2018
Reviewed condensed consolidated results

for the year ended
31 July 2018

EOH

20th ANNIVERSARY

***Technology** makes it possible…*
***People** make it happen*

20th ANNIVERSARY

BRINGING SOUTH AFRICAN EXCELLENCE TO THE WORLD

EOH

NORMALISED REVENUE

R16 277 million

(R15 128 million)*

NORMALISED OPERATING PROFIT

R1 187 million

(R1 736 million)*

NORMALISED EBITDA

R1 770 million

(R2 184 million)*

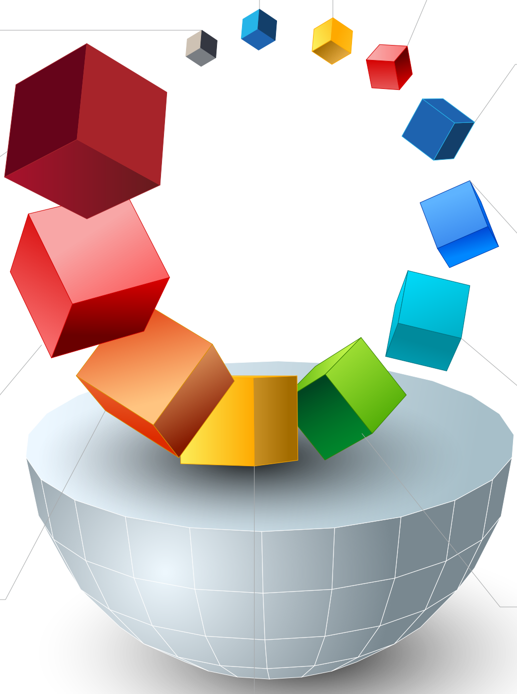
** Comparatives for the year ended 31 July 2017*

THE EOH GROUP JOURNEY

In 1998 a business model was conceived that would universally meet the needs created by this new revolution and so Enterprise Outsourcing Holdings, which was later renamed EOH, was born. From humble beginnings of 20 staff and one customer in 1998, EOH has grown from strength to strength, to a staff complement of over 11 500 to become Africa's largest technology service provider.

Coming together was our beginning, keeping together was our progress and working together is our success. Our success over the past 20 years has been driven by our five philosophies and Group purpose. The EOH Group is a people driven business led by a strong leadership team that has embraced and delivered on our true 'Partner for Life' philosophy on a daily basis to grow the EOH Group into the phenomenal business that it is today.

It is important to highlight that it is because of our people's attention to detail and living our philosophy and purpose that we can celebrate the success of our company. The long road to success is always under construction and the Group will continue to operate true to its purpose by doing good for its people, customers and partners. May the memories of the past 20 years fuel our spirits to pave the way for another 20 years to come.



1998
Incorporated in 1998

2000
Established offices in Eastern Cape and KwaZulu-Natal

2001
Presence in all major centres in South Africa. Rebranded from Enterprise Outsourcing Holdings to EOH

2004
Mthombo IT Services (Pty) Limited (M-IT) joined the EOH Group

2008
32 EOH business units established. EOH logo gets a facelift to a fresher more modern design

2009
EOH crosses the billion-rand turnover milestone

2010
The Financial Mail ranked EOH 2nd in the IT sector and 15th overall in its top empowerment companies

2012
EOH launches the Youth Job Creation Initiative. Level 2 BBBEE with 156% BEE procurement recognition

2015
EOH Holdings won the Top Empowered Job Creation award at the Oliver Empowerment Awards in April 2015

2016
EOH was announced seventh out of 100 top companies on the JSE the Sunday Times newspaper

2017
EOH achieve BBBEE Level 1

2018
20 years in operation

Lebashe BEE deal

EOH – NEXTEC reorganisation

ABOUT THE EOH GROUP

The EOH Group is the largest technology business in Africa, providing the technology, knowledge, skills and organisational ability critical to Africa's development and growth. Following the Consulting, Technology and Outsourcing model, the EOH Group provides high-value, end-to-end solutions to its clients in all industry verticals.

The EOH Group Purpose

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

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

The EOH Group Philosophy

- *Best People*

  To attract, develop and retain the best people led by great leaders
- *Partner for Life*

  To nurture lifelong partnerships with our customers and business partners
- *Right 1st Time*

  To ensure professional planning and execution in all that we do
- *Sustainable Transformation*

  To transform and celebrate diversity
- *Lead and Grow*

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

The Group employs more than 11 500 people, delivering technology solutions and knowledge services to over 5 000 large enterprise customers across all major industries. The EOH Group is present throughout South Africa, and has a growing international footprint with 2 500 skilled resources in 30 countries on five continents.

As a leader in driving and supporting digital innovation, the Group offers solutions along a simple Design-Build-Operate engagement model. The Group recently completed its reconfiguration into two distinct and independent businesses, EOH and NEXTEC, each with its own unique brand and identity, business model, growth and go-to-market strategies.

The ICT business will operate under the EOH brand, while the specialised solutions for high-growth industries will operate under the newly launched NEXTEC brand. With EOH and NEXTEC's dual growth platforms, the Group is optimally positioned to continue to provide its customers tailored, flexible and robust solutions through its deep industry knowledge and expertise.

The EOH Group is a Level 1 Broad-based Black Economic Empowerment (BBBEE) contributor and is now majority black-owned following the conclusion of the Group's landmark strategic partnership and empowerment transaction with the Lebashe Group.

The EOH Group will continue to expand internationally by investing in new businesses and creating an international go-to-market channel, to enable our entire business to expand and grow into new countries and markets.

The EOH business

Overview

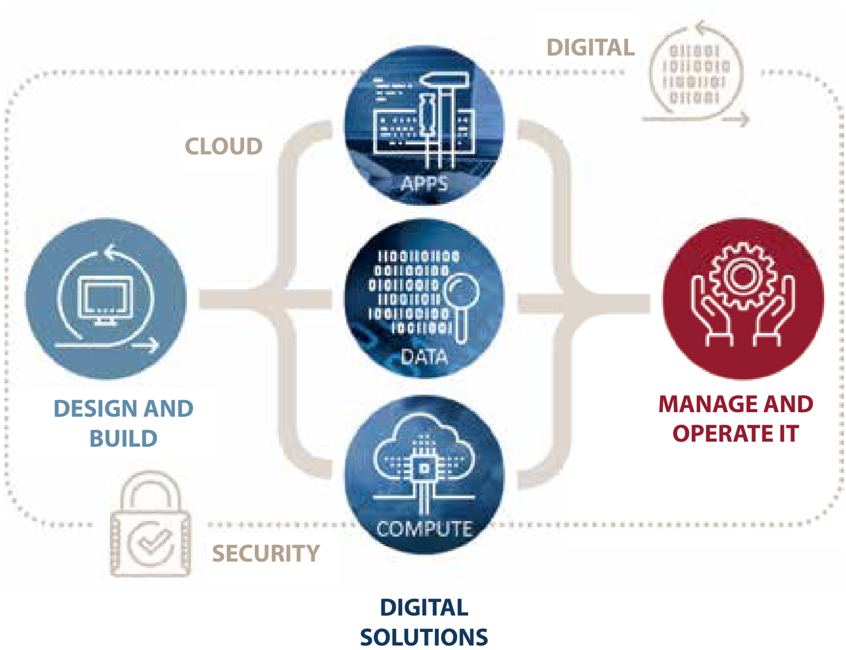
The EOH ICT division (EOH) comprises all the core IT-related business units. These teams are focused on delivering an end-to-end IT value proposition, from designing and building IT solutions, through to providing managed services.

The breadth of ICT solutions offered by this division, positions EOH as the leading technology and cloud solution provider on the African continent.

The key characteristics of the business continuing under the EOH brand are:

- an end-to-end information and communication technology (ICT) offering
- an integrated go-to-market strategy
- cross-selling opportunities with existing customers
- a highly proficient systems integrator – a market differentiator
- driving new generation digital technologies
- specialising in industry-specific intellectual property.

