EOH

2019
Notice of annual general meeting

Contents

About EOH

EOH is one of the largest technology services companies in Africa and has a wide range of solutions in Industry Consulting, IT Services, Software, Industrial Technologies and Business Process Outsourcing.

The Group continues to be an undisputed market leader in its core ICT businesses which operates principally under the iOCO brand name. The nature of this business is systemic to both the public and private sector and is an integral technology partner for a number of South Africa's leading JSE-listed, blue-chip companies as well as key metros and government departments.

The Group's 10 500 employees deliver services to over 5 000 enterprise customers across all major industries throughout South Africa, Africa, Europe and the Middle East.

As a proudly South African business, EOH is committed to sustainable transformation, making a positive, meaningful contribution to society, and is a Level 1 Broad-based Black Economic Empowerment ('BBBEE') contributor.

The EOH Purpose

To provide the **technology, knowledge, skills and organisational ability** critical to the development and growth of the markets we serve.

To be an **ethical and relevant force for good and to play a positive role** in society, beyond normal business practice.

Summarised financial statements and notice of annual general meeting

Dear shareholder

On behalf of the Board of directors, you are invited to attend the Annual General Meeting ('AGM') of EOH Holdings Limited ('EOH' or 'the Group') to be held in the auditorium of the Company, EOH Office Park, Ground Floor, Block D, EOH Office Park, 1 Osborne Lane, Bedfordview, 2007 on Thursday, 5 December 2019 at 10:00.

The notice of AGM contains the summarised annual financial statements ('AFS') of the Group for the year ended 31 July 2019, which were compiled under the supervision of Megan Pydigadu CA(SA), Group Chief Financial Officer ('CFO') of EOH. These summarised Group AFS are themselves not audited, but are extracted from audited information. The Group AFS are audited by Mazars, the Company's independent auditors.

Should you wish to obtain a copy of the complete audited AFS of the Group for the year ended 31 July 2019 including the directors' report, auditor's report and Audit Committee report, these can be obtained from:

- the Company's website: www.eoh.co.za; or
- the Company on request.

If you are unable to attend the AGM in person, you are able to vote by proxy in accordance with the instructions contained in AGM notice and form of proxy.

You are reminded that the non-executive remuneration approval, which is usually updated annually, was the subject of a separate circular and general meeting which is taking place on 14 November 2019.

EOH's integrated report will be available on the Company's website on or about 14 November 2019.

Yours sincerely,

Dr Xolani Mkhwanazi
Chairman

1 November 2019

Notice of Annual General Meeting

EOH Holdings Limited

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

If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant ('CSDP'), broker, banker, attorney, accountant or other professional adviser.

Notice is hereby given that the 21st Annual General Meeting ('AGM' or 'meeting') of shareholders of EOH will be held at 10:00 on Thursday, 5 December 2019 in the auditorium of the Company, EOH Office Park, Ground Floor, Block D, 1 Osborne Lane, Bedfordview, 2007 for the purpose of considering, and, if deemed fit, passing with or without modification, the ordinary and special resolutions set out hereunder.

Purpose and general information

The purpose of the AGM is to transact the business set out in the agenda below, to consider and if deemed fit, pass, with or without modification, the ordinary and special resolutions set out herein, and to discuss other matters raised by shareholders at the meeting, provided that, in the sole discretion of the chairman of the meeting, such matters directly concern the business of the Company and may lawfully be dealt with at an annual general meeting.

Agenda

1. **Presentation of audited annual financial statements, Audit Committee Report and Social, Ethics and Transformation Committee report (non-voting agenda point)**
   The audited annual financial statements of the Company for the year ended 31 July 2019, including the report by the board of directors ('Board' or 'directors'), the independent auditor's report and various subcommittee reports, to be presented at the meeting as required in terms of section 30(3)(d) of the Companies Act, No.71 of 2008, as amended ('the Companies Act') be and are hereby presented.

2. **Resolutions**
   Unless otherwise specifically indicated, the minimum percentage of voting rights required to be exercised by shareholders present or represented by proxy at the AGM in respect of each of the ordinary resolutions set out below is more than 50% (fifty percent) in favour of such resolution. Special resolutions to be adopted at this AGM require approval from at least 75% (seventy-five percent) of the voting rights exercised on each special resolution by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution concerned.

3. Ordinary resolutions numbers 1.1 – 1.6: Appointment of executive and non-executive directors

The following director appointments were made by the Board post the last Annual General Meeting, and are required to be ratified and confirmed, in accordance with the Company's memorandum of incorporation ('MoI') and the Companies Act.

Upon recommendation by the Company's Remuneration and Nomination Committee, it is proposed that shareholders pass the following ordinary resolutions:

"RESOLVED, by way of individual standalone resolutions, to confirm the appointment of the following directors:

1.1. Megan Pydigadu (Executive director and Chief Financial Officer) (with effect from 15 January 2019).
1.2. Dr Xolani Mkhwanazi (Independent Non-executive Chairman) (with effect from 5 June 2019).
1.3. Dr Anushka Bogdanov (Independent Non-executive Director) (with effect from 20 June 2019).
1.4. Andrew Mthembu (Lead Independent Non-executive Director) (with effect from 20 June 2019).
1.5. Mike Bosman (Independent Non-executive Director) (with effect from 20 June 2019).
1.6. Fatima Newman (Executive director and Chief Risk Officer) (with effect from 1 August 2019).

4. Ordinary resolution number 2: Re-election of Dr Moretlo Molefi as an independent non-executive director

"RESOLVED that Dr Moretlo Molefi, who retires by rotation in terms of the Company's MoI and who, being eligible, offers herself for re-election, be and is hereby re-elected as an Independent Non-executive Director of the Company."

The Remuneration and Nomination Committee has considered Dr Moretlo Molefi's past performance and contribution to the Company and recommends that she be re-elected as an Independent Non-executive Director of the Company.

A brief résumé of each director appears on pages 13 to 16 of this notice.

5. Ordinary resolutions numbers 3.1 to 3.4: Appointment of Audit Committee members

The Companies Act and JSE Listings Requirements stipulate that each public listed company must, each year at its Annual General Meeting, appoint an Audit Committee, comprising at least three Non-executive Directors who are independent and, as a collective body, are suitably qualified, skilled and experienced.

The Remuneration and Nomination Committee and the Board are satisfied that the below mentioned proposed members are suitably skilled and experienced Independent Non-executive Directors and that they collectively meet the criteria required to fulfil their duties, and accordingly have recommended that shareholders pass the following ordinary resolutions:

5. Ordinary resolutions numbers 3.1 to 3.4: Appointment of Audit Committee members continued

"RESOLVED, by way of individual standalone resolutions, to appoint the following Independent Non-executive Directors as members of the Company's Audit Committee:

3.1 Mike Bosman as a member and chairman of the Audit Committee;
3.2 Jesmane Boggenpoel as a member of the Audit Committee;
3.3 Andrew Mthembu as a member of the Audit Committee; and
3.4 Ismail Mamoojee as a member of the Audit Committee."

A brief résumé of each member of the Audit Committee appears on pages 13 to 16 of this notice.

6. Ordinary resolution number 4: Appointment of independent external auditors

The Companies Act, JSE Listings Requirements and the MoI stipulate that the Company must each year at its Annual General Meeting, appoint or re-appoint an eligible auditor.

The Board decided that this would be an appropriate time to rotate the independent external auditor and following an assessment process, the Audit Committee, with the endorsement of the EOH Board, recommends the appointment of PricewaterhouseCoopers Inc. as the Group's new external auditor. The appointment will be in respect of the financial year ending 31 July 2020 and will be effective from the conclusion of the Annual General Meeting on 5 December 2019 until the conclusion of the next Annual General Meeting. Consequently Mazars' rotation as the auditor will end on conclusion of its external audit responsibilities for the financial year ended 31 July 2019.

"Resolved to appoint PricewaterhouseCoopers Inc. as the independent auditor of the Company. The Audit Committee and the Board have confirmed the independence of PricewaterhouseCoopers Inc. pursuant to section 90 of the Companies Act. The Audit Committee further confirms that it has assessed the auditor's suitability for appointment in accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements and nominates for appointments PricewaterhouseCoopers Inc. as the external auditor of the Company."

7. Ordinary resolution numbers 5.1 and 5.2: Endorsement of the Company's remuneration policy and remuneration implementation report (non-binding advisory votes)

In accordance with principle 14 of the King Report on Corporate Governance for South Africa 2016™ ('King IV') and paragraph 3.84(k) of the JSE Listings Requirements, companies are required to table their remuneration policy and remuneration implementation report to shareholders for a non-binding advisory vote at the Annual General Meeting to allow shareholders to consider the remuneration policy and remuneration implementation report of the Company every year and to inform themselves how employees and senior executives within EOH are remunerated. The Company's 2019 remuneration policy and remuneration implementation report are set out in the annual integrated report on pages 68 to 75.

Upon recommendation by the Remuneration and Nomination Committee, it is proposed that shareholders pass the following resolutions by way of standalone non-binding advisory votes:

5.1 "RESOLVED that in accordance with King IV and the JSE Listings Requirements, shareholders endorse the remuneration policy of the Company as set out on pages 68 to 75 of the annual integrated report."

7. Ordinary resolution numbers 5.1 and 5.2: Endorsement of the Company's remuneration policy and remuneration implementation report (non-binding advisory votes) continued

5.2 "RESOLVED that in accordance with King IV and the JSE Listings Requirements, shareholders endorse the remuneration implementation report of the Company as set out on pages 68 to 75 of the annual integrated report."

This vote enables shareholders to express their views on the remuneration policy and the remuneration implementation report of the Company. This ordinary resolution number 5 is of an advisory nature and failure to pass this resolution will therefore not have any legal consequences for existing arrangements. However, should either of the resolutions set out in 5.1 or 5.2 above be voted against by 25% or more of the voting rights exercised, the Board undertakes to engage actively with dissenting shareholders in this regard in order to ascertain the reasons therefor and to address all legitimate and reasonable objections and concerns.

8. Special resolution number 1: Financial assistance in terms of section 44 of the Companies Act

The purpose of this special resolution number 1 is to grant the Board the authority to authorise the Company to provide financial assistance by way of a loan, guarantee, the provision of security, or otherwise to its subsidiaries and inter-related companies (excluding any director or prescribed officer of the Company, or a person related to such director or prescribed officer), for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company as contemplated in section 44 of the Companies Act. The directors undertake that prior to the Company providing the financial assistance as contemplated in section 44 of the Companies Act, the Company will have satisfied the solvency and liquidity test as set out in section 4 of the Companies Act and that the terms under which the financial assistance is proposed are fair and reasonable.

