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EOH 2019 INTEGRATED REPORT



EOH

2019
Integrated Report

About The Integrated Report

Introduction and scope of the report

We are pleased to present our 2019 integrated report which covers the performance of EOH Holdings Limited ('EOH Holdings' or 'the Company') and its subsidiaries (hereafter referred to as 'EOH' or 'the Group') as well as its associates and interests in joint ventures for the year ended 31 July 2019.

EOH's integrated report contains the full set of audited Consolidated Annual Financial Statements for the year ended 31 July 2019.

Preparation of the integrated report

The following reporting frameworks were considered when preparing this report:

- The Companies Act of South Africa.
- The Listings Requirements of the JSE Limited ('JSE Listings Requirements').
- The principles of the King IV Report on Corporate Governance™ or King IV™ ('King IV')*.
- International Financial Reporting Standards ('IFRS').
- International Integrated Reporting Council ('IIRC') integrated reporting ('*KIR*') Framework.

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

Materiality

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

Assurance

The Board of directors of the Company ('the Board'), assisted by the Audit Committee, is responsible for ensuring the integrity of the integrated report. Accordingly, EOH applies the combined assurance model by using a combination of external service providers and the input of management. The audit opinion expressed by the external auditors is included in their audit report as part of the Consolidated Annual Financial Statements.

Forward looking statements

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

Approval of the integrated report

The Board acknowledges that it is responsible for ensuring the integrity of this report and has applied its collective mind in the preparation thereof. The Board believes that the report has, in all material respects, been presented in accordance with the IIRC integrated reporting *KIR* Framework.

Stephen van Coller
Stephen van Coller

Chief Executive Officer



Dr Xolani Mkhwanazi
Chairman

1 November 2019

Bastión

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About EOH

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

The Group's c.10 500 employees deliver services to over 2 500 large enterprise customers across all major industries throughout South Africa, Africa, Europe and the Middle East. As a proudly South African business, EOH is committed to sustainable transformation, making a positive, meaningful contribution to society, and is a level 1 Broad-based Black Economic Empowerment ('B-BBEE') contributor.

EOH Group Purpose

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

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

Our Philosophies



Solutions that create value for our customers

A diverse, ethical, and talented workforce

A vibrant and innovative digital ecosystem

Building technology skills in communities

The elimination of corruption

Taking action on climate change

To lead and grow innovative and sustainable technology solutions

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

To nurture innovation, partnerships and growth in the digital sector

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

Share the lessons we have learned and enable a high integrity business

Protecting our planet through enabling technologies

A year of changes

3 September '18

Appointment:
Stephen van Coller
Group CEO

BEE transaction with
Lebashe implemented
with effect 1 October
2018

15 January '19

Appointment:
Megan Pydigadu
Group CFO

Reorganised business
into three key pillars –
NEXTEC, iOCO, IP

1 October '18

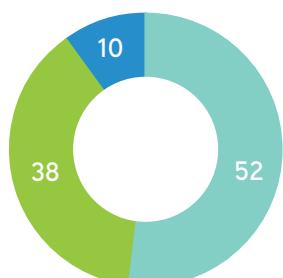
March '19

EOH is one of the largest technology services companies in Africa and has a wide range of solutions in industry consulting, IT services, software, industrial technologies and business process outsourcing.

THE EOH BUSINESS COMPRISSES THREE MAJOR PILLARS WITH CLEAR ALIGNMENT OF FOCUS AND GROUPINGS OF VALUE:



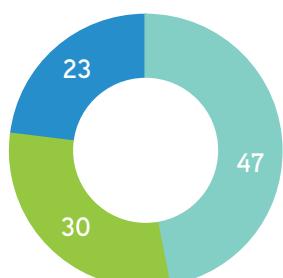
2019 Revenue (%)



Salient features for the year under review

- Enhanced King IV compliant Board and new executive leadership.
- Strategic focus defined for the short term. Further refinement and assessment of portfolio ongoing.
- Embarked upon a fit-for-purpose capital structure.
- Progress made towards reducing leverage.

2019 Gross profit (%)



Key financial indicators

- Continuing revenue – **R11 791 million**.
- Normalised EBITDA – **R792 million**.
- Cash of **R1 049 million**.
- Net asset value of **R1 957 million**.

■ iOCO ■ NEXTEC ■ IP



Chairman's Report



Dr Xolani Mkhwanazi ▶
Chairman

"I was mindful to look beyond the headlines and saw the tremendous value, technology innovation and entrepreneurial spirit upon which EOH was built. EOH has the potential to power both the private and public sector to redress inequality by creating an inclusive digital economy and society."

Q: Dr Mkhwanazi, what were your first impressions of EOH when you were appointed as Chairman in June 2019?

A: I was mindful to look beyond the headlines and saw the tremendous value, technology innovation and entrepreneurial spirit upon which EOH was built. I found a business with some of the best minds and solutions in the technology industry, with exceptional potential to drive progress and service delivery across the African continent.

I found a new executive team, under the leadership of Stephen van Coller, which

was committed to fixing the past and was putting in place the building blocks of the EOH of the future. This included the daunting task of leading an investigation in the midst of high stakeholder scrutiny.

From the very beginning, I was drawn to its uncompromising commitment to transparency and zero tolerance for corruption as a Board and Executive Committee ('EXCO'). I believe that this will be one of the defining factors in rebuilding our reputation as Africa's leading technology business.

There is no doubt that this past year will stand out as one of the most transformative in the history of EOH.

Q: How do you view EOH in the context of the operating environment?

A: Our South African democracy and society have been greatly impacted by the scourge of corruption. It is an anchor that drags us all down, a millstone around the necks of productive citizens. It increases the costs of doing business, stunts competitiveness and has a negative impact on growth and jobs.

There is no doubt of the potential of technology to drive progress and secure long-term economic growth. The fourth industrial revolution in the South African context refers to new ways in which we introduce and use technology into our societies.

Many of our citizens do not have access to basic services but EOH has the potential to power both the private and public sector to redress inequality by creating an inclusive digital economy and society.

Q: How is the Board working with the executive management to address the findings of the investigation into governance irregularities and rebuild one of Africa's largest technology company?

A: When you do not have a sound governance framework, you create an enabling environment for wrongdoing; and given what we have been through as the EOH business, we are now intensely focused on putting the building blocks in place for good governance.

When ENSafrica was appointed to conduct an expanded investigation into governance irregularities, it was given unfettered access to the business. The Board and EXCO are committed to acting decisively to address the findings of the report. Where parties are found to have been complicit in wrongdoing at EOH or whether they demonstrated a clear lack of leadership, accountability and poor judgement, we will hold them accountable.

The role of a skilled board of directors and the responsibilities of directors to prevent and act on corruption, in a clear and compelling way is crucial. Corruption is more likely to flourish where governance structures are weak and where there is insufficient oversight and appetite at the executive level.

We as a board have assisted and supported the management team in the strategic work being done to revise the corporate structure, implement risk management and mitigation initiatives, appoint new leadership and increase transparency, accountability and reporting.

Q: What has been EOH's approach to increasing transparency?

A: The systemic and far-reaching nature of EOH's business in both the public and private sector has resulted in high scrutiny and interest from our

stakeholders. While it is always good practice to engage transparently and robustly with stakeholders, it has been especially crucial during the challenging time we have been through as a business.

I certainly believe that the leadership team's commitment to consistent and transparent communication with key stakeholders including staff, lenders, regulators and clients has stood EOH in very good stead in building trust and confidence.

Q: What are the priorities of the Board and the executive management in the year ahead?

A: We are focused on embedding the newly adopted strategy to create a more efficiently structured and managed business for enhanced client delivery. We are working to retain and attract the best talent in the technology industry to drive innovation and growth in the core businesses.

Very importantly, we are focused on returning value to our shareholders and delivering to a broader set of stakeholders.

Q: What is your message to the people of EOH?

A: The Board is grateful to CEO, Stephen van Coller and the extended EOH leadership team for their determined leadership throughout this challenging process.

We also wish to thank all the whistleblowers who acted with integrity and did the right thing in coming forward during the investigation process. We thank ENSafrica and investigating partners, XTND, for their tireless efforts and commitment to a robust, transparent and fair process.

Importantly, the Board would like to thank EOH employees who continue to serve clients with excellence and integrity. The overwhelming majority of people desire to work for an ethical business and do their work with integrity. Allowing the corrupt activities of only a few people to taint an entire business – or a country – must never be allowed.

Board pledge

"We have a duty to ensure adherence to principles of good governance and accountability as well as to foster a culture of diversity, inclusion and respect.

We will give the management team our unwavering support as it strives to rebuild EOH into a business all stakeholders can be proud of."

The EOH Board of directors

Our best contribution to South Africa, beyond the far-reaching provision of best-of-breed technology services to our clients, is to run an ethical business and contribute to meaningful social and economic growth.

We have a commitment to all of our stakeholders and pledge to help the executive management of EOH create and maintain value for all its stakeholders.



Dr Xolani Mkhwanazi
Chairman



COURAGEOUS LEADERSHIP 2019

OUR JOURNEY TOWARDS THE EOH OF THE FUTURE

Our recent history has been challenging and required swift and decisive action. We acknowledged the need for a fundamental paradigm shift. We resolved to act with courage to clean up the business from a governance and financial perspective in order to build a culture of deeply responsible and ethical EOH citizens.

We launched the EOH Courageous Leadership Series in September 2019 as a platform to share our learnings alongside SA's courageous pioneers who spoke about the critical issues facing our country, social justice, the environmental crisis, the importance of Courageous Leadership, and the reasons why corporates need to stand for something and lead with purpose.

This series is our commitment to this ethos and has kick-started our journey toward a proud and ethical future.



The EOH Courageous Leadership initiative was borne from the need to instil a new and sustainable ethos within EOH. The key tenet of the initiative is about putting courageous principles at the forefront of our decision making. This means taking a stand for what we believe in, doing the right thing even if it comes at a price, failing forward, having the courage to admit our mistakes, and most importantly taking accountability and working as a team to remedy them.

“When adversity is embraced, it can be turned into a stepping stone. At the core of courage is doing the things that you are afraid of. It takes courage to take responsibility.” Professor Thuli Madonsela

“As courageous leaders we need to understand what the community wants, instead of what we want.”

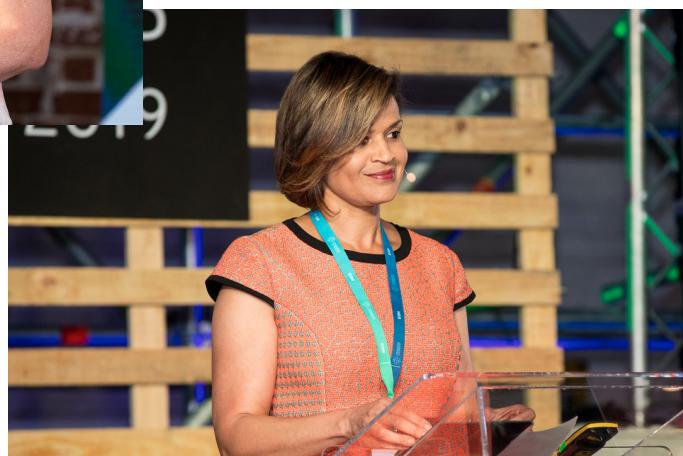
Group Chief Executive Officer,
Stephen van Coller



Stephen van Coller, Group CEO and Professor Thuli Madonsela

“For South Africa to succeed we need to all work together so that we can create a country that we can be proud to leave behind for our children. I am reminded of a famous quote – If not now, then when? If not you, then who? ”

Group Chief Financial Officer,
Megan Pydigadu



“We must partner with like-minded organisations and people on this journey of Courageous Leadership. Let us make our voices heard and be accountable, regardless of our role. Let us leave this world a better place.”

Chief Risk Officer, Fatima Newman



To read more on Courageous Leadership go to www.eoh.co.za

Chief Executive Officer's Report



Stephen van Coller ▶
Group Chief Executive Officer

"The past 12 months have been very difficult for EOH. We have spent extensive time focusing on cleaning up the business, both from a governance and financial perspective, and understanding the Group's strategic capabilities. I have been impressed by the spirit of my colleagues who have worked tirelessly during this challenging period. While there is still much to do, the path is much clearer."

OUR TURNAROUND PROMISE WITH CLEAR PRIORITIES



Credibility

- Deal with the allegations
- Provide transparency on outcomes
- Rebuild an ethical business



Liquidity

- Deleverage the balance sheet
- Pursue other opportunities to unlock liquidity
- Address costs



Transparency

- Unpack business model for investors
- Provide transparent reporting
- Develop a strategy to return to growth

Q: Stephen, what attracted you to EOH when you joined?

A: I was incredibly enthusiastic about joining EOH in September 2018 and I looked forward to growing its reputation as the leading provider of technology services on the continent. I saw the enormous potential of leveraging the company's entrepreneurial culture, the best technology brains in the industry as well as the unparalleled breadth of IT solutions which allow for the creation of a 'one-stop shop' for many clients. This, coupled with the highly innovative IP businesses, positioned EOH to play a key role in society given its ability to serve almost the full spectrum of client needs in large private companies and the public sector.

This potential still absolutely exists for EOH and fuels my vision for what we can be: a force in the technology sector. It is, however, safe to say that this past year has brought the most unprecedented adversity since EOH's listing on the JSE 21 years ago.

Q: What did you find?

A: Very early on, several issues which were hindering the unlocking of value and sustainability, became clear. EOH's strategy was opaque to investors and other stakeholders. As a result of an aggressive acquisition strategy, the mix of businesses was diverse and heavily weighted toward service and software (products and tools) versus the sale of solutions. This acquisition strategy was often funded by imprudent levels of debt and because several of the businesses purchased required investment and were not cash generative, this created significant pressure on margins.

There existed an individualistic model with non-standard processes and limited collaboration. This allowed multidisciplinary duplications in multi-

layered businesses and no centres of excellence. The lack of segregation of duties and the large number of companies operating independently created a difficult financial construct (with proliferation of bank accounts) leaving it vulnerable to accounting fraud, unwieldy intercompany processes, inefficient tax structures and weak financial discipline.

Several large financial missteps and unhealthy cash management practices made during previous years further exacerbated the company's tenuous financial position. These included the injection of R900 million into a Zimbabwean project using debt; spending R750 million on non-cash generating assets, also using debt and inefficient contracting on complex projects with overall costs of R750 million. Remarkably, R400 million cash was spent on a single client business that had to be reversed.

Today we have large outstanding commitments to vendors and banks and have spent the better part of the year reorganising the business for a more appropriate capital structure; cleaning up and deleveraging the balance sheet.

Q: What steps did you take to deal with these issues?

A: The appointment of key executive team members, including a new Group Chief Financial Officer and Chief Risk Officer, a respected board of directors and a transparent approach have greatly assisted the Group in navigating significant challenges and set the direction for the future. While we are not yet out of the woods, a year down the line I can report that we have made significant and meaningful progress in rebuilding a sustainable and well-governed EOH.

SALIENT FEATURES

EOH affirms its commitment to building a sustainable, agile and competitive business.

- EOH remains an integral technology partner for major South African corporates as well as key metros and government departments.
- Meaningful progress made towards addressing legacy governance issues, future-proofing the business and aligning financial performance.



For more information go to www.eoh.co.za

An initial Group-wide strategic review identified the need to transform the business. While good progress has been made on implementing this transformation, the task of addressing legacy governance issues, future-proofing the business and aligning strategic and financial performance has been monumental. Further business reviews started to point to a serious financial situation within the Company and combined with ongoing reputational headwinds around governance irregularities created the need for a 'survival' strategic plan.

Chief Executive Officer's Report

continued

In early March we started zoning in on three urgent tactical priorities. The first was to rebuild the business's credibility and reputation by addressing the corruption allegations and putting processes in place to protect the business. Secondly, we needed to address the liquidity issues through financial clean-up and discipline; delever the balance sheet as quickly as possible and lastly we needed to build a robust, transparent business model that allows for future growth and the re-establishment of client and investor confidence.

We are making good progress on all of these initiatives and the EOH of the future is starting to take shape.

Q: How do you go about creating a transparent business for the benefit of clients?

A: We continue to spend much of our time rigorously and transparently engaging our staff, clients, including their senior team and risk committees, and all our other stakeholders. We have made tremendous strides in implementing transparent financial reporting and disclosure practices.

While imposing stricter lending conditions, the lending banks have expressed their ongoing support of EOH and remain committed to both short-term and long-term funding solutions, should

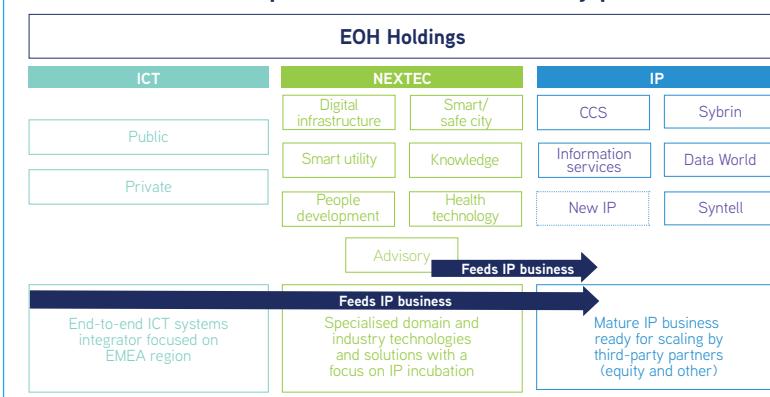
they be required, in order to ensure business as usual over this period.

Notwithstanding the headwinds, there were also clear opportunities to unlock value. We began the process of reorganising the business into value groupings to facilitate transparency to investors and allow businesses to run at different speeds and scale where appropriate. There are many building blocks in the business which if leveraged could facilitate the emergence of a leading fintech provider in the market. Additionally, there exists a solid annuity profile in some businesses given that their services are entrenched and core to clients' success.



Transparency

Detailed portfolio review of three key pillars



Clear path to simplified structure:
↓70%
in legal entities

Launched



>100 hours spent with client risk committees and senior executives



Enhanced financial reporting and disclosures
Extensive balance sheet clean up



Crafted a strategic turnaround plan to harvest profitable business

A very important step was the refocusing of the business on three key pillars, namely iOCO (the ICT business), NEXTEC (which will focus on new growth opportunities) and Intellectual Property (IP). Part of this process has seen us take steps to significantly reduce the number of legal entities in the Group to simplify the operating structures. The launch of iOCO was a key milestone in the internal reorganisation process, aimed at simplifying the ICT business, integrating client offerings under one brand, driving governance imperatives, and aligning the service delivery model and offerings for the cloud economy and to take advantage of the next wave of South Africa's changing ICT industry.

Work on the NEXTEC strategy continues, including how iOCO, NEXTEC and the IP businesses will work together to optimise value for EOH shareholders, with umbrella shared services being provided by EOH.

Off the back of this progress, the iOCO, NEXTEC and our IP businesses are now focused on maintaining the sales momentum and developing new relationships and new business. We, however, believe that many of our client relationships are long term in nature and despite these headwinds, our service teams continue to provide best-in-class technology service and solutions.

Q: What has been the impact of widely reported governance breaches at EOH?

A: Microsoft's termination of our partnership and the widely reported governance breaches in EOH's public sector business had an enormously destabilising impact on the business.

Significant management time had to be dedicated to the extensive forensic investigation conducted by ENSafrica which revealed serious and fundamental flaws in the way most of the public sector business had been managed. Suspicious transactions to the value of R1,250 million had been identified of which approximately R315 million has now been classified as legitimate.

A complex business like EOH requires advanced financial and governance systems and transparent oversight from its leadership. It is abundantly clear that these did not exist at EOH and the lack of appropriate financial management and governance provided fertile ground for the significant wrongdoing to take place. This resulted in approximately R935 million being misappropriated, of which R665 million related to invoices to third parties where no work was done, effectively robbing shareholders.

Our reputation and credibility suffered, creating uncertainty with clients and a slowdown of the business pipeline. We saw a change in client behaviour through the delay or non-award of bids and in some cases holding off on payment until they could see the outcome of EOH's situation. Staff morale was impacted and we risked losing good talent.

We recognised the need for proactive engagement with our staff and clients as we went about the task of stabilising the business. Consequently, we have invested a significant amount of time listening and responding to the concerns and expectations of our key stakeholders and have been encouraged by the positive feedback we have received.

Q: What is the process now that the investigation is substantially completed?

A: In line with the Board decisions the cases have been reported to the authorities in accordance with our statutory reporting obligations, and well beyond, as well as proceeding with legal processes and criminal charges to recover losses. The process will now take its course with the relevant authorities to hold accountable all those parties implicated in wrongdoing.

Most importantly, we are making extensive progress to embed a sound governance and risk mitigation programme at EOH. This includes rigorous systems and processes which significantly mitigate and reduce the reoccurrence of such widespread fraud. The new EOH has no room for unethical business practices and each person who works here or does business with us will be held accountable for good governance.

Q: What is your outlook for EOH?

A: My primary role as CEO is still to corporatise and formalise the business, rebuild confidence and return value to all our stakeholders. Having completed a more detailed strategic review and testing our new operating model we will continue to rebuild the Company.

The past 12 months have been very difficult for EOH. We have spent extensive time focusing on cleaning up the business, both from a governance and financial perspective as well as understanding the Group's strategic capabilities. I have been impressed by the spirit of my colleagues who have worked tirelessly during this challenging period. While there is still much to do, the path is much clearer.

Chief Executive Officer's Report

continued

In the short term we will focus on continuing to deleverage our balance sheet while implementing governance changes and over the longer term we remain steadfast in a vision of a more synergised and focused offering that is well positioned to take advantage of the next wave of change in the ICT industry.

We will invest heavily in the sales and advisory function of the business to protect the client base and continue to build on our strengths in providing a one stop shop for all clients' needs. This is being driven through a plan to manage client concerns and generating robust, sustainable pipelines. The goal is to drive up productivity and protect business for the next stage.

We will invest in the core businesses of the solutions development which provide the foundation for the future in our key businesses lines of App Development, Data, Cloud and Security. Our traditional Technology business in iOCO will continue to leverage its legacy products and services.

Following a deep dive of our NEXTEC business there are questions on the scalability of these businesses as well as the capital structure requirements which may not be able to be accommodated given our current financial situation. Most of these businesses are undergoing a reassessment to determine next steps.

We will continue to refine our portfolio of assets, create liquidity events, and exit non-core businesses. We will pursue strategic sales to scale and grow businesses in partnership with the right investment partners as in the CCS transaction where we entered into a partnership with German firm, RIB.

As CEO I am deeply thankful to our clients who have stayed the course with us. I am also grateful to our Board of directors, my EXCO and all the EOH employees who continue to serve clients with excellence and integrity. As one of the largest technology businesses on the continent, there is significant value in the EOH business and we must not let these headwinds discourage or taint our potential.

This has been a difficult time for the EOH business but we will continue the process of meaningful engagement with all our stakeholders. The new EOH, which is transparent, rich in dialogue and an ethical environment where employees can innovate and grow, has begun to take shape.

I am looking forward to the 2020 year where we can build and grow strategically.



Stephen van Coller
Group Chief Executive Officer



An integrated technology services company



We are your digital transformation journey partner. We are iOCO.

On 26 July 2019, EOH relaunched the ICT business, which was rebranded as iOCO. This represented a key milestone in the internal reorganisation process, aimed at simplifying the ICT business, integrating client offerings under one brand, driving governance imperatives and aligning the service delivery model and offerings for the cloud economy and the fourth industrial revolution ('4IR').

Through its acquisitions over the years, EOH has accumulated the largest collection of ICT skills on the continent. Our divisions have operated under a fair degree of independence, often under their own brands. The competitive demands of the 4IR requires a partner that has the skills to transform legacy technology, while implementing disruptive platforms of the future. iOCO's unique strength as a partner is the depth and breadth of capabilities we combine to help clients seamlessly navigate this two-speed world.

iOCO's go-to-market model also allows for continued focus on over 90 global technology partner product offerings and provides focus and support for international ICT operations.

While immense progress with corporate governance provides a clean, new platform for doing business, the launch of the iOCO brand marks the acceleration of our long-term vision to enable our clients in a truly digital, mobile and data-driven future. The essence of our change is rebranding and the alignment of our operating framework to better serve our clients under the iOCO brand.

iOCO now comprises approximately 4 500 employees that will deliver services around six basic domains



OPEN, INTEGRATED,
MULTI-CLOUD SOLUTIONS



DIGITAL
ADVISORY



APPLICATION
SOLUTIONS



DATA, INTELLIGENCE
& ANALYTICS



COMPUTE, PLATFORMS
& CONNECTIVITY



TECHNOLOGY MANAGEMENT
& SOURCING

ioco.tech

Operating Model

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

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

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

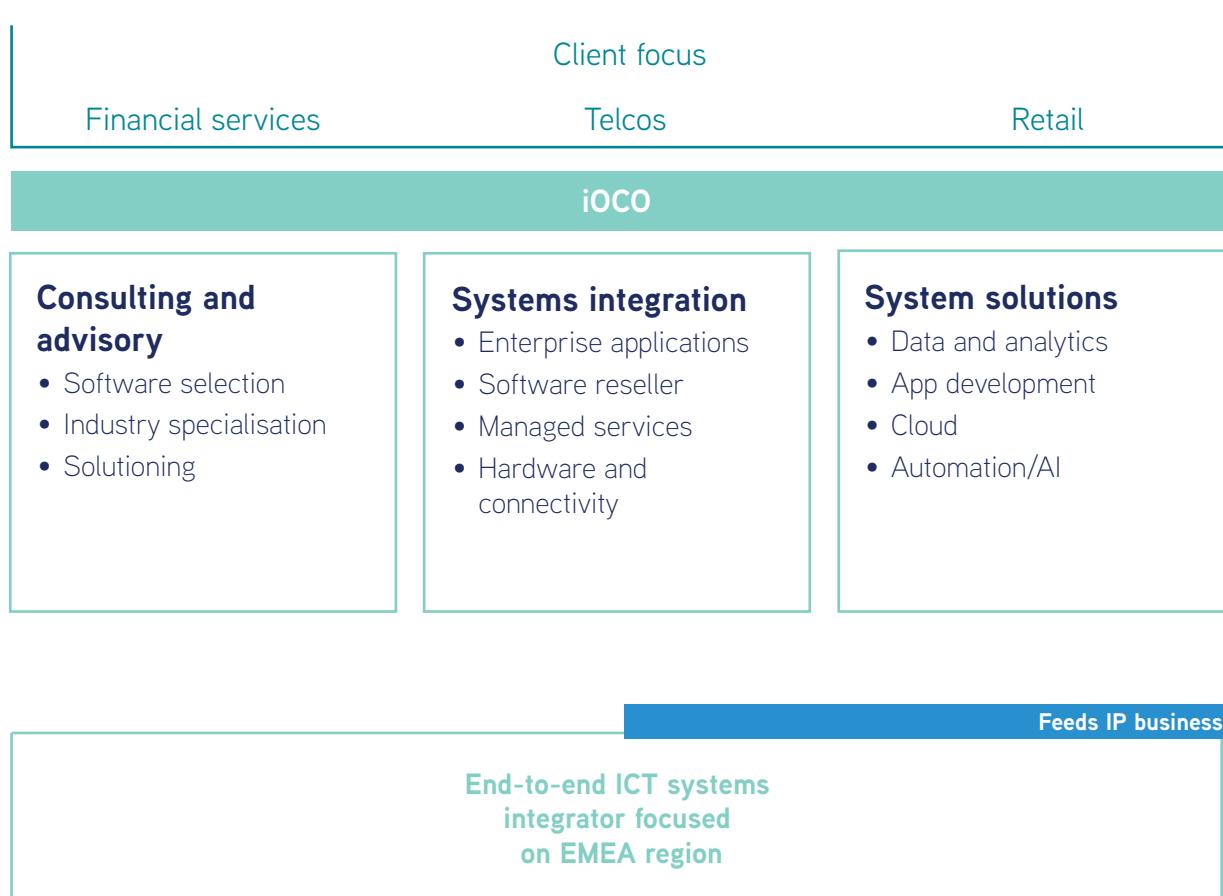
This was accompanied by a significant scaling back of our international operations, selling those businesses where we had limited competitive advantage or scale (e.g. international SAP operations) and integrating high potential businesses back into the major pillars.

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

ICT ('iOCO')

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

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



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

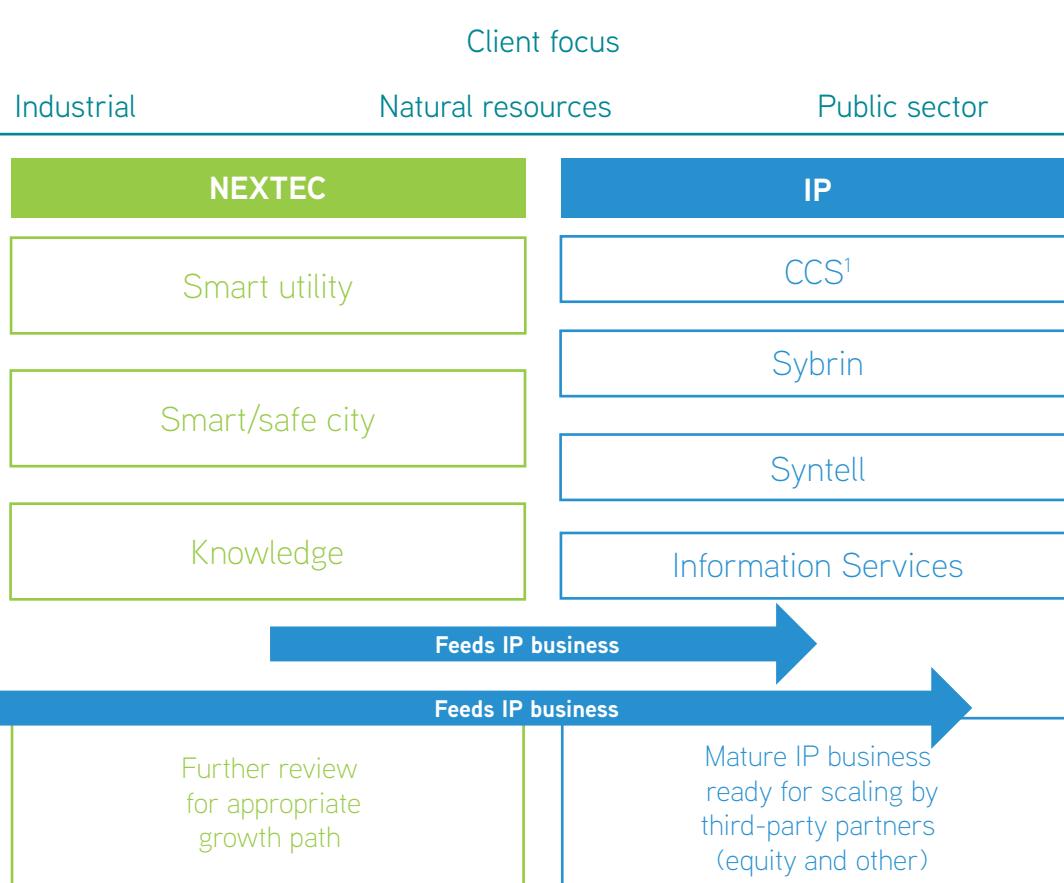
NEXTEC

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

IP

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

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



¹ 70% of Construction Computer Software (CCS) was sold to RIB Limited for an amount of R444 million as at 31 July 2019.