The ICT business is going to market under a single EOH brand to increase focus and to be more responsive to ever-converging client needs. The target market of EOH is large enterprise companies that are looking to transform into the digital economy.



Key Service Offerings

The business has recently undergone a value proposition refresh in line with the new strategy. The EOH business is focusing on assisting clients with their digital business transformation in the cloud economy. The value proposition focuses on Applications/Software; Data and Analytics; Cloud and Technology Infrastructure; Managed Services; Digital and Advisory services; and Security in its integrated go-to-market approach.

The service offerings of the EOH ICT business include the following:

DESIGN AND BUILD

- Digital solutioning
- Human-centred design
- Strategy
- Architecture
- Implement
- Build and test
- Programme management

DIGITAL SOLUTIONS

- Enterprise Solutions – Core ERP CRM SI
- Customised Digital Application Development and Robotics
- Big Data Engineering, Cognitive Analytics, BI, AI and IoT
- IT Management and Optimisation
- Next Generation Infrastructure – Hybrid Cloud and Data Centre Virtualisation
- Converged Networks and Unified Communications

MANAGE AND OPERATE IT

- Infrastructure hosting (IaaS)
- Managed workspace (EUC)
- Service desk and field services
- Managed networks
- Managed applications
- Managed security
- Managed print
- IT Service Management (ITSMaaS)
- Cloud (PaaS, SaaS, Cloud Manager)
- Application outsource and testing

Business Performance

The ICT business remains strong and resilient. Customers are continuing to spend on maintaining their legacy systems, integrating with best-of-breed applications, and investing in new generation digital technologies. Significant investments in technology slowed during the year and is expected to pick up in the short to medium term. There is a move to cloud-based infrastructure solutions and infrastructure as a service as companies look for business efficiencies.

Software sales increased for the year with a different mix of third-party software and EOH's niche software compared with the previous year.

The business continues to support most of the major global technology OEMs and is a premier partner to SAP, Oracle, Microsoft, HP, IBM, Dell, Cisco, Huawei, Amazon Web Services, Qlik, CA and many others. EOH is placing significant emphasis on aligning with these partners as they develop their IP and take their offerings to the cloud business model.

The growth drivers in this division are transformational outsourcing; ERP upgrades and re-implementation; digital transformation; new digital technologies and solutions; application development; Internet of Things (IoT); Big Data; analytics and niche software development.

Outlook

The outlook for business in South Africa and the rest of the continent is positive. EOH is well positioned under its 'One EOH' go-to-market strategy to deliver integrated solutions from a diverse and comprehensive range of underlying capabilities.

We expect the market to adopt a hybrid multi-cloud approach which means customers will make use of a combination of on-premise, local and global cloud service providers. EOH is well positioned to become the leading cloud systems integrator in the market. EOH business relationships with global providers such as Microsoft and Amazon are growing to the benefit of EOH and its clients.

We have invested in market-leading open source capabilities across the application, data and compute domains. This is key to the future of digital transformation.

EOH will continue to develop its own IP offerings, new services, products and solutions to enable it to deliver high-value solutions to large enterprise customers. In addition, we will explore new vendor partnerships in new territories.

EOH International will continue to focus on the strategic markets of the Middle East, Africa, UK and Europe where we are present, where cash generating opportunities exist and where business is performing well.

We expect market conditions to continue to be tough for at least the first six months of the 2019 financial year. We are, however, well positioned to take advantage of opportunities that arise and expect to continue to post positive results.

Rob Godlonton
Chief Executive Officer
EOH

NEXTEC

Overview

The EOH Group has brought together its specialised industry and domain solutions businesses for high-growth industries to form NEXTEC. NEXTEC offers deep, locally relevant expertise and solutions across diverse industries and domains. Using new-world technologies, the businesses within NEXTEC create, build and manage innovative solutions and services – today.

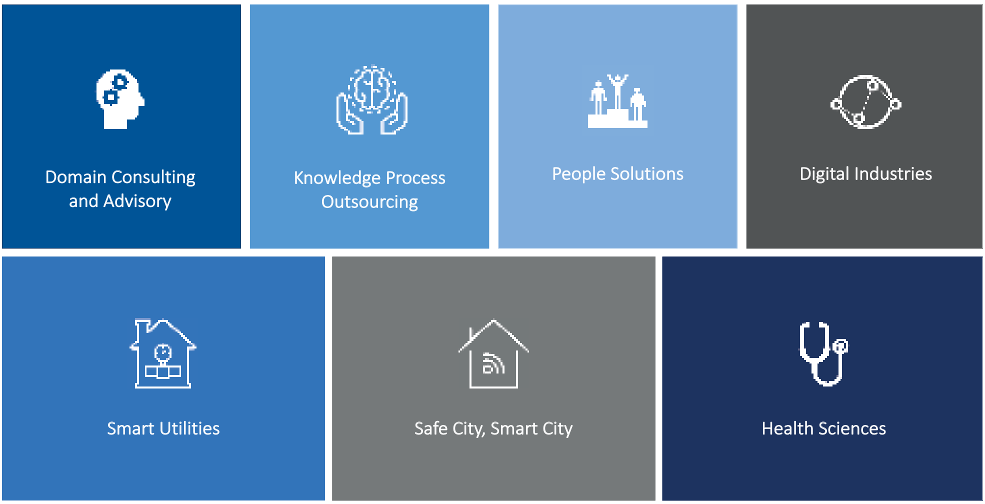
Understanding and managing what is next in a complex world, enables the NEXTEC specialists to create a better future by skilfully bringing together smart thinking and solutions for sustainable outcomes.

As we enter a connected future, new-world problems demand relevant, smart and resilient solutions. Where others fragment, NEXTEC harnesses the power of interconnectivity through independent domains that are at the very top of their fields, while retaining the ability to collaborate and converge to create value. Interconnectivity is more than a philosophy – it is how we do business. Through it, we create sustainable value and holistic solutions that build towards improving the lives of our people, customers and society.

The key characteristics of NEXTEC are:

- High degree of specialisation in each of the businesses
- Deep levels of expertise
- Domain-specific IP
- Growth to be driven equally by acquisitions and organically
- Vertical-specific offering – key differentiator
- Multi-brand businesses

Key offerings



Domain Consulting and Advisory moves businesses into the future and inspire change by empowering them to take full advantage of technology. NEXTEC is a thought leader in an ever-changing business environment, from expertise to implementation.

Knowledge Process Outsourcing offers the assets, expertise and capabilities required to outsource critical, core and non-core business processes creating efficiencies and saving costs.

People Solutions facilitate employment life cycles where the possibilities of people, businesses and the economy are realised. NEXTEC equips people with the skills needed to adapt, develop and meaningfully engage.

Digital Industries automates and controls solutions and delivers smarter digital infrastructure. NEXTEC provides foundational services that create more efficient, healthier and secure environments and enhance the economy and quality of life.

Smart Utilities cost-effectively and consciously manages finite resources such as power, water and gas, in a world facing climate change, environmental impact, and resource conservation concerns.

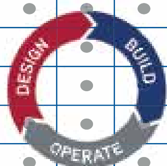
Safe City, Smart City skilfully applies knowledge and technology in different contexts to create safer, smarter and more efficient urban spaces that digitally optimise infrastructure to improve lives.

Health Sciences combine future technologies and innovative techniques to enable health systems that deliver accessible and impactful member-centric care, while creating value for all stakeholders.

Operating model

INDUSTRY VERTICALS

KEY OFFERINGS	Health	Water	Energy	Transport and logistics	Property and construction	Telecoms	Mining and manufacturing	Retail	Finance
Domain Consulting and Advisory	●	●	●	●	●	●	●	●	●
Knowledge Process Outsourcing	●	●	●	●	●	●	●	●	●
People Solutions	●	●	●		●		●	●	●
Digital Industry	●	●	●		●		●	●	●
Smart Utilities	●	●	●		●		●	●	●
Safe City, Smart City	●	●	●	●		●	●	●	●
Health Sciences	●	●	●	●	●	●	●	●	●



Business Performance

The NEXTEC businesses delivered a mixed set of results for the period. The digital infrastructure, software and IP portfolios, as well as the process services businesses delivered robust performance in challenging market conditions. Several instances of annual renewals resulted in some margin sacrifice.

