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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.

Group Company Secretary Report

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 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 of South Africa, in respect of the financial year ended 31 July 2019 and that all such returns and notices are true, correct and up to date.

EOH Secretarial Services (Pty) Ltd
represented by Neill O'Brien

1 November 2019

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 November 2019 and signed on its behalf by:

Dr Xolani Mkhwanazi
Chairman

1 November 2019

Stephen van Coller
Group Chief Executive Officer

1 November 2019

Audit Committee Report

for the year ended 31 July 2019

The EOH Audit Committee ('the committee') has pleasure in submitting this report for the year ended 31 July 2019, 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.

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;
- 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').

Independence of the external auditor

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 2019 fiscal year, fees in respect of non-audit services amounted to R1,7 million.

The committee has met with the external auditors without management present, to discuss the results of their 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. No matters of concern were raised during those meetings.

The committee has agreed to the budgeted audit fee for the 2019 financial year. Auditors' remuneration is disclosed in note 27 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.

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, EOH has elected to terminate the external audit services provided by Mazars (Gauteng) Inc. ('Mazars') on conclusion of its external audit responsibilities for the financial year ended 31 July 2019. Mazars was appointed as external auditor to EOH during the 2011 financial year and the Board of directors of the Company thanks Mazars for its services to EOH during its tenure.

Following a formal tender process, the Audit Committee with the endorsement of the EOH Board recommends the appointment of PricewaterhouseCoopers Inc. as the Group's new external auditor, which appointment will be effective from the conclusion of the annual general meeting to be held on 5 December 2019. The Audit Committee further confirms that it has assessed PricewaterhouseCoopers Inc.'s suitability for appointment in accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements and nominates for appointment PricewaterhouseCoopers Inc. as the external auditor of EOH.

Internal audit

EOH set up an internal audit function during the second half of the financial year with the assistance of PwC Inc. The internal audit charter and internal audit plan were approved by the committee. All internal audit reports were reviewed and discussed at committee meetings and, where appropriate, recommendations were made to the Board.

While concerted effort has been made to create the internal control framework, policies and controls, this area needs continued focus and maturing.

Combined assurance

EOH has embarked on a combined assurance model ensuring that there are three levels of defence. The combined assurance approach is in the process of being integrated with the risk management process to assess assurance activities across the various lines of defence.

While the committee is satisfied with the level of assurance provision for significant Group risks, the combined assurance approach will continue to be enhanced during the 2020 fiscal year.

In terms of coordinating assurance activities, the committee reviewed the plans and work outputs of the external and internal auditors.

Internally, management has 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 have been 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.

Current year key areas of focus

As part of the committee's responsibilities, the committee reviewed management position papers on changes in accounting standards related to the adoption of IFRS 9 and 15, as well as position papers on significant IFRS judgement areas and position papers on matters related to prior year adjustments.

Audit qualification of opening balances

During the 2019 fiscal year, the current EOH management team identified a number of transactions that have been processed incorrectly in both current and prior periods; the impact of these transactions spanned various accounting topics, including revenue recognition, asset capitalisation and subsequent recovery, and timing of recognition of liabilities and other provisions for impairment.

In assessing whether the identified adjustments should be processed as prior period errors or recognised in the current period, management considered whether the facts that gave rise to the adjustments existed in prior years, or whether those events only arose due to information that came to light in the current year. Management has only processed adjustments as prior period errors if the facts that gave rise to the adjustment were found to clearly have existed in prior years. It is important to clarify that items deemed to be prior period errors do not merely result from the new EOH management team applying different judgement to the prior management team, but rather from the application of accounting principles to prior year transactions using information that existed at that time.

Measurement of these prior period errors did in some cases require management to make estimates, as set out in paragraph 53 to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, the fact that significant estimates are frequently required when amending comparative information presented for prior periods does not prevent reliable adjustment or correction of the comparative information.

If there was any uncertainty about whether the events that gave rise to an adjustment existed in the prior period, management has processed the adjustment in the current year.

Management further consulted with an independent accounting firm who were supportive of management's view. As a result, the Audit Committee has 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.

Financial reporting

The committee reviewed the interim and annual Group 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.

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 has been put in place which is managed by an independent party. All calls are reported in total anonymity.

Going concern status

The committee has considered the going concern status of the Company and 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 and Company is contained in note 45 – Going concern.

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 Audit Committee recommended the Annual Financial Statements for the year ended 31 July 2019 for approval to the Board. The Board has subsequently approved the Annual Financial Statements which will open the discussion at the forthcoming Annual General Meeting.

For the detailed Audit Committee report refer to page 78 of the integrated report.

Mike Bosman
Chairman, Audit Committee

Directors' Report

for the year ended 31 July 2019

The directors present their report for the year ended 31 July 2019.

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 sector. EOH is one of the largest Information and Communications Technology ('ICT') services providers in 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, as at 31 July 2019 and for the year ended 31 July 2019, 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 103 and 104.

Commentary on the financial performance of the Group is provided on pages 16 to 20.

Restatement of financial statements

During the current year, management identified a number of transactions that had been processed incorrectly in both current and prior periods; the impact of these transactions spanned various accounting topics, including revenue recognition, asset capitalisation and subsequent recovery, and timing of recognition of liabilities and other provisions for impairment.

In assessing whether the identified adjustments should be processed as prior period errors or recognised in the current period, management considered whether the facts that gave rise to the adjustments existed in prior years, or whether those events only arose due to information that came to light in the current year. The 2018 consolidated financial statements and the consolidated statement of financial position as at 1 August 2017 have been restated to correct the prior period errors. As a result of the extent and complexity of the restatements required to correct these errors, management has grouped the restatements according to the nature of these errors.

Details of the restatement have been set out in note 3.

Stated capital

Authorised

Ordinary shares: 500 000 000 no par value shares (2018: 500 000 000).

Issued

Ordinary shares: 176 544 961 no par value shares (2018: 152 797 293).

Directors

The list of directors for the financial year is as follows:

Directorate

Non-executive

Dr Xolani Mkhwanazi (Chairman) (appointed effective 5 June 2019)
Pumeza Bam (resigned 12 July 2019)
Dr Anushka Bogdanov (appointed effective 20 June 2019)
Jesmane Boggenpoel
Asher Bohbot (resigned as Chairman effective 28 February 2019)
Mike Bosman (appointed effective 20 June 2019)
Ismail Mamoojee
Tshilidzi Marwala (resigned effective 28 February 2019)
Dr Moretlo Molefi
Andrew Mthembu (appointed effective 20 June 2019)
Rob Sporen* (resigned as lead independent non-executive director effective 28 February 2019)

** Dutch*

Executive

Stephen van Coller (appointed as director and Group Chief Executive Officer effective 1 September 2018)
Megan Pydigadu (appointed as director and Group Chief Financial Officer effective 15 January 2019)
Fatima Newman (appointed as director and Group Chief Risk Officer effective 1 August 2019)
Zunaid Mayet (resigned effective 12 July 2019)
John King (resigned as Group Financial Director effective 30 November 2018)
Tebogo Maenetja (resigned effective 31 March 2019)

Directors' interest in shares

The directors' interest in shares is set out on page 145.

Directors' emoluments

The emoluments of directors of the Group are set out on page 146.

Related-party contracts

During the course of the year, no director had a material interest in any contract of significance with the Group or any of its subsidiaries that could have given rise to a conflict of interest.

Transactions, defined as related-party transactions in terms of the International Financial Reporting Standards, between the Group or its subsidiaries and the directors or their associates are disclosed in note 42.

Directors' responsibility for the consolidated Annual Financial Statements

The directors are responsible for preparing the consolidated Annual Financial Statements and other information presented in the 2019 Integrated Annual Report, in a manner that fairly presents the financial position and the results of the operations of the Group for the year ended 31 July 2019.

The external auditors are 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 their findings thereon. The auditors' report is set out on page 96 to 102.

The consolidated Annual Financial Statements set out on pages 103 to 160 have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act No. 71 of 2008 of South Africa and the JSE Limited Listings requirements and are based on appropriate accounting policies and methods of computation, which have been consistently applied in all material respects, except for the adoption of IFRS 9, IFRS 15 and updated IFRS 7 during the year ended 31 July 2019 and are supported by reasonable and prudent estimates where appropriate. Adequate accounting records have been maintained throughout the period under review.

Reportable irregularities by the auditors

The following reportable irregularities ('RIs') in terms of section 45 of the Auditing Profession Act were raised by the independent auditors during the current financial year:

1. Potentially suspicious transactions amounting to approximately R1,2 billion were entered into by EOH with suppliers, where the transactions may have related to illegitimate transactions, theft or bribery and corruption payments. These transactions appear to be primarily limited to the public sector business and to a limited number of EOH employees. Current EOH management has engaged with external parties to investigate the suspicious transactions.

Directors' Report

for the year ended 31 July 2019

The above would indicate that past directors and management failed to act in the best interests of the Group and in the public interest.

2. EOH provided funding in the form of an enterprise development loan to an entity which became an associated party. Previous directors of EOH as well as a director of the associated party failed to disclose the interests in the said contract at the time of becoming an associated party. It was alleged that the proceeds of the loan were passed through the associated party to another entity and thus not utilised for the original purpose of the loan. Management further alleged that the money was utilised for a political event and was initially not intended to be repaid.

   EOH allegedly supplied IT equipment to an entity it was not specifically intended for with the intention of garnering favour with respect to future contracts. The invoice indicated that the equipment was sold to a related entity, though it was intended elsewhere.

   Monies were paid to an entity where the allegations are that this was used as a vehicle to donate funds to a political party.

   A donation was made, assisting in the payment of various expenditures, to an entity responsible for the awarding of tenders, in the same month as the awarding of the tender.

   The above RIs have been closed.

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.

Refer to the Integrated Annual Report on page 52 for more information.

Going concern

The directors have reviewed the Group's cash flow forecast for the subsequent year and, in light of this review and the current financial position, they are satisfied that the Group has access to adequate resources to continue in operational existence for the foreseeable future. Details are reflected in note 45 – Going concern.

Litigation statement

The Group and its subsidiaries are 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.

Subsidiaries, joint ventures and associates

Details of the Group's investments in subsidiaries and the Group's investments in associates and joint ventures are set out in notes:
note 7 – Equity accounted investments and note 43 – Schedule of investments in subsidiaries.

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. 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 2019. The businesses that were already sold during the current and previous reporting periods and business held for sale at 31 July 2019 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. Details are reflected in note 15 and note 16.

Special resolutions

On 20 August 2018, shareholders approved the following special resolutions at a general meeting:

- Approval for the creation of EOH A shares.
- Authorisation for the amendment of the EOH memorandum of incorporation.
- Authority to issue capitalisation shares in terms of section 41 (3) of the Companies Act.

On 20 February 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.

No change statement

The consolidated Annual Financial Statements do not contain any material modification to the provisional reviewed condensed consolidated results that were published on 15 October 2019.

Subsequent events

Details are reflected in note 46 – Events after the reporting date.

Independent Auditor's Report
To the shareholders of EOH Holdings Limited

Report on the audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of EOH Holdings Limited ("the Group") set out on pages 107 to 162, which comprise the consolidated statement of financial position as at 31 July 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the respective matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 July 2019, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Qualified Opinion

The Group's consolidated financial statements reflect a restatement of prior period balances, details of which are disclosed in note 3 to the consolidated financial statements. Our evidence indicates that certain of the prior period restatements listed in the note should have been accounted for in the current year as they result mainly from the change in management and their revised considerations that were made in the current year and applying hindsight, we were not provided with sufficient audit evidence to indicate otherwise. According to paragraph 53 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8), hindsight should not be used in determining adjustments to amounts for a prior period.

The following explains our disagreement with the treatment of the adjustments:

1. Unrecorded liabilities/recoverability of assets

   a. **Tax assessments** – Where a tax assessment is completed and further taxes become payable, this should be recognised in the year of the assessment and not the year that was assessed; this must be presented in accordance with paragraph 80(b) and 80(h) of IAS 12 – Income Taxes (IAS 12). Paragraph 80(h) of IAS 12 states that tax expense or income relating to errors included in profit and loss "cannot be accounted for retrospectively". The interest and penalties provided on these assessments must be recognised when the obligation for these items arise in accordance with paragraph 14 of IAS 37 Provisions, Contingent Liabilities and Contingent Assets (IAS 37). The obligation only occurred during the current period.

   b. **Provision for tax on alleged fraud** – A provision for tax has been raised to account for potential tax liabilities related to the alleged fraud taking place in prior periods. This would be considered a change in estimate of the Group's income tax and any change to this would be recognised prospectively in the period of the change in accordance with paragraph 36 of IAS 8. The present obligation, as required for recognition in accordance with paragraph 14 of IAS 37, for these potential taxes only arose on the discovery of the fraud, which occurred during the current period.

      This provision and the related tax expense cannot be raised in prior periods without applying hindsight and our audit evidence indicates that this provision should only be raised in the current period.

   c. The recoverability of the Twenty Third Century Systems (TTCS) equity-accounted investment, as discussed below, is included in this amount.

   d. The transactions in this adjustment that relate to revenue recognition and impairment of accounts receivable are discussed below.

   In our opinion taxation is overstated, as a result of the above, in the statement of profit and loss and other comprehensive income by R20.400 million for the year ended 31 July 2018 and are understated by this amount for the year ended 31 July 2019. The tax payable balance in the statement of financial position at 1 August 2017 is, in our opinion, understated by R16.791 million and at 31 July 2018 by the R20.400 million. The equity-accounted investments balance and the trade and other receivables balance in the statement of financial position are, in our opinion understated by R291.343 million and R254.559 million respectively at 31 July 2018. The trade and other payables balance is, in our opinion overstated in the statement of financial position at 1 August 2017 by R83.952 million and at 31 July 2018 by R316.491 million.

2. **Inventory** – Software licenses that were previously purchased with a view to resell were derecognised by current management, with an adjustment to prior years. These inventory items were recognised in the prior years in terms of paragraph 6 of IAS 2 Inventories (IAS 2). The change in approach is a change in judgement that was made in the current year using information that became available after the 2018 financial year. The proposed change utilises hindsight and is therefore not in accordance with paragraph 53 of IAS 8.

   Consequently, in our opinion, operating expenses are overstated in the statement of profit and loss and other comprehensive income by R54.108 million for the year ended 31 July 2018 and are understated by the same amount for the year ended 31 July 2019. The inventory balance in the statement of financial position at 31 July 2018 is, in our opinion understated by the above amount.

3. **Revenue** – Where revenue was adjusted in prior years for information that became available in the 2019 financial year, we consider the reversal of this revenue to be in contravention of paragraph 53 of IAS 8. There are various transactions and contracts that were included in these adjustments. The revenue was recognised in the prior year in accordance with IAS 18 Revenue (IAS 18) based on evidence that supported a valid expectation that the inflow of economic benefit was probable. In a number of cases the reversal of the revenue in the prior period has been made without sufficient evidence that the economic benefits of the revenue were not probable at the time of initial recognition and consequently we do not agree with the reversal.

   In our opinion revenues are understated in the statement of profit and loss and other comprehensive income by R159.723 million for the year ended 31 July 2018 and are overstated by this amount for the year ended 31 July 2019. The trade and other receivables balance in the statement of financial position at 31 July 2018 is, in our opinion understated by the above amount.

Independent Auditor's Report
To the shareholders of EOH Holdings Limited

4. **Internally generated intangible asset impairments** – Intangible assets were recognised in prior years where they were considered to demonstrate the recognition requirements of paragraph 57 of IAS 38 Intangible Assets (IAS 38). Management have now reconsidered whether these requirements were met using information that became available in the current year; this would be considered a contravention of paragraph 53 of IAS 8. Our evidence indicates that the assets were recognised initially after management were able to prove that they met the capitalisation requirements of IAS 38, however impairment indicators exist impacting the valuation in the current year.

   In our opinion, operating expenses are overstated in the statement of profit and loss and other comprehensive income by R365.863 million and cost of sales by R18.964 million for the year ended 31 July 2018 and are understated for the year ended 31 July 2019 by these same amounts. Furthermore, in our opinion the intangible assets balance in the statement of financial position at 31 July 2018 is understated by R384.828 million.

5. **Provision for impairment of financial assets** – In accordance with the requirements in paragraph 58 of IAS 39 Financial Instruments: Measurement and Recognition (IAS 39), financial assets must be tested for impairment where impairment indicators exist. The provision consists of impaired amounts where management reassessed whether impairment indicators existed on certain financial assets in prior years, and on the re-assessment of the measurement of the impairments. The identification and measurement of impairments are changes that must be accounted for in the current year and not using hindsight to adjust prior periods. Our evidence indicates that the impairment should not have been recognised in the prior periods. The proposed adjustment comprises the accounts receivable and other financial asset amounts included in TTCS and Grid Control Technologies (GCT) which are discussed below.

   In our opinion, net financial impairment losses are overstated in the statement of profit and loss and other comprehensive income by R375.485 million for the year ended 31 July 2018 and are understated for the year ended 31 July 2019 by the same amount. Furthermore, in our opinion the trade and other receivables balance in the statement of financial position as at 31 July 2018 is overstated by R208.379 million and the other financial assets balance by R167.106 million.

6. **Impairment of loans and investment in an associated company: TTCS** – The measurement of the loans and investment in TTCS was re-evaluated by management resulting in a prior year impairment of the trade receivables, loans receivable, and of the carrying value of the investment. Our audit evidence shows that the impairment indicators that management applied in determining the impairment of the associate only existed in the current period, the conditions had not worsened between the acquisition of the associate and 31 July 2018. The associate was generating profits at the time and was not tested by management for impairment as management believed that there were no impairment indicators that required this test (this complies with paragraph 40 of IAS 28 Investments in Associates and Joint Ventures (IAS 28)). Our audit evidence supported this. The group obtained control of TTCS in January 2019 (as per note 8 of the financial statements and obtained a valuation of the group at that date. This valuation was used by management in assessing whether the associate investment should have been impaired at 31 July 2018, which is in contravention of paragraph 53 of IAS 8, referring to events other than those that existed at the time. The impact of this disagreement is included in the amounts shown above.

7. **Impairment of loan to GCT** – Management impaired a receivable from the GCT group in the prior year balances. Our audit evidence provided by the group management and corroborated by ourselves at the time shows that an impairment assessment was performed in the prior year, but the outstanding amounts were covered by the perfected inventory securitisation and therefore no impairment was raised. Management at that time considered the remaining promissory notes to be recoverable as the subsequent notes were not due and payable even on non-payment of the first, and the share return dates could be renegotiated, this agrees to the revised sale contract. The revised impairment assessment is made applying hindsight and is therefore in contravention of paragraph 53 of IAS 8. The impact of this disagreement is included in the amounts shown above.

The result of the matters above is that the loss for the year ended 31 July 2019 is understated by R1,856.937 million, the loss for the year ended 31 July 2018 is overstated by R1,756.195 million. The retained earnings balance is therefore understated by R1,856.937 million at 31 July 2018 and the opening retained earnings balance as at 1 August 2017 is understated by R100.743 million. The evidence provided by management was insufficient, in our opinion, to support the full restatement of the balances for the prior period and their resultant effect on the financial results. The consolidated statement of financial position as at 31 July 2018 is misstated as detailed in the paragraphs above and there is no material impact on the consolidated statement of financial position at 31 July 2019.

