a result of a lot of people's very hard work and sacrifice, of which I am exceptionally appreciative.

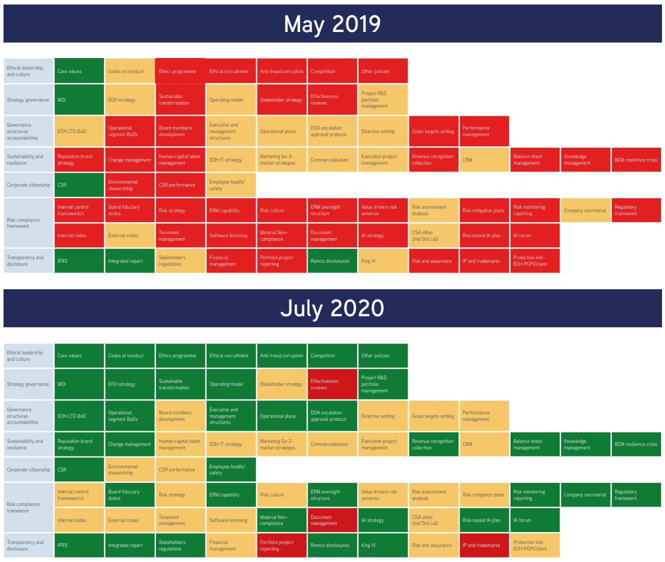
We had a very clear deleveraging strategy in place. We have been able to review the details of that strategy post COVID-19, which changed many of the applicable variables. We are spending much less on servicing debt and we're generating more cash than we expected. At the same time, uncertainty in the market is depressing asset sales.

Due to the flexibility and strength of the business and because we have a wide customer and service base, we've reached a point where we've been able to create optionality for ourselves. That said, we're clearly shouldering a large debt burden and we're not yet where we need to be.

Q How do you view the public sector business given the issues of the past?

We previously disclosed that eight of the 54 legacy public sector contracts had negatively impacted the financial performance of the business. Of the eight contracts, five have been settled, one is awaiting council's approval, one is in arbitration and the remaining contract runs out in April 2021. This has significantly reduced the risk the Group is exposed to. Furthermore, we have implemented a robust process to screen all public-sector deals as well as related partners, and we have formed a Business Review Committee which reviews both public sector and material private sector bids.

Building credibility: governance and risk roadmap



The public sector remains an integral part of our business and with the recent launch our new strategy we are intent on bringing our subject matter experts closer to our clients. This means that we have consolidated all our public-sector business into our centres of excellence, and are treating it in the same way we would any other client in terms of our delivery of solutions. In adopting this approach, we aim to mitigate project delivery risks and enhance the value that we provide to clients, no matter the sector.

Q How has EOH responded to COVID-19?

Very well overall, I am pleased to say, though of course it has been an exceptionally difficult and testing period for our people. The business as a whole held up incredibly well, which is a testament both to its resilience, innovativeness and robust standing, and to the hard work, sacrifice and creativity of our staff.

Our teams went above and beyond to support our customers during COVID-19. Our commitment to what we called SOLVECOVID-19 resulted in the development of over 75 solutions in three months, including ICUlate – a fully complaint mobile intensive care unit – and a range of Telemedicine technologies; the pro bono development of the Solidarity Fund and Business for SA portal in under 48 hours; a range of crisis management tools and remote working solutions including the Sikhona App; improving supply chains with streamlined online collaboration through our Infor solution; and a range of solutions to address social challenges, including LinkedTo and the SASSA KOFAX email solution.

A gratifying benefit of having previously improved our governance processes was the seamless, robust and well-governed transition into a remote-working digital paradigm. These processes allowed our business to function effectively and with strong governance practices in a contactless environment.

Q The burden on employees, coming out of one crisis and going immediately into another, must have been severe. How did you support employees over this period and beyond?

It has been an exceptionally difficult period for our staff. As a result of the dismal macroeconomic environment and the COVID-19 pandemic, we've effectively had to continue servicing our vehicle while doing 120 km/h down the highway. This has put a lot of stress on the teams who were also having to deal with salary cuts over the same period. We enhanced staff engagement through ongoing climate surveys and the launch of a new Employee Value proposition (EVP) which incorporates the SOLVE purpose and introduced refreshed values. We launched a number of wellness initiatives aimed at helping our people cope with stress, avoid burnout while transitioning to remote working. I held weekly online Friday morning sessions through and beyond the national lockdown to keep our employees engaged and up to date on COVID-19-related news.

I do believe that the way in which we've been able to transition to a remote work setup, to keep our staff safe and informed, and to adapt to a new normal, has set the standard in South Africa.

We also leveraged our Expose_IT whistleblowing app to create a platform to deal with workplace bullying, discrimination and harassment in EOH. We are acutely aware that we still have a lot to do in order to address transformation and equal working conditions across the Group. We want to make sure that from the bottom up there are equal opportunities for everyone across the business, no matter their race, gender, sexuality, or religion. We have begun that process by relaunching our Diversity and Inclusion policies, and by tackling important issues around gender-based violence, diversity and Black Lives Matter in open forums.

Q What keeps you up at night?

The JSE's censures this year were on the one hand perfectly appropriate, and were a case of the sins of the past continuing to haunt those who did not commit them, and who have worked very hard to address them and move forward. It is tough to watch principled, hard-working people punished for the actions of those who, as of now, have not yet been properly held to account.

As directed by the Board, we are in a process of pursuing civil and criminal cases against those who benefited from unethical business practices in the past and as part of this process. Steven Powell from ENSafrica, who led the independent forensic investigation, and I recently gave evidence on money flows at EOH in the past at the Judicial Commission of Inquiry into Allegations of State Capture, Corruption and Fraud in the Public Sector ('The Zondo Commission').

EOH has since been widely acknowledged and lauded by the Commission, stakeholders and the investment community for sharing its findings from the forensic investigation and its pioneering and proactive approach to transparency and zero tolerance to corruption.

Having been on this journey, I do strongly encourage corporate South Africa to acknowledge its role in systemic corruption and take a zero-tolerance approach to graft. We risk losing the gains made during the democratic era and ultimately we will sacrifice the fight for equality if we do not.

It is now my hope that the information that we have shared with the Commission assists the authorities in expediting the prosecution of wrongdoers.

Of course another issue that weighs on me significantly is the effect of the COVID-19 pandemic on our employees, and the absolute importance of preserving jobs in the face of a recession and widespread unemployment across the country.

Q And what are you most looking forward to?

As the world navigates the effects of the pandemic, technology trends that were on the horizon – including security and cloud; Everything-aaS and DevAnything – will increasingly become ubiquitous necessities.

We are well positioned to take advantage of that shift. I think that EOH today has the potential to be the most attractive digital transformation enabler throughout Africa and beyond. We have hundreds of building blocks (business solutions) at our disposal and are adept at turning them into powerful solutions for our clients. We look forward to transitioning from a product to a business-solution platform, to helping our customers expand into new markets, and to using our competitive advantages to gain market share ourselves.

We will continue our drive for internal efficiency and coherence, remain anti-fragile, and collaborate internally to extract the significant value that resides in our teams and create compelling technology platforms that enable digital transformation. We have consistently shown what we're capable of while under immense pressure. I can't wait to see what we can achieve when we're finally playing off the front foot.

The team and I are so proud to be able to say that the new EOH is a fundamentally transformed business, committed to providing best in breed technology solutions with unwavering ethical integrity and as we place the past times behind us, we can continue to focus on earnings growth and sustainability.

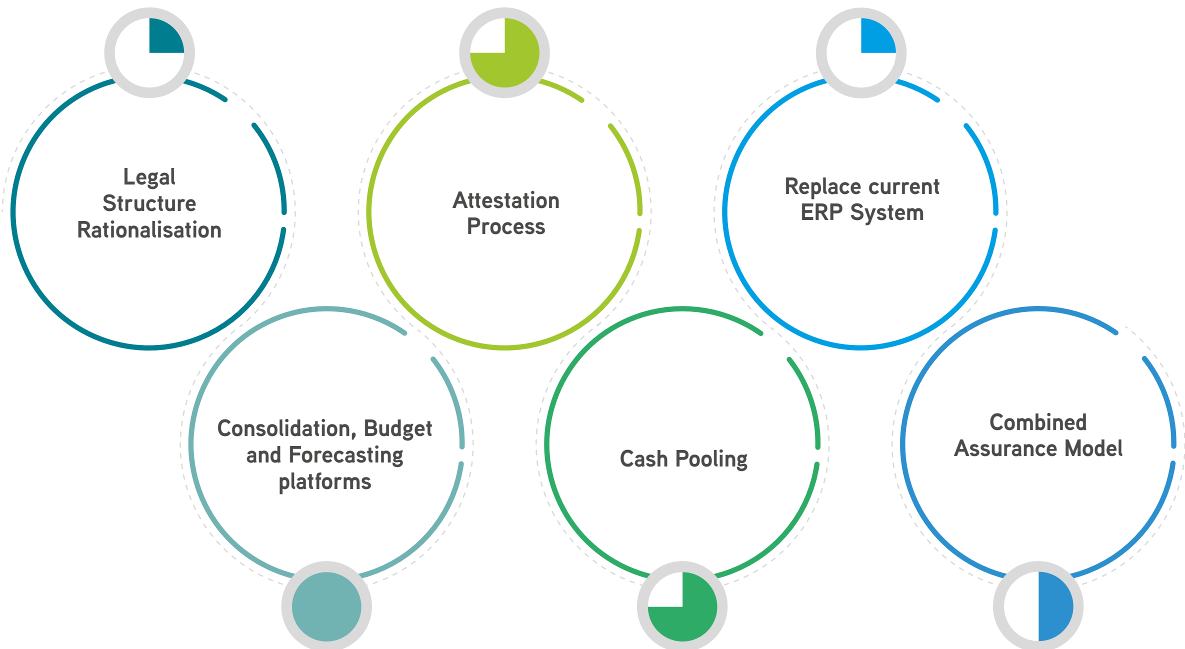
Stephen van Coller
Chief Executive Officer

CHIEF FINANCIAL OFFICER'S **REPORT**

The impact of the pandemic has not only caused us to take significant steps to prevent lasting damage to our business, in particular to our workforce, but has also reinforced the potential of the Group to excel in an increasingly digitised world. In the second half we have seen positive cash generation and positive EBITDA without normalisation adjustments, coupled with a significant improvement in the Group's liquidity position by the end of the reporting period.

Megan Pydigadu
Group Chief
Financial Officer

IMPROVED SYSTEMS, FINANCIAL DISCIPLINE AND CONTROLS SET TO YIELD FUTURE-COST BENEFITS



Q It has been another far from normal year for the EOH Group; how would you characterise the past 12 months and EOH's operational performance in that time?

It has been truly exceptional. The impact of the pandemic has not only caused us to take significant steps to prevent lasting damage to our business, in particular to our workforce, but has also reinforced the potential of the Group to excel in an increasingly digitised world. In the second half, we have seen positive cash generation and positive EBITDA without normalisation adjustments, coupled with a significant improvement in the Group's liquidity position by the end of the reporting period.

While COVID-19 has resulted in a weaker macroeconomic environment, the performance of the core iOCO business has remained relatively resilient. Revenue growth was impacted by businesses disposed of or closed during the current or prior year and the and the negative impact that the lockdown had on hardware sales. NEXTEC has been a very positive story and its position has improved significantly under the stewardship of Sean Bennett. NEXTEC revenue for the year did decline as a result of exiting non-core and engineering, procurement and construction (EPC) type businesses. The IP portfolio came under some pressure and our B2B2C businesses were negatively impacted by the pandemic. EOH as a group, however, has clearly started to turn, which I think is a direct result of the tremendous work done to stabilise the business and create a solid foundation from which to grow. We are starting to see the green shoots resulting from that extensive effort.

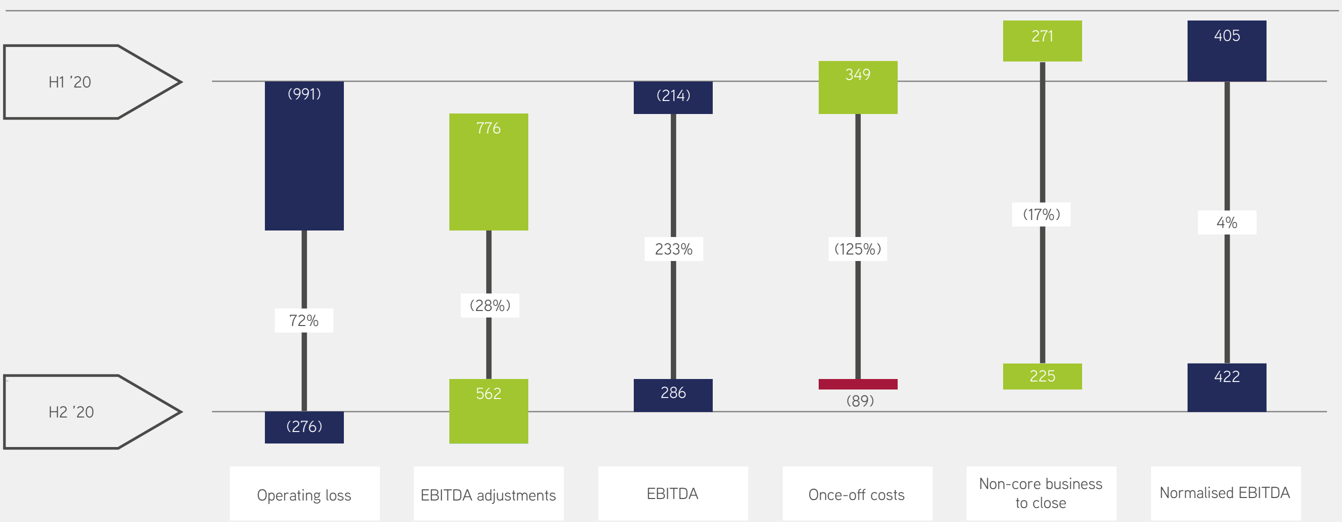
Q The COVID-19 pandemic saw EOH, alongside so many other companies, focus on reducing costs. How did you approach this and are we going to see any permanent repercussions?

It was absolutely critical to control and reduce costs, especially because our priority was to minimise job losses, which we mostly succeeded in doing. It required collective commitment and collective sacrifice, but a sacrifice our people were willing to make for the greater good. We saw staff taking 20% salary cuts for two months and 10% for a further month.

At the beginning of the national lockdown, we set a target to save R100 million in cash costs per month for the four-month period from April to July 2020. We were able to largely achieve this target with the biggest contribution coming from our employees. In addition, we saved costs on marketing, events, travel and entertainment. We will maintain a freeze on salary increases until January 2021 when we will reassess our financial position, as we wait to see where the South African economy settles. We expect some of these cost-cutting measures – about 3% to 5% – to prove durable in the longer term.

From a property portfolio perspective we have been on a rationalisation drive to reduce our office footprint and in the past year saw a further reduction in rental costs of R75 million. COVID-19 has offered a further opportunity to reduce our square meterage as many of our staff transitioned to working from home and are likely to continue to do so. A sizeable portion of our leases can only be renegotiated in 2023, which is when we expect to optimise our property portfolio. Improved systems and controls are also set to yield future cost benefits.

Normalised EBITDA (ZAR in millions)



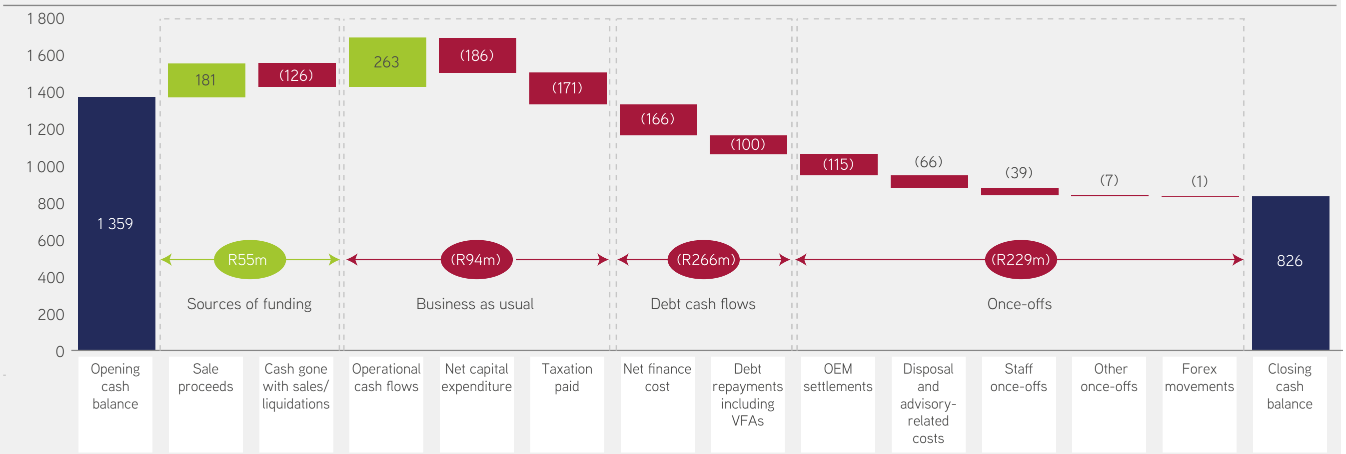
Q You reported positive EBITDA this year and we are starting to see a narrowing in the difference between reported and normalised EBITDA? Can you elaborate on the drivers of this improvement?

The rightsizing of costs, structures and systems is core to the Group strategy. COVID-19 has placed even more focus on ensuring that our cost base is as flexible as possible with the reduction in fixed costs being a key priority. We have also made positive progress in existing underperforming businesses which have previously negatively impacted earnings. Quality of earnings remains at the core of our business rationale as opposed to revenue at all costs. This is evidenced by the improvement in margins seen in the 2020 financial year.

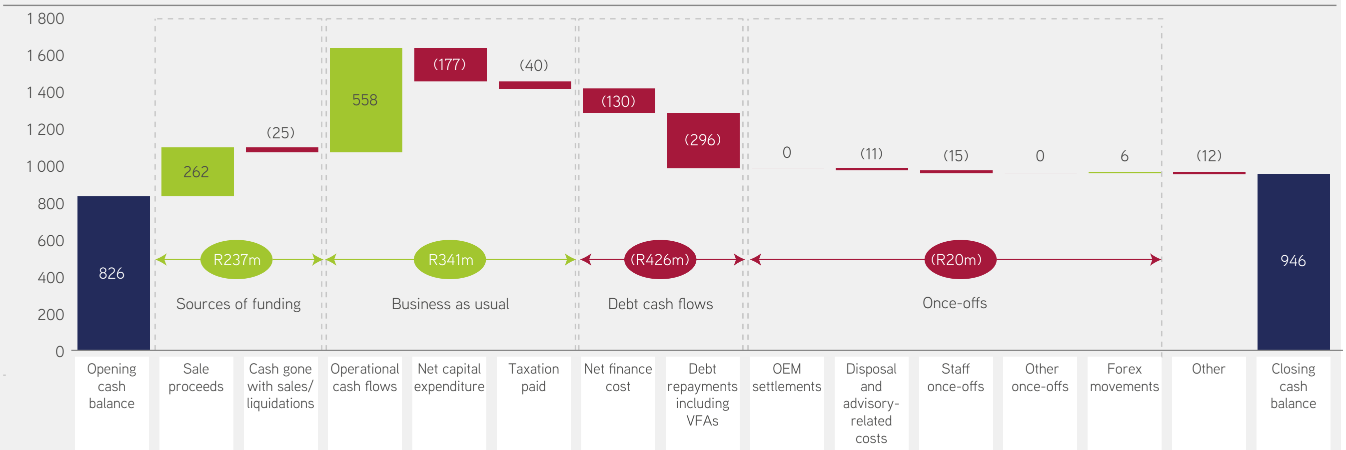
CHIEF FINANCIAL OFFICER'S **REPORT** CONTINUED

We have had a strong focus on working capital management and reduced net investment in working capital from R1.5 billion in the second half of the 2018 financial year to R176 million in the second half of 2020, which amounts to a 89% reduction.

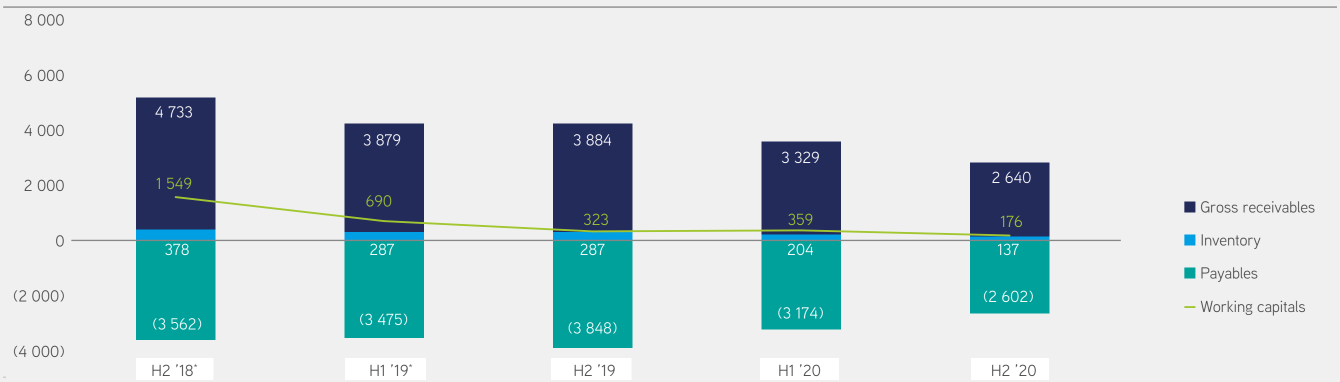
H1 '20 cash flow bridge (ZAR in millions)



H2 '20 cash flow bridge (ZAR in millions)



Working capital management (ZAR in millions)



* Un-restated. As presented in financials.

Q Reducing the magnitude of one-off costs has been one of the key focus areas for the Group – what were the significant one-off costs over the period under review? Are there additional, significant once-off costs which are pending?

Our once-off costs have decreased significantly from the prior year. Our most significant once-off costs relate to impairment losses which decreased from R2 259 million in the prior year to R522 million and are related to goodwill and intangible assets.

Legacy contracts in non-core business lines resulted in R496 million of further losses down from R526 million last year. This relates to legacy public sector contracts and EPC contracts in the energy and water business.

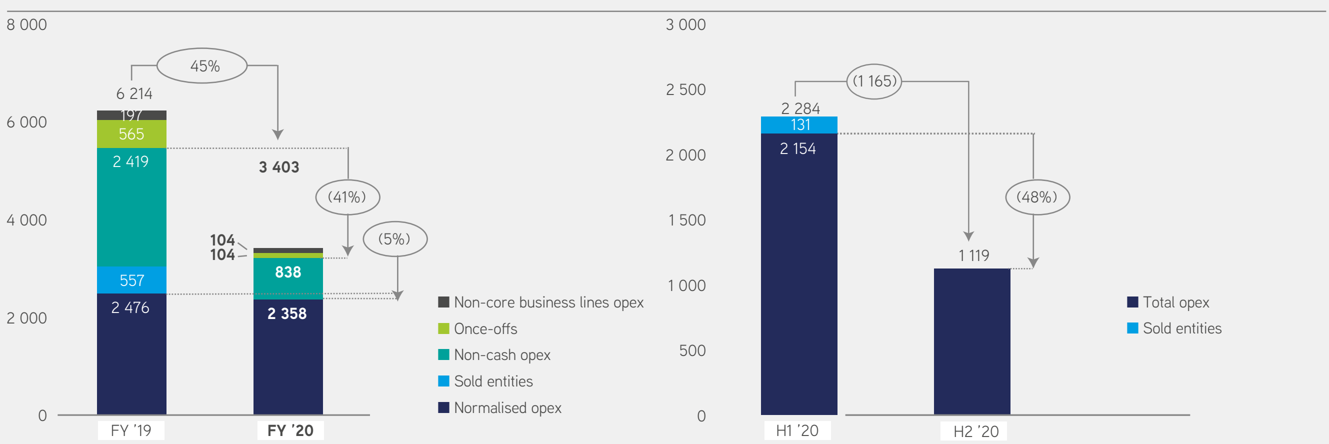
We have made positive progress with the previously disclosed eight legacy public sector contracts. At the date of publishing this report, five of the eight problematic public sector contracts have been settled, with one currently in arbitration, one in final negotiations and the last contract concluding at the end of April 2021. These contracts were fully provided for at year end.

Q EOH has been clear that its strategic priority is improving the health of its balance sheet. How have you made progress in that regard? Does it remain the overriding priority?

This has been one of our key priorities for the year. Late last year we embarked on the sale of our IP assets to assist in the deleveraging of the balance sheet with the view to protecting the core iOCO business. Solving for the right capital structure remains key for the business. We are relatively well advanced on the sale of the IP assets and expect them to further assist in the reduction of debt on the balance sheet.

The lower outstanding debt balance of approximately R2.5 billion, combined with the sizeable reduction in interest rates, will result in materially lower and more manageable financing costs for the Group going forward.

Fit-for-purpose cost structure



Q EOH recently changed auditing firms. Are you confident that you have now a set of financials that you can trust?

For us it has been critical to get through an audit with our new auditors, PwC, who bring fresh eyes to EOH's financials. We have undergone a thorough audit and I am confident that with the level of robustness, it gives further comfort to the numbers presented.

Q What are your key focus areas for the 2021 financial year?

The priorities for 2021 are centred around targeting an appropriate capital structure, optimising systems and controls and establishing a fit-for-purpose cost structure. This requires continued focus on the balance sheet, completing the legal entity and property rationalisation projects and identifying duplications in management structures.

Megan Pydigadu
Group Chief Financial Officer

THREE-YEAR **REVIEW**

		2020	Restated* 2019	Restated* 2018
Statement of profit or loss and other comprehensive income and cash flows from continuing operations				
Revenue	(R000)	**8 690 350**	10 746 037	12 103 317
Operating loss before interest and impairments	(R000)	**(621 182)**	(3 093 660)	(582 455)
Operating loss margin	(%)	**(7.1)**	(28.8)	(4.8)
Loss before taxation	(R000)	**(1 326 350)**	(4 017 160)	(1 649 907)
Loss after taxation	(R000)	**(1 626 814)**	(4 946 612)	(1 855 822)
Normalised EBITDA	(R000)	**932 498**	481 536	358 498
Headline loss from continuing operations	(R000)	**(851 781)**	(2 447 129)	(1 052 501)
Cash generated from operations	(R000)	**706 735**	502 107	1 266 021
Cash realisation rate	(%)	**161.9**	(1 127.9)	132.5
Statement of financial position				
Total assets	(R000)	**7 185 520**	10 034 530	14 252 995
Total equity	(R000)	**539 499**	1 965 100	5 936 822
Profitability and asset management				
Return on equity	(%)	**(0.1)**	(14.5)	(14.6)
Return on total assets	(%)	**(0.0)**	(14.5)	(3.8)
Shareholders' ratios				
Loss per share from continuing operations	(cents)	**(747)**	(2 597)	(1 277)
Headline loss per share from continuing operations	(cents)	**(505)**	(1 504)	(728)
Dividend per share	(cents)	**–**	–	–
Dividend cover	(times)	**–**	–	–
Net asset value per share	(cents)	**306**	1 113	3 885
Stock exchange statistics				
Market value per share				
– at year end	(Rand)	**4.86**	17.78	41.50
– highest	(Rand)	**17.10**	48.78	111.50
– lowest	(Rand)	**2.30**	10.40	25.20
Dividend yield	(%)	**–**	–	–
Earnings yield	(%)	**(103.9)**	(84.6)	(17.5)
Number of shares in issue	(000)	**176 545**	176 545	152 797
Number of tradeable shares in issue	(000)	**168 656**	168 544	144 900
Market capitalisation	(Rm)	**858**	3 139	6 341
Price to earnings ratio	(times)	**(1.0)**	(1.2)	(5.7)
Price to net asset value ratio	(times)	**0.2**	0.2	1.1

iOCO

Sales & Advisory	iOCO Services	iOCO Technology	iOCO Digital
Go-To-Market Solutioning	Network Solutions Manage & Operate Digital Industries Knowledge Process Outsourcing	Computer Software Reseller Enterprise Applications Computer Hardware Reseller	Application Development (App Dev) Data Analysis Cloud & Security International Automation

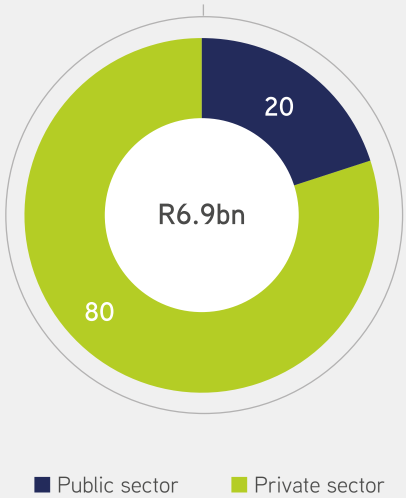
ICT business focused on traditional and cutting-edge technology system integration with a range of solutions, products and services across the ICT value chain

	FY2020	FY2019	▲
Gross revenue (R'000)	6 922 562	7 962 614	(13%)
Gross profit	1 684 352	1 641 933	3%
Gross profit (%)	24.3	20.6	3.7% pts
Normalised EBITDA	819 275	358 803	128%
Normalised EBITDA (%)	11.8	4.5	7.3% pts

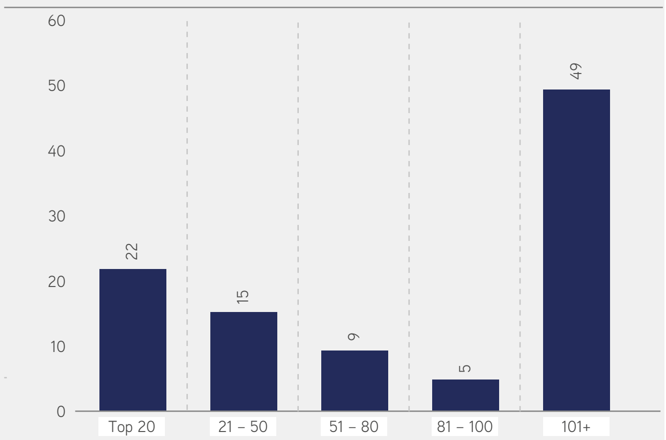
COMMENTARY

- Size of business impacted by disposal of non-core assets as part of right sizing exercise.
- iOCO remains the core business of the Group contributing 59% to total revenue and 67% to normalised EBITDA.
- The decline in revenue for the year under review was largely due to businesses disposed of in the prior year as well as the impact of the national lockdown.
- The margin improvement for the year was due to a reduction in the contribution from hardware sales as well as exiting international businesses which were underperforming.
- iOCO is strategically positioned to grow organically and benefit from the rapid digitisation brought about by COVID-19.

Public and private sector revenue split (%)



Contribution of top clients to revenue 2020 (%)



SEGMENTAL **REPORT** CONTINUED

NEXTEC

A variety of businesses focused on business process outsourcing and intelligent infrastructure at various stages of incubation for growth and scaling

Business Process Outsourcing

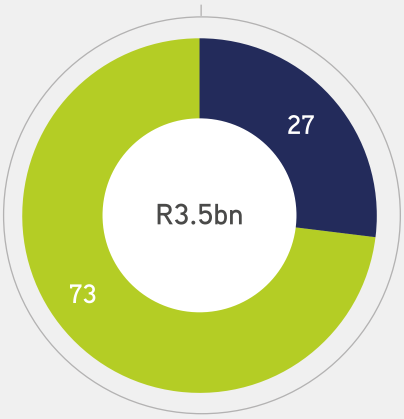
Intelligent Infrastructure Solutions

	FY2020	FY2019	▲
Gross revenue (R'000)	3 530 410	5 522 287	(36%)
Gross profit	527 266	661 197	(20%)
Gross profit (%)	14.9	12.0	2.9% pts
Normalised EBITDA	88 968	109 713	(19%)
Normalised EBITDA (%)	2.5	2.0	0.5% pts

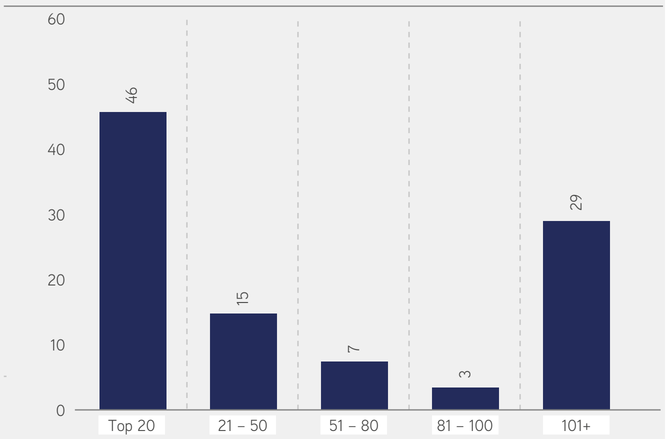
COMMENTARY

- NEXTEC contributed 30% to total revenue and 7% to Group normalised EBITDA.
- Revenue decline for the year was a result of non-core and EPC businesses being exited.
- The strong improvement in margin was due to the decision to exit underperforming business in the prior year.
- The remaining business lines are being consolidated to maximise efficiency and are now run in two main groupings, namely business process outsourcing and intelligent infrastructure solutions.

Public and private sector revenue split (%)



Contribution of top clients to revenue 2020 (%)



IP

A group of high potential IP companies with scalable technology

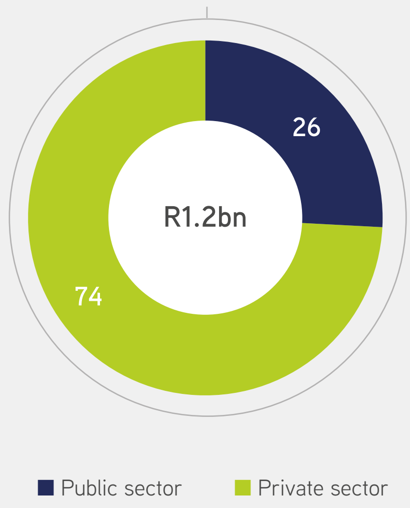
Information Services	Sybrin	Syntell

	FY2020	FY2019	▲
Gross revenue (R'000)	1 212 301	1 905 840	(36%)
Gross profit	480 722	754 125	(36%)
Gross profit (%)	39.7	39.6	0.1% pts
Normalised EBITDA	319 604	439 051	(27%)
Normalised EBITDA (%)	26.4	23.0	3.4% pts

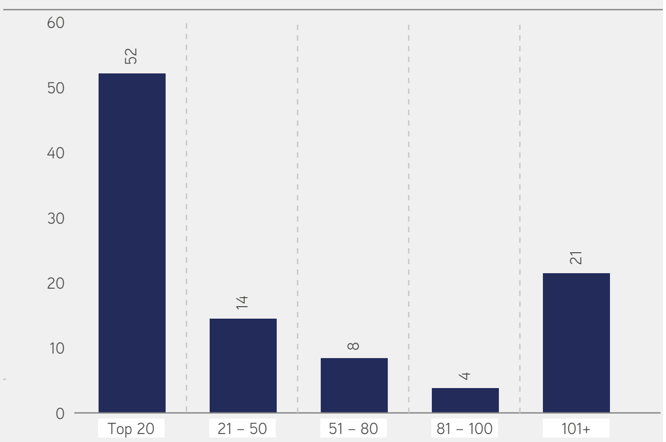
COMMENTARY

- The IP companies contributed 11% to total revenue and 26% to Group normalised EBITDA.
- The IP assets were the most impacted by COVID-19 through their B2B2C exposure in two of the companies with revenue declining 36%.
- Excluding the impact of CCS and Dataworld, which have now been sold, revenue declined 22% largely due to the national lockdown.
- The Group remains focused on its deleveraging strategy which includes the review and disposal of the IP assets at fair value.

Public and private sector revenue split (%)



Contribution of top clients to revenue 2020 (%)



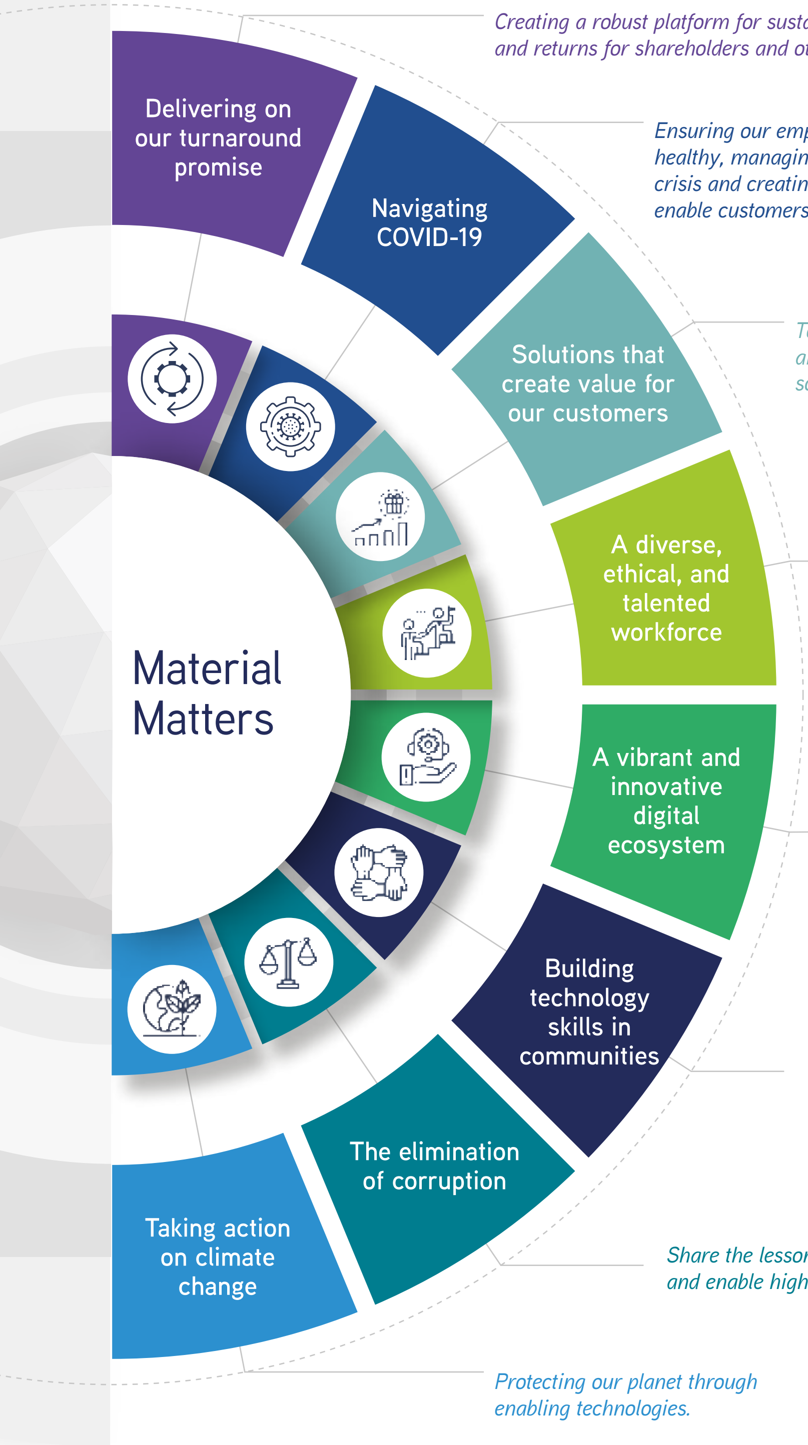
MATERIAL **MATTERS**

Our most material matters are those factors that have the greatest potential impact on our ability to create value as a business. These are the issues that most affect our long-term sustainability and the interests of our stakeholders.

Material matters are determined by assessing the financial and non-financial risks, opportunities and other factors that influence our strategy, performance, prospects and governance activities. These matters are identified and prioritised by considering information from a range of sources, including:

- **Our enterprise risk management process;**
- **Formal and informal engagements with key stakeholder groups;**
- **Discussions at business, EXCO, Board sub-committee and Board levels;**
- **Relevant guidelines, frameworks and applicable legislation; and**
- **A review of peer reporting practices and media coverage.**

This graphic summarises EOH's most material matters and provides links to where these are discussed in more detail in the report.



MATERIAL MATTER	REFERENCES
Creating a robust platform for sustainable growth and returns for shareholders and other stakeholders.	Chairman's report (page 10) Chief executive officer's report (page 16) Chief financial officer's report (page 20) Audit committee report (page 85) Asset disposals and strategic acquisitions committee report (page 94)
Ensuring our employees stay safe and healthy, managing our business through the crisis and creating innovative solutions that enable customers to adapt to a new normal.	Chairman's report (page 10) Our operating context (page 12) Chief executive officer's report (page 16) Managing our risks and opportunities (page 35) Stakeholder engagement (page 38) Solutions that create value for our customers (page 46) A diverse ethical and talented workforce (page 49)
To lead and grow innovative and sustainable technology solutions.	Chief executive officer's report (page 16) Solutions that create value for our customers (page 46)
To be a responsible employer, nurturing talent and the best people.	Chief executive officer's report (page 10) A diverse, ethical, and talented workforce (page 49) Nominations and remuneration committee report (page 82)
To nurture innovation, partnerships and growth in the digital sector.	A vibrant and innovative digital ecosystem (page 54) Stakeholder engagement report (page 38)
To invest in the digital and maths skills needed by future generations.	Building technology skills in communities (page 56) Social and ethics committee report (page 92)
Share the lessons we have learnt and enable high integrity business.	Chairman's report (page 10) Chief executive officer's report (page 16) The elimination of corruption (page 58) Governance and risk committee report (page 87)
Protecting our planet through enabling technologies.	Taking action on climate change (page 60)

CHIEF RISK OFFICER'S **REPORT**

"We have worked hard to bring on a multi-disciplinary team in the CODE function with expertise in GRC, legal, internal audit, HR and procurement. We have hired individuals with cross-functional experience so we can serve the wider organisation effectively and make a meaningful impact even with a relatively small team. We have a wealth of internal skills to assist us with building out our teams and technology wherever we can to streamline and take the friction out of day-to-day business processes."

Fatima Newman
Chief Risk Officer

EOH COMPREHENSIVE REMEDIATION DASHBOARD

Forensic analysis of risk

- ENSafrica risk assessment – 100%
- Group legal maturity assessment – 100%
- Human capital maturity assessment – 100%

Strengthened governance and risk management

- Bid governance framework – 100%
- Internal audit function, plan and charter – 100%
- Corporate governance framework – 100%
- Updated governance structures and processes – 100%

Deliver justice and mitigate damage

- Ongoing legal process – 100%
- Expose IT whistle-blowing app – 100%
- Anti-bribery programme – 100%

A sustainable and ethical futureproofing for people

- Employee Code of Conduct – 100%
- Know your client (for suppliers) – 100%
- Recruitment of key skills – 90%
- Employee ethics training and platform – 100%

Q Now that EOH has concluded the investigation into the legacy business practices, what further steps still need to be taken?

To date, EOH has instituted legal action against a number of the perpetrators identified as part of the investigation. In addition to providing information to the Hawks and the Financial Intelligence Centre (FIC), EOH has been engaging with the National Treasury and the Special Investigating Unit (SIU). An agreement has been reached between the SIU and the Company over repayment of the over-payment to EOH on the Department of Defence licence agreements.

Q EOH recently changed auditing firms. What level of review did they do on the forensic investigation and how comfortable are you with the outcome?

We ran an extensive and detailed legal review and used one of the big firms to do a further independent assessment. The review covered 161 contracts and was done on a very granular level.

Allegations were investigated by ENS using a risk based approach. These allegations were categorised according to customers and in some cases the allegations were linked to specific contracts using evidence obtained both forensically and through data that was readily available. In a number of cases the allegations were found to be unfounded and in others, there was insufficient information to conclude. EOH has discharged all of its reporting obligations in terms of PRECCA and other appropriate legislation.

PwC conducted their own intensive track and trace exercise and:
- verified the process followed;
- reviewed the evidence supporting the legal conclusions; and
- assessed the reasonability of the provisions and contingencies detailed within the financial statements for both 2019 and 2020 financial years.

I am pleased with the outcome and am confident that the process followed by EOH had adequately provisioned for any potential legal claims against EOH and in some cases our 2019 legal claims provisions were higher than the settlements ultimately agreed with relevant parties.

Q The legacy issues in the public sector business have been a key part of the clean-up of the company. Can you elaborate how you and your team have gone about implementing process to ensure the highest governance and compliance standard?

As we have previously advised, we have been closely managing and tracking the operational and financial viability of eight legacy public sector contracts that have had a negative impact on the financial performance of the business. A special task team (Project Green) was set up to ensure these projects receive the right level of executive support to allow for resolution.

We have learned many lessons from this exercise and have used the knowledge garnered to put in place robust processes that will ensure that our bidding processes going forward will be conducted in an ethical and transparent manner. We have made improvements to our know your customer (KYC) and know your supplier (KYS) processes by centralising and digitising elements of the screening process to ensure robust vetting processes are in place. We have also created a Bid Review Committee that meets weekly to review all public sector and material private sector bids. This Committee includes members from CODE and the business to ensure risks are identified and assessed and a go/no go decision is taken on the bid. We have also rolled out training to our people to help them understand the basic tenets of ethical contracting. As an added bonus, the policies and procedures that have been put in place from this process have enabled a seamless, robust and well governed transition into a remote-working digital environment.

Q How has the governance function changed over the past year?

We have worked hard to bring on a multi-disciplinary team in the CODE function with expertise in GRC, legal, internal audit, HR and procurement. We have hired individuals with cross-functional experience so we can serve the wider organisation effectively and make a meaningful impact even with a relatively small team. We have a wealth of internal skills to assist us with building out our teams and technology wherever we can to streamline and take the friction out of day-to-day business processes.

Q What role do you believe technology can play in enhancing governance and compliance?

Technology has started to play a critical role in strengthening and monitoring our control environment and the management of risks within our organisation. I believe that the use of AI and robotics to enhance data interrogation and analysis will help to identify compliance and governance related issues which will allow the GRC functions to respond rapidly.

Q How has EOH ensured compliance policy adoption within the organisation?

When it came time to roll out training, we adopted two approaches which I believe gave us a significant advantage. Firstly, we didn't try to adopt a one-size-fits-all approach. Training our Board was going to be a different proposition compared to training some of the business units. We therefore began with an analysis of our audience and worked from there. The second decision was not to rely on traditional training methods. The EOH culture is very much centred on continuous learning in a way that relies on technology. We consequently met people in that space, making use of robotics and gamification (through our Galactic Learning Management System) to craft an engaging learning platform. In the end, the result – 97% uptake of GRC training across the organisation – speaks for itself!

CHIEF RISK OFFICER'S **REPORT** CONTINUED

Q How has the organisation responded to COVID-19 from a Governance, Risk and Compliance perspective?

We have known for some time that, as a risk management function, we would need to be well prepared for a significant event such as a pandemic or the impact of climate change. I am pleased by how well we were able to organise ourselves and respond to the COVID-19 pandemic. A COVID-19 Crisis Management Team (CMT) was immediately established comprising Executive Management across the business and functional areas. The CMT team allowed us to respond quickly and deal with any challenges. A plan was developed for each level of lockdown as it related to employees, facilities, travel, essential services and permitted services. Given the speed with which we were thrust into a new way of work, we updated our remote work and leave policies, as well as provided employees with remote work playbooks to assist them with this new way of work. Fortunately we were able to rapidly introduce technologies that allowed us to implement screening measures at all our facilities as well as manage capacity to ensure appropriate social distancing.

Furthermore, in the first month of the national lockdown, special lockdown leave was implemented in order to not prejudice our people. Special COVID-19 leave for family responsibility was also made available. EOH ran two separate surveys over this period to assess employee wellness and challenges faced by our people. Employee engagement took place weekly in the form of town halls to discuss and share insight into the pandemic and the Company response to it. Wellness Wednesday was instituted and to date over 3 500 employees have participated.

Q There has been a rise in cyber-attacks over the past few months as we have seen more and more reports on companies that have experienced security incidents, how are you dealing with this threat within EOH?

As a company with so many subsidiaries, we need to ensure that cyber-security solutions around risk and people structures are in place. We have made some progress in this area as set out below but there is still more to be done.

- EOH Group IT sets the security standards, controls and governance framework in place for the entire Group and ensures that they are consistently applied across all business entities. Each BU/subsidiary head is then accountable for the adherence to governance and compliance to the security controls and standards. Information asset owners are identified in each business unit that works with Group IT to implement the set controls and standards.
- Furthermore, we stress the importance of the role that each employee plays in the protection of our information assets. Our employees are the first line of our defence. We thus emphasise employee training and education using our Learning Management Systems. With the Protection of Personal Information Act (POPIA), employee education is also massively important – the best way to educate staff on POPIA is to educate them on their own rights under the Act, this in turn helps them understand the Company's obligation under these regulations.
- EOH is also currently in the process of rearchitecting our network environment to modernise it and cater for a new way of work for our employees to work from anywhere at any time. The plan is to move towards a Zero Trust architecture. The purpose of a Zero Trust architecture is to address lateral threat movement within a network by leveraging micro-segmentation and granular perimeters enforcement, based on data, user and location. This is also known as the "never trust, always verify" principle, determining Zero Trust.

Q What are your focus areas for the 2021 financial year with regards to GRC within EOH?

We will be focusing on our Governance, Risk and Compliance (GRC) technologies over the next year, especially as it relates to risk management and the automation of data analysis in order to identify and quantify risks facing the organisation. This will allow for an expedited remediation process.

We will continue to focus on our regulatory control universe and enhance our engagement with key stakeholders in preparation for new regulations. Embedding a robust Group-wide policy framework and ensuring that the Group is POPIA compliant by 30 June 2021 remains a priority. Finally, we aim to use systems and technology to enhance legal processes and frameworks and are also targeting a reduction in legal costs and litigious cases.

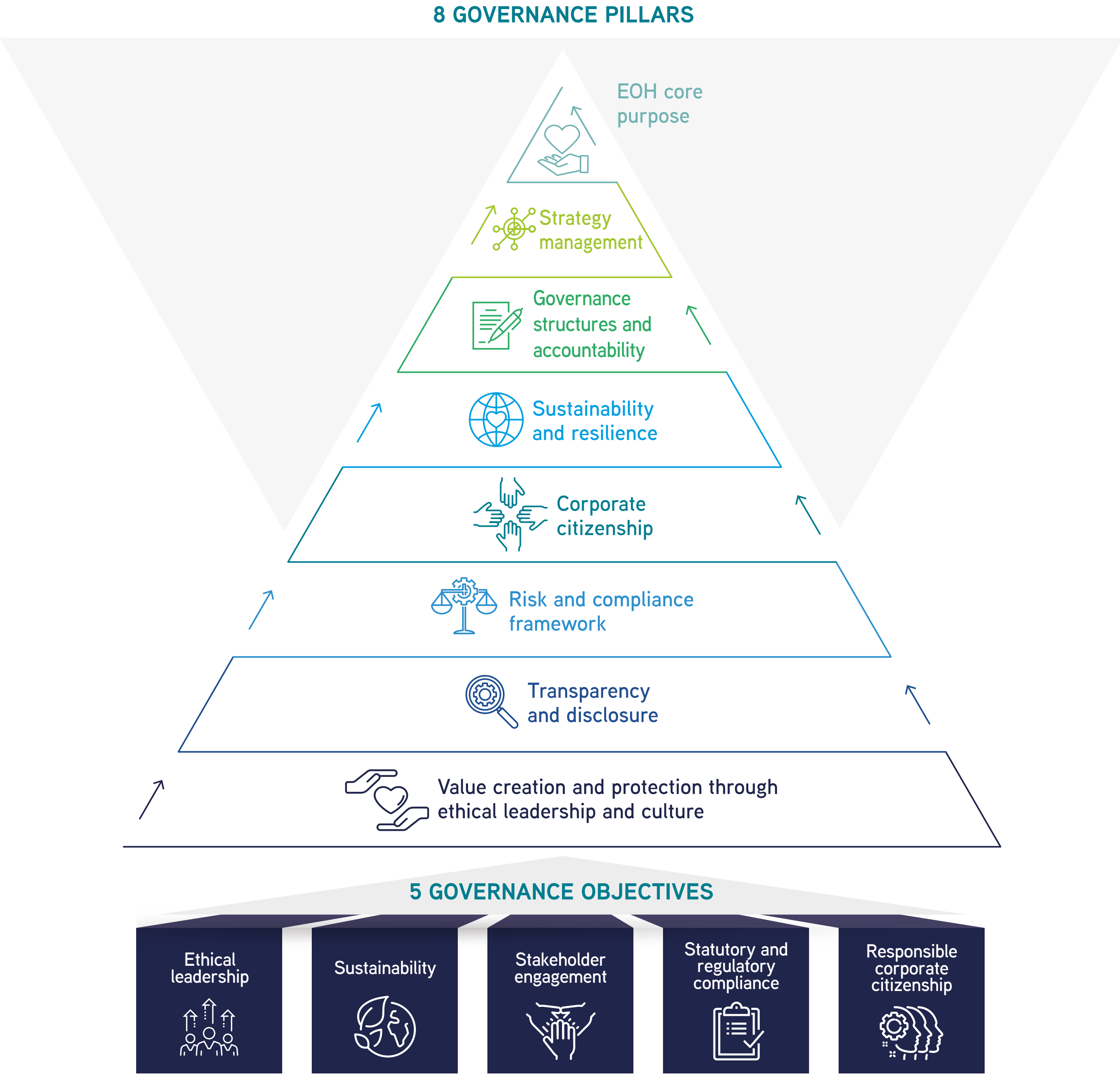
I must add that seeing our CEO, Stephen Van Coller and Steven Powell, who led the ENSAfrica forensic investigation, testify before the Zondo Commission was a proud and poignant moment. It gave me comfort that the thorough and lengthy investigation and legal processes that we have followed to this point, are clearly yielding results.

As a business, we have come full circle as the law enforcement agencies can now take over and we can close this chapter. We can now focus on doing what we are in business to do: provide globally competitive technology services and innovations – ethically and with integrity.

Fatima Newman
Chief Risk Officer

EOH GOVERNANCE **FRAMEWORK**

The EOH governance framework arises from the fiduciary obligations and responsibilities of directors as defined by the Companies Act and King IV best practice principles of oversight and control. It is based on the accountability and line of authority and is applicable to all businesses in the Group to ensure the governance objectives are met. The seven pillars of EOH's governance framework represent the key processes or mechanisms applied to effectively uphold, sustain, defend and enforce the ethical values of good governance throughout the Company.



Code Framework for Governance

The EOH Framework is represented as a pyramid, with eight governance pillars supported by five governance objectives. Each pillar has supporting elements.

EOH GOVERNANCE **FRAMEWORK** CONTINUED

OUR APPROACH TO GOVERNANCE

EOH is committed to the highest standards of business integrity, ethics and professionalism. The Board and executive management, in setting the tone from the top, are committed to the principles of good governance, striving to be an ethical, relevant force for good and to play a positive role in society.

DEFINITION OF GOVERNANCE

We define corporate governance as exercising ethical and effective leadership to direct and manage effective governance and standards of accountability and transparency within the Company. Good governance is implemented through a best practice governance framework that aligns to the principles of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV), as well as the governance requirements of the JSE Listings Requirements and the Companies Act. The governance framework provides an integrated approach to connect critical factors that affect EOH's ability to create and protect value for all stakeholders in a sustainable way.

GOVERNANCE STRUCTURE

The EOH governance structure arises from the fiduciary obligations and responsibilities of directors as defined by the Companies Act and King IV best practice principles of oversight and control. It is based on the accountability line of authority and is applicable to all businesses in the Group to ensure the governance objectives are met.

GOVERNANCE OBJECTIVES

The EOH governance objectives stem from the Board Charter and Board committee terms of reference and align with the EOH purpose, philosophies and values.

1. Ethical leadership and culture
2. Sustainability and growth
3. Stakeholder engagement
4. Statutory and regulatory compliance
5. Responsible corporate citizenship

We have branded our programme to deliver the governance objectives as CODE. Delivery of this programme to embed governance will be a major focus throughout 2020, focused on building the functional capabilities needed to futureproof EOH.

GOVERNANCE PILLARS

The seven pillars of EOH's governance framework represent the key processes or mechanisms applied to effectively uphold, sustain, defend and enforce the ethical values of good governance throughout the Company. Each of the seven governance pillars has defined critical value elements. These value elements are the key building blocks that ensure that the Group's objectives of good governance are implemented and continuously pursued.

1. Ethical leadership and culture
2. Transparency and disclosure
3. Risk and compliance framework
4. Corporate citizenship framework
5. Sustainability and resilience
6. Governance structures and accountability
7. Strategy management

The governance pillars are inherently aligned to our philosophies and our purpose.

RISK **OVERVIEW**

EOH's enterprise risk management approach has continued to evolve over the last year after its establishment in 2019. There has been comprehensive work to develop and enhance risk identification, assessment and control procedures during the year.

