EOH Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 1998/014669/06)
JSE share code: EOH
ISIN: ZAE000071072
("**EOH**" or the "**Company**")

HISTORICAL FINANCIAL INFORMATION OF THE INFORMATION SERVICES GROUP IN RESPECT OF THE YEAR ENDED 31 JULY 2019

Sponsor

Overall strategic and lead advisor to EOH

Legal Advisors

Independent reporting accountants

Date of issue: Thursday, 7 April 2022

COMBINED HISTORICAL FINANCIAL INFORMATION OF THE INFORMATION SERVICES GROUP FOR THE YEAR ENDED 31 JULY 2019

Background to the combined financial information

The combined financial information of the Information Services Group consists of the assets, liabilities, revenue and expense transactions of four legal entities within the EOH Group, collectively comprising the group of companies identified for disposal ("**the Information Services Group**"). Further details on the nature of operations of the Information Services Group entities can be found in the Statement of Compliance (refer note 1). The Information Services Group did not historically consolidate into a separate legal holding entity. Accordingly, the combined financial information for the Information Services Group was derived from the accounting records of the four individual businesses for the year ended 31 July 2019, which was prepared in accordance with International Financial Reporting Standards ("**IFRS**"), except for the deviation permitted by the JSE in respect to the treatment of financial guarantee contracts (refer to details of deviation from IFRS as set out in the "Basis of Preparation" on page 8). The combined financial information has been prepared for the purpose of presenting the aggregated financial position, results of operations and cash flows of the Information Services Group. The combined financial information contains certain intangible asset and goodwill balances that have been allocated from the ultimate holding company, while the remaining assets, liabilities, revenue and expenses are directly attributable to the Information Services Group.

The board of directors of each of the four legal entities described above are responsible for the preparation and fair presentation of these entities' financial statements in accordance with International Financial Reporting Standards, and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors of EOH are responsible for the preparation, contents and presentation of the circular and are responsible for ensuring that EOH complies with the JSE Listings Requirements.

The combined financial information of the Information Services Group for the year ended 31 July 2019 was reviewed by Mazars Inc. in accordance with the International Standards on Auditing. Mazars Inc. issued an unqualified opinion on this financial information.

The independent reporting accountant's report on the combined financial information is included in **Annexure 4** to this circular.

Commentary on the combined financial information

The Information Services Group originally comprised five entities that had, over time, been separately acquired by EOH Mthombo, a subsidiary of EOH, and which had been brought together as an operational cluster as the entities all had a core offering that was largely centred around data. One of the entities within the original the Information Services Group cluster has been sold in a separate disposal transaction effective 30 September 2021, leaving the remaining four entities described above as part of the Information Services Group. During 2019, the Information Services Group has been working towards aligning its strategies and where possible consolidating its operations to best and more efficiently service its customers. The Information Services Group has also been working on diversifying its core, traditional and transactional credit bureau and employment verification products to include a range of data driven technology solutions. The business operates predominantly from offices based in Gauteng, South Africa and largely services customers in South Africa, with limited services being offered to customers in the rest of Africa.

The combined financial information for the year ended 31 July 2019 can be described as follows:

The 2019 financial year was a very good year for the Information Services Group, with the introduction of biometric solutions being a key driver for growth in this year. The business continued to leverage its work with partners to develop and enhance solutions it had built to expand the Information Services Group's new solutions offering. During this year the business also repositioned its big data and development lab and analytics consulting businesses to be the primary development and analytics support companies for the Information Services Group, with each of these businesses largely servicing the needs of the remaining entities within the Information Services Group.

Combined Statement of Financial Position
as at 31 July

Figures in Rand	**Notes**	**2019 (Reviewed)**
ASSETS		
Property, plant and equipment and right of use assets	**4**	12 685 029
Intangible assets	**5**	107 786 429
Goodwill	**6**	208 100 627
Deferred taxation	**7**	1 407 736
NON-CURRENT ASSETS		**329 979 821**
Loans to group companies	**8**	179 874 169
Other financial assets	**9**	1 003 448
Current tax receivables		15 860 833
Inventories	**10**	150 177
Trade and other receivables	**11**	72 153 538
Cash and cash equivalents	**12**	15 822 635
CURRENT ASSETS		**284 864 800**
TOTAL ASSETS		**614 844 621**
EQUITY AND LIABILITIES		
Net parent investment		427 303 160
TOTAL EQUITY		**427 303 160**
Other financial liabilities	**13**	1 696 145
Deferred taxation	**7**	23 784 846
NON-CURRENT LIABILITIES		**25 480 991**
Loans from group companies	**8**	110 601 029
Current tax payable		7
Lease liabilities	**14**	3 603 189
Trade and other payables	**15**	47 856 245
CURRENT LIABILITIES		**162 060 470**
TOTAL LIABILITIES		**187 541 461**
TOTAL EQUITY AND LIABILITIES		**614 844 621**

The accompanying notes on pages 8 to 52 are an integral part of this combined financial information.

Combined Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 July

Figures in Rand	**Notes**	**2019 (Reviewed)**
Revenue	**16**	416 124 776
Cost of Sales	**17**	(233 389 968)
Gross Profit		**182 734 808**
Operating expenses	**18**	(134 373 844)
Net financial asset impairment losses	**19**	(6 943 176)
Operating Profit / (Loss)		**41 417 788**
Interest income	**20**	314 095
-Finance costs	**21**	(595 565)
Profit / (Loss) Before Taxation		**41 136 318**
Taxation	**22**	(18 999 306)
Profit / (Loss) for the year		**22 137 012**
Other comprehensive income		-
Total comprehensive income / (loss) for the year		**22 137 012**

The accompanying notes on pages 8 to 52 are an integral part of this combined financial information.

Combined Statement of Changes in Net Parent Investment for the year ended 31 July

Figures in Rand	**Contribution from parent**	**Other reserves**	**Total equity**
Balance at 1 August 2018	**402 149 890**	**3 632 869**	**405 782 759**
Profit for the year	22 137 012	-	22 137 012
IFRS 9 adoption adjustment	(2 794 475)	-	(2 794 475)
Share-based payments	-	2 177 864	2 177 864
Reviewed balance at 31 July 2019	**421 492 427**	**5 810 733**	**427 303 160**

Note 26

The accompanying notes on pages 8 to 52 are an integral part of this combined financial information.

Statement of Cash Flows
for the year ended 31 July

Figures in Rand	Notes	2019 (Reviewed)
Cash flows from operating activities		
Cash generated from operations	**23**	108 085 925
Interest received	**20**	314 095
Interest paid	**21**	(426 264)
Taxation paid	**24**	(20 846 133)
Net cash inflow from operating activities		**87 127 623**
Cash flows from investing activities		
Purchase of property, plant and equipment	**4**	(1 334 170)
Purchase of intangible assets	**5**	(56 637 031)
Sale of property, plant and equipment and intangible assets		34 143
Loans advanced to group companies	**28.1**	(77 508 762)
Loan repayments from group companies	**28.1**	9 703 014
Loans advanced to other parties	**28.1**	(1 145 013)
Loan repayments from other parties	**28.1**	2 052 334
Net cash inflow / (outflow) from investing activities		**(124 835 485)**
Cash flows from financing activities		
Loans received from group companies	**28.2**	36 533 213
Principal elements of lease payments	**14**	(2 737 223)
Net cash (outflow) / inflow from financing activities		**33 795 990**
Net decrease in cash and cash equivalents		(3 911 872)
Cash and cash equivalents at the beginning of the year		19 734 507
Cash and cash equivalents at the end of the year		**15 822 635**

The accompanying notes on pages 8 to 52 are an integral part of this combined financial information.

Notes to Combined Financial Information

1. Statement of Compliance
Background

EOH Mthombo, a wholly owned subsidiary of EOH, is in the process of finalising an agreement to dispose of four of its subsidiaries, collectively referred to as the Information Services Group.

The combined financial information of the Information Services Group represents the activities, assets and liabilities of four separate legal entities within the EOH Group. While these businesses have historically operated as a combined cluster, there are other subsidiaries that are also held by EOH Mthombo and that do not form part of the Information Services Group, and accordingly:

- The Information Services Group entities have not previously existed as a separate reporting group or segment, as defined by International Financial Reporting Standards ("**IFRS**");
- No separate consolidated financial statements have previously been prepared for the Information Services Group entities; and
- The parent company, EOH Mthombo, will not form part of the disposal transaction

Further details on the Information Services Group entities have been included below:

Company	**Nature of operations**	**EOH Mthombo's shareholding as at 31 July 2019**
Xpert Decision Systems Proprietary Limited	The company is a credit bureau and provides fraud prevention services which includes a range of smart information solutions that help businesses minimise risk and enable growth.	100%
Managed Integrity Evaluations Proprietary Limited	The company is engaged in the business of background screening of employees.	100%
Hoonar Tekwurks Consulting South Africa Proprietary Limited	The company is engaged in information technology and management consulting services.	100%
Zenaptix Proprietary Limited	The company is engaged in the business of software development and the provision of system integration services.	100%

Basis of preparation

IFRS Compliance

The combined financial statements of the Information Services Group is prepared by aggregating the historical financial information of the entities listed above, as disclosed in the annual financial statements of each of the respective entities, together with attributable goodwill and intangible assets, previously recognised in the ultimate holding company at time of acquisition, as at and for the year 31 July 2019 ("**the Reporting Period**").

These combined financial statements are presented in accordance with, and comply with IFRS, as issued by the International Accounting Standards Board ("**IASB**"), except for the deviation permitted by the JSE on request for dispensation and further described below. The combined financial information complies with the South African Institute of Chartered Accountants ("**SAICA**") Financial Reporting Guides as issued by the Accounting Practices Committee ("**APC**"), Financial Reporting Pronouncements as issued by the Financial

Reporting Standards Council ("**FRSC**"), the JSE Listing requirements and the requirements of the South African Companies Act, No 71 of 2008 ("**the Companies Act**").
The combined financial statements are prepared using the historical cost basis apart from cash-settled share-based payment scheme liabilities stated at fair-value.