"RESOLVED that the Board may to the extent required, in terms of and subject to section 44 of the Companies Act, as the case may be, and the Company's MoI, authorise the Company to provide, by way of special resolution, financial assistance by way of a loan, guarantee, the provision of security or otherwise, to its subsidiaries and inter-related companies (excluding any director or prescribed officer of the Company, or a person related to such director or prescribed officer), for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company, subject to the terms and conditions of section 44 of the Companies Act. No such financial assistance may be provided at any time in terms of this authority after the expiry of two years from the date of the adoption of this special resolution."

9. Special Resolution number 2: Financial assistance in terms of section 45 of the Companies Act

The purpose of the Special Resolution number 2 is to grant the Board the authority to authorise the Company to provide direct or indirect financial assistance to a related or inter-related company or corporation, as contemplated in section 45 of the Companies Act. The directors undertake that prior to the Company providing the financial assistance as contemplated in section 45 of the Companies Act, the Company will have satisfied the solvency and liquidity test as set out in section 4 of the Companies Act and that the terms under which the financial assistance is proposed are fair and reasonable.

9. Special Resolution number 2: Financial assistance in terms of section 45 of the Companies Act continued

"RESOLVED that the Board may to the extent required, in terms of and subject to section 45 of the Companies Act, as the case may be, and the Company's MOI, authorise the Company to provide, by way of special resolution, any direct or indirect financial assistance (which includes lending money, guaranteeing a loan or other obligation and securing any debt or obligation as contemplated in section 45 of the Companies Act) to a related or inter-related company or corporation (excluding any director or prescribed officer of the Company, or person related to such director or prescribed officer) on such terms as the Board deems fit, subject to the terms and conditions of section 45 of the Companies Act. No such financial assistance may be provided at any time in terms of this authority after the expiry of two years from the date of the adoption of this Special Resolution."

10. Ordinary resolution number 6: Signature of documents

"RESOLVED that any director of the Company be and is hereby individually authorised to sign all such documents and do all such things as may be necessary for, or incidental to, the implementation of the resolutions adopted at the AGM."

Important dates to note

The Board has determined, in terms of section 62(3)(a), as read with section 59 of the Companies Act that the record date for receipt of the notice of AGM be Friday, 1 November 2019 and that Friday, 29 November 2019 be the record date for the purposes of determining which shareholders of the Company are entitled to participate in and vote at the AGM. Accordingly, the last day to trade EOH shares in order to be recorded in the register to be entitled to vote at the AGM will be Tuesday, 26 November 2019.

Kindly note that participants (including shareholders and proxies) at the AGM meeting are required to provide satisfactory identification before being entitled to attend or participate in the AGM proceedings. Forms of identification include valid identity documents, driver's licences and passports.

Voting and quorum

A quorum, for the purposes of considering the resolutions to be proposed at the AGM, shall consist of three shareholders of the Company, personally present or represented by proxy (and if the shareholder is a body corporate, the representative of the body corporate), and entitled to vote at the AGM.

In addition, the AGM may not begin until sufficient persons are present in person or represented by proxy to exercise, in aggregate, at least 25% of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the AGM; and a matter to be decided at the AGM may not begin to be considered unless sufficient persons are present in person or represented by proxy to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised in respect of that matter at the time the matter is called on the agenda.

10. Ordinary resolution number 6: Signature of documents continued

Every shareholder present in person or represented by proxy and entitled to exercise voting rights at the AGM shall be entitled to vote on a show of hands, irrespective of the number of voting rights that shareholder would otherwise be entitled to exercise. On a poll, any person who is present at the AGM, whether as a shareholder or as proxy for a shareholder, has the number of votes determined in accordance with the voting rights associated with the shares held by that shareholder.

General instructions

Shareholders who are entitled to attend, speak and vote at the AGM are encouraged to do so.

Electronic participation

The Company has made provision for shareholders or their proxies to participate electronically in the AGM by way of telephone conferencing. Should you wish to participate in the AGM by telephone conference call, you, or your proxy, should advise the Company by no later than 10:00 on Tuesday, 3 December 2019, by submitting by email to the Company Secretary at Neill.OBrien@eoh.com, for the attention of Neill O'Brien, relevant contact details, including an email address, cellular number and landline, as well as full details of your title to shares and proof of identity, in the form of copies of identity documents and share certificates (in the case of certificated shares) or written confirmation from your Central Securities Depository Participants ('CSDP') confirming your title to the dematerialised shares (in the case of dematerialised shares). Upon receipt of the required information, you will be provided with a secure code and instructions to access the electronic communication during the general meeting. Shareholders must note that access to the electronic communication will be at the expense of the shareholders who wish to utilise the facility.

Shareholders and their appointed proxies attending by conference call will not be able to cast their votes at the AGM through this medium. Accordingly, shareholders making use of the electronic participation facility are requested to either complete the form of proxy (in the case of certificated shareholders and dematerialised shareholders who have elected own-name registration) or contact their CSDP or broker (in the case of dematerialised shareholders who have not elected own-name registration), in both instances, as set out above.

Proxies and authority for representatives to act

A shareholder holding certificated shares who cannot attend the AGM or who wishes to be represented thereat is entitled to appoint a proxy or proxies to attend and act in his/her stead. A proxy need not be a member of the Company. For the convenience of EOH shareholders, a form of proxy is attached hereto. Forms of proxy may also be obtained on request from EOH's registered office.

The attached form of proxy is only to be completed by those ordinary shareholders who:

- hold ordinary shares in certificated form; or
- are recorded on the sub-register in 'own name' dematerialised form.

Notice of Annual General Meeting continued

Proxies and authority for representatives to act continued

Ordinary shareholders who have dematerialised their ordinary shares through a CSDP or broker without 'own name' registration and who wish to attend the AGM, must instruct their CSDP or broker to provide them with the relevant letter of representation to attend the AGM in person or by proxy and vote. If they do not wish to attend in person or by proxy, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

For administrative purposes, forms of proxy should be delivered to the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg 2196 (PO Box 61051, Marshalltown, 2107) or by email to proxy@computershare.co.za, at least 48 hours (excluding Saturdays, Sundays and public holidays) before the time of the AGM, being 10:00 on Tuesday, 3 December 2019. Any form of proxy not delivered by this time may be handed to the transfer secretaries at the AGM or to the Chairperson of the AGM at any time prior to the commencement of the AGM or at any time prior to voting on any resolution proposed at the AGM.

By order of the Board

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

1 November 2019

Form of proxy

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

This form of proxy is only for use by:
- certificated shareholders;
- own-name dematerialised shareholders.

For completion by the aforesaid registered EOH shareholders who are unable to attend the annual general meeting to be held at 10:00 on Thursday, 5 December 2019 in the auditorium of the Company, EOH Office Park, Ground Floor, Block D, 1 Osborne Lane, Bedfordview, 2007.

If you are a dematerialised shareholder, other than with own-name registration, do not use this form. Dematerialised shareholders, other than with own-name registration, should provide instructions to their appointed CSDP or broker in the form as stipulated in the agreement entered into between the shareholder and the CSDP or broker.

Name of beneficial shareholder ____

Name of registered shareholder ____

Address ____

Telephone work/home ___________________________ Cell phone ___________________________

being the holder custodian of [ ] ordinary shares in the Company, hereby appoint (see note):

1. ____ or failing him/her.
2. ____ or failing him/her.
3. the Chairperson of the AGM.

as my/our proxy to attend and act for me/us on my/our behalf at the AGM of the Company convened for the purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat ('resolutions') and at each postponed or adjournment thereof and to vote for and/ or against such resolutions, and or abstain from voting, in respect of the shares in the issued share capital of the Company registered in my/our name/s in accordance with the following instructions:

		Number of ordinary shares		
		For	**Against**	**Abstain**
1	**Ordinary resolution number 1:** Appointments of executive and Non-executive Directors			
1.1	To ratify and confirm the appointment of Megan Pydigadu			
1.2	To ratify and confirm the appointment of Dr Xolani Mkhwanazi			
1.3	To ratify and confirm the appointment of Dr Anushka Bogdanov			
1.4	To ratify and confirm the appointment of Andrew Mthembu			
1.5	To ratify and confirm the appointment of Mike Bosman			
1.6	To ratify and confirm the appointment of Fatima Newman			
2	**Ordinary resolution number 2:** Re-election of Dr Moretlo Molefi as an Independent Non-executive Director			

Form of proxy continued

		Number of ordinary shares		
		For	**Against**	**Abstain**
3	**Ordinary resolution number 3:** Appointment of Audit Committee members			
3.1	To appoint Mike Bosman as a member and chairman of the Audit Committee			
3.2	To appoint Jesmane Boggenpoel as member of the Audit Committee			
3.3	To appoint Andrew Mthembu as member of the Audit Committee			
3.4	To appoint Ismail Mamoojee as member of the Audit Committee			
4	**Ordinary resolution number 4:** Appointment of independent external auditors			
5	**Ordinary resolution number 5:** Non-binding endorsement of the Company's remuneration policy and implementation report			
5.1	To approve the remuneration policy			
5.2	To approve the remuneration implementation report			
6	**Special resolution number 1:** Financial assistance in terms of section 44 of the Companies Act			
7	**Special resolution number 2:** Financial assistance in terms of section 45 of the Companies Act			
8	**Ordinary resolution number 6:** Signature of documents			

Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable.

A shareholder entitled to attend and vote at the AGM may appoint one or more proxies to attend, vote and speak in his/her stead. A proxy need not be a shareholder of EOH. Each shareholder is entitled to appoint one or more proxies to attend, speak and, on a poll, vote in place of that shareholder at the AGM.

Forms of proxy are requested to be delivered to the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg 2196 (PO Box 61051, Marshalltown, 2107) or by email to proxy@computershare.co.za, so as to arrive by 10:00 on Tuesday, 3 December 2019. Any form of proxy not delivered by this time may be handed to the transfer secretaries at the AGM or to the Chairperson of the AGM at any time prior to the commencement of the AGM or at any time prior to voting on any resolution proposed at the AGM.