The CODE team, which is a multidisciplinary team of GRC specialists, reports into the CRO risks facing the company and where appropriate monitors the mitigation actions to ensure risks are reduced to an acceptable level. A Group Risk Committee (Group Risk Co) has been established that is Chaired by the CRO. The Group Risk Co meets monthly, and is comprised of the Executive Committee members, additional ad-hoc meetings are also held if required. The main responsibility of the Group Risk Committee is to:

- Review the Top Risks facing the company and mitigation actions to reduce the risks
- Oversee projects/structures in place designed to identify and reduce risk, such as the Compliance and Ethical Programmes, and the Bid Assurance function.

EMBEDDING RISK MANAGEMENT

Work still needs to be done to manage risk in an integrated way, and with a common language. This will necessitate enablement of a more collaborative organisational culture, that is motivated to candidly assess the status of risk and to nurture opportunity. The foundation laid in the latter part of this year will support a culture of good governance, as well as ethical and courageous leadership within EOH, presenting a critical opportunity to drive our business forward.

The following projects were executed on during 2020:

- Implementation of a bid assurance office with a bid risk management tool
- Engagement with lines of business through dedicated CODE team risk liaisons, resulting in improved risk identification and management
- Ongoing improvements in business resilience due to COVID-19 pandemic

The following areas will serve as focus areas for the following year:

- Implementation of a real time risk assurance system,
- Risk awareness campaigns and training through the organisation
- Reassessment of principle risks in line with the new revisited Group Strategy
- Embedment of the risk management process

RISK **OVERVIEW** CONTINUED

MANAGING OUR RISKS AND OPPORTUNITIES

Our top risks

The risks tabulated below are the top risks for the EOH Group as at the end of October 2020, ranked from the highest to the lowest, in order of magnitude. Risks identified here are currently under management with the Governance and Risk Committee which is accountable for providing oversight of the actions being managed at executive level.

Risks are being managed within the context of the new risk and compliance framework, which forms part of the EOH corporate governance framework. This framework includes control, management compliance and integrated assurance, aligned to our five philosophies, and is designed to drive our strategic objectives and future value creation for all our stakeholders.

Risk	Description, mitigation (policies, processes and systems) and leadership accountability	
Macroeconomic conditions and COVID-19	**Definition:** Volatile macroeconomic conditions may weaken enterprise spending effecting ability to achieve growth and revenue targets.	**Mitigation:** Implementation of cost-saving programs, including salary reductions across the organisation over the four-month period between April and July 2020. Bottom up extensive budget and forecast process undertaken with ongoing tracking to determine effects on the business. Providing creative solutions to our customers both in terms of digitising their business and being able to customise their requirements during the period.
Cyber threat	**Definition:** An external cyber-attack could result in service interruption or the breach of confidential data. This could negatively impact our revenue and reputation.	**Mitigation:** Perform ongoing assessments of the risk environment and deploy security programs to mitigate any risks identified.
Business information systems	**Definition:** Major failure of EOH internal business information systems due to the lack of an integrated system with an overarching governance framework, continuity management and disaster recovery for key applications would disrupt business operations.	**Mitigation:** To investigate the mobilisation of an EOH Group business information system to ensure control, oversight and sustainable continuity of business operations and improved decision making.
Credit risk	**Definition:** The lack of a robust credit management policy and oversight may result in excessive and unmanaged credit being given to customers, exposing EOH to an inability to collect on debt.	**Mitigation:** Credit committee (executive structure) formed to manage credit risk.
Liquidity	**Definition:** Liquidity constraints could be faced due to the gearing of the Balance Sheet and problematic legacy contracts not being closed out expeditiously.	**Mitigation:** Deleverage of Balance Sheet through the sale of non-core assets. Task teams formed to manage legacy projects. Focus on cash generative businesses.

Risk	Description, mitigation (policies, processes and systems) and leadership accountability	
Regulatory compliance, including data privacy	**Definition:** Failure to meet regulatory requirements such as B-BBEE, tax liabilities relating to statutory employment, and emerging and evolving data privacy requirements would incur cost and reputational damage.	**Mitigation:** To galvanise the drive for regulatory and statutory compliance, ensuring high calibre executives are in place to drive forward EOH compliance across the Group, supported by integrated technology systems to enable transparency and oversight.
Legal and litigation	**Definition:** The ongoing legal and forensic examination of wrongdoing could consume ongoing resources and executive bandwidth, yielding further financial claims requiring justice, remediation and restitution.	**Mitigation:** Ensure that legal resources are budgeted and in place to assure a fair process for justice and for restitution for stakeholders that have been wronged.
Human capital and talent	**Definition:** The evaluation of human capital and talent capabilities could reveal the need for ongoing recruitment of talent, professionalised human capital management processes, and a requirement to motivate for the retention of staff demoralised by restructuring.	**Mitigation:** To ensure a focused approach to investing in an integrated and best practice human capital management capability and Group HR Officer to lead the full employee lifecycle, investing the recruitment of top class professional skills and staff motivation.
Enterprise performance management	**Definition:** The lack of integrated, consistent and best practice enterprise performance management to assure the quality of EOH project execution and performance could result in a lack of visibility where there are distressed projects that could fail, causing damage.	**Mitigation:** To drive forward an enterprise performance management process with transparently monitored key performance measures, aligned to the EOH strategic objectives.

During the 2020 year we made significant progress to mitigate risks noted in 2019 to an acceptable level. We have included a summary of the mitigation measures implemented below to show how these risks are currently being managed.

Unethical tendering practices	**Definition:** Future tenders could replicate the errors of the past resulting in contracts that are corrupt and do not create value for customers if an ethical Code of Conduct and governance framework is not in place to ensure good business practice.	**Mitigation measures implemented:** A bid assurance function has been set up under the Chief Risk Officer, part of the bid assurance function is for high risk bids to be looked at by the Bid Review Committee (BRC) that is composed of senior executives from the business as well as a representative from Corporate Legal, Risk and Compliance. During the year the process was also digitised into the iBOT tool which allows for risk rating and work flow automation of bids. Enhancements to the Control Room which conduct extensive "know you client" analysis has been incorporated into the process.
Inadequate governance framework and capability	**Definition:** Inadequate governance practices, ineffective business processes, corporate control, reporting and poor quality of information could result in poor decision making, compromised value creation, and business performance problems.	**Mitigation measures implemented:** The EOH Governance framework has been rolled out across the organisation, with significant progress being made in areas of Governance and Ethical behaviours policy and training.
Strategy and organisation redesign	**Definition:** The ongoing business restructuring will drive rapid cultural change that places pressure on the independent and entrepreneurial organisations within the Group, presenting operational challenges due to the complexity of integration.	**Mitigation measures implemented:** A robust strategy initiative was undertaken during 2020, to clearly outline the five-year strategy for EOH.

STAKEHOLDER **ENGAGEMENT**

STAKEHOLDER ENGAGEMENT

EOH recognises the importance of proactive engagement with our key stakeholders and is committed to robust, consistent and transparent engagement. We define our stakeholders as those groups and individuals that are affected by our actions, whether directly or indirectly, and who affect the activities of the Group. Improving our understanding of their legitimate needs, interests and expectations provides input into how we approach our business activities, identifies risks and opportunities, and helps us to adapt to social, technological and regulatory changes.

Stakeholder engagement is one of our five governance objectives, which stem from the Board Charter and Board committee terms of reference and align with the EOH purpose, philosophies and values.

RESPONSIBILITY FOR STAKEHOLDER ENGAGEMENT

Stakeholder engagement in the Group is overseen by the Social and Ethics Committee and material engagements are reported to the Board at each meeting. Interactions with stakeholders take place on both a formal and informal basis, are ongoing and conducted by the functions directly aligned with the stakeholder group. For example, employee engagements are mainly coordinated by the human resources department and engagements with clients include technical and operational staff.

EOH'S APPROACH TO STAKEHOLDER ENGAGEMENT

In the context of sustained value creation for all its stakeholders, EOH's engagement with its stakeholders includes:

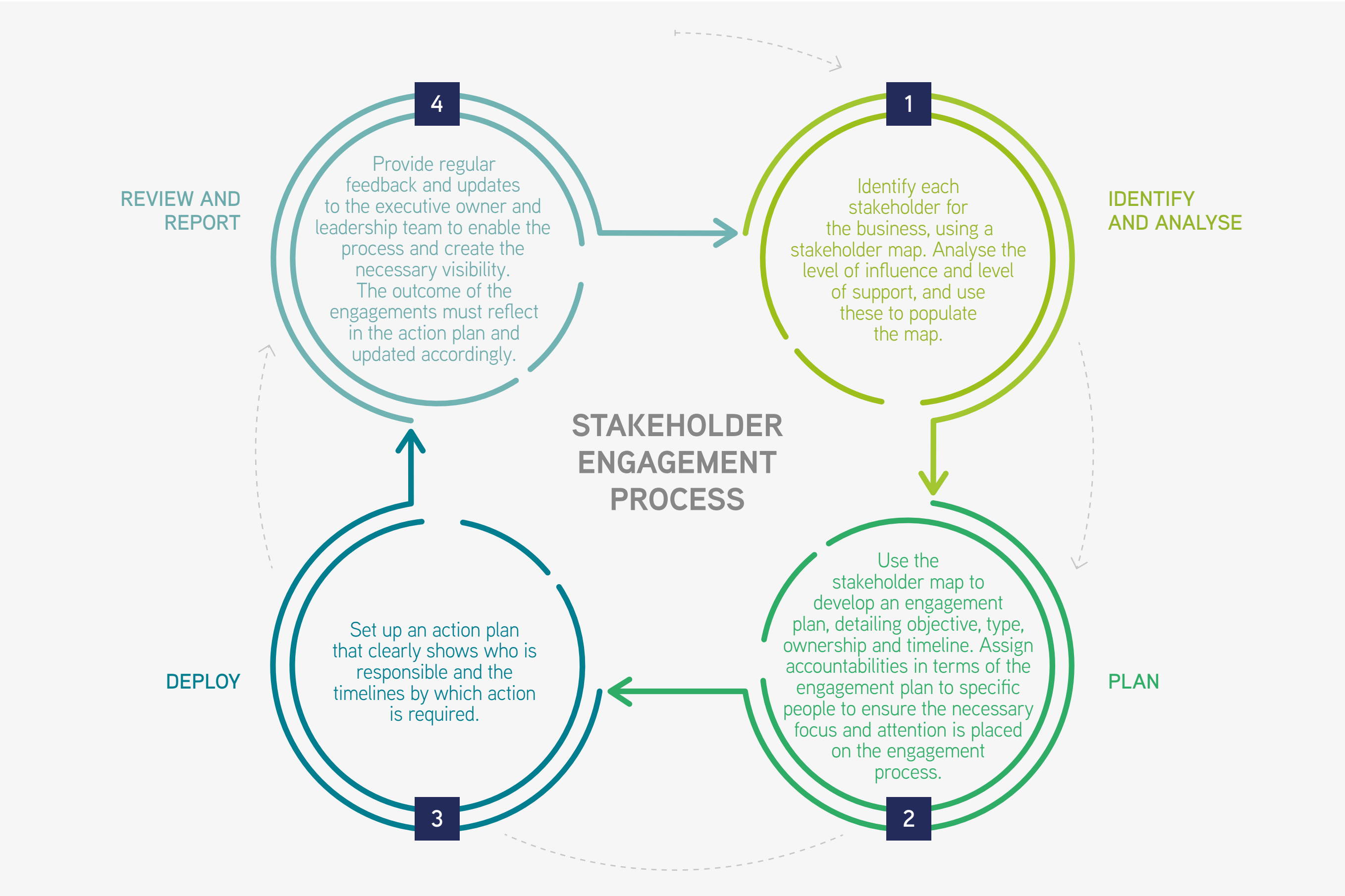
An inclusive approach: consultation with stakeholders in developing and achieving an accountable and strategic response to sustainability.

Materiality: determining the relevance and significance of issues to both the Group and its stakeholders. The materiality of issues concerns the legitimate interests and expectations of stakeholders in the context of the legal and strategic considerations of the business.

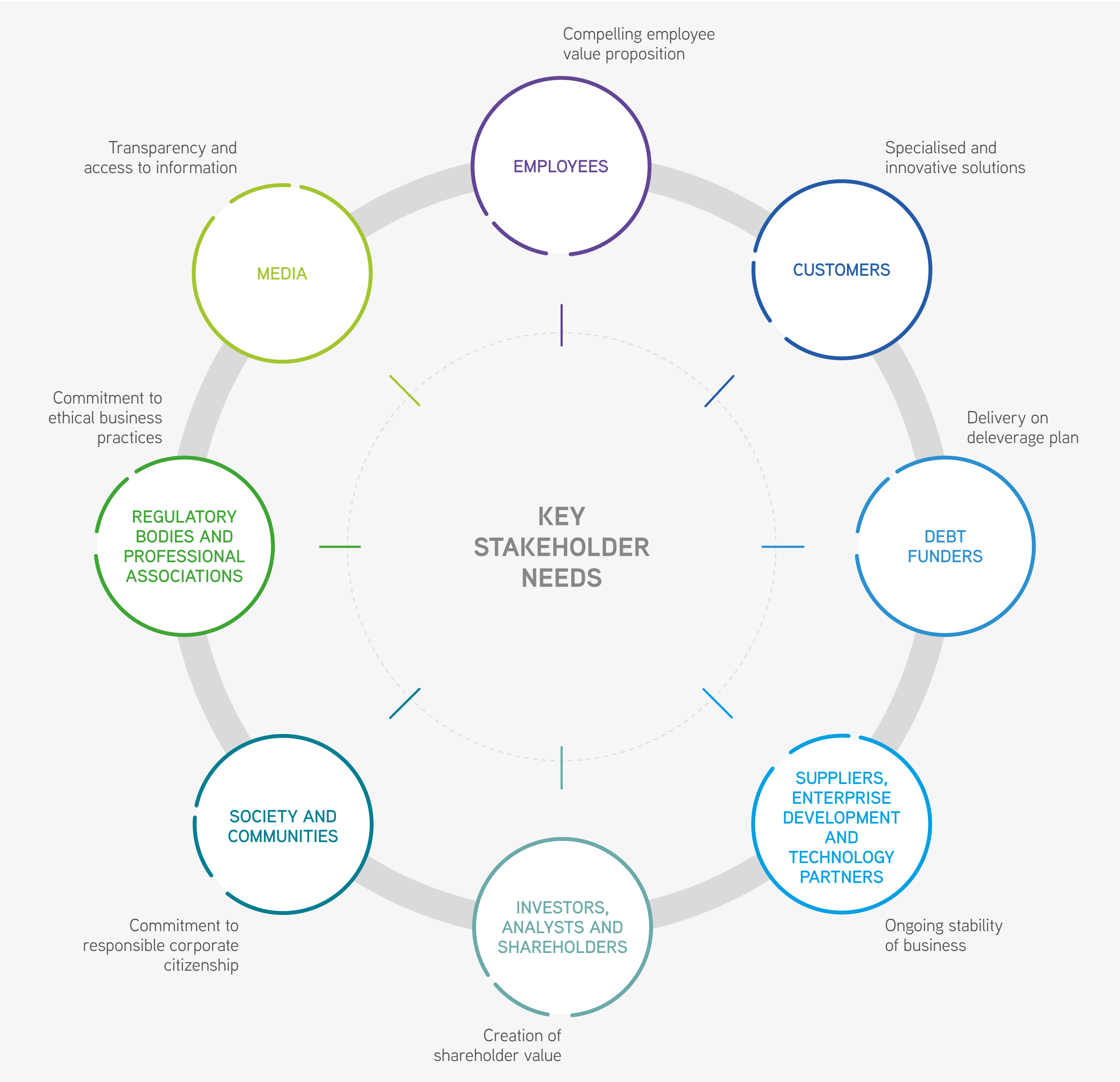
Responding appropriately to stakeholder issues through decisions, actions and performance, and communication.

Through ongoing and appropriate stakeholder engagements, EOH strives to inform, in an appropriate and timely manner, stakeholders of the implications and impacts of its activities in a fair and transparent manner. Also, to ensure that any disputes are resolved as effectively, efficiency and as expeditiously as possible.

STAKEHOLDER ENGAGEMENT PROCESS



KEY STAKEHOLDER NEEDS



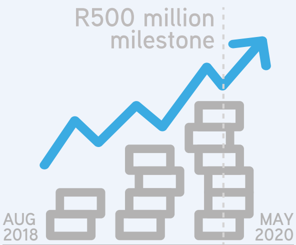
OUR FOCUS IN THE YEAR AHEAD INCLUDES ONGOING TRANSPARENT COMMUNICATION AND ENGAGEMENT WITH ALL STAKEHOLDERS ON:

- Our response to COVID-19 to ensure business continuity
- Execution on our strategy
- Roll-out of our recently launched employee value proposition
- Instituting civil proceedings against individuals and businesses that were the perpetrators and benefactors of irregular and/or criminal conduct
- Progress made towards reducing leverage
- Supporting customers on their digital transformation journeys through COVID-19 and beyond

STAKEHOLDER **ENGAGEMENT** CONTINUED

SIGNIFICANT ENGAGEMENTS DURING THE YEAR INCLUDE:

EOH continues to engage with our debt funders on an ongoing basis as part of our deleveraging strategy and focus on liquidity. Since August 2018, the Group has paid back **R1.8 billion to lenders and in May 2020 paid R540 million in capital,** exceeding the R500 million milestone scheduled for August 2020.

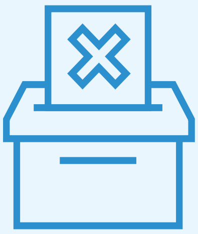


R540 million
CASH PAID BACK

EOH contributed and responded to the call from Government, facilitated through industry associations, for input on how the economy and specifically the ICT industry could assist with and prepare for the many consequences of COVID-19 and the resultant lockdown.

EOH used its resources to create the Solidarity Fund website pro bono and to assist in other initiatives aimed at assisting society at large to survive the many consequences of the pandemic and lockdown.

At EOH's annual general meeting in December 2019, **65% of shareholders present and eligible to vote voted against resolutions representing non-binding endorsement of EOH's remuneration policy and implementation report.**

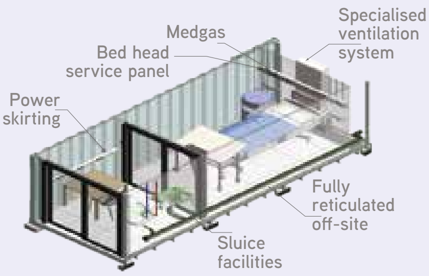


In line with the recommendations of King IV, the Remuneration Committee engaged with shareholders to ascertain the reasons for the dissenting votes and, as discussed in more detail on page 69, the remuneration policy and implementation report have been amended.

We adopted a structured approach to communication and engagement with clients on **governance remediation through Project FreeTrade through which we have successfully concluded all due diligence reviews with all major clients and have been cleared to continue doing business.** Business as usual trade continued with an overwhelming majority of major clients, with no notable contracts or business being cancelled and all major clients re-opening full trading relationships based on our remedial actions and progress.

The development and deployment of **EOH's ICUlate containerised ICU and isolation ward solution** involved extensive engagement with provincial government departments, private hospitals, dental clinics and the government of Lesotho.

With healthcare systems under pressure as a result of rising infection rates due to COVID-19, this solution is ideally placed to ease that burden.



COVID-19

The shift to remote work and the implementation of pay cuts across the Group necessitated

This included weekly electronic meetings with the CEO, regular email communications, two surveys, a remote work playbook and weekly wellness interventions.

OUR INTERNAL ASSESSMENT OF THE QUALITY OF OUR RELATIONSHIPS

The section that follows shows EOH's key stakeholder groups, how we engage with them, their primary concerns during the period and how we address those concerns.

Poor	Fair	Strong
Existing relationship, however more engagement required to improve quality	Positive relationship with room for improvement	Strong, mutually beneficial relationship

EMPLOYEES

Our employees are critical stakeholders that support the Group's ability to create value by developing and delivering our products and services to our customers.

Quality of relationship: Poor **Fair** Strong

Key concerns include:
- Fair remuneration
- Health and safety during COVID-19
- Concern about reputational damage
- Questions relating to restructuring
- Fear of unfair reprisal or job loss
- Professional and personal development
- Career growth
- Empowerment

We address these concerns through:
- Providing a compelling employee value proposition
- Implementation of Group-wide standardised HR processes
- Greater transparency on people-related matters
- A focus on wellness, talent and retention
- Ongoing assurance of fair remuneration
- Proactive career and performance management
- Opportunities through corporatisation

Engagement channels:
- *Weekly staff engagements led by the CEO*
- *Regular HR email communications*
- *Surveys, polls, consultations*
- *Employment equity forums*
- *Intranet*
- *People and culture Imbizo*
- *Mighty Networks*

CUSTOMERS

We sell our technology solutions to customers in a range of industries in the private and public sectors. Strong relationships with customers ensures the profitability and sustainability of our business.

Quality of relationship: Poor **Fair** Strong

Key concerns include:
- Concern about reputational issues
- Questions about name change following launch of iOCO brand
- Assurance of ethical service and operations
- Continuity of service delivery
- Ongoing demand for ICT innovation
- Support to work remotely during COVID-19

We address these concerns through:
- Engagement plans to ensure transparent and consistent communications
- Letter from ENSafrica assuring due diligence
- Remedial programme (Project FreeTrade)
- Nurturing ongoing relationships
- Quality assurance and certification programme
- Articulation of industry specific solutions
- Launch of iOCO brand supported by a strong digital presence and continuous engagements with customers
- Engaging customers on the transition to remote services and other digital solutions during COVID-19
- Bringing over 70 COVID-19 solutions to market

Engagement channels:
- *Personal communication from leadership*
- *Strategic and key account executives*
- *Customer engagement forums and events*
- *Customer service desks and support solutions*

STAKEHOLDER **ENGAGEMENT** CONTINUED

DEBT FUNDERS

Debt funders provide financial capital to fund the Group's activities. Given the high levels of leverage in the Group, the deleverage strategy has been a key focus area as the Group seeks to reduce debt funding to acceptable parameters.

Quality of relationship: Poor | Fair | **Strong**

Key concerns include:
- Consistency of messaging and story
- Effectiveness of the current strategy
- Group financial position and performance
- Compliance with commitments under loan agreements
- Complexity and volume of legal requirements

We address these concerns through:
- Ongoing restructuring to leverage value
- Delivery on deleverage strategy ahead of schedule
- Transparent financial status reporting
- Independent assurance of future proofing
- Communication of capability building status

Engagement channels:
- *All public sources of communication (SENS, website, client and staff comms)*
- *Monthly reporting forums*
- *Ad hoc lender meetings*
- *Facility agent*
- *Lenders technical advisor*
- *Legal counsel engagements*
- *Bilateral discussions*

SUPPLIERS, ENTERPRISE DEVELOPMENT AND TECHNOLOGY PARTNERS

Suppliers, enterprise development and technology partners support the services and products we supply to our customers and ensuring good relationships with these stakeholders secures our ability to create value.

Quality of relationship: Poor | Fair | **Strong**

Key concerns include:
- Potential reputational impact from partnering with EOH
- A lack of competitive bid process for suppliers to participate in opportunities within the EOH supply chain
- Unclear alignment within EOH businesses and multiple points of entry can create an inconsistent experience
- Lack of a clear policy or approach to Enterprise and Supplier Development (ESD)
- COVID-19 has affected the security and sustainability of the supply chain

We address these concerns through:
- Regular personal communication from leadership
- Letter from ENSafrica assuring due diligence
- Meetings with CEO and senior leadership
- Supplier and partnership agreements
- Roll out of a revised procurement policy that aligns with the Competition Act and other relevant regulations
- The restructuring exercise aligned to new Group strategy will create a simplified organisational structure with clear lines of engagement
- Central onboarding process and portal for supplier vetting and onboarding
- Development of a new ESD strategy and framework is in progress
- Initiatives are in place to standardise and stabilise the elements of the supply chain affected by COVID-19, driven through the internal IT teams and supported by legal and procurement
- Ongoing re-baselining of sales targets for the resale of OEM products

Engagement channels:
- *Direct interactions with senior executives*
- *Public and private sector tenders*
- *Technology roadshows and conferences*
- *Business development service providers*
- *Existing supplier and technology partner relationships and engagement forums*
- *Webex, online portals etc.*

INVESTORS, ANALYSTS AND SHAREHOLDERS

Investors and shareholders provide financial capital in the form of equity to fund the Group's activities and in return they expect a return on their investment. Analysts provide an opinion on the Group's prospects and can influence the attitudes of investors and shareholders towards the Group.

Quality of relationship: Poor | **Fair** | Strong

Key concerns include:

- Deleverage strategy
- Ongoing sustainability of the business post-restructure
- Ability to navigate the current and lingering impacts of COVID-19
- Remuneration policy
- Key man risk

We address these concerns through:

- Regular, transparent communication of results
- Independent assurance of progress
- Demonstrating good progress in the deleverage strategy
- Review of the business unit strategies and presentation to the investor community to enable the market to have a clearer view of the direction of the business and how it aims to achieve its growth plans
- Cost saving initiatives were put in place at the beginning of the national lockdown to streamline costs when clients were under immense pressure. There is an ongoing focus on removing unnecessary costs and ensuring cost structures are as flexible as possible thereby reducing fixed costs
- Updated and revised remuneration policy
- Commitment from senior executives to completing the turnaround communicated in various forums

Engagement channels:

- *Email queries*
- *Investor roadshows and one-on-one meetings*
- *JSE SENS announcements*
- *Investor conferences*
- *Annual General Meeting interactions*
- *Public relations media communications*
- *Annual Integrated Report*
- *Corporate website*

SOCIETY AND COMMUNITIES

EOH's investments in socioeconomic development projects promotes development in communities and society, and is a fundamental component of our sustainable business strategy. It guides the Group in fostering and maintaining a true transformative culture with respect to B-BBEE, transformation and corporate governance.

Quality of relationship: Poor | Fair | **Strong**

Key concerns include:

- Action to repair reputational issues
- Ongoing transformation and diversity
- Responsible corporate citizenship
- Commitment to ethical business
- Leadership of digital innovation
- Demand for job opportunities and growth

We address these concerns through:

- EOH Sustainability Strategy and Plan
- Internships
- Action to develop technology skills
- Contribution to community projects
- Enterprise development programmes
- EOH Courageous Leadership Series

Engagement channels:

- *Media releases*
- *Ongoing engagements with project coordinators*

STAKEHOLDER **ENGAGEMENT** CONTINUED

REGULATORY BODIES AND PROFESSIONAL ASSOCIATIONS

Government regulates business and a poor relationship with regulators can lead to the loss of our licence to operate. Industry bodies such as Business Unity South Africa ("BUSA"), Business Leadership South Africa ("BLSA") and The South African Institute of Chartered Accountants ("SAICA") provide opportunities for the sharing of good practice and provide a unified channel for communicating business's requirements to government.

Quality of relationship: Poor **Fair** Strong

Key concerns include:
- COVID-19 Regulations and the impact of the pandemic on the ICT industry
- Public Procurement Bill/Public Financial Management Amendment Bill
- Broad-Based Black Economic Empowerment Legislation
- Update and close off on the ENSafrica forensic investigation and related matters

We address these concerns through:
- EOH collaborated with Government and industry bodies to support the coordinated response to COVID-19
- Ongoing engagement with lawmakers via professional associations regarding the drafting of new legislation to improve governance and prevent fraud and corruption in the country. We also contributed to the research being conducted on the impact of the current B-BBEE legislation
- EOH continues to engage with the relevant regulatory and law enforcement bodies for the purposes of remediating the findings that came out of the ENSafrica forensic investigation and related matters
- Statutory and regulatory compliance
- Collaboration with professional associations

Engagement channels:
- *Direct engagements with regulators in accordance with their requirements*
- *Professional engagements include ad hoc meetings such as task teams, workshops, industry-specific forums, surveys and written feedback on proposals and draft legislation*

MEDIA

Media coverage of the Group can have a material impact on our reputation and also represents an important information channel for our broader stakeholder base.

Quality of relationship: Poor **Fair** Strong

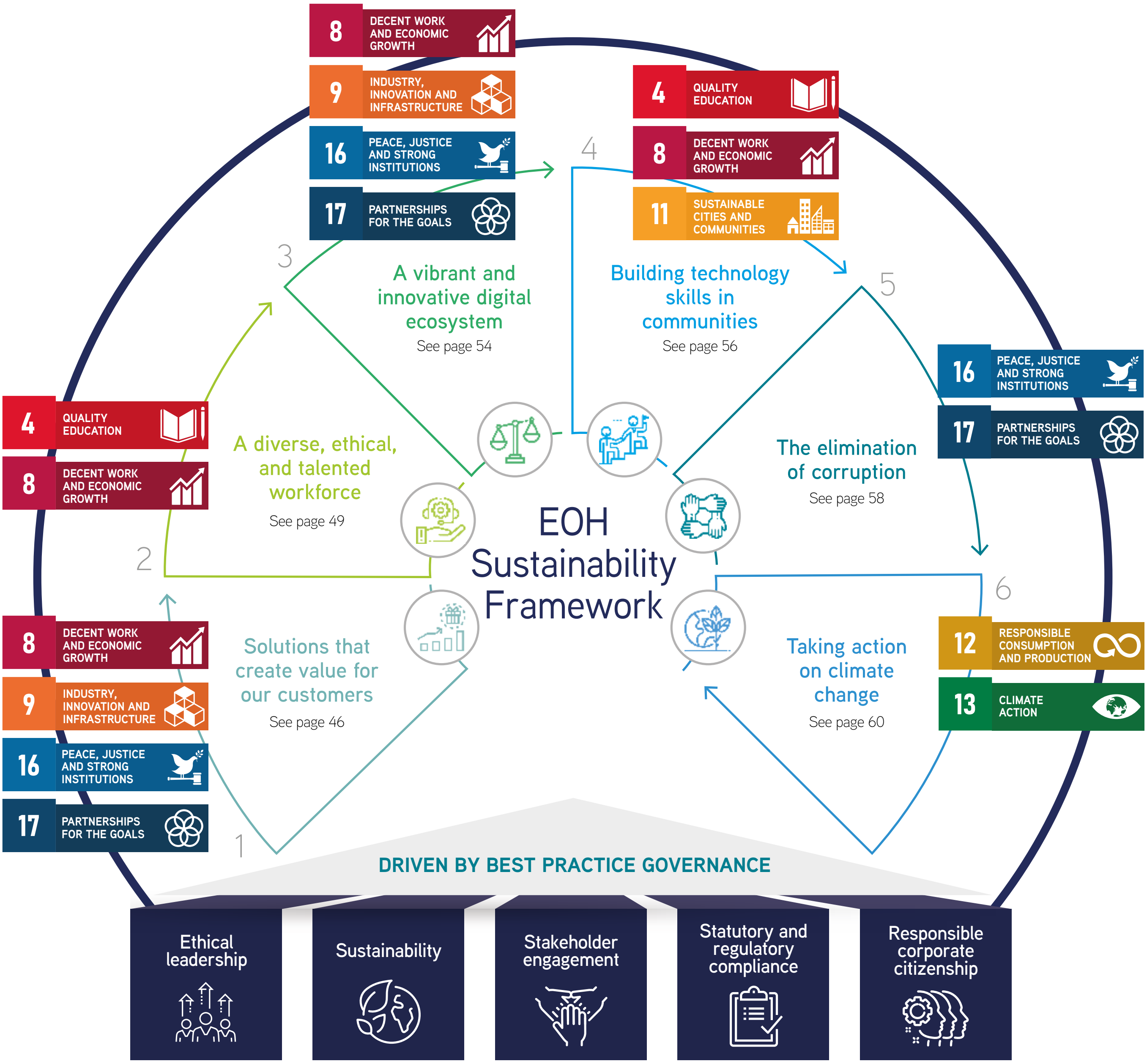
Key media areas of interest include:
- New product solutions developed and launched
- Governance and reputation
- Strategy and performance

We address these interests through:
- Regular engagement with journalists by senior executives across EOH and iOCO to build an understanding of the business and its offerings. We actively drive product-related publicity campaigns with key trade media and our solutions are showcased on the EOH and iOCO websites
- Senior executives frequently engage journalists on governance milestones and respond timeously to requests for information, taking care to ensure understanding of issues and how we have tackled them
- Journalists are updated on strategy and performance through interviews, SENS announcements and press releases. All presentations are loaded on the EOH websites to ensure access to relevant information to all stakeholders
- Shaping public discourse with op-eds and through leadership articles by executives

Engagement channels:
- *Interviews*
- *Media releases*
- *Editorials*
- *SENS announcements*
- *Corporate website*

SUSTAINABILITY **REPORT**

The EOH Sustainability Framework provides a structure that will enable the delivery of sustainable value creation and grow our identity as a force for good for multiple stakeholders.



OUR SUSTAINABILITY JOURNEY

In 2019, EOH actively engaged with and set our commitment to embedding sustainability into our business in line with the requirements of King IV. We also aligned with the 10 principles of the United Nations Global Compact and identified and prioritised the eight Sustainable Development Goals (SDGs) that are directly linked to our offering and operations.

During 2020 we actively evaluated our value chain to create the level of awareness needed to prepare and enhance it for EOH 2.0, which is committed to Solving for our clients, company and communities. In 2021, we plan to create an ESG system to assess the materiality of the indirect benefits and value created by EOH for multiple stakeholders through our interaction with clients, suppliers, society, the environment, existing and emerging markets.

OUR **SIX SUSTAINABILITY THEMES**

1

SUSTAINABILITY THEME
Solutions that create value for our customers

To lead and grow innovative and sustainable technology solutions

Our restructured business model is poised to enable unprecedented value for our customers. Our business sustainability relies on our ability to consolidate and deliver value for our customers, offering world-class technology services.

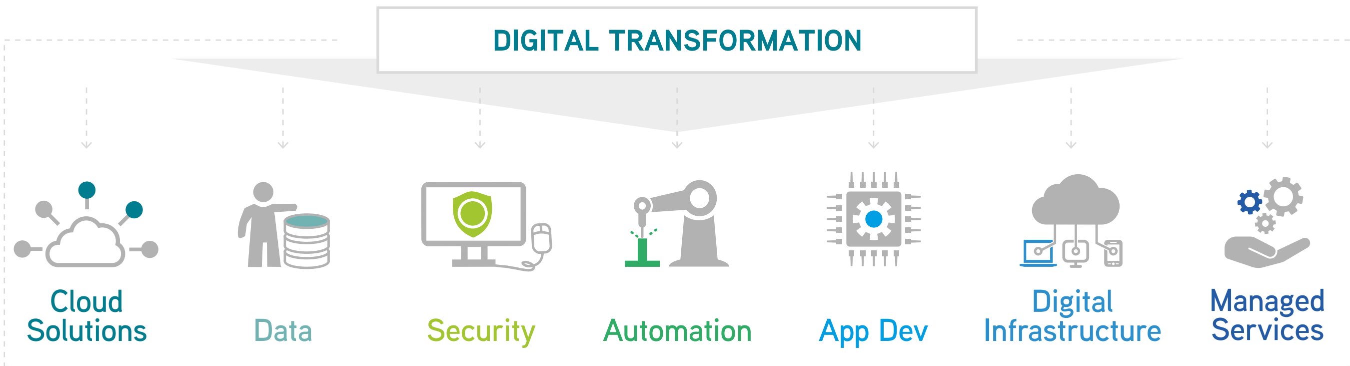
- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
- 17 PARTNERSHIPS FOR THE GOALS

Taking responsibility for getting the solution right first time, being a partner for life	Excellence in project execution, continuously evolving a modern world of work	Stimulate economic growth by encouraging entrepreneurialism and creating shareholder value	Nurturing a more sustainable world through technologies that are relevant to our future

Our business model aligns with our purpose to SOLVE, delivering solutions that unlock value for customers by offering world-class technology services. During the year, we completed a new 10-year strategic vision that positions the Group to take advantage of emerging technology trends to establish EOH as a digital transformation enabler throughout Africa and beyond. We have demonstrated our ability to use the significant intellectual property we have across the Group to create powerful solutions for our clients, ensuring that our services remain relevant for the future, supporting our customers to make the most of their opportunities and helping them expand into new markets.

TRANSFORMING TECHNOLOGY

EOH's end-to-end capability allows us to provide solutions that go beyond services and we are focused on transforming from a product to a platform solution. These platforms are particularly relevant for SMEs and mid-cap companies that need cost-effective alternatives to full service end-to-end ICT teams. By delivering solutions that improve efficiencies in our customers' businesses and operations, we facilitate entrepreneurialism that contributes to job creation and stimulates economic growth. The financial value we create from our activities benefits a wide range of stakeholders, including the salaries we pay our employees, the tax revenue paid to the state and municipalities as well as payments to our suppliers.



Our business is built on a partnership approach that leverages our associations with global technology partners, cooperation and collaboration between Group companies and a partner mindset in our strong relationships with our clients, which include major South African corporates, key metros and government departments.

Enterprise-wide performance management oversight and processes are being implemented to ensure the highest standards of project and service delivery to support excellence in project execution and getting the solution right first time. These processes include transparently monitored key performance measures that align to the EOH strategic objectives.

EOH has a diverse base of talent, technology, solutions and entrepreneurial thinking that applies to every aspect of an organisation including HR, finance, industrial technologies, human-centred design, medical and healthcare, infrastructure and digital enablement. Our enabling technologies align with the increasing environmental and social awareness evidenced in global collaborations such as the UN Sustainable Development Goals and our innovative solutions help to create a more efficient, healthier and secure environment that enhances the economy and quality of life.

Our NEXTEC business includes Intelligent Utility Infrastructure Solutions to assist clients in optimising their use of finite resources such as power, water and gas, in a world facing climate change. We utilise technology that enables safe and smart cities that digitally optimise infrastructure to improve lives as well as design healthcare solutions that can save lives.

SOLVE FOR COVID-19

EOH's response to the COVID-19 pandemic provides an excellent case study of the depth of intellectual property across the Group that enables the rapid development and implementation of innovative and sustainable technology solutions.

At the start of lockdown we had to transform our business into a digital-first organisation while simultaneously sustaining service delivery to our clients. We implemented a process to drive internal collaboration that identified technology within the Group that could be used to rapidly respond to the needs being identified by business, government and our own people. This collaboration resulted in 75 different fully-fledged solutions being developed and launched over three months, focusing on four main areas: creating a remote workforce, returning safely to work, adapting to the new digital normal and supporting public service and health.

We enabled remote work for corporates and SMEs through remote collaboration tools and secure remote desktops, cloud enablement and platform optimisation, and remote workforce management and tracking. We also provided extensive security and VPN management solutions, as well as data, connectivity and network optimisation. Our contact centres and service desks switched to remote operation seamlessly for all clients.

We developed ICULATE, a unique solution that provides a self-contained fully-fitted intensive care and isolation ward in a 12-metre container. The unit is modular and can be set up quickly to extend intensive care and high care isolation ward facilities, with the design concept finalised within three days.

e-Scripting is a telemedicine solution that helped people to get essential medicines and services without leaving their homes. It enables digital electronic signatures that facilitate electronic prescriptions to pharmacies and referrals among service providers. Patients could remotely consult with their healthcare professional, have their script submitted to the pharmacy and their medication safely delivered. This increases revenue for medical providers, decreases fraud, reduces dispensing errors and decreases overall administration costs.

When the local lockdown started to lift, we supported the transition and reactivation of the economy in line with our commitment to getting the country back to work safely, digitally and sustainably by rapidly developing a suite of applications to support SMEs and large enterprises.

The Sikhona platform enables companies to get their staff back to work in a safe, controlled way while remaining compliant with regulations around social distancing. Sikhona enables organisations to manage their COVID-19 risk, workforce locations, staff productivity and real estate, and can be integrated into HR and payroll platforms. We implemented the solution internally at EOH to open offices responsibly, make sure employee health is managed effectively, allow for rapid response for infections on site and proactively manage capacity at our offices.

GetSpace, a part of the Sikhona platform, is a workforce on demand solution that modernises access control and simplifies management of corporate buildings and offices. It has great applicability beyond COVID-19. The solution digitises the booking of space at offices to ensure that office space is not over subscribed and supports social distancing.

We released cutting edge digital customer engagement solutions such as Digital On-boarding Verification Solution (DOVS) that uses advanced facial recognition software, 3D face mapping and real-time liveliness testing to instantly and securely onboard and verify customers from their mobile devices.

Following a call from government early in April, we built web solutions for the Solidarity Fund and Business for South Africa (B4SA) on a pro-bono basis and in 48 hours. Working with fundraising experts Back a Buddy and the Gauteng Food Security Council, we are helping to develop a humanitarian relief and crisis management platform to co-ordinate food provision across the country.

The LinkedTo platform is a unique solution that connects donors and those in need to leverage resources and efforts to maximise the impact of food donations. It allows NGOs to identify and locate communities in need, and track and record food parcel delivery as part of COVID-19 relief efforts. The LinkedTo solution is currently

OUR **SIX SUSTAINABILITY THEMES** CONTINUED

in pilot phase, and the information is fed back to the Presidency to assist in coordinating relief efforts through the Solidarity Fund. This solution has international expansion potential and can be used for provision of any aid resources, not only food.

We understand that the sustainability of our business is deeply intertwined with the state of our nation and we are committed to supporting where we can, leveraging our technology and our people. As Africa's largest systems integrator, EOH has a range of solutions that can help to protect the country's workforce and enable the economy to recover and re-establish itself.

OTHER SOLUTIONS CREATED DURING THE YEAR INCLUDE:

Digitising the National Skills Fund

The National Skills Fund was run predominantly on paper processes, which resulted in significant inefficiencies and poor reporting capabilities. We developed an end to end digital platform that streamlines the process of funding projects for education and reporting on these projects. The platform covers the full spectrum of the Fund's activities from lodging a request to building new tertiary and technical vocational colleges, learner performance monitoring and tracking spending on projects. This increases efficiency and significantly reduces the risk of fruitless and wasteful expenditure, which improves education outcomes for more learners.

Telecommunications

We partnered with a pan-African telecoms organisation to develop a next generation self-care mobile solution for use in Africa. With a leading user experience, the solution incentivises customers to use the mobile app for services instead of the call centre. The app was designed and built on an omni channel-ready architecture and provides a best-in-class mobile application experience. This app is the framework for all digital customer self-care applications and sets the new standard for the Group.

Insurance industry solutions

Our client's challenge was to grow their product offering, expand their market reach and better service their customers. Our solution was to build a rich user experience on a new digital mobile channel that gives their customers the ability to register for insurance products and submit claims quickly and easily, without the need to contact a sales or claims representative. This also solved another big challenge of the company scaling without growing headcount. Importantly, it enables short-term insurance products to be offered to those who need it most but have, until now, been largely excluded from the insurance market.

Energy metering and monitoring

We developed support for online, back-end, prepaid and postpaid electricity metering on our integrated software platform. The platform is fully integrated with the customer's system, replacing a previously paper-intensive workflow with an entirely paperless environment. We also deployed new technology internet of things (IoT) grid monitoring solutions that enable customers to monitor their electricity grids via a cloud-based portal at a fraction of the traditional costs. These solutions are deployed in South Africa, Namibia, Nigeria and Kenya.

We developed IP for back-end pre-payment on our automated meter reading (AMR) system that allows for remote, paperless, water and electricity meter reading collection in South Africa and Kenya.

These solutions are cloud based and leverage IoT technology for deployment in Kenya and Nigeria. New developments also included IoT based Sigfox communications technology for water meter reading.

Online, remote, automatic meter reading significantly reduces travel required by utilities and large power users to measure their electricity usage. Better control and management of electricity infrastructure assists utility customers to run their networks more efficiently thus reducing the environmental impact of electricity wastage and losses. Customers also use our system to measure and manage their energy and water usage to shift usage towards more renewable sources.

2 SUSTAINABILITY THEME

A diverse, ethical, and talented workforce

To be a responsible employer, nurturing talent and the best people

2019 has been a disruptive year for our people. Nurturing a high performing, diverse and talented culture will require responsible, ethical and motivational leadership that builds purpose around our evolving operating model.

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

To hire the best people, nurturing talent and opportunity for people from diverse backgrounds	Rewarding people appropriately for high performance and ethical leadership in the workplace	Wellbeing, collaboration and equality in workplace, with zero tolerance for discrimination	Development, training (EOH Academy) and financial assistance for employees wanting to study further	Creating a culture that is built on diversity and inclusion

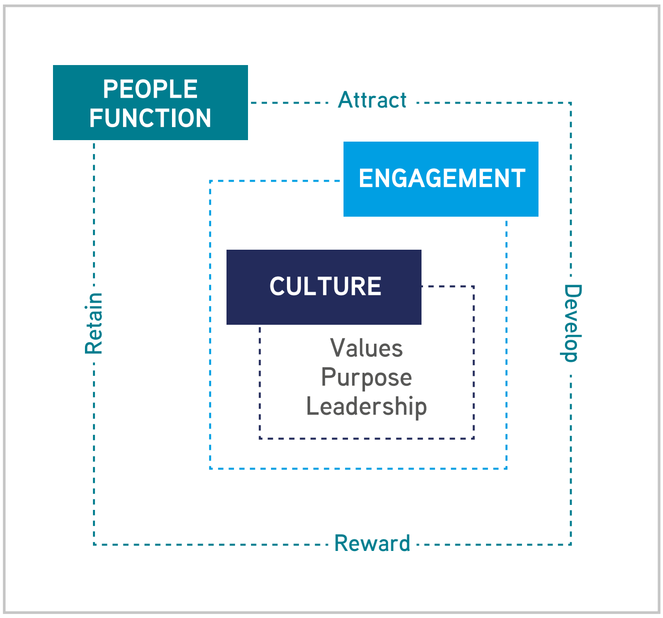
EOH's ability to create value depends on the quality of the skills we have at our disposal. The technology industry is characterised by rapid evolution and we need to attract, engage and retain top talent, invest in skills development and career progression while supporting balance and quality of life. Furthermore, when considering South Africa's ambitions with regard to 4IR, the chronic shortage of ICT skills in the local technology sector presents a significant hurdle. Ultimately our objective is to attract, develop, reward and retain the best possible talent to drive business success.

2020 was another challenging year for the Group as the restructuring continued and we had to navigate the new reality created by the COVID-19 pandemic. Total headcount reduced 5.8% from 10 578 at the start of the year to 7 333 at 31 July 2020 as a result of the disposal of several non-core businesses as well as retrenchments.

At the start of lockdown, we implemented various cost-cutting measures to preserve cash, which included a three-month pay reduction for employees earning more than R250 000 per annum. Our aim was to minimise job losses and to ensure business sustainability post COVID-19. We implemented remote working solutions for staff and a slow and gradual reopening of our offices once lockdown eased. These measures remain in place until the situation changes.

Our people have been through a lot but have remained resilient and committed through it all, although staff morale has been unavoidably affected. To support our people through these trying times, we introduced a number of wellness initiatives and events aimed at employee well-being including weekly wellness workshops, the introduction of a remote work playbook and a television channel. Despite the significant volatility in the labour market, we were able to attract experienced talent while retaining existing talent. Executive appointments were made and additional resources were appointed to strengthen the financial and GRC functions.

MANAGING OUR EVOLUTION



Being a responsible employer requires that we focus on building purpose, motivation and kindness as we lead further change in the Group. With the arrival of COVID-19, we prioritised and fast tracked the implementation of a new Employee Value Proposition (EVP), which serves as the intersection between the needs of our people and the needs of our business. The EVP was developed with input from a detailed transactional analysis of our people practices and the feedback we received from the employee survey conducted in February 2020. It is directed towards solving for our clients, company and community by actively engaging our people through an inclusive and innovative culture that drives growth and change. One of the core tenet's of the EVP is how we engage our people further through a culture that is both inclusive and innovative, and that drives growth and change.

OUR **SIX SUSTAINABILITY THEMES** CONTINUED

An integrated HR strategy drives the EVP. Our culture sits at the heart of the HR Strategy and drives our purpose through an agreed set of EOH values and a leadership imperative to create change. The culture we are building is critical to determine not what we say but rather what we do and how we do it. EOH's culture is about showing up authentically, being adaptable to change, being innovative in our solutions and thinking, and striving for excellence.

Employee engagement is an important aspect of human capital management and our approach is based on the principles of meaningful connection, agile, real-time feedback driving performance, a growth mindset and collaboration. Engagement was an area of focus during the year and at the start of lockdown, the CEO held twice-weekly virtual 'watercooler' sessions with all staff to ensure regular and consistent communications. As the organisation settled into the reality of remote working, these sessions became weekly engagements that remain an important communication channel with our employees.

The people function aspect of the HR strategy has four pillars that are supported by people processes with strategic and operational objectives as well as clearly defined metrics.

HIGH PERFORMANCE CULTURE

Performance management plays a foundational role in driving discretionary effort to achieve our vision to build a high performing culture. Our performance management process is based on the alignment and cascading of business, people and individual key performance areas (KPAs across all levels of the business). We prioritise establishing clear expectations and providing continuous, ongoing feedback. Our objective is to incentivise the discretionary effort of our people to create a step change in performance and there is a direct link between performance and reward and recognition.

Remuneration and benefits

Through the EOH EVP model, we seek to provide meaningful roles aligned with the business objectives, create an environment where employees can learn and grow, be recognised, be paid fairly and ultimately cultivate brand ambassadors. Remuneration is only one offering within the EVP to attract and retain talent.

The EOH remuneration philosophy is to ensure a comprehensive and transparent remuneration strategy that drives a high performing culture by supporting the delivery of the business strategy in a sustainable and ethical manner.

Total remuneration within our business is the sum of:

- The total guaranteed package, also known as cost-to-company, which includes base pay and benefits.
- Short-term incentives (STIs) paid annually if short-term performance targets are achieved.
- Long-term incentives (LTIs) that vest over a three to five-year period, depending on the applicable LTI instrument.

Our Cost-to-Company approach provides employees with flexibility and choice in terms of compulsory benefits.

The Cost-to-Company structure includes the following components:

- Guaranteed fixed salary;
- Qualified allowances;
- Employer retirement fund contributions; and
- Group risk premiums.

Cost-to-Company is guaranteed and normally paid irrespective of Group performance.

BENEFITS

EOH provides access to competitive market-related employee benefits that are reviewed annually to ensure that the best options are available. Benefits include risk cover, retirement benefits and medical aid. Employees have access to a team of professional employee benefit advisers who provide support and advice so that employees can make informed decisions based on their personal circumstances.

EMPLOYEE WELLNESS

Employee mental and physical health as well as an appropriate work-life balance are essential for excellent service delivery and superior performance. EOH has a comprehensive wellness programme that provides support and guidance for our people and their families across areas including financial and legal advice, nutrition and exercise programmes, wellness coaching and programmes for teenagers.

HEALTH AND SAFETY

EOH is committed to maintaining a safe work environment to ensure the safety and health of employees and visitors, As a responsible employer the Group remains committed to ensure compliance with the relevant health, safety and environmental legislation and regulations. Our approach to Health and Safety is risk-based, comprehensive, credible to the boundaries of the context of our businesses that ensure we strive for SHE excellence.

DEVELOPING TALENT

Develop critical skills and competencies

Our policy is to ensure business strategy-led learning and development, supported by robust individual development plans, and coupled with strategic talent management. During the year, we implemented Group-wide ethics training and leadership development initiatives. Coaching and mentoring forms a key component of the engagement strategy for our people. Skills development focused on bursaries, learnerships and adult basic education for people with hearing loss. We engaged in 224 learnerships for unemployed youth and provided R8.9 million specifically towards adult basic education programmes.

Training and development

EOH introduced a new learning and development strategy during the year. The new strategy places greater emphasis on accredited online skills programmes delivered by some of the country's top business schools and other private providers. Training cluster competency themes were based on leadership, personal development and functional training intervention, moving away from face-to-face classroom training. This approach served the Company well when work-from-home became a reality as a result of the national lockdown and COVID-19 challenges. Training continued and confirmed the investment in employee development, despite the challenging circumstances.

The learning and development strategy includes a focus on diversity and inclusion, empowering women in the workplace, upskilling and reskilling of the workforce and developing our millennial employees. Training interventions will continue to focus on growing the identified competencies that will futureproof the business and prepare our people for the new world of work.

Overall training spend reduced from R46.3 million in 2019 to R36.7 million, as a result of a 5.8% reduction in the number of our employees. Average spend per employee reduced 10.6% from R4 635 per person to R4 145 per person.

EOH bursary programme

EOH partners with Belgium Campus ITversity to strengthen the ICT pipeline for the Company and the technology industry. The programme supports learners from previously disadvantaged schools who wish to study information technology. EOH provides bursaries that include full programme costs, stipends and accommodation. We are currently supporting 58 students with ICT bursaries. In 2020, 10 of the EOH graduates who have a total loss of hearing were placed in an incubator programme to enhance their ability to secure a future position in the sector. We plan to continue investing in this Group by integrating them into the EOH Enterprise Development programme.

EOH is committed to supporting disabled communities and we are currently supporting 162 total loss of hearing learners in adult basic education programmes. Many of these learners progressed into learnerships during the year and 29 were absorbed by industry into further learning and development programmes. The programmes focus primarily on technology, women in technology and upskilling disadvantaged, disabled people to enter either the labour market or educational programmes.

Organisational culture

Building purpose, philosophy and values

The ethics program seeks to strategically implement tactics and changes within the business that contribute to an ethical environment in the Group. People, process and technology-focused interventions spanned both finance and governance, risk and compliance (GRC) initiatives and projects, and progress was made with baseline compliance. The planned ethics program was adjusted in both format and budget due to COVID-19, expediting digitisation and automation of some processes, and interventions showed progress. EOH continues to move up the corporate governance maturity curve.

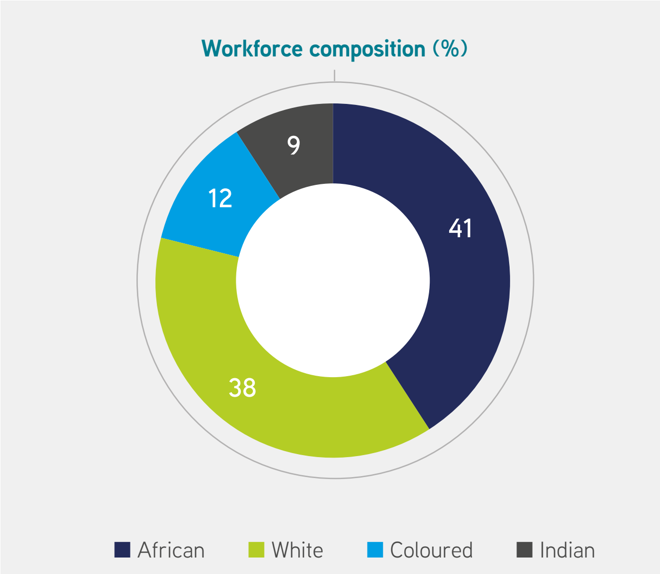
DIVERSITY AND INCLUSION

The value in diversity

EOH embraces and values diversity, and we believe that it stimulates the productivity, creativity and innovation that are essential to drive growth and competitiveness. We are committed to creating a work environment that is diverse, inclusive, and bias-free, that promotes equal opportunities for all and where different perspectives are embraced. EOH has zero tolerance for any form of unfair discrimination, direct or indirect, against any person on any one or more grounds, including race, gender, sex, pregnancy, marital status, ethnicity, social status, colour, sexual orientation, age, disability, religion, conscience, belief, culture, language, birth or any other arbitrary ground. This stance is clearly stated and enforced in the Company's anti-discrimination and harassment policy.

We consciously address structural and social exclusion in order to build an environment where all our people are proud to be associated with our brand and can prosper.

OUR **SIX SUSTAINABILITY THEMES** CONTINUED



During the year, we implemented a detailed inclusion strategy to drive racial, gender, ability and generational diversity. The underlying philosophy of the inclusion strategy is that an inclusive world is an enabled world. Each area of the strategy has a detailed action plan to eliminate structural and social exclusion in EOH and more broadly in the communities where our employees come from. In line with this strategy, we established two employee resource groups in the form of a Lean In Circle as a resource for female employees and a Youth Solvers team, which focuses on millennials.

We are committed to sustainable transformation and the empowerment of those who were previously economically marginalised or disadvantaged through discriminatory practices. A detailed transformation plan is in place that was developed with the employment equity committees of the business. The increasing momentum of the BlackLivesMatter movement provided an opportunity to engage in open and honest discussions across the business on important topics such as conscious and unconscious bias.

EOH's Board comprised 60% Black directors at 31 July 2020 and the Group's South African workforce is 41% African, 12% Coloured, 9% Indian and 38% White.

Broad-based black economic empowerment (B-BBEE)

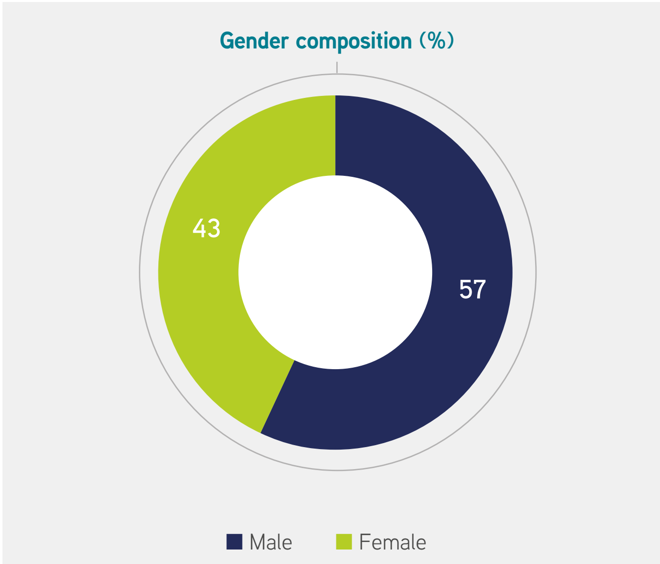
EOH is committed to contributing to the sustainable development and transformation of South Africa. Transformation is managed at an operational level and reported and monitored at Group level. Initiatives in place to support transformation include employment equity programmes, skills training and development, diversity and inclusion training, enterprise and supplier development, preferential procurement and increasing black ownership. EOH's economic empowerment plans and forums enable employee co-determination.

