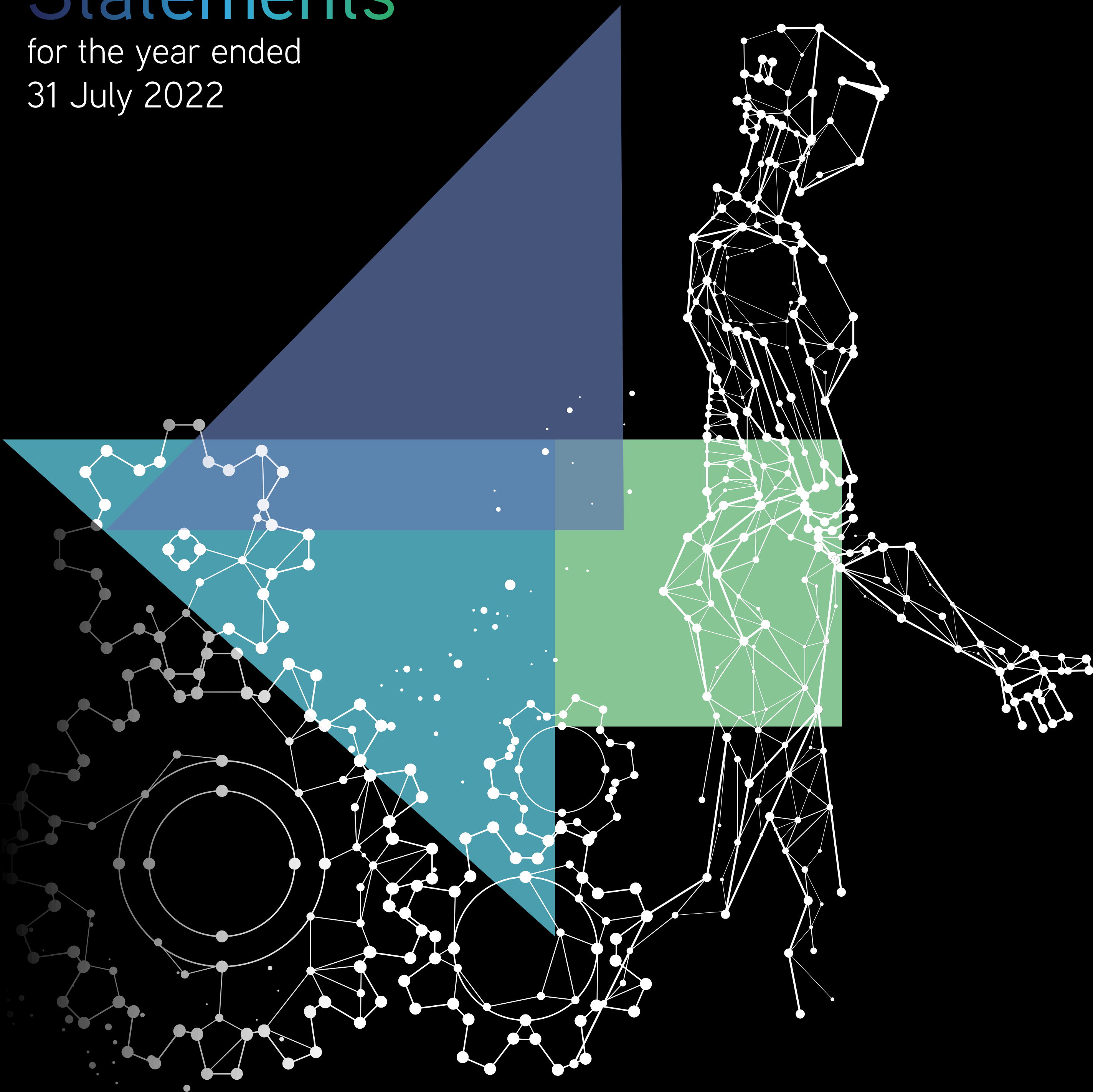
EOH

Annual Financial Statements

for the year ended
31 July 2022



Our purpose is to **solve courageously, exponentially** and **together**

Contents

Statutory reports

1 Directors' responsibility statement
1 Chief Executive Officer and Chief Financial Officer responsibility statement
2 Report of the Company Secretary
2 Directors' approval of the consolidated and separate financial statements
3 Audit Committee's report
6 Directors' report
8 Independent auditor's report