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 are independent of the group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of *Professional Conduct for Registered Auditors (Revised January 2018),* parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's report
To the shareholders of EOH Holdings Limited

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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. In addition to the matter described in the Basis for Qualified Opinion section above, we have determined the matters described below to be the key audit matters to be communicated in our report on the consolidated financial statements.

Matter	Audit response
Valuation of goodwill (Note 6)	
Goodwill has been recognised in the consolidated statement of financial position as a result of multiple acquisitions over a number of years. Goodwill comprises approximately 19% of the total assets of the group. During the current financial year approximately 44% of the goodwill balance as at the end of the prior period has been impaired. As required by the International Financial Reporting Standards (IFRS), the directors conduct annual impairment tests to assess the recoverability of the carrying value of goodwill and indeterminate useful life of intangible assets. This is performed using discounted cash flow models. There are a number of key areas of estimation and judgement made in determining inputs into these models which include among others: • Future revenue; • Operating margins; • Interest rates; and • Discount rates applied to projected future cash flows. The impairment test performed on goodwill is subjective, includes judgement & estimations made by management. Furthermore, the recent financial results, media articles and allegations of suspected fraud has negatively impacted market share and the operations of the business and increased the risk of goodwill impairment. The valuation of goodwill and the impairment test performed in goodwill is considered to be a key audit matter due to the extent of judgment and estimation involved.	We focused our assessment of the impairment test of goodwill on the key assumptions and judgements made by the directors. Our audit procedures included: • Inspecting the list of cash generating units ('CGUs') to determine whether the business units have been allocated to the appropriate CGU; • Evaluating whether the model used by the directors to calculate the value in use of the individual cash generating units comply with the requirements of IAS 36 Impairment of Assets (IAS 36); • Assessing the appropriateness of the discount rate used in the cash flow forecast calculation; • Testing the reasonableness of future projected cash flows used in these models; • Identifying changes in the composition of CGUs and obtaining an understanding of the changes to prior years; • Re-performing the calculation based on the audited inputs and comparing it to the calculation performed by management; • Re-performing the sensitivity analysis to verify whether the carrying amount does not exceed the recoverable amount in the impairment calculations; • Using our internal specialists to evaluate the reasonability of the discount rate used in the discounting of future cash flows; and • Reviewing the adequacy of disclosure as required in terms of IAS 36.

Independent Auditor's report
To the shareholders of EOH Holdings Limited

Matter	Audit response
Impairment allowance on trade receivables (Note 2.1 and Note 13)	
The group adopted International Financial Reporting Standard (IFRS) 9, Financial Instruments during the current financial year. The standard introduces new requirements around two main aspects of how financial instruments are treated, namely measurement and classification as well as impairment. IFRS 9 introduces new impairment rules which prescribe a new, forward looking, expected credit loss ("ECL") impairment model which takes into account reasonable and supportable forward-looking information, which will generally result in the earlier recognition of impairment allowances. The group trade receivables represents approximately 23% of the total assets of the group as at 31 July 2019. The increasing economic challenges experienced in South Africa and the long outstanding government debt increases the risks of default by these customers and therefore the risk of impairment in terms of the ECL impairment model. The group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the trade 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 trade receivables and the economic environment. Management performed an assessment of the trade receivable balances at year end based on an expected credit loss (ECL) impairment model. The ECL impairment allowance of trade receivables under IFRS 9 is considered to be a key audit matter due to the extent of subjectivity and judgement involved in applying the ECL impairment model.	Our audit approach included obtaining an understanding of the group's policy in relation to the ECL impairment allowance of trade receivables and testing the application of this policy. We have performed the following procedures: • Evaluated the competence, capabilities, objectivity of the auditor's expert and obtained an understanding of the work performed by the expert in order to rely on work performed. • Engaged with Mazars IFRS specialists and the auditor's expert to assess the reasonability and compliance of the group's ECL model with IFRS 9 requirements; • Obtained the historical data used by management in their ECL impairment model and selected a sample which was tested with reference to supporting documentation. • Identified trade receivable balances outstanding for 120 days and over through inspection of the trade receivable age analysis; • Tested the identified long outstanding trade receivables for recoverability by investigating the reasons for non-payment and corroborating those reasons against supporting documentation. Based on the corroborated reasons provided verified that the long outstanding trade receivables were correctly categorised in the ECL impairment model; and • Selected all material trade receivables and sampled the remaining trade receivables verifying the recoverability by inspecting evidence for payments received after year- end or other suitable evidence supporting the recoverability of the trade receivables. Based on evidence provided verified that the selected material and remaining trade receivables were correctly categorised in the ECL impairment model. • Re-performed the ECL impairment calculation based on the audit evidence provided for the trade receivables selected and compared it to the ECL impairment calculation performed by management to assess the reasonability of the ECL impairment calculation. We furthermore considered the adequacy of the group's disclosure of trade receivables and the related ECL impairment allowance
Suspected prior period fraud investigations	
The EOH board identified certain transactions that indicated possible fraud related to certain government contracts as well as certain suppliers that were entered into by the group and mandated ENS Africa (ENS) to perform an investigation as to the validity of these contracts. ENS discovered evidence of possible tender irregularities. Instances included EOH employees conspiring with preferred suppliers to inflate software licence sales and inappropriate sponsorships and donations. Payments made over the past 5 years of R1.2 billion to 78 suppliers were investigated by ENS to determine whether the appropriate work for services rendered was performed or delivered. We identified the possible fraud as a key audit matter due to the nature of the fraud and the significant impact the findings might have on the financial statements and resultant effect thereof on the audit report.	Our procedures to address this key audit matter include: • Performing data analytics with the assistance of our IT audit function in order to identify transactions with the parties identified in the ENS investigation; • Selecting a sample of these payments made and inspecting supporting documents such as the service level agreements, proof of delivery, purchase orders and the invoices, in order to determine the validity and existence thereof; • Evaluating the scope, procedures and output of the ongoing ENS investigation to assess adequacy of the investigation for determining the full scope of potential fraud; • Discussion with management's legal expert to understand the findings arising from the investigation and assess the impact thereof on the group's financial statements and resultant effect thereof on the audit report. • Reviewing the IFRS Technical position papers, provided by management, pertaining to the ENS investigation and assessing the compliance of the group's IFRS Technical position against the applicable IFRS standards. • Consultation with the Mazars IFRS and Quality Risk Management specialists to assess the impact of the suspected prior period fraud investigations on the income tax and VAT amounts and balances included in the financial statements, as well as the resultant effect thereof on the audit report • In addition, our overall audit approach was modified to take into account the results of these procedures and the impact of a higher fraud risk on our audit.

Independent Auditor's report
To the shareholders of EOH Holdings Limited

Matter	Audit response
Going concern assessment (Note 45)	
The financial statements of the group are prepared on the going concern basis. The group is highly geared and thus reliant on the availability of their credit facilities to continue operating. For the current year under assessment the group has made significant losses during the current year and have sold a number of subsidiaries to accommodate the significant loan repayments to the bank. These factors could indicate that the going concern basis used in the preparation of the financial statements is not appropriate, or that a material uncertainty over the appropriateness of the assumption could exist. Management's assessment of going concern is based on their judgement and their view relating to the next financial year. As a result of the judgement involved in management's going concern assessment, the group's highly geared position and their performance during the current year, the going concern assessment is considered to be a key audit matter.	Management prepared a detailed assessment of the ability of the group to continue as a going concern. We obtained and discussed the detailed assessment from management in order to obtain an understanding of their assessment. Key features of our audit approach to obtain assurance over the assessment included. • Obtaining management's going concern assessment and re-performing the calculations, obtaining supporting documentation and explanations from management for judgements used in management's going concern assessment in order to ensure that the going concern assessment provided is reasonable. • Testing the accuracy and reasonableness of the cash flow forecast used in the going concern assessment by agreeing it to supporting documents provided. • Performing a sensitivity analysis on the cash flow projections to verify that any unexpected changes in the projections will not impact the going concern assessment. • Testing the arithmetical accuracy of the calculations performed in the going concern assessment to ensure that it does not contain any errors. • Assessing the reasonability of the proceeds expected to be received from the disposal of subsidiaries by obtaining the relevant documents supporting the plan to dispose of the subsidiaries and calculation of the proceeds expected thereof. • Obtaining the signed debt reorganisation agreement between the group and the group's bankers and assess the validity of the agreement in order to ensure that the agreement can be relied upon and to determine the impact on the group's available funds. • Agreeing the loan repayments reflected on the cash flow forecast to the loan repayments as per the signed debt reorganisation agreement to ensure that the correct repayments is reflected on the cash flow forecast. • Assessing whether the group meets the requirements of the signed debt reorganisation agreement by inspecting the conditions to be met if any at the date of signing the report to confirm that the group is compliant. • Performing a ratio analysis to assess the group's solvency and liquidity using the consolidated figures at year end and at the date of signing the report. • Performing research on other factors such as share price trends and subsidiaries needing financial assistance from group that can have an impact on the entity's cash flow and thus the entity's ability to continue as a going concern and identify if there is any significant cash out flow expected as a result. We have also assessed the adequacy of the group's disclosures in respect of management's assessment of going concern.

Independent Auditor's report
To the shareholders of EOH Holdings Limited

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "EOH Holdings Limited Consolidated Financial Statements for the year ended 31 July 2019", and the document titled "EOH Holdings Limited 2019 Integrated Report", which includes the Directors' Report, the Audit Committee Report and the Company Secretary's Certificate as required by the Companies Act of South Africa as well as the other reports included in the referred to documents. The other information does not include the consolidated financial statements and our auditor's report 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 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We conclude that there is a material misstatement of the other information in the "Audit Committee Report" and the "Chief Financial Officer's review" due to our qualification of the consolidated financial statements as disclosed in our Basis for Qualified Opinion.

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.

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.

Independent Auditor's report
To the shareholders of EOH Holdings Limited

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, related safeguards.

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 Mazars has been the auditor of EOH Holdings Limited for 9 years (2 years as PKF Gauteng Inc.).

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified reportable irregularities in terms of the Auditing Professions Act. We have reported such matters to the Independent Regulatory Board for Auditors. The matters pertaining to the reportable irregularities have been described in the directors' report.

Mazars
Partner: Miles Fisher
Registered Auditor
Date: 01 November 2019

Gauteng

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 July 2019

Figures in Rand thousand	Notes	2019	Restated*# 2018
Continuing operations			
Revenue	26	11 791 070	12 103 317
Cost of sales		(9 421 633)	(8 682 159)
Gross profit		2 369 437	3 421 158
Net financial asset impairment losses	44	(606 384)	(534 405)
Operating expenses		(5 136 540)	(4 227 214)
Operating loss before interest and equity-accounted loss	27	(3 373 487)	(1 340 461)
Investment income	28	32 329	38 201
Share of equity-accounted loss	7	(9 814)	(463)
Finance costs	29	(334 949)	(347 184)
Loss before taxation		(3 685 921)	(1 649 907)
Taxation	30	(324 141)	(205 915)
Loss for the year from continuing operations		(4 010 062)	(1 855 822)
Loss for the year from discontinued operations**	16	(861 455)	(129 729)
Loss for the year		(4 871 517)	(1 985 551)
Other comprehensive income:			
Exchange differences on translating foreign operations (may be subsequently reclassified to profit or loss)		(3 451)	(48 317)
Total comprehensive income for the year		(4 874 968)	(2 033 868)
(Loss)/profit attributable to:			
Owners of EOH Holdings Limited		(4 874 052)	(1 976 195)
Non-controlling interest		2 535	(9 356)
		(4 871 517)	(1 985 551)
Total comprehensive income attributable to:			
Owners of EOH Holdings Limited		(4 877 503)	(2 021 478)
Non-controlling interest		2 535	(12 390)
		(4 874 968)	(2 033 868)
From continuing and discontinued operations (cents)			
Loss per share	31	(2 995)	(1 367)
Diluted loss per share	31	(2 995)	(1 367)
From continuing operations (cents)			
Loss per share	31	(2 464)	(1 277)
Diluted loss per share	31	(2 464)	(1 277)

* *Refer to note 3 Restatement of financial statements for the impact on profit or loss.*
** *Restated to include discontinued operations identified in 2019.*
# *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2019.*

Consolidated Statement of Financial Position

as at 31 July 2019

Figures in Rand thousand	Notes	2019	Restated* 2018	Restated* 1 August 2017
Assets				
Non-current assets				
Property, plant and equipment	4	481 674	742 983	677 719
Intangible assets	5	488 974	880 392	1 449 296
Goodwill	6	1 850 854	4 255 281	4 625 403
Equity-accounted investments	7	228 067	530 861	847 917
Other financial assets	9	11 610	499 040	214 156
Deferred taxation	10	245 278	327 270	196 764
Finance lease receivables	11	72 638	130 602	169 611
		3 379 095	7 366 429	8 180 866
Current assets				
Inventory	12	251 456	377 501	599 764
Other financial assets	9	76 718	205 692	141 112
Current taxation receivable		52 916	88 442	84 383
Finance lease receivables	11	106 775	63 307	74 610
Trade and other receivables	13	3 164 150	4 733 305	5 132 697
Cash and cash equivalents	14	1 048 583	1 418 319	2 506 551
		4 700 598	6 886 566	8 539 117
Assets held for sale	15	1 759 357	–	–
Total assets		9 839 050	14 252 995	16 719 983
Equity and liabilities				
Equity				
Stated capital	18	4 239 621	3 443 223	3 333 678
Shares to be issued to vendors	19	358 733	809 975	1 013 809
Other reserves	20	547 914	663 122	665 937
Retained earnings**		(3 230 193)	1 002 714	3 391 021
Equity attributable to the owners of EOH Holdings Limited		1 916 075	5 919 034	8 404 445
Non-controlling interest**		40 621	17 788	56 416
		1 956 696	5 936 822	8 460 861
Liabilities				
Non-current liabilities				
Other financial liabilities	21	2 255 825	3 208 415	3 017 416
Finance lease payables	22	28 030	56 388	65 594
Deferred taxation	10	389 416	388 042	406 132
		2 673 271	3 652 845	3 489 142
Current liabilities				
Other financial liabilities	21	1 068 132	895 581	1 523 676
Current taxation payable		97 988	170 230	164 973
Finance lease payables	22	29 331	35 360	41 187
Trade and other payables	23	3 006 403	3 139 220	2 550 599
Provisions	24	173 400	–	–
Deferred income	25	268 949	422 937	489 545
		4 644 203	4 663 328	4 769 980
Liabilities directly associated with the assets held for sale	15	564 880	–	–
Total liabilities		7 882 354	8 316 173	8 259 122
Total equity and liabilities		9 839 050	14 252 995	16 719 983

* *Refer to note 3 – Restatement of financial statements for the impact on the affected assets, liabilities and equity.*
** *Refer to note 2 – Changes in accounting policies for the impact of the adoption of IFRS 9 and IFRS 15.*

Consolidated Statement of Changes in Equity

for the year ended 31 July 2019

Figures in Rand thousand	Stated capital	Shares to be issued to vendors	Other reserves	Retained earnings	Total attributable to the owners of EOH	Non-controlling interest	Total equity
Audited balance at 1 August 2017	3 333 678	1 013 809	665 937	3 491 764	8 505 188	56 416	8 561 604
Correction of error (note 3)	–	–	–	(100 743)	(100 743)	–	(100 743)
Restated audited* balance at 1 August 2017	3 333 678	1 013 809	665 937	3 391 021	8 404 445	56 416	8 460 861
Loss for the year (restated)*	–	–	–	(1 976 195)	(1 976 195)	(9 356)	(1 985 551)
Other comprehensive income	–	–	(45 283)	–	(45 283)	(3 034)	(48 317)
Issue of shares	219 751	(207 491)	–	–	12 260	–	12 260
Non-controlling interest acquired	1 000	–	–	(105 484)	(104 484)	(22 140)	(126 624)
Movement in treasury shares	(111 206)	–	(53 094)	–	(164 300)	–	(164 300)
Remaining shares to be issued to vendors	–	288 989	–	–	288 989	–	288 989
Consideration – EOH shares forfeited	–	(74 549)	–	–	(74 549)	–	(74 549)
Transfer within equity***	–	(210 783)	–	210 783	–	–	–
Share-based payments	–	–	95 562	–	95 562	–	95 562
Dividends	–	–	–	(311 720)	(311 720)	–	(311 720)
Restated audited* balance at 31 July 2018	3 443 223	809 975	663 122	1 208 405	6 124 725	21 886	6 146 611
Effect of adoption of new standards (refer to note 2)**	–	–	–	(205 691)	(205 691)	(4 098)	(209 789)
As at 1 August 2018 (restated)	3 443 223	809 975	663 122	1 002 714	5 919 034	17 788	5 936 822
Loss for the year	–	–	–	(4 874 052)	(4 874 052)	2 535	(4 871 517)
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***	–	(372 515)	(111 184)	483 699	–	–	–
Share-based payments	–	–	53 141	157 446	210 587	–	210 587
Audited balance at 31 July 2019	4 239 621	358 733	547 914	(3 230 193)	1 916 075	40 621	1 956 696
Notes	18	19	20				

* *Refer to note 3 Restatement of financial statements for the impact on profit and loss and retained earnings.*
** *Refer to note 2 Changes in accounting policies for the impact of the adoption of IFRS 9 and IFRS 15.*
*** *Transfers within equity are transfers from shares to be issued to vendors for expired shares and transfers from share-based payment reserve for expired, unexercised options.*

Consolidated Statement of Cash Flows

for the year ended 31 July 2019

Figures in Rand thousand	Notes	2019	2018
Cash generated from operations	35	502 107	1 266 021
Investment income		39 657	51 184
Finance costs		(341 088)	(282 337)
Taxation paid	36	(313 155)	(369 688)
Net cash (outflow)/inflow from operating activities		(112 479)	665 180
Cash flows from investing activities			
Additions to property, plant and equipment	4	(221 818)	(261 518)
Proceeds on the sale of property, plant and equipment and intangible assets		15 972	63 020
Intangible assets acquired	5	(181 587)	(336 591)
Net cash inflow/(outflow) from acquisition/disposal of businesses		369 164	(61 452)
Cash inflow/(outflow) relating to other financial assets		200 181	(83 187)
Net cash inflow/(outflow) from investing activities		181 912	(679 728)
Cash flows from financing activities			
Proceeds from the issue of shares		720 282	10 248
Proceeds from other financial liabilities	21	967 307	502 849
Repayment of other financial liabilities	21	(1 745 982)	(1 070 477)
Purchases of treasury shares		–	(141 295)
Finance lease payments		(32 563)	(49 592)
Dividends paid	34	–	(311 798)
Net cash outflow from financing activities		(90 956)	(1 060 065)
Net decrease in cash and cash equivalents		(21 523)	(1 074 613)
Cash and cash equivalents at the beginning of the year		1 418 319	2 506 551
Current assets held for sale	15	(310 373)	–
Foreign currency translation		(37 840)	(13 619)
Cash and cash equivalents at the end of the year	14	1 048 583	1 418 319

Consolidated Segment Results

for the year ended 31 July 2019

The reportable segments of the Group have been identified based on the nature of the business activities. A significant amount of time has been spent refining and revising the strategy of EOH. A major focus included the critical analysis of the portfolio; both in terms of refining the Group's focus and clarifying drivers of value over the longer term. This resulted in a more streamlined business, comprising three major segments with clearer alignment of focus and groupings of value. This basis is representative of the internal structure of the Group for management purposes. The Chief Operating Decision Maker ('CODM') is EXCO.

iOCO consists of the Information and Communications Technology (ICT) operations in South Africa and internationally. NEXTEC consists of Industrial Technologies and Business Process Outsourcing.