We measure our transformation progress against the Department of Trade and Industry Codes of Good Practice. EOH is a Level 1 contributor to B-BBEE, the highest rating of its peers on the JSE. The Group's latest B-BBEE certificate is available on our website.

B-BBEE scorecard	Target	2020	2019
Equity ownership	25	23.9	25.0
Management control	23	15.7	16.3
Skills development	20	17.3	20.8
Enterprise and supplier development	50	53.9	48.1
Socioeconomic development	12	12.0	12.0
Total	130	122.9	122.2
Contributor level			1

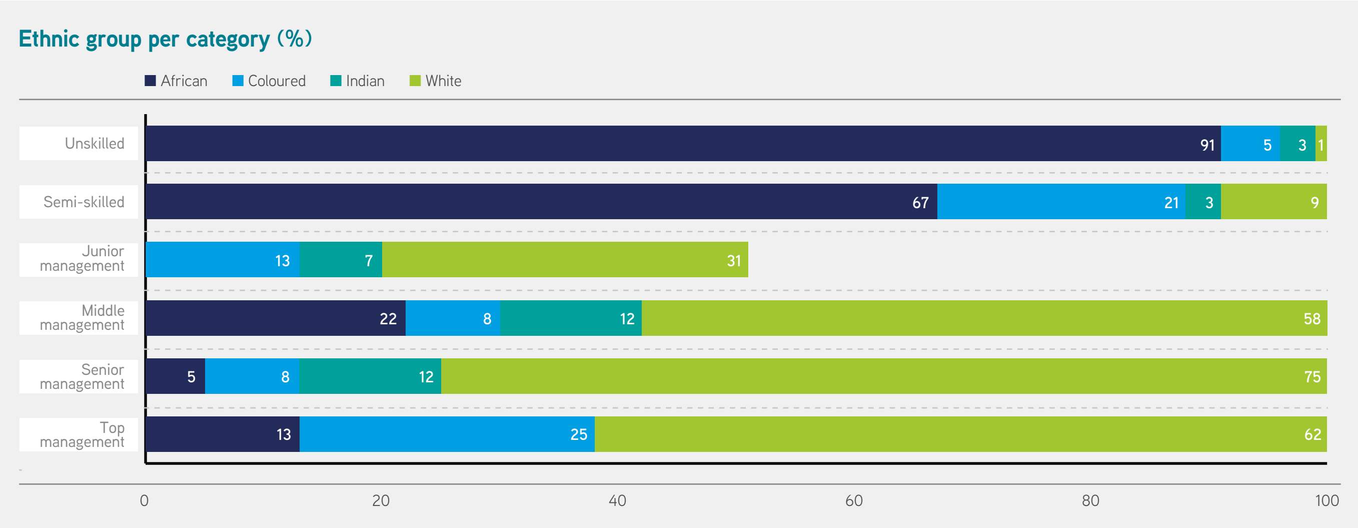
Gender equality

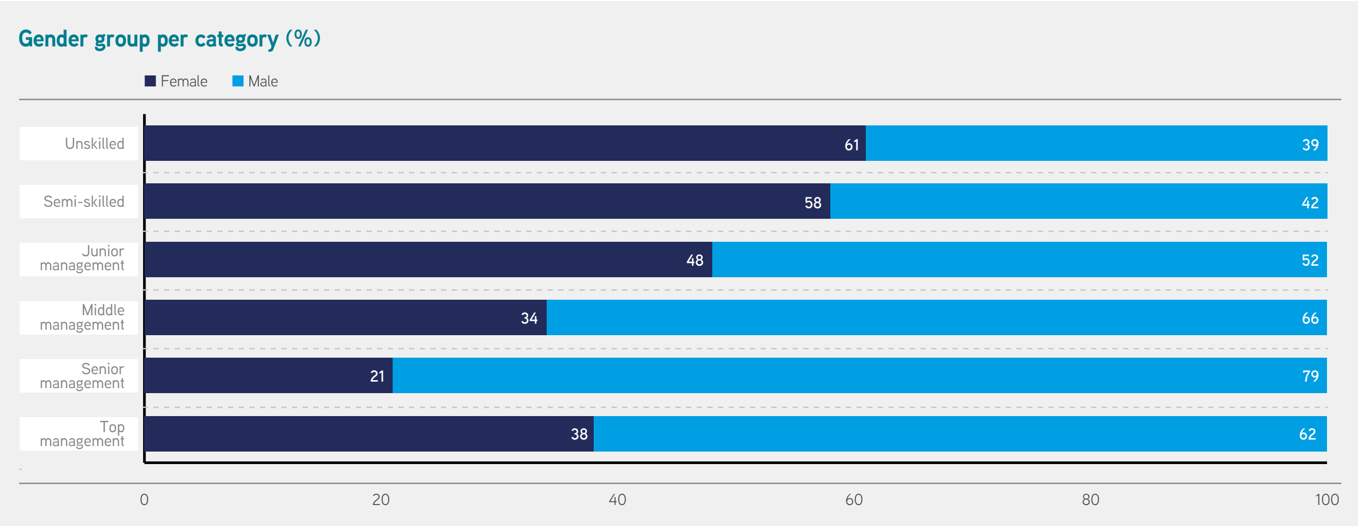
Gender diversity is a core component of our inclusion strategy. Women make up 43% of our overall headcount and form 30% of our management categories. The Executive committee of EOH comprises 38% females and Board representation is 40%. The business has an integrated action plan to improve representation at all levels and functional areas within the business.



People with disabilities

People with disabilities account for 2.3% of our overall headcount. Our skills development plan has a specific focus on people with hearing loss and during the year the Group supported 178 learners in learnerships and adult basic education initiatives with this physical challenge. EOH has spent a total amount of R14.7 million on this group of learners. A new group of learners with disabilities enrolled in learnerships which kicked off in the second half of 2020.





AT EOH WE BELIEVE IN OUR YOUNG LEADERS

EOH supports our next generation of leaders to grow and take action to create a better world. We participate in the One Young World competition, which identifies, connects and promotes young leaders from around the world. The competition and summit provide them with a global platform to accelerate social impact and create a better world, with more responsible, more effective leadership. Due to COVID-19, the global summit for 2020 was postponed and will be held in Munich in April 2021. We have selected three EOH ambassadors to attend the next summit who we believe have a disruptive mindset and are aligned to our value system.

OUR **SIX SUSTAINABILITY THEMES** CONTINUED

3 SUSTAINABILITY THEME
A vibrant and innovative digital ecosystem

To nurture innovation, partnerships and growth in the digital sector

Our restructured business model is poised to enable unprecedented value for our customers. Our business sustainability relies on our ability to consolidate and deliver value for our customers, offering world-class technology services.

- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
- 17 PARTNERSHIPS FOR THE GOALS

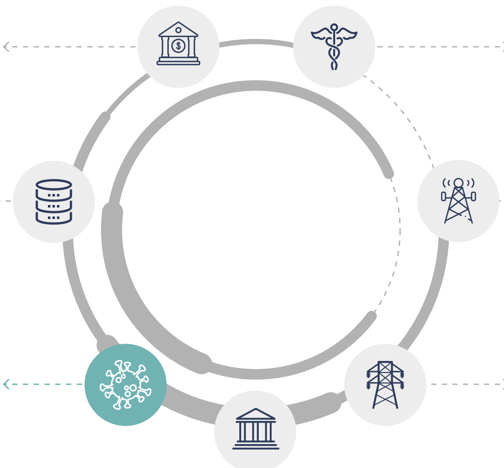
Evolving technology solutions that make a valuable contribution to society	Building solid and ethical business relationships with vendors, nurturing ICT sector growth	Playing a leading role in the evolution of digital policies and practices fit for our future world	Investing in emerging technology enterprises to drive industry inclusion and transformation

CONTRIBUTING TO SOCIETY

EOH is passionate about innovation and committed to leading the next generation of sustainable technology that makes a valuable contribution to society and enables a better world. We play a pivotal role in driving an vibrant and growing digital sector within South Africa and beyond by stimulating innovation and new collaborative partnerships that blend the best technical skills and products to evolve solutions that meet our customers' needs.

EOH is systemic to South Africa's economy, making a valuable contribution to society. We provide the backbone of banking systems for many banks in South Africa and Africa, support telecommunications companies and assist Eskom with balancing the power grid. The Group includes cutting-edge medical solutions companies and our services sit at the heart of crucial government institutions and many municipalities. We have created solutions that are integral to addressing many of the challenges raised by the COVID-19 pandemic.

OVER 5 000 CUSTOMERS RELYING ON US – INCREASED CONNECTIVITY IMPERATIVE



** South African Revenue Service*
*** Department of Employment and Labour*
**** South African Social Security Agency*

NURTURING INNOVATION AND GROWTH IN THE DIGITAL SECTOR

iOCO is inspired by digitally native internet organisations (iO) and the creative organisations (CO) of the future to work with customers to improve legacy technology while implementing disruptive platforms. iOCO's strategy is influenced by the evolving market trends of data and analytics, cloud and automation that are driving the need for bespoke development and Everything as a Service (EaaS).

NEXTEC offers valuable technology products and service opportunities including intelligent infrastructure solutions that among other things use the latest OEM technology to create safe and smart cities. The digital revolution has presented cities with the opportunity to optimise through the use of the existing infrastructure as well as build new smart infrastructure and NEXTEC aims to be at the centre of this revolution in helping clients take their businesses forward.

Our IP organisational pillar includes Sybrin, Syntell and Information Services that offer the opportunity for strategic collaboration with some of the world's leading technology companies.

During the year, iOCO created an intellectual property (IP) business unit with a sole focus on IP development. The unit set up an ideation forum and uses an ideation toolset to harness the power of the extensive experience in our Digital team to grow out ideas to develop and take to market. This led to the creation of various Bots that enable faster processing of back-end shared services such as finance, procurement and reporting.

LEADING AND GROWING ETHICAL ICT

EOH's critical position at the centre of the fourth industrial revolution requires that our commitment to ethical business practices is demonstrated both within and beyond our business. This includes ensuring that the long-term mutually beneficial relationships we have with technology partners and customers continue to meet the highest professional and ethical standards.

We recognise our responsibility to lead on critical agendas that are emerging within our sector, such as the way technology is impacting culture. We are focused on being an ethical and effective leader in critical areas including the protection and ethical use of data, and the high cost of access to data and ICT solutions in Africa that has embedded inequality. Digital evolution is raising moral and ethical questions on matters such as automation and gaming addiction that require courageous dialogues and the proactive definition of cross-border policies and regulations that are fit for our future world.

INVESTING TO PROMOTE INCLUSION AND TRANSFORMATION

EOH's entrepreneurial philosophy supports innovation and investment in emerging enterprises to incubate next generation technologies, contribute to the transformation of the ICT sector, support the creation of a vibrant ecosystem of technology players and create value for our stakeholders. We balance this approach with effective oversight that ensures the best opportunities for emerging players to ensure effective strategic enterprise management to nurture and optimise value.

Our current focus is on rationalising and consolidating the businesses in our pillars to align with our new strategy, with less emphasis on new investments. However, we remain committed to continuing to work with emerging enterprises through our enterprise and supplier development initiatives. For example, two of our companies, IST and Energy Insight, has a formal enterprise development plan that is supporting the development of a small subcontractor to do electrical panel wiring and assembly for its power infrastructure division. MIE, an EOH subsidiary, has committed 10% of the contract value with a state-owned enterprise to supplier development initiatives, which includes skills development, job creation, job preservation and enterprise and supplier development.

OUR **SIX SUSTAINABILITY THEMES** CONTINUED

4 SUSTAINABILITY THEME

Building technology skills in communities

To invest in the digital and maths skills needed by future generations

2019 has been a disruptive year for our people. Nurturing a high performing, diverse and talented culture will require responsible, ethical and motivational leadership that builds purpose around our evolving operating model.

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

11 SUSTAINABLE CITIES AND COMMUNITIES

- Contributing to career development programmes with Afrika Tikkun, building digital skills
- Bursaries, learnerships and skills programmes for ICT students
- Strategically partnering with the Maths Centre to enable improved matric results
- EOH Graduate programme and the One World Leader initiative to nurture leadership skills

South Africa's National Development Plan recognises unemployment and poor schooling for disadvantaged students as two of the country's nine primary challenges The unemployment rate for 15 to 24 year olds in South Africa is more than 50%[1] and unemployment rates are likely to trend higher due to the impact of COVID-19 and the lockdown.

EOH believes that investing in initiatives that improve mathematics, science and technology skills can improve youth employability and unlock opportunities for fulfilling careers in digital industries, where there is a critical skills shortage. With COVID-19 accelerating the trend towards a more digital world, these skills are more important than ever to equip youth for inclusion into the productive economy and to futureproof a thriving and prosperous South Africa. Helping students, teachers and parents to get an ICT foundation and skill set, contributes to a future generation that is more employable and builds opportunity in disadvantaged communities.

Job skills training and guidance are critical to prepare youth to enter the workforce and enterprise development initiatives promote entrepreneurial opportunities that can help break the cycle of poverty and create jobs.

Our socio-economic development (SED) activities focus on partnering with key organisations to deliver equitable solutions to quality education, with an emphasis on mathematics, science and technology.

In total, EOH invested R11.1 million in SED initiatives in FY20 (FY19: R10.7 million).

OVERVIEW OF OUR YOUTH DIGITAL SKILLS DEVELOPMENT SUPPORT

The Maths Centre initiative	Afrika Tikkun	Bohlale Village Innovation Hub	Primestars
Supports **maths, science and technology and entrepreneurial skills development** by equipping learners, teachers and parents.	Provides **education, health and social services** to young people, including ICT skills training.	Works with **learners from disadvantaged schools to improve skills,** including providing full bursaries.	Specialises in facilitating **Youth Development programmes** for high school learners from underserved communities using an **"Educational Theatre of Learning"** model to enhance the educational process.

[1] *http://www.statssa.gov.za/publications/P0211/P02112ndQuarter2020.pdf*

Businesses within the Group implement skills development initiatives in areas relevant to their operational focus. During 2020, these included:

CA Southern Africa is sponsoring 150 learners for 12 months. The learners were employed from the start of June 2020 and are undergoing training in IT End User Computing. They are deployed at the Department of Health.

CA covers the learners' full cost of training and a stipend as a service to the community. The programme will help these learners to achieve a qualification, become self-sufficient and sustainably economically active, while providing a service to the community where they are deployed.

SI Analytics donated PCs to underprivileged communities.

Sybrin partnered with an NGO in Cape Town to recruit 10 candidates to become AI Coaches. The program equips candidates with hard and soft skills that will empower them in their careers as they gain knowledge and experience in critical areas of software development and use the latest programming languages. The AI Coaches are trained in workplace etiquette, time management and critical thinking, and Sybrin provides training in programming fundamentals.

Improving employability and ICT skills with Afrika Tikkun

Afrika Tikkun was founded in 1994 to develop and uplift young people in under-privileged communities in South Africa. The organisation works to end child poverty and youth unemployment by implementing a Cradle-to-Career 360˚ model that includes personal, leadership and academic development while also addressing the nutrition, health, and social needs of the young person. The Career Development Programme provides career guidance, job readiness training, job placement and bursaries for further learning targeted at young adults.

Afrika Tikkun
Developing Young People from Cradle to Career

www.afrikatikkun.org

EOH has supported Afrika Tikkun for more than 10 years in a programme that aims to provide a sustainable future for township youths, through digital skills that support career development, breaking the cycle of poverty in poor communities.

In line with our focus on improving technology skills, we introduced basic coding to enhance the scope of offering to the youth through Afrika Tikkun.

Africa Tikkun's Child and Youth Development programme (for ages 7 to 18) introduces students to the basic components of a computer and teaches them about hardware, software and typing skills. The Career Development programme (ages 19 to 25) delivers a full lifecycle of ICT training, from PC Basics, MS Office Suite to software development, data analysis, cybersecurity training with modules to enhance problem solving and critical thinking skills.

The programme includes 6 – 12 months of technical skills training designed to increase the learners' chances of employment in the information technology sector.

In the first six months of 2020, 969 people were registered in the Career Development programme, with 641 young people being placed into subsequent employment opportunities. These learners were prepared specifically for the workplace, with the focus being on Microsoft Office, email, leveraging the internet for research and online application to tertiary institutions for grade 11 and 12 students.

Improving maths performance with the Maths Centre

EOH partners with the Maths Centre to support the roll-out of their programme to ten high schools, including two special needs schools, in the East Rand Johannesburg area.

The Maths Centre is a non-profit organisation promoting excellence in mathematics, science, technology and entrepreneurship. It works across South Africa, with the primary objective of equipping teachers, learners and parents with the learning materials and programmes they need to further develop their competency and performance in these learning areas, from reception to grade 12.

Maths Centre
Engage Transform Achieve

www.mcis.org.za

Over the past five years, over 2 664 students between grades 8 and 12 have benefited from the programme at schools that were mostly performing below the national average. Key academic achievements after the programme was implement include:

- 66 maths distinctions;
- overall 81% mathematics pass rate;
- 68 physical science distinctions; and
- 80% physical science pass rate at three schools

EOH supported 100 students in 2019 and 2020. Upon graduation, all matriculants are offered the opportunity to enrol in the EOH Youth Job Creation initiative, which aims to improve their chances of future employment.

OUR **SIX SUSTAINABILITY THEMES** CONTINUED

5 SUSTAINABILITY THEME

The elimination of corruption

Share the lessons we have learnt and enable high integrity business

Our restructured business model is poised to enable unprecedented value for our customers. Our business sustainability relies on our ability to consolidate and deliver value for our customers, offering world-class technology services.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

Courageous Leadership Series to lead by example and share the lessons we have learnt

Deliver the CODE programme to ensure the highest standard of integrity and ethics

Adopt the Ten Principles of the UN Global Compact and embed a principles-based workplace

Futureproof EOH with best practice governance, risks and controls

The unethical behaviour discovered at EOH early in 2019 echoes the corruption and broader lack of values being revealed in initiatives such as the Zondo Commission of Enquiry and the investigation into the collapse of VBS Mutual Bank. EOH is committed to putting courageous principles at the forefront of our decision making by taking a stand for what we believe in, doing the right thing even if it comes at a price, failing forward, having the courage to admit our mistakes and, most importantly, taking accountability and working as a team to remedy them. As we put in place the controls and processes necessary to address the governance and financial weaknesses identified and futureproof the business, we have seen a culture shift towards ethical leadership and the emergence of a deeply responsible consciousness.

We have been transparent and candid about the challenges we faced in addressing these issues, in line with our values and commitment to sharing the lessons we have learnt, including through the EOH Courageous Leadership Series. This initiative was introduced in 2019 and stemmed from the need to instil a new and sustainable ethos within EOH. The concept of courageous leadership has now been embedded in our organisation through our SOLVE purpose (see page 4) as we aim to solve challenges courageously and exponentially using our deep industry expertise.

POST-INVESTIGATION ACTIONS

ENSafrica made significant progress in completing its forensic investigation into the material aspects of the irregularities identified in the initial phases of the investigation. As part of the outcomes of the investigation, EOH completed the implementation of the anti-bribery and corruption framework recommended by ENSafrica and PwC. We reported all suspicious activities and related suspects to the Financial Intelligence Centre and reported all those identified in facilitating the identified irregularities to the South African Police Service. All individuals directly implicated by the investigation are no longer employed at EOH. ENSafrica has been instructed to fully cooperate with all authorities to enable the legal processes to unfold and we are also engaging SARS and National Treasury to settle any liabilities. Summonses have been issued against the main culprits of the wrongdoing to recover some of the loss that EOH suffered as a result of their actions.

Furthermore, Group CEO, Stephan van Coller and ENSafrica's Head of Forensics, Steven Powell, who led the forensic investigation into suspicious transactions at EOH testified at the Zondo Commission on the findings of the investigation. We are very proud to have been able to support the work of the Commission and our judicial system through the evidence presented.

BEST PRACTICE GOVERNANCE, RISK AND COMPLIANCE

The sections on pages 30 and 33 provide more information on EOH's ongoing endeavours to entrench a best practice governance, risk and control framework. We are committed to delivering and enhancing the CODE programme, our initiative for sharing our role as a responsible corporate citizen with our employees and our partners, to ensure the highest standards of integrity and ethics. A Board approved sustainability policy that resulted in training was rolled out during the year on our prioritised Sustainability Themes, SDGs, understanding the Triple Bottom line and an overview of ESG pillars for assessing risks and returns. We implemented automation enhancements and introduced new oversight forums to further strengthen governance, risks and controls.

We appointed a Chief Risk Officer in April 2019 who led the establishment of a new governance, risk and compliance capability responsible for ethical leadership and responsible corporate citizenship across the Group. Further appointments were made during the year to build capacity and strengthen oversight and control in legal, procurement, HR, compliance and internal audit.

Our enterprise risk management approach has been significantly enhanced following comprehensive work undertaken to identify, quantify and embed best practice processes, with input from external and internal experts. Significant emphasis has been placed on ensuring a more corporatised approach to risk that extends consistent oversight across the companies in the Group.

We have further strengthened our finance function to ensure that it is empowered to be honest and courageous, to highlight red flags and to blow the whistle if necessary without fear of victimisation. EOH's Expose_IT whistleblowing App provides an effective channel for whistleblowers to communicate concerns to the Company's leadership.

New approach to third parties and opportunities in the fight against corruption

EOH adopted new and robust procedures to prevent a reoccurrence of the ethical and governance lapses that occurred. These procedures include:

- establishing a Conflicts Management Control Room that conducts a thorough due diligence on any potential third party that the Group intends doing business or establishing a relationship with;
- engaging ENSafrica to review, screen and vet all public-sector deals and related partners;
- enhancing the bid review process, which incorporates all oversight functions and the business areas, to ensure that all tenders EOH intends to bid on are clean and free from any potential irregularities; and
- rolling out continuous training, which has a specific focus on anti-money laundering, anti-competitive and anti-bribery and corruption training. In the first edition of this training, EOH achieved a 93% attendance and completion rate for these programmes.
- We also aligned with the 10 principles of the United Nations Global Compact

PROMOTING COURAGEOUS LEADERSHIP THROUGH OUR SOLVE PURPOSE

The EOH Courageous Leadership initiative was introduced in 2019 and stemmed from the need to instil a new and sustainable ethos within EOH. The key tenet of the initiative was about placing courageous leadership principles at the forefront of our decision making. This was a key focus area for the Group last year as we embarked on a journey towards cleaning up the business from a governance and financial perspective in order to build a culture of deeply responsible and ethical EOH citizens. The concept of courageous leadership has now been embedded in our organisation through our SOLVE purpose (see page 4) as we aim to solve challenges courageously and exponentially using our deep industry expertise. This approach supports the evolution of the digital solutions that our customers need in order to deliver their goods and services in an ethical way, that are futureproof and protect their customers and wider stakeholders over the longer term.

Principle 1:	Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2:	Make sure that they are not complicit in human rights abuses.
	(Universal Declaration of Human Rights 1948)
Principle 3:	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4:	The elimination of all forms of forced and compulsory labour;
Principle 5:	The effective abolition of child labour; and
Principle 6:	The elimination of discrimination in respect of employment and occupation.
	(International Labour Organisation's Declaration on Fundamental Principles and Rights at Work 1998)
Principle 7:	Businesses should support a precautionary approach to environmental challenges;
Principle 8:	Undertake initiatives to promote greater environmental responsibility; and
Principle 9:	Encourage the development and diffusion of environmentally friendly technologies.
	(Rio Declaration on Environment & Development 1992)
Principle 10:	Businesses should work against corruption in all its forms, including extortion and bribery.
	(United Nations Convention Against Corruption 2003)

OUR **SIX SUSTAINABILITY THEMES** CONTINUED

6 SUSTAINABILITY THEME

Taking action on climate change

Protecting our planet through enabling technologies

2019 has been a disruptive year for our people. Nurturing a high performing, diverse and talented culture will require responsible, ethical and motivational leadership that builds purpose around our evolving operating model.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

- To lead by example by reducing our carbon footprint though eco-friendly practices
- To continue to support the evolution of technologies that support smart cities
- Technology solutions for customers that enable the efficient use of resources
- Nurture of NEXTEC technology opportunities that contribute to climate action

While we have a relatively low environmental footprint as a provider of professional services, we see effective environmental stewardship as an important aspect of an organisation's licence to operate. EOH is committed to playing its role in addressing the challenges climate change presents to South Africa and the global economy in the areas where we can.

The biggest opportunity we have to increase environmental sustainability is to apply our expertise, resources, research and innovation to create solutions that provide our customers with the technology to improve the efficiency and sustainability of their operations, products and services. NEXTEC's solutions include technologies that support smart, safe, healthy and secure environments, including energy control systems, building management environmental solutions and intelligent green building design. NEXTEC's energy and water technology solutions can significantly reduce energy and water consumption. NEXTEC provides air monitoring solutions to industry, government and research organisations. Our analytical instrumentation offers continuous measurement of both surrounding air pollution and chimney emissions.

We design, manufacture, supply, install, commission, train and provide after sales service for either individual monitors, or integrated systems in southern Africa.

Within the Group, our goal is to minimise our direct impact on the environment by operating our facilities and conducting our activities in ways that reduce energy, water, paper consumption, waste and greenhouse gas emissions. We support and comply with, or exceed, the requirements of current environmental legislation and codes of practice associated with industry best practices. As far as possible, we purchase products and services that minimise damage to the environment and we aim to minimise waste and prioritise waste reuse or recycling. EOH vehicles are operated and maintained with due regard to environmental issues and we apply the principles of continuous improvement in respect of air, water, noise and light pollution from EOH premises.

Initiatives that reduced our environmental impact during 2020 include:

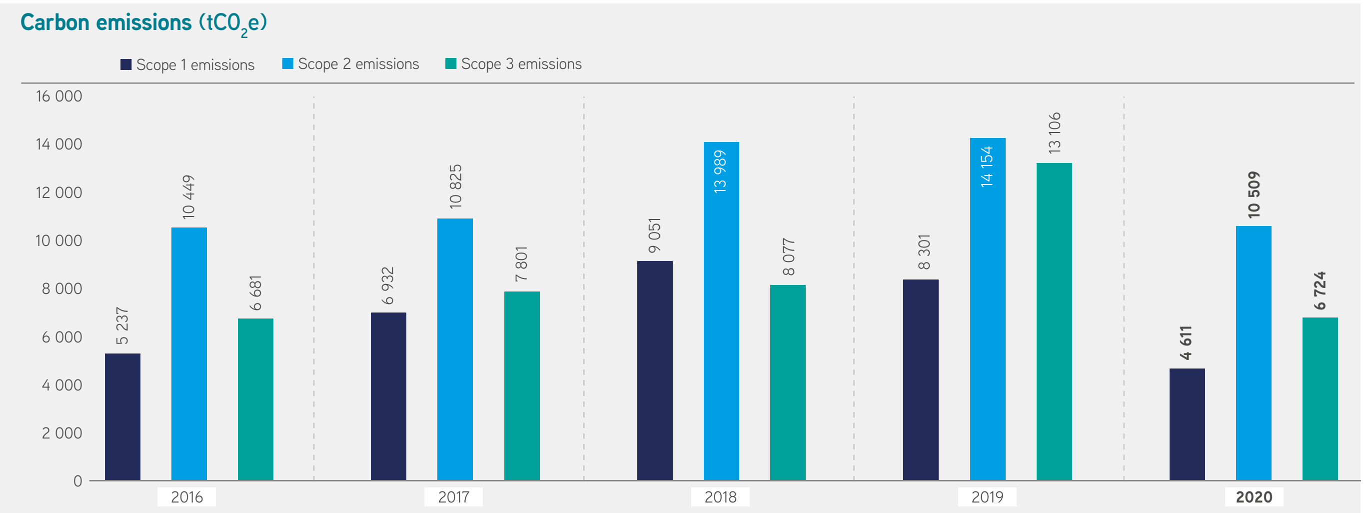
- Investigating the use of plumbed-in filtered water solutions to substitute for filtered bottled water solutions. Subject to available funding, this solution may be rolled out in 2021.
- Moving bottled water dispensers to kitchens and pause areas, significantly reducing the total number of dispensers across the property portfolio.
- Replacing all takeaway coffee cups with sustainable recyclable alternatives.
- Reducing the property footprint by 40 buildings across the country, significantly reducing our carbon footprint.
- Fitting all new builds with LED lighting.
- Designing and creating a furniture solution built only with hand tools.
- Repurposing/reclaiming wood used as wall cladding.
- Keeping a significant percentage of the property portfolio closed and encouraging work from home when lockdown eased. Currently around a quarter of total floorspace remains closed.
- Increasing the use of EOH's managed print services (MPS), which currently manages approximately 40% of the Group's print environment. Further consolidation and merging of print activity will take place as the remaining external contracts expire.

EOH's 2020 carbon footprint

As part of our commitment to environmental sustainability, we measure the direct and indirect greenhouse gas (GHG) emissions from our operations and products. The carbon footprinting methodology was undertaken according to the international methodology Greenhouse Gas Protocol Initiative (GHG protocol) and includes all fossil fuel consumption, purchased electricity and other sources of emissions.

As in previous years, EOH's main sources of emissions are purchased electricity generated from fossil fuel, business travel in employee-owned vehicles and fuel used in company-owned vehicles, which together account for 84% of total 2020 emissions.

EOH's total carbon emissions reduced 39% year on year due to the ongoing restructure of the business and the impact of COVID-19. The disposal of a number of business units led to a significant decrease in the number of company cars and vehicle emissions. Approximately 38 leased buildings were exited, two buildings were sold and ten buildings were disposed of, reducing electricity, water consumption as well as fugitive emissions from refrigerants and air-conditioning units attributable to the Group. Business travel, which includes air travel, the use of hired cars and personal vehicles for business purposes, reduced due to the restructuring as well as the COVID-19 lockdown.



Main indicators

	2020	2019*	% change
Scope 1 emissions (tonnes CO_2e)	**4 611**	7 978	(44.5)
Scope 2 emissions (tonnes CO_2e)	**10 509**	14 154	(25.8)
Scope 3 emissions (tonnes CO_2e)	**6 724**	13 106	(48.7)
Scope 1 emissions (tonnes CO_2e) per employee	**0.55**	0.75	(30.1)
Scope 2 emissions (tonnes CO_2e) per employee	**1.24**	1.34	(6.5)
Scope 3 emissions (tonnes CO_2e) per employee	**0.80**	1.24	(35.4)

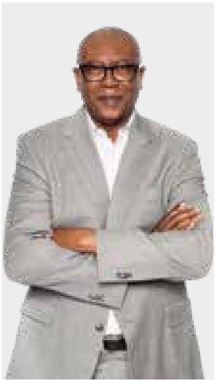
Definitions:

Scope 1 emissions are direct emissions from sources that a company directly owns or has control over.
Scope 2 emissions arise from purchased electricity, heat or steam.
Scope 3 emissions are a consequence of a company's activities, but occur at sources owned or controlled by another company.

* *2019 data has been adjusted to include updated electricity consumption data and diesel consumption for backup generators.*

EOH **BOARD OF DIRECTORS**

The Board and management remain committed to delivering long-term, sustainable value to their people, stakeholders, shareholders and partners, always guided by a common purpose, philosophy and value system.






INDEPENDENT NON-EXECUTIVE DIRECTORS

Andrew Mthembu

Chairman and Independent Non-executive Director

QUALIFICATION

BSc (Chemistry, Biology), BSc (Civil Engineering), MSc (Construction Management), Executive Management Programme (Wharton and University of Chicago Booth School of Business)

SKILLS AND EXPERTISE

APPOINTED

20 June 2019

COMMITTEE MEMBERSHIP

Member: Governance and Risk Committee
Member: Information and Technology Committee
Invitee: Permanent invitee to all Board committees

Jesmane Boggenpoel

Independent Non-executive Director

QUALIFICATION

BCom (Accounting), B Acc, CA(SA), Masters in Public Administration (Harvard JFK School of Government)

SKILLS AND EXPERTISE

APPOINTED

1 July 2018

COMMITTEE MEMBERSHIP

Chairperson: Governance and Risk Committee
Member: Audit Committee

Mike Bosman

Independent Non-executive Director

QUALIFICATION

BCom (Hons) (Financial Accounting), LLM, CA(SA), Advanced Management Programme (Harvard)

SKILLS AND EXPERTISE

APPOINTED

20 June 2019

COMMITTEE MEMBERSHIP

Chairperson: Audit Committee
Member: Governance and Risk Committee
Member: Nomination and Remuneration Committee
Member: Information and Technology Committee
Member: Asset Disposal and Strategic Acquisition Committee

Ismail Mamoojee

Independent Non-executive Director

QUALIFICATION

BCom (Accounting), CA(SA), CAIB (SA), Tax Law Cert (SA)

SKILLS AND EXPERTISE

APPOINTED

1 July 2018

COMMITTEE MEMBERSHIP

Chairperson: Information and Technology Committee
Member: Social and Ethics Committee

Sipho Ngidi

Independent Non-executive Director

QUALIFICATION

BComm (Economics) Honours

SKILLS AND EXPERTISE

APPOINTED

20 February 2020

COMMITTEE MEMBERSHIP

Chairperson: Nomination and Remuneration Committee
Member: Social and Ethics Committee
Member: Governance and Risk Committee

Andrew Marshall

Independent Non-executive Director

QUALIFICATION

BCom; BCom (Hons)

SKILLS AND EXPERTISE

APPOINTED

21 May 2020

COMMITTEE MEMBERSHIP

Chairperson: Asset Disposal and Strategic Acquisition Committee

Corporate governance (including Legal and compliance)
Executive and strategic leadership
Risk Management
Sustainability
Finance, Investments and M&A
HR and Talent Development
ICT experience (including IOT, Digital and Innovation)
Strategic Stakeholder Relations
Listed company board member experience
Banking
International Business
Communications and PR

Jabu Moleketi

Non-executive Director

QUALIFICATION

Post-graduate diploma in Economic Principles (University of London); MSc in Financial Economics (University of London); Advanced Management Programme (Harvard Business School)

SKILLS AND EXPERTISE

APPOINTED

1 September 2020

COMMITTEE MEMBERSHIP

None

Dr Lynette Moretlo Molefi

Independent Non-executive Director

QUALIFICATION

BSc (University of Lesotho), MBChB (MEDUNSA), Telemedicine Diploma (University of Arkansas), Foreign Telemedicine (TATRC), SMP (Stellenbosch University)

SKILLS AND EXPERTISE

APPOINTED

12 May 2017

RESIGNED

Effective
20 January 2021

COMMITTEE MEMBERSHIP

Member: Nomination and Remuneration Committee
Member: Social and Ethics Committee
Member: Information and Technology Committee

Anushka Bogdanov

Independent Non-executive Director

QUALIFICATION

B. Admin, MBA (International Financial Management)

SKILLS AND EXPERTISE

APPOINTED

20 June 2019

RESIGNED

Effective
28 July 2020

COMMITTEE MEMBERSHIP

Chairperson: Social and Ethics Committee
Member: Governance and Risk Committee
Member: Nomination and Remuneration Committee

EXECUTIVE DIRECTORS

Stephen van Coller

Chief Executive Officer

QUALIFICATION

BCom (Management Accounting) HDip Acc, CA(SA), ACMA (UK)

SKILLS AND EXPERTISE

APPOINTED

1 September 2018

COMMITTEE MEMBERSHIP

Member: Governance and Risk Committee
Member: Social and Ethics Committee
Member: Information and Technology Committee
Invitee: Audit Committee

Megan Pydigadu

Group Chief Financial Officer

QUALIFICATION

BCom (Accounting), HDip Acc, CA(SA)

SKILLS AND EXPERTISE

APPOINTED

15 January 2019

COMMITTEE MEMBERSHIP

Member: Information and Technology Committee
Invitee: Audit Committee
Invitee: Nomination and Remuneration Committee

Fatima Newman

Group Chief Risk Officer

QUALIFICATION

BA (Law), Certificate in Compliance Management, Leadership Programme (Singularity University)

SKILLS AND EXPERTISE

APPOINTED

1 August 2019

COMMITTEE MEMBERSHIP

Member: Governance and Risk Committee
Member: Social and Ethics Committee

CORPORATE **GOVERNANCE**

Following the significant governance and reputational challenges EOH faced as a consequence of actions driven by the previous management team, a new board of directors was appointed in 2019 to drive governance and protect shareholder value. We, as the Board, are committed to ethical leadership and best practice corporate governance principles. EOH's strong leadership team is committed to rebuilding the EOH brand by being ethical and transparent, and ensuring sound corporate governance throughout our business and subsidiaries. EOH has utilised the services of a number of experts in the Governance field, such as the University of Stellenbosch Centre for Corporate Governance to supplement and enhance work done in governance.

Key focus areas for the EOH Board during FY2020

1. Considering and approving the Group strategy for FY2021
2. Finalising the investigation into fraud and corruption at EOH in prior years, including criminal charges and the institution of civil proceedings for the recovery of money lost by EOH as a result of wrongdoings
3. Approving a governance framework and governance policies
4. Ensuring the Group's liquidity remained strong, particularly throughout the COVID-19 lockdown, with a strong emphasis on cost saving measures
5. Ensuring that the Group met its deleverage targets, particularly through the sale of businesses
6. Ensuring business continuity throughout the COVID-19 lockdown
7. Rollout of a new Employee Value Proposition (EVP) centred around talent retention, attraction, development and remuneration.

COMPOSITION OF THE BOARD

EOH has a unitary Board with the necessary collective knowledge and balance of skills, experience, resources and diversity to guide the business effectively. The Board's composition promotes the balance of authority and precludes any one director from dominating decision making. The directors bring to the Board a wide range of experience and expertise and, in the case of the independent non-executives, an independent perspective and judgement on issues of policy, strategy and performance. The Board believes that the current composition reflects an appropriate balance of knowledge, skills, experience, diversity and independence to effectively guide the business. Directors are classified as executive directors if they are full-time employees of EOH. At the date of this report, the Board comprised eleven directors, three of whom are executive directors, seven are independent non-executive directors and one non-executive director is not classified as independent. Seven of the Board members are black and four are women.

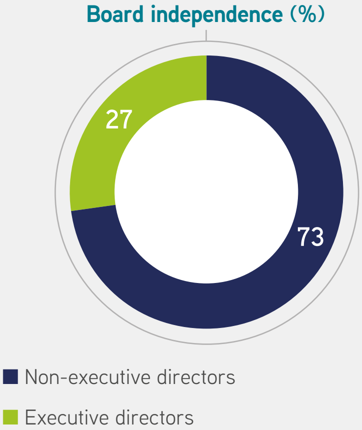
The Chairman and the CEO are appointed by the Board. Their roles are formally defined and separate. The Chairman is primarily responsible for leading the Board and for ensuring that the Board plays an effective role, facilitating communication with shareholders and fostering constructive relations between the executive and non-executive directors. The Chairman is considered to be independent. The CEO is responsible for the commercial and operational management of the Group, including providing leadership to the executive team.

Dr Xolani Mkhwanazi, who was appointed Chairman of EOH on 5 June 2019, sadly passed away on 4 January 2020, and was replaced by the lead independent director, Andrew Mthembu with effect from 7 February 2020. Anushka Bogdanov replaced Andrew Mthembu as lead independent director on 20 February 2020, but has subsequently resigned as a director of EOH on 28 July 2020. At the date of this report, a replacement lead independent director has not yet been appointed.

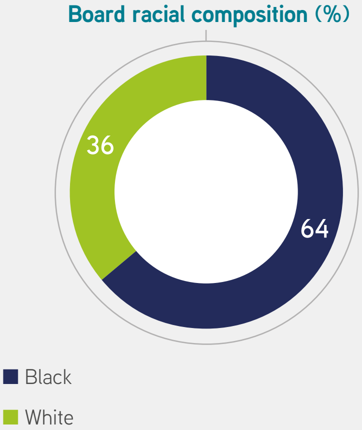
The Nominations Committee identifies potential candidates for the Board should a director retire, resign or be disqualified and removed. The committee assesses the appropriateness of candidates in terms of their experience, skills and considers all facets of diversity to determine the optimal composition and balance of the Board. Selection, induction and ongoing training of directors is formalised and a basic succession plan is in place for key executives in the event of any resignations.

Newly appointed directors are ratified at the next annual general meeting (AGM) following their appointment.

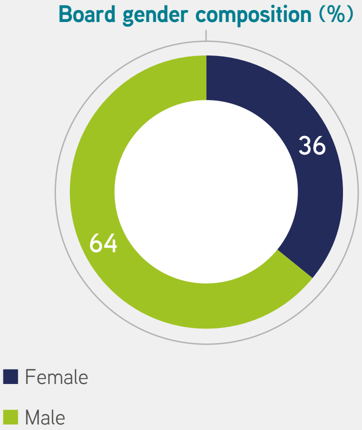
Board independence (%)



Board racial composition (%)



Board gender composition (%)



INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

The Board is satisfied that apart from one non-executive director who represents the company's black empowerment partner, the non-executive directors, through their actual conduct at Board and committee meetings, have no material' relationships with EOH. Directors who have served for longer than nine years will be reassessed annually to ensure that they remain independent.

In terms of the Company's memorandum of incorporation (MoI), one-third of the non-executive directors are required to 'retire' at each AGM, and if they are eligible and available for re-election, their names are put forward for re-election by the shareholders at the next AGM. The non-executive directors who have been in office for the longest period since their appointment are required to 'retire' in terms of the rotation policy.

DIVERSITY AND INCLUSIVITY POLICY OF THE BOARD

We recognise and embrace the benefits of a diverse Board and believe that diversity at Board level is an essential component for sustaining a competitive advantage. Race, age and gender diversity, underpinned by the relevant skills as well as business, geographic and academic experience and background, enhance the composition of a truly diverse Board.

The Board is committed to ensuring a diverse and inclusive Board and the Company's diversity and inclusivity policy forms part of the Board Charter. Board appointments are made on merit, having due regard for the benefits of diversity.

ROLE AND RESPONSIBILITIES OF THE BOARD

The overriding role of the Board is to ensure the long-term sustainability and success of EOH for the benefit of all stakeholders. The duties, responsibilities and powers of the Board, the delegation of authority and matters reserved for the Board are set out in the Company's MoI and the Board Charter.

The Board approves the long and short-term strategy of EOH and determines how business is conducted. This includes the setting, monitoring and review of strategic targets and objectives, the approval of material capital expenditure, acquisitions, internal controls, risk management and IT governance. The EOH EXCO is responsible for managing the Group's operations and the Group's overall strategy, which is discussed, debated and approved by the Board.

Board Charter

The EOH Board Charter aligns with the recommendations of King IV and outlines the powers, responsibilities, induction and ongoing development requirements of Board members.

The Board Charter details the responsibilities of the Board, which include:

- Input into the Group's strategic direction;
- Providing effective leadership based on an ethical foundation and a sound Governance, Risk and Compliance (GRC) framework;
- Ensuring the Group conducts itself in accordance with the principles of fairness, accountability, transparency, responsibility, competence and integrity;
- Ensuring an appropriate GRC framework is in place and applied across the Group;
- Ensuring the Code of Ethics is adopted and implemented across the Group;
- Ensuring the Group is, and is seen to be, a responsible corporate citizen;
- Defining levels of materiality and risk tolerance;
- Governing risk and opportunities in a way that supports the Group achieving its goals;
- Ensuring the adequacy and effectiveness of the Group's internal control systems and procedures;
- Ensuring appropriate technology systems are in place;
- Approving the annual budget and operating plan of the Group;
- Approving EOH's annual financial statements and public pronouncements on financial performance and ensuring the integrity of such reports;
- Considering and, if appropriate, declaring distributions in accordance with the provisions of the Companies Act;
- Ensuring that the Group remunerates fairly, responsibly and transparently;
- Communicating with internal and external stakeholders in a transparent and timely manner; and
- Ensuring the overall sustainability of the Group.

The Board is satisfied that it has fulfilled its responsibilities defined in the charter for the year under review.

BOARD EFFECTIVENESS

The performance and effectiveness of the Board and its subcommittees are evaluated every two years to ensure continued improvement. An evaluation exercise was conducted during the year under review to assess the Board effectiveness across the following areas:

- Business and strategy
- Board dynamics and processes
- Diversity and Composition
- Monitoring and Risk Management

The areas for improvement identified in the assessment are being addressed through a detailed development plan.

PERFORMANCE MONITORING

Key performance measures and targets for assessing the achievement of strategic objectives and positive outcomes over the short, medium and long term are defined within the EOH reporting framework. The respective Board subcommittees perform ongoing oversight over the implementation of the Group and operational strategies and their value drivers. The EXCO performs oversight and monitoring of operational budgets, plans and targets by management against agreed performance measures and targets.

Board committees

The Board delegates certain functions to committees without abdicating any of its responsibilities. The committees are chaired by non-executive directors and operate under Board-approved terms of reference.

CORPORATE **GOVERNANCE** CONTINUED

The Board has six committees consisting of the following:

Audit Committee: Only independent non-executive directors with other participants as invitees. Members are elected by shareholders at the Company's AGM; (see further activities of the Audit committee in its report on page 85)

Governance and Risk Committee: The majority of members are independent non-executive directors; (see further activities of the Governance and Risk committee in its report on page 87)

Information and Technology Committee: Both non-executive and executive directors; (see further activities of the information and technology committee in its report on page 90)

Nomination and Remuneration Committee: All the members are independent non-executive directors; (see further activities of the Nomination and Remuneration committee in its report on page 82)

Social and Ethics Committee: The majority of members are independent non-executive directors; (see further activities of the Social and Ethics committee in its report on page 92); and

Asset Disposal and Strategic Acquisition Committee: The majority of members are independent non-executive directors (see further activities of the ADSA Committee in its report on page 94)

Group Company Secretary

The Group Company Secretary supports the directors and Chairman, and has direct access to and ongoing communication with the Chairman. All directors have access to the services of the Group Company Secretary and may obtain independent professional advice. The Board believes this provides the necessary access to corporate governance advice. The Group Company Secretary is not a director of the Company or its subsidiaries, and also acts as secretary of the Board committees.

The Group Company Secretary is EOH Secretarial Services (Pty) Ltd, represented by Neill O'Brien. The Board is satisfied that the Group Company Secretary is suitably qualified, competent and experienced to provide such guidance.

SUBSIDIARY BOARDS

EOH's wholly owned subsidiaries each have their own board of directors. The boards of the subsidiaries and the management committees of the various operating divisions have the necessary mix of skills and experience.

The Board response to King IV

King IV advocates an outcomes-based approach and defines corporate governance as the exercise of ethical and effective leadership towards the achievement of the following governance outcomes:

- Ethical culture;
- Good performance;
- Effective control; and
- Legitimacy.

EOH is committed to maintaining a high standard of corporate governance and continuously engages with some of the leading governance institutions to assist in the design and implementation of King IV. We implemented a governance tool during 2019, which was used to assess our application of the corporate governance principles as recommended by King IV. An annual assessment is undertaken to assess ourselves against these principles. We have adopted a substance-over-form approach with regards to alignment with King IV to avoid tick-box compliance and also because this approach accommodates the achievement of the recommended King IV outcome/governance standards by applying practices other than those specifically detailed in the King IV report.

EOH has met its reporting requirements relating to the JSE Listings Requirements and the Companies Act (as amended). In July 2020, the JSE fined the Group for prior period errors contained in previously published financial statements for the 2017 and 2018 financial years. EOH has remained compliant with the Companies Act, particularly with reference to the incorporation provisions and has operated in conformity with the Company's MOI.

Ethical culture

The Board is committed to driving the strategy, based on an ethical foundation, to support a sustainable business that acts in the best interests of the Group, society, the environment and its stakeholders. The Board sets the tone for an ethical organisation and has discharged its responsibilities by ensuring that a robust and resilient GRC framework is in place. There are systems, procedures and monitoring structures in place to ensure the effectiveness of this framework. The directors of EOH are competent and act ethically in discharging their responsibility to provide strategic direction and effective governance in terms of the Board Charter and EOH's MoI.

The Board commits to the Constitution of the Republic of South Africa (including the Bill of Rights) and embraces the principles of fairness, accountability, integrity and transparency.

The Group has adopted an overarching formal Code of Ethics founded on our values of 'Authenticity', 'Partnership', 'Adaptability, 'Ingenuity, and 'Mastery'. All employees have a duty to act in accordance with these values and thereby to maintain and enhance the reputation of the Group.

The EOH Code of Conduct was developed around the principles of ethical leadership and was adopted by the Board. The code commits EOH and its employees to the highest ethical standards of conduct particularly in relation to non-discriminatory practices, unethical practices, bad behaviour, and confidentiality of personal information.

Our decisions and actions are guided by our core values:

- Partnership
- Mastery
- Authenticity
- Ingenuity
- Adaptability.

The EOH EXCO is responsible for ensuring that these values are adhered to throughout the Group and the Board's Social and Ethics Committee ensures the application of these principles. During the 2020 year, the entire organisation underwent Code of Ethics training through a series of animated on-line training interventions. Awareness training has also been provided to employees regarding gifts and entertainment and declaration of interests. The Group Compliance function oversees and assists with the enforcement of the policies and processes

CONFLICTS OF INTEREST

Board members are under a legal duty to prevent any conflict of interest with Company business and to make full disclosure of any areas of potential conflict. The Group Company Secretary maintains a register of directors' interests and directors are required to declare their interests annually in order to determine whether there are any conflicts with their duties and the interests of EOH. The directors have certified that they have no material interest in any transaction of any significance with the Company or any of its subsidiaries.

In line with our value of transparency, all employees and directors of the Company are expected to make a declaration of any perceived or actual conflict of interest when a gift or courtesy of significant value is accepted and to ensure a commitment and adherence to the Code of Conduct and relevant legislation.

DIRECTORS' INTERESTS IN EOH SHARES

It is not a requirement of the Company's MoI or the Board Charter that directors own shares in the Company. The shares held by the directors as at 31 July 2020 are disclosed on page 165 of the Annual Financial Statements.

Trading in Company shares

EOH has a Personal Account Dealing Policy outlining the processes to be followed should Directors and senior executives want to trade in company shares. Directors and senior executives are prohibited from trading in EOH shares during closed periods, which commence on 1 February and 1 August each year and remain in force until the publication of the interim and final results respectively. Closed periods also include any period during which the Company trades under a cautionary announcement. The Group Company Secretary informs the Board and management of closed periods. All directors' trading in EOH shares require the prior approval of the Group CEO or Group Financial Director. No director can approve his own trading of EOH shares. The Group Company Secretary retains a record of all such share dealings and dealings are announced as required in terms of the JSE Listings Requirements.

WHISTLE-BLOWING

EOH aims to create a climate where workplace concerns and irregularities including suspected fraud and corruption, can be reported by employees safely and without fear of retribution and victimisation. This is formalised in the Code of Ethics and other related governance policies.

EOH utilises the Expose-IT app, which provides a secure, completely anonymous and confidential channel for employees, suppliers, customers and any other stakeholders to report concerns regarding wrongdoing at EOH. Reports received through the app will be monitored by an independent entity. The app is available on both Apple and Android.

A ZERO TOLERANCE CORRUPTION AND BRIBERY POLICY

EOH has a Zero Tolerance Policy towards bad behaviour and unethical practices. The bidding process is governed through a joint bid compliance management process and only accredited third-party partners and suppliers are used. EOH has adopted the ISO 37001 (the International Standard on Anti-bribery and Corruption) standard and is aligning its processes with the standard. Third-party due diligence has been implemented for all new customer, supplier, and partner on-boarding across the Group.

GROUP PERFORMANCE

The directors individually and collectively are responsible for realising the Group's strategic objectives and for managing risks and opportunities to ensure an ongoing sustainable business. EOH's EXCO is responsible for working with the CEO to implement the strategies and policies of the Group. The Board oversees and monitors, with the support of its committees, the implementation and execution by management of the policies and procedures in order to ensure that the Group achieves its objectives.

The Group's business model incorporates the environmental, social and governance aspects of sustainability. Implementation is supported by formal policies governing environmental, corporate social investment, ethical and remuneration matters, all of which form key components of the value-creation process.

The Board is responsible for ensuring that the Group's reporting on its financial performance is reported fairly, with the assistance of the Audit Committee and the external auditors.

BUSINESS CONTINUITY AND RESILIENCE MANAGEMENT

During the 2020 year the COVID-19 pandemic required EOH to reassess business continuity plans in place and make adjustments for full remote working. Lessons learnt from the pandemic will be analysed and continuous improvement made to our business continuity plans to ensure these plans are robust and fit-for-purpose.

EFFECTIVE CONTROL

The Board is responsible for governance and enterprise risk management, and determines how risk is approached and addressed across the Group. The Audit Committee assists the Board by providing an independent and objective view on the Group's financial, accounting and control mechanisms. The Governance and Risk Committee assist with considering business risks and the mitigation of these risks as well as the Group's compliance with all relevant statutory and regulatory requirements.

The Board is also responsible for ensuring that the information and technology needs of the businesses are in place and effectively governed. The Information and Technology Committee assists in this regard.

The directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the Annual Financial Statements, and to adequately safeguard, verify and maintain accountability of assets, as well as prevent and detect material misstatement and loss. Management believes that a strong internal control environment, is critical to the success of EOH. Management is aware of the material breakdowns in the control environment in the past, and is working to remediate this. However, there is still significant room for improvements in the control environment, both from a design and effectiveness standpoint.

CORPORATE **GOVERNANCE** CONTINUED

The Board, supported by the Audit Committee, has approved the Internal Audit charter as well as the internal audit plan.

The internal audit function is carried out by the company's internal audit department, with external expertise used where appropriate. An integrated risk-based approach guides the development of the internal audit allocation of resources as the third line of defence.

The process by which directors are selected and their performance regularly reviewed, ensures that the Board collectively has the necessary ethical culture, range of skills, technical knowledge and experience to perform effective oversight of the Group.

LEGITIMACY

EOH's systematic and integrated approach to stakeholder engagement aims to create the necessary channels to stay informed about stakeholders' key concerns and create transparency about the challenges the Group faces and progress in addressing these. The Board, through its committees, ensures that the interests of all stakeholders are addressed.

Our strategy aims to build greater confidence with all stakeholders through good governance, strong financial performance, transparency and increased disclosure. The Group's enhanced reporting framework defines the disclosure and reporting requirements to:

- Stakeholders and regulators;
- External communication protocol;
- Monitoring and reporting requirements of the Group in terms of report frequency, content coverage and audience/stakeholders;
- Audit, risk and assurance escalation, reporting and disclosure requirements; and
- All remuneration practices in relation to directors and the executive.

REPUTATION AND BRAND MANAGEMENT

The EOH of the future is foremost committed to protect and promote its reputation and brand. A formal reputation and brand management strategy provides clear guidelines on building and retaining a strong brand. It covers the measures taken by EOH to avoid conflicts of interest and to train its employees accordingly. EOH's relationships with its vendors and suppliers are based on strong partnerships, transparency and ethical conduct.

Attendance

The Board meets quarterly and on an ad hoc basis when considered necessary. Board meetings are convened by formal notice incorporating agendas and accompanied by background material relating to matters to be discussed at each meeting to enable the directors to prepare in advance.

	Board	Audit Committee	Risk and Governance Committee	Social and Ethics Committee	Nominations Committee	Remuneration Committee	Information and Technology Committee	Asset Disposal and Strategic Acquisition Committee
Executive directors								
Stephen van Coller (CEO)	24/24		5/5	3/3				1/1
Megan Pydigadu (Group CFO)	24/24						4/4	1/1
Fatima Newman	23/24		5/5	3/3				
Non-executive directors								
Andrew Mthembu (appointed chairman on 6 Feb 2020	24/24	6/9					3/4	1/1
Moretlo Molefi	23/24			3/3	6/6	6/6	3/4	
Ismail Mamoojee≠	23/24	9/9		3/3	4/6	4/6	2/4	
Jesmane Boggenpoel	24/24	9/9	5/5					
Mike Bosman≠	24/24	9/9	4/5		6/6	6/6	4/4	1/ 1
Sipho Ngidi*	11/13				2/6	2/6		
Andrew Marshall**	7/8							1/1
Dr Xolani Mkhwanazi***	4/6							
Anushka Bogdanov^	21/22		5/5	3/3	6/6	6/6		

* *Appointed 20 February 2020*
** *Appointed 21 May 2020*
*** *Deceased 4 January 2020*
^ *Resigned 28 July 2020*
≠ *Reconstitution of board committees on 5 March 2020*

REMUNERATION **REPORT**

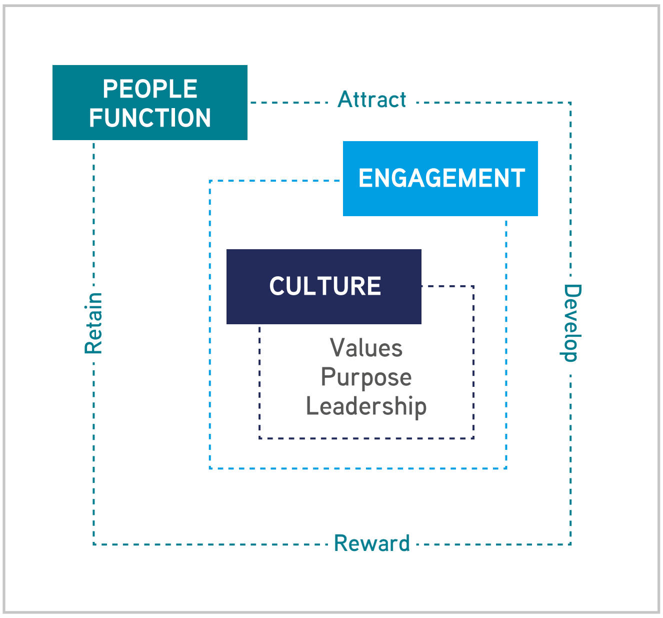
INTRODUCTION

This Remuneration Report is presented in three parts, in line with the principles of King IV™ and the JSE Listings Requirements. It comprises a Background statement, a Remuneration Policy that provides context on the decisions and considerations taken during the year and an Implementation Report that discusses the implementation of the Remuneration Policy during the current year.