Broad market conditions have significantly hampered performance in several other areas of NEXTEC. The long delays in the awarding of smart infrastructure contracts, combined with delays in contracting of client engagements already secured, resulted in lower than expected revenue in the second half of the period.

The anticipated awarding of these contracts and the delay in the initiation of contracts already secured, has highlighted the need to retain critical skills during the delay period resulting in significant margin erosion across the business.

In conjunction with the broader Group strategic portfolio review, a number of the businesses within NEXTEC were rightsized and/or consolidated in response to the respective specific situation of the businesses affected and broader market conditions.

Outlook

The general outlook for the NEXTEC business in the South African and African markets remains positive. The growth drivers in NEXTEC span diverse areas whose relevance in both South Africa and other countries on the continent is unquestionable. These areas include the digitalisation of industries and industrial IoT; e-Health; smart cities incorporating public safety technologies; intelligent transport and traffic management; smarter utilities; new industry-specific digital technologies; and embedded software. The increased adoption of artificial intelligence and robotics in business operations, coupled with a maturing and rapidly growing knowledge process outsourcing and off-shoring markets, point to significant growth potential.

Market conditions are expected to continue to be difficult in the short to medium-term. However, the NEXTEC specialised solutions, combined with the deep levels of domain expertise, position the business optimally to navigate this. Having invested in establishing the NEXTEC platform over the recent period, management remains cautiously optimistic about the growth prospects in the medium to long term.

Zunaid Mayet
Chief Executive Officer
NEXTEC

BUSINESS PERFORMANCE

The changes in political leadership saw South Africa enter a period of renewed hope and optimism. The euphoria of this change has somewhat dissipated with the stark reality of the rather difficult situation within which the economy and the country finds itself. The reporting period was therefore characterised by difficult trading conditions, compounded by a unique set of challenges that the Group had to overcome.

The combination of the macro-economic environment and adverse, unfounded media coverage temporarily affected the Group's position in the market. Consequently, the EOH Group has delivered results reflective of the above for the year under review.

The public sector business had a particularly difficult year as a result of the political uncertainty; squeeze on public sector funding; delays in sign-offs on projects; and the postponement of the awarding of contracts. Payment practices from the public sector continued to deteriorate during the year, and are not expected to dramatically improve in the short-term.

The performance of the Group for the year under review was characterised by two very different halves.

First six months ended 31 January 2018

The disposal of the GCT group of companies (GCT) had a negative impact on earnings of R400 million (non-cash, once-off deduction).

Negative news stories adversely impacted the business necessitating intense stakeholder engagement.

In view of the specific market challenges during the period, the Group adopted a deliberate customer retention strategy while sacrificing some margin.

As a result of the above, fewer major contracts were awarded to the Group during the period, adversely impacting the business in the second half of the year.

Second six months ended 31 July 2018

In March this year, EOH Holdings announced its new strategy, which centred on reconfiguring the Group into two distinct and independent businesses, EOH and NEXTEC, each with its own CEO, unique brand and identity, business model, growth and go-to-market strategy. The second six months has seen the creation of these two independent businesses, which will result in major benefits to the Group in the short to medium term.

During this period, the Group underwent substantial reorganising into these two independent businesses. The Group's public-sector-focused division was dissolved by incorporating the majority of its activities into NEXTEC and EOH, and discontinuing the remainder of the business. The associated operating loss and restructuring costs amounted to approximately R379 million.

The impairment of goodwill, investments and other assets, approximated R121 million.

As a result of the non-tax deductible charge associated with the unwinding of the GCT group of companies (effective 31 October 2017), and the varying performance of the businesses in the Group, the tax charge is much higher than would normally be expected.

The increased focus on working capital management resulted in a reduction of accounts receivable; an improvement in profit converted into cash; and an increase in the cash balance compared to the cash reported in the Group's 2018 interim results.

Over the last three months, the Group saw a marked increase in the number of large contracts awarded to it indicating a normalising of business activities.

Financial results

Normalised revenue from continuing operations grew by 8% to R16 277 million (2017: R15 128 million) as a result of increased activity at existing customers. Revenue from services accounted for 79% of total revenue.

Normalised operating profit totalled R1 187 million (2017: R1 736 million).

Normalised EBITDA for the year amounted to R1 770 million (2017: R2 184 million). Headline earnings per share (HEPS) and earnings per share (EPS) from continuing operations was 278 cents (2017: 797 cents) and 202 cents (2017: 794 cents) respectively.

Normalisation adjustments to revenue and EBITDA totalled R64 million and R379 million respectively, related to the discontinuing activities in the public sector division.

During the year, there were fewer acquisitions than in previous years as the Group consolidated and aligned its operations into two major businesses. The Group acquired LSD Information Technology (Pty) Ltd as well as a few other strategic businesses which have been successfully integrated into the Group's management structures, operating model and ecosystem. The consideration for acquisitions during the year totalled R511 million, subject to cumulative profits warranted of R173 million being met over two years.

Operating expenses increased by R842 million to R4 009 million, driven by the increased activity levels, higher advisory fees (R18 million) for consulting on BEE, media, governance and technical accounting advice); R121 million in impairments; higher provisions for bad debts linked to the discontinued public-sector-focused division (R127 million); and a higher staff cost base as a result of prior year acquisitions contributing to costs for the entire 2018 financial year.

Non-cash-related expenses increased by R451 million to R928 million. These included the amortisation of identifiable assets R263 million (2017: R277 million); IFRS 2 share-based payment expenses R96 million (2017: R95 million); depreciation R163 million (2017: R171 million); impairments of assets R121 million (2017: R10 million); and the unwinding of GCT R386 million.

Net cash outflows in both financing and investing activities were significant. Repayments on amortised medium-term loans totalled R483 million; R587 million was paid to vendors on the meeting of profits warranted; R141 million was spent on repurchasing EOH shares as part of EOH's general approval for share buy-backs; R170 million was spent on IT infrastructure as EOH grew its cloud-based solutions business; and dividends of R312 million were paid in respect of the 2017 financial year.

Cash generated from operations was R1 266 million. While working capital was under strain throughout the year as a result of slow payments from the public sector and delays in long-term projects, there has been a positive shift in the second half of the year. Work-in-progress has decreased by R636 million since the end of January 2018 (after a R375 million increase in the first six months); trade receivables have increased in line with revenue growth; and the cash conversation ratio (based on EBITDA) has improved to 71% (2017: 58%).

Operating segments

Below is a summary of the revenue and normalised EBITDA (from continuing operations) of the reporting segments of the EOH Group. The combined revenue derived from services totalled R12 949 million for the year representing 79% of the Group's total revenue.

Figures in Rand thousand	**Reviewed for the year ended 31 July 2018**	Audited* for the year ended 31 July 2017
Normalised Revenue[1]		
ICT[2]	9 405 504	8 482 692
Industrial Technologies	3 916 342	3 855 964
BPO	2 956 116	2 789 406
	16 277 962	15 128 062
Normalised EBITDA[3]		
ICT[4]	1 304 654	1 298 510
Industrial Technologies	149 643	449 093
BPO	315 583	436 123
	1 769 880	2 183 726

* *Comparative figures previously reported have been amended to reflect continuing operations*

1 *Revenue has been normalised for discontinuing certain operations relating to the public sector division; software revenue of R2 276 million (2017: 2 240 million) has been included in normalised revenue*

2 *ICT includes IT Infrastructure revenue of R1 116 million (2017: R1 290 million)*

3 *EBITDA has been normalised for discontinuing certain operations relating to the public sector division; software EBITDA of R413 million (2017: R528 million) has been included in normalised EBITDA*

4 *ICT includes IT Infrastructure EBITDA of R52 million (2017: R62 million)*

The normalised revenue and EBITDA of EOH and NEXTEC

	Normalised Revenue for the year ended 31 July 2018	**Normalised EBITDA for the year ended 31 July 2018**
NEXTEC	8 040 569	660 171
EOH	8 237 393	1 109 709
	16 277 962	1 769 880

SUSTAINABLE TRANSFORMATION

Sustainable transformation is one of the Group's key business philosophies. Our approach is underpinned by our strong appreciation that South Africa's development and growth are the responsibility of both government and business.