IFRS does not provide specific guidance for the preparation of combined financial statements, and accordingly in preparing the combined financial statements, certain accounting conventions commonly used in the preparation of combined historical financial statements for inclusion in circulars, have been applied in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ("**IAS 8**"), which are discussed in more detail below. The combined financial statements have consequently been prepared as a combination of the historic financial information recognised in each of the four separate legal entities listed above, adjusted by eliminating intra-group balances and transactions. The recognised assets of the Information Services Group include goodwill and intangible assets previously only recognised in the books of the ultimate holding company.

The combined financial statements are presented in South African Rand (ZAR). The combined financial statements were authorised for issue by the Board of Directors of EOH Group on 30 March 2022.

Deviation from IFRS

Although the underlying financial statements from which the combined financial statements were prepared are in compliance with IFRS, the combined financial statements exclude accounting for financial guarantee contracts due to the circumstances set out below.

Two of the Information Services Group entities have issued financial guarantees to certain EOH Group lenders, in terms of which the entities would be liable to these lenders to the extent that EOH Group companies, to which the funding has been provided, fails to make payments to the lenders when due in terms of the EOH Group loan agreements. In accordance with IFRS 9 Financial Instruments ("**IFRS 9**"), such financial guarantees should be recognised as a financial liability in the respective entity's annual financial statements. However, in the 2020 financial year, when the Information Services Group was identified as being held for sale, the value of these financial guarantee contracts was assessed to be nil, as the probability of the EOH Group's lenders calling on the pledged assets in favour of the more tangible realisation of the sale proceeds from this transaction, was assessed to be nil.

To provide users with a more comparable view of the financial position and performance across the three-year reporting period, the financial guarantee liabilities that were raised in profit and loss and reflected as "Remeasurement of financial guarantee liability" on the face of the statement of profit and loss in the stand-alone entity annual financial statements at the end of 2019 and reversed through profit and loss in 2020 was not accounted for in the combined financial statements i.e. the effect of the financial guarantee liability being raised in 2019 financial statements and the subsequent reversal in 2020 was treated as an eliminating adjustment in the preparation of the combined financial statements.

Accordingly, the combined financial statements does not comply in all respects with IFRS and is therefore not described as being in compliance with IFRS. Instead, the combined financial statements have been prepared on a 'basis of preparation' basis, notwithstanding the fact that all other recognition, measurement and disclosure principles in IFRS have been applied in the combined financial statements.

Limitations inherent to carve-out

As the combined financial statements of the Information Services Group have been prepared on a combined basis, it may not be indicative of the future performance of the Information Services Group and does not necessarily reflect what its results of operations, financial position and cash flows would have been, had the Information Services Group operated as an independent entity during the periods presented.

The following principles were applied in the preparation of the combined financial statements:

Equity

- Share capital and earnings per share – As the Information Services Group did not historically constitute a combined legal group there is no issued share capital.

The information on earnings per share for the Information Services Group, pursuant to IAS 33 Earnings per share, has not been presented, as these entities do not have publicly traded shares.

- Contribution from parent – The contribution from EOH Mthombo is recognised at the carrying value of the net assets contributed to the Information Services

Group at the beginning of the earliest comparative period presented. This contribution represents the aggregated combined share capital and retained earnings of the entities included in the combined historical financial statements of the Information Services Group at the beginning of the earliest comparative period presented. The opening balance and movements in aggregated combined share capital and retained earnings of the entities included in the combined historical financial information of the Information Services Group has been described as 'Contribution from parent' in the combined statement of changes in net parent investment of the Information Services Group

- Other reserves – Other reserves relates mainly to share-based payment reserves. Share-based payment reserves reflects the value of equity settled share options issued to certain employees of the Information Services Group through participation in EOH Group share options schemes.

Goodwill and intangible assets

Goodwill and intangible assets (comprising customer relationships, customer contracts and intellectual property) included in the combined financial statements reflect goodwill and amortised intangible assets balances that arose when EOH Mthombo acquired control of the entities comprising the Information Services Group.

During the reporting period presented such goodwill and intangible assets were tested for impairment at the level of the cash-generating unit, which in respect of the Information Services Group was the combination of all of the four legal entities noted above. The combined goodwill and intangible assets for these four entities were regarded by EOH Holdings as an appropriate level for testing of goodwill and intangible assets impairment.

Impairments

The Information Services Group have adopted the following approach with respect to impairment of assets:

- Impairment of financial assets - The loss allowance for estimated credit losses (ECLs) is based on assumptions about risk of default and expected loss rates. The Information Services Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, which is based on past history, existing market conditions and forward-looking estimates at the end of each reporting period. Financial assets are assessed for impairment at an individual asset level.
- Impairment of non-financial assets (excluding goodwill) - When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.
- Impairment of non-financial assets (goodwill) – Goodwill is allocated to cash-generating units ("**CGUs**") for the purpose of impairment testing. For goodwill impairment testing, the Information

Services Group is regarded as the lowest level at which these businesses are managed and monitored and is therefore the lowest level CGU. Information Services Group reviews and tests the carrying values of goodwill for the CGU in relation to the recoverable amount of such goodwill. The recoverable amount of goodwill is measured as fair value less costs to sell.

The approach for assessing impairment of financial and non-financial assets did not change as a result of preparing combined financial information.

Intercompany and related party transactions and balances

The EOH Group runs a group Treasury function ("**EOH Treasury**") in which group cash balances are centrally controlled and movements of cash from the Information Services Group entities to fellow subsidiaries, in addition to cash swept to the EOH Treasury bank accounts, have been accounted for as Loans to / (from) group companies. Loans with EOH Treasury are interest bearing and repayable on demand. Loans provided to or received from the holding company and fellow subsidiaries are also disclosed as inter-company loans. Such loans are generally interest free and repayable on demand.

In the ordinary course of business the Information Services Group also provided services to and received goods and services from the holding company and fellow subsidiaries.

Transactions and balances with EOH Group companies have been disclosed in Note 25 Related Parties as related party transactions and balances. All intra-group transactions and balances between the entities comprising the Information Services Group, have been eliminated.

Taxation

The Information Services Group entities have historically filed separate tax returns with the South African Revenue Services in South Africa, where these legal entities are a tax resident. The income taxes have been accounted for using the separate tax return method by aggregating the tax positions of the individual entities of the Information Services Group.

In accordance with IAS 12 Income Taxes the Information Services Group entities have not raised deferred taxes on assessed losses historically, unless it was probable that future taxable profit will be available against which the assessed losses can be utilised. Despite the preparation of combined financial statements, the tax status of the entities continues to be assessed at an individual legal entity level and accordingly the treatment of deferred tax balances in the combined financial statements is consistent with what is followed in the stand-alone annual financial statements of the respective entities.

Allocation of corporate costs

The Information Services Group entities have historically been charged a corporate fee in respect of corporate functions performed at a holding company level. These fees included corporate overhead allocations relating to head office functions such as Risk, Legal, Compliance, Group Reporting, Group Treasury, Tax, Head Office Finance, Central Human Resources, Central Learning and Development, Investor Relations, Chief Executive Office, Finance Director Office as well as Mergers and Acquisitions. In addition, centrally funded costs such as insurance, corporate social investment and audit fees were also charged to the individual subsidiary entities as part of a central costs allocation charge.

Historically the allocation basis for these costs were approved by EOH Group Exco on an annual basis and assigned on a percentage of revenue basis. Corporate costs charged are disclosed within Operating Expenses on the face of the Statement of Profit or Loss and Other Comprehensive Income (refer also to note 20). The total value of corporate costs charged to the Information Services Group entities for 2019 was R 11,643,865.

Management accepts that the attribution method of allocation used by EOH is a fair basis of allocation for a group of its size and complexity and has not made any adjustments to or reallocations of such costs in preparing the combined financial statements.

Share-based compensation schemes

Certain employees within the Information Services Group entities are entitled to share-based compensation based on the shares of the ultimate holding company, EOH. The EOH Group has two share option incentive schemes, the EOH Share Trust and the Mthombo Trust, as well as a share ownership scheme. The schemes allow directors, executive management and employees to benefit from the EOH's share price performance. For the two share option incentive schemes, EOH ultimately bears the obligation to settle awards in terms of these schemes with the employee.

In terms of IFRS the share option schemes are defined as equity settled and obligations relating to participation in these schemes are accounted for as equity, whereas the share ownership scheme is defined as cash settled and related obligations are accounted for as liabilities.

Management is satisfied that the circumstances of the disposal transaction does not change the nature of share-based compensation schemes during the reporting period and accordingly the classification of the obligations as being either equity-based or cash-based, does not change as a result of preparing combined financial information.

Segments

Segment reporting has not been included in the combined financial statements because the Information Services Group's equity and debt instruments are not currently, or planned in the future to be, traded in a public market.

Subsequent Events

The combined financial statements were authorised for issue on • March 2022. Subsequent events have been considered up to the date that the combined financial information was authorised for issuance. Apart from the disposal of the Information Services Group entities from the EOH Group, which is the subject of this circular, there have been no events subsequent to the reporting date that have been considered for separate reporting in the combined financial information.

Going concern

The IFRS Conceptual Framework states that going concern is an underlying assumption in the preparation of IFRS financial statements. Therefore, the financial statements presume that an entity will continue in operation in the foreseeable future or, if that presumption is not valid, disclosure and a different basis of reporting are required. The board of directors ("**Board**") believes that, as of the date of this report, the going concern presumption is still appropriate and accordingly the combined financial statements of the Information Services Group have been prepared on the going concern basis.