IP comprises businesses which have developed proprietary software and solutions for customers.

The CODM is not presented with secondary information in the form of geographic information and as a result, 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 report.

Revenue and normalised EBITDA from continuing operations:

	2019					Restated* 2018				
Figures in Rand thousand	iOCO	NEXTEC	IP	Recon-ciliation^	Total	iOCO	NEXTEC	IP	Recon-ciliation	Total
Revenue										
Revenue	6 931 563	7 142 522	1 714 984	(415 670)	15 373 399	7 548 559	6 993 953	1 596 988	(268 153)	15 871 347
Discontinued operations	659 027	2 472 118	451 184	–	3 582 329	641 696	2 635 180	491 154	–	3 768 030
Continuing revenue	6 272 536	4 670 404	1 263 800	(415 670)	11 791 070	6 906 863	4 358 773	1 105 834	(268 153)	12 103 317
Gross profit										
Gross profit	1 212 491	1 054 223	713 902	(49 218)	2 931 398	2 149 938	1 524 509	822 505	(2 946)	4 494 006
Discontinued operations	73 087	325 535	163 339	–	561 961	243 822	590 623	238 403	–	1 072 848
Continuing gross profit	1 139 404	728 688	550 563	(49 218)	2 369 437	1 906 116	933 886	584 102	(2 946)	3 421 158
Continuing gross profit (%)	18,2%	15,6%	43,6%	11,8%	20,1%	27,6%	21,4%	52,8%	1,1%	28,3%
EBITDA**	224 899	(9 845)	249 959	(199 000)	266 013	269 632	109 811	258 655	(279 600)	358 498
Non-core business lines to be closed~	279 254	246 800	–	–	526 054	578 694	18 042	–	–	596 736
Normalised EBITDA	504 153	236 955	249 959	(199 000)	792 067	848 326	127 853	258 655	(279 600)	955 234
Normalised EBITDA (%)	8,0%	5,1%	19,8%	47,9%	6,7%	12,3%	2,9%	23,4%	104,3%	7,9%

EBITDA reconciliation

	2019	Restated* 2018
Operating loss before interest and equity-accounted losses from continuing operations	(3 373 487)	(1 340 461)
Depreciation and amortisation	367 129	401 547
Share of equity-accounted (losses)/profits	(9 814)	(463)
Impairment losses	1 630 674	758 469
Loss on disposal of assets	173 974	–
Stock and Original Equipment Manufacturer write-offs	302 044	–
Lebashe – A shares (IFRS 2)	157 444	–
Provision for debtors	342 760	286 430
GCT provisions	289 587	124 356
Provision relating to non-compliance	183 488	208 002
Other once-off adjustments	202 214	(79 382)
EBITDA**	266 013	358 498
Non-core business lines to be closed~	526 054	596 736
Normalised EBITDA	792 067	955 234

* *Comparative figures previously reported have been amended to reflect continuing operations and segments prevailing for the year ended 31 July 2019, as well as correction of prior period errors.*

** *EBITDA is defined as continuing losses before interest, tax, depreciation, amortisation, impairments, gains or losses on disposal of businesses and equity-accounted investments, once-off cash and non-cash items and includes profit or loss from equity-accounted investments.*

^ *Reconciliation comprises internal transactions and head office expenses.*

~ *Non-core business lines to be closed reflect businesses identified to be shut down in that year and preceding years.*

Notes to the Consolidated Annual Financial Statements

for the year ended 31 July 2019

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 in the category Technology: Software and Computer Services sector. EOH is one of the largest information and communications technology ('ICT') services providers in 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, as at 31 July 2019 and for the year ended 31 July 2019, comprise the Company and its subsidiaries (together referred to as 'the Group') and the Group's investments in associates and joint ventures.

1.1 Statement of compliance

The consolidated Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and its interpretations adopted by the International Accounting Standards Board ('IASB'), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act No 71 of 2008 of South Africa and the JSE Limited Listings Requirements.

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.

The accounting policies applied in the consolidated Annual Financial Statements are consistent with those applied in the previous years, except as set out below.

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 2018:
- IFRS 9 – Financial Instruments (IFRS 9)
- IFRS 7 – Financial Instruments: Disclosure (IFRS 7)
- IFRS 15 – Revenue from Contracts with Customers (IFRS 15)

From the date of initial application of IFRS 9 and IFRS 15 on 1 August 2018, the Group had to change its accounting policies and make certain adjustments to equity as at 1 August 2018. The adjustments to equity as at 1 August 2018 were due to additional impairment allowances under IFRS 9. The adoption of IFRS 15 did not have a material impact on the Group as at 1 August 2018.

Refer to note 2.1 for more information regarding the new standards 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 analyses 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 has the most significant effect on the amounts recognised in the consolidated Annual Financial Statements:

	Judgement relates to:	Note
Deferred taxation assets	Judgement around future financial performance	10, 30
Revenue	Judgement in principal versus agent considerations	26
Discontinued operations	Judgement as to whether a component is a discontinued operation	16

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:	Note
Impairment of goodwill and intangible assets	Estimates in determining the recoverable amount of the asset or cash-generating unit (CGU)	5,6
Provisions for licences	Estimates in determining the amount and timing of the provisions	24
Revenue	Estimation of percentage of completion	26
Tax liability	Estimation in determining taxation liability	30
Impairment of trade receivables and contract assets	Estimates in calculating the expected credit loss (ECL) provision on trade receivables and contract assets	44

1. Significant accounting policies continued

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, 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 the non-financial assets policy.

Translation of foreign currencies

(a) Functional and presentation currency

Items included in the Annual Financial Statements of each of the Company'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;
- 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; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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 have a functional currency different from the Group's presentation currency are 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.
- All resulting exchange differences are recognised in other comprehensive income and accumulated in equity.

Any goodwill recognised on foreign operations and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of those foreign operations are treated as assets and liabilities of the foreign operations.

Non-current assets 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. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

1. Significant accounting policies continued

1.5 Summary of significant accounting policies continued

Non-current assets held for sale and discontinued operations *continued*

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 must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised 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 an entity 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 coordinated plan to dispose of a separate major line of business or geographical area of operations.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax 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 note 16. 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.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	50 years
Furniture and fixtures	10 years
Motor vehicles	5 years
Office equipment	3 to 6 years
IT equipment	2 to 5 years
Leasehold improvements	Period of the lease
Technical equipment	3 to 10 years
Other equipment	5 to 10 years

Land is not depreciated.

Leased assets are depreciated over the shorter of the lease term and the asset's useful life. If it is reasonably certain that the Group will obtain ownership by the end of the lease term, the asset is then depreciated over the useful life of the asset.

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 carrying 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 CGUs 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.
- 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 does 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 is 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 assets, on a straight-line basis, over the finite useful life of the asset, as follows:

Item	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 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

Financial assets

The Group adopted IFRS 9 retrospectively on 1 August 2018; however, the Group elected not to restate comparative information. Accordingly, information relating to 31 July 2018 does not reflect the requirements of IFRS 9 but rather those of IAS 39 – Financial Instruments: Recognition and Measurement. Refer to note 2.1 for details regarding the initial application of IFRS 9 and the resulting impact.

(a) Classification

From 1 August 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured at amortised cost: i.e. trade receivables, loans and receivables and cash and cash equivalents.
- Those to be measured subsequently at fair value through profit or loss (FVPL), i.e. equity and cell captive investments.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

In order 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.

Financial assets are not reclassified unless the Group changes its business model, which the Group has not done.

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

1. Significant accounting policies continued

1.5 Summary of significant accounting policies continued

Financial instruments continued

***Financial assets** continued*

***(b) Measurement** continued*

Subsequent to initial recognition, financial assets are measured at:

- amortised cost – subsequently 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; and
- FVPL – subsequently measured at fair value with changes recognised in profit or loss and presented within operating expenses in the statement of profit or loss in the period in which it arises.

(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 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 an approximation of the original effective interest rate.

The Group recognises a loss allowance for ECLs on all loans and 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 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 note 44 for further details on the methodology applied by the Group.

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 FVPL, directly attributable transaction costs. Transaction costs of financial liabilities carried at FVPL 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 19 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 represents 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. The difference in the respective carrying amounts 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.

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.

1. Significant accounting policies continued

1.5 Summary of significant accounting policies continued

***Taxation** continued*

(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).

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:

- **Finance leases:** The Group derecognises the leased asset from property, plant and equipment and 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 leases assets as lessee. The accounting treatment applied is as follows:

- **Finance leases**: Finance leases are capitalised as 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 is included in the statement of financial position as a finance lease obligation. The lease payments are apportioned between the finance charge and the amount to reduce the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.
- **Operating leases:** Operating lease payments are recognised as expenses on a straight-line basis over the lease term. Any contingent rents are expensed in the period they are incurred.

Inventory

Inventory is measured at the lower of cost and net realisable value. The cost of inventory is based on the first-in, first-out formula 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.

1. Significant accounting policies continued

1.5 Summary of significant accounting policies continued

Share-based payments

(a) Employee share plans

The Group has three 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. Information relating to these schemes is set out in note 41.

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 are only conditional on employees remaining in service and have no other performance conditions attached. The impact of any service conditions are excluded in determining the fair value of the options.

At the end of each period, the Group revises its estimates of the number of options 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.

(b) Lebashe transaction

Lebashe has invested in EOH ordinary share capital and in EOH A shares (a new class of equity issued to Lebashe at a nominal value). The unlisted EOH A shares will be redeemed for a number of EOH ordinary shares, based on a formula, at the end of a five-year period.

The share-based payment expense is measured with reference to the fair value of the equity instruments issued as EOH benefits from a BEE perspective, the fair value of which cannot be accurately measured. The share-based payment expense is recognised, in this case, when the A shares are granted as there are no vesting conditions.

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 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 from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for certain sales of software licences where it is agent.

The Group primarily generates revenue from providing the following goods and services: software/licence contracts, hardware sales, maintenance contracts, managed services contracts and other services. The transaction price recognised is based on the contracted amounts.

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 is 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. 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.
Hardware sales	Revenue is recognised at a point in time when control of the hardware has transferred, being when the hardware is delivered.

1. Significant accounting policies continued

1.5 Summary of significant accounting policies continued

Revenue continued

Maintenance contracts	These contracts are normally an agreement that allows customers access to maintenance like upgrades and patches for software or hardware at an agreed fee. 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. Anyresulting 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.
Managed services	Services are provided to customers based on a defined service level agreement for which they are billed periodically. 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.
Other services	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.

(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 goods or services to the customer and when the customer pays for these goods or services 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.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) 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 charges

Finance charges comprise interest payable on borrowings and the interest expense component of finance lease charges, both calculated using the effective interest rate.

2. New standards and interpretations

2.1 Adoption of new standards, amendments to standards and interpretations

The Group applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in the reporting period, but do not have an impact on the consolidated Annual Financial Statements of the Group.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue and Related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 August 2018. The Group elected to apply the standard to all contracts as at 1 August 2018.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

The adoption of IFRS 15 did not have a material impact on the Group as at 1 August 2018 because the measurement methods have not changed based on the new standard.

The adoption of IFRS 15 did not have a material impact for the year ended 31 July 2019 on the statement of profit or loss, statement of other comprehensive income, statement of financial position or the Group's operating, investing and financing cash flows because the measurement methods have not changed based on the new standard.

IFRS 9 – Financial Instruments

IFRS 9 – Financial Instruments replaces IAS 39 – Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied IFRS 9 retrospectively without restating comparatives, with an initial application date of 1 August 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings and non-controlling interests.

The effect of adopting IFRS 9 as at 1 August 2018 was as follows:

Figures in Rand thousand	Classification	Restated balance under IAS 39	1 August 2018 remeasurement	Balance under IFRS 9
Impairment allowance				
Other financial assets	Amortised cost	167 106	35 521	202 627
Trade and other receivables	Amortised cost	447 154	126 826	573 980
Contract assets	Contract assets	–	37 534	37 534
Finance lease receivables	Finance lease receivables	–	9 909	9 909

The total adjustment to equity was a decrease in retained earnings of R205 692 and a decrease in non-controlling interests of R4 098.

The nature of these adjustments are described below:

(a) Classification and measurement

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Group's financial assets:

- Trade and other receivables and other financial assets classified as loans and receivables as at 31 July 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost beginning 1 August 2018.

There are no changes in classification and measurement for the Group's financial liabilities.

Upon the adoption of IFRS 9, the Group had the following required or elected reclassifications:

Figures in Rand thousand	Original classification	New classification	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Other financial assets*	Loans and receivables	Amortised cost	601 465	565 944
Other financial assets	Fair value through profit or loss	Fair value through profit or loss	138 788	138 788
Trade and other receivables*	Loans and receivables	Amortised cost	3 857 664	3 730 838

* *The change in carrying amount is a result of additional impairment allowance. See the discussion on impairment below.*

2. New standards and interpretations continued

2.1 Adoption of new standards, amendments to standards and interpretations continued

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

Figures in Rand thousand	**Allowance for impairment under IAS 39 as at 31 July 2018**	**Remeasurement**	**ECL under IFRS 9 as at 1 August 2018**
Loans and receivables under IAS 39/Financial assets at amortised cost under IFRS 9, finance lease receivables and contract assets	614 260	209 790	824 050

2.2 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated Annual Financial Statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 16 – Leases

IFRS 16 primarily affects the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases for lessees and requires recognition of an asset (the right to use the leased item) and a financial liability in relation to rentals payable.

The Group expects that the most significant impact of the new standard will result from operating property leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of R414 million. For these the Group will recognise lease liabilities on 1 August 2019, representing the present value of the future minimum lease payments discounted at an appropriate rate after taking into account the lease term, value, economic environment and security over the asset applicable. The Group will recognise corresponding right-of-use assets in respect of these leases. Preliminary IFRS 16 impact assessments have quantified the value thereof to be R374 million.

IFRS 16 introduces optional exemptions for short-term and low-value leases to be expensed. A threshold of USD$5 000 is applied in identifying low-value leases. Non-lease components will continue to be recognised as an expense in operating expenses as they are incurred.

With the implementation of IFRS 16, operating lease costs, formerly recognised as part of operating expenses, will be replaced with the recognition of depreciation on the right-of-use assets and interest on the lease liabilities over the lease term in profit or loss. This will impact debt ratios and other key metrics. The replacement of operating lease costs will result in a positive impact on EBITDA.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability will be classified within financing activities, increasing interest paid.

Accounting by lessors will not significantly change. Lessors continue to distinguish leases as operating or finance. The Group's involvement in contracts as a lessor are insignificant with an immaterial impact on the consolidated Annual Financial Statements.

The Group will apply the standard from 1 August 2019 and intends to apply the simplified transition approach, not restating comparative amounts for the year prior to adoption. Right of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid lease expenses). The Group has elected to apply the practical expedient to not reassess the lease definition.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the interpretation may affect its consolidated Annual Financial Statements. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the interpretation on a timely basis.

2.3. Standards and interpretations early adopted

The Group has chosen not to early adopt any new standards or interpretations.

3. Restatement of prior year financial statements

During the current year, management identified a number of transactions that appeared to have been processed incorrectly in both current and prior periods; the impact of these transactions spanned various accounting topics, including revenue recognition, asset capitalisation and subsequent recovery, and timing of recognition of liabilities and other provisions for impairment.

In assessing whether the identified adjustments should be processed as prior period errors or recognised in the current period, management considered whether the facts that gave rise to the adjustments existed in prior years, or whether those events only arose due to information that came to light in the current year. The 2018 consolidated Annual Financial Statements and the consolidated statement of financial position as at 1 August 2017 have been restated to correct the prior period errors. As a result of the extent and complexity of the restatements required to correct these errors, management has grouped the restatements according to the nature of these errors.

A brief explanation of each group of errors is provided below, following which an analysis is included of the financial impact on the affected financial statement line items:

Revenue

Under IAS 18 *Revenue*, revenue could only be recognised once it was probable that the economic benefits associated with the transaction would flow to the seller and the amount of revenue could be measured reliably, among other requirements. A number of revenue transactions had been recognised in prior years, for which it was not probable that benefits would flow to the Group due to a lack of valid and enforceable rights to the benefits, as valid contracts or other binding agreements were not in place at the time. These transactions primarily related to arrangements in the public sector. The requirements to recognise revenue for these transactions under IAS 18 were not met in prior years, based on the facts and circumstances that existed in prior years. The Group has therefore corrected for these errors in the prior year through the reversal of revenue, trade receivables and work-in-progress (unbilled revenue) balances.

In addition, a number of revenue transactions, for which the Group would have been considered to be an agent using information available in prior years had been incorrectly recognised on a gross basis in prior years due to the lack of an assessment of the Group's agent/principal status in prior periods. This incorrect application of the accounting principles in the prior year has also been adjusted as a prior period error through the reversal of revenue and cost of sales and only recognising the margin as revenue.

Internally generated intangible assets

IAS 38 *Intangible Assets* distinguishes between research and development costs with regards to internally generated intangible assets. Costs related to research activities are expensed and costs related to development activities are capitalised if they meet certain specified criteria. Further, if an entity cannot distinguish the research phase from the development phase of an internal project, the entity treats the expenditure on that project as if it were incurred in the research phase only. The Group had capitalised certain costs incurred on internally generated intangible assets, for which the criteria for capitalisation as development costs had not been demonstrated in prior years. For the majority of these intangible assets, business plans had not been prepared and the ability of the assets to generate future economic benefits had not been demonstrated; the specified criteria set out in IAS 38 were therefore not met at the time of initial recognition of the intangible assets based on factors that existed at that time. The costs incurred should therefore never have been capitalised but, instead, recognised as research costs as incurred. Correction of this error has resulted in the reversal of capitalised intangible assets together with the reversal of any related amortisation of the capitalised intangible assets and an increase in research costs expensed.

Inventory licences

IAS 2 *Inventories* requires that for items to be capitalised as inventory, it should first meet the definition of an asset. The conceptual framework defines an asset as a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.

Costs were incurred and capitalised as inventory in prior years even though it was doubtful, at the time of incurring the costs, that future economic benefits would flow to the Group. This relates largely to acquired licences that were assigned to specified potential customers which, once assigned, could only be sold to that potential customer, but for which the Group had no commitment from the potential customer that it would acquire the licence. Management believe that the costs incurred to acquire these licences should therefore have been recognised as an expense when incurred, taking into account the information that existed at the time of initial recognition. Accordingly, correction of this error has resulted in the reversal of inventory and an increase in expenses.