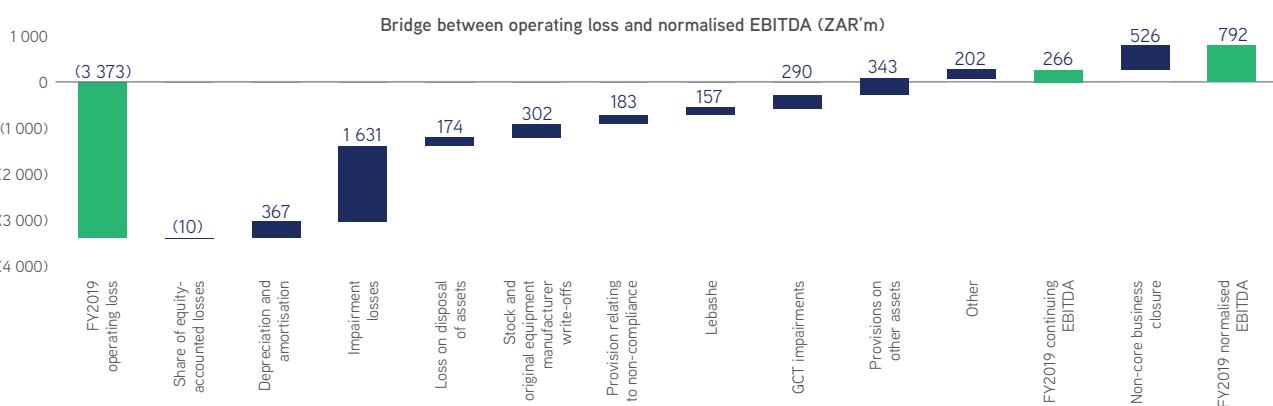
Chief Financial Officer's Report



Megan Pydigadu ▶
Group Chief Financial Officer

“EOH is a good business with good value in our core businesses. We are integral to the SA business environment and we are committed and have a duty to drive the turnaround.”

Normalised EBITDA



Q: What were your first impressions of EOH when you were appointed as CFO in January 2019?

A: I was very aware that it was going to be a challenging assignment. I just did not realise how challenging. The first half of the fiscal year prior to me arriving had been characterised with a strategic B-BBEE transaction which had also helped to address liquidity issues.

I started a month before Microsoft announced the cancellation of its licence agreement and after that everything changed. We were then catapulted into the ENSAfrica investigation and the reputational issues arising therefrom. This also set us on a faster track in terms of creating transparency into the organisation and strategy as well as fast tracking the sale of non-core assets to create liquidity.

The business had also historically been overly focused on revenue and profit with a lack of focus on the balance sheet which became another significant area of focus as we set about cleaning up the balance sheet and ensuring that it represented reality and value.

Q: What are some of the actions you implemented to address this situation?

A: A lot more work than we initially anticipated was required around strategy, cleaning up the balance sheet and streamlining the capital structure. Project Offspring was established by EXCO and was designed to drive this work, simplify an overly complex group and enhance decision making. It focused on four key workstreams namely, people, governance, reorganisation and capital structure and liquidity.

The sale of non-core assets to create liquidity became a priority. From a

credit and collection perspective, the management of working capital was crucial. We also implemented a cost efficiency drive across the business.

Considering where we started, we have made some really good progress in implementing a sound corporate structure and also enhancing our accounting systems and financial discipline across the organisation. The business did not have treasury, tax and financial planning and analysis ('FP&A') functions. These have been put in place together with skilled and resourced professionals.

The balance sheet we found did not represent reality and it has proven to be a monumental task to clean it up. We now have a far better understanding of the balance sheet and what represents value. We have driven accountability and ownership into the organisation and for the first time, we have a delegation of authority in place.

Over the longer term I would like to ensure we have created a high performance finance team that is innovative in its approach, adopting digitisation and ensuring we partner with business while at the same time representing the highest standard of ethical leadership.

Q: The business has been hit hard in respect of financial performance. Can you unpack this?

A: To start, it was important when preparing these results that we understood the technical complexities, the future strategy for the Group and could present this for users to give greater transparency.

EOH's revenue from continuing operations in the 2019 financial year was down 3% to R11 791 million (2018: R12 103 million). Gross margins

SALIENT FEATURES

EOH affirms its commitment to building a sustainable, agile and competitive business

- Many challenges faced and progress made in improving systems, controls and culture.
- Responsible deleveraging plan agreed with lenders. Deleveraging to occur into calendar year 2021.
- Continued disposal of non-core assets in order to build a sustainable business into the future.



For more information go to www.eoh.co.za

for the year were 20% compared to 28% in the prior year. Revenue was negatively impacted by continued weakness in the economy, delays in infrastructure projects as well as the reputational impact of the cancellation of the Microsoft licence reseller agreement.

The margin decline was largely due to the impact of closing out large onerous contracts pertaining to complex ERP projects in the public sector and the closure of projects in the industrial technology area related to electrical infrastructure in the water sector. We have closed out the majority of these projects but still expect to see a small drag into the 2020 financial year as we close out the remainder.

Chief Financial Officer's Report

continued

Operating expenses after stripping out once-off items for both years decreased to R2,6 billion in the 2019 financial period. Once-off items included impairment of assets of R2 263 million, a R157 million IFRS 2 charge related to the BEE transaction with Lebashe Holdco and its subsidiaries ('Lebashe') and settlements and provisions of R358 million among other once-off items.

Normalised EBITDA for the period amounted to R792 million (2018: R955 million). The impact of the previously discussed once-off items and impacts on gross margin has resulted in a reduction in the profitability

measures. Headline loss per share (HEPS) and loss per share (EPS) from continuing operations were 1 352 cents (2018: 728 cents) and 2 464 cents (2018: 1 277 cents), respectively.

Q: How did the underlying businesses perform?

A: The IP businesses including Sybrin, Syntell and Information Services continue to be our growth vector and achieved positive continuing revenue growth of 14% in the 2019 financial year and normalised EBITDA margin of 20%. This performance is supportive of our belief that we have high potential IP businesses with scaled technology.

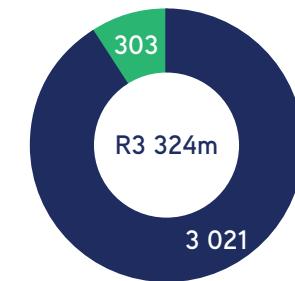
NEXTEC posted positive revenue growth of 7% on a continuing basis, however, performance was impacted by delays in infrastructure projects and delivered a normalised EBITDA margin of 5%.

The iOCO business which is our traditional and core ICT offering was impacted by a drop in hardware sales directly related to reputational issues resulting in a slight revenue decrease in the current year. This has been one of the easiest places for our customers to change suppliers. It, however, still delivered normalised EBITDA margin of 8%.

ZAR'm	FY2019	HY2019	FY2018
Interest-bearing liabilities	3 021	2 775	3 405
Cash and cash equivalents	1 359	957	1 418
Net debt	1 662	1 818	1 987
Liabilities for acquisitions	303	419	634
Net debt including liabilities for acquisitions	1 965	2 237	2 621

* All balances include assets held for sale.

Gross liabilities (ZAR'm)



■ Interest-bearing liabilities
■ Liabilities for acquisitions

Q: Can you expand on the work done to deleverage and clean up the balance sheet?

A: The Group has historically raised the vast majority of its funding centrally, with the funding largely used to drive the acquisition strategy with little regard or focus on the balance sheet. The repayment profile of the historic debt has not mirrored the cash-generation profile of the acquired businesses and as a result has placed strain on the Group. EOH is largely a service business with a

light balance sheet that is unable to carry a large debt burden.

A deleveraging plan has been put in place to reduce the Group's debt through two primary focus areas being the sale of non-core assets and realising cash out of the debtors book.

We have been successful in selling off non-core assets and finding a strategic partner for CCS which resulted in net cash realisation of R369 million.

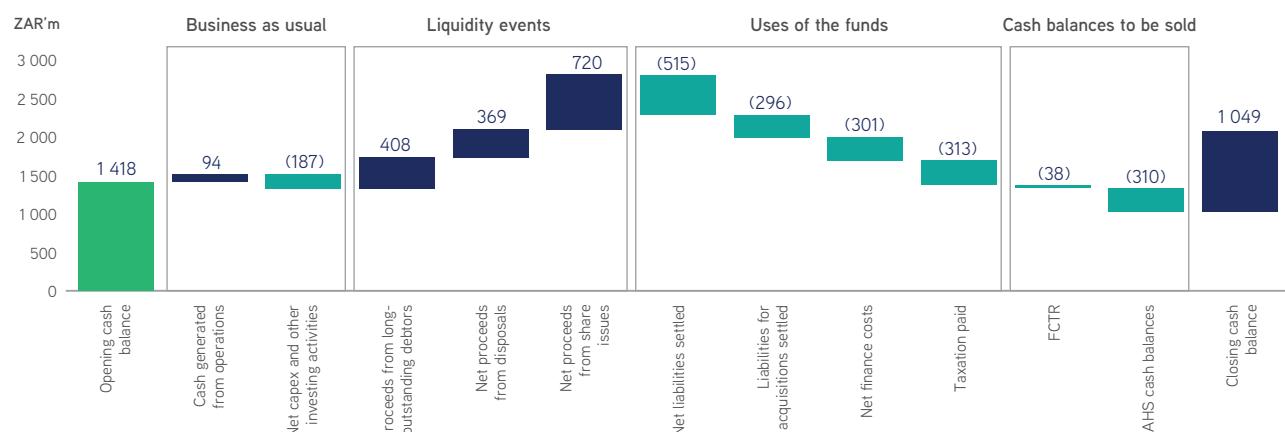
At the half year a target was set to significantly reduce the debtors balance.

By 31 July 2019, the trade receivable balance decreased from R4,1 billion to R3,4 billion (before adjusting for current assets held for sale) with over R400 million cash realised from debtors' balances greater than 90 days at 31 January 2019.

By 31 July 2019 the Group was able to repay its bridge facility of R250 million taken out during the year. Going forward, we have agreed a plan with our lenders to deleverage our debt by R1,5 billion by 2021 primarily through the sale of non-core assets and finding strategic partners for our IP assets.

"The balance sheet we found did not represent reality and it has proven to be a monumental task to clean it up. We now have a far better understanding of the balance sheet and what represents value."

Delivery on liquidity events enabled delivery of deleveraging in H2 2019



Q: Could you explain the qualification of the opening balance sheet?

A: When I joined EOH less than a year ago, it became evident that the organisation had historically placed a strong focus on growth in revenue and profit to the detriment of careful balance sheet management, with a lack of presentation or analysis of monthly balance sheets at EXCO meetings and the review of the Group balance sheet only twice a year with the release of

our interim and annual results. For this reporting period ended 31 July 2019, our primary focus was to ensure we had a closing balance sheet that provided a credible basis upon which investors and shareholders could make decisions.

The fact that EOH's balance sheet shrank from R8,1 billion to R1,9 billion in the space of less than a year suggests that there was more at play than simply a different outlook and increased focus by new management on the strength of the balance sheet. This reduction in net asset value suggests something far more

fundamental in terms of weaknesses in the application of accounting policies and interpretations in prior periods. For many of the adjustments identified, we found that there were already indicators when looking at historic performance. This is demonstrated in the graphs below.

Declining RoA on increasing NAV



Increasing revenue and EBITDA versus declining RoA and cash realisation



Chief Financial Officer's Report

continued

During the current reporting period, we identified various transactions that spanned different accounting topics, including revenue recognition, asset capitalisation and subsequent recovery, the timing of the recognition of liabilities and the recognition of impairment losses.

In assessing whether the identified adjustments should be processed as prior period errors or in the current reporting period, we considered whether the facts that gave rise to the adjustments existed in prior years, or whether those events only arose due to information that came to light in the current year. We only processed adjustments as prior period errors if the facts that gave rise to the adjustment were found to clearly have existed in prior years.

It is important to clarify that items deemed to be prior period errors do not merely result from the new EOH management team applying different judgement to the prior management team, but rather from the application of IFRS accounting principles to prior year transactions using information that existed at that time. If there was any uncertainty about whether the events that gave rise to an accounting adjustment existed in the prior period, we processed the accounting adjustment in the current year.

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

We understand both the magnitude of adjustments of the prior period errors and the challenge of assessing adjustments to prior periods without the use of hindsight, and reiterate that we believe the adjustments processed to prior periods resulted from the application of accounting guidance to the facts and circumstances that existed at the time.

Regardless of the decisions taken by our predecessors, in principle, it is critical for us to be transparent now, and to ensure that even though we may disagree with our external auditors on aspects of timing for certain of these adjustments, we believe it is right to stand by our assessment of the facts and circumstances available at the time.

Q: What is your outlook for the year?

A: EOH is a great business with good value and potential. We are integral to the South African economy and we are committed and have a duty to drive the turnaround. We are ideally placed to play a significant role in the fourth industrial revolution. The coming year will continue to be a refinement of our strategy, reassessing and selling off non-core assets as well as ensuring we have a fit-for-purpose cost and debt structure.



Megan Pydigadu
Group Chief Financial Officer

Five-year Review

		2019	Restated* 2018	Restated* 2017	2016	2015
Statement of profit or loss and other comprehensive income and cash flows from continuing operations						
Revenue	(R000)	11 791 070	12 103 317	15 128 062	12 761 810	9 733 992
Operating (loss)/profit before interest and impairments	(R000)	(1 752 629)	(582 455)	1 784 567	1 392 935	1 046 605
Operating (loss)/profit margin (%)	(%)	(14,9)	(4,8)	11,8	10,9	10,8
(Loss)/profit before taxation	(R000)	(3 685 921)	(1 649 907)	1 585 490	1 323 921	951 327
(Loss)/profit after taxation	(R000)	(4 010 062)	(1 855 822)	1 123 481	930 367	691 794
EBITDA	(R000)	266 013	358 498	2 183 726	1 829 809	1 286 752
Headline earnings from continuing operations	(R000)	(2 200 481)	(1 052 501)	1 173 444	947 235	707 775
Cash generated from operations	(R000)	502 107	1 266 021	1 314 064	961 275	908 567
Cash realisation rate	(%)	63,4	132,5	60,2	52,5	70,6
Statement of financial position						
Total assets	(R000)	9 839 050	14 252 995	16 719 983	13 188 621	8 372 707
Total equity	(R000)	1 956 696	5 936 822	8 460 861	6 585 845	4 508 624
Profitability and asset management						
Return on equity (%)	(%)	(56,2)	(14,6)	15,7	17,1	19,9
Return on total assets (%)	(%)	(14,5)	(3,8)	11,9	12,9	14,9
Shareholders' ratios						
Earnings per share from continuing operations	(cents)	(2 464)	(1 277)	790	704	561
Headline earnings per share from continuing operations	(cents)	(1 352)	(728)	797	719	575
Dividend per share	(cents)	–	–	215,0	185,0	150,0
Dividend cover	(times)	–	–	3,7	3,9	3,8
Net asset value per share	(cents)	1 108	3 885	5 637	4 679	3 415
Stock exchange statistics						
Market value per share						
– at year end	(Rand)	17,78	41,50	107,75	141,70	172,34
– highest	(Rand)	48,78	111,50	174,83	178,79	172,34
– lowest	(Rand)	10,40	25,20	105,00	120,20	93,35
Dividend yield (%)	(%)	–	–	2,0	1,3	0,9
Earnings yield (%)	(%)	(76,0)	(17,5)	7,4	5,1	3,3
Number of shares in issue (000)		176 545	152 797	150 095	140 752	132 039
Number of tradeable shares in issue (000)		168 544	144 900	143 535	134 832	126 899
Market capitalisation (Rm)		3 139	6 341	16 173	19 945	22 755
Price to earnings ratio (times)		(1,3)	(5,7)	13,5	19,7	29,9
Price to net asset value ratio (times)		1,6	1,1	1,9	3,0	5,0

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

Chief Risk Officer's Report



Fatima Newman ▶
Chief Risk Officer

“Together we are building the structures and foundation that will realise a purpose-led and sustainable business. We still have a lot of hard work to do, but we have made meaningful progress. We are an ethically led organisation, with zero tolerance for corruption and an ethos that attracts the best talent, in order to ambitiously drive forward our central purpose: technology that makes a positive contribution to business and society, across Africa, and in the wider world.”

THE EOH CODE FOR SUSTAINABLE AND ETHICAL BEST PRACTICE



A challenging legacy

Over the past year EOH has faced a crisis of confidence. Our governance and risk management frameworks and process were proven to be inadequate and ineffective. Our business, having grown exponentially, became compromised by corruption. Significant value was eroded, the interests of our stakeholders were materially damaged, strategic partnerships were lost, and reputational damage ensued, damaging our credibility.

Zero tolerance for corruption

Since this devastating series of events in our evolution, our unified strategy as a business has been to clean up the misguided ways of a few, and to rebuild value for all our stakeholders, and for our customers. We have adopted a policy of zero tolerance for corruption, and we have worked around the clock to build the risk, compliance, legal and governance capabilities needed to re-enable the incredible value hidden within EOH.

A new CODE for governance

My mandate has been to ensure a forensic analysis and understanding of what went wrong, and to futureproof EOH against future corruption. This has entailed the establishment of refreshed and best practice governance and risk management capabilities, comprising the people, processes and toolsets needed to manage and safeguard our complex business. It has also been my responsibility to relentlessly pursue justice, remediation and restitution for EOH by leading our ongoing legal process. It has been our mission at EOH to learn all the hard lessons, and to move with determination toward the establishment of an ethical, robust, well led, and properly governed foundation that will protect the interests of all our stakeholders in the future.

A commitment to justice

Central to our philosophy has been the need to be courageous, honest and transparent about our experience. Our rationale for this is that we need to demonstrate ownership and leadership,

taking firm and fair accountability for what went wrong. I am part of a leadership team that stands firmly committed to successfully repairing damage done, to rebuilding our credibility, to regaining trust and to laying a pathway toward sustainable value. We are determined to apologise sincerely, to share the lessons that we have learned, and, if possible, to do all we can to share our narrative in a way that can prevent similar outcomes for others.

A forensic approach

Over the last months we have run a comprehensive, ambitious, and relentless remediation plan. We have left no stone unturned in our determination to root out corruption. We have collaborated extensively, internally and externally, with professional partners to design and embed best practice governance and risk management. We have recruited talent with the high calibre professional skills we need to galvanise our internal teams at executive and Board level.

We have made progress.

Yet, we still have further to go.

Chief Risk Officer's Report

continued

OUR NEW FOUNDATION

EOH has worked over the latter part of the year to put in place functional capabilities that will drive forward an ethical, futureproof and sustainable organisational culture.

- Governance, risk and control:** A new function with a best practice framework to ensure ethical and strategic decision making, compliance and oversight.
- Procurement and supply chain:** A new bid management framework and training for staff and suppliers to futureproof against corrupt practice.
- Legal and internal audit:** Mobilisation of an internal audit capability, and an ongoing process to ensure justice and restitution for historical wrongdoing.
- Human capital management:** A refreshed employee Code of Conduct, supported by training and a learning platform to embed ethical practice and share lessons learned.
- Whistleblowing:** Launch of ExposeIT South Africa's first truly anonymous whistleblowing app to enable employees and third parties to report wrongdoing without fear of victimisation.



For more information go to
www.eoh.co.za

Embedding new capabilities

EOH has now reorganised and simplified, creating three clear organisational pillars that will drive future value. This process has given us wide opportunity and scope to restructure governance to ensure high quality oversight, compliance and decision making. We have enhanced our Board, aligning to King IV, remobilising committees with fresh appointments and updated terms of reference. Our work over the coming year will entail relentless effort to embed our new best practice governance frameworks, to ensure understanding, capacity, and compliance, driving forward consistent, integrated and modern ways of working.

Commitment to the good

It is our intention to ensure that we are futureproof: A force for the good that provides the enabling technology that our customers and wider society need to innovate and succeed. We are committed to playing a positive role, beyond the norm of business practice, creating value in South Africa, across wider Africa, and in our ever more global world.

A sustainable future

Our CODE for governance, risk and compliance is committed to a future that is sustainable. As the largest technology service provider in Africa, EOH is uniquely positioned to create digital value in our evolving world. We can do more to drive positive transformation and are committing to playing our part to drive the United Nations 2030 agenda and the 17 sustainable development goals. We intend to play our part in enabling a future that offers value for all our stakeholders, with a sustainability strategy that is aligned to our core business, to maximise our positive impact.

We now have a sound foundation upon which we can build.

Fatima Newman

Fatima Newman
Chief Risk Officer

Comprehensive Remediation Plan Status Report

EOH has taken ambitious and extensive action to understand, learn and take remedial action to futureproof itself against corruption, and to ensure fresh, sustainable frameworks that will enable oversight and decision making that drives value creation.

Overview

Following the identification of corruption EOH mobilised a comprehensive remediation plan. This plan entailed a forensic analysis of the situation, supported by a robust legal process to ensure justice and restitution. The plan also included the implementation of a refreshed governance, risk management and compliance framework to ensure future best practice across the business. The purpose of the remediation plan has been to address wrongdoing, to ensure futureproof best practice, and to ensure

a sustainability agenda that will enhance value for all our stakeholders. This section of the report will transparently outline our status on delivery of the comprehensive remediation plan.

Results of forensic analysis

Our first step was to forensically analyse our existing position to understand the scope of wrongdoing, the state functional capabilities were in, and to understand the skills and talent that were in place. This review of functional capabilities discovered critical weaknesses

in governance, risk and control management, as well as legal, internal audit, procurement, supply chain and human capital processes. This process also enabled the consolidation of a fresh overview of EOH risk. Independent and internal capability assessments were then translated into the action plans for the improvement of governance, the fair pursuit of justice, as well as an agenda to support enhanced sustainability. Great attention was paid to the recruitment of new skills.

EOH COMPREHENSIVE REMEDIATION PLAN



Forensics

A forensic analysis of risk, capabilities and of wrongdoing



Governance

Action to build best practice future governance



Justice

A process to ensure justice and to mitigate damage



Sustainability

Recruitment and training to futureproof our people

Purpose: To ensure full understanding of the extent of wrongdoing and to assess all EOH operations for risk. Further to this, assessing the maturity of EOH capabilities and human capital required to manage legal, compliance, and governance responsibilities in the futureproof state.

Status: Complete

Purpose: Mobilise a best practice corporate governance, risk management and audit framework and capability to futureproof against corruption and bribery, ensuring compliance, the mitigation of risk and best practice decision making to create value for all EOH stakeholders.

Status: In progress

Purpose: To manage the EOH legal process relating to corruption identified and to ensure justice and the remediation and restitution for impacted stakeholders. To create safe and accessible channels for the future reporting of wrongdoing via an effective anti-bribery programme committed to the good.

Status: In progress

Purpose: To recruit the skills and professional capabilities needed for the future, while training staff, suppliers and partners on an updated employee Code of Conduct and new bid processes. To deliver enterprise-wide training in ethics and updated governance practices, supported by a new learning platform.

Status: In progress

Comprehensive Remediation Plan Status Report

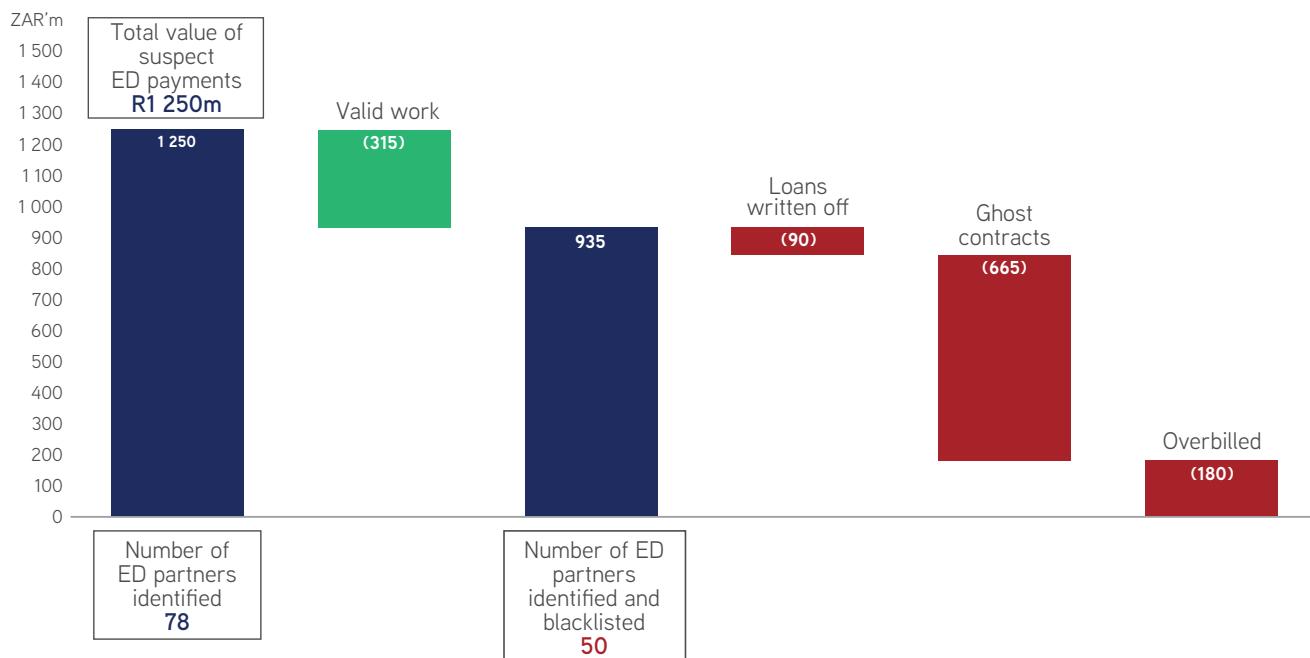
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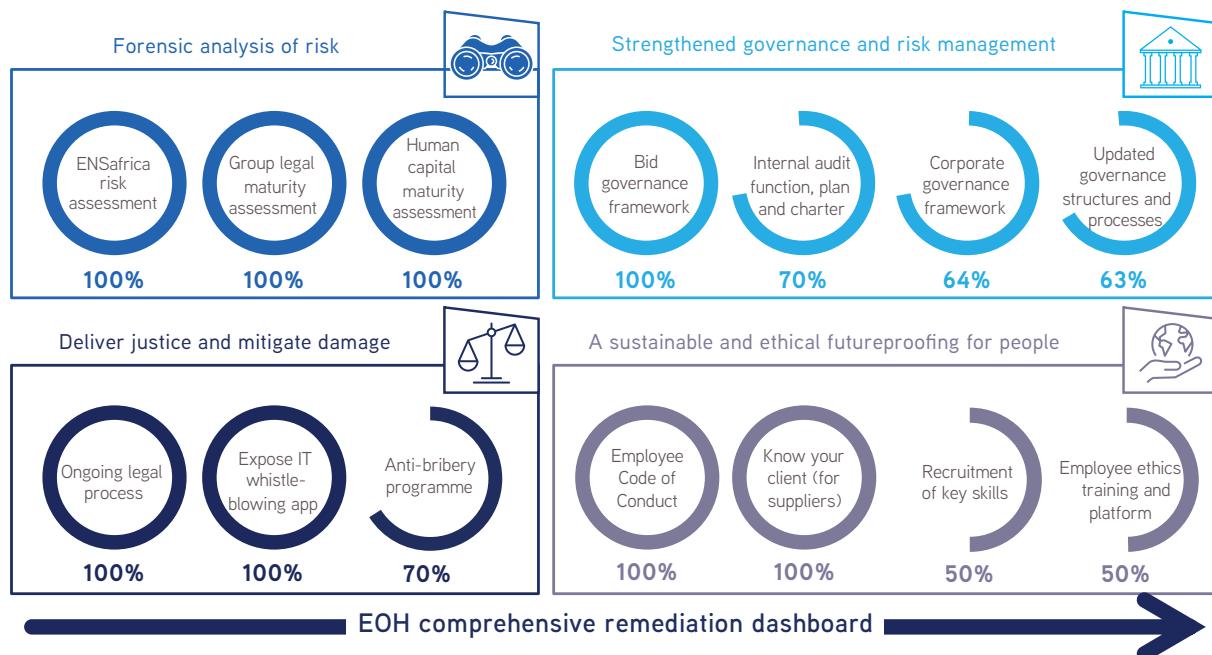
Pursuit of justice

As we end the 2019 financial year the legal process is ongoing. EOH has committed to tenaciously pursuing diligent, fair and proper remediation and restitution. Of the 16 implicated EOH employees, 11 have resigned or been dismissed, with eight reported to the Financial Intelligence Centre

('FIC'). The chart below indicates the status on the process for enterprise development directors and partners, as well as government employees. In total 78 enterprise development partners were picked up by the process, along with R1 250 million of suspect payments. While there were loans that were suspiciously written off or outstanding,

the majority of suspicious payments (to a value of R665 million), were ghost contracts within the EOH Mthombo business. EOH is committed to following the legal process, and with a focus on ensuring the restitution of value to impacted stakeholders.





Status on governance

Material progress has been on achieving strengthened governance and risk management. The bid governance framework has been rolled out and is being embedded. Additionally an internal audit function has been mobilised with a plan and charter to ensure improved oversight. The Board has approved a new best practice corporate governance framework that is in the process of being implemented, along with updated governance structures and processes.

Status on people

There has been extensive action to recruit employees to fill skill gaps that were identified by capability assessments. In addition to the new

employee Code of Conduct there has been extensive action to mobilise training for both staff and suppliers. The newly mobilised CODE programme has been put in place to shift the organisation toward an approach that integrates an ethical corporate philosophy across the EOH Group, to create a focus on shared value creation.