BACKGROUND STATEMENT

Remuneration philosophy

The Group's compelling Employee Value Proposition (EVP) is a unique and comprehensive set of employer offerings that an employee receives in return for the skills, capabilities and experience they bring to EOH. Through the EOH EVP model, we seek to provide meaningful roles aligned with the business objectives, create an environment where employees can learn and grow, be recognised, be paid fairly, and ultimately cultivate brand ambassadors. Remuneration is only one offering within the EVP to attract and retain talent.



The EOH remuneration philosophy ensures a comprehensive and transparent remuneration strategy that drives a high-performing culture by supporting the delivery of the business strategy in a sustainable and ethical manner.

In determining remuneration that will be effective in achieving the goals of the Remuneration Policy and our human resource and Group strategy, we consider a range of internal and external factors. These include macroeconomic conditions, Group performance, retention strategies, industry performance, and input from our stakeholders, particularly the votes of our shareholders on the Remuneration Policy and implementation report at the annual general meeting.

The EOH Board is committed to engaging with shareholders in the event that the Remuneration Policy or implementation report, or both, are voted against by 25% or more of the votes exercised.

At the Annual General Meeting (AGM) on 5 December 2019 the Company did not receive the required number of votes in favour of the Remuneration Policy and the implementation report. The results of the voting at the previous two AGM's were as follows:

	5 December 2019		20 February 2019	
	For	Against	For	Against
Remuneration Policy	34.64%	65.36%	74.79%	25.21%
Implementation Report	34.64%	65.36%	65.25%	34.75%

Although the Group extended an invitation to all shareholders to address their concerns on the Remuneration Policy and Implementation Report to the Chairperson of the Nomination and Remuneration Committee, no responses were received. The revised Remuneration Policy discussed below aims to align with good practice. EOH remains committed to engaging with shareholders so that their input can be considered in future revisions to the Remuneration Policy and Implementation Report.

External review of executive and senior management incentives

In the context of the significant change in the organisation over the last two years, the results of the voting at the AGM on 5 December 2019, and the Board's commitment to review employee retention schemes, the Board retained Vasdex Remuneration Specialists (Vasdex) to review the Remuneration Policy, including executive and senior management incentives. The review identified several shortcomings in the existing schemes. These included that the short-term incentive was based on a profit-share model, which did not fully account for costs and affordability by the overall Group. Further, the long-term incentive was based purely on share price growth, which lost its relevance in terms of connecting to individual performance and, therefore, of limited value as a retention tool. In addition, the remuneration schemes were not consistently and transparently performance-based.

The review resulted in the formulation of a new approach to short- and long-term incentives that will be implemented at the end of the financial year 2020 with awards under the new share plan, being the 2020 EOH Share Plan (2020 Share Plan) commencing once shareholder approval for the 2020 Share Plan is obtained at the upcoming AGM. These incentive schemes contain financial and non-financial performance measures that are closely aligned to the EOH overall sustainable value-creating business strategy and contains specific divisional performance measure relating to the individual operating entities.

EOH's approach to reward is holistic with the Remuneration Policy providing for a standardised remuneration governance structure in the Group that serves as a foundation to our employment ethos underpinned by the company strategy. The different operating entities in the Group have performance measures set in incentives for employees that are relevant for the entity and the Group, aligning individual KPIs with overall achievement of business strategy.

Based on its review of the Company and its key personnel, the Nomination and Remuneration Committee considers Vasdex to be independent and objective.

REMUNERATION **REPORT** CONTINUED

The committee is satisfied that the Remuneration Policy, as further detailed in this report, achieved its objectives during the year.

A primary area of focus for the Nomination and Remuneration Committee for the past year was to revise the Remuneration Policy to ensure Group-wide fair, responsible, and transparent remuneration in line with best practice.

As a focus area for 2021, a revised 2021 Remuneration Policy will be further enhanced with EOH's position on:

- Principles for fair and responsible remuneration for executive management, in the context of overall employee remuneration and
- The basis for setting of fees for non-executive directors.

More information on the composition of the Nomination and Remuneration Committee, attendance, other key areas of focus during the year, and focus areas for the year ahead are available in the Nomination and Remuneration Committee Report on page 82.

Job grading

The Group adopted the Willis Watson Towers Global Grading system, a method that determines the relative size and importance of jobs. The objective is to establish (as systematically and objectively as possible) the worth of one job relative to another to determine where jobs should be placed in the organisational structure.

Job evaluation is an integral part of the greater Human Resources offering and forms the foundation of the total remuneration strategy of the Group. An effective grade structure is established by means of a standardised objective tool used to evaluate and rank jobs in an impartial and consistent manner. It allows for equitable competitive remuneration and benchmarking; market alignment, improved recruitment, effective selection, and placement; ensuring focused training and development; and provide input into the performance management process where standards and performance requirements are individualised and contextualised for every employee.

Performance management

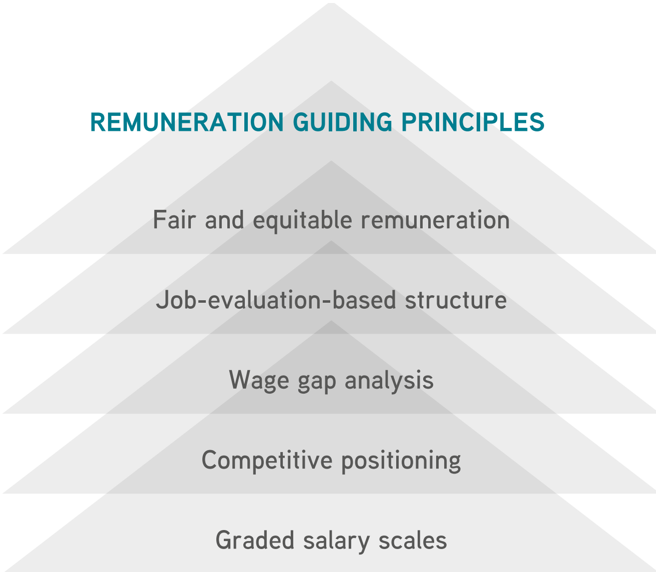
EOH has implemented a comprehensive performance management process with a supporting (digitised) key performance areas (KPA) system. Performance management is an integrated process of defining, measuring, supporting, improving, and rewarding performance.

Effective performance management in EOH is built on respect and translates into a high performing culture. The KPAs defined are critical to driving business sustainability and is cascaded down into the business. The objectives of the performance management process include;

- Improved individual, team and business performance.
- Aligned business, team, and individual objectives.
- Providing clarity so that everyone understands what is expected of them.
- Motivated employees and increase commitment.
- Underpinning the core values of EOH.
- Providing an objective basis for reward and recognition (monetary and non-monetary).
- Improved learning and career management.
- Improved dialogue and communication.
- Providing continuous improvement opportunities.
- Supporting culture-change.

REMUNERATION POLICY

The Remuneration Policy aims to support the achievement of the EOH business strategy and shareholder requirements by attracting, rewarding, and retaining the best possible talent for the business. The policy ensures fairness and internal equity through a standardised remuneration governance structure that is applied to all remuneration and incentive related practices and decisions. It aligns individual performance to business objectives and drives a high performing business culture while ensuring that the remuneration framework is in line with industry benchmarks. The policy promotes an ethical culture and responsible corporate citizenship within all of the Group's activities and drives financial and non-financial business imperatives in a sustainable manner.



Remuneration across the Group is designed to reward within the income range associated with the applicable job profile and in accordance with market trends, qualifications, experience, knowledge, and performance of the employee. EOH structures remuneration in a manner that is fair and responsible between executives and employees, and takes into account levels of responsibility, accountability, competencies, institutional IP, performance, and scarcity of skills.

The Group uses salary benchmarks to determine market relatedness. Annual benchmarking is conducted against comparable firms in the market to assess market competitiveness and forms a primary input into the annual salary review process, which is, in all instances subject to affordability and the sustainability of the Group's remuneration practices.

Salaries are reviewed each year in the context of macroeconomic factors, including CPI, market and trading conditions, skills shortages in specific areas, and salary surveys/benchmarks. Increases are considered based on market information, organisational performance, affordability, and changes in scope and roles. Increases are recommended by business unit leaders and approved by the Line of Business CEO, with line of sight provided to the Group CEO.

The Group CEO, CFO, and CRO are employed in executive employment contracts with a notice period of six months for the Group CEO and three months for the CFO and CRO. Other executive directors and senior management are employed in terms of standard employment contracts with a notice period of three months. All directors sign restraints of trade agreements for a minimum period of 12 months following their resignations as directors. There are no obligations in the executive employment contracts that give rise to payments on termination of employment or office.

We measure performance against our strategic objectives by monitoring predefined KPAs on a bi-annual basis. Performance is weighted by occupational level for KPA.

KPA	Executive	Senior management	Middle management	Junior management/ skilled	Semi-skilled/ unskilled
Business	50%	40%	30%	20%	20%
People	25%	35%	35%	20%	0%
Individual	25%	25%	35%	60%	80%

A new malus and clawback clause has been included in the Remuneration Policy, that is designed to give the Board the ability to adjust or clawback any incentives paid as part of short- or long-term incentives as a result of a breach of a material obligation such as a material misstatement of financials or a breach of the code of conduct that gives rise to reputational damage or legal action.

The full Remuneration Policy will be made available on our website at www.eoh.co.za, once the 2021 Remuneration Policy has been approved.

Remuneration structure

Total remuneration comprises the sum of:

- Total guaranteed package – also known as Cost-to-Company, which includes a guaranteed fixed salary and benefits.
- Short-term incentives (STIs) paid annually if short-term performance targets are achieved.
- Long-term incentives (LTIs) that vest over a three to five-year period, depending on the applicable LTI instrument.

Guaranteed package

EOH's Cost-to-Company approach provides employees with flexibility and choice regarding compulsory benefits. The Cost-to-Company structure includes:

Cost-to-Company is guaranteed and normally paid irrespective of Group performance. EOH seeks to offer competitive remuneration relative to its peers, and remuneration is set at or close to the local market median, which allows for talent in EOH to be mobile and global remuneration market data is taken into account where applicable. Above-median remuneration may be offered where necessary to attract top talent, particularly in scarce and critical skills areas and to retain top talent. In rare instances, below-median remuneration is provided for people who display high performance but are new to their role and still need to grow fully into the role.

Total pay mix

A "job family" approach is used in determining pay mix using the organisational hierarchy to categorise jobs. A market-related variable pay-mix is assigned to each job family and split into STI and LTI. The STI percentage by job category is dependent on the line of sight, influence, and accountability, while the LTI percentage is assigned to different LTI instruments depending on the job category. LTIs are generally equity settled but can be cash-settled with the approval of the Nomination and Remuneration Committee, while STIs are generally cash-settled.

GUARANTEED PACKAGE

EOH's **Cost-to-Company** approach provides employees with flexibility and choice regarding compulsory benefits. The Cost-to-Company structure includes:

** Ringfenced schemes may have different arrangements.*

REMUNERATION **REPORT** CONTINUED

Short-term incentives (STI Plan)

The short-term incentive plan is designed to reward eligible employees for achievement against pre-determined KPAs during the year. It reinforces the alignment of individual KPAs with the overall achievement of the business strategy. Divisional executives, senior managers, and key employees may be selected by the EOH Board to be participants in the STI.

KPAs targets for the STI Plan are as follows, subject to the Governance, Risk and Compliance modifier:

EBIT achievement	Debtors Days and Cash Conversion	Transformation of Business (Bonus Impact Measurement)
Divisional and Line of Business earnings before interest and tax (EBIT) incentives are calculated from 80% of target to target on a linear basis. Above target, incentives are calculated on a pro-rata basis and capped at 150%. The cap applied remains at the sole discretion of the Company, and where necessary, Group Executive Management's discretion will be applied. Below 80% of the target, no bonus is payable.	At least 80% of the budgeted EBIT number must be achieved before payment against debtors' days, and cash conversion is made. Debtors days incentives include work in progress and revenue accruals. Incentives are calculated from target days + 10 days to 50% of target days on a pro-rata basis. At the targeted debtors' days + 10 days, no incentive is paid, while improving debtors days to 50% of the target achieves a 200% incentive. Cash conversion incentives are calculated from 100% on a linear basis to the cap at 150%. The cash conversion is calculated by dividing the cash generated from operations by EBITDA. A cash conversion tracker will be made available in a Qlik App (business information reporting tool) to determine achievement at the relevant level during the year.	The transformation score of the relevant Line of Business/Cluster is treated as a bonus impact measurement for the financial year. The score is calculated based on the percentage of Black (African, Coloured, and Indian) employees of the total Line of Business/Cluster headcount. Should the agreed transformation target not be met, a 10% deduction is applied to the overall incentive payable. No additional incentive payment in lieu of overachievement of the agreed targets will be payable. Consideration will be given to any impact on business due to potential selective rightsizing, sales of businesses, inter-company staff transfers, etc. which could have a direct impact on the targets as communicated. These instances will be reviewed on an individual basis, and Group Executive discretion will be applied.

Governance, risk and compliance (GRC) modifier

In line with good governance and corporate processes, employees must meet the following requirements, or no incentive is payable:

1. Full compliance to all EOH Policies ensured within the employee's business area, including bid processes, disclosures, and sign-off requirements. A final determination is made by the Group CEO and CRO regarding policy non-compliance based on the degree of negligence/willful blindness by the employee, taking into account any appropriate remediation taken by the employee to intervene or stop negligence or non-policy compliance by the relevant employee or other employees, where applicable.
2. All GRC compulsory training completed on time in the relevant LMS Portal, including those of direct employees (where applicable).
3. All attestations completed and updated on the LMS Portal, including those of direct employees (where applicable).

STI Quantum (potential)

Employees in the STI Plan qualify for a percentage of their annual Cost-to-Company depending on the weighted KPI scoring in accordance with the performance metrics.

Payments in respect of an on-target incentive that have passed the GRC modifier are subject to overall EOH business performance and Nomination and Remuneration Committee approval. In addition, the employee:

- must be in the employ of EOH at the time that the incentive falls due for payment;
- must not be subject to any disciplinary action, misconduct, or forensic investigation;
- must not be subject to any enquiry relating to poor work performance; and
- must not have had their employment terminated or be in the process of serving their notice period.

Long-Term Incentive Plan (LTIP)

The LTIP aims to align divisional executives and management with the interests of the Group, to attract, retain, motivate and reward excellent performance by employees who are able to influence the performance of members of the EOH Group or divisions on a basis that aligns their interests with those of EOH shareholders and the business's strategy. The LTIP is available to divisional executives, senior managers, and key employees selected by the EOH Board to be participants in the LTIP.

Current retention schemes FY2020

The Group currently has three share schemes, the EOH Holding Company Share Participation Scheme (EOH Share Trust), the Mthombo Trust, and the Share Ownership Plan 2018 (2018 SOP).

The EOH Share Trust

The scheme is governed by a trust deed approved by shareholders and is a registered Schedule 14 Share Trust approved by the JSE Limited. The primary objective of the share trust is to retain highly skilled and talented individuals, and share options are only issued to high-performing individuals based on their contribution to the Group.

Under the terms of the EOH Share Trust, up to 18 million shares are reserved for share options, which are equity-settled. The option strike price is the share price on the trading day immediately preceding the date on which share options are offered, less a 40% discount. Share options vest in four equal annual tranches, with the first tranche of 25% vesting two years after the initial grant date. The next 25% vest after three years, 25% after four years, and the final 25% after year five. Vested share options will lapse ten years after the grant date. Should an employee leave EOH, their unvested share options are forfeited.

The last award made by the EOH Share Trust was in October 2018 and is expected to complete vesting in 2023. <u>The EOH Share Trust will **not** form part of the future remuneration structure and will be terminated once the last award vests</u>.

The Mthombo Trust

The scheme is governed by a trust deed approved by shareholders and is a registered Schedule 14 Share Trust approved by the JSE Limited. It is a B-BBEE scheme introduced to promote black economic transformation with the only participants being qualifying EOH employees. The option strike price is the share price on the trading day immediately preceding the date when share options are offered less a 40% discount.

Share options vest in three equal tranches, with the first tranche of 33.3% vesting three years after the initial grant date, 33.3% after four years, and the final 33.3% after year five. Vested share options will lapse eight years after grant date.

The last active awards are expected to conclude vesting in 2022. <u>The Mthombo Trust is **not** expected to form part of the future remuneration structure</u>.

The 2018 Share Ownership Plan (2018 SOP)

During 2018, the Company reviewed the two existing share option schemes, considering the context of local and global practice, shareholder feedback, and the pressing need to attract, retain, and engage critical talent. The outcome of this process was the 2018 SOP, which replaced the EOH Share Trust scheme as the Company's primary long-term incentive plan. The key objectives of this change were to ensure the attraction and retention of key individuals in the Company, to enable a sustainable succession planning strategy and to foster better alignment between executives, staff and shareholders.

The 2018 SOP provides employees with the opportunity of receiving shares in the Company through the award of conditional rights to shares, which vest over a period determined by the Nomination and Remuneration Committee, usually with the first tranche of 25% vesting two years after the initial grant date, 25% after three years, 25% after four years and 25% after year five. These awards are subject to continued employment and the achievement of Company performance conditions, where applicable.

Shares to settle 2018 SOP awards will be purchased in the market with no new shares are issued in settlement, and the scheme, therefore, has no dilutionary impact on shareholders. The Nomination and Remuneration Committee has the authority to direct that an award be cash settled by making payment of the value of the vested shares. Compared to the previous share option plan, the 2018 SOP awards are less volatile and dilutive, and more aligned with the creation of shareholder value (share price growth and dividends). Performance conditions will be linked to critical Company outcomes for which the Group's executives are accountable, including earnings growth, return on capital, cash flow, and key measures of sustainability

The 2018 SOP was used as follows:

Once-off awards of conditional shares were made to employees with unvested options under the EOH Share Trust and the Mthombo Trust to address immediate retention risks caused by the fall in the Company's share price by offering to replace employees' unvested options on a fair value exchange basis. Top-up awards were also granted to selected employees on a once-off basis. The 2018 SOP was also used to make annual awards to employees in line with market benchmarks.

The proposed EOH 2020 Share Plan (2020 Share Plan)

Following the review of the Company's existing incentive schemes by an external remuneration consultant, a new equity-settled share plan has been designed, which will be adopted subject to shareholder approval at the annual general meeting in January 2021.

Settlement is envisaged to be equity-settled for all elements, although the 2020 Share Plan does allow for either equity or cash settlement at the Board's discretion. Equity settlement can be via allotment and issue of new shares, the allocation of treasury shares, or the acquisition of shares in the open market on behalf of participants. The selection of the settlement method will aim to minimise equity dilution when settling the Share Plan as far as possible.

Any Executive Director, senior manager, Prescribed Officer and/or key employee of EOH or its subsidiaries may be selected by the Board to be eligible to become participants in the 2020 Share Plan.

The maximum number of shares in aggregate to be acquired by participants over the duration of the 2020 Share Plan is not to exceed 8.8 million shares, currently representing approximately 5% of EOH's issued share capital, and for anyone participant, not to exceed 1.7 million shares, currently representing approximately 1% of the issued share capital.

Allocations, awards, and grants will be governed by EOH's reward philosophy and strategy, taking into consideration, inter alia, a participant's current status, role, current remuneration, and the Remuneration Policy. The Remuneration Policy includes a malus/clawback clause that gives the Board the ability to adjust or clawback any incentives paid as part of STI or LTI as a result of a breach of material obligation.

REMUNERATION **REPORT** CONTINUED

The 2020 Share Plan comprises three elements:

1. **Hurdle Share Appreciation Rights (HSAR)**
   The intent of the HSAR is to incentivise eligible employees to guard against a decline in shareholder value, to recover and sustain shareholder value over a five-year time period. HSAR will vest no earlier than on the fifth anniversary of the allocation. On settlement, the value accruing to participants will be the appreciation of EOH's share price over and above a predetermined hurdle growth rate, but subject to the achievement of performance criteria. The above-hurdle appreciation in the underlying shares will be settled in shares, which shares may be, at the discretion of the Board, allotted and issued, or acquired and transferred to participants. Alternatively, a cash bonus of equivalent value may be paid.

1 Hurdle Share Application Rights (HSAR)

- Vesting no earlier than on the fifth anniversary of the allocation
- Guard against decline in shareholder value
- Appreciation of EOH share price over and above a pre-determined hurdle growth rate

2. **Performance Share (PS)**
   The primary element for the long-term share-based incentivisation of Group executives (being predominantly executive directors, divisional and cluster executives, and prescribed officers) will be conditional awards.

   Each award will vest no earlier than three years from their award date to the extent that EOH meets specified performance criteria over the intervening period. The number of shares that vest will depend on whether EOH's performance over the intervening three-year period is on target, underperform, or outperforms the targets set at the award date.

   The performance criteria to govern the vesting of PS will be determined annually for each award by the Board and communicated in award letters to participants.

   Performance shares closely align the interests of shareholders and Group executives by rewarding superior shareholder and financial performance in the future.

   The target performance will be determined on an acceptable, expected, required performance and full maximum vesting at a truly excellent or upper-quartile and above performance.

2 Performance Share (PS)

- Vesting no earlier than on the third anniversary of the award
- Conditional awards
- Closely align the interest to shareholders

3. **Matching Restricted Shares (MRS)**
   Under the MRS, conditional grants will be made to eligible employees. On vesting of a grant, a number of matching restricted shares may vest depending on the achievement of the performance criteria.

It is the intention to develop and implement a minimum shareholding policy. The MRS will be used as a mechanism to enable Group executives to obtain a required minimum shareholding.

3 Matching Restricted Shares (MRS)

- Conditional grant
- Vesting no earlier than on the third anniversary of the grant
- Vesting results in settlement of matching restricted shares

Termination of employment

Treatment of benefits under the proposed scheme in the event of termination of employment depends on whether the termination is a 'no-fault' or 'fault' termination, as shown in the table below.

	No-fault termination	**Fault termination**
Definition	No fault termination is the termination of employment of a participant by reason of: • death; • injury, disability or ill health, in each case as certified by a qualified medical practitioner nominated by the relevant Employer Company; • dismissal based on Operational Requirements as contemplated in the Labour Relations Act 66 of 1995; or • retirement on or after retirement date. **In addition, EOH may in its sole and absolute discretion determine at the relevant time, a specific reason/s that constitute/s "No Fault Determination".**	Dismissal for misconduct, poor performance or a resignation by the participant.
Benefits in terms of Hurdle Share Appreciation Rights	All HSAR allocated but unvested, will be settled, unless the Board determines otherwise.	All HSAR allocated but not settled will be cancelled.
Benefits in terms of Performance Shares	Performance Shares will be prorated for the time period until the termination date and be further adjusted by a performance factor, which the Board may in its discretion apply relating to EOH's performance as at the termination date.	All Performance Shares will be cancelled.
Benefits in terms of Matching Restricted Shares	The MRS will be settled in full (alternatively pro-rated for time).	All MRS will be cancelled.

COVID-19 and remuneration

Our guiding objective in navigating the crisis created by COVID-19 is to keep as many people employed as possible in the context of the economic and social hardships that undoubtedly lie ahead for all South Africans. Given the unprecedented times we find ourselves in, we need to implement stringent actions to manage the Company's liquidity and preserve jobs to keep us relevant and sustainable for the longer term.

To reduce monthly cash payments across the Group, we implemented a range of initiatives to reduce costs significantly and rapidly. These included:

- EOH Exco took a 25% pay cut for a three-month period;
- Employees earning R256 800 per annum and below were excluded from the pay cuts;
- All other employees who accepted a salary reduction took a 20% pay cut for two months and a 10% pay cut for a further month;
- All employees that were subject to pay cuts during this period are eligible to participate in the EOH COVID-19 Fund;
- Shares awarded through the EOH COVID-19 Fund will vest two years from the award date should the employee remain at EOH or was a good leaver as defined; and
- Each affected employee, regardless of salary level, received 2 890 shares.

REMUNERATION **REPORT** CONTINUED

COVID-19 share allocation	Shares
Total affected employees	2 788
Total shares to affected employees (2 890 shares per employee)	8 057 320
Add: Fixed-term contractors' shares	106 930
Total shares accepted	8 165 250

The EOH Covid-19 Fund

On 15 June 2020, employees who accepted a salary reduction as outlined above received an award of 2 890 shares, with a value of R9 537.00 at the then share price of R3.30. The executive directors did not participate in the award.

Non-executive Director remuneration

Non-executive Directors' remuneration is not currently covered in the Remuneration Policy but the below current practice will form part of the 2021 Remuneration Policy.

Non-executive Directors sign engagement letters with the Company, which set out their duties and remuneration terms. The term of office of Non-executive Directors is governed by the memorandum of incorporation (MoI), which provides that directors who have served for three years will retire by rotation.

The remuneration of Non-executive Directors is reviewed annually by the Nomination and Remuneration Committee, which makes recommendations to the Board for approval.

Remuneration is compared with that of selected peer companies and is market-related. A review of current market practice in terms of the remuneration philosophy and remuneration payable to Non-executive Directors was undertaken during the year under review based on an appropriate comparator group of similar sized organisations in the information technology (IT) industry.

Non-executive remuneration is paid monthly, based on an annual retainer fee and a fee paid per meeting. Fees are typically approved annually on this basis at the Annual General Meeting (AGM).

IMPLEMENTATION REPORT

The Implementation Report explains how the Remuneration Policy was applied during the year under review. The Remuneration Policy was implemented across the Group at all levels, rewarding excellent performance to ensure the retention of key talent and high performers while appropriately addressing poor performance.

Executive Directors

The remuneration structure for the Executive directors for the financial year 2020 had targets based on the requirement to:

- ensure EOH remained solvent;
- complete the clean-up of the balance sheet;
- complete the ENSafrica review unfettered; and
- ensure the new compliance regime was implemented.

These outcomes were seen as critical to ensuring the survival of EOH. This meant the targets had to be set in a manner that did not conflict the Executive Directors in any way in achieving these key outcomes.

Based on outcomes required by Board the following key performance areas were agreed:

- EOH remains a going concern on 31 July 2020 as agreed by the external auditors;
- Net debt is less than R1.5 billion on 31 July 2020;
- Improvement in the risk matrix status and completion of the risk heat map by the business unit;
- Unqualified audit report for 31 July 2020;
- Enhance quality and timing of reporting to the Board including sub-committees;
- Enhanced finance systems in place for budgeting and consolidation;
- Timeous and complete financial reporting on a quarterly basis;
- 90% of required staff complete risk and governance training; and
- 90% of required staff complete declarations of conflict of interest and outside business interests.

The Nomination and Remuneration Committee recognises that these criteria are not the standard set of deliverables for a listed company but believed they were absolutely appropriate for the circumstance EOH found itself in, unrelated to the existing Board. It strongly believes these criteria were the most prudent in ensuring shareholder value was protected.

The remuneration outcomes for FY2019 and FY2020 are shown in the tables below:

Stephen van Coller (appointed 1 September 2018)
Awarded for 2020

	R000	2019	2020
1	Fixed remuneration	5 026 000	8 000 000
2	COVID-19 salary adjustments		(500 000)
	Short-term incentives (STI)	4 000 000	4 000 000
	STI (Non-performance-related)	4 000 000	4 000 000
3	STI (Performance-related)		
4	LTI awarded		6 000 000
	Other salary expenses allowed		62 240
	Total reward	9 026 000	17 562 240
5	Once-off buy-out	10 000 000	
	Total reward (including once-off buy-out)	19 026 000	17 562 240

Stephen van Coller (appointed 1 September 2018)
Single figure remuneration for 2020

	R000	2019	2020
1	Fixed remuneration	5 026 000	8 000 000
2	COVID-19 salary adjustments		(500 000)
	Short-term incentives (STI)	4 000 000	4 000 000
	STI (Non-performance-related)	4 000 000	4 000 000
3	STI (Performance-related)		
4	LTI vested	–	–
	Other salary expenses allowed		62 240
	Total reward	9 026 000	11 562 240
5	Once-off buy-out	10 000 000	
	Total reward (including once-off buy-out)	19 026 000	11 562 240

[1] *Cost-to-Company, which includes a guaranteed fixed salary and benefits*
[2] *Pay cut*
[3] *STI payable FY2021, which is derived from the performance for the year ended 31 July 2020, subject to Board approval*
[4] *On 13 November 2018, 1 000 000 share options were awarded at a strike price of R19.00. On 19 December 2019, 452 830 shares were awarded at a price of R13.25 per share*
[5] *On 13 November 2020, 250 000 share options will be exercisable. As the strike price was R19.00 per option, the realisable value is likely to be zero*
[6] *Includes previous employer buy-out of bonus contract*
Note: R3 000 000 bonus was earned and approved by the Board but was declined by the Group CEO.

Megan Pydigadu (appointed 15 January 2019)
Awarded for 2020

	R000	2019	2020
1	Fixed remuneration	2 201 000	4 500 000
2	COVID-19 salary adjustments		(281 250)
	Short-term incentives (STI)	2 000 000	4 000 000
	STI (Non-performance-related)	2 000 000	2 000 000
3	STI (Performance-related)		2 000 000
4	LTI awarded	2 000 145	–
	Other salary expenses allowed		52 645
	Total reward	6 201 145	8 271 395

Megan Pydigadu (appointed 15 January 2019)
Single figure remuneration for 2020

	R000	2019	2020
1	Fixed remuneration	2 201 000	4 500 000
2	COVID-19 salary adjustments		(281 250)
	Short-term incentives (STI)	2 000 000	4 000 000
	STI (Non-performance-related)	2 000 000	2 000 000
3	STI (Performance-related)		2 000 000
	LTI vested		–
	Other salary expenses allowed		52 645
	Total reward	4 201 000	8 271 395

[1] *Cost-to-Company, which includes a guaranteed fixed salary and benefits*
[2] *Pay cut*
[3] *STI payable FY2021, which is derived from the performance for the year ended 31 July 2020, subject to Board approval*
[4] *On 15 January 2019, 62 020 share were awarded at a share price of R32.25 per share*

Fatima Newman (appointed 31 July 2019) – Prescribed Officer
Awarded for 2020

	R000	2019	2020
1	Fixed remuneration	1 334 000	4 100 000
2	COVID-19 salary adjustments		(256 250)
	Short-term incentives (STI)	4 000 000	4 000 000
	STI (Non-performance-related)	4 000 000	2 000 000
3	STI (Performance-related)		2 000 000
	LTI awarded		–
	Other salary expenses allowed		6 762
	Total reward	5 334 000	7 850 512
4	Once-off buy-out	3 000 000	
	Total reward (including once-off buy-out)	8 334 000	7 850 512

Fatima Newman (appointed 31 July 2019) – Prescribed Officer
Single figure remuneration for 2020

	R000	2019	2020
1	Fixed remuneration	1 334 000	4 100 000
2	COVID-19 salary adjustments		(256 250)
	Short-term incentives (STI)	4 000 000	4 000 000
	STI (Non-performance-related)	2 000 000	2 000 000
3	STI (Performance-related)	2 000 000	2 000 000
	LTI vested		–
	Other salary expenses allowed		6 762
	Total reward	5 334 000	7 850 512
4	Once-off buy-out	3 000 000	
	Total reward (including once-off buy-out)	8 334 000	7 850 512

[1] *Cost-to-Company, which includes a guaranteed fixed salary and benefits*
[2] *Pay cut*
[3] *STI payable FY2021, which is derived from the performance for the year ended 31 July 2020, subject to Board approval*
[4] *Includes previous employer buy-out of bonus contract*
* *Prescribed Officer*

REMUNERATION **REPORT** CONTINUED

Short-term incentives

Based on outcomes required by Board the following key performance areas were agreed for short-term incentive payment:

Key performance area (KPA) Stephen van Coller	KPA weighting (%)	Award opportunity (R'000)	Achievement %	STI award (R'000)
EOH remains a going concern at 31 July 2020	20	600	100	600
Net debt is less than R1.5 billion at 31 July 2020	20	600	100	600
Improvement in the risk matrix status and completion of the risk heat map	20	600	100	600
Unqualified audit report for 31 July 2020	20	600	100	600
Enhance quality and timing of reporting to the Board including sub-committees	20	600	100	600
Total	100	3 000		3 000

Note: While the Group CEO achieved 100%, he declined the award.

Key performance area (KPA) Megan Pydigadu	KPA weighting (%)	Award opportunity (R'000)	Achievement %	STI award (R'000)
EOH remains a going concern at 31 July 2020	20	400	100	400
Net debt is less than R1.5 billion at 31 July 2020	20	400	100	400
Enhanced finance systems in place for budgeting and consolidation	20	400	100	400
Unqualified audit report for 31 July 2020	20	400	100	400
Timeous and complete financial reporting on a quarterly basis	20	400	100	400
Total	100	2 000		2 000

Key performance area (KPA) Fatima Newman	KPA weighting (%)	Award opportunity (R'000)	Achievement %	STI award (R'000)
EOH remains a going concern at 31 July 2020	25	500	100	500
Improvement in the risk matrix status and completion of the risk heat map	25	500	100	500
90% of required staff complete risk and governance training	25	500	100	500
90% of required staff complete declarations of conflict of interest and outside business interests	25	500	100	500
Total	100	2 000		2 000

As previously mentioned, the Nomination and Remuneration Committee recognises that these criteria are not the standard set of deliverables for a listed company but believes they were absolutely appropriate for the circumstances EOH found itself in and were the most prudent in ensuring shareholder value was protected.

These principles were based directly on the agreed Remuneration Policy as it relates to:

- Supporting the achievement of the EOH business strategy and shareholder requirements.
- Attracting, rewarding, and retaining the best possible talent for the business.
- Ensuring that the remuneration framework is in line with industry benchmarks.
- Driving financial and non-financial business imperatives in a sustainable manner.

Long-term incentives

On joining EOH as CEO on 3 September 2018, Stephen van Coller was given an option to purchase 1 000 000 EOH shares through The Share Trust at a strike price of R19. At the time the employment contract was concluded, Stephen van Coller was faced with a business in distress as a result of unresolved corruption issues, which lead to the EOH share price dropping significantly. It is estimated that the realisable value of the 1 000 000 share option over the next two years will have a zero value.

Megan Pydigadu was awarded 62 020 share options on joining EOH as CFO in FY2019, which were granted on 15 January 2019. These shares will vest in four equal tranches on 15 January 2021, 2022, 2023, and 2024, respectively.

During FY2020, Stephen van Coller was awarded 452 830 shares on 19 December 2019 at a price of R13.25 per share. These shares will vest in four equal tranches equally on 1 August 2021, 2022, 2023, and 2024, respectively, based on continued employment and share price performance on each vesting date.

Unvested awards and cash flow

15 June 2020	Scheme	Award date	Opening balance on 1 August 2019	Number of shares						
				Granted during 2020	**Exercise during FY2021**	**Exercise after FY2021**	**Forfeited during 2020**	**Vested during 2020**	**Closing balance on 31 July 2020**	**Face value on 31 July 2020******
Executive Directors										
Stephen van Coller	Share Trust*	13 November 2018	1 000 000***		**250 000**	**750 000**	**–**	**–**	**1 000 000**	**–**
	Share Ownership Trust**	19 December 2019		**452 830**	**–**	**452 830**	**–**	**–**	**452 830**	**2 200 754**
Subtotal			1 000 000	**452 830**	**250 000**	**1 202 830**	**–**	**–**	**1 452 830**	**2 200 754**
Megan Pydigadu	Share Ownership Plan	15 January 2019	62 020		**15 505**	**46 515**	**–**	**–**	**62 020**	**301 417**
Subtotal			62 020	**–**	**15 505**	**46 515**	**–**	**–**	**62 020**	**301 417**
Total			1 062 020	**452 830**	**265 505**	**1 249 345**	**–**	**–**	**1 514 850**	**2 502 171**

* *The EOH Share Trust*
** *The 2018 Share Ownership Plan (SOP)*
*** *1 000 000 share options were awarded at a strike price of R19*
**** *Based on closing price as at 31 July 2020 of R4.86*

No payments were made on termination of employment or office during the year.

Remuneration for FY2021

In determining the executive director's remuneration for FY2021, benchmarks that take into account the level and complexity of the role, job grade, and organisational parameters such as the size, type, and structure of EOH were considered.

It is envisaged that LTI allocations will be made under the 2020 Share Plan that is still subject to shareholder approval at the upcoming annual general meeting. Following approval of the 2020 Share Plan, any LTI allocations, will be linked to long-term performance measures, weightings, and achievement levels determined by the Remuneration and Nomination Committee and approved by the Board.

In accordance with the malus/clawback clause set out in the Remuneration Policy, any incentive will be subject to the executive guaranteeing and undertaking that they have not been involved personally, whether directly or indirectly, nor involved EOH in any incident or action that might impact negatively on or cause reputational damage to EOH.

REMUNERATION **REPORT** CONTINUED

Key performance area (KPA)	Megan Pydigadu	Fatima Newman	Stephen van Coller	Megan Pydigadu KPA weighting (%)	Fatima Newman KPA weighting (%)	Stephen van Coller KPA weighting (%)	Note
Financial performance							
Refinance the debt and stabilise the capital structure by 31 July 2021 in prevention of over indebtedness	✓		✓	40	20	40	
Meet the normalised EBITDA and PAT targets as budgeted for 2021	✓	✓	✓				
Business sustainability							
Significant progress in considering and simplifying divisions in the Group	✓	✓	✓				
Finalise the disposal plan in line with the capital structure requirements and market conditions	✓		✓				
Significant progress on implementation of the new ERP system	✓		✓	20	20	20	
The order to cash and procure to pay processes have been mapped and have agreement and sign off by business	✓		✓				
Complete the cash pooling arrangements	✓						
Unqualified audit opinion	✓	✓	✓				
Significant progress on getting tax findings and AFS up to date	✓		✓				
Social goals							
Improve race and gender profile expressed in levels of seniority and remuneration status	✓		✓				
Improve race and gender profile based on an approved transformation plan		✓	✓				
Complete an approved transformation plan for the business	✓		✓				
Progress demonstrated on implementation of HRaaS		✓	✓	20	30	20	1
Show improved performance 10% year-on-year against FY20 baseline EVP results	✓	✓	✓				
Succession planning in place across the organisation	✓	✓	✓				
Learning and Development EVP plan approved and implementation on track		✓	✓				
CSI plan approved and implemented on track	✓	✓	✓				
Governance and risk							
90% completion on training and declarations	✓	✓	✓				
Improvement shown on critical risk items identified		✓	✓				
Accurate and timeous close out on audit findings	✓	✓	✓	20	30	20	2
Accurate and timeous close out on Risk Committee actions	✓	✓	✓				
Accurate and timeous close out on Social and Ethics Committee actions	✓	✓	✓				
Total				100	100	100	

Notes

1 *Megan Pydigadu: Split 10% EOH and 10% finance team*
Fatima Newman: Split 15% EOH and 15% CRO team

2 *Megan Pydigadu: Split 10% EOH and 10% finance team*
Fatima Newman: Split 15% EOH and 15% CRO team

Targets are set at threshold (80%), on-target (100%) and stretched (120%) and will be applicable on each KPA and will be tallied per KPA to give the average achievement.

Non-executive Director fees

Non-executive Director fees are reviewed by the Nomination and Remuneration Committee and the Board and proposed to shareholders for approval at the annual general meeting. Fees paid to non-executive directors during 2020 are shown in the table below and the proposed fees for FY2021 are set out in the notice of annual general meeting.

	Directors fees FY2020 (R'000)	Directors fees FY2019 (R'000)
Sipho Ngidi (appointed effective 20 February 2020)	522	
Xolani Mkhwanazi (deceased 4 January 2020)	333	134
Jesmane Boggenpoel	1 360	775
Ismail Mamoojee	1 389	797
Moretlo Molefi	1 019	494
Anushka Bogdanov (resigned 28 July 2020)	1 004	166
Andrew Mthembu	1 265	131
Mike Bosman	1 594	156
Andrew Marshall (appointed 21 May 2020)	139	
Asher Bohbot (resigned 28 February 2019)	–	1 372*
Pumeza Bam (resigned 12 July 2019)	–	607*
Tshilidzi Marwala (resigned 28 February 2019)	–	157
Rob Sporen (resigned 28 February 2019)	–	193

* *Includes share-based payment charges*

NOMINATIONS AND REMUNERATION **COMMITTEE REPORT**

Sipho Ngidi
Chairman of the Nomination and Remuneration Committee

"The remuneration committee has placed focus on the establishment of a sound foundation that drives fair and responsible remuneration. Further to that focus has been placed on business sustainability through the implementation of governance structures for remuneration and the development of a fit for purpose policy"

FOCUS FOR 2021

- Socialisation and embedment of remuneration policy
- Group standard on grading and payscales
- Director training
- Implementation of EVP:
  - Performance Management
  - Learning and Career Management
  - Talent Management

COMMITTEE COMPOSITION

The committee comprises three independent non-executive directors and is chaired by an independent non-executive director. The membership of the committee is as follows:

Mr Sipho Ngidi	*Chairperson of the committee*
Mr Ismail Mamoojee	
Mr Mike Bosman	
Anushka Bogdanov*	
Dr Moretlo Molefi**	

Attendees at committee meetings include the Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer, the HR Director, the Company Secretary and other persons with specific skills and expertise to assist the committee in the discharge of its functions.

The number of meetings and attendance per committee member is shown on page 68.

The Board is satisfied that the members of the committee have the necessary skills and experience to enable the committee to fulfil its duties. Summaries on page 62 to 63 provide an overview of the directors' qualifications and experience.

* *Resigned: 28 July 2020*
** *Resigned: Effective 20 January 2021*

ROLE OF THE COMMITTEE

The Committee assists the board in exercising its function to ensure that the Group remunerates its employees fairly, responsibly and transparently by, among others, implementing affordable, competitive and fair reward practices, so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

Role and responsibilities – Remuneration:

- ensure that the remuneration policy promotes the achievement of strategic objectives and encourages individual performance;
- annually review the remuneration strategy and policy (including higher-level strategic principles that would inform the policy and implementation thereof) and oversee the implementation of the policy over an annual cycle to ensure its continued relevance;
- ensure that executive directors are remunerated for their contribution to the Group's overall performance, after giving due regard to the interest of the shareholders and to the financial and commercial health of the Group;
- advise on the remuneration of non-executive directors;
- ensure that the Company remunerates directors, management, and employees fairly, responsibly and transparently and oversees the setting and administering of remuneration at all levels in the company;
- approve material Human Resources policies for the EOH Group;
- approve proposals on new short- and long-term incentive schemes and where appropriate make recommendations to the board for approval by shareholders.

Role and responsibilities – Remuneration Report:

- oversee the preparation of the Remunerations Committee's report, which includes a background statement, the overall remuneration policy and the implementation report which forms part of the Annual Integrated Report.
- review the outcome of the implementation of the remuneration policy, as to whether the policy promotes the achievement of strategic objectives and encourage individual performance. The Committee will recommend the necessary improvements to the board in this regard.
- ensure that the remuneration policy is put to a non-binding advisory vote at the general meeting of shareholders once every year.
- ensure that the process set out in King IV relating to shareholders' engagement if the remuneration policy or the remuneration report (or both) have been voted against by 25% or more of the voting rights at the general meeting of shareholders is followed.

Role and responsibilities – Nomination of Directors:

- regularly review the board and board committees' skill, knowledge, expertise, structure, size and composition, and make recommendations to the board with regard to any adjustments and/or appointments and/or establishment that are deemed necessary;
- establish a formal and transparent procedure for the appointment of directors:
  - identifying and participating in the selection of suitable candidates to be recommended to the board for appointment as executive and non-executive directors; and
  - review the results of background checks on potential candidates prior to their nomination taking into account the provisions of section 69 and 162 of the Companies Act and the recommendations of King IV on Corporate Governance for South Africa, 2016 (King Code) relating to the attributes of directors in general.
- make recommendations to the board on the appointment, removal, and resignation of executive and non-executive directors;
- review and report to the board on the adequacy of the succession planning policies for the board chairman, chief executives and executive directors;
- identify individuals qualified to be elected as members of the board and board committees and recommend such individuals to the board for appointment in terms of the Company's MOI and establish a procedure to ensure that the selection of individuals for such recommendation is transparent;
- annually review the independence of non-executive directors, taking into account all applicable corporate governance requirements and make recommendations to the board;
- ensure that directors undergo proper 'on-boarding'/induction;
- ensure that directors receive on-going training as and when required; and
- assist the Chairperson and the board in evaluating the performance of the board, its committees and individual directors.

TERMS OF SERVICE

Executive directors

- The minimum terms and conditions applied to South African executive directors are governed by legislation. The notice period for these directors is three months. In exceptional situations of termination of the executive directors' services, the Remuneration Committee (assisted by independent labour law legal advisers) oversees the settlement of terms.
- Executive directors are permitted to serve as non-executive directors on one other public company board with the express permission of the Chief Executive and the Nominations Committee. This excludes directorships where the Group holds a strategic investment in that public company (i.e. nominee directorship).
- Fees paid to nominee directors accrue to the Group and not to the individual directors concerned.

Non-executive directors

- Non-executive directors are appointed by the shareholders at the AGM. Interim board appointments are permitted between AGMs. Appointments are made in accordance with Group policy. Interim appointees retire at the next AGM when they may make themselves available for re-election.

SHAREHOLDER VOTE ON THE REMUNERATION POLICY AND THE IMPLEMENTATION REPORT

At the Annual General Meeting on 5 December 2019 the Company did not receive the required number of votes in favour of the remuneration policy and the implementation report. The results of the voting were as follows:

- Remuneration policy 34.64% in favour
- Implementation report 34.64% in favour

Following further engagement with shareholders, the Company determined that shareholders were concerned about the level of disclosure around performance targets which made it difficult to assess the reasonability of variable remuneration outcomes. The Company has taken these concern into consideration in its detailed review of our remuneration policy that will be presented to shareholders at the annual general meeting (AGM) to be held 20 January 2021.

Other than shareholder engagement at the AGM, no further shareholder concerns were received by the Remuneration Committee subsequent to the meeting notwithstanding an invitation by EOH to those shareholders who voted against the aforementioned resolutions, to engage with EOH in writing.

NOMINATIONS AND REMUNERATION **COMMITTEE REPORT** CONTINUED

ACTIVITIES DURING THE YEAR

The committee met three times during the year to discharge its responsibilities.

The committee's key focus areas for the 2020 financial year included:

Focus areas	Response
Remuneration	• A grading system is being implemented across the Group that will inform payscales. A subsequent analysis of equal pay for work of equal value will be conducted and reviewed by the committee • Reviewed the fees payable to non-executive directors and resolved to call a general meeting to seek shareholder approval for adjustments to the fees
Incentive scheme	• The committee considered a new incentive scheme for executives and senior management, which includes short- and long-term incentives. The long-term incentive is supported by a new share ownership plan detailed in the remuneration report • Approved the new share ownership plan • The committee signed off the Remuneration Policy, including the short- and long-term incentives
Succession plan	• The committee reviewed and signed off the succession plan for each of the Executive Committee members
Nomination of directors	• Recruited a new Chairman of the board of directors and three new non-executive directors • Revised the membership of the board's committees • Satisfied itself in regard to the independence of the non-executive directors

CONCLUSION

The committee is satisfied that it discharged its responsibilities in accordance with its terms of reference during the year.

Mr Sipho Ngidi
Chairperson, Remuneration and Nomination Committee

1 December 2020

AUDIT COMMITTEE **REPORT**

Mike Bosman
Chairperson,
Audit Committee

"The committee has continued its focus on ensuring a fit-for-purpose balance sheet, which is representative of value going forward. After overseeing the clean-up of the balance sheet in 2019, the Audit Committee has continued to play its oversight role to ensure that the balance sheet is reflective of the financial position of the company. While the COVID-19 pandemic has brought unexpected disruptions, the committee believes that management is still pursuing a robust and realistic deleveraging plan. The management team has also made significant strides in improving and embedding a sustainable control environment in the organisation. The establishment of an in-house internal audit function will go a long way in ensuring stringent control over all the activities of the organisation."

FOCUS FOR 2021

- Overseeing the implementation of the combined assurance model and the embedding of the internal audit charter.
- Ensuring compliance with the JSE guidance letter on financial controls to assist the CEO and CFO in meeting the new requirements.
- Monitoring progress on the deleveraging plan to ensure that the appropriate capital structure is attained without erosion of value.
- Review relevant submissions and reports issued by internal and external assurance providers
- Monitoring the organisation's control environment and engaging with relevant persons – both internal and external – as required, to effectively discharge its responsibilities.
- Reviewing relevant reports and position papers prepared by management relating to accounting standard changes to ensure that all material risks are addressed.
- Reviewing management submissions on technical accounting matters.

COMMITTEE COMPOSITION

As only two directors were appointed to the committee by the shareholders at the AGM held on 5 December 2019, the board subsequently restructured the committee and appointed the following independent non-executive directors as members of the committee to hold office:

Mike Bosman	*(Chairperson of the committee)*
Andrew Mthembu	*(Resigned as a committee member with effect from 6 January 2020 to take up his role as the interim board chairperson)*
Ismail Mamoojee	
Jesmane Boggenpoel	

The EOH Audit Committee (the committee) is pleased to submit its report for the year ended 31 July 2020, which has been approved by the board. This report has been prepared in compliance with section 94(7)(f) of the Companies Act 71 of 2008 (the Companies Act) and in accordance with the mandate given by the board.

The number of meetings and attendance per committee member is shown on page 68.

AUDIT COMMITTEE **REPORT** CONTINUED

The Board is satisfied that the members of the committee have the necessary skills and experience to enable the committee to fulfil its duties.

The appointment of committee members will be subject to approval by shareholders at the next AGM to be held on Wednesday, 20 January 2021. The biographies of the directors who have made themselves available for election to the committee can be viewed on page 6 of the AGM notice.

COMMITTEE PURPOSE

The main role of the committee is to provide independent oversight of:

- the integrity of the Annual Financial Statements and other external reports issued by the Company; and
- the effectiveness of the organisation's assurance services and functions, particularly focusing on combined assurance arrangements, the finance function, external assurance service providers and the internal audit function.

TERMS OF REFERENCE

The Board approved the new terms of reference for the committee during 2019, which are in line with the King IV Report on Corporate Governance for South Africa, 2016 (King IV).

MEETINGS

Nine meetings of the committee were held during the year under review. Attendance at meetings is shown on page 68.

The Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer, the Company Secretary and other members of senior management as required, attend committee meetings by invitation, but have no voting rights. Similarly, external and internal auditors attend committee meetings by invitation, but have no voting rights.

The Chairperson of the committee reports to the Board at all Board meetings on the activities and recommendations of the committee.

The Chairperson of the committee periodically meets separately with the external auditor and the internal audit executive without members of executive management being present.

INTERNAL AUDIT

EOH established an in-house internal audit function during the second half of the 2019 financial year. The internal audit charter and internal audit plan were approved by the committee and a Head of Internal Audit was appointed, who reports directly to the committee with an indirect line to the CRO. All internal audit reports were reviewed and discussed at committee meetings and, where appropriate, recommendations were made to the board.

The committee's key focus areas for the 2020 financial year included:

Focus areas	Response
Assurance	• The committee received and reviewed reports from all assurance providers, including internal and external auditors, and continued its oversight over the governance of the organisation and the continuing maturation of the control environment.
Liquidity and solvency	• Monitoring the liquidity and solvency of the organisation, continuously reviewing the efficacy of the deleveraging plan and overseeing its implementation. The deleveraging plan continues to progress well despite the challenges brought by the COVID-19 crisis.
Financial reporting	• Reviewing relevant reports and position papers prepared by management relating to accounting standard changes to ensure that all material risks are addressed. • Reviewing management submissions on technical accounting and tax matters such as IFRS 15, IFRS 9, IFRS 16, IAS 36, IFRS 5 and transfer pricing policy.

DISCHARGE OF RESPONSIBILITIES

The committee is satisfied that it has conducted its affairs, discharged its legal and other responsibilities as outlined in its charter, the Companies Act and King IV. The Board concurred with this assessment.

CONCLUSION

The committee has had due regard to the principles and recommended practices of King IV in carrying out its duties and is satisfied that it has discharged its responsibilities in accordance with its terms of reference.

The full Audit Committee report can be found on pages 97 to 100 of the annual financial statements.

Mike Bosman
Chairperson, Audit Committee

1 December 2020

GOVERNANCE AND RISK **COMMITTEE REPORT**

"I am proud of how EOH has managed and continues to manage the extraordinary risks which arose as a result, both directly and indirectly of the COVID-19 pandemic. Our business continuity plans and initiatives allowed us to enable our entire staff contingent to work remotely and provide uninterrupted services to our clients within a very short space of time. We have been able to respond and adapt in a controlled and responsible way as the country has progressed through the various levels of lock-down. We have learnt valuable lessons through this process, and these will be used to enhance our business continuity practices in the future."

Jesmane Boggenpoel
Chairperson,
Governance and Risk
Committee

COMMITTEE COMPOSITION:

Jesmane Boggenpoel	*(Chairperson of the committee)*
Andrew Mthembu	*Non-executive Director*
Anushka Bogdanov	*(resigned 28 July 2020)*
Sipho Ngidi	*Non-executive Director*
Mike Bosman	*Non-executive Director*
Stephen van Coller	*Executive Director*
Fatima Newman	*Executive Director*

The number of meetings and attendance per committee member are shown on page 68.

Regular invited attendees: Head of Legal, Head of Risk and the Chief Compliance Officer.

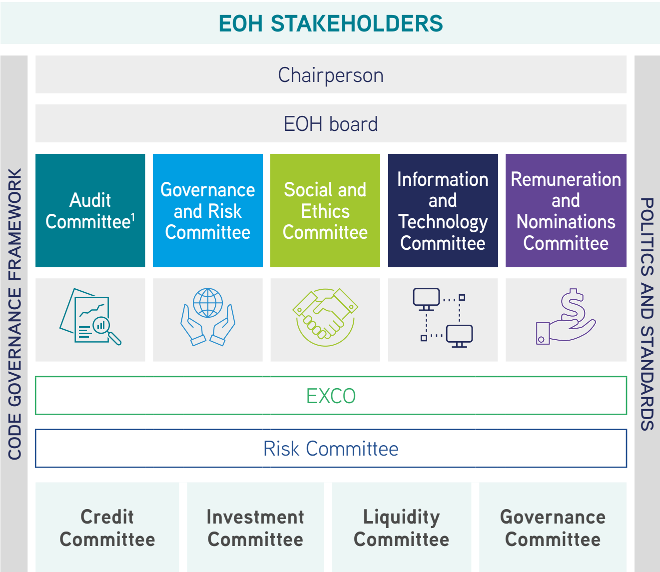
The summaries on page 62 to 63 provide the Directors' qualifications and experience.

FOCUS FOR 2021

- Aligning our management of risks to best support the new business strategy.
- Enhanced embedment of the risk, compliance and governance framework into all levels of the organisation.
- Continued implementation of innovative tools and technology across the GRC function.
- Enhancement of our risk quantification metrics and apply these to our defined risk tolerance levels
- Improving business resilience across the organisation in light of the lessons learnt from COVID-19.
- Ensuring that the organisation is fully compliant with the Personal Protection Information Act (POPIA) by the time that all of the provisions therein come into effect.
- Continued focus and strengthening of our cybersecurity measures.
- Enhanced and increased focus on employee compliance, specifically with regard to conflicts of interest.

GOVERNANCE AND RISK **COMMITTEE REPORT** CONTINUED

How we manage governance and risk



Note: *The structure of committees has been updated in line with the King IV Report on Governance in South Africa 2016.*

[1] *Audit Committee responsibilities include oversight of internal audit.*

COMMITTEE PURPOSE

The Governance and Risk Committee (the committee) ensures the ethical and effective delivery of the EOH Corporate Governance Framework to deliver on the framework's objectives of an ethical leadership culture, sustainability and growth, stakeholder engagement, statutory compliance and responsible citizenship. The committee's responsibilities include championing the vision and strategy of EOH, oversight of governance structures and accountability, sustainability and resilience, corporate citizenship, enterprise risk management and compliance, transparency and disclosure. Effective oversight of these areas ensures leadership and excellent business decisions that manage risk and take opportunities to create and protect value.

