ANNUAL **FINANCIAL STATEMENTS**

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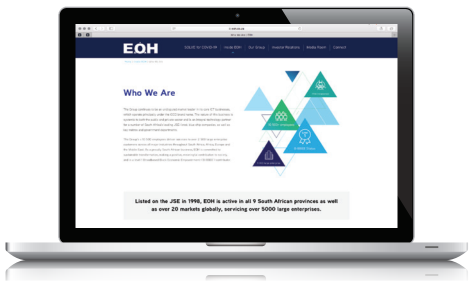

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LEVEL OF ASSURANCE

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

REPORT OF THE GROUP **COMPANY SECRETARY**

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

EOH Secretarial Services Proprietary Limited
Represented by Neill O'Brien

1 December 2020

APPROVAL OF THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

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

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

Andrew Mthembu
Chairman

1 December 2020

Stephen van Coller
Group Chief Executive Officer

1 December 2020

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

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

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

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

COMMITTEE PURPOSE
The main role of the committee is to provide independent oversight of:
- the integrity of the annual financial statements and other external reports issued by the Company; and
- the effectiveness of the organisation's assurance services and functions, particularly focusing on combined assurance arrangements, the finance function, external assurance service providers and the internal audit function.

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

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

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

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

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

INDEPENDENCE OF THE EXTERNAL AUDITOR
Pursuant to a decision by the EOH Board to voluntarily comply with mandatory audit firm rotation prior to the prescribed date of 1 April 2023, the audit committee and the Board approved the appointment of PricewaterhouseCoopers Inc. (PwC) as external auditors at the annual general meeting in December 2019. The audit committee further confirms that it has assessed PwC's suitability for appointment in accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements and nominates for appointment PwC as the external auditor of EOH.

The committee has satisfied itself through enquiry that the external auditor is independent as defined by the Companies Act. The committee has considered the nature and extent of any non-audit services. During the 2020 fiscal year, fees in respect of non-audit services amounted to R4.5 million, which mainly related to tax services.

The committee met with the external auditor without management present to discuss the results of its audit and the overall quality of the Company's financial reporting. The committee also discussed the expertise, resources and experience of the Company's finance function with the external auditors.

The committee has agreed to the budgeted audit fee for the 2020 financial year. Auditors' remuneration is disclosed in note 26 to the consolidated annual financial statements. The committee is of the view that this remuneration is appropriate.

As required in terms of the JSE Listings Requirements, the committee has considered the information received from the auditors to allow the committee to assess the suitability for appointment of the audit firm and the designated audit partner. The committee has satisfied itself that the external auditors and the designated registered audit partner are accredited on the JSE list of auditors and advisers. The committee further confirms that it has assessed the suitability for appointment of the external auditors and the designated audit partner.

The committee has satisfied itself on the qualification and experience of the external auditor and is satisfied with the quality and level of the work performed by them.

AUDIT COMMITTEE'S **REPORT** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

INTERNAL AUDIT

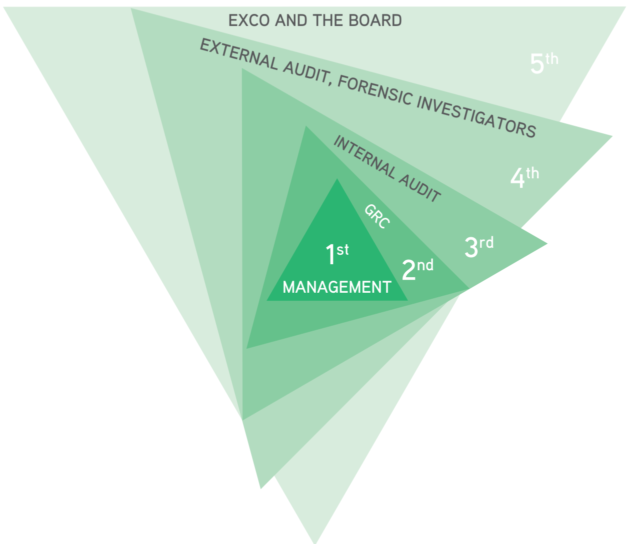
EOH established an in-house internal audit function during the second half of the 2019 financial year. The internal audit charter and internal audit plan were approved by the committee and a Head of Internal Audit was appointed, who reports directly to the committee with an indirect line to the CRO.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

COMBINED ASSURANCE

Management has embarked on a project to assess the internal control environment and control activities, and to identify control weaknesses. Consequently, a roadmap towards a mature financial control framework by July 2021 has been designed. This plan has been independently assessed by internal audit.

EOH's combined assurance model comprises five lines of defence. A combined assurance model incorporates and optimises all assurance services and functions to enable an effective control environment, to support the integrity of information used for internal decision-making by management, the governing body and its committees, and also supports the integrity of the organisation's external reports.

EOH'S COMBINED ASSURANCE MODEL



1. **1st line (Management):** Line managers own and manage risk, make business decisions and must carefully consider the risk of those decisions against the organisation's objectives.
2. **2nd line (Governance, Risk and Compliance and other specialist teams):** These functions create, implement, and manage systems, processes and procedures, and communications
3. **3rd line (Internal auditor, investigations):** Internal audit reviews and makes sure the work of line management and the specialist support teams is effective and appropriate, and also collect evidence. This role can be fulfilled by employees or third parties, but their goal is to provide independent and objective assurance to internal stakeholders like the board of directors and senior management.
4. **4th line (a) External auditors, external actuaries, external fraud examiner:** These external agencies usually provide assurance to external stakeholders like shareholders, government, and regulatory agencies.

   4th line (b) Regulatory inspectors: Inspectors carry out reviews to assess compliance, provide reports from another perspective on the state of affairs, and provide additional assurance.
5. **5th line (Executive committee and the Board of directors):** Provide oversight on the implementation of combined assurance.

While the committee is satisfied with the level of assurance provided for significant Group risks, the combined assurance approach will continue to be enhanced during the 2021 fiscal year. The committee reviewed the plans and work outputs of the external and internal auditors as part of its responsibility to coordinate assurance activities.

Internally, management performed an attestation process throughout the organisation to ensure the right level of controls are in place from a financial statement reporting perspective. A number of internal control deficiencies were identified. These are dealt with by management in the ordinary course of business. Management will continue to monitor and resolve, where appropriate, IT access controls and segregation of duties conflicts, as the Group strengthens its current financial systems. The audit committee is, however, satisfied that none of these deficiencies had a material effect for the purposes of the preparation and presentation of the financial statements for the fiscal year under review.

FINANCIAL REPORTING

The committee reviewed the interim and Group annual financial statements, culminating in a recommendation to the Board to adopt them. The review of the results included ensuring compliance with International Financial Reporting Standards ('IFRS') and the acceptability of the Company's accounting policies. This includes the appropriate disclosures in the annual financial statements in accordance with IFRS as issued by the International Accounting Standards Board, IFRS Interpretations Committee ('IFRIC'), interpretations applicable to companies reporting under IFRS, SAICA Financial Reporting guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council ('FRSC') and the requirements of the Companies Act and the JSE Listings Requirements.

In accordance with paragraph 3.84(g)(ii) of the JSE Listings Requirements, the committee confirms that the Company has established appropriate financial reporting procedures and that these procedures are operating effectively.

AUDIT QUALIFICATION OF 2019 OPENING BALANCES

During the 2019 fiscal year, the current EOH management team identified a number of transactions that were processed incorrectly in both 2019 and prior periods. Management consequently processed adjustments as prior period errors if the facts that gave rise to the adjustment were found to clearly have existed in prior years. The audit committee accepted management's view and recommended to the Board the prior year adjustments, which has in turn approved the adjustments as part of the financial statements. The JSE responded by imposing a R7.5 million fine for these historic misstatements. This fine is accepted as an affirmation of the stance taken in 2019.

EXPERTISE AND EXPERIENCE OF GROUP CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION

The committee reviewed the performance and expertise of Megan Pydigadu and confirmed her suitability to hold office as Group Financial Director in terms of the JSE Listings Requirements. The committee has also considered and has satisfied itself of the appropriateness of the expertise and experience of the finance function and adequacy of resources employed in this function.

FRAUD PREVENTION

An anonymous ethics line is in place which is managed by an independent party. All calls are reported in total anonymity.

GOING CONCERN STATUS

The committee considered the going concern status of the Group on the basis of review of the annual financial statements and the information available to the committee and recommended such going concern status for adoption by the Board. The Board statement on the going concern status of the Group is contained in the directors' report and in note 1.2 to the consolidated annual financial statements.

AUDIT COMMITTEE'S **REPORT** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

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

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

DISCHARGE OF RESPONSIBILITIES

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

CONCLUSION

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

Mike Bosman
Chairperson, Audit Committee

1 December 2020

DIRECTORS' **REPORT**

THE DIRECTORS PRESENT THEIR REPORT FOR THE YEAR ENDED 31 JULY 2020

NATURE OF BUSINESS

EOH Holdings Limited (EOH or the Company) is a holding company domiciled in South Africa that is listed on the JSE Limited under the category Technology: Software and Computer Services. EOH is one of the largest Information and Communications Technology (ICT) services providers in South Africa and is committed to providing the technology, knowledge, skills and organisational ability critical to the development and growth of the markets it serves.

The consolidated annual financial statements, as at 31 July 2020 and for the year then ended, comprise the Company and its subsidiaries (together referred to as the Group) and the Group's investments in associates and joint ventures.

FINANCIAL STATEMENTS AND RESULTS

The Group's results and financial position are reflected on pages 111 to 112.

STATED CAPITAL

Authorised

Ordinary shares: 500 000 000 no par value shares (2019: 500 000 000).
EOH A shares: 40 000 000 no par value shares (2019: 40 000 000).

Issued

Ordinary shares: 176 544 961 no par value shares (2019: 176 544 961).
EOH A shares: 40 000 000 no par value shares (2019: 40 000 000).

DIRECTORS

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

Directorate

Non-executive

Andrew Mthembu *(appointed as Chairman 6 February 2020)*
Andrew Marshall *(appointed 21 May 2020)*
Bharti Harie *(appointed with effect from 1 January 2021)*
Ismail Mamoojee
Jabu Moleketi *(appointed 1 September 2020)*
Jesmane Boggenpoel
Mike Bosman
Nosipho Molope *(appointed with effect from 1 January 2021)*
Sipho Ngidi *(appointed 20 February 2020)*

Dr Xolani Mkhwanazi *(Chairman deceased 4 January 2020)*
Anushka Bogdanov *(appointed lead independent non-executive director on 7 February 2020; resigned on 28 July 2020)*
Dr Moretlo Molefi *(resigned with effect from 15 December 2020)*

Executive

Stephen van Coller *(Group Chief Executive Officer)*
Megan Pydigadu *(Group Chief Financial Officer)*
Fatima Newman *(Group Chief Risk Officer)*

DIRECTORS' AND PRESCRIBED OFFICERS INTEREST IN SHARES

The directors' and prescribed officers interest in shares are set out in note 36 of the consolidated annual financial statements.

DIRECTORS AND PRESCRIBED OFFICERS' EMOLUMENTS

The emoluments of directors and prescribed officers of the Group are set out in note 37 of the consolidated annual financial statements.

RELATED-PARTY CONTRACTS

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

Transactions, defined as related-party transactions in terms of International Financial Reporting Standards, between the Company or its subsidiaries, associates, joint ventures and the directors or their associates are disclosed in note 39 of the consolidated annual financial statements.

DIRECTORS' **REPORT** CONTINUED

THE DIRECTORS PRESENT THEIR REPORT FOR THE YEAR ENDED 31 JULY 2020

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The directors are responsible for preparing the consolidated annual financial statements in a manner that fairly presents the financial position and the results of the operations of the Group for the year ended 31 July 2020.

The external auditor is responsible for carrying out an independent examination of the consolidated annual financial statements in accordance with International Standards on Auditing and in the manner required by the Companies Act of South Africa and for reporting its findings thereon. The auditor's report is set out on pages 104 to 110.

The consolidated annual financial statements set out on pages 111 to 116 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB)' and interpretations as issued by the IFRS Interpretations Committee ('IFRIC'), and comply with the South African Institute of Chartered Accountants ('SAICA') Financial Reporting Guides as issued by the Accounting Practices Committee ('APC'), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council ('FRSC'), the Johannesburg Stock Exchange ('JSE)' Listings Requirements and the requirements of the Companies Act, No 71 of 2008 of South Africa ('the Companies Act'), which have been consistently applied in all material respects, in relation to the prior year, except for the impact of the adoption of IFRS 16 – Leases and IFRIC 23 Uncertainty over Income Tax Treatment which became effective and were adopted for the first time during the year ended 31 July 2020 and are supported by reasonable and prudent estimates where appropriate. Adequate accounting records have been maintained throughout the period under review.

GOVERNANCE AND INTERNAL CONTROLS

The Board is accountable for the system of internal controls for the Group.

The Board acknowledged that all the principles in the King IV Report on Corporate Governance for South Africa (King IV report) have not yet been implemented effectively, and that the recent lapses in governance were of concern to the shareholders, investors and the public. Embedding ethical leadership and building a culture of compliance are important enablers to ensure that governance is restored to credible levels.

Several steps have already been taken to improve governance and ethics. The Board, through its subcommittees, is committed to ensuring that there is an overall improvement in the effectiveness of the implementation of the King IV report during the coming year.

GOING CONCERN

Based on the going concern assessment detailed in note 1.2 of the consolidated annual financial statements, the Board is of the view that the Group has adequate resources to continue in operation for the foreseeable future and accordingly, the consolidated annual financial statements have been prepared on a going concern basis. There is material uncertainty surrounding the ability of the Group to meet its debt reduction plan by 28 February 2021, which is currently an amount of R650 million. The uncertainty only exists in that management is unable to control the process around the sale of the IP assets due to shareholder approval being required. The one asset which is close to concluding a signed SPA on will require shareholders' approval as it will be classified as a Category one transaction. The Group has mitigated this risk by approving an in principle term sheet with lenders at a Board meeting on the 27 November 2020. The in principle term sheet will allow for a 12-month bridge facility to sell the IP assets. The Board is not aware of any new material changes that may adversely impact the Group. Further disclosure is provided in note 1.2 of the consolidated annual financial statements.

LITIGATION STATEMENT

The Group is involved in various litigation matters arising in the ordinary course of business. Although at this stage it is not possible to predict what the outcome of the various matters will be, nor what portion of any costs will be attributable to the Group, or whether all or any portion of such costs will be covered by insurance or will be recoverable from other sources, management has no reason to believe that the disposition of these matters will have a materially adverse effect on the consolidated financial position of the Group.

COVID-19

The coronavirus pandemic ('COVID-19') has a significant impact across the globe, adversely affecting the lives of the Group's customers and its employees. We are now seeing the second wave of the virus hit the northern hemisphere and if and when it hits the southern hemisphere the impact remains to be seen. Although certain measures have been successful in combating the virus in the form of social distancing, wearing masks and following hygiene protocols, the effects of COVID-19 are likely to be with us for a while.

In the short term, the Group has reacted swiftly in implementing its business continuity plans well ahead of the forced lockdowns imposed by the government. The national lockdown necessitated the review and assessment of ways of working differently and to adopt a cost-conscious mindset and focus on liquidity. At the half-year results presentation the target of removing R400 million of cash costs from the business for the four months to the end of July 2020 (R100 million a month) was stated. The project has been very successful and we have substantially hit the targets through various initiatives including:

- Salary adjustments with staff taking 20% salary cuts for two months and 10% for a further month;
- Rental holidays and extensions with landlords;
- Significant reduction in travel, entertainment and marketing spend;
- Continued removal of unnecessary costs; and
- Ensuring cost structures are as flexible as possible thereby reducing fixed costs.

The Group created a COVID-19 Risk Committee that met on a weekly basis to monitor the Group's response to COVID-19. This included staff well-being, the transition to work from home and the gradual return to offices with strict protocols in place, business continuity and that services could continue largely uninterrupted to clients.

While COVID-19 has resulted in a weaker macro-economic environment, the performance of the core iOCO business has remained relatively resilient. The total Group has, however, felt some softening at a revenue level as a result of the impact of lockdown and COVID-19.

Subsequent to year end, the Group continued to deliver sound revenue from the core iOCO business and a significant bounce back of our IP businesses has been felt, which are Business-to-Business-to-Consumer (B2B2C) facing, as we transitioned from lockdown level 5 to level 1.

The Group has also supported various markets with relief initiatives associated with COVID-19, including getting the Solidarity Fund website up and running and has brought over 70 products to market to specifically assist them in solving their COVID-19 business challenges.

The aftermath of the virus and a weak global economy will have a negative impact on many of the Group's major customers. Weaker currencies, liquidity shortages, higher levels of unemployment, reduced consumer spending and supply chain interruptions are all expected to impact the financial performance of the Group in the medium term.

The risks above are, however, partially mitigated by the Group's quality product offering, robust cost optimisation process and diversification of customer base and positioning at the heart of the Fourth Industrial Revolution and accelerated digitisation journeys of customers. This should allow the Group to navigate these economic challenges and to continue providing acceptable shareholder returns over time. The Group also has over R900 million of cash and access to overdraft facilities in the region of R288 million that are unutilised.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Details of the Company's investments in subsidiaries and the Group's investments in associates and joint ventures are set out in note 40 – Schedule of investments in subsidiaries and note 7 – Equity-accounted investments of the consolidated annual financial statements.

DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

The Group recently refined its operational structure into three distinct operating units to allow for leaner and more agile core businesses with separate capital and governance structures. Opportunities are being explored for the sale of certain non-core assets and as a result there are a number of businesses that were approved for sale and for which the sale is expected to be completed within 12 months from the reporting date. These businesses are classified as disposal groups held for sale and the assets and liabilities of these disposal groups have been presented as held for sale at 31 July 2020. The businesses that were already sold during the current and previous reporting periods and business held for sale at 31 July 2020 that have met the requirements to be presented as discontinued operations have been presented as discontinued operations in the Group's statement of profit or loss and other comprehensive income. Details are reflected in note 14 and note 15 of the consolidated annual financial statements.

SPECIAL RESOLUTIONS

On 5 December 2019, shareholders approved the following special resolutions at the AGM:

- Financial assistance in terms of section 44 of the Companies Act.
- Financial assistance in terms of section 45 of the Companies Act.
- Reappointment of remaining non-executive directors.
- General authority to acquire shares.

As this approval remains only valid until the next AGM, shareholders will be asked at that meeting to consider a special resolution to renew this general authority until the next AGM, subject to a maximum extension of 15 months.

SUBSEQUENT EVENTS

Details are reflected in note 42 of the consolidated annual financial statements – Events after reporting date.

INDEPENDENT AUDITOR'S **REPORT**

To the Shareholders of EOH Holdings Limited

Report on the audit of the consolidated financial statements

OUR OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of EOH Holdings Limited and its subsidiaries (together the Group) as at 31 July 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

What we have audited

EOH Holdings Limited's consolidated financial statements set out on pages 111 to 181 comprise:
- the consolidated statement of financial position as at 31 July 2020;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

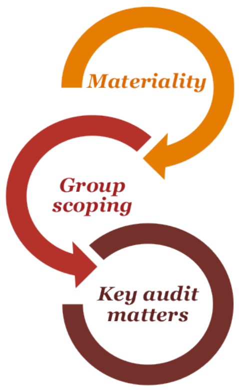
We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).*

Material uncertainty relating to going concern

We draw attention to note 1.2 to the consolidated financial statements, which indicates that the Group incurred a consolidated net loss of R1.6 billion during the year ended 31 July 2020 and, as of that date, the Group's consolidated current liabilities exceeded its consolidated current assets by R2.4 billion. As disclosed in note 42 to the consolidated financial statements, the Group breached its banking covenants from 1 August 2020, and the breach was waived by the Group's financiers subsequent to year-end. As stated in note 1.2, these events or conditions, along with other matters as set forth in notes 1.2 and 42, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

OUR AUDIT APPROACH

Overview



Overall group materiality

- Overall group materiality: R86 903 500, which represents 1% of consolidated revenue from continuing operations.

Group audit scope

- The components that are in scope included the financially significant components of the Group.
- The main indicators used to identify components within continuing and discontinued operations included consolidated revenue, consolidated loss before tax, consolidated assets and consolidated liabilities.

Key audit matters

- Impairment assessment of goodwill arising from business combinations;
- Assessment of whether the Group is the agent or the principal when recognising revenue on the sales of hardware and software licenses;
- Accounting treatment of tax exposures that the Group is exposed to; and
- Fraud investigations, legal exposures and related provisions and contingent liabilities.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R86 903 500.
How we determined it	1% of consolidated revenue from continuing operations.
Rationale for the materiality benchmark applied	Consolidated revenue from continuing operations was selected as the benchmark because, in our view it is the benchmark against which the performance of the Group can be consistently measured, as it is an indicator of market share. Consolidated revenue is also considered to be the key objective and focus of the Group's business model and a key performance indicator for the management and investors. Consolidated revenue from discontinued operations is excluded as it will not reflect a consistent measurement of the Group's performance into the future. We chose 1% based on our professional judgement and after consideration of the range of quantitative materiality thresholds that we would typically apply when using revenue to compute materiality. The considerations included taking cognisance of the intended users and distribution of the consolidated financial statements as well as the financial covenants held over the Group's debt.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is made up of three segments, iOCO, NEXTEC, IP and the main operating businesses are located in South Africa. In establishing the overall audit approach to the group audit, we determined the type of work that needed to be performed at the local operations by ourselves, as the group engagement team, and component auditors from other PwC network firms as well as other audit firms operating under our instruction. The Group's operations vary in size. Within these segments, we have identified components, between continuing and discontinued operations, on which to perform full scope audits for group reporting purposes due to their financial significance and contribution to the risk of material misstatement in the consolidated financial statements. Analytical procedures were performed over all components not in scope, to assess whether any risks exist that would require additional audit procedures.

Detailed group audit instructions were communicated to all components in scope, and comprehensive audit approach and strategy planning meetings were held with all reporting component teams before commencing their respective audits. Throughout the audit, various meetings and discussions were held with the teams of the significant components.

We assessed the competence, knowledge and experience of the component auditors and evaluated the procedures performed on the significant audit areas to assess the adequacy thereof in pursuit of our audit opinion on the consolidated financial statements.

Where the work was performed by the component auditors, we determined the level of involvement we needed to have in the audit work at these operations to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the consolidated financial statements as a whole.

INDEPENDENT AUDITOR'S **REPORT** CONTINUED

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill arising from business combinations The Group entered into various business combinations over the last couple of years which resulted in a significant amount of goodwill being recognised. As at 31 July 2020 the Group's goodwill balance amounted to over R1.5 billion, of which R604 million is classified as assets held for sale. Goodwill is tested annually for impairment and whenever there is an impairment indicator identified by management, at the level of individual cash-generating units (CGUs). The recoverable amount for each CGU was based on the higher of an asset's fair value less costs of disposal (FVLCOD) and value in use, the latter being determined using discounted cash flow models. In estimating the recoverable amount using value in use estimates, management uses assumptions relating to discount rates, long-term growth rates and cash flow forecasts (which include the impact of COVID-19), taking into consideration the projected revenue growth rates and EBITDA margins of each CGU, which they model using forecast periods for three years and in some instances up to five years. Impairment tests on assets held for sale were based on FVLCOD. The fair value was determined primarily with reference to advanced offers from potential acquirers less estimated disposal costs. CGUs have been identified to reflect the lowest level at which businesses are managed and monitored by common cluster heads and financial directors/managers. Impairments amounting to R413 million were recognised as a result of the aforementioned assessments during the period under review. R189 million of the goodwill impairments recognised relate to held for sale CGUs written down to their fair value less costs of disposal. The impairment assessment of goodwill is considered to be a matter of most significance to our audit of the consolidated financial statements due to the various significant judgements applied by management in determining the recoverable amounts of the respective CGUs, as well as the magnitude of the goodwill balance and impairment recognised. Refer to the following notes to the consolidated financial statements for details: • Note 1.3: Significant accounting judgements and sources of estimation uncertainty; • Note 1.5: Summary of significant accounting policies, Goodwill and intangible assets; and • Note 6: Goodwill.	We tested the mathematical accuracy of the valuation models used by management and found no material differences. We assessed the appropriateness of the valuation models applied by management, with reference to market practice and the requirements of International Accounting Standard (IAS) 36, *Impairment of Assets*. We assessed revenue growth rates and EBITDA margins against the Group's strategic initiatives, taking into account the anticipated impact of COVID-19, as well as historical growth rates and EBITDA margins achieved. We utilised our valuations expertise to independently source data such as the long-term growth rates, as well as the Group's cost of debt, risk free rates in the applicable market, market risk premiums, the industry's debt/equity ratios, and the betas of comparable companies, in order to recalculate an independent discount rate for each CGU. We applied our independently sourced assumptions and calculated inputs, to management's forecasts, and recalculated a value in use per CGU. We compared management's recoverable amount of each CGU to the results of our calculations. No material differences were noted. We further performed sensitivity analyses to determine the minimum changes in discount rates, long-term growth rates and forecast cash flows that would result in limited or no headroom being available. In respect to the FVLCOD we performed an assessment of the sensitivity of the advanced offers to downward adjustments, by using a sensitivity of 5%. We compared the results of our sensitivity analysis to management's impairment results in order to identify those CGUs considered sensitive to a change in assumptions for disclosure purposes.