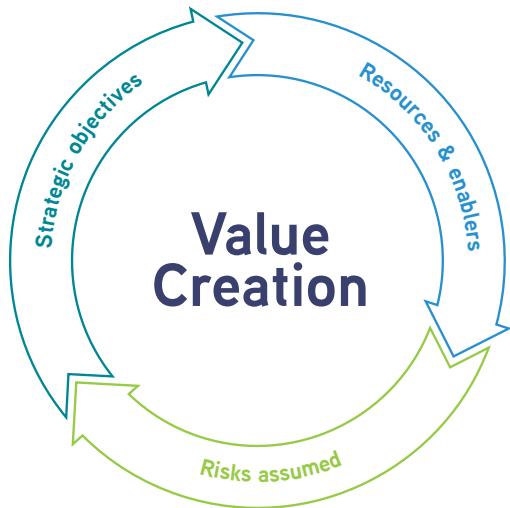
Status on sustainability

Over the last year EOH has learned many hard lessons. A sustainable future depends upon our ability to assimilate this learning and to take tangible action to change. This is a significant undertaking given the scale of the business. EOH leadership understands the critical role that it needs to play in

order to ensure that new frameworks are adopted and that the profound opportunity we have to accelerate toward a better future is realised for all our stakeholders.

Risk Overview

EOH's enterprise risk management approach has been significantly developed over the last year. There has been comprehensive work to identify, quantify and embed best practice processes, with significant input from external and internal experts.



A significant proportion of the focus has been to ensure a more corporatised approach that extends consistent oversight across the companies in the Group. The risk management approach aims to strike a balance between mitigating and minimising risk, and identifying opportunity for value creation that nurtures our entrepreneurial and innovative organisational culture.

The Audit and Risk Committee has been a heavily utilised governance vehicle during 2019, bringing together senior governance stakeholders to manage issues arising. The Board has taken ultimate responsibility for reducing exposure to risk and for realising value. This has involved clear strategic direction and oversight of capability building to ensure strengthened risk management skill sets and processes were mobilised.

Extensive root cause analysis has been conducted with risks being forensically analysed by a number of external and independent parties, in collaboration with the newly galvanised internal function. Risks revealed by this process have been systematically tackled, to ensure that

robust mitigating action was put in place to address issues, ensure lessons were learned, to drive forward statutory and regulatory compliance, and to futureproof EOH.

Key in this process has been the appointment of Fatima Newman as the Chief Risk Officer. She has led the process of mobilising *CODE*, a new governance, risk and compliance capability responsible for ethical leadership and responsible corporate citizenship across the diverse organisations within the Group. This new function will be responsible for embedding consistent enterprise risk management practices across the wider organisation.

The new framework is designed to enable delivery of the EOH strategy and purpose. It presents a critical platform for engaging with all EOH stakeholders, in line with the spirit of King IV. The approach places focus on driving forward the EOH sustainability agenda, motivating strong action to do more than to alleviate risk. The identification of opportunity to enable sustainable value creation is key.

Embedding risk management

Our risks and opportunities are identified, quantified, and monitored at a deeper level than before. Further work still needs to be done to embed ongoing and continuous reporting, as well as to map relevant risk owners. In the coming year there will be extensive work done to further develop systems, processes, and to enable people through training, while monitoring execution against the framework to ensure it is fully adopted and continuously improved. As such, we will continue to ensure robust and regular independent assessment.

An enterprise-wide approach

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

MANAGING OUR RISKS AND OPPORTUNITIES

Our top ten risks 2019-2020

The risks tabulated below are the top ten risks for the EOH Group as at the end of October 2019, ranked from the highest to the lowest, in order of magnitude. Risks identified here are currently under management with the Governance and Risk Committee which is accountable for providing oversight of the actions being managed at executive level.

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

Risk	Description, mitigation (policies, processes and systems) and leadership accountability
Business information systems	<p>Definition: Major failure of EOH internal business information systems due to the lack of an integrated system with an overarching governance framework, continuity management and disaster recovery for key applications would disrupt business operations.</p> <p>Mitigation: To investigate the mobilisation of an EOH Group business information system to ensure control, oversight and sustainable continuity of business operations and improved decision making.</p> <p>Responsible for leadership and oversight: Technology and Information Committee</p>
Credit risk	<p>Definition: The lack of a robust credit management policy and oversight may result in excessive and unmanaged credit being given to customers, exposing EOH to an inability to collect on debt.</p> <p>Mitigation: To implement a credit management and oversight framework, including a reporting and control capability to manage existing credit, with an emphasis on training staff and customers on policy rules (know your client training).</p> <p>Responsible for leadership and oversight: Governance and Risk Committee and Audit Committee</p>
Inadequate governance framework and capability	<p>Definition: Inadequate governance practices, ineffective business processes, corporate control, reporting and poor quality of information could result in poor decision making, compromised value creation, and business performance problems.</p> <p>Mitigation: To implement a best practices governance, risk and control framework, ensuring that the professional skills, resources and systems needed are in place.</p> <p>Responsible for leadership and oversight: Governance and Risk Committee and Audit Committee</p>
Unethical tendering practices	<p>Definition: Future tenders could replicate the errors of the past resulting in contracts that are corrupt and do not create value for customers if an ethical Code of Conduct and governance framework is not in place to ensure good business practice.</p> <p>Mitigation: To redefine the bid assurance process to ensure robust control and oversight of tenders preventing ghost contracts, underdelivery of services, and over or underpayment. To develop an employee Code of Conduct, supported by a programme to drive an ethical business culture.</p> <p>Accountability: Investment Committee (MANCO)</p>
Liquidity	<p>Definition: Liquidity constraints could be faced should loss-making international acquisitions funded through debt continue to make a loss, or if the ongoing legal process results in large fines.</p> <p>Mitigation: To generate funds and reduce debt by deleveraging the business and ensure losses from international acquisitions are stemmed.</p> <p>Responsible for leadership and oversight: Audit Committee and Risk Committee (MANCO)</p>

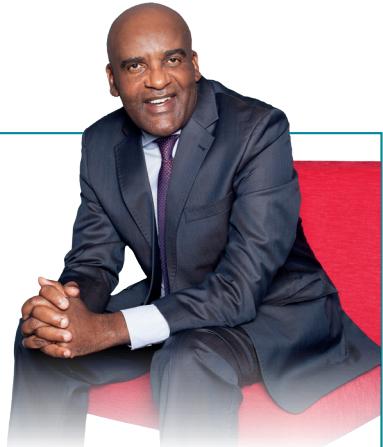
Risk Overview

continued

Risk	Description, mitigation (policies, processes and systems) and leadership accountability
Regulatory compliance, including data privacy	<p>Definition: Failure to meet regulatory requirements such as B-BBEE, tax liabilities relating to statutory employment, and emerging and evolving data privacy requirements would incur cost and reputational damage.</p> <p>Mitigation: To galvanise the drive for regulatory and statutory compliance, ensuring high calibre executives are in place to drive forward EOH compliance across the Group, supported by integrated technology systems to enable transparency and oversight.</p> <p>Accountability: Governance and Risk Committee, Technology and Information Committee</p>
Legal and litigation	<p>Definition: The ongoing legal and forensic examination of wrongdoing could consume ongoing resources and executive bandwidth, yielding further financial claims requiring justice, remediation and restitution.</p> <p>Mitigation: Ensure that legal resources are budgeted and in place to assure a fair process for justice and for restitution for stakeholders that have been wronged.</p> <p>Accountability: Chief Risk Officer</p>
Human capital and talent	<p>Definition: The evaluation of human capital and talent capabilities could reveal the need for ongoing recruitment of talent, professionalised human capital management processes, and a requirement to motivate for the retention of staff demoralised by restructuring.</p> <p>Mitigation: To ensure a focused approach to investing in an integrated and best practice human capital management capability and Group HR Officer to lead the full employee lifecycle, investing the recruitment of top class professional skills and staff motivation.</p> <p>Accountability: Nomination and Remuneration Committee</p>
Enterprise performance management	<p>Definition: The lack of integrated, consistent and best practice enterprise performance management to assure the quality of EOH project execution and performance could result in a lack of visibility where there are distressed projects that could fail, causing damage.</p> <p>Mitigation: To drive forward an enterprise performance management process with transparently monitored key performance measures, aligned to the EOH strategic objectives.</p> <p>Accountability: Governance and Risk Committee</p>
Strategy and organisation redesign	<p>Definition: The ongoing business restructuring will drive rapid cultural change that places pressure on the independent and entrepreneurial organisations within the Group, presenting operational challenges due to the complexity of integration.</p> <p>Mitigation: To ensure that the executive team plays a strong leadership role, engaging with EOH leaders across the wider organisation to motivate for the benefit of restructuring and the opportunity to drive forward integrated value creation.</p> <p>Accountability: The executive management team (MANCO)</p>

Q & A

Lufuno Nevhutalu, Executive Head for Public Sector



Q

What were your first impressions of EOH when you first joined given the headlines at the time?

A

I have always viewed EOH as a high performance business with solid revenue streams and profitability. When I started, I was struck by my colleagues' commitment to turning the business around and this gave me comfort that my initial views of EOH were not completely unfounded despite all the issues and challenges we were facing.

Q

Please elaborate on some of the issues and challenges you faced?

A

After conducting a review of the public sector business, it became clear that because there was limited oversight, some of the larger contracts had weaknesses. There was little to no project management and therefore lack of execution which led to milestones being missed. As there was no comprehensive bid governance process framework, there was evidence of unethical business practices when bidding for contracts. Finally, it became clear that in a bid to chase top line versus profitability, the Company had entered into onerous contracts.

Q

How have you gone about trying to fix the public sector business?

A

Our remediation plan has included renegotiating contractual conditions as far as possible and improving project management and execution in order to deliver value to our customers which is only achievable by having the right skills in the right positions. While we have recruited some outside talent over the past year, I do want to highlight that we have a wide and deep skills base within our existing teams which are well positioned to carry out large and complex IT projects.

We have worked tirelessly on changing the culture within EOH in order to regain the trust of our employees who felt betrayed by the previous management team and were cognisant of the fact that we needed to motivate them once again to be proud EOH ambassadors.

On the client side, we have increased and improved our stakeholder engagement immensely and are always available to address any issues our clients may have and allay any concerns brought about by the reputational issues we have inherited. There is a marked improvement in the manner and level of interaction now between us and our clients and currently we have over 70 significant public sector projects under way. Our interactions with public sector officials has been positive and they have been extremely supportive of the courageous leadership of the new management team and the transparency in our communications with stakeholders has been key in rebuilding fractured relationships.

Q

What role would you say the 'new EOH' plays in supporting the South African economy?

A

We are wholly committed to our partnership with the South African government. As a leading IT company, we are invested in assisting and supporting government in achieving their service delivery targets in any way we can. Youth and SMME development specifically are causes close to our hearts and are areas in which we have formed strategic partnerships in order to deliver IT services to government.

Stakeholder Engagement

It is critical that we engage with our stakeholders in a transparent and authentic way to rebuild trust and reputation, and to share our plans for future value creation

Stakeholder engagement

Proactive engagement with our key stakeholders is an essential part of being a responsible company. We recognise that our success depends on the effectiveness with which we listen and

respond to the needs and expectations of stakeholders. These engagements provide input into how we approach our business activities, identify risks and opportunities, and help us to adapt to social, technological and regulatory

changes. We define our stakeholders as those groups who affect the activities of EOH or are affected by our activities, whether directly or indirectly. The table below lists our stakeholders, their main concerns and how we address these.

Stakeholder group	Key issues raised	Engagement plan
Employees	<ul style="list-style-type: none"> Concern about reputational damage Questions relating to restructuring Fear of unfair reprisal or job loss Professional and personal development Career growth and empowerment Remuneration 	<ul style="list-style-type: none"> Ongoing CODE Communication Programme Town halls and Employment Equity forums A focus on wellness, talent and retention Ongoing assurance of fair remuneration Proactive career and performance management Opportunities through corporatisation
Customers	<ul style="list-style-type: none"> Concern about reputational issues Questions about name change Assurance of ethical service and operations Continuity of service delivery Ongoing demand for ICT innovation 	<ul style="list-style-type: none"> Personal communication from leadership Letter from ENSAfrica assuring due diligence Nurturing ongoing relationships Strategic and key account executives Quality assurance and certification programme Customer engagement forums and events Customer service desks and support solutions Articulation of industry specific solutions
Debt funders	<ul style="list-style-type: none"> Repair of reputational issues Assurance of liquidity and cash generation Adherence to refreshed governance Confirmation of growth profile 	<ul style="list-style-type: none"> Ongoing restructuring to leverage value Transparent financial status reporting Independent assurance of futureproofing Communication of capability building status
Suppliers, enterprise development and technology partners	<ul style="list-style-type: none"> Repair of reputational issues Meeting new leadership appointments Compliance with new tendering processes Ongoing solvency within partnerships Understanding new organisational pillars 	<ul style="list-style-type: none"> Personal communication from leadership Letter from ENSAfrica assuring due diligence Meetings with CEO and senior leadership Supplier and partnership agreements Communication and nurture of relationships Updated preferred supplier protocols
Investors, analysts, shareholders and future strategic partners	<ul style="list-style-type: none"> Repair of reputational issues Demand for best practice governance Timeous and transparent disclosure Insights into solvency and sustainability Insights into strategy for value creation 	<ul style="list-style-type: none"> Regular, transparent communication of results Investor roadshows and one-on-one meetings JSE SENS announcements Independent assurance of progress Annual General Meeting interactions Public relations media communications Annual Integrated Report
Society and communities	<ul style="list-style-type: none"> Action to repair reputational issues Ongoing transformation and diversity Responsible corporate citizenship Commitment to ethical business Leadership of digital innovation Demand for job opportunities and growth 	<ul style="list-style-type: none"> Youth Job Creation initiative Action to develop technology skills EOH Sustainability Strategy and Plan Contribution to community projects Enterprise development programmes EOH Courageous Leadership Series
Government, regulatory bodies and professional associations	<ul style="list-style-type: none"> Action to futureproof against corruption Assurance of strengthened governance Business continuity and growth Enriched professional skills and capabilities Assurance of effective, ethical leadership 	<ul style="list-style-type: none"> Independent assurance of results Engagement with public sector customers Participation in economic forums Statutory and regulatory compliance Collaboration with professional associations

Sustainability Report

“In 2019 we had a disruptive year and faced substantial challenges within our organisation. Yet beyond EOH, our wider world continued to face testing global realities, including inequality, poverty, unemployment, climate change and more. The fourth industrial revolution evolved, raising further new questions about artificial intelligence and the protection of information. As South Africa’s largest technology player it is essential that EOH plays its role, as a leader in the technology space, to ensure that ethics and values-based approaches are brought to bear within and beyond our sector. Our commitment to deliver against the 2030 Agenda reflects the seriousness of our undertaking to operate in a principles-based way and to create sustainable value for all of our stakeholders.”

Stephen van Coller, Group CEO

Committed to a better world

As business leaders we need to seize the opportunity to make a positive difference, not only for the world that we live in today, but for future generations too. Our purpose is to be a force for the good. This report provides an update on the refreshed EOH Sustainability Policy and provides a framework that aligns our five philosophies to the United Nations 2030 Agenda and the 17 Sustainable Development Goals. We do this with the intention of committing ambitiously to create value for all of our stakeholders. We are a leader in the technology space and we have a responsibility to ensure action to deliver a future that is sustainable, for South Africa, wider Africa and our ever more global world.

Leading digital innovation

We are an ethical and relevant force for the good, uniquely positioned to play a positive role in society, beyond the norm. This is because we provide technology solutions that are critical to innovation, enabling our customers to drive sustainable economic growth. We are focused on our role as a courageous leader, driving and supporting digital innovation. At EOH we create digital futures: technology makes it possible; however, people make it happen. We intend to invest in the leadership and growth of digital ecosystems fuelled by the collaborate partnerships our economy needs to ensure sustainable growth.

The journey has begun.

Investing in our youth

As our world of work rapidly digitises, our South Africa and wider world desperately need to engage with forthcoming generations to give a helping hand. At EOH, it is our responsibility to do everything we can to nurture the digital and technology skills that will be needed in the workplace of tomorrow. We have continued to invest in community programmes that develop maths and technology skills. We have also continued to provide learnership and skills programmes that enable access to careers in technology.

Sustainability Report

continued

CODE for the future

In 2019 we launched the EOH Courageous Leadership Series. This programme aims to share ideas and to learn from the challenging situation we are in as a country, ultimately enabling positive change that benefits individuals, organisations and society at large. This programme will focus on living our commitment to being a responsible corporate citizen, engaging with stakeholders to build a sustainable culture with the highest standard of ethical leadership and a principles-based approach to business across our diverse operations.

Action on climate change

Finally, the nature of our ICT offering is that many of our solutions enable resource efficiency and smart technologies that can accelerate action on climate change. It is a core part of our strategy on sustainability to continue to help our customers to adopt technologies that will help to protect our environment and plan for future generations yet to come.

A value creation mindset

EOH is a Level 1 B-BBEE contributor, demonstrating our deep commitment to transformation. This is done at EOH with an entrepreneurial and collaborative mindset that naturally navigates toward innovation and growth for our customers, partners, and our wider stakeholders within our evolving digital ecosystem. Our recent restructure is designed to enable future sustainable growth, from IP toward scalable global value.

A principles-based approach

We respect the human rights of every person and believe in the intrinsic importance of ethical and effective leadership. Our refreshed approach to driving high performance places a focus on hiring the right skills, and investing in quality education and taking a transformational approach that mitigates the inequality of the past; for both our internal and our external stakeholders, building social and relationship capital for the future.

Our six sustainability themes

EOH has defined six themes to underpin and give direction to our efforts. This frames an approach that will deliver service excellence for our customers in an ethical and fair way that builds wider value into all our capitals. We have identified our top eight Sustainable Development Goals and are in the process of mobilising our Sustainability Policy into a strategy and plan.

A FORCE FOR GOOD

EOH has aligned to national and international frameworks to position itself to make a positive contribution to people and the planet.

- **The King IV Report:** Enhanced corporate governance, aligned to King IV, which commits to sustainable development as an underpinning philosophy.
- **Level 1 B-BBEE Contributor:** Ongoing commitment to transformation and addressing the inequality of the past.
- **The 2030 Agenda and the 17 Sustainable Development Goals:** Early identification of eight Global Goals priorities and six Sustainability Themes to drive forward prioritised action on sustainable development.
- **The United Nations Global Compact and the Ten Principles:** Our adoption of the Ten Principles of the United Nations Global Compact, to assure a principles-based approach to ethical business.
- **EOH Courageous Leadership:** A series to take forward the EOH commitment to ethical leadership.
- **One Young World:** EOH young leaders are participating in this global forum for young leaders, as we nurture the next generation of technology leaders.



For more information go to
www.eoh.co.za

EOH Sustainability Framework

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



OUR PHILOSOPHIES



Lead and grow

Strive to be number one in every domain in which we operate while remaining entrepreneurial



Partner for life

To nurture lifelong partnerships with our customers and business partners



Sustainable transformation

To transform and celebrate diversity



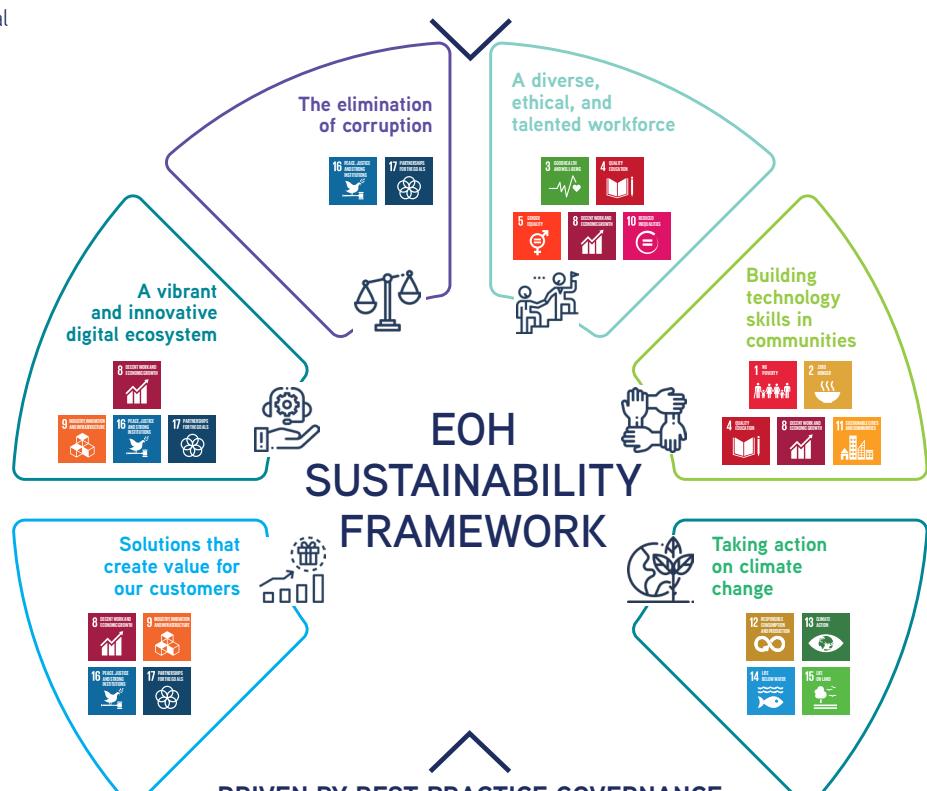
Right 1st time

To ensure professional planning and execution in all that we do



Best people

To attract, develop and retain the best people led by great leaders



Ethical leadership



Sustainability



Stakeholder engagement



Statutory and regulatory compliance



Responsible corporate citizenship

Our Six Sustainability Themes

Solutions that create value for our customers

To lead and grow innovative and sustainable technology solutions

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



For more information
see page 37

Priority goals:



Priority goals:



A diverse, ethical and talented workforce

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

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



For more information
see page 39

A vibrant and innovative digital ecosystem

To nurture innovation, partnerships and growth in the digital sector

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



For more information
see page 45

Priority goals:



Priority goals:



Building technology skills in communities

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

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



For more information
see page 46

The elimination of corruption

Share the lessons we have learnt and enable high integrity business

- Courageous Leadership Series to lead by example and share the lessons we have learnt
- Deliver the CODE programme to ensure the highest standard of integrity and ethics
- Adopt the Ten Principles of the UN Global Compact and embed a principles-based workplace
- Futureproof EOH with best practice governance, risks and controls



For more information
see page 49

Priority goals:



Priority goals:



Taking action on climate change

Protecting our planet through enabling technologies

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



For more information
see page 50

SUSTAINABILITY THEME 1:

Solutions that create value for our customers

To lead and grow innovative and sustainable technology solutions

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



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



Partner for life

Our partners are looking for us to demonstrate in a material way that we have changed. Enabling long-term mutually beneficial relationships entails meeting the highest professional and ethical standards within our industry and building confidence. We are committed to a process of stakeholder engagement to share the lessons that we have learned and to demonstrate refreshed leadership commitment to excellent governance and strategic decision making that can be trusted to deliver future value. The financial value that EOH creates benefits a large number of stakeholders, from our employees, in the form of salaries, to the state and municipalities in the form of tax revenues, our suppliers in the form of fair payment for goods and services delivered and our shareholders, in the form of dividends and share appreciation. All of this relies upon our ability to deliver high quality technology products and services to our customers. We are confident that our restructured business model is set to deliver this value.

Right first time

Our sustainability relies upon our ability to integrate our business, creating a stronger framework for consistent, ethical and effective leadership and governance. EOH is committed to implementing enterprise-wide performance management oversight and processes that will ensure the highest standard of project and service delivery for our customers.

Lead and grow ethical ICT

EOH occupies a critical position at the centre of the 4IR. In order for us to retain our social licence to operate, we require a sound ethical culture that reflects both within and beyond our business. Much of this integrated report looks at internal governance and control. However, effective leadership in our sector entails that we lead on critical agendas that are emerging within our sector.

EOH is focused on being an ethical and effective leader on matters such as the protection and ethical use of data, the cost of access to ICT solutions in an Africa that has embedded inequality. Digital evolution is raising moral and ethical questions on matters such as automation and gaming addiction, which require courageous dialogues and the proactive definition of cross-border policies and regulations that are fit for our future world.

EOH sees ethical and effective leadership as taking on responsibility for being a visionary leader who takes part in the dialogue about how technology will impact our human culture. Our Courageous Leadership Series is an early reflection of our intention to be a champion of ICT thinking, which supports the evolution of the digital solutions that our customers need in order to deliver their goods and services in an ethical way, that is futureproof and protects their customers and wider stakeholders over the longer term, dealing with challenging conversations early.

Sustainability through ICT

We live in a world that has increasingly scarce resources. There is a strong social consciousness that is demanding action to prevent climate change, in order to ensure a planet that is able to support the livelihoods of future generations.

Our customers and clients are seeking the enabling technologies that are needed to answer this call to action. EOH has continued to deliver innovative solutions that create a more efficient, healthier and secure environment that enhances the economy and the quality of life. This includes a NEXTEC portfolio that offers SMART utilities to manage finite resources such as power, water and gas, in a world facing climate change. We continue to be committed to technology that enables safe and smart cities that digitally optimise infrastructure to improve lives. We will also continue to invest in innovative technologies that enable health sciences, providing health systems that deliver accessible and impactful medical care.

Our iOCO enterprise management applications are central to enabling every sector in the delivery of their core value proposition. It is our core purpose to help our customers take full advantage of technology, to be empowered to manage their people and their operations successfully, so that they can grow and fulfil their purpose of delivering value to their customers, thereby growing our economy and adding sustainable value to our world.

Sustainability Report

continued

Our technology services are critical to enabling our customers to deliver upon their evolving social licence to operate. EOH is committed to creating value to our customers that supports their effort to deliver upon a wider sustainable development agenda.

iOCO

To be a force for good within our traditional and cutting-edge ICT business by enabling digital transformation that helps our customers to fulfil their purpose.

NEXTEC

To be a force for good by focusing on infrastructure projects that will drive a more sustainable world.

IP

To be a force for good by partnering to accelerate scaling and the addition of value to new customers across our wider world.

iOCO

“Demystifying and enabling digital transformation for our customers.”

Sustainability priorities:

- Demystifying ICT evolution
- Futureproof custom solutions
- Excellence in project delivery
- Excellence in managed services
- Enabling industry innovation
- Enabling efficient use of resources
- Enabling decent work
- Clean tendering processes
- ISO 37001 anti-bribery system
- Championing data protection

NEXTEC

“Improving the lives of people, customers and society.”

Sustainability priorities:

- Enabling economic growth
- Supporting new enterprises
- Resource efficient technologies
- Enabling smart energy and water management
- Sustainable and smart cities

IP

“Partnering to scale global opportunities that drive value creation.”

Sustainability priorities:

- Economic growth
- Enabling value creation
- Creating jobs for the future
- Enabling decent work
- Industry innovation

SUSTAINABILITY THEME 2:

A diverse, ethical, and talented workforce

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

- To hire the best people, nurturing talent and opportunity for people from diverse backgrounds
- Rewarding people appropriately for high performance and ethical leadership in the workplace
- Wellbeing, collaboration and equality in workplace, with zero tolerance for discrimination
- Development, training (EOH Academy) and financial assistance for employees wanting to learn



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



Managing our evolution

2019 has been a disruptive year for our people, who have been impacted by both restructuring and the reputational damage that we have sustained as a business. Our headcount has reduced from over 11000 employees to 10578, with further restructuring on our roadmap. In this context, where we are working to futureproof EOH by lifting ethical standards, we need to be highly cognisant of the fact that only 16 employees have been found guilty of wrongdoing, and that the majority of our people are innocent.

Our people require high morale to be their productive, creative and innovative best. In 2020, being a responsible employer means that we will focus on building purpose, motivation, and kindness – as we lead further change.

High performance culture

Nurturing a high performance culture is intrinsic to the sustained success of EOH. We are, essentially, a human capital business, with our revenue depending upon the quality of the skills that we bring to bear. With the rapidly evolving nature of technology, we need to retain and attract top talent, while also investing in the nurture of skills and career pathways, as well as ensuring quality of life. Employee wellbeing is critical due to the often pressurised environment in which we operate, where we need to give our customers our best, every single day. We offer challenging work, met with recognition, organisational support, skills development opportunities, health and wellness programmes, in order to empower our people to be the best.

Embracing our diversity

The diversity of our business is met by the exceptional diversity of our people. We are a company with zero tolerance for unfair discrimination, and with an authentic commitment to sustainable transformation and the reflection of the demographics of the society in which we live. We have an inclusive workplace that works continuously to employ, upskill and empower those who were previously economically marginalised or disadvantaged through discriminatory practices, by offering training, empowerment forums and further financial assistance to those who want to learn and better themselves. Our work is ongoing to bring forward our youth; a next generation of leaders who are inspired to become the ethical and effective drivers of value-add technology services.

THE EOH HUMAN CAPITAL MANAGEMENT FRAMEWORK

TRANSFORMATION (B-BBEE, diversity and inclusion)

Building capability – support current and future business goals
(Right people, right roles, right time)

Performance, reward and recognition

Culture (Purpose, philosophy, values)

Attract and retain exceptional talent

Develop critical skills and competencies

Build future talent pipeline

Drive high performance

Workplace culture characterised by...



- Quality hires
- Attractive employee value proposition
 - impactful work
 - interesting career opportunities
 - holistic rewards



- Business strategy-led learning and development
- Robust individual development plans
- Strategic talent management



- Succession planning
- Strategic workforce plans
- Skills pipeline for future business needs



- Quality performance measures, with balance between short-term and long-term focus
- Performance-linked rewards/incentives and recognition



- Values-based leadership
- Engaged workforce
- Capable and empowered frontline
- Innovation and winning mindset
- Customer centricity

OPERATIONAL EXCELLENCE/EFFICIENCIES/GOVERNANCE (enabling systems, processes, policies and procedures)

Sustainability Report

continued

Building People Capabilities



Attract and retain exceptional talent

Overview

In 2019 our focus has been on building human resource capabilities to ensure that we are able to support current and future business goals. This entails ensuring that we have the right people, in the right roles, at the right time. EOH has worked to build a high performance culture that gives holistic reward as follows:

Quality hires

Over the course of the last year there has been considerable recruitment of talent into key roles that were identified by new executive appointments and for new capabilities and functions recommended by an independent human capital capability assessment. There are further key roles that are still being filled as a part of this process.

Employee value proposition

Ensuring that we attract and retain exceptional talent requires an attractive employee value proposition. EOH is committed to providing impactful work with interesting career opportunities and holistic rewards. The restructuring process will bring a more corporatised structure and approach to EOH. It will be a key objective in 2020 to ensure that this process galvanises human resource management capabilities and seizes the opportunity to create enterprise-wide career possibilities.

Performance management

Our performance management programme, **EOH Connect**, focuses on what has been achieved, how it was achieved and the setting of future goals. The programme aligns individual goals with EOH's overall objectives, enabling employees to maximise their potential and drive achievement of Group strategy.

Remuneration and benefits

EOH's approach to remuneration and benefits supports the business strategy to attract, retain, motivate and reward employees to deliver our long and short-term strategic objectives.