Consolidated financial statements

14 Consolidated statement of profit or loss and other comprehensive income
15 Consolidated statement of financial position
16 Consolidated statement of changes in equity
17 Consolidated statement of cash flows
18 Consolidated segment results
20 Notes to the consolidated financial statements

Separate financial statements

74 Separate statement of profit or loss and other comprehensive income
75 Separate statement of financial position
76 Separate statement of changes in equity
77 Separate statement of cash flows
78 Notes to the separate financial statements

Annexures

86 Annexure 1 – Shareholders' analysis
87 Annexure 2 – Shareholders' diary
88 Annexure 3 – Glossary
89 Annexure 4 – Corporate information

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Level of assurance

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

www.eoh.co.za

Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the financial statements of EOH Holdings Limited ("EOH" or the "Company") and its subsidiaries (together the "Group"), comprising the consolidated and separate statements of financial position at 31 July 2022, and the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the consolidated and separate financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the South African Companies Act, No 71 of 2008 ("the Companies Act").

In terms of the Companies Act, the directors are required to prepare financial statements that fairly present the state of affairs and business of the Group and Company at the end of the financial year and of the profit for that year. The consolidated and separate financial statements for the year ended 31 July 2022 are prepared in accordance with IFRS of the International Accounting Standards Board, Interpretations issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act and incorporate transparent and responsible disclosure together with appropriate accounting policies. These consolidated and separate financial statements were compiled under the supervision of Megan Pydigadu CA(SA), the Group Chief Financial Officer ("CFO").

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

These consolidated and separate financial statements have been audited in compliance with the requirements of the Companies Act. The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

The directors assessed the ability of the Group and Company to continue as a going concern and believe that the Group and Company have adequate resources to continue in operation for the foreseeable future. Accordingly, these consolidated and separate financial statements have been prepared on a going concern basis.

The directors of the Company are responsible for the controls over, and the security of the website and, where applicable, for establishing and controlling the process for electronically distributing annual reports and other financial information to shareholders and to the Companies and Intellectual Property Commission.

Stephen van Coller
Group Chief Executive Officer

26 October 2022

Megan Pydigadu
Group Chief Financial Officer

26 October 2022

Chief Executive Officer and Chief Financial Officer responsibility statement

Each of the directors, whose names are stated below, hereby confirm that:

(a) the annual financial statements set out on pages 1 to 89, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;

(b) to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

(c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries has been provided to effectively prepare the financial statements of the issuer;

(d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;

(e) where we are not satisfied, we have disclosed to the Audit Committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have taken steps to remedy the deficiencies; and

(f) we are not aware of any fraud involving directors.

Stephen van Coller
Group Chief Executive Officer

26 October 2022

Megan Pydigadu
Group Chief Financial Officer

26 October 2022

Report of the Company Secretary

In terms of section 88(2)(e) of the Companies Act, No 71 of 2008 of South Africa ("Companies Act"), I certify that to the best of my knowledge and belief that the Company has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act, in respect of the financial year ended 31 July 2022 and that all such returns and notices are true, correct and up to date.

Neill O'Brien
Company Secretary

26 October 2022

Directors' approval of the consolidated and separate financial statements

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

The consolidated and separate financial statements were approved by the Board on 26 October 2022 and signed on its behalf by:

Andrew

Andrew Mthembu
Chairman

26 October 2022

Stephen van Coller
Group Chief Executive Officer

26 October 2022

Audit Committee's report

For the year ended 31 July 2022

Committee composition

No resignations or appointments occurred during the financial year. The committee comprised the following independent, non-executive directors:

- Mike Bosman (Chairperson of the committee);
- Jesmane Boggenpoel;
- Nosipho Molope; and
- Andrew Marshall.

The EOH Audit Committee ("the committee") is pleased to submit its report for the year ended 31 July 2022, 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.

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

The appointment of committee members will be subject to approval by shareholders at the next annual general meeting ("AGM") to be held on Tuesday, 13 December 2022. The biographies of the directors who have made themselves available for election to the committee can be viewed in the AGM notice.