Key audit matter	How our audit addressed the key audit matter
Assessment of whether the Group is the agent or the principal when recognising revenue on the sales of hardware and software licenses The Group sells a range of both hardware and software licenses as part of their normal business activities. In most cases, the sale of software licenses is part of an overall solution that the Group sells to its customers whereby the Group integrates and significantly customises the software when installing the solution into the customers' IT infrastructure. The Group mainly acts as a principal in these contracts, but also as an agent in other contracts, depending on the nature and scope of the specific contract and the Group's performance obligations in each such contract. The considerations as to whether the Group is the agent or the principal in these transactions is dependent on whether the Group is taking control of the hardware and software licenses before transferring these items to the End-customer which is considered through application of the "control" principles as outlined in IFRS 15, *Revenue from Contracts with Customers* (IFRS 15) together with the indicators of control outlined in application guidance set out in Appendix B of IFRS 15. Management applied their judgement in determining whether the Group acts as a principal or agent in these transactions (and in relation to each identified performance obligation), with reference to the principles of IFRS 15. Management engaged an external consulting firm to perform an assessment on certain key contracts in order to obtain comfort that the Group has applied the agent versus principal considerations appropriately to those contracts. The assessment of whether the Group is acting as an agent vs a principal is considered to be an area of most significance in our audit of the consolidated financial statements due to the significant judgement involved in the Group's application of the IFRS 15 standard in this regard and the complexity involved for the industry that the Group operates in. Refer to the following notes to the consolidated financial statements for detail: • Note 1.3: Significant accounting judgements and sources of estimation uncertainty; • Note 1.5: Summary of significant accounting policies, Revenue; • Note 3.2: Restatement of consolidated annual financial statements, Revenue, Principal versus agent; and • Note 24: Revenue.	We tested a sample of revenue transactions to assess management's determination on whether the Group is the agent or the principal, with reference to the indicators of control outlined in application guidance set out in Appendix B of IFRS 15, by performing the following procedures: • met with management and the related operational staff in order to obtain an understanding of the end-to-end business process with regards to the sales of the hardware and software licenses; • inspected the underlying contractual agreements or purchase orders between the Group and the End-customers; • identified the performance obligations associated with the contract with the customer and assessed if the Group obtains control of the goods before providing them to the end customer, with reference to the terms of the performance obligations; and • inspected the underlying contractual agreements between the Group and the suppliers of the goods. Based on our procedures performed, and where our assessment of agent vs principal for the sample of transactions tested differed to that of management, management engaged an external consulting firm ("management's consultant") to reassess these specific contracts. We assessed the work performed by the management consultant, as outlined in our further audit procedures performed below, and noted no material differences between our and management's final agent vs principal reassessment. We inspected the memorandums provided by management's consultant which outlined their and management's re-assessment of significant contracts which they have identified, including those contracts that we have tested above and on which we noted differences, against the principles of IFRS 15, of whether the Group is the agent or the principal. We tested the IFRS 15 adjustments made by management in their categorisation of transactions identified as either principal or agent. Based on our procedures performed, we did not identify any matters in this regard requiring further consideration. We assessed the adequacy of the disclosures made in the consolidated financial statements pertaining to the agent vs principal considerations, with reference to the requirements of IFRS 15.

INDEPENDENT AUDITOR'S **REPORT** CONTINUED

Key audit matter	How our audit addressed the key audit matter
Accounting treatment of tax exposures that the Group is exposed to Due to the inherent nature of exposures, rulings issued, assessments and sanctions by tax and regulatory authorities, the Group recognised a significant amount of tax-related provisions, income tax liabilities and contingencies as at 31 July 2020. Management applies judgement to estimate the following: • the potential exposure where the interpretation of the applicable tax laws and regulations could be subjective; and • the likelihood that a pending claim will succeed, or a liability will arise, and the quantification of the potential financial settlement, as applicable. Furthermore, in the prior year, the Group had raised a provision for the payment of pay-as-you-earn ("PAYE"), which arose in one of the subsidiaries. The Group had further increased such provision in the first half of the current year. We considered the accounting treatment of tax exposures that the Group is exposed to, to be a matter of most significance to the current year audit due to the complexity, nature and magnitude of these exposures, together with a significant level of management judgement involved in interpreting specific acts, regulatory provisions or practices in determining the amounts of these liabilities. Refer to the following notes to the consolidated financial statements for detail: • Note 1.3: Significant accounting judgements and sources of estimation uncertainty; • Note 3.3: Restatement of consolidated annual financial statements, Timing of recognition of provision; • Note 23: Provisions; and • Note 34: Contingencies and commitments, Uncertain tax exposure.	We utilised our tax expertise to evaluate management's assessment of the probability of tax exposures relating to income tax, VAT, PAYE and other taxes. We held discussions with group management regarding the significant exposures and inspected available underlying tax correspondence and relevant documentation, in order to evaluate the reasonableness of management's conclusions. Where exposures were deemed to be probable, through inspection of the underlying accounting records, we tested whether management had appropriately estimated and recognised these tax exposures. We noted that a portion of the increase in the PAYE provision recognised during the first half of the current year should have been recognised at the end of the previous year. Management subsequently corrected this as a prior period error, resulting in an increase in current liabilities of R75 million in the prior year, as well as an increase in operating expenses and accumulated loss for the previous year by the same amount. We further assessed the appropriateness of the assumptions applied by management in estimating the likely outcome of the PAYE exposure by assessing these against the advice management obtained from their external tax counsel. We further inspected correspondence received by management from the tax authorities and the Group's external tax advisers to evaluate the consistency and adequacy of the exposures accounted for and disclosures made by management, based on the responses received. We did not identify any matters requiring further consideration.

Key audit matter	How our audit addressed the key audit matter
Fraud investigations, legal exposures and related provisions and contingent liabilities There is uncertainty related to the legal and tax exposures due to suspect transactions identified by the Group and the forensic investigation performed in relation to these suspect transactions. Management engaged with independent forensic specialists ("management's specialists") to perform an assessment on all the contracts identified by management's specialist, to determine the likelihood of a claim being instituted against the Group on the respective contracts. There is also further uncertainty regarding historical income taxes and VAT as a result of the impact of the fraudulent transactions identified in the independent forensic investigation performed during the 2019 financial year. We considered the fraud investigations, legal exposures and related provisions and contingent liabilities to be a matter of most significance to the current year audit due to the potential risk that not all liabilities that the Group may be exposed to, have been appropriately disclosed and accounted for, based on the extent of the uncertainties involved in this assessment. Refer to the following notes to the consolidated financial statements for detail: • Note 1.3: Significant accounting judgements and sources of estimation uncertainty; • Note 23: Provisions; and • Note 34: Contingencies and commitments.	Utilising our forensics expertise, we evaluated management's assessment of opening balances and the impact of the Group's forensics investigation on the current year by performing the following procedures: • we assessed the competency, capability, and objectivity of the Group's forensics investigation team, by inspecting their curriculum vitae, certificates of qualifications, company profiles and representations of their independence; • we assessed the oversight of the Group's forensics investigation team's scope, procedures and findings by appropriately qualified individuals of management; • we inspected and evaluated the work of the Group's forensics investigation team, including the investigation scope, methods and assumptions employed; and • we assessed the Group's forensics investigation team's findings for adequacy and reliability of their work performed. Based on our procedures performed above, we noted no aspects requiring further consideration. Utilising our forensics expertise, we also held discussions with the Group's internal and external legal experts, forensics investigation team and management, and inspected their presentations of their findings to the Group to: • obtain an understanding of the scope, procedures performed, findings and remediation steps taken by the Group; and • determine the significant exposures and evaluate the reasonableness of management's conclusions with reference to their findings reported to the Group. We evaluated whether the findings from the forensic investigation have been adequately considered, recorded and disclosed as in notes 23 and 34 to the consolidated financial statements as at 31 July 2020, and whether subsequent events or further investigations performed by all of management's experts have identified subsequent changes to the exposures identified and disclosed. We noted no matters or exposures requiring further consideration. We inspected correspondence received by management from the respective regulatory authorities to evaluate the adequacy of exposures accounted for and disclosures made in the consolidated financial statements. We noted no matters requiring further consideration.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the documents titled "EOH Integrated Report 2020" and "EOH Holdings Limited Annual Financial Statements for the year ended 31 July 2020", which includes the Directors' Report, the Audit Committee's Report and the Report of the Company Secretary as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S **REPORT** CONTINUED

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of EOH Holdings Limited for one year.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: D.H. Höll
Registered Auditor

Johannesburg
2 December 2020

CONSOLIDATED STATEMENT OF **PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 JULY 2020

Figures in Rand thousand	Notes	2020	Restated*# 2019
Continuing operations			
Revenue	24	**8 690 350**	10 746 037
Cost of sales		**(6 893 957)**	(8 978 937)
Gross profit		**1 796 393**	1 767 100
Net financial asset impairment losses	25	**(320 712)**	(606 384)
Operating expenses		**(2 417 575)**	(4 860 760)
Operating loss before interest and equity-accounted losses	26	**(941 894)**	(3 700 044)
Investment income	27	**26 984**	24 556
Share of equity-accounted losses	7	**(565)**	(7 954)
Finance costs	28	**(410 875)**	(333 718)
Loss before taxation		**(1 326 350)**	(4 017 160)
Taxation	29	**64 030**	(208 187)
Loss for the year from continuing operations		**(1 262 320)**	(4 225 347)
Loss for the year from discontinued operations	15	**(364 494)**	(721 265)
Loss for the year		**(1 626 814)**	(4 946 612)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations**		**107 697**	(97 998)
Reclassification of foreign currency translation differences on loss of control and joint control**		**47 313**	94 547
Total comprehensive loss for the year		**(1 471 804)**	(4 950 063)
(Loss)/profit attributable to:			
Owners of EOH Holdings Limited		**(1 620 721)**	(4 949 147)
Non-controlling interests		**(6 093)**	2 535
		(1 626 814)	(4 946 612)
Total comprehensive (loss)/income attributable to:			
Owners of EOH Holdings Limited		**(1 462 568)**	(4 952 598)
Non-controlling interests		**(9 236)**	2 535
		(1 471 804)	(4 950 063)
From continuing and discontinued operations (cents)			
Loss per share	30	**(961)**	(3 041)
Diluted loss per share	30	**(961)**	(3 041)
From continuing operations (cents)			
Loss per share	30	**(747)**	(2 597)
Diluted loss per share	30	**(747)**	(2 597)

* *Refer to note 3 – Restatement of consolidated annual financial statements for the impact on profit or loss.*

\# *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2020.*

** *In the current year, exchange differences has been split between exchange differences arising during the year and amounts reclassified to profit or loss. The prior year has been updated to align to the current year split.*

CONSOLIDATED STATEMENT OF **FINANCIAL POSITION**
AS AT 31 JULY 2020

Figures in Rand thousand	Notes	2020	Restated* 2019	Restated* 1 August 2018
ASSETS				
Non-current assets				
Property, plant, equipment and right-of-use assets	4	**544 846**	481 674	742 983
Intangible assets	5	**112 967**	488 974	880 392
Goodwill	6	**916 743**	1 850 854	4 255 281
Equity-accounted investments	7	**6 689**	228 067	530 861
Other financial assets	8	**60 881**	11 610	499 040
Deferred taxation	9	**200 972**	245 278	327 270
Finance lease receivables	10	**55 120**	106 775	130 602
		1 898 218	3 413 232	7 366 429
Current assets				
Inventories	11	**113 754**	251 456	377 501
Other financial assets	8	**137 109**	76 718	205 692
Current taxation receivable		**53 940**	52 916	88 442
Finance lease receivables	10	**67 720**	72 638	63 307
Trade and other receivables	12	**2 116 576**	3 353 971	4 733 305
Cash and cash equivalents	13	**645 837**	1 048 583	1 418 319
		3 134 936	4 856 282	6 886 566
Assets held for sale	14	**2 152 366**	1 765 016	–
Total assets		**7 185 520**	10 034 530	14 252 995
EQUITY AND LIABILITIES				
Equity				
Stated capital	17	**4 250 219**	4 239 621	3 443 223
Shares to be issued to vendors	18	**15 300**	20 257	66 196
Other reserves	19	**924 862**	742 597	663 122
Accumulated loss		**(4 680 506)**	(3 077 996)	1 746 493
Equity attributable to the owners of EOH Holdings Limited		**509 875**	1 924 479	5 919 034
Non-controlling interests		**29 624**	40 621	17 788
Total equity		**539 499**	1 965 100	5 936 822
Liabilities				
Non-current liabilities				
Other financial liabilities	20	**5 674**	2 255 825	3 208 415
Lease liabilities	21	**171 699**	28 030	56 388
Deferred taxation	9	**111 291**	305 917	388 042
		288 664	2 589 772	3 652 845
Current liabilities				
Other financial liabilities	20	**2 748 028**	1 068 132	895 581
Current taxation payable		**49 329**	97 988	170 230
Lease liabilities	21	**104 723**	29 331	35 360
Trade and other payables	22	**1 951 060**	3 303 241	3 562 157
Provisions	23	**670 125**	410 427	–
		5 523 265	4 909 119	4 663 328
Liabilities directly associated with assets held for sale	14	**834 092**	570 539	–
Total liabilities		**6 646 021**	8 069 430	8 316 173
Total equity and liabilities		**7 185 520**	10 034 530	14 252 995

* *Refer to note 3 – Restatement of consolidated annual financial statements for the impact on the affected assets, liabilities and equity.*

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**
FOR THE YEAR ENDED 31 JULY 2020

Figures in Rand thousand	Stated capital	Shares to be issued to vendors	Other reserves	Retained earnings/ (accumulated loss)	Equity attributable to the owners of EOH Holdings Limited	Non-controlling interests	Total equity
Balance at 1 August 2018	3 443 223	809 975	663 122	1 002 714	5 919 034	17 788	5 936 822
Correction of error***	–	(743 779)	–	743 779	–	–	–
Restated balance at 1 August 2018	3 443 223	66 196	663 122	1 746 493	5 919 034	17 788	5 936 822
Restated (loss)/profit for the year***	–	–	–	(4 949 147)	(4 949 147)	2 535	(4 946 612)
Other comprehensive income	–	–	(3 451)	–	(3 451)	–	(3 451)
Issue of shares	762 712	(44 067)	–	–	718 645	–	718 645
Non-controlling interest acquired	–	–	–	–	–	(300 448)	(300 448)
Non-controlling interest disposed	–	–	–	–	–	320 746	320 746
Movement in treasury shares	33 686	(12 703)	(53 714)	–	(32 731)	–	(32 731)
Consideration – EOH shares forfeited	–	(21 957)	–	–	(21 957)	–	(21 957)
Transfer within equity*#	–	32 788	–	(32 788)	–	–	–
Share-based payments	–	–	53 141	157 446	210 587	–	210 587
Correction of error***	–	–	83 499	–	83 499	–	83 499
Restated balance at 31 July 2019	4 239 621	20 257	742 597	(3 077 996)	1 924 479	40 621	1 965 100
Effect of adoption of new standard**	**–**	**–**	**–**	**30 327**	**30 327**	**–**	**30 327**
Restated balance at 1 August 2019	**4 239 621**	**20 257**	**742 597**	**(3 047 669)**	**1 954 806**	**40 621**	**1 995 427**
Loss for the year	**–**	**–**	**–**	**(1 620 721)**	**(1 620 721)**	**(6 093)**	**(1 626 814)**
Other comprehensive income	**–**	**–**	**158 153**	**–**	**158 153**	**(3 143)**	**155 010**
Non-controlling interest disposed	**–**	**–**	**–**	**–**	**–**	**1 982**	**1 982**
Movement in treasury shares	**10 598**	**(4 957)**	**(10 781)**	**–**	**(5 140)**	**–**	**(5 140)**
Consideration – EOH shares forfeited	**–**	**(12 116)**	**–**	**–**	**(12 116)**	**–**	**(12 116)**
Transfer within equity*	**–**	**12 116**	**–**	**(12 116)**	**–**	**–**	**–**
Share-based payments: disposed entities	**–**	**–**	**(13 392)**	**–**	**(13 392)**	**–**	**(13 392)**
Share-based payments	**–**	**–**	**48 285**	**–**	**48 285**	**–**	**48 285**
Dividends declared	**–**	**–**	**–**	**–**	**–**	**(3 743)**	**(3 743)**
Balance at 31 July 2020	**4 250 219**	**15 300**	**924 862**	**(4 680 506)**	**509 875**	**29 624**	**539 499**
Notes	17	18	19				

* *Transfers within equity are transfers from shares to be issued to vendors for expired shares.*

** *Refer to note 2 – Changes in accounting policies for the impact of the adoption of IFRS 16.*

*** *Refer to note 3 – Restatement of consolidated annual financial statements for the impact on profit or loss and equity.*

Transfers between other reserves and retained earnings/(accumulated loss) of R111 million which had been done in the prior year have now been reversed to be consistent with current year IFRS 2 treatment of not releasing reserves to retained earnings for expired unexercised options.

CONSOLIDATED STATEMENT OF **CASH FLOWS**
FOR THE YEAR ENDED 31 JULY 2020

Figures in Rand thousand	Notes	2020	2019
Cash generated from operations	32	**706 735**	502 107
Investment income received		**40 283**	39 657
Interest paid		**(380 165)**	(341 088)
Taxation paid	33	**(211 419)**	(313 155)
Net cash inflow/(outflow) from operating activities		**155 434**	(112 479)
Cash flows from investing activities			
Additions to property, plant and equipment		**(175 643)**	(221 818)
Proceeds on the sale of property, plant, equipment and intangible assets		**127 659**	15 972
Intangible assets acquired	5	**(187 172)**	(181 587)
Cash receipt from disposal of businesses, net of cash given up	16	**164 625**	369 164
Cash inflow relating to other financial assets		**2 088**	200 181
Cash outflow relating to other financial assets		**(9 978)**	–
Increase in restricted cash		**(485 824)**	–
Decrease in restricted cash		**398 804**	–
Net cash (outflow)/inflow from investing activities		**(165 441)**	181 912
Cash flows from financing activities			
Proceeds from the issue of shares		**–**	720 282
Dividends paid to non-controlling interests		**(3 743)**	–
Proceeds from other financial liabilities	20	**–**	967 307
Repayment of other financial liabilities	20	**(396 414)**	(1 745 982)
Principal elements of lease payments		**(94 894)**	(32 563)
Net cash outflow from financing activities		**(495 051)**	(90 956)
Net decrease in cash and cash equivalents		**(505 058)**	(21 523)
Cash and cash equivalents at the beginning of the year	13	**1 048 583**	1 418 319
Assets held for sale at the beginning of the year	14	**310 373**	–
Assets held for sale at the end of the year	14	**(328 743)**	(310 373)
Exchange gains/(losses) on cash and cash equivalents		**5 429**	(37 840)
Cash and cash equivalents at the end of the year	13	**530 584**	1 048 583

CONSOLIDATED **SEGMENT RESULTS**

FOR THE YEAR ENDED 31 JULY 2020

The reportable segments of the Group have been identified based on the nature of the business activities. The business is managed in three major segments and this remains consistent with the prior year with some movements of businesses between the segments. Changes to the reportable segments in the current year included the moving of HQaaS and Digital Industries businesses out of NEXTEC to iOCO to streamline and consolidate similar business offerings in line with the revised strategy of EOH. This basis is representative of the internal structure of the Group for management purposes and the segment results for the comparative period has been restated accordingly. The Chief Operating Decision Maker (CODM) is the Group Executive Committee.

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

NEXTEC consists of a variety of businesses focused on business process outsourcing and technology infrastructure at various stages of incubation for growth and scaling.

IP comprises a group of high potential intellectual property companies with scaled technology ready to take to market with partners.

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

Adjusted EBITDA is defined as profit/(loss) before depreciation, amortisation, share-based payment expense, gain/loss on disposal of subsidiaries and equity-accounted investments, impairments of non-financial assets, share of profit/loss of equity-accounted investments, remeasurement gain/losses on vendors for acquisition liability, interest income, interest expense and current and deferred tax.

Revenue, gross profit and core normalised EBITDA:

Figures in rand thousand	**2020**					Restated* 2019				
	iOCO	**NEXTEC**	**IP**	**Recon-ciliation^**	**Total**	iOCO	NEXTEC	IP	Recon-ciliation^	Total
Revenue										
External	**6 699 614**	**3 375 968**	**1 201 121**	**–**	**11 276 703**	7 841 419	5 232 875	1 875 006	–	14 949 300
Intersegment	**222 948**	**154 442**	**11 180**	**(388 570)**	**–**	121 195	289 412	30 835	(441 442)	–
Gross revenue	**6 922 562**	**3 530 410**	**1 212 301**	**(388 570)**	**11 276 703**	7 962 614	5 522 287	1 905 841	(441 442)	14 949 300
Gross profit	**1 684 352**	**527 266**	**480 722**	**(223 441)**	**2 468 899**	1 641 933	661 197	754 125	(125 857)	2 931 398
Gross profit (%)	*24.3%*	*14.9%*	*39.7%*	*–*	*21.9%*	*20.6%*	*12.0%*	*39.6%*	*–*	*19.6%*
Adjusted EBITDA	**391 651**	**(111 128)**	**319 537**	**(528 480)**	**71 580**	(711 069)	(189 193)	439 051	(945 026)	(1 406 237)
Normalisation adjustments	**104 608**	**27 116**	**67**	**233 131**	**364 922**	790 618	52 106	–	518 995	1 361 719
Normalised EBITDA**	**496 259**	**(84 012)**	**319 604**	**(295 349)**	**436 502**	79 549	(137 087)	439 051	(426 031)	(44 518)
Non-core business lines to be closed~	**323 016**	**172 980**	**–**	**–**	**495 996**	279 254	246 800	–	–	526 054
Core normalised EBITDA***	**819 275**	**88 968**	**319 604**	**(295 349)**	**932 498**	358 803	109 713	439 051	(426 031)	481 536
Core normalised EBITDA (%)	*11.8%*	*2.5%*	*26.4%*	*–*	*8.3%*	*4.5%*	*2.0%*	*23.0%*	*–*	*3.2%*

* *Comparative figures previously reported have been amended to reflect segment structure used for the 12 months to 31 July 2020, as well as correction of prior period errors as described in note 3.*

** *Normalised EBITDA is defined as Adjusted EBITDA adjusted for certain once-off for cash and non-cash items.*

*** *Core normalised EBITDA is defined as normalised EBITDA adjusted for non-core business lines to be closed.*

^ *Reconciliation comprises elimination of intersegment transactions and includes head office expenses.*

~ *Non-core business lines to be closed reflect businesses identified to be shut down.*

CONSOLIDATED **SEGMENT RESULTS** CONTINUED
FOR THE YEAR ENDED 31 JULY 2020

Adjusted EBITDA reconciliation

Figures in Rand thousand	Notes	2020	Restated* 2019
Operating loss before interest and equity-accounted losses		**(1 266 720)**	(4 260 838)
Operating loss from continuing operations		**(941 894)**	(3 700 044)
Operating loss from discontinued operations		**(324 826)**	(560 794)
Depreciation		**335 924**	204 848
Amortisation		**162 079**	230 968
Impairment losses on non-financial assets		**522 475**	2 258 840
Loss/(gain) on disposal of assets		**263 675**	(120 868)
Share-based payments		**48 285**	247 614
Changes in fair value of vendors for acquisition	20	**3 685**	33 199
Loss from joint venture	7	**2 177**	–
Adjusted EBITDA		**71 580**	(1 406 237)
Normalisation adjustments		**364 922**	1 361 719
Write-off of inventories#		**20 396**	59 753
Other financial assets write-off and specific provisions	8	**149 245**	759 501
Advisory and other##		**106 605**	154 548
Retrenchment and settlement costs		**49 744**	115 138
Onerous contracts and other provisions		**38 932**	272 779
Normalised EBITDA**		**436 502**	(44 518)
Non-core business lines to be closed~		**495 996**	526 054
Core normalised EBITDA***		**932 498**	481 536

* *Comparative figures previously reported have been amended to reflect segment structure used for the 12 months to 31 July 2020, as well as correction of prior period errors as described in note 3.*

** *Normalised EBITDA is defined as Adjusted EBITDA adjusted for certain once-off cash and non-cash items.*

*** *Core normalised EBITDA is defined as normalised EBITDA adjusted for non-core business lines to be closed.*

~ *Non-core business lines to be closed reflect normalised EBITDA relating to businesses which management intends closing which have not yet met the IFRS 5 requirements to be classified as discontinued and non-profitable business lines or arrangements that are not expected to continue going forward .*

Write-off of inventories relates to inventory licences that were previously purchased and capitalised as inventory and subsequently written off as there were no customers for such inventory licences.