This is achieved through a combination of guaranteed annual salaries (with benefits commensurate with the marketplace), profit share incentives that reward short-term operational performance and share-based incentives that promote retention and drive performance.

Our remuneration packages include:

- guaranteed remuneration aligned to the relevant market data with an annual salary review;
- a short-term incentive plan that is performance-based and recognises individual performance and the achievement of strategic business objectives; and
- a long-term incentive plan that focuses on long-term sustainability and shareholder value creation by retaining key and critical people.

Benefits

EOH offers access to competitive market-related employee benefits such as risk cover, retirement benefits and medical aid. Employee benefits are reviewed annually to ensure that the best market-related benefits are offered to employees.

Each employee has access to a team of professional employee benefit advisers who provide relevant information to help employees make informed decisions based on their personal circumstances.

Employee wellness

We recognise that employee mental and physical health and an appropriate work-life balance are essential for excellent service delivery and superior performance. EOH's executive health programme includes comprehensive medical assessments and personalised preventive strategies for executive staff to identify and manage risk factors that impact wellness and quality of life. Employees also have access to the **MyWellness@work** programme, which provides confidential support for employees and their families and includes financial and legal assistance, nutrition and exercise programmes, wellness coaching and programmes to address their psycho-social needs.

EOH facilitates national Wellness Day events for its employees, which provide health risk assessments and supports health-related initiatives such as blood drives for the South African National Blood Service ('SANBS').

Health and safety

EOH aims to maintain a safe work environment to ensure the safety of employees and visitors, and comply with the requirements of the Occupational Health and Safety Act. We provide the required rules and guidelines to employees as well as the necessary training and supervision to achieve this. Health and safety committees with trained health and safety representatives are in place in each region. The EOH Health and Safety Manager is responsible for ensuring that the Group remains compliant with the relevant health, safety and environmental legislation and regulations. Operational health and safety is managed at a regional level across the Group's locations.

Developing Talent



Overview

Our policy is to ensure business strategy-led learning and development, supported by robust individual development plans, and coupled with strategic talent management. During 2019 training needs were identified for suppliers and employees to enable participation in refreshed governance, risk and control frameworks, and to enable ethical and effective leadership.

Our middle and senior management leadership development programmes include:

- Personal Mastery and Leadership Development programme – for senior managers and executives;
- emerging management and advanced management courses – core management programmes;
- coaching skills – a fundamental development programme applied throughout the organisation; and
- the IMPACT programme – a blended methodology (classroom and e-learning-based) leadership programme that provides an accredited national qualification.

Training and development

Overall training spend reduced in 2019 from R52 million to R46,3 million, in line with a 5,8% reduction in the number of our employees. Average spend per employee reduced slightly (5,5%) from R4 635 per person, to R4 378 per person. The EOH Learning Hub provides short learning courses, skills programmes and national qualification offerings that build business-relevant competencies. Training and certification is delivered through the EOH Academy. The go live of a new EOH Group learning platform to land CODE educational programmes is in process. Further training is delivered with Group businesses, as per the learning needs of each company.

EOH Graduate programme

As the largest technology partner in Africa, EOH invests in youth to accelerate the pipeline of young talent in ICT. To that end, we continue to invest in our collaboration with Belgium Campus, a pioneering ITversity in Pretoria that helps to raise the bar through its graduates in the ICT industry. The programme focuses on learners from previously disadvantaged schools who wish to study information technology. EOH provides bursaries, including full programme costs, stipends and accommodation, and is on track to produce over 80 graduates between 2018 and 2020, with six African women graduating in 2018 as a part of the Infor Global Alliance programme.



Attracting the best talent

There is material work taking place to build new and strengthened EOH capabilities. This work will deliver a revitalised business model, able to drive value creation. This creates the need and opportunity for internal and external candidates who have leadership, technical and other professional delivery skill sets. Leadership will play a critical role in succession planning and building the skills' pipeline needed by EOH, communicating the opportunity it presents for challenging and exciting career pathways, backed by strategic workforce plans that are fit for the future.



Performance, reward and recognition

Considerable effort is set to be invested in operational excellence in 2020. There will be a focus on enabling systems, processes, policies and procedures that will redefine performance in line with freshly corporatised, consistent and transparent standards. Performance will be linked to individual reward and recognition incentives to motivate a high performing culture that delivers a world-class technology service. Quality service measures will be set to optimise a balance between short-term and long-term goals and objectives.



Building purpose, philosophy and values

EOH is a workplace defined by values-based leadership and five philosophies that give a clear, ethical purpose to enable people through technology. In the repair of reputational damage done in 2019, there will be a strong effort to motivate the EOH workforce, galvanising a capable and empowered frontline, and engaged workforce, with a customer centric organisational culture that values a winning mindset and the innovation that is needed in our ever evolving digital ecosystem.

Sustainability Report

continued

Transformation and Diversity



Diversity, transformation and inclusion (B-BBEE)

The value in diversity

The ICT sector is disruptive and rapidly evolving. EOH knows that the best innovation comes through celebrating diversity. EOH embraces and values diversity and recognises that it stimulates productivity, creativity and innovation that drive growth and competitiveness and helps us to maintain our competitive edge. We are committed to creating a diverse, inclusive, and bias-free environment where different perspectives are embraced. Our goal is an organisation that our employees are proud to be associated with, where they can grow, contribute and succeed regardless of race, gender, ethnic or social origin, religion, culture, language and disability.

The need for transformation

We are committed to sustainable transformation and the empowerment of those who were previously economically marginalised or disadvantaged through discriminatory practices. Digital skills are critical to our economy and warrant exceptional effort and investment, contributing to the generation of jobs and a reduction of unemployment. EOH's transformation plan aligns with the Employment Equity Act to improve representation of historically disadvantaged South Africans in the workforce. Our Social and Ethics Committee provides clear direction to motivate EOH performance on transformation.

Zero tolerance of discrimination

EOH has zero tolerance for any form of unfair discrimination and is committed to a work environment that promotes equal opportunities for all. We believe in an environment that reflects the demographics of the society in which we live.

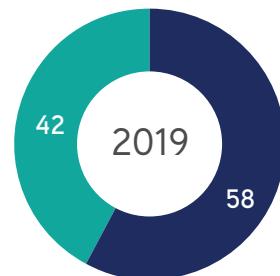
Broad-based black economic empowerment (B-BBEE)

EOH is committed to contributing to the sustainable development and transformation of South Africa. EOH is a Level 1 contributor to B-BBEE, the highest rating of its peers on the JSE. We measure our transformation progress against the Department of Trade and Industry Codes of Good Practice.

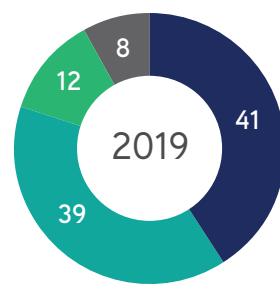
Transformation is managed at an operational level and reported and monitored at Group level through EOH's reporting structures. Initiatives that support transformation are wide ranging and include employment equity programmes, skills training and development, diversity and inclusion training, enterprise and supplier development, preferential procurement and increasing black ownership.

Further to this, EOH has a full suite of economic empowerment plans and forums to enable employee co-determination. Our latest B-BBEE certificate is available on our website.

Gender distribution by category (%)



Ethnic group per category (%)



B-BBEE scorecard	Target	2019
Equity ownership	25	25,0
Management control	19	16,3
Skills development	20	20,8
Enterprise and supplier development	40	48,1
Socioeconomic development	5	12,0
Total	109	122,2
Contributor level		1

Gender equality

EOH is a champion of gender equality and has increased the number of female employees in executive and senior management roles in the last year.

Employee gender diversity



6 129



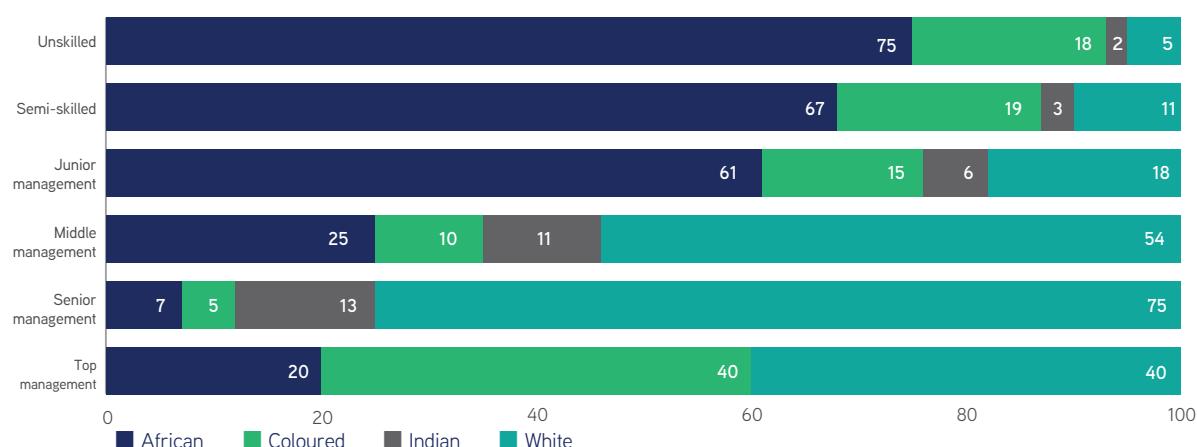
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8% increase in female employees in executive and management roles since last year

People with disabilities

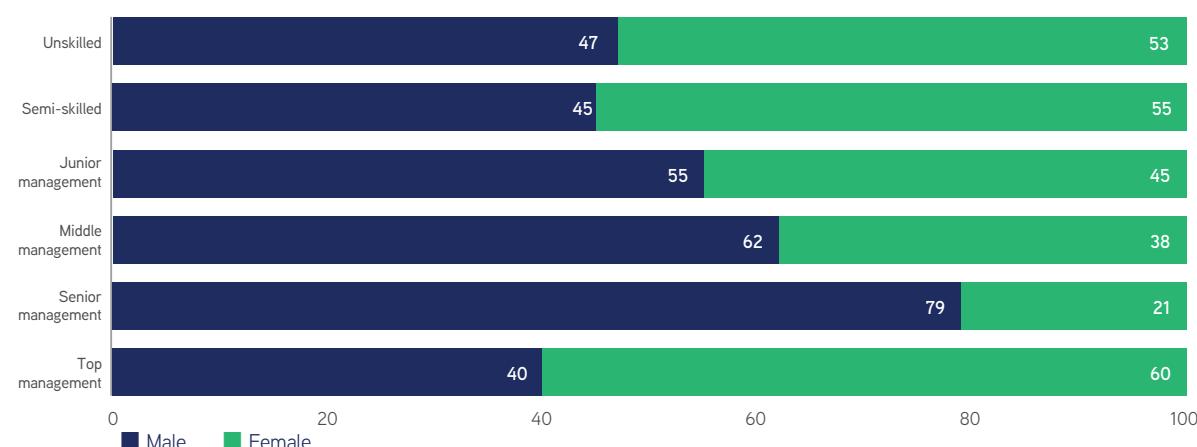
EOH employed 164 youth with disabilities during the year through various programmes and is committed to increasing the number of disabled individuals as a percentage of overall headcount. Currently, 23 disabled employees are participating in a work integrated learning programme in our managed services division after completing their National Certificate in System Support. Various skills programmes, such as emotional intelligence and workplace readiness, have been introduced to assist the group with integration into business.

Ethnic group per category (%)*



* South African workforce.

Gender distribution by category (%)



Sustainability Report

continued

AT EOH WE BELIEVE IN OUR YOUNG LEADERS

At EOH our next generation of leaders is fully supported to grow and take action to create a better world. Meet our finalists for the One Young World competition 2019. This is a platform where 196 countries participated, with 352 scholarships awarded.



Vandana Satagoor*

My work with impoverished communities in Johannesburg, to educate them outside of the classroom on agroecology principles, helped people to build and sustain their own food systems. I am so inspired to meet other young leaders and see what they achieved.

Thandeka Mbokazi

Understanding the importance of proper education, and the consequences that arise when there is a lack of such, including high employment and skills shortages allowed me to believe that if the system changed at grassroots level the difference at the top would be notable.



Sindiswa Sibeko

Through my involvement with tertiary educational organisations I had the chance to interact with people at a personal level. I had the chance to change lives, and I had the chance to grow future leaders.

Matthew Rosenberg*

By volunteering my time on the ambulance services I had the opportunity to serve those in need of emergency medical care. This work with some of the poorest communities has given me empathy and understanding of grassroots issues and the need for sustainable innovation.



* Vandana and Matthew attended the One Young World Summit.



<https://www.youtube.com/watch?v=VYY2unZKJl0>

SUSTAINABILITY THEME 3:

A vibrant and innovative digital ecosystem

To nurture innovation, partnerships and growth in the digital sector

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



EOH plays a pivotal role in driving an innovative and growing digital sector within South Africa and the wider world. We do this by playing a vibrant role in stimulating innovation and new collaborative partnerships that bring the best blend of technical skills to bear, to evolve the solutions that our customers need, now and in the future.



Strategic partnerships

Over recent years we have grown aggressively through acquisition. This strategy coupled with the delivery of services to our customers has yielded businesses that own valuable intellectual property and capabilities, ready to scale. Strategic partnerships are now able to provide access to customers on the global stage, driving revenue and growth.

It is our intention to leverage this opportunity to take EOH to the next level as a technology service provider that delivers beyond Africa, in our wider world. Our roots remain firmly South African; however, contribution to a global economy can bring global returns on investment.

We believe that by collaborating with major international players, we can develop a sustainable presence as a player that is deeply involved with making a contribution to the evolution of the fourth industrial revolution, ensuring wider innovation for all our customers and wider stakeholders.

We partner for life.

Enterprise development

EOH has an entrepreneurial philosophy that naturally supports innovation and investment in new enterprise. Over the course of 2019, we have learnt hard lessons about the level of oversight and support that enterprise partners need to ensure an ethical and sustainable growth. Our enterprise development partnerships have now been fully scrutinised, not only to ensure ethical practice, but for the best opportunities for future value creation.

In 2019 our efforts will be to redefine the balance between our spirit of innovative entrepreneurship, and the strategic enterprise management needed to nurture and optimise value.

At EOH we have been a Level 1 B-BBEE player because we believe in investing in emerging enterprises and incubating next generation technologies. This activity is an important contribution to the transformation of our ICT sector, building a vibrant ecosystem of technology players that can support the public and private sector needs for modern technology now and in the future.

Best practice oversight can play a valuable leadership role in ensuring the best opportunity for emerging players. Given our new capabilities and the lessons we have learnt, EOH is committed to continuing to work with emerging enterprises.

We have learnt our lessons.

IT innovation

EOH is passionate about innovation and creating sustainable value for all of our stakeholders. We are committed to leading a next generation of technology that is sustainable and enables a better world.

Our iOCO business offers our customers the opportunity to innovate with industry specific solutions that demystify technology developments such as artificial intelligence and robotics, enabling evolution.

Our NEXTEC organisational pillar contains valuable technology products and service opportunities that offer solutions that can evolve both the world of work and daily life.

Our IP organisational pillar presents the opportunity for strategic collaboration with some of the best technology companies in the world.

Our commitment to leadership entails being at the coal face of IT innovation, engaging in the courageous conversations that are needed to ensure the ethical and effective guidance needed to enable and protect business, government and wider society.

We lead and grow, sustainably.

Sustainability Report

continued

SUSTAINABILITY THEME 4:

Building technology skills in communities

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

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



EOH believes that the integration of young people into the digital economy is essential in order to futureproof a thriving and prosperous South Africa, that has the skills needed to fuel the modern world of work.

An investment in society

EOH's corporate social investment ('CSI') activities prioritise the support of programmes and initiatives focused on youth development in the mathematics, science and technology space. South Africa's population reached 58,78 million in 2019, with nearly a third falling into the youth (18 to 34 years) category. It is critical that our youth is enabled with the skills that they need to take on opportunities that enable fulfilling careers in digital industries, where there is a critical skills shortage. We partner with key organisations to deliver equitable solutions to quality education, which we see as one of South Africa's most important needs.

Aligning to national priorities

One of the nine central challenges identified by the National Development Plan is that too few people work and youth unemployment statistics currently sit at 38%. Skills and enterprise development is critical in preparing the youth for career and entrepreneurial opportunities that will help break the cycle of poverty. We need help in providing young adults with the necessary job skills training and guidance so that they can become contributing individuals in the economy and in their communities.

Collaborating on our shared future.

The EOH stand at the maths "Maps and Mirrors" event at Katlehong Technical High School where 10 different schools from the Ekurhuleni South District received insights into career opportunities in the technology sector.



R10,7m
spent on CSI in FY19

SUMMARY OF DIGITAL SKILLS DEVELOPMENT:

EOH has invested in the following community-based programmes to build digital skills for the youth:

- **EOH Youth Job Creation initiative:** Created in 2012, EOH works in collaboration with customers and partners providing learnerships and internships with over 35 000 reached to date.
- **The Maths Centre initiative:** Supporting maths, science and technology and entrepreneurial skills development by equipping learners, teachers and parents.
- **Afrika Tikkun:** Providing education, health and social services to young people.
- **Bohlale Village Innovation Hub:** Working with learners from disadvantaged schools to gain technology skills, including bursaries that fully cover costs.
- **Youth with Disabilities:** Supporting e-Deaf to establish a training centre in rural Mthatha in the Eastern Cape and other parts of the country.



For more information go to
www.eoh.co.za

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

Sharing our passion

EOH is passionate about sharing its digital skill through youth development and to that end has introduced IT programmes (basic coding) to enhance the scope of offering to the youth through Afrika Tikkun.

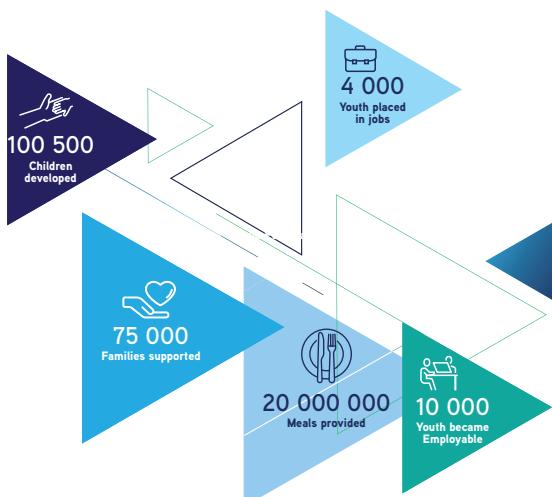
An ICT foundation

The majority of the young people in the Child and Youth Development programme (aimed at young people between the ages of seven and 18 years) have never used a computer before, so as a starting point, every grade in the programme is introduced to the basic components of a computer and is taught about hardware, software and typing skills.

Web and coding skills

In 2018, young people in the Career Development programme (aimed at young people between the ages of 19 and 25 years), completed a three-month web design course. This training gave coding and programming skills to increase chances of employment in the information technology industry. The course included theory and practical work and covered the following key skills:

- Website fundamentals
- Photoshop and graphic manipulation
- Coding, including CSS, JavaScript and HTML
- Webpage design in WordPress



CASE STUDY:



ICT skills for entry to jobs

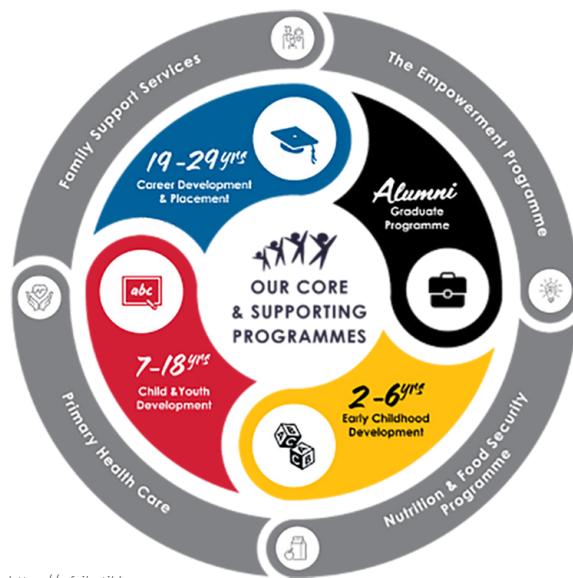
In the first six months of 2019, a further 885 people were registered in the Career Development programme, with 589 young people being placed into subsequent employment opportunities. These learners were prepared specifically for the workplace, with the focus being:

- Microsoft (Word, PowerPoint and Excel);
- email (Setup, send, receive and etiquette);
- leveraging the internet for research; and
- online application to tertiary institutions (grade 11 and 12 students)

The Career Development programme delivers a full lifecycle of ICT training, first delivering PC Basics, and then progressing learners through coding stages, often using gamification to enhance problem solving and critical thinking skills.

About Afrika Tikkun:

Founded in 1994, the organisation has a Cradle to Career 360° model that aims to provide education, health and social services to young people and their families through centres of excellence in South African townships. The Career Development Programme provides career guidance, job readiness training, job placement and bursaries for further learning targeted at young adults.



Website: <https://afrikatikkun.org>

Supporting students, teachers and parents to get an ICT foundation and skill set, which when embedded early contributes to a future generation that is more employable, by building opportunity in townships, and for the hard of hearing in rural communities.

CASE STUDY:



Lifting matric results

EOH strategically partners with the Maths Centre, supporting the roll-out of the programme to 10 high schools, including two special needs schools, in the East Rand Johannesburg area.

Over the past five years, over 2 800 students between grades 8 and 12 have benefited from the programme. Prior to the project, the majority of schools were performing below the national average. Assessment and a gap analysis was acted upon, supported by an advocacy campaign to support parents and teachers. So far, key academic achievements have included:

- 20 maths distinctions;
- overall 80% mathematics pass rate;
- 25 physical science distinctions; and
- 100% physical science pass rate at three schools

The EOH bridge to jobs

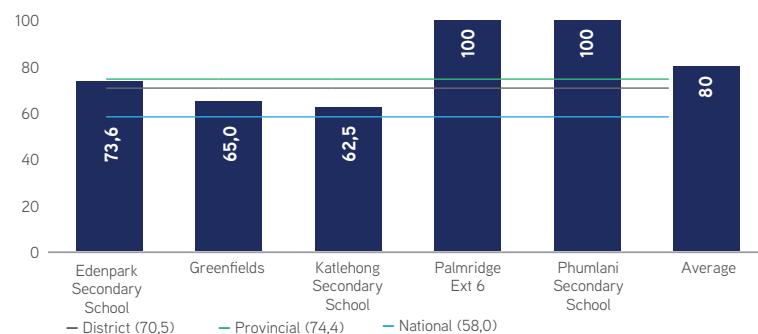
In 2019, EOH is supporting a further 100 students and for whom we are eagerly awaiting their results. Upon graduation, all matriculants are given the opportunity to enrol in the EOH Youth Job Creation initiative, which will enable them to significantly improve their chances of future employment. This ensures continuous care and support for learners on their developmental journey.

About the Maths Centre:

The Maths Centre incorporating sciences, popularly known as the Maths Centre, is a non-profit organisation for excellence in mathematics, science, technology and entrepreneurship. It works across South Africa, with the primary objective being to equip teachers, learners and parents with the learning materials and programmes needed to develop a higher competency and performance in these learning areas, from reception to grade 12.

Class of 2018 matric results for project schools

2018 subject performance: mathematics (% achieved)



2018 subject performance: physical science (% achieved)



Source: Stats SA 2019 mid-year population estimate www.statssa.gov.za/?p=12362

Website: www.mcis.org.za

CASE STUDY:



Enabling the deaf with ICT skills

EOH supports the deaf community and last year we assisted e-Deaf to establish a training centre for 50 deaf students in rural Mthatha in the Eastern Cape. The centre aims to enhance formal basic written language and writing skills through Adult Education and Training ('AET'). The programme will be developed into further formal qualifications after all AET levels have been successfully completed. EOH is also supporting 91 students with hearing disabilities in other parts of the country to obtain AET and other qualifications. Information technology is identified as a core competency across all business sectors and is a critical and scarce skill in these communities.

Website: www.edeaf.co.za/

Sustainability Report continued

SUSTAINABILITY THEME 5:

The elimination of corruption

Share the lessons we have learnt and enable high integrity business

- Courageous Leadership Series to lead by example and share the lessons we have learnt
- Deliver the CODE programme to ensure the highest standard of integrity and ethics
- Adopt the Ten Principles of the UN Global Compact and embed a principles-based workplace
- Futureproof EOH with best practice governance, risks and controls



EOH now knows firsthand the devastating impact of corruption. We, and our wider stakeholders, have collectively paid a high price for the wrongdoing of a few. We are committed to futureproofing ourselves, and to sharing the lessons we have learnt to support others in their ability to protect themselves from this scourge.



A principles-based approach
EOH has taken the decision to adopt the Ten Principles of the United Nations Global Compact. These principles are designed to help business to act responsibly and sustainably, giving an ethical moral code for employees, an accountability measure, presenting a foundation for building trust with stakeholders across the board. The principles are designed to be embedded into day-to-day business operations, giving a universal set of rules and a common language for establishing a culture of integrity. The principles are about more than compliance. They set the stage for long-term success and sustainability for people and for the planet.

Stakeholder engagement

We believe that we need to take accountability for our situation and engage with our stakeholders, giving independently verified transparency into our forensic analysis of wrongdoing. Honest and real engagement is the critical first step toward rebuilding trust, giving assurance that we are futureproofing ourselves effectively to ensure that we never face the scourge of corruption again. The action we are taking to embed oversight is extensive and will be a process that takes time. We want to share the lessons that we have learnt and the best practices that we are embedding to fight corruption, both within and beyond our organisation.

Best practice governance

Extensive information is given elsewhere in this report to outline our new and best practice framework for delivering best practice governance, risks and controls. Beyond corporate leadership at the top level of our organisation, we are committed to CODE. This is our initiative for sharing our role as a responsible corporate citizenship with our wider employees and all the partners that we work with in our digital ecosystem. Everyone at EOH is responsible for ethical and high integrity conduct and blowing the whistle if needed to prevent wrongdoing.

We are all responsible for being a living part of the EOH force for the good.



Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: Make sure that they are not complicit in human rights abuses.

(Universal Declaration of Human Rights 1948)



Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: The elimination of all forms of forced and compulsory labour;

Principle 5: The effective abolition of child labour; and

Principle 6: The elimination of discrimination in respect of employment and occupation.

(International Labour Organisation's Declaration on Fundamental Principles and Rights at Work 1998)



Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: Undertake initiatives to promote greater environmental responsibility; and

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

(Rio Declaration on Environment & Development 1992)



Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

(United Nations Convention Against Corruption 2003)

Sustainability Report

continued

SUSTAINABILITY THEME 6:

Taking action on climate change

Protecting our planet through enabling technologies

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



As a provider of professional services, EOH has a relatively low environmental footprint, but we believe that effective environmental stewardship is an important aspect of an organisation's licence to operate.

We have a role to play in tackling the challenges that climate change presents to South Africa and the global economy in the areas where we can.

Environmental responsibility

As a provider of professional services, EOH has a relatively low environmental footprint, but we believe that effective environmental stewardship is an important aspect of an organisation's licence to operate. We have a role to play in tackling the challenges that climate change presents to South Africa and the global economy in the areas where we can.

The most impactful way for EOH to support environmental sustainability is to apply our expertise, resources, research and innovation to provide solutions to our customers that provide them with the technology to address environmental challenges. NEXTEC's solutions include technologies that support smart, safe, healthy and secure environments. These include energy control systems, building management and intelligent green building design. Implementing NEXTEC energy and water technology solutions can significantly reduce energy and water consumption.

We aim to minimise our direct impact on the environment by operating our facilities in a way that reduces energy and water consumption, and minimises waste.

We apply our expertise, resources, research and innovation to provide solutions to some of the world's most challenging environmental problems. More than ever, organisations are applying new technologies to transform their operations, products and services to become more efficient, innovative and sustainable. We recognise that our greatest opportunity for building a more sustainable planet is to assist our customers by providing them with the technology to do so.

NEXTEC combines state-of-the-art technology and best practice to create smart, safe, healthy and secure environments. We have the right skills and expertise to deliver practical intelligent infrastructure solutions. From integrated and converged networks, to full turnkey data centres, biometric identity management, energy control systems, building management, and intelligent green building design, our solutions are proven and world class. By encouraging our customers to change energy management practices and by implementing NEXTEC energy and water technology solutions, customers can dramatically reduce their energy and water consumption.

EOH's carbon footprint

As part of our corporate commitment to environmental sustainability, we measure the direct and indirect greenhouse gas (GHG) emissions from our operations and products.

All fossil fuel consumption, purchased electricity and various other sources of emissions are included in the environmental data. Every new business that joins EOH automatically becomes part of the data-recording process.

The following environmental management principles are incorporated in EOH's business operations:

- Support and comply with, or exceed the requirements of current environmental legislation and codes of practice associated with industry best practices;
- Minimise waste and reuse or recycle as much as possible;
- Minimise energy and water consumption;
- Operate and maintain EOH vehicles with due regard to environmental issues;
- Apply the principles of continuous improvement in respect of air, water, noise and light pollution from EOH premises; and
- As far as possible purchase products and services that minimise damage to the environment.



PLANET G4-9

EOH conducts business in an ethical manner that respects and protects the environment, paying attention to:

- energy saving;
- water resource optimisation; and
- reduced travelling.

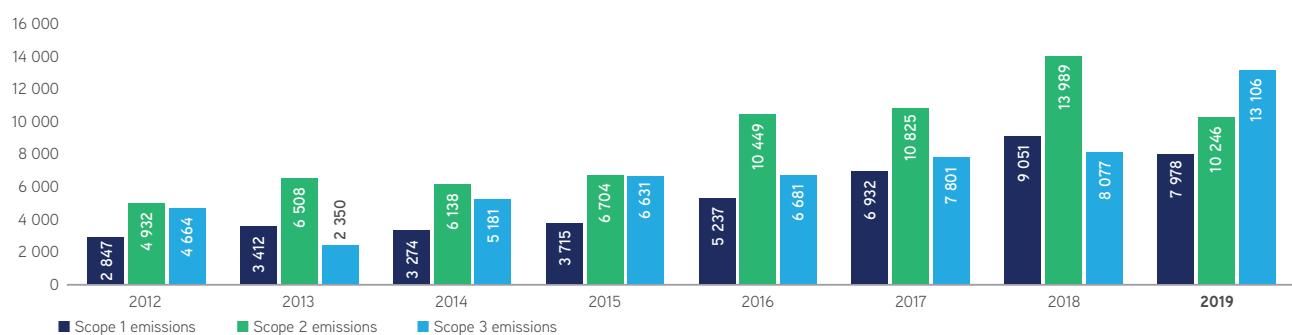
Scope 1, 2 and 3 emissions for 2019 and 2018 (tCO₂e)



Carbon emissions

The following graph shows a comparison of emissions (tCO₂e) measured since 2012.