Signed at ____ on ________________ 2019

Signature ____

Assisted by (if applicable)____

Notes to the form of proxy

- Only shareholders who are registered in the register of the Company under their own name on the voting record date may complete a form of proxy or attend the Annual General Meeting. This includes certificated shareholders or own-name dematerialised shareholders. A proxy need not be a shareholder of the Company.
- Certificated shareholders wishing to attend the Annual General Meeting have to ensure beforehand with the transfer secretaries that their shares are registered in their own name.
- Beneficial shareholders whose shares are not registered in their own name, but in the name of another, for example, a nominee, may not complete a proxy form, unless a form of proxy is issued to them by a registered shareholder and they should contact the registered shareholder for assistance in issuing instructions on voting their shares, or obtaining a proxy to attend, speak and vote at the Annual General Meeting.
- Dematerialised shareholders who have not elected own-name registration in the register of the Company through a CSDP and who wish to attend the Annual General Meeting, must instruct the CSDP or broker to provide them with the necessary letter of representation to attend.
- Dematerialised shareholders who have not elected own-name registration in the register of the Company through a CSDP and who are unable to attend, but wish to vote at the Annual General Meeting, must timeously provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between that shareholder and the CSDP or broker.
- A shareholder may insert the name of a proxy or the names of two or more alternative proxies of the shareholder's choice in the space, with or without deleting 'the Chairperson of the Annual General Meeting'. The person whose name stands first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
- The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed, should such shareholder wish to do so. In addition to the aforegoing, a shareholder may revoke the proxy appointment by:
  - cancelling it in writing, or making a later inconsistent appointment of a proxy; and
  - delivering a copy of the revocation instrument to the proxy, and to the Company.
- The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the Shareholder as of the later of the date:
  - stated in the revocation instrument, if any; or
  - upon which the revocation instrument is delivered to the proxy and the Company as required in section 58(4)(c)(ii) of the Companies Act.
- Should the instrument appointing a proxy or proxies have been delivered to the transfer secretaries, as long as that appointment remains in effect, any notice that is required by the Companies Act or the memorandum of incorporation to be delivered by the Company to the shareholder must be delivered to:
  - the shareholder; or
  - the proxy or proxies if the shareholder has in writing directed the Company to do so and has paid any reasonable fee charged by the Company for doing so.
- A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the memorandum of incorporation or the instrument appointing the proxy provide otherwise.
- If the Company issues an invitation to shareholders to appoint one or more persons named by the Company as a proxy, or supplies a form of instrument appointing a proxy:
  - such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised;
  - the Company must not require that the proxy appointment be made irrevocable; and
  - the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.

Notes to the form of proxy continued

- Any alteration or correction made to this form of proxy must be initialled by the signatory/ies. A deletion of any printed matter and the completion of any blank space(s) need not be signed or initialled.
- Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form unless previously recorded by the transfer secretaries or waived by the Chairperson of the Annual General Meeting.
- A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
- A company holding shares in the Company that wishes to attend and participate at the Annual General Meeting should ensure that a resolution authorising a representative to act is passed by its directors. Resolutions authorising representatives in terms of section 57(5) of the Companies Act must be lodged with the transfer secretaries prior to the Annual General Meeting.
- Where there are joint holders of shares any one of such persons may vote at any meeting in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders wishes to be present or represented at the Annual General Meeting, that one of the said persons whose name appears first in the Register or his proxy, as the case may be, shall alone be entitled to vote in respect thereof.
- The Chairperson of the Annual General Meeting may reject or accept any proxy which is completed and/or received other than in accordance with the instructions, provided that he shall not accept a proxy unless he is satisfied as to the matter in which a shareholder wishes to vote.
- A proxy may not delegate his/her authority to act on behalf of the shareholder, to another person.
- A shareholder's instruction to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate space provided. Failure to comply with the above will be deemed to authorise the Chairperson of the Annual General Meeting, if the chairperson is the authorised proxy, to vote in favour of the resolutions at the annual general meeting or other proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit, in respect of the shares concerned. A shareholder or the proxy is not obliged to use all of the votes exercisable by the shareholder or the proxy, but the total of votes cast in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
- Forms of proxy are requested to be delivered to the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg 2196 (PO Box 61051, Marshalltown, 2107) or by email to proxy@computershare.co.za, so as to arrive by 10:00 on Tuesday, 3 December 2019. Any form of proxy not delivered by this time may be handed to the transfer secretaries at the Annual General Meeting or to the Chairperson of the Annual General Meeting at any time prior to the commencement of the Annual General Meeting or at any time prior to voting on any resolution proposed at the Annual General Meeting. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend, speak and vote in person at the Annual General Meeting should the shareholder decide to do so.
- This form of proxy may be used at any adjournment or postponement of the Annual General Meeting, including any postponement due to a lack of quorum, unless withdrawn by the shareholder.
- The aforegoing notes include a summary of the relevant provisions of section 58 of the Companies Act, as required in terms of that section.

Board of directors' CVs

1. Dr Xolani Mkhwanazi

Chairman and independent non-executive director

Permanent invitee to all Board committees

Appointed 5 June 2019

BSc (Maths and Physics), MSc, PhD (Applied Physics), Executive Development Programme

Xolani has been a director of many companies over the years, including Executive Chairman of BHP Billiton Southern Africa. Currently he sits on three boards – Murray and Roberts, South32 and is Deputy Chair of the Public Investment Corporation.

2. Andrew Mthembu

Lead Independent non-executive director

Chairperson of the Technology and Information Committee, member of the Audit Committee and Governance and Risk Committee

Appointed 20 June 2019

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

Andrew started his career in the Ministry of Works and Communications, went on to work for Otis Elevators. He later moved on to become Managing Director of Murray and Roberts in their toll roads concession business. He was subsequently appointed as MD of Vodacom SA. After serving as MD of Vodacom SA, Andrew was charged with setting up Vodacom International (Pty) Ltd and later promoted to Deputy Group CEO of the Vodacom Group of Companies, a position he held until he left. Andrew now manages his investment company and consults to various clients on ICT strategies, he also sits on various boards.

3. Dr Anushka Bogdanov

Independent non-executive director

Chairperson of the Social and Ethics Committee, member of the Governance and Risk Committee and Nomination and Remuneration Committee

Appointed 20 June 2019

BA (Political Science), Postgraduate Diploma (Financial Management), MBA (International Financial Management), PhD (International Finance and Financial Mathematics), Executive Development Programme (Rotman School of Business Canada), SingularityU Executive Programme

Anushka started her career with Absa Corporate and Merchant Bank, thereafter she moved to Fitch Ratings as Senior Director. In 2003, she joined Nedbank and during her time in the banking industry she was instrumental in improving risk management capabilities, strengthening the use of business performance predictive models and building an impressive analytics team. Her most recent corporate role was at the DBSA before establishing her own risk management consulting firm. Anushka also lectures to MPhil students and supervises PhD Finance students at Nelson Mandela Metropolitan University.

Board of directors' CVs continued

4. Mike Bosman

Independent non-executive director

Chairperson of the Audit Committee, member of the Governance and Risk Committee, the Nomination and Remuneration Committee and the Technology and Information Committee

Appointed 20 June 2019

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

Mike began his career in corporate and project finance before moving into the creative world of advertising and became Group CEO of FCB South Africa and the Africa region. He later served as President and Chief Operating Officer of FCB North America. He headed up FCB's operations in the US and Canada and was based in New York. After he returned to South Africa, he was appointed Group CEO of the large communications group, TBWA\South Africa.

He currently serves as the non-executive chairman of Spur Corporation Limited, non-executive chairman of Vinimark Holdings, non-executive director of MTN South Africa and non-executive director of AVI Limited.

5. Jesmane A Boggenpoel

Independent non-executive director

Chairperson of the Governance and Risk Committee and member of the Audit Committee

Appointed 1 July 2018

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

Jesmane has over 16 years' experience mainly in investments and private equity, she has international work and study experience living on three continents (Africa, US and Europe). Jesmane was former Head of Business Engagement Africa, World Economic Forum based in Switzerland.

She has served on various boards including Land Bank, Cell C, Senwes and Adcorp. Jesmane is a Young Global Leader of the World Economic Forum and a member of the digital economy working group of BRICs (South African chapter). She is also a founding board member of a women's investment company called African Women Chartered Accountants Investment Holdings. She has authored the published book 'My blood divides and unites' focusing on identity and building trust across communities.

6. Ismail Mamoojee

Independent non-executive director

Chairperson of the Nomination and Remuneration Committee and member of the Audit Committee, Social and Ethics Committee and Technology and Information Committee

Appointed 1 July 2018

B Com (Accounting), CA(SA), CAIB (SA), Tax Law Cert (SA)

Ismail has in excess of 20 years' experience in financial services and is passionate about finance, internal controls, governance, risk and compliance. Currently he works at Liberty, which provides long/short-term insurance, asset management, property, direct financial and health services, and since January 2009 he has been the CFO of the Africa division.

Ismail is an entrepreneur by nature and always seeks solutions to enhance operations of the organisation he serves.

Ismail has served as a director on a number of the in-country boards.

7. Dr Moretlo Molefi

Member of the Social and Ethics Committee, Technology and Information Committee and Nomination and Remuneration Committee

Appointed 12 May 2017

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

Dr Lynette Moretlo Molefi is a South African medical doctor, a dynamic and versatile entrepreneur and business executive, with a reputation for exemplary leadership. She has been one of the few pioneers of Telemedicine in South Africa and Africa with representation at various levels of government and non-governmental organisations. She currently holds executive positions at Telemedicine Africa (Pty) Ltd and Sunpa Africa (Pty) Ltd.

Dr Molefi also serves as a board member of HCI; The International Society for Telemedicine and eHealth; eTV; Business Systems Group (Africa); and Syntell.

Board of directors' CVs continued

Executive directors

8. Stephen van Coller (included for completeness, not up for re-election)

Group Chief Executive Officer

Member of the Governance and Risk Committee, Social and Ethics Committee and Technology and Information Committee

Appointed 1 September 2018

B Com (Accounting), CA(SA), ACMA (UK)

Prior to joining the EOH Group, Stephen was with the MTN Group and served as Vice President: Digital Services, Data Analytics and Business Development. He was a member of the MTN Group Executive Committee, Group Transformation Board and the Group Operations Committee.

Stephen has over 20 years' experience within the banking sector, Chief Executive of Corporate and Investment Banking (CIB) at Barclays Africa Group from 2006 to 2016, a member of the Executive Committee and chaired the Citizenship and Innovation Committees across Africa, a member of the Barclays Plc Global Investment Committee, the Barclays Social Innovation Fund and was Chairman of The Absa Foundation Trust.

9. Megan Pydigadu

Group Chief Financial Officer

Member of the Technology and Information Committee

Appointed 15 January 2019

B Com (Accounting), H Dip Acc, CA(SA)

Megan qualified as a chartered accountant in 1999 and completed her articles at Deloitte. She stayed on as a manager for a further two years. In 2002 she joined De Beers as a Senior Divisional Financial Manager in the head office function. In 2005 she joined Bateman Engineering Group which recently listed on the AIM exchange in London serving as Group Financial Controller until 2010. From August 2010 to January 2017 she served as Group CFO at MiX Telematics where she was involved in the successful listing of MiX Telematics on the New York Stock Exchange including a US$100 million capital raise.