It is our belief that people, business and the community are integrally linked; meaningfully contributing to sustainable transformation in South Africa which is fundamental to achieving a more equal society and a stable growing economy.

EOH Holdings is certified as a Large Enterprise B-BBEE Level 1 Contributor and is now majority black-owned following the approval of the Lebashe BEE transaction.

The Group is committed to transformation through its Youth Job Creation Initiative; continually increasing diversity at all levels in the Group; increasing black ownership; supporting enterprise development programmes; advancing supplier and preferential procurement initiatives; and increasing expenditure on skills development.

The Group's sustainability strategy is founded on its guiding philosophies. These philosophies demonstrate our commitment to sustainability by making a meaningful contribution to transformation and Broad-Based Black Economic Empowerment in South Africa; by being a responsible employer; delivering excellent service to customers; by being ethical and fair in all business relationships; and by maintaining a low environmental footprint.

Strategic partnership with Lebashe

To facilitate growth, remain relevant and to continue to promote black economic empowerment, the Group signed a long-term partnership with Lebashe, a 100% black-owned investment holding company, providing an opportunity for both parties to jointly pursue and benefit from growth opportunities.

This transaction, which was approved by shareholders on 18 September 2018, will result in a total equity investment of R1 billion over 12 months, of which R500 million was injected by Lebashe on 26 September 2018.

The Lebashe transaction comprises three elements:

- An increase in the Group's secured BEE ownership to over 51% following the issue of 40 000 000 EOH Holdings A Shares to Lebashe. These shares are to be held by Lebashe until the redemption thereof in five years' time upon the implementation of the Capitalisation Issue.
- An Initial Subscription of R250 million new EOH Holdings ordinary shares by Lebashe, at a 10% discount to the 60-Day VWAP on the implementation date, to be held by Lebashe for the duration of the transaction term (five years).
- A Subscription Undertaking, whereby Lebashe subscribes for R750 million new EOH Holdings ordinary shares, at a 10% discount to the 30-Day VWAP on subscription date, in three tranches over a 12-month period. The first tranche of R250 million was received on 26 September 2018.

Corporate governance

The Board is committed to high levels of corporate governance. During the year the Group focused on further strengthening and enhancing its governance framework.

The Board was reconfigured and further strengthened with the appointment of two independent non-executive directors. Mr Asher Bohbot was also appointed non-executive Chairman.

The Group conducted its own internal review of its governance framework (Project WiseOwl) which was overseen by the Chair of the Audit Committee.

- A review of the policies/procedures/toolkit including Anti-Bribery and Corruption ('ABC') policies; a review of the Group's ABC training approach; and a review of our certification/ compliance processes.
- A review of material contracts to ensure that they were subjected to our risk compliance process.
- A review of the public sector bidding process in light of the perceived higher risk in the public sector.
- The acceleration of the validation and re-accreditation of preferred suppliers (including enterprise and social development partners) and the maintenance thereof on a centralised technology platform.

The EOH Group also engaged ENS to review its governance framework which included:

- A review of outcomes of the Group's Project WiseOwl.
- A fact finding review of the commercial activities of the GCT group of companies.
- A review of the Group's governance framework.
- Providing an on going risk-based monitoring role in respect of public sector bids prior to submission.
- A review of the Group's regulatory compliance framework with the view to becoming ISO 37001 compliant (ABC International Standard).
- Ad-hoc investigations and reviews following media reports.
- Ad-hoc open source due diligence reviews of companies/partners/individuals.

ENS did not discover or raise any areas of concern during its review and has made several recommendations to strengthen the Group's governance framework which have or are in the process of being implemented. During ENS's reviews to date, nothing untoward has materialised.

Corporate governance is integral to our business philosophy of ethical leadership. The Group has a zero tolerance policy towards unethical behaviour and corporate governance is a priority focus area for the 2019 financial year.

Corporate social responsibility

The Group understands that youth development is paramount to a prosperous South Africa. To this end, our Corporate Social Investment (CSI) activities are focused on the youth. These programmes include financial support for the Maths Centre, support for the child and youth development programmes of Afrika Tikkun, and a partnership with the South African Business Coalition on Health and AIDS (SABCOHA).

The EOH Youth Job Creation Initiative

The EOH Youth Job Creation Initiative has grown from strength to strength since its inception in 2012. Initiated by the Group's founder and Chairman, Asher Bohbot, this initiative is deeply entrenched in the Group. Since 2012, in partnership with customers and business partners, over 35 000 learners and graduates have been reached, with most of them completing their learnership and internship programmes.

Of the individuals who completed the programme, 83% have been employed by the Group or one of its business partners or participating customers. Lives are changed when business gets involved.

Zunaid Mayet
Group Chief Executive Officer (until 31 August 2018)

COMMENTS FROM THE INCOMING CEO

South Africa had a challenging 2018, entering a technical recession, with the incoming President Cyril Ramaphosa placing the need to address state capture at the centre of his agenda, and a complex global political environment including conflicting US sentiments towards Africa and South Africa in particular. The EOH Group was not unscathed but still managed to grow revenue at a credible 8% which is testament to a dedicated and loyal workforce. The Group remains a business with significant potential combining outstanding intellectual property with highly skilled staff.

The EOH Group occupies a critical position at the centre of the fourth industrial revolution with all the skills and capabilities to make a meaningful impact and, ultimately provide integrated services covering a broad spectrum of associated technology needs. The EOH ICT business has capabilities in all the product verticals required to build and create digital ecosystems for its clients in the private and public sectors. NEXTEC has already started creating and delivering specialised software solutions to many of these sectors and will continue to develop unique solutions for its clients.

The Executive Committee is committed to completing the Group reorganisation in a manner 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. Over the next year our primary focus will be on:

- Finalising the corporate strategy and capital structure for the Group, to ensure that underlying businesses that require capital to take advantage of appropriate opportunities are not constrained while Group return on equity is improved.
- Expense and working capital optimisation, expanding on the significant work done in the second half of 2018
- Creating shared value partnerships with our clients to meet their needs in a cost-effective and mutually beneficial manner.
- Finalising and completing the implementation of an appropriate corporate governance structure. This is an ongoing process that started in 2018, will be refined in 2019 and continually improved on an annual basis. Particular reference will be on ISO 37001, King Codes of Governance and the JSE Listings Requirements.
- Continuing and enhancing the anti-bribery and corruption and fraud screening on our tenders, especially with the public sector.

As the incoming Group CEO, I must thank my new colleagues for the extraordinary effort that was exerted in 2018 to obtain these results in difficult circumstances. I am excited at the opportunity the EOH Group presents and am committed to partnering with all stakeholders to grow the company both transparently and sustainably.