Committee purpose

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

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

Terms of reference

The committee terms of reference, which were approved by the Board, remained unchanged in 2022, and are aligned with King IV Report on Corporate Governance™ for South Africa, 2016 ("King IV"*).

Meetings

Four meetings of the committee were held during the year under review.

The Chairman of the Board, the Group Chief Executive Officer, the Group Chief Financial Officer, the Group 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 that the external auditor 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 auditor 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.

Financial reporting

The committee reviewed the interim and Group annual consolidated financial statements, culminating in a recommendation to the Board to approve them. The review of the results included ensuring compliance with International Financial Reporting Standards ("IFRS") and the acceptability of the Group's accounting policies. This includes the appropriate disclosures in the annual consolidated financial statements in accordance with IFRS as issued by the International Accounting Standards Board, 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 ("APC"), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council ("FRSC"), the JSE Listings Requirements and the requirements of the Companies Act. The committee confirms that the Group 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 Chief Financial Officer 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.

Progress on 2022 focus areas

The committee's key focus areas for the 2022 financial year included:

Key focus area	Response
Compliance with regulatory requirements, including JSE requirements, technical IFRS, as well as SARS requirements	The Group has obtained an unqualified audit opinion for the third consecutive year, highlighting compliance commitment. Group tax exposures were reviewed as detailed on the Group tax risk register and assessments were carried out to ensure the continued appropriateness of the Group tax policies.
Group liquidity and solvency	On 1 April 2022, the Group successfully refinanced its debt package into a R500 million term loan repayable on 1 April 2025 and a R1.5 billion bridge loan repayable on or before 31 December 2023. Through disposals of non-core assets, the Group reduced the bridge loan by R733 million, resulting in an outstanding amount of R832 million at year end. Solvency of the Group is being carefully monitored and is expected to stabilise when the final capital structure is implemented.
Maturation of the internal audit function, adequacy of the internal control environment and embedding the combined assurance model	Internal audit continued to work closely with management to improve the internal control environment through the implementation of ongoing auditing processes, participation in projects (steering committees and/or providing project assurance) and working as a trusted business partner in giving stakeholders assurance over the state of internal controls and recommendations for improving the internal control environment. Additionally, internal audit has provided PwC with all necessary documentation to conduct an ISA610 review in order to receive commitments on control reliance.
Monitor the implementation of the new target operating model, ensuring that the envisaged governance and efficiency improvements are realised	The committee continues to monitor the implementation of the target operating model through the new ERP. While there have been delays in the go-live date, control improvements and efficiencies are still expected to be realised in the 2023 financial year.

External audit: Key audit matters

Impairment assessment of goodwill arising from business combinations

The Group had recognised a significant amount of goodwill from historical business combinations which are tested at least annually for impairment. Details of the impairment assessment considerations and impairments recognised can be found in note 5 of the consolidated financial statements. The committee is satisfied that management has assessed goodwill for impairment and recognised any impairments thereto per IAS 36 *Impairment of Assets* requirements and this is supported by the external auditor who noted no exceptions in this regard.

Accounting treatment of indirect tax exposures for the Group

The Group has recognised a significant amount of indirect tax-related provisions and contingencies as a result of the inherent nature of indirect tax exposures, rulings, assessments and notices by tax and regulatory authorities. Details and amounts of such provisions and contingencies can be found in notes 20 and 31 of the consolidated financial statements. The committee is satisfied that management has applied appropriate judgement in the determination of these provisions and contingencies, and this is supported by the external auditor who noted no exceptions in this regard.

Expected credit losses relating to loans advanced to group companies (Company)

Loans to group companies represent a substantial amount of the total assets of the Company. Details and amounts of the loans to Group companies can be found in notes 2 and 12 of the separate financial statements. Management individually assessed the loans to group companies on a forward-looking basis for expected credit losses ("ECLs"), using the general approach under IFRS 9 *Financial Instruments.*

The committee is satisfied that management has applied appropriate judgement in the determination of these impairment assessments and this is supported by the external auditor who noted no exceptions in this regard.