Comparison of emissions (tCO₂e)



Main indicators

	2019	2018	% change
Scope 1 emissions (tonnes CO ₂ e) ¹	7 978	9 051	12% decrease
Scope 1 emissions per employee	0,75	1,80	5% decrease
Scope 2 emissions (tonnes CO ₂ e) ²	10 246	13 989	27% decrease
Scope 2 emissions per employee	0,97	1,23	21% decrease
Scope 3 emissions (tonnes CO ₂ e) ³	13 106	8 077	62% increase
Scope 3 emissions per employee	1,24	0,71	74% increase

¹ Scope 1 emissions are direct emissions from sources that a company directly owns or has control over.

² Scope 2 emissions are from purchased electricity, heat or steam.

³ Scope 3 emissions are a consequence of a company's activities, but occur at sources owned or controlled by another company.

Governance Report

EOH has appointed a new Board and aligned governance structures to the principles of the King IV Report on Corporate Governance as well as JSE Listings Requirements. We are ready to recover, create and protect value, leveraging a refreshed and best practice governance framework, supported by courageous leadership.

Bringing expertise to bear

Our new Board brings a wealth of skill and experience to bear, coupled with a profound commitment to ethical and effective leadership. Much work has been done already to create a foundation that is fit for our future. We have not worked alone. The EOH Board has taken considerable advisory input from some of South Africa's finest independent assessors, legal, governance, investment, and risk management organisations, including both professional and academic organisations. This has included:

- ENSAfrica advised on legal and risk matters
- PricewaterhouseCoopers, on governance, risk, control and audit capabilities
- Rothschild & Co., on structure and value creation
- The University of Stellenbosch Business School, on ethics

It has, at times, felt like the re-writing of the South African Constitution following 1994, as the best experience from multiple sectors has contributed to the redefinition of a governance framework that is fit to enable the ethical and effective leadership we need to atone for our past, and to enable a future that creates value for all our stakeholders. We have taken a highly consultative approach to the design, planning and implementation of a governance framework and blueprint that is world class.

Looking beneath the waterline

We have taken a singularly transparent approach to leaving no stone unturned relating to our existing capabilities and our baseline position. We have

scrutinised our governance functions, processes, and executive and governance support roles to understand our baseline. The root cause behind the damage sustained during 2019 was that we had grown fast, through acquisition, and corporate governance structures were superficial and deeply under-resourced. The oversight functions, professional skills, and audit capabilities needed to enable the flow of accurate, complete and proper information were limited, or in some cases were simply not in place. Looking in retrospect at the EOH Integrated Report for 2018, one could be forgiven for believing that the governance framework it defined was fit-for-purpose, and consistent with other companies of our size and in our sector. The harsh reality was that below the waterline, the business information needed to enable good decisions was unavailable due to a lack of functional capability.

What futureproofing means

We are committed to ensuring that we do not make the mistakes of the past. We have done much to mobilise new functional capabilities and people, with an entirely new internal audit capability, and a governance framework that is fit for the future. We have restructured into organisational pillars that are simplified to the point that control, risk management and good decision making can be realistically overseen. We have recruited skilled and talented professionals to fill gaps. We have a foundation and a baseline. However, this is not yet enough.

In 2020 we need to continue the road ahead: we need to embed our solution. If you review our risks, you will see that we need to continue to work to ensure that

we have integrated business information, and to ensure that standardised corporate processes are implemented. We need to assure adoption and compliance in a way that does not crush our entrepreneurial, innovative and creative spirit.

Leaders are effective because of their followership. Ultimately our governance will not be successful just because a new framework exists. It will be effective because we have successfully engaged with people who have aligned to operate within it. Our leaders need to be courageous, ethical, effective, motivational, tenacious and astute in their leadership of the change ahead.

The litmus test of courage

This report showcases our refreshed corporate governance leadership team. We have defined 'courageous leadership' as a commitment and requirement in South Africa. It is a difficult time to be a leader of corporate governance. The risk of reputational damage becomes a reality all too often. EOH is proud of the team that it presents. That leaders of this calibre are prepared to commit to the ethical and effective delivery of their role at EOH at this time is a milestone that represents a starting success. Governance meetings did not follow the normal schedule this year, as much of our focus drew our leaders together in top level forums to mitigate damage and plan our future. Most of our governance structures are newly mobilised, with fresh mandates. We salute these fresh teams, and their courage in taking the hard road ahead, toward value creation for all our stakeholders.

We are ready for 2020.

EOH Governance Framework

Our best practice governance framework has been approved by the Board and guides the supporting executive oversight function and capabilities needed to ensure ethical and effective leadership that creates and protects value for all our stakeholders.



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

Governance Report

continued

Our approach to governance

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

Definition of governance

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

Governance structure

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

Governance objectives

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

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

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

Governance pillars

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

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

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

Purpose of the EOH governance framework

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

Governance pillar	Description <i>The seven pillars of EOH's governance framework represent the key processes or mechanisms applied to effectively uphold, sustain, defend and enforce the ethical values of good governance throughout the Company.</i>
Ethical Leadership and Culture	<p>EOH recognises that ethical and effective leadership are key imperatives that complement and reinforce each other. EOH is committed to be an ethical and relevant force for good and to play a positive role in society, beyond normal business practice.</p> <p>Scope of processes and mechanisms</p> <ul style="list-style-type: none"> • Core ethical values • Code of conduct and ethics policy • Ethics programme (induction, training, breaches, and whistleblower mechanisms) • Ethical recruitment, performance, monitoring and reward system • Anti-bribery, corruption and fraud prevention policies • Anti-competition, and other EOH Group policies
Transparency and Disclosure	<p>EOH is committed to being an organisation that creates best-in-class governance and transparency, while retaining the entrepreneurial and innovative spirit that has made the Group the most successful ICT business in Africa.</p> <p>Scope of processes and mechanisms</p> <p>Reporting excellence</p> <ul style="list-style-type: none"> • IFRS reporting framework • Integrated report • Stakeholders, regulators and tax • Financial and management accounting • Portfolio and project reporting • Remuneration disclosures • King IV governance disclosures; and explanation of principles applied • Risk and assurance (including external audit) <p>Data and information management</p> <ul style="list-style-type: none"> • IP and trademarks • Protection of company, personal, client information
Risk and Compliance	<p>EOH inculcates an ethical culture of informed risk taking through best-in-sector practices that foster a consistent approach to integrating and optimising decisions around strategy, risk and performance.</p> <p>Scope of processes and mechanisms</p> <ul style="list-style-type: none"> • Control environment • Board and executive fiduciary duties and role-players • Enterprise risk management (strategy, capabilities, culture, oversight, value drivers) • Portfolio, project and programme risk management • Compliance management (company secretarial, licensing, standards, protocols) • Integrated assurance (strategies, functions, audit, assurance reporting)
Corporate Citizenship	<p>The EOH Social and Ethics Committee assists the Board with matters relating to good business practice, ethical conduct and transformative social action to promote EOH's purpose of being a force for good.</p> <p>Scope of processes and mechanisms</p> <ul style="list-style-type: none"> • Corporate social responsibility • Social licence to operate • Environmental stewardship • CSI performance evaluation • Employee health and safety programme

Governance Report

continued

Governance pillar	Description <i>The seven pillars of EOH's governance framework represent the key processes or mechanisms applied to effectively uphold, sustain, defend and enforce the ethical values of good governance throughout the Company.</i>
Sustainability and Resilience	<p>EOH best practice in sustainable development and human capital management, change management, business continuity and resilience management, reputation and brand management, and execution project management.</p> <p>Scope of processes and mechanisms</p> <ul style="list-style-type: none"> • Reputation and brand management • Change management • Human capital and talent management • IT strategy, including ERP solutions and governance • Marketing and go-to-market (commercialisation, joint ventures) • Credit risk management (bids, tenders, guarantees and insurance) • Execution of project management and supply chain management • Revenue recognition and collection • Client relationship management • Balance sheet management (liquidity, capital and strategic credit management) • Knowledge management and institutional learning • Business continuity and resilience management strategy • Crisis management and media management, including social media
Governance Structures and Accountability	<p>Defines clear EOH responsibilities and accountability for governance, risk, compliance and assurance at all levels within EOH. The Board and sub-committees provide ongoing governance oversight over the respective pillars of governance established.</p> <p>Scope of processes and mechanisms</p> <ul style="list-style-type: none"> • Group Board of directors composition and Board Charter • Group Board sub-committees constitution and mandate • Operating segments' boards of directors' constitution and mandate • Development, training and succession of Board members • Executive and management structures • Operational planning (long, medium and short-term planning and budgeting) • Delegation of authorities, approval and escalation protocol • Directive setting (policies, procedures and standards) • Responsibility and goal setting • Performance management
Strategy Management	<p>The Board recognises that EOH's core purpose, risks and opportunities, strategy, business model, performance and development are all inseparable elements of the sustainable value creation process. Our core purpose drives the development of the Board-approved business strategy that steers and sets the Company's direction, strategic targets and objectives. The Board approves the resources and relationships connected to the various forms of capital that are required to implement the strategy.</p> <p>Scope of processes and mechanisms</p> <ul style="list-style-type: none"> • MOI – core purpose and mission statement • EOH corporate strategy formulation and execution • Sustainable transformation model • Group operating model • Stakeholder management strategy • Strategy effectiveness review (Board and senior management effectiveness) • Project portfolio development and management (including R&D, AI, and Robotics)

Regular reporting and review

This framework governs the statutory and regulatory obligations and responsibilities of the Group and will be regularly reviewed by the Governance and Risk Committee to ensure that governance objectives are met, in line with King IV Principle 11. This will include structures, policies and procedures to ensure that they are resilient and robust and aligned to best practice.

Implementation oversight

Key performance measures and targets for ensuring the full adoption and compliance with the governance framework falls under the mandate of the EOH Chief Risk Officer, who is responsible for embedding the framework across the wider EOH enterprise to ensure full compliance across the relevant executive functions responsible for delivery.

Performance monitoring

Key performance measures and targets for assessing the status on embedding the framework to futureproof the EOH enterprise will be reported on to the relevant governance committees for scrutiny and advisory input to ensure ethical and effective leadership.

A great deal of work has been done. However, there is more work to do to embed group-wide long-term resilience. We have CO>E, which is a strategy and plan to end corruption by embedding governance risk and compliance management that creates sustainable value for all our stakeholders.

Objective



The objective of the CODE programme is to embed best practice and sustainable governance and risk management throughout the EOH Group, by the end of 2020.

- Supported by world-class functional capabilities
- Resourced with the best, high integrity, professional talent
- Enabled by integrated systems provide accurate business information
- Governed by leaders that make decisions that are right first time
- Supporting leading technology services to our customers



Ethical Leadership

2020 Action plan: Code for courageous and ethical leadership

- Continue and strengthen the EOH Courageous Leadership series
- Deliver an EOH Ethics and Leadership Training Programme for Employees and Partners
- Lead a 'Lessons Learned' narrative and a campaign to end corruption
- Galvanise and share the EOH whistleblowing capability beyond the EOH organisation
- Review and develop the EOH Human Capital Management capability



Sustainability

2020 Action plan: Code for future sustainability

- Continued work to embed the CODE Governance, Risk and Control functional capabilities
- Review of IT Strategy including the ERP Solution and Governance needed for oversight
- Review and Continuous Improvement Plan for Project and Programme Management
- Roll out enterprise-wide risk management and compliance



Stakeholder Engagement

2020 Action plan: Code for future sustainability

- Develop and deliver a 2020 Stakeholder Engagement and Communication Plan
- Strengthen Client Account Management in line with EOH Organisational Pillars
- Continue to roll out and strengthen the 'Know Your Client' programme
- Develop strategic partnerships and relationships in the wider digital ecosystem
- Continue timorous, transparent communication on liquidity, restructuring and legal processes



Statutory and Regulatory Compliance

2020 Action plan: Code for enterprise high performance

- Continue roll out and embed the EOH Internal Audit function
- Develop EOH Compliance Management and Integrated Assurance Capability
- Review Data and Information Management and mobilise improvement actions
- Align processes to international and ISO standards and ensure enterprise compliance
- Review and improve Enterprise Performance Management capabilities



Responsible Corporate Citizenship

2020 Action plan: Code for value for all our stakeholders

- Development and implementation of the EOH Sustainability Policy, Strategy and Plan
- Prioritisation and alignment to the 2030 Agenda and 17 Sustainable Development Goals
- Embed the Ten Principles of the United Nations Global Compact ('UNGCI') into Individual Performance Management
- Align EOH Group enterprises to a refreshed, values led, principle-based brand identity
- Engage with community and society stakeholders to conduct needs analysis

EOH Board of Directors

Independent Non-executive Directors

1. Dr Xolani Mkhwanazi

Chairman and Independent Non-executive Director

Qualification

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

Appointed

5 June 2019

Committee membership

Permanent invitee to all Board committees

2. Andrew Mthembu

Lead Independent Non-executive Director

Qualification

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

Appointed

20 June 2019

Committee membership

Chairperson: Technology and Information Committee
Member: Audit Committee
Member: Governance and Risk Committee

3. Dr Anushka Bogdanov

Independent Non-executive Director

Qualification

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

Appointed

20 June 2019

Committee membership

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

4. Mike Bosman

Independent Non-executive Director

Qualification

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

Appointed

20 June 2019

Committee membership

Chairperson: Audit Committee
Member: Governance and Risk Committee
Member: Nomination and Remuneration Committee
Member: Technology and Information Committee

5. Jesmane Boggenpoel

Independent Non-executive Director

Qualification

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

Appointed

1 July 2019

Committee membership

Chairperson: Governance and Risk Committee
Member: Audit Committee



2 ▶



3 ▶

4 ▶



5 ▶



7 ▶



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

6. Ismail Mamoojee
Independent Non-executive Director

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

Appointed
1 July 2019

Committee membership
Chairperson: Nomination and Remuneration Committee
Member: Social and Ethics Committee
Member: Audit Committee
Member: Technology and Information Committee



6 ►

7. Dr Lynette Moretlo Molefi
Independent Non-executive Director

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

Appointed
12 May 2017

Committee membership
Member: Audit Committee
Governance and Risk
Member: Nomination and Remuneration Committee
Member: Technology and Information Committee



8 ►

Executive Directors

8. Stephen van Coller
Chief Executive Officer

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

Appointed
1 September 2018

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



9 ►

9. Megan Pydigadu
Group Chief Financial Officer

Qualification
B Com (Accounting), HDip Acc, CA(SA)

Appointed
15 January 2019

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

10. Fatima Newman
Group Chief Risk Officer

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

Appointed
1 August 2019

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



10 ►

EOH Board of Directors

1. Dr Xolani Mkhwanazi

Chairman and independent non-executive director

Permanent invitee to all Board committees

Appointed 5 June 2019

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

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

2. Andrew Mthembu

Lead Independent non-executive director

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

Appointed 20 June 2019

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

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

3. Dr Anushka Bogdanov

Independent non-executive director

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

Appointed 20 June 2019

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

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

4. Mike Bosman

Independent non-executive director

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

Appointed 20 June 2019

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

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

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

5. Jesmane A Boggenpoel

Independent non-executive director

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

Appointed 1 July 2018

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

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

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

6. Ismail Mamoojee

Independent non-executive director

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

Appointed 1 July 2018

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

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

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

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

7. Dr Moretlo Molefi

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

Appointed 12 May 2017

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

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

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

Executive directors

8. Stephen van Coller

Group Chief Executive Officer

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

Appointed 1 September 2018

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

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

Stephen has over 20 years' experience within the banking sector, Chief Executive of Corporate and Investment

Banking (CIB) at Barclays Africa Group from 2006 to 2016, a member of the Executive Committee and chaired the Citizenship and Innovation Committees across Africa, a member of the Barclays Plc Global Investment Committee, the Barclays Social Innovation Fund and was Chairman of The Absa Foundation Trust.

9. Megan Pydigadu

Group Chief Financial Officer

Member of the Technology and Information Committee

Appointed 15 January 2019

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

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

10. Fatima Newman

Chief Risk Officer

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

Appointed 1 August 2019

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

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

Corporate Governance

Following the significant governance and reputational challenges EOH has recently faced, a new board of directors has been appointed to drive governance and protect shareholder value. As the newly appointed Board, we are committed to ethical leadership and best practice corporate governance principles. EOH's strong new leadership team is committed to rebuilding the EOH brand by being ethical and transparent, and ensuring sound corporate governance throughout our business and subsidiaries.

A comprehensive review of EOH's governance procedures has been undertaken by the University of Stellenbosch's Centre for Corporate Governance in Africa and areas for improvement identified are in the process of being implemented.

Composition of the Board

EOH has a unitary Board with the necessary collective knowledge and balance of skills, experience, resources and diversity to guide the business effectively. The Board's composition promotes the balance of authority and precludes any one director from

dominating decision making. The directors bring to the Board a wide range of experience and expertise and, in the case of the independent non-executives, an independent perspective and judgement on issues of policy, strategy and performance. The Board believes that the current composition reflects an appropriate balance of knowledge, skills, experience, diversity and independence to effectively guide the business. Directors are classified as executive directors if they are full-time employees of EOH. At the date of this report, the Board comprised ten directors, three of whom are executive directors and seven are independent non-executive directors. Seven of the Board members are black and five are women.

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

including providing leadership to the executive team.

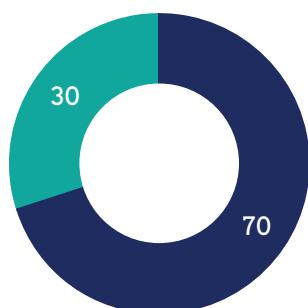
The Chairman is considered to be independent and is supported by a lead independent non-executive director.

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

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

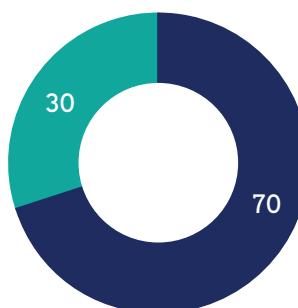
Details of the directors who left the Board and new appointments during the year are available in the Nominations Committee report on page 76.

Board independence (%)



■ Independent non-executive directors
■ Executive directors

Board racial composition (%)



■ Black*
■ White

Board gender composition (%)



■ Female
■ Male

* 'Black people' means African, coloured or Indian persons who are natural persons and are citizens of South Africa by birth or descent; by naturalisation and/or became citizens before the commencement date of the Constitution of the Republic of South Africa Act of 1993.

Independence of non-executive directors

The Board is satisfied that non-executive directors, through their actual conduct at Board and committee meetings, have no relationships or circumstances which could affect their independence. All except one of the current directors have served for less than two years. In future, directors who have served for longer than nine years will be reassessed annually to ensure that they remain independent.

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

Race and gender diversity policy of the Board

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

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

Role and responsibilities of the Board

The overriding role of the Board is to ensure the long-term sustainability and success of EOH for the benefit of all

stakeholders. The duties, responsibilities and powers of the Board, the delegation of authority and matters reserved for the Board are set out in the Company's Mol and the Board Charter.

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

The Board and its subcommittees provide ongoing governance oversight over the respective established pillars of governance. It oversees control frameworks, risk management, compliance and assurance management, including:

- Embedding and integrating of risk management in the business and culture of EOH;
- Dependence on resources and relationships;
- Adequacy of design and implementation of appropriate responses;
- Business resilience arrangements; and
- The compliance management framework and plan.

Board Charter

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

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

- Input into the Group's strategic direction;
- Providing effective leadership based on an ethical foundation and a sound Governance, Risk and Compliance ('GRC') framework;

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

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

Board effectiveness

The performance and effectiveness of the Board and its subcommittees that are evaluated every two years strive for continued improvement.

Corporate Governance

continued

Performance monitoring

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

Board committees

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

The Board has five committees consisting of the following:

Audit Committee: Only independent non-executive directors with other participants as invitees. Members are elected by shareholders at the Company's AGM;

Governance and Risk Committee: The majority of members are independent non-executive directors;

Technology and Information Committee: Both non-executive and executive directors;

Nomination and Remuneration Committee:

All the members are independent non-executive directors; and

Social and Ethics Committee: The majority of members are independent non-executive directors.

Group Company Secretary

The Group Company Secretary supports the directors and Chairman, and has direct access to and ongoing communication with the Chairman. All directors have access to the services of the Group

Company Secretary and may obtain independent professional advice. The Board believes this provides the necessary access to corporate governance advice. The Group Company Secretary is not a director of the Company or its subsidiaries, and also acts as secretary of the Board committees.

Adri Els resigned as Group Company Secretary effective 14 June 2019 and was replaced by EOH Secretarial Services (Pty) Ltd, represented by Neill O'Brien. The Board is satisfied that the Group Company Secretary is suitably qualified, competent and experienced to provide such guidance.

Subsidiary boards

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

The Board response to King IV

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

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

EOH is committed to maintaining a high standard of corporate governance and has during the year engaged with some of the leading governance institutions to assist in the design and implementation of King IV. We have recently implemented a governance tool aimed at assessing our application of the corporate governance principles as recommended in King IV and are currently in the process of assessing ourselves against these principles. We

have adopted a substance-over-form approach with regards to alignment with King IV to avoid tick-box compliance and also because this approach accommodates the achievement of the recommended King IV outcome/governance standards by applying practices other than those specifically detailed in the King IV report.

EOH has met its reporting requirements relating to the JSE Listings Requirements and the Companies Act (as amended).

Ethical culture

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

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

The Group has adopted an overarching formal Code of Ethics founded on our values of 'Respect', 'Integrity', 'Delivering Value', 'Valuing Diversity', 'Excellence' and 'Enterprising'. All employees have a duty to act in accordance with these values and thereby to maintain and enhance the reputation of the Group.

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

Our decisions and actions are guided by our core values:

- Integrity is non-negotiable;
- Respect the dignity of every individual;
- Act professionally and strive for excellence;
- Be legitimate and long-term contributors;
- Care for the environment;
- Promote the fight against corruption;
- Everyone is a valued contributor; and
- Build relationships with customers and vendors to understand and meet their needs.

The EOH EXCO is responsible for ensuring that these values are adhered to throughout the Group and the Board's Social and Ethics Committee ensures the application of these principles. The Governance Ambassador awareness training programme aims to ensure that the required tone from the top is reinforced.

An ethics programme provides education and training on ethical recruitment, employment and performance management practices, and inculcates ethical practices and behaviour throughout the Group and its activities.

Conflicts of interest

Board members are under a legal duty to prevent any conflict of interest with Company business and to make full disclosure of any areas of potential conflict. The Group Company Secretary maintains a register of directors' interests

and directors are required to declare their interests annually in order to determine whether there are any conflicts with their duties and the interests of EOH. The directors have certified that they have no material interest in any transaction of any significance with the Company or any of its subsidiaries.

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

Directors' interests in EOH shares

It is not a requirement of the Company's MoI or the Board Charter that directors own shares in the Company. The shares held by the directors as at 31 July 2019 are disclosed on page 145 of the Annual Financial Statements.

Trading in Company shares

Directors and senior executives are prohibited from trading in EOH shares during closed periods, which commence on 1 February and 1 August each year and remain in force until the publication of the interim and final results respectively. Closed periods also include any period during which the Company trades under a cautionary announcement. The Group Company Secretary informs the Board and management of closed periods. All directors' trading in EOH shares require the prior approval of the Group CEO or Group Financial Director. No director can approve his own trading of EOH shares. The Group Company Secretary retains a record of all such share dealings and

dealings are announced as required in terms of the JSE Listings Requirements.

Whistle-blowing

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

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

A Zero Tolerance Corruption and Bribery Policy

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

Corporate Governance

continued

Good performance

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

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

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

Business continuity and resilience management

EOH is currently reassessing its formal contingency and business continuity plans, to ensure these plans are robust and fit-for-purpose. Once finalised, these plans will be tested and the outputs of such testing will be used to further enhance these plans and ensure consistency with current operations and business strategies.

Effective control

The Board is responsible for governance and enterprise risk management, and determines how risk is approached and addressed across the Group. The Audit

Committee assists the Board by providing an independent and objective view on the Group's financial, accounting and control mechanisms as well as the Group's compliance with all relevant statutory and regulatory requirements.

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

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

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

The internal audit function is outsourced to PwC, who is in the process of redesigning the function to improve the control environment. An integrated risk-based approach guides the development of the internal audit allocation of resources as the third line of defence.

The process by which directors are selected and their performance regularly reviewed, ensures that the Board collectively has the necessary

ethical culture, range of skills, technical knowledge and experience to perform effective oversight of the Group.

Legitimacy

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

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

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

Reputation and brand management

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

Attendance

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

	Board	Audit Committee	Risk and Governance Committee	Social and Ethics Committee	Nominations Committee	Remuneration Committee	Technology and Information Committee
Executive directors							
Stephen van Coller (CEO)	10/10		1/1	1/1			1/1
Megan Pydigadu (Group CFO)	8/8						
Tebogo Maenetja***	2/5			1/1			
Zunaid Mayet†	10/10		1/1				1/1
John King (FD)*	1/1			1/1			1/1
Non-executive directors							
Dr Xolani Mkhwanazi (Chairman)	2/2						
Andrew Mthembu (lead independent non-executive director)	1/1						
Moretlo Molefi	10/10	1/1		1/1			
Ismail Mamjee	10/10	3/3	1/1		2/2	1/1	
Jesmane Boggenpoel	10/10	3/3	1/1		1/1		
Anushka Bogdanov	1/1						
Mike Bosman	1/1						
Asher Bobot (Chairman)**	2/2						
Rob Sporen**	1/2	1/2	1/1	1/1	1/1	1/1	
Tshilidzi Marwala**	2/2	2/2	1/1				
Pumeza Bam†	4/10			1/1	2/2	1/1	1/1

* Resigned 3/10/18.

** Resigned 28/2/19.

*** Resigned 31/3/19.

† Resigned 12/7/19.

Remuneration Report

Having regard to the principles of King IV and specifically the practices relating to fair, responsible and transparent remuneration, as well as the JSE Listings Requirements, this report is presented in two parts. Part 1 which contains the Remuneration Policy and provides context on the decisions and considerations taken during the reporting year and Part 2 which reports on the implementation of the Remuneration Policy during the current financial year and forward looking statement.

Our philosophy

EOH's primary remuneration philosophy is to employ and reward high-calibre and high-performing employees who subscribe to the values and culture of EOH. We recognise that people are integral to the achievement of corporate objectives and that they should be remunerated accordingly for their contribution and the value that they deliver. Executive remuneration must be fair and responsible in the context of overall remuneration in the Group.

The following contributing factors were considered when designing the remuneration model:

- Business requirements and skills development.
- Competitive market behaviour.
- Affordability.
- Links between strategy, risk and reward.
- Performance contributions and the quality of delivery.

Remuneration is set at levels that are competitive and appropriate within the specific markets and industries in which the Group operates.

Part 1: Remuneration Policy

Key principles

- A critical success factor for EOH is its ability to attract, retain and motivate the skilled and scarce talent required to achieve positive operational outcomes, strategic objectives and adherence to an ethical culture and good corporate governance. Both short and long-term incentives are used to this end and the key principles of the Remuneration Policy are as follows:
 - To provide appropriate remuneration packages to attract, retain and motivate staff, while considering remuneration levels, both within EOH and benchmarks outside EOH.
 - To ensure that packages are competitive as talent is mobile, both locally and globally and to take advice from external remuneration specialists from time to time to meet these objectives.
 - Guaranteed remuneration is targeted broadly at the median position of the relevant market data. Annual salary adjustments are governed by factors such as the consumer price index ('CPI'), retention strategies, the producer price index ('PPI'), industry performance, contractual arrangements and affordability.
- The guaranteed remuneration package is intended to provide all employees with pay which is satisfactory given their responsibilities.
- The annual package includes the cost to EOH of all forms of remuneration, including basic salary, travel and other allowances and the advice and facilitation of retirement savings, risk insurance, life cover and medical aid scheme.
- Permanent employees are members of a defined contribution provident fund scheme – the assets of the provident funds are managed independently and do not form part of EOH's assets.
- Variable pay is often an important component of remuneration and both short term and long-term performance-based schemes are in place, in support of EOH's business strategy.

- To value and reward individual contributions:
 - the delivery-specific short-term incentives are viewed as strong drivers of performance. A significant portion of senior management's through-the-cycle reward is designed to be variable and aligned with stakeholder interests. This is prescribed by the achievement of realistic profit targets together with, where applicable, the individual's personal contribution to the growth and development of their immediate business, their division or the wider Group; and
 - long-term incentives align the objectives of management and shareholders and other stakeholders for a sustainable period.
- The option to pay a low or 'no performance' bonus should the performance of the Group, division or individual warrant it.
- In applying the above-mentioned principles, remuneration within EOH should remain within the income range

associated with the applicable job profile and in accordance with market trends, qualifications, experience, knowledge and performance of the employee.

- In addition to these principles, the following additional principles apply to management and key individuals:
- The Remuneration Committee ('Remco') will approve the remuneration packages of all executive directors.
- The Remco has approved that the Group CEO is empowered to determine the remuneration packages of senior executives based on the guidelines agreed at the Remco meetings.
- Incentive scheme performance measures are assessed by the Remco – these measures include corporate performance, individual performance and financial and non-financial criteria
- Performance measures are taken into account before issuing share options in terms of the long-term share incentive schemes.

- Annual bonuses are based on Group, divisional and individual performance for the financial year.
- A principle underlying variable pay is that senior executives and managers have more influence over the outcome of the overall performance of EOH, its divisions, clusters and/or business units and hence variable pay is linked to the achievement of specified performance criteria and budgets.
- Variable pay is designed to incentivise and reward both team and individual effort and the share retention schemes serve as a tool to retain management and key staff needed to achieve the goals of a business unit and/or division.

Executive reward is by its nature individualistic and performance based. Accordingly, there is a guaranteed component of an executive's remuneration with a variable component specific to each individual's performance.