Advisory and other consists mainly of costs related to the ENS investigation, costs related to internal restructuring of the businesses, advisor costs related to disposals of businesses and also includes the JSE fine referred to in note 34.

1. SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

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

1.1 Statement of compliance

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations as issued by the IFRS Interpretations Committee (IFRIC), and comply with the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee (APC), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the Johannesburg Stock Exchange (JSE) Listings Requirements and the requirements of the South African Companies Act, No 71 of 2008 (the Companies Act).

1.2 Basis of preparation

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

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

Going concern

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

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

In conducting this assessment, the Board has taken into consideration the following factors:

The financial performance, condition and cash flows for the Group reflect a loss for the year of R1.6 billion, net asset value attributable to the owners of EOH Holdings Limited at the end of the year of R510 million and cash inflows from operating activities of R155 million (including continuing and discontinued operations). Details of the financial performance, condition and cash flows for the Group are explained in the consolidated annual financial statements. A detailed action plan for deleveraging the Group to a sustainable level and resolving the 'fit-for-purpose' cost structure was developed by the Group and its lenders and committed to in October 2019, revised in April 2020 and again in November 2020. Since its announcement in October 2019, the plan has been largely executed against and the directors reasonably believe it can continue to be implemented going forward in order to ensure the Group's ability to continue as a going concern.

The key deleveraging requirements of the agreement signed with the Group's lenders in April 2020 required the following milestones to be met:

1. Delever of R500 million by 30 August 2020.
2. Delever of an additional R700 million by 30 November 2020.
3. Delever of an additional R400 million by 28 February 2021.
4. 1 April 2021 full refinancing of the remaining debt.

The key deliverables implemented by the Group in relation to the deleveraging plan include:

1. deleveraging R292 million of debt in the current financial year and meeting the R500 million August target at 31 July 2020 in the amount of R542 million (deleveraging of R250 million at 31 July 2020 was taken into account for the R500 million target). Subsequent to year end, R450 million of the R700 million 30 November 2020 target was met as detailed in note 42 – Events after the reporting date.
2. liquidation of four legal entities during the year and one legal entity post-year end, due to these entities being financially distressed; and
3. the implementation of a cash pooling policy, allowing more than R600 million of cash, previously held in individual legal entities to be centrally managed. This allowed the Group's cash to be in the right place at the right time, without increasing risk to the Group due to improved visibility and cash management systems being implemented.

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED
FOR THE YEAR ENDED 31 JULY 2020

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.2 Basis of preparation continued

Going concern continued

During the year, the Group implemented initiatives to improve liquidity. The Group also showed its ability to be agile and respond to new challenges as is evident from the liquidity initiatives implemented with the onset of COVID-19 restrictions in March 2020, in terms of which the Group reduced cash outflows in the second half of 2020, which included salary sacrifices, right-sizing of the cost base which had already started before the onset of lockdown, rental relief and tax deferrals.

The directors assessment of whether the Group is a going concern was considered and the directors concluded that:

1. the Group is solvent, and is expected to remain solvent after considering the approved budget and expected performance;
2. while the Group's current liabilities exceeded its current assets by R2.4 billion, more than R433 million of short-term loan liabilities and R36 million in vendor finance liabilities were extinguished after year end and a refinancing plan in respect of approximately R2 billion of the Group's facilities (as detailed in note 42 – Events after the reporting date), is being negotiated, thus bringing the ratio of current assets to current liabilities to above one times;
3. there is an approved budget for the following 24 months;
4. there are cash flow forecasts for the following 12 months, which were interrogated and adjusted for anomalies and stress tested for a reduction of in excess of 20% of adjusted EBITDA for each of the periods under review together with a detailed review of one-off cash payments; and
5. the Group has sufficient access to facilities and liquidity events to fund operations for the following 12 months based on the following assumptions:
   - improved operational performance;
   - the sale of non-core assets, which are at a relatively advanced stage;
   - the refinancing for its term and working capital facilities with its primary lending institutions, the salient commercial terms of which have been agreed by the Group with its lenders;
   - The Group's assets are appropriately insured; and
   - There is currently no outstanding litigation, that the directors believe has not been adequately provided for, that could pressurise the Group's ability to meet its obligations.

Material uncertainty relating to going concern

The ability of the Group to repay its debt as it becomes due is dependent on the timing and quantum of cash inflows from operations and its ability to realise cash through a combination of disposals of non-core assets, or part thereof. The ability of the Group to repay debt as it becomes due on 28 February and 1 April is also dependent on a refinancing proposal being implemented. The liquidity dependencies indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. The Board is of the view that the actions that have been implemented and are currently underway are sufficient to mitigate the material uncertainties related to liquidity and going concern. These include the following steps that have been taken and agreements with the lenders secured in respect of obtaining long-term funding:

- Entered into discussions with the lenders to put a long-term Group funding structure in place in the form of refinancing the debt facilities from October 2020.
- The Board passed a resolution on 27 November 2020 to approve the refinancing proposal presented by the Group's lenders, although detailed terms, rates and fees are still to be agreed.
- The refinancing proposal presented by the Group's lenders includes a 12-month bridge facility to be used in the event of delays being experienced in the sale of the IP assets.
- Long-form term sheets are required to be agreed between the Group and its lenders by 31 January 2021 and final refinancing is to be implemented by 1 April 2021.
- The Group obtained a deferral letter from its lenders on 1 December 2020 for the R250 million shortfall at 30 November 2020 until 28 February 2021 and a waiver of the events of default related to financial covenants. The waiver expires on 28 February 2021.

The Board remains focused on and committed to the turnaround strategy, the debt reduction plan and implementing the refinancing proposal agreed with lenders. However, the requirement to reduce borrowings by a set quantum in a set timeframe and the ability of the Group to achieve its debt reduction plan in the current economic conditions, creates a material uncertainty. A material uncertainty is an event or condition that may cast significant doubt on the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Board, after considering the negotiated terms and mitigating actions described above, has concluded that the Group should be able to discharge its liabilities as they fall due in the normal course of business and is therefore of the opinion that the going concern assumption is appropriate in the preparation of the consolidated annual financial statements.

Accounting policies

The accounting policies applied in the consolidated annual financial statements are consistent with those applied in the previous years, except as set out below.

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.2 Basis of preparation continued

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time to its annual reporting period commencing 1 August 2019:

- IFRS 16 – Leases (IFRS 16); and
- IFRIC 23 – Uncertainty over Income Tax Treatments ('IFRIC 23').

A number of other new standards and/or interpretations are effective for the annual reporting period commencing 1 August 2019, with no material effect on the Group's annual financial statements.

Refer to note 2.1 for more information regarding the new standards, amendment to standards and interpretations adopted by the Group.

The significant accounting policies are set out below.

1.3 Significant accounting judgements and sources of estimation uncertainty

In preparing the consolidated annual financial statements, management is required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts presented in the consolidated annual financial statements and related disclosures. Use of available information, historical experience and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated annual financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

Where relevant, the Group has provided sensitivity analysis demonstrating the impact of changes in key estimates and assumptions on reported results.

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

	Judgement relates to:	Notes
Deferred taxation assets	Judgement around future financial performance	9 and 29
Revenue	Judgement in principal versus agent considerations	1.5
Revenue	Judgement in recognition of revenue at a point in time or over time	24
Discontinued operations	Judgement as to whether a component is a discontinued operation and meets held-for-sale criteria	15
Going concern	Judgement on the Group's ability to continue as a going concern	1.2

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

	Estimate relates to:	Notes
Impairment of goodwill and intangible assets	Estimates in determining the recoverable amount of the asset or cash-generating unit	5 and 6
Provisions	Estimates in determining the amount and timing of the provisions	23
Revenue	Estimation of measuring progress towards satisfaction of performance obligations based on cost incurred, inputs versus milestones	24
Tax liability	Estimation in determining taxation liability	29
Impairment of trade receivables and contract assets	Estimates in calculating the expected credit loss provision on trade receivables and contract assets	41

1.3.1 COVID-19

COVID-19 has had and continues to have a significant impact across the world, adversely affecting the lives of the Group's customers and its employees. The first impact was noted in the Group in January 2020, with South Africa impacted from March 2020 onwards. Based on the magnitude of the pandemic and its potential impact on the consolidated annual financial statements, Management has conducted a review of all possible financial effects COVID-19 could have on the measurement, presentation and disclosure provided.

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.3 Significant accounting judgements and sources of estimation uncertainty continued

1.3.1 COVID-19 continued

Consideration of potential impact

Key areas considered are reflected in the table below, including whether or not they were deemed to have a significant impact on the Group.

COVID-19 considerations	Assessment	Potential impact	Note reference
Subsequent events	COVID-19 was assessed as being prevalent in the Group's markets before 31 July 2020. Recognised assets and liabilities at reporting date are to be presented, measured and disclosed after taking into account the effect/impact of material adjusting subsequent events.	High	42
Going concern	Limited disruption to operations. Significant progress made to deleverage and improving the financial performance of the Group.	High	1.2
Financial asset impairment (expected credit losses)	A COVID-19 debtors list was created and tracked weekly. This accounted for less than 7% of the book and revenue. No material provisions or write offs occurred related to the COVID-19 debtors.	Low	41
Non-financial asset impairment (PPE, goodwill, intangible assets)	Certain impairments to goodwill were as a result of the impact of COVID-19.	Medium	4 to 6
Onerous contracts	Onerous contract provisions have been raised but these relate to legacy contracts versus the impact of COVID-19.	Low	23
Deferred tax assets recoverability	No material deferred tax assets are raised for unutilised tax losses.	Low	9

1.4 Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the Company and its subsidiaries.

The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal. Adjustments are made when necessary to the annual financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

Intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein and are recognised in equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for the non-controlling interest.

1.5 Summary of significant accounting policies

Investments in associates and joint ventures

The Group has investments in associates and joint ventures. Interests in associates and joint ventures are accounted for using the equity method of accounting, after initially being recognised at cost in the consolidated statement of financial position.

Under the equity method of accounting, investments are initially recognised in the consolidated statement of financial position at cost and adjusted subsequently to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture.

When the Group's share of losses in an associate or a joint venture exceeds its interest in that associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the other entity.

When a Group entity transacts with an associate or joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated annual financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the impairment of non-financial assets policy.

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.5 Summary of significant accounting policies continued

Translation of foreign currencies

The Group financial statements are presented in South African rand, which is the Group's presentation currency.

(a) Functional and presentation currency

Items included in the annual financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

(b) Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in the entity's functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate; and
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous consolidated annual financial statements are recognised in profit or loss in the period in which they arise.

(c) Foreign operations

The results and financial position of a foreign operation that has a functional currency different from the Group's presentation currency is translated into the presentation currency using the following procedures:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each item of profit or loss and other comprehensive income are translated at the average exchange rates for the period of the transactions; and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in equity, within other reserves.

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

Non-current assets (or disposal groups) held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell; except for assets such as deferred tax assets, assets arising from employee benefits, financial assets that are carried at fair value and inventory which are specifically exempt from this requirement. An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management, being a subcommittee of the EOH Board of Directors to deal with asset disposals, strategic acquisitions and the restructuring of the Group must be committed to the plan to sell the asset and the sale must be expected to be completed within one year from the date of the classification. This committee is the Asset Disposal and Strategic Acquisition Committee (ADASA) and takes its instructions from the EOH Board of Directors.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Associates and joint ventures are no longer equity-accounted once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as a discontinued operation if it is a component of the Group that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations; or
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.5 Summary of significant accounting policies continued

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss from discontinued operations in the statement of profit or loss. The prior period is also re-presented for all operations that have been discontinued by the end of the reporting period.

Additional disclosures are provided in notes 14 and 15. All other notes to the consolidated annual financial statements include amounts for continuing operations, unless indicated otherwise.

Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently at cost less accumulated depreciation and any impairment. Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value from the date that these costs are ready for use.

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

Item	Average useful life
Buildings	50 years
Right-of-use buildings	Shorter of useful life or period of lease
Furniture and fixtures	10 years
Motor vehicles	5 years
Office equipment	3 to 6 years
IT equipment	2 to 5 years
Leasehold improvements	Shorter of useful life or period of lease
Other equipment	3 to 10 years

Land is not depreciated.

The Group has presented right-of-use assets within property, plant and equipment. Right-of use assets are initially measured at cost. The cost consists of the initial lease liability value. The right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease term on a straight-line basis.

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

The depreciation charge for each period is recognised in profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Goodwill and intangible assets

(a) Goodwill

Goodwill is measured as described in note 6. Goodwill is not amortised but tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGU or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which businesses are managed and monitored by common cluster heads and financial directors/managers.

(b) Intellectual property and contracts purchased

Separately acquired intellectual property is measured at historical cost. Intellectual property and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.5 Summary of significant accounting policies continued

Goodwill and intangible assets continued

(c) Internally generated software

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as an intangible asset when the following criteria are met:

- It is technically feasible to complete the asset so that it will be available for use or sale;
- There is an intention to complete and use or sell it;
- There is an ability to use or sell it;
- It will generate probable future economic benefits;
- There are available technical, financial and other resources to complete the development and to use or sell the asset; and
- The expenditure attributable to the asset during its development can be measured reliably.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Research expenditure and development expenditure that do not meet the above criteria are recognised as an expense as incurred.

(d) Acquired computer software and other intangible assets

Acquired computer software and other intangible assets are measured at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(e) Amortisation methods and periods

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

Item	Average useful life
Contracts purchased	2 to 5 years
Customer relationships	2 to 15 years
Intellectual property	2 to 10 years
Internally generated software	3 to 15 years
Other intangible assets	2 to 13 years
Computer software	2 to 3 years

Impairment of non-financial assets

Goodwill and intangible assets not subject to amortisation are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Financial instruments

(1) Financial assets

(a) Classification

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

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

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.5 Summary of significant accounting policies continued

Financial instruments continued

(1) Financial assets continued

(a) Classification continued

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

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

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

(b) Measurement

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

Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest method, less expected credit losses (ECLs). ECLs are presented as a separate line item in the statement of profit or loss as credit impairment losses.

(c) Derecognition

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

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses (ECLs) associated with its debt instruments carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group recognises a loss allowance for ECLs on loans, finance lease receivables, cash and cash equivalents and other receivables using the general approach. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Refer to the note 41 for further details on the methodology applied by the Group.

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.5 Summary of significant accounting policies continued

Financial instruments continued

(2) Financial liabilities

(a) Measurement

At initial recognition, the Group measures a financial liability at its fair value plus, in the case of a financial liability not at fair value through profit or loss (FVTPL), directly attributable transaction costs. Transaction costs of financial liabilities carried at FVTPL are expensed in profit or loss.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and contingent consideration liabilities arising on acquisition of businesses (vendors for acquisition).

Trade and other payables and loans and borrowings are subsequently measured at amortised cost, using the effective interest method.

Contingent consideration arising on acquisition of businesses is classified either as equity or a financial liability. Refer to note 18 for further detail on the contingent consideration classified as equity. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss. The liability for amounts due to vendors represent the expected purchase consideration owing in respect of acquisitions which will be settled in cash resources when the relevant profit warranties have been fulfilled.

(b) Derecognition

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are subsequently measured at amortised cost. Bank overdrafts are shown within other financial liabilities in the statement of financial position.

Restricted cash

Restricted cash comprise bank balances that are ring-fenced and are not highly liquid. These balances are not included in cash and cash equivalents and are accounted for at amortised cost.

Taxation

(a) Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- A transaction or event which is recognised, in the same or a different period, to other comprehensive income or equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively; or
- A business combination.

(b) Tax assets and liabilities

Tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

(c) Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences unless the deferred tax liability arises from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction which:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.5 Summary of significant accounting policies continued

Taxation continued

(c) Deferred tax assets and liabilities continued

Deferred tax liabilities are not recognised in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are adjusted if recovery is no longer probable.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Leases

(a) Group as lessor

The Group, as lessor, leases assets to customers. The accounting treatment depends on whether the leases are classified as an operating or finance lease. The adoption of IFRS 16 did not impact the accounting for lessors materially:

Finance leases: The Group recognises a finance lease receivable in the statement of financial position at an amount equal to the net investment in the lease. Finance lease income is recognised based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

Operating leases: Operating lease income is recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. The respective leased assets are included in the statement of financial position based on their nature.

(b) Group as lessee

The Group primarily has property leases, which has been impacted by the adoption of IFRS 16.

From 1 August 2019, at inception of a contract, the Group assesses whether a contract is, or contains a lease.

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

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

The Group recognises right-of-use assets and lease liabilities at the lease commencement date for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and for short-term leases. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss and represent no change from the previous reporting period's accounting treatment. Short-term leases have a term of 12 months or less. Low-value assets comprise leases such as IT equipment (tablets and personal computers), office furniture or telephones.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.5 Summary of significant accounting policies continued

Leases continued

(b) Group as lessee continued

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Interest costs are charged to the statement of profit or loss and other comprehensive income over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

Policy applicable before 1 August 2019

The accounting treatment applied was as follows:

- **Finance leases:** Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments, at the inception of the lease. The corresponding liability to the lessor was included in the statement of financial position as a finance lease obligation. The lease payments were apportioned between the finance charge and the amount to reduce the outstanding liability. The finance charge was allocated to each period during the lease term to produce a constant periodic rate on the remaining balance of the liability.
- **Operating leases:** Operating lease payments were recognised as expenses on a straight-line basis over the lease term. Any contingent rents were expensed in the period they were incurred.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories are based on the first-in, first-out formula or weighted average cost method and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to their present location and condition.

Stated capital

Shares in the Company held by its subsidiaries or re-acquired by the Group, are classified in the Group's shareholders' interest as treasury shares. The consideration paid, including any directly attributable incremental costs (net of income taxes) on those treasury shares, is deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments and any distributions received on the treasury shares are eliminated on consolidation. Consideration paid or received is recognised directly in equity.

Share-based payments

(a) Employee share plans

The Group has three equity-settled share schemes; The EOH Share Trust, The Mthombo Trust and The EOH Share Ownership Plan under which share-based compensation benefits are provided to employees through issue of share options or shares. Information relating to these schemes is set out in note 38.

The fair value of the share options granted is measured at grant date using the Binomial model and recognised as an employee benefit expense with a corresponding increase in equity over the vesting period. The total amount to be expensed is determined by reference to the fair value of the options granted on grant date using the Binomial model. The share options/shares are only conditional on employees remaining in service and have no other performance conditions attached. The impact of any service conditions is excluded in determining the fair value of the options.

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.5 Summary of significant accounting policies continued

Share-based payments continued

(a) Employee share plans continued

At the end of each period the Group revises its estimates of the number of share options/shares that are expected to vest based on the service conditions. The Group recognises the impact of the revision to original estimates in profit or loss with a corresponding adjustment to equity.

Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, compensated absences as well as profit sharing and bonus payments are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service and are recognised as current liabilities in the statement of financial position. The liabilities are recognised in the period in which the service is rendered and are measured at the amounts expected to be paid when the liabilities are settled (i.e. they are not discounted).

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

(b) Post-employment obligations

The Group pays contributions to a privately administered retirement benefit plan on behalf of employees. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense as they fall due.

Revenue

Revenue is recognised based on the completion of performance obligations and an assessment of when control is transferred to the customer. The following indicators are used by the Group in determining when control has passed to the customer:

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

The Group has generally concluded that it is acting as the principal in its revenue arrangements, except for certain sales of software licences and hardware where it is acting as an agent.

Contracts are assessed individually to determine whether the products and services are distinct i.e. the product or service is separately identifiable from other items in the contract with the customer and whether the customer can benefit from the goods or services either on its own or together with other resources that are readily available. The consideration is allocated between the goods and services in a contract based on management's best estimate of the standalone selling prices of the goods and services.

The Group evaluates the following control indicators among others when determining whether it is acting as a principal or agent in the transactions with customers and recording revenue on a gross, or net, basis:

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

The Group primarily generates revenue from providing the following goods and services: software/licence contracts, hardware sales and services. The transaction price recognised is based on the contracted amounts, less amounts collected on behalf of third parties.

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.5 Summary of significant accounting policies continued

Revenue continued

Software/licence contracts	**Agent** These are contracts that are billed on behalf of software vendors for the right to use the software. The Group is an agent in these arrangements and recognises the net amount as revenue at a point in time when the software licences are delivered to the customer. **Principal** There are also cases under software/licence contracts where the Group acts as the principal as the Group obtains control of the goods before it is transferred to the customer. Revenue is recognised over time as the customer benefits as and when the Group performs.
Hardware	**Agent** These are contracts that are billed by the Group for hardware sales concluded on behalf of hardware vendors. The Group is an agent in these arrangements and recognises the net amount as revenue at a point in time when the hardware is delivered to the customer. **Principal** The Group recognises revenue when control is transferred to the customer, being when the customer accepts delivery of the goods, at a point in time.
Services	The Group provides a range of maintenance, support and other services to customers. Maintenance and support services consists of contracts with/promises to customers where the Group mainly provides hardware maintenance and unspecified upgrades and patches for software at an agreed fee based on defined service level agreements. Revenue is recognised over time as the customer benefits as and when the Group performs. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.
Rentals	The Group supplies rentals of IT safety and security access equipment to customers. Revenue earned on rental contracts are recognised over time, being the period over which the customer and the Group are a party to the rental agreement.

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

1. SIGNIFICANT ACCOUNTING POLICIES continued

1.5 Summary of significant accounting policies continued

Revenue continued

(a) Significant financing component

Generally, the Group receives short-term advances from its customers and in certain cases there are delayed payment terms of generally 30 days. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

(b) Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policies on financial assets.

(c) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Finance costs

Finance charges comprise interest payable on borrowings, vendors for acquisition and the interest expense component of lease liability charges, calculated using the effective interest rate.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Adoption of new standards, amendments to standards and interpretations

The Group has adopted IFRS 16, COVID-19-related rent concessions – Amendments to IFRS 16 and IFRIC 23 – Uncertainty over Income Tax Treatments ('IFRIC 23'), as issued by the IASB, with effect from 1 August 2019.

IFRS 16

The Group has adopted IFRS 16 retrospectively from 1 August 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the standard's transitional provisions. The impact arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 August 2019. The new accounting policies are disclosed in note 1.5.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 – Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 August 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 August 2019 was 9.3%.

Right-of-use assets were measured at the amount of the lease liability on adoption.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 August 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 August 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 – Determining whether an Arrangement contains a Lease.

Operating lease commitments disclosed as at 31 July 2019 amounted to R414 million. On adoption of IFRS 16, these existing operating lease commitments, excluding short-term and low-value commitments, have now been recognised as right-of-use assets and obligations to make lease payments in the statement of financial position. This has resulted in an increase in current and non-current liabilities, and a corresponding increase in non-current assets of R367 million as at 1 August 2019. The total adjustment to retained earnings as at 1 August 2019, due to previously recognised operating lease straight-lining reserves at 31 July 2019, was R30 million.

COVID-19-related rent concessions – Amendments to IFRS 16

As a result of the COVID-19 pandemic rent concessions were granted to the Group in the form of payment holidays and deferral of lease of payments for a period of time, followed by increased rent payments in future periods. The Group has not made use of the optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification and accordingly, the modification guidance within IFRS 16 was applied to such rent concessions.

IFRIC 23

IFRIC 23 and the IFRIC agenda decision in relation to the presentation of liabilities or assets related to uncertain tax treatments in September 2019 respectively clarifies the application of the recognition and measurement requirements in IAS 12 – Income Taxes and the presentation requirements in IAS 1 – Presentation of Financial Statements when there is uncertainty over income tax treatments.

No additional current or deferred tax liabilities were recognised as a result of IFRIC 23, nor were there any reclassification of previously recognised amounts.

2.2 Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not effective for 31 July 2020 reporting periods. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.3 Standards and interpretations early adopted

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

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

3. RESTATEMENT OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

During the current year, management identified the following matters which were incorrectly accounted for or presented in prior periods:

- Vendors for Acquisition being classified as equity as opposed to debt (3.1);
- Net vs gross and the timing of revenue recognition (3.2);
- Timing of the recognition of provisions (3.3);
- Incorrect offsetting of prepaid expenses and contract liabilities (3.4);
- Deferred tax liability not eliminated on consolidation (3.5);
- Finance lease receivables not classified appropriately between its current and non-current portions (3.6); and
- Inappropriate classifications on the consolidated statement of financial position (3.7).

The 2019 financial statements and the consolidated statement of financial position as at 1 August 2018 have been restated to correct the prior period errors.

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

3.1 VFA classification

In prior years the Group had made acquisitions of businesses through which a portion of the consideration was contingent with the Group having to deliver a number of EOH Holdings' shares to the previous owners based on profit warranties. The Group had split the classification between an equity and a liability portion. The equity portion was not subsequently remeasured and the liability was remeasured at each reporting date to fair value. The previous classification as equity was however incorrect and the entire amount should have been classified as a liability. Had the VFA been classified as a liability, the fair value movements in prior years would have been processed through the statement of profit or loss and accumulated retained earnings. The shares to be issued to vendors, within equity was overstated by R744 million as at 1 August 2018 and by R338 million as at 31 July 2019. Retained earnings was understated by the same amount respectively.