10. Fatima Newman

Chief Risk Officer

Member of the Governance and Risk Committee and the Social and Ethics Committee

Appointed 1 August 2019

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

Fatima has a diverse experience across a range of industries including stockbroking, asset management and private banking, financial services, government and parastatals in both front office and infrastructure functions, some of which were Macquarie First South, Absa CIB and the MTN Group prior to joining the EOH Group.

Summarised Consolidated Financial Results for the year ended 31 July 2019

Commentary

"The past 12 months have been very difficult for EOH. We have spent extensive time focusing on cleaning up the business both from a governance and financial perspective as well as understanding the Group's strategic capabilities. I have been impressed by the spirit of my colleagues who have worked tirelessly during this challenging period. While there is much still to do, the path is much clearer. In the short term we will focus on continuing to deleverage our balance sheet while implementing governance changes and over the longer term we remain steadfast in a vision of a more synergised and focused offering that is well positioned to take advantage of the next wave of change in the ICT industry." Stephen van Coller, CEO.

SALIENT FEATURES

- Enhanced King IV™* compliant Board and new executive leadership.
- Strategic focus defined for short term. Further refinement and assessment of portfolio ongoing.
- Embarked upon a fit-for-purpose capital structure.
- Progress made towards reducing leverage.
- Key financial indicators:
  - Continuing revenue – R11 791 million.
  - Normalised EBITDA – R792 million.
  - Cash of R1 049 million.
  - Net asset value of R1 957 million.

OPERATIONAL OVERVIEW

The year under review has been one of the most challenging periods in the history of EOH. Three main themes have prevailed:

- Rebuilding credibility through establishing robust governance.
- Creating a fit-for-purpose capital structure.
- Creating more transparency on the business and financials.

Enhanced governance framework

With Microsoft announcing its cancellation of the EOH Channel Partner Agreement and the subsequent ENSafrica investigation which uncovered R1,2 billion of suspicious transactions, management's efforts have been focused on ensuring the right leadership and governance structures are in place and that people are held accountable for what has transpired.

The ENSafrica team has made significant progress on the investigation. They have substantially completed their investigation into the R1,2 billion identified suspicious transactions.

This amount has since been modified to R935 million and includes transactions with no evidence of contracting or work done, valued at R665 million, loans written off of R90 million and overbilling valued at approximately R180 million. EOH has blacklisted and suspended payments to 50 enterprise development partners who were implicated in this activity. Some of these partners have initiated legal challenges against the Company, however, EOH will robustly oppose legal challenges brought by such parties.

The ENSafrica investigation team have also been able to confirm the key modus operandi that was utilised by the main perpetrators to commit wrongdoing at EOH which involved business partners and intermediaries.

The further investigation has confirmed that the main perpetrators of wrongdoing remain confined primarily to a small group of individuals in the public sector team. Apart from this type of wrongdoing, the investigation has also identified various opportunistic incidents of fraud and theft to the prejudice of EOH. This has resulted in the company initiating disciplinary measures which has led to the termination of employment relationships with a number of individuals.

Based on further information identified from ongoing whistle-blower reports and the ongoing investigation, the ENSafrica team have assisted EOH in making further reports to the authorities in line with our statutory reporting obligations. We have provided extensive information to the Hawks and the FIC and we are supporting and cooperating with the authorities. It is important to emphasise that EOH is actively pursuing criminal charges as a complainant against various individuals implicated in wrongdoing. The investigation team is working closely with the authorities to ensure that they are able to identify illicit money flows. EOH has initiated legal processes to recover losses caused by the perpetrators of wrongdoing.

Extensive work has already been conducted to simplify the corporate structure, implement robust risk management and mitigation initiatives, increase transparency, accountability and reporting.

A bid governance process framework has been implemented which aims to promote ethical business practices (commission payments, gifts or any other incentives as well as the use of sales agents or middlemen are prohibited when bidding for contracts for example) and includes:

- Bid templates, controls, limits and mandates.
- Review, monitoring and independent oversight.
- Supplier and customer (enhanced) due diligence to the extent necessary.

A Gift Policy as well as a Declaration of Interest Policy have been introduced. Furthermore, in order for any employee to receive a commission or bonus or other incentive, the respective employee will be required to sign an anti-corruption warranty prior to such payment or award. The warranty will acknowledge the right of EOH to claw back any commissions or bonus if an employee has been identified to have contravened any policies at any time in the past or future relating to such payment.

Employees are required to attend mandatory training on the newly implemented Group governance, risk and compliance processes.

In addition to addressing the findings of the ENSafrica investigation, the Company is focused on removing any culture of hierarchy and fear which dissuades employees from speaking up and voicing important issues related to the business.

Skilled and experienced executives in place to drive change

The EOH Holdings Limited ('the Group') leadership team has been reconstituted and bolstered with skilled and experienced executives appointed to drive change. The process of recruiting additional operational talent is ongoing.

The new executive team comprises:

- Stephen van Coller, Group Chief Executive (start date 1 September 2018).
- Megan Pydigadu, Chief Financial Officer (start date 15 January 2019).
- Lufuno Nevhutalu, Executive Head for Public Sector in the ICT business (start date 15 March 2019).
- Fatima Newman, Group Chief Commercial Officer (start date 8 April 2019).

In addition, the Board of EOH has been enhanced by the appointment of a new Group chairman and three independent non-executive directors:

- Dr Xolani Mkhwanazi, Chairman (appointed 5 June 2019).
- Dr Anushka Bogdanov (appointed 20 June 2019).
- Mr Andrew Mthembu, Lead independent non-executive director (appointed 20 June 2019).
- Mr Mike Bosman (appointed 20 June 2019).

The Group's Board is now aligned with King IV principles to support independence and governance. Additionally, the Company has retained leading talent in the technology industry who are driven to provide globally best-in-breed technology platforms and services.

A fit-for-purpose capital structure

The Group has historically raised the vast majority of its funding centrally, with the funding largely being used to drive the acquisition strategy. The repayment profile of the historic debt has not mirrored the cash-generation profile of the acquired businesses and as a result has placed strain on the Group. EOH is largely a service business with a light balance sheet that is unable to carry a large debt burden. Consequently, a deleveraging plan has been put in place to reduce the Group's debt through two primary focus areas:

- **Sale of non-core assets and portions of businesses to strategic partners**
  At the half year, a target of R1 billion of expected proceeds was set for the next 12 months. The Group has made good progress towards this target having already realised approximately R523 million in sales in the 2019 financial year. The most significant of these being the sale of 70% of CCS to a strategic partner, RIB, for a consideration of R444 million.
- **Building a more appropriate working capital structure**
  Historically there has been a lack of focus on working capital management with large tranches of cash tied up in debtors. At the half year a target was set to significantly reduce this balance. By 31 July 2019, the trade receivable balance decreased from R4,1 billion to R3,4 billion (before adjusting for current assets held for sale) with over R400 million realised from greater than 90 days at 31 January 2019.

At 31 July 2019 the Group was able to repay its bridge facility of R250 million taken out during the year and the debt balance decreased from R3,4 billion at 31 July 2018 to R3,0 billion at 31 July 2019.

Concerted attention has been paid to driving a more efficient approach to costs the effects of which will only be observed in the 2020 financial year. We continue to explore opportunities for cost management in order to settle on the appropriate cost base for the business.

Business Transparency

The Group has historically pursued an aggressive growth strategy underpinned by acquisitive growth and revenue and profitability being achieved with little regard or focus on the balance sheet. As a result a detailed review of the balance sheet commenced at the half year and continued into year end. The net asset value of the balance sheet reduced from R8.1 billion as previously reported at 31 July 2018 to R2,0 billion at 31 July 2019. This decrease included a restatement of the prior period.

The major focus areas include:

- **Reassessment of the goodwill balance – impairment of R1 855 million**
  Goodwill balances were reassessed in line with the strategy going forward and the performance of the underlying businesses to which the goodwill relates. Cash-generating units ('CGU') were also reassessed. A number of negative economic and operational events occurred during the year ended 31 July 2019, which had a significant negative impact on certain underlying businesses of the Group. EOH has also gone through a review of its strategy impacting CGU allocations, this combined with the sale and discontinuation of non-core business activities has added to the substantial impact on the carrying value of goodwill. In total, R613 million was impaired in iOCO ('ICT') largely as a result of margin pressure and underperformance in certain of the businesses. The impact of the Microsoft licence cancellation also had a direct impact on trading and the carrying value of the goodwill in certain underlying businesses. In addition, R1 242 million goodwill was impaired relating to the NEXTEC business. These businesses are largely dependent on infrastructure spend and saw delays in projects starting and in project awards.

- **Impairment of equity-accounted investments – R268 million impairment**
  These investments are seen as non-core to the Group due to being subscale and geographically dispersed. EOH has been exiting these businesses during the year and subsequent to year end has exited the majority of them.

- **Write off of intangible assets – R520 million**
  Intangible assets have historically been recognised relating to internally generated software and development of intangibles as part of the implementation of ERP projects.

- **Write off of inventory balances related to purchase of licences – R113 million**
  Historically OEM licences were capitalised on the balance sheet when there were contractual requirements to buy a certain minimum level of licences with no end customer in mind.

- **Write off of WIP, trade receivables and previously recognised revenue on contracts – R754 million**
  Write offs relate to WIP recognised on projects that is unrecoverable and revenue recognition practices, where there were no valid contracts or other binding agreements.

- **Impairment of loan to GCT – R414 million**
  R424 million was recognised as a loan receivable on the balance sheet from the unwind of the GCT transactions at 31 July 2018. Various events of default have occurred on the loan resulting in a R414 million impairment. The Group continues to pursue legal avenues to collect this debt.

- **Impairment of loans and investment in TTCS – R542 million**
  TTCS was a 49% investment into a largely Zimbabwean ERP implementation partner and had a value of R962 million at 31 July 2018. Altogether R542 million was taken as an impairment to the prior year

due to impairment indicators and events of default existing at 31 July 2018. The investment in TTCS has subsequently been sold for USD1 with one suspensive condition concluded post year end. At year end the investment was an asset held for sale.

- **Impairment of ED loans – R92 million**
  The impairment of Enterprise Development (ED) loans relates to loans lent to ED partners with no possibility of recoverability.

Certain of the above adjustments have been re-classified to the prior years and these have been detailed in note 6.

STRATEGY

A significant amount of time has been spent refining and revising the strategy for EOH to ensure that the Group is well positioned to take advantage of the next wave of South Africa's changing ICT industry while at the same time ensuring the business is stabilised after the events of the past year.