The committee is responsible for:

- overseeing and leading the process of embedding the EOH Governance Framework;
- the development and review of the EOH risk policies, standards and procedures and of EOH Enterprise Risk Management and Compliance;
- the effective mitigation of strategic, financial, technology and operational risks to all EOH stakeholders;
- liaison with the Audit Committee to exchange information and knowledge relating to risk and opportunity;
- providing opinions and recommendations to the Board on risk assessment, appetite and mitigation approaches; and
- overseeing the establishment of business continuity arrangements and mitigation strategies to ensure sustainable value creation.

ACTIVITIES DURING THE YEAR

The committee met quarterly during the year to review the Company's top risks and mitigating actions as well as the progress that has been made in rolling out and embedding the new EOH Risk, Compliance and Governance Framework. Significant effort has been put in to appropriately resource the CODE team to ensure it is fit for purpose going forward and is able to provide the necessary oversight of processes and systems and mitigate future risk.

Risk management

The effective review of risk mitigation programs, business continuity and forensic services are performed by the Group Risk Committee, and feedback is provided to the Governance and Risk Committee through the Chief Risk Officer. The top risks facing the organisation are provided to the committee at each meeting. Additional information as it pertains to the top risks are contained in the Risk overview on page 35.

The Bid Risk Committee (BRC) has operated effectively during the year with a total number of 389 bids being reviewed since the establishment of the BRC in January 2019.

As a result of the progression in the risk and governance maturity, the committee is satisfied that the risk management function is operating effectively.

Compliance management

The committee has oversight of the compliance program, under which a number of activities took place during the year. These focused on:

- Effective roll out of compliance training across the organisation, with a focus on the newly developed Code of Conduct;
- The establishment of a Governance Committee to review the policy framework and provide quality assurance over new or amended policies, ensure the appropriate regulatory change management implementation as well as the preparation for and the provision of commentary on new regulation;
- Establishment of a POPIA steering committee to oversee the assessment and implementation of POPIA related requirements across the Group;
- Reporting on results of fraud investigations from internal channels and the whistleblowing channels;
- Implementation of a conflicts management control room to conduct due diligence on all third parties together with the management of potential and existing conflicts of interest; and
- The implementation of an automated compliance portal for anti-bribery and corruption attestations, gifts and entertainment registrations, conflicts of interest disclosures and share dealing requests.

In addition to the committee's key focus areas discussed in the report, key activities for the 2020 financial year included:

Focus areas	Response
Enhancing the risk, compliance and governance framework	• Tracking and improving adherence to processes and policies related to risk and governance.
Ensuring business continuity while navigating COVID-19	• Establishing a COVID-19 Crisis Management Team to deal with the pandemic and required responses, including ongoing reporting to the Board.
Finalising the investigation into fraud and corruption at EOH under the previous management team	• Instituted civil/criminal proceedings (as per Board key focus areas).

CONCLUSION

The committee is confident that the CODE team will continue to mature the risk, compliance and governance framework though the organisation. Based on the work performed and the oversight of governance and risk during the year, we believe that the committee effectively fulfilled the responsibilities set out in its terms of reference.

Jesmane Boggenpoel
Chairperson, Governance and Risk Committee

1 December 2020

INFORMATION AND TECHNOLOGY **COMMITTEE REPORT**

Ismail Mamoojee
Chairperson,
Information and
Technology Committee

"As a technology services business, we were called upon to ensure business continuity as we navigated the disruption caused by COVID-19. Our ICT capability ensured that our employees were able to function at high productivity levels as they transitioned to remote working with enhanced levels of security against increasing cyber threats. The newly approved Group IT strategy for 2021 will support the restructured business model and ensure an integrated approach to the strategic and tactical ICT objectives of the EOH Group."

Focus for 2021
- Enabling execution of the Group business strategy through the provision of strategic and tactical IT support
- Delivery on approved Group IT strategy
- Control cost of ownership

COMMITTEE COMPOSITION

Ismail Mamoojee	*Non-executive Director and Chairperson of the committee*
Dr Lynette Moretlo Molefi	*Non-executive Director*
Mike Bosman	*Non-executive Director*
Stephen van Coller	*Executive Director*
Megan Pydigadu	*Executive Director*

The number of meetings and attendance per committee member are shown on page 68.

Regular invited attendees: Group CIO.

The summaries on page 62 to 63 provide an overview of the Directors' qualifications and experience.

COMMITTEE PURPOSE

The Information and Technology Committee (the committee) is mandated by the board with ensuring that information and technology is managed, appropriately resourced, and sufficiently defined to enable operations and to achieve the Group's strategic objectives. The committee is responsible for ethical and effective risk and compliance systems for Information, Communication and Technology (ICT) as defined by King IV principle 12. The EOH EXCO is accountable to the committee for the implementation, effectiveness of, and adherence with, the EOH Governance Framework.

EOH has constituted an IT council that reports into the IT committee and is responsible for the delivery of the Group IT internal strategy within which the organisation operates. This includes the digitisation of the organisation, compliance with the regulatory framework, policy setting and oversight of the costs of the IT function. The IT Council meets monthly and provides updates to the committee at committee meetings.

The committee is responsible for:
- the effectiveness of the EOH Group IT strategy, ensuring that ICT capabilities support the EOH Group business strategy;
- leading the delivery of ICT capabilities that enable the integration of people, technologies, information and processes across EOH entities;
- ensuring sufficient ICT management capacity, resources and IT systems, including applications, hardware, software and networks;
- enterprise-wide management of information and technology risk, in line with the EOH Governance Framework, ensuring a road to ISO 27001 compliance;
- proactive monitoring and management of systems to identify and respond to incidents, including cyber-attacks and data security;
- managing the performance of, and the risks pertaining to, third-party and outsourced ICT service providers;
- reviewing ICT capital and operating budgets, assuring value delivered from investments made by the EOH Group in information and technology;

- ensuring the effectiveness of governance relating to systems, programming, network and operations activities;
- ensuring ICT backup procedures, including periodic testing, and disaster recovery planning, to ensure business continuity and resilience;
- ensuring the responsible disposal of obsolete technology and the confidentiality of information, with minimal impact on the environment;
- ensuring that an effective disaster recovery plan is in place; and
- ensuring the responsible use of information and technology, including compliance with statutory and regulatory obligations.

ACTIVITIES DURING THE YEAR

The committee is aligned to deliver against the EOH Governance Framework, which contains measures relating to the ethical and effective oversight of the EOH Group's ICT matters. The committee is required to meet three times a year in terms of its terms of reference, however in the year under review, the committee met four times due to increased work load given the disruptions in the year under review and establishing EOH's first Group IT strategy.

The committee's key focus areas for the 2020 financial year included:

Focus areas	Response
Enhancing IT governance	• Reviewing and refreshing the committee's terms of reference together with the work plan. • Reviewing and approving the IT services model and governance model. • Reviewing and providing guidance on the development of the Group IT strategy and approval of the FY2021 IT strategy. • Reviewing the implementation of major IT projects implemented over the past year (this responsibility lies with Group Risk and Compliance Committee with input from Group IT). • Reviewing technology and business system disaster recovery testing and processes and overseeing the commencement of the development of a disaster recovery plan. • Ensuring IT services are delivered cost effectively through standardisation, consolidation and leveraging resources.
Ensuring business continuity while navigating COVID-19	• Reviewing COVID-19 related costs and ensuring that the Group had sufficient IT resources in place to enable work from home while ensuring networks are secure. • It is important to note that the Group reported significant savings in telecommunications and printing related costs during lockdown which has set the bar to empower employees to digitally work from anywhere efficiently and cost effectively.
IT security/cyber threats	• Reviewing and overseeing cybersecurity across the Group.
Risk management	• Reviewing risks within the IT landscape and ensuring the level of risk is mitigated to tolerable levels. • Although an increase in global cyber-attacks were reported, EOH's security controls and employee awareness training resulted in minimal breaches for the year and impact on the business.

CONCLUSION

Even before the COVID-19 pandemic hit, EOH moved to a more flexible workplace model which promoted a steady increase in people choosing to work remotely. Therefore, when lockdown measures were initiated, EOH was already in a position to empower our workforce to connect and work from anywhere through secure platforms and tools to perform their day to day duties.

The committee is satisfied that it has discharged its responsibilities during the year, as set out in the terms of reference.

Ismail Mamoojee
Chairperson, Information and Technology Committee

1 December 2020

SOCIAL AND ETHICS **COMMITTEE REPORT**

Sipho Ngidi
Interim Chairperson, Social and Ethics Committee

"The role of the Social and Ethics Committee has been of paramount importance during this year, as we have sought to look after the well-being of our employees, our communities and indeed the country at large during the COVID-19 pandemic. As we move into 2021, we will continue to strive to be a force for good and deliver sustainable transformation."

FOCUS FOR 2021

- New socioeconomic development strategy to be developed
- Inclusion strategy to be rolled-out Group-wide
- Embed sustainability activities across the organisation
- Revisit our stakeholder engagement approach
- A focus on skills development in technology

COMMITTEE COMPOSITION:

Sipho Ngidi	*(Interim Chairperson of the committee)*
Dr Lynette Moretlo Molefi*	*Non-executive Director*
Ismail Mamoojee	*Non-executive Director*
Stephen van Coller	*Executive Director*
Fatima Newman	*Executive Director*

** Resigned 23 October 2020*

The number of meetings and attendance per committee member are shown on page 68.

Regular invited attendees: HR Director, Head of Risk and Chief Compliance Officer.

The summaries on page 62 to 63 provide the Directors' qualifications and experience.

COMMITTEE PURPOSE

The responsibilities of the Social and Ethics Committee (the committee) include monitoring EOH's activities in terms of legislation, regulations and Codes of Best Practice relating to ethics, stakeholder engagement, strategic empowerment and compliance with transformation codes.

The committee provides guidance to management regarding international best practice in respect of its duties relating to social, ethics, transformation and sustainability issues.

The committee is responsible for:

- the ethical conduct of the Company, its executives and senior officials, including review and approval of the EOH Code of Conduct;
- review and approval of anti-corruption policies to ensure a zero tolerance approach that is futureproof;
- policy for sustainable development, including targets and recommendations to the Board of directors, aligned to the UN 2030 Agenda;
- policy for B-BBEE, Employment Equity (EE), diversity and transformation, including principles, targets, initiatives, programmes, and implementation;
- compliance and alignment with the B-BBEE Act 53 of 2003 as amended by the B-BBEE Act 46 of 2013, monitoring achievement;
- company performance as a good corporate citizen, as defined in the King IV Report on Corporate Governance for South Africa 2016 (King IV);
- guidance on the social and economic development activities of the Company including health, public safety, and the environment;
- guidance regarding stakeholder engagement, including the development of communities and associated sponsorships and donations;
- the responsible management of data and compliance with the PAIA Manual and the Protection of Personal Information Act (POPIA); and
- monitoring changes in legislation and to social and ethical codes, to ensure that the company is compliant.

ACTIVITIES DURING THE YEAR

The Social and Ethics Committee was re-established in September 2019, with a refreshed membership. It has been mobilised to deliver governance of all relevant aspects of section 72 of the Companies Act, read in conjunction with Regulation 43 of the Companies Regulations, 2011.

Focus areas	Response
Transformation and B-BBEE	• Monitoring the implementation of B-BBEE in terms of employment equity, ownership, enterprise development, and skills development. • Approved the Diversity and Inclusion policy.
Sustainability	• Identified eight SDGs aligned to EOH's six sustainability themes. • Developed and implemented a Group sustainability policy and strategy.
Ethical culture	• Detailed ethics programme developed and implemented across the Group. • Focus on ethics programme training including, but not limited to, the Code of Conduct. • Programme designed to move EOH up on the corporate governance maturity curve.

TRANSFORMATION AND B-BBEE

The committee is focused on the status of the company's B-BBEE rating, including delivery upon the EE Plan, performance within the B-BBEE rating process, based on the amended ICT sector code, and the training and development of employees.

The Board recognises that social transformation is critical for the sustainability of the Group and the committee continued the ongoing drive towards economic and social equity through the process of B-BBEE. The best measure of EOH success in this regard is the ongoing attainment of a Level 1 contributor rating, under the South African Department of Trade and Industry (dti) Code of Good Practice, the highest rating of its peers on the JSE.

In line with the Group's focus on building an inclusive organisation, a Group policy on anti-discrimination and harassment was developed and rolled out across the organisation. A total of five EE committees across the Group were reconstituted which involved the development of a new constitution and training. For the period under review, 30 EE committee meetings were recorded.

REPORTING AND COMPLIANCE

With the implementation of lockdown regulations the business had to be agile in its response to its employees. In the first month of lockdown special lockdown leave was implemented in order to not prejudice employees. Further to that special COVID-19 leave for family responsibility was also put in place. EOH ran two separate surveys to assess wellness and challenges faced by employees. Engagement with employees took place weekly in the form of town halls to discuss and share insight into the pandemic and the Company's response to it. In the interest of mental health, wellness Wednesdays were instituted and to date over 3 500 employees participated in these sessions.

REPORTING AND COMPLIANCE

EOH complies with the relevant environmental, social and governance regulatory reporting requirements. Such reporting is guided by the Global Reporting Initiatives (GRI) Standards.

CONCLUSION

EOH has the necessary policies and programmes in place to advance social and economic development, sound ethical behaviour, fair labour practices, responsible environmental practices and good customer relations. The Company continues to work diligently to ensure justice and root out wrongdoing. The committee confirms that EOH gives the necessary attention to its transformation, social and ethics responsibilities and has complied with the required regulatory requirements. The committee is satisfied that it discharged its responsibilities set out in its terms of reference during the year.

Sipho Ngidi
Acting Chairperson, Social and Ethics Committee

1 December 2020

ASSET DISPOSALS AND STRATEGIC ACQUISITIONS **COMMITTEE**

Andrew Marshall
Chairperson, Asset Disposals and Strategic Acquisitions Committee

The committee is exclusively focused on asset disposals as a key part of the Group's deleverage strategy. The purpose of the committee is to ensure that post-disposals, a core business remains that is able to provide end-to-end solutions and support our customers through their digital transformation journeys. Building a strong and optimal capital structure is extremely important in providing the Group a solid foundation before strategic acquisitions can be considered and executed. The desired end result remains a focused, efficient business capable of becoming the digital-transformation enabler for our customers.

FOCUS FOR 2021

- Finalise the committee's terms of reference
- Execute on its mandate in the areas defined above

COMMITTEE COMPOSITION

The committee has been constituted to include independent non-executive directors and the CEO, and is made up as follows:

Andrew Marshall	*(Chairperson)*
Mike Bosman	*Non-executive Director*
Andrew Mthembu	*Non-executive Director*
Stephen van Coller	*Executive Director*

The number of meetings and attendance per committee member are shown on page 68.

The summaries on page 62 to 63 provide an overview of the Directors' qualifications and experience.

COMMITTEE PURPOSE

The Asset Disposals and Strategic Acquisitions Committee (the committee) was established in July 2020 with the following mandate:

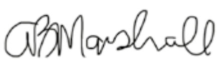
- providing strategic scrutiny of the Group's efforts to reorganise the businesses into coherent entities now and into the future;
- contributing to the design of the core business of EOH;
- commissioning research into processes to follow in the disposals of assets, mainly looking at the Asset and Liability management of the Group, the changing economic circumstances over time and recommending action cognisant of the impact this would have on the Group's liabilities;
- streamlining the role(s) currently played by the Mergers and Acquisition (M&A) team(s) within EOH;
- recommending the ideal business structure of EOH, ensuring a balance between the dynamics of operational success now with the challenges of a sustainable business going forward; and
- co-ordinating business research initiatives of the divisions and setting a coherent outline for the Group to debate and articulate.

TERMS OF REFERENCE

The committee is in the process of finalising the terms of reference that will govern its mandate and activities.

MEETINGS

One meeting was held during the July 2020 financial year and attendance at the meeting is shown on page 68.



Andrew Marshall
Chairperson, Asset Disposals and Strategic Acquisitions Committee

1 December 2020

ANNUAL **FINANCIAL STATEMENTS**

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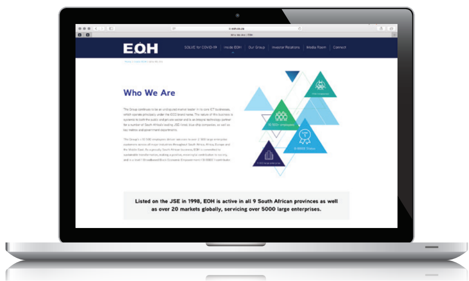


www.eoh.co.za

Registered address:

Block D, EOH Business Park
Osborne Lane, Bedfordview, 2007
PO Box 59, Bruma, 2026
Telephone: +27 (0) 11 607 8100

LEVEL OF ASSURANCE

These consolidated annual financial statements have been audited in compliance with the applicable requirements of the Companies Act, No 71 of 2008 of South Africa.

REPORT OF THE GROUP **COMPANY SECRETARY**

In terms of section 88(2)(e) of the Companies Act of South Africa, I certify that to the best of my knowledge and belief that the Company has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act, No 71 of 2008 of South Africa, in respect of the financial year ended 31 July 2020 and that all such returns and notices are true, correct and up to date.

EOH Secretarial Services Proprietary Limited
Represented by Neill O'Brien

1 December 2020

APPROVAL OF THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

The consolidated annual financial statements have been compiled under the supervision of Megan Pydigadu CA(SA), the Group Chief Financial Officer.

The consolidated annual financial statements were approved by the Board on 1 December 2020 and signed on its behalf by:

Andrew Mthembu
Chairman

1 December 2020

Stephen van Coller
Group Chief Executive Officer

1 December 2020

AUDIT COMMITTEE'S **REPORT**
FOR THE YEAR ENDED 31 JULY 2020

The EOH Audit Committee ('the committee') is pleased to submit its report for the year ended 31 July 2020, which has been approved by the Board. This report has been prepared in compliance with section 94(7)(f) of the Companies Act, No 71 of 2008 ('the Companies Act') and in accordance with the mandate given by the Board.

The Board is satisfied that the members of the committee have the necessary skills and experience to enable the committee to fulfil its duties.

The appointment of committee members will be subject to approval by shareholders at the next Annual General Meeting (AGM) to be held on Wednesday, 20 January 2021.

COMMITTEE PURPOSE

The main role of the committee is to provide independent oversight of:

- the integrity of the annual financial statements and other external reports issued by the Company; and
- the effectiveness of the organisation's assurance services and functions, particularly focusing on combined assurance arrangements, the finance function, external assurance service providers and the internal audit function.

TERMS OF REFERENCE

The Board approved the new terms of reference for the committee during 2019, which are in line with the King IV Report on Corporate Governance for South Africa, 2016 ('King IV').

MEETINGS

Six meetings of the committee were held during the year under review.

The Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer, the Company Secretary and other members of senior management as required, attend committee meetings by invitation, but have no voting rights. Similarly, external and internal auditors attend committee meetings by invitation, but have no voting rights.

The Chairperson of the committee reports to the Board at all Board meetings on the activities and recommendations of the committee.

The Chairperson of the committee periodically meets separately with the external auditor and the internal audit executive without members of executive management being present.

INDEPENDENCE OF THE EXTERNAL AUDITOR

Pursuant to a decision by the EOH Board to voluntarily comply with mandatory audit firm rotation prior to the prescribed date of 1 April 2023, the audit committee and the Board approved the appointment of PricewaterhouseCoopers Inc. (PwC) as external auditors at the annual general meeting in December 2019. The audit committee further confirms that it has assessed PwC's suitability for appointment in accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements and nominates for appointment PwC as the external auditor of EOH.

The committee has satisfied itself through enquiry that the external auditor is independent as defined by the Companies Act. The committee has considered the nature and extent of any non-audit services. During the 2020 fiscal year, fees in respect of non-audit services amounted to R4.5 million, which mainly related to tax services.

The committee met with the external auditor without management present to discuss the results of its audit and the overall quality of the Company's financial reporting. The committee also discussed the expertise, resources and experience of the Company's finance function with the external auditors.

The committee has agreed to the budgeted audit fee for the 2020 financial year. Auditors' remuneration is disclosed in note 26 to the consolidated annual financial statements. The committee is of the view that this remuneration is appropriate.

As required in terms of the JSE Listings Requirements, the committee has considered the information received from the auditors to allow the committee to assess the suitability for appointment of the audit firm and the designated audit partner. The committee has satisfied itself that the external auditors and the designated registered audit partner are accredited on the JSE list of auditors and advisers. The committee further confirms that it has assessed the suitability for appointment of the external auditors and the designated audit partner.

The committee has satisfied itself on the qualification and experience of the external auditor and is satisfied with the quality and level of the work performed by them.

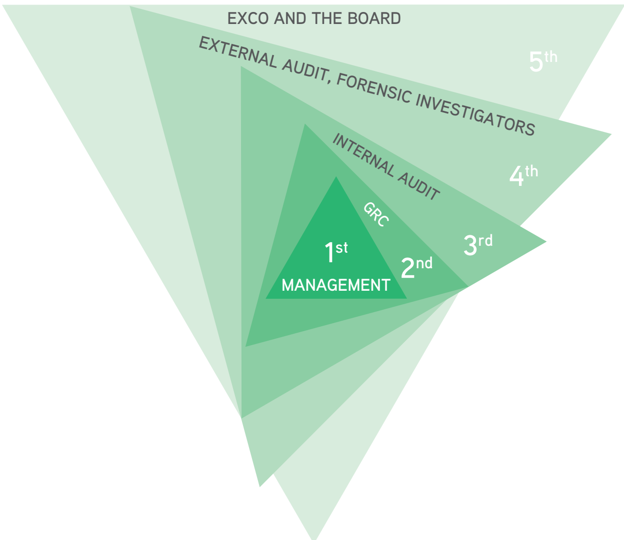
AUDIT COMMITTEE'S **REPORT** CONTINUED
FOR THE YEAR ENDED 31 JULY 2020

INTERNAL AUDIT
EOH established an in-house internal audit function during the second half of the 2019 financial year. The internal audit charter and internal audit plan were approved by the committee and a Head of Internal Audit was appointed, who reports directly to the committee with an indirect line to the CRO. All internal audit reports were reviewed and discussed at committee meetings and, where appropriate, recommendations were made to the Board.

COMBINED ASSURANCE
Management has embarked on a project to assess the internal control environment and control activities, and to identify control weaknesses. Consequently, a roadmap towards a mature financial control framework by July 2021 has been designed. This plan has been independently assessed by internal audit.

EOH's combined assurance model comprises five lines of defence. A combined assurance model incorporates and optimises all assurance services and functions to enable an effective control environment, to support the integrity of information used for internal decision-making by management, the governing body and its committees, and also supports the integrity of the organisation's external reports.

EOH'S COMBINED ASSURANCE MODEL



1. **1st line (Management):** Line managers own and manage risk, make business decisions and must carefully consider the risk of those decisions against the organisation's objectives.
2. **2nd line (Governance, Risk and Compliance and other specialist teams):** These functions create, implement, and manage systems, processes and procedures, and communications
3. **3rd line (Internal auditor, investigations):** Internal audit reviews and makes sure the work of line management and the specialist support teams is effective and appropriate, and also collect evidence. This role can be fulfilled by employees or third parties, but their goal is to provide independent and objective assurance to internal stakeholders like the board of directors and senior management.
4. **4th line (a) External auditors, external actuaries, external fraud examiner:** These external agencies usually provide assurance to external stakeholders like shareholders, government, and regulatory agencies.

   4th line (b) Regulatory inspectors: Inspectors carry out reviews to assess compliance, provide reports from another perspective on the state of affairs, and provide additional assurance.
5. **5th line (Executive committee and the Board of directors):** Provide oversight on the implementation of combined assurance.

While the committee is satisfied with the level of assurance provided for significant Group risks, the combined assurance approach will continue to be enhanced during the 2021 fiscal year. The committee reviewed the plans and work outputs of the external and internal auditors as part of its responsibility to coordinate assurance activities.

Internally, management performed an attestation process throughout the organisation to ensure the right level of controls are in place from a financial statement reporting perspective. A number of internal control deficiencies were identified. These are dealt with by management in the ordinary course of business. Management will continue to monitor and resolve, where appropriate, IT access controls and segregation of duties conflicts, as the Group strengthens its current financial systems. The audit committee is, however, satisfied that none of these deficiencies had a material effect for the purposes of the preparation and presentation of the financial statements for the fiscal year under review.

FINANCIAL REPORTING

The committee reviewed the interim and Group annual financial statements, culminating in a recommendation to the Board to adopt them. The review of the results included ensuring compliance with International Financial Reporting Standards ('IFRS') and the acceptability of the Company's accounting policies. This includes the appropriate disclosures in the annual financial statements in accordance with IFRS as issued by the International Accounting Standards Board, IFRS Interpretations Committee ('IFRIC'), interpretations applicable to companies reporting under IFRS, SAICA Financial Reporting guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council ('FRSC') and the requirements of the Companies Act and the JSE Listings Requirements.

In accordance with paragraph 3.84(g)(ii) of the JSE Listings Requirements, the committee confirms that the Company has established appropriate financial reporting procedures and that these procedures are operating effectively.

AUDIT QUALIFICATION OF 2019 OPENING BALANCES

During the 2019 fiscal year, the current EOH management team identified a number of transactions that were processed incorrectly in both 2019 and prior periods. Management consequently processed adjustments as prior period errors if the facts that gave rise to the adjustment were found to clearly have existed in prior years. The audit committee accepted management's view and recommended to the Board the prior year adjustments, which has in turn approved the adjustments as part of the financial statements. The JSE responded by imposing a R7.5 million fine for these historic misstatements. This fine is accepted as an affirmation of the stance taken in 2019.

EXPERTISE AND EXPERIENCE OF GROUP CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION

The committee reviewed the performance and expertise of Megan Pydigadu and confirmed her suitability to hold office as Group Financial Director in terms of the JSE Listings Requirements. The committee has also considered and has satisfied itself of the appropriateness of the expertise and experience of the finance function and adequacy of resources employed in this function.

FRAUD PREVENTION

An anonymous ethics line is in place which is managed by an independent party. All calls are reported in total anonymity.

GOING CONCERN STATUS

The committee considered the going concern status of the Group on the basis of review of the annual financial statements and the information available to the committee and recommended such going concern status for adoption by the Board. The Board statement on the going concern status of the Group is contained in the directors' report and in note 1.2 to the consolidated annual financial statements.

AUDIT COMMITTEE'S **REPORT** CONTINUED
FOR THE YEAR ENDED 31 JULY 2020

In addition to the activities discussed in the rest of this report, the committee's key focus areas for the 2020 financial year included:

Focus areas	Response
Assurance	• The committee received and reviewed reports from all assurance providers, including internal and external auditors, and continued its oversight over the governance of the organisation and the continuing maturation of the control environment.
Liquidity and solvency	• Monitoring the liquidity and solvency of the organisation, continuously reviewing the efficacy of the deleveraging plan and overseeing its implementation. The deleveraging plan continues to progress well despite the challenges brought by the COVID-19 crisis.
Financial reporting	• Reviewing relevant reports and position papers prepared by management relating to accounting standard changes to ensure that all material risks are addressed. • Reviewing management submissions on technical accounting and tax matters such as IFRS 15, IFRS 9, IFRS 16, IAS 36, IFRS 5 and its transfer pricing policy.

DISCHARGE OF RESPONSIBILITIES
The committee is satisfied that it has conducted its affairs, discharged its legal and other responsibilities as outlined in its charter, the Companies Act and King IV. The Board concurred with this assessment.

CONCLUSION
The committee has had due regard to the principles and recommended practices of King IV in carrying out its duties and is satisfied that it has discharged its responsibilities in accordance with its terms of reference.

Mike Bosman
Chairperson, Audit Committee

1 December 2020

DIRECTORS' **REPORT**

THE DIRECTORS PRESENT THEIR REPORT FOR THE YEAR ENDED 31 JULY 2020

NATURE OF BUSINESS

EOH Holdings Limited (EOH or the Company) is a holding company domiciled in South Africa that is listed on the JSE Limited under the category Technology: Software and Computer Services. EOH is one of the largest Information and Communications Technology (ICT) services providers in South Africa and is committed to providing the technology, knowledge, skills and organisational ability critical to the development and growth of the markets it serves.

The consolidated annual financial statements, as at 31 July 2020 and for the year then ended, comprise the Company and its subsidiaries (together referred to as the Group) and the Group's investments in associates and joint ventures.

FINANCIAL STATEMENTS AND RESULTS

The Group's results and financial position are reflected on pages 111 to 112.

STATED CAPITAL

Authorised

Ordinary shares: 500 000 000 no par value shares (2019: 500 000 000).
EOH A shares: 40 000 000 no par value shares (2019: 40 000 000).

Issued

Ordinary shares: 176 544 961 no par value shares (2019: 176 544 961).
EOH A shares: 40 000 000 no par value shares (2019: 40 000 000).

DIRECTORS

The list of directors for the financial year is as follows:

Directorate

Non-executive

Andrew Mthembu *(appointed as Chairman 6 February 2020)*
Andrew Marshall *(appointed 21 May 2020)*
Bharti Harie *(appointed with effect from 1 January 2021)*
Ismail Mamoojee
Jabu Moleketi *(appointed 1 September 2020)*
Jesmane Boggenpoel
Mike Bosman
Nosipho Molope *(appointed with effect from 1 January 2021)*
Sipho Ngidi *(appointed 20 February 2020)*

Dr Xolani Mkhwanazi *(Chairman deceased 4 January 2020)*
Anushka Bogdanov *(appointed lead independent non-executive director on 7 February 2020; resigned on 28 July 2020)*
Dr Moretlo Molefi *(resigned with effect from 15 December 2020)*

Executive

Stephen van Coller *(Group Chief Executive Officer)*
Megan Pydigadu *(Group Chief Financial Officer)*
Fatima Newman *(Group Chief Risk Officer)*

DIRECTORS' AND PRESCRIBED OFFICERS INTEREST IN SHARES

The directors' and prescribed officers interest in shares are set out in note 36 of the consolidated annual financial statements.

DIRECTORS AND PRESCRIBED OFFICERS' EMOLUMENTS

The emoluments of directors and prescribed officers of the Group are set out in note 37 of the consolidated annual financial statements.

RELATED-PARTY CONTRACTS

During the course of the year, no director or prescribed officer had a material interest in any contract of significance with the Company or any of its subsidiaries that could have given rise to a conflict of interest.

Transactions, defined as related-party transactions in terms of International Financial Reporting Standards, between the Company or its subsidiaries, associates, joint ventures and the directors or their associates are disclosed in note 39 of the consolidated annual financial statements.

DIRECTORS' **REPORT** CONTINUED

THE DIRECTORS PRESENT THEIR REPORT FOR THE YEAR ENDED 31 JULY 2020

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The directors are responsible for preparing the consolidated annual financial statements in a manner that fairly presents the financial position and the results of the operations of the Group for the year ended 31 July 2020.

The external auditor is responsible for carrying out an independent examination of the consolidated annual financial statements in accordance with International Standards on Auditing and in the manner required by the Companies Act of South Africa and for reporting its findings thereon. The auditor's report is set out on pages 104 to 110.

The consolidated annual financial statements set out on pages 111 to 116 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB)' and interpretations as issued by the IFRS Interpretations Committee ('IFRIC'), and comply with the South African Institute of Chartered Accountants ('SAICA') Financial Reporting Guides as issued by the Accounting Practices Committee ('APC'), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council ('FRSC'), the Johannesburg Stock Exchange ('JSE)' Listings Requirements and the requirements of the Companies Act, No 71 of 2008 of South Africa ('the Companies Act'), which have been consistently applied in all material respects, in relation to the prior year, except for the impact of the adoption of IFRS 16 – Leases and IFRIC 23 Uncertainty over Income Tax Treatment which became effective and were adopted for the first time during the year ended 31 July 2020 and are supported by reasonable and prudent estimates where appropriate. Adequate accounting records have been maintained throughout the period under review.

GOVERNANCE AND INTERNAL CONTROLS

The Board is accountable for the system of internal controls for the Group.

The Board acknowledged that all the principles in the King IV Report on Corporate Governance for South Africa (King IV report) have not yet been implemented effectively, and that the recent lapses in governance were of concern to the shareholders, investors and the public. Embedding ethical leadership and building a culture of compliance are important enablers to ensure that governance is restored to credible levels.

Several steps have already been taken to improve governance and ethics. The Board, through its subcommittees, is committed to ensuring that there is an overall improvement in the effectiveness of the implementation of the King IV report during the coming year.

GOING CONCERN

Based on the going concern assessment detailed in note 1.2 of the consolidated annual financial statements, the Board is of the view that the Group has adequate resources to continue in operation for the foreseeable future and accordingly, the consolidated annual financial statements have been prepared on a going concern basis. There is material uncertainty surrounding the ability of the Group to meet its debt reduction plan by 28 February 2021, which is currently an amount of R650 million. The uncertainty only exists in that management is unable to control the process around the sale of the IP assets due to shareholder approval being required. The one asset which is close to concluding a signed SPA on will require shareholders' approval as it will be classified as a Category one transaction. The Group has mitigated this risk by approving an in principle term sheet with lenders at a Board meeting on the 27 November 2020. The in principle term sheet will allow for a 12-month bridge facility to sell the IP assets. The Board is not aware of any new material changes that may adversely impact the Group. Further disclosure is provided in note 1.2 of the consolidated annual financial statements.

LITIGATION STATEMENT

The Group is involved in various litigation matters arising in the ordinary course of business. Although at this stage it is not possible to predict what the outcome of the various matters will be, nor what portion of any costs will be attributable to the Group, or whether all or any portion of such costs will be covered by insurance or will be recoverable from other sources, management has no reason to believe that the disposition of these matters will have a materially adverse effect on the consolidated financial position of the Group.

COVID-19

The coronavirus pandemic ('COVID-19') has a significant impact across the globe, adversely affecting the lives of the Group's customers and its employees. We are now seeing the second wave of the virus hit the northern hemisphere and if and when it hits the southern hemisphere the impact remains to be seen. Although certain measures have been successful in combating the virus in the form of social distancing, wearing masks and following hygiene protocols, the effects of COVID-19 are likely to be with us for a while.

In the short term, the Group has reacted swiftly in implementing its business continuity plans well ahead of the forced lockdowns imposed by the government. The national lockdown necessitated the review and assessment of ways of working differently and to adopt a cost-conscious mindset and focus on liquidity. At the half-year results presentation the target of removing R400 million of cash costs from the business for the four months to the end of July 2020 (R100 million a month) was stated. The project has been very successful and we have substantially hit the targets through various initiatives including:

- Salary adjustments with staff taking 20% salary cuts for two months and 10% for a further month;
- Rental holidays and extensions with landlords;
- Significant reduction in travel, entertainment and marketing spend;
- Continued removal of unnecessary costs; and
- Ensuring cost structures are as flexible as possible thereby reducing fixed costs.

The Group created a COVID-19 Risk Committee that met on a weekly basis to monitor the Group's response to COVID-19. This included staff well-being, the transition to work from home and the gradual return to offices with strict protocols in place, business continuity and that services could continue largely uninterrupted to clients.

While COVID-19 has resulted in a weaker macro-economic environment, the performance of the core iOCO business has remained relatively resilient. The total Group has, however, felt some softening at a revenue level as a result of the impact of lockdown and COVID-19.

Subsequent to year end, the Group continued to deliver sound revenue from the core iOCO business and a significant bounce back of our IP businesses has been felt, which are Business-to-Business-to-Consumer (B2B2C) facing, as we transitioned from lockdown level 5 to level 1.

The Group has also supported various markets with relief initiatives associated with COVID-19, including getting the Solidarity Fund website up and running and has brought over 70 products to market to specifically assist them in solving their COVID-19 business challenges.

The aftermath of the virus and a weak global economy will have a negative impact on many of the Group's major customers. Weaker currencies, liquidity shortages, higher levels of unemployment, reduced consumer spending and supply chain interruptions are all expected to impact the financial performance of the Group in the medium term.

The risks above are, however, partially mitigated by the Group's quality product offering, robust cost optimisation process and diversification of customer base and positioning at the heart of the Fourth Industrial Revolution and accelerated digitisation journeys of customers. This should allow the Group to navigate these economic challenges and to continue providing acceptable shareholder returns over time. The Group also has over R900 million of cash and access to overdraft facilities in the region of R288 million that are unutilised.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Details of the Company's investments in subsidiaries and the Group's investments in associates and joint ventures are set out in note 40 – Schedule of investments in subsidiaries and note 7 – Equity-accounted investments of the consolidated annual financial statements.

DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

The Group recently refined its operational structure into three distinct operating units to allow for leaner and more agile core businesses with separate capital and governance structures. Opportunities are being explored for the sale of certain non-core assets and as a result there are a number of businesses that were approved for sale and for which the sale is expected to be completed within 12 months from the reporting date. These businesses are classified as disposal groups held for sale and the assets and liabilities of these disposal groups have been presented as held for sale at 31 July 2020. The businesses that were already sold during the current and previous reporting periods and business held for sale at 31 July 2020 that have met the requirements to be presented as discontinued operations have been presented as discontinued operations in the Group's statement of profit or loss and other comprehensive income. Details are reflected in note 14 and note 15 of the consolidated annual financial statements.

SPECIAL RESOLUTIONS

On 5 December 2019, shareholders approved the following special resolutions at the AGM:

- Financial assistance in terms of section 44 of the Companies Act.
- Financial assistance in terms of section 45 of the Companies Act.
- Reappointment of remaining non-executive directors.
- General authority to acquire shares.

As this approval remains only valid until the next AGM, shareholders will be asked at that meeting to consider a special resolution to renew this general authority until the next AGM, subject to a maximum extension of 15 months.

SUBSEQUENT EVENTS

Details are reflected in note 42 of the consolidated annual financial statements – Events after reporting date.

INDEPENDENT AUDITOR'S **REPORT**

To the Shareholders of EOH Holdings Limited

Report on the audit of the consolidated financial statements

OUR OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of EOH Holdings Limited and its subsidiaries (together the Group) as at 31 July 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

What we have audited

EOH Holdings Limited's consolidated financial statements set out on pages 111 to 181 comprise:

- the consolidated statement of financial position as at 31 July 2020;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

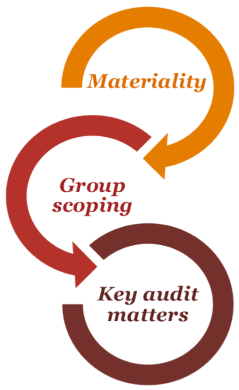
We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).*

Material uncertainty relating to going concern

We draw attention to note 1.2 to the consolidated financial statements, which indicates that the Group incurred a consolidated net loss of R1.6 billion during the year ended 31 July 2020 and, as of that date, the Group's consolidated current liabilities exceeded its consolidated current assets by R2.4 billion. As disclosed in note 42 to the consolidated financial statements, the Group breached its banking covenants from 1 August 2020, and the breach was waived by the Group's financiers subsequent to year-end. As stated in note 1.2, these events or conditions, along with other matters as set forth in notes 1.2 and 42, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

OUR AUDIT APPROACH

Overview



Overall group materiality

- Overall group materiality: R86 903 500, which represents 1% of consolidated revenue from continuing operations.

Group audit scope

- The components that are in scope included the financially significant components of the Group.
- The main indicators used to identify components within continuing and discontinued operations included consolidated revenue, consolidated loss before tax, consolidated assets and consolidated liabilities.

Key audit matters

- Impairment assessment of goodwill arising from business combinations;
- Assessment of whether the Group is the agent or the principal when recognising revenue on the sales of hardware and software licenses;
- Accounting treatment of tax exposures that the Group is exposed to; and
- Fraud investigations, legal exposures and related provisions and contingent liabilities.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R86 903 500.
How we determined it	1% of consolidated revenue from continuing operations.
Rationale for the materiality benchmark applied	Consolidated revenue from continuing operations was selected as the benchmark because, in our view it is the benchmark against which the performance of the Group can be consistently measured, as it is an indicator of market share. Consolidated revenue is also considered to be the key objective and focus of the Group's business model and a key performance indicator for the management and investors. Consolidated revenue from discontinued operations is excluded as it will not reflect a consistent measurement of the Group's performance into the future. We chose 1% based on our professional judgement and after consideration of the range of quantitative materiality thresholds that we would typically apply when using revenue to compute materiality. The considerations included taking cognisance of the intended users and distribution of the consolidated financial statements as well as the financial covenants held over the Group's debt.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is made up of three segments, iOCO, NEXTEC, IP and the main operating businesses are located in South Africa. In establishing the overall audit approach to the group audit, we determined the type of work that needed to be performed at the local operations by ourselves, as the group engagement team, and component auditors from other PwC network firms as well as other audit firms operating under our instruction. The Group's operations vary in size. Within these segments, we have identified components, between continuing and discontinued operations, on which to perform full scope audits for group reporting purposes due to their financial significance and contribution to the risk of material misstatement in the consolidated financial statements. Analytical procedures were performed over all components not in scope, to assess whether any risks exist that would require additional audit procedures.

Detailed group audit instructions were communicated to all components in scope, and comprehensive audit approach and strategy planning meetings were held with all reporting component teams before commencing their respective audits. Throughout the audit, various meetings and discussions were held with the teams of the significant components.

We assessed the competence, knowledge and experience of the component auditors and evaluated the procedures performed on the significant audit areas to assess the adequacy thereof in pursuit of our audit opinion on the consolidated financial statements.

Where the work was performed by the component auditors, we determined the level of involvement we needed to have in the audit work at these operations to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the consolidated financial statements as a whole.

INDEPENDENT AUDITOR'S **REPORT** CONTINUED

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill arising from business combinations The Group entered into various business combinations over the last couple of years which resulted in a significant amount of goodwill being recognised. As at 31 July 2020 the Group's goodwill balance amounted to over R1.5 billion, of which R604 million is classified as assets held for sale. Goodwill is tested annually for impairment and whenever there is an impairment indicator identified by management, at the level of individual cash-generating units (CGUs). The recoverable amount for each CGU was based on the higher of an asset's fair value less costs of disposal (FVLCOD) and value in use, the latter being determined using discounted cash flow models. In estimating the recoverable amount using value in use estimates, management uses assumptions relating to discount rates, long-term growth rates and cash flow forecasts (which include the impact of COVID-19), taking into consideration the projected revenue growth rates and EBITDA margins of each CGU, which they model using forecast periods for three years and in some instances up to five years. Impairment tests on assets held for sale were based on FVLCOD. The fair value was determined primarily with reference to advanced offers from potential acquirers less estimated disposal costs. CGUs have been identified to reflect the lowest level at which businesses are managed and monitored by common cluster heads and financial directors/managers. Impairments amounting to R413 million were recognised as a result of the aforementioned assessments during the period under review. R189 million of the goodwill impairments recognised relate to held for sale CGUs written down to their fair value less costs of disposal. The impairment assessment of goodwill is considered to be a matter of most significance to our audit of the consolidated financial statements due to the various significant judgements applied by management in determining the recoverable amounts of the respective CGUs, as well as the magnitude of the goodwill balance and impairment recognised. Refer to the following notes to the consolidated financial statements for details: • Note 1.3: Significant accounting judgements and sources of estimation uncertainty; • Note 1.5: Summary of significant accounting policies, Goodwill and intangible assets; and • Note 6: Goodwill.	We tested the mathematical accuracy of the valuation models used by management and found no material differences. We assessed the appropriateness of the valuation models applied by management, with reference to market practice and the requirements of International Accounting Standard (IAS) 36, *Impairment of Assets*. We assessed revenue growth rates and EBITDA margins against the Group's strategic initiatives, taking into account the anticipated impact of COVID-19, as well as historical growth rates and EBITDA margins achieved. We utilised our valuations expertise to independently source data such as the long-term growth rates, as well as the Group's cost of debt, risk free rates in the applicable market, market risk premiums, the industry's debt/equity ratios, and the betas of comparable companies, in order to recalculate an independent discount rate for each CGU. We applied our independently sourced assumptions and calculated inputs, to management's forecasts, and recalculated a value in use per CGU. We compared management's recoverable amount of each CGU to the results of our calculations. No material differences were noted. We further performed sensitivity analyses to determine the minimum changes in discount rates, long-term growth rates and forecast cash flows that would result in limited or no headroom being available. In respect to the FVLCOD we performed an assessment of the sensitivity of the advanced offers to downward adjustments, by using a sensitivity of 5%. We compared the results of our sensitivity analysis to management's impairment results in order to identify those CGUs considered sensitive to a change in assumptions for disclosure purposes.

Key audit matter	How our audit addressed the key audit matter
Assessment of whether the Group is the agent or the principal when recognising revenue on the sales of hardware and software licenses The Group sells a range of both hardware and software licenses as part of their normal business activities. In most cases, the sale of software licenses is part of an overall solution that the Group sells to its customers whereby the Group integrates and significantly customises the software when installing the solution into the customers' IT infrastructure. The Group mainly acts as a principal in these contracts, but also as an agent in other contracts, depending on the nature and scope of the specific contract and the Group's performance obligations in each such contract. The considerations as to whether the Group is the agent or the principal in these transactions is dependent on whether the Group is taking control of the hardware and software licenses before transferring these items to the End-customer which is considered through application of the "control" principles as outlined in IFRS 15, *Revenue from Contracts with Customers* (IFRS 15) together with the indicators of control outlined in application guidance set out in Appendix B of IFRS 15. Management applied their judgement in determining whether the Group acts as a principal or agent in these transactions (and in relation to each identified performance obligation), with reference to the principles of IFRS 15. Management engaged an external consulting firm to perform an assessment on certain key contracts in order to obtain comfort that the Group has applied the agent versus principal considerations appropriately to those contracts. The assessment of whether the Group is acting as an agent vs a principal is considered to be an area of most significance in our audit of the consolidated financial statements due to the significant judgement involved in the Group's application of the IFRS 15 standard in this regard and the complexity involved for the industry that the Group operates in. Refer to the following notes to the consolidated financial statements for detail: • Note 1.3: Significant accounting judgements and sources of estimation uncertainty; • Note 1.5: Summary of significant accounting policies, Revenue; • Note 3.2: Restatement of consolidated annual financial statements, Revenue, Principal versus agent; and • Note 24: Revenue.	We tested a sample of revenue transactions to assess management's determination on whether the Group is the agent or the principal, with reference to the indicators of control outlined in application guidance set out in Appendix B of IFRS 15, by performing the following procedures: • met with management and the related operational staff in order to obtain an understanding of the end-to-end business process with regards to the sales of the hardware and software licenses; • inspected the underlying contractual agreements or purchase orders between the Group and the End-customers; • identified the performance obligations associated with the contract with the customer and assessed if the Group obtains control of the goods before providing them to the end customer, with reference to the terms of the performance obligations; and • inspected the underlying contractual agreements between the Group and the suppliers of the goods. Based on our procedures performed, and where our assessment of agent vs principal for the sample of transactions tested differed to that of management, management engaged an external consulting firm ("management's consultant") to reassess these specific contracts. We assessed the work performed by the management consultant, as outlined in our further audit procedures performed below, and noted no material differences between our and management's final agent vs principal reassessment. We inspected the memorandums provided by management's consultant which outlined their and management's re-assessment of significant contracts which they have identified, including those contracts that we have tested above and on which we noted differences, against the principles of IFRS 15, of whether the Group is the agent or the principal. We tested the IFRS 15 adjustments made by management in their categorisation of transactions identified as either principal or agent. Based on our procedures performed, we did not identify any matters in this regard requiring further consideration. We assessed the adequacy of the disclosures made in the consolidated financial statements pertaining to the agent vs principal considerations, with reference to the requirements of IFRS 15.

INDEPENDENT AUDITOR'S **REPORT** CONTINUED

Key audit matter	How our audit addressed the key audit matter
Accounting treatment of tax exposures that the Group is exposed to Due to the inherent nature of exposures, rulings issued, assessments and sanctions by tax and regulatory authorities, the Group recognised a significant amount of tax-related provisions, income tax liabilities and contingencies as at 31 July 2020. Management applies judgement to estimate the following: • the potential exposure where the interpretation of the applicable tax laws and regulations could be subjective; and • the likelihood that a pending claim will succeed, or a liability will arise, and the quantification of the potential financial settlement, as applicable. Furthermore, in the prior year, the Group had raised a provision for the payment of pay-as-you-earn ("PAYE"), which arose in one of the subsidiaries. The Group had further increased such provision in the first half of the current year. We considered the accounting treatment of tax exposures that the Group is exposed to, to be a matter of most significance to the current year audit due to the complexity, nature and magnitude of these exposures, together with a significant level of management judgement involved in interpreting specific acts, regulatory provisions or practices in determining the amounts of these liabilities. Refer to the following notes to the consolidated financial statements for detail: • Note 1.3: Significant accounting judgements and sources of estimation uncertainty; • Note 3.3: Restatement of consolidated annual financial statements, Timing of recognition of provision; • Note 23: Provisions; and • Note 34: Contingencies and commitments, Uncertain tax exposure.	We utilised our tax expertise to evaluate management's assessment of the probability of tax exposures relating to income tax, VAT, PAYE and other taxes. We held discussions with group management regarding the significant exposures and inspected available underlying tax correspondence and relevant documentation, in order to evaluate the reasonableness of management's conclusions. Where exposures were deemed to be probable, through inspection of the underlying accounting records, we tested whether management had appropriately estimated and recognised these tax exposures. We noted that a portion of the increase in the PAYE provision recognised during the first half of the current year should have been recognised at the end of the previous year. Management subsequently corrected this as a prior period error, resulting in an increase in current liabilities of R75 million in the prior year, as well as an increase in operating expenses and accumulated loss for the previous year by the same amount. We further assessed the appropriateness of the assumptions applied by management in estimating the likely outcome of the PAYE exposure by assessing these against the advice management obtained from their external tax counsel. We further inspected correspondence received by management from the tax authorities and the Group's external tax advisers to evaluate the consistency and adequacy of the exposures accounted for and disclosures made by management, based on the responses received. We did not identify any matters requiring further consideration.

Key audit matter	How our audit addressed the key audit matter
Fraud investigations, legal exposures and related provisions and contingent liabilities There is uncertainty related to the legal and tax exposures due to suspect transactions identified by the Group and the forensic investigation performed in relation to these suspect transactions. Management engaged with independent forensic specialists ("management's specialists") to perform an assessment on all the contracts identified by management's specialist, to determine the likelihood of a claim being instituted against the Group on the respective contracts. There is also further uncertainty regarding historical income taxes and VAT as a result of the impact of the fraudulent transactions identified in the independent forensic investigation performed during the 2019 financial year. We considered the fraud investigations, legal exposures and related provisions and contingent liabilities to be a matter of most significance to the current year audit due to the potential risk that not all liabilities that the Group may be exposed to, have been appropriately disclosed and accounted for, based on the extent of the uncertainties involved in this assessment. Refer to the following notes to the consolidated financial statements for detail: • Note 1.3: Significant accounting judgements and sources of estimation uncertainty; • Note 23: Provisions; and • Note 34: Contingencies and commitments.	Utilising our forensics expertise, we evaluated management's assessment of opening balances and the impact of the Group's forensics investigation on the current year by performing the following procedures: • we assessed the competency, capability, and objectivity of the Group's forensics investigation team, by inspecting their curriculum vitae, certificates of qualifications, company profiles and representations of their independence; • we assessed the oversight of the Group's forensics investigation team's scope, procedures and findings by appropriately qualified individuals of management; • we inspected and evaluated the work of the Group's forensics investigation team, including the investigation scope, methods and assumptions employed; and • we assessed the Group's forensics investigation team's findings for adequacy and reliability of their work performed. Based on our procedures performed above, we noted no aspects requiring further consideration. Utilising our forensics expertise, we also held discussions with the Group's internal and external legal experts, forensics investigation team and management, and inspected their presentations of their findings to the Group to: • obtain an understanding of the scope, procedures performed, findings and remediation steps taken by the Group; and • determine the significant exposures and evaluate the reasonableness of management's conclusions with reference to their findings reported to the Group. We evaluated whether the findings from the forensic investigation have been adequately considered, recorded and disclosed as in notes 23 and 34 to the consolidated financial statements as at 31 July 2020, and whether subsequent events or further investigations performed by all of management's experts have identified subsequent changes to the exposures identified and disclosed. We noted no matters or exposures requiring further consideration. We inspected correspondence received by management from the respective regulatory authorities to evaluate the adequacy of exposures accounted for and disclosures made in the consolidated financial statements. We noted no matters requiring further consideration.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the documents titled "EOH Integrated Report 2020" and "EOH Holdings Limited Annual Financial Statements for the year ended 31 July 2020", which includes the Directors' Report, the Audit Committee's Report and the Report of the Company Secretary as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S **REPORT** CONTINUED

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of EOH Holdings Limited for one year.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: D.H. Höll
Registered Auditor

Johannesburg
2 December 2020

CONSOLIDATED STATEMENT OF **PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 JULY 2020

Figures in Rand thousand	Notes	2020	Restated*# 2019
Continuing operations			
Revenue	24	**8 690 350**	10 746 037
Cost of sales		**(6 893 957)**	(8 978 937)
Gross profit		**1 796 393**	1 767 100
Net financial asset impairment losses	25	**(320 712)**	(606 384)
Operating expenses		**(2 417 575)**	(4 860 760)
Operating loss before interest and equity-accounted losses	26	**(941 894)**	(3 700 044)
Investment income	27	**26 984**	24 556
Share of equity-accounted losses	7	**(565)**	(7 954)
Finance costs	28	**(410 875)**	(333 718)
Loss before taxation		**(1 326 350)**	(4 017 160)
Taxation	29	**64 030**	(208 187)
Loss for the year from continuing operations		**(1 262 320)**	(4 225 347)
Loss for the year from discontinued operations	15	**(364 494)**	(721 265)
Loss for the year		**(1 626 814)**	(4 946 612)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations**		**107 697**	(97 998)
Reclassification of foreign currency translation differences on loss of control and joint control**		**47 313**	94 547
Total comprehensive loss for the year		**(1 471 804)**	(4 950 063)
(Loss)/profit attributable to:			
Owners of EOH Holdings Limited		**(1 620 721)**	(4 949 147)
Non-controlling interests		**(6 093)**	2 535
		(1 626 814)	(4 946 612)
Total comprehensive (loss)/income attributable to:			
Owners of EOH Holdings Limited		**(1 462 568)**	(4 952 598)
Non-controlling interests		**(9 236)**	2 535
		(1 471 804)	(4 950 063)
From continuing and discontinued operations (cents)			
Loss per share	30	**(961)**	(3 041)
Diluted loss per share	30	**(961)**	(3 041)
From continuing operations (cents)			
Loss per share	30	**(747)**	(2 597)
Diluted loss per share	30	**(747)**	(2 597)

* *Refer to note 3 – Restatement of consolidated annual financial statements for the impact on profit or loss.*

\# *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2020.*

** *In the current year, exchange differences has been split between exchange differences arising during the year and amounts reclassified to profit or loss. The prior year has been updated to align to the current year split.*

CONSOLIDATED STATEMENT OF **FINANCIAL POSITION**

AS AT 31 JULY 2020

Figures in Rand thousand	Notes	2020	Restated* 2019	Restated* 1 August 2018
ASSETS				
Non-current assets				
Property, plant, equipment and right-of-use assets	4	**544 846**	481 674	742 983
Intangible assets	5	**112 967**	488 974	880 392
Goodwill	6	**916 743**	1 850 854	4 255 281
Equity-accounted investments	7	**6 689**	228 067	530 861
Other financial assets	8	**60 881**	11 610	499 040
Deferred taxation	9	**200 972**	245 278	327 270
Finance lease receivables	10	**55 120**	106 775	130 602
		1 898 218	3 413 232	7 366 429
Current assets				
Inventories	11	**113 754**	251 456	377 501
Other financial assets	8	**137 109**	76 718	205 692
Current taxation receivable		**53 940**	52 916	88 442
Finance lease receivables	10	**67 720**	72 638	63 307
Trade and other receivables	12	**2 116 576**	3 353 971	4 733 305
Cash and cash equivalents	13	**645 837**	1 048 583	1 418 319
		3 134 936	4 856 282	6 886 566
Assets held for sale	14	**2 152 366**	1 765 016	–
Total assets		**7 185 520**	10 034 530	14 252 995
EQUITY AND LIABILITIES				
Equity				
Stated capital	17	**4 250 219**	4 239 621	3 443 223
Shares to be issued to vendors	18	**15 300**	20 257	66 196
Other reserves	19	**924 862**	742 597	663 122
Accumulated loss		**(4 680 506)**	(3 077 996)	1 746 493
Equity attributable to the owners of EOH Holdings Limited		**509 875**	1 924 479	5 919 034
Non-controlling interests		**29 624**	40 621	17 788
Total equity		**539 499**	1 965 100	5 936 822
Liabilities				
Non-current liabilities				
Other financial liabilities	20	**5 674**	2 255 825	3 208 415
Lease liabilities	21	**171 699**	28 030	56 388
Deferred taxation	9	**111 291**	305 917	388 042
		288 664	2 589 772	3 652 845
Current liabilities				
Other financial liabilities	20	**2 748 028**	1 068 132	895 581
Current taxation payable		**49 329**	97 988	170 230
Lease liabilities	21	**104 723**	29 331	35 360
Trade and other payables	22	**1 951 060**	3 303 241	3 562 157
Provisions	23	**670 125**	410 427	–
		5 523 265	4 909 119	4 663 328
Liabilities directly associated with assets held for sale	14	**834 092**	570 539	–
Total liabilities		**6 646 021**	8 069 430	8 316 173
Total equity and liabilities		**7 185 520**	10 034 530	14 252 995

* *Refer to note 3 – Restatement of consolidated annual financial statements for the impact on the affected assets, liabilities and equity.*

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 JULY 2020

Figures in Rand thousand	Stated capital	Shares to be issued to vendors	Other reserves	Retained earnings/ (accumulated loss)	Equity attributable to the owners of EOH Holdings Limited	Non-controlling interests	Total equity
Balance at 1 August 2018	3 443 223	809 975	663 122	1 002 714	5 919 034	17 788	5 936 822
Correction of error***	–	(743 779)	–	743 779	–	–	–
Restated balance at 1 August 2018	3 443 223	66 196	663 122	1 746 493	5 919 034	17 788	5 936 822
Restated (loss)/profit for the year***	–	–	–	(4 949 147)	(4 949 147)	2 535	(4 946 612)
Other comprehensive income	–	–	(3 451)	–	(3 451)	–	(3 451)
Issue of shares	762 712	(44 067)	–	–	718 645	–	718 645
Non-controlling interest acquired	–	–	–	–	–	(300 448)	(300 448)
Non-controlling interest disposed	–	–	–	–	–	320 746	320 746
Movement in treasury shares	33 686	(12 703)	(53 714)	–	(32 731)	–	(32 731)
Consideration – EOH shares forfeited	–	(21 957)	–	–	(21 957)	–	(21 957)
Transfer within equity*#	–	32 788	–	(32 788)	–	–	–
Share-based payments	–	–	53 141	157 446	210 587	–	210 587
Correction of error***	–	–	83 499	–	83 499	–	83 499
Restated balance at 31 July 2019	4 239 621	20 257	742 597	(3 077 996)	1 924 479	40 621	1 965 100
Effect of adoption of new standard**	**–**	**–**	**–**	**30 327**	**30 327**	**–**	**30 327**
Restated balance at 1 August 2019	**4 239 621**	**20 257**	**742 597**	**(3 047 669)**	**1 954 806**	**40 621**	**1 995 427**
Loss for the year	**–**	**–**	**–**	**(1 620 721)**	**(1 620 721)**	**(6 093)**	**(1 626 814)**
Other comprehensive income	**–**	**–**	**158 153**	**–**	**158 153**	**(3 143)**	**155 010**
Non-controlling interest disposed	**–**	**–**	**–**	**–**	**–**	**1 982**	**1 982**
Movement in treasury shares	**10 598**	**(4 957)**	**(10 781)**	**–**	**(5 140)**	**–**	**(5 140)**
Consideration – EOH shares forfeited	**–**	**(12 116)**	**–**	**–**	**(12 116)**	**–**	**(12 116)**
Transfer within equity*	**–**	**12 116**	**–**	**(12 116)**	**–**	**–**	**–**
Share-based payments: disposed entities	**–**	**–**	**(13 392)**	**–**	**(13 392)**	**–**	**(13 392)**
Share-based payments	**–**	**–**	**48 285**	**–**	**48 285**	**–**	**48 285**
Dividends declared	**–**	**–**	**–**	**–**	**–**	**(3 743)**	**(3 743)**
Balance at 31 July 2020	**4 250 219**	**15 300**	**924 862**	**(4 680 506)**	**509 875**	**29 624**	**539 499**
Notes	17	18	19				

* *Transfers within equity are transfers from shares to be issued to vendors for expired shares.*

** *Refer to note 2 – Changes in accounting policies for the impact of the adoption of IFRS 16.*

*** *Refer to note 3 – Restatement of consolidated annual financial statements for the impact on profit or loss and equity.*

\# *Transfers between other reserves and retained earnings/(accumulated loss) of R111 million which had been done in the prior year have now been reversed to be consistent with current year IFRS 2 treatment of not releasing reserves to retained earnings for expired unexercised options.*

CONSOLIDATED STATEMENT OF **CASH FLOWS**
FOR THE YEAR ENDED 31 JULY 2020

Figures in Rand thousand	Notes	2020	2019
Cash generated from operations	32	**706 735**	502 107
Investment income received		**40 283**	39 657
Interest paid		**(380 165)**	(341 088)
Taxation paid	33	**(211 419)**	(313 155)
Net cash inflow/(outflow) from operating activities		**155 434**	(112 479)
Cash flows from investing activities			
Additions to property, plant and equipment		**(175 643)**	(221 818)
Proceeds on the sale of property, plant, equipment and intangible assets		**127 659**	15 972
Intangible assets acquired	5	**(187 172)**	(181 587)
Cash receipt from disposal of businesses, net of cash given up	16	**164 625**	369 164
Cash inflow relating to other financial assets		**2 088**	200 181
Cash outflow relating to other financial assets		**(9 978)**	–
Increase in restricted cash		**(485 824)**	–
Decrease in restricted cash		**398 804**	–
Net cash (outflow)/inflow from investing activities		**(165 441)**	181 912
Cash flows from financing activities			
Proceeds from the issue of shares		**–**	720 282
Dividends paid to non-controlling interests		**(3 743)**	–
Proceeds from other financial liabilities	20	**–**	967 307
Repayment of other financial liabilities	20	**(396 414)**	(1 745 982)
Principal elements of lease payments		**(94 894)**	(32 563)
Net cash outflow from financing activities		**(495 051)**	(90 956)
Net decrease in cash and cash equivalents		**(505 058)**	(21 523)
Cash and cash equivalents at the beginning of the year	13	**1 048 583**	1 418 319
Assets held for sale at the beginning of the year	14	**310 373**	–
Assets held for sale at the end of the year	14	**(328 743)**	(310 373)
Exchange gains/(losses) on cash and cash equivalents		**5 429**	(37 840)
Cash and cash equivalents at the end of the year	13	**530 584**	1 048 583

CONSOLIDATED **SEGMENT RESULTS**

FOR THE YEAR ENDED 31 JULY 2020

The reportable segments of the Group have been identified based on the nature of the business activities. The business is managed in three major segments and this remains consistent with the prior year with some movements of businesses between the segments. Changes to the reportable segments in the current year included the moving of HQaaS and Digital Industries businesses out of NEXTEC to iOCO to streamline and consolidate similar business offerings in line with the revised strategy of EOH. This basis is representative of the internal structure of the Group for management purposes and the segment results for the comparative period has been restated accordingly. The Chief Operating Decision Maker (CODM) is the Group Executive Committee.

iOCO is the ICT business focused on traditional and cutting-edge technology system integration with a range of solutions, products and services across the ICT value chain.