3.2 Revenue

Principal versus agent

The Group had adopted IFRS 15 – Revenue from Contracts with Customers (IFRS 15) in the prior year. IFRS 15 requires that the Group shall determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by another party (i.e. the Group is an agent). There were a number of revenue transactions, for which the Group would have been considered to be an agent, using information available in the prior year, where such revenue had been incorrectly recognised on a gross basis (as a principal) in the prior year. This incorrect application of the accounting principles in the prior year has been adjusted as a prior period error through the reversal of revenue and cost of sales and only recognising the margin as revenue. There is no impact on gross profit, loss before tax, loss after tax and retained earnings for the prior year.

Revenue and costs recognised in advance

Previously one of the business units within the Group had revenue contracts with customers where revenue had been recognised erroneously in advance, with the associated costs to complete the projects also erroneously recognised. This resulted in an overstatement of revenue and cost of sales in the prior year of R64 million. The adjustment has been accounted for as a prior period error, resulting in a decrease in revenue and costs of sales. There is no impact on gross profit, loss before tax, loss after tax and retained earnings for the prior year.

3.3 Timing of recognition of provision

In the prior year, the Group had raised a provision for the payment of pay-as-you-earn (PAYE), which arose in one of the subsidiaries. The Group had further increased such provision in the first half of the current year. However, the Group has identified that a portion of the increase in the provision recognised during the first half of the current year should have been recognised at the end of the previous year. Recognition of the additional provision has been accounted for as a prior period error, resulting in an increase in liabilities as well as an increase in the expenses and a decrease in retained earnings for the previous year.

3.4 Incorrect accounting of prepaid expenses

In the prior year expenses paid upfront to suppliers on licensing and maintenance contracts were incorrectly offset against contract liabilities within trade and other payables. Such prepaid expenses should have been recognised as prepaid expenses within trade and other receivables. This resulted in an understatement of trade and other receivables, assets held for sale, trade and other payables, and liabilities directly associated with assets held for sale, with no impact on total equity.

3.5 Deferred tax on fair value adjustments

In the prior year, an entity within the Group raised a deferred tax liability of R83 million on fair value adjustments on shares which was not reversed on consolidation as required. This resulted in an overstatement of the deferred tax liability and an understatement of other reserves and total equity in the prior year by R83 million.

3.6 Finance lease receivables split between current and non-current assets

In the prior year, the current portion of finance lease receivables of R73 million was incorrectly shown under non-current assets in the statement of financial position and the non-current portion of R107 million was incorrectly shown under current assets. This resulted in current assets being overstated by R34 million and non-current assets being understated by the same amount. The adjustment has been accounted for as a prior period error. The restatement is contained within the finance lease receivables category only and accordingly is not shown in the tables below.

3. RESTATEMENT OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

3.7 Reclassifications

The provision for PAYE raised in the prior year was classified as a payroll accrual and shown within trade and other payables in the statement of financial position. This prior year provision has now been reclassified from trade and other payables to provisions on the face of the statement of financial position.

Deferred income (contract liabilities) was previously shown as a separate line on the face of the statement of financial position and has now been reclassified to be shown within trade and other payables on the face of the statement of financial position.

In the prior year, there was a transfer between other reserves and retained earnings/(accumulated loss) of R111 million. Such transfer in the prior year has now been reversed to be consistent with the current year IFRS 2 treatment of not releasing reserves to retained earnings for expired, unexercised options. There is no impact on total equity.

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

Statement of financial position (extract) as at 1 August 2018

		CORRECTION OF PRIOR PERIOD ERRORS					
Figures in Rand thousand	31 July 2018	VFA classification	Timing of recognition of provision	Prepaid expenses correction	Deferred tax	Reclass-ifications	Restated 1 August 2018
Retained earnings	(1 002 714)	(743 779)	–	–	–	–	(1 746 493)
Shares to be issued to vendors	(809 975)	743 779	–	–	–	–	(66 196)
Total equity	(5 936 822)	–	–	–	–	–	(5 936 822)

Statement of financial position (extract) as at 31 July 2019

		CORRECTION OF PRIOR PERIOD ERRORS					
Figures in Rand thousand	31 July 2019	VFA classification	Timing of recognition of provision	Prepaid expenses correction	Deferred tax	Reclass-ifications	Restated 31 July 2019
Trade and other receivables	3 164 150	–	–	189 821	–	–	3 353 971
Deferred taxation (liability)	(389 416)	–	–	–	83 499	–	(305 917)
Trade and other payables	(3 006 403)	–	–	(189 821)	–	(107 017)	(3 303 241)
Provisions	(173 399)	–	(75 096)	–	–	(161 932)	(410 427)
Deferred income	(268 949)	–	–	–	–	268 949	–
Net assets	1 956 697	–	(75 096)	–	83 499	–	1 965 100
Accumulated loss	3 230 192	(338 476)	75 096	–	–	111 184	3 077 996
Other reserves	(547 914)	–	–	–	(83 499)	(111 184)	(742 597)
Shares to be issued to vendors	(358 733)	338 476	–	–	–	–	(20 257)
Total equity	(1 956 697)	–	75 096	–	(83 499)	–	(1 965 100)

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

3. RESTATEMENT OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS continued

Statement of profit or loss and other comprehensive income (extract) for the year ended 31 July 2019

Figures in Rand thousand	31 July 2019	CORRECTION OF PRIOR PERIOD ERRORS Revenue (principal versus agent)	Revenue and costs recognised in advance	Timing of recognition of provision	Re-presented as discontinued operations* (note 15)	Restated 31 July 2019
Continuing operations						
Revenue	11 791 070	(359 742)	(64 357)	–	(620 934)	10 746 037
Cost of sales	(9 421 633)	359 742	64 357	–	18 597	(8 978 937)
Gross profit	2 369 437	–	–	–	(602 337)	1 767 100
Net financial asset impairment losses	(606 384)	–	–	–	–	(606 384)
Operating expenses	(5 136 540)	–	–	(75 096)	350 876	(4 860 760)
Operating loss before interest and equity-accounted loss	(3 373 487)	–	–	(75 096)	(251 461)	(3 700 044)
Investment income	32 329	–	–	–	(7 773)	24 556
Share of equity-accounted loss	(9 814)	–	–	–	1 860	(7 954)
Finance costs	(334 949)	–	–	–	1 231	(333 718)
Loss before taxation	(3 685 921)	–	–	(75 096)	(256 143)	(4 017 160)
Taxation	(324 141)	–	–	–	115 954	(208 187)
Loss for the year from continuing operations	(4 010 062)	–	–	(75 096)	(140 189)	(4 225 347)
Loss for the year from discontinued operations	(861 454)	–	–	–	140 189	(721 265)
Loss for the year	(4 871 516)	–	–	(75 096)	–	(4 946 612)
Other comprehensive income	(3 451)	–	–	–	–	(3 451)
Total comprehensive loss for the year	(4 874 967)	–	–	(75 096)	–	(4 950 063)

* *Integrators of Systems Technology Proprietary Limited was classified as a discontinued operation in 2019 and has been classified as a discontinued operation in the current year as well. In 2019, however, the results were not shown in discontinued operations and was rather shown incorrectly in continuing operations. This has been corrected by restating the prior year continuing and discontinued numbers.*

Figures in Rand thousand	31 July 2019	Restated 31 July 2019
(Loss)/profit attributable to:		
Owners of EOH Holdings Limited	(4 874 052)	(4 949 147)
Non-controlling interests	2 535	2 535
Total	(4 871 517)	(4 946 612)
Total comprehensive (loss)/income attributable to:		
Owners of EOH Holdings Limited	(4 877 503)	(4 952 598)
Non-controlling interests	2 535	2 535
Total	(4 874 968)	(4 950 063)
From continuing and discontinued operations (cents)		
Loss per share	(2 995)	(3 041)
Diluted loss per share	(2 995)	(3 041)
Headline loss per share	(1 681)	(1 751)
Diluted headline loss per share	(1 681)	(1 751)
From continuing operations (cents)		
Loss per share	(2 464)	(2 597)
Diluted loss per share	(2 464)	(2 597)
Headline loss per share	(1 352)	(1 504)
Diluted headline loss per share	(1 352)	(1 504)

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

4. PROPERTY, PLANT, EQUIPMENT AND RIGHT-OF-USE ASSETS

Figures in Rand thousand	2020 Cost	2020 Accumulated depreciation and impairments	2020 Carrying value	2019 Cost	2019 Accumulated depreciation and impairments	2019 Carrying value
Land and buildings*	**503 823**	**(136 433)**	**367 390**	119 872	(8 124)	111 748
Furniture and fixtures	**145 305**	**(78 438)**	**66 867**	104 640	(52 327)	52 313
Motor vehicles*	**83 657**	**(54 813)**	**28 844**	92 442	(38 686)	53 756
Office equipment	**101 503**	**(77 338)**	**24 165**	119 764	(84 540)	35 224
IT equipment*	**783 925**	**(585 209)**	**198 716**	733 580	(438 329)	295 251
Leasehold improvements	**162 400**	**(100 844)**	**61 556**	186 774	(124 937)	61 837
Other equipment*	**143 836**	**(101 710)**	**42 126**	143 973	(55 203)	88 770
Closing balance before assets held for sale	**1 924 449**	**(1 134 785)**	**789 664**	1 501 045	(802 146)	698 899
Assets held for sale (note 14)	**(491 605)**	**246 787**	**(244 818)**	(379 546)	162 321	(217 225)
Closing balance	**1 432 844**	**(887 998)**	**544 846**	1 121 499	(639 825)	481 674

** Included in land and buildings is right-of-use assets, with a carrying amount of R276 million. These are for leases that were previously classified as operating leases. Motor vehicles, IT equipment and other equipment includes right-of-use assets that were previously recognised as finance leases (refer to note 21).*

Reconciliation of property, plant and equipment

Figures in Rand thousand	Opening balance	Additions	Adoption of IFRS 16 on 1 August 2019	Disposals	Transfers	Foreign currency translation	Depreciation	Impairment	Disposals of business	Total including assets held for sale	Assets held for sale (note 14)	Total
2020												
Land and buildings*	**111 748**	**70 099**	**367 396**	**(11 473)**	**–**	**7 593**	**(149 526)**		**(28 447)**	**367 390**	**(148 446)**	**218 944**
Furniture and fixtures	**52 313**	**39 290**	**–**	**(7 827)**	**397**	**875**	**(16 407)**		**(1 774)**	**66 867**	**(9 466)**	**57 401**
Motor vehicles*	**53 756**	**–**	**–**	**(797)**	**(276)**	**(3 788)**	**(9 833)**		**(10 218)**	**28 844**	**(17 942)**	**10 902**
Office equipment	**35 224**	**1 452**	**–**	**(821)**	**(38)**	**(1 381)**	**(9 871)**		**(400)**	**24 165**	**(9 235)**	**14 930**
IT equipment*	**295 251**	**59 148**	**–**	**(42 636)**	**752**	**1 041**	**(109 303)**		**(5 537)**	**198 716**	**(19 643)**	**179 073**
Leasehold improvements	**61 837**	**35 426**	**–**	**(7 217)**	**(1)**	**44**	**(28 522)**		**(11)**	**61 556**	**(5 184)**	**56 372**
Other equipment*	**88 770**	**4 093**	**–**	**(1 298)**	**(834)**	**(9 433)**	**(12 463)**	**(1 601)**	**(25 108)**	**42 126**	**(34 902)**	**7 224**
	698 899	**209 508**	**367 396**	**(72 069)**	**–**	**(5 049)**	**(335 925)**	**(1 601)**	**(71 495)**	**789 664**	**(244 818)**	**544 846**

** Included in land and buildings is right-of-use assets, with a carrying amount of R276 million. These are for leases that were previously classified as operating leases. Motor vehicles, IT equipment and other equipment includes right-of-use assets that were previously recognised as finance leases (refer to note 21).*

Figures in Rand thousand	Opening balance	Additions	Additions through business combinations	Disposals	Transfers	Foreign currency translation	Depreciation	Disposals of business	Total including assets held for sale	Assets held for sale (note 14)	Total
2019											
Land and buildings	112 497	663	4 053	–	–	–	(1 411)	(4 054)	111 748	(60 253)	51 495
Furniture and fixtures	65 639	10 371	304	(6 755)	822	(12)	(16 631)	(1 425)	52 313	(9 360)	42 953
Motor vehicles*	61 527	13 548	447	(5 062)	–	2	(16 259)	(447)	53 756	(14 717)	39 039
Office equipment	45 618	13 718	–	(7 549)	234	(43)	(16 754)	–	35 224	(5 109)	30 115
IT equipment*	324 571	106 012	3 376	(5 381)	(599)	(1 447)	(112 497)	(18 784)	295 251	(97 027)	198 224
Leasehold improvements	49 700	46 650	–	(11 259)	–	(4)	(21 454)	(1 796)	61 837	(2 171)	59 666
Other equipment*	83 431	35 306	–	(10 125)	(457)	457	(19 842)	–	88 770	(28 588)	60 182
	742 983	226 268	8 180	(46 131)	–	(1 047)	(204 848)	(26 506)	698 899	(217 225)	481 674

** Included in these categories are finance leases.*

Refer to note 20 for details of the security provided on the loans secured through Security SPV.

The loss or gain on disposal of items of property, plant and equipment is included in operating expenses as per note 26.

Technical equipment of R36 million was reclassified to other equipment, in the current year, with the prior year also being updated.

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

5. INTANGIBLE ASSETS

Figures in Rand thousand	2020 Cost	2020 Accumulated amortisation and impairments	2020 Carrying value	2019 Cost	2019 Accumulated amortisation and impairments	2019 Carrying value
Contracts purchased	**90 858**	**(90 324)**	**534**	109 148	(101 847)	7 301
Customer relationships	**267 331**	**(226 367)**	**40 964**	345 273	(266 657)	78 616
Intellectual property	**172 727**	**(133 194)**	**39 533**	175 513	(123 423)	52 090
Internally generated software	**590 468**	**(320 113)**	**270 355**	520 214	(273 270)	246 944
Computer software	**423 299**	**(364 005)**	**59 294**	408 747	(338 912)	69 835
Other intangible assets	**245 396**	**(197 788)**	**47 608**	241 813	(157 937)	83 876
Closing balance before Assets held for sale	**1 790 079**	**(1 331 791)**	**458 288**	1 800 708	(1 262 046)	538 662
Assets held for sale (note 14)	**(723 145)**	**377 824**	**(345 321)**	(196 108)	146 420	(49 688)
Closing balance	**1 066 934**	**(953 967)**	**112 967**	1 604 600	(1 115 626)	488 974

Reconciliation of intangible assets

Figures in Rand thousand	Opening balance	Additions	Disposals	Transfers	Foreign currency trans-lation	Amor-tisation	Impair-ments	Disposals of business	Total including assets held for sale	Assets held for sale (note 14)	Total
2020											
Contracts purchased	**7 301**	**–**	**–**	**–**	**1 706**	**(3 430)**	**(142)**	**(4 901)**	**534**	**(142)**	**392**
Customer relationships	**78 616**	**–**	**–**	**–**	**–**	**(13 548)**	**(10 348)**	**(13 756)**	**40 964**	**(14 340)**	**26 624**
Intellectual property	**52 090**	**–**	**–**	**–**	**758**	**(9 771)**	**–**	**(3 544)**	**39 533**	**(20 606)**	**18 927**
Internally generated software	**246 944**	**91 867**	**(3 493)**	**(592)**	**(1 963)**	**(45 931)**	**(4 331)**	**(12 146)**	**270 355**	**(251 776)**	**18 579**
Computer software	**69 835**	**47 918**	**(15 065)**	**(1 968)**	**12 071**	**(49 567)**	**–**	**(3 930)**	**59 294**	**(16 863)**	**42 431**
Other intangible assets	**83 876**	**47 387**	**–**	**2 560**	**(17 837)**	**(39 832)**	**(11 354)**	**(17 192)**	**47 608**	**(41 594)**	**6 014**
	538 662	**187 172**	**(18 558)**	**–**	**(5 265)**	**(162 079)**	**(26 175)**	**(55 469)**	**458 288**	**(345 321)**	**112 967**
2019											
Contracts purchased	35 771	–	–	–	–	(13 612)	(10 217)	(4 641)	7 301	(2 021)	5 280
Customer relationships	212 817	–	–	–	185	(42 152)	(79 227)	(13 007)	78 616	(20 125)	58 491
Intellectual property	83 645	–	–	(1 827)	294	(19 118)	(10 904)	–	52 090	(1 846)	50 244
Internally generated software	301 987	96 268	–	57 745	(5 522)	(64 747)	(25 596)	(113 191)	246 944	(8 431)	238 513
Computer software	166 321	48 973	(20 549)	(63 171)	43	(59 275)	(2 507)	–	69 835	(3 699)	66 136
Other intangible assets	79 851	41 183	–	7 253	30	(32 064)	(7 143)	(5 234)	83 876	(13 566)	70 310
	880 392	186 424	(20 549)	–	(4 970)	(230 968)	(135 594)	(136 073)	538 662	(49 688)	488 974

Impairments to intangible assets largely relate to:

- Customer relationships and customer contracts that were impaired for R10 million after the profitability of the related relationships and contracts deteriorated below expected levels.
- The remaining impairments of R16 million relate to other internally generated software and other intangibles in a number of underperforming CGUs in which goodwill impairments have also been recognised.

Impairment testing

The Group performed a review of intangible assets for impairment, which highlighted impairments of R26 million (2019: R135 million).

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

Note 6 further discusses the impairments, including key assumptions, estimates and sensitivities in relation to the testing performed.

6. GOODWILL

Figures in Rand thousand	2020	Restated 2019
Cost	**3 657 801**	4 358 312
Accumulated impairments	**(1 484 715)**	(103 031)
Opening balance	**2 173 086**	4 255 281
Acquired in business combinations	**–**	70 877
Foreign currency translation	**8 975**	27 874
Disposals	**(248 149)**	(325 605)
Impairments: discontinued operations	**(147 870)**	(506 762)
Impairments: continuing operations	**(265 224)**	(1 348 579)
Closing balance before assets held for sale	**1 520 818**	2 173 086
Cost	**3 225 516**	3 657 801
Accumulated impairments	**(1 704 698)**	(1 484 715)
Assets held for sale (note 14)	**(604 075)**	(322 232)
Closing balance	**916 743**	1 850 854

A number of economic and operational events during the year ended 31 July 2020 had a negative impact on EOH's market capitalisation and certain underlying businesses. This has resulted in a material impact on the carrying value of goodwill. The Group's annual review of goodwill highlighted impairments of R413 million (R110 million in the iOCO segment, R243 million in the NEXTEC segment and R60 million in the IP segment).

iOCO
Impairments in iOCO were largely driven by lost or unrenewed contracts, delayed projects with customers as a result of ongoing challenging market conditions, or businesses that have been rendered non-operational during the year.

NEXTEC
The largest contributor to the impairment of goodwill in NEXTEC is the TCD cash generating unit (CGU), which incurred an impairment of R93 million due to the effects of changes in clinical trials legislation which led to a loss of customers and consequent restructuring of the business. The PIA Solar CGU incurred a R49 million impairment to goodwill relating to renewable energy loss-making contracts. The PCI CGU incurred a R39 million impairment, primarily due to continued material delays in the commencement or award of projects in the water sector. Other impairments in the segment related primarily to assets held for sale, the values for which were negatively impacted by challenging market conditions, particularly in the water and rail sector, which impacted infrastructure-focused businesses that have been disposed of or are in the process of being sold.

IP
The impairment of goodwill amounting to R60 million in the IP segment relates to key long-term contract renewal challenges. Some of the CGUs within IP were particularly hard hit by the effects of the COVID-19 lockdown due to their B2B2C business lines.

Prior year impairments
Prior year goodwill impairments amounted to R1 855 million (R613 million in the iOCO segment and R1 242 million in the NEXTEC segment). Goodwill amounting to R565 million across a number of cash-generating units was impaired due to project complexities, supplier issues, slow debtor recoveries, and underperformance to budgets. Impairments of R375 million were driven by lost or delayed contracts and projects due to the reputational damage sustained by EOH in that year. Court rulings and legislation changes issued in the prior year negatively impacted cash-generating units providing employee services and clinical trials, contributing to impairments of R212 million. Cash-generating units in the Middle East and Europe sustained impairments of R114 million owing to weaker cash conversion and project delivery difficulties. Impairments of R122 million relate to non-core CGUs that were held for sale and were written down to fair value less costs of disposal. The balance of impairments sustained in the prior year related mainly to the prevailing challenging market conditions.

Impairment testing
For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units. The recoverable amount of these cash-generating units was determined based on value-in-use calculations, discounting the future cash flows expected to be generated from the continuing operations of each cash-generating unit. Impairment tests on assets held for sale were based on fair value less costs of disposal.

A pre-tax discount rate was used in discounting the projected cash flows depending on the nature of business and operating markets (including country specific risk factors). These calculations use cash flow projections based on financial budgets and forecasts for three years and in some instances up to five years, as approved by the Board of Directors, which are based on assumptions of the business, industry and economic growth. A perpetuity growth rate is calculated using long term growth rates, this is further applied based on conservative historical market trends and operating markets (including country specific risk factors).

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

6. GOODWILL continued

With the Group undergoing significant re-organisation and corporate structure simplification, a number of businesses were integrated during the year, which resulted in movements in goodwill attributed to certain CGU's. The Glacier CGU was combined with the Compute CGU, the Synergy and Softworks CGU's were combined and the XDS, MIE and HTCSA CGUs were integrated to operate as one CGU under the Infosys name. Faculty Training Institute, Proserv, Siyanqoba, and Siyaya were previously recognised as individual CGUs. During the current year these have been merged to form a single unit, Learning and Development. The performance of these assets are now being collectively managed, measured and reported on by a single executive team, sharing the same markets and offering its services collectively to prospective customers.

Impacts of COVID-19 on the goodwill financial impairment testing

In determining the budgets and forecasts, the management team has taken into consideration the impact of COVID-19 on the underlying cash-generating units' performance and adjusted the revenue growth forecasts and adjusted EBITDA margins where applicable.

Key assumptions used in discounted cash flow projection calculations

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

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

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

The following key assumptions were used for the value in use calculations:

- Growth rates: the Group used growth rates to extrapolate revenues for the two years beyond the budget period. These growth rates were based on the different industries the cash generating units operate in, as well as management's views on the growth prospects of the businesses. The higher growth rates applied to certain CGU's relate to businesses that had shown growth despite the COVID-19 impacted economic conditions (the Impressions digital signatures business), or CGU's with low budgeted 2021 revenue bases due to the expected negative impacts of COVID-19, which are anticipated to grow over the forecast periods to historically achieved or improved levels (for example the Learning and Development CGU, which is also undergoing an active business optimization process). In the prior year, the higher growth rates were driven by proven historic trends in revenue growth (for example the Allos CGU).
- Discount rates: discount rates used reflect both time value of money and other specific risks relating to the relevant cash generating unit;
- Adjusted EBITDA margins in the following ranges: iOCO (3.4%-45.3%), NEXTEC (6.4%-19.8%) (prior year: iOCO (1.6%-52.8%), NEXTEC (5.5%-25.2%), (IP: 3.2%-39.4%)); and
- Perpetuity growth rates: a perpetuity growth rate of 4% (prior year: 3.9%) has been used for the Group.