IAS 1 – Preparation of Financial Statements ("**IAS 1**") requires management to perform an assessment of the Information Services Group's ability to continue as a going concern. If management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the Information Services

Group's ability to continue as a going concern, IAS 1 requires these uncertainties to be disclosed.

In conducting this assessment, the Board has taken into consideration the Information Services Group's cash flow forecasts and profit projections, taking account of reasonably possible changes in trading performance, which show that the Information Services Group should be able to operate within its current funding levels into the foreseeable future.

Based on the Board's review of cash flow forecasts and profit projections, and in light of the current financial position in which current assets exceeds the current liabilities, the directors have a reasonable expectation that the Information Services Group has adequate resources to continue in operational existence for the foreseeable future and are not aware of any new material changes that may adversely affect the Information Services Group. The Information Services Group therefore continues to adopt the going concern basis in preparing the combined financial information.

2. Accounting Policies

2.1. Significant judgements and sources of estimation uncertainty

In the process of applying the accounting policies management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the annual financial statements of the Information Services Group:

Key sources of estimation uncertainty

Impairment of financial assets

The loss allowance for estimated credit losses (ECLs) is based on assumptions about risk of default and expected loss rates. The Information Services Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, which is based on past history, existing market conditions and forward-looking estimates at the end of each reporting period.

Impairment testing of non-financial assets

The Information Services Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit (CGU) to which the asset belongs.

Useful lives and residual values of property, plant and equipment

Management assesses the appropriateness of the residual values and useful lives of property, plant and equipment at the end of each reporting period. The residual value and useful lives of property plant and equipment are determined based on the Information Services Group's replacement policies for the various assets.

When the residual value and estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Information Services Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions or current tax liabilities in the period in which such determination is made.

Share-based payments

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entities revise their estimates of the number of share options / shares that are expected to vest based on the non-market vesting and service conditions. They recognise the impact of the revision to original estimates, if any, in the statement of profit or loss and other comprehensive income, with a corresponding adjustment to equity for equity settled schemes and to liabilities for cash settled schemes. This estimate is subject to judgement.

Critical judgements in applying accounting policies

Deferred taxation

The Information Services Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will be reversed in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Information Services Group to make significant estimates related to its expectation of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Information Services Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

2.2. Property, plant and equipment

Property, plant and equipment are tangible assets which the Information Services Group holds for its own use and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Information Services Group, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition, including the capitalisation of borrowing costs on qualifying assets, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Information Services Group and the cost can be measured reliably. Day-to-day servicing costs are included in the statement of profit or loss and other comprehensive income in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Information Services Group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

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

Item	**Depreciation method**	**Average useful life**
Buildings	Straight-line	50 years
Furniture and fixtures	Straight-line	10 years
Motor vehicles	Straight-line	5 years
Office equipment	Straight-line	3 to 6 years
IT equipment	Straight-line	2 to 5 years
Leasehold improvements	Straight-line	Shorter of useful life of period of lease
Right-of-use assets	Straight-line	Shorter of useful life of period of lease

The Information Services Group has presented right-of-use assets within property plant and equipment.

Right-of-use assets are initially measured at cost. The cost consists of the initial measurement of the lease liability value and any initial direct costs. The right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease term on a straight-line basis.

The residual value and useful life of each asset is reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each year is recognised in the statement of profit or loss and comprehensive income.

Impairment tests are performed on property, plant and equipment as described in note 2.4 Impairment of non-financial assets.

2.3. Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Information Services Group; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost. Impairment tests are performed on property, plant and equipment as described in note 2.4 Impairment of non-financial assets.

a) Internally generated software

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Information Services 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 probably 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, in the form of time spent by the development team to evaluate and select an appropriate technical solution, and development expenditure that does not meet the above criteria, are recognised as an expense as incurred.

Costs associated with maintaining computer software programs are recognised as an expense as incurred. However, costs that are associated with an identifiable system, which is controlled by the Information Services Group and has a probable benefit exceeding the cost, are recognised as an asset. These costs comprise all directly attributable costs necessary to create, produce and prepare the asset for its intended use.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

b) 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.

c) Amortisation methods and periods

The amortisation period for intangible assets, are reviewed on an annual basis and adjustments where applicable are accounted for as a change in accounting estimate. Amortisation charged to the statement of profit or loss and other comprehensive income is provided to write down the intangible assets on a straight-line basis over the finite useful life of the asset as follows:

Item	**Amortisation method**	**Average useful life**
Computer software	Straight-line	2 to 5 years
Databases	Straight-line	5 to 10 years
Customer Relationships	Straight-line	2 to 15 years
Intellectual Property	Straight-line	2 to 10 years
Customer Contracts	Straight-line	2 to 5 years
Internally generated software	Straight-line	3 to 15 years

2.4. Impairment of non-financial assets

Goodwill and intangible assets not subject to amortisation are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.
That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the statement of profit or loss and other comprehensive income.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in the statement of profit or loss and other comprehensive income.

2.5. Financial instruments

Financial assets

a) Classification

The Information Services Group classifies its financial assets in the following measurement categories:

- Those to be measured at amortised cost: i.e. trade receivables, loans to group companies and cash and cash equivalents.

The Information Services Group does not hold any financial asset classified at fair value through profit or loss ("**FVPL**") or fair value through other comprehensive income ("**FVOCI**").

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

For a financial asset to be classified and measured at amortised cost it needs to give rise to cash flows that are 'solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Information Services 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 Information Services Group changes its business model, which it has not done in the current or previous financial years.

b) Recognition and Measurement
Financial assets are recognised when the Information Services Group becomes a party to the contractual provisions of the transaction.

At initial recognition the Information Services Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent to initial recognition financial assets are measured at:

- Amortised cost – using the effective interest method less expected credit losses ("**ECLs**"). ECLs are presented as a separate line item in the statement of profit and loss and other comprehensive income as "net financial asset impairment losses".

c) Derecognition
Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Information Services Group has transferred substantially all the risks and rewards of ownership.

d) Impairment

The Information Services 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 Information Services Group expects to receive discounted at the original effective interest rate.

The Information Services Group recognises a loss allowance for ECLs on other financial assets using the general approach. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition. Refer to note 3 for further details on the methodology applied for calculating ECLs. 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).

The Information Services 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.

For trade receivables the Information Services Group applies the simplified approach permitted by IFRS 9 which requires expected lifetime credit losses to be recognised from initial recognition of the receivables. The Information Services Group has established a provision matrix that is based on its three year historical credit loss experience adjusted for forward-looking factors specific to the debtors and the economic environment.

The Information Services Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases the Information Services Group may also consider a financial asset to be in default when internal or external information indicates that the Information Services Group is unlikely to receive the outstanding contractual amounts in full.

e) Write-off policy

Receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, when the counterparty has been placed under liquidation or, has entered into bankruptcy proceedings or, the failure of a debtor to engage in a repayment plan with the Information Services Group. Receivables written off may still be subject to enforcement activities under the Information Services Group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the statement of profit or loss and other comprehensive income.

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.

Financial liabilities

a) Classification

Financial liabilities classified as and held at amortised cost include trade and other payables and loans from Group companies.

b) Recognition and measurement

Financial liabilities are recognised when the Information Services Group becomes a party to the contractual provisions of the transaction and are measured at initial recognition at its fair value less, 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 the statement of profit or loss and other comprehensive income.

Financial liabilities at amortised cost are measured using the effective interest method.

c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. This difference between the carrying value of the derecognised liability and the fair value of the new liability at initial recognition is recognised in the statement of profit or loss and other comprehensive income.

2.6. Taxation

Taxation 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
- a business combination.

Taxation 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.

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:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

Deferred tax assets are recognised in respect of deductible temporary differences 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.

2.7. Revenue

Revenue is recognised based on the completion of performance obligations and an assessment of when control is transferred to the customer.

The following indicators are used by the Information Services Group in determining when control has passed to the customer:

- The Information Services Group has a right to payment for the product or service;
- The customer has legal title to the product;
- The Information Services Group has transferred physical passion of the product to the customer;
- The customer has significant risk and rewards of ownership of the product;
- The customer has accepted the product or service.

Contracts are assessed individually to determine whether the products and services are distinct i.e. the product or service is separately identifiable from other items in the contract with the customer and whether the customer can benefit from the goods or services either on its own or together with other resources that are readily available. The consideration

is allocated between the goods and services in a contract based on management's best estimate of the standalone selling prices of the goods and services.

The Information Services Group primarily generates revenue from providing the following goods and services:

Hardware and software sales: The Information Services Group sells biometric devices which includes preloaded software. The biometric devices cannot be used without the software component and therefore the sale of the device and related software constitutes a single performance obligation. Revenue from the sale of the hardware and related software is recognised at a point in time, when control of the product has transferred, being when the product is delivered to the customer and the customer has accepted the products in accordance with the sales contract. Revenue on the sale of these goods is measured at the effective selling price of the items sold. Payment terms are between COD and 30 days. The payment terms do not constitute a significant financing component.

Services: The Information Services Group provides various credit enquiry and employment verification services. In line with its strategy to shift from transactional to solution-based services, the businesses also provide a number of software-as-a-service offerings as well as software implementation, maintenance and support services. Services are provided at an agreed fee based on defined service level agreements. Revenue is recognised over time as the customer benefits and the Information Services Group performs. The Information Services Group invoices customers monthly in arrears and generally services are sold to customers on delayed payment terms of 30 days and in certain cases receives short-term advances from its customers. Using the practical expedient in IFRS 15 Revenue from Contracts with Customers ("**IFRS 15**"), the Information Services Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The Information Services Group further disaggregates revenue based on subscription type, being:

- Fixed subscription – This subscription type relates to contracts for which customers pay a fixed fee per month for access to a range of different services with the Information Services Group;

- Pay per use – This subscription type allows customers to pay for services as they are consumed based on an agreed price per service;
- Non-subscription – This subscription type generally relates to project-based revenue where services are delivered over time and recognised on a stage of completion basis. All hardware and software sales are classified as non-subscription revenue.