Stephen Van Coller
Group Chief Executive Officer (effective 1 September 2018)
3 October 2018

* *Effective 1 September 2018*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 JULY 2018

Figures in Rand thousand	Notes	**Reviewed for the year ended 31 July 2018**	Audited for the year ended 31 July 2017
Continuing operations			
Revenue		16 341 024	15 128 062
Cost of sales		(11 523 643)	(10 225 139)
Gross profit		4 817 381	4 902 923
Operating expenses		(4 009 492)	(3 167 381)
Operating profit before interest and equity-accounted profits	15	807 889	1 735 542
Investment income		52 750	70 321
Share of equity-accounted profits	9	48 223	39 241
Finance costs		(352 145)	(259 614)
Profit before taxation		556 717	1 585 490
Taxation		(268 460)	(462 009)
Profit for the period from continuing operations		288 257	1 123 481
(Loss)/profit for the period from discontinued operation	16	(392 450)	49 602
(Loss)/profit for the year		(104 193)	1 173 083
(Loss)/profit attributable to:			
Owners of EOH Holdings Limited		(100 984)	1 164 234
Non-controlling interest		(3 209)	8 849
		(104 193)	1 173 083
(Loss)/earnings per share (cents)			
From continuing operations			
Earnings per share (cents)		202	794
Diluted earnings per share (cents)		196	771
Including discontinued operation			
(Loss)/earnings per share (cents)		(70)	825
Diluted (loss)/earnings per share (cents)		(68)	801

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2018

Figures in Rand thousand	**Reviewed for the year ended 31 July 2018**	Audited for the year ended 31 July 2017
(Loss)/profit for the year	(104 193)	1 173 083
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	(48 317)	(44 627)
Total comprehensive (loss)/income for the year	(152 510)	1 128 456
Total comprehensive (loss)/income attributable to:		
Owners of the EOH Holdings Limited	(146 267)	1 121 277
Non-controlling interest	(6 243)	7 179

HEADLINE EARNINGS

FOR THE YEAR ENDED 31 JULY 2018

	Reviewed for the year ended 31 July 2018	Audited for the year ended 31 July 2017
Headline earnings reconciliation (R'000)		
(Loss)/profit attributable to owners of EOH Holdings Limited	(100 984)	1 164 234
Adjusted for:		
Loss on disposal of subsidiaries, businesses and property, plant and equipment	392 880	3 007
Gain on bargain purchase	(7 528)	–
Impairment of assets	25 797	9 784
Impairment of goodwill	84 710	–
Impairment of equity-accounted investments	10 000	–
Total tax effects of the above adjustments	4 385	(3 581)
Headline earnings	409 260	1 173 444
Headline earnings per share (cents)		
From continuing operations		
Headline earnings per share (cents)	278	797
Diluted headline earnings per share (cents)	271	773
Including discontinued operation		
Headline earnings per share (cents)	283	832
Diluted headline earnings per share (cents)	276	808
Ordinary shares (000)		
Total number of shares in issue	152 798	150 095
Weighted average number of shares in issue	144 597	141 072
Weighted average diluted number of shares in issue	148 450	145 300

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2018

Figures in Rand thousand	Notes	Reviewed 31 July 2018	Audited 31 July 2017
Assets			
Non-current assets			
Property, plant and equipment	6	742 983	677 719
Goodwill and intangible assets		5 520 501	6 074 699
Goodwill	7	4 255 281	4 625 403
Intangible assets	8	1 265 220	1 449 296
Equity-accounted investments	9	822 204	847 917
Other financial assets	10	681 409	214 156
Deferred taxation		327 270	196 764
Finance lease receivables		140 511	169 611
		8 234 878	8 180 866
Current assets			
Inventory	11	431 609	599 764
Other financial assets	10	225 950	141 112
Current taxation receivable		88 442	84 383
Finance lease receivables		63 307	74 610
Trade and other receivables	12	5 583 044	5 132 697
Cash and cash equivalents		1 418 319	2 506 551
		7 810 671	8 539 117
Total assets		16 045 549	16 719 983
Equity and liabilities			
Equity			
Equity attributable to the owners of EOH Holdings Limited		8 100 679	8 505 188
Non-controlling interest		28 034	56 416
		8 128 713	8 561 604
Liabilities			
Non-current liabilities			
Other financial liabilities	13	3 208 415	3 017 416
Finance lease payables		56 388	65 594
Deferred taxation		388 042	406 132
		3 652 845	3 489 142
Current liabilities			
Other financial liabilities	13	895 581	1 523 676
Current taxation payable		149 830	148 182
Finance lease payables		35 360	41 187
Trade and other payables	14	2 760 283	2 466 647
Deferred income		422 937	489 545
		4 263 991	4 669 237
Total liabilities		7 916 836	8 158 379
Total equity and liabilities		16 045 549	16 719 983

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2018

Figures in Rand thousand	Stated capital	Shares to be issued to vendors	Other reserves	Retained earnings	Non-controlling interest	Total equity
Audited balance at 1 August 2016	2 263 307	1 164 870	603 015	2 544 975	9 678	6 585 845
Profit for the year	–	–	–	1 164 234	8 849	1 173 083
Other comprehensive income for the year	–	–	(42 956)	–	(1 671)	(44 627)
Issue of shares	1 194 809	(562 098)	–	–	–	632 711
Non-controlling interest acquired	–	–	–	(12 581)	39 560	26 979
Movement in treasury shares	(124 438)	–	10 887	–	–	(113 551)
Remaining shares to be issued to vendors	–	459 242	–	–	–	459 242
Transfer within equity	–	(48 205)	–	48 205	–	–
Share-based payments	–	–	94 991	–	–	94 991
Dividends	–	–	–	(253 069)	–	(253 069)
Audited balance at 31 July 2017	3 333 678	1 013 809	665 937	3 491 764	56 416	8 561 604
Loss for the year	–	–	–	(100 984)	(3 209)	(104 193)
Other comprehensive loss for the year	–	–	(45 283)	–	(3 034)	(48 317)
Issue of shares	219 751	(207 491)	–	–	–	12 260
Non-controlling interest acquired/disposed	1 000	–	–	(105 484)	(22 139)	(126 623)
Movement in treasury shares	(111 206)	–	(53 094)	–	–	(164 300)
Remaining shares to be issued to vendors	–	288 989	–	–	–	288 989
EOH shares forfeited – consideration	–	(74 549)	–	–	–	(74 549)
Transfer within equity	–	(210 783)	–	210 783	–	–
Share-based payments	–	–	95 562	–	–	95 562
Dividends	–	–	–	(311 720)	–	(311 720)
Reviewed balance at 31 July 2018	3 443 223	809 975	663 122	3 184 359	28 034	8 128 713

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2018

Figures in Rand thousand	Notes	**Reviewed for the year ended 31 July 2018**	Audited for the year ended 31 July 2017
Cash flows from operating activities			
Cash generated before working capital changes	18	**1 410 522**	2 298 320
Working capital changes		**(144 501)**	(984 256)
Cash generated from operations	18	**1 266 021**	1 314 064
Investment income		**51 184**	72 681
Finance costs		**(282 337)**	(201 715)
Taxation paid		**(369 688)**	(524 111)
Net cash inflow from operating activities		**665 180**	660 919
Net cash outflow from investing activities		**(679 728)**	(488 664)
Additions to property, plant and equipment		**(261 518)**	(231 121)
Proceeds on the sale of property, plant and equipment and intangible assets		**63 020**	44 306
Intangible assets acquired		**(336 591)**	(284 419)
Net cash (outflow)/inflow from acquisition of businesses	19	**(61 452)**	46 037
Cash outflow on the acquisition of equity-accounted investments		**–**	(91 377)
Cash (outflow)/inflow relating to financial assets		**(83 187)**	27 910
Net cash (outflow)/inflow from financing activities		**(1 060 065)**	400 497
Proceeds from the issue of shares		**10 248**	613 213
Proceeds from other financial liabilities		**502 849**	1 293 455
Repayment of other financial liabilities		**(1 070 477)**	(1 030 810)
Purchase of treasury shares		**(141 295)**	(171 941)
Finance lease payments		**(49 592)**	(50 401)
Dividends paid		**(311 798)**	(253 019)
Net (decrease)/increase in cash and cash equivalents		**(1 074 613)**	572 752
Foreign currency translation		**(13 619)**	(15 600)
Cash and cash equivalents at the beginning of the year		**2 506 551**	1 949 399
Cash and cash equivalents at the end of the year		**1 418 319**	2 506 551

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2018

1. Reporting entity

EOH Holdings Limited (the Company) is a holding company domiciled in South Africa, listed on the JSE Limited under the category Technology: Software and Computer Services. The condensed consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the EOH Group or the Group) and the Group's interests in associates and joint ventures.