NEXTEC consists of a variety of businesses focused on business process outsourcing and technology infrastructure at various stages of incubation for growth and scaling.

IP comprises a group of high potential intellectual property companies with scaled technology ready to take to market with partners.

The CODM is not presented with secondary information in the form of geographic information and as a result, geographic information is not disclosed in the segment results. Liabilities and assets are also not regularly provided to the CODM and are not disclosed in the segment results.

Adjusted EBITDA is defined as profit/(loss) before depreciation, amortisation, share-based payment expense, gain/loss on disposal of subsidiaries and equity-accounted investments, impairments of non-financial assets, share of profit/loss of equity-accounted investments, remeasurement gain/losses on vendors for acquisition liability, interest income, interest expense and current and deferred tax.

Revenue, gross profit and core normalised EBITDA:

Figures in rand thousand	**2020**					Restated* 2019				
	iOCO	**NEXTEC**	**IP**	**Recon-ciliation^**	**Total**	iOCO	NEXTEC	IP	Recon-ciliation^	Total
Revenue										
External	**6 699 614**	**3 375 968**	**1 201 121**	**–**	**11 276 703**	7 841 419	5 232 875	1 875 006	–	14 949 300
Intersegment	**222 948**	**154 442**	**11 180**	**(388 570)**	**–**	121 195	289 412	30 835	(441 442)	–
Gross revenue	**6 922 562**	**3 530 410**	**1 212 301**	**(388 570)**	**11 276 703**	7 962 614	5 522 287	1 905 841	(441 442)	14 949 300
Gross profit	**1 684 352**	**527 266**	**480 722**	**(223 441)**	**2 468 899**	1 641 933	661 197	754 125	(125 857)	2 931 398
Gross profit (%)	*24.3%*	*14.9%*	*39.7%*	*–*	*21.9%*	*20.6%*	*12.0%*	*39.6%*	*–*	*19.6%*
Adjusted EBITDA	**391 651**	**(111 128)**	**319 537**	**(528 480)**	**71 580**	(711 069)	(189 193)	439 051	(945 026)	(1 406 237)
Normalisation adjustments	**104 608**	**27 116**	**67**	**233 131**	**364 922**	790 618	52 106	–	518 995	1 361 719
Normalised EBITDA**	**496 259**	**(84 012)**	**319 604**	**(295 349)**	**436 502**	79 549	(137 087)	439 051	(426 031)	(44 518)
Non-core business lines to be closed~	**323 016**	**172 980**	**–**	**–**	**495 996**	279 254	246 800	–	–	526 054
Core normalised EBITDA***	**819 275**	**88 968**	**319 604**	**(295 349)**	**932 498**	358 803	109 713	439 051	(426 031)	481 536
Core normalised EBITDA (%)	*11.8%*	*2.5%*	*26.4%*	*–*	*8.3%*	*4.5%*	*2.0%*	*23.0%*	*–*	*3.2%*

* *Comparative figures previously reported have been amended to reflect segment structure used for the 12 months to 31 July 2020, as well as correction of prior period errors as described in note 3.*

** *Normalised EBITDA is defined as Adjusted EBITDA adjusted for certain once-off for cash and non-cash items.*

*** *Core normalised EBITDA is defined as normalised EBITDA adjusted for non-core business lines to be closed.*

^ *Reconciliation comprises elimination of intersegment transactions and includes head office expenses.*

~ *Non-core business lines to be closed reflect businesses identified to be shut down.*

CONSOLIDATED **SEGMENT RESULTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

Adjusted EBITDA reconciliation

Figures in Rand thousand	Notes	2020	Restated* 2019
Operating loss before interest and equity-accounted losses		**(1 266 720)**	(4 260 838)
Operating loss from continuing operations		**(941 894)**	(3 700 044)
Operating loss from discontinued operations		**(324 826)**	(560 794)
Depreciation		**335 924**	204 848
Amortisation		**162 079**	230 968
Impairment losses on non-financial assets		**522 475**	2 258 840
Loss/(gain) on disposal of assets		**263 675**	(120 868)
Share-based payments		**48 285**	247 614
Changes in fair value of vendors for acquisition	20	**3 685**	33 199
Loss from joint venture	7	**2 177**	–
Adjusted EBITDA		**71 580**	(1 406 237)
Normalisation adjustments		**364 922**	1 361 719
Write-off of inventories#		**20 396**	59 753
Other financial assets write-off and specific provisions	8	**149 245**	759 501
Advisory and other##		**106 605**	154 548
Retrenchment and settlement costs		**49 744**	115 138
Onerous contracts and other provisions		**38 932**	272 779
Normalised EBITDA**		**436 502**	(44 518)
Non-core business lines to be closed~		**495 996**	526 054
Core normalised EBITDA***		**932 498**	481 536

* *Comparative figures previously reported have been amended to reflect segment structure used for the 12 months to 31 July 2020, as well as correction of prior period errors as described in note 3.*

** *Normalised EBITDA is defined as Adjusted EBITDA adjusted for certain once-off cash and non-cash items.*

*** *Core normalised EBITDA is defined as normalised EBITDA adjusted for non-core business lines to be closed.*

~ *Non-core business lines to be closed reflect normalised EBITDA relating to businesses which management intends closing which have not yet met the IFRS 5 requirements to be classified as discontinued and non-profitable business lines or arrangements that are not expected to continue going forward .*

Write-off of inventories relates to inventory licences that were previously purchased and capitalised as inventory and subsequently written off as there were no customers for such inventory licences.

Advisory and other consists mainly of costs related to the ENS investigation, costs related to internal restructuring of the businesses, advisor costs related to disposals of businesses and also includes the JSE fine referred to in note 34.

1. SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

EOH Holdings Limited (EOH or the Company) is a holding company domiciled in South Africa that is listed on the JSE Limited under the category Technology: Software and Computer Services. EOH is one of the largest Information and Communications Technology (ICT) services providers in South Africa and is committed to providing the technology, knowledge, skills and organisational ability critical to the development and growth of the markets it serves. The consolidated annual financial statements of EOH for the year ended, comprise the Company and its subsidiaries and the Group's investments in associates and joint ventures (together referred to as the Group).

1.1 Statement of compliance

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations as issued by the IFRS Interpretations Committee (IFRIC), and comply with the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee (APC), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the Johannesburg Stock Exchange (JSE) Listings Requirements and the requirements of the South African Companies Act, No 71 of 2008 (the Companies Act).

1.2 Basis of preparation

The consolidated annual financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value through profit or loss at the end of each reporting period as explained in the accounting policies below.

The consolidated annual financial statements are presented in South African Rand, which is the Group's presentation currency, rounded to the nearest thousand except for when otherwise indicated. The going concern basis has been used in preparing the consolidated annual financial statements as the directors have a reasonable expectation that the Group will continue as a going concern for the foreseeable future.

Going concern

The IFRS Conceptual Framework states that going concern is an underlying assumption in the preparation of IFRS financial statements. Therefore, the financial statements presume that an entity will continue in operation in the foreseeable future or, if that presumption is not valid, disclosure and a different basis of reporting are required. The Board of directors ('Board') believes that, as of the date of this report, the going concern presumption is still appropriate and accordingly the consolidated annual financial statements of the Group have been prepared on the going concern basis.

IAS 1 – Preparation of Financial Statements ('IAS 1') requires management to perform an assessment of the Group's ability to continue as a going concern. If management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, IAS 1 requires these uncertainties to be disclosed.

In conducting this assessment, the Board has taken into consideration the following factors:

The financial performance, condition and cash flows for the Group reflect a loss for the year of R1.6 billion, net asset value attributable to the owners of EOH Holdings Limited at the end of the year of R510 million and cash inflows from operating activities of R155 million (including continuing and discontinued operations). Details of the financial performance, condition and cash flows for the Group are explained in the consolidated annual financial statements. A detailed action plan for deleveraging the Group to a sustainable level and resolving the 'fit-for-purpose' cost structure was developed by the Group and its lenders and committed to in October 2019, revised in April 2020 and again in November 2020. Since its announcement in October 2019, the plan has been largely executed against and the directors reasonably believe it can continue to be implemented going forward in order to ensure the Group's ability to continue as a going concern.

The key deleveraging requirements of the agreement signed with the Group's lenders in April 2020 required the following milestones to be met:

1. Delever of R500 million by 30 August 2020.
2. Delever of an additional R700 million by 30 November 2020.
3. Delever of an additional R400 million by 28 February 2021.
4. 1 April 2021 full refinancing of the remaining debt.

The key deliverables implemented by the Group in relation to the deleveraging plan include:

1. deleveraging R292 million of debt in the current financial year and meeting the R500 million August target at 31 July 2020 in the amount of R542 million (deleveraging of R250 million at 31 July 2020 was taken into account for the R500 million target). Subsequent to year end, R450 million of the R700 million 30 November 2020 target was met as detailed in note 42 – Events after the reporting date.
2. liquidation of four legal entities during the year and one legal entity post-year end, due to these entities being financially distressed; and
3. the implementation of a cash pooling policy, allowing more than R600 million of cash, previously held in individual legal entities to be centrally managed. This allowed the Group's cash to be in the right place at the right time, without increasing risk to the Group due to improved visibility and cash management systems being implemented.

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.2 Basis of preparation continued

Going concern continued

During the year, the Group implemented initiatives to improve liquidity. The Group also showed its ability to be agile and respond to new challenges as is evident from the liquidity initiatives implemented with the onset of COVID-19 restrictions in March 2020, in terms of which the Group reduced cash outflows in the second half of 2020, which included salary sacrifices, right-sizing of the cost base which had already started before the onset of lockdown, rental relief and tax deferrals.

The directors assessment of whether the Group is a going concern was considered and the directors concluded that:

1. the Group is solvent, and is expected to remain solvent after considering the approved budget and expected performance;
2. while the Group's current liabilities exceeded its current assets by R2.4 billion, more than R433 million of short-term loan liabilities and R36 million in vendor finance liabilities were extinguished after year end and a refinancing plan in respect of approximately R2 billion of the Group's facilities (as detailed in note 42 – Events after the reporting date), is being negotiated, thus bringing the ratio of current assets to current liabilities to above one times;
3. there is an approved budget for the following 24 months;
4. there are cash flow forecasts for the following 12 months, which were interrogated and adjusted for anomalies and stress tested for a reduction of in excess of 20% of adjusted EBITDA for each of the periods under review together with a detailed review of one-off cash payments; and
5. the Group has sufficient access to facilities and liquidity events to fund operations for the following 12 months based on the following assumptions:
   - improved operational performance;
   - the sale of non-core assets, which are at a relatively advanced stage;
   - the refinancing for its term and working capital facilities with its primary lending institutions, the salient commercial terms of which have been agreed by the Group with its lenders;
   - The Group's assets are appropriately insured; and
   - There is currently no outstanding litigation, that the directors believe has not been adequately provided for, that could pressurise the Group's ability to meet its obligations.

Material uncertainty relating to going concern

The ability of the Group to repay its debt as it becomes due is dependent on the timing and quantum of cash inflows from operations and its ability to realise cash through a combination of disposals of non-core assets, or part thereof. The ability of the Group to repay debt as it becomes due on 28 February and 1 April is also dependent on a refinancing proposal being implemented. The liquidity dependencies indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. The Board is of the view that the actions that have been implemented and are currently underway are sufficient to mitigate the material uncertainties related to liquidity and going concern. These include the following steps that have been taken and agreements with the lenders secured in respect of obtaining long-term funding:

- Entered into discussions with the lenders to put a long-term Group funding structure in place in the form of refinancing the debt facilities from October 2020.
- The Board passed a resolution on 27 November 2020 to approve the refinancing proposal presented by the Group's lenders, although detailed terms, rates and fees are still to be agreed.
- The refinancing proposal presented by the Group's lenders includes a 12-month bridge facility to be used in the event of delays being experienced in the sale of the IP assets.
- Long-form term sheets are required to be agreed between the Group and its lenders by 31 January 2021 and final refinancing is to be implemented by 1 April 2021.
- The Group obtained a deferral letter from its lenders on 1 December 2020 for the R250 million shortfall at 30 November 2020 until 28 February 2021 and a waiver of the events of default related to financial covenants. The waiver expires on 28 February 2021.

The Board remains focused on and committed to the turnaround strategy, the debt reduction plan and implementing the refinancing proposal agreed with lenders. However, the requirement to reduce borrowings by a set quantum in a set timeframe and the ability of the Group to achieve its debt reduction plan in the current economic conditions, creates a material uncertainty. A material uncertainty is an event or condition that may cast significant doubt on the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Board, after considering the negotiated terms and mitigating actions described above, has concluded that the Group should be able to discharge its liabilities as they fall due in the normal course of business and is therefore of the opinion that the going concern assumption is appropriate in the preparation of the consolidated annual financial statements.

Accounting policies

The accounting policies applied in the consolidated annual financial statements are consistent with those applied in the previous years, except as set out below.

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.2 Basis of preparation continued

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time to its annual reporting period commencing 1 August 2019:

- IFRS 16 – Leases (IFRS 16); and
- IFRIC 23 – Uncertainty over Income Tax Treatments ('IFRIC 23').

A number of other new standards and/or interpretations are effective for the annual reporting period commencing 1 August 2019, with no material effect on the Group's annual financial statements.

Refer to note 2.1 for more information regarding the new standards, amendment to standards and interpretations adopted by the Group.

The significant accounting policies are set out below.

1.3 Significant accounting judgements and sources of estimation uncertainty

In preparing the consolidated annual financial statements, management is required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts presented in the consolidated annual financial statements and related disclosures. Use of available information, historical experience and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated annual financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

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

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated annual financial statements:

	Judgement relates to:	Notes
Deferred taxation assets	Judgement around future financial performance	9 and 29
Revenue	Judgement in principal versus agent considerations	1.5
Revenue	Judgement in recognition of revenue at a point in time or over time	24
Discontinued operations	Judgement as to whether a component is a discontinued operation and meets held-for-sale criteria	15
Going concern	Judgement on the Group's ability to continue as a going concern	1.2

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

	Estimate relates to:	Notes
Impairment of goodwill and intangible assets	Estimates in determining the recoverable amount of the asset or cash-generating unit	5 and 6
Provisions	Estimates in determining the amount and timing of the provisions	23
Revenue	Estimation of measuring progress towards satisfaction of performance obligations based on cost incurred, inputs versus milestones	24
Tax liability	Estimation in determining taxation liability	29
Impairment of trade receivables and contract assets	Estimates in calculating the expected credit loss provision on trade receivables and contract assets	41

1.3.1 COVID-19

COVID-19 has had and continues to have a significant impact across the world, adversely affecting the lives of the Group's customers and its employees. The first impact was noted in the Group in January 2020, with South Africa impacted from March 2020 onwards. Based on the magnitude of the pandemic and its potential impact on the consolidated annual financial statements, Management has conducted a review of all possible financial effects COVID-19 could have on the measurement, presentation and disclosure provided.

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.3 Significant accounting judgements and sources of estimation uncertainty continued

1.3.1 COVID-19 continued

Consideration of potential impact

Key areas considered are reflected in the table below, including whether or not they were deemed to have a significant impact on the Group.

COVID-19 considerations	Assessment	Potential impact	Note reference
Subsequent events	COVID-19 was assessed as being prevalent in the Group's markets before 31 July 2020. Recognised assets and liabilities at reporting date are to be presented, measured and disclosed after taking into account the effect/impact of material adjusting subsequent events.	High	42
Going concern	Limited disruption to operations. Significant progress made to deleverage and improving the financial performance of the Group.	High	1.2
Financial asset impairment (expected credit losses)	A COVID-19 debtors list was created and tracked weekly. This accounted for less than 7% of the book and revenue. No material provisions or write offs occurred related to the COVID-19 debtors.	Low	41
Non-financial asset impairment (PPE, goodwill, intangible assets)	Certain impairments to goodwill were as a result of the impact of COVID-19.	Medium	4 to 6
Onerous contracts	Onerous contract provisions have been raised but these relate to legacy contracts versus the impact of COVID-19.	Low	23
Deferred tax assets recoverability	No material deferred tax assets are raised for unutilised tax losses.	Low	9

1.4 Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the Company and its subsidiaries.

The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal. Adjustments are made when necessary to the annual financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

Intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein and are recognised in equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for the non-controlling interest.

1.5 Summary of significant accounting policies

Investments in associates and joint ventures

The Group has investments in associates and joint ventures. Interests in associates and joint ventures are accounted for using the equity method of accounting, after initially being recognised at cost in the consolidated statement of financial position.

Under the equity method of accounting, investments are initially recognised in the consolidated statement of financial position at cost and adjusted subsequently to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture.

When the Group's share of losses in an associate or a joint venture exceeds its interest in that associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the other entity.

When a Group entity transacts with an associate or joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated annual financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the impairment of non-financial assets policy.

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.5 Summary of significant accounting policies continued

Translation of foreign currencies

The Group financial statements are presented in South African rand, which is the Group's presentation currency.

(a) Functional and presentation currency

Items included in the annual financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

(b) Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in the entity's functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate; and
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous consolidated annual financial statements are recognised in profit or loss in the period in which they arise.

(c) Foreign operations

The results and financial position of a foreign operation that has a functional currency different from the Group's presentation currency is translated into the presentation currency using the following procedures:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each item of profit or loss and other comprehensive income are translated at the average exchange rates for the period of the transactions; and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in equity, within other reserves.

Any goodwill recognised on foreign operations and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation.

Non-current assets (or disposal groups) held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell; except for assets such as deferred tax assets, assets arising from employee benefits, financial assets that are carried at fair value and inventory which are specifically exempt from this requirement. An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management, being a subcommittee of the EOH Board of Directors to deal with asset disposals, strategic acquisitions and the restructuring of the Group must be committed to the plan to sell the asset and the sale must be expected to be completed within one year from the date of the classification. This committee is the Asset Disposal and Strategic Acquisition Committee (ADASA) and takes its instructions from the EOH Board of Directors.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Associates and joint ventures are no longer equity-accounted once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as a discontinued operation if it is a component of the Group that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations; or
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.5 Summary of significant accounting policies continued

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss from discontinued operations in the statement of profit or loss. The prior period is also re-presented for all operations that have been discontinued by the end of the reporting period.

Additional disclosures are provided in notes 14 and 15. All other notes to the consolidated annual financial statements include amounts for continuing operations, unless indicated otherwise.

Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently at cost less accumulated depreciation and any impairment. Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value from the date that these costs are ready for use.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	50 years
Right-of-use buildings	Shorter of useful life or period of lease
Furniture and fixtures	10 years
Motor vehicles	5 years
Office equipment	3 to 6 years
IT equipment	2 to 5 years
Leasehold improvements	Shorter of useful life or period of lease
Other equipment	3 to 10 years

Land is not depreciated.

The Group has presented right-of-use assets within property, plant and equipment. Right-of use assets are initially measured at cost. The cost consists of the initial lease liability value. The right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease term on a straight-line basis.

The residual value and useful life of each asset is reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Goodwill and intangible assets

(a) Goodwill

Goodwill is measured as described in note 6. Goodwill is not amortised but tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGU or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which businesses are managed and monitored by common cluster heads and financial directors/managers.

(b) Intellectual property and contracts purchased

Separately acquired intellectual property is measured at historical cost. Intellectual property and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.5 Summary of significant accounting policies continued

Goodwill and intangible assets continued

(c) Internally generated software

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as an intangible asset when the following criteria are met:

- It is technically feasible to complete the asset so that it will be available for use or sale;
- There is an intention to complete and use or sell it;
- There is an ability to use or sell it;
- It will generate probable future economic benefits;
- There are available technical, financial and other resources to complete the development and to use or sell the asset; and
- The expenditure attributable to the asset during its development can be measured reliably.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Research expenditure and development expenditure that do not meet the above criteria are recognised as an expense as incurred.

(d) Acquired computer software and other intangible assets

Acquired computer software and other intangible assets are measured at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(e) Amortisation methods and periods

The amortisation period for intangible assets are reviewed on an annual basis and adjustments, where applicable, are accounted for as a change in accounting estimate. Amortisation, charged to profit or loss, is provided to write-down the intangible asset, on a straight-line basis, over the finite useful life of the asset, as follows:

Item	Average useful life
Contracts purchased	2 to 5 years
Customer relationships	2 to 15 years
Intellectual property	2 to 10 years
Internally generated software	3 to 15 years
Other intangible assets	2 to 13 years
Computer software	2 to 3 years

Impairment of non-financial assets

Goodwill and intangible assets not subject to amortisation are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Financial instruments

(1) Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured at amortised cost: i.e. trade receivables, other loans and receivables, restricted cash and cash and cash equivalents.

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.5 Summary of significant accounting policies continued

Financial instruments continued

(1) Financial assets continued

(a) Classification continued

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest method, less expected credit losses (ECLs). ECLs are presented as a separate line item in the statement of profit or loss as credit impairment losses.

(c) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses (ECLs) associated with its debt instruments carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group recognises a loss allowance for ECLs on loans, finance lease receivables, cash and cash equivalents and other receivables using the general approach. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contracts assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime credit losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Refer to the note 41 for further details on the methodology applied by the Group.

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.5 Summary of significant accounting policies continued

Financial instruments continued

(2) Financial liabilities

(a) Measurement

At initial recognition, the Group measures a financial liability at its fair value plus, in the case of a financial liability not at fair value through profit or loss (FVTPL), directly attributable transaction costs. Transaction costs of financial liabilities carried at FVTPL are expensed in profit or loss.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and contingent consideration liabilities arising on acquisition of businesses (vendors for acquisition).

Trade and other payables and loans and borrowings are subsequently measured at amortised cost, using the effective interest method.

Contingent consideration arising on acquisition of businesses is classified either as equity or a financial liability. Refer to note 18 for further detail on the contingent consideration classified as equity. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss. The liability for amounts due to vendors represent the expected purchase consideration owing in respect of acquisitions which will be settled in cash resources when the relevant profit warranties have been fulfilled.

(b) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. This difference between the carrying value of the derecognised liability and the fair value of the new liability at initial recognition is recognised in the statement of profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are subsequently measured at amortised cost. Bank overdrafts are shown within other financial liabilities in the statement of financial position.

Restricted cash

Restricted cash comprise bank balances that are ring-fenced and are not highly liquid. These balances are not included in cash and cash equivalents and are accounted for at amortised cost.

Taxation

(a) Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- A transaction or event which is recognised, in the same or a different period, to other comprehensive income or equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively; or
- A business combination.

(b) Tax assets and liabilities

Tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

(c) Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences unless the deferred tax liability arises from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction which:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.5 Summary of significant accounting policies continued

Taxation continued

(c) Deferred tax assets and liabilities continued

Deferred tax liabilities are not recognised in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are adjusted if recovery is no longer probable.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Leases

(a) Group as lessor

The Group, as lessor, leases assets to customers. The accounting treatment depends on whether the leases are classified as an operating or finance lease. The adoption of IFRS 16 did not impact the accounting for lessors materially:

Finance leases: The Group recognises a finance lease receivable in the statement of financial position at an amount equal to the net investment in the lease. Finance lease income is recognised based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

Operating leases: Operating lease income is recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. The respective leased assets are included in the statement of financial position based on their nature.

(b) Group as lessee

The Group primarily has property leases, which has been impacted by the adoption of IFRS 16.

From 1 August 2019, at inception of a contract, the Group assesses whether a contract is, or contains a lease.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lease contracts contain both lease and non-lease components. The Group has not elected the practical expedient to account for non-lease components as part of its lease liabilities and right-of-use assets. Accordingly, non-lease components are recognised as an expense in operating expenses as they are incurred.

The Group recognises right-of-use assets and lease liabilities at the lease commencement date for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and for short-term leases. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss and represent no change from the previous reporting period's accounting treatment. Short-term leases have a term of 12 months or less. Low-value assets comprise leases such as IT equipment (tablets and personal computers), office furniture or telephones.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.5 Summary of significant accounting policies continued

Leases continued

(b) Group as lessee continued

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Interest costs are charged to the statement of profit or loss and other comprehensive income over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease terms on a straight-line basis.

The Group presents right-of-use assets in property, plant and equipment in the statement of financial position. Lease liabilities are shown separately in the statement of financial position.

Policy applicable before 1 August 2019

The accounting treatment applied was as follows:

- **Finance leases:** Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments, at the inception of the lease. The corresponding liability to the lessor was included in the statement of financial position as a finance lease obligation. The lease payments were apportioned between the finance charge and the amount to reduce the outstanding liability. The finance charge was allocated to each period during the lease term to produce a constant periodic rate on the remaining balance of the liability.
- **Operating leases:** Operating lease payments were recognised as expenses on a straight-line basis over the lease term. Any contingent rents were expensed in the period they were incurred.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories are based on the first-in, first-out formula or weighted average cost method and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to their present location and condition.

Stated capital

Shares in the Company held by its subsidiaries or re-acquired by the Group, are classified in the Group's shareholders' interest as treasury shares. The consideration paid, including any directly attributable incremental costs (net of income taxes) on those treasury shares, is deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments and any distributions received on the treasury shares are eliminated on consolidation. Consideration paid or received is recognised directly in equity.

Share-based payments

(a) Employee share plans

The Group has three equity-settled share schemes; The EOH Share Trust, The Mthombo Trust and The EOH Share Ownership Plan under which share-based compensation benefits are provided to employees through issue of share options or shares. Information relating to these schemes is set out in note 38.

The fair value of the share options granted is measured at grant date using the Binomial model and recognised as an employee benefit expense with a corresponding increase in equity over the vesting period. The total amount to be expensed is determined by reference to the fair value of the options granted on grant date using the Binomial model. The share options/shares are only conditional on employees remaining in service and have no other performance conditions attached. The impact of any service conditions is excluded in determining the fair value of the options.

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.5 Summary of significant accounting policies continued

Share-based payments continued

(a) Employee share plans continued

At the end of each period the Group revises its estimates of the number of share options/shares that are expected to vest based on the service conditions. The Group recognises the impact of the revision to original estimates in profit or loss with a corresponding adjustment to equity.

Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, compensated absences as well as profit sharing and bonus payments are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service and are recognised as current liabilities in the statement of financial position. The liabilities are recognised in the period in which the service is rendered and are measured at the amounts expected to be paid when the liabilities are settled (i.e. they are not discounted).

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

(b) Post-employment obligations

The Group pays contributions to a privately administered retirement benefit plan on behalf of employees. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense as they fall due.

Revenue

Revenue is recognised based on the completion of performance obligations and an assessment of when control is transferred to the customer. The following indicators are used by the Group in determining when control has passed to the customer:

- The Group has a right to payment for the product or service
- The customer has legal title to the product
- The Group has transferred physical possession of the product to the customer
- The customer has the significant risk and rewards of ownership of the product
- The customer has accepted the product

The Group has generally concluded that it is acting as the principal in its revenue arrangements, except for certain sales of software licences and hardware where it is acting as an agent.

Contracts are assessed individually to determine whether the products and services are distinct i.e. the product or service is separately identifiable from other items in the contract with the customer and whether the customer can benefit from the goods or services either on its own or together with other resources that are readily available. The consideration is allocated between the goods and services in a contract based on management's best estimate of the standalone selling prices of the goods and services.

The Group evaluates the following control indicators among others when determining whether it is acting as a principal or agent in the transactions with customers and recording revenue on a gross, or net, basis:

- The Group is primarily responsible for fulfilling the promise to provide the specified goods or service
- The Group has inventory risk before the specified goods or services has been transferred to a customer or after the transfer of control to the customer
- The Group has discretion in establishing the price for the specified goods or services

The Group primarily generates revenue from providing the following goods and services: software/licence contracts, hardware sales and services. The transaction price recognised is based on the contracted amounts, less amounts collected on behalf of third parties.

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.5 Summary of significant accounting policies continued

Revenue continued

Software/licence contracts	**Agent** These are contracts that are billed on behalf of software vendors for the right to use the software. The Group is an agent in these arrangements and recognises the net amount as revenue at a point in time when the software licences are delivered to the customer. **Principal** There are also cases under software/licence contracts where the Group acts as the principal as the Group obtains control of the goods before it is transferred to the customer. Revenue is recognised over time as the customer benefits as and when the Group performs.
Hardware	**Agent** These are contracts that are billed by the Group for hardware sales concluded on behalf of hardware vendors. The Group is an agent in these arrangements and recognises the net amount as revenue at a point in time when the hardware is delivered to the customer. **Principal** The Group recognises revenue when control is transferred to the customer, being when the customer accepts delivery of the goods, at a point in time.
Services	The Group provides a range of maintenance, support and other services to customers. Maintenance and support services consists of contracts with/promises to customers where the Group mainly provides hardware maintenance and unspecified upgrades and patches for software at an agreed fee based on defined service level agreements. Revenue is recognised over time as the customer benefits as and when the Group performs. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.
Rentals	The Group supplies rentals of IT safety and security access equipment to customers. Revenue earned on rental contracts are recognised over time, being the period over which the customer and the Group are a party to the rental agreement.

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.5 Summary of significant accounting policies continued

Revenue continued

(a) *Significant financing component*

Generally, the Group receives short-term advances from its customers and in certain cases there are delayed payment terms of generally 30 days. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

(b) *Contract balances*

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policies on financial assets.

(c) *Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Finance costs

Finance charges comprise interest payable on borrowings, vendors for acquisition and the interest expense component of lease liability charges, calculated using the effective interest rate.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Adoption of new standards, amendments to standards and interpretations

The Group has adopted IFRS 16, COVID-19-related rent concessions – Amendments to IFRS 16 and IFRIC 23 – Uncertainty over Income Tax Treatments ('IFRIC 23'), as issued by the IASB, with effect from 1 August 2019.

IFRS 16

The Group has adopted IFRS 16 retrospectively from 1 August 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the standard's transitional provisions. The impact arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 August 2019. The new accounting policies are disclosed in note 1.5.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 – Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 August 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 August 2019 was 9.3%.

Right-of-use assets were measured at the amount of the lease liability on adoption.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:
- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 August 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 August 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 – Determining whether an Arrangement contains a Lease.

Operating lease commitments disclosed as at 31 July 2019 amounted to R414 million. On adoption of IFRS 16, these existing operating lease commitments, excluding short-term and low-value commitments, have now been recognised as right-of-use assets and obligations to make lease payments in the statement of financial position. This has resulted in an increase in current and non-current liabilities, and a corresponding increase in non-current assets of R367 million as at 1 August 2019. The total adjustment to retained earnings as at 1 August 2019, due to previously recognised operating lease straight-lining reserves at 31 July 2019, was R30 million.

COVID-19-related rent concessions – Amendments to IFRS 16

As a result of the COVID-19 pandemic rent concessions were granted to the Group in the form of payment holidays and deferral of lease of payments for a period of time, followed by increased rent payments in future periods. The Group has not made use of the optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification and accordingly, the modification guidance within IFRS 16 was applied to such rent concessions.

IFRIC 23

IFRIC 23 and the IFRIC agenda decision in relation to the presentation of liabilities or assets related to uncertain tax treatments in September 2019 respectively clarifies the application of the recognition and measurement requirements in IAS 12 – Income Taxes and the presentation requirements in IAS 1 – Presentation of Financial Statements when there is uncertainty over income tax treatments.

No additional current or deferred tax liabilities were recognised as a result of IFRIC 23, nor were there any reclassification of previously recognised amounts.

2.2 Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not effective for 31 July 2020 reporting periods. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.3 Standards and interpretations early adopted

The Group has chosen not to early adopt any new standards or interpretations.

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

3. RESTATEMENT OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

During the current year, management identified the following matters which were incorrectly accounted for or presented in prior periods:
- Vendors for Acquisition being classified as equity as opposed to debt (3.1);
- Net vs gross and the timing of revenue recognition (3.2);
- Timing of the recognition of provisions (3.3);
- Incorrect offsetting of prepaid expenses and contract liabilities (3.4);
- Deferred tax liability not eliminated on consolidation (3.5);
- Finance lease receivables not classified appropriately between its current and non-current portions (3.6); and
- Inappropriate classifications on the consolidated statement of financial position (3.7).

The 2019 financial statements and the consolidated statement of financial position as at 1 August 2018 have been restated to correct the prior period errors.

A brief explanation of each category of error is provided below, following which an analysis is included of the financial impact on the affected financial statement line items:

3.1 VFA classification

In prior years the Group had made acquisitions of businesses through which a portion of the consideration was contingent with the Group having to deliver a number of EOH Holdings' shares to the previous owners based on profit warranties. The Group had split the classification between an equity and a liability portion. The equity portion was not subsequently remeasured and the liability was remeasured at each reporting date to fair value. The previous classification as equity was however incorrect and the entire amount should have been classified as a liability. Had the VFA been classified as a liability, the fair value movements in prior years would have been processed through the statement of profit or loss and accumulated retained earnings. The shares to be issued to vendors, within equity was overstated by R744 million as at 1 August 2018 and by R338 million as at 31 July 2019. Retained earnings was understated by the same amount respectively.

3.2 Revenue

Principal versus agent

The Group had adopted IFRS 15 – Revenue from Contracts with Customers (IFRS 15) in the prior year. IFRS 15 requires that the Group shall determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by another party (i.e. the Group is an agent). There were a number of revenue transactions, for which the Group would have been considered to be an agent, using information available in the prior year, where such revenue had been incorrectly recognised on a gross basis (as a principal) in the prior year. This incorrect application of the accounting principles in the prior year has been adjusted as a prior period error through the reversal of revenue and cost of sales and only recognising the margin as revenue. There is no impact on gross profit, loss before tax, loss after tax and retained earnings for the prior year.

Revenue and costs recognised in advance

Previously one of the business units within the Group had revenue contracts with customers where revenue had been recognised erroneously in advance, with the associated costs to complete the projects also erroneously recognised. This resulted in an overstatement of revenue and cost of sales in the prior year of R64 million. The adjustment has been accounted for as a prior period error, resulting in a decrease in revenue and costs of sales. There is no impact on gross profit, loss before tax, loss after tax and retained earnings for the prior year.

3.3 Timing of recognition of provision

In the prior year, the Group had raised a provision for the payment of pay-as-you-earn (PAYE), which arose in one of the subsidiaries. The Group had further increased such provision in the first half of the current year. However, the Group has identified that a portion of the increase in the provision recognised during the first half of the current year should have been recognised at the end of the previous year. Recognition of the additional provision has been accounted for as a prior period error, resulting in an increase in liabilities as well as an increase in the expenses and a decrease in retained earnings for the previous year.

3.4 Incorrect accounting of prepaid expenses

In the prior year expenses paid upfront to suppliers on licensing and maintenance contracts were incorrectly offset against contract liabilities within trade and other payables. Such prepaid expenses should have been recognised as prepaid expenses within trade and other receivables. This resulted in an understatement of trade and other receivables, assets held for sale, trade and other payables, and liabilities directly associated with assets held for sale, with no impact on total equity.

3.5 Deferred tax on fair value adjustments

In the prior year, an entity within the Group raised a deferred tax liability of R83 million on fair value adjustments on shares which was not reversed on consolidation as required. This resulted in an overstatement of the deferred tax liability and an understatement of other reserves and total equity in the prior year by R83 million.

3.6 Finance lease receivables split between current and non-current assets

In the prior year, the current portion of finance lease receivables of R73 million was incorrectly shown under non-current assets in the statement of financial position and the non-current portion of R107 million was incorrectly shown under current assets. This resulted in current assets being overstated by R34 million and non-current assets being understated by the same amount. The adjustment has been accounted for as a prior period error. The restatement is contained within the finance lease receivables category only and accordingly is not shown in the tables below.

3. RESTATEMENT OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

3.7 Reclassifications

The provision for PAYE raised in the prior year was classified as a payroll accrual and shown within trade and other payables in the statement of financial position. This prior year provision has now been reclassified from trade and other payables to provisions on the face of the statement of financial position.

Deferred income (contract liabilities) was previously shown as a separate line on the face of the statement of financial position and has now been reclassified to be shown within trade and other payables on the face of the statement of financial position.

In the prior year, there was a transfer between other reserves and retained earnings/(accumulated loss) of R111 million. Such transfer in the prior year has now been reversed to be consistent with the current year IFRS 2 treatment of not releasing reserves to retained earnings for expired, unexercised options. There is no impact on total equity.

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

Statement of financial position (extract) as at 1 August 2018

		CORRECTION OF PRIOR PERIOD ERRORS					
Figures in Rand thousand	31 July 2018	VFA classification	Timing of recognition of provision	Prepaid expenses correction	Deferred tax	Reclass-ifications	Restated 1 August 2018
Retained earnings	(1 002 714)	(743 779)	–	–	–	–	(1 746 493)
Shares to be issued to vendors	(809 975)	743 779	–	–	–	–	(66 196)
Total equity	(5 936 822)	–	–	–	–	–	(5 936 822)

Statement of financial position (extract) as at 31 July 2019

		CORRECTION OF PRIOR PERIOD ERRORS					
Figures in Rand thousand	31 July 2019	VFA classification	Timing of recognition of provision	Prepaid expenses correction	Deferred tax	Reclass-ifications	Restated 31 July 2019
Trade and other receivables	3 164 150	–	–	189 821	–	–	3 353 971
Deferred taxation (liability)	(389 416)	–	–	–	83 499	–	(305 917)
Trade and other payables	(3 006 403)	–	–	(189 821)	–	(107 017)	(3 303 241)
Provisions	(173 399)	–	(75 096)	–	–	(161 932)	(410 427)
Deferred income	(268 949)	–	–	–	–	268 949	–
Net assets	1 956 697	–	(75 096)	–	83 499	–	1 965 100
Accumulated loss	3 230 192	(338 476)	75 096	–	–	111 184	3 077 996
Other reserves	(547 914)	–	–	–	(83 499)	(111 184)	(742 597)
Shares to be issued to vendors	(358 733)	338 476	–	–	–	–	(20 257)
Total equity	(1 956 697)	–	75 096	–	(83 499)	–	(1 965 100)

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

3. RESTATEMENT OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

Statement of profit or loss and other comprehensive income (extract) for the year ended 31 July 2019

		CORRECTION OF PRIOR PERIOD ERRORS				
Figures in Rand thousand	31 July 2019	Revenue (principal versus agent)	Revenue and costs recognised in advance	Timing of recognition of provision	Re-presented as discontinued operations* (note 15)	Restated 31 July 2019
Continuing operations						
Revenue	11 791 070	(359 742)	(64 357)	–	(620 934)	10 746 037
Cost of sales	(9 421 633)	359 742	64 357	–	18 597	(8 978 937)
Gross profit	2 369 437	–	–	–	(602 337)	1 767 100
Net financial asset impairment losses	(606 384)	–	–	–	–	(606 384)
Operating expenses	(5 136 540)	–	–	(75 096)	350 876	(4 860 760)
Operating loss before interest and equity-accounted loss	(3 373 487)	–	–	(75 096)	(251 461)	(3 700 044)
Investment income	32 329	–	–	–	(7 773)	24 556
Share of equity-accounted loss	(9 814)	–	–	–	1 860	(7 954)
Finance costs	(334 949)	–	–	–	1 231	(333 718)
Loss before taxation	(3 685 921)	–	–	(75 096)	(256 143)	(4 017 160)
Taxation	(324 141)	–	–	–	115 954	(208 187)
Loss for the year from continuing operations	(4 010 062)	–	–	(75 096)	(140 189)	(4 225 347)
Loss for the year from discontinued operations	(861 454)	–	–	–	140 189	(721 265)
Loss for the year	(4 871 516)	–	–	(75 096)	–	(4 946 612)
Other comprehensive income	(3 451)	–	–	–	–	(3 451)
Total comprehensive loss for the year	(4 874 967)	–	–	(75 096)	–	(4 950 063)

* *Integrators of Systems Technology Proprietary Limited was classified as a discontinued operation in 2019 and has been classified as a discontinued operation in the current year as well. In 2019, however, the results were not shown in discontinued operations and was rather shown incorrectly in continuing operations. This has been corrected by restating the prior year continuing and discontinued numbers.*

Figures in Rand thousand	31 July 2019	Restated 31 July 2019
(Loss)/profit attributable to:		
Owners of EOH Holdings Limited	(4 874 052)	(4 949 147)
Non-controlling interests	2 535	2 535
Total	(4 871 517)	(4 946 612)
Total comprehensive (loss)/income attributable to:		
Owners of EOH Holdings Limited	(4 877 503)	(4 952 598)
Non-controlling interests	2 535	2 535
Total	(4 874 968)	(4 950 063)
From continuing and discontinued operations (cents)		
Loss per share	(2 995)	(3 041)
Diluted loss per share	(2 995)	(3 041)
Headline loss per share	(1 681)	(1 751)
Diluted headline loss per share	(1 681)	(1 751)
From continuing operations (cents)		
Loss per share	(2 464)	(2 597)
Diluted loss per share	(2 464)	(2 597)
Headline loss per share	(1 352)	(1 504)
Diluted headline loss per share	(1 352)	(1 504)

The restatement adjustments are all non-cash adjustments and therefore do not impact cash generated before working capital changes or any other line items on the consolidated statement of cash flows.

4. PROPERTY, PLANT, EQUIPMENT AND RIGHT-OF-USE ASSETS

	2020			2019		
Figures in Rand thousand	Cost	Accumulated depreciation and impairments	Carrying value	Cost	Accumulated depreciation and impairments	Carrying value
Land and buildings*	503 823	(136 433)	367 390	119 872	(8 124)	111 748
Furniture and fixtures	145 305	(78 438)	66 867	104 640	(52 327)	52 313
Motor vehicles*	83 657	(54 813)	28 844	92 442	(38 686)	53 756
Office equipment	101 503	(77 338)	24 165	119 764	(84 540)	35 224
IT equipment*	783 925	(585 209)	198 716	733 580	(438 329)	295 251
Leasehold improvements	162 400	(100 844)	61 556	186 774	(124 937)	61 837
Other equipment*	143 836	(101 710)	42 126	143 973	(55 203)	88 770
Closing balance before assets held for sale	1 924 449	(1 134 785)	789 664	1 501 045	(802 146)	698 899
Assets held for sale (note 14)	(491 605)	246 787	(244 818)	(379 546)	162 321	(217 225)
Closing balance	1 432 844	(887 998)	544 846	1 121 499	(639 825)	481 674

* *Included in land and buildings is right-of-use assets, with a carrying amount of R276 million. These are for leases that were previously classified as operating leases. Motor vehicles, IT equipment and other equipment includes right-of-use assets that were previously recognised as finance leases (refer to note 21).*

Reconciliation of property, plant and equipment

Figures in Rand thousand	Opening balance	Additions	Adoption of IFRS 16 on 1 August 2019	Disposals	Transfers	Foreign currency translation	Depreciation	Impairment	Disposals of business	Total including assets held for sale	Assets held for sale (note 14)	Total
2020												
Land and buildings*	111 748	70 099	367 396	(11 473)	–	7 593	(149 526)		(28 447)	367 390	(148 446)	218 944
Furniture and fixtures	52 313	39 290	–	(7 827)	397	875	(16 407)		(1 774)	66 867	(9 466)	57 401
Motor vehicles*	53 756	–	–	(797)	(276)	(3 788)	(9 833)		(10 218)	28 844	(17 942)	10 902
Office equipment	35 224	1 452	–	(821)	(38)	(1 381)	(9 871)		(400)	24 165	(9 235)	14 930
IT equipment*	295 251	59 148	–	(42 636)	752	1 041	(109 303)		(5 537)	198 716	(19 643)	179 073
Leasehold improvements	61 837	35 426	–	(7 217)	(1)	44	(28 522)		(11)	61 556	(5 184)	56 372
Other equipment*	88 770	4 093	–	(1 298)	(834)	(9 433)	(12 463)	(1 601)	(25 108)	42 126	(34 902)	7 224
	698 899	209 508	367 396	(72 069)	–	(5 049)	(335 925)	(1 601)	(71 495)	789 664	(244 818)	544 846

* *Included in land and buildings is right-of-use assets, with a carrying amount of R276 million. These are for leases that were previously classified as operating leases. Motor vehicles, IT equipment and other equipment includes right-of-use assets that were previously recognised as finance leases (refer to note 21).*

Figures in Rand thousand	Opening balance	Additions	Additions through business combi-nations	Disposals	Transfers	Foreign currency trans-lation	Depre-ciation	Disposals of business	Total including assets held for sale	Assets held for sale (note 14)	Total
2019											
Land and buildings	112 497	663	4 053	–	–	–	(1 411)	(4 054)	111 748	(60 253)	51 495
Furniture and fixtures	65 639	10 371	304	(6 755)	822	(12)	(16 631)	(1 425)	52 313	(9 360)	42 953
Motor vehicles*	61 527	13 548	447	(5 062)	–	2	(16 259)	(447)	53 756	(14 717)	39 039
Office equipment	45 618	13 718	–	(7 549)	234	(43)	(16 754)	–	35 224	(5 109)	30 115
IT equipment*	324 571	106 012	3 376	(5 381)	(599)	(1 447)	(112 497)	(18 784)	295 251	(97 027)	198 224
Leasehold improvements	49 700	46 650	–	(11 259)	–	(4)	(21 454)	(1 796)	61 837	(2 171)	59 666
Other equipment*	83 431	35 306	–	(10 125)	(457)	457	(19 842)	–	88 770	(28 588)	60 182
	742 983	226 268	8 180	(46 131)	–	(1 047)	(204 848)	(26 506)	698 899	(217 225)	481 674

* *Included in these categories are finance leases.*

Refer to note 20 for details of the security provided on the loans secured through Security SPV.

The loss or gain on disposal of items of property, plant and equipment is included in operating expenses as per note 26.

Technical equipment of R36 million was reclassified to other equipment, in the current year, with the prior year also being updated.

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

5. INTANGIBLE ASSETS

Figures in Rand thousand	2020 Cost	2020 Accumulated amortisation and impairments	2020 Carrying value	2019 Cost	2019 Accumulated amortisation and impairments	2019 Carrying value
Contracts purchased	**90 858**	**(90 324)**	**534**	109 148	(101 847)	7 301
Customer relationships	**267 331**	**(226 367)**	**40 964**	345 273	(266 657)	78 616
Intellectual property	**172 727**	**(133 194)**	**39 533**	175 513	(123 423)	52 090
Internally generated software	**590 468**	**(320 113)**	**270 355**	520 214	(273 270)	246 944
Computer software	**423 299**	**(364 005)**	**59 294**	408 747	(338 912)	69 835
Other intangible assets	**245 396**	**(197 788)**	**47 608**	241 813	(157 937)	83 876
Closing balance before Assets held for sale	**1 790 079**	**(1 331 791)**	**458 288**	1 800 708	(1 262 046)	538 662
Assets held for sale (note 14)	**(723 145)**	**377 824**	**(345 321)**	(196 108)	146 420	(49 688)
Closing balance	**1 066 934**	**(953 967)**	**112 967**	1 604 600	(1 115 626)	488 974

Reconciliation of intangible assets

Figures in Rand thousand	Opening balance	Additions	Disposals	Transfers	Foreign currency translation	Amortisation	Impairments	Disposals of business	Total including assets held for sale	Assets held for sale (note 14)	Total
2020											
Contracts purchased	**7 301**	**–**	**–**	**–**	**1 706**	**(3 430)**	**(142)**	**(4 901)**	**534**	**(142)**	**392**
Customer relationships	**78 616**	**–**	**–**	**–**	**–**	**(13 548)**	**(10 348)**	**(13 756)**	**40 964**	**(14 340)**	**26 624**
Intellectual property	**52 090**	**–**	**–**	**–**	**758**	**(9 771)**	**–**	**(3 544)**	**39 533**	**(20 606)**	**18 927**
Internally generated software	**246 944**	**91 867**	**(3 493)**	**(592)**	**(1 963)**	**(45 931)**	**(4 331)**	**(12 146)**	**270 355**	**(251 776)**	**18 579**
Computer software	**69 835**	**47 918**	**(15 065)**	**(1 968)**	**12 071**	**(49 567)**	**–**	**(3 930)**	**59 294**	**(16 863)**	**42 431**
Other intangible assets	**83 876**	**47 387**	**–**	**2 560**	**(17 837)**	**(39 832)**	**(11 354)**	**(17 192)**	**47 608**	**(41 594)**	**6 014**
	538 662	**187 172**	**(18 558)**	**–**	**(5 265)**	**(162 079)**	**(26 175)**	**(55 469)**	**458 288**	**(345 321)**	**112 967**
2019											
Contracts purchased	35 771	–	–	–	–	(13 612)	(10 217)	(4 641)	7 301	(2 021)	5 280
Customer relationships	212 817	–	–	–	185	(42 152)	(79 227)	(13 007)	78 616	(20 125)	58 491
Intellectual property	83 645	–	–	(1 827)	294	(19 118)	(10 904)	–	52 090	(1 846)	50 244
Internally generated software	301 987	96 268	–	57 745	(5 522)	(64 747)	(25 596)	(113 191)	246 944	(8 431)	238 513
Computer software	166 321	48 973	(20 549)	(63 171)	43	(59 275)	(2 507)	–	69 835	(3 699)	66 136
Other intangible assets	79 851	41 183	–	7 253	30	(32 064)	(7 143)	(5 234)	83 876	(13 566)	70 310
	880 392	186 424	(20 549)	–	(4 970)	(230 968)	(135 594)	(136 073)	538 662	(49 688)	488 974

Impairments to intangible assets largely relate to:

- Customer relationships and customer contracts that were impaired for R10 million after the profitability of the related relationships and contracts deteriorated below expected levels.
- The remaining impairments of R16 million relate to other internally generated software and other intangibles in a number of underperforming CGUs in which goodwill impairments have also been recognised.

Impairment testing

The Group performed a review of intangible assets for impairment, which highlighted impairments of R26 million (2019: R135 million).

For the purpose of impairment testing, intangible assets were allocated, together with goodwill, to the Group's CGUs. The recoverable amount of these CGUs were determined based on value-in-use calculations, discounting future cash flows expected to be generated. Impairment tests on assets held for sale were based on fair value less costs of disposal.

Note 6 further discusses the impairments, including key assumptions, estimates and sensitivities in relation to the testing performed.

6. GOODWILL

Figures in Rand thousand	2020	Restated 2019
Cost	**3 657 801**	4 358 312
Accumulated impairments	**(1 484 715)**	(103 031)
Opening balance	**2 173 086**	4 255 281
Acquired in business combinations	**–**	70 877
Foreign currency translation	**8 975**	27 874
Disposals	**(248 149)**	(325 605)
Impairments: discontinued operations	**(147 870)**	(506 762)
Impairments: continuing operations	**(265 224)**	(1 348 579)
Closing balance before assets held for sale	**1 520 818**	2 173 086
Cost	**3 225 516**	3 657 801
Accumulated impairments	**(1 704 698)**	(1 484 715)
Assets held for sale (note 14)	**(604 075)**	(322 232)
Closing balance	**916 743**	1 850 854

A number of economic and operational events during the year ended 31 July 2020 had a negative impact on EOH's market capitalisation and certain underlying businesses. This has resulted in a material impact on the carrying value of goodwill. The Group's annual review of goodwill highlighted impairments of R413 million (R110 million in the iOCO segment, R243 million in the NEXTEC segment and R60 million in the IP segment).

iOCO
Impairments in iOCO were largely driven by lost or unrenewed contracts, delayed projects with customers as a result of ongoing challenging market conditions, or businesses that have been rendered non-operational during the year.