The following table provides an explanation of the Information Services Group's performance obligations:

Revenue type	Recognition drive	Transfer of control	Measurement of transaction price	Duration of contract
Hardware and software sales	Upon delivery	At a point in time	Contracted amounts	< 1 year
Services	Monthly / costs incurred	Over time	Contracted amounts	> 1 year

The Information Services Group has not entered into any agency agreements and therefore generally concludes that it is acting as the principal in its revenue arrangements. The Information Services Group evaluates the following control indicators among others when determining whether it is acting as a principal or agent in the transactions with customers and recording revenue on a gross, or net, basis:

- The Information Services Group is primarily responsible for fulfilling the promise to provide the specified goods or service;
- The Information Services Group has inventory risk before the specified goods or services has been transferred to a customer or after the transfer of control to the customer;
- The Information Services Group has discretion in establishing the price for the specified goods or services.

2.8. Cost of sales

Cost of sales comprises costs directly relates to the rendering of services and sale of goods and includes:

- The carrying amount of inventories sold during the period;
- Direct costs paid to third parties for the provision of services onsold to Information Services Group customers;
- Amortisation costs relating to internally generated software developed specifically for a customer or group of customers;
- Employee costs relating to staff employed within the Information Services Group and involved directly in the delivery of services to customers.

Where applicable, the cost of inventories sold may include, as an expense in the period the write-down or loss occurs, the amount of any write-down of inventories to net realisable value and all losses of inventories. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2.9. Employee benefits

Employee share plans

The EOH Group has three share schemes; the EOH Share Trust Share Option Scheme, the Mthombo Trust Share Option Scheme and the EOH Share Ownership Plan; under which share-based compensation benefits are provided to employees through issue of share options or shares.

The fair value of the share options granted under the two share option schemes i.e. the EOH Share Trust and Mthombo Share Trust, 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 EOH Share Ownership Plan is cash settled and accordingly any corresponding increase gives rise to a liability, rather than equity. The share options/ shares are only conditional on employees remaining in service and have no other performance conditions attached. The impact of any service condition is excluded in determining the fair value of the options.

At the end of each period the Information Services Group revises its estimates of the number of options/ shares that are expected to vest based on the service conditions. The Information Services Group recognises the impact of the revision to original estimates in the statement of profit or loss and other comprehensive income with a corresponding adjustment to equity for the two share option schemes and liability for the share ownership plan.

Short-term obligations

Liabilities for wages and salaries, compensated absences as well as profit sharing and bonus payments are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service and are recognised as current liabilities in the statement of financial position. The liabilities are recognised in the period in which the service is rendered and are measured at the amounts expected to be paid when the liabilities are settled. The impact of discounting is immaterial and as a result these 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.

2.10. Fair value

Fair value is applied as defined in IFRS 13 Fair value measurement ("**IFRS 13**"). It is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial instruments, where the fair value of the financial instrument differs from the transaction price, the difference is commonly referred to as day one profit or loss. Day one profit or loss is recognised in profit or loss immediately where the fair value of the financial instrument is either evidenced by comparison with other observable current market transactions in the same instrument or is determined using valuation models with only observable market data as inputs. Day one profit or loss is deferred where the fair value of the financial instrument is not able to be evidenced by comparison with other observable current market transactions in the same instrument or determined using valuation models that utilise non-observable market data as inputs.

Subsequent to initial recognition, fair value is measured based on quoted market prices or dealer price quotations for assets and liabilities that are traded in active markets and where those quoted prices represent fair value at the measurement date. If the market for an asset or liability is not active or the instrument is unlisted, the fair value is determined using other applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analyses, net asset values, pricing models and other valuation techniques commonly used by market participants.

IFRS 13 requires disclosure of fair value measurements by level according to the following fair value hierarchies:

- Level 1 - values are determined using readily and regularly available quoted prices in an active market for identical assets or liabilities. These prices would primarily originate from the Johannesburg Stock Exchange, the Bond Exchange of South Africa or an international stock or bond exchange.
- Level 2 - Values are determined using valuation techniques or models, based on assumptions supported by observable market prices or rates either directly (that is, as prices) or indirectly (that is, derived from prices) prevailing at the financial position date. The valuation techniques or models are periodically reviewed and the outputs validated.
- Level 3 – Values are estimated indirectly using valuation techniques or models for which one or more of the significant inputs are reasonable assumptions (i.e., unobservable inputs), based on market conditions.

If a market for a financial asset is not active, the Information Services Group establishes fair value by using various valuation techniques detailed in the fair value hierarchy note to the annual financial statements. These include the use of recent arm's length transactions, reference to the current market value of other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Where the fair value of financial instruments is determined using discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate for a similar instrument.

Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

2.11. Leases as lessee

The Information Services Group primarily has property leases.

At inception of a contract, the Information Services Group assesses whether a contract is, or contains a lease.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lease contracts contain both lease and non-lease components. The Information Services Group has not elected the practical expedient to account for non-lease components as part of its lease liabilities and right-of-use assets. Accordingly, non-lease components are recognised as an expense in operating expenses as they are incurred.

The Information Services Group recognises right-of-use assets and lease liabilities at the lease commencement date for most leases. However, the Information Services Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and for short-term leases. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short- term leases have a term of 12 months or less. Low-value assets comprise leases such as IT equipment (tablets and personal computers), office furniture or telephones.

Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability
- any initial direct costs.

The lease liability is initially measured at the net present value of lease payments. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used. Generally, the Information Services Group uses the interest rate implicit in the lease and makes adjustments, where necessary, to reflect changes in financing conditions and those specific to the lease e.g. term and security.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Interest costs are charged to the statement of profit or loss and other comprehensive income over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to extend the lease term.

The right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease term on a straight-line basis.

The Information Services Group presents right-of-use assets as part of property, plant and equipment in the statement of financial position. Lease liabilities are shown separately in the statement of financial position.

2.12. Inventories

Inventories consist of biometric devices and are measured at the lower of cost and net realisable value on the weighted average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2.13. New standards and interpretations

2.13.1. Adoption of new standards, amendments to standards and interpretations

In the current year, the Information Services Group adopted the following standards and interpretations that are effective for the 2019 financial year and that are relevant to its operations:

2.13.2. IFRS 9 – *Financial Instruments*

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

The Information Services Group applied IFRS 9 retrospectively without restating comparatives, with an initial application date of 1 August 2018. The Information Services 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.

2.13.3. IFRS 15 – Revenue from contracts with customers
The adoption of IFRS 15 – Revenue from contracts with customers (“IFRS 15”) did not have a Material impact on the Information Services Group’s financial statements. The Information Services Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial Application f 1 August 2018.

2.13.4. Standards issued but not yet effective.
The Information Services Group has chosen not to early adopt the following standards and interpretations, which have been published and is mandatory for accounting periods beginning on or after 1January 2019.

- IFRS 16 – *Leases*: The standard primarily affects the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removed the current distinction between operating and financing leases for lessees and requires recognition of an asset (the rights to use the leased item) and financial liability in relation to rentals payable.
- IFRIC 23 – *Uncertainty over Income Tax Treatment*: The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affect 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.

2.13.5. Standards issued but not yet effective
The Information Services Group has chosen not to early adopt any new standards or interpretations.

3. Risk Management

3.1. Financial Instruments and Risk Management

The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance. Risk management is carried out centrally and management identifies, evaluates and analyses financial risks where necessary in close co-operation with the operating units. The risk committee overseas how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Information Services Group.

The normal operations expose it to the following financial risks from its use of financial instruments:

- Capital risk;
- Liquidity risk;
- Credit risk; and
- Market risk (currency risk and interest rate risk).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities at 31 July:

Categories of financial instruments

Categories of financial assets		2019 (Reviewed)
Figures in Rand		
Carrying amounts at amortised cost	Notes	
Loans to group companies	8	179 874 169
Other financial assets	9	1 003 448
Trade and other receivables	11	69 263 670
Cash and cash equivalents	12	15 822 635
		265 963 922

Categories of financial liabilities		
Figures in Rand		
Carrying amounts at amortised cost	Notes	
Loans from group companies	8	110 601 029
Other financial liabilities	13	1 000 000
Lease liabilities	14	3 603 189
Trade and other payables	15	20 746 009
		135 950 227

The Information Services 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.

3.2. Capital Risk Management

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

In order to maintain or adjust the capital structure of the Information Services 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:

Figures in Rand	Notes	2019 (Reviewed)
Loans from group companies	8	110 601 029
Other financial liabilities	13	1 000 000
Debt		**111 601 029**
Equity		427 303 160
Gearing ratio		26.12%

Security

Xpert Decision Systems Proprietary Limited and Managed Integrity Evaluations Proprietary Limited, two entities within the Information Services Group, have provided security for the debts of the EOH Group. Interest-bearing bank loans held by entities within the EOH Group are secured through a Security SPV which require that all the South African wholly owned subsidiaries of the EOH Group provide a pledge and cession of:

- all shares in, and claims on loan account against, any member of the Group incorporated in South Africa;

- cash;
- cash equivalents;
- bank accounts;
- investments;
- claims;
- disposal proceeds;
- any other amounts, of any nature whatsoever, now or from time to time in the future owing to that Obligor by any third person arising out of any cause of action whatsoever, including, without limitation, all amounts owing or becoming payable to that Obligor by any of its debtors; and
- related rights.

3.3. Financial Risk Management

Credit risk

Credit risk is the risk of financial loss to the Information Services Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the trade and other receivables, cash and cash equivalents and loans to related parties.

Risk management

Trade receivables comprise a widespread customer base, spread across diverse industries and geographical areas. The Information Services 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.