Types of remuneration models implemented

The remuneration types are based on the remuneration model below:

Guaranteed fixed package	Short-term based incentives	Long-term based incentives
<ul style="list-style-type: none"> • Fixed • Guaranteed level of earnings per day period • Set around the median of the specific role and responsibilities 	<ul style="list-style-type: none"> • Variable • Payable annually for linked achievements per set period (aligned to the financial year) • Key performance indicators ('KPIs') aligned to strategic and personal performance 	<ul style="list-style-type: none"> • Variable • Payable for sustained corporate performance • KPIs aligned to strategic and business performance

Remuneration Report

continued

The details of each of the elements of the remuneration types are summarised below:

Type	Description	Components	Purpose	Eligibility	Authority
Guaranteed fixed package	• Fixed • Structured total cost to Company (benchmarked against independent data)	• Basic salary • Qualified allowances • Retirement-related contributions • Medical aid-related contributions • Insurance and risk-related contributions • Leave enhancement (MEIBC employees only)	• Reflects the scope of the role • Based on the level of responsibility required and skills and/or experience	• All management and staff	• CEO where appropriate • EXCO • Line of Business CEO
	• Variable • Performance-based criteria	• Commission • KPIs	• Per agreement • Agreed KPIs	• Management and key individuals	• CEO (if executive director) • EXCO where appropriate • Line of Business CEO
Short-term based incentives	• Linked to agreed KPIs delivered annually measured against objectives and targets	• Bonus schemes	• Rewards personal performance	• Management and key individuals	• CEO (if executive director) • EXCO (where appropriate) • Line of Business CEO
		• Discretionary bonus payments	• Rewards individuals for specific performance which impacts Group performance	• Management and key individuals	• CEO (if executive director) • EXCO (where appropriate) • Line of Business CEO
Long-term based incentives	• Share option retention schemes	The Mthombo trust	• Employment equity retention mechanism to promote B-BBEE for top performing individuals	• Qualifying previously disadvantaged employees and key employees	• Approved by CEO • Ratified by trustees
		The EOH share trust	• Retention mechanism for top performing individuals	• Executives • Senior management • Key employees	• Approved by CEO/Remco • Ratified by trustees
		Share Ownership Plan ('SOP')	• Attraction and retention mechanism for top performing individuals	• Executives • Senior management • Key employees	• Approved by CEO/Remco • Endorsed by Remco

Current retention schemes (FY19)

The Group currently has three share schemes, the EOH share trust, the Mthombo trust and the EOH SOP.

The EOH share trust

- Under the terms of the EOH share trust, up to 18 000 000 shares are reserved for share options. The share options are equity settled.
- The scheme is governed by a trust deed approved by shareholders and is a registered Schedule 14 Share Trust approved by the JSE Limited. The primary objective of the share trust is to retain highly skilled and talented individuals.
- Share options are only issued to high-performing individuals based on their contribution to the Group.
- The option strike price is the share price at the date when share options are offered less at a 40% discount.
- Share options vest in four tranches, with the first tranche being 24 months after the initial grant date.
- Vested share options will lapse 10 years after grant date: 25% vest after two years; 25% vest after three years; 25% vest after four years; and 25% vest after five years.
- The last award was made in October 2018 and is expected to vest in 2024.
- Should a person leave, any unvested share options are forfeited.
- The EOH share trust will not form part of the future remuneration structure and will be terminated once the last award vests.

The Mthombo trust

- The scheme is governed by a trust deed approved by shareholders and by the JSE Limited and was specifically introduced to promote black economic transformation. It is a B-BBEE scheme with the only participants being qualifying EOH employees.
- The option strike price is the share price at the date when share options are offered less at a 40% discount.
- Share options vest in three tranches, with the first tranche being 36 months after the initial grant date: 33,33% after three years; 33,33% after four years; and 33,33% after five years.
- Vested share options will lapse eight years after grant date.
- The last active awards are expected to conclude vesting in 2022.
- The Mthombo trust is not expected to form part of the future remuneration structure.

The SOP

- The Company reviewed the aforementioned share option schemes during the 2018 financial year, considering the context of local and global practice, shareholder feedback and the pressing need to attract, retain and engage critical talent.
- The outcome of this process was that a new share plan, the SOP, replaced the existing share option scheme (governed by the EOH share trust) as the Company's primary long-term incentive plan. The key objective of this change was to ensure the attraction and retention of key individuals in the Company, to enable a sustainable succession planning strategy and to foster better alignment between executives, staff and shareholders.
- The SOP provides employees with the opportunity of receiving shares

in the Company through the award of conditional rights to shares, which vest over a five-year period, with the first tranche being 24 months after the initial grant date: 25%, after two years; 25% after three years; 25% after four years; and 25% after five years. This is subject to continued employment and the achievement of Company performance conditions, where applicable.

- All awards to executive directors and prescribed officers made in terms of the SOP will be subject to appropriate company performance conditions as determined by the Remco and disclosed annually in the remuneration report.
- Shares to settle SOP awards will be purchased in the market on vesting, and no new shares will be issued in settlement and therefore has no dilutionary impact on shareholders.
- Compared to the previous share option plan, the SOP awards are less volatile, less dilutive, more aligned with the creation of shareholder value (share price growth and dividends) and the performance conditions are linked to critical Company outcomes for which the Group's executives are accountable, including earnings growth, return on capital, cash flow, and key measures of sustainability.

The SOP was used as follows:

- Once-off awards of conditional shares to employees with unvested options under the EOH share trust to address immediate retention risks. The purpose was to replace the employees' unvested options on a fair value exchange basis. Top-up awards were also granted to selected employees on a once-off basis.
- To make annual awards to employees in line with market benchmarks.

Remuneration Report

continued

Non-executive director remuneration

- Non-executive directors sign engagement letters with the Company which set out their duties and remuneration terms.
- The term of office of non-executive directors is governed by the memorandum of incorporation ('MoI'), which provides that directors who have served for three years will retire by rotation.
- The remuneration of non-executive directors is based on proposals from the Remco, which are submitted to the Board for approval.
- The remuneration of non-executive directors who serve on the Board and its committees is reviewed by the Remco on an annual basis and recommended to the Board for approval.
- Remuneration is compared with that of selected peer companies and is a market-related. A review of current market practice in terms of the remuneration philosophy and remuneration payable to non-executive directors was undertaken during the year under review and was based on an appropriate comparator group of similar sized organisations within the information technology ('IT') industry.
- Non-executive remuneration is paid monthly, based on an annual retainer fee and a fee paid per meeting. Fees are typically approved annually on this basis at the Annual General Meeting ('AGM').

Part 2: Implementation of Remuneration Policy

Remuneration implementation report

The purpose of the implementation report is to show how the Remuneration Policy has been applied during the year under review.

The EOH remuneration model structures remuneration in a fair and responsible manner between executives and employees. It is furthermore cognisant of the responsibility, accountability, competencies, institutional IP, performance and scarcity of skills.

The Remuneration Policy has been implemented across the Group at all levels. Excellent performance was rewarded, which ensured the retention of key talent and high performers. Conversely, poor performance was managed appropriately.

At the AGM held on 20 February 2019, EOH's Remuneration Policy and the implementation report were voted against by more than 25% of shareholders. The results of the voting were as follows:

- Remuneration Policy
74,79% were in favour
- Remuneration implementation report
65,25% were in favour

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

Remuneration reviews and increases

The salaries of employees are reviewed each year. Employees' salaries are recommended by the business unit leaders and are approved by the Line of Business CEO, with line of sight provided to the Group CEO. Various macro factors are taken into account including CPI, market and trading conditions, skills shortages in specific areas and salary surveys/benchmarks. Increases are considered based on market information, organisational performance and affordability. Changes in the scope and roles of individuals are specifically considered.

The Group CEO, Group Financial Director and Group Risk Officer are employed in terms of executive employment contracts with a notice period of six months. Other executive directors and senior management are employed in terms of standard employment contracts with a notice period of three months. All directors sign restraints of trade agreements for a minimum period of 12 months following their resignations as directors.

Bonuses are paid to certain employees based on them meeting pre-determined performance criteria.

In addition to basic remuneration, long-term incentive benefits are allocated to management and key individuals who have met their key performance criteria and whom EOH wishes to retain over the long term.

Measuring performance

Performance criteria for senior management and executives were set for 2019. Criteria are set for short-term incentives based on Line of Business and Group performance. Profit before tax ('PBT') calculated net of 'working capital-related interest' targets are set and an achievement is calculated pro rata between 50% and 100%, thereafter, linear, and capped at 150%. Additional debtors days (including work in progress and revenue accruals) incentives are set and measured. The achievement excludes acquisitions and acquisition-related costs.

Target setting and weighting of bonuses for FY19	Percentage of bonus (weighting) %	Maximum payment %
Targets are set and bonuses weighted based on certain criteria		
Achievement of divisional/Group PBT after 'working capital-related interest'	70	150
Realisation of debtors' days and cash conversion	30	150

The newly appointed executive team, having joined at various points during the financial year were subject to the following criteria:

Stephen van Coller, having been bought out of an existing contract joined with guaranteed payment of R10 million, paid in two equal tranches in October 2018, and October 2019. Mr Van Coller was awarded 1 million share options on joining EOH.

Megan Pydigadu was awarded 62 020 shares upon joining EOH with a guaranteed FY2019 bonus of R2 million.

Fatima Newman, having been bought out of an existing contract joined with a guaranteed payment of R3 million and a guaranteed FY2019 bonus of R4 million.

From FY2020, all executive directors bonus payments will be based on individual and company performance.

Executive directors and prescribed officers' remuneration

Figures in rand thousand	Remuneration##	Bonuses	Total	Share-based payments charge
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
Fatima Newman (appointed 31 July 2019)*	1 334	7 000#	8 334	–
Lufuno Nevhutalu*	1 994	2 000	3 994	
John King (resigned 3 October 2018)	5 849	1 785	7 634	1 272
Zunaid Mayet (resigned 12 July 2019)	3 875	2 520	6 395	1 144
Tebogo Maenetja (resigned 31 March 2019)	2 380	800	3 180	–

Includes previous employer buy-out of bonus contract of R10 million and R3 million in relation to Stephen van Coller and Fatima Newman respectively.

* Prescribed officers.

Includes medical aid, death and disability insurance, unemployment insurance fund ('UIF') and any amounts paid on resignation.

Remuneration Report

continued

Share-based payments

	Outstanding at 31 July 2018 or date of appointment	Weighted average strike price (Rand)	Shares granted during the period	Weighted average strike price/share (Rand)	At 31 July 2019
Executive directors					
<i>Stephen van Coller</i>	–	–	–	1 000 000	21,08 1 000 000
Currently exercisable	–	–	–	–	–
Exercisable in one year	–	–	–	–	–
Exercisable between two and five years	–	–	–	1 000 000	21,08 1 000 000
<i>Megan Pydigadu</i>	–	–	–	62 020	32,98 62 020
Currently exercisable	–	–	–	–	–
Exercisable in one year	–	–	–	–	–
Exercisable between two and five years	–	–	–	62 020	32,98 62 020

Non-executive director fee adjustments

Following the extensive Group-wide strategic review initiated by EOH which necessitated numerous additional Board and committee meetings and several additional hours of time spent on EOH matters since March 2019 by non-executive directors, the non-executive director fees were reviewed by the Remco and the Board and subsequent to the financial year end being reported on amendments were proposed to shareholders. In addition, fees payable to the independent non-executive Chairperson and the lead independent non-executive director were proposed in order to ensure that these non-executive directors are remunerated appropriately for their services. A general meeting is due to be held to approve these amendments to non-executive directors' remuneration.

Details of the actual fees paid during the year are as follows:

Non-executive directors' fees

Figures in rand thousand	For services as Director	Total	Share-based payments charge
Non-executive directors			
Xolani Mkhwanazi (appointed 5 June 2019)	134	134	
Jesmane Boggenpoel	775	775	
Ismail Mamoojee	797	797	
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	

Forward looking statement

The Group went through a significant business transformation process during 2018 and 2019, resulting in a new business operating model and strategy going forward. In addition, there were significant changes to the leadership of the organisation, both at Board level and the executive management level. These changes impacted the composition of the Remco during the year under review and an enhanced focus on remuneration will be prioritised during the upcoming financial year.

Against the backdrop of the organisational changes and taking into consideration the feedback received from shareholders in the previous AGM which took place on 20 February 2019, where the Remuneration Policy was voted against by more than 25% of EOH's shareholders, the Board committed to review the Remuneration Policy including employee retention schemes. EOH retained Vasdex Remuneration Specialists ('Vasdex') to review executive and senior management incentives, both short and long term and redesign the incentive schemes as necessary. Several shortcomings were identified in the existing schemes including that the focus was based purely on share price growth,

which lost its relevance in terms of connection to individual performance and therefore had limited ability as a retention tool. Alongside this, the remuneration schemes were not consistently and transparently performance based.

The work undertaken by Vasdex has resulted in the formulation of a new approach to STI and LTI which will be implemented at the end of the financial year 2020 with awards under the new share plan commencing from August 2020.

A primary area of focus for the Remco for the upcoming financial year is to revise the current Remuneration Policy to ensure Group-wide fair, responsible and transparent remuneration in line with best practice.

Nomination and Remuneration Committee Report



Ismail Mamoojee ▶

Chairperson
Non-executive Director

“The Remuneration and Nomination Committee is constituted as a committee of the board of directors of EOH to assist the board with regard to the matters set out below. The Group had a separate Nomination Committee and a Remuneration Committee until 25 July 2019, when the board decided to combine them into one committee.”

Role of the committee

The main roles of the committee are as follows:

Remuneration

- To oversee the remuneration policies, initiatives and activities of the Company
- To make recommendations to the Board in regard to all remuneration policies
- To ensure that the Group remunerates its employees fairly and responsibly in order to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term

To consider the results of the evaluation of the performance of the CEO and the other executive directors

- To advise on the remuneration of non-executive directors
- To ensure that the disclosure of directors' remuneration in the Annual Financial Statements of the Group and its relevant material subsidiaries are accurate, complete and transparent
- To oversee the preparation of the remuneration report.

Nomination

- To ensure that the size and composition of the board is appropriate to enable it to execute its duties effectively

To make recommendations to the Board on the appointment of executive directors and the appointment and re-appointment of non-executive directors at EOH Holdings and subsidiary company level

- To review the independence of non-executive directors annually
- To ensure that directors undergo proper induction and ongoing training as and when required
- To ensure that formal succession plans are in place for members of the Board, the CEO and senior executives
- To assist the Chairman and the Board in evaluating the performance of the Board, its committees and individual directors.

Composition

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

Mr Ismail Mamoojee (Chairperson of the committee)

Dr Anushka Bogdanov

Mr Mike Bosman

Dr Moretlo Molefi

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

Terms of service

Executive directors

- The minimum terms and conditions applied to South African executive directors are governed by legislation. The notice period for these directors is one month. In exceptional situations of termination of the executive directors' services, the Remuneration Committee (assisted by independent labour law legal advisers) oversees the settlement of terms.
- Executive directors are required to retire on the third anniversary of their appointment and may offer themselves for re-election. As appropriate, the Board, through the Nominations Committee, proposes their re-election to shareholders.
- Executive directors are permitted to serve as non-executive directors on one other public company Board with the express permission of the Chief Executive and the Nominations Committee. This excludes directorships where the Group holds a strategic investment in that public company (i.e. nominee directorship).
- Fees paid to nominee directors accrue to the Group and not to the individual directors concerned.

Non-executive directors

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

The reconstituted Remuneration and Nomination Committee did not meet during the year under review.

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

Shareholder vote on the remuneration policy and the implementation report

At the Annual General Meeting on 20 February 2019 the Company did not receive the required number of votes in favour of the remuneration policy and the implementation report. The results of the voting were as follows:

Remuneration policy 74,79% in favour
Implementation report 65,25% in favour

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

Conclusion

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



I Mamoojee

Chairman of the Nomination and Remuneration Committee

ISSUES ADDRESSED DURING THE PERIOD UNDER REVIEW

The committee:

- recruited a new Chief Executive Officer, Chief Financial Officer and Chief Risk Officer;
- recruited a new Chairman of the Board of directors and three new non-executive directors;
- revised the membership of the Board's committees;
- satisfied itself in regard to the independence of the non-executive directors;
- approved a new share ownership plan;
- reviewed the fees payable to non-executive directors and resolved to call a general meeting to seek shareholder approval for adjustments to the fees.

AREAS OF FOCUS FOR 2020

The committee will:

- consider a new incentive scheme for executives and senior management, which will include short-term incentives and long-term incentives. The long-term incentive is supported by a new share ownership plan detailed in the remuneration report;
- give careful consideration to succession planning, following the numerous changes to executive and non-executive directors during the year under review;
- review the remuneration structure for all levels of employees in the Group, to ensure the principle of equal pay for work of equal value is applied.

Audit Committee Report



Mike Bosman ▶
Chairperson, Audit Committee
Non-executive Director

“The Audit Committee was only reconstituted in late June 2019. The committee has been focused on ensuring a fit-for-purpose balance sheet at 31 July 2019, which is representative of value going forward. A significant clean-up of the balance sheet occurred with careful and deep consideration by the Audit Committee. We believe we have dealt extensively with the past and lack of governance which led to significant impairments and write-offs to the balance sheet. In this coming year, we will turn our focus to ensuring enhanced financial discipline across the organisation and a strengthened level of internal controls as well as building a combined assurance model.”

The EOH Audit Committee ('the committee') has pleasure in submitting this report for the year ended 31 July 2019, which has been approved by the Board. This report has been prepared in compliance with section 94(7)(f) of the Companies Act 71 of 2008 ('the Companies Act') and in accordance with the mandate given by the Board.

Committee purpose

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

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

Terms of reference

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

Meetings

Six meetings of the committee were held during the year under review. Attendance at meetings is shown on page 67.

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

The committee has satisfied itself through enquiry that the external auditor is independent as defined by the Companies Act.

Composition

As only two directors were appointed to the committee by shareholders at the Annual General Meeting ('AGM') held on 20 February 2019, the board subsequently restructured the committee and appointed the following independent non-executive directors as members of the committee to hold office:

Mr Mike Bosman (Chairperson of the committee)

Mr Andrew Mthembu

Mr Ismail Mamoojee

Ms Jesmane Boggenpoel

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

The appointment of committee members will be subject to approval by shareholders at the next AGM to be held on Thursday, 5 December 2019. The biographies of the directors who have made themselves available for election to the committee can be viewed on pages 60 and 61.

The committee has considered the nature and extent of any non-audit services. During the 2019 fiscal year, fees in respect of non-audit services amounted to R1,7 million.

The committee has met with the external auditors without management present, to discuss the results of their audit and the overall quality of the Company's financial reporting. The committee also discussed the expertise, resources and experience of the Company's finance function with the external auditors. No matters of concern were raised during those meetings.

The committee has agreed to the budgeted audit fee for the 2019 financial year. Auditors' remuneration is disclosed in note 27 to the consolidated Annual Financial Statements. The committee is of the view that this remuneration is appropriate.

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

accredited on the JSE list of auditors and advisers. The committee further confirms that it has assessed the suitability for appointment of the external auditors and the designated audit partner.

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

Pursuant to a decision by the EOH Board to voluntarily comply with mandatory audit firm rotation prior to the prescribed date of 1 April 2023, EOH has elected to terminate the external audit services provided by Mazars (Gauteng) Inc. ('Mazars') on conclusion of its external audit responsibilities for the financial year ended 31 July 2019. Mazars was appointed as external auditor to EOH during the 2011 financial year and the Board of directors of the Company thanks Mazars for its services to EOH during its tenure.

Following a formal tender process, the Audit Committee with the endorsement of the EOH Board recommends the appointment of PricewaterhouseCoopers Inc. as the Group's new external auditor, which appointment will be effective from the conclusion of the annual general meeting to be held on

Audit Committee Report

continued

5 December 2019. The Audit Committee further confirms that it has assessed PricewaterhouseCoopers Inc.'s suitability for appointment in accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements and nominates for appointment PricewaterhouseCoopers Inc. as the external auditor of EOH.

Internal audit

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

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

Combined assurance

EOH embarked on a combined assurance model ensuring that there are three lines of defence. Management comprises the first line who own and manage the risks. The establishment of the GRC function fulfils the second line of defence overseeing the activities of the first line and providing specialist input. The third line, comprises of internal audit and other assurance providers, who provide independent assurance. The combined assurance approach is in the process of being integrated with the risk management process to assess assurance activities across the various lines of defence.

While the committee is satisfied with the level of assurance provision for significant Group risks, the combined assurance approach will continue to be enhanced during the 2020 fiscal year. In terms of coordinating assurance activities, the committee reviewed the plans and work outputs of the external and internal auditors.

Internally, management has performed an attestation process throughout the organisation to ensure the right level of controls are in place from a financial statement reporting perspective.

A number of internal control deficiencies have been identified. These are dealt with by management in the ordinary course of business. Management will continue to monitor and resolve, where appropriate, IT access controls and segregation of duties conflicts, as the Group strengthens its current financial systems. The Audit Committee is, however, satisfied that none of these deficiencies had a material effect for the purposes of the preparation and presentation of the financial statements for the fiscal year under review.

Current year key areas of focus

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

Audit qualification of opening balances

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

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

Measurement of these prior period errors did in some cases require management to make estimates, as set out in paragraph 53 to IAS 8 – Accounting Policies, Changes in Accounting

Estimates and Errors, the fact that significant estimates are frequently required when amending comparative information presented for prior periods does not prevent reliable adjustment or correction of the comparative information.

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

Management further consulted with an independent accounting firm who were supportive of management's view. As a result, the Audit Committee has accepted management's view and recommended to the Board the prior year adjustments, which has in turn approved the adjustments as part of the financial statements.

Financial reporting

The committee reviewed the interim and 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.

Expertise and experience of Group Chief Financial Officer and finance function

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

Fraud prevention

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

Going concern status

The committee has considered the going concern status of the Company and the Group on the basis of review of the Annual Financial Statements and the information available to the committee and recommended such going concern status for adoption by the Board. The Board statement on the going concern status of the Group and Company is contained in note 45 – Going concern.

Future areas of focus

The committee will continue to review relevant submissions and reports issued by assurance providers — both internal and external.

The committee will continue to monitor the organisation's control environment and will engage with relevant persons — both internal and external — as required, in order to effectively discharge its responsibilities.

The committee will continue to review relevant reports and position papers prepared by management relating to accounting standard changes to ensure that all material risks are addressed.

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

Governance and Risk Committee Report



Jesmane Boggenpoel ▶

Chairperson, Governance and Risk Committee
Independent Non-executive Director

“In 2019, risks manifested that were not contained by EOH governance. We have forensically analysed our past and we have mobilised a governance framework that can enable sustainable value creation in our future. As we rebuild stakeholder trust in our brand, we need to remember to focus on the evolution of a high performing culture that innovates and takes opportunity, blending our entrepreneurial spirit with our new corporate standards.”

Committee composition:

Jesmane Boggenpoel (Chairperson of the committee)
Andrew Mthembu
Anushka Bogdanov
Fatima Newman
Mike Bosman
Stephen van Coller



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

¹ Audit Committee responsibilities include oversight of internal audit.

Committee purpose

The Governance and Risk Committee ('the committee') is responsible for ensuring the ethical and effective delivery of the EOH Corporate Governance Framework to ensure that its objectives of an ethical leadership culture, sustainability and growth, stakeholder engagement, statutory compliance and responsible citizenship are delivered. This includes championing the vision and strategy of EOH, oversight of governance structures and accountability, sustainability and resilience, corporate citizenship, enterprise risk management and compliance, transparency and disclosure. Combined, these responsibilities are in place to ensure leadership and excellent business decisions that manage risk and take opportunities to create and protect value.

OUR RECOMMENDATIONS

The committee is fully supportive of the new and best practice EOH Governance Framework and has identified the following recommendations for embedding the solution to ensure a futureproof organisation:

- **Be realistic about scope:** Detailed design and planning are essential to ensure the process of embedding and mainstreaming functional capabilities throughout the organisation.
- **Place relationships high on the agenda:** The restoration of our brand and credibility is about trust and transparency. Invest heavily in real relationships with clients, partners, debtors, suppliers, employees and wider stakeholders.
- **Keep an eye on digital innovation and the wider world:** To lead and grow we need to be relevant to our customers. Opportunity and risk beyond our immediate organisation are evolving at a fast rate within the context of the fourth industrial revolution. Governance must embrace a clear view of the wider world. Where feasible EOH will embrace and include technology to enhance our governance framework and systems.
- **Set the tone from the top to the bottom:** Ensure every level of management takes ownership to embed processes relating to risk and governance.
- **Move beyond compliance on transformation and sustainable development:** Ensure that our transformation and sustainable development contributes to action to redefine our brand for value creation.



For more information go to
www.eoh.co.za

Governance and Risk Committee Report

continued

The committee is responsible for:

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

Activities during the year

The committee was suspended during the early part of 2019 while the focus of the Board of directors was redirected toward the recovery of the Company's reputation following the identification of wrongdoing and the need to take mitigating action. During this time the Board was reconstituted with a new membership to reflect the relevant skills and experience required to deliver future governance.

Despite this, considerable work was done with members to ensure that a best practice framework for governance, risk management and control has been defined and approved to ensure futureproof governance going forward.

Leading by example

The committee refers readers to the governance report which covers both the new EOH corporate governance framework and also the CODE plan for ensuring that future governance and risk management is embedded. The committee, which has been remobilised with a fresh membership, wishes to give its full support and approval to the work that has been done. It intends to lead by example, adopting and complying with new best practices.

Ensuring resources for CODE

The members are determined that the CODE plan should be properly resourced and supported at Board level to ensure that it is fully embedded enterprise-wide. It is clearly evident that the functional capabilities that are required to ensure proper oversight will require people, processes and systems in order to function ethically and effectively, and to mitigate future risk. In the experience of the committee, integrated, accurate and complete business information is essential to success, and the EOH Group is a complex landscape to oversee. The committee advises that the executive team plays close attention to the budgeting and detailed planning for the work that needs to be done over the next year, in line with the EOH philosophy of 'best people'.

A focus on value creation

The committee is clear that the ENSAfrica process for justice and restitution must continue, as must the process of significantly galvanising EOH against bribery and corruption. At the same time, it is crucial that our eye focuses on value creation. Best practice governance seeks

opportunity for value, as much as it seeks risk to be mitigated. Much value needs to be restored and nurtured, in line with our philosophy to lead and to grow.

A focus on maturing and embedding the GRC Framework

The focus in 2020 will be maturing and embedding the EOH Governance Framework across Group entities and functions. It is essential that the lessons EOH learned are absorbed at an institutional level. Alongside individual training, it is critical that processes, functions and resources for compliance and control are put in place. This must embed the checks and balances we require, using case studies of the past as a reminder that supports a stronger institution going forward. This will strengthen EOH for the future, ensuring effective governance control and mitigation of future risk.

Conclusion

The committee is impressed with the foundation that has been established for futureproof governance. Much good work has been done, yet the road ahead is long and challenging. It is essential that we retain a strong focus on responsible, ethical, and effective leadership. We need to motivate all our people, and our wider value chain, to lead and grow.



Jesmane Boggenvoel

Chairperson, Governance and Risk Committee

24 October 2019

Technology and Information Committee Report



Andrew Mthembu ►

Chairperson, Technology and Information Committee
Independent Non-executive Director

“EOH is a technology services business, so it is essential that we lead by example, innovating our digital landscape, to ensure that our ICT capability enables our business to deliver a world class service, including the protection of information, resilience and business continuity.”

Committee purpose

The Technology and Information Committee is charged with ensuring that technology and information is managed, appropriately resourced, and sufficiently defined to enable operations and to achieve the strategic objectives set. The committee is responsible for ethical and effective risk and compliance systems for Information, Communication and Technology (ICT) as defined by King IV principle 12. The EOH EXCO is accountable to the committee for the implementation, effectiveness of, and adherence with, the EOH Governance Framework. EOH ICT Ambassadors have leadership responsibility to communicate and inform the EOH EXCO of ICT opportunities and risks across operational and functional areas.

The committee is responsible for:

- Ensuring the effectiveness of the IT strategy, ensuring that ICT capabilities support the EOH Group business strategy
- Leading the delivery of ICT capabilities that enable the integration of people, technologies, information and processes across EOH entities
- Ensuring sufficient ICT management capacity, resources and IT systems, including applications, hardware, software and networks
- Enterprise-wide management of technology and information risk, in line with the EOH Governance Framework, ensuring ISO 27001 compliance
- Proactive monitoring and management of intelligence to identify and respond to incidents, including cyber-attacks and data security
- Managing the performance of, and the risks pertaining to, third-party and outsourced ICT service providers
- Reviewing ICT capital and operating budgets, assuring value delivered from EOH Group investments in technology and information
- Ensuring the effectiveness of governance relating to systems, programming, network and operations activities
- Ensuring ICT backup procedures, including periodic testing, and disaster recovery planning, to ensure business continuity and resilience
- Ensuring the responsible disposal of obsolete technology, ensuring the confidentiality of information, with minimal impact on the environment

Technology and Information Committee Report

continued

- Ensure the responsible use of technology and information, including compliance with statutory and regulatory obligations

Activities during the year

The committee was suspended during the early part of 2019 whilst the focus of the Board was redirected toward the recovery of the company's reputation following the identification of wrongdoing and the need to take mitigating action. During this time the Board was reconstituted with a new membership to reflect the relevant skills and experience required to deliver future governance.

As such the Technology and Information Committee was re-established in September 2019, with a refreshed membership, and aligned to deliver against the EOH Governance Framework, which contains measures relating to the ethical and effective oversight of ICT matters.

Data protection

Over the course of the year we have continued to keep track of best practices relating to the protection of personal information, including the evolving regulation landscape. Opportunities associated with the advancement of technology and digitisation associated with the 4IR were considered, and EOH continues to operate in a way that meets statutory obligations, with ongoing compliance risk assessment to ensure readiness for future change.

Evolving governance

The committee is fully abreast of the wider EOH initiative to galvanise and embed the EOH Governance Framework. Over the course of 2020 our focus will be to ensure that EOH role players and resources are mobilised to define ICT requirements for enterprise-wide governance and oversight. We reaffirm the importance of EOH ICT Ambassadors, responsible for representing operational and functional areas to ensure that future process standardisation is supported by systems that are fit-for-purpose across diverse EOH entities, enabling any opportunities that arise from innovation.

Committee composition:

Andrew Mthembu
(Chairperson of the committee)
Dr Lynette Moretlo Molefi
Megan Pydigadu
Mike Bosman
Stephen van Coller

Leading by example

As Africa's leading technology services provider we need to lead by example with an ICT capability that reflects our core competence. In a digital world that is continuously evolving, and given the requirement to strengthen ICT for governance. In 2020 this will entail demonstrating best practice change management and communication for our own internal customers, to ensure business continuity and resilience for the customers that we serve.

Rol on ICT investment

The committee notes its responsibility for oversight of return of investment on EOH ICT investments. After a year in which much value has been lost, the committee reaffirms its intention to ensure that such investments contribute maximised value to the EOH Group.

Conclusion

The committee is refreshed and revitalised, and intends to ensure an EOH architecture that is aligned to our restructured business model. We undertake to deliver our role in ensuring there is an integrated approach to the strategic and tactical ICT objectives of the EOH Group, managing associated risks for our wider enterprise, and for all our stakeholders.