NEXTEC
The largest contributor to the impairment of goodwill in NEXTEC is the TCD cash generating unit (CGU), which incurred an impairment of R93 million due to the effects of changes in clinical trials legislation which led to a loss of customers and consequent restructuring of the business. The PIA Solar CGU incurred a R49 million impairment to goodwill relating to renewable energy loss-making contracts. The PCI CGU incurred a R39 million impairment, primarily due to continued material delays in the commencement or award of projects in the water sector. Other impairments in the segment related primarily to assets held for sale, the values for which were negatively impacted by challenging market conditions, particularly in the water and rail sector, which impacted infrastructure-focused businesses that have been disposed of or are in the process of being sold.

IP
The impairment of goodwill amounting to R60 million in the IP segment relates to key long-term contract renewal challenges. Some of the CGUs within IP were particularly hard hit by the effects of the COVID-19 lockdown due to their B2B2C business lines.

Prior year impairments
Prior year goodwill impairments amounted to R1 855 million (R613 million in the iOCO segment and R1 242 million in the NEXTEC segment). Goodwill amounting to R565 million across a number of cash-generating units was impaired due to project complexities, supplier issues, slow debtor recoveries, and underperformance to budgets. Impairments of R375 million were driven by lost or delayed contracts and projects due to the reputational damage sustained by EOH in that year. Court rulings and legislation changes issued in the prior year negatively impacted cash-generating units providing employee services and clinical trials, contributing to impairments of R212 million. Cash-generating units in the Middle East and Europe sustained impairments of R114 million owing to weaker cash conversion and project delivery difficulties. Impairments of R122 million relate to non-core CGUs that were held for sale and were written down to fair value less costs of disposal. The balance of impairments sustained in the prior year related mainly to the prevailing challenging market conditions.

Impairment testing
For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units. The recoverable amount of these cash-generating units was determined based on value-in-use calculations, discounting the future cash flows expected to be generated from the continuing operations of each cash-generating unit. Impairment tests on assets held for sale were based on fair value less costs of disposal.

A pre-tax discount rate was used in discounting the projected cash flows depending on the nature of business and operating markets (including country specific risk factors). These calculations use cash flow projections based on financial budgets and forecasts for three years and in some instances up to five years, as approved by the Board of Directors, which are based on assumptions of the business, industry and economic growth. A perpetuity growth rate is calculated using long term growth rates, this is further applied based on conservative historical market trends and operating markets (including country specific risk factors).

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

6. GOODWILL continued

With the Group undergoing significant re-organisation and corporate structure simplification, a number of businesses were integrated during the year, which resulted in movements in goodwill attributed to certain CGU's. The Glacier CGU was combined with the Compute CGU, the Synergy and Softworks CGU's were combined and the XDS, MIE and HTCSA CGUs were integrated to operate as one CGU under the Infosys name. Faculty Training Institute, Proserv, Siyanqoba, and Siyaya were previously recognised as individual CGUs. During the current year these have been merged to form a single unit, Learning and Development. The performance of these assets are now being collectively managed, measured and reported on by a single executive team, sharing the same markets and offering its services collectively to prospective customers.

Impacts of COVID-19 on the goodwill financial impairment testing

In determining the budgets and forecasts, the management team has taken into consideration the impact of COVID-19 on the underlying cash-generating units' performance and adjusted the revenue growth forecasts and adjusted EBITDA margins where applicable.

Key assumptions used in discounted cash flow projection calculations

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on past experience and both external and internal data.

Changes in key assumptions, as well as the actual cash flows achieved against forecasts, may result in further impairments to the cash-generating units impaired during the year. The forecast cash flows of these cash-generating units are reliant on a certain level of anticipated improvement within the forecast period.

The assumptions below have been applied to calculate the recoverable amount of cash-generating units based on value-in-use calculations. The discount rates used in the discounted cash flow models are calculated using the principles of the Capital Asset Pricing Model, taking into account current market conditions.

The following key assumptions were used for the value in use calculations:

- Growth rates: the Group used growth rates to extrapolate revenues for the two years beyond the budget period. These growth rates were based on the different industries the cash generating units operate in, as well as management's views on the growth prospects of the businesses. The higher growth rates applied to certain CGU's relate to businesses that had shown growth despite the COVID-19 impacted economic conditions (the Impressions digital signatures business), or CGU's with low budgeted 2021 revenue bases due to the expected negative impacts of COVID-19, which are anticipated to grow over the forecast periods to historically achieved or improved levels (for example the Learning and Development CGU, which is also undergoing an active business optimization process). In the prior year, the higher growth rates were driven by proven historic trends in revenue growth (for example the Allos CGU).
- Discount rates: discount rates used reflect both time value of money and other specific risks relating to the relevant cash generating unit;
- Adjusted EBITDA margins in the following ranges: iOCO (3.4%-45.3%), NEXTEC (6.4%-19.8%) (prior year: iOCO (1.6%-52.8%), NEXTEC (5.5%-25.2%), (IP: 3.2%-39.4%)); and
- Perpetuity growth rates: a perpetuity growth rate of 4% (prior year: 3.9%) has been used for the Group.

	2020		
Figures in Rand thousand	Goodwill closing balance	Pre-tax discount rates	Growth rates
iOCO			
Compute	211 899	23.4%	7.8%
Managed Services	80 793	23.9%	5.8%
Symplexity	50 123	23.6%	0.8%
Softworks	39 345	22.1%	7.4%
Employee Benefits	38 162	23.4%	3.2%
Microsoft	35 707	22.5%	11.4%
ESA	31 773	25.6%	(2.3%)
Network Solutions	31 163	22.1%	4.6%
Legal Services	29 177	23.5%	2.9%
Coastal	22 342	22.9%	13.5%
IOT	14 814	25.6%	6.0%
Freethinking	14 081	22.5%	14.4%
XTND	13 333	23.9%	6.9%
Impressions	12 240	24.6%	37.2%
Connection 42	12 016	23.7%	9.4%
Other	55 305	n/a	n/a
NEXTEC			
Learning and Development	93 488	25.1%	17.7%
JOAT	59 463	27.3%	10.6%
SCAN RF	28 155	25.6%	(2.2%)
Energy Insight	12 261	24.9%	17.6%
Other	31 103	n/a	n/a

6. GOODWILL continued

Key assumptions used in discounted cash flow projection calculations continued

Figures in Rand thousand	Restated 2019 Goodwill closing balance	Restated 2019 Pre-tax discount rates	Restated 2019 Growth rates
iOCO			
Compute	176 569	20.1%	3.9%
LSD	103 684	24.1%	2.4%
Managed Services	80 798	21.6%	3.9%
Symplexity	60 123	19.0%	8.5%
Employee Benefits	58 162	19.7%	3.9%
Microsoft	35 707	21.6%	3.9%
Glacier	35 330	20.2%	3.9%
Synergy	33 778	19.6%	5.0%
Allos	33 604	21.4%	19.7%
ESA	31 773	21.6%	3.9%
Network Solutions	31 163	20.0%	6.1%
Legal Services	29 177	19.9%	3.9%
Coastal	22 342	20.8%	3.9%
CA	20 771	19.9%	3.9%
IOT	14 814	19.9%	3.9%
Freethinking	14 081	20.0%	4.9%
XTND	13 333	22.0%	3.9%
MPC Recruitment	13 126	21.2%	3.9%
Impressions	12 240	20.3%	3.9%
Connection 42	12 016	20.2%	3.2%
Oracle	11 671	20.2%	3.9%
Other	60 733	n/a	n/a
NEXTEC			
TCD	92 953	19.6%	3.9%
JOAT	59 463	23.1%	3.9%
PIA Solar	48 530	26.4%	3.9%
PCI Africa	38 699	22.7%	5.0%
SCAN RF	28 155	21.7%	10.0%
Change Logic	24 967	20.3%	3.9%
Impact HR	15 808	20.3%	3.9%
Gibela	14 124	16.3%	3.9%
Energy Insight	12 261	21.6%	3.9%
Other	26 388	n/a	n/a
IP			
Sybrin	237 467	19.8%	11.2%
MIE	139 926	20.5%	12.1%
Syntell	98 601	22.3%	23.0%
XDS	97 317	20.8%	10.0%
HTCSA	11 200	20.4%	3.9%

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

6. GOODWILL continued

Sensitivity analysis on value in use

In performing the impairment test for goodwill, EOH considered the sensitivity of the cash-generating units to changes in assumptions around key value drivers. The key value drivers for the cash-generating units are adjusted EBITDA margins, discount rates and revenue growth assumptions. The cash-generating units not included in the table below have sufficient headroom and are not sensitive to the changes applied to the assumptions. However, a decrease in the adjusted EBITDA margin of 2.5 percentage points (prior year: 1 percentage point) resulted in the following cash-generating units being impaired by the values listed:

Figures in Rand thousand	2020	Restated 2019
iOCO		
Impressions	**8 405**	n/a
Compute	**3 110**	n/a
NEXTEC		
Impact Human Resources	**16 258**	n/a
Legal Services	**6 412**	n/a
GLS Consulting	**3 280**	n/a
Hospitality Professionals SA	**n/a**	681

n/a – These cash-generating units have sufficient headroom and were not materially impacted by the sensitivity analysis performed.

Assets held for sale

The Group tested its held for sale assets, for impairment in line with IFRS 5. The recoverable amount was determined as the fair value less costs of disposal which was then compared to the carrying value of the CGU (including its allocated goodwill balance). The fair value was determined primarily with reference to advanced offers from potential acquirers less estimated disposal costs. In assessing sensitivity, the advanced offers were adjusted down by 5% and in all cases sufficient headroom remained.

In 2019, the fair values of the Proserv and Siyaya CGUs were determined using a discounted cashflow approach applying the following pre-tax discount rates and average growth rates respectively: Proserv (21.0% and 3.9%) and Siyaya (20.7% and 3.9%). Sufficient headroom existed after applying the same sensitivities applied to the prior year value-in-use calculations and it was found that these CGUs were not sensitive to changes in key assumptions.

	2020
Figures in Rand thousand	**Goodwill closing balance**
IP	
Infosys	**248 443**
Sybrin	**242 630**
Syntell	**38 601**
NEXTEC	
DENIS	**74 401**

	2019
Figures in Rand thousand	Goodwill closing balance
iOCO	
Vilt	59 251
Dataworld	28 027
NEXTEC	
DENIS	94 402
Siyaya	47 377
Enablemed	23 617
Proserv	23 138
MSO	22 871
Siyanqoba	15 345
Other	8 204

7. EQUITY-ACCOUNTED INVESTMENTS

Figures in Rand thousand	2020	Restated* 2019
Opening balance	**300 535**	530 861
Deemed acquisition of associate	**7 254**	190 454
Foreign currency translation	**–**	(83 304)
Foreign currency translation recognised in profit or loss	**30 173**	94 547
Disposals	**(245 950)**	(146 460)
Capital contribution	**–**	3 243
Impairments: continuing operations	**(57 175)**	(146 500)
Impairments: discontinued operations	**(24 430)**	(121 405)
Share of equity-accounted losses: continuing operations	**(565)**	(7 954)
Share of equity-accounted profit/(losses): discontinued operations	**7 847**	(12 947)
Closing balance before assets held for sale	**17 689**	300 535
Assets held for sale (note 14)	**(11 000)**	(72 468)
Closing balance	**6 689**	228 067

* *Comparative figures previously reported have been amended to reflect continuing operations for the year ended 31 July 2020.*

Impaired equity-accounted investments form part of the iOCO segment. The recoverable amount of equity-accounted investments classified as held for sale were determined based on their fair value less costs of disposal. Fair value is based on offers received.

Acron Group, Bessertec Group, Construction Computer Software Proprietary Limited, aSAY Group and Conso'System Consulting SARL were sold during the current financial year.

In 2019, equity accounted investments have been impaired by R268 million. R75 million of the impairments relate to EOH's investments in Turkey as a result of increased levels of political and macro-economic risk causing delays in project kick-offs and a deterioration in cash recovery rates. Margin erosion, deterioration in pipeline and reduced cash conversion rates triggered an impairment of R151 million in EOH's South American based ERP utilities investment. Impaired equity-accounted investments form part of the iOCO segment.

The equity-accounted investments are as follows:

Figures in Rand thousand	2020	2019
Construction Computer Software Proprietary Limited	**–**	190 453
aSAY Group	**–**	24 538
Cözümevi	**–**	13 071
Change Logic Proprietary Limited	**6 689**	–
Other – continuing operations	**–**	5
Total	**6 689**	228 067
Equity-accounted investments held for sale		
Virtuoso Consulting	**7 000**	64 175
Bessertec Group	**–**	896
Cözümevi	**4 000**	–
Other assets held for sale	**–**	7 397
	11 000	72 468

EOH share of losses in Mondia Tech FZ-LLC for 2020 financial year is R0.4 million. This share of losses in Mondia Tech FZ-LLC exceeds the EOH interest in the equity-accounted investment, resulting in EOH not recognising further share of losses.

The Group does not guarantee losses of equity-accounted investments.

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7. EQUITY-ACCOUNTED INVESTMENTS continued

Figures in Rand thousand	2020	2019
Equity-accounted joint venture investments	**11 000**	110 082
Equity-accounted associate investments	**6 689**	190 453
Equity-accounted investments held for sale (note 14)	**(11 000)**	(72 468)
	6 689	228 067
Share of losses of equity-accounted joint venture investments	**(2 177)**	(6 604)
Share of profits/(losses) of equity-accounted associate investments	**9 459**	(14 297)
Share of profits of equity-accounted investments	**7 282**	(20 901)
Aggregate information of equity-accounted investments that are not individually material:		
Joint venture investments		
The Group's share of profit from continuing operations	**–**	(7 954)
The Group's share of post-tax losses from discontinued operations	**(2 177)**	(12 947)
Aggregate carrying amount of the Group's interests in these joint ventures	**–**	37 614

Refer to note 20 for details on the security provided on the loans secured through Security SPV.

Reconciliation of the carrying amount of the interest in joint venture investments

Figures in Rand thousand	2020	Restated* 2019
Balance at beginning of the year	**110 082**	369 595
Foreign currency translation	**–**	11 753
Disposals of joint venture investments	**(45 473)**	–
Foreign currency translation recognised in profit or loss	**30 173**	–
Share of results after taxation	**(2 177)**	(6 604)
Capital contribution	**–**	3 243
Impairment loss	**(81 605)**	(267 905)
	11 000	110 082
Assets held for sale	**(11 000)**	(72 468)
Balance at the end of the year	**–**	37 614

* *Comparative figures previously reported have been amended to reflect continuing operations for the year ended 31 July 2020.*

The Group has the following material associate investments

Associate name:	Change Logic CS Proprietary Limited (Change Logic)	Construction Computer Software Proprietary Limited (CCS)
Principal activity:	IT applications and business solutions provider	IT applications and business solutions provider
Country of incorporation:	South Africa	South Africa
Effective interest in issued ordinary share capital:	40% (previously 100%)	30% (previously 100%)
Year end:	31 July 2020	31 July 2019
Effective date of change in control:	1 May 2020	31 July 2019

Reconciliation of the carrying amount of the interest in associates

Figures in Rand thousand	2020	2019
Balance at beginning of the year	**190 453**	161 266
Share of results of associate after taxation	**9 460**	(14 297)
Foreign currency translation	**–**	(95 056)
Foreign currency translation recognised in profit or loss	**–**	94 547
Deemed acquisition of associate	**7 254**	190 453
Disposal	**(200 478)**	(146 460)
Balance at the end of the year	**6 689**	190 453

7. EQUITY-ACCOUNTED INVESTMENTS continued

Summarised financial information of material associates

EOH Mthombo Proprietary Limited disposed the remaining 30% of its interest in CCS for an amount of R143 million to RIB Limited, a subsidiary of German-listed RIB Software SE (RIB) on 1 May 2020. EOH Abantu Proprietary Limited sold 60% of its shareholding a wholly owned subsidiary, Change Logic for an amount of R11 million. EOH Abantu Proprietary Limited now retains a 40% shareholding in Change Logic and will still be able to participate in Change Logic expansion, decision making, growth and strategy. The change in control is reflected as deemed acquisition to equity investments, and a disposal of a formally recognised consolidated subsidiary.

Figures in Rand thousand	2020	2019
Construction Computer Software Proprietary Limited		
Current assets	–	115 374
Non-current assets	–	62 959
Current liabilities	–	(62 838)
Non-current liabilities	–	(1 582)
Total net assets	–	113 912
Proportion of the Group's ownership interest	–	34 174
Revenue	**202 045**	286 345
Profit from continuing operations	**33 145**	23 032
Total comprehensive income for the year	**33 145**	23 032
Change Logic CS Proprietary Limited		
Current assets	**36 499**	–
Non-current assets	**303**	–
Current liabilities	**17 979**	–
Non-current liabilities	**2 100**	–
Total net assets	**16 723**	–
Proportion of the Group's ownership interest	**6 689**	–
Revenue	**31 231**	–
Profit from continuing operations	**743**	–
Profit for the year	**743**	–

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

8. OTHER FINANCIAL ASSETS

Figures in Rand thousand	2020	2019
Financial assets at fair value through profit or loss	**–**	28 332
Other financial assets	**–**	28 332
Debt instruments at amortised cost	**197 990**	59 996
Equity-accounted investment receivables (note 39)	**57 772**	42 413
Enterprise development loan receivables	**25 490**	4 520
Restricted cash	**87 020**	–
Other loans and receivables*	**525 229**	531 219
Receivables from disposal of subsidiaries and equity-accounted investments	**82 052**	–
Allowance for expected credit losses*	**(579 573)**	(518 156)
Total financial assets	**197 990**	88 328
Non-current other financial assets	**60 881**	11 610
Current other financial assets	**137 109**	76 718
	197 990	88 328

** Debt instruments at amortised cost is now shown on a gross basis for the prior year.*

Expected credit losses

A total allowance for expected credit losses of R579 million (2019: R518 million) has been raised against debt instruments carried at amortised cost.

An impairment allowance of R414 million was raised in the prior year for amounts receivable from the sale of the Grid Control Technologies 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. The allowances raised are based on the general approach, considering the probability of default and collateral (if any).

Refer to note 41 for the disclosure on the expected credit losses.

Reconciliation of movements of debt instruments measured at amortised cost

Figures in Rand thousand	2020	2019
Opening balance	**67 285**	565 944
Net cash paid/(received)	**7 890**	(574 069)
Disposal of business	**–**	523 547
Increase in restricted cash	**87 020**	–
Receivables from disposal of subsidiaries and equity-accounted investments	**82 052**	–
Net impairment losses on other financial assets (note 25)	**(68 973)**	(433 455)
Other movements	**41 587**	(14 682)
	216 861	67 285
Assets held for sale (note 14)	**(18 871)**	(7 289)
Closing balance	**197 990**	59 996

9. DEFERRED TAXATION

Figures in Rand thousand	2020	Restated* 2019
The balance comprises		
Aggregate of deferred taxation assets	**232 103**	272 493
Aggregate of deferred taxation liabilities	**(142 774)**	(308 490)
	89 329	(35 997)
Aggregate of deferred taxation assets	**232 103**	272 493
Assets held for sale (note 14)	**(31 131)**	(27 215)
	200 972	245 278
Aggregate of deferred taxation liabilities	**(142 774)**	(308 490)
Liabilities directly associated with assets held for sale (note 14)	**31 483**	2 573
	(111 291)	(305 917)

** Refer to note 3 – Restatement of consolidated annual financial statements.*

Figures in Rand thousand	2020	Restated* 2019
Analysis of deferred taxation balances		
Deferred cost**	**1 277**	–
Prepaid expenses	**(8 658)**	(11 815)
Right-of-use asset and lease liabilities	**1 643**	(6 159)
Intangibles	**(49 450)**	(183 688)
Property, plant and equipment	**(15 183)**	(14 887)
Credit impairment charge	**246 864**	234 742
Payroll accruals	**127 311**	143 835
Deferred income**	**81 451**	13 960
Fair value adjustments	**(11 380)**	(11 319)
	373 875	164 669
Deferred taxation assets not recognised in respect of deductible temporary differences	**(284 546)**	(200 666)
	89 329	(35 997)
Deferred taxation movement		
Balance at the beginning of the year	**(35 997)**	(60 772)
Disposals	**(10 611)**	9 064
Movement through equity	**–**	83 499
Movement through profit or loss	**177 392**	(54 372)
Foreign currency translation	**(41 455)**	(13 416)
Balance at the end of the year	**89 329**	(35 997)

** Refer to note 3 – Restatement of consolidated annual financial statements.*
*** Deferred cost of R144 million in the prior year has been reclassified to deferred income.*

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

10. FINANCE LEASE RECEIVABLES

Figures in Rand thousand	2020	2019
Gross investment in the leases due		
– within one year	78 805	87 664
– within two to five years	77 627	132 018
– beyond five years	–	5
	156 432	219 687
Less: Unearned finance income	(27 398)	(31 274)
	129 034	188 413
Impairment allowance	(6 194)	(9 000)
	122 840	179 413
Present value of minimum lease payments due:		
– within one year	67 720	72 638
– within two to five years	61 314	115 771
– beyond five years	–	4
	129 034	188 413
Impairment allowance	(6 194)	(9 000)
	122 840	179 413
Lease receivables		
Current	67 720	72 638
Non-current	55 120	106 775
	122 840	179 413

The Group entered into finance leasing agreements where it is the lessor for certain IT safety and security access equipment.

The lease terms are generally three to seven years and the interest rate implicit in the lease is prime to 7% above prime lending rates (2019: prime to 7% above prime lending rates).

Income received from finance leases is fixed.

11. INVENTORIES

Figures in Rand thousand	2020	2019
Finished goods	110 298	238 577
Consumables	3 122	3 770
Work-in-progress	12 930	27 124
	126 350	269 471
Provision for write-down of inventories to its net realisable value	(12 596)	(18 015)
	113 754	251 456
Cost of goods sold during the year from continuing operations amounted to:	3 238 440	2 265 284

Write-down of inventories of R31 million (2019: R51 million) to net realisable value were recognised as an expense during the year and included in costs of sales in the statement of profit or loss and other comprehensive income.

12. TRADE AND OTHER RECEIVABLES

Figures in Rand thousand	2020	Restated* 2019
Financial instruments	**1 389 761**	2 304 768
Trade receivables	**1 375 456**	2 268 177
Gross trade receivables	**1 735 745**	2 734 409
Provision for credit notes	**(49 942)**	(24 013)
Impairment allowance (refer to note 41)	**(310 347)**	(442 219)
Other receivables	**14 305**	36 591
Non-financial instruments	**726 815**	1 049 203
Net contract assets	**429 689**	644 937
Gross contracts assets	**554 284**	738 773
Provision for contract assets	**(124 595)**	(93 836)
Prepayments	**238 730**	283 408
VAT receivable	**31 466**	80 434
Other receivables	**26 930**	40 424
	2 116 576	3 353 971

* *Refer to note 3 – Restatement of consolidated annual financial statements.*

Refer to note 20 for details on the security provided on the loans secured through Security SPV.

13. CASH AND CASH EQUIVALENTS

Figures in Rand thousand	2020	2019
Cash and cash equivalents consist of:		
Cash on hand	**942**	3 296
Bank balances and short-term deposits	**644 895**	1 045 287
	645 837	1 048 583
Bank overdrafts (note 20)	**(115 253)**	–
Balances per statement of cash flows	**530 584**	1 048 583

Refer to note 20 for details on the security provided on the loans secured through Security SPV.

Figures in Rand thousand	2020	2019
The total amount of undrawn facilities available for future operating activities and commitments is:	**287 547**	400 000

Refer to note 41 for disclosure on expected credit losses.

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

14. ASSETS HELD FOR SALE

The Group has refined its operational structure into three distinct operating units to allow for leaner and more agile core businesses with separate capital and governance structures. On 11 December 2018, the Group announced that opportunities would be explored for the sale of certain non-core assets, of which many have been sold during the current and previous reporting period. There continues to be a number of businesses approved for sale and for which the sale is expected to be completed within 12 months from the reporting date. These businesses are classified as disposal groups held for sale and the assets and liabilities of these disposal groups have been presented as held for sale.

The major classes of assets and liabilities of the disposal groups, per reportable segment, classified as held for sale are as follows:

Figures in Rand thousand	iOCO	NEXTEC	IP	2020
Assets				
Property, plant and equipment	2 513	101 932	140 373	244 818
Goodwill and intangible assets	406	88 863	860 127	949 396
Equity-accounted investments	11 000	–	–	11 000
Other financial assets	–	13 811	5 060	18 871
Deferred taxation	–	21 152	9 979	31 131
Finance lease receivables	–	1 197	479	1 676
Inventories	–	3 804	19 472	23 276
Current taxation receivable	2 925	2 712	14 078	19 715
Trade and other receivables	53 547	225 513	244 680	523 740
Cash and cash equivalents	205	171 938	156 600	328 743
Assets held for sale	70 596	630 922	1 450 848	2 152 366
Liabilities				
Other financial liabilities	(12 739)	–	(16 777)	(29 516)
Lease liabilities	–	(27 834)	(56 709)	(84 543)
Deferred taxation	–	(1 389)	(30 094)	(31 483)
Current taxation payable	–	(22 364)	(15 343)	(37 707)
Trade and other payables	(51 292)	(319 702)	(279 849)	(650 843)
Liabilities directly associated with assets held for sale	(64 031)	(371 289)	(398 772)	(834 092)
Net assets directly associated with the disposal groups	6 565	259 633	1 052 076	1 318 274
Cumulative amounts recognised in other comprehensive income				
Foreign currency translation reserve	(933)	(45)	(20 808)	(21 786)
Impairment loss for write-down to fair value less costs to sell				
Continuing operations – operating expenses	(57 175)	(32 350)	–	(89 525)
Discontinued operations (note 15)	(63 108)	(65 736)	(60 000)	(188 844)
	(120 283)	(98 086)	(60 000)	(278 369)

14. ASSETS HELD FOR SALE continued

Figures in Rand thousand	iOCO	NEXTEC	IP	Restated* 2019
Assets				
Property, plant and equipment	85 122	128 076	4 027	217 225
Goodwill and intangible assets	795	358 272	12 853	371 920
Equity-accounted investments	72 468	–	–	72 468
Other financial assets	–	7 710	(421)	7 289
Deferred taxation	261	24 734	2 220	27 215
Inventories	4 980	30 166	–	35 146
Current taxation receivable	575	2 584	–	3 159
Trade and other receivables	99 625	532 357	88 239	720 221
Cash and cash equivalents	47 919	221 110	41 344	310 373
Assets held for sale	311 745	1 305 009	148 262	1 765 016
Liabilities				
Other financial liabilities	(978)	(4 433)	(3 837)	(9 248)
Lease liabilities	–	–	(240)	(240)
Deferred taxation	(233)	(467)	(1 873)	(2 573)
Current taxation payable	330	(11 566)	(2 614)	(13 850)
Trade and other payables	(105 586)	(404 772)	(34 270)	(544 628)
Liabilities directly associated with assets held for sale	(106 467)	(421 238)	(42 834)	(570 539)
Net assets directly associated with the disposal groups	205 278	883 771	105 428	1 194 477
Cumulative amounts recognised in other comprehensive income				
Foreign currency translation reserve	4 709	2 021	(926)	5 804
Impairment loss for write-down to fair value less costs to sell				
Continuing operations – operating expenses	–	(22 172)	–	(22 172)
Discontinued operations (note 15)	(135 374)	(450 994)	(41 799)	(628 167)
	(135 374)	(473 166)	(41 799)	(650 339)

* *Refer to note 3 – Restatement of consolidated annual financial statements.*

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

15. DISCONTINUED OPERATIONS

Identification and classification of discontinued operations

There were a number of businesses that were approved for sale at 31 July 2020, and for which the sale is expected to be completed within 12 months from the reporting date, as well as businesses that were already sold during the current and previous reporting periods that have met the requirements to be presented as discontinued operations and have accordingly been presented as such.

Judgement was applied in determining whether a component is a discontinued operation by assessing whether it represents a separate major line of business or geographical area of operations or is part of a single plan to dispose of a separate major line of business or geographical area of operations.

The Group's intention to dispose of these non-core assets triggered an initial impairment assessment on the underlying assets at 31 July 2020, and the resulting impairment was allocated to the identified disposal groups (refer to note 6 – Goodwill).

Figures in Rand thousand	2020	Restated* 2019
Revenue	**2 586 353**	4 203 263
Cost of sales	**(1 913 847)**	(3 038 965)
Gross profit	**672 506**	1 164 298
Net financial asset impairment losses	**(11 607)**	(372 133)
Remeasurement to fair value less costs to sell	**(188 844)**	(628 167)
(Loss)/gain on disposal	**(210 231)**	329 603
Other operating expenses	**(586 650)**	(1 054 395)
Operating loss before interest and equity-accounted losses	**(324 826)**	(560 794)
Investment income	**13 299**	15 101
Share of equity-accounted profits/(losses)	**10 034**	(12 946)
Finance costs	**(7 325)**	(5 850)
Loss before taxation	**(308 818)**	(564 489)
Taxation	**(55 676)**	(156 776)
Loss for the year from discontinued operations	**(364 494)**	(721 265)
Other comprehensive income		
Attributable to:		
Owners of EOH Holdings Limited	**(360 577)**	(723 325)
Non-controlling interests	**(3 917)**	2 060
Loss per share (cents)		
Loss per share from discontinued operations	**(214)**	(444)
Diluted loss per share from discontinued operations	**(214)**	(444)
Net cash flows in relation to discontinued operations:		
Net decrease in cash and cash equivalents	**(58 529)**	(38 850)

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2020. Integrators of Systems Technology Proprietary Limited was classified as a discontinued operation in 2019 and has been classified as a discontinued operation in the current year as well. In 2019, however, the results were not shown in discontinued operations and was rather shown incorrectly in continuing operations. This has been corrected by restating the prior year continuing and discontinued numbers.*

Profit before taxation before including the loss/gain on disposal and remeasurement to fair value less costs to sell was R90 257 (2019: loss of R265 925).

16. DISPOSAL OF SUBSIDIARIES AND EQUITY-ACCOUNTED INVESTMENTS

On 11 December 2018, the Group announced that opportunities would be explored for the sale of certain non-core assets. In line with this strategy the Group has disposed of its investments in a number of subsidiaries, associate and joint ventures during the year.

Figures in Rand thousand	Treatment before disposal	Percentage holding disposed	Date of disposal	Consideration received or receivable	Gain/(loss) on disposal
Entity disposed					
Clearline Group	Subsidiary	100%	1 Aug 2019	8 000	(25 772)
Enablemed Group	Subsidiary	100%	1 Aug 2019	21 068	(24 039)
Moropa Site Solutions Proprietary Limited	Subsidiary	100%	1 Aug 2019	–	(5 374)
Telebo Construction Proprietary Limited	Subsidiary	100%	1 Aug 2019	3 000	(9 798)
WRP Consulting Engineers Proprietary Limited	Subsidiary	100%	1 Aug 2019	16 950	(7 877)
Bessertec Group	Joint Venture	50%	1 Aug 2019	–	7 260
TCD Dubai	Subsidiary	100%	1 Aug 2019	–	(3 708)
Healthshare Group	Subsidiary	100%	1 Sep 2019	4 000	(10 710)
D.Code Mobility Proprietary Limited	Subsidiary	100%	1 Sep 2019	3 098	(1 386)
EOH Turkey Software Services*	Subsidiary	100%	30 Sep 2019	–	255
VILT Group**	Subsidiary	100%	1 Nov 2019	64 869	(40 436)
Cool Ideas Proprietary Limited	Subsidiary	100%	30 Nov 2019	–	732
Data World Group**	Subsidiary	100%	30 Nov 2019	55 000	(40 124)
Isilumko Group	Subsidiary	100%	1 Dec 2019	25 603	(11 431)
Acron Bilsim A.S.	Joint Venture	50%	1 Dec 2019	–	(20 477)
Mehleketo Group*	Subsidiary	100%	1 Dec 2019	–	88 601
Rinedata UK Limited	Subsidiary	100%	10 Dec 2019	9 498	(4 379)
MSO International	Subsidiary	70%	31 Dec 2019	21 000	(23 688)
CSV Water Consulting Engineers Proprietary Limited*	Subsidiary	100%	31 Mar 2020	–	9 211
High Voltage Power Systems Proprietary Limited	Subsidiary	100%	31 Mar 2020	4 993	1 823
LSD Information Technology Proprietary Limited**	Subsidiary	100%	31 Mar 2020	–	(60 610)
Conso'System Consulting SARL	Joint Venture	50%	31 Mar 2020	1 791	(1 085)
aSAY Group	Joint Venture	50%	30 Apr 2020	9 413	(16 676)
CCS Group	Associate	30%	1 May 2020	157 544	(43 066)
Change Logic Proprietary Limited	Subsidiary	60%	1 May 2020	10 882	(1 675)
Arete Group	Subsidiary	100%	30 Jun 2020	–	14 236
Transaction costs					(70 514)
Net loss on disposal of subsidiaries and equity-accounted investments				416 709	(300 707)

* *Mehleketo Group, EOH Turkey Software Services and CSV Water Consulting Engineers Proprietary Limited, have been disposed of by way of liquidation.*

** *Consideration reflected does not include extinguishment of debt on sale.*

Figures in Rand thousand	2020	2019
Cash consideration received or receivable	**416 709**	450 405
Less: Receivable from disposal of subsidiaries and equity-accounted investments	**(82 052)**	–
Cash received from disposal of businesses	**334 657**	450 405
Less: cash balances disposed of	**(170 032)**	(81 241)
Cash receipt from disposal of businesses, net of cash given up	**164 625**	369 164

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FOR THE YEAR ENDED 31 JULY 2020

16. DISPOSAL OF SUBSIDIARIES AND EQUITY-ACCOUNTED INVESTMENTS continued

The carrying amount of major classes of assets and liabilities, associated with subsidiaries and equity-accounted investments disposed of during the current period, are as follows:

Figures in Rand thousand	Notes	2020
Assets		
Property, plant and equipment	4	**71 495**
Goodwill and intangible assets	5, 6	**303 537**
Equity-accounted investments	7	**245 950**
Deferred taxation	9	**10 259**
Inventories		**14 950**
Current taxation receivable		**9 458**
Trade and other receivables		**630 142**
Cash and cash equivalents		**170 032**
Liabilities		
Other financial liabilities	20	**(244 266)**
Lease liabilities		**(2 764)**
Trade and other payables		**(547 774)**

17. STATED CAPITAL

Figures in Rand thousand	2020	2019
Stated capital		
Opening balance	**4 239 621**	3 443 223
Shares issued for cash[1]	**–**	713 115
Shares issued as a result of the acquisition of businesses[2]	**–**	48 427
Shares issued to the Group share incentive and retention schemes[3]	**–**	1 170
Treasury shares allocated[4]	**10 598**	33 686
	4 250 219	4 239 621

[1] *At fair value.*
[2] *In terms of purchase and sale agreements.*
[3] *In terms of the Group Share Scheme.*
[4] *Average price paid for treasury shares is R14.48 per share (2019: R23.70).*

Authorised

500 000 000 ordinary shares of no par value
40 000 000 EOH A shares of no par value

Issued

Figures in Rand thousand	2020	2019
Reconciliation of the number of shares in issue		
Opening balance	**176 545**	152 797
Shares issued as a result of the acquisition of businesses	**–**	1 203
Shares issued to the Group share incentive and retention schemes	**–**	50
Shares issued as a result of the Lebashe BBBEE transaction	**–**	22 495
Shares in issue at the end of the year	**176 545**	176 545
Less:		
Treasury shares held in the Group share incentive schemes	**(2 341)**	(2 351)
Treasury shares held by wholly owned subsidiaries of the Group that will not be cancelled	**(5 548)**	(5 650)
	168 656	168 544
EOH A shares of no par value		
Reconciliation of the number of shares in issue		
Opening balance	**40 000**	–
Shares issued as a result of the Lebashe BBBEE transaction*	**–**	40 000
Closing balance	**40 000**	40 000

* The Lebashe transaction was approved by shareholders on 18 September 2018 and effectively implemented on 1 October 2018. Since the date of approval Lebashe has:
- invested R750 million in two tranches in EOH ordinary shares based on a 30-day VWAP at a 10% discount for an average share price of R33.59; and
- received 40 million unlisted EOH A shares which will be redeemed in five years on 1 October 2023 through an ordinary share issue. The A shares rank equal to an EOH ordinary share in respect of voting rights and each EOH A share will receive cash dividends in an amount equal to the value of 15% of dividends paid by EOH to ordinary shareholders. The remaining 85% of the dividend value will be accrued and redeemed through the redemption of the A shares. Despite the variability in number of EOH ordinary shares that will be issued, the obligation to Lebashe is treated as an equity transaction as the settlement will be undertaken in ordinary shares and the transaction is therefore within the scope of IFRS 2.

Unissued

323 455 039 (2019: 323 455 039) unissued ordinary shares are under the control of the directors in terms of the provisions of the Company's memorandum of incorporation (MoI).

18. SHARES TO BE ISSUED TO VENDORS

Figures in Rand thousand	2020	Restated* 2019
Opening balance	**358 733**	809 975
Correction of error (refer to note 3)	**(338 476)**	(743 779)
Restated opening balance	**20 257**	66 196
Shares issued relating to profit warranties	**(4 957)**	(45 939)
Shares issued: business combinations	**–**	(43 613)
Shares issued: prior year equity-accounted investments	**–**	(454)
Transfer in equity: use of treasury shares	**(4 957)**	(12 703)
Transfer in equity for expired profit warranties	**12 116**	32 788
EOH shares forfeited: relating to disposals	**(12 116)**	(21 957)
	15 300	20 257

** Refer to note 3 – restatement of consolidated annual financial statements.*

The above balance is representative of 154 625 (2019: 1 692 312) shares that would be issued if 100% of future profit warranties are achieved.

19. OTHER RESERVES

Figures in Rand thousand	2020	Restated* 2019
Reserves are made up as follows:		
Foreign currency translation reserve	**143 665**	(14 488)
Share-based payments reserve	**490 302**	455 409
Treasury shares reserve	**290 895**	301 676
	924 862	742 597

** Refer to note 3 – restatement of consolidated annual financial statements.*

20. OTHER FINANCIAL LIABILITIES

Figures in Rand thousand	2020	2019
Interest-bearing liabilities	**2 739 175**	2 980 602
Interest-bearing bank loans secured through Security SPV	**2 267 269**	2 292 881
Bank overdrafts	**115 253**	–
Project finance loan**	**135 080**	127 051
Unsecured interest-bearing bank loans	**215 247**	548 168
Interest-bearing bank loans secured by fixed property	**6 326**	12 502
Non-interest-bearing liabilities	**44 043**	352 603
Vendors for acquisition	**44 043**	303 313
Other non-interest-bearing liabilities	**–**	49 290
Liabilities directly associated with assets held for sale (note 14)	**(29 516)**	(9 248)
	2 753 702	3 323 957
Non-current financial liabilities	**5 674**	2 255 825
Current financial liabilities	**2 748 028**	1 068 132
	2 753 702	3 323 957
Reconciliation of other financial liabilities		
Balance at the beginning of the year	**3 333 205**	4 103 996
Bank overdrafts	**115 253**	–
Proceeds from other financial liabilities	**–**	967 307
Repayment of other financial liabilities	**(321 128)**	(1 379 569)
Repayment of vendors for acquisitions	**(75 286)**	(366 413)
Disposal of subsidiaries	**(244 266)**	(64 406)
Net changes in fair value	**3 685**	33 199
Interest accrued on other financial liabilities	**38 867**	–
Capitalisation of debt restructuring fee	**(51 028)**	–
Other non-cash items	**(16 084)**	39 091
Closing balance before liabilities directly associated with assets held for sale	**2 783 218**	3 333 205
Liabilities directly associated with assets held for sale (note 14)	**(29 516)**	(9 248)
	2 753 702	3 323 957
Financial instruments		
Measured at amortised cost	**2 709 659**	3 020 644
Financial liabilities carried at fair value through profit or loss	**44 043**	303 313
	2 753 702	3 323 957
Vendors for acquisition* **		
Current financial liabilities	**44 043**	303 313
	44 043	303 313

*** Ring-fenced debt.*
**** R36 million of the balance was extinguished subsequent to year end, relating to MARS Holdings Proprietary Limited. Refer to note 42.*

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

20. OTHER FINANCIAL LIABILITIES continued

Interest-bearing bank loans are secured through a Security SPV which require that all the South African wholly owned subsidiaries of the Group provide a pledge and cession of:

- all shares in, and claims on loan account against, any member of the Group incorporated in South Africa;
- cash;
- cash equivalents;
- bank accounts;
- investments;
- claims;
- disposal proceeds;
- any other amounts, of any nature whatsoever, now or from time to time in the future owing to that Obligor by any third person arising out of any cause of action whatsoever, including, without limitation, all amounts owing or becoming payable to that Obligor by any of its debtors; and
- related rights.

South African wholly owned subsidiaries contributing more than 80% of the Group's adjusted EBITDA is pledged as required above, but not all South African subsidiaries have formally provided the required security and the process of providing the security is ongoing.

The interest-bearing bank loans secured through Security SPV comprises:

- an amortising facility at an interest rate of 3-month Johannesburg Interbank Average Rate (JIBAR) + 265 basis points;
- revolving credit facility at an interest rate of 3-month JIBAR + 220 basis points; and
- a bullet facility at an interest rate of 3-month JIBAR + 285 basis points.

From 1 April 2019 the secured lenders have charged an additional 250 basis points of default interest on top of the above fully drawn facilities.

The unsecured core debt comprises:

- Sanlam Note at an interest rate of 3-month JIBAR + 225 basis points.

The 3 month JIBAR referred to above is reset quarterly.

Refer to note 42 for subsequent events on the above loans.

21. LEASE LIABILITIES

Figures in Rand thousand	**2020**	2019
Amounts recognised in the statement of financial position		
Lease liabilities relate to:		
Buildings	**324 817**	–
IT equipment	**12 872**	19 495
Vehicles	**8 901**	25 608
Computer software	**–**	94
Other equipment	**14 375**	12 404
Liabilities directly associated with assets held for sale	**(84 543)**	(240)
	276 422	57 361
Additions to the right-of-use liabilities amounted to R34 million (2019: Nil).		
Amounts recognised in the statement of profit or loss		
The statement of profit or loss shows the following relating to lease liabilities:		
Depreciation charge of right-of-use assets:		
Buildings	**108 555**	–
Interest expense (refer to note 28)	**36 553**	5 943
Expense relating to short-term leases and low value (refer to note 26)	**56 232**	–
	201 340	5 943

The total cash outflow for leases amounted to R139 million (2019: R33 million).

21. LEASE LIABILITIES continued

Figures in Rand thousand	2020	2019
Lease liabilities reconciliation		
Opening balance	**57 361**	91 748
Adoption of IFRS 16 on 1 August 2019	**367 396**	–
IFRS 16 additions	**33 866**	–
Lease payments	**(138 775)**	(37 462)
Interest accrued	**43 881**	4 899
Disposal of businesses	**(2 764)**	–
Other movements	**–**	(1 584)
Liabilities directly associated with assets held for sale (note 14)	**(84 543)**	(240)
Closing balance	**276 422**	57 361

Figures in Rand thousand	2020	2019
Lease liabilities		
Current	**104 723**	29 331
Non-current	**171 699**	28 030
	276 422	57 361

22. TRADE AND OTHER PAYABLES

Figures in Rand thousand	2020	Restated* 2019
Financial instruments	**502 927**	848 383
Trade payables	**492 191**	820 611
Other payables	**10 736**	27 772
Non-financial instruments	**1 448 133**	2 454 858
VAT	**201 913**	232 774
Other accrued expenses	**384 864**	1 091 795
Payroll accruals	**513 342**	738 352
Contract liabilities	**348 014**	391 937
	1 951 060	3 303 241

* *Refer to note 3 for the reclassification done for the prior year.*

23. PROVISIONS

Figures in Rand thousand	2020	Restated* 2019
Opening balance	**410 427**	–
Arising during the year	**269 698**	410 427
Repaid	**(10 000)**	–
	670 125	410 427
Provision for over-invoicing	**173 400**	173 400
PAYE provision	**246 825**	237 027
Onerous contracts	**249 900**	–
	670 125	410 427

* *Refer to note 3 – restatement of consolidated annual financial statements.*

At the initial stage of the ENS investigation, three contracts were identified as having apparent irregularities including collusion to bypass the State Information Technology (SITA) process to enable over-invoicing. The provision for the over-invoicing was raised in 2019. Refer to note 42 for further events after the reporting date.

The PAYE provision relates to a PAYE dispute which the Group is contesting. Further detail around the contingency is disclosed in note 34.

Provisions also include onerous contract provisions, where there is uncertainty on the final amount, which is the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil the contracts, with timing of outflow expected to be in the next financial year.

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

24. REVENUE

Disaggregated revenue

Figures in Rand thousand	2020	Restated*# 2019
Revenue by sector		
Public sector	**21%**	18%
Private sector	**79%**	82%
Total	**100%**	100%
Major revenue types**		
Hardware sales	**1 075 631**	1 608 551
Services	**9 311 943**	12 040 194
Software/licence contracts	**816 376**	1 026 719
Rentals***	**72 753**	273 836
Total	**11 276 703**	14 949 300
Timing of revenue recognition		
Goods or services transferred to customers:		
– at a point in time	**1 468 942**	2 251 074
– over time	**9 807 761**	12 698 226
Total	**11 276 703**	14 949 300
Continuing operations	**8 690 350**	10 746 037
Discontinued operations	**2 586 353**	4 203 263
Total	**11 276 703**	14 949 300

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2020.*

\# *Refer to note 3 – Restatement of consolidated annual financial statements.*

** *In the current year revenue has been disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The disaggregation for the prior year has been updated to align to the current year disaggregation.*

*** *Rentals recognised are excluded from revenue from contracts with customers and accounted for under IRFS 16.*

24. REVENUE continued

Figures in Rand thousand	2020	Restated* 2019
Contract balances		
Contract assets (note 12)	**429 689**	644 937
Contract liabilities (note 22)	**(348 014)**	(391 937)
Total	**81 675**	253 000

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2020.*

Contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date for mostly services contracts.

Contract assets are transferred to receivables when the rights become unconditional, which usually occurs when the Group issues an invoice to the customer.

Contract liabilities primarily relate to the advance consideration received from customers for services and maintenance contracts. Revenue is recognised from the contract liability amounts as and when services are delivered and related performance obligations satisfied.

Significant changes in the contract assets and the contract liabilities balances during the year are as follows:

Figures in Rand thousand	2020	2019
Contract assets		
Contract assets at the beginning of the year	**644 937**	799 768
Net decrease in contract assets for the period	**(150 998)**	(119 508)
Impairment allowance (note 41)	**(64 250)**	(35 323)
Contract assets at the end of the year	**429 689**	644 937
Contract liabilities		
Contract liabilities at the beginning of the year	**391 937**	422 937
Net increase in contract liabilities for the period	**112 676**	39 028
Liabilities directly associated with assets held for sale	**(156 599)**	(70 028)
Contract liabilities at the end of the year	**348 014**	391 937
Contract assets		
Unbilled revenue (note 12)	**554 284**	738 773
Allowance for impairment (note 12)	**(124 595)**	(93 836)
Net contract assets	**429 689**	644 937

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

24. REVENUE continued

Performance obligations

Nature of goods and services

The following table provides an explanation of the Group's performance obligations:

Revenue type	Recognition drive	Transfer of control	Measurement of transaction price	Duration of contract
Hardware sales	Upon delivery	At a point in time	Contracted amounts	<1 year
Services	Monthly/costs incurred	Over time	Contracted amounts	>1 year
Software/licence contracts	Agent – upon delivery Principal – monthly	Agent – at a point in time Principal – over time	Contracted amounts	>1 year
Rentals	Monthly rentals	Over time	Contracted amounts	>1 year

The Group has applied the practical expedient allowed for contracts expected to be less than one year. The Group is not separating the significant financing component out of the transaction price.

Remaining performance obligations

The following table includes revenue to be recognised in future related to performance obligations that are unsatisfied (or partially satisfied):

Figures in Rand thousand	2020	2019
Within one year	**89 632**	2 049 564
More than one year	**204**	73 290
Total	**89 836**	2 122 854

The performance obligations expected to be recognised in more than one year relate to maintenance, software, managed and services contracts that is to be satisfied within two years. All the other remaining performance obligations are expected to be recognised within one year.

Where revenue is recognised over time on the costs incurred method, estimates are made to the total budgeted cost.

Significant judgement was applied in assessing whether the Group is an agent or principal in the software/licence contracts and hardware sales.

25. NET FINANCIAL ASSET IMPAIRMENT LOSSES

Impairment losses on financial assets recognised in profit or loss from continuing operations were as follows:

Figures in Rand thousand	2020	2019
Impairment loss on trade and other receivables	**190 170**	88 206
Impairment loss on other financial assets	**68 973**	433 455
Impairment loss on contract assets	**64 250**	35 323
Impairment losses on cash and cash equivalents	**–**	50 309
Impairment reversal on finance lease receivables	**(2 681)**	(909)
	320 712	606 384

26. OPERATING LOSS BEFORE INTEREST AND EQUITY-ACCOUNTED LOSSES

Figures in Rand thousand	2020	Restated* 2019
Operating losses before interest and equity-accounted losses from continuing operations are stated after taking into account the following other items:		
Amortisation	**84 643**	232 043
Amortisation included in cost of sales	**20 554**	78 758
Amortisation not included in cost of sales	**64 089**	153 285
Auditor's remuneration	**33 998**	21 229
Audit fee	**24 998**	19 470
Fees for other services**	**9 000**	1 759
Depreciation	**274 385**	147 658
Depreciation included in cost of sales	**79 905**	56 188
Depreciation not included in cost of sales	**194 480**	91 470
Employee costs	**4 741 702**	5 217 231
Employee costs included in cost of sales	**3 543 245**	3 061 796
Employee costs not included in cost of sales	**1 198 457**	2 155 435
Inventory write-off	**29 305**	50 868
Loss on disposal of subsidiaries	**90 476**	173 974
Impairment loss for write-down to fair value less cost to sell	**89 525**	22 172
Share-based payments expense	**44 726**	53 141
Lebashe share-based payments expense	**–**	157 446
Foreign exchange loss/(gain)	**3 731**	(54 865)
Fair value loss on remeasurement of vendors for acquisition	**3 685**	33 199
Fair value (gains)/losses through profit or loss	**(24 430)**	12 000
Gains on disposal of property, plant and equipment	**16 224**	5 409
Short-term and low value charges	**56 232**	140 808
Short-term and low value charges on immovable property	**51 757**	126 224
Short-term and low value charges on movable property	**4 475**	14 584

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2020.*

** *R4.5 million of this relates to PwC in its capacity as external auditor.*

27. INVESTMENT INCOME

From continuing operations Figures in Rand thousand	2020	Restated* 2019
Interest income		
Bank	**25 853**	16 249
Other interest received	**1 131**	8 307
	26 984	24 556

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2020.*

28. FINANCE COSTS

From continuing operations Figures in Rand thousand	2020	Restated* 2019
Other financial liabilities	**325 882**	317 847
Lease liabilities	**36 553**	5 943
Bank	**12 565**	8 086
Other interest paid	**35 875**	1 842
	410 875	333 718

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2020.*

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

29. TAXATION

Figures in Rand thousand	2020	Restated* 2019
Current taxation		
Local income taxation – current year	193 182	325 264
Local income taxation – prior years	(25 920)	(16 472)
Foreign income taxation – current year	1 775	1 799
	169 037	310 591
Discontinued operations	84 126	185 579
Continuing operations	84 911	125 012
	169 037	310 591
Deferred taxation		
Originating and reversing temporary differences	(164 102)	54 372
Prior year adjustments	(13 289)	–
	(177 391)	54 372
Discontinued operations	(28 450)	(28 803)
Continuing operations	(148 941)	83 175
	(177 391)	54 372
Total taxation	(8 354)	364 963
Discontinued operations	55 676	156 776
Continuing operations	(64 030)	208 187
Total taxation	(8 354)	364 963
Reconciliation of rate of taxation	%	%
South African normal rate of taxation	(28.0)	(28.0)
Reduction in rate for the year, due to:		
Exempt income	(1.5)	(1.3)
Foreign taxation rate differences	(0.9)	0.1
Disallowable gain on disposal	(3.2)	(4.3)
Prior year adjustments to over/(underprovision) of deferred taxation/current taxation	(7.7)	(0.4)
Share of profits of equity-accounted investments	(0.3)	0.1
Increase in rate for the year, due to:		
Effect of utilised/not utilised estimated tax losses	11.9	13.3
Non-deductible expenditure**	19.6	23.3
Capital gains taxation	4.1	0.7
Effect of unutilised temporary differences	5.5	4.6
	(0.5)	8.1
Unrecognised deferred taxation assets		
Deferred taxation assets not recognised in respect of deductible temporary differences	1 016 237	716 665
Deferred taxation assets not recognised in respect of taxation losses	2 972 593	3 281 246
	3 988 830	3 997 911

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2020.*

** *The non-deductible expenditure relates mainly to impairment losses recognised (-12%) and non-deductible finance charges related to acquisition of loan funding (-3%).*

The deductible temporary differences do not expire under the current taxation legislation.

Deferred tax assets have been recognised to the extent that the realisation of the related tax through future taxable profits is probable. An assessment of future taxable profits has been performed at a relevant subsidiary level based on budgets that take into account the impact of COVID-19.

In 2020, R243 million (2019: R105 million) of previously unrecognised taxation losses were recognised as management considered it probable that future taxable profits would be available against which they can be utilised in the next three years.

Estimates were made in assessing the tax liability, especially with regards to uncertain tax positions and the findings of the ENS investigation.