Impairment of financial assets

The carrying amounts of financial assets represent the maximum credit exposure. At the reporting date the Information Services Group did not consider there to be any significant concentration of credit risk which has not been adequately provided for. The financial assets exposed to credit risk at year end were as follows:

		2019		
Figures in Rand	Notes	**Gross Carrying Amount**	**Credit loss allowance**	**Amortised cost / fair value**
Loans to group companies	8	**179 980 049**	(105 880)	179 874 169
Other financial assets	9	**6 486 991**	(5 483 543)	1 003 448
Trade and other receivables	11	**74 309 657**	(5 045 987)	69 263 670
Cash and cash equivalents	12	**15 822 635**	-	15 822 635
		276 599 332	**(10 635 410)**	**265 963 922**

Expected credit losses (ECL)

a) Loans to group companies

Loans to group companies are individually assessed for impairment using the general approach under IFRS 9 raising a lifetime expected credit loss. Management evaluates the credit worthiness of counterparties on an ongoing basis, taking into account their financial position, past default experience and other relevant factors that may indicate whether there is a significant increase in credit risk.

Allowances have been raised considering the probability of default of each intercompany counterparty.

Movements in expected credit loss allowance in respect of loans to group companies:

Figures in Rand	2019 (Reviewed)
Opening balance	-
Expected credit loss recognised	(105 880)
Expected credit loss allowance reversed	-
Closing balance	**(105 880)**

b) Trade and other receivables

The Information Services Group's exposure to credit risk is influenced 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.

The average credit period on sales of goods and services ranges from 30 to 90 days. In determining the recoverability of a trade and other receivables the Information Services Group considers any change in the credit quality of a trade and other receivables from the date credit was initiated 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 industry segment share similar credit risk characteristics and are assessed for impairment on a collective basis. The Information Services Group does not have trade receivables for which no loss is recognised because of collateral.

ECL assessment for trade and other receivables

For trade and other receivables the Information Services Group applies the simplified approach permitted by IFRS 9 which requires expected lifetime credit losses to be recognised from initial recognition of the receivables. The allowance for impairment of trade and other receivables is created to the extent required based upon the expected collectability of accounts receivables. The Information Services Group uses a provision matrix to measure the ECLs of trade and other receivables.

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 expected loss rate by industry is based on payment profiles of sales over a 12-month period respectively and the corresponding historical credit losses experienced within this period, which is considered to be representative of the collection cycle. These loss rates are adjusted to reflect a deterioration in the risk of the customer and macro-economic overlay affecting the ability of the customers to settle the receivables. The macro-economic overlay is based on the difference in default rates during 2008-2010 financial crisis versus a financial non-crisis period.

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. Trade receivables are written off when there is no reasonable expectation of recovery.

Movements in expected credit loss allowance in respect of trade and other receivables:

Figures in Rand	2019 (Reviewed)
Opening balance	(1 898 054)
Expected credit loss recognised	**(4 530 488)**
Amounts written off during the year as uncollectable	1 382 555
Closing balance	**(5 045 987)**

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 July 2019:

Figures in Rand	**Gross Carrying Amount**	**Expected credit loss allowance**	**Weighted average loss rate**
Automotive	**116 214**	8 821	7.59%
Central Government	**1 539 928**	133 572	8.67%
Construction, Real Estate, Facilities & Property Management	**299 377**	32 608	10.89%
Education	**1 442 051**	140 533	9.75%
Electricity, Gas, Water, Energy & Utilities	**838 667**	49 439	5.89%
Environmental	**67 112**	13 788	20.55%
Financial Services	**22 124 379**	829 844	3.75%
Food and Beverage	**1 557 914**	115 762	7.43%
Health and Pharmaceuticals	**1 914 499**	128 799	6.73%
Hospitality	**562 569**	98 819	17.57%
Human Capital and Resourcing	**4 021 267**	485 167	12.07%
Information Technology	**4 540 620**	275 005	6.06%
Legal Services	**142 969**	15 602	10.91%
Legislatures	**1 338**	21	1.53%
Local Government	**350 407**	74 916	21.38%
Manufacturing & FMCG	**2 379 588**	236 774	9.95%
Marketing & Advertising	**203 196**	6 561	3.23%
Membership Organisations	**31 101**	5 275	16.96%
Mining & Quarrying	**2 652 714**	402 842	15.19%
Professional Business Advisory	**217 822**	25 461	11.69%
Property & Facilities Management	**210 335**	5 813	2.76%
Public Benefit and Membership Organisations	**49 330**	6 114	12.39%
Reseller	**171 228**	12 859	7.51%
Retail and Wholesale Trade	**4 097 692**	151 085	3.69%
Security Services	**420 639**	54 075	12.86%
State Owned Entities	**1 128 327**	47 288	4.19%
Telecommunications	**19 394 873**	1 335 403	6.89%
Other	**3 383 346**	353 739	10.46%
Intercompany	**450 153**	-	0.00%
Total	**74 309 657**	**5 045 987**	**6.79%**

c) Cash and cash equivalents

The Information Services 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 creditworthiness on an on-going basis. Impairment on cash and cash equivalents has been measured on the 12-month expected credit loss basis and reflects the short-term maturities of the exposures. The Information Services Group considers that its cash and cash equivalents have immaterial credit risk based on the external credit ratings of the counterparties.

As at 31 July 2019 the Information Services Group held majority of its cash and cash equivalents, with the local banks with a 'Ba1' credit rating or higher. The credit standings of counterparties that are used by the Information Services Group are evaluated on a continuous basis and is disclosed below:

Figures in Rand	Notes	2019 (Reviewed)
Aaa - A3	12	**15 806 621**
Other	12	**16 014**
		15 822 635

ECL assessment for cash and cash equivalents

As required by IFRS 9, cash balances have been assessed for expected credit losses. This has been performed through assessment of the counter-party risk of the related financial institutions where cash is held.

The majority of cash in the Information Services Group is held with financial institutions guaranteed by the South African reserve bank, which further reduces credit risk. No expected credit losses have been provided for in the current or previous financial years as these were immaterial.

d) Other financial assets

Other financial assets are assessed individually for expected credit losses, using the general approach under IFRS 9 and raising a lifetime expected credit loss. The expected credit loss model of IFRS 9 requires the classification and measurement of expected credit losses using the general model is a three-stage model. The three stages are performing (stage 1), underperforming (stage 2) and non-performing (stage 3). Other financial assets are considered to be in stage 3. Management evaluates the credit worthiness of counterparties on an ongoing basis, taking into account their financial position, past experience and other relevant factors that may indicate whether there is a significant increase in credit risk.

Allowances have been raised considering the probability of default by the borrower.

Movements in expected credit loss allowance in respect of other financial assets:

Figures in Rand	2019 (Reviewed)
Opening balance	-
Expected credit loss recognised	(5 483 543)
Amounts written off during the year as uncollectable	-
Expected credit loss allowance reversed	-
Closing balance	**(5 483 543)**

Liquidity risk

Liquidity risk is the risk that the Information Services Group will not be able to meet its financial obligations as they fall due. The Information Services 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 Information Services Group’s reputation.

The table below analyses the Information Services Group's financial liabilities into relevant maturity groups 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.

		2019			
Figures in Rand	Notes	**Less than 1 year**	**2 to 5 years**	**Total**	**Carrying amount**
Current liabilities					
Trade and other payables	15	20 746 009	-	**20 746 009**	20 746 009
Loans from group companies	8	110 601 029	-	**110 601 029**	110 601 029
Lease liabilities	14	3 822 634	-	**3 822 634**	3 603 189
		135 169 672	**-**	**135 169 672**	**134 950 227**

The expected maturity of financial liabilities is not expected to differ from the contractual maturities as disclosed above.

Market risk

Market risk is the risk of adverse financial impact resulting directly or indirectly from fluctuations in equity prices, interest rates, credit spreads, foreign currency exchange rates and inflation as well as any changes in the implied volatility assumptions associated with these variables.
The key components of market risk are as follows:

- Interest rate risk
- Currency risk

The entity is exposed to interest rate risk as detailed below.

Interest rate 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 Information Services 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 Information Services Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Information Services Group to fair value interest rate risk. The Information Services 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 Information Services Group's borrowings were denominated in Rand.

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

The Information Services Group's exposure to interest rate risk is immaterial and therefore a sensitivity analysis on the change in interest rates has not been disclosed.

Currency risk

The Information Services Group has limited exposure to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from trade and other payables that are denominated in foreign currency that is not the entities' functional currency. The Information Services Group analyses its currency risk exposure on an on-going basis.

The table below reflects the Rand value equivalent of financial liabilities denominated in foreign currency:

Figures in Rand	**Finance liabilities Trade and Other Payables** 2019 (Reviewed)
British pound (GBP)	177 994
US Dollar (USD)	1 561 584
Zambian Kwacha (ZMK)	45 536
Namibian Dollar (NAD)	20 200
Lesotho Loti (LSL)	900
	1 806 214

A fluctuation of 10% in each of the respective exchange rates would increase / decrease the outstanding trade and other payables balances by R180 621 as at 31 July 2019.