Provision for impairment on financial assets

Under IAS 39 *Financial Instruments: Recognition and Measurement* principles, a financial asset carried at amortised cost is impaired, and impairment losses recognised if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset. An entity is therefore required to assess at each reporting date whether there is any objective evidence of impairment. If such evidence exists, the entity is required to perform a detailed impairment calculation to determine whether an impairment loss should be recognised. Management identified certain financial assets carried at amortised cost, for which impairment indicators existed in prior years, including defaults on scheduled payments. The Group did not perform an adequate impairment assessment for these financial assets in prior years, despite the existence of these impairment indicators. Had an assessment been performed using information available at the time, additional impairment provisions would have been recognised. Correction of these errors has resulted in an increase in the provision for impairment, as well as an increase in the impairment expense for the prior period.

In the prior year, GCT had defaulted on loan repayments due to the Group, resulting in the existence of an indicator of impairment under IAS 39 at 31 July 2018. The Group did not identify the impairment indicator for GCT as a counterparty at that time, and therefore did not perform an adequate impairment test. An assessment of impairment, taking into account the facts that existed at 31 July 2018, resulted in the need to recognise an impairment provision on the GCT loan as a prior period error, with subsequent deterioration in 2019 being recognised in the current year.

3. Restatement of financial statements continued

Unrecorded liabilities/recoverability of assets

The Group has identified certain tax liabilities pertaining to prior periods that should have been recognised in prior years, but for which there was no accounting at the time. Such tax liabilities include liabilities which were assessed as a result of the ENS investigations. These tax liabilities arose from obligations that existed in prior years and not from reassessments of the Group's tax liability position, and should have been recognised in prior periods based on information that existed at that time.

Additionally, management has identified cases in which revenue had been recognised for work performed in prior periods, without proper accrual of related costs incurred.

Recognition of these liabilities and accruals has been accounted for as a prior period error, resulting in increases in tax liabilities and trade and other payables, as well as increases in the expenses in the periods to which it relates.

A number of impairment indicators for the Group's investment in TTCS, trade receivables and loan balances existed in prior years – these included:

- Default by TTCS, prior to 31 July 2018, on the repayment of debtor and loan balances due to the Group;
- Significant deterioration in key ratios of TTCS in the prior periods; and
- Ongoing and persistent foreign currency shortages in Zimbabwe.

Although impairment indicators existed in prior periods, the Group did not previously perform adequate impairment tests related to TTCS, which would have resulted in impairment provisions being recognised. The loan and debtor balance from TTCS, along with the Group's investment in TTCS have been adjusted as prior period errors, with subsequent deterioration in 2019 being recognised in the current year.

The identified errors have been corrected by retrospective restatement in the period to which it relates. In most cases, it is impracticable to distinguish the period-specific effect of the error, due to changes in management and the lack of availability of information, in which case the error was corrected in the comparative 2018 consolidated Annual Financial Statements. The portion of the tax liabilities related to the ENS investigations pertaining to financial periods ended before 1 August 2017 have been adjusted for against the opening balances of liabilities and equity as at 1 August 2017.

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 2017

		Correction of prior period errors					
Figures in Rand thousand	31 July 2017	Revenue	Internally generated intangible assets	Inventory	Provision for impairment of financial assets	Unrecorded liabilities/ recoverability of assets	Restated 1 August 2017
Intangible assets	1 449 296						1 449 296
Equity-accounted investments	847 917						847 917
Other financial assets	355 268						355 268
Inventory	599 764						599 764
Trade and other receivables	5 132 697						5 132 697
Current taxation payable	(148 182)					(16 791)	(164 973)
Trade and other payables	(2 466 647)					(83 952)	(2 550 599)
Net assets	8 561 604	–	–	–	–	(100 743)	8 460 861
Retained earnings	(3 491 764)	–	–	–	–	100 743	3 391 021
Total equity	(8 561 604)	–	–	–	–	100 743	(8 460 861)

Statement of financial position (extract) as at 31 July 2018

		Correction of prior period errors						
Figures in Rand thousand	31 July 2018	Revenue	Internally generated intangible assets	Inventory	Provision for impairment of financial assets	Unrecorded liabilities/ recoverability of assets	Adoption of IFRS 9 (refer note 2.1)	Restated 31 July 2018
Intangible assets	1 265 220		(384 828)					880 392
Equity-accounted investments	822 204					(291 343)		530 861
Other financial assets	907 359				(167 106)		(35 521)	704 732
Inventory	431 609			(54 108)				377 501
Trade and other receivables	5 583 044	(219 660)			(208 379)	(257 340)	(164 360)	4 733 305
Finance lease receivables	203 818						(9 909)	193 909
Current taxation payable	(149 830)					(20 400)		(170 230)
Trade and other payables	(2 760 283)					(378 937)		(3 139 220)
Net assets	8 128 713	(219 660)	(384 828)	(54 108)	(375 485)	(948 020)	(209 790)	5 936 822
Retained earnings	(3 184 359)	219 660	384 828	54 108	375 485	948 020	209 790	(992 468)
Total equity	(8 128 713)	219 660	384 828	54 108	375 485	948 020	209 790	(5 936 822)

3. Restatement of financial statements continued

Statement of profit or loss and other comprehensive income (extract) for the year ended 31 July 2018

		Correction of prior period errors						
Figures in Rand thousand	31 July 2018	Revenue	Internally generated intangible assets	Inventory	Provision for impairment on financial assets	Unrecorded liabilities/ recoverability of assets	Reclassified as discontinued operations (note 16)	Restated 31 July 2018
Continuing operations								
Revenue	16 341 024	(469 678)					(3 768 029)	12 103 317
Cost of sales	(11 523 643)	250 018	(18 964)			(84 751)	2 695 181	(8 682 159)
Gross profit	4 817 381	(219 660)	(18 964)	–	–	(84 751)	(1 072 848)	3 421 158
Net financial asset impairment losses	(197 998)				(375 485)		39 078	(534 405)
Operating expenses	(3 811 494)		(365 863)	(54 108)		(758 917)	763 168	(4 227 214)
Operating loss before interest and equity-accounted profit	807 889	(219 660)	(384 827)	(54 108)	(375 485)	(843 668)	(270 602)	(1 340 461)
Investment income	52 750						(14 549)	38 201
Share of equity-accounted profit	48 223						(48 686)	(463)
Finance costs	(352 145)						4 961	(347 184)
Profit/(loss) before taxation	556 717	(219 660)	(384 827)	(54 108)	(375 485)	(843 668)	(328 876)	(1 649 907)
Taxation	(268 460)					(3 609)	66 154	(205 915)
Profit/(loss) for the year from continuing operations	288 257	(219 660)	(384 827)	(54 108)	(375 485)	(847 277)	(262 722)	(1 855 822)
Loss for the year from discontinued operations	(392 450)						262 722	(129 729)
Loss for the year	(104 193)	(219 660)	(384 827)	(54 108)	(375 485)	(847 277)	–	(1 985 551)
Other comprehensive income	(48 317)							(48 317)
Total comprehensive income for the year	(152 510)	(219 660)	(384 827)	(54 108)	(375 485)	(847 277)	–	(2 033 868)
Loss attributable to:								
Owners of EOH Holdings Limited	(100 984)							(1 976 195)
Non-controlling interest	(3 209)							(9 356)
Total	(104 193)							(1 985 551)
Total comprehensive income attributable to:								
Owners of EOH Holdings Limited	(146 267)							(2 021 478)
Non-controlling interest	(6 243)							(12 390)
Total	(152 510)							(2 033 868)
From continuing and discontinued operations (cents)								
Loss per share	(70)							(1 367)
Diluted loss per share	(68)							(1 367)
Headline earnings/(loss) per share	283							(546)
Diluted earnings/(loss) per share	276							(546)
From continuing operations (cents)								
Earnings/(loss) per share	202							(1 277)
Diluted earnings/(loss) per share	196							(1 277)
Headline earnings/(loss) per share	278							(728)
Diluted earnings/(loss) per share	271							(728)

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 and equipment

	2019			2018		
Figures in Rand thousand	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land and buildings	119 872	(8 124)	111 748	117 368	(4 871)	112 497
Furniture and fixtures	104 640	(52 327)	52 313	110 468	(44 829)	65 639
Motor vehicles	92 442	(38 686)	53 756	91 973	(30 446)	61 527
Office equipment	119 764	(84 540)	35 224	105 604	(59 986)	45 618
IT equipment	733 580	(438 329)	295 251	616 593	(292 022)	324 571
Leasehold improvements	186 774	(124 937)	61 837	155 808	(106 108)	49 700
Technical equipment	107 049	(42 161)	64 888	69 995	(13 545)	56 450
Other equipment	36 924	(13 042)	23 882	38 969	(11 988)	26 981
Current assets held for sale (note 15)	(379 546)	162 321	(217 225)	–	–	–
	1 121 499	(639 825)	481 674	1 306 778	(563 795)	742 983

Reconciliation of property, plant and equipment

Figures in Rand thousand	Opening balance	Additions	Additions through business combinations	Disposals	Transfers	Foreign currency translation	Depreciation	Disposals of business	Current assets held for sale – note 15	Closing balance
2019										
Land and buildings	112 497	663	4 053	–	–	–	(1 411)	(4 054)	(60 253)	51 495
Furniture and fixtures	65 639	10 371	304	(6 755)	820	(12)	(16 631)	(1 425)	(9 358)	42 953
Motor vehicles	61 527	13 548	447	(5 062)	–	2	(16 259)	(447)	(14 717)	39 039
Office equipment	45 618	13 718	–	(7 549)	235	(43)	(16 754)	–	(5 110)	30 115
IT equipment	324 571	106 012	3 376	(5 381)	(598)	(1 447)	(112 497)	(18 784)	(97 028)	198 224
Leasehold improvements	49 700	46 650	–	(11 259)	–	(1)	(21 454)	(1 796)	(2 174)	59 666
Technical equipment	56 450	22 967	–	(3 785)	3 138	–	(13 882)	–	(28 585)	36 303
Other equipment*	26 981	12 339	–	(6 340)	(3 595)	454	(5 960)	–	–	23 879
	742 983	226 268	8 180	(46 131)	–	(1 047)	(204 848)	(26 506)	(217 225)	481 674
2018										
Land and buildings	112 526	–	1 500	–	–	189	(1 718)	–	–	112 497
Furniture and fixtures	57 571	18 069	2 736	(1 995)	1 445	12	(12 199)	–	–	65 639
Motor vehicles	68 185	15 506	2 509	(13 790)	–	429	(11 312)	–	–	61 527
Office equipment	40 428	23 634	627	(829)	(870)	(19)	(17 353)	–	–	45 618
IT equipment	266 958	170 115	2 134	(27 241)	187	(1 833)	(85 749)	–	–	324 571
Leasehold improvements	40 165	35 797	661	(6 905)	(34)	(15)	(19 969)	–	–	49 700
Technical equipment	–	20 447	2 239	(20 723)	67 469	–	(12 982)	–	–	56 450
Other equipment*	91 886	5 902	1 111	(1 398)	(68 197)	(462)	(1 861)	–	–	26 981
	677 719	289 470	13 517	(72 881)	–	(1 699)	(163 143)	–	–	742 983

* *Other equipment includes medical equipment.*

Buildings were pledged as security against other financial liabilities with a carrying value of R4 million (2018: R5 million). The pledge is limited to the carrying value of the related liability (refer to note 21).

Additions of R15 million (2018: R20 million) relate to finance leases (refer to note 22).

The profit or loss on disposal of items of property, plant and equipment is included in operating expenses as per note 27.

Property, plant and equipment subject to finance leases shown at carrying value

Figures in Rand thousand	2019	2018
Motor vehicles	23 722	27 289
IT and office equipment	31 099	48 572
Buildings	12 148	10 508
	66 969	86 369

5. Intangible assets

Figures in Rand thousand	2019 Cost	2019 Accumulated amortisation and impairment	2019 Carrying value	Restated* 2018 Cost	Restated* 2018 Accumulated amortisation and impairment	Restated* 2018 Carrying value
Contracts purchased	109 148	(101 847)	7 301	143 958	(108 186)	35 772
Customer relationships	345 273	(266 657)	78 616	392 713	(179 896)	212 817
Intellectual property	175 513	(123 423)	52 090	177 288	(93 643)	83 645
Internally generated software*	520 214	(273 270)	246 944	1 009 281	(707 294)	301 987
Computer software*	408 747	(338 912)	69 835	520 057	(353 735)	166 322
Other intangible assets	241 813	(157 937)	83 876	103 185	(23 336)	79 849
Current assets held for sale (note 15)	(196 108)	146 420	(49 688)	–	–	–
	1 604 600	(1 115 626)	488 974	2 346 482	(1 466 090)	880 392

Reconciliation of intangible assets

Figures in Rand thousand	Opening balance	Additions	Additions through business combinations	Disposals	Transfers	Foreign currency translation	Amortisation	Impairments	Disposals of businesses**	Current assets held for sale (note 15)	Closing balance
2019											
Contracts purchased	35771	–	–	–	–	–	(13612)	(10217)	(4641)	(2 021)	5 280
Customer relationships	212817	–	–	–	–	185	(42152)	(79227)	(13007)	(20 125)	58 491
Intellectual property	83645	–	–	–	(1827)	294	(19118)	(10904)	–	(1 846)	50 244
Internally generated software	301987	96268	–	–	57745	(5522)	(64747)	(25596)	(113 191)	(8 431)	238 513
Computer software	166321	48973	–	(20549)	(63171)	43	(59275)	(2507)	–	(3 699)	66 136
Other intangible assets	79851	41183	–	–	7253	30	(32064)	(7143)	(5234)	(13 566)	70 310
	880392	186424	–	(20549)	–	(4970)	(230968)	(135594)	(136073)	(49688)	488974
Restated* 2018											
Contracts purchased	87 278	–	23 165	(37 310)	–	–	(37 362)	–	–	–	35 771
Customer relationships	294 642	–	71 075	(115 414)	–	518	(38 004)	–	–	–	212 817
Intellectual property	321 691	139	2 950	(224 742)	1 562	306	(18 261)	–	–	–	83 645
Internally generated software*	488 668	175 050	2 401	(7)	110 925	1 328	(91 960)	(384 418)	–	–	301 987
Computer software*	142 604	161 403	361	(9 393)	(55 523)	–	(72 719)	(412)	–	–	166 321
Other intangible assets	114 413	–	41 849	(3 794)	(56 964)	(2 577)	(4 412)	(8 664)	–	–	79 851
	1 449 296	336 592	141 801	(390 660)	–	(425)	(262 718)	(393 494)	–	–	880 392

* *Refer to note 3 for further information regarding the restatement of the prior year.*
** *The disposals for 2018 includes the GCT intangibles of R374 million.*

Impairments to intangible assets largely relate to:

- Customer relationships and customer contracts were impaired for R107 million after the profitability of the related relationships and contracts deteriorated below expected levels.
- The remaining impairments relate to other internally generated software in a number of underperforming CGUs in which goodwill impairments have also been recognised of R28 million.

Impairment testing

The Group performed a review of intangible assets for impairment, which highlighted impairments of R135 million (R88 million in the iOCO segment, R45 million in the NEXTEC segment and R2 million in the IP segment).

For the purpose of impairment testing, intangible assets were allocated 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.

A pre-tax weighted-average cost of capital of 19% – 24,1% (2018: 17,7% – 20,4%) was used in discounting the projected cash flows.

6. Goodwill

Figures in Rand thousand	2019	2018
Opening balance	4 255 281	4 625 403
Acquired in business combinations	70 877	340 255
Foreign currency translation	27 874	9 268
Disposals	(325 605)	(634 935)
Impairment: discontinued operations	(506 762)	–
Impairments: continuing operations	(1 348 579)	(84 710)
Current assets held for sale (note 15)	(322 232)	–
Closing balance	1 850 854	4 255 281

The aggregate carrying amounts of goodwill were allocated to the following reporting segments:

	2019	2018
iOCO	966 000	1 748 243
NEXTEC	831 544	2 199 902
IP	375 542	307 136
	2 173 086	4 255 281
Current assets held for sale	(322 232)	–
	1 850 854	4 255 281

A number of economic, operational and negative events during the year ended 31 July 2019 had a significant negative impact on EOH's market capitalisation and certain underlying businesses. The Group has also gone through a review of its strategy which impacted CGU allocations. This, combined with the sale and discontinuation of certain non-core business activities, has resulted in a material impact on the carrying value of goodwill. The Group performed a review of goodwill for impairment, which highlighted impairments of R1 855 million (R613 million in the iOCO segment and R1 242 million in the NEXTEC segment).

Strategic changes, combined with further refinement of the operational structures and a rigorous and in-depth analysis having been performed of the CGUs, resulted in the identification of CGUs at a lower level of the Group structure ("Third level" segmentation). As a result, the aggregation of assets for identifying these CGUs has changed.

iOCO

The impairments to goodwill in iOCO relate mainly to EOH's public sector-focused ERP businesses. Goodwill amounting to R198 million across a number of CGUs was impaired due to continued project complexities, slow debtor recoveries and the impact of no further large ERP projects on the continuing outsourcing business.

A further R116 million in impairments in this segment were driven by lost or delayed contracts and projects as a result of the reputational damage sustained by EOH.

Goodwill relating to iOCO International CGUs was impaired by R114 million driven mainly by weaker cash conversion and project delivery difficulties in the Middle East and European entities.

The balance of the iOCO impairments relates to a number of CGUs which have been negatively impacted by challenging market conditions.

6. Goodwill continued

NEXTEC

The industrial technologies division of NEXTEC sustained a number of impairments as detailed below:

- The rail transport technologies' CGU was impaired by R146 million, due to continuing difficulties in completing active contracts and ongoing delays in starting new contracts which have driven continued underperformance against budgets.
- Despite project awards and sign-off for various REIPP projects in the energy sector (electricity generation), there have been continued delays in project launch and completion of transmission and distribution projects both in South Africa and Mozambique, resulting in an impairment of R196 million in energy-related CGUs.
- CGUs providing water infrastructure solutions continue to be impacted by project kick-off delays on projects in hand, as well as new project awards as a result of public sector funding and administrative issues, which have resulted in continued underperformance to budgets and impairments of R131 million.
- Margins within the digital infrastructure businesses have also been negatively impacted by original equipment manufacturers opting to sell directly to customers, resulting in a drop in revenue and margin as well as an impairment of R90 million to goodwill.
- Impairments of R55 million relate to certain non-core CGUs that are held for sale.

The business process outsourcing division of NEXTEC sustained a number of impairments as detailed below:

- A number of CGUs which provide employee services, were impacted by the 2018 High Court ruling related to temporary staffing. This resulted in decreased revenue and reduced margins, driving impairments of R117 million.
- Changes in US legislation governing clinical trials resulted in a loss of customers in the outsourced clinical trials business. This has impacted the earnings forecast and profitability levels resulting in an impairment of R95 million.
- Impairments of R67 million relate to certain non-core CGUs that are held for sale.
- Inability to maintain and secure customer contracts contributed to R63 million of the impairment recognised.

The balance of the NEXTEC impairments relate to a number of CGUs impacted by the negative events and challenging South African market conditions, resulting in further impairments.