	2020		
Figures in Rand thousand	Goodwill closing balance	Pre-tax discount rates	Growth rates
iOCO			
Compute	211 899	23.4%	7.8%
Managed Services	80 793	23.9%	5.8%
Symplexity	50 123	23.6%	0.8%
Softworks	39 345	22.1%	7.4%
Employee Benefits	38 162	23.4%	3.2%
Microsoft	35 707	22.5%	11.4%
ESA	31 773	25.6%	(2.3%)
Network Solutions	31 163	22.1%	4.6%
Legal Services	29 177	23.5%	2.9%
Coastal	22 342	22.9%	13.5%
IOT	14 814	25.6%	6.0%
Freethinking	14 081	22.5%	14.4%
XTND	13 333	23.9%	6.9%
Impressions	12 240	24.6%	37.2%
Connection 42	12 016	23.7%	9.4%
Other	55 305	n/a	n/a
NEXTEC			
Learning and Development	93 488	25.1%	17.7%
JOAT	59 463	27.3%	10.6%
SCAN RF	28 155	25.6%	(2.2%)
Energy Insight	12 261	24.9%	17.6%
Other	31 103	n/a	n/a

6. GOODWILL continued

Key assumptions used in discounted cash flow projection calculations continued

Figures in Rand thousand	Restated 2019		
	Goodwill closing balance	Pre-tax discount rates	Growth rates
iOCO			
Compute	176 569	20.1%	3.9%
LSD	103 684	24.1%	2.4%
Managed Services	80 798	21.6%	3.9%
Symplexity	60 123	19.0%	8.5%
Employee Benefits	58 162	19.7%	3.9%
Microsoft	35 707	21.6%	3.9%
Glacier	35 330	20.2%	3.9%
Synergy	33 778	19.6%	5.0%
Allos	33 604	21.4%	19.7%
ESA	31 773	21.6%	3.9%
Network Solutions	31 163	20.0%	6.1%
Legal Services	29 177	19.9%	3.9%
Coastal	22 342	20.8%	3.9%
CA	20 771	19.9%	3.9%
IOT	14 814	19.9%	3.9%
Freethinking	14 081	20.0%	4.9%
XTND	13 333	22.0%	3.9%
MPC Recruitment	13 126	21.2%	3.9%
Impressions	12 240	20.3%	3.9%
Connection 42	12 016	20.2%	3.2%
Oracle	11 671	20.2%	3.9%
Other	60 733	n/a	n/a
NEXTEC			
TCD	92 953	19.6%	3.9%
JOAT	59 463	23.1%	3.9%
PIA Solar	48 530	26.4%	3.9%
PCI Africa	38 699	22.7%	5.0%
SCAN RF	28 155	21.7%	10.0%
Change Logic	24 967	20.3%	3.9%
Impact HR	15 808	20.3%	3.9%
Gibela	14 124	16.3%	3.9%
Energy Insight	12 261	21.6%	3.9%
Other	26 388	n/a	n/a
IP			
Sybrin	237 467	19.8%	11.2%
MIE	139 926	20.5%	12.1%
Syntell	98 601	22.3%	23.0%
XDS	97 317	20.8%	10.0%
HTCSA	11 200	20.4%	3.9%

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED
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6. GOODWILL continued

Sensitivity analysis on value in use

In performing the impairment test for goodwill, EOH considered the sensitivity of the cash-generating units to changes in assumptions around key value drivers. The key value drivers for the cash-generating units are adjusted EBITDA margins, discount rates and revenue growth assumptions. The cash-generating units not included in the table below have sufficient headroom and are not sensitive to the changes applied to the assumptions. However, a decrease in the adjusted EBITDA margin of 2.5 percentage points (prior year: 1 percentage point) resulted in the following cash-generating units being impaired by the values listed:

Figures in Rand thousand	2020	Restated 2019
iOCO		
Impressions	**8 405**	n/a
Compute	**3 110**	n/a
NEXTEC		
Impact Human Resources	**16 258**	n/a
Legal Services	**6 412**	n/a
GLS Consulting	**3 280**	n/a
Hospitality Professionals SA	**n/a**	681

n/a – These cash-generating units have sufficient headroom and were not materially impacted by the sensitivity analysis performed.

Assets held for sale

The Group tested its held for sale assets, for impairment in line with IFRS 5. The recoverable amount was determined as the fair value less costs of disposal which was then compared to the carrying value of the CGU (including its allocated goodwill balance). The fair value was determined primarily with reference to advanced offers from potential acquirers less estimated disposal costs. In assessing sensitivity, the advanced offers were adjusted down by 5% and in all cases sufficient headroom remained.

In 2019, the fair values of the Proserv and Siyaya CGUs were determined using a discounted cashflow approach applying the following pre-tax discount rates and average growth rates respectively: Proserv (21.0% and 3.9%) and Siyaya (20.7% and 3.9%). Sufficient headroom existed after applying the same sensitivities applied to the prior year value-in-use calculations and it was found that these CGUs were not sensitive to changes in key assumptions.

Figures in Rand thousand	2020 Goodwill closing balance
IP	
Infosys	**248 443**
Sybrin	**242 630**
Syntell	**38 601**
NEXTEC	
DENIS	**74 401**

Figures in Rand thousand	2019 Goodwill closing balance
iOCO	
Vilt	59 251
Dataworld	28 027
NEXTEC	
DENIS	94 402
Siyaya	47 377
Enablemed	23 617
Proserv	23 138
MSO	22 871
Siyanqoba	15 345
Other	8 204

7. EQUITY-ACCOUNTED INVESTMENTS

Figures in Rand thousand	2020	Restated* 2019
Opening balance	**300 535**	530 861
Deemed acquisition of associate	**7 254**	190 454
Foreign currency translation	**–**	(83 304)
Foreign currency translation recognised in profit or loss	**30 173**	94 547
Disposals	**(245 950)**	(146 460)
Capital contribution	**–**	3 243
Impairments: continuing operations	**(57 175)**	(146 500)
Impairments: discontinued operations	**(24 430)**	(121 405)
Share of equity-accounted losses: continuing operations	**(565)**	(7 954)
Share of equity-accounted profit/(losses): discontinued operations	**7 847**	(12 947)
Closing balance before assets held for sale	**17 689**	300 535
Assets held for sale (note 14)	**(11 000)**	(72 468)
Closing balance	**6 689**	228 067

* *Comparative figures previously reported have been amended to reflect continuing operations for the year ended 31 July 2020.*

Impaired equity-accounted investments form part of the iOCO segment. The recoverable amount of equity-accounted investments classified as held for sale were determined based on their fair value less costs of disposal. Fair value is based on offers received.

Acron Group, Bessertec Group, Construction Computer Software Proprietary Limited, aSAY Group and Conso'System Consulting SARL were sold during the current financial year.

In 2019, equity accounted investments have been impaired by R268 million. R75 million of the impairments relate to EOH's investments in Turkey as a result of increased levels of political and macro-economic risk causing delays in project kick-offs and a deterioration in cash recovery rates. Margin erosion, deterioration in pipeline and reduced cash conversion rates triggered an impairment of R151 million in EOH's South American based ERP utilities investment. Impaired equity-accounted investments form part of the iOCO segment.

The equity-accounted investments are as follows:

Figures in Rand thousand	2020	2019
Construction Computer Software Proprietary Limited	**–**	190 453
aSAY Group	**–**	24 538
Cözümevi	**–**	13 071
Change Logic Proprietary Limited	**6 689**	–
Other – continuing operations	**–**	5
Total	**6 689**	228 067
Equity-accounted investments held for sale		
Virtuoso Consulting	**7 000**	64 175
Bessertec Group	**–**	896
Cözümevi	**4 000**	–
Other assets held for sale	**–**	7 397
	11 000	72 468

EOH share of losses in Mondia Tech FZ-LLC for 2020 financial year is R0.4 million. This share of losses in Mondia Tech FZ-LLC exceeds the EOH interest in the equity-accounted investment, resulting in EOH not recognising further share of losses.

The Group does not guarantee losses of equity-accounted investments.

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED
FOR THE YEAR ENDED 31 JULY 2020

7. EQUITY-ACCOUNTED INVESTMENTS continued

Figures in Rand thousand	2020	2019
Equity-accounted joint venture investments	**11 000**	110 082
Equity-accounted associate investments	**6 689**	190 453
Equity-accounted investments held for sale (note 14)	**(11 000)**	(72 468)
	6 689	228 067
Share of losses of equity-accounted joint venture investments	**(2 177)**	(6 604)
Share of profits/(losses) of equity-accounted associate investments	**9 459**	(14 297)
Share of profits of equity-accounted investments	**7 282**	(20 901)
Aggregate information of equity-accounted investments that are not individually material:		
Joint venture investments		
The Group's share of profit from continuing operations	**–**	(7 954)
The Group's share of post-tax losses from discontinued operations	**(2 177)**	(12 947)
Aggregate carrying amount of the Group's interests in these joint ventures	**–**	37 614

Refer to note 20 for details on the security provided on the loans secured through Security SPV.

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

Figures in Rand thousand	2020	Restated* 2019
Balance at beginning of the year	**110 082**	369 595
Foreign currency translation	**–**	11 753
Disposals of joint venture investments	**(45 473)**	–
Foreign currency translation recognised in profit or loss	**30 173**	–
Share of results after taxation	**(2 177)**	(6 604)
Capital contribution	**–**	3 243
Impairment loss	**(81 605)**	(267 905)
	11 000	110 082
Assets held for sale	**(11 000)**	(72 468)
Balance at the end of the year	**–**	37 614

* *Comparative figures previously reported have been amended to reflect continuing operations for the year ended 31 July 2020.*

The Group has the following material associate investments

Associate name:	Change Logic CS Proprietary Limited (Change Logic)	Construction Computer Software Proprietary Limited (CCS)
Principal activity:	IT applications and business solutions provider	IT applications and business solutions provider
Country of incorporation:	South Africa	South Africa
Effective interest in issued ordinary share capital:	40% (previously 100%)	30% (previously 100%)
Year end:	31 July 2020	31 July 2019
Effective date of change in control:	1 May 2020	31 July 2019

Reconciliation of the carrying amount of the interest in associates

Figures in Rand thousand	2020	2019
Balance at beginning of the year	**190 453**	161 266
Share of results of associate after taxation	**9 460**	(14 297)
Foreign currency translation	**–**	(95 056)
Foreign currency translation recognised in profit or loss	**–**	94 547
Deemed acquisition of associate	**7 254**	190 453
Disposal	**(200 478)**	(146 460)
Balance at the end of the year	**6 689**	190 453

7. EQUITY-ACCOUNTED INVESTMENTS continued

Summarised financial information of material associates

EOH Mthombo Proprietary Limited disposed the remaining 30% of its interest in CCS for an amount of R143 million to RIB Limited, a subsidiary of German-listed RIB Software SE (RIB) on 1 May 2020. EOH Abantu Proprietary Limited sold 60% of its shareholding a wholly owned subsidiary, Change Logic for an amount of R11 million. EOH Abantu Proprietary Limited now retains a 40% shareholding in Change Logic and will still be able to participate in Change Logic expansion, decision making, growth and strategy. The change in control is reflected as deemed acquisition to equity investments, and a disposal of a formally recognised consolidated subsidiary.

Figures in Rand thousand	**2020**	2019
Construction Computer Software Proprietary Limited		
Current assets	**–**	115 374
Non-current assets	**–**	62 959
Current liabilities	**–**	(62 838)
Non-current liabilities	**–**	(1 582)
Total net assets	**–**	113 912
Proportion of the Group's ownership interest	**–**	34 174
Revenue	**202 045**	286 345
Profit from continuing operations	**33 145**	23 032
Total comprehensive income for the year	**33 145**	23 032
Change Logic CS Proprietary Limited		
Current assets	**36 499**	–
Non-current assets	**303**	–
Current liabilities	**17 979**	–
Non-current liabilities	**2 100**	–
Total net assets	**16 723**	–
Proportion of the Group's ownership interest	**6 689**	–
Revenue	**31 231**	–
Profit from continuing operations	**743**	–
Profit for the year	**743**	–

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

8. OTHER FINANCIAL ASSETS

Figures in Rand thousand	2020	2019
Financial assets at fair value through profit or loss	**–**	28 332
Other financial assets	–	28 332
Debt instruments at amortised cost	**197 990**	59 996
Equity-accounted investment receivables (note 39)	57 772	42 413
Enterprise development loan receivables	25 490	4 520
Restricted cash	87 020	–
Other loans and receivables*	525 229	531 219
Receivables from disposal of subsidiaries and equity-accounted investments	82 052	–
Allowance for expected credit losses*	(579 573)	(518 156)
Total financial assets	**197 990**	88 328
Non-current other financial assets	60 881	11 610
Current other financial assets	137 109	76 718
	197 990	88 328

* *Debt instruments at amortised cost is now shown on a gross basis for the prior year.*

Expected credit losses

A total allowance for expected credit losses of R579 million (2019: R518 million) has been raised against debt instruments carried at amortised cost.

An impairment allowance of R414 million was raised in the prior year for amounts receivable from the sale of the Grid Control Technologies Group. The allowance was raised based on the general approach and considers their current probability of default and collateral provided as security for the loan. The directors are actively engaged in the recovery of the receivables.

The balance of the impairment allowance is related to the other debt instruments. The allowances raised are based on the general approach, considering the probability of default and collateral (if any).

Refer to note 41 for the disclosure on the expected credit losses.

Reconciliation of movements of debt instruments measured at amortised cost

Figures in Rand thousand	2020	2019
Opening balance	67 285	565 944
Net cash paid/(received)	7 890	(574 069)
Disposal of business	–	523 547
Increase in restricted cash	87 020	–
Receivables from disposal of subsidiaries and equity-accounted investments	82 052	–
Net impairment losses on other financial assets (note 25)	(68 973)	(433 455)
Other movements	41 587	(14 682)
	216 861	67 285
Assets held for sale (note 14)	(18 871)	(7 289)
Closing balance	**197 990**	59 996

9. DEFERRED TAXATION

Figures in Rand thousand	2020	Restated* 2019
The balance comprises		
Aggregate of deferred taxation assets	**232 103**	272 493
Aggregate of deferred taxation liabilities	**(142 774)**	(308 490)
	89 329	(35 997)
Aggregate of deferred taxation assets	**232 103**	272 493
Assets held for sale (note 14)	**(31 131)**	(27 215)
	200 972	245 278
Aggregate of deferred taxation liabilities	**(142 774)**	(308 490)
Liabilities directly associated with assets held for sale (note 14)	**31 483**	2 573
	(111 291)	(305 917)

* *Refer to note 3 – Restatement of consolidated annual financial statements.*

Figures in Rand thousand	2020	Restated* 2019
Analysis of deferred taxation balances		
Deferred cost**	**1 277**	–
Prepaid expenses	**(8 658)**	(11 815)
Right-of-use asset and lease liabilities	**1 643**	(6 159)
Intangibles	**(49 450)**	(183 688)
Property, plant and equipment	**(15 183)**	(14 887)
Credit impairment charge	**246 864**	234 742
Payroll accruals	**127 311**	143 835
Deferred income**	**81 451**	13 960
Fair value adjustments	**(11 380)**	(11 319)
	373 875	164 669
Deferred taxation assets not recognised in respect of deductible temporary differences	**(284 546)**	(200 666)
	89 329	(35 997)
Deferred taxation movement		
Balance at the beginning of the year	**(35 997)**	(60 772)
Disposals	**(10 611)**	9 064
Movement through equity	**–**	83 499
Movement through profit or loss	**177 392**	(54 372)
Foreign currency translation	**(41 455)**	(13 416)
Balance at the end of the year	**89 329**	(35 997)

* *Refer to note 3 – Restatement of consolidated annual financial statements.*
** *Deferred cost of R144 million in the prior year has been reclassified to deferred income.*

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

10. FINANCE LEASE RECEIVABLES

Figures in Rand thousand	2020	2019
Gross investment in the leases due		
– within one year	**78 805**	87 664
– within two to five years	**77 627**	132 018
– beyond five years	**–**	5
	156 432	219 687
Less: Unearned finance income	**(27 398)**	(31 274)
	129 034	188 413
Impairment allowance	**(6 194)**	(9 000)
	122 840	179 413
Present value of minimum lease payments due:		
– within one year	**67 720**	72 638
– within two to five years	**61 314**	115 771
– beyond five years	**–**	4
	129 034	188 413
Impairment allowance	**(6 194)**	(9 000)
	122 840	179 413
Lease receivables		
Current	**67 720**	72 638
Non-current	**55 120**	106 775
	122 840	179 413

The Group entered into finance leasing agreements where it is the lessor for certain IT safety and security access equipment.

The lease terms are generally three to seven years and the interest rate implicit in the lease is prime to 7% above prime lending rates (2019: prime to 7% above prime lending rates).

Income received from finance leases is fixed.

11. INVENTORIES

Figures in Rand thousand	2020	2019
Finished goods	**110 298**	238 577
Consumables	**3 122**	3 770
Work-in-progress	**12 930**	27 124
	126 350	269 471
Provision for write-down of inventories to its net realisable value	**(12 596)**	(18 015)
	113 754	251 456

Cost of goods sold during the year from continuing operations amounted to:	**3 238 440**	2 265 284

Write-down of inventories of R31 million (2019: R51 million) to net realisable value were recognised as an expense during the year and included in costs of sales in the statement of profit or loss and other comprehensive income.

12. TRADE AND OTHER RECEIVABLES

Figures in Rand thousand	2020	Restated* 2019
Financial instruments	**1 389 761**	2 304 768
Trade receivables	**1 375 456**	2 268 177
Gross trade receivables	**1 735 745**	2 734 409
Provision for credit notes	**(49 942)**	(24 013)
Impairment allowance (refer to note 41)	**(310 347)**	(442 219)
Other receivables	**14 305**	36 591
Non-financial instruments	**726 815**	1 049 203
Net contract assets	**429 689**	644 937
Gross contracts assets	**554 284**	738 773
Provision for contract assets	**(124 595)**	(93 836)
Prepayments	**238 730**	283 408
VAT receivable	**31 466**	80 434
Other receivables	**26 930**	40 424
	2 116 576	3 353 971

* *Refer to note 3 – Restatement of consolidated annual financial statements.*

Refer to note 20 for details on the security provided on the loans secured through Security SPV.

13. CASH AND CASH EQUIVALENTS

Figures in Rand thousand	2020	2019
Cash and cash equivalents consist of:		
Cash on hand	**942**	3 296
Bank balances and short-term deposits	**644 895**	1 045 287
	645 837	1 048 583
Bank overdrafts (note 20)	**(115 253)**	–
Balances per statement of cash flows	**530 584**	1 048 583

Refer to note 20 for details on the security provided on the loans secured through Security SPV.

Figures in Rand thousand	2020	2019
The total amount of undrawn facilities available for future operating activities and commitments is:	**287 547**	400 000

Refer to note 41 for disclosure on expected credit losses.

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

14. ASSETS HELD FOR SALE

The Group has refined its operational structure into three distinct operating units to allow for leaner and more agile core businesses with separate capital and governance structures. On 11 December 2018, the Group announced that opportunities would be explored for the sale of certain non-core assets, of which many have been sold during the current and previous reporting period. There continues to be a number of businesses approved for sale and for which the sale is expected to be completed within 12 months from the reporting date. These businesses are classified as disposal groups held for sale and the assets and liabilities of these disposal groups have been presented as held for sale.

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

Figures in Rand thousand	iOCO	NEXTEC	IP	2020
Assets				
Property, plant and equipment	2 513	101 932	140 373	244 818
Goodwill and intangible assets	406	88 863	860 127	949 396
Equity-accounted investments	11 000	–	–	11 000
Other financial assets	–	13 811	5 060	18 871
Deferred taxation	–	21 152	9 979	31 131
Finance lease receivables	–	1 197	479	1 676
Inventories	–	3 804	19 472	23 276
Current taxation receivable	2 925	2 712	14 078	19 715
Trade and other receivables	53 547	225 513	244 680	523 740
Cash and cash equivalents	205	171 938	156 600	328 743
Assets held for sale	70 596	630 922	1 450 848	2 152 366
Liabilities				
Other financial liabilities	(12 739)	–	(16 777)	(29 516)
Lease liabilities	–	(27 834)	(56 709)	(84 543)
Deferred taxation	–	(1 389)	(30 094)	(31 483)
Current taxation payable	–	(22 364)	(15 343)	(37 707)
Trade and other payables	(51 292)	(319 702)	(279 849)	(650 843)
Liabilities directly associated with assets held for sale	(64 031)	(371 289)	(398 772)	(834 092)
Net assets directly associated with the disposal groups	6 565	259 633	1 052 076	1 318 274
Cumulative amounts recognised in other comprehensive income				
Foreign currency translation reserve	(933)	(45)	(20 808)	(21 786)
Impairment loss for write-down to fair value less costs to sell				
Continuing operations – operating expenses	(57 175)	(32 350)	–	(89 525)
Discontinued operations (note 15)	(63 108)	(65 736)	(60 000)	(188 844)
	(120 283)	(98 086)	(60 000)	(278 369)

14. ASSETS HELD FOR SALE continued

Figures in Rand thousand	iOCO	NEXTEC	IP	Restated* 2019
Assets				
Property, plant and equipment	85 122	128 076	4 027	217 225
Goodwill and intangible assets	795	358 272	12 853	371 920
Equity-accounted investments	72 468	–	–	72 468
Other financial assets	–	7 710	(421)	7 289
Deferred taxation	261	24 734	2 220	27 215
Inventories	4 980	30 166	–	35 146
Current taxation receivable	575	2 584	–	3 159
Trade and other receivables	99 625	532 357	88 239	720 221
Cash and cash equivalents	47 919	221 110	41 344	310 373
Assets held for sale	311 745	1 305 009	148 262	1 765 016
Liabilities				
Other financial liabilities	(978)	(4 433)	(3 837)	(9 248)
Lease liabilities	–	–	(240)	(240)
Deferred taxation	(233)	(467)	(1 873)	(2 573)
Current taxation payable	330	(11 566)	(2 614)	(13 850)
Trade and other payables	(105 586)	(404 772)	(34 270)	(544 628)
Liabilities directly associated with assets held for sale	(106 467)	(421 238)	(42 834)	(570 539)
Net assets directly associated with the disposal groups	205 278	883 771	105 428	1 194 477
Cumulative amounts recognised in other comprehensive income				
Foreign currency translation reserve	4 709	2 021	(926)	5 804
Impairment loss for write-down to fair value less costs to sell				
Continuing operations – operating expenses	–	(22 172)	–	(22 172)
Discontinued operations (note 15)	(135 374)	(450 994)	(41 799)	(628 167)
	(135 374)	(473 166)	(41 799)	(650 339)

* *Refer to note 3 – Restatement of consolidated annual financial statements.*

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

15. DISCONTINUED OPERATIONS

Identification and classification of discontinued operations

There were a number of businesses that were approved for sale at 31 July 2020, and for which the sale is expected to be completed within 12 months from the reporting date, as well as businesses that were already sold during the current and previous reporting periods that have met the requirements to be presented as discontinued operations and have accordingly been presented as such.

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

The Group's intention to dispose of these non-core assets triggered an initial impairment assessment on the underlying assets at 31 July 2020, and the resulting impairment was allocated to the identified disposal groups (refer to note 6 – Goodwill).

Figures in Rand thousand	2020	Restated* 2019
Revenue	**2 586 353**	4 203 263
Cost of sales	**(1 913 847)**	(3 038 965)
Gross profit	**672 506**	1 164 298
Net financial asset impairment losses	**(11 607)**	(372 133)
Remeasurement to fair value less costs to sell	**(188 844)**	(628 167)
(Loss)/gain on disposal	**(210 231)**	329 603
Other operating expenses	**(586 650)**	(1 054 395)
Operating loss before interest and equity-accounted losses	**(324 826)**	(560 794)
Investment income	**13 299**	15 101
Share of equity-accounted profits/(losses)	**10 034**	(12 946)
Finance costs	**(7 325)**	(5 850)
Loss before taxation	**(308 818)**	(564 489)
Taxation	**(55 676)**	(156 776)
Loss for the year from discontinued operations	**(364 494)**	(721 265)
Other comprehensive income		
Attributable to:		
Owners of EOH Holdings Limited	**(360 577)**	(723 325)
Non-controlling interests	**(3 917)**	2 060
Loss per share (cents)		
Loss per share from discontinued operations	**(214)**	(444)
Diluted loss per share from discontinued operations	**(214)**	(444)
Net cash flows in relation to discontinued operations:		
Net decrease in cash and cash equivalents	**(58 529)**	(38 850)

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2020. Integrators of Systems Technology Proprietary Limited was classified as a discontinued operation in 2019 and has been classified as a discontinued operation in the current year as well. In 2019, however, the results were not shown in discontinued operations and was rather shown incorrectly in continuing operations. This has been corrected by restating the prior year continuing and discontinued numbers.*

Profit before taxation before including the loss/gain on disposal and remeasurement to fair value less costs to sell was R90 257 (2019: loss of R265 925).

16. DISPOSAL OF SUBSIDIARIES AND EQUITY-ACCOUNTED INVESTMENTS

On 11 December 2018, the Group announced that opportunities would be explored for the sale of certain non-core assets. In line with this strategy the Group has disposed of its investments in a number of subsidiaries, associate and joint ventures during the year.