4. Property, Plant and Equipment and Right of Use Assets

Figures in Rand	Buildings	Leasehold Improvements	IT Equipment	IT Equipment - ROU Asset	Furniture & Fittings	Motor Vehicles	Office Equipment	Total
Balance at 1 August 2018	**3 324 260**	**61 800**	**3 596 025**	**3 319 248**	**3 758 813**	**37 063**	**831 957**	**14 929 166**
Additions	-	3 440	1 147 023	-	-	159 505	24 202	1 334 170
Disposals	-	-	-	-	-	(4 983)	-	(4 983)
Depreciation	(41 011)	(20 466)	(1 147 218)	(1 756 405)	(367 460)	(53 230)	(187 534)	(3 573 324)
Reviewed Balance at 31 July 2019	**3 283 249**	**44 774**	**3 595 830**	**1 562 843**	**3 391 353**	**138 355**	**668 625**	**12 685 029**

Figures in Rand	Buildings	Leasehold Improvements	IT Equipment	IT Equipment - ROU Asset	Furniture & Fittings	Motor Vehicles	Office Equipment	Total
As at 31 July 2019								
Cost	3 921 775	78 244	16 488 129	8 782 024	3 901 661	506 201	1 415 095	35 093 129
Accumulated Depreciation	(638 526)	(33 470)	(12 892 299)	(7 219 181)	(510 308)	(367 846)	(746 470)	(22 408 100)
	3 283 249	**44 774**	**3 595 830**	**1 562 843**	**3 391 353**	**138 355**	**668 625**	**12 685 029**

5. Intangible Assets

Figures in Rand	Computer Software	Databases	Customer Relationships	Intellectual Property	Customer Contracts	Internally Generated Software	Total
Balance at 1 August 2018	**16 091 465**	**34 165 497**	**4 363 836**	**28 223 299**	**-**	**10 008 603**	**92 852 700**
Additions	26 515 525	22 135 606	-	-	-	7 985 900	56 637 031
Amortisation	(16 357 764)	(12 845 028)	(2 606 179)	(9 857 291)	-	(37 040)	(41 703 302)
Reviewed Balance at 31 July 2019	**26 249 226**	**43 456 075**	**1 757 657**	**18 366 008**	**-**	**17 957 463**	**107 786 429**

Figures in Rand	Computer Software	Databases	Customer Relationships	Intellectual Property	Customer Contracts	Internally Generated Software	Total
As at 31 July 2019							
Cost	58 623 628	102 560 451	27 494 501	60 450 007	12 188 373	18 713 027	280 029 987
Accumulated Amortisation	(32 374 402)	(59 104 376)	(25 736 844)	(42 083 999)	(12 188 373)	(755 564)	(172 243 558)
	26 249 226	**43 456 075**	**1 757 657**	**18 366 008**	**-**	**17 957 463**	**107 786 429**

6. Goodwill

	2019 (Reviewed) R
Balance at beginning of year	208 100 627
Additions	-
Impairments	-
Transfers	-
Balance at end of year	**208 100 627**

Goodwill represents the excess of purchase costs over the net identifiable tangible and intangible assets acquired when the Information Services Group's holding company purchased the underlying entities comprising the Information Services Group. This asset, which was originally recorded in the books of EOH, has for purposes of preparing combined financial information, been fully allocated to these combined financial statements.

For the purposes of impairment testing, goodwill and intangibles are allocated to a CGU which currently comprises of the four Information Services Group entities earlier identified as being the target entities for this disposal transaction. Since being designated by the EOH group as being held for sale, impairment tests were performed in line with IFRS 5 Non-current assets held for sale and discontinued operations, with the recoverable amount being determined as the fair value less costs to sell, which was compared to the carrying value of the CGU for potential impairment.

The fair value was determined primarily with reference to advanced offers from potential acquirers less estimated disposal costs. Using this valuation basis there have been no impairments highlighted for this CGU for the current or prior years.

In assessing sensitivity for the Information Services Group CGU, the advanced offer was adjusted down by 5% and sufficient headroom remained.

7. Deferred Taxation

Figures in Rand	2019 (Reviewed)
At beginning of year	(19 966 487)
Temporary differences	(3 536 716)
Prior period under provision	1 126 093
	(22 377 110)
Analysis of deferred tax balances:	
Property, plant and equipment	(328 326)
Intangible assets	(26 398 865)
Trade and other receivables - expected credit loss allowances	576 324
Other financial assets - expected credit loss allowances	262 295
Prepayments	(375 459)
Payroll accruals	1 439 015
Provision for audit fees	(45 872)
Right of use assets and lease liabilities	1 461 461
Debtors’ overpayment	78 049
Assessed loss	564 368
Other accrued expenses	389 900
	(22 377 110)

Deferred tax asset	1 407 736
Deferred tax liability	(23 784 846)
	(22 377 110)

Deferred tax assets on assessed losses are not recognised unless it was probable that future taxable profit will be available against which the assessed losses can be utilised. The estimated unrecognised tax loss available to be set off against taxable income is R 25 386 924.

8. Loans to (from) group companies

Figures in Rand	2019 (Reviewed)
Holding company	
Loans to holding company	
EOH Mthombo Proprietary Limited	109 151 038
Loans from holding company	
EOH Mthombo Proprietary Limited	(46 902 279)
Fellow subsidiaries	
Loans to fellow subsidiaries	
2Identify Proprietary Limited	74
Amadwala Employee Benefits Proprietary Limited	357
Change Logic Proprietary Limited	7 751
Cortez Trading Proprietary Limited	4 703
Deixis Proprietary Limited	116
Enablemed Proprietary Limited	798
Enterprise Softworks Proprietary Limited	319 104
EOH Abantu Proprietary Limited	99 762
EOH Consulting Proprietary Limited	66 912 694
EOH Microsoft coastal Proprietary Limited	86 742
EOH Security & Building Proprietary Limited	2 444 260
Faculty Training Proprietary Limited	755
Freethinking Business Consultants Proprietary Limited	9 105
Hospitality Professionals South Africa Proprietary Limited	47 920
Impact Human Resources Proprietary Limited	213 876
Intellient Proprietary Limited	5 634
Isilumko Staffing Proprietary Limited	60 683
MPC Recruitment Proprietary Limited	182 074
NEXTEC Industrial Technologies Proprietary Limited	400 000
NEXTEC Security and Building Technologies Proprietary Limited	6 280
Regro Techology Proprietary Limited	3 217
Scientia Optimate Financial Services Proprietary Limited	106
Sybrin Systems	23 000
Loans from fellow subsidiaries	
Afiswitch Proprietary Limited	(50 157 705)
Change Logic Proprietary Limited	(41 400)
Deixis Proprietary Limited	(192 109)
Employers Mutual Protection Services Proprietary Limited	(2 647)
Enterprise Softworks Proprietary Limited	(950)
EOH Abantu Proprietary Limited	(357 947)
EOH Consulting Proprietary Limited	(1 760 675)
EOH Microsoft Coastal Proprietary Limited	(24 785)
IMQS Software Proprietary Limited	(91 498)
Impression Signatures Proprietary Limited	(139 288)

Figures in Rand	2019 (Reviewed)
NEXTEC Advisory Proprietary Limited	(2 185)
NEXTEC Industrial Technologies Proprietary Limited	(3 855 904
Sybrin Systems Proprietary Limited	(7 071 657)
	69 379 020
Allowance for expected credit losses * **	**(105 880)**
	69 273 140

All loans are unsecured, interest free and have no fixed terms of repayment.

*** Refer also to Note 3 for further details on movements in expected credit losses.

Current assets	179 874 169
Current liabilities	(110 601 029)
	69 273 140

9. Other Financial Assets

Figures in Rand	2019 (Reviewed)
Financial Assets at amortised cost	
V Pather	789 901
The loan is interest free. Any profit share that becomes due and payable to Mr Pather, net of tax, will first be applied to the outstanding balance of the loan. To the extent that the loan is not fully settled through profit share payments, any balance owing on the loan shall be settled by no later than 31 October 2020.	
Xpert Decision Systems Ghana	2 889 539
Xpert Decision Systems Nigeria	2 594 004
Other loans and receivables	213 547
The above loans are unsecured, bear no interest and are repayable on demand	
	6 486 991
Allowance for expected credit losses ***	(5 483 543)
	1 003 448
Current assets	
Other financial assets	1 003 448

*** Refer also to Note 3 for further details on movements in expected credit losses.

10. Inventories

Figures in Rand	2019 (Reviewed)
Finished goods	150 177

Inventories recognised as cost of sales during the year ended 31 July 2019 amounted to R 2 913 634.

11. Trade and Other Receivables

Figures in Rand	2019 (Reviewed)
Financial instruments	**69 263 670**
Trade receivables	68 309 754
Gross trade receivables	72 170 099
Gross trade receivables - related parties	1 185 642
Allowance for expected credit losses ***	(5 045 987)
Other receivables	953 916
Non-financial instruments	**2 889 868**
Prepayments	2 889 868
Other receivables	-
VAT receivable	-
	72 153 538

*** Refer also to Note 3 for further details on movements in expected credit losses.

12. Cash and Cash Equivalents

Figures in Rand	2019 (Reviewed)
Cash and cash equivalents consist of:	
Cash on hand	16 014
Bank balances and short term deposits	15 806 621
	15 822 635

The bank balances of Xpert Decision Systems Proprietary Limited and Managed Integrity Evaluations Proprietary Limited have been provided as unlimited surety in respect of all loans from Standard Bank Limited and its subsidiaries at an EOH Group Level. As at 31 July 2021 these bank balances were R 11.0 million and R 4.3 million respectively.

As at 31 July 2019, the Information Services Group entities held the majority of their cash and cash equivalents with local banks with a 'Aaa' credit rating or higher. The credit standing of counterparties that are used by the Information Services Group is evaluated on a continuous basis.

13. Other Financial Liabilities

Figures in Rand	2019 (Reviewed)
Non-current financial liabilities	
Share-based payments liability (refer also to note 26)	696 145
Shareholder loan - JA de Beer	1 000 000
	1 696 145
At fair value through profit and loss (IFRS 2)	696 145
At amortised cost	1 000 000
	1 696 145

14. Lease Liabilities

Figures in Rand	2019 (Reviewed)
Minimum lease payments due	
– within one year	3 822 634
– within two to five years	-
	3 822 634
Less future finance charges	(219 445)
Present value of minimum lease payments	3 603 189
Present value of minimum lease payments due	
– within one year	3 603 189
– within two to five years	-
	3 603 189
Lease liabilities relate to	
IT equipment	3 603 189
	3 603 189
Lease liabilities reconciliation	
Opening balance	6 340 412
Accrued interest	438 892
Lease payments - interest	(438 892)
Lease payments - capital	(2 737 223)
Closing balances	**3 603 189**
Lease liabilities	
Current	3 603 189
Non-current	-
	3 603 189

The lease on premises of Managed Integrity Evaluations Proprietary Limited matures on 30 November 2021 and bears interest at 9.3%.