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. Cash-generating units have been identified to reflect the various solution clusters in EOH based on the strategic review of the Group. Comparatives have been aligned to this structure.

Key assumptions used in discounted cash flow projection calculations

The assumptions below have been applied to calculate the recoverable amount of cash-generating units based on a level 3 fair value less costs of disposal calculation. 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.

A pre-tax weighted-average cost of capital rate was used in discounting the projected cash flows depending on the nature of business and operating markets (including country specific factors). The cash flow projections were based on 2020 budgeted results and a reasonable growth rate applied for a further four years based on market conditions and historic trends. A perpetuity growth rate was applied based on conservative historical market trends and operating markets (including country specific factors). The rates ranged between:

	iOCO		NEXTEC	
	2019	2018	2019	2018
Pre-tax weighted average cost of capital rate*	19,5% – 24,1%	17,7% – 19,8%	19,0% – 23,7%	18,2% – 20,4%
Perpetuity growth rate*	3,9%	4,5%	3,9%	4,5%

** These ranges exclude international rates.*

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 ended 31 July 2019. The forecast cash flows of these CGUs are reliant on a certain level of anticipated improvement within the forecast period.

6. Goodwill continued

Sensitivity analysis on fair value less costs of disposal

In performing the impairment test for goodwill, EOH considered the sensitivity of the EOH CGUs to changes in assumptions around key value drivers. The key value drivers for the EOH CGUs are EBIT margins, discount rates and revenue growth assumptions. A sensitivity analysis was performed by decreasing the key value drivers by one percentage point, resulting in the following CGUs no longer having adequate headroom:

	Absolute change to discount rate %	Absolute change in EBIT margin %
NEXTEC		
Hospitality Professionals SA	6,6%	10,5%
Impact Human Resources	N/A	16,8%
Energy management	N/A	12,6%

CGUs not disclosed in the table above have sufficient headroom to absorb the changes in assumptions made in our sensitivities.

7. Equity-accounted investments

Figures in Rand thousand	2019	Restated* 2018
Opening balance	530 861	847 917
Additions***	190 454	–
Dividends received	–	(3 638)
Foreign currency translation	(83 304)	(60 298)
Foreign currency translation recognised in profit or loss	94 547	–
Disposals**	(146 460)	–
Capital contribution	3 243	–
Impairment: Continuing operations	(146 500)	–
Impairment: Discontinued operations	(121 405)	(301 343)
Share of equity-accounted losses continuing operations	(9 814)	(463)
Share of equity-accounted (losses)/profit discontinued operations	(11 087)	48 686
Current assets held for sale (note 15)	(72 468)	–
Closing balance	228 067	530 861

* *Refer to note 3 for further information regarding the restatement of the prior year.*
** *Refer to note 8 for further information regarding the change of control in the TTCS Group.*
*** *EOH Mthombo sold 70% of its wholly owned subsidiary Construction Computer Software (CCS) for an amount of R444 million to RBI Limited, a subsidiary of German-listed RIB Software SE (RIB) as at 31 July 2019. EOH retains a 30% shareholding in CCS, and will be able to participate in CCS expansion and growth. The change in shareholding is reflected as an addition to equity investments, the entity was formerly recognised as a subsidiary.*

As part of the Group's strategy to exit from non-core operations, a number of equity-accounted investments have been classified as held for sale.

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 recoverable amount was based on fair value less cost of disposal.

7. Equity-accounted investments continued

The equity-accounted investments are as follows:

Figures in Rand thousand	2019	Restated* 2018
Computer Construction Software	190 453	–
aSAY Group	24 538	80 037
Cozumevi	13 071	35 934
Virtuoso Consulting	–	112 636
Bessertec Group	–	80 886
TTCS Group	–	161 266
Acron	–	40 199
Other – Continuing	5	19 903
Total	228 067	530 861
Equity-accounted investments held for sale		
Virtuoso Consulting	64 175	–
Bessertec Group	896	–
Other**	7 397	–
	72 468	–

*** Other includes the TTCS Group, Acron and other investments held for sale.*

Equity-accounted joint venture investments	110 082	369 595
Equity-accounted associate investments	190 453	161 266
Current assets held for sale (note 15)	(72 468)	–
	228 067	530 861
Share of profits of equity-accounted joint venture investments	(6 604)	38 454
Share of profits of equity-accounted associate investments	(14 297)	9 769
Share of profits of equity-accounted investments	(20 901)	48 223

Aggregate information of equity-accounted investments that are not individually material:

Joint venture investments		
The Group's share of profit from continuing operations	3 869	38 454
The Group's share of post-tax profit (loss) from discontinued operations	(10 473)	–
Aggregate carrying amount of the Group's interests in these joint ventures	37 614	369 595

Reconciliation of the carrying amount of the interest in joint venture investments

Figures in Rand thousand	2019	2018
Balance at the beginning of the year	369 595	400 623
Foreign currency translation reserve	11 753	(55 844)
Share of results after taxation	(6 604)	38 454
Dividends received	–	(3 638)
Capital contribution	3 243	–
Impairment loss	(267 905)	(10 000)
Joint venture investments held for sale (note 15)	(72 468)	–
Balance at the end of the year	37 614	369 595

7. Equity-accounted investments continued

Non-material associate investments

Figures in Rand thousand	2019	2018
The Group's share of (loss)/profit from continuing operations	–	(4 796)
Aggregate carrying amount of the Group's interests in these associates	–	33 141

During the current year the non-material associate investments in the TTCS Group was disposed of (refer note 8).

The Group has the following material associate*:

Associate name:	Construction Computer Software
Principal activity:	IT applications and business solutions provider
Country of incorporation:	South Africa
Effective interest in issued ordinary share capital:	30%
Year end:	31 July 2019
Effective date of acquisition:	31 July 2019

Reconciliation of the carrying amount of the interest in CCS:

Figures in Rand thousand	2019
Balance at the beginning of the year	–
Deemed acquisition of CCS	105 497
Net change in fair value of identified assets	84 956
Balance at the end of the year	190 453

** Refer to note 17 for further information regarding Construction Computer Software.*

Summarised financial information of the material associate

EOH Mthombo sold 70% of its wholly owned subsidiary Construction Computer Software (CCS) for an amount of R444 million to RIB Limited, a subsidiary of German-listed RIB Software SE (RIB) as at 31 July 2019. EOH retains a 30% shareholding in CCS, and will still be able to participate in CCS expansion and growth. The change in shareholding is reflected as an addition to equity investments, the entity was formerly recognised as a subsidiary.

Figures in Rand thousand	2019
Current assets	115 373
Non-current assets	62 959
Current liabilities	(62 838)
Non-current liabilities	(1 582)
Total net assets recognised by the Group	113 912
Proportion of the Group's ownership interest	34 174
Revenue	286 345
Profit from continuing operations	23 032
Total comprehensive income for the year	23 032

8. Change of control in investment in TTCS

The Group acquired 49% of the TTCS Group ('TTCS') in 2015 and had since been equity-accounting the investment.

TTCS provides system integration, product delivery, maintenance and support services predominantly to customers in Zimbabwe and growing operations in Zambia, Malawi, Kenya, Uganda, Rwanda, Tanzania, Ghana, Botswana and Nigeria, as well as other project delivery in sub-Saharan Africa.

As at 31 July 2018, the Group had the following balances in relation to TTCS:
Equity-accounted investment – R453 million
Other financial assets (loan) – R87 million
Trade and other receivables – R424 million

During the first half of 2019, an error in consideration of the impact of the impairment indicators on the measurement of TTCS Zimbabwe was re-evaluated. The recoverability of trade receivables and loan balances and the expected cash flows were re-evaluated in terms of IAS 39 and the carrying value of the investment in the TTCS Group was re-evaluated, resulting in prior year impairment provisions of R542 million, which was adjusted for as a prior period error, adjusting the opening balances for 2019. Refer to note 3 for further details on the correction of the prior period error.

Obtaining control

The Group gained control of the TTCS Group of Companies on 17 January 2019 as a result of investigations and a settlement between SAP, the Department of Justice in the United States of America and TTCS, with the Board of directors of TTCS being reconstituted to afford EOH 60% of the voting rights. Judgement was applied in assessing whether there was control and the Group was considered to have power over TTCS, exposure or rights to variable returns from its involvement with TTCS and the ability to use its power over TTCS to effect the Group's returns from this date onwards. The direct and effective shareholding in each entity remained unchanged.

Obtaining control required the Group to recognise TTCS as a subsidiary and therefore 'dispose' of its associate at fair value as part of the acquisition of the subsidiary.

As a result of the deemed disposal of the investment in TTCS as an associate, a loss on disposal of R146 million was recognised. This loss was as a result of the Group's reliance on the Zimbabwean operations and the recent and continuing disruptions within Zimbabwe, as well as the impact of changes in local currency.

The (loss)/profit for the period from the investment in associate and deemed disposal subsequently is:

Figures in Rand thousand	Five months ended 31 December 2018	Year ended 31 July 2018
Share of (loss)/profit from equity-accounted associate investment	(14 297)	20 589
Non-cash, once-off, accounting loss on deemed disposal of associate*	(146 460)	–
	(160 757)	20 589

* *The value of TTCS Group is based on a valuation of the current shareholding and the following key assumptions:*
- *a four-year forecast for the TTCS Group's operations;*
- *a weighted average cost of capital of between 17,0% and 23,6% (depending on the country of operation);*
- *a terminal growth rate of 2,1%; and*
- *discounts of 10% to 30% for a lack of marketability and the current illiquid nature of the investments which increased significantly as a result of the recent deterioration in local currency, as recognised through the Old Mutual Implied Rate.*

The businesses were valued at approximately R64 million at 31 December 2018. Conservatively, as a result of the continuing uncertainty regarding Zimbabwe and the new currency, management's expectation was that dividends were not likely to be paid in the medium to long term. Therefore, when calculating goodwill and the loss on disposal, an enterprise value of Rnil has been used.

The subsequent deemed acquisition of TTCS as a subsidiary impacted the Group as follows:

Figures in Rand thousand	31 December 2018**
Fair value of assets and liabilities acquired	
Non-current assets	37 058
Current assets	48 590
Current liabilities (including minority portion of EOH payables)***	(387 346)
Net liabilities acquired	(301 698)
Non-controlling interests measured at their share of the fair value of the net assets/value of TTCS (including minority portion of EOH payables)***	300 448
Amount capitalised	(1 250)
Goodwill	70 877
Goodwill impairment	(70 877)
Net cash outflow*	(1 250)

* *Given the nature of the acquisition, there is no additional consideration payable.*
** *The fair value of the assets and liabilities acquired has been translated to ZAR based on an Old Mutual Implied Rate of 2,79 at 31 December 2018 for TTCS Zimbabwe, resulting in a negative net asset value as the majority of the loans and trade payables are denominated in foreign currencies, while current assets are predominantly USD RTGS-based. The loans of R86 million and trade payables of R480 million payable to EOH at 31 December 2018 are included in current liabilities and have been eliminated against trade receivables and loans on consolidation.*
*** *Minority portion of EOH payables are eliminated on consolidation.*

8. Change of control in investment in TTCS continued

Figures in Rand thousand	2019
Loss after tax contribution to trading results for the period	(9 557)
Contribution had the effective date of obtaining control been 1 August 2018	(16 155)

There were no acquisition-related costs during the period included in operating expenses in the statement of profit or loss.

The contribution to the trading results of the TTCS Group have been accounted for from the effective date of the business combination. The accounting of these subsidiaries is based on best estimates and fair values.

Loss of control

A Sale of Shares Agreement (SSA) was entered into between the Group and the previous shareholder, whereby the Group sold its entire 49% shareholding to the previous shareholder, with the risk and benefit of the 49% shareholding passing with effect from 1 May 2019. From 1 May 2019, the Group no longer has any board representation at TTCS and does not have the ability to appoint any board members. The Group effectively lost control over TTCS on 1 May 2019.

The SSA contained three suspensive conditions for the sale and purchase to be completed and as at 31 July 2019, one of the suspensive conditions, being the relevant exchange control approval from the Reserve Bank of Zimbabwe, was not received. As the sale was not yet concluded at the reporting date, the retained investment was classified as held for sale (refer to note 15).

The Group accounts for the investment retained in TTCS upon loss of control, as an investment in associate under IAS 28.

According to IFRS 10, when a parent loses control of a subsidiary, it must recognise any investment retained in the former subsidiary at its fair value at the date when control is lost. The fair value of the retained investment is Rnil.

The results of TTCS for the current period as well as the prior period are shown as discontinued operations (refer to note 16).

The Group realised an accounting profit on loss of control of R125 million. Loans owing by TTCS to the Group were waived and the Group has an SAP settlement liability of R46 million on behalf of the TTCS Group.

9. Other financial assets

Figures in Rand thousand	2019	Restated 2018
Financial assets at fair value through profit or loss	28 332	138 788
Listed equity linked investments	–	89 020
Other financial instruments	28 332	49 768
Debt instruments at amortised cost	59 996	565 944
Amounts receivable from sale of the GCT Group	–	299 962
Equity accounted investment receivables	42 413	100 326
Enterprise development loan receivables	4 520	76 733
Other loans and receivables	13 063	88 923
Total financial assets	88 328	704 732
Non-current other financial assets	11 610	499 040
Current other financial assets	76 718	205 692
	88 328	704 732

Impairment allowance

At 31 July 2019, a total impairment allowance of R519 million (2018: R202 million) has been raised against debt instruments carried at amortised cost.

An impairment allowance of R414 million (2018: R124 million) has been raised for amounts receivable from the sale of the GCT 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 and has been shown as a net amount. The allowances raised are based on the general approach, considering the probability of default and collateral (if any).

Refer to note 2.1 for further information regarding the transition to IFRS 9 and note 3 for further information regarding the prior year restatement.

Refer to note 44 for the disclosure on the expected credit losses.

9. Other financial assets continued

Reconciliation of movements of debt instruments measured at amortised cost

Figures in Rand thousand	2019	Restated* 2018
Opening balance	565 944	236 847
Equity adjustment relating to IFRS 9	–	(35 521)
Net cash paid/(received)	(574 069)	83 187
Disposal of businesses	523 547	459 163
Movement in provision for debt instruments	(433 455)	(186 322)
Classified as held for sale (note 15)	(7 289)	–
Other movements	(14 682)	8 590
Closing balance	59 996	565 944

10. Deferred taxation

Figures in Rand thousand	2019	2018
The balance comprises		
Aggregate of deferred taxation assets	272 493	327 270
Aggregate of deferred taxation liabilities	(391 989)	(388 042)
	(119 496)	(60 772)
Aggregate of deferred taxation assets	272 493	327 270
Assets held for sale (note 15)	(27 215)	–
	245 278	327 270
Aggregate of deferred taxation liabilities	(391 989)	(388 042)
Liabilities directly associated with the assets held for sale (note 15)	2 573	–
	(389 416)	(388 042)
Analysis of deferred taxation balances		
Deferred cost	(144 689)	(122 723)
Prepaid expenses	(11 815)	(37 260)
Leases	(6 159)	(32 922)
Intangibles	(183 688)	(209 748)
Property, plant and equipment	(14 887)	(19 183)
Valuation allowances	234 742	30 841
Payroll accruals	143 835	167 712
Deferred income	158 649	130 877
Assessed losses	–	109 778
Unrecognised deductible temporary differences	(200 666)	–
Fair value adjustments	(94 818)	(78 144)
	(119 496)	(60 772)
Deferred taxation movement		
Balance at the beginning of the year	(60 772)	(209 368)
Acquired in business combinations	–	(36 389)
Disposal/discontinued operations	9 064	90 239
Movement through profit or loss	(54 372)	91 730
Foreign currency translation	(13 416)	3 016
Balance at the end of the year	(119 496)	(60 772)

11. Finance lease receivables

Figures in Rand thousand	2019	Restated 2018
Gross investment in the leases due		
– within one year	87 664	85 924
– within two to five years	132 018	164 805
– beyond five years	5	393
	219 687	251 122
Less: unearned finance income	(31 274)	(47 304)
	188 413	203 818
Impairment allowance	(9 000)	(9 909)
	179 413	193 909
Present value of minimum lease payments due		
– within one year	72 638	63 307
– within two to five years	115 771	140 135
– beyond five years	4	376
	188 413	203 818
Impairment allowance	(9 000)	(9 909)
	179 413	193 909

The Group entered into finance leasing agreements for certain IT safety and security access equipment.

The lease terms are generally three to seven years and the average effective lending rate is prime to 7% above prime lending rates (2018: 1,75% to 7% above prime lending rates).

12. Inventory

Figures in Rand thousand	2019	Restated 2018
Finished goods	238 577	350 187
Consumables	3 770	8 831
Work in progress	27 124	34 234
	269 471	393 252
Inventory write-downs	(18 015)	(15 751)
	251 456	377 501
Cost of goods sold during the year amounted to:	2 265 284	2 345 311

13. Trade and other receivables

Figures in Rand thousand	2019	Restated* 2018
Financial instruments	2 304 768	3 629 433
Trade receivables	2 268 177	3 543 616
Gross trade receivables	2 734 409	4 141 616
Provision for credit notes	(24 013)	(24 020)
Impairment allowance (refer to note 44)	(442 219)	(573 980)
Other receivables	36 591	85 817
Non-financial instruments	859 382	1 103 872
Net contract assets	644 937	799 768
Gross contract assets	738 773	837 302
Provision for contract assets	(93 836)	(37 534)
Prepayments	93 587	237 396
VAT receivable	80 434	10 742
Other receivables	40 424	55 966
	3 164 150	4 733 305

Trade and other receivables of at least 80% are required to be pledged and ceded for the purposes of loan security in terms of the security arrangements through the Security SPV for the interest-bearing liabilities contained in note 21 and referred to as 'loans secured through Security SPV.'

** Refer to note 2.1 for the transition impact of IFRS 9 on the finance lease receivables and the financial instruments (trade receivables, contract assets and other receivables) and refer to note 3 for further information regarding the prior year restatement.*

Contract assets were previously disclosed as work in progress.

14. Cash and cash equivalents

Figures in Rand thousand	2019	2018
Cash and cash equivalents consist of:		
Cash on hand	3 296	3 630
Bank balances and short-term deposits	1 045 287	1 414 689
	1 048 583	1 418 319

Cash of at least 80% is required to be pledged and ceded for the purposes of the loan Security SPV for the security arrangements through the Security SPV for the interest-bearing liabilities contained in note 21 and referred to as 'loans secured through Security SPV.'

The total amount of undrawn facilities available for future operating activities and commitments is:	400 000	596 550

15. Assets held for sale

The Group recently refined its operational structure into three distinct reportable segments 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 2019. In addition, Construction Computer Software (CCS) as well as other smaller businesses were disposed of during the period.