Andrew Mthembu

Chairperson, Technology and Information Committee

24 October 2019

ICT FOCUS AREAS

The following areas continue to be a focus for ensuring an ICT service that enables business performance and continuity:

- **Central Group control systems:** The roll out of enhanced systems to support EOH Governance, Human Resource, Enterprise Performance, Procurement and Financial Management.
- **Hardware and Software:** The assurance of delivery against support, capacity and performance standards, including licensing audit and compliance.
- **Information security blueprint:** The ongoing assurance of network security and data protection in a world of evolving cyber threats, including the management of access control, in line with evolving and forecast regulatory requirements.
- **Business continuity:** The assurance of capacity and performance management including backup protocols, including disaster planning for resilience and continuity.
- **Return on ICT investments:** The oversight and assurance of EOH Group investments in ICT to ensure a portfolio that delivers on value as planned.

ICT innovation landscape: To continue to keep abreast of emerging ICT best practice, to ensure that the EOH Group ICT capability is reflective of the best practices and world-class standards that we deliver for our clients.



For more information go to
www.eoh.co.za

Social and Ethics Committee Report



Dr Anushka Bogdanov ▶
Chairperson, Social and Ethics Committee
Independent Non-executive Director

“My fellow members and I give a firm commitment and undertaking that the newly mobilised Social and Ethics Committee will be a force for the good, providing the leadership needed to restore the EOH reputation as an ethical and responsible corporate citizen. We will continue our work to deliver sustainable transformation, mitigating the risks of the past, and reinvigorating our future contribution to value creation, for all our stakeholders. “

Social and Ethics Committee Report

continued

Committee purpose

The committee monitors EOH's activities in terms of legislation, regulation and Codes of Best Practice relating to ethics, stakeholder engagement, strategic empowerment and compliance with transformation codes. The committee applies international best practice to provide guidance to management in respect of its duties relating to social, ethics, transformation and sustainability issues.

The committee is responsible for:

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

Committee composition:

Anushka Bogdanov
(Chairperson of the committee)
Fatima Newman
Dr Lynette Moretlo Molefi
Ismail Mamoojee
Stephen van Coller

- the responsible management of data and compliance with the PAIA Manual and the Protection of Personal Information Act ('POPI Act');
- monitoring changes in legislation and to social and ethical codes, to ensure that the company is compliant.

Activities during the year

The committee was suspended during the early part of 2019 while the focus of the Board was redirected toward the recovery of the Company's reputation following the identification of wrongdoing and the need to take mitigating action. During this time, the Board was reconstituted with a new membership to reflect the relevant skills and experience required to deliver future governance.

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

OUR STATUS

Progress on transformation is as follows:

- Skills development:** Continues to be integral to the deployment of the best skills, with a workplace skills plan submitted to the services SETA. Beyond the training reported on in the sustainability report, the committee directs emphasis on the roll-out of the planned ethics and leadership training during 2020.
- Socioeconomic development:** Initiatives and partnerships are in place to invest in communities building digital, technical and mathematics skills to empower future generations, delivering a comprehensive programme.
- Enterprise and supplier development:** The supplier and enterprise development landscape has been forensically analysed for ethical performance, with robust new measures in place to ensure anti-corruption and bribery within the supply chain and tendering processes.
- Employment Equity:** There has been an ongoing focus on the development of talent, with particular progress on gender equality and representation at a senior level, taken as an opportunity when filling emergent talent gaps during the course of the year.
- Stakeholder interaction:** Extensive stakeholder engagement has taken place to repair reputational damage sustained during the earlier part of the year. However, there is more work to be done in the coming year.



For more information go to
www.eoh.co.za

Transformation and B-BBEE

The first steps of the committee were to focus on the immediate status of the company's B-BBEE rating, including delivery upon the EE Plan, and performance within the B-BBEE rating process, based on the amended ICT sector code and the training and development of employees. The Board recognises that social transformation is critical for the sustainability of the Group and the committee continued the ongoing drive towards economic and social equity through the process of B-BBEE. The best measure of EOH success in this regard is the ongoing attainment of a Level 1 contributor rating, under the South African Department of Trade and Industry ('DTI') Code of Good Practice, the highest rating of its peers on the JSE.

The Board will continue to monitor the implementation of B-BBEE in terms of EE, ownership, enterprise development, and skills development.

Vision for 2020

Over the course of 2019, the EOH Group was found to be wanting from an ethical perspective. Much has been done to rectify this, with further work to be done, as outlined within the broader integrated report, and as defined in the CODE action plan for 2020. The committee universally gives its undertaking that it gives its firm commitment to courageous, ethical, responsible, and ambitious action to drive forward an ethical and high performing culture, aligned to a sustainable development strategy that will actualise EOH as a force for the good, repairing our reputation, and living our purpose to create sustainable value for our stakeholders.

Reporting and compliance

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

Conclusion

The committee confirms that EOH gives the necessary attention to its transformation, social and ethics responsibilities and has complied with the required regulatory requirements. Policies and programmes are in place to advance social and economic development, sound ethical behaviour, fair labour practices, responsible environmental practices and good customer relations. It has also diligently worked to ensure justice and to root out wrongdoing, noting that this is a process that will be ongoing. The committee commits to conducting its affairs in compliance with its terms of reference and intends to discharge its responsibilities, living its purpose as a force for the good.



Anushka Bogdanov
Chairperson, Social and Ethics Committee

23 October 2019

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Level of assurance

These consolidated Annual Financial Statements have been audited in compliance with the applicable requirements of the Companies Act No 71 of 2008 of South Africa.

Group Company Secretary Report

► Annual financial statements
Shareholder analysis ►

In terms of section 88(2)(e) of the Companies Act of South Africa, I certify that to the best of my knowledge and belief the Company has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act of South Africa, in respect of the financial year ended 31 July 2019 and that all such returns and notices are true, correct and up to date.



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

1 November 2019

Approval of the Consolidated Annual Financial Statements

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

The consolidated Annual Financial Statements were approved by the Board on 1 November 2019 and signed on its behalf by:



Dr Xolani Mkhwanazi
Chairman

1 November 2019



Stephen van Coller
Group Chief Executive Officer

1 November 2019

Audit Committee Report

for the year ended 31 July 2019

The EOH Audit Committee ('the committee') has pleasure in submitting this report for the year ended 31 July 2019, which has been approved by the Board. This report has been prepared in compliance with section 94(7)(f) of the Companies Act 71 of 2008 ('the Companies Act') and in accordance with the mandate given by the Board.

Committee purpose

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

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

Terms of reference

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

Independence of the external auditor

The committee has satisfied itself through enquiry that the external auditor is independent as defined by the Companies Act.

The committee has considered the nature and extent of any non-audit services. During the 2019 fiscal year, fees in respect of non-audit services amounted to R1,7 million.

The committee has met with the external auditors without management present, to discuss the results of their audit and the overall quality of the Company's financial reporting. The committee also discussed the expertise, resources and experience of the Company's finance function with the external auditors. No matters of concern were raised during those meetings.

The committee has agreed to the budgeted audit fee for the 2019 financial year. Auditors' remuneration is disclosed in note 27 to the consolidated Annual Financial Statements. The committee is of the view that this remuneration is appropriate.

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

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

Pursuant to a decision by the EOH Board to voluntarily comply with mandatory audit firm rotation prior to the prescribed date of 1 April 2023, EOH has elected to terminate the external audit services provided by Mazars (Gauteng) Inc. ('Mazars') on conclusion of its external audit responsibilities for the financial year ended 31 July 2019. Mazars was appointed as external auditor to EOH during the 2011 financial year and the Board of directors of the Company thanks Mazars for its services to EOH during its tenure.

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

Internal audit

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

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

Combined assurance

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

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

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

Internally, management has performed an attestation process throughout the organisation to ensure the right level of controls are in place from a financial statement reporting perspective.

A number of internal control deficiencies have been identified. These are dealt with by management in the ordinary course of business. Management will continue to monitor and resolve, where appropriate, IT access controls and segregation of duties conflicts, as the Group strengthens its current financial systems. The Audit Committee is, however, satisfied that none of these deficiencies had a material effect for the purposes of the preparation and presentation of the financial statements for the fiscal year under review.

Current year key areas of focus

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

Audit qualification of opening balances

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

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

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

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

Management further consulted with an independent accounting firm who were supportive of management's view. As a result, the Audit Committee has accepted management's view and recommended to the Board the prior year adjustments, which has in turn approved the adjustments as part of the financial statements.

Financial reporting

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

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

Expertise and experience of Group Chief Financial Officer and finance function

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

Fraud prevention

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

Going concern status

The committee has considered the going concern status of the Company and the Group on the basis of review of the Annual Financial Statements and the information available to the committee and recommended such going concern status for adoption by the Board. The Board statement on the Going concern status of the Group and Company is contained in note 45 – Going concern.

Discharge of responsibilities

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

Conclusion

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

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

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



Mike Bosman
Chairman, Audit Committee

Directors' Report

for the year ended 31 July 2019

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

Nature of business

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

The consolidated Annual Financial Statements of EOH, as at 31 July 2019 and for the year ended 31 July 2019, comprise the Company and its subsidiaries (together referred to as 'the Group') and the Group's investments in associates and joint ventures.

Financial statements and results

The Group's results and financial position are reflected on pages 103 and 104.

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

Restatement of financial statements

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

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

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

Stated capital

Authorised

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

Issued

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

Directors

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

Directorate

Non-executive

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

* Dutch

Executive

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

Directors' interest in shares

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

Directors' emoluments

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

Related-party contracts

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

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

Directors' responsibility for the consolidated Annual Financial Statements

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

The external auditors are responsible for carrying out an independent examination of the consolidated Annual Financial Statements in accordance with International Standards on Auditing and in the manner required by the Companies Act of South Africa and for reporting their findings thereon. The auditors' report is set out on page 96 to 102.

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

Reportable irregularities by the auditors

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

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

Directors' Report

for the year ended 31 July 2019

► Annual financial statements

Shareholder analysis ►

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

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

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

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

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

The above RIs have been closed.

Governance and internal controls

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

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

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

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

Going concern

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

Litigation statement

The Group and its subsidiaries are involved in various litigation matters arising in the ordinary course of business. Although at this stage it is not possible to predict what the outcome of the various matters will be, nor what portion of any costs will be attributable to the Group, or whether all or

any portion of such costs will be covered by insurance or will be recoverable from other sources, management has no reason to believe that the disposition of these matters will have a materially adverse effect on the consolidated financial position of the Group.

Subsidiaries, joint ventures and associates

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

Discontinued operations and assets held for sale

The Group recently refined its operational structure into three distinct operating units to allow for leaner and more agile core businesses. Opportunities are being explored for the sale of certain non-core assets and as a result there are a number of businesses that were approved for sale and for which the sale is expected to be completed within 12 months from the reporting date. These businesses are classified as disposal groups held for sale and the assets and liabilities of these disposal groups have been presented as held for sale at 31 July 2019. The businesses that were already sold during the current and previous reporting periods and business held for sale at 31 July 2019 that have met the requirements to be presented as discontinued operations have been presented as discontinued operations in the Group's statement of profit or loss. Details are reflected in note 15 and note 16.

Special resolutions

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

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

On 20 February 2019, shareholders approved the following special resolutions at the AGM:

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

No change statement

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

Subsequent events

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

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

Report on the audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Qualified Opinion

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

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

1. Unrecorded liabilities/recoverability of assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section above, we have determined the matters described below to be the key audit matters to be communicated in our report on the consolidated financial statements.

Matter	Audit response
<p>Valuation of goodwill (Note 6)</p> <p>Goodwill has been recognised in the consolidated statement of financial position as a result of multiple acquisitions over a number of years. Goodwill comprises approximately 19% of the total assets of the group. During the current financial year approximately 44% of the goodwill balance as at the end of the prior period has been impaired.</p> <p>As required by the International Financial Reporting Standards (IFRS), the directors conduct annual impairment tests to assess the recoverability of the carrying value of goodwill and indeterminate useful life of intangible assets. This is performed using discounted cash flow models.</p> <p>There are a number of key areas of estimation and judgement made in determining inputs into these models which include among others:</p> <ul style="list-style-type: none">• Future revenue;• Operating margins;• Interest rates; and• Discount rates applied to projected future cash flows. <p>The impairment test performed on goodwill is subjective, includes judgement & estimations made by management. Furthermore, the recent financial results, media articles and allegations of suspected fraud has negatively impacted market share and the operations of the business and increased the risk of goodwill impairment.</p> <p>The valuation of goodwill and the impairment test performed in goodwill is considered to be a key audit matter due to the extent of judgment and estimation involved.</p>	<p>We focused our assessment of the impairment test of goodwill on the key assumptions and judgements made by the directors.</p> <p>Our audit procedures included:</p> <ul style="list-style-type: none">• Inspecting the list of cash generating units ('CGUs') to determine whether the business units have been allocated to the appropriate CGU;• Evaluating whether the model used by the directors to calculate the value in use of the individual cash generating units comply with the requirements of IAS 36 Impairment of Assets (IAS 36);• Assessing the appropriateness of the discount rate used in the cash flow forecast calculation;• Testing the reasonableness of future projected cash flows used in these models;• Identifying changes in the composition of CGUs and obtaining an understanding of the changes to prior years;• Re-performing the calculation based on the audited inputs and comparing it to the calculation performed by management;• Re-performing the sensitivity analysis to verify whether the carrying amount does not exceed the recoverable amount in the impairment calculations;• Using our internal specialists to evaluate the reasonability of the discount rate used in the discounting of future cash flows; and• Reviewing the adequacy of disclosure as required in terms of IAS 36.

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

Matter	Audit response
Impairment allowance on trade receivables (Note 2.1 and Note 13)	
The group adopted International Financial Reporting Standard (IFRS) 9, Financial Instruments during the current financial year. The standard introduces new requirements around two main aspects of how financial instruments are treated, namely measurement and classification as well as impairment. IFRS 9 introduces new impairment rules which prescribe a new, forward looking, expected credit loss ("ECL") impairment model which takes into account reasonable and supportable forward-looking information, which will generally result in the earlier recognition of impairment allowances.	Our audit approach included obtaining an understanding of the group's policy in relation to the ECL impairment allowance of trade receivables and testing the application of this policy. We have performed the following procedures: <ul style="list-style-type: none">Evaluated the competence, capabilities, objectivity of the auditor's expert and obtained an understanding of the work performed by the expert in order to rely on work performed.Engaged with Mazars IFRS specialists and the auditor's expert to assess the reasonability and compliance of the group's ECL model with IFRS 9 requirements;Obtained the historical data used by management in their ECL impairment model and selected a sample which was tested with reference to supporting documentation.Identified trade receivable balances outstanding for 120 days and over through inspection of the trade receivable age analysis;Tested the identified long outstanding trade receivables for recoverability by investigating the reasons for non-payment and corroborating those reasons against supporting documentation. Based on the corroborated reasons provided verified that the long outstanding trade receivables were correctly categorised in the ECL impairment model; andSelected all material trade receivables and sampled the remaining trade receivables verifying the recoverability by inspecting evidence for payments received after year-end or other suitable evidence supporting the recoverability of the trade receivables. Based on evidence provided verified that the selected material and remaining trade receivables were correctly categorised in the ECL impairment model.Re-performed the ECL impairment calculation based on the audit evidence provided for the trade receivables selected and compared it to the ECL impairment calculation performed by management to assess the reasonability of the ECL impairment calculation. We furthermore considered the adequacy of the group's disclosure of trade receivables and the related ECL impairment allowance
Suspected prior period fraud investigations	
The EOH board identified certain transactions that indicated possible fraud related to certain government contracts as well as certain suppliers that were entered into by the group and mandated ENS Africa (ENS) to perform an investigation as to the validity of these contracts. ENS discovered evidence of possible tender irregularities. Instances included EOH employees conspiring with preferred suppliers to inflate software licence sales and inappropriate sponsorships and donations. Payments made over the past 5 years of R1.2 billion to 78 suppliers were investigated by ENS to determine whether the appropriate work for services rendered was performed or delivered. We identified the possible fraud as a key audit matter due to the nature of the fraud and the significant impact the findings might have on the financial statements and resultant effect thereof on the audit report.	
Our procedures to address this key audit matter include: <ul style="list-style-type: none">Performing data analytics with the assistance of our IT audit function in order to identify transactions with the parties identified in the ENS investigation;Selecting a sample of these payments made and inspecting supporting documents such as the service level agreements, proof of delivery, purchase orders and the invoices, in order to determine the validity and existence thereof;Evaluating the scope, procedures and output of the ongoing ENS investigation to assess adequacy of the investigation for determining the full scope of potential fraud;Discussion with management's legal expert to understand the findings arising from the investigation and assess the impact thereof on the group's financial statements and resultant effect thereof on the audit report.Reviewing the IFRS Technical position papers, provided by management, pertaining to the ENS investigation and assessing the compliance of the group's IFRS Technical position against the applicable IFRS standards.Consultation with the Mazars IFRS and Quality Risk Management specialists to assess the impact of the suspected prior period fraud investigations on the income tax and VAT amounts and balances included in the financial statements, as well as the resultant effect thereof on the audit reportIn addition, our overall audit approach was modified to take into account the results of these procedures and the impact of a higher fraud risk on our audit.	

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

Matter	Audit response
<p>Going concern assessment (Note 45)</p> <p>The financial statements of the group are prepared on the going concern basis.</p> <p>The group is highly geared and thus reliant on the availability of their credit facilities to continue operating.</p> <p>For the current year under assessment the group has made significant losses during the current year and have sold a number of subsidiaries to accommodate the significant loan repayments to the bank.</p> <p>These factors could indicate that the going concern basis used in the preparation of the financial statements is not appropriate, or that a material uncertainty over the appropriateness of the assumption could exist.</p> <p>Management's assessment of going concern is based on their judgement and their view relating to the next financial year.</p> <p>As a result of the judgement involved in management's going concern assessment, the group's highly geared position and their performance during the current year, the going concern assessment is considered to be a key audit matter.</p>	<p>Management prepared a detailed assessment of the ability of the group to continue as a going concern.</p> <p>We obtained and discussed the detailed assessment from management in order to obtain an understanding of their assessment.</p> <p>Key features of our audit approach to obtain assurance over the assessment included.</p> <ul style="list-style-type: none">• Obtaining management's going concern assessment and re-performing the calculations, obtaining supporting documentation and explanations from management for judgements used in management's going concern assessment in order to ensure that the going concern assessment provided is reasonable.• Testing the accuracy and reasonableness of the cash flow forecast used in the going concern assessment by agreeing it to supporting documents provided.• Performing a sensitivity analysis on the cash flow projections to verify that any unexpected changes in the projections will not impact the going concern assessment.• Testing the arithmetical accuracy of the calculations performed in the going concern assessment to ensure that it does not contain any errors.• Assessing the reasonability of the proceeds expected to be received from the disposal of subsidiaries by obtaining the relevant documents supporting the plan to dispose of the subsidiaries and calculation of the proceeds expected thereof.• Obtaining the signed debt reorganisation agreement between the group and the group's bankers and assess the validity of the agreement in order to ensure that the agreement can be relied upon and to determine the impact on the group's available funds.• Agreeing the loan repayments reflected on the cash flow forecast to the loan repayments as per the signed debt reorganisation agreement to ensure that the correct repayments are reflected on the cash flow forecast.• Assessing whether the group meets the requirements of the signed debt reorganisation agreement by inspecting the conditions to be met if any at the date of signing the report to confirm that the group is compliant.• Performing a ratio analysis to assess the group's solvency and liquidity using the consolidated figures at year end and at the date of signing the report.• Performing research on other factors such as share price trends and subsidiaries needing financial assistance from group that can have an impact on the entity's cash flow and thus the entity's ability to continue as a going concern and identify if there is any significant cash outflow expected as a result. <p>We have also assessed the adequacy of the group's disclosures in respect of management's assessment of going concern.</p>

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

► Annual financial statements
Shareholder analysis ►

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "EOH Holdings Limited Consolidated Financial Statements for the year ended 31 July 2019", and the document titled "EOH Holdings Limited 2019 Integrated Report", which includes the Directors' Report, the Audit Committee Report and the Company Secretary's Certificate as required by the Companies Act of South Africa as well as the other reports included in the referred to documents. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We conclude that there is a material misstatement of the other information in the "Audit Committee Report" and the "Chief Financial Officer's review" due to our qualification of the consolidated financial statements as disclosed in our Basis for Qualified Opinion.

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Mazars has been the auditor of EOH Holdings Limited for 9 years (2 years as PKF Gauteng Inc.).

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



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

Gauteng

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 July 2019

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

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

** Restated to include discontinued operations identified in 2019.

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

Consolidated Statement of Financial Position

as at 31 July 2019

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

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

** Refer to note 2 – Changes in accounting policies for the impact of the adoption of IFRS 9 and IFRS 15.

Consolidated Statement of Changes in Equity

for the year ended 31 July 2019

Figures in Rand thousand	Stated capital	Shares to be issued to vendors	Other reserves	Retained earnings	Total attributable to the owners of EOH	Non-controlling interest	Total equity
Audited balance at 1 August 2017	3 333 678	1 013 809	665 937	3 491 764	8 505 188	56 416	8 561 604
Correction of error (note 3)	–	–	–	(100 743)	(100 743)	–	(100 743)
Restated audited* balance at 1 August 2017	3 333 678	1 013 809	665 937	3 391 021	8 404 445	56 416	8 460 861
Loss for the year (restated)*	–	–	–	(1 976 195)	(1 976 195)	(9 356)	(1 985 551)
Other comprehensive income	–	–	(45 283)	–	(45 283)	(3 034)	(48 317)
Issue of shares	219 751	(207 491)	–	–	12 260	–	12 260
Non-controlling interest acquired	1 000	–	–	(105 484)	(104 484)	(22 140)	(126 624)
Movement in treasury shares	(111 206)	–	(53 094)	–	(164 300)	–	(164 300)
Remaining shares to be issued to vendors	–	288 989	–	–	288 989	–	288 989
Consideration – EOH shares forfeited	–	(74 549)	–	–	(74 549)	–	(74 549)
Transfer within equity***	–	(210 783)	–	210 783	–	–	–
Share-based payments	–	–	95 562	–	95 562	–	95 562
Dividends	–	–	–	(311 720)	(311 720)	–	(311 720)
Restated audited* balance at 31 July 2018	3 443 223	809 975	663 122	1 208 405	6 124 725	21 886	6 146 611
Effect of adoption of new standards (refer to note 2)**	–	–	–	(205 691)	(205 691)	(4 098)	(209 789)
As at 1 August 2018 (restated)	3 443 223	809 975	663 122	1 002 714	5 919 034	17 788	5 936 822
Loss for the year	–	–	–	(4 874 052)	(4 874 052)	2 535	(4 871 517)
Other comprehensive income	–	–	(3 451)	–	(3 451)	–	(3 451)
Issue of shares	762 712	(44 067)	–	–	718 645	–	718 645
Non-controlling interest acquired	–	–	–	–	–	(300 448)	(300 448)
Non-controlling interest disposed	–	–	–	–	–	320 746	320 746
Movement in treasury shares	33 686	(12 703)	(53 714)	–	(32 731)	–	(32 731)
Consideration – EOH shares forfeited	–	(21 957)	–	–	(21 957)	–	(21 957)
Transfer within equity***	–	(372 515)	(111 184)	483 699	–	–	–
Share-based payments	–	–	53 141	157 446	210 587	–	210 587
Audited balance at 31 July 2019	4 239 621	358 733	547 914	(3 230 193)	1 916 075	40 621	1 956 696
Notes	18	19	20				

* Refer to note 3 Restatement of financial statements for the impact on profit and loss and retained earnings.

** Refer to note 2 Changes in accounting policies for the impact of the adoption of IFRS 9 and IFRS 15.

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

Consolidated Statement of Cash Flows

for the year ended 31 July 2019

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

Consolidated Segment Results

for the year ended 31 July 2019

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

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

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

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

Revenue and normalised EBITDA from continuing operations:

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

EBITDA reconciliation

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

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

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

^ Reconciliation comprises internal transactions and head office expenses.

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

Notes to the Consolidated Annual Financial Statements

for the year ended 31 July 2019

1. Significant accounting policies

Reporting entity

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

1.1 Statement of compliance

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

1.2 Basis of preparation

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

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

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

New and amended standards adopted by the Group

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

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

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

Refer to note 2.1 for more information regarding the new standards adopted by the Group.

The significant accounting policies are set out below.

1.3 Significant accounting judgements and sources of estimation uncertainty

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

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

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

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

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

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

1. Significant accounting policies continued

1.4 Basis of consolidation

The consolidated Annual Financial Statements incorporate the Annual Financial Statements of the Company and its subsidiaries.

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

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

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

1.5 Summary of significant accounting policies

Investments in associates and joint ventures

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

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

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

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

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

Translation of foreign currencies

(a) Functional and presentation currency

Items included in the Annual Financial Statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency').

(b) Foreign currency transactions

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

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

(c) Foreign operations

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

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

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

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 31 July 2019

1. Significant accounting policies continued

1.5 Summary of significant accounting policies continued

Non-current assets held for sale and discontinued operations continued

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

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

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

- represents a separate major line of business or geographical area of operations; or
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

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

Additional disclosures are provided in note 16. All other notes to the consolidated Annual Financial Statements include amounts for continuing operations, unless indicated otherwise.

Property, plant and equipment

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

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

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

Land is not depreciated.

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

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

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

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

Goodwill and intangible assets

(a) Goodwill

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

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

(b) Intellectual property and contracts purchased

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

1. Significant accounting policies continued

1.5 Summary of significant accounting policies continued

Goodwill and intangible assets continued

(c) Internally generated software

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

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

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

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

(d) Acquired computer software and other intangible assets

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

(e) Amortisation methods and periods

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

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

Impairment of non-financial assets

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

Financial instruments

Financial assets

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

(a) Classification

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

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

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

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

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

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

(b) Measurement

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

Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 31 July 2019

1. Significant accounting policies continued

1.5 Summary of significant accounting policies continued Financial instruments continued

Financial assets continued

(b) Measurement continued

Subsequent to initial recognition, financial assets are measured at:

- amortised cost – subsequently measured at amortised cost using the effective interest method, less expected credit losses (ECLs). ECLs are presented as a separate line item in the statement of profit or loss; and
- FVPL – subsequently measured at fair value with changes recognised in profit or loss and presented within operating expenses in the statement of profit or loss in the period in which it arises.

(c) Derecognition

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

(d) Impairment

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

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

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

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

Refer to note 44 for further details on the methodology applied by the Group.

Financial liabilities

(a) Measurement

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

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

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

Contingent consideration arising on acquisition of businesses is classified either as equity or a financial liability. Refer to note 19 for further detail on the contingent consideration classified as equity. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss. The liability for amounts due to vendors represents the expected purchase consideration owing in respect of acquisitions which will be settled in cash resources when the relevant profit warranties have been fulfilled.

(b) Derecognition

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

Cash and cash equivalents

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

Taxation

(a) Tax expenses

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

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

1. Significant accounting policies continued

1.5 Summary of significant accounting policies continued

Taxation continued

(b) Tax assets and liabilities

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

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

(c) Deferred tax assets and liabilities

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

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

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

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

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

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

Leases

(a) Group as lessor

The Group, as lessor, leases assets to customers. The accounting treatment depends on whether the leases are classified as an operating or finance lease:

- **Finance leases:** The Group derecognises the leased asset from property, plant and equipment and recognises a finance lease receivable in the statement of financial position at an amount equal to the net investment in the lease. Finance lease income is recognised based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.
- **Operating leases:** Operating lease income is recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. The respective leased assets are included in the statement of financial position based on their nature.

(b) Group as lessee

The Group leases assets as lessee. The accounting treatment applied is as follows:

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

Inventory

Inventory is measured at the lower of cost and net realisable value. The cost of inventory is based on the first-in, first-out formula and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to their present location and condition.

Stated capital

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

Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 31 July 2019

1. Significant accounting policies continued

1.5 Summary of significant accounting policies continued Share-based payments

(a) Employee share plans

The Group has three share schemes: the EOH Share Trust, the Mthombo Trust and the EOH Share Ownership Plan, under which share-based compensation benefits are provided to employees through issue of share options. Information relating to these schemes is set out in note 41.

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

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

(b) Lebashe transaction

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

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

Employee benefits

(a) Short-term obligations

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

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

(b) Post-employment obligations

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

Revenue

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

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

Software/licence contracts	Agent
	These are contracts that are billed on behalf of software vendors for the right to use the software.
	The Group is an agent in these arrangements and recognises the net amount as revenue at a point in time when the software licences are delivered to the customer.
	Principal
	There are also cases under software/licence contracts where the Group is principal as the Group obtains control of the goods before it is transferred to the customer.
	Revenue is recognised over time as the customer benefits as and when the Group performs.
	Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.
Hardware sales	Revenue is recognised at a point in time when control of the hardware has transferred, being when the hardware is delivered.

1. Significant accounting policies continued

1.5 Summary of significant accounting policies continued Revenue continued

Maintenance contracts	<p>These contracts are normally an agreement that allows customers access to maintenance like upgrades and patches for software or hardware at an agreed fee.</p> <p>Revenue is recognised over time as the customer benefits as and when the Group performs.</p> <p>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.</p>
Managed services	<p>Services are provided to customers based on a defined service level agreement for which they are billed periodically.</p> <p>Revenue is recognised over time as the customer benefits as and when the Group performs.</p> <p>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.</p>
Other services	<p>Revenue is recognised over time as the customer benefits as and when the Group performs.</p> <p>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.</p>

(a) Significant financing component

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

(b) Contract balances

Contract assets

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

Trade receivables

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

Contract liabilities

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

Finance charges

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

Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 31 July 2019

2. New standards and interpretations

2.1 Adoption of new standards, amendments to standards and interpretations

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

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

IFRS 15 – Revenue from Contracts with Customers

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

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

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

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

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

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

IFRS 9 – Financial Instruments

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

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

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

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

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

The nature of these adjustments are described below:

(a) Classification and measurement

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

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

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

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

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

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

2. New standards and interpretations continued

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

(b) Impairment

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

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

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

2.2 Standards issued but not yet effective

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

IFRS 16 – Leases

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

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

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

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

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

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

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

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

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

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

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

2.3 Standards and interpretations early adopted

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

Notes to the consolidated Annual Financial Statements (continued)

for the year ended 31 July 2019

3. Restatement of prior year financial statements

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

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

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

Revenue

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

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

Internally generated intangible assets

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

Inventory licences

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

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

Provision for impairment on financial assets

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

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

3. Restatement of financial statements continued

Unrecorded liabilities/recoverability of assets

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the consolidated Annual Financial Statements (continued)

for the year ended 31 July 2019

3. Restatement of financial statements continued

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

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

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

4. Property, plant and equipment

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

Reconciliation of property, plant and equipment

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

* Other equipment includes medical equipment.