The lease on premises of Xpert Decision Systems Proprietary Limited matures on 31 January 2023 and bears interest at 9.3%.

The lease term of leased IT equipment ranges terminates in 2020 and bears interest up to 13%.

Low value asset leases are disclosed in profit or loss. During the current year the value low value equipment leases was R 166 603.

15. Trade and Other Payables

Figures in Rand	2019 (Reviewed)
Financial instruments	**20 746 009**
Trade payables	6 374 534
Trade payables - related parties	10 926 583
Other payables	3 444 892
Non-financial instruments	**27 110 236**
Other accrued expenses	8 937 290
VAT payable	2 306 109
Payroll accruals	15 866 837
	47 856 245

In the ordinary course of business the Information Services Group incurs expenditure with external suppliers. When the related goods or services are delivered the amount due to the supplier is raised as accrued expenses. Once the invoice matching this accrual is received the accrual is reversed and a trade payable balance is raised. Other accrued expenses related to such expenses that are delivered but not yet invoiced as at the reporting date, and is separately disclosed from payroll accruals which related to costs directly related to employment of the Information Services Group personnel.

16. Revenue

Figures in Rand	2019 (Reviewed)
Hardware and software sales	3 627 412
Services	412 497 364
Total	**416 124 776**
Subscription type	
Fixed subscription	64 200 341
Pay per use	285 639 761
Non-subscription	66 284 674
Total	**416 124 776**
Type of customer	
Public Sector	23 826 723
Private Sector	392 298 053
Total	**416 124 776**
Timing of revenue recognition	
Point in time	3 627 412
Over time	412 497 364
Total	**416 124 776**

17. Cost of Sales

Figures in Rand	2019 (Reviewed)
Cost of goods sold	2 913 634
Cost of rendering of services	124 605 495
Amortisation costs	28 973 308
Employee costs	76 897 531
	233 389 968

18. Operating Expenses

Figures in Rand	2019 (Reviewed)
Advisory costs	2 132 058
Amortisation of intangible assets	12 729 994
Cluster overhead cost recovery	1 373 629
Corporate overhead costs	11 643 865
Depreciation of property, plant and equipment	3 573 324
Dues and subscriptions	1 852 895
Employee costs	62 672 485
Facilities costs	4 418 660
IT services	6 530 877
Lease charge - premises	9 733 631
Lease charge - equipment	166 603
Loss / (profit) on disposal of property, plant and equipment and intangible assets	(29 160)
Marketing costs	3 361 457
Share-based payment expense	2 874 009
Telephony costs	2 285 857
Other operating expenses	9 053 660
	138 373 844

19. Net financial asset impairment losses

Figures in Rand	2019 (Reviewed)
Movements in impairment losses recognised in profit or loss were as follows:	
Impairment loans to group companies	57 960
Impairment loss on trade receivables	4 530 488
Impairment (reversal) / loss on other financial assets	2 354 728
	6 943 176

20. Interest income

Figures in Rand	
Bank	314 095
	314 095

21. Finance costs

Figures in Rand	2019 (Reviewed)
Bank	96 646
Lease liabilities	438 892
Present value remeasurements	60 027
	595 565

22. Taxation

Figures in Rand	2019 (Reviewed)
Current taxation	
Local income taxation – current year	14 102 963
Local income taxation – adjustment for prior years	2 485 720
	16 588 683
Deferred taxation	
Deferred taxation - current temporary differences	3 536 716
Deferred taxation - adjustment to prior years	(1 126 093)
	2 410 623
Taxation Total	**18 999 306**

Reconciliation of rate of taxation

South African normal rate of taxation	11 518 169
Exempt income - Learnership agreement - S12H	(348 133)
Exempt income - Reversal of impairment	(443 238)
Exempt income - Employment tax incentive	(3 171)
Disallowable charges – Research & development	(1)
Disallowable charges - Share-based payments	734 210
Disallowable charges - SARS interest	25 789
Disallowable charges – Capital expenditure	1 527
Disallowable charges - Legal fees	29 071
Disallowable charges - Impairment of asset	17 242
Disallowable charges - Depreciation on leasehold improvements	5 730
Disallowable charges - Consulting and advisory fees	53 845
Disallowable charges - Donations	13 636
Disallowable charges - Impairment of loan	1 860 666
Capital gains tax	697 955
Deferred tax asset not raised in respect of assessed loss	3 728 103

Figures in Rand	2019 (Reviewed)
Assessed loss utilised on deferred tax asset not previously raised	(564 368)
Prior period adjustments	1 359 627
Other	318 648
	18 999 306

23. Cash generated from operations

Figures in Rand	2019 (Reviewed)
Profit / (loss) before taxation	41 136 318
Adjustments for:	
Amortisation of intangible assets	41 703 302
Depreciation of property, plant and equipment	3 573 324
Movement in expected credit losses	5 121 938
Loss / (profit) on disposal of property, plant and equipment and intangible assets	(29 160)
Share -based payment expense	2 874 009
Other non-cash items	(167 583)
Interest income	(314 095)
Finance costs	595 565
Changes in working capital:	
(Increase) / decrease in inventories	202 227
(Increase) / decrease in trade and other receivable	1 821 080
Increase / (decrease) in trade and other payables	12 226 014
Increase / (decrease) in contract liabilities	(657 014)
Cash generated from operations	**108 085 925**

24. Taxation paid

Figures in Rand	2019 (Reviewed)
Balance at the beginning of the year	11 603 376
Current tax for the year recognised in profit or loss	(15 108 597)
Prior year reallocation	(1 480 086)
Balance at the end of the year	(15 860 826)
Taxation paid	**(20 846 133)**

25. Related parties

The Information Services Group entities entered into various transactions with related parties. These transactions occur under terms and conditions that are not more favourable to those entered into with third parties.

Relationships

Ultimate holding company	EOH Holdings Limited
Holding Company	EOH Mthombo Proprietary Limited

All other companies listed below are fellow subsidiaries of the Information Services Group entities.

Figures in Rand	2019 (Reviewed)
Loan accounts - Owing (to) / by related parties	
EOH Mthombo Proprietary Limited	109 151 038
EOH Mthombo Proprietary Limited	(46 902 279)
2Identify Proprietary Limited	74
Afiswitch Proprietary Limited	(50 157 705)
Amadwala Employee Benefits Proprietary Limited	357
Change Logic Proprietary Limited	7 751
Cortez Trading Proprietary limited	4 703
Deixis Proprietary Limited	116
Employers Mutual protection services Proprietary limited	(2 647)
Enablemed Proprietary Limited	798
Enterprise Softworks Proprietary Limited	319 104
EOH Abantu Proprietary Limited	99 762
EOH Consulting Proprietary Limited	66 912 694
EOH Microsoft Coastal Proprietary limited	86 742
EOH Security & Building Proprietary Limited	2 444 260
Faculty Training Proprietary Limited	755
Freethinking Business Consultants Proprietary limited	9 105
Hospitality Professionals South Africa Proprietary Limited	47 920
Impact Human Resources Proprietary limited	213 876
Intellient Proprietary Limited	5 634
Isilumko Staffing Proprietary Limited	60 683
MPC Recruitment Proprietary Limited	182 074
NEXTEC Industrial Technologies Proprietary Limited	400 000
NEXTEC Security and Building Technologies Proprietary Limited	6 280

Figures in Rand	2019 (Reviewed)
Regro Techology Proprietary Limited	3 217
Scientia Optimate Financial Services Proprietary Limited	106
Sybrin Systems	23 000
Change logic Proprietary Limited	(41 400)
Deixis Proprietary Limited	(192 109)
Enterprise Softworks Proprietary Limited	(950)
EOH Abantu Proprietary Limited	(357 947)
EOH Consulting Proprietary Limited	(1 760 675)
EOH Microsoft Coastal Proprietary Limited	(24 785)
IMQS Software Proprietary Limited	(91 498)
Impression Signatures Proprietary Limited	(139 288)
NEXTEC Advisory Proprietary Limited	(2 185)
NEXTEC Industrial Technologies Proprietary Limited	(3 855 904)
Sybrin Systems	(7 071 657)
Related Party Trade Receivables / (Trade Payables)	
Afiswitch Proprietary Limited	552 641
Afiswitch Proprietary Limited	(9 484 852)
CA Southern Africa Proprietary Limited	426
Combined Systems Proprietary Limited	351
Cortez Trading Proprietary Limited	3 046
Deixis (Pty) Ltd	192
Dental information System Proprietary Limited	2 512
Dihlase Consulting Engineers Proprietary Limited	116
Emid Proprietary Limited	275
Enterprise Softworks Proprietary Limited	1 229
EOH Abantu Proprietary Limited	60 254
EOH Consulting Proprietary Limited	1 084
EOH Microsoft Coastal Proprietary Limited	197 142
EOH Mthombo Proprietary Limited	(159 915)
EOH Network Solutions Proprietary Limited	(3 162)
Exigo Sustainability Proprietary Limited	719
Flent pay Proprietary Limited	2 422
GLS Consulting Proprietary Limited	7 017
Hospitality Professionals South Africa Proprietary Limited	113 950
Impact Human Resources Proprietary Limited	(27 858)
Impression Signatures Proprietary Limited	2 381
IOCO Software Distribution Proprietary Limited	9 281
Joat Sales and Services Proprietary Limited	77
Medical Services Organisation Proprietary Limited	159 008
MPC Recruitment Proprietary Limited	(12 795)
NEXTEC Advisory Proprietary Limited	6 934
PCI Africa Proprietary Limited	2 827
Regro Technology Proprietary Limited	231
Rosstone Consulting Proprietary Limited	116