The major classes of assets and liabilities of the disposal groups, per reportable segment, classified as held for sale as at 31 July 2019 are as follows:

Figures in Rand thousand	iOCO	NEXTEC	IP	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
Inventory	4 980	30 166	–	35 146
Current taxation receivable	575	2 584	–	3 159
Trade and other receivables	99 625	526 698	88 239	714 562
Cash and cash equivalents	47 919	221 110	41 344	310 373
Assets held for sale	311 745	1 299 350	148 262	1 759 357
Liabilities				
Other financial liabilities	(978)	(4 433)	(3 837)	(9 248)
Finance lease payables	–	–	(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)	(331 133)	(32 222)	(468 941)
Deferred income	–	(67 980)	(2 048)	(70 028)
Liabilities directly associated with the assets held for sale	(106 467)	(415 579)	(42 834)	(564 880)
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 16)	(135 374)	(450 994)	(41 799)	(628 167)
	(135 374)	(473 166)	(41 799)	(650 339)

The discontinued operation Grid Control Technologies (GCT Group) was disposed of during the year ended 31 July 2018. As a result, no assets were held for sale at 31 July 2018.

16. Discontinued operations

Identification and classification of discontinued operations

There were a number of businesses that were approved for sale at 31 July 2019, 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 2019, and the resulting impairment was allocated to the identified disposal groups (refer to note 6 Goodwill).

Figures in Rand thousand	2019	Restated* 2018
Revenue	3 582 329	3 768 030
Expenses	(4 180 645)	(3 494 790)
Other income	76 247	55 636
Profit before tax	(522 069)	328 876
Tax expense	(40 822)	(66 155)
Remeasurement to fair value less costs to sell	(628 167)	–
Gain/(loss) on disposal	329 603	(392 450)
Total loss from discontinued operations	(861 455)	(129 729)
Attributable to:		
Equity-holders of the parent	(863 515)	(129 729)
Non-controlling interest	2 060	–
Earnings per share (cents)		
Loss per share from discontinued operations	(531)	(90)
Diluted loss per share from discontinued operations	(531)	(90)
Net cash flows in relation to discontinued operations		
Cash inflow/(outflow) from operating activities	46 644	(89 127)
Cash inflow/(outflow) from investing activities	123 148	(59 472)
Cash outflow from financing activities	(135 940)	(6 114)

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2019.*

	2019			
Figures in Rand thousand	iOCO**	NEXTEC	IP	Total
Revenue	659 027	2 472 118	451 184	3 582 329
Expenses	(941 112)	(2 726 198)	(513 335)	(4 180 645)
Other income	369	69 747	6 131	76 247
Profit before tax	(281 716)	(184 333)	(56 020)	(522 069)
Tax expense	(2 605)	(45 993)	7 776	(40 822)
Remeasurement to fair value less costs to sell	(135 373)	(450 995)	(41 799)	(628 167)
Gain/(loss) on disposal	109 389	–	220 214	329 603
Total profit or (loss) from discontinued operations	(310 305)	(681 321)	130 171	(861 455)

** *iOCO discontinued operations include the TTCS Group and other international businesses.*

17. Disposal of subsidiaries

Figures in Rand thousand	CCS Group
Treatment before disposal	100% Subsidiary
Date of disposal	31 Jul 19
Consideration received or receivable:	
Cash	399 951
Fair value of contingent consideration	44 439
Total disposal consideration	444 390
Carrying amount of net assets sold	
Net assets disposed of	102 862
Goodwill and PPA	317 704
Total net asset value	420 566
Accounting profit on disposal	23 824
30% investment in associate remaining	190 453
Reclassification of foreign currency translation reserve	5 937
Gain on conversion of subsidiary to associate	220 214

17. Disposal of subsidiaries continued

Figures in Rand thousand	CCS Group
Revenue	286 345
Expenses	(293 710)
Loss before income tax	(7 365)
Income taxation	(15 667)
Loss after income tax of discontinued operation	(23 032)
Gain on sale of the subsidiary after income tax	220 214
Profit from discontinued operation	197 182

On 30 April 2019, 100% interest in AFON Pty Ltd ('AFON') was sold for proceeds of R67 million, resulting in a loss on disposal of R16 million. R3 million foreign currency translation reserve credit has been reclassified.

On 31 March 2019, 51% interest in Sukema IP Company (Pty) Ltd was sold for R3 million, resulting in a loss on disposal of R8 million.

On 28 February 2019, 100% of iSquared (Pty) Ltd was sold for proceeds of R5,3 million, resulting in a loss on disposal of R9 million.

18. Stated capital

Figures in Rand thousand	2019	2018
Stated capital		
Opening balance	3 443 223	3 333 678
Shares issued for cash[1]	713 115	–
Shares issued as a result of the acquisition of businesses[2]	48 427	210 503
Shares issued to the Group share incentive and retention schemes[3]	1 170	10 248
Treasury shares[4]	33 686	(111 206)
	4 239 621	3 443 223

Authorised

500 000 000 ordinary shares of no par value

[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 amounts to R23,70 per share.*

Figures in thousands	2019	2018
Issued		
Reconciliation of the number of shares in issue:		
Opening balance	152 797	150 095
Shares issued as a result of the acquisition of businesses	1 203	2 207
Shares issued to the Group share incentive and retention schemes	50	495
Shares issued as a result of the Lebashe B-BBEE transaction*	22 495	–
Shares in issue at the end of the period	176 545	152 797
Less:		
Treasury shares held in the Group share incentive schemes	(2 351)	(2 367)
Treasury shares held by wholly owned subsidiaries of the Company that will not be cancelled	(5 650)	(5 530)
	168 544	144 900
EOH A shares of no par value:		
Shares issued as a result of the Lebashe B-BBEE transaction*	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 three 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.*

The related IFRS 2 share-based payment charge of R157 million has been recognised in the statement of profit or loss.

* Unissued

323 455 039 (2018: 347 202 707) unissued ordinary shares are under the control of the directors in terms of the resolution of members passed at the last Annual General Meeting subject to the provisions of section 38 of the Companies Act of South Africa and the JSE Listings Requirements. The directors are authorised to issue up to an aggregate maximum of 5% of the issued number of shares for cash until the next Annual General Meeting.

19. Shares to be issued to vendors

Figures in Rand thousand	2019	2018
Opening balance	809 975	1 013 809
Current year acquisitions	–	219 561
New acquisitions: business combination	–	188 409
Acquisition of non-controlling interest	–	31 152
Shares issued relating to profits warranted	(451 242)	(423 395)
Shares issued: business combinations	(43 611)	(120 979)
Shares issued: prior year equity-accounted investments	(454)	(17 084)
Transfer in equity: use of treasury shares	(12 703)	–
Transfer in equity for expired profit warrants	(372 517)	(210 783)
EOH shares forfeited: relating to disposals	(21 957)	(74 549)
	358 733	809 975

** The above balance is representative of 3 954 335 (2018: 5 241 568) shares that would be issued if 100% of future profits warranted are achieved.*

20. Reserves

Figures in Rand thousand	2019	2018
Reserves are made up as follows:		
Foreign currency translation reserve	(14 488)	(11 049)
Share-based payments reserve	344 225	402 281
Treasury shares reserve	218 177	271 890
	547 914	663 122

21. Other financial liabilities

Figures in Rand thousand	2019	2018
Interest-bearing liabilities	2 980 602	3 404 595
Interest-bearing bank loans secured through security SPV	2 292 881	2 841 518
Unsecured interest-bearing bank loans	675 219	537 844
Interest-bearing bank loans secured by certain property	12 502	25 233
Non-interest-bearing liabilities	352 603	699 401
Vendors for acquisition – level 3	303 313	633 709
Other non-interest bearing liabilities	49 290	65 692
Current assets held for sale (note 15)	(9 248)	–
	3 323 957	4 103 996
Non-current financial liabilities	2 255 825	3 208 415
Current financial liabilities	1 068 132	895 581
	3 323 957	4 103 996
Reconciliation of other financial liabilities		
Balance at the beginning of the year	4 103 996	4 541 092
Raised through business combinations	–	201 053
Proceeds from other financial liabilities	967 307	502 849
Repayment of other financial liabilities	(1 745 982)	(1 070 477)
Acquisitions of non-controlling interests	–	67 839
Disposal of subsidiaries	(64 406)	(155 362)
Net changes in fair value	33 199	(9 156)
Other non-cash items	39 090	26 158
Liabilities directly associated with assets held for sale (note 15)	(9 248)	–
	3 323 956	4 103 996
Financial instruments		
Measured at amortised cost	3 020 644	3 470 287
Financial liabilities carried at fair value through profit or loss	303 313	633 709
	3 323 957	4 103 996

21. Other financial liabilities continued

Figures in Rand thousand	2019	2018
Vendors for acquisitions		
Non-current financial liabilities	–	62 666
Current financial liabilities	303 313	571 043
	303 313	633 709

The loans secured through Security SPV have the following security provided trade and other receivables contained in note 13 and cash contained in note 14 of at least 80% of each class of asset which are required to be pledged and in terms of security arrangements through the Security SPV.

22. Finance lease payables

Figures in Rand thousand	2019	2018
Minimum lease payments due		
– within one year	33 000	43 565
– within two to five years	28 754	63 761
	61 754	107 326
Less: Future finance charges	(4 393)	(15 578)
	57 361	91 748
Present value of minimum lease payments due		
– within one year	29 331	35 360
– within two to five years	28 030	56 388
	57 361	91 748

The Group enters into finance leasing arrangements for certain motor vehicles, IT equipment and office equipment. The years of maturity range from 2020 to 2024 and the leases bear interest at rates up to prime plus 4% (2018: prime plus 4%). The Group's obligations under these finance leases are secured by the leased assets as per note 4.

23. Trade and other payables

Figures in Rand thousand	2019	Restated 2018
Financial instruments	848 383	1 343 273
Trade payables	820 611	1 326 756
Other payables	27 772	16 517
Non-financial instruments	2 158 020	1 795 947
Contract liabilities	95 099	–
Other accrued expenses	1 091 795	693 164
VAT	232 774	282 252
Payroll accruals	738 352	820 531
	3 006 403	3 139 220

24. Provisions

	2019	2018
Opening balance	–	–
Arising during this year	173 400	–
	173 400	–

The provisions have been raised as a result of the ENS investigation. There is uncertainty regarding the actual amount and these provisions are expected to be settled in the next financial year.

25. Deferred income

	2019	2018
Deferred income	268 949	422 937

Where costs have been incurred and revenue received prior to the implementation of a project, these are capitalised and recognised in profit or loss over the implementation period of the project, on a percentage-of-completion basis.

26. Revenue

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 August 2018. The Group elected to apply the standard to all contracts as at 1 August 2018. The adoption of IFRS 15 did not have a material impact on the Group as at 1 August 2018.

Comparative information under IAS 18

Figures in Rand thousand	Restated 2018
Sale of goods	2 919 279
Rendering of services	12 814 835
Financial element of revenue	137 233
Presented as discontinued operations (note 16)	(3 768 030)
	12 103 317

Disaggregated revenue

Figures in Rand thousand	2019
Revenue by sector	
Public sector	18%
Private sector	82%
Total	100%
Major revenue types	
Services	8 391 367
Managed services	3 145 623
Hardware sales	2 060 857
Software maintenance	927 938
Software/licence contracts	357 544
Rentals	287 913
Hardware maintenance	91 355
Services – other	57 353
Sale of goods – other	53 449
Total	15 373 399
Timing of revenue recognition	
Goods or services transferred to customers:	
– at a point in time	2 471 849
– over time	12 901 550
Total	15 373 399
Continuing operations	11 791 070
Discontinued operations	3 582 329
Total	15 373 399
Contract balances	
Contract assets (note 13)	644 937
Contract liabilities (notes 23 and 25)	(364 048)
Total	280 889

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date for mostly service contracts.

The contract assets are transferred to receivables when the rights become unconditional, which usually occurs when the Group issues an invoice to the customer.

The contract liabilities primarily relate to the advance consideration received from customers and deferred revenue for services and maintenance contracts. Revenue is recognised from the contract liability amounts as and when services are delivered and related performance obligations satisfied.

26. Revenue continued

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

Figures in Rand thousand	2019
Contract assets	
Contract assets at the beginning of the reporting period	799 768
Transfers from contract assets recognised at the beginning of the period to receivables	(271 126)
Increases as a result of changes in the measure of progress	151 618
Impairment allowance (note 44)	(35 323)
Contract assets at the end of the reporting period	644 937
Contract liabilities	
Contract liabilities at the beginning of the reporting period	422 937
Revenue recognised that was included in the contract liability balance at the beginning of the period	(141 841)
Increases due to advance cash received or amount billed, excluding amounts recognised as revenue during the period	152 980
Liabilities directly associated with the assets held for sale (note 15)	(70 028)
Contract liabilities at the end of the reporting period	364 048
Contract assets	
Unbilled revenue	738 773
Allowance for impairment	(93 836)
Total	644 937

Performance obligations

Nature of goods and services

The following table provides an explanation of the entity's performance obligations:

Revenue type	Recognition drive	Transfer of control	Measurement of transaction price	Duration of contract
Software/licence contracts	Agent – upon delivery Principal – monthly	Agent – at a point in time Principal – over time	Contracted amounts	> 1 year
Hardware sales	Upon delivery	At a point in time	Contracted amounts	< 1 year
Maintenance contracts	Monthly	Over time	Contracted amounts	> 1 year
Managed services	Monthly	Over time	Contracted amounts	> 1 year
Other services	Monthly/costs incurred	Over time	Contracted amounts	> 1 year

Remaining performance obligations

The following table includes revenue to be recognised in future related to performance obligations that are unsatisfied (or partially satisfied) as at 31 July 2019:

Figures in Rand thousand	2019
Within one year	2 049 564
More than one year	73 290
Total	2 122 854

The remaining performance obligations expected to be recognised in more than one year relate to maintenance contracts and service contracts that are 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 this resulted in prior period restatements. Refer to note 3.

27. Operating loss before interest and equity-accounted losses from continuing operations

Figures in Rand thousand	2019	Restated*# 2018
Operating loss before interest and equity-accounted losses is shown after taking into account the following other items:		
Amortisation	226 716	259 569
Amortisation included in cost of sales	78 758	38 475
Amortisation not included in cost of sales	147 958	221 094
Auditors' remuneration	21 229	17 645
Audit fee	19 470	13 523
Fees for other services	1 759	4 122
Depreciation	140 413	141 978
Depreciation included in cost of sales	56 188	71 305
Depreciation not included in cost of sales	84 225	70 673
Employee costs	4 897 427	4 813 163
Employee costs included in cost of sales	3 061 796	3 014 418
Employee costs not included in cost of sales	1 835 631	1 798 745
Share-based payments expense	46 852	94 275
Lebashe share-based payments expense	157 446	–
Foreign exchange (gain)/loss	(56 503)	(24 931)
Fair value loss on remeasurement of contingent consideration (vendors for acquisition)	33 470	20 651
Fair value loss/(gain) through profit or loss	12 000	(177)
Loss on disposal of property, plant and equipment	5 409	118
Operating lease charges	140 808	145 024
Operating lease charges on immovable property	126 224	127 199
Operating lease charges on movable property	14 584	17 825

** Refer to note 3 Restatement of 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 2019.

28. Investment income

Figures in Rand thousand	2019	2018
Interest income		
Bank	24 022	28 835
Other interest received	8 307	9 366
	32 329	38 201

29. Finance costs

Figures in Rand thousand	2019	2018
Other financial liabilities	320 804	322 784
Finance lease payables	5 943	8 719
Bank	8 086	15 349
Other interest paid	116	332
	334 949	347 184

30. Taxation

Figures in Rand thousand	2019	Restated 2018
Current taxation		
Local income taxation – current year	325 264	337 366
Local income taxation – prior years	(16 472)	24 758
Foreign income taxation – current year	1 799	1 676
	310 591	363 800
Discontinued operations	69 625	66 155
Continuing operations	240 966	297 645
	310 591	363 800
Deferred taxation		
Originating and reversing temporary differences	54 372	(86 957)
Prior year adjustments	–	(4 773)
	54 372	(91 730)
Discontinued operations	(28 803)	–
Continuing operations	83 175	(91 730)
	54 372	(91 730)
Total taxation	364 963	272 070
Discontinued operations	40 822	66 155
Continuing operations	324 141	205 915
Total taxation	364 963	272 070
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*	1,3	(5,2)
Foreign taxation rate difference	(0,1)	(0,8)
Share of profits of equity-accounted investments	(0,1)	(2,4)
Increase in rate for the year, due to:		
Non-deductible expenditure**	(23,3)	2,6
Disallowable loss on disposal	4,3	19,4
Prior year adjustments to over/underprovision of deferred taxation/current taxation	0,4	1,0
Effect of utilised/not utilised on estimated tax losses	(13,3)	5,4
Capital gains taxation	(0,7)	0,2
Effect of unutilised temporary differences	(4,6)	–
	(8,1)	48,2
Unrecognised deferred taxation assets		
Deferred taxation assets not recognised in respect of deductible temporary differences	716 665	–
Deferred taxation assets not recognised in respect of taxation losses	3 281 246	762 630
	3 997 911	762 630

* *Includes capital profit on sale of fixed assets/investments and dividends received.*
** *Includes capital loss on sale of fixed assets/investments.*

The deductible temporary differences do not expire under the current taxation legislation.

Deferred taxation assets have not been recognised in respect of these items because management does not consider it probable at this time that future profit will be available against which the Group can utilise the benefits therefrom in the next three years.

In 2019, R105 million (2018: R399 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.

Figures in Rand thousand	2019	Restated 2018

31. Earnings per share

Loss per share and diluted loss per share

Loss attributable to owners of EOH Holdings Limited from continuing and discontinued operations	(4 874 052)	(1 976 195)
Weighted average number of shares in issue	162 742	144 597
Loss per share from continuing and discontinued operations (cents)	(2 995)	(1 367)
Loss per share from continuing operations (cents)	(2 464)	(1 277)

Reconciliation between weighted average number of shares and diluted weighted average number of shares in issue

Weighted average number of shares in issue	162 742	144 597
Effect of dilutive potential ordinary shares – Treasury shares held in the Group share incentive schemes*	–	–
Effect of dilutive potential ordinary shares – Treasury shares held by wholly owned subsidiaries of the Company that will not be cancelled*	–	–
Diluted weighted average number of shares in issue	162 742	144 597

** 38 000 (2018: 38 000) potential ordinary shares are held in the Group share incentive schemes and 1 216 000 (2018: 3 815 000) potential ordinary shares held by wholly owned subsidiaries of the Company that will not be cancelled. However, as they would be anti-dilutive for the year ended, the diluted loss per share and diluted headline loss per share have been calculated based on the weighted average number of shares in issue.*

	2019	Restated 2018

32. Headline earnings per share

Headline loss per share and diluted loss per share

Headline loss from continuing operations (R000)	(2 200 481)	(1 052 501)
Weighted average number of shares in issue (000s)	162 742	144 597
Headline loss per share from continuing operations (cents)	(1 352)	(728)
Headline loss from continuing and discontinued operations (R000)	(2 736 079)	(789 780)
Weighted average number of shares in issue (000s)	162 742	144 597
Headline loss per share including discontinued operations (cents)	(1 681)	(546)

32. Headline earnings per share continued

Reconciliation between earnings, headline earnings and diluted headline earnings from continuing and discontinued operation

Figures in Rand thousand	2019	Restated 2018
Loss attributable to owners of EOH Holdings Limited	(4 874 052)	(1 976 195)
Adjustments:		
Loss on disposal of property, plant and equipment	34 761	430
(Profit)/loss on sale of subsidiaries (discontinued)	(329 603)	392 450
Loss on deemed disposal and disposal of associates and subsidiaries (continuing)	173 974	–
Impairment of intangible assets	135 594	410 625
Impairment of goodwill	1 855 341	84 710
Impairment of equity-accounted investments	267 905	301 343
Gain on bargain purchase	–	(7 528)
Total tax effect on adjustments	–	4 385
Headline earnings from continuing and discontinued operations	(2 736 079)	(789 780)
Loss attributable to owners of EOH Holdings Limited	(4 874 052)	(1 976 195)
Adjust for losses from discontinued operations	863 515	129 729
Continuing loss attributable to ordinary equity holders	(4 010 537)	(1 846 466)
Adjustments	1 810 056	793 965
Headline earnings from continuing operations	(2 200 481)	(1 052 501)

33. Dividend

Figures in Rand thousand	2019	2018
Dividend declared	–	326 819
Dividend on treasury shares held by wholly owned subsidiaries of the Company	–	(10 092)
Dividend on treasury shares held through the Group share incentive schemes	–	(5 007)
	–	311 720
Dividend per share	–	–

The Board has decided that no dividend will be declared for the 2019 (2018: Nil) financial year.