2. Statement of compliance

These condensed consolidated financial statements have been prepared in accordance with the framework concepts and the measurements and recognition requirements of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations as issued by the IFRS Interpretations Committee (IFRIC) and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, and contain at a minimum the information required by IAS 34, the JSE Listings Requirements and the Companies Act of South Africa, 71 of 2008, as amended (the Companies Act).

3. Basis of preparation

The accounting policies applied in the presentation of the condensed consolidated financial statements are consistent with those applied for the year ended 31 July 2017, except for the new standards that became effective for the Group's financial period beginning 1 August 2017.

The condensed consolidated financial statements have been prepared on the historical cost basis, except for other financial assets measured at fair value through profit or loss, under the supervision of John King CA(SA), Group Financial Director.

4. New standards and interpretations

IFRS 9 and IFRS 15 will both be effective for the EOH Group's financial year ending 31 July 2019. The Group is undergoing a detailed assessment of the potential impact of the new standards on financial results and disclosures going forward.

5. Review opinion

The condensed consolidated financial results for the year ended 31 July 2018 have been reviewed by the Group auditors, Mazars (Gauteng) Inc., and their unmodified review report is available for inspection at the registered office of the EOH Group.

The auditor's report does not necessarily report on all of the information contained in these financial results. Shareholders may obtain further information regarding the nature of the auditor's engagement as per inspection of the report available at the registered office of the EOH Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

Figures in Rand thousand	Notes	Reviewed 31 July 2018	Audited 31 July 2017
6. Property, plant and equipment			
Opening balance		677 719	492 221
Additions		289 470	271 740
Acquired in business combinations	19	13 517	131 987
Disposals		(72 881)	(47 313)
Depreciation		(163 143)	(170 689)
Foreign currency translation		(1 699)	(227)
Closing balance		742 983	677 719
7. Goodwill			
Opening balance		4 625 403	3 894 720
Acquired in business combinations	19	340 255	743 561
Disposals		(634 935)	–
Impairments*		(84 710)	–
Foreign currency translation		9 268	(12 878)
Closing balance		4 255 281	4 625 403

* *The carrying amount of certain cash-generating units (CGU's) was determined to be less than their recoverable amounts resulting in impairment losses being allocated to their attributable goodwill. The operating segments affected were IT Services (R39,7 million) and Industrial Technologies (R45 million).*

Figures in Rand thousand	Notes	Reviewed 31 July 2018	Audited 31 July 2017
8. Intangible assets			
Opening balance		1 449 296	1 249 522
Additions		336 591	284 419
Acquired in business combinations	19	141 801	186 236
Disposals		(390 660)	–
Impairments		(8 665)	–
Amortisation		(262 718)	(276 608)
Foreign currency translation		(425)	5 727
Closing balance		1 265 220	1 449 296
9. Equity-accounted investments			
Opening balance		847 917	626 085
Additions		–	219 678
Share of equity-accounted profits		48 223	39 241
Dividends received		(3 638)	–
Impairment		(10 000)	–
Foreign currency translation		(60 298)	(37 087)
Closing balance		822 204	847 917

Figures in Rand thousand	Reviewed 31 July 2018	Audited 31 July 2017
10. Other financial assets		
Other financial assets carried at fair value through profit or loss	89 020	78 959
Other financial assets relate to investments for which the fair value is determined by reference to the performance of indices in active markets.		
Investment in 9% of Gibela Rail Transport Consortium Proprietary Limited	39 462	39 462
The investment is measured at fair value through profit and loss and is classified as a level 3 investment. The directors have evaluated that the fair value of the investment is determined based on a valuation using a discounted cash flow model which has been adjusted for risk inherent in the investees' nature of operations.		
Enterprise development loans	76 733	92 201
The loans' maturity dates range between one and five years.		
Vendor loans and receivables	59 819	58 270
The loans' maturity dates range between one and five years.		
CA Incorporated Limited – multi-year contracts	2 320	3 477
The loans' maturity dates range between one and two years.		
Loans repayable in three to five years bearing interest at a rate of 10% per annum	277 675	–
The loan is interest bearing at a rate of 10% per annum and repayable over the next five years.		
Share-based GCT consideration receivable	18 644	–
Interest-free loan repayable before 31 October 2018	128 000	–
Loans to related parties	167 569	82 624
These loans are interest free and payable on demand.		
Bid Bond	33 338	–
The bid bond deposit will be released within the next 12 months.		
Cell captive investment	10 306	–
The investment is measured at fair value through profit and loss and is classified as a level 3 investment. The directors have evaluated that the fair value of the investment is determined based on a valuation of the asset value attributable to the investment.		
Consideration receivable	4 200	–
Other loans and receivables	273	275
The loans are unsecured, interest free and have no fixed terms of repayment. The loans and receivables consist of a number of smaller loans to unrelated parties.		
	907 359	355 268
Non-current other financial assets	681 409	214 156
Current other financial assets	225 950	141 112
	907 359	355 268

Figures in Rand thousand	Reviewed 31 July 2018	Audited 31 July 2017
10. Other financial assets continued		
Financial instruments		
Financial assets carried at fair value through profit or loss	138 788	78 959
Loans and receivables	768 571	276 309
	907 359	355 268
11. Inventory		
Finished goods	404 295	568 024
Consumables	8 831	23 308
Work-in-progress	34 234	28 396
	447 360	619 728
Inventory write-downs	(15 751)	(19 964)
	431 609	599 764
Cost of goods sold during the year amounted to:	2 751 100	2 478 318
12. Trade and other receivables		
Financial instruments	5 263 885	4 867 742
Trade debtors	4 066 043	3 416 075
Work-in-progress	1 107 926	1 368 571
Other receivables	89 916	83 096
Non-financial instruments	319 159	264 955
Prepayments	237 396	218 411
VAT receivable	25 797	24 724
Other receivables	55 966	21 820
	5 583 044	5 132 697

Figures in Rand thousand	Reviewed 31 July 2018	Audited 31 July 2017

13. Other financial liabilities

Interest-bearing liabilities	3 404 595	3 298 497
Interest-bearing bank loans secured by trade receivables	2 841 518	2 681 237
Unsecured interest-bearing bank loans	537 844	544 578
Interest-bearing bank loans secured by certain property	25 233	72 682
Non-interest-bearing liabilities	699 401	1 242 595
Vendors for acquisition	633 709	1 167 453
Other non-interest-bearing liabilities	65 692	75 142
	4 103 996	4 541 092
Non-current financial liabilities	3 208 415	3 017 416
Current financial liabilities	895 581	1 523 676
	4 103 996	4 541 092
Financial instruments		
Measured at amortised cost	3 470 287	3 373 639
Financial liabilities carried at fair value through profit or loss	633 709	1 167 453
	4 103 996	4 541 092
Vendors for acquisition	633 709	1 167 453
Non-current financial liabilities	62 666	230 616
Current financial liabilities	571 043	936 837

14. Trade and other payables

Financial instruments	1 951 216	1 758 664
Trade payables	1 245 207	1 113 313
Other accrued expenses	693 164	643 839
Other payables	12 845	1 512
Non-financial instruments	809 067	707 983
VAT	149 472	119 645
Payroll accruals	659 595	588 338
	2 760 283	2 466 647

