

## 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 %
<b>NEXTEC</b>		
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

<i>Figures in Rand thousand</i>	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)	–
<b>Closing balance</b>	<b>228 067</b>	<b>530 861</b>

\* Refer to note 3 for further information regarding the restatement of the prior year.

\*\* Refer to note 8 for further information regarding the change of control in the TTCS Group.

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

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

### **Equity accounted investments have been impaired by R268 million**

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

# 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:

<i>Figures in Rand thousand</i>	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
<b>Total</b>	<b>228 067</b>	<b>530 861</b>
<b>Equity-accounted investments held for sale</b>		
Virtuoso Consulting	64 175	–
Bessertec Group	896	–
Other**	7 397	–
	<b>72 468</b>	<b>–</b>
<i>** Other includes the TTCS Group, Acron and other investments held for sale.</i>		
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)	–
	<b>228 067</b>	<b>530 861</b>
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
<b>Aggregate information of equity-accounted investments that are not individually material:</b>		
<b>Joint venture investments</b>		
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	<b>37 614</b>	<b>369 595</b>
<b>Reconciliation of the carrying amount of the interest in joint venture investments</b>		
<i>Figures in Rand thousand</i>	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)	–
<b>Balance at the end of the year</b>	<b>37 614</b>	<b>369 595</b>

## 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
<b>Balance at the end of the year</b>	<b>190 453</b>

\* 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