34. Dividends paid

Figures in Rand thousand	2019	2018
Amounts owing at the beginning of the year	97	(175)
Amounts charged to retained earnings	–	(311 720)
Amounts owing at the end of the year	97	97
Dividends paid	–	(311 798)

35. Cash generated from operations

Figures in Rand thousand	2019	Restated 2018
Profit before taxation from	(4 506 554)	(1 700 019)
Continuing operations	(3 685 921)	(1 649 907)
Discontinued operations	(820 633)	(50 112)
Adjustments for:		
Depreciation and amortisation	435 816	425 861
Impairment of assets	2 258 840	789 944
Loss/(profit) on disposal of subsidiaries and property, plant and equipment	(120 868)	392 880
Share-based payments expense	247 614	95 563
Net finance costs	299 911	301 806
Net financial asset impairment losses	978 517	375 485
Inventory write off/impairment	50 868	54 108
Provisions	173 400	–
Non-cash prior period error restatements	–	771 986
Other non-cash items	(27 557)	(97 082)
Cash generated before changes in working capital	(210 013)	1 410 522
Working capital changes net of effects of disposal of subsidiaries	712 120	(144 501)
Decrease/(increase) in inventories	39 113	(411)
Decrease/(increase) in trade and other receivables	311 333	(346 100)
Increase in trade and other payables	404 671	258 429
Decrease in deferred income	(42 997)	(56 419)
Cash generated from operations	502 107	1 266 021

36. Taxation paid

Figures in Rand thousand	2019	Restated 2018
Amounts owing at the beginning of the year	(81 788)	(80 590)
Current taxation for the year	(310 591)	(363 800)
Capital gains taxation on movement in treasury shares	–	(10)
Adjustment in respect of businesses acquired during the year, including exchange rate movements	12 093	(13 739)
Foreign currency effects	11 368	6 663
Assets held for sale	10 691	–
Amounts owing at the end of the year	45 072	81 788
Taxation paid	(313 155)	(369 688)

37. Contingencies and commitments

Contingencies

Guarantees

The Group has issued guarantees and performance bonds from various Group companies as well as through available third-party facilities. At this stage, the Group is not aware of any guarantees or bonds issued which may be exercised by holders. The balance at 31 July 2019 was R358 million (2018: R305 million).

Legal claims

The Company and its subsidiaries are 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 Company, or whether all or any portion of such costs will be covered by insurance or will be recoverable from other, 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.

EOH has blacklisted and suspended payments to 50 enterprise development partners who were implicated in this activity. Some of these partners have initiated legal challenges against the Company; however, EOH will robustly oppose legal challenges brought by such parties.

Commitments

Figures in Rand thousand	2019	2018
Expected, but not yet contracted capital expenditure	112 846	125 000
Operating leases		
Minimum operating lease payments due – as lessee		
– within one year	(153 717)	(139 851)
– within two to five years	(260 596)	(265 386)
– beyond five years	–	(1 406)
	(414 313)	(406 643)

Operating lease payments represent rentals payable for certain office premises and equipment rental. No contingent rent is payable. Average escalation percentages, already taken into account in the above amounts, are between 7% and 10% (2018: 7% and 10%).

38. Retirement benefits

The Group is a member of a corporate defined contribution retirement scheme 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, however, eligible and obliged to become members of the Group risk benefit scheme, providing certain minimum death and disability benefits.

At 31 July 2019, the membership of the fund was 5 709 (2018: 6 478) employees.

At 31 July 2019, the Group's contribution to the fund was R182 million (2018: R176 million).

39. Directors' interest in shares of the Company

Number of shares	2019 Beneficial direct interest	2019 Beneficial indirect interest	2019 Total	2018 Beneficial direct interest	2018 Beneficial indirect interest	2018 Total
Executive directors/Prescribed officers*						
Stephen van Coller (appointed 1 September 2018)	251 100	–	251 100	–	–	–
Megan Pydigadu (appointed 15 January 2019)	10 000	–	10 000	–	–	–
Lufuno Nevhutalu*	170 925	–	170 925			
	432 025	–	432 025	–	–	–

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 Annual Financial Statements. Non-executive directors are not identified to hold any interest in shares of the Company.

Shareholding of directors who resigned during the year

Number of shares	2019 Beneficial direct interest	2019 Beneficial indirect interest	2019 Total	2018 Beneficial direct interest	2018 Beneficial indirect interest	2018 Total
Asher Bohbot (resigned 28 February 2019)		5 540 500	5 540 500	6 539 625	–	6 539 625
John King (resigned effective 30 November 2019)	120 765	–	120 765	9 000	272 765	281 765
Pumeza Bam (resigned 12 July 2019)	23 477	–	23 477	23 477	–	23 477
Rob Sporen (resigned 28 February 2019)	–	90 000	90 000	–	90 000	90 000
Tshilidzi Marwala (resigned 28 February 2019)	14 900	–	14 900	14 900	–	14 900
Zunaid Mayet (resigned 12 July 2019)	–	283 328	283 328	273 389	105 000	378 389
	159 142	5 913 828	6 072 970	6 860 391	467 765	7 328 156

* *Prescribed officer.*

40. Directors' remuneration

Directors' remuneration is only reflected from the date upon which an appointment commences and up to the date of resignation. Performance bonuses reflect the amount paid during the year under review.

The share-based payments charge is recognised in the statement of profit or loss and other comprehensive income of the Group for share options granted to the respective director. This amount is not included in the remuneration amount for the director.

For details of the EOH Remuneration Policy please refer to the Remuneration Committee report on pages 68 to 75 of this Annual Integrated Report.

All executive directors of EOH Holdings have normal employment contract terms.

Figures in Rand thousand	Remuneration	Bonuses	For services as directors	Total	Share-based payments charge
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 effective 30 November 2019)	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	–
Dr 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 by subsidiaries	22 659	30 105	4 014	56 778	–
	–	–	–	–	9 181

* *Prescribed officer.*
# *Includes previous employer payouts of R10 million and R5 million in relation to Stephen van Coller and Fatima Newman respectively.*

2018					
Executive directors					
Rob Godlonton (resigned 1 July 2018)	2 811	2 100		4 911	3 556
Brian Gubbins (resigned 1 July 2018)	2 596	2 000		4 596	3 415
John King	2 840	1 265		4 105	2 547
Ebrahim Laher (resigned 1 July 2018)	2 969	1 500		4 469	2 490
Jehan Mackay (resigned 1 July 2018)	2 973	1 155		4 128	2 471
Tebogo Maenetja (appointed 12 March 2018)	1 256	–		1 256	82
Zunaid Mayet	3 834	1 393		5 227	2 443
Johan van Jaarsveld (resigned 31 July 2018)	3 040	1 280		4 320	3 518
Non-executive directors					
Asher Bohbot (appointed 12 March 2018)	–	–	246	246	2 475
Pumeza Bam	–	–	272	272	414
Jesmane Boggenpoel (appointed 1 July 2018)	–	–	20	20	–
Lucky Khumalo (resigned 1 July 2018)	–	–	1 073	1 073	–
Ismail Mamoojee (appointed 1 July 2018)	–	–	21	21	–
Tshilidzi Marwala	–	–	1 097	1 097	–
Dr Moretlo Molefi	–	–	172	172	–
Grathel Motau (resigned 12 March 2018)	–	–	98	98	–
Rob Sporen	–	–	1 256	1 256	–
Sandile Zungu (resigned 12 March 2018)	–	–	374	374	703
	22 319	10 693	4 629	37 641	24 114
Less: Paid by subsidiaries	(22 319)	(10 693)	(4 629)	(37 641)	–
	–	–	–	–	24 114

41. 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.

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)	
	2019	2018	2019	2018
Opening balance	8 425 861	7 171 180	59,04	66,48
Granted during the year	1 000 000	1 769 400	21,08	28,51
to management	–	1 769 400	–	28,51
to directors	1 000 000	–	21,08	–
Forfeited during the year	(1 571 825)	(419 648)	69,24	65,22
Forfeited in exchange for shares in the Share Ownership Scheme	(3 154 745)	–	66,31	–
Exercised during the year	(36 250)	(95 071)	112,58	27,37
Options granted but shares not issued up to the end of the year	4 663 041	8 425 861	80,28	59,04
Vesting of share options				
Number of options exercisable at year end	3 395 891	4 077 840	81,35	52,24
Exercise date within one year	84 797	1 654 362		
Exercise date between two and five years	1 182 353	2 693 659		
	4 663 041	8 425 861		

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)	
	2019	2018	2019	2018
Opening balance	3 078 746	2 577 831	57,48	69,07
Granted during the year	–	864 000	–	29,49
to management	–	784 000	–	28,51
to directors	–	80 000	–	39,14
Forfeited during the year	(1 254 833)	(346 419)	59,57	74,40
Forfeited in exchange for shares in the Share Ownership Scheme	(1 078 728)	–	65,24	–
Exercised during the year	–	(16 666)	–	45,34
Options granted but shares not issued up to the end of the year	745 185	3 078 746	57,71	57,48
Vesting of share options				
Number of options exercisable at year end	637 184	1 048 684	56,64	44,57
Exercise date within one year	36 500	576 273		
Exercise date between two and five years	71 501	1 453 789		
	745 185	3 078 746		

41. Share-based payments continued

The Share Ownership Plan

EOH has reviewed its share option schemes and decided to adopt a new Share Ownership plan which is sustainable, relevant and ensures value in the hands of participants. 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 shares in the Share Ownership Plan is detailed below:

	The Share Ownership Plan	
	Number of shares	Weighted average strike price (cents)
	2019	2019
Opening balance	–	–
Granted during the year*	6 828 225	34,83
to management	6 376 805	34,82
to directors	451 420	34,83
Forfeited during the year	(1 075 193)	34,83
Exercised during the year	–	–
Shares not issued up to the end of the year	5 753 032	104,48
Vesting of shares		
Exercise date between two and five years	5 753 032	
	5 753 032	

** Shares granted include transfers from the EOH Share Trust and the Mthombo Trust.*

	The EOH Share Trust		The Mthombo Trust	
	2019	2018	2019	2018
Basis of valuation				
Fair value was determined by using the binomial model. The inputs were as follows:				
Weighted average share price (Rand)	89,52	47,52	59,39	49,29
Option strike price (Rand)	53,71	28,51	35,63	29,57
Expected volatility (%)	23,87	33,10	25,10	38
Expected dividend yield (%)	1,4	1,4	1,4	1,4
Weighted average expected life (years)	3,7	3,7	4,1	4,1
Weighted average fair value of options/shares granted (Rand)	21,08	24,24	–	26,68
Expiry date from grant (years)	10	10	8	8

The volatility of the share price at grant date was determined using the share trading history of EOH 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.

41. Share-based payments continued

The analysis of share options/shares granted to directors is detailed below:

	Outstanding at 31 July 2018 or date of appointment	Weighted average strike price (Rand)	Forfeited	Shares granted during the period	Weighted average strike price/share price (Rand)	At 31 July 2019
Executive directors						
Stephen van Coller	–	–	–	1 000 000	21,08	1 000 000
Currently exercisable	–	–	–		–	–
Exercisable in one year	–	–	–		–	–
Exercisable between two and five years	–	–	–	1 000 000	21,08	1 000 000
Megan Pydigadu	–	–	–	62 021	32,98	62 021
Currently exercisable	–	–	–		–	–
Exercisable in one year	–	–	–		–	–
Exercisable between two and five years	–	–	–	62 021	32,98*	62 021
Executive directors that resigned during the year						
John King (resigned effective 30 November 2018)	232 500	74,39	(152 500)	189 451		269 451
Currently exercisable	80 000	54,65	–	–	54,65	80 000
Exercisable in one year	61 250	74,43	(61 250)	–	–	–
Exercisable between two and five years	91 250	91,66	(91 250)	189 451#	34,83*	189 451
Tebogo Maenetja (resigned 31 March 2019)	30 000	38,40	(85 987)	55 987	–	–
Currently exercisable	–	–	–	–	–	–
Exercisable in one year	–	–	–	–	–	–
Exercisable between two and five years	30 000	38,40	(85 987)	55 987#	–	–
Zunaid Mayet (resigned 12 July 2019)	396 667	62,95	(186 667)	143 961		353 961
Currently exercisable	150 000	35,54	–	–	40,88	210 000
Exercisable in one year	60 000	54,23	–	–	–	–
Exercisable between two and five years	186 667	87,79	(186 667)	143 961#	34,83*	143 961
Non-executive directors that resigned during the year						
Asher Bohbot (resigned 28 February 2019)	1 100 000	47,23	(312 500)	–	33,25	787 500
Currently exercisable	656 250	73,87	–	–	33,25	787 500
Exercisable in one year	175 000	69,43	(43 750)	–	–	–
Exercisable between two and five years	268 750	83,66	(268 750)	–	–	–
Pumeza Bam (resigned 12 July 2019)	52 500	74,03	(15 000)	–	66,58	37 500
Currently exercisable	22 500	63,68	–	–	66,58	37 500
Exercisable in one year	15 000	70,93	–	–	–	–
Exercisable between two and five years	15 000	92,65	(15 000)	–	–	–

** Weighted average share price.*
#Transfer of shares from the EOH Share Trust and the Mthombo Trust into the Share Ownership Plan.

42. Related party transactions

The Group entered into various transactions with related parties. These transactions occurred under terms and conditions no more favourable to those entered into with third parties.

Figures in Rand thousand	2019	Restated 2018
Transactions with equity-accounted investments		
Sale of products and services	7 292	103 389
Purchases of products and services	46 574	20 494
Outstanding balances arising from sales/purchases of goods and services with equity-accounted investments		
Trade receivables balances with related parties	3 775	57 765
Trade payables balances with related parties	1 631	1 157
Loans receivable from associates and joint ventures	42 413	100 325
Twenty Third Century Systems (Private) Limited	–	44 337
Virtuoso Consulting	33 619	38 795
aSAY	961	7 448
EOH SEAL Limited	–	1 912
TCD MENA (Proprietary) Limited (Egypt)	567	567
Bessertec LLC	5 512	5 512
Çözümevi Yönetim Danişmanliği ve Bilgisayar Yazlim Ticaret Anonim Şirketi	1 754	1 754
These loans are interest free and payable on demand.		
Transactions between Group companies		
Sale of products and services	2 710 967	2 207 428
Purchases of products and services	2 468 138	2 188 518
Operating expenses	235 349	12 170
Interest	2 835	–
Dividends received	–	526 531
Outstanding balances arising from sales/purchases of goods and services		
Trade receivables balances with related parties	481 315	29 113
Loans from EOH Holdings Limited	2 834 692	2 124 967
Professional fees		
Professional fees have been paid to associates of non-executive directors. The transactions were conducted at market-related rates prevailing at the time of entering into the transactions	–	6 300
Directors' remuneration		
The remuneration for directors of the Company paid during the year by subsidiaries within the Group has been disclosed in note 40. Executive directors are defined as key management.		
Vendors' loans and receivables		
Refer to note 9	870	59 819

Loans are made between various entities which are eliminated in these consolidated Annual Financial Statements. Where required, loans payable by subsidiaries have been subordinated in favour of other creditors until such time that the assets fairly valued exceed the liabilities.

43. Schedule of investments in subsidiaries

All the subsidiaries below are incorporated in South Africa unless otherwise indicated.

	Effective interest		Carrying amount of investment in shares		Gross loans owing by/(to) subsidiaries	
Figures in Rand thousand	2019 %	2018 %	2019	2018	2019	2018
Direct subsidiaries in Holdings						
CA Southern Africa Proprietary Limited	100	100	14 924	14 924	(40 879)	(40 879)
Enterprise Softworks Proprietary Limited	100	100	15 997	15 997	9 943	9 943
EOH Abantu Proprietary Limited	100	100	499 835	904 396	351 829	351 829
EOH Consulting Proprietary Limited	100	100	46 176	52 759	1 194	1 194
EOH International Proprietary Limited	100	100	250 104	446 401	–	64 061
EOH Mthombo Proprietary Limited	100	100	803 175	1 513 622	2 350 201	1 645 525
Intellient Proprietary Limited	100	100	9 913	9 913	(395)	(395)
Mthombo IT Services Proprietary Limited	100	100	28 917	43 157	(735)	(735)
NEXTEC Industrial Technologies	100	100	–	691 321	115 815	115 815
V55 Investments Proprietary Limited	100	100	–	–	(23 919)	(23 919)
			1 669 041	3 692 490	2 763 054	2 122 439
Trusts						
The EOH Share Trust	100	100				
The Mthombo Trust	100	100				

The full list of subsidiaries can be obtained from the Group's registered offices.

44. 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.

44. Financial assets and financial liabilities continued

Financial risk management and fair value disclosures continued

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	–	3 019 330	3 019 330	(714 562)	2 304 768	–	–	–	–
Other financial assets	28 332	67 285	95 617	(7 289)	88 328	–	–	28 332	28 332
Financial liabilities									
Trade and other payables	–	1 317 324	1 317 324	(468 941)	848 383	–	–	–	–
Other financial liabilities	303 313	3 029 892	3 333 205	(9 248)	3 323 957	–	–	303 313	303 313

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 2018:

	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	–	1 418 319	1 418 319	–	1 418 319	–	–	–	–
Trade and other receivables	–	3 629 433	3 629 433	–	3 629 433	–	–	–	–
Other financial assets	138 788	565 944	704 732	–	704 732	89 010	–	49 768	138 788
Financial liabilities									
Trade and other payables	–	1 343 273	1 343 273	–	1 343 273	–	–	–	–
Other financial liabilities	633 709	3 470 287	4 103 996	–	4 103 996	–	–	663 709	663 709

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.

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss, in terms of the hierarchy, are classified as level 3 where the valuation technique used is based on unobservable inputs for the asset.