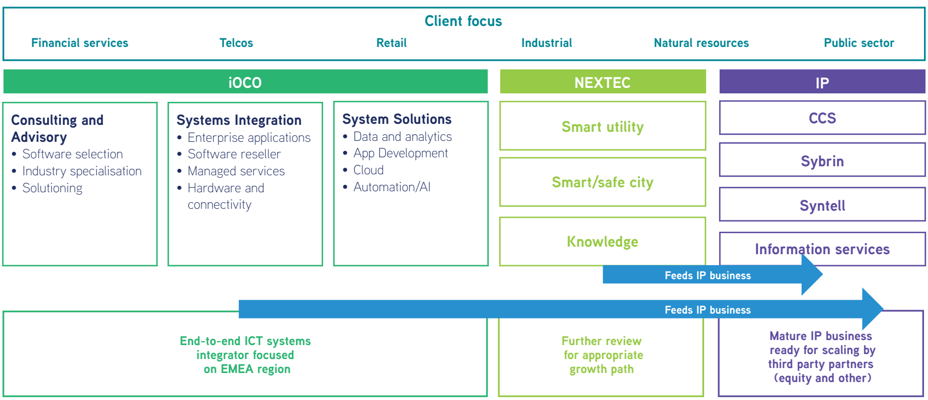
A major focus of the strategic review included a critical analysis of the portfolio; both in terms of refining the Group's focus and clarifying drivers of value over the longer term.

The initial phase of the portfolio review showcased, at the half year, a more streamlined business comprising three major pillars with clearer alignment of focus and groupings of value:

- An ICT business focused on the traditional technology system integration.
- The NEXTEC grouping of a variety of businesses at various stages of incubation for growth and scaling.
- A group of high potential IP companies with scaled technology, ready to be taken to market with partners.

This was accompanied by a significant scaling back of our international operations; selling those businesses where we had limited competitive advantage or scale (e.g. international SAP operations) and integrating high potential businesses back into the major pillars as described above.

A further indepth review of the Group's capabilities has led to further evolution and clarification of the business model.



iOCO (ICT)

The ICT business has been successfully rebranded as iOCO. The following businesses have been launched under the iOCO umbrella and form the core of the business:

- Consulting and advisory business to support clients through the journey of digital transformation; demystify choices and facilitate the design of custom solutions for client needs.
- The traditional ICT business comprising enterprise applications and systems integration; hardware and network solutions businesses; software reselling supported by an extensive managed services offering.
- The next evolution of the systems integration business offering extensive application development; data and analytics intelligence, and digital automation of industries coupled with cloud advisory and implementation.

NEXTEC

- The collection of NEXTEC businesses include a wide range of businesses at various stages of maturity covering business process outsourcing, through to ioT devices and digitisation of engineering and construction businesses. This portfolio requires further scrutiny to determine the appropriate growth path and will result in a significantly smaller and more focused NEXTEC:
    - o The business process outsourcing is being assessed in terms of the ability to scale the IP.
    - o The engineering and construction businesses are challenged by the business and the Group's capital structure.

IP

- The IP portfolio comprises a series of companies which are ready for the next stage of scaling:
    - o The recent sale of CCS to RIB represents the future template for growth of these businesses. The partnership with RIB allows EOH access to a global partner with international scale that offers cross-selling opportunities for EOH and access to a previously inaccessible customer base.
    - o This approach, which is aimed at expanding reach and scaling faster, will be replicated for the other IP companies and as such we are currently actively pursuing partners for Sybrin, Syntell and Information Services.

Under the new operating structure, the Group is well positioned to support client needs while balancing its portfolio diversity and focus.

BUSINESS PERFORMANCE

The ongoing weakness in the macroeconomic environment, the ENSafrica investigation and the reputational impact of Microsoft cancelling its licence reseller agreement as well as the delay in infrastructure projects in the NEXTEC business has led to depressed revenues and margin pressure for the 2019 financial year. Additionally, the Group has undergone a reassessment of its strategy which led to certain businesses being classified as discontinued operations and assets held for sale. Further businesses have been identified as assets held for sale and discontinued operations subsequent to year end, which are still classified as continuing operations in the period under review and have impacted reported results and margins. In addition, certain non-core unprofitable businesses are being wound down (existing projects are being concluded).

EOH's revenue from continuing operations was R11 791 million down 2,6% (2018: R12 103 million*). Gross margin for the year was 20,1% compared to 28,3% in the prior year. The margin was negatively impacted by the close out of large multi-year public sector contracts and the closure of projects in the industrial technology area related to electrical infrastructure in the water sector.

Operating expenses after stripping out once-off items for both the 2018 and 2019 financial years has seen costs decrease to R2,6 billion. Once-off items include impairment of assets of R2 263 million, a R157 million IFRS 2 charge related to the BEE transaction with Lebashe Holdco and its subsidiaries ('Lebashe') and settlements and provisions of R358 million.

Normalised EBITDA for the period amounted R792 million. The impact of the previously discussed once-off items and impacts on gross margin resulted in a reduction in the profitability measures. Headline loss per share ('HEPS') and loss per share ('EPS') from continuing operations were 1 352 cents (2018: 728 cents) and 2 464 cents (2018: 1 277 cents), respectively.

Cash generated from operations after changes in working capital was R502 million (2018: R1 266 million).

** Restated*

OUTLOOK

Notwithstanding current challenges, the EOH Group is a business powered by its purpose to provide technology, knowledge, skills and organisational ability which are critical to the development and growth of the markets it serves and which are systemic to many of South Africa's economic stakeholders. The Group reinforces its commitment to ethical leadership and being a relevant force for good in society.

The new leadership team remains committed to future-proofing the Group by building a sustainable, agile and competitive business in an open and transparent manner while also ensuring that the right decisions are made for the good of all stakeholders at all times.

Core to creating a sustainable business are the people of EOH who have shown great loyalty and commitment during this difficult time. EOH is committed to ensuring that the Group flourishes; that the 10 500 people who work for EOH have job security and that there is an opportunity to create further jobs in the economy.

EOH is encouraged by the active support that it has received to date from its clients, technology partners and employees to help build the EOH of the future.

The consolidated results were approved by the Board on 1 November 2019.

Stephen van Coller
Chief Executive Officer

Summarised consolidated statement of profit or loss and other comprehensive income

for the year ended 31 July 2019

Figures in Rand thousand	Notes	**2019**	Restated*# 2018
Continuing operations			
Revenue	13	**11 791 070**	12 103 317
Cost of sales		**(9 421 633)**	(8 682 159)
Gross profit		**2 369 437**	3 421 158
Net financial asset impairment losses		**(606 384)**	(534 405)
Operating expenses		**(5 136 540)**	(4 227 214)
Operating loss before interest and equity-accounted loss		**(3 373 487)**	(1 340 461)
Investment income		**32 329**	38 201
Share of equity-accounted loss	10	**(9 814)**	(463)
Finance costs		**(334 949)**	(347 184)
Loss before taxation		**(3 685 921)**	(1 649 907)
Taxation		**(324 141)**	(205 915)
Loss for the year from continuing operations		**(4 010 062)**	(1 855 822)
Loss for the year from discontinued operations**	14	**(861 455)**	(129 729)
Loss for the year		**(4 871 517)**	(1 985 551)
Other comprehensive income			
Exchange differences on translating foreign operations (may be reclassified)		**(3 451)**	(48 317)
Total comprehensive income for the year		**(4 874 968)**	(2 033 868)
(Loss)/profit attributable to:			
Owners of EOH Holdings Limited		**(4 874 052)**	(1 976 195)
Non-controlling interest		**2 535**	(9 356)
		(4 871 517)	(1 985 551)
Total comprehensive income attributable to:			
Owners of EOH Holdings Limited		**(4 877 503)**	(2 021 478)
Non-controlling interest		**2 535**	(12 390)
		(4 874 968)	(2 033 868)
From continuing and discontinued operations (cents)			
Loss per share		**(2 995)**	(1 367)
Diluted loss per share		**(2 995)**	(1 367)
From continuing operations (cents)			
Loss per share		**(2 464)**	(1 277)
Diluted loss per share		**(2 464)**	(1 277)

* *Refer to note 6 – Restatement of financial statements for the impact on profit or loss.*
** *Restated to include discontinued operations identified in 2019.*
# *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2019.*

Headline earnings per share

for the year ended 31 July 2019

Figures in Rand thousand	**2019**	Restated* 2018
Loss attributable to owners of EOH Holdings Limited	**(4 874 052)**	(1 976 195)
Adjusted for:		
Loss on disposal of property, plant and equipment	**34 761**	430
(Profit)/loss on disposal of subsidiaries (discontinued)	**(329 603)**	392 450
Loss on deemed disposal and disposal of subsidiaries and associates (continuing)	**173 975**	–
Impairment of goodwill	**1 855 341**	84 710
Impairment of equity accounted investments	**267 905**	301 343
Impairment of intangible assets	**135 594**	410 625
Gain on bargain purchase	**–**	(7 528)
Total tax effects on adjustments	**–**	4 385
Headline earnings from continuing and discontinued operations	**(2 736 079)**	(789 780)
Loss attributable to owners of EOH Holdings Limited	**(4 874 052)**	(1 976 195)
Adjust for losses from discontinued operations	**863 515**	129 729
Continuing loss attributable to ordinary shareholders	**(4 010 537)**	(1 846 466)
Adjustments	**1 810 056**	793 965
Headline earnings from continuing operations	**(2 200 481)**	(1 052 501)
From continuing and discontinued operations (cents)		
Headline loss per share	**(1 681)**	(546)
Diluted headline loss per share	**(1 681)**	(546)
From continuing operations (cents)		
Headline loss per share	**(1 352)**	(728)
Diluted headline loss per share	**(1 352)**	(728)
Ordinary shares (in thousands)		
Total number of shares in issue	**176 545**	152 797
Weighted average number of shares in issue	**162 742**	144 597
Weighted average diluted number of shares in issue**	**162 742**	144 597

* *Refer to note 6 – Restatement of financial statements for the impact on earnings.*

** *The impact of shares to be issued to vendors, share options and EOH A shares has been excluded from the weighted average diluted number of shares as they would be anti-dilutive.*

Summarised consolidated statement of financial position

as at 31 July 2019

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

* *Refer to note 6 – Restatement of financial statements for the impact on the affected assets, liabilities and equity.*