Figures in Rand	2019 (Reviewed)
SCAN RF Projects Proprietary Limited	61 411
Sybrin Systems Proprietary Limited	(1 237 400)
Triclinium Clinical Development Proprietary Limited	(601)
Purchases from (Sales to) related parties	
2Identify Proprietary Limited	(225 116)
Afiswitch Proprietary Limited	49 255 837
Aptronics Proprietary Limited	(371)
Coastal and Environmental Systems Proprietary Limited	(6 448)
Change Logic Proprietary Limited	(305)
Cornerstone Proprietary Limited	(7 410)
Cortez Trading Proprietary Limited	99 465
Deixis Proprietary Limited	(17 625)
Digital Industries Proprietary Limited	(165)
Dihlase Consulting Engineers Proprietary Limited	(239)
Emid Proprietary Limited	55
Employers Mutual Protection Service Proprietary Limited	(288 776)
Enterprise Softworks Proprietary Limited	(148 125)
EOH Abantu Proprietary Limited	17 010
EOH Abantu Proprietary Limited	(391)
EOH Infrastructure Technologies Proprietary Limited	(76 371)
EOH Microsoft Coastal Proprietary Limited	2 675 625
EOH Mthombo Proprietary Limited	(27 936 795)
EOH Network Solutions Proprietary Limited	(684)
Exigo Sustainability Proprietary Limited	(1 120)
Flent pay Proprietary Limited	(15 711)
GLS Consulting Proprietary Limited	(17 456)
Highvest PFS ado EOH Abandu Proprietary Limited	(6 102)
Hospitality Professionals South Africa Proprietary Limited	(317 143)
Impact Human Resources Proprietary Limited	193 792
IMQS Software Proprietary Limited	(330 922)
IOCO Software Distribution Proprietary Limited	(76 211)
LSD Information Technology Proprietary Limited	(67)
Medical Service Organisation Proprietary Limited	(500 101)
NEXTEC Industrial Technologies Proprietary Limited	(2 830)
NEXTEC Security & Building Technology Proprietary Limited	(1 142)
Regro Technology Proprietary Limited	(5 255)
Rinedata SA Proprietary Limited	(201)
Rosstone Consulting Proprietary Limited	(9 316)
Purchases from (Sales to) related parties (continued)	
Scientia Optimate Financial Services Proprietary Limited	(193)
Sybrin Systems Proprietary Limited	1 368 952
Syntell Proprietary Limited	(945 123)
XTND Proprietary Limited	(128 142)

Figures in Rand	2019 (Reviewed)
Corporate overhead costs paid to related parties	
EOH Mthombo Proprietary Limited	11 643 865
EOH Mthombo Proprietary Limited	-
Treasury interest income / (cost)	
EOH Treasury Proprietary Limited	-
Loans to directors	
V Pather	789 901

The remuneration for directors of the Information Services Group paid during the year has been disclosed in note 27.
Directors are defined as key management personnel.

26. Share-based compensation

Certain employees are entitled to share-based compensation based on the shares of the ultimate holding company, EOH Holdings Limited. The EOH Group has two share option incentive schemes, the EOH Share Trust and the Mthombo Trust as well as a share ownership scheme. The three share incentive schemes allow 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. For both trusts, the participant needs to be in the employment of the EOH Group in order to exercise vested options. Under the terms of the current schemes, EOH Group reserved up to 18 000 000 of issued shares for share options for any affiliated EOH entities. The share options are equity-settled and there is no requirement to reimburse the holding company when the shares are issued.

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 the date of the offer less 40% discount. The share options will lapse 10 years after the grant date. Shares granted vest in tranches from the date of award as set out below:

- 25% after two years
- 25% after three years
- 25% after four years
- 25% after five years

A reconciliation of the movement of all share options relative to the Information Services Group in is detailed below:

Number of options	**The EOH Share Trust** 2019 (Reviewed)
Opening balance	7 500
Granted during the year	-
– to management	-
– to directors	-
Replaced in exchange for shares in Share Ownership Plan	(3 625)
Forfeited during the year	-
Shares granted but not issued up to the end of the year	**3 875**
Vesting of shares	
Number of shares exercisable at year end	3 875
	3 875

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

Weighted average share price (cents)	2019 (Reviewed)
Opening balance	59.04
Granted during the year	-
– to management	-
– to directors	-
Replaced in exchange for shares in Share Ownership Plan	66.31
Shares granted but not issued up to the end of the year	80.28
Vesting of shares	
Price of shares exercisable at year end	80.28

There were no new share options granted during 2019 for The EOH Share Trust.

The after-tax risk-free rate applied was the zero-swaps curve at the grant date of the option.

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 share options will lapse eight years after the 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 relative to the Information Services Group in is detailed below:

Number of options	The Mthombo Trust 2019
Opening balance	124 500
Granted during the year	-
– to management	-
– to directors	-
Replaced in exchange for shares in Share Ownership Plan	(21 500)
Forfeited during the year	-
Shares granted but not issued up to the end of the year	**103 000**
Vesting of shares	
Number of shares exercisable at year end	5 667
Vesting date within one year	15 666
Vesting date between two and five years	81 667
	103 000
Weighted average share price (cents)	
Opening balance	57.48
Granted during the year*	-
– to management	-
– to directors	-
Replaced in exchange for shares in Share Ownership Plan	65.24
Forfeited during the year	-
Shares granted but not issued up to the end of the year	**57.71**
Vesting of shares	
Price of shares exercisable at year end	56.64

There were no new share options granted during 2019 for The Mthombo Trust.

The after-tax risk-free rate applied was the zero-swaps curve at the grant date of the option.

Balances in respect of the share option schemes are accounted for as share-based payment reserves. Changes in the valuation of share-based payment reserves are recognised in the statement of profit or loss and other comprehensive income.

	2019
Reconciliation of share-based payment reserve:	
Opening balance	3 632 869
Share-based payment expenses	2 177 864
Closing balance	**5 810 733**

The Share Ownership Plan

The Share Ownership Plan was adopted in 2018. The scheme awards participants with shares and is determined to be cash settled. Shares awards granted vest in tranches from the date of the awarded. set out below.

- 25% after two years
- 25% after three years
- 25% after four years
- 25% after five years

Number of shares	The Share Ownership Plan 2019
Opening balance	-
Granted during the year*	202 787
– to management	168 534
– to directors	34 253
Forfeited during the year	-
Shares granted but not issued up to the end of the year	-
Vesting of shares	
Number of shares exercisable at year end	-
Vesting date within one year	46 099
Vesting date between two and five years	156 688
	202 787

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

Weighted average share price (cents)	2019 (Reviewed)
Opening balance	-
Granted during the year	34.83
– to management	34.82
– to directors	34.83
Forfeited during the year	-
Shares granted but not issued up to the end of the year	34.83
Vesting of shares	
Price of shares exercisable at year end	-

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

The Share Ownership Plan does not grant employees options, therefore a binomial option pricing model is not used.

Balances in respect of the share ownership plan are accounted for as share-based payment liabilities. Changes in the valuation of share-based payment liabilities are recognised in the statement of profit or loss and other comprehensive income.

	2019 (Reviewed)
Reconciliation of share-based payment liability:	
Opening balance	-
Share-based payment expenses	696 145
Closing balance	696 145

27. Key management compensation

The Information Services Group considers the key management for the 2019 financial years to be the Chief Executive Officer of the combined entity as a single CGU, who is considered to be the management tasked with the authority and responsibility for planning, directing and controlling activities of the combined entity. Directors' emoluments have been excluded due to the Information Services Group not constituting a combined legal group for the historical reporting periods and not having a separate board of directors.

The compensation in respect of these members of Key Management is represented below:

	2019 (Reviewed) R
Short-term (ST) employee benefits (Salary and ST incentives)	3 451 758
Post-employment benefits	-
Long-term employment benefits	-
Termination benefits	
Share-based payments	-
Total	**3 451 758**

28. Changes in assets / liabilities arising from investing and financing activities

28.1. Changes in assets arising from investing activities

Reconciliation of assets - 2019

Figures in Rand	Note	Opening Balance	Advances	Repayments	Total investing cash flows	Movement in credit losses	Other non-cash movements *	Total non-cash movements	Closing balance
Loans to group companies	8	**66 954 904**	**77 508 762**	**(9 703 014)**	**67 805 748**	**(105 880)**	**45 219 397**	**45 113 517**	**179 874 169**
Other financial assets	9	**7 394 312**	**1 145 013**	**(2 052 334)**	**(907 321)**	**(5 483 543)**	**-**	**(5 483 543)**	**1 003 448**
		74 349 216	**78 635 775**	**(11 755 348)**	**66 898 427**	**(5 589 423)**	**45 219 397**	**39 629 974**	**180 877 617**

* Other non-cash movements include dividends in specie of R 138 277.

28.2. Changes in liabilities arising from financing activities

Reconciliation of liabilities - 2019

Figures in Rand	Note	Opening Balance	Repayments	Proceeds	Total financing cash flows	Total operating cash flows	Other non-cash movements	Total non-cash movements	Closing balance
Loans from group companies	8	**28 896 338**	**-**	**36 533 213**	**36 533 213**	**-**	**45 171 478**	**45 171 478**	**110 601 029**
Other financial liabilities	13	**907 899**	**-**	**-**	**-**	**-**	**788 246**	**788 246**	**1 696 145**
Lease liabilities	14	**6 340 412**	**(2 737 223)**	**-**	**(2 737 223)**	**(438 892)**	**438 892**	**-**	**3 603 189**
		36 144 649	**(2 737 223)**	**27 728 363**	**33 795 990**	**(438 892)**	**46 398 616**	**45 959 724**	**115 900 363**

During the year interest of R 438 892 was accrued and paid with respect to Lease liabilities. These interest movements were excluded from the tables above as the interest has been disclosed as an operating cash flow in the combined cash flow statement and the tables above summarises movements arising from financing activities.