Other financial assets (level 3) relate to non-controlling interests in unlisted businesses The valuation of the unlisted business is based on a discounted cash flow model which has been adjusted for risk inherent in the investees' nature of operations At 31 July 2019 the carrying value of the level 3 financial assets, based on the directors' evaluation, is R28,3 million (31 July 2018: R49,8 million).

The fair value of the investment is sensitive to changes in expected dividends from the entities. Discounting is not material and therefore the fair value is not sensitive to changes in discount rates.

Other financial assets reconciliation of movement of level 3 items

Figures in Rand thousand	2019	2018
Balance at the beginning of the year	49 768	39 462
Transfer from loans and receivables	(13 540)	5 774
Additions	870	–
Net changes in fair value	(8 766)	4 532
Balance at the end of the year	28 332	49 768

44. Financial assets and financial liabilities continued

Financial risk management and fair value disclosures 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.

Unobservable inputs include budgeted results based on margins and revenue growth rates historically achieved by the various segments. The fair value of the contingent consideration is dependent on the expected profit and is therefore sensitive to changes in such expected profit. Discounting is not material and therefore the fair value is not sensitive to changes in discount rates.

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	2019	2018
Balance at the beginning of the year	633 709	1 167 453
Raised through business combinations	–	153 695
Acquisitions of remaining non-controlling interests	–	67 839
Discharged to vendors	(366 413)	(726 051)
Foreign exchange effects	2 818	(20 071)
Net changes in fair value	33 199	(9 156)
Balance at the end of the year	303 313	633 709

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 R856 million. The discounted cash flow method (DCF) is used to determine their values, when the sales amount from the sale agreements was discounted using the adjusted weighted average cost of capital specific to that cash-generating unit (CGU). These fair values are categorised as level 3, based on inputs used.

44. Financial assets and financial liabilities continued

Financial risk management and fair value disclosures continued

Gains and losses from continuing operations

Figures in Rand thousand	2019
Fair value gains/(losses) on financial assets at fair value through profit or loss	(12 000)
Fair value gains/losses) on financial liabilities at fair value through profit or loss	(33 470)
Interest income on financial assets at amortised cost	24 022
Interest expense on financial liabilities at amortised cost	(312 718)
	(334 166)

Capital risk management

The Group's objective is to safeguard its ability to continue as a going concern and to maintain an appropriate capital structure while growing the business. This is consistent with previous years.

In order to maintain or adjust the capital structure of the Group, the Board of directors may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The debt to equity ratios were as follows:

	2019	2018
Total debt (R'000)	3 381 318	4 195 744
Total equity (R'000)	1 916 075	5 919 034
Debt to equity ratio (%)	176%	71%

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 2019		
Other financial liabilities	1 068 132	2 255 825
Trade and other payables	1 317 324	–
At 31 July 2018		
Other financial liabilities	895 581	3 208 415
Trade and other payables	1 343 273	–

The expected maturity of financial liabilities is not expected to differ from the contractual maturities as disclosed above. Subsequent to the reporting date, payment terms were renegotiated with the lenders which has resulted in R750 million being due to be settled within less than one year.

44. Financial assets and financial liabilities continued

Financial risk management and fair value disclosures 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 long-term 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 Rand.

The Group analyses its interest rate exposure on an ongoing basis. The Group does not hedge against fluctuations in interest rates.

At 31 July 2019, if the interest rate on Rand-denominated borrowings had been 1% higher with all other variables held constant, pre-tax profit for the year would have been R30 million (2018: R35 million) lower, 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 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	2019	2018
Other financial assets	95 617	704 732
Finance lease receivables	179 413	193 909
Trade and other receivables	3 019 330	3 629 434
Cash and cash equivalents	1 358 956	1 418 319
Contract assets	644 937	799 768

Impairment losses recognised in profit or loss from continuing operations were as follows:

Figures in Rand thousand	2019
Impairment loss on trade and other receivables	88 206
Impairment loss on other financial assets	433 455
Impairment losses on cash and cash equivalents	50 309
Impairment loss on contract assets	35 323
Impairment loss on finance lease receivables	(909)
	606 384

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.

44. Financial assets and financial liabilities continued

Financial risk management and fair value disclosures continued

Credit risk and expected credit losses 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 amongst 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.

During the first half of the year, a target was set to significantly reduce the debtors' balance. By 31 July 2019, the trades receivables balance decreased from R4,1 billion to R3,4 billion (before adjusting for assets held for sale) with over R400 million cash realised from debtors' balances greater than 90 days at 31 January 2019.

Comparative information under IAS 39

An analysis of the credit quality of trade receivables that were neither past due nor impaired and the ageing of trade receivables that were past due but not impaired as at 31 July 2018 is as follows:

Age of receivables that are past due but not impaired:

Trade and other receivables that are neither past due nor impaired are considered to be of good credit quality.

Past due but not impaired

Figures in Rand thousand	2018
30 days	335 306
60 days	21 896
90 days	98 711
120 days and over	1 053 514
Total	1 509 427

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 receivables. The Group uses a provision matrix to measure the ECLs of trade receivables and contract assets.

Loss rates 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 calculation reflects the probability-weighted outcome, the time value of money 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. 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.

44. Financial assets and financial liabilities continued

Financial risk management and fair value disclosures continued

Credit risk and expected credit losses 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 carrying amount
Automotive	45 920
Central government	284 510
Construction	396 524
Education	109 398
Energy	101 066
Environmental	13 156
Financial services	320 873
Food and beverage	253 763
Health	59 037
Hospitality	65 202
Human capital	20 675
Information technology	193 052
Legal services	13 702
Legislatures	4 326
Local government	1 062 713
Manufacturing and logistics	278 700
Marketing and advertising	1 485
Membership organisations	2 650
Mining	178 552
Others	224 977
Prof business and advisory SVCS	5 962
Property and facilities MGMT	25 932
Public benefit organisations	200
Reseller	14 693
Retail	81 537
Security and defence	4 089
SOE – construction	854
SOE – manufacturing and logistics	39 536
SOE – mining	335
SOE – transport	42 242
SOE – utilities	31 488
Telecommunications	310 599
	4 187 744

Loss rates are based on actual credit loss experience over the past 23 months. These rates are multiplied by scalar factors to reflect differences between current and historical economic conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors are based on actual and forecast inflation, interest rates, industrial production and gasoline prices. The historical loss experience was also adjusted for the projected cash flows based on the risk grading of the receivables between receiving, recoverable, generic, legal, business rescue and write-off. Each of these risk gradings has a weighted average loss rate percentage of 3,2%, 7,7%, 17,9%, 45,7%, 64,1% and 100% respectively.

44. Financial assets and financial liabilities continued

Financial risk management and fair value disclosures continued

Credit risk and expected credit losses continued

Movements in the allowance for impairment in respect of trade receivables and contract assets:

Figures in Rand thousand	2019
Balance at 1 August 2018 per IFRS 9	611 514
Impairment losses recognised on receivables and contract assets	175 145
Movement to discontinued	(208 379)
Amounts written off during the year as uncollectible	(51616)
Foreign exchange translation gains and losses	9 391
Balance at 31 July 2019	536 055

Trade receivables with a contractual amount of R52 million were written off during 2019.

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 ongoing basis.
Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short-term maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk, based on the external credit ratings of the counterparties. There was, however, one cash balance held within a Zimbabwe bank account, related to TTCS, which has been fully provided for at R50 million due to the risk of changes in currency within Zimbabwe of the bank balance and the difficulty in getting the funds.

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 very specific assets and were assessed individually for impairment, using the general approach under IFRS 9. Specific assessments were over GCT, TTCS and ED loans, which make up the other financial assets.

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, as well as other currencies

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 Group has limited investments in foreign operations, where the assets are exposed to foreign currency translation risk. Currency exposure arising from net assets of the group's foreign operations will have no effect on the post-tax profit as the effect of the translation is recognised directly in the foreign currency translation reserve. As at 31 July 2019, if the foreign entities local currencies had weakened or strengthened by 5% against the Rand, with all other variables held constant, the impact on equity for the Group would have amounted to R16 million (2018: R26 million).

44. Financial assets and financial liabilities continued

Financial risk management and fair value disclosures continued

Financial assets and financial liabilities are analysed by currency as follows:

Foreign currency financial instruments	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)

Foreign currency financial instruments	2018				
	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	–	57 926	24 024	(131)	(26 153)
US Dollar	1 333	391 624	71 534	(5 785)	(121 918)
Arab Emirates Dirham	24 874	146 232	15 232	(4 244)	(98 200)
Euro	392	187 745	21 990	(42 742)	(71 795)
Indian Rupee	–	29 127	2 033	(846)	(2 832)
Singapore Dollar	–	41 999	12 017	–	–
Other	–	76 459	70 848	(539)	(33 993)

45. Going concern

The financial performance and position for the Group reflect a loss for the year of R4,8 billion, negative retained earnings at the end of the year of R3,2 billion and cash outflows from operating activities of R112 million. Details of the performance and position are explained and well documented in the consolidated Annual Financial Statements and the various reports accompanying them within the Annual Integrated Report. A detailed action plan has been developed and is being successfully executed against to ensure the Group's ability to continue as a going concern in the short term.

Key salient features of this management action plan include:

1. Agreement with its funders on an accelerated debt reduction plan as detailed in note 46 – Events after the reporting date;
2. Conversion of assets into cash through the sale of non-core businesses;
3. Consideration of partnerships where significant value can be unlocked; and
4. Removal of current and/or potential cash drain from underperforming businesses or unnecessary costs within the Group.

Through their assessment of whether the Group is a going concern, the directors considered and confirmed that:

1. The Group is solvent;
2. There is an approved budget for the following 12 months;
3. There are cash flow forecasts for the following 12 months;
4. It has sufficient access to facilities or executable liquidity events, primarily the sale of non-core assets, to fund operations for the following 12 months;
5. The Group's assets are appropriately insured;
6. There is currently no outstanding litigation, that has not been adequately included, that could put pressure on the Group's ability to meet its obligations; and
7. Good progress has made against the management action plan as noted above.

Based on their assessment, the directors are satisfied that the Group has access to adequate resources to continue in operational existence for the foreseeable future and as such consider it appropriate that the Group's consolidated results be prepared on the going concern basis.

46. Events after reporting date

Continued disposal of non-core assets

The Group is considering disposing of certain businesses. To date, six agreements have been reached for the sale of a number of businesses that are classified as held for sale at 31 July 2019 for an estimated total consideration of R169 million.

Various disposal processes are expected to be realised, but have not met the criteria to be recognised as assets held for sale by 31 July 2019.

Lebashe investment

On 11 October 2019, EOH shareholders were advised that Lebashe had formally notified EOH of its intention not to subscribe for the R250 million third tranche of the subscription undertaking. Lebashe took a conscious decision to allow EOH to establish a new independent Board of directors (New Board) without representation from Lebashe until after the conclusion of the ENSafrica investigation and the determination of the impact thereof.

Accordingly, EOH is, at any time after 1 October 2019, at its discretion, entitled to:

(i) require the forfeiture of dividends on 10 000 000 EOH A shares to EOH; and

(ii) redeem 10 000 000 EOH A shares for R1,00.

While the current economic dilution of the 10 000 000 EOH A shares is limited, the EOH A shares each have the same voting rights as an EOH ordinary share and are therefore an important consideration in the deliberations of the New Board. Further announcements will be made as soon as a decision has been made by the New Board.

Notwithstanding the decision taken by Lebashe not to subscribe for the third tranche in accordance with the transaction terms, the investment and strategic relationship with EOH remains important to Lebashe and Lebashe has committed to still providing the last tranche of funding originally committed to as part of the transaction subject to agreeing to mutually acceptable terms and EOH's shareholder approval, if required. Discussions between Lebashe and the New Board are ongoing with a view to finding a solution that is in the best interests of all capital providers.

Debt reduction plan

The Group has renegotiated payment terms with the lenders, which will accelerate the deleveraging of our balance sheet in an orderly manner, from sales proceeds. This has resulted in R750 million being classified as short-term liabilities in the financial statements.

The Group has also agreed to increase the security provided to the lenders of the loans secured through the Security SPV to include the pledge and cession all assets in and share of all 100% South African incorporated subsidiaries.

Dividend

The Board has decided that no dividend will be declared for the 2019 financial year.

Shareholder analysis

	31 July 2019				31 July 2018			
	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
Analysis of shareholdings								
Holdings								
1 – 10 000	7 517	70,38	2 002 080	1,13	9 495	71,43	2 938 557	1,92
10 001 – 50 000	2 467	23,10	8 047 697	4,56	3 072	23,11	9 489 282	6,21
50 001 – 100 000	555	5,20	16 733 404	9,48	578	4,35	17 677 575	11,57
100 001 – 1 000 000	110	1,03	30 729 873	17,41	122	0,92	34 794 513	22,77
1 000 001 and more	32	0,30	119 031 907	67,42	25	0,19	87 897 366	57,53
	10 681	100	176 544 961	100	13 292	100	152 797 293	100
Shareholder categories								
Banks	57	0,53	14 079 057	7,97	83	0,62	23 805 850	15,58
Close corporations	72	0,67	348 994	0,20	109	0,82	361 410	0,24
Empowerment	2	0,02	23 062 458	13,06	–	–	–	–
Endowment funds	36	0,34	335 321	0,19	80	0,60	481 934	0,32
Individuals	9 226	86,38	22 438 238	12,71	10 858	81,69	23 168 040	15,06
Insurance companies	37	0,35	7 315 015	4,14	43	0,32	6 071 732	3,97
Investment companies	10	0,09	6 832 163	3,87	7	0,05	112 592	0,07
Medical schemes	4	0,04	316 862	0,18	8	0,06	293 823	0,02
Mutual funds	97	0,91	52 187 524	29,56	139	1,05	50 063 855	32,76
Other corporations	54	0,51	456 316	0,26	86	0,65	501 459	0,33
Own holdings (treasury shares)	2	0,02	5 724 952	3,24	2	0,02	5 329 990	3,49
Private companies	231	2,16	6 134 048	3,47	326	2,45	4 693 377	3,07
Public companies	7	0,07	279 343	0,16	4	0,03	276 204	0,18
Retirement funds	58	0,54	21 365 159	12,10	90	0,68	20 556 041	13,46
Trusts	788	7,38	15 669 511	8,88	1 457	10,96	17 080 986	11,18
	10 681	100	176 544 961	100	13 292	100	152 797 293	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 2019		31 July 2018	
	Number of shares	%	Number of shares	%
Lebashe Investment Group	23 062 458	13,06	–	–
Government Employee Pension Fund	15 141 491	8,58	16 354 595	10,70
State Street Bank & Trust Co (Custodian)	8 005 366	4,53	11 853 294	7,76
Foord	11 818 135	6,69	9 487 310	6,21
PSG Konsult	8 212 387	4,65	8 303 558	5,43
Fidelity	7 305 830	4,14	7 355 244	4,81
Bejaled Trust	5 522 500	3,13	6 539 625	4,28
Alexander Forbes Investments	–	–	6 193 580	4,05
V55 Investments	5 724 952	3,24	5 329 990	3,49
Fairtree Capital	7 231 991	4,10	5 041 272	3,30
Tactical Software Systems Proprietary Limited	–	–	1 700 187	1,11
Rand Merchant Bank	5 417 818	3,07	–	–
	97 442 928	55,19	78 158 655	51,14

Shareholder analysis (continued)

	31 July 2019 Number of shares	31 July 2019 %	31 July 2018 Number of shares	31 July 2018 %
Shareholder spread				
Public shareholders	144 974 831	82,12	135 715 192	88,82
Non-public shareholders	31 570 130	17,88	17 082 101	11,18
Directors, associates and management of the Company	432 025	0,24	9 385 166	6,14
Lebashe Investment Group	23 062 458	13,06	–	–
EOH share trusts	2 350 695	1,33	2 366 945	1,55
EOH treasury shares	5 724 952	3,24	5 329 990	3,49
	176 544 961	100	152 797 293	100,00
Shares in issue				
Total number in issue	176 544 961		152 797 293	
Share trusts	(2 350 695)		(2 366 945)	
Treasury shares	(5 724 952)		(5 329 990)	
Effective number of shares in issue	168 469 314		145 100 358	

Shareholder diary

Annual General Meeting	Thursday, 5 December 2019
Reports	
Announcement of annual results for the year ended 31 July 2019	Tuesday, 14 October 2019
Posting the notice of AGM for the year ended 31 July 2019	Wednesday, 7 November 2019

Glossary

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 for the year 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:	Continuing profit/(loss) before interest, tax, depreciation, amortisation, impairments, gains or losses on disposal of businesses and equity-accounted investments, once-off cash and non-cash items and includes profit or loss from equity accounted investments, non-core business lines to be closed which have been identified to be shut down in that year and preceding years.
Headline earnings:	Net profit for the year adjusted for profit/loss on sale of property, plant and equipment, investments and impairment losses.
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.

Corporate Information

EOH Holdings Limited

Incorporated in the Republic of South Africa
Registration number: 1998/014669/06
JSE share code: EOH
ISIN code: ZAE000071072

Directorate

Non-executive

Dr Xolani Mkhwanazi (Chairman) *(appointed effective 5 June 2019)*
Pumeza Bam *(resigned 15 July 2019)*
Dr Anushka Bogdanov *(appointed effective 20 June 2019)*
Jesmane Boggenpoel
Asher Bohbot *(resigned as Chairman effective 28 February 2019)*
Mike Bosman *(appointed effective 20 June 2019)*
Ismail Mamoojee
Tshilidzi Marwala *(resigned effective 28 February 2019)*
Dr Moretlo Molefi
Andrew Mthembu *(appointed effective 20 June 2019)*
Rob Sporen* *(resigned as Lead Non-executive Director effective 28 February 2019)*
** Dutch*

Executive

Stephen van Coller *(appointed as Director and Group Chief Executive Officer effective 1 September 2018)*
Megan Pydigadu *(appointed as Director and Group Chief Financial Officer effective 15 January 2019)*
Fatima Newman *(appointed as Director and Group Chief Risk Officer effective 1 August 2019)*
Zunaid Mayet *(resigned effective 12 July 2019)*
Zunaid Mayet *(resigned as Group Executive Officer effective 31 August 2018)*
John King *(resigned as Group Financial Director effective 3 October 2018)*
Tebogo Maenetja *(resigned effective 31 March 2019)*

Group Company Secretary

EOH Secretarial Services (Pty) Ltd
represented by Neill O'Brien *(appointed 15 June 2019)*
Adri Els *(resigned 14 June 2019)*

Registered address

Block D, EOH Business Park, Osborne Lane, Bedfordview, 2007
PO Box 59, Bruma, 2026 • Telephone: +27 (0) 11 607 8100
Website: www.eoh.co.za • Investor email: debbie.millar@eoh.com

Sponsor

Java Capital Trustees and Sponsors (Pty) Ltd
Registration number: 2006/005780/07
6A Sandown Valley Crescent, Sandton, 2132, Johannesburg
PO Box 522606, Saxonwold, 2132

Transfer secretaries

Computershare Investor Services (Pty) Ltd
Registration number: 2004/003647/07
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
PO Box 61051, Marshalltown, 2107

Auditors

Mazars
Mazars House, 54 Glenhove Road, Melrose Estate, Johannesburg, 2196, South Africa