Figures in Rand thousand	Treatment before disposal	Percentage holding disposed	Date of disposal	Consideration received or receivable	Gain/(loss) on disposal
Entity disposed					
Clearline Group	Subsidiary	100%	1 Aug 2019	8 000	(25 772)
Enablemed Group	Subsidiary	100%	1 Aug 2019	21 068	(24 039)
Moropa Site Solutions Proprietary Limited	Subsidiary	100%	1 Aug 2019	–	(5 374)
Telebo Construction Proprietary Limited	Subsidiary	100%	1 Aug 2019	3 000	(9 798)
WRP Consulting Engineers Proprietary Limited	Subsidiary	100%	1 Aug 2019	16 950	(7 877)
Bessertec Group	Joint Venture	50%	1 Aug 2019	–	7 260
TCD Dubai	Subsidiary	100%	1 Aug 2019	–	(3 708)
Healthshare Group	Subsidiary	100%	1 Sep 2019	4 000	(10 710)
D.Code Mobility Proprietary Limited	Subsidiary	100%	1 Sep 2019	3 098	(1 386)
EOH Turkey Software Services*	Subsidiary	100%	30 Sep 2019	–	255
VILT Group**	Subsidiary	100%	1 Nov 2019	64 869	(40 436)
Cool Ideas Proprietary Limited	Subsidiary	100%	30 Nov 2019	–	732
Data World Group**	Subsidiary	100%	30 Nov 2019	55 000	(40 124)
Isilumko Group	Subsidiary	100%	1 Dec 2019	25 603	(11 431)
Acron Bilsim A.S.	Joint Venture	50%	1 Dec 2019	–	(20 477)
Mehleketo Group*	Subsidiary	100%	1 Dec 2019	–	88 601
Rinedata UK Limited	Subsidiary	100%	10 Dec 2019	9 498	(4 379)
MSO International	Subsidiary	70%	31 Dec 2019	21 000	(23 688)
CSV Water Consulting Engineers Proprietary Limited*	Subsidiary	100%	31 Mar 2020	–	9 211
High Voltage Power Systems Proprietary Limited	Subsidiary	100%	31 Mar 2020	4 993	1 823
LSD Information Technology Proprietary Limited**	Subsidiary	100%	31 Mar 2020	–	(60 610)
Conso'System Consulting SARL	Joint Venture	50%	31 Mar 2020	1 791	(1 085)
aSAY Group	Joint Venture	50%	30 Apr 2020	9 413	(16 676)
CCS Group	Associate	30%	1 May 2020	157 544	(43 066)
Change Logic Proprietary Limited	Subsidiary	60%	1 May 2020	10 882	(1 675)
Arete Group	Subsidiary	100%	30 Jun 2020	–	14 236
Transaction costs					(70 514)
Net loss on disposal of subsidiaries and equity-accounted investments				416 709	(300 707)

* *Mehleketo Group, EOH Turkey Software Services and CSV Water Consulting Engineers Proprietary Limited, have been disposed of by way of liquidation.*

** *Consideration reflected does not include extinguishment of debt on sale.*

Figures in Rand thousand	2020	2019
Cash consideration received or receivable	**416 709**	450 405
Less: Receivable from disposal of subsidiaries and equity-accounted investments	**(82 052)**	–
Cash received from disposal of businesses	**334 657**	450 405
Less: cash balances disposed of	**(170 032)**	(81 241)
Cash receipt from disposal of businesses, net of cash given up	**164 625**	369 164

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16. DISPOSAL OF SUBSIDIARIES AND EQUITY-ACCOUNTED INVESTMENTS continued

The carrying amount of major classes of assets and liabilities, associated with subsidiaries and equity-accounted investments disposed of during the current period, are as follows:

Figures in Rand thousand	Notes	2020
Assets		
Property, plant and equipment	4	**71 495**
Goodwill and intangible assets	5, 6	**303 537**
Equity-accounted investments	7	**245 950**
Deferred taxation	9	**10 259**
Inventories		**14 950**
Current taxation receivable		**9 458**
Trade and other receivables		**630 142**
Cash and cash equivalents		**170 032**
Liabilities		
Other financial liabilities	20	**(244 266)**
Lease liabilities		**(2 764)**
Trade and other payables		**(547 774)**

17. STATED CAPITAL

Figures in Rand thousand	2020	2019
Stated capital		
Opening balance	**4 239 621**	3 443 223
Shares issued for cash[1]	**–**	713 115
Shares issued as a result of the acquisition of businesses[2]	**–**	48 427
Shares issued to the Group share incentive and retention schemes[3]	**–**	1 170
Treasury shares allocated[4]	**10 598**	33 686
	4 250 219	4 239 621

[1] *At fair value.*
[2] *In terms of purchase and sale agreements.*
[3] *In terms of the Group Share Scheme.*
[4] *Average price paid for treasury shares is R14.48 per share (2019: R23.70).*

Authorised

500 000 000 ordinary shares of no par value
40 000 000 EOH A shares of no par value

Issued

Figures in Rand thousand	2020	2019
Reconciliation of the number of shares in issue		
Opening balance	**176 545**	152 797
Shares issued as a result of the acquisition of businesses	**–**	1 203
Shares issued to the Group share incentive and retention schemes	**–**	50
Shares issued as a result of the Lebashe BBBEE transaction	**–**	22 495
Shares in issue at the end of the year	**176 545**	176 545
Less:		
Treasury shares held in the Group share incentive schemes	**(2 341)**	(2 351)
Treasury shares held by wholly owned subsidiaries of the Group that will not be cancelled	**(5 548)**	(5 650)
	168 656	168 544
EOH A shares of no par value		
Reconciliation of the number of shares in issue		
Opening balance	**40 000**	–
Shares issued as a result of the Lebashe BBBEE transaction*	**–**	40 000
Closing balance	**40 000**	40 000

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

Unissued

323 455 039 (2019: 323 455 039) unissued ordinary shares are under the control of the directors in terms of the resolution of members passed at the final AGM of 2019. This was subject to the provisions of section 38 of the Companies Act of South Africa and the JSE Listings Requirements. The directors are authorised to issue up to an aggregate maximum of 5% of the issued number of shares for cash until the next AGM.

18. SHARES TO BE ISSUED TO VENDORS

Figures in Rand thousand	2020	Restated* 2019
Opening balance	**358 733**	809 975
Correction of error (refer to note 3)	**(338 476)**	(743 779)
Restated opening balance	**20 257**	66 196
Shares issued relating to profit warranties	**(4 957)**	(45 939)
Shares issued: business combinations	**–**	(43 613)
Shares issued: prior year equity-accounted investments	**–**	(454)
Transfer in equity: use of treasury shares	**(4 957)**	(12 703)
Transfer in equity for expired profit warranties	**12 116**	32 788
EOH shares forfeited: relating to disposals	**(12 116)**	(21 957)
	15 300	20 257

** Refer to note 3 – restatement of consolidated annual financial statements.*

The above balance is representative of 154 625 (2019: 1 692 312) shares that would be issued if 100% of future profit warranties are achieved.

19. OTHER RESERVES

Figures in Rand thousand	2020	Restated* 2019
Reserves are made up as follows:		
Foreign currency translation reserve	**143 665**	(14 488)
Share-based payments reserve	**490 302**	455 409
Treasury shares reserve	**290 895**	301 676
	924 862	742 597

** Refer to note 3 – restatement of consolidated annual financial statements.*

20. OTHER FINANCIAL LIABILITIES

Figures in Rand thousand	2020	2019
Interest-bearing liabilities	**2 739 175**	2 980 602
Interest-bearing bank loans secured through Security SPV	**2 267 269**	2 292 881
Bank overdrafts	**115 253**	–
Project finance loan**	**135 080**	127 051
Unsecured interest-bearing bank loans	**215 247**	548 168
Interest-bearing bank loans secured by fixed property	**6 326**	12 502
Non-interest-bearing liabilities	**44 043**	352 603
Vendors for acquisition	**44 043**	303 313
Other non-interest-bearing liabilities	**–**	49 290
Liabilities directly associated with assets held for sale (note 14)	**(29 516)**	(9 248)
	2 753 702	3 323 957
Non-current financial liabilities	**5 674**	2 255 825
Current financial liabilities	**2 748 028**	1 068 132
	2 753 702	3 323 957
Reconciliation of other financial liabilities		
Balance at the beginning of the year	**3 333 205**	4 103 996
Bank overdrafts	**115 253**	–
Proceeds from other financial liabilities	**–**	967 307
Repayment of other financial liabilities	**(321 128)**	(1 379 569)
Repayment of vendors for acquisitions	**(75 286)**	(366 413)
Disposal of subsidiaries	**(244 266)**	(64 406)
Net changes in fair value	**3 685**	33 199
Interest accrued on other financial liabilities	**38 867**	–
Capitalisation of debt restructuring fee	**(51 028)**	–
Other non-cash items	**(16 084)**	39 091
Closing balance before liabilities directly associated with assets held for sale	**2 783 218**	3 333 205
Liabilities directly associated with assets held for sale (note 14)	**(29 516)**	(9 248)
	2 753 702	3 323 957
Financial instruments		
Measured at amortised cost	**2 709 659**	3 020 644
Financial liabilities carried at fair value through profit or loss	**44 043**	303 313
	2 753 702	3 323 957
Vendors for acquisition* **		
Current financial liabilities	**44 043**	303 313
	44 043	303 313

*** Ring-fenced debt.*
**** R36 million of the balance was extinguished subsequent to year end, relating to MARS Holdings Proprietary Limited. Refer to note 42.*

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

20. OTHER FINANCIAL LIABILITIES continued

Interest-bearing bank loans are secured through a Security SPV which require that all the South African wholly owned subsidiaries of the Group provide a pledge and cession of:

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

South African wholly owned subsidiaries contributing more than 80% of the Group's adjusted EBITDA is pledged as required above, but not all South African subsidiaries have formally provided the required security and the process of providing the security is ongoing.

The interest-bearing bank loans secured through Security SPV comprises:

- an amortising facility at an interest rate of 3-month Johannesburg Interbank Average Rate (JIBAR) + 265 basis points;
- revolving credit facility at an interest rate of 3-month JIBAR + 220 basis points; and
- a bullet facility at an interest rate of 3-month JIBAR + 285 basis points.

From 1 April 2019 the secured lenders have charged an additional 250 basis points of default interest on top of the above fully drawn facilities.

The unsecured core debt comprises:

- Sanlam Note at an interest rate of 3-month JIBAR + 225 basis points.

The 3 month JIBAR referred to above is reset quarterly.

Refer to note 42 for subsequent events on the above loans.

21. LEASE LIABILITIES

Figures in Rand thousand	2020	2019
Amounts recognised in the statement of financial position		
Lease liabilities relate to:		
Buildings	**324 817**	–
IT equipment	**12 872**	19 495
Vehicles	**8 901**	25 608
Computer software	**–**	94
Other equipment	**14 375**	12 404
Liabilities directly associated with assets held for sale	**(84 543)**	(240)
	276 422	57 361
Additions to the right-of-use liabilities amounted to R34 million (2019: Nil).		
Amounts recognised in the statement of profit or loss		
The statement of profit or loss shows the following relating to lease liabilities:		
Depreciation charge of right-of-use assets:		
Buildings	**108 555**	–
Interest expense (refer to note 28)	**36 553**	5 943
Expense relating to short-term leases and low value (refer to note 26)	**56 232**	–
	201 340	5 943

The total cash outflow for leases amounted to R139 million (2019: R33 million).

21. LEASE LIABILITIES continued

Figures in Rand thousand	2020	2019
Lease liabilities reconciliation		
Opening balance	57 361	91 748
Adoption of IFRS 16 on 1 August 2019	367 396	–
IFRS 16 additions	33 866	–
Lease payments	(138 775)	(37 462)
Interest accrued	43 881	4 899
Disposal of businesses	(2 764)	–
Other movements	–	(1 584)
Liabilities directly associated with assets held for sale (note 14)	(84 543)	(240)
Closing balance	276 422	57 361

Figures in Rand thousand	2020	2019
Lease liabilities		
Current	104 723	29 331
Non-current	171 699	28 030
	276 422	57 361

22. TRADE AND OTHER PAYABLES

Figures in Rand thousand	2020	Restated* 2019
Financial instruments	502 927	848 383
Trade payables	492 191	820 611
Other payables	10 736	27 772
Non-financial instruments	1 448 133	2 454 858
VAT	201 913	232 774
Other accrued expenses	384 864	1 091 795
Payroll accruals	513 342	738 352
Contract liabilities	348 014	391 937
	1 951 060	3 303 241

* *Refer to note 3 for the reclassification done for the prior year.*

23. PROVISIONS

Figures in Rand thousand	2020	Restated* 2019
Opening balance	410 427	–
Arising during the year	269 698	410 427
Repaid	(10 000)	–
	670 125	410 427
Provision for over-invoicing	173 400	173 400
PAYE provision	246 825	237 027
Onerous contracts	249 900	–
	670 125	410 427

* *Refer to note 3 – restatement of consolidated annual financial statements.*

At the initial stage of the ENS investigation, three contracts were identified as having apparent irregularities including collusion to bypass the State Information Technology (SITA) process to enable over-invoicing. The provision for the over-invoicing was raised in 2019. Refer to note 42 for further events after the reporting date.

The PAYE provision relates to a PAYE dispute which the Group is contesting. Further detail around the contingency is disclosed in note 34.

Provisions also include onerous contract provisions, where there is uncertainty on the final amount, which is the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil the contracts, with timing of outflow expected to be in the next financial year.

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

24. REVENUE

Disaggregated revenue

Figures in Rand thousand	2020	Restated*# 2019
Revenue by sector		
Public sector	**21%**	18%
Private sector	**79%**	82%
Total	**100%**	100%
Major revenue types**		
Hardware sales	**1 075 631**	1 608 551
Services	**9 311 943**	12 040 194
Software/licence contracts	**816 376**	1 026 719
Rentals***	**72 753**	273 836
Total	**11 276 703**	14 949 300
Timing of revenue recognition		
Goods or services transferred to customers:		
– at a point in time	**1 468 942**	2 251 074
– over time	**9 807 761**	12 698 226
Total	**11 276 703**	14 949 300
Continuing operations	**8 690 350**	10 746 037
Discontinued operations	**2 586 353**	4 203 263
Total	**11 276 703**	14 949 300

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2020.*

\# *Refer to note 3 – Restatement of consolidated annual financial statements.*

** *In the current year revenue has been disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The disaggregation for the prior year has been updated to align to the current year disaggregation.*

*** *Rentals recognised are excluded from revenue from contracts with customers and accounted for under IRFS 16.*

24. REVENUE continued

Figures in Rand thousand	2020	Restated* 2019
Contract balances		
Contract assets (note 12)	**429 689**	644 937
Contract liabilities (note 22)	**(348 014)**	(391 937)
Total	**81 675**	253 000

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2020.*

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

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

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

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

Figures in Rand thousand	2020	2019
Contract assets		
Contract assets at the beginning of the year	**644 937**	799 768
Net decrease in contract assets for the period	**(150 998)**	(119 508)
Impairment allowance (note 41)	**(64 250)**	(35 323)
Contract assets at the end of the year	**429 689**	644 937
Contract liabilities		
Contract liabilities at the beginning of the year	**391 937**	422 937
Net increase in contract liabilities for the period	**112 676**	39 028
Liabilities directly associated with assets held for sale	**(156 599)**	(70 028)
Contract liabilities at the end of the year	**348 014**	391 937
Contract assets		
Unbilled revenue (note 12)	**554 284**	738 773
Allowance for impairment (note 12)	**(124 595)**	(93 836)
Net contract assets	**429 689**	644 937

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED
FOR THE YEAR ENDED 31 JULY 2020

24. REVENUE continued
Performance obligations
Nature of goods and services

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

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

The Group has applied the practical expedient allowed for contracts expected to be less than one year. The Group is not separating the significant financing component out of the transaction price.

Remaining performance obligations

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

Figures in Rand thousand	2020	2019
Within one year	**89 632**	2 049 564
More than one year	**204**	73 290
Total	**89 836**	2 122 854

The performance obligations expected to be recognised in more than one year relate to maintenance, software, managed and services contracts that is to be satisfied within two years. All the other remaining performance obligations are expected to be recognised within one year.

Where revenue is recognised over time on the costs incurred method, estimates are made to the total budgeted cost.

Significant judgement was applied in assessing whether the Group is an agent or principal in the software/licence contracts and hardware sales.

25. NET FINANCIAL ASSET IMPAIRMENT LOSSES
Impairment losses on financial assets recognised in profit or loss from continuing operations were as follows:

Figures in Rand thousand	2020	2019
Impairment loss on trade and other receivables	**190 170**	88 206
Impairment loss on other financial assets	**68 973**	433 455
Impairment loss on contract assets	**64 250**	35 323
Impairment losses on cash and cash equivalents	**–**	50 309
Impairment reversal on finance lease receivables	**(2 681)**	(909)
	320 712	606 384

26. OPERATING LOSS BEFORE INTEREST AND EQUITY-ACCOUNTED LOSSES

Figures in Rand thousand	2020	Restated* 2019
Operating losses before interest and equity-accounted losses from continuing operations are stated after taking into account the following other items:		
Amortisation	**84 643**	232 043
Amortisation included in cost of sales	**20 554**	78 758
Amortisation not included in cost of sales	**64 089**	153 285
Auditor's remuneration	**33 998**	21 229
Audit fee	**24 998**	19 470
Fees for other services**	**9 000**	1 759
Depreciation	**274 385**	147 658
Depreciation included in cost of sales	**79 905**	56 188
Depreciation not included in cost of sales	**194 480**	91 470
Employee costs	**4 741 702**	5 217 231
Employee costs included in cost of sales	**3 543 245**	3 061 796
Employee costs not included in cost of sales	**1 198 457**	2 155 435
Inventory write-off	**29 305**	50 868
Loss on disposal of subsidiaries	**90 476**	173 974
Impairment loss for write-down to fair value less cost to sell	**89 525**	22 172
Share-based payments expense	**44 726**	53 141
Lebashe share-based payments expense	**–**	157 446
Foreign exchange loss/(gain)	**3 731**	(54 865)
Fair value loss on remeasurement of vendors for acquisition	**3 685**	33 199
Fair value (gains)/losses through profit or loss	**(24 430)**	12 000
Gains on disposal of property, plant and equipment	**16 224**	5 409
Short-term and low value charges	**56 232**	140 808
Short-term and low value charges on immovable property	**51 757**	126 224
Short-term and low value charges on movable property	**4 475**	14 584

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2020.*
** *R4.5 million of this relates to PwC in its capacity as external auditor.*

27. INVESTMENT INCOME

From continuing operations Figures in Rand thousand	2020	Restated* 2019
Interest income		
Bank	**25 853**	16 249
Other interest received	**1 131**	8 307
	26 984	24 556

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2020.*

28. FINANCE COSTS

From continuing operations Figures in Rand thousand	2020	Restated* 2019
Other financial liabilities	**325 882**	317 847
Lease liabilities	**36 553**	5 943
Bank	**12 565**	8 086
Other interest paid	**35 875**	1 842
	410 875	333 718

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2020.*

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

29. TAXATION

Figures in Rand thousand	2020	Restated* 2019
Current taxation		
Local income taxation – current year	**193 182**	325 264
Local income taxation – prior years	**(25 920)**	(16 472)
Foreign income taxation – current year	**1 775**	1 799
	169 037	310 591
Discontinued operations	**84 126**	185 579
Continuing operations	**84 911**	125 012
	169 037	310 591
Deferred taxation		
Originating and reversing temporary differences	**(164 102)**	54 372
Prior year adjustments	**(13 289)**	–
	(177 391)	54 372
Discontinued operations	**(28 450)**	(28 803)
Continuing operations	**(148 941)**	83 175
	(177 391)	54 372
Total taxation	**(8 354)**	364 963
Discontinued operations	**55 676**	156 776
Continuing operations	**(64 030)**	208 187
Total taxation	**(8 354)**	364 963
Reconciliation of rate of taxation	**%**	%
South African normal rate of taxation	**(28.0)**	(28.0)
Reduction in rate for the year, due to:		
Exempt income	**(1.5)**	(1.3)
Foreign taxation rate differences	**(0.9)**	0.1
Disallowable gain on disposal	**(3.2)**	(4.3)
Prior year adjustments to over/(underprovision) of deferred taxation/current taxation	**(7.7)**	(0.4)
Share of profits of equity-accounted investments	**(0.3)**	0.1
Increase in rate for the year, due to:		
Effect of utilised/not utilised estimated tax losses	**11.9**	13.3
Non-deductible expenditure**	**19.6**	23.3
Capital gains taxation	**4.1**	0.7
Effect of unutilised temporary differences	**5.5**	4.6
	(0.5)	8.1
Unrecognised deferred taxation assets		
Deferred taxation assets not recognised in respect of deductible temporary differences	**1 016 237**	716 665
Deferred taxation assets not recognised in respect of taxation losses	**2 972 593**	3 281 246
	3 988 830	3 997 911

** Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2020.*
*** The non-deductible expenditure relates mainly to impairment losses recognised (~12%) and non-deductible finance charges related to acquisition of loan funding (~3%).*

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

Deferred tax assets have been recognised to the extent that the realisation of the related tax through future taxable profits is probable. An assessment of future taxable profits has been performed at a relevant subsidiary level based on budgets that take into account the impact of COVID-19.

In 2020, R243 million (2019: R105 million) of previously unrecognised taxation losses were recognised as management considered it probable that future taxable profits would be available against which they can be utilised in the next three years.

Estimates were made in assessing the tax liability, especially with regards to uncertain tax positions and the findings of the ENS investigation.

30. EARNINGS PER SHARE

	2020	Restated* 2019
Basic loss per share and diluted loss per share		
Loss attributable to owners of EOH Holdings Limited from continuing and discontinued operations (R'000)	**(1 620 721)**	(4 949 147)
Weighted average number of shares in issue ('000)	**168 635**	162 742
Basic and diluted loss per share from continuing and discontinued operations (cents)	**(961)**	(3 041)
Basic and diluted loss per share from continuing operations (cents)	**(747)**	(2 597)
Reconciliation between weighted average number of shares and diluted weighted average number of shares in issue		
Weighted average number of shares in issue ('000)	**168 635**	162 742
Diluted weighted average number of shares in issue** ('000)	**168 635**	162 742

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2020.*

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

31. HEADLINE LOSS PER SHARE

Figures in Rand thousand	2020	Restated*# 2019
Headline loss per share and diluted headline loss per share		
Headline loss from continuing operations (R'000)	**(851 781)**	(2 447 129)
Weighted average number of shares in issue ('000)	**168 635**	162 742
Headline and diluted loss per share from continuing operations (cents)	**(505)**	(1 504)
Headline loss from continuing and discontinued operations (R'000)	**(834 199)**	(2 849 115)
Weighted average number of shares in issue ('000)	**168 635**	162 742
Headline and diluted loss per share from continuing and discontinued operations (cents)	**(495)**	(1 751)
Reconciliation between earnings, headline earnings and diluted headline earnings from continuing and discontinued operations		
Loss attributable to owners of EOH Holdings Limited	**(1 620 721)**	(4 949 147)
Adjusted for:		
(Profit)/loss on disposal of property, plant and equipment	**(37 032)**	34 761
Loss/(profit) on disposal of subsidiaries sold	**300 707**	(155 629)
Impairment of goodwill	**413 094**	1 855 341
Impairment of equity-accounted investments	**81 605**	267 905
Impairment of intangible assets and property, plant and equipment	**27 776**	135 594
Total tax effects on adjustments	**518**	(37 884)
Total non-controlling interest effects on adjustments	**(146)**	(56)
Headline loss from continuing and discontinued operations	**(834 199)**	(2 849 115)

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2020.*

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

Restated for the total tax and non-controlling interest effects on adjustments. This resulted in a 24 cents per share increase in the headline loss per share from continuing and discontinued operations.

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED
FOR THE YEAR ENDED 31 JULY 2020

31. HEADLINE LOSS PER SHARE continued

Figures in Rand thousand	2020	Restated*# 2019
Loss attributable to owners of EOH Holdings Limited	**(1 620 721)**	(4 949 147)
Adjusted for discontinued operations (note 15)	**360 577**	723 325
Continuing loss attributable to ordinary shareholders	**(1 260 144)**	(4 225 822)
Continuing operations adjustments:		
(Profit)/loss on disposal of property, plant and equipment	**(16 224)**	5 409
Loss on deemed disposal and disposal of subsidiaries	**90 476**	173 974
Impairment of intangible assets and property, plant and equipment	**11 232**	135 594
Impairment of goodwill	**265 224**	1 348 579
Impairment of equity-accounted investments	**57 175**	146 500
Total tax effect on adjustments	**489**	(31 309)
Total non-controlling interest effect on adjustments	**(9)**	(54)
Headline loss from continuing operations	**(851 781)**	(2 447 129)

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2020.*
\# *Restated for the total tax and non-controlling interest effects on adjustments. This resulted in a 20 cents per share increase in the headline loss per share from continuing operations.*

32. CASH GENERATED FROM OPERATIONS

Figures in Rand thousand	2020	Restated* 2019
Loss before taxation from:	**(1 635 168)**	(4 581 649)
Continuing operations	**(1 326 350)**	(4 017 160)
Discontinued operations	**(308 818)**	(564 489)
Adjustments for:		
Depreciation and amortisation	**498 004**	435 816
Impairment of assets	**522 475**	2 258 840
Loss/(profit) on disposal of subsidiaries, equity-accounted investments and property, plant and equipment	**263 675**	(120 868)
Share of equity-accounted losses	**(7 282)**	–
Share-based payments expense	**48 285**	247 614
Net finance costs	**377 917**	299 911
Net financial asset impairment losses	**332 319**	978 517
Inventory write-off/impairment	**30 907**	50 868
Provisions	**259 698**	410 427
Other non-cash items	**(17 253)**	(27 557)
Cash generated/(utilised) before changes in working capital	**673 577**	(48 081)
Working capital changes net of effects of disposal of subsidiaries	**33 158**	550 188
Decrease in inventories	**103 625**	39 113
Decrease in trade and other receivables	**596 569**	311 333
(Decrease)/increase in trade and other payables	**(667 036)**	199 742
Cash generated from operations	**706 735**	502 107

* *Refer to note 3 – Restatement of consolidated annual financial statements for the impact on the affected assets, liabilities and equity. The restatement adjustments are all non-cash adjustments and therefore do not impact cash generated before working capital changes or any other line items on the consolidated statement of cash flows.*

33. TAXATION PAID

Figures in Rand thousand	2020	2019
Amounts owing at the beginning of the year	**(45 072)**	(81 788)
Assets held for sale at the beginning of the year	**(10 691)**	–
Current taxation for the year	**(169 037)**	(310 591)
Adjustment in respect of businesses acquired during the year	**–**	12 093
Foreign currency translation	**–**	11 368
Assets held for sale at the end of the year	**17 992**	10 691
Amounts (receivable)/owing at the end of the year	**(4 611)**	45 072
Taxation paid	**(211 419)**	(313 155)

34. CONTINGENCIES AND COMMITMENTS

Contingencies

EOH Holdings Limited ('EOH') issued parent company guarantees ('PCGs'), as required by a client for a wholly owned subsidiary PiA Solar SA Proprietary Limited ('PiA'). The guarantees provided are for a period of years during both construction and after handover including an operation warranty guarantee, which by the nature could (in the event of underperformance by PiA) compel EOH to either ensure physical performance or settle such underperformance in cash terms. While PiA had undergone some operational challenges as a result of several factors, including COVID-19, the Group has intervened in order to minimise the potential impact of these PCGs. The projects subject of these PCGs are now substantially complete, with the last project to achieve handover to the end client expected during November, 2020. The Group thus believes that the risk presented by the PCGs, albeit still in existence, is now sufficiently mitigated such that no cash flow impact is expected in the future.