Figures in Rand thousand	Reviewed 31 July 2018	Audited 31 July 2017
15. Operating profit before interest and equity-accounted profits		
EBITDA from continuing operations		
Operating profit before interest and equity-accounted profits from continuing operations	807 889	1 735 542
Equity-accounted profits	48 223	39 241
Amortisation from continuing operations	251 924	231 742
Depreciation from continuing operations	162 114	167 417
Impairment of assets	120 507	9 784
	1 390 657	2 183 726
Operating profit before interest after taking into account the following:		
Amortisation from continuing and discontinued operations	262 719	276 608
Amortisation included in cost of sales	38 475	20 257
Amortisation not included in cost of sales	224 244	256 351
Depreciation from continuing and discontinued operations	163 143	170 689
Depreciation included in cost of sales	71 305	69 431
Depreciation not included in cost of sales	91 838	101 258
Employee costs	5 817 828	5 314 775
Employee costs included in cost of sales	3 498 051	3 338 117
Employee costs not included in cost of sales	2 224 215	1 881 667
Share-based payments expense	95 562	94 991
Impairments of assets	120 507	9 784
Foreign exchange (profit)/loss	(32 338)	20 720
Fair value gain on remeasurement of contingent consideration	(9 156)	(35 764)
Fair value gain through profit or loss	(15 456)	(20 089)
Loss on disposal of subsidiaries and property, plant and equipment	392 880	3 007
Gain on bargain purchase on acquisition of businesses	(7 528)	–
Operating lease charges	280 087	231 540
Operating lease charges on immovable property	259 865	211 575
Operating lease charges on movable property	20 222	19 965

16. Disposal of subsidiary

The Group disposed of the GCT Group of companies (GCT), namely, Grid Control Technologies Proprietary Limited, Forensic Data Analysts Proprietary Limited and Investigative Software Solutions Proprietary Limited to BVI (the former shareholders) on 31 October 2017 as a result of significant underachievement of profits warranted.

16. Disposal of subsidiary continued

The unwinding involved selling back the companies to the former shareholders for a net amount of R365 million, which is equal to the cash originally paid and the value adjusted EOH shares originally transferred. The unwinding resulted in a non-cash, once-off reduction in consolidated earnings of R386 million. This once-off loss has been recognised in the statement of profit or loss.

Figures in Rand thousand	3 months ended 31 October 2017	12 months ended 31 July 2017
The profit/(loss) for the period from the discontinued operation is analysed as follows:		
Profit for the period	7 290	49 602
Non-cash, once-off, accounting loss on disposal	(399 740)	–
Accounting loss on disposal	(386 288)	–
Taxation at capital gains rate	(13 452)	–
	(392 450)	49 602
The results of the GCT group for the relevant periods were as follows:		
Revenue	84 327	361 462
Cost of sales	(40 009)	(184 347)
Gross profit	44 318	177 115
Operating expenses	(31 782)	(130 911)
Investment income	(1 530)	2 422
Finance costs	(881)	1 065
Profit before taxation	10 125	49 691
Taxation	(2 835)	(89)
Profit for the period	7 290	49 602
The net cash flows incurred by the GCT group for the relevant periods:		
Operating expenses	(39 145)	45 896
Investment income	1 990	(12 835)
Financing costs	(1 965)	1 668
Net cash flows	(39 120)	34 729

The net assets of the GCT group at the date of disposal were as follows:	
Net assets disposed of	345 025
Goodwill	604 593
Total net asset value disposed of	949 618
Consideration	
Return of EOH shares issued to former shareholders	87 575
Cash receivable from former shareholders	277 675
Receivable from former shareholders	365 250
EOH shares forfeited	74 549
Vendors for acquisition released	123 531
	563 330

	Reviewed 31 July 2018	Audited 31 July 2017
17. Stated capital		
Issued		
Reconciliation of the number of shares in issue (000):		
Opening balance	150 095	140 752
Shares issued for cash	–	3 757
Shares issued as a result of the acquisition of businesses	2 208	4 160
Shares issued to the Group share incentive schemes	495	1 426
Shares in issue at the end of the period	152 798	150 095
Less:		
Treasury shares held in the Group share incentive schemes	(2 367)	(2 066)
Treasury shares held by wholly owned subsidiaries of the Company that will not be cancelled	(5 530)	(4 494)
	144 901	143 535

Figures in Rand thousand	Reviewed at 31 July 2018	Audited at 31 July 2017
Stated capital		
Opening balance	3 333 678	2 263 307
Shares issued for cash[1]	–	580 904
Shares issued as a result of the acquisition of businesses[2]	210 503	581 598
Shares issued to the Group share incentive schemes[3]	10 248	32 307
Treasury shares[4]	(111 206)	(124 438)
	3 443 223	3 333 678

[1] *At fair value*
[2] *In terms of purchase and sale agreements*
[3] *In terms of the Group share incentive schemes*
[4] *Average price paid for treasury shares amounts to R110,08 per share*

Figures in Rand thousand	Reviewed for the year ended 31 July 2018	Audited for the year ended 31 July 2017
18. Cash generated from operations		
Profit before taxation from:	180 556	1 635 181
Continuing operations	556 717	1 585 490
Discontinued operation	(376 161)	49 691
Adjustments for:		
Amortisation of intangible assets	262 719	276 608
Depreciation of property, plant and equipment	163 143	170 689
Foreign exchange (profit)/loss	(30 359)	20 720
Impairment of assets	120 507	9 784
Loss on disposal of subsidiaries and property, plant and equipment	392 880	3 007
Gain on bargain purchase on acquisition of businesses	(7 528)	–
Fair value gain on remeasurement of contingent consideration	(9 156)	(35 764)
Fair value gain through profit or loss	(15 456)	(20 089)
Share-based payments expense	95 562	94 991
Investment income	(51 220)	(72 743)
Share of profits of equity-accounted investments	(48 223)	(39 241)
Finance costs	353 026	258 549
Other non-cash items	4 071	(3 372)
Cash generated before changes in working capital	1 410 522	2 298 320
Working capital changes net of effects of acquisition of businesses and disposal of subsidiaries	(144 501)	(984 256)
Increase in inventories	(411)	(97 177)
Increase in trade and other receivables	(606 744)	(527 870)
Decrease/(increase) in work-in-progress receivables	260 644	(508 336)
Increase in payables	258 429	314 377
Decrease in deferred income	(56 419)	(165 250)
Cash generated from operations	1 266 021	1 314 064

Figures in Rand thousand	LSD	Other	2018	2017
19. Acquisition of businesses				
Fair value of assets and liabilities acquired				
Property, plant and equipment	77	13 440	13 517	131 987
Intangible assets	77 571	64 230	141 801	186 236
Other financial assets	–	7 029	7 029	12 764
Finance lease receivables	–	–	–	614
Inventory	–	9 645	9 645	34 195
Trade and other receivables*	9 215	142 641	151 856	381 905
Cash and cash equivalents	19 826	24 269	44 095	226 984
Other financial liabilities	(3 570)	(43 788)	(47 358)	(67 506)
Finance lease payables	–	(967)	(967)	(57 468)
Net deferred taxation liabilities	(21 654)	(14 735)	(36 389)	(33 014)
Net current taxation payables	(1 984)	(172)	(2 156)	(22 633)
Trade and other payables	(9 038)	(62 474)	(71 512)	(268 119)
Deferred income	–	(33 794)	(33 794)	(56 018)
Net assets acquired	70 443	105 324	175 767	469 927
Non-controlling interests measured at their share of the fair value of net assets	–	2 854	2 854	(51 885)
Amount capitalised	70 443	108 178	178 621	418 042
Gain on bargain purchase	–	(7 528)	(7 528)	–
Goodwill	170 649	169 606	340 255	743 561
Purchase price	241 092	270 256	511 348	1 161 603
Consideration payable				
Cash paid	(37 500)	(68 046)	(105 546)	(180 947)
Shares issued**	(45 172)	(18 526)	(63 698)	(95 501)
Cash to be paid	(68 076)	(85 619)	(153 695)	(559 934)
Shares to be issued	(90 344)	(98 065)	(188 409)	(325 221)
Total consideration	(241 092)	(270 256)	(511 348)	(1 161 603)

* *The gross contractual value of trade and other receivables for all acquisitions was R158 million.*
** *Shares are issued at fair value at the effective date.*

19. Acquisition of businesses continued

Acquisition related costs of R20 million are included in operating expenses in the statement of profit or loss and other comprehensive income.