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

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

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

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

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

Notes to the consolidated Annual Financial Statements (continued)

for the year ended 31 July 2019

5. Intangible assets

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

Reconciliation of intangible assets

Figures in Rand thousand	Opening balance	Additions through business combinations			Foreign currency translation			Disposals of businesses**	Current assets held for sale (note 15)	Closing balance
		Additions	Disposals	Transfers	Amortisation	Impairments				
2019										
Contracts purchased	35 771	–	–	–	–	(13 612)	(10 217)	(4 641)	(2 021)	5 280
Customer relationships	212 817	–	–	–	185	(42 152)	(79 227)	(13 007)	(20 125)	58 491
Intellectual property	83 645	–	–	–	(1 827)	294	(19 118)	(10 904)	–	(1 846)
Internally generated software	301 987	96 268	–	–	57 745	(55 22)	(64 747)	(25 596)	(113 191)	(8 431)
Computer software	166 321	48 973	–	(20 549)	(63 171)	43	(59 275)	(2 507)	–	(3 699)
Other intangible assets	79 851	41 183	–	–	7 253	30	(32 064)	(7 143)	(5 234)	(13 566)
	880 392	186 424	–	(20 549)	–	(4 970)	(230 968)	(135 594)	(136 073)	(49 688)
										488 974
Restated* 2018										
Contracts purchased	87 278	–	23 165	(37 310)	–	–	(37 362)	–	–	35 771
Customer relationships	294 642	–	71 075	(115 414)	–	518	(38 004)	–	–	212 817
Intellectual property	321 691	139	2 950	(224 742)	1 562	306	(18 261)	–	–	83 645
Internally generated software*	488 668	175 050	2 401	(7)	110 925	1 328	(91 960)	(384 418)	–	301 987
Computer software*	142 604	161 403	361	(9 393)	(55 523)	–	(72 719)	(412)	–	166 321
Other intangible assets	114 413	–	41 849	(37 94)	(56 964)	(2 577)	(4 412)	(8 664)	–	79 851
	1 449 296	336 592	141 801	(390 660)	–	(425)	(262 718)	(393 494)	–	880 392

* Refer to note 3 for further information regarding the restatement of the prior year.

** The disposals for 2018 includes the GCT intangibles of R374 million.

Impairments to intangible assets largely relate to:

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

Impairment testing

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

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

A pre-tax weighted-average cost of capital of 19% – 24.1% (2018: 17.7% – 20.4%) was used in discounting the projected cash flows.

6. Goodwill

Figures in Rand thousand

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

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

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

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

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

iOCO

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

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

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

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

Notes to the consolidated Annual Financial Statements (continued)

for the year ended 31 July 2019

6. Goodwill continued

NEXTEC

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

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

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

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

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

Impairment testing

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units. The recoverable amount of these cash-generating units was determined based on value-in-use calculations, discounting the future cash flows expected to be generated from the continuing operations of each cash-generating unit. Impairment tests on assets held for sale were based on fair value less costs of disposal. Cash-generating units have been identified to reflect the various solution clusters in EOH based on the strategic review of the Group. Comparatives have been aligned to this structure.

Key assumptions used in discounted cash flow projection calculations

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

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

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

* These ranges exclude international rates.

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

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

6. Goodwill continued

Sensitivity analysis on fair value less costs of disposal

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

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

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

7. Equity-accounted investments

Figures in Rand thousand

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

* Refer to note 3 for further information regarding the restatement of the prior year.

** Refer to note 8 for further information regarding the change of control in the TTCS Group.

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

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

Equity accounted investments have been impaired by R268 million

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

Notes to the consolidated Annual Financial Statements (continued)

for the year ended 31 July 2019

7. Equity-accounted investments continued

The equity-accounted investments are as follows:

Figures in Rand thousand	2019	Restated*	2018
Computer Construction Software	190 453		–
aSAY Group	24 538		80 037
Cozumevi	13 071		35 934
Virtuoso Consulting	–		112 636
Bessertec Group	–		80 886
TTCS Group	–		161 266
Acron	–		40 199
Other – Continuing	5		19 903
Total	228 067		530 861

Equity-accounted investments held for sale

Virtuoso Consulting	64 175	–
Bessertec Group	896	–
Other**	7 397	–
	72 468	–

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

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

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

Joint venture investments

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

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

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

7. Equity-accounted investments continued

Non-material associate investments

Figures in Rand thousand

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

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

The Group has the following material associate*:

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

Reconciliation of the carrying amount of the interest in CCS:

Figures in Rand thousand

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

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

Summarised financial information of the material associate

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

Figures in Rand thousand

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

Notes to the consolidated Annual Financial Statements (continued)

for the year ended 31 July 2019

8. Change of control in investment in TTCS

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

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

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

Equity-accounted investment – R453 million

Other financial assets (loan) – R87 million

Trade and other receivables – R424 million

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

Obtaining control

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

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

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

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

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

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

- a four-year forecast for the TTCS Group's operations;
- a weighted average cost of capital of between 17.0% and 23.6% (depending on the country of operation);
- a terminal growth rate of 2.1%; and
- discounts of 10% to 30% for a lack of marketability and the current illiquid nature of the investments which increased significantly as a result of the recent deterioration in local currency, as recognised through the Old Mutual Implied Rate.

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

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

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

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

** The fair value of the assets and liabilities acquired has been translated to ZAR based on an Old Mutual Implied Rate of 2,79 at 31 December 2018 for TTCS Zimbabwe, resulting in a negative net asset value as the majority of the loans and trade payables are denominated in foreign currencies, while current assets are predominantly USD RTGS-based. The loans of R86 million and trade payables of R480 million payable to EOH at 31 December 2018 are included in current liabilities and have been eliminated against trade receivables and loans on consolidation.

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

8. Change of control in investment in TTCS continued

Figures in Rand thousand

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

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

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

Loss of control

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

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

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

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

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

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

9. Other financial assets

Figures in Rand thousand

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

Impairment allowance

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

An impairment allowance of R414 million (2018: R124 million) has been raised for amounts receivable from the sale of the GCT Group. The allowance was raised based on the general approach and considers their current probability of default and collateral provided as security for the loan. The directors are actively engaged in the recovery of the receivables.

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

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

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

Notes to the consolidated Annual Financial Statements (continued)

for the year ended 31 July 2019

9. Other financial assets continued

Reconciliation of movements of debt instruments measured at amortised cost

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

10. Deferred taxation

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

11. Finance lease receivables

Figures in Rand thousand

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

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

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

12. Inventory

Figures in Rand thousand

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

13. Trade and other receivables

Figures in Rand thousand

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

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

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

Contract assets were previously disclosed as work in progress.

Notes to the consolidated Annual Financial Statements (continued)

for the year ended 31 July 2019

14. Cash and cash equivalents

Figures in Rand thousand

Cash and cash equivalents consist of:

Cash on hand

Bank balances and short-term deposits

	2019	2018
Cash on hand	3 296	3 630
Bank balances and short-term deposits	1 045 287	1 414 689
	1 048 583	1 418 319

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

The total amount of undrawn facilities available for future operating activities and commitments is:

400 000	596 550
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15. Assets held for sale

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

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

<i>Figures in Rand thousand</i>	iOCO	NEXTEC	IP	2019
Assets				
Property, plant and equipment				
Goodwill and intangible assets	85 122	128 076	4 027	217 225
Equity-accounted investments	795	358 272	12 853	371 920
Other financial assets	72 468	–	–	72 468
Deferred taxation	–	7 710	(421)	7 289
Inventory	261	24 734	2 220	27 215
Current taxation receivable	4 980	30 166	–	35 146
Trade and other receivables	575	2 584	–	3 159
Cash and cash equivalents	99 625	526 698	88 239	714 562
	47 919	221 110	41 344	310 373
Assets held for sale	311 745	1 299 350	148 262	1 759 357
Liabilities				
Other financial liabilities				
Finance lease payables	(978)	(4 433)	(3 837)	(9 248)
Deferred taxation	–	–	(240)	(240)
Current taxation payable	(233)	(467)	(1 873)	(2 573)
Trade and other payables	330	(11 566)	(2 614)	(13 850)
Deferred income	(105 586)	(331 133)	(32 222)	(468 941)
	–	(67 980)	(2 048)	(70 028)
Liabilities directly associated with the assets held for sale	(106 467)	(415 579)	(42 834)	(564 880)
Net assets directly associated with the disposal groups	205 278	883 771	105 428	1 194 477
Cumulative amounts recognised in other comprehensive income				
Foreign currency translation reserve	4 709	2 021	(926)	5 804
Impairment loss for write-down to fair value less costs to sell				
Continuing operations – operating expenses	–	(22 172)	–	(22 172)
Discontinued operations (note 16)	(135 374)	(450 994)	(41 799)	(628 167)
	(135 374)	(473 166)	(41 799)	(650 339)

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

16. Discontinued operations

Identification and classification of discontinued operations

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

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

The Group's intention to dispose of these non-core assets triggered an initial impairment assessment on the underlying assets at 31 July 2019, and the resulting impairment was allocated to the identified disposal groups (refer to note 6 Goodwill).

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

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

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

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

17. Disposal of subsidiaries

Figures in Rand thousand

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

Notes to the consolidated Annual Financial Statements (continued)

for the year ended 31 July 2019

17. Disposal of subsidiaries continued

Figures in Rand thousand

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

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

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

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

18. Stated capital

Figures in Rand thousand

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

Authorised

500 000 000 ordinary shares of no par value

¹ At fair value.

² In terms of purchase and sale agreements.

³ In terms of the Group share scheme.

⁴ Average price paid for treasury shares amounts to R23,70 per share.

Figures in thousands

	2019	2018
Issued		
Reconciliation of the number of shares in issue:		
Opening balance	152 797	150 095
Shares issued as a result of the acquisition of businesses	1 203	2 207
Shares issued to the Group share incentive and retention schemes	50	495
Shares issued as a result of the Lebashe B-BBEE transaction*	22 495	–
Shares in issue at the end of the period	176 545	152 797
Less:		
Treasury shares held in the Group share incentive schemes	(2 351)	(2 367)
Treasury shares held by wholly owned subsidiaries of the Company that will not be cancelled	(5 650)	(5 530)
	168 544	144 900
EOH A shares of no par value:		
Shares issued as a result of the Lebashe B-BBEE transaction*	40 000	–
	40 000	–

* The Lebashe transaction was approved by shareholders on 18 September 2018 and effectively implemented on 1 October 2018. Since the date of approval Lebashe has:

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

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

* Unissued

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

19. Shares to be issued to vendors

Figures in Rand thousand

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

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

20. Reserves

Figures in Rand thousand

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

21. Other financial liabilities

Figures in Rand thousand

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

Notes to the consolidated Annual Financial Statements (continued)

for the year ended 31 July 2019

21. Other financial liabilities continued

Figures in Rand thousand

Vendors for acquisitions

	2019	2018
Non-current financial liabilities	–	62 666
Current financial liabilities	303 313	571 043
	303 313	633 709

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

22. Finance lease payables

Figures in Rand thousand

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

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

23. Trade and other payables

Figures in Rand thousand

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

24. Provisions

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

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

25. Deferred income

Deferred income	268 949	422 937
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Where costs have been incurred and revenue received prior to the implementation of a project, these are capitalised and recognised in profit or loss over the implementation period of the project, on a percentage-of-completion basis.

26. Revenue

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

Comparative information under IAS 18

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

Disaggregated revenue

	2019
<i>Figures in Rand thousand</i>	
Revenue by sector	
Public sector	18%
Private sector	82%
Total	100%

Major revenue types

Services	8 391 367
Managed services	3 145 623
Hardware sales	2 060 857
Software maintenance	927 938
Software/licence contracts	357 544
Rentals	287 913
Hardware maintenance	91 355
Services – other	57 353
Sale of goods – other	53 449
Total	15 373 399

Timing of revenue recognition

Goods or services transferred to customers:	
– at a point in time	2 471 849
– over time	12 901 550
Total	
Total	15 373 399

Continuing operations	11 791 070
Discontinued operations	3 582 329
Total	
Total	15 373 399

Contract balances

Contract assets (note 13)	644 937
Contract liabilities (notes 23 and 25)	(364 048)
Total	
Total	280 889

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

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

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

Notes to the consolidated Annual Financial Statements (continued)

for the year ended 31 July 2019

26. Revenue continued

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

Figures in Rand thousand

2019

Contract assets

Contract assets at the beginning of the reporting period	799 768
Transfers from contract assets recognised at the beginning of the period to receivables	(271 126)
Increases as a result of changes in the measure of progress	151 618
Impairment allowance (note 44)	(35 323)
Contract assets at the end of the reporting period	644 937

Contract liabilities

Contract liabilities at the beginning of the reporting period	422 937
Revenue recognised that was included in the contract liability balance at the beginning of the period	(141 841)
Increases due to advance cash received or amount billed, excluding amounts recognised as revenue during the period	152 980
Liabilities directly associated with the assets held for sale (note 15)	(70 028)
Contract liabilities at the end of the reporting period	364 048

Contract assets

Unbilled revenue	738 773
Allowance for impairment	(93 836)
Total	644 937

Performance obligations

Nature of goods and services

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

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

Remaining performance obligations

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

Figures in Rand thousand

2019

Within one year	2 049 564
More than one year	73 290
Total	2 122 854

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

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

Significant judgement was applied in assessing whether the Group is an agent or principal in the software/licence contracts and this resulted in prior period restatements. Refer to note 3.

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

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

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

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

28. Investment income

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

29. Finance costs

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

Notes to the consolidated Annual Financial Statements (continued)

for the year ended 31 July 2019

30. Taxation

Figures in Rand thousand

Current taxation

	2019	Restated 2018
Local income taxation – current year	325 264	337 366
Local income taxation – prior years	(16 472)	24 758
Foreign income taxation – current year	1 799	1 676
	310 591	363 800
Discontinued operations	69 625	66 155
Continuing operations	240 966	297 645
	310 591	363 800

Deferred taxation

Originating and reversing temporary differences	54 372	(86 957)
Prior year adjustments	–	(4 773)
	54 372	(91 730)
Discontinued operations	(28 803)	–
Continuing operations	83 175	(91 730)
	54 372	(91 730)

Total taxation

Discontinued operations	40 822	66 155
Continuing operations	324 141	205 915
Total taxation	364 963	272 070

Reconciliation of rate of taxation

	%	%
South African normal rate of taxation	28,0	28,0
Reduction in rate for the year, due to:		
Exempt income*	1,3	(5,2)
Foreign taxation rate difference	(0,1)	(0,8)
Share of profits of equity-accounted investments	(0,1)	(2,4)
Increase in rate for the year, due to:		
Non-deductible expenditure**	(23,3)	2,6
Disallowable loss on disposal	4,3	19,4
Prior year adjustments to over/underprovision of deferred taxation/current taxation	0,4	1,0
Effect of utilised/not utilised on estimated tax losses	(13,3)	5,4
Capital gains taxation	(0,7)	0,2
Effect of unutilised temporary differences	(4,6)	–
	(8,1)	48,2

Unrecognised deferred taxation assets

Deferred taxation assets not recognised in respect of deductible temporary differences	716 665	–
Deferred taxation assets not recognised in respect of taxation losses	3 281 246	762 630
	3 997 911	762 630

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

** Includes capital loss on sale of fixed assets/investments.

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

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

In 2019, R105 million (2018: R399 million) of previously unrecognised taxation losses were recognised as management considered it probable that future taxable profits would be available against which they can be utilised in the next three years.

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

<i>Figures in Rand thousand</i>		Restated 2019	2018
31. Earnings per share			
Loss per share and diluted loss per share			
Loss attributable to owners of EOH Holdings Limited from continuing and discontinued operations	(4 874 052)	(1 976 195)	
Weighted average number of shares in issue	162 742	144 597	
Loss per share from continuing and discontinued operations (cents)	(2 995)	(1 367)	
Loss per share from continuing operations (cents)	(2 464)	(1 277)	
Reconciliation between weighted average number of shares and diluted weighted average number of shares in issue			
Weighted average number of shares in issue	162 742	144 597	
Effect of dilutive potential ordinary shares – Treasury shares held in the Group share incentive schemes*	–	–	
Effect of dilutive potential ordinary shares – Treasury shares held by wholly owned subsidiaries of the Company that will not be cancelled*	–	–	
Diluted weighted average number of shares in issue	162 742	144 597	

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

		Restated 2019	2018
32. Headline earnings per share			
Headline loss per share and diluted loss per share			
Headline loss from continuing operations (R000)	(2 200 481)	(1 052 501)	
Weighted average number of shares in issue (000s)	162 742	144 597	
Headline loss per share from continuing operations (cents)	(1 352)	(728)	
Headline loss from continuing and discontinued operations (R000)	(2 736 079)	(789 780)	
Weighted average number of shares in issue (000s)	162 742	144 597	
Headline loss per share including discontinued operations (cents)	(1 681)	(546)	

Notes to the consolidated Annual Financial Statements (continued)

for the year ended 31 July 2019

32. Headline earnings per share continued

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

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

33. Dividend

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

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

34. Dividends paid

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

35. Cash generated from operations

Figures in Rand thousand

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

36. Taxation paid

Figures in Rand thousand

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

Notes to the consolidated Annual Financial Statements (continued)

for the year ended 31 July 2019

37. Contingencies and commitments

Contingencies

Guarantees

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

Legal claims

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

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

Commitments

Figures in Rand thousand

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

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

38. Retirement benefits

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

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

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

39. Directors' interest in shares of the Company

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

There have been no other changes in the directors' interest in shares of the company between year-end and the date of approval of the Annual Financial Statements. Non-executive directors are not identified to hold any interest in shares of the Company.

Shareholding of directors who resigned during the year

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

* Prescribed officer.

Notes to the consolidated Annual Financial Statements (continued)

for the year ended 31 July 2019

40. Directors' remuneration

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

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

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

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

Figures in Rand thousand	Remuneration	Bonuses	For services as directors	Total	Share-based payments charge
2019					
Executive directors/Prescribed officers					
Stephen van Coller (appointed 1 September 2018)					
5 026	14 000 [#]	–	19 026	5 490	
Megan Pydigadu (appointed 15 January 2019)	2 201	2 000	–	4 201	307
John King (resigned effective 30 November 2019)	5 849	1 785	–	7 634	1 272
Zunaid Mayet (resigned 15 July 2019)	3 875	2 520	–	6 395	1 144
Tebogo Maenetja (resigned 31 March 2019)	2 380	800	–	3 180	–
Fatima Newman*	1 334	7 000 [#]	–	8 334	–
Lufuno Nevhutalu*	1 994	2 000	–	3 994	–
Non-executive directors					
Dr Xolani Mkhwanazi (appointed 5 June 2019)	–	–	134	134	–
Jesmane Bogganpoel	–	–	775	775	–
Ismail Mamoojee	–	–	797	797	–
Dr Moretlo Molefi	–	–	494	494	–
Dr Anushka Bogdanov (appointed 20 June 2019)	–	–	166	166	–
Andrew Mthembu (appointed 20 June 2019)	–	–	131	131	–
Mike Bosman (appointed 20 June 2019)	–	–	156	156	–
Asher Bohbot (resigned 28 February 2019)	–	–	485	485	887
Pumeza Bam (resigned 12 July 2019)	–	–	526	526	81
Tshilidzi Marwala (resigned 28 February 2019)	–	–	157	157	–
Rob Sporen (resigned 28 February 2019)	–	–	193	193	–
	22 659	30 105	4 014	56 778	9 181
Less: Paid by subsidiaries	22 659	30 105	4 014	56 778	–
	–	–	–	–	9 181

* Prescribed officer.

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

2018

Executive directors

Rob Godlonton (resigned 1 July 2018)	2 811	2 100	4 911	3 556
Brian Gubbins (resigned 1 July 2018)	2 596	2 000	4 596	3 415
John King	2 840	1 265	4 105	2 547
Ebrahim Laher (resigned 1 July 2018)	2 969	1 500	4 469	2 490
Jehan Mackay (resigned 1 July 2018)	2 973	1 155	4 128	2 471
Tebogo Maenetja (appointed 12 March 2018)	1 256	–	1 256	82
Zunaid Mayet	3 834	1 393	5 227	2 443
Johan van Jaarsveld (resigned 31 July 2018)	3 040	1 280	4 320	3 518

Non-executive directors

Asher Bohbot (appointed 12 March 2018)	–	–	246	2 475
Pumeza Bam	–	–	272	272
Jesmane Bogganpoel (appointed 1 July 2018)	–	–	20	20
Lucky Khumalo (resigned 1 July 2018)	–	–	1 073	1 073
Ismail Mamoojee (appointed 1 July 2018)	–	–	21	21
Tshilidzi Marwala	–	–	1 097	1 097
Dr Moretlo Molefi	–	–	172	172
Grathel Motau (resigned 12 March 2018)	–	–	98	98
Rob Sporen	–	–	1 256	1 256
Sandile Zungu (resigned 12 March 2018)	–	–	374	703
	22 319	10 693	4 629	37 641
Less: Paid by subsidiaries	(22 319)	(10 693)	(4 629)	(37 641)
	–	–	–	24 114

41. Share-based payments

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

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

The EOH Share Trust

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

25% after two years

25% after three years

25% after four years

25% after five years.

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

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

The Mthombo Trust

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

33,33% after three years

33,33% after four years

33,33% after five years

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

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

Notes to the Consolidated Annual Financial Statements (continued)

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41. Share-based payments continued

The Share Ownership Plan

EOH has reviewed its share option schemes and decided to adopt a new Share Ownership plan which is sustainable, relevant and ensures value in the hands of participants. The scheme awards participants with shares and is determined to be equity settled. Shares granted vest in tranches from time to time as set out below.

25% after two years

25% after three years

25% after four years

25% after five years.

A reconciliation of the movement of all shares in the Share Ownership Plan is detailed below:

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

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

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

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

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

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

41. Share-based payments continued

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

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

* Weighted average share price.

[#]Transfer of shares from the EOH Share Trust and the Mthombo Trust into the Share Ownership Plan.

Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 31 July 2019

42. Related party transactions

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

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

43. Schedule of investments in subsidiaries

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

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

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

44. Financial assets and financial liabilities

Financial risk management and fair value disclosures

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

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

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

Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 31 July 2019

44. Financial assets and financial liabilities continued

Financial risk management and fair value disclosures continued

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

Figures in Rand thousand	Carrying amount					Fair value			
	Mandatorily at FVTPL	Amortised cost	Total	Held for sale	Balance	Level 1	Level 2	Level 3	Total
Financial assets									
Cash and cash equivalents	-	1 358 956	1 358 956	(310 373)	1 048 583	-	-	-	-
Trade and other receivables	-	3 019 330	3 019 330	(714 562)	2 304 768	-	-	-	-
Other financial assets	28 332	67 285	95 617	(7289)	88 328	-	-	28 332	28 332
Financial liabilities									
Trade and other payables	-	1 317 324	1 317 324	(468 941)	848 383	-	-	-	-
Other financial liabilities	303 313	3 029 892	3 333 205	(9 248)	3 323 957	-	-	303 313	303 313

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

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

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

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

Financial assets at fair value through profit or loss

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

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

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

Other financial assets reconciliation of movement of level 3 items

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

44. Financial assets and financial liabilities continued

Financial risk management and fair value disclosures continued

Financial liabilities at fair value through profit or loss

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

Vendors for acquisition

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

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

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

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

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

Vendors for acquisition reconciliation of movement

Figures in Rand thousand

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

Non-recurring fair value measurements

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

Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 31 July 2019

44. Financial assets and financial liabilities continued

Financial risk management and fair value disclosures continued

Gains and losses from continuing operations

Figures in Rand thousand

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

Capital risk management

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

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

The debt to equity ratios were as follows:

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

Liquidity risk

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

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

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

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

44. Financial assets and financial liabilities continued

Financial risk management and fair value disclosures continued

Interest risk

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

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

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

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

Credit risk and expected credit losses

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

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

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

<i>Figures in Rand thousand</i>	2019	2018
Other financial assets	95 617	704 732
Finance lease receivables	179 413	193 909
Trade and other receivables	3 019 330	3 629 434
Cash and cash equivalents	1 358 956	1 418 319
Contract assets	644 937	799 768
Impairment losses recognised in profit or loss from continuing operations were as follows:		
<i>Figures in Rand thousand</i>	2019	2018
Impairment loss on trade and other receivables	88 206	
Impairment loss on other financial assets	433 455	
Impairment losses on cash and cash equivalents	50 309	
Impairment loss on contract assets	35 323	
Impairment loss on finance lease receivables	(909)	
	606 384	

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

Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 31 July 2019

44. Financial assets and financial liabilities continued

Financial risk management and fair value disclosures continued

Credit risk and expected credit losses continued

Trade receivables and contract assets

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

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

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

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

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

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

Comparative information under IAS 39

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

Age of receivables that are past due but not impaired:

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

Past due but not impaired

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

Expected credit loss assessment for trade receivables and contract assets

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

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

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

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

44. Financial assets and financial liabilities continued

Financial risk management and fair value disclosures continued

Credit risk and expected credit losses continued

Expected credit loss assessment for trade receivables and contract assets continued

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

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

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

Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 31 July 2019

44. Financial assets and financial liabilities continued

Financial risk management and fair value disclosures continued

Credit risk and expected credit losses continued

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

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

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

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

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

Finance lease receivables

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

Other financial assets

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

Currency risk

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

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

44. Financial assets and financial liabilities continued

Financial risk management and fair value disclosures continued

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

Figures in Rand thousand	Foreign currency financial instruments		2019		
	Other financial assets	Financial assets		Financial liabilities	
		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)

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

45. Going concern

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

Key salient features of this management action plan include:

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

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

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

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

Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 31 July 2019

46. Events after reporting date

Continued disposal of non-core assets

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

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

Lebashe investment

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

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

- (i) require the forfeiture of dividends on 10 000 000 EOH A shares to EOH; and
- (ii) redeem 10 000 000 EOH A shares for R1,00.

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

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

Debt reduction plan

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

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

Dividend

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

	31 July 2019				31 July 2018			
	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
Analysis of shareholdings								
Holdings								
1 – 10 000	7 517	70,38	2 002 080	1,13	9 495	71,43	2 938 557	1,92
10 001 – 50 000	2 467	23,10	8 047 697	4,56	3 072	23,11	9 489 282	6,21
50 001 – 100 000	555	5,20	16 733 404	9,48	578	4,35	17 677 575	11,57
100 001 – 1 000 000	110	1,03	30 729 873	17,41	122	0,92	34 794 513	22,77
1 000 001 and more	32	0,30	119 031 907	67,42	25	0,19	87 897 366	57,53
	10 681	100	176 544 961	100	13 292	100	152 797 293	100
Shareholder categories								
Banks	57	0,53	14 079 057	7,97	83	0,62	23 805 850	15,58
Close corporations	72	0,67	348 994	0,20	109	0,82	361 410	0,24
Empowerment	2	0,02	23 062 458	13,06	–	–	–	–
Endowment funds	36	0,34	335 321	0,19	80	0,60	481 934	0,32
Individuals	9 226	86,38	22 438 238	12,71	10 858	81,69	23 168 040	15,06
Insurance companies	37	0,35	7 315 015	4,14	43	0,32	6 071 732	3,97
Investment companies	10	0,09	6 832 163	3,87	7	0,05	112 592	0,07
Medical schemes	4	0,04	316 862	0,18	8	0,06	293 823	0,02
Mutual funds	97	0,91	52 187 524	29,56	139	1,05	50 063 855	32,76
Other corporations	54	0,51	456 316	0,26	86	0,65	501 459	0,33
Own holdings (treasury shares)	2	0,02	5 724 952	3,24	2	0,02	5 329 990	3,49
Private companies	231	2,16	6 134 048	3,47	326	2,45	4 693 377	3,07
Public companies	7	0,07	279 343	0,16	4	0,03	276 204	0,18
Retirement funds	58	0,54	21 365 159	12,10	90	0,68	20 556 041	13,46
Trusts	788	7,38	15 669 511	8,88	1 457	10,96	17 080 986	11,18
	10 681	100	176 544 961	100	13 292	100	152 797 293	100

Major shareholders

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

	31 July 2019		31 July 2018	
	Number of shares	%	Number of shares	%
Lebashe Investment Group	23 062 458	13,06	–	–
Government Employee Pension Fund	15 141 491	8,58	16 354 595	10,70
State Street Bank & Trust Co (Custodian)	8 005 366	4,53	11 853 294	7,76
Foord	11 818 135	6,69	9 487 310	6,21
PSG Konsult	8 212 387	4,65	8 303 558	5,43
Fidelity	7 305 830	4,14	7 355 244	4,81
Bejaled Trust	5 522 500	3,13	6 539 625	4,28
Alexander Forbes Investments	–	–	6 193 580	4,05
V55 Investments	5 724 952	3,24	5 329 990	3,49
Fairtree Capital	7 231 991	4,10	5 041 272	3,30
Tactical Software Systems Proprietary Limited	–	–	1 700 187	1,11
Rand Merchant Bank	5 417 818	3,07	–	–
	97 442 928	55,19	78 158 655	51,14

Shareholder analysis (continued)

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

Shareholder diary

Annual General Meeting

Thursday, 5 December 2019

Reports

Announcement of annual results for the year ended 31 July 2019
Posting the notice of AGM for the year ended 31 July 2019

Tuesday, 14 October 2019
Wednesday, 7 November 2019

Glossary

Cash realisation rate:	This ratio is calculated by expressing cash generated by operations as a percentage of EBITDA and reflects the proportion of cash operating profit realised after working capital movements.
Dividend cover:	Headline earnings per share divided by dividends per share declared out of earnings for the year.
Dividend yield:	Dividend per share as a percentage of market value per share at year end.
Earnings per share:	Net profit for the year divided by the weighted average number of ordinary shares in issue during the year.
Earnings yield:	Headline earnings per share as a percentage of market value per share at year end.
Normalised EBITDA:	Continuing profit/(loss) before interest, tax, depreciation, amortisation, impairments, gains or losses on disposal of businesses and equity-accounted investments, once-off cash and non-cash items and includes profit or loss from equity accounted investments, non-core business lines to be closed which have been identified to be shut down in that year and preceding years.
Headline earnings:	Net profit for the year adjusted for profit/loss on sale of property, plant and equipment, investments and impairment losses.
Headline earnings per share:	Headline earnings divided by the weighted average number of ordinary shares in issue during the year.
Net asset value per share:	Ordinary shareholders' equity divided by the number of ordinary shares in issue.
Operating profit before interest and impairments:	Profit before impairment losses, interest and taxation.
Operating profit margin:	Operating profit as a percentage of revenue.
Price to earnings ratio:	Market value per share divided by headline earnings per share at year end.
Price to net asset value ratio:	Market value per share divided by net asset value per share at year end.
Return on total assets:	Operating profit as a percentage of average total assets.

Corporate Information

EOH Holdings Limited

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

Directorate

Non-executive

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

Executive

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

Group Company Secretary

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

Registered address

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

Sponsor

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

Transfer secretaries

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

Auditors

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