During the course of the current financial year, the Group also issued a PCG for another subsidiary EOH Mthombo (Pty) Ltd relating to the implementation of an ERP solution at the City of Johannesburg (COJ) for a project which was signed during the 2017 financial year. The COJ guarantee compels the Group to either ensure physical performance or settle such underperformance in cash terms. A cash balance of R53 million is currently in restricted cash.

Fine imposed by the JSE Limited

The JSE Limited (JSE) imposed a fine on the Group on 29 July 2020 for prior period errors contained in the Group's previously published financial statements for the financial years ended 31 July 2017 and 31 July 2018. The fine was for R7.5 million of which R2.5 million is suspended for a period of five years on condition that the Group is not found to be in breach of material and important provisions of the JSE Listings Requirements. The R5 million was raised as liability at 31 July 2020, with the suspended amount being a contingent liability.

Legal claims

The Company and its subsidiaries are involved in various litigation matters arising in the ordinary course of business, none of which are considered material on an individual basis or in aggregate. Management has no reason to believe that the disposition of these matters will have a materially adverse effect on the consolidated financial position of the Company.

Uncertain tax exposure

The Group operates in numerous tax jurisdictions and the Group's interpretation and application of the various tax rules applied in direct and indirect tax filings may result in disputes between the Group and the relevant tax authority. The outcome of such disputes may not be favourable to the Group. At year end there were a number of tax disputes ongoing in various of the Group's operating entities, the most significant of which related to a PAYE dispute which the Group is contesting. At 31 July 2020, the Group had provided for R257 million on the PAYE liability assessed and potential future assessments, and have submitted a notice of objection to the tax authority and based on internal and external legal and technical advice obtained, the Group remains confident that it has a strong legal case to contest the remaining exposure. R10 million of the R257 million provision was repaid as at 31 July 2020. Refer to note 23 for the provision raised.

There is further uncertainty regarding historical taxes that may be due as a result of the impact of the fraudulent transactions identified in the forensic investigation performed by ENS during the 2019 financial year. Provisions based on best estimates were recognised at 31 July 2019 and no changes were made during the period ended 31 July 2020.

Uncertain exposure due to suspect transactions

An assessment was undertaken in relation to contracts flagged by ENS as being associated with suspicious activities, for purposes of determining the likelihood of a claim/s being raised against EOH in relation to the contracts in question. The total contingent exposure identified in consequence of the results of that assessment is R84.2 million.

The assessments which resulted in a claim being regarded as *likely* and where a contingent liability was identified were in relation to the following contracts:

- Amathole District Municipality (ADM) – SAP Implementation Contracts: there are disputes raised by ADM as to deliverables and sums payable to EOH under this contract, however, EOH maintains that it has performed substantially on the contract. Deloitte prepared a forensic report on instruction of National Treasury (10 October 2019) and National Treasury issued an Intervention and Close-Out report (27 February 2020). ADM did not accept the findings of the Intervention and Close-Out report (27 February 2020), however, no further steps have yet been taken by ADM. In the event of a successful challenge to the validity of the contract, EOH would be entitled to just and equitable relief and would never be exposed for the full value of the contract.
- USAASA – SAP Implementation: National Treasury is investigating this contract, however the scope of the investigation is unknown to EOH. There is a risk that there may be a finding of impropriety in the contract. This contract came to a natural conclusion at the end of 2017, with EOH having performed and with no claims or complaints having arisen since. Any claims to be raised will have probably prescribed. In the event of a successful challenge to the validity of this contract, EOH, having performed under the contract, would be entitled to motivate a just and equitable remedy. It would be unlikely and certainly contrary to the principles of just and equitable relief, that EOH would have to "refund" USAASA.

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

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34. CONTINGENCIES AND COMMITMENTS continued

Uncertain exposure due to suspect transactions continued

The assessments which resulted in claims being regarded as *possible* and where a contingent liability was identified were in relation to the following contracts:

- Department of Water and Sanitation (DWS) – Project Muratho SAP Upgrade: This contract came to its natural conclusion in October 2015 with EOH having performed thereunder and with no claims or complaints being instituted against it. It is unlikely that any attempt to set aside this contract would succeed due to excessive delay. In the event of a successful challenge to the validity of this contract, EOH having performed under the contract would be entitled to motivate a just and equitable remedy and would not be expected to 'refund' DWS.
- DWS – SAP Roll-Out to Catchment Management Agencies: The contract came to an end in September 2016 with no claims being instituted, for the same reasons outlined above, any attempt to overturn this contract would encounter difficulties due to delay and would not require an appropriate ruling as to just and equitable remedy in circumstances where performance was rendered.
- City of Johannesburg – SAP Licence Sale: The contract came to conclusion with EOH having performed its obligations in 2015 with no claims subsequently arising. Any claims will, in all likelihood, have prescribed. In the event of a successful challenge to the validity of this contract, EOH having performed under the contract would be entitled to motivate a just and equitable remedy.
- Department of Home Affairs (DHA) – ABIS (Biometric): There are currently no disputes relating to the value received, however, there are current disputes relating to contractual interpretation and entitlement derived under the contract terms, as amended, with EOH claiming R53 million excluding VAT and DHA claiming R44 million.

Commitments

Figures in Rand thousand	2020	2019
Expected, but not yet contracted capital expenditure	169 171	112 846
Minimum operating lease payments due under IAS 17 in the prior year – as lessee		
– within one year		153 717
– within two to five years		260 596
– beyond five years		–
	169 171	527 159

35. RETIREMENT BENEFITS

The Group is a member of a corporate defined contribution plan which is governed by the Pensions Fund Act to which employees elect to make retirement contributions on an income sacrifice basis. The Group makes no additional contribution and is under no obligation to cover any other benefits. Employees are also eligible and obliged to become members of the Group risk benefit scheme, providing certain minimum death and disability benefits. Such Group risk benefit scheme is external to the Group, to which employees make contributions, and the benefits paid out are paid by the third party.

At 31 July 2020, the membership of the fund was 6 108 (2019: 5 709) employees.

At 31 July 2020, the Group's contribution to the fund was R126 million (2019: R182 million).

36. DIRECTORS' AND PRESCRIBED OFFICERS INTEREST IN ORDINARY SHARES OF THE COMPANY

	2020		2019	
Number of shares	Beneficial direct interest	Total	Beneficial direct interest	Total
Executive directors				
Stephen van Coller	264 000	264 000	251 100	251 100
Megan Pydigadu	10 000	10 000	10 000	10 000
	274 000	274 000	261 100	261 100

Shareholding of prescribed officer who resigned during the year

	2020		2019	
Number of shares	Beneficial direct interest	Total	Beneficial direct interest	Total
Lufuno Nevhutalu* (resigned 31 July 2020)	170 925	170 925	170 925	170 925
	170 925	170 925	170 925	170 925

* *Prescribed officer.*

There have been no other changes in the directors' interest in shares of the Company between year end and the date of approval of the consolidated annual financial statements. Non-executive directors do not hold any interest in shares of the Company. The directors and prescribed officers do not hold indirect interests in shares of the Company.

37. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

Figures in Rand thousand	Short-term benefits				
	Remuneration including** other benefits	Bonuses	For services as directors	Total	Share-based payments charge
2020					
Executive directors/prescribed officers					
Stephen van Coller	**7 562**	**4 000**	**–**	**11 562**	**8 373**
Megan Pydigadu	**4 271**	**4 000**	**–**	**8 271**	**486**
Fatima Newman	**3 851**	**4 000**	**–**	**7 851**	**–**
Lufuno Nevhutalu* (resigned 31 July 2020)	**3 757**	**–**	**–**	**3 757**	**–**
Non-executive directors					
Dr Xolani Mkhwanazi (deceased 4 January 2020)	**–**	**–**	**333**	**333**	**–**
Jesmane Boggenpoel	**–**	**–**	**1 360**	**1 360**	**–**
Ismail Mamoojee	**–**	**–**	**1 389**	**1 389**	**–**
Dr Moretlo Molefi (resigned with effect from 15 December 2020)	**–**	**–**	**1 019**	**1 019**	**–**
Anushka Bogdanov (resigned 28 July 2020)	**–**	**–**	**1 004**	**1 004**	**–**
Andrew Mthembu	**–**	**–**	**1 265**	**1 265**	**–**
Mike Bosman	**–**	**–**	**1 594**	**1 594**	**–**
Sipho Ngidi (appointed 20 February 2020)	**–**	**–**	**522**	**522**	**–**
Andrew Marshall (appointed 21 May 2020)	**–**	**–**	**139**	**139**	**–**
	19 441	**12 000**	**8 625**	**40 066**	**8 859**
Less: Paid/payable by subsidiaries	**19 441**	**12 000**	**8 625**	**40 066**	**–**
	–	**–**	**–**	**–**	**8 859**
2019					
Executive directors/prescribed officers					
Stephen van Coller (appointed 1 September 2018)	5 026	14 000#	–	19 026	5 490
Megan Pydigadu (appointed 15 January 2019)	2 201	2 000	–	4 201	307
John King (resigned 30 November 2018)	5 849	1 785	–	7 634	1 272
Zunaid Mayet (resigned 15 July 2019)	3 875	2 520	–	6 395	1 144
Tebogo Maenetja (resigned 31 March 2019)	2 380	800	–	3 180	–
Fatima Newman*	1 334	7 000#	–	8 334	–
Lufuno Nevhutalu*	1 994	2 000	–	3 994	–
Non-executive directors					
Dr Xolani Mkhwanazi (appointed 5 June 2019)	–	–	134	134	–
Jesmane Boggenpoel	–	–	775	775	–
Ismail Mamoojee	–	–	797	797	–
Dr Moretlo Molefi	–	–	494	494	–
Anushka Bogdanov (appointed 20 June 2019)	–	–	166	166	–
Andrew Mthembu (appointed 20 June 2019)	–	–	131	131	–
Mike Bosman (appointed 20 June 2019)	–	–	156	156	–
Asher Bohbot (resigned 28 February 2019)	–	–	485	485	887
Pumeza Bam (resigned 12 July 2019)	–	–	526	526	81
Tshilidzi Marwala (resigned 28 February 2019)	–	–	157	157	–
Rob Sporen (resigned 28 February 2019)	–	–	193	193	–
	22 659	30 105	4 014	56 778	9 181
Less: Paid/payable by subsidiaries	22 659	30 105	4 014	56 778	–
	–	–	–	–	9 181

* *Prescribed officer.*

** *Other benefits include medical aid, allowed expense and retirement fund contributions.*

\# *Includes previous employer payouts of R10 million and R3 million in relation to Stephen van Coller and Fatima Newman respectively.*

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

38. SHARE-BASED PAYMENTS

The Group has three share incentive schemes, The EOH Share Trust, The Mthombo Trust and The Share Ownership Plan. Inclusion in the schemes allows directors, executive management and employees to benefit from the EOH share price performance. For the share trusts, the participant needs to be in the employ of the Group in order to exercise vested options. The Mthombo Trust restricts participation to qualifying previously disadvantaged directors, executive management and employees.

During the 2019 financial year, participants of The EOH Share Trust and The Mthombo Trust were given the choice to replace options with share awards in The Share Ownership Plan. As these awards were identified as replacements, this is treated as a modification in terms of IFRS 2. The EOH Share Ownership Plan is determined to be equity settled at a Group level. The fair value was measured based on the market share price of R34,83 on the date of modification.

The fair value will be recognised as an expense over the period from the modification date to the end of the extended vesting period. The expense for the options will continue to be recognised as if the terms had not been modified.

Under the terms of the current schemes, up to 18 000 000 shares are reserved for share options. The share options are equity-settled.

The EOH Share Trust

The scheme is governed by a trust deed approved by shareholders and the JSE Limited. The option strike price is equal to the share price at date of the offer less 40% discount. The participant may exercise the option in respect of the shares granted in tranches from time to time as set out below. The share options will lapse 10 years after grant date.

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

A reconciliation of the movement of all share options in The EOH Share Trust is detailed below:

	The EOH Share Trust			
	Number of options		Weighted average strike price (cents)	
	2020	2019	**2020**	2019
Opening balance	**5 178 313**	8 425 861	**80.28**	59.04
Granted during the year	**–**	1 000 000	**–**	19.00
– to directors	**–**	1 000 000	**–**	19.00
Forfeited during the year	**(1 779 656)**	(1 571 825)	**72.80**	69.24
Replaced in exchange for shares in the Share Ownership Plan	**–**	(2 614 473)	**–**	66.31
Expired during the year	**–**	(25 000)	**–**	4.80
Exercised during the year	**–**	(36 250)	**–**	112.58
Options granted but not issued up to the end of the year	**3 398 657**	5 178 313	**46.22**	80.28
Vesting of share options				
Number of options exercisable at year end	**1 916 144**	3 370 890	**46.22**	81.35
Exercise date within one year	**708 988**	625 070		
Exercise date between two and five years	**773 525**	1 182 353		
	3 398 657	5 178 313		

38. SHARE-BASED PAYMENTS continued

The Mthombo Trust

The scheme is governed by a trust deed approved by shareholders and the JSE Limited. The option strike price is equal to the share price at date of the offer less 40% discount. The participant may exercise the option in respect of the shares granted in tranches from time to time as set out below. The share options will lapse eight years after grant date.

- 33.33% after three years
- 33.33% after four years
- 33.33% after five years

A reconciliation of the movement of all share options in The Mthombo Trust is detailed below:

	The Mthombo Trust			
	Number of options		Weighted average strike price (cents)	
	2020	2019	**2020**	2019
Opening balance	**941 653**	3 078 746	**57.71**	57.48
Forfeited during the year	**(336 252)**	(1 254 833)	**51.28**	59.57
Replaced in exchange for shares in The Share Ownership Plan	**–**	(823 464)	**–**	65.24
Expired during the year	**–**	(58 796)	**–**	57.71
Exercised during the year	**(18 817)**	–	**3.72**	–
Options granted but not issued up to the end of the year	**586 584**	941 653	**55.55**	57.71
Vesting of share options				
Number of options exercisable at year end	**338 172**	833 652	**55.55**	56.64
Exercise date within one year	**154 245**	36 500		
Exercise date between two and five years	**94 167**	71 501		
	586 584	941 653		

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FOR THE YEAR ENDED 31 JULY 2020

38. SHARE-BASED PAYMENTS continued

The Share Ownership Plan

The Share Ownership plan was adopted in 2018. The scheme awards participants with shares and is determined to be equity settled. Shares granted vest in tranches from time to time as set out below.

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

A reconciliation of the movement of all share options in The Share Ownership Plan is detailed below:

	The Share Ownership Plan			
	Number of shares		Weighted average share price (cents)	
	2020	2019	**2020**	2019
Opening balance	**5 753 032**	–	**34.83**	–
Granted during the year*	**2 271 012**	6 828 225	**5.25**	34.83
– to management	**1 818 182**	6 376 805	**3.26**	34.82
– to directors	**452 830**	451 420	**13.25**	34.83
Forfeited during the year	**(1 834 777)**	(1 075 193)	**34.83**	34.83
Vested during the year	**(62 131)**	–	**34.83**	–
Shares granted but not issued up to the end of the year	**6 127 136**	5 753 032	**23.86**	34.83
Vesting of shares				
Number of shares exercisable at year end	**–**	–	**21.02**	–
Vesting date within one year	**2 416 979**	–		
Vesting date between two and five years	**3 710 157**	5 753 032		
	6 127 136	5 753 032		

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

	The EOH Share Trust	
	2020	2019
Basis of valuation		
Fair value was determined by using the Binomial model. The inputs were as follows:		
Weighted average share price (Rand)	**–**	19.0
Option strike price (Rand)	**–**	19.0
Expected volatility (%)	**–**	23.87
Expected dividend yield (%)	**–**	1.4
Weighted average fair value of options/shares granted (Rand)	**–**	21.08

There were no new share options granted during 2019 and 2020 for The Mthombo Trust and no new share options granted in 2020 for The EOH Share Trust.

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

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

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

38. SHARE-BASED PAYMENTS continued

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

	Outstanding at 31 July 2019 or date of appointment	Shares granted during the period	Weighted average strike price/share price* Rand	At 31 July 2020
Executive directors				
Stephen van Coller				
The EOH Share Trust (options)	1 000 000	–	**19.00**	**1 000 000**
Exercisable within one year	250 000	–	**19.00**	**250 000**
Exercisable between two and five years	750 000	–	**19.00**	**750 000**
The Share Ownership Plan (shares)				
Exercisable between two and five years	–	452 830	**13.25***	**452 830**
Megan Pydigadu				
The Share Ownership Plan (shares)	62 021	–	**32.25***	**62 021**
Exercisable within one year	15 505	–	**32.25***	**15 505**
Exercisable between two and five years	46 516	–	**32.25***	**46 516**

* *Relates to grant date fair value in terms of The Share Ownership Plan.*

39. RELATED-PARTY TRANSACTIONS

The Group entered into various transactions with related parties.

Figures in Rand thousand	2020	2019
Transactions with associates and joint ventures		
Sales of products and services	**3 899**	7 292
Purchases of products and services	**3 272**	46 574
Balances arising from sales/purchases of goods and services with associates and joint ventures		
Trade receivable balances with related parties	**3 773**	3 777
Trade payable balances with related parties	**8 176**	1 631
Loans receivable from associates and joint ventures:	**21 322**	42 413
– Gross loans receivable from associates and joint ventures	**57 772**	42 413
– Allowances for expected credit losses on loans to associates and joint ventures	**(36 450)**	–

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FOR THE YEAR ENDED 31 JULY 2020

39. RELATED-PARTY TRANSACTIONS continued

Figures in Rand thousand	2020	2019
Transactions between Group companies (subsidiaries)		
Sale of products and services	**2 075 904**	2 710 967
Purchases of products and services	**1 741 043**	2 468 138
Operating expenses	**334 861**	235 349
Interest received	**–**	2 835
Outstanding balances arising from sales/purchases of goods and services		
Loans from EOH Holdings Limited to subsidiaries	**163 193**	2 831 549
Loans to EOH Holdings Limited from subsidiaries	**59 149**	65 968
Directors' remuneration		
The remuneration for directors of the Company paid during the year by subsidiaries within the Group has been disclosed in note 37. Executive directors are defined as key management.		
Vendor loans and receivables	**287**	870

40. SCHEDULE OF DIRECT INVESTMENTS IN SUBSIDIARIES

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

	Effective interest		Carrying amount of investment in shares		Loans owing by/(to) subsidiaries	
Figures in Rand thousand	**% 2020**	% 2019	**2020**	Restated* 2019	**2020**	2019
Direct subsidiaries						
CA Southern Africa Proprietary Limited	**100**	100	**14 924**	14 924	**–**	(40 879)
Enterprise Softworks Proprietary Limited	**100**	100	**15 997**	15 997	**–**	9 943
EOH Abantu Proprietary Limited	**100**	100	**408 405**	499 835	**2 940**	351 829
EOH Consulting Proprietary Limited	**100**	100	**–**	46 176	**91 143**	1 194
EOH International Proprietary Limited	**100**	100	**78 054**	140 468	**69 110**	–
EOH Investment Holdings Proprietary Limited	**100**	100	**–**	–	**–**	–
EOH Mthombo Proprietary Limited	**100**	100	**869 128**	856 316	**–**	2 350 201
Intellient Proprietary Limited	**100**	100	**9 913**	9 913	**(15 000)**	(395)
Mthombo IT Services Proprietary Limited	**100**	100	**–**	28 917	**(8 349)**	(735)
NEXTEC Industrial Technologies Proprietary Limited	**100**	100	**116 113**	116 113	**–**	115 815
EOH Treasury Proprietary Limited	**100**	–	**–**	**–**	**(11 881)**	–
iOCO Holdings Proprietary Limited	**100**	–	**–**	**–**	**–**	–
NEXTEC Holdings Proprietary Limited	**100**	–	**–**	**–**	**–**	–
V55 Investments Proprietary Limited	**100**	100	**–**	**–**	**(23 919)**	(23 919)
			1 512 534	1 728 659	**104 044**	2 763 054
Trusts						
The EOH Share Trust	**100**	100	**–**	–	**–**	–
The Mthombo Trust	**100**	100	**–**	–	**–**	–
EOH Enterprise Development Trust	**100**	100	**–**	–	**–**	–

* *The carrying amount of investments is in shares on NEXTEC Industrial Technologies Proprietary Limited and EOH Mthombo Proprietary Limited as at 31 July 2019 were restated above.*

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

41. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial risk management and fair value disclosures

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

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

- Capital risk
- Liquidity risk
- Interest risk
- Credit risk
- Currency risk

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy at 31 July 2020:

	Carrying amount					Fair value			
Figures in Rand thousand	**Mandatorily at FVTPL**	**Amortised cost**	**Total**	**Held for sale**	**Balance**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets									
Cash and cash equivalents	**–**	**974 580**	**974 580**	**(328 743)**	**645 837**	**–**	**–**	**–**	**–**
Trade and other receivables	**–**	**1 751 276**	**1 751 276**	**(361 515)**	**1 389 761**	**–**	**–**	**–**	**–**
Finance lease receivables	**–**	**124 516**	**124 516**	**(1 676)**	**122 840**	**–**	**–**	**–**	**–**
Other financial assets	**–**	**216 861**	**216 861**	**(18 871)**	**197 990**	**–**	**–**	**–**	**–**
Financial liabilities									
Trade and other payables	**–**	**858 743**	**858 743**	**(355 816)**	**502 927**	**–**	**–**	**–**	**–**
Finance lease liabilities	**–**	**360 965**	**360 965**	**(84 543)**	**276 422**	**–**	**–**	**–**	**–**
Other financial liabilities	**44 043**	**2 739 175**	**2 783 218**	**(29 516)**	**2 753 702**	**–**	**–**	**44 043**	**44 043**

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

	Carrying amount					Fair value			
Figures in Rand thousand	Mandatorily at FVTPL	Amortised cost	Total	Held for sale	Balance	Level 1	Level 2	Level 3	Total
Financial assets									
Cash and cash equivalents	–	1 358 956	1 358 956	(310 373)	1 048 583	–	–	–	–
Trade and other receivables*	–	3 024 989	3 024 989	(720 221)	2 304 768	–	–	–	–
Finance lease receivables	–	179 413	179 413	–	179 413	–	–	–	–
Other financial assets	28 332	67 285	95 617	(7 289)	88 328	–	–	28 332	28 332
Financial liabilities									
Trade and other payables*	–	1 393 011	1 393 011	(544 628)	848 383	–	–	–	–
Finance lease liabilities	–	57 601	57 601	(240)	57 361	–	–	–	–
Other financial liabilities	303 313	3 029 892	3 333 205	(9 248)	3 323 957	–	–	303 313	303 313

* *Comparative figures relating to held for sale amounts have been restated.*

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

All cash and cash-equivalents, short-term receivables and short-term payables carrying amounts approximate their fair values due to their short-term nature.

There have been no transfers between levels of the fair value hierarchy.