** *Refer to note 4 – Changes in accounting policies for the impact of the adoption of IFRS 9 and IFRS 15.*

Summarised consolidated statement of changes in equity

for the year ended 31 July 2019

Figures in Rand thousand	Stated capital	Shares to be issued to vendors	Other reserves	Retained earnings	Total attributable to the owners of EOH	Non-controlling interest	Total equity
Audited balance at 1 August 2017	3 333 678	1 013 809	665 937	3 491 764	8 505 188	56 416	8 561 604
Correction of error (note 6)	–	–	–	(100 743)	(100 743)	–	(100 743)
Restated audited* balance at 1 August 2017	3 333 678	1 013 809	665 937	3 391 021	8 404 445	56 416	8 460 861
Loss for the year (restated)*	–	–	–	(1 976 195)	(1 976 195)	(9 356)	(1 985 551)
Other comprehensive income	–	–	(45 283)	–	(45 283)	(3 034)	(48 317)
Issue of shares	219 751	(207 491)	–	–	12 260	–	12 260
Non-controlling interest acquired	1 000	–	–	(105 484)	(104 484)	(22 140)	(126 624)
Movement in treasury shares	(111 206)	–	(53 094)	–	(164 300)	–	(164 300)
Remaining shares to be issued to vendors	–	288 989	–	–	288 989	–	288 989
Consideration – EOH shares forfeited	–	(74 549)	–	–	(74 549)	–	(74 549)
Transfer within equity***	–	(210 783)	–	210 783	–	–	–
Share-based payments	–	–	95 562	–	95 562	–	95 562
Dividends	–	–	–	(311 720)	(311 720)	–	(311 720)
Restated audited* balance at 31 July 2018	3 443 223	809 975	663 122	1 208 405	6 124 725	21 886	6 146 611
Effect of adoption of new standards (refer to note 4)**	–	–	–	(205 691)	(205 691)	(4 098)	(209 789)
As at 1 August 2018 (restated)	3 443 223	809 975	663 122	1 002 714	5 919 034	17 788	5 936 822
Loss for the year	–	–	–	(4 874 052)	(4 874 052)	2 535	(4 871 517)
Other comprehensive income	–	–	(3 451)	–	(3 451)	–	(3 451)
Issue of shares	762 712	(44 067)	–	–	718 645	–	718 645
Non-controlling interest acquired	–	–	–	–	–	(300 448)	(300 448)
Non-controlling interest disposed	–	–	–	–	–	320 746	320 746
Movement in treasury shares	33 686	(12 703)	(53 714)	–	(32 731)	–	(32 731)
Consideration – EOH shares forfeited	–	(21 957)	–	–	(21 957)	–	(21 957)
Transfer within equity***	–	(372 515)	(111 184)	483 699	–	–	–
Share-based payments	–	–	53 141	157 446	210 587	–	210 587
Balance at 31 July 2019	4 239 621	358 733	547 914	(3 230 193)	1 916 075	40 621	1 956 696

Note

* *Refer to note 6 – Restatement of financial statements for the impact on profit and loss and retained earnings.*

** *Refer to note 4 – Changes in accounting policies for the impact of the adoption of IFRS 9 and IFRS 15.*

*** *Transfers within equity are transfers from shares to be issued to vendors for expired shares and transfers from share-based payment reserve for expired, unexercised options.*

Summarised consolidated statement of cash flows

for the year ended 31 July 2019

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

Summarised consolidated segment results

for the year ended 31 July 2019

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

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

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

The CODM is not presented with secondary information in the form of geographic information and as a result, is not disclosed in the segment results. Liabilities and assets are also not regularly provided to the CODM and are not disclosed in the segment report.

Revenue and normalised EBITDA from continuing operations:

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

EBITDA reconciliation

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

* *Comparative figures previously reported have been amended to reflect continuing operations and segments prevailing for the year ended 31 July 2019, as well as correction of prior period errors.*
** *EBITDA is defined as continuing losses before interest, tax, depreciation, amortisation, impairments, gains or losses on disposal of businesses and equity-accounted investments, once-off cash and non-cash items and includes profit or loss from equity-accounted investments.*
^ *Reconciliation comprises internal transactions and head office expenses.*
~ *Non-core business lines to be closed reflect businesses identified to be shutdown in that year and preceding years.*

Notes to the summarised consolidated financial statements

for the year ended 31 July 2019

1. REPORTING ENTITY

EOH Holdings Limited ('EOH' or the 'Company') is a holding company domiciled in South Africa that is listed on the JSE Limited in the category Technology: Software and Computer Services sector. EOH is one of the largest Information and Communications Technology ('ICT') services providers in Africa and is committed to providing the technology, knowledge, skills and organisational ability critical to the development and growth of the markets it serves. The summarised consolidated financial statements of EOH, as at 31 July 2019 and for the year ended 31 July 2019, comprise the Company and its subsidiaries (together referred to as 'the Group') and the Group's investments in associates and joint ventures.

2. STATEMENT OF COMPLIANCE

The summarised consolidated financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ('IFRS') and its interpretations adopted by the International Accounting Standards Board ('IASB') and comply with the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and contain at a minimum the information required by IAS 34: Interim Financial Reporting, the requirements of the Companies Act No 71 of 2008 of South Africa and the JSE Limited Listings Requirements.

3. BASIS OF PREPARATION

The summarised consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value through profit or loss at the end of each reporting period.

The summarised consolidated financial statements are presented in South African Rand, which is the Group's presentation currency, rounded to the nearest thousand except for when otherwise indicated. The going concern basis has been used in preparing the summarised consolidated financial statements as the directors have a reasonable expectation that the Group will continue as a going concern for the foreseeable future.

The accounting policies and methods of computation applied in the summarised consolidated financial statements are consistent with those applied in the previous years, except as set out below.

The comparative financial information in the summarised consolidated financial statements has been restated based on information available at 31 July 2018. Refer to note 4 and note 6 for further information.

The summarised consolidated financial statements do not include all the information required by IFRS for full financial statements and should be read in conjunction with the 2019 audited consolidated annual financial statements.

These summarised consolidated financial statements are themselves not audited but are extracted from audited information. The audited consolidated annual financial statements were audited by Mazars, who expressed a qualified opinion on the opening balance restatements.

3. BASIS OF PREPARATION continued

Basis for qualified opinion

The Group's consolidated financial statements reflect a restatement of prior period balances, details of which are disclosed in note 6 to the summarised consolidated financial statements. Our evidence indicates that certain of the prior period restatements listed in the note should have been accounted for in the current year as they result mainly from the change in management and their revised considerations that were made in the current year and applying hindsight, we were not provided with sufficient audit evidence to indicate otherwise. According to paragraph 53 of IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8), hindsight should not be used in determining adjustments to amounts for a prior period.

The qualification of the opinion relates to the following:
- Unrecorded liabilities/recoverability of assets.
- Inventory.
- Revenue.
- Internally generated intangible asset impairments.
- Provision for impairment of financial assets.
- Impairment of loans and investment in an associated company.
- Impairment of loan to GCT.

The audited consolidated annual financial statements and the auditor's report thereon are available for inspection at the Company's (EOH) registered office, or the company's website.

The directors take full responsibility for the preparation of these summarised consolidated financial statements and the correct extraction of financial information from the underlying audited consolidated annual financial statements.

These summarised financial statements have been prepared under the supervision of the Group Chief Financial Officer, Mrs Megan Pydigadu CA(SA).

4. NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has applied the following standards and amendments for the first time to their annual reporting period commencing 1 August 2018:

4.1 IFRS 9 – Financial Instruments

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

The Group applied IFRS 9 retrospectively without restating comparatives, with an initial application date of 1 August 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings and non-controlling interests.

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

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

** Refer to note 6 – Restatement of financial statements for the impact on the affected assets.*

4. NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP continued

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

The additional impairments recognised with regard to other financial assets; trade and other receivables, contract assets and finance lease receivables resulted in a decrease in retained earnings of R206 million and a decrease in non-controlling interests of R4 million as at 1 August 2018.

4.2 IFRS 15: Revenue from Contracts with Customers

The adoption of IFRS 15 – Revenue from Contracts with Customers did not have a material impact on the Group's consolidated financial statements. The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 August 2018.

5. REPORTABLE IRREGULARITIES BY THE AUDITORS

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

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

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

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

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

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

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

   The above RIs have been closed.

6. RESTATEMENT OF FINANCIAL STATEMENTS

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

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

6. RESTATEMENT OF FINANCIAL STATEMENTS continued

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

Revenue

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

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

Internally generated intangible assets

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

Inventory licences

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

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

6. RESTATEMENT OF FINANCIAL STATEMENTS continued

Provision for impairment on financial assets

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

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

Unrecorded liabilities/recoverability of assets

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

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

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

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

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

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

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

Notes to the summarised consolidated financial statements continued

for the year ended 31 July 2019

6. RESTATEMENT OF FINANCIAL STATEMENTS continued

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

Statement of financial position (extract) as at 1 August 2017

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

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

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

6. RESTATEMENT OF FINANCIAL STATEMENTS continued

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

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

The restatement adjustments are all non-cash adjustments and therefore do not impact cash generated before working capital changes or any other line items on the consolidated statement of cash flows.

Notes to the summarised consolidated financial statements continued

for the year ended 31 July 2019

7. PROPERTY, PLANT AND EQUIPMENT

Figures in Rand thousand	**2019**	2018
Opening balance	**742 983**	677 719
Additions	**226 268**	289 470
Additions through business combinations	**8 180**	13 517
Foreign currency translation	**(1 047)**	(1 699)
Disposals	**(46 131)**	(72 881)
Disposal of businesses	**(26 506)**	–
Depreciation	**(204 848)**	(163 143)
Current assets held for sale (note 11)	**(217 225)**	–
Closing balance	**481 674**	742 983

8. GOODWILL

Figures in Rand thousand	**2019**	2018
Opening balance	**4 255 281**	4 625 403
Acquired in business combinations	**70 877**	340 255
Foreign currency translation	**27 874**	9 268
Disposals	**(325 605)**	(634 935)
Impairments: discontinued operations	**(506 762)**	–
Impairments: continuing operations	**(1 348 579)**	(84 710)
Current assets held for sale (note 11)	**(322 232)**	–
Closing balance	**1 850 854**	4 255 281

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

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

iOCO

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

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

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

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

8. **GOODWILL** continued

NEXTEC

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

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

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

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

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

8. GOODWILL continued

Key assumptions used in discounted cash flow projection calculations

The assumptions below have been applied to calculate the recoverable amount of cash-generating units based on a level 3 fair value less costs of disposal calculation. The discount rates used in the discounted cash flow models are calculated using the principles of the Capital Asset Pricing Model, taking into account current market conditions.

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

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

** These ranges exclude international rates.*

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on past experience and both external and internal data.

Changes in key assumptions, as well as the actual cash flows achieved against forecasts, may result in further impairments to the cash-generating units impaired during the year ended 31 July 2019. The forecast cash flows of these CGUs are reliant on a certain level of anticipated improvement within the forecast period.