30. EARNINGS PER SHARE

	2020	Restated* 2019
Basic loss per share and diluted loss per share		
Loss attributable to owners of EOH Holdings Limited from continuing and discontinued operations (R'000)	**(1 620 721)**	(4 949 147)
Weighted average number of shares in issue ('000)	**168 635**	162 742
Basic and diluted loss per share from continuing and discontinued operations (cents)	**(961)**	(3 041)
Basic and diluted loss per share from continuing operations (cents)	**(747)**	(2 597)
Reconciliation between weighted average number of shares and diluted weighted average number of shares in issue		
Weighted average number of shares in issue ('000)	**168 635**	162 742
Diluted weighted average number of shares in issue** ('000)	**168 635**	162 742

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2020.*

** *The impact of shares to be issued to vendors, share options and EOH A shares has been excluded from the weighted average diluted number of shares as they would be anti-dilutive.*

31. HEADLINE LOSS PER SHARE

Figures in Rand thousand	2020	Restated*# 2019
Headline loss per share and diluted headline loss per share		
Headline loss from continuing operations (R'000)	**(851 781)**	(2 447 129)
Weighted average number of shares in issue ('000)	**168 635**	162 742
Headline and diluted loss per share from continuing operations (cents)	**(505)**	(1 504)
Headline loss from continuing and discontinued operations (R'000)	**(834 199)**	(2 849 115)
Weighted average number of shares in issue ('000)	**168 635**	162 742
Headline and diluted loss per share from continuing and discontinued operations (cents)	**(495)**	(1 751)
Reconciliation between earnings, headline earnings and diluted headline earnings from continuing and discontinued operations		
Loss attributable to owners of EOH Holdings Limited	**(1 620 721)**	(4 949 147)
Adjusted for:		
(Profit)/loss on disposal of property, plant and equipment	**(37 032)**	34 761
Loss/(profit) on disposal of subsidiaries sold	**300 707**	(155 629)
Impairment of goodwill	**413 094**	1 855 341
Impairment of equity-accounted investments	**81 605**	267 905
Impairment of intangible assets and property, plant and equipment	**27 776**	135 594
Total tax effects on adjustments	**518**	(37 884)
Total non-controlling interest effects on adjustments	**(146)**	(56)
Headline loss from continuing and discontinued operations	**(834 199)**	(2 849 115)

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2020.*

** *The impact of shares to be issued to vendors, share options and EOH A shares has been excluded from the weighted average diluted number of shares as they would be anti-dilutive.*

\# *Restated for the total tax and non-controlling interest effects on adjustments. This resulted in a 24 cents per share increase in the headline loss per share from continuing and discontinued operations.*

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

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31. HEADLINE LOSS PER SHARE continued

Figures in Rand thousand	2020	Restated*# 2019
Loss attributable to owners of EOH Holdings Limited	**(1 620 721)**	(4 949 147)
Adjusted for discontinued operations (note 15)	**360 577**	723 325
Continuing loss attributable to ordinary shareholders	**(1 260 144)**	(4 225 822)
Continuing operations adjustments:		
(Profit)/loss on disposal of property, plant and equipment	**(16 224)**	5 409
Loss on deemed disposal and disposal of subsidiaries	**90 476**	173 974
Impairment of intangible assets and property, plant and equipment	**11 232**	135 594
Impairment of goodwill	**265 224**	1 348 579
Impairment of equity-accounted investments	**57 175**	146 500
Total tax effect on adjustments	**489**	(31 309)
Total non-controlling interest effect on adjustments	**(9)**	(54)
Headline loss from continuing operations	**(851 781)**	(2 447 129)

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2020.*

\# *Restated for the total tax and non-controlling interest effects on adjustments. This resulted in a 20 cents per share increase in the headline loss per share from continuing operations.*

32. CASH GENERATED FROM OPERATIONS

Figures in Rand thousand	2020	Restated* 2019
Loss before taxation from:	**(1 635 168)**	(4 581 649)
Continuing operations	**(1 326 350)**	(4 017 160)
Discontinued operations	**(308 818)**	(564 489)
Adjustments for:		
Depreciation and amortisation	**498 004**	435 816
Impairment of assets	**522 475**	2 258 840
Loss/(profit) on disposal of subsidiaries, equity-accounted investments and property, plant and equipment	**263 675**	(120 868)
Share of equity-accounted losses	**(7 282)**	–
Share-based payments expense	**48 285**	247 614
Net finance costs	**377 917**	299 911
Net financial asset impairment losses	**332 319**	978 517
Inventory write-off/impairment	**30 907**	50 868
Provisions	**259 698**	410 427
Other non-cash items	**(17 253)**	(27 557)
Cash generated/(utilised) before changes in working capital	**673 577**	(48 081)
Working capital changes net of effects of disposal of subsidiaries	**33 158**	550 188
Decrease in inventories	**103 625**	39 113
Decrease in trade and other receivables	**596 569**	311 333
(Decrease)/increase in trade and other payables	**(667 036)**	199 742
Cash generated from operations	**706 735**	502 107

* *Refer to note 3 – Restatement of consolidated annual financial statements for the impact on the affected assets, liabilities and equity. The restatement adjustments are all non-cash adjustments and therefore do not impact cash generated before working capital changes or any other line items on the consolidated statement of cash flows.*

33. TAXATION PAID

Figures in Rand thousand	2020	2019
Amounts owing at the beginning of the year	**(45 072)**	(81 788)
Assets held for sale at the beginning of the year	**(10 691)**	–
Current taxation for the year	**(169 037)**	(310 591)
Adjustment in respect of businesses acquired during the year	**–**	12 093
Foreign currency translation	**–**	11 368
Assets held for sale at the end of the year	**17 992**	10 691
Amounts (receivable)/owing at the end of the year	**(4 611)**	45 072
Taxation paid	**(211 419)**	(313 155)

34. CONTINGENCIES AND COMMITMENTS

Contingencies

EOH Holdings Limited ('EOH') issued parent company guarantees ('PCGs'), as required by a client for a wholly owned subsidiary PiA Solar SA Proprietary Limited ('PiA'). The guarantees provided are for a period of years during both construction and after handover including an operation warranty guarantee, which by the nature could (in the event of underperformance by PiA) compel EOH to either ensure physical performance or settle such underperformance in cash terms. While PiA had undergone some operational challenges as a result of several factors, including COVID-19, the Group has intervened in order to minimise the potential impact of these PCGs. The projects subject of these PCGs are now substantially complete, with the last project to achieve handover to the end client expected during November, 2020. The Group thus believes that the risk presented by the PCGs, albeit still in existence, is now sufficiently mitigated such that no cash flow impact is expected in the future.

During the course of the current financial year, the Group also issued a PCG for another subsidiary EOH Mthombo (Pty) Ltd relating to the implementation of an ERP solution at the City of Johannesburg (COJ) for a project which was signed during the 2017 financial year. The COJ guarantee compels the Group to either ensure physical performance or settle such underperformance in cash terms. A cash balance of R53 million is currently in restricted cash.

Fine imposed by the JSE Limited

The JSE Limited (JSE) imposed a fine on the Group on 29 July 2020 for prior period errors contained in the Group's previously published financial statements for the financial years ended 31 July 2017 and 31 July 2018. The fine was for R7.5 million of which R2.5 million is suspended for a period of five years on condition that the Group is not found to be in breach of material and important provisions of the JSE Listings Requirements. The R5 million was raised as liability at 31 July 2020, with the suspended amount being a contingent liability.

Legal claims

The Company and its subsidiaries are involved in various litigation matters arising in the ordinary course of business, none of which are considered material on an individual basis or in aggregate. Management has no reason to believe that the disposition of these matters will have a materially adverse effect on the consolidated financial position of the Company.

Uncertain tax exposure

The Group operates in numerous tax jurisdictions and the Group's interpretation and application of the various tax rules applied in direct and indirect tax filings may result in disputes between the Group and the relevant tax authority. The outcome of such disputes may not be favourable to the Group. At year end there were a number of tax disputes ongoing in various of the Group's operating entities, the most significant of which related to a PAYE dispute which the Group is contesting. At 31 July 2020, the Group had provided for R257 million on the PAYE liability assessed and potential future assessments, and have submitted a notice of objection to the tax authority and based on internal and external legal and technical advice obtained, the Group remains confident that it has a strong legal case to contest the remaining exposure. R10 million of the R257 million provision was repaid as at 31 July 2020. Refer to note 23 for the provision raised.

There is further uncertainty regarding historical taxes that may be due as a result of the impact of the fraudulent transactions identified in the forensic investigation performed by ENS during the 2019 financial year. Provisions based on best estimates were recognised at 31 July 2019 and no changes were made during the period ended 31 July 2020.

Uncertain exposure due to suspect transactions

An assessment was undertaken in relation to contracts flagged by ENS as being associated with suspicious activities, for purposes of determining the likelihood of a claim/s being raised against EOH in relation to the contracts in question. The total contingent exposure identified in consequence of the results of that assessment is R84.2 million.

The assessments which resulted in a claim being regarded as *likely* and where a contingent liability was identified were in relation to the following contracts:

- Amathole District Municipality (ADM) – SAP Implementation Contracts: there are disputes raised by ADM as to deliverables and sums payable to EOH under this contract, however, EOH maintains that it has performed substantially on the contract. Deloitte prepared a forensic report on instruction of National Treasury (10 October 2019) and National Treasury issued an Intervention and Close-Out report (27 February 2020). ADM did not accept the findings of the Intervention and Close-Out report (27 February 2020), however, no further steps have yet been taken by ADM. In the event of a successful challenge to the validity of the contract, EOH would be entitled to just and equitable relief and would never be exposed for the full value of the contract.
- USAASA – SAP Implementation: National Treasury is investigating this contract, however the scope of the investigation is unknown to EOH. There is a risk that there may be a finding of impropriety in the contract. This contract came to a natural conclusion at the end of 2017, with EOH having performed and with no claims or complaints having arisen since. Any claims to be raised will have probably prescribed. In the event of a successful challenge to the validity of this contract, EOH, having performed under the contract, would be entitled to motivate a just and equitable remedy. It would be unlikely and certainly contrary to the principles of just and equitable relief, that EOH would have to "refund" USAASA.

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

34. CONTINGENCIES AND COMMITMENTS continued

Uncertain exposure due to suspect transactions continued

The assessments which resulted in claims being regarded as *possible* and where a contingent liability was identified were in relation to the following contracts:

- Department of Water and Sanitation (DWS) – Project Muratho SAP Upgrade: This contract came to its natural conclusion in October 2015 with EOH having performed thereunder and with no claims or complaints being instituted against it. It is unlikely that any attempt to set aside this contract would succeed due to excessive delay. In the event of a successful challenge to the validity of this contract, EOH having performed under the contract would be entitled to motivate a just and equitable remedy and would not be expected to 'refund' DWS.
- DWS – SAP Roll-Out to Catchment Management Agencies: The contract came to an end in September 2016 with no claims being instituted, for the same reasons outlined above, any attempt to overturn this contract would encounter difficulties due to delay and would not require an appropriate ruling as to just and equitable remedy in circumstances where performance was rendered.
- City of Johannesburg – SAP Licence Sale: The contract came to conclusion with EOH having performed its obligations in 2015 with no claims subsequently arising. Any claims will, in all likelihood, have prescribed. In the event of a successful challenge to the validity of this contract, EOH having performed under the contract would be entitled to motivate a just and equitable remedy.
- Department of Home Affairs (DHA) – ABIS (Biometric): There are currently no disputes relating to the value received, however, there are current disputes relating to contractual interpretation and entitlement derived under the contract terms, as amended, with EOH claiming R53 million excluding VAT and DHA claiming R44 million.

Commitments

Figures in Rand thousand	2020	2019
Expected, but not yet contracted capital expenditure	169 171	112 846
Minimum operating lease payments due under IAS 17 in the prior year – as lessee		
– within one year		153 717
– within two to five years		260 596
– beyond five years		–
	169 171	527 159

35. RETIREMENT BENEFITS

The Group is a member of a corporate defined contribution plan which is governed by the Pensions Fund Act to which employees elect to make retirement contributions on an income sacrifice basis. The Group makes no additional contribution and is under no obligation to cover any other benefits. Employees are also eligible and obliged to become members of the Group risk benefit scheme, providing certain minimum death and disability benefits. Such Group risk benefit scheme is external to the Group, to which employees make contributions, and the benefits paid out are paid by the third party.

At 31 July 2020, the membership of the fund was 6 108 (2019: 5 709) employees.

At 31 July 2020, the Group's contribution to the fund was R126 million (2019: R182 million).

36. DIRECTORS' AND PRESCRIBED OFFICERS INTEREST IN ORDINARY SHARES OF THE COMPANY

	2020		2019	
Number of shares	Beneficial direct interest	Total	Beneficial direct interest	Total
Executive directors				
Stephen van Coller	264 000	264 000	251 100	251 100
Megan Pydigadu	10 000	10 000	10 000	10 000
	274 000	274 000	261 100	261 100

Shareholding of prescribed officer who resigned during the year

	2020		2019	
Number of shares	Beneficial direct interest	Total	Beneficial direct interest	Total
Lufuno Nevhutalu* (resigned 31 July 2020)	170 925	170 925	170 925	170 925
	170 925	170 925	170 925	170 925

* *Prescribed officer.*

There have been no other changes in the directors' interest in shares of the Company between year end and the date of approval of the consolidated annual financial statements. Non-executive directors do not hold any interest in shares of the Company. The directors and prescribed officers do not hold indirect interests in shares of the Company. No shares held by the directors have been pledged as security or a subject to a guarantee, collated or other encumbrance.

37. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

Figures in Rand thousand	Short-term benefits: Remuneration including** other benefits	Short-term benefits: Bonuses	Short-term benefits: For services as directors	Short-term benefits: Total	Share-based payments charge
2020					
Executive directors/prescribed officers					
Stephen van Coller	7 562	4 000	–	11 562	8 373
Megan Pydigadu	4 271	4 000	–	8 271	486
Fatima Newman	3 851	4 000	–	7 851	–
Lufuno Nevhutalu* (resigned 31 July 2020)	3 757	–	–	3 757	–
Non-executive directors					
Dr Xolani Mkhwanazi (deceased 4 January 2020)	–	–	333	333	–
Jesmane Boggenpoel	–	–	1 360	1 360	–
Ismail Mamoojee	–	–	1 389	1 389	–
Dr Moretlo Molefi (resigned with effect from 15 December 2020)	–	–	1 019	1 019	–
Anushka Bogdanov (resigned 28 July 2020)	–	–	1 004	1 004	–
Andrew Mthembu	–	–	1 265	1 265	–
Mike Bosman	–	–	1 594	1 594	–
Sipho Ngidi (appointed 20 February 2020)	–	–	522	522	–
Andrew Marshall (appointed 21 May 2020)	–	–	139	139	–
	19 441	12 000	8 625	40 066	8 859
Less: Paid/payable by subsidiaries	19 441	12 000	8 625	40 066	–
	–	–	–	–	8 859
2019					
Executive directors/prescribed officers					
Stephen van Coller (appointed 1 September 2018)	5 026	14 000#	–	19 026	5 490
Megan Pydigadu (appointed 15 January 2019)	2 201	2 000	–	4 201	307
John King (resigned 30 November 2018)	5 849	1 785	–	7 634	1 272
Zunaid Mayet (resigned 15 July 2019)	3 875	2 520	–	6 395	1 144
Tebogo Maenetja (resigned 31 March 2019)	2 380	800	–	3 180	–
Fatima Newman*	1 334	7 000#	–	8 334	–
Lufuno Nevhutalu*	1 994	2 000	–	3 994	–
Non-executive directors					
Dr Xolani Mkhwanazi (appointed 5 June 2019)	–	–	134	134	–
Jesmane Boggenpoel	–	–	775	775	–
Ismail Mamoojee	–	–	797	797	–
Dr Moretlo Molefi	–	–	494	494	–
Anushka Bogdanov (appointed 20 June 2019)	–	–	166	166	–
Andrew Mthembu (appointed 20 June 2019)	–	–	131	131	–
Mike Bosman (appointed 20 June 2019)	–	–	156	156	–
Asher Bohbot (resigned 28 February 2019)	–	–	485	485	887
Pumeza Bam (resigned 12 July 2019)	–	–	526	526	81
Tshilidzi Marwala (resigned 28 February 2019)	–	–	157	157	–
Rob Sporen (resigned 28 February 2019)	–	–	193	193	–
	22 659	30 105	4 014	56 778	9 181
Less: Paid/payable by subsidiaries	22 659	30 105	4 014	56 778	–
	–	–	–	–	9 181

* *Prescribed officer.*

** *Other benefits include medical aid, allowed expense and retirement fund contributions.*

\# *Includes previous employer payouts of R10 million and R3 million in relation to Stephen van Coller and Fatima Newman respectively.*

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

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38. SHARE-BASED PAYMENTS

The Group has three share incentive schemes, The EOH Share Trust, The Mthombo Trust and The Share Ownership Plan. Inclusion in the schemes allows directors, executive management and employees to benefit from the EOH share price performance. For the share trusts, the participant needs to be in the employ of the Group in order to exercise vested options. The Mthombo Trust restricts participation to qualifying previously disadvantaged directors, executive management and employees.

During the 2019 financial year, participants of The EOH Share Trust and The Mthombo Trust were given the choice to replace options with share awards in The Share Ownership Plan. As these awards were identified as replacements, this is treated as a modification in terms of IFRS 2. The EOH Share Ownership Plan is determined to be equity settled at a Group level. The fair value was measured based on the market share price of R34,83 on the date of modification.

The fair value will be recognised as an expense over the period from the modification date to the end of the extended vesting period. The expense for the options will continue to be recognised as if the terms had not been modified.

Under the terms of the current schemes, up to 18 000 000 shares are reserved for share options. The share options are equity-settled.

The EOH Share Trust

The scheme is governed by a trust deed approved by shareholders and the JSE Limited. The option strike price is equal to the share price at date of the offer less 40% discount. The participant may exercise the option in respect of the shares granted in tranches from time to time as set out below. The share options will lapse 10 years after grant date.

- 25% after two years
- 25% after three years
- 25% after four years
- 25% after five years

A reconciliation of the movement of all share options in The EOH Share Trust is detailed below:

	The EOH Share Trust			
	Number of options		Weighted average strike price (cents)	
	2020	2019	**2020**	2019
Opening balance	**5 178 313**	8 425 861	**80.28**	59.04
Granted during the year	**–**	1 000 000	**–**	19.00
– to directors	**–**	1 000 000	**–**	19.00
Forfeited during the year	**(1 779 656)**	(1 571 825)	**72.80**	69.24
Replaced in exchange for shares in the Share Ownership Plan	**–**	(2 614 473)	**–**	66.31
Expired during the year	**–**	(25 000)	**–**	4.80
Exercised during the year	**–**	(36 250)	**–**	112.58
Options granted but not issued up to the end of the year	**3 398 657**	5 178 313	**46.22**	80.28
Vesting of share options				
Number of options exercisable at year end	**1 916 144**	3 370 890	**46.22**	81.35
Exercise date within one year	**708 988**	625 070		
Exercise date between two and five years	**773 525**	1 182 353		
	3 398 657	5 178 313		

38. SHARE-BASED PAYMENTS continued

The Mthombo Trust

The scheme is governed by a trust deed approved by shareholders and the JSE Limited. The option strike price is equal to the share price at date of the offer less 40% discount. The participant may exercise the option in respect of the shares granted in tranches from time to time as set out below. The share options will lapse eight years after grant date.

- 33.33% after three years
- 33.33% after four years
- 33.33% after five years

A reconciliation of the movement of all share options in The Mthombo Trust is detailed below:

	The Mthombo Trust			
	Number of options		Weighted average strike price (cents)	
	2020	2019	**2020**	2019
Opening balance	**941 653**	3 078 746	**57.71**	57.48
Forfeited during the year	**(336 252)**	(1 254 833)	**51.28**	59.57
Replaced in exchange for shares in The Share Ownership Plan	**–**	(823 464)	**–**	65.24
Expired during the year	**–**	(58 796)	**–**	57.71
Exercised during the year	**(18 817)**	–	**3.72**	–
Options granted but not issued up to the end of the year	**586 584**	941 653	**55.55**	57.71
Vesting of share options				
Number of options exercisable at year end	**338 172**	833 652	**55.55**	56.64
Exercise date within one year	**154 245**	36 500		
Exercise date between two and five years	**94 167**	71 501		
	586 584	941 653		

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FOR THE YEAR ENDED 31 JULY 2020

38. SHARE-BASED PAYMENTS continued

The Share Ownership Plan

The Share Ownership plan was adopted in 2018. The scheme awards participants with shares and is determined to be equity settled. Shares granted vest in tranches from time to time as set out below.

- 25% after two years
- 25% after three years
- 25% after four years
- 25% after five years

A reconciliation of the movement of all share options in The Share Ownership Plan is detailed below:

	The Share Ownership Plan			
	Number of shares		Weighted average share price (cents)	
	2020	2019	**2020**	2019
Opening balance	**5 753 032**	–	**34.83**	–
Granted during the year*	**2 271 012**	6 828 225	**5.25**	34.83
– to management	**1 818 182**	6 376 805	**3.26**	34.82
– to directors	**452 830**	451 420	**13.25**	34.83
Forfeited during the year	**(1 834 777)**	(1 075 193)	**34.83**	34.83
Vested during the year	**(62 131)**	–	**34.83**	–
Shares granted but not issued up to the end of the year	**6 127 136**	5 753 032	**23.86**	34.83
Vesting of shares				
Number of shares exercisable at year end	**–**	–	**21.02**	–
Vesting date within one year	**2 416 979**	–		
Vesting date between two and five years	**3 710 157**	5 753 032		
	6 127 136	5 753 032		

** Shares granted include transfers from The EOH Share Trust and The Mthombo Trust.*

	The EOH Share Trust	
	2020	2019
Basis of valuation		
Fair value was determined by using the Binomial model. The inputs were as follows:		
Weighted average share price (Rand)	**–**	19.0
Option strike price (Rand)	**–**	19.0
Expected volatility (%)	**–**	23.87
Expected dividend yield (%)	**–**	1.4
Weighted average fair value of options/shares granted (Rand)	**–**	21.08

There were no new share options granted during 2019 and 2020 for The Mthombo Trust and no new share options granted in 2020 for The EOH Share Trust.

The volatility of the share price at grant date was determined using the share trading history of EOH Holdings Limited prior to grant date.

The after-tax risk-free rate applied was the zero-swaps curve at the grant date of the option.

The Share Ownership Plan does not grant employees options, therefore a binomial option pricing model is not used.

38. SHARE-BASED PAYMENTS continued

The analysis of share options/shares granted to directors is detailed below:

	Outstanding at 31 July 2019 or date of appointment	Shares granted during the period	Weighted average strike price/share price* Rand	At 31 July 2020
Executive directors				
Stephen van Coller				
The EOH Share Trust (options)	1 000 000	–	**19.00**	**1 000 000**
Exercisable within one year	250 000	–	**19.00**	**250 000**
Exercisable between two and five years	750 000	–	**19.00**	**750 000**
The Share Ownership Plan (shares)				
Exercisable between two and five years	–	452 830	**13.25***	**452 830**
Megan Pydigadu				
The Share Ownership Plan (shares)	62 021	–	**32.25***	**62 021**
Exercisable within one year	15 505	–	**32.25***	**15 505**
Exercisable between two and five years	46 516	–	**32.25***	**46 516**

* *Relates to grant date fair value in terms of The Share Ownership Plan.*

39. RELATED-PARTY TRANSACTIONS

The Group entered into various transactions with related parties.

Figures in Rand thousand	2020	2019
Transactions with associates and joint ventures		
Sales of products and services	**3 899**	7 292
Purchases of products and services	**3 272**	46 574
Balances arising from sales/purchases of goods and services with associates and joint ventures		
Trade receivable balances with related parties	**3 773**	3 777
Trade payable balances with related parties	**8 176**	1 631
Loans receivable from associates and joint ventures:	**21 322**	42 413
– Gross loans receivable from associates and joint ventures	**57 772**	42 413
– Allowances for expected credit losses on loans to associates and joint ventures	**(36 450)**	–

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

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39. RELATED-PARTY TRANSACTIONS continued

Figures in Rand thousand	2020	2019
Transactions between Group companies (subsidiaries)		
Sale of products and services	**2 075 904**	2 710 967
Purchases of products and services	**1 741 043**	2 468 138
Operating expenses	**334 861**	235 349
Interest received	**–**	2 835
Outstanding balances arising from sales/purchases of goods and services		
Loans from EOH Holdings Limited to subsidiaries	**163 193**	2 831 549
Loans to EOH Holdings Limited from subsidiaries	**59 149**	65 968
Directors' remuneration		
The remuneration for directors of the Company paid during the year by subsidiaries within the Group has been disclosed in note 37. Executive directors are defined as key management.		
Vendor loans and receivables	**287**	870

40. SCHEDULE OF DIRECT INVESTMENTS IN SUBSIDIARIES

All the subsidiaries below are incorporated in South Africa unless otherwise indicated

	Effective interest		Carrying amount of investment in shares		Loans owing by/(to) subsidiaries	
Figures in Rand thousand	**% 2020**	% 2019	**2020**	Restated* 2019	**2020**	2019
Direct subsidiaries						
CA Southern Africa Proprietary Limited	**100**	100	**14 924**	14 924	**–**	(40 879)
Enterprise Softworks Proprietary Limited	**100**	100	**15 997**	15 997	**–**	9 943
EOH Abantu Proprietary Limited	**100**	100	**408 405**	499 835	**2 940**	351 829
EOH Consulting Proprietary Limited	**100**	100	**–**	46 176	**91 143**	1 194
EOH International Proprietary Limited	**100**	100	**78 054**	140 468	**69 110**	–
EOH Investment Holdings Proprietary Limited	**100**	100	**–**	–	**–**	–
EOH Mthombo Proprietary Limited	**100**	100	**869 128**	856 316	**–**	2 350 201
Intellient Proprietary Limited	**100**	100	**9 913**	9 913	**(15 000)**	(395)
Mthombo IT Services Proprietary Limited	**100**	100	**–**	28 917	**(8 349)**	(735)
NEXTEC Industrial Technologies Proprietary Limited	**100**	100	**116 113**	116 113	**–**	115 815
EOH Treasury Proprietary Limited	**100**	–	**–**	–	**(11 881)**	–
iOCO Holdings Proprietary Limited	**100**	–	**–**	–	**–**	–
NEXTEC Holdings Proprietary Limited	**100**	–	**–**	–	**–**	–
V55 Investments Proprietary Limited	**100**	100	**–**	–	**(23 919)**	(23 919)
			1 512 534	1 728 659	**104 044**	2 763 054
Trusts						
The EOH Share Trust	**100**	100	**–**	–	**–**	–
The Mthombo Trust	**100**	100	**–**	–	**–**	–
EOH Enterprise Development Trust	**100**	100	**–**	–	**–**	–

* *The carrying amount of investments is in shares on NEXTEC Industrial Technologies Proprietary Limited and EOH Mthombo Proprietary Limited as at 31 July 2019 were restated above.*

The full list of subsidiaries can be obtained from the Company's registered offices.

41. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial risk management and fair value disclosures

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. Risk management is carried out centrally and management identifies, evaluates and analyses financial risks where necessary in close co-operation with the Group's operating business units. The Governance and Risk Committee oversees how management monitors compliance with the Group risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group's normal operations expose it to the following financial risks from its use of financial instruments:

- Capital risk
- Liquidity risk
- Interest risk
- Credit risk
- Currency risk

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy at 31 July 2020:

	Carrying amount					Fair value			
Figures in Rand thousand	Mandatorily at FVTPL	Amortised cost	Total	Held for sale	Balance	Level 1	Level 2	Level 3	Total
Financial assets									
Cash and cash equivalents	**–**	**974 580**	**974 580**	**(328 743)**	**645 837**	**–**	**–**	**–**	**–**
Trade and other receivables	**–**	**1 751 276**	**1 751 276**	**(361 515)**	**1 389 761**	**–**	**–**	**–**	**–**
Finance lease receivables	**–**	**124 516**	**124 516**	**(1 676)**	**122 840**	**–**	**–**	**–**	**–**
Other financial assets	**–**	**216 861**	**216 861**	**(18 871)**	**197 990**	**–**	**–**	**–**	**–**
Financial liabilities									
Trade and other payables	**–**	**858 743**	**858 743**	**(355 816)**	**502 927**	**–**	**–**	**–**	**–**
Finance lease liabilities	**–**	**360 965**	**360 965**	**(84 543)**	**276 422**	**–**	**–**	**–**	**–**
Other financial liabilities	**44 043**	**2 739 175**	**2 783 218**	**(29 516)**	**2 753 702**	**–**	**–**	**44 043**	**44 043**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy at 31 July 2019:

	Carrying amount					Fair value			
Figures in Rand thousand	Mandatorily at FVTPL	Amortised cost	Total	Held for sale	Balance	Level 1	Level 2	Level 3	Total
Financial assets									
Cash and cash equivalents	–	1 358 956	1 358 956	(310 373)	1 048 583	–	–	–	–
Trade and other receivables*	–	3 024 989	3 024 989	(720 221)	2 304 768	–	–	–	–
Finance lease receivables	–	179 413	179 413	–	179 413	–	–	–	–
Other financial assets	28 332	67 285	95 617	(7 289)	88 328	–	–	28 332	28 332
Financial liabilities									
Trade and other payables*	–	1 393 011	1 393 011	(544 628)	848 383	–	–	–	–
Finance lease liabilities	–	57 601	57 601	(240)	57 361	–	–	–	–
Other financial liabilities	303 313	3 029 892	3 333 205	(9 248)	3 323 957	–	–	303 313	303 313

* *Comparative figures relating to held for sale amounts have been restated.*

The Group does not have any financial instruments that are subject to offsetting.

All cash and cash-equivalents, short-term receivables and short-term payables carrying amounts approximate their fair values due to their short-term nature.

There have been no transfers between levels of the fair value hierarchy.

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41. FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

Financial liabilities at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss, in terms of the hierarchy, are classified as level 3 as the valuation techniques used are based on unobservable inputs for the liability.

Vendors for acquisition

The balance in respect of vendors for acquisition relates to the contingent consideration where business combinations are subject to profit warranties. The profit warranties allow for a defined adjusted value to the consideration payable in the event that the warranted profit after tax is not achieved, or in the event that it is exceeded, an agreed sharing in the surplus. The fair value of the contingent arrangement is initially estimated by applying the income approach assuming that the relevant profit warrant will be achieved. Subsequent measurement uses the income approach to calculate the present value of the expected settlement payment using the latest approved budgeted results and reasonable growth rates for the remainder of the relevant warranty periods taking into account any specific circumstances.

Profit warrant periods normally extend over a 24-month period.

Upwardly revised performance expectations would result in an increase in the related liability, limited to the terms of the applicable purchase agreement.

Fair values have been determined using discounted cash flows. Unobservable inputs include budgeted results based on margins, discount rates and revenue growth rates historically achieved by the various segments. The applicable discount rate is 7%, discounting cash flows over a two-year period. Changing such inputs to reflect reasonably possible alternative assumptions does not significantly change the fair value of the vendors for acquisition liability.

The EOH Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that reports directly to the Group Chief Financial Officer who oversees all significant fair value measurements.

Vendors for acquisition reconciliation of movement

Figures in Rand thousand	2020	2019
Balance at the beginning of the year	**303 313**	633 709
Disposals	**(187 735)**	–
Paid to vendors	**(75 286)**	(366 413)
Foreign exchange effects	**66**	2 818
Net changes in fair value	**3 685**	33 199
Balance at the end of the year	**44 043**	303 313

Non-recurring fair value measurements

Disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The fair values are determined based on sales agreements that are in place for each of the disposal groups that are held for sale. The total of such fair values is R1 033 million (2019: R856 million). These fair values are categorised as level 3, based on inputs used.

Gains or losses from continuing operations

Figures in Rand thousand	2020	Restated* 2019
Fair value gains/(losses) on financial assets at fair value through profit or loss	**24 430**	(12 000)
Fair value (losses) on financial liabilities at fair value through profit or loss	**(3 685)**	(33 199)
	20 745	(45 199)

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2020.*

41. FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

Capital risk management

The Group recognises as part of its strategic intent an appropriate capital structure is required to ensure both sustainability of the business and to leverage growth opportunities.

The Group has a historically large debt burden which is not fit for purpose in terms of its capital structure. The stated objective of the Group has been to deleverage the Group to an appropriate capital structure. The deleverage process has primarily been done by disposing of non-core assets and certain IP assets (as disclosed in note 16). The Group is targeting a 70% equity to 30% debt ratio. Significant progress has been made in this regard over the past year.

While the Group is focused on creating a fit for purpose capital structure the full focus has been on deleveraging. Appropriate funding for the business has also been a key focus.

In terms of allocating capital within the business the Group looks at Return on Invested Capital metrics (ROIC) to allocate capital. This is measured against the Group's discount rate of 12.6%, to ensure there is value creation whereby ROIC needs to exceed the discount rate.

The debt to equity ratios were as follows:

	2020	2019
Debt* (R'000)	**2 753 702**	3 323 957
Equity at market value (R'000)	**858 009**	3 138 969
Debt to equity ratio	**76:24**	51:49

* *Debt reflects amounts owed to funders.*

Refer to note 42 which provides further discussion surrounding the EOH Group debt reduction strategy.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by reviewing future commitments and credit facilities to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Figures in Rand thousand	Less than 1 year	Between 2 and 5 years
At 31 July 2020		
Other financial liabilities	**2 885 894**	**5 674**
Lease liabilities	**173 506**	**227 462**
Trade and other payables	**858 743**	**–**
At 31 July 2019 Restated		
Other financial liabilities*	1 551 716	2 101 123
Lease liabilities	33 000	28 754
Trade and other payables*	1 393 011	–

* *Other financial liabilities have been restated to reflect undiscounted cashflows. Trade and other payables have been restated to correct the accounting of prepaid expenses, refer to note 3.*

The expected maturity of financial liabilities is not expected to differ from the contractual maturities as disclosed above.

During the financial period PiA Solar SA Proprietary Limited had breached its debt covenant requirements. As a result, the related borrowing of R132 million has been classified as current within the Group's statement of financial position.

Subsequent to the reporting date the Group has entered into agreements with its lenders, refer to note 42 for further information thereon.

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

41. FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

Interest risk

The cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate owing to changes in the market interest rate. The fair value interest rate risk is the risk that the value of the financial instrument will fluctuate because of changes in the market interest rates. The Group assumes exposure to the effects of the fluctuations in the prevailing levels if the market interest rates on both the fair value and cash flow risks fluctuate.

Interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group policy is to maintain most of its borrowings in variable rate instruments. The variable rates are influenced by movements in the prime borrowing rates. During the reporting period, the Group's borrowings at variable rates were denominated in Rands.

The Group analyses its interest rate exposure on an ongoing basis. The Group does not hedge against fluctuations in interest rates.

At 31 July 2020, if the interest rate on Rand-denominated borrowings had been 1% higher/lower with all other variables held constant, pre-tax profit for the year would have been R26 million (2019: R30 million) lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

Credit risk and expected credit losses

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's other financial assets, finance lease receivables, trade and other receivables contract assets and cash and cash equivalents.

Trade receivables, contract assets and finance lease receivables comprise a widespread customer base, spread across diverse industries and geographical areas. The Group has a general policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Management evaluates credit risk relating to customers on an ongoing basis, taking into account its financial position, past experience and other relevant factors. If customers are independently rated, these ratings are also considered.

The carrying amounts of financial assets represent the maximum credit exposure. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. Financial assets exposed to credit risk at year end were as follows:

Figures in Rand thousand	2020	Restated* 2019
Other financial assets	**803 319**	614 615
Finance lease receivables	**129 034**	188 413
Trade and other receivables	**2 147 577**	3 597 562
Cash and cash equivalents	**974 580**	1 409 265
Contract assets	**671 077**	840 811
	4 725 586	6 650 666

** The comparative figures presented have been restated to reflect gross amounts. The restatement has no impact on other disclosures presented in the annual financial statements.*

Impairment losses on financial assets recognised in profit or loss from continuing operations were as follows:		
Impairment loss on other financial assets	**68 973**	433 455
Impairment reversals on finance lease receivables	**(2 681)**	(909)
Impairment loss on trade and other receivables*	**190 170**	88 206
Impairment losses on cash and cash equivalents	**–**	50 309
Impairment loss on contract assets*	**64 250**	35 323
	320 712	606 384

** Impairment losses on trade and other receivables and contract assets include losses of R107 million and R37 million respectively which have been provided for during the period.*

At the reporting date, the Group did not consider there to be any significant concentration of credit risk which has not been adequately provided for.

41. FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry in which customers operate.

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. The Group's exposure and the credit scores of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread among approved counterparties. Credit exposure is controlled by counterparty credit limits that are reviewed and approved by the risk management committee/credit control department annually.

The average credit period on sales of goods and services range from 30 days to 120 days. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

Customers are grouped according to their credit characteristics. The customers grouped in a particular segment, which is industry segments, share similar credit risk characteristics. Trade receivables are assessed for impairment on a collective basis. The contract assets relate to unbilled work-in-progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group does not have trade receivable and contract assets for which no loss allowance is recognised because of collateral held.

Expected credit loss assessment for trade receivables and contract assets

The allowance for impairment of trade receivables and contract assets is created to the extent and as and when required, based upon the expected collectability of accounts receivable. The Group uses a provision matrix to measure the ECLs of trade receivables and contract assets.

Loss rates as per the provision matrix are calculated using a 'roll rate'/'flow rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. 'Roll rates'/'flow rates' are calculated separately for exposures in different industry segments based on the common credit risk characteristics. The exposure to credit risk table presents the gross carrying amount of trade debtors and contract assets by industry together with the associated expected credit loss.

The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

A default event is considered to have occurred when aged 90 days or beyond. Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the entity, and a failure to make contractual payments for a period of greater than 90 days past due.

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

41. FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

Trade receivables and contract assets continued

Expected credit loss assessment for trade receivables and contract assets continued

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 31 July 2020:

Figures in Rand thousand	Gross amount	Weighted average loss rate %	Expected credit loss
Contract assets	671 077	16	127 143
Industry			
Automotive	9 423	16	1 467
Central government	157 485	16	25 582
Construction	40 482	14	5 527
Education	25 821	18	4 542
Energy	68 489	5	3 435
Environmental	4 325	10	449
Financial services	315 617	8	25 919
Food and beverage	83 176	10	8 096
Health	59 013	9	5 054
Hospitality	38 888	26	10 190
Human Capital	14 050	5	736
Information technology	126 327	16	19 989
Legal services	9 781	2	157
Local Government	413 396	13	55 711
Manufacturing and logistics	141 806	16	22 372
Marketing and advertising	3 497	11	389
Membership organisation	176	7	13
Mining	82 211	14	11 788
Other	170 055	39	66 459
Professional business and advisory services	12 073	7	796
Property and facilities management	5 493	11	608
Public benefit organisation	1 408	18	247
Reseller	11 283	83	9 358
Retail	62 655	19	11 888
Security and defence	732	8	62
State-owned entity	132 371	21	27 653
Telecommunications	107 228	16	17 131
	2 768 336		462 762

41. FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

Trade receivables and contract assets continued

Expected credit loss assessment for trade receivables and contract assets continued

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 31 July 2019:

Figures in Rand thousand	Gross amount*	Weighted average loss rate %	Expected credit loss
Industry			
Automotive	45 920	6	2 672
Central government	284 510	33	92 654
Construction	396 524	6	24 270
Education	109 398	11	12 054
Energy	101 066	8	8 048
Environmental	13 156	6	827
Financial services	320 873	7	20 875
Food and beverage	253 763	8	20 881
Health	59 037	5	2 837
Hospitality	65 202	8	5 083
Human capital	20 675	1	243
Information technology	193 052	11	21 351
Legal services	13 702	12	1 599
Legislatures	4 326	2	73
Local government	1 062 713	22	231 043
Manufacturing and logistics	278 700	4	10 712
Marketing and advertising	1 485	2	24
Membership organisations	2 650	2	63
Mining	178 552	14	25 018
Others	224 977	4	9 497
Professional business and advisory services	5 962	8	500
Property and facilities management	25 932	6	1 614
Public benefit organisations	200	2	3
Reseller	14 693	6	822
Retail	81 537	3	2 488
Security and defence	4 089	20	814
State-owned entity	114 454	16	18 295
Telecommunications	310 599	7	21 695
	4 187 744		536 055

* *Gross amounts reflected includes contract assets.*

The expected loss rate by industry is based on payment profiles of sales over a 11-month period respectively and the corresponding historical credit losses experienced within this period. These loss rates are adjusted to reflect a deterioration in the risk of the customer and macro-economic overlay affecting the ability of the customers to settle the receivables. The macro-economic overlay is based on the difference in default rates during 2008-2010 financial crisis versus a financial non-crisis period and applied to the portion of each industry that is expected to be affected by the COVID-19 crisis (this industry expectation is taken from Fitch).

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED
FOR THE YEAR ENDED 31 JULY 2020

41. FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued
Trade receivables and contract assets continued
Expected credit loss assessment for trade receivables and contract assets continued

Movements in the allowance for impairment in respect of trade receivables and contract assets:

	2020		2019	
Figures in Rand thousand	**Trade receivables**	**Contract assets**	Trade receivables*	Contract assets*
Opening balance	**442 219**	**93 836**	573 980	37 534
Impairment losses recognised on receivables and contract assets	**106 840**	**36 967**	93 628	81 517
Amounts written off during the year as uncollectible	**(158 827)**	**–**	(51 616)	–
Disposals	**(54 475)**	**(3 660)**	–	–
Transfer to assets held for sale	**(25 271)**	**(2 548)**	(183 164)	(25 215)
Foreign exchange translation (gains)/ losses	**(139)**	**–**	9 391	–
Closing balance	**310 347**	**124 595**	442 219	93 836

* *Comparative period amounts have been disaggregated to reflect trade receivables and contract assets separately.*

Trade receivables with a contractual amount of R158 million (2019: R52 million) were written-off during the year.

Cash and cash equivalents
The Group maintains its cash and cash equivalents with banks and financial institutions having good reputation, good past track record and high-quality credit rating and also reviews their credit worthiness on an on-going basis.

Due to the short-term nature of these assets and historical experience, cash and cash equivalents are regarded as having a low probability of default and therefore the related expected credit loss is deemed to be insignificant. However, a cash balance held within a Zimbabwe bank account, related to Twenty Third Century Systems, which has been fully provided for during the 2019 financial year at R50 million, this was due to the risk of changes in currency within Zimbabwe of the bank balance and the difficulty in getting the funds at that time.

The risk rating grade (Moody's) of cash and cash equivalents for the current year are set out below. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

Figures in Rand thousand	**Cash and cash equivalents**
Credit rating of financial institution	
Aaa – A3	**249 772**
Baa3 – B2	**684 120**
Other	**40 688**
	974 580

Finance lease receivables
The policy choice is to measure the loss allowance at an amount equal to lifetime expected credit losses.

Other financial assets
Other Financial Assets are specific assets and were assessed individually for expected credit losses, using the general approach under IFRS 9 raising a life-time expected credit loss. The expected credit loss model of IFRS 9 requires the classification and measurement of expected credit losses using the general model is a three-stage model. The three stages are performing (stage 1), underperforming (stage 2) and non-performing (stage 3). Management evaluates the credit worthiness of counterparties on an ongoing basis, taking into account their financial position, past experience and other relevant factors that may indicate whether there is a significant increase in credit risk.

Allowances have been raised considering the probability of default by the borrower.

Expected credit losses have been raised for a significant portion of other financial assets, as explained in note 8. The balance of other financial assets comprises amounts receivable from the sale of Construction Computer Software Proprietary Limited and Change Logic CS Proprietary Limited, both of which have settled subsequent to the reporting period. Given the credit losses of banking institutions, restricted cash balances are not exposed to a significant increase in credit risk. Specific assessments were performed on loans provided to equity-accounted entities and Enterprise Development loans.

41. FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

Other financial assets continued

Movements in the allowance for impairment in respect of other financial assets:

Figures in Rand thousand	2020 Other financial assets
Opening balance	**520 628**
Impairment losses recognised on other financial assets	**70 106**
Amounts written off during the year as uncollectible	**(7 677)**
Disposals	**(594)**
Transfer to assets held for sale	**(2 890)**
Closing balance	**579 573**

Currency risk

The Group operates internationally but has limited exposure to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, the Euro and the British Pound.

Foreign exchange risk arises from future commercial transactions, recognised assets or liabilities that are denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Groups strategy to dispose of non-core business lines has resulted in the sale of the majority of its foreign investments. The Group has limited investments in foreign operations where the assets are exposed to foreign currency translation risk.

Financial assets and financial liabilities are analysed by currency as follows:

Foreign currency financial instruments

	2020				
	Financial assets			**Financial liabilities**	
Figures in Rand thousand	**Other financial assets**	**Trade and other receivables**	**Cash and cash equivalents**	**Other financial liabilities**	**Trade and other payables**
British Pound	**–**	**26 090**	**69 067**	**(67)**	**(34 369)**
US Dollar	**–**	**85 062**	**65 603**	**–**	**(132 964)**
Arab Emirates Dirham	**–**	**55 883**	**11 749**	**(1 656)**	**(77 294)**
Euro	**–**	**67 490**	**35 327**	**(16 762)**	**(79 548)**
Egyptian Pound	**–**	**67 221**	**493**	**–**	**(27 450)**
Indian Rupee	**–**	**–**	**22**	**–**	**(29)**
Saudi Riyal	**–**	**1 430**	**270**	**–**	**(259)**
Other	**686**	**56 789**	**96 460**	**(407)**	**(57 216)**

	2019				
	Financial assets			Financial liabilities	
Figures in Rand thousand	Other financial assets	Trade and other receivables	Cash and cash equivalents	Other financial liabilities	Trade and other payables
British Pound	–	56 108	33 407	(11)	(41 973)
US Dollar	870	136 296	17 680	–	(89 124)
Arab Emirates Dirham	6 091	73 614	10 264	(2 486)	(107 976)
Euro	–	177 237	24 107	(51 779)	(101 288)
Egyptian Pound	–	59 148	5 192	–	(39 806)
Indian Rupee	–	60 210	7 933	–	(11 930)
Saudi Riyal	–	41 604	7 071	–	(38 246)
Other	–	94 731	60 523	(461)	(50 903)

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

42. EVENTS AFTER REPORTING DATE

COVID-19

The Group considers information obtained subsequent to the reporting date, in relation to events it knows or should have known and expected eventualities identified as at 31 July 2020, as adjusting subsequent events. With regards to financial reporting impacts associated with COVID-19, the key principle is that COVID-19 is considered to be sufficiently prevalent in the Group's major markets at 31 July 2020. Therefore, COVID-19 related events that arise in the post balance sheet period, that provide additional information in relation to assets and liabilities in existence at 31 July 2020, have been considered adjusting subsequent events. New events which occur after 31 July 2020, which do not relate to existing assets and liabilities related to COVID-19 at the reporting date (such as donations to relief initiatives), are considered to be non-adjusting subsequent events, and these, together with their relating financial effects, have been disclosed to the extent that they are considered to be material.

Update to unsecured interest-bearing loan

On 28 August 2020, the Group entered into a new arrangement with an unsecured interest-bearing loan provider with an outstanding capital amount of R200 million, in terms of which it would not be repaid, but rather participate in the deleveraging and refinancing plan and be secured through its participation in the security SPV arrangements.

Debt reduction plan

The Group entered into an agreement with its lenders to deleverage R1 600 million by 1 April 2021. As at 31 July 2020 R540 million had been paid towards the R500 million target due by 30 August 2020. A further payment of R700 million was required by 30 November 2020. R450 million of the 30 November 2020 target was met. The Group's disposal process, which is a road to deleverage, has been impacted by COVID-19 in terms of the time to close a deal and investors taking a conservative view on investing capital into new assets. Lockdown level 5 and level 4 had a significant impact on delaying the process as well as an impact on operating performance of the IP B2B2C assets. The months since July have seen a meaningful improvement in the performance of these assets. As a result of these delays the Group was unlikely to meet its R700 million target for 30 November 2020. The Group has obtained a waiver on financial covenants and an amendment to defer the R250 million target to 28 February 2021 when the last payment is due of the total R1.6 billion.

The Group is in advanced discussions with its lender group to restructure the debt into a more long-term acceptable capital structure and has signed an indicative term sheet.

Disposal of assets

On 13 December 2019, EOH advised shareholders that a sales agreement had been entered into between EOH Abantu Proprietary Limited (EOH Abantu), a wholly owned subsidiary of EOH and a subsidiary of Afrocentric Investment Corporation Limited (Afrocentric), in terms of which EOH Abantu disposed of all of its shares in Dental Information Systems Holdings Proprietary Limited (DENIS) for a total consideration of R250 million. All suspensive conditions pertaining to the Denis transaction have now been fulfilled and the first R234 million payment related to the transaction was received on 30 September 2020, with R16 million being held in escrow until 1 April 2022.

On 20 April 2020, EOH announced the sale of the remaining 30% stake in CCS to RIB Limited (RIB), a wholly owned subsidiary of RIB Software SE, for a total consideration of R143 million. In addition to the early exercise of the call option, RIB agreed to release the full cash amount in escrow of R47 million, by no later than 30 September 2020 which has now been completed.

42. EVENTS AFTER REPORTING DATE continued

Disposal of MARS Holdings Proprietary Limited

The Group entered into a share purchase agreement ('SPA') on 18 November 2020 to dispose of 100% of the issued ordinary shares of MARS Holdings Proprietary Limited, together with its subsidiaries and associates (together 'Syntell'), to K2020776145 South Africa Proprietary Limited ('the Purchaser'), for a consideration of R211 million ('the Base Purchase Price') ('the Transaction').

The Transaction is in line with EOH's stated strategic intent of selling non-core assets as it seeks to right-size the Group and deleverage its balance sheet. Furthermore, the execution of the Transaction provides EOH with the opportunity to extinguish the last sizeable VFA liability of R36 million on the EOH balance sheet ('the VFA Liability').

The cash consideration received by EOH will primarily be utilised to reduce debt which is consistent with EOH's objective of creating a fit-for-purpose capital structure. The remainder of the proceeds will be utilised for the working capital requirements of EOH.

On 18 November 2020, the Purchaser paid the Group a cash amount equal to the Base Purchase Price, less the VFA Liability of R36 million. Furthermore, a shareholder loan from the Group of R10.5 million was settled by Syntell prior to the Signature Date.

The SPA contains undertakings, warranties and indemnities that are customary for a transaction of this nature and the Transaction is not subject to any conditions precedent.

Liquidation of NEXTEC Advisory Proprietary Limited

NEXTEC Advisory Proprietary Limited, being a wholly owned subsidiary in the Group, was placed in voluntary liquidation subsequent to reporting date. The Company reflected a loss after tax for the year of R27 million and has a negative net asset value at 31 July 2020 of R17 million. The business of this company was its use of a radio frequency identification tracking solution developed for the public sector. The Tshwane Trust has formally been appointed as liquidator.

Forensic investigation into suspect payments

At the initial stage of the investigation, three contracts were identified as having apparent irregularities including collusion to bypass State Information Technology Agency ('SITA') processes to enable over-invoicing. The provision for the over-invoicing was raised in the Group's 2019 annual financial statements and remained with no update required. Refer to note 23 for the provision raised.

EOH declared the over-invoicing to the National Treasury at a meeting on 31 May 2019 and has already commenced reimbursing the Special Investigations Unit for the overcharging in two contracts, pursuant to an agreement which states that EOH will repay approximately R42 million as reimbursement for the overcharging. EOH is in the process of finalising a similar reimbursement arrangement with regards to the remaining third and final contract.

SHAREHOLDERS' **ANALYSIS**

	31 July 2020				31 July 2019			
	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
Analysis of shareholdings								
Holdings								
1 – 10 000	8 532	68.38	2 043 468	1.16	7 517	70.38	2 002 080	1.13
10 001 – 50 000	2 945	23.60	10 564 908	5.98	2 467	23.10	8 047 697	4.56
50 001 – 100 000	857	6.87	26 611 399	15.07	555	5.20	16 733 404	9.48
100 001 – 1 000 000	121	0.97	32 218 965	18.25	110	1.02	30 729 873	17.41
1 000 001 and more	22	0.18	105 106 221	59.54	32	0.30	119 031 907	67.42
	12 477	100	176 544 961	100	10 681	100	176 544 961	100
Shareholder categories								
Banks	34	0.27	6 538 210	3.70	57	0.53	14 079 057	7.97
Close corporations	58	0.46	496 584	0.28	72	0.67	348 994	0.20
Empowerment	2	0.02	23 062 458	13.06	2	0.02	23 062 458	13.06
Endowment funds	27	0.22	248 310	0.14	36	0.34	335 321	0.19
Individuals	11 475	91.97	41 054 508	23.25	9 226	86.38	22 438 238	12.71
Insurance companies	21	0.17	540 557	0.31	37	0.35	7 315 015	4.14
Investment companies	3	0.02	5 505	0.02	10	0.09	6 832 163	3.87
Medical schemes	2	0.02	243 143	0.14	4	0.04	316 862	0.18
Mutual funds	43	0.34	32 200 567	18.24	97	0.91	52 187 524	29.56
Other corporations	36	0.29	91 613	0.05	54	0.51	456 316	0.26
Own holdings (treasury shares)	2	0.02	5 547 604	3.14	2	0.02	5 724 952	3.24
Private companies	226	1.81	10 308 439	5.84	231	2.16	6 134 048	3.47
Public companies	5	0.04	161 970	0.09	7	0.07	279 343	0.16
Retirement funds	29	0.23	45 202 230	25.60	58	0.54	21 365 159	12.10
EOH share trusts	514	4.12	10 843 263	6.14	788	7.38	15 669 511	8.88
	12 477	100	176 544 961	100	10 681	100	176 544 961	100

Major shareholders

According to the records of the Company, the only shareholders registered at 31 July holding 3% or more of the Company's shares were:

	31 July 2020		31 July 2019	
	Number of shareholders	%	Number of shareholders	%
Lebashe Investment Group	23 062 458	13.06	23 062 458	13.06
Government Employee Pension Fund	16 521 692	9.36	15 141 491	8.58
State Street Bank & Trust Co (Custodian)	–	–	8 005 366	4.53
Foord	11 280 117	6.39	11 818 135	6.69
PSG Konsult	–	–	8 212 387	4.65
Fidelity	7 719 116	4.37	7 305 830	4.14
Bejaled Trust	–	–	5 522 500	3.13
EOH treasury shares – V55 Investments Proprietary Limited	5 547 604	3.14	5 724 952	3.24
Fairtree Capital	–	–	7 231 991	4.10
Rand Merchant Bank	–	–	5 417 818	3.07
Metal & Engineering Industries Retirement Funds	25 245 580	14.30	–	–
	89 376 567	50.62	97 442 928	55.19

Shareholder spread

	31 July 2020		31 July 2019	
	Number of shareholders	%	Number of shareholders	%
Public shareholders	145 319 391	82.31	144 974 831	82.12
Non-public shareholders	31 225 570	17.69	31 570 130	17.87
Directors, associates and management of the Company	274 000	0.16	432 025	0.24
Strategic holdings	23 062 458	13.06	23 062 458	13.06
EOH share trusts	2 341 508	1.33	2 350 695	1.33
EOH treasury shares – V55 Investments Proprietary Limited	5 547 604	3.14	5 724 952	3.24
	176 544 961	100	176 544 961	100
Shares in issue				
Total number in issue	176 544 961		176 544 961	
Share trusts	(2 341 508)		(2 350 695)	
EOH treasury shares – V55 Investments Proprietary Limited	(5 547 604)		(5 724 952)	
Effective number of shares in issue	168 655 849		168 469 314	

SHAREHOLDERS' **DIARY**

Financial year end	31 July 2020
Annual general meeting	Wednesday, 20 January 2021
Reports	
Announcement of annual results for the year ended 31 July 2020	Wednesday, 2 December 2020
Posting of the Annual Integrated Report for the year ended 31 July 2020	Wednesday, 2 December 2020

GLOSSARY

FINANCIAL

Adjusted EBITDA:	Profit/(loss) before depreciation, amortisation, share-based payment expense, gain/loss on disposal of subsidiaries and equity-accounted investments, impairments of non-financial assets, share of profit/loss of equity-accounted investments, remeasurement gains/losses on VFA liability, interest income, interest expense and current and deferred tax.
B2B2C:	Business-to-Business-to-Consumer
Cash realisation rate:	This ratio is calculated by expressing cash generated by operations as a percentage of EBITDA and reflects the proportion of cash operating profit realised after working capital movements.
Dividend cover:	Headline earnings per share divided by dividends per share declared out of earnings for the year.
Dividend yield:	Dividend per share as a percentage of market value per share at year end.
Earnings per share:	Net profit/(loss) for the year attributable to the owners of EOH Holdings Limited divided by the weighted average number of ordinary shares in issue during the year.
Earnings yield:	Headline earnings per share as a percentage of market value per share at year end.
Normalised EBITDA:	Adjusted EBITDA adjusted for once-off cash and non-cash items.
Headline earnings:	Net profit for the year adjusted for profit/loss on sale of property, plant and equipment, investments and impairment losses on non-financial assets.
Headline earnings per share:	Headline earnings divided by the weighted average number of ordinary shares in issue during the year.
Net asset value per share:	Ordinary shareholders' equity divided by the number of ordinary shares in issue.
Operating profit before interest and impairments:	Profit before impairment losses, interest and taxation.
Operating profit margin:	Operating profit as a percentage of revenue.
Price to earnings ratio:	Market value per share divided by headline earnings per share at year end.
Price to net asset value ratio:	Market value per share divided by net asset value per share at year end.
Return on total assets:	Operating profit as a percentage of average total assets.
Core normalised EBITDA:	Normalised EBITDA adjusted for non-core business lines to be closed.

NON-FINANCIAL

OEM:	Original Equipment Manufacturer, OEMs (pronounced as separate letters), are typically manufacturers who resell another company's product under their own name and branding.
AI:	Artificial intelligence (AI) refers to the simulation of human intelligence in machines that are programmed to think like humans and mimic their actions. The term may also be applied to any machine that exhibits traits associated with a human mind such as learning and problem solving.
IOT:	The internet of things, or IOT, is a system of interrelated computing devices, mechanical and digital machines, objects, animals or people that are provided with unique identifiers (UIDs) and the ability to transfer data over a network without requiring human to human or human to computer interaction.

CORPORATE **INFORMATION**

EOH HOLDINGS LIMITED
Incorporated in the Republic of South Africa
Registration number: 1998/014669/06
JSE share code: EOH
ISIN: ZAE000071072
(EOH or the Company or the Group)

DIRECTORATE
Non-executive
Andrew Mthembu *(appointed 6 February 2020 as Chairman)*
Andrew Marshall *(appointed 21 May 2020)*
Bharti Harie *(appointed with effect from 1 January 2021)*
Ismail Mamoojee
Jabu Moleketi *(appointed 1 September 2020)*
Jesmane Boggenpoel
Mike Bosman
Nosipho Molope *(appointed with effect from 1 January 2021)*
Sipho Ngidi *(appointed 20 February 2020)*
Dr Xolani Mkhwanazi *(Chairman deceased 4 January 2020)*
Anushka Bogdanov *(appointed Lead Independent Non-executive Director on 7 February 2020; resigned on 28 July 2020)*
Dr Moretlo Molefi *(resigned with effect from 15 December 2020)*

Executive
Stephen van Coller *(Group Chief Executive Officer)*
Megan Pydigadu *(Group Chief Financial Officer)*
Fatima Newman *(Group Chief Risk Officer)*

GROUP COMPANY SECRETARY
EOH Secretarial Services Proprietary Limited, represented by Neill O'Brien

REGISTERED ADDRESS
Block D, EOH Business Park, Osborne Lane, Bedfordview, 2007
PO Box 59, Bruma, 2026

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AUDITOR
PricewaterhouseCoopers Inc.
4 Lisbon Lane, Waterfall City, Jukskei View, 2090

SPONSOR
Java Capital Trustees and Sponsors Proprietary Limited
Registration number: 2006/005780/07
6th Floor, 1 Park Lane, Wierda Valley, Sandton, 2196
PO Box 522606, Saxonwold, 2132

TRANSFER SECRETARIES
Computershare Investor Services Proprietary Limited
Registration number: 2004/003647/07
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
Private Bag X9000, Saxonwold, 2132