During the year under review, the EOH Group continued to consolidate and complement its existing services with strategic acquisitions. The total purchase consideration for these acquisitions is R511 million, consisting of R259 million in cash and 2 618 317 EOH shares.

Effective 1 December 2017, the EOH Group acquired a 100% interest in LSD Information Technology, a company specialising in Linux and enterprise open source technology for a consideration of R241 million (R105 million in cash and R136 million in shares).

The contribution to the trading results of the Group, made by all acquisitions, has been accounted from the effective date of the business combination. In determining the purchase consideration paid, the profit history of the relevant business and its growth prospects in the EOH Group are considered. The fair value of shares issued as part of the purchase price was determined based on the share price at the effective date. The accounting of these subsidiaries and businesses is based on best estimates and provisional fair values. The Group has not yet completed its assessment of the fair value of all identifiable assets, liabilities and/or contingent liabilities. The fair values will be accurately determined within twelve months from the date of acquisition. Goodwill relates mainly to future profits of these businesses and the anticipated synergies that the business brings to the Group.

Figures in Rand thousand	**LSD**	**Other**	**2018**	2017
Contribution to results				
Revenue	110 192	641 501	751 693	1 018 100
Profit before taxation***	23 567	91 517	115 084	162 902
Contribution had the effective date been from 1 August				
Revenue	144 100	644 936	789 036	1 665 867
Profit before taxation	29 670	91 748	121 418	230 971

*** *Shown before the effect of amortisation on identifiable assets of R24,7 million in 2018 (2017: R21, 6 million) and other related charges incurred by the Group of R52 million (2017: R42 million).*

20. Financial instruments

The following table summarises the carrying amount of financial instruments as well as the classification of each class of financial assets and liabilities:

Figures in Rand thousand	Reviewed 31 July 2018	Audited 31 July 2017
Financial assets		
Loans and receivables:		
Other financial assets	768 571	236 847
Finance lease receivables	203 818	244 221
Trade and other receivables	5 263 885	4 867 742
Cash and cash equivalents	1 418 319	2 506 551
Fair value through profit or loss:		
Other financial assets – level 1	89 020	78 959
Other financial assets – level 3	49 768	39 462
	7 793 381	7 973 782
Financial liabilities		
Measured at amortised cost:		
Other financial liabilities	3 470 287	3 373 639
Finance lease payables	91 748	106 781
Trade and other payables	1 951 216	1 758 664
Fair value through profit or loss:		
Vendors for acquisition – level 3	633 709	1 167 453
	6 146 960	6 406 537

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

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

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 1 based on quoted prices (adjusted) in active markets for identical assets that the Group can access at the measurement date and as level 3 where the valuation technique used is based on unobservable inputs for the asset.

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.

20. Financial instruments continued

Other financial assets

Other financial assets (level 1) relate to investments for which the fair value is determined by reference to the performance of indices in the active market.

Other financial assets (level 3) relate to a non-controlling interest in an unlisted business and a cell captive. 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 and the cell captive is valued based on the net asset value reported by the service provider. At 31 July 2018 the carrying value of the level 3 financial asset, based on the directors' evaluation, is R49,8 million (31 July 2017: R39,5 million).

Figures in Rand thousand	**Reviewed 31 July 2018 Level 3**	**Reviewed 31 July 2018 Level 1**	Audited 31 July 2017 Level 3	Audited 31 July 2017 Level 1
Reconciliation of other financial assets				
Balance at the beginning of the period	39 462	78 959	–	165 529
Transfer from loans and receivables	5 774	–	25 983	–
Disposal	–	–	–	(94 659)
Net changes in fair value	4 532	10 061	13 479	8 089
Balance at the end of the period	49 768	89 020	39 462	78 959

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. Changing such inputs to reflect reasonably possible alternative assumptions does not significantly change the fair value of the vendors for acquisition liability.

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

20. Financial instruments continued

Figures in Rand thousand	Reviewed for the year ended 31 July 2018	Audited for the year ended 31 July 2017
Reconciliation of vendors for acquisition:		
Balance at the beginning of the period	1 167 453	1 284 763
Raised through business combinations	153 695	559 934
Raised as investments in joint ventures and associates	–	152 203
Acquisitions of remaining non-controlling interests	67 839	14 279
Discharged to vendors	(730 677)	(797 150)
Foreign exchange effects	(20 071)	(10 812)
Net changes in fair value	(4 530)	(35 764)
Balance at the end of the period	633 709	1 167 453

21. Related-party transactions

The Group entered into various sale and purchase transactions with related parties, in the ordinary course of business, on an arm's length basis. The nature of related-party transactions is consistent with those reported previously, none of which were significant.

22. Events after the reporting date

The EOH Group signed a long-term partnership with Lebashe, a 100% black-owned investment holding company. This BEE transaction was concluded following the approval of shareholders on 18 September 2018. Lebashe will provide a total equity investment to the Group of R1 billion over 12 months of which R500 million has already been injected.

Stephen van Coller was appointed as CEO of EOH Holdings Limited. Zunaid Mayet resigned as the CEO of the EOH Holdings Limited to take up the position of the CEO of NEXTEC.

The Board has decided that no dividend will be declared for the 2018 financial year.

23. Directorate

During the period since 1 August 2017, there were several changes to the Board:

- Tebogo Maenetja was appointed as an executive director effective 1 March 2018.
- Asher Bohbot was appointed as non-executive Chairman effective 12 March 2018.
- Grathel Motau resigned as a non-executive director effective 12 March 2018.
- Sandile Zungu resigned as an independent non-executive Chairman effective 12 March 2018.
- Jesmane Boggenpoel was appointed as an independent non-executive director effective 1 July 2018.
- Rob Godlonton resigned as an executive director effective 1 July 2018.
- Brian Gubbins resigned as an executive director effective 1 July 2018.
- Lucky Khumalo resigned as a non-executive director effective 1 July 2018.
- Ebrahim Laher resigned as an executive director effective 1 July 2018.
- Jehan Mackay resigned as an executive director effective 1 July 2018.
- Ismail Mamoojee was appointed as an independent non-executive director effective 1 July 2018.
- Johan van Jaarsveld resigned as an executive director effective 1 July 2018.
- Zunaid Mayet resigned as Group Chief Executive Officer effective 1 September 2018.
- Stephen van Coller was appointed as Group Chief Executive Officer effective 1 September 2018.

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

Asher Bohbot (Chairman)
(appointed 12 March 2018)

Rob Sporen* (lead independent
non-executive Director)

Pumeza Bam

Tshilidzi Marwala

Moretlo Molefi

Jesmane Boggenpoel (appointed 1 July 2018)

Ismail Mamoojee (appointed 1 July 2018)

** Dutch*

Executive

Stephen van Coller (appointed as Group Chief Executive Officer effective 1 September 2018)

Zunaid Mayet (resigned as Group Chief Executive Officer effective 31 August 2018)

John King (Group Financial Director)

Tebogo Maenetja (appointed 12 March 2018)

Group Company Secretary

Adri Els

Registered address

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Telephone: +27 (0) 11 607 8100

Website: www.eoh.co.za

Investor e-mail: eohir@kris.co.za

Auditors

Mazars (Gauteng) Inc.
Registration number: 2000/026635/21

Erasmus Forum A, 434 Rigel Avenue South,
Erasmusrand, Pretoria, 0181

Sponsor

Merchantec Capital
Registration number: 2008/027362/07

2nd Floor, North Block
Hyde Park Corner Office Towers
Corner 6th Road and Jan Smuts Avenue
Hyde Park, 2196
PO Box 41480, Craighall, 2024

Transfer secretaries

Computershare Investor Services Proprietary Limited
Registration number: 2004/003647/07

Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
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Technology *makes it possible...*
People *make it happen*