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

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41. FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

Financial liabilities at fair value through profit or loss

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

Vendors for acquisition

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

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

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

Fair values have been determined using discounted cash flows. Unobservable inputs include budgeted results based on margins, discount rates and revenue growth rates historically achieved by the various segments. The applicable discount rate is 7%, discounting cash flows over a two-year period. Changing such inputs to reflect reasonably possible alternative assumptions does not significantly change the fair value of the vendors for acquisition liability.

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

Vendors for acquisition reconciliation of movement

Figures in Rand thousand	2020	2019
Balance at the beginning of the year	**303 313**	633 709
Disposals	**(187 735)**	–
Paid to vendors	**(75 286)**	(366 413)
Foreign exchange effects	**66**	2 818
Net changes in fair value	**3 685**	33 199
Balance at the end of the year	**44 043**	303 313

Non-recurring fair value measurements

Disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The fair values are determined based on sales agreements that are in place for each of the disposal groups that are held for sale. The total of such fair values is R1 033 million (2019: R856 million). These fair values are categorised as level 3, based on inputs used.

Gains or losses from continuing operations

Figures in Rand thousand	2020	Restated* 2019
Fair value gains/(losses) on financial assets at fair value through profit or loss	**24 430**	(12 000)
Fair value (losses) on financial liabilities at fair value through profit or loss	**(3 685)**	(33 199)
	20 745	(45 199)

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2020.*

41. FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

Capital risk management

The Group recognises as part of its strategic intent an appropriate capital structure is required to ensure both sustainability of the business and to leverage growth opportunities.

The Group has a historically large debt burden which is not fit for purpose in terms of its capital structure. The stated objective of the Group has been to deleverage the Group to an appropriate capital structure. The deleverage process has primarily been done by disposing of non-core assets and certain IP assets (as disclosed in note 16). The Group is targeting a 70% equity to 30% debt ratio. Significant progress has been made in this regard over the past year.

While the Group is focused on creating a fit for purpose capital structure the full focus has been on deleveraging. Appropriate funding for the business has also been a key focus.

In terms of allocating capital within the business the Group looks at Return on Invested Capital metrics (ROIC) to allocate capital. This is measured against the Group's discount rate of 12.6%, to ensure there is value creation whereby ROIC needs to exceed the discount rate.

The debt to equity ratios were as follows:

	2020	2019
Debt* (R'000)	**2 753 702**	3 323 957
Equity at market value (R'000)	**858 009**	3 138 969
Debt to equity ratio	**76:24**	51:49

* *Debt reflects amounts owed to funders.*

Refer to note 42 which provides further discussion surrounding the EOH Group debt reduction strategy.

Liquidity risk

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

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

Figures in Rand thousand	Less than 1 year	Between 2 and 5 years
At 31 July 2020		
Other financial liabilities	**2 885 894**	**5 674**
Lease liabilities	**173 506**	**227 462**
Trade and other payables	**858 743**	**–**
At 31 July 2019 Restated		
Other financial liabilities*	1 551 716	2 101 123
Lease liabilities	33 000	28 754
Trade and other payables*	1 393 011	–

* *Other financial liabilities have been restated to reflect undiscounted cashflows. Trade and other payables have been restated to correct the accounting of prepaid expenses, refer to note 3.*

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

During the financial period PiA Solar SA Proprietary Limited had breached its debt covenant requirements. As a result, the related borrowing of R132 million has been classified as current within the Group's statement of financial position.

Subsequent to the reporting date the Group has entered into agreements with its lenders, refer to note 42 for further information thereon.

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41. FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

Interest risk

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

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

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

At 31 July 2020, if the interest rate on Rand-denominated borrowings had been 1% higher/lower with all other variables held constant, pre-tax profit for the year would have been R26 million (2019: R30 million) lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

Credit risk and expected credit losses

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

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

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

Figures in Rand thousand	2020	Restated* 2019
Other financial assets	**803 319**	614 615
Finance lease receivables	**129 034**	188 413
Trade and other receivables	**2 147 577**	3 597 562
Cash and cash equivalents	**974 580**	1 409 265
Contract assets	**671 077**	840 811
	4 725 586	6 650 666

** The comparative figures presented have been restated to reflect gross amounts. The restatement has no impact on other disclosures presented in the annual financial statements.*

Impairment losses on financial assets recognised in profit or loss from continuing operations were as follows:		
Impairment loss on other financial assets	**68 973**	433 455
Impairment reversals on finance lease receivables	**(2 681)**	(909)
Impairment loss on trade and other receivables*	**190 170**	88 206
Impairment losses on cash and cash equivalents	**–**	50 309
Impairment loss on contract assets*	**64 250**	35 323
	320 712	606 384

** Impairment losses on trade and other receivables and contract assets include losses of R107 million and R37 million respectively which have been provided for during the period.*

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

41. FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

Trade receivables and contract assets

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

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

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

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

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

Expected credit loss assessment for trade receivables and contract assets

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

Loss rates as per the provision matrix are calculated using a 'roll rate'/'flow rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. 'Roll rates'/'flow rates' are calculated separately for exposures in different industry segments based on the common credit risk characteristics. The exposure to credit risk table presents the gross carrying amount of trade debtors and contract assets by industry together with the associated expected credit loss.

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

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

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

41. FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

Trade receivables and contract assets continued

Expected credit loss assessment for trade receivables and contract assets continued

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 31 July 2020:

Figures in Rand thousand	Gross amount	Weighted average loss rate %	Expected credit loss
Contract assets	671 077	16	127 143
Industry			
Automotive	9 423	16	1 467
Central government	157 485	16	25 582
Construction	40 482	14	5 527
Education	25 821	18	4 542
Energy	68 489	5	3 435
Environmental	4 325	10	449
Financial services	315 617	8	25 919
Food and beverage	83 176	10	8 096
Health	59 013	9	5 054
Hospitality	38 888	26	10 190
Human Capital	14 050	5	736
Information technology	126 327	16	19 989
Legal services	9 781	2	157
Local Government	413 396	13	55 711
Manufacturing and logistics	141 806	16	22 372
Marketing and advertising	3 497	11	389
Membership organisation	176	7	13
Mining	82 211	14	11 788
Other	170 055	39	66 459
Professional business and advisory services	12 073	7	796
Property and facilities management	5 493	11	608
Public benefit organisation	1 408	18	247
Reseller	11 283	83	9 358
Retail	62 655	19	11 888
Security and defence	732	8	62
State-owned entity	132 371	21	27 653
Telecommunications	107 228	16	17 131
	2 768 336		462 762

41. FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

Trade receivables and contract assets continued

Expected credit loss assessment for trade receivables and contract assets continued

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

Figures in Rand thousand	Gross amount*	Weighted average loss rate %	Expected credit loss
Industry			
Automotive	45 920	6	2 672
Central government	284 510	33	92 654
Construction	396 524	6	24 270
Education	109 398	11	12 054
Energy	101 066	8	8 048
Environmental	13 156	6	827
Financial services	320 873	7	20 875
Food and beverage	253 763	8	20 881
Health	59 037	5	2 837
Hospitality	65 202	8	5 083
Human capital	20 675	1	243
Information technology	193 052	11	21 351
Legal services	13 702	12	1 599
Legislatures	4 326	2	73
Local government	1 062 713	22	231 043
Manufacturing and logistics	278 700	4	10 712
Marketing and advertising	1 485	2	24
Membership organisations	2 650	2	63
Mining	178 552	14	25 018
Others	224 977	4	9 497
Professional business and advisory services	5 962	8	500
Property and facilities management	25 932	6	1 614
Public benefit organisations	200	2	3
Reseller	14 693	6	822
Retail	81 537	3	2 488
Security and defence	4 089	20	814
State-owned entity	114 454	16	18 295
Telecommunications	310 599	7	21 695
	4 187 744		536 055

* *Gross amounts reflected includes contract assets.*

The expected loss rate by industry is based on payment profiles of sales over a 11-month period respectively and the corresponding historical credit losses experienced within this period. These loss rates are adjusted to reflect a deterioration in the risk of the customer and macro-economic overlay affecting the ability of the customers to settle the receivables. The macro-economic overlay is based on the difference in default rates during 2008-2010 financial crisis versus a financial non-crisis period and applied to the portion of each industry that is expected to be affected by the COVID-19 crisis (this industry expectation is taken from Fitch).

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

41. FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

Trade receivables and contract assets continued

Expected credit loss assessment for trade receivables and contract assets continued

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

Figures in Rand thousand	2020 Trade receivables	2020 Contract assets	2019 Trade receivables*	2019 Contract assets*
Opening balance	**442 219**	**93 836**	573 980	37 534
Impairment losses recognised on receivables and contract assets	**106 840**	**36 967**	93 628	81 517
Amounts written off during the year as uncollectible	**(158 827)**	**–**	(51 616)	–
Disposals	**(54 475)**	**(3 660)**	–	–
Transfer to assets held for sale	**(25 271)**	**(2 548)**	(183 164)	(25 215)
Foreign exchange translation (gains)/ losses	**(139)**	**–**	9 391	–
Closing balance	**310 347**	**124 595**	442 219	93 836

* *Comparative period amounts have been disaggregated to reflect trade receivables and contract assets separately.*

Trade receivables with a contractual amount of R158 million (2019: R52 million) were written-off during the year.

Cash and cash equivalents

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

Due to the short-term nature of these assets and historical experience, cash and cash equivalents are regarded as having a low probability of default and therefore the related expected credit loss is deemed to be insignificant. However, a cash balance held within a Zimbabwe bank account, related to Twenty Third Century Systems, which has been fully provided for during the 2019 financial year at R50 million, this was due to the risk of changes in currency within Zimbabwe of the bank balance and the difficulty in getting the funds at that time.

The risk rating grade (Moody's) of cash and cash equivalents for the current year are set out below. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

Figures in Rand thousand	Cash and cash equivalents
Credit rating of financial institution	
Aaa – A3	**249 772**
Baa3 – B2	**684 120**
Other	**40 688**
	974 580

Finance lease receivables

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

Other financial assets

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

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

Expected credit losses have been raised for a significant portion of other financial assets, as explained in note 8. The balance of other financial assets comprises amounts receivable from the sale of Construction Computer Software Proprietary Limited and Change Logic CS Proprietary Limited, both of which have settled subsequent to the reporting period. Given the credit losses of banking institutions, restricted cash balances are not exposed to a significant increase in credit risk. Specific assessments were performed on loans provided to equity-accounted entities and Enterprise Development loans.

41. FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

Other financial assets continued

Movements in the allowance for impairment in respect of other financial assets:

Figures in Rand thousand	2020 Other financial assets
Opening balance	**520 628**
Impairment losses recognised on other financial assets	**70 106**
Amounts written off during the year as uncollectible	**(7 677)**
Disposals	**(594)**
Transfer to assets held for sale	**(2 890)**
Closing balance	**579 573**

Currency risk

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

Foreign exchange risk arises from future commercial transactions, recognised assets or liabilities that are denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Groups strategy to dispose of non-core business lines has resulted in the sale of the majority of its foreign investments. The Group has limited investments in foreign operations where the assets are exposed to foreign currency translation risk.

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

Foreign currency financial instruments

	2020				
	Financial assets			**Financial liabilities**	
Figures in Rand thousand	**Other financial assets**	**Trade and other receivables**	**Cash and cash equivalents**	**Other financial liabilities**	**Trade and other payables**
British Pound	**–**	**26 090**	**69 067**	**(67)**	**(34 369)**
US Dollar	**–**	**85 062**	**65 603**	**–**	**(132 964)**
Arab Emirates Dirham	**–**	**55 883**	**11 749**	**(1 656)**	**(77 294)**
Euro	**–**	**67 490**	**35 327**	**(16 762)**	**(79 548)**
Egyptian Pound	**–**	**67 221**	**493**	**–**	**(27 450)**
Indian Rupee	**–**	**–**	**22**	**–**	**(29)**
Saudi Riyal	**–**	**1 430**	**270**	**–**	**(259)**
Other	**686**	**56 789**	**96 460**	**(407)**	**(57 216)**

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

NOTES TO THE **CONSOLIDATED ANNUAL FINANCIAL STATEMENTS** CONTINUED

FOR THE YEAR ENDED 31 JULY 2020

42. EVENTS AFTER REPORTING DATE

COVID-19

The Group considers information obtained subsequent to the reporting date, in relation to events it knows or should have known and expected eventualities identified as at 31 July 2020, as adjusting subsequent events. With regards to financial reporting impacts associated with COVID-19, the key principle is that COVID-19 is considered to be sufficiently prevalent in the Group's major markets at 31 July 2020. Therefore, COVID-19 related events that arise in the post balance sheet period, that provide additional information in relation to assets and liabilities in existence at 31 July 2020, have been considered adjusting subsequent events. New events which occur after 31 July 2020, which do not relate to existing assets and liabilities related to COVID-19 at the reporting date (such as donations to relief initiatives), are considered to be non-adjusting subsequent events, and these, together with their relating financial effects, have been disclosed to the extent that they are considered to be material.

Update to unsecured interest-bearing loan

On 28 August 2020, the Group entered into a new arrangement with an unsecured interest-bearing loan provider with an outstanding capital amount of R200 million, in terms of which it would not be repaid, but rather participate in the deleveraging and refinancing plan and be secured through its participation in the security SPV arrangements.

Debt reduction plan

The Group entered into an agreement with its lenders to deleverage R1 600 million by 1 April 2021. As at 31 July 2020 R540 million had been paid towards the R500 million target due by 30 August 2020. A further payment of R700 million was required by 30 November 2020. R450 million of the 30 November 2020 target was met. The Group's disposal process, which is a road to deleverage, has been impacted by COVID-19 in terms of the time to close a deal and investors taking a conservative view on investing capital into new assets. Lockdown level 5 and level 4 had a significant impact on delaying the process as well as an impact on operating performance of the IP B2B2C assets. The months since July have seen a meaningful improvement in the performance of these assets. As a result of these delays the Group was unlikely to meet its R700 million target for 30 November 2020. The Group has obtained a waiver on financial covenants and an amendment to defer the R250 million target to 28 February 2021 when the last payment is due of the total R1.6 billion.

The Group is in advanced discussions with its lender group to restructure the debt into a more long-term acceptable capital structure and has signed an indicative term sheet.

Disposal of assets

On 13 December 2019, EOH advised shareholders that a sales agreement had been entered into between EOH Abantu Proprietary Limited (EOH Abantu), a wholly owned subsidiary of EOH and a subsidiary of Afrocentric Investment Corporation Limited (Afrocentric), in terms of which EOH Abantu disposed of all of its shares in Dental Information Systems Holdings Proprietary Limited (DENIS) for a total consideration of R250 million. All suspensive conditions pertaining to the Denis transaction have now been fulfilled and the first R234 million payment related to the transaction was received on 30 September 2020, with R16 million being held in escrow until 1 April 2022.

On 20 April 2020, EOH announced the sale of the remaining 30% stake in CCS to RIB Limited (RIB), a wholly owned subsidiary of RIB Software SE, for a total consideration of R143 million. In addition to the early exercise of the call option, RIB agreed to release the full cash amount in escrow of R47 million, by no later than 30 September 2020 which has now been completed.

42. EVENTS AFTER REPORTING DATE continued

Disposal of MARS Holdings Proprietary Limited

The Group entered into a share purchase agreement ('SPA') on 18 November 2020 to dispose of 100% of the issued ordinary shares of MARS Holdings Proprietary Limited, together with its subsidiaries and associates (together 'Syntell'), to K2020776145 South Africa Proprietary Limited ('the Purchaser'), for a consideration of R211 million ('the Base Purchase Price') ('the Transaction').

The Transaction is in line with EOH's stated strategic intent of selling non-core assets as it seeks to right-size the Group and deleverage its balance sheet. Furthermore, the execution of the Transaction provides EOH with the opportunity to extinguish the last sizeable VFA liability of R36 million on the EOH balance sheet ('the VFA Liability').

The cash consideration received by EOH will primarily be utilised to reduce debt which is consistent with EOH's objective of creating a fit-for-purpose capital structure. The remainder of the proceeds will be utilised for the working capital requirements of EOH.

On 18 November 2020, the Purchaser paid the Group a cash amount equal to the Base Purchase Price, less the VFA Liability of R36 million. Furthermore, a shareholder loan from the Group of R10.5 million was settled by Syntell prior to the Signature Date.

The SPA contains undertakings, warranties and indemnities that are customary for a transaction of this nature and the Transaction is not subject to any conditions precedent.

Liquidation of NEXTEC Advisory Proprietary Limited

NEXTEC Advisory Proprietary Limited, being a wholly owned subsidiary in the Group, was placed in voluntary liquidation subsequent to reporting date. The Company reflected a loss after tax for the year of R27 million and has a negative net asset value at 31 July 2020 of R17 million. The business of this company was its use of a radio frequency identification tracking solution developed for the public sector. The Tshwane Trust has formally been appointed as liquidator.

Forensic investigation into suspect payments

At the initial stage of the investigation, three contracts were identified as having apparent irregularities including collusion to bypass State Information Technology Agency ('SITA') processes to enable over-invoicing. The provision for the over-invoicing was raised in the Group's 2019 annual financial statements and remained with no update required. Refer to note 23 for the provision raised.

EOH declared the over-invoicing to the National Treasury at a meeting on 31 May 2019 and has already commenced reimbursing the Special Investigations Unit for the overcharging in two contracts, pursuant to an agreement which states that EOH will repay approximately R42 million as reimbursement for the overcharging. EOH is in the process of finalising a similar reimbursement arrangement with regards to the remaining third and final contract.

SHAREHOLDERS' **ANALYSIS**

	31 July 2020				31 July 2019			
	Number of shareholders	**%**	**Number of shares**	**%**	Number of shareholders	%	Number of shares	%
Analysis of shareholdings								
Holdings								
1 – 10 000	**8 532**	**68.38**	**2 043 468**	**1.16**	7 517	70.38	2 002 080	1.13
10 001 – 50 000	**2 945**	**23.60**	**10 564 908**	**5.98**	2 467	23.10	8 047 697	4.56
50 001 – 100 000	**857**	**6.87**	**26 611 399**	**15.07**	555	5.20	16 733 404	9.48
100 001 – 1 000 000	**121**	**0.97**	**32 218 965**	**18.25**	110	1.02	30 729 873	17.41
1 000 001 and more	**22**	**0.18**	**105 106 221**	**59.54**	32	0.30	119 031 907	67.42
	12 477	**100**	**176 544 961**	**100**	10 681	100	176 544 961	100
Shareholder categories								
Banks	**34**	**0.27**	**6 538 210**	**3.70**	57	0.53	14 079 057	7.97
Close corporations	**58**	**0.46**	**496 584**	**0.28**	72	0.67	348 994	0.20
Empowerment	**2**	**0.02**	**23 062 458**	**13.06**	2	0.02	23 062 458	13.06
Endowment funds	**27**	**0.22**	**248 310**	**0.14**	36	0.34	335 321	0.19
Individuals	**11 475**	**91.97**	**41 054 508**	**23.25**	9 226	86.38	22 438 238	12.71
Insurance companies	**21**	**0.17**	**540 557**	**0.31**	37	0.35	7 315 015	4.14
Investment companies	**3**	**0.02**	**5 505**	**0.02**	10	0.09	6 832 163	3.87
Medical schemes	**2**	**0.02**	**243 143**	**0.14**	4	0.04	316 862	0.18
Mutual funds	**43**	**0.34**	**32 200 567**	**18.24**	97	0.91	52 187 524	29.56
Other corporations	**36**	**0.29**	**91 613**	**0.05**	54	0.51	456 316	0.26
Own holdings (treasury shares)	**2**	**0.02**	**5 547 604**	**3.14**	2	0.02	5 724 952	3.24
Private companies	**226**	**1.81**	**10 308 439**	**5.84**	231	2.16	6 134 048	3.47
Public companies	**5**	**0.04**	**161 970**	**0.09**	7	0.07	279 343	0.16
Retirement funds	**29**	**0.23**	**45 202 230**	**25.60**	58	0.54	21 365 159	12.10
EOH share trusts	**514**	**4.12**	**10 843 263**	**6.14**	788	7.38	15 669 511	8.88
	12 477	**100**	**176 544 961**	**100**	10 681	100	176 544 961	100

Major shareholders

According to the records of the Company, the only shareholders registered at 31 July holding 3% or more of the Company's shares were:

	31 July 2020		31 July 2019	
	Number of shareholders	**%**	Number of shareholders	%
Lebashe Investment Group	**23 062 458**	**13.06**	23 062 458	13.06
Government Employee Pension Fund	**16 521 692**	**9.36**	15 141 491	8.58
State Street Bank & Trust Co (Custodian)	**–**	**–**	8 005 366	4.53
Foord	**11 280 117**	**6.39**	11 818 135	6.69
PSG Konsult	**–**	**–**	8 212 387	4.65
Fidelity	**7 719 116**	**4.37**	7 305 830	4.14
Bejaled Trust	**–**	**–**	5 522 500	3.13
EOH treasury shares – V55 Investments Proprietary Limited	**5 547 604**	**3.14**	5 724 952	3.24
Fairtree Capital	**–**	**–**	7 231 991	4.10
Rand Merchant Bank	**–**	**–**	5 417 818	3.07
Metal & Engineering Industries Retirement Funds	**25 245 580**	**14.30**	–	–
	89 376 567	**50.62**	97 442 928	55.19

Shareholder spread

	31 July 2020		31 July 2019	
	Number of shareholders	%	Number of shareholders	%
Public shareholders	**145 319 391**	**82.31**	144 974 831	82.12
Non-public shareholders	**31 225 570**	**17.69**	31 570 130	17.87
Directors, associates and management of the Company	**274 000**	**0.16**	432 025	0.24
Strategic holdings	**23 062 458**	**13.06**	23 062 458	13.06
EOH share trusts	**2 341 508**	**1.33**	2 350 695	1.33
EOH treasury shares – V55 Investments Proprietary Limited	**5 547 604**	**3.14**	5 724 952	3.24
	176 544 961	**100**	176 544 961	100
Shares in issue				
Total number in issue	**176 544 961**		176 544 961	
Share trusts	**(2 341 508)**		(2 350 695)	
EOH treasury shares – V55 Investments Proprietary Limited	**(5 547 604)**		(5 724 952)	
Effective number of shares in issue	**168 655 849**		168 469 314	

SHAREHOLDERS' **DIARY**

Financial year end	31 July 2020
Annual general meeting	Wednesday, 20 January 2021
Reports	
Announcement of annual results for the year ended 31 July 2020	Wednesday, 2 December 2020
Posting of the Annual Integrated Report for the year ended 31 July 2020	Wednesday, 2 December 2020

GLOSSARY

FINANCIAL

Adjusted EBITDA:	Profit/(loss) before depreciation, amortisation, share-based payment expense, gain/loss on disposal of subsidiaries and equity-accounted investments, impairments of non-financial assets, share of profit/loss of equity-accounted investments, remeasurement gains/losses on VFA liability, interest income, interest expense and current and deferred tax.
B2B2C:	Business-to-Business-to-Consumer
Cash realisation rate:	This ratio is calculated by expressing cash generated by operations as a percentage of EBITDA and reflects the proportion of cash operating profit realised after working capital movements.
Dividend cover:	Headline earnings per share divided by dividends per share declared out of earnings for the year.
Dividend yield:	Dividend per share as a percentage of market value per share at year end.
Earnings per share:	Net profit/(loss) for the year attributable to the owners of EOH Holdings Limited divided by the weighted average number of ordinary shares in issue during the year.
Earnings yield:	Headline earnings per share as a percentage of market value per share at year end.
Normalised EBITDA:	Adjusted EBITDA adjusted for once-off cash and non-cash items.
Headline earnings:	Net profit for the year adjusted for profit/loss on sale of property, plant and equipment, investments and impairment losses on non-financial assets.
Headline earnings per share:	Headline earnings divided by the weighted average number of ordinary shares in issue during the year.
Net asset value per share:	Ordinary shareholders' equity divided by the number of ordinary shares in issue.
Operating profit before interest and impairments:	Profit before impairment losses, interest and taxation.
Operating profit margin:	Operating profit as a percentage of revenue.
Price to earnings ratio:	Market value per share divided by headline earnings per share at year end.
Price to net asset value ratio:	Market value per share divided by net asset value per share at year end.
Return on total assets:	Operating profit as a percentage of average total assets.
Core normalised EBITDA:	Normalised EBITDA adjusted for non-core business lines to be closed.

NON-FINANCIAL

OEM:	Original Equipment Manufacturer, OEMs (pronounced as separate letters), are typically manufacturers who resell another company's product under their own name and branding.
AI:	Artificial intelligence (AI) refers to the simulation of human intelligence in machines that are programmed to think like humans and mimic their actions. The term may also be applied to any machine that exhibits traits associated with a human mind such as learning and problem solving.
IOT:	The internet of things, or IOT, is a system of interrelated computing devices, mechanical and digital machines, objects, animals or people that are provided with unique identifiers (UIDs) and the ability to transfer data over a network without requiring human to human or human to computer interaction.