Sensitivity analysis on fair value less costs of disposal

In performing the impairment test for goodwill, EOH considered the sensitivity of the EOH CGUs to changes in assumptions around key value drivers. The key value drivers for the EOH CGUs are EBIT margins, discount rates and revenue growth assumptions. A sensitivity analysis was performed by decreasing the key value drivers by 1 percentage point, resulting in the following CGUs no longer having adequate head room:

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

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

9. INTANGIBLE ASSETS

Figures in Rand thousand	2019	Restated* 2018
Opening balance	**880 392**	1 449 296
Additions	**186 424**	336 592
Additions through business combinations	**–**	141 801
Foreign currency translation	**(4 970)**	(425)
Impairments	**(135 594)**	(393 494)
Disposals	**(20 549)**	(390 660)
Disposals through business combinations	**(136 073)**	–
Amortisation	**(230 968)**	(262 718)
Current assets held for sale (note 11)	**(49 688)**	–
Closing balance	**488 974**	880 392

** Refer to note 6 for further information regarding the restatement of the prior year.*

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

Impairment testing

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

For the purpose of impairment testing, intangible assets were allocated to the Group's CGUs. The recoverable amount of these CGUs were determined based on value-in-use calculations, discounting future cash flows expected to be generated. Impairment tests on assets held for sale were based on fair value less costs of disposal.

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

10. EQUITY-ACCOUNTED INVESTMENTS

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

** Refer to note 6 for further information regarding the restatement of the prior year.*
*** Refer to note 15 for further information regarding the change of control in the TTCS Group.*
**** EOH Mthombo sold 70% of its wholly owned subsidiary Construction Computer Software (CCS) for an amount of R444million to RBI Limited, a subsidiary of German-listed RIB Software SE (RIB) as at 31 July 2019. EOH retains a 30% shareholding in CCS, and will be able to participate in CCS expansion and growth. The change in shareholding is reflected as an addition to equity investments, the entity was formerly recognised as a subsidiary.*

10. EQUITY-ACCOUNTED INVESTMENTS continued

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

Equity accounted investments have been impaired by R268 million

- R75 million of the impairments relate to EOH's investments in Turkey as a result of increased levels of political and macro-economic risk causing delays in project kick-offs and a deterioration in cash recovery rates.
- Margin erosion, deterioration in pipeline and reduced cash conversion rates triggered an impairment of R151 million in EOH's South American-based ERP utilities investment.
- Impaired equity-accounted investments form part of the iOCO segment – the recoverable amount was based on fair value less cost of disposal.

The equity-accounted investments are as follows:

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

** Refer to note 6 for further information regarding restatement of the prior year.*

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

11. ASSETS HELD FOR SALE

The Group recently refined its operational structure into three distinct reportable segments to allow for leaner and more agile core businesses with separate capital and governance structures. Opportunities are being explored for the sale of certain non-core assets and, as a result, there are a number of businesses that were approved for sale and for which the sale is expected to be completed within 12 months from the reporting date. These businesses are classified as disposal groups held for sale and the assets and liabilities of these disposal groups have been presented as held for sale at 31 July 2019. In addition, Construction Computer Software (CCS) as well as other smaller businesses were disposed of during the period.

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

Figures in Rand thousand	iOCO	NEXTEC	IP	2019
Assets				
Property, plant and equipment	85 122	128 076	4 027	**217 225**
Goodwill and intangible assets	795	358 272	12 853	**371 920**
Equity-accounted investments	72 468	–	–	**72 468**
Other financial assets	–	7 710	(421)	**7 289**
Deferred taxation	261	24 734	2 220	**27 215**
Inventory	4 980	30 166	–	**35 146**
Current taxation receivable	575	2 584	–	**3 159**
Trade and other receivables	99 625	526 698	88 239	**714 562**
Cash and cash equivalents	47 919	221 110	41 344	**310 373**
Assets held for sale	311 745	1 299 350	148 262	**1 759 357**
Liabilities				
Other financial liabilities	(978)	(4 433)	(3 837)	**(9 248)**
Finance lease payables	–	–	(240)	**(240)**
Deferred taxation	(233)	(467)	(1 873)	**(2 573)**
Current taxation payable	330	(11 566)	(2 614)	**(13 850)**
Trade and other payables	(105 586)	(331 133)	(32 222)	**(468 941)**
Deferred income	–	(67 980)	(2 048)	**(70 028)**
Liabilities directly associated with the assets held for sale	(106 467)	(415 579)	(42 834)	**(564 880)**
Net assets directly associated with the disposal groups	205 278	883 771	105 428	**1 194 477**
Cumulative amounts recognised in other comprehensive income				
Foreign currency translation reserve	4 709	2 021	(926)	**5 804**
Impairment loss for write-down to fair value less costs to sell				
Continuing operations – operating expenses	–	(22 172)	–	**(22 172)**
Discontinued operations (note 14)	(135 374)	(450 994)	(41 799)	**(628 167)**
	(135 374)	(473 166)	(41 799)	**(650 339)**

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

Notes to the summarised consolidated financial statements continued

for the year ended 31 July 2019

12. STATED CAPITAL

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

* The Lebashe transaction was approved by shareholders on 18 September 2018 and effectively implemented on 1 October 2018. Since the date of approval Lebashe has:
  - invested R750 million in three tranches in EOH ordinary shares based on a 30-day VWAP at a 10% discount for an average share price of R33.59; and
  - received 40 million unlisted EOH A shares which will be redeemed in five years on 1 October 2023 through an ordinary share issue. The A shares rank equal to an EOH ordinary share in respect of voting rights and each EOH A share will receive cash dividends in an amount equal to the value of 15% of dividends paid by EOH to ordinary shareholders. The remaining 85% of the dividend value will be accrued and redeemed through the redemption of the A shares. The obligation to Lebashe is treated as an equity transaction as the settlement will be undertaken in ordinary shares and the transaction is therefore within the scope of IFRS 2

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

13. DISAGGREGATED REVENUE

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

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

Notes to the summarised consolidated financial statements continued

for the year ended 31 July 2019

14. DISCONTINUED OPERATIONS

Identification and classification of discontinued operations

There were a number of businesses that were approved for sale at 31 July 2019, and for which the sale is expected to be completed within 12 months from the reporting date, as well as businesses that were already sold during the current and previous reporting periods that have met the requirements to be presented as discontinued operations and have accordingly been presented as such.

Judgement was applied in determining whether a component is a discontinued operation by assessing whether it represents a separate major line of business or geographical area of operations or is part of a single plan to dispose of a separate major line of business or geographical area of operations.

The Group's intention to dispose of these non-core assets triggered an initial impairment assessment on the underlying assets at 31 July 2019, and the resulting impairment was allocated to the identified disposal groups (refer to note 8: Goodwill).

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

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

14. DISCONTINUED OPERATIONS continued

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

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

On 31 July 2019, CCS was sold for proceeds of R444 million, resulting in a gain on disposal of R220 million.

15. CHANGE OF CONTROL IN INVESTMENT IN TTCS

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

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

As at 31 July 2018, the Group had the following balances in relation to TTCS:

Equity-accounted investment – R453 million

Other financial assets (loan) – R87 million

Trade and other receivables – R424 million

During the first half of 2019, an error in consideration of the impact of the impairment indicators on the measurement of TTCS Zimbabwe was re-evaluated. The recoverability of trade receivables and loan balances and the expected cash flows were re-evaluated in terms of IAS 39 and the carrying value of the investment in the TTCS Group was re-evaluated, resulting in prior year impairment provisions of R542 million, which was adjusted for as a prior period error, adjusting the opening balances for 2019. Refer to note 6 for further details on the correction of the prior period error.

Obtaining control

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

15. CHANGE OF CONTROL IN INVESTMENT IN TTCS continued

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

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

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

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

** The value of TTCS Group is based on a valuation of the current shareholding and the following key assumptions:*

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

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

15. CHANGE OF CONTROL IN INVESTMENT IN TTCS continued

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

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

* *Given the nature of the acquisition, there is no additional consideration payable.*

** *The fair value of the assets and liabilities acquired has been translated to ZAR based on an Old Mutual Implied Rate of 2.79 at 31 December 2018 for TTCS Zimbabwe, resulting in a negative net asset value as the majority of the loans and trade payables are denominated in foreign currencies, while current assets are predominantly USD RTGS-based. The loans of R86 million and trade payables of R480 million payable to EOH at 31 December 2018 are included in current liabilities and have been eliminated against trade receivables and loans on consolidation.*

*** *Minority portion of EOH payables are eliminated on consolidation.*

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

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

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

Loss of control

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

The SSA contained three suspensive conditions for the sale and purchase to be completed and as at 31 July 2019, one of the suspensive conditions, being the relevant exchange control approval from the Reserve Bank of Zimbabwe, was not received. As the sale was not yet concluded at the reporting date, the retained investment was classified as held for sale (refer to note 11).

15. CHANGE OF CONTROL IN INVESTMENT IN TTCS continued

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

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

The results of TTCS for the current period as well as the prior period are shown as discontinued operations (refer to note 14).

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

16. FINANCIAL INSTRUMENTS

Financial risk management and fair value disclosures

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy at 31 July 2019:

	Carrying amount					**Fair value**			
Figures in Rand thousand	**Mandatorily at FVTPL**	**Amortised Cost**	**Total**	**Held for sale**	**Balance**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets									
Cash and cash equivalents	**–**	**1 358 956**	**1 358 956**	**(310 373)**	**1 048 583**	**–**	**–**	**–**	**–**
Trade and other receivables	**–**	**3 019 330**	**3 019 330**	**(714 562)**	**2 304 768**	**–**	**–**	**–**	**–**
Other financial assets	**28 332**	**67 285**	**95 617**	**(7 289)**	**88 328**	**–**	**–**	**28 332**	**28 332**
Financial liabilities									
Trade and other payables	**–**	**1 317 324**	**1 317 324**	**(468 941)**	**848 383**	**–**	**–**	**–**	**–**
Other financial liabilities	**303 313**	**3 029 892**	**3 333 205**	**(9 248)**	**3 323 957**	**–**	**–**	**303 313**	**303 313**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy at 31 July 2018:

	Carrying amount					Fair value			
Figures in Rand thousand	Mandatorily at FVTPL	Amortised Cost	Total	Held for sale	Balance	Level 1	Level 2	Level 3	Total
Financial assets									
Cash and cash equivalents	–	1 418 319	1 418 319	–	1 418 319	–	–	–	–
Trade and other receivables	–	3 629 433	3 629 433	–	3 629 433	–	–	–	–
Other financial assets	138 788	565 944	704 732	–	704 732	89 010	–	49 768	138 788
Financial liabilities									
Trade and other payables	–	1 343 273	1 343 273	–	1 343 273	–	–	–	–
Other financial liabilities	633 709	3 470 287	4 103 996	–	4 103 996	–	–	663 709	663 709

The Group does not have any financial instruments that are subject to offsetting.

All cash and cash-equivalents, short-term receivables and short-term payables carrying amounts approximate their fair values due to their short-term nature. There have been no transfers between levels of the fair value hierarchy.

16. FINANCIAL INSTRUMENTS continued

Financial assets at fair value through profit or loss

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

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

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

Other financial assets reconciliation of movement of level 3 items

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

Financial liabilities at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss, in terms of the hierarchy, are classified as level 3 as the valuation techniques used are based on unobservable inputs for the liability.

Vendors for acquisition

The balance in respect of vendors for acquisition relates to the contingent consideration where business combinations are subject to profit warranties. The profit warranties allow for a defined adjusted value to the consideration payable in the event that the warranted profit after tax is not achieved, or in the event that it is exceeded, an agreed sharing in the surplus. The fair value of the contingent arrangement is initially estimated by applying the income approach assuming that the relevant profit warrant will be achieved. Subsequent measurement uses the income approach to calculate the present value of the expected settlement payment using the latest approved budgeted results and reasonable growth rates for the remainder of the relevant warranty periods taking into account any specific circumstances.

Profit warrant periods normally extend over a 24-month period.

Upwardly revised performance expectations would result in an increase in the related liability, limited to the terms of the applicable purchase agreement.

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

The EOH Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that reports directly to the Group Chief Financial Officer who oversees all significant fair value measurements.

16. FINANCIAL INSTRUMENTS continued

Vendors for acquisition reconciliation of movement

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

Non-recurring fair value measurements

Disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The fair values are determined based on sales agreements that are in place for each of the disposal groups that are held for sale. The total of such fair values is R856 million. The discounted cash flow method (DCF) is used to determine their values, when the sales amount from the sale agreements was discounted using the adjusted weighted average cost of capital specific to that cash-generating unit (CGU). These fair values are categorised as level 3, based on inputs used.

Gains and losses from continuing operations

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

Capital risk management

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

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

The debt to equity ratios were as follows:

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

16. FINANCIAL INSTRUMENTS continued

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by reviewing future commitments and credit facilities to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Figures in Rand thousand	**Less than 1 year**	**Between 2 and 5 years**
At 31 July 2019		
Other financial liabilities	**1 068 132**	**2 255 825**
Trade and other payables	**1 317 324**	**–**
At 31 July 2018		
Other financial liabilities	895 581	3 208 415
Trade and other payables	1 343 273	–

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

Interest risk

The cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate owing to changes in the market interest rate. The fair value interest rate risk is the risk that the value of the financial instrument will fluctuate because of changes in the market interest rates. The Group assumes exposure to the effects of the fluctuations in the prevailing levels if the market interest rates on both the fair value and cash flow risks fluctuate.

Interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. The Group policy is to maintain most of its borrowings in variable rate instruments. The variable rates are influenced by movements in the prime borrowing rates. During the reporting period, the Group's borrowings at variable rates were denominated in Rand.

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

At 31 July 2019, if the interest rate on Rand-denominated borrowings had been 1% higher with all other variables held constant, pre-tax profit for the year would have been R30 million (2018: R35 million) lower, mainly as a result of higher interest expense on floating rate borrowings.

Credit risk and expected credit losses

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's other financial assets, finance lease receivables, trade and other receivables and cash and cash equivalents.

Notes to the summarised consolidated financial statements continued

for the year ended 31 July 2019

16. FINANCIAL INSTRUMENTS continued

Trade receivables, contract assets and finance lease receivables comprise a widespread customer base, spread across diverse industries and geographical areas. The Group has a general policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Management evaluates credit risk relating to customers on an ongoing basis, taking into account its financial position, past experience and other relevant factors. If customers are independently rated, these ratings are also considered.

The carrying amounts of financial assets represent the maximum credit exposure. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. Financial assets exposed to credit risk at year-end were as follows:

Figures in Rand thousand	**2019**	2018
Other financial assets	**95 617**	704 732
Finance lease receivables	**179 413**	193 909
Trade and other receivables	**3 019 330**	3 629 434
Cash and cash equivalents	**1 358 956**	1 418 319
Contract assets	**644 937**	799 768

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

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

At the reporting date, the Group did not consider there to be any significant concentration of credit risk which has not been adequately provided for.

Credit risk and expected credit losses

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry in which customers operate.

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. The Group's exposure and the credit scores of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty credit limits that are reviewed and approved by the risk management committee/credit control department annually.

The average credit period on sales of goods and services range from 30 days to 120 days. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

16. FINANCIAL INSTRUMENTS continued

Customers are grouped according to their credit characteristics. The customers grouped in a particular segment, which is industry segments, share similar credit risk characteristics. Trade receivables are assessed for impairment on a collective basis. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group does not have trade receivable and contract assets for which no loss allowance is recognised because of collateral.

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

Comparative information under IAS 39

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

Age of receivables that are past due but not impaired:

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

Past due but not impaired

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

Expected credit loss assessment for trade receivables and contract assets

The allowance for impairment of trade receivables and contract assets is created to the extent and as and when required, based upon the expected collectability of accounts receivables. The Group uses a provision matrix to measure the ECLs of trade receivables and contract assets.

Loss rates are calculated using a 'roll rate'/'flow rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates/flow rates are calculated separately for exposures in different industry segments based on the common credit risk characteristics.

The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

A default event is considered to have occurred when aged 90 days. Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the entity, and a failure to make contractual payments for a period of greater than 90 days past due.

Notes to the summarised consolidated financial statements continued

for the year ended 31 July 2019

16. FINANCIAL INSTRUMENTS continued

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

Figures in Rand thousand	Gross carrying amount	Weighted average loss rate	Expected credit loss allowance
Automotive	**45 920**	**6%**	**2 672**
Central government	**284 510**	**33%**	**92 654**
Construction	**396 524**	**6%**	**24 270**
Education	**109 398**	**11%**	**12 054**
Energy	**101 066**	**8%**	**8 048**
Environmental	**13 156**	**6%**	**827**
Financial services	**320 873**	**7%**	**20 875**
Food and beverage	**253 763**	**8%**	**20 881**
Health	**59 037**	**5%**	**2 837**
Hospitality	**65 202**	**8%**	**5 083**
Human capital	**20 675**	**1%**	**243**
Information technology	**193 052**	**11%**	**21 351**
Legal services	**13 702**	**12%**	**1 599**
Legislatures	**4 326**	**2%**	**73**
Local government	**1 062 713**	**22%**	**231 043**
Manufacturing and logistics	**278 700**	**4%**	**10 712**
Marketing and advertising	**1 485**	**2%**	**24**
Membership organisations	**2 650**	**2%**	**63**
Mining	**178 552**	**14%**	**25 018**
Others	**224 977**	**4%**	**9 497**
Prof business and advisory SVCS	**5 962**	**8%**	**500**
Property and facilities MGMT	**25 932**	**6%**	**1 614**
Public benefit organisations	**200**	**2%**	**3**
Reseller	**14 693**	**6%**	**822**
Retail	**81 537**	**3%**	**2 488**
Security & defence	**4 089**	**20%**	**814**
SOE – construction	**854**	**50%**	**426**
SOE – manufacturing and logistic	**39 536**	**15%**	**5 997**
SOE – mining	**335**	**2%**	**6**
SOE – transport	**42 242**	**22%**	**9 405**
SOE – utilities	**31 488**	**8%**	**2 461**
Telecommunications	**310 599**	**7%**	**21 695**
	4 187 744		**536 055**

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

16. FINANCIAL INSTRUMENTS continued

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

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

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

The Group maintains its cash and cash equivalents with banks and financial institutions having good reputation, good past track record and high quality credit rating and also reviews their credit-worthiness on an ongoing basis.

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

Finance lease receivables

The policy choice is to measure the loss allowance at an amount equal to lifetime expected credit losses.

Other financial assets

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

Currency risk

The Group operates internationally but has limited exposure to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, the Euro and the British Pound, as well as other currencies

Foreign exchange risk arises from future commercial transactions, recognised assets or liabilities that are denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group has limited investments in foreign operations, where the assets are exposed to foreign currency translation risk. Currency exposure arising from net assets of the group's foreign operations will have no effect on the post-tax profit as the effect of the translation is recognised directly in the foreign currency translation reserve. As at 31 July 2019, if the foreign entities local currencies had weakened or strengthened by 5% against the Rand, with all other variables held constant, the impact on equity for the Group would have amounted to R16 million (2018: R26 million).

Notes to the summarised consolidated financial statements continued

for the year ended 31 July 2019

16. FINANCIAL INSTRUMENTS continued

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

Foreign currency financial instruments

	2019				
	Financial assets			**Financial liabilities**	
Figures in Rand thousand	**Other financial assets**	**Trade and other receivables**	**Cash and cash equivalents**	**Other financial liabilities**	**Trade and other payables**
British Pound	**–**	**56 108**	**33 407**	**(11)**	**(41 973)**
US Dollar	**870**	**136 296**	**17 680**	**–**	**(89 124)**
Arab Emirates Dirham	**6 091**	**73 614**	**10 264**	**(2 486)**	**(107 976)**
Euro	**–**	**177 237**	**24 107**	**(51 779)**	**(101 288)**
Egyptian Pound	**–**	**59 148**	**5 192**	**–**	**(39 806)**
Indian Rupee	**–**	**60 210**	**7 933**	**–**	**(11 930)**
Saudi Riyal	**–**	**41 604**	**7 071**	**–**	**(38 246)**
Other	**–**	**94 731**	**60 523**	**(461)**	**(50 903)**

Foreign currency financial instruments

	2018				
	Financial assets			Financial liabilities	
Figures in Rand thousand	Other financial assets	Trade and other receivables	Cash and cash equivalents	Other financial liabilities	Trade and other payables
British Pound	–	57 926	24 024	(131)	(26 153)
US Dollar	1 333	391 624	71 534	(5 785)	(121 918)
Arab Emirates Dirham	24 874	146 232	15 232	(4 244)	(98 200)
Euro	392	187 745	21 990	(42 742)	(71 795)
Indian Rupee	–	29 127	2 033	(846)	(2 832)
Singapore Dollar	–	41 999	12 017	–	–
Other	–	76 459	70 848	(539)	(33 993)

17. CONTINGENCIES AND COMMITMENTS

Commitments

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

18. GOING CONCERN

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

Key salient features of this management action plan include:

1. Agreement with its funders on an accelerated debt reduction plan as detailed in note 19 – Events after the reporting date;
2. Conversion of assets into cash through the sale of non-core businesses;
3. Consideration of partnerships where significant value can be unlocked; and
4. Removal of current and/or potential cash drain from underperforming businesses or unnecessary costs within the Group.

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

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

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

Notes to the summarised consolidated financial statements continued

for the year ended 31 July 2019

19. EVENTS AFTER REPORTING DATE

Continued disposal of non-core assets

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

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

Lebashe investment

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

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

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

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

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

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

Debt reduction plan

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

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

Dividend

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

Corporate information

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

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

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

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

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

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

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

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

Registered address

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

Website:
www.eoh.co.za