Internal audit

The in-house internal audit function, which was established in 2019, has grown and continued to scale in the 2022 financial year. The growth in the effectiveness of the function has contributed significantly to the enhancing of the EOH control environment. The Chief Audit Executive reports directly to the Audit Committee Chair, in line with best practice. Summaries of the internal audit reports were reviewed and discussed at committee meetings and, where appropriate, recommendations were made to the Board. The audit action plans are monitored on a monthly basis with management, and the Group Executive Committee is informed regarding the progress of implementation.

Internal audit continued

The internal audit function successfully launched the EOH CA(SA) traineeship in partnership with SAICA. Trainees have commenced their internship and will be rotating across through the Finance, Tax, Treasury and Risk teams as part of their development plan.

Focus areas for 2023 include:

- Refining the audit methodology based on learnings gleaned through the 2022 financial year;
- Expanding the use of data analytics to provide greater assurance with great efficiency;
- Continuing to engage with all stakeholders and further the ambitions towards an ISA 610 reliance on internal controls; and
- Aligning with the Group's long-term strategy and addressing key risks.

Focus areas for 2023

To ensure continuity and stability, the committee will continue its oversight with specific focus on the following areas:

- Conclude the implementation of the target capital structure;
- Internal control environment and external audit reliance;
- Compliance with regulatory requirements, including JSE requirements, technical IFRS as well as SARS requirements;
- Group liquidity and solvency;
- Deregistration of legal entities and simplification of the Group; and
- Continued focus on the combined assurance model.

In addition to the above, the committee will continue to monitor the implementation of the new target operating model, related to the new ERP, ensuring that the envisaged governance and efficiency improvements are realised.

JSE requirements for CFO/CEO responsibility over financial controls

The EOH Group CEO and CFO have, in compliance with the JSE requirements, made an undertaking on the adequacy and reliability of internal controls around the preparation of the annual financial statements. This includes an undertaking by management that where deficiencies and weaknesses have been identified, these have been reported to the Audit Committee. In compliance with this requirement, the committee considered a detailed assessment of the entity level controls ("ELCs") as well as a risk and control matrix ("RACM") on the financial statements close processes ("FSCPs"). The primary objective of this assessment was to conduct a gap analysis review to identify shortcomings in the current process, as well as to enable the committee to:

- Identify and define the critical internal controls and understand the impact of control failure on the organisation;
- Determine which existing evaluations are performed and who provides the assurance over the adequacy and effectiveness of these controls; and
- Develop a standard consolidated report of the critical controls identified.

This process was conducted with the participation of the first-, second- and third-line assurance providers.

The committee has satisfied itself that there are adequate and effective entity-level controls relating to the risk assessment, control activities, information and communication and monitoring of the control environment. These pillars of controls are mainly predicated on the oversight and monitoring role played by the Board subcommittees, the combined assurance model, as well as the control self-review through the management attestation process.

The committee has satisfied itself that no deficiencies have a material effect for the purposes of the preparation and presentation of financial statements for the year under review. The committee is also not aware of incidents of fraudulent activities that would render the financial statements unreliable.

The committee remains cognisant of the target operating model initiative that is being put in place by management. Management has in the past been constrained by an ERP system that was not fit for purpose. This technological environment has resulted in control activities that are largely reactive and not proactive. While the go-live date has been delayed, benefits of efficiencies and greater reliance on control environment is still expected to be realised in the latter part of the 2023 financial year. The committee is satisfied that this initiative will remediate the identified material control deficiencies in a sustainable manner.

The committee looks forward to the journey towards control maturity which will be enabled by the new target operating model, as well as the combined assurance model.

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

26 October 2022

Directors' report

The directors present their report for the year ended 31 July 2022

Nature of business

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

The consolidated financial statements, as at 31 July 2022 and for the year then ended, comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's investments in associates and joint ventures.

Financial statements and results

The Group's results and financial position are reflected on pages 14 to 19.

Stated capital

Authorised

Ordinary shares: 500 000 000 no par value shares (2021: 500 000 000).
EOH A shares: 40 000 000 no par value shares (2021: 40 000 000).

Issued

Ordinary shares: 176 544 961 no par value shares (2021: 176 544 961).
EOH A shares: 40 000 000 no par value shares (2021: 40 000 000).

Directors

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

Directorate

Non-executive

Andrew Mthembu (Chairman)
Andrew Marshall
Bharti Harie
Jabu Moleketi*
Jesmane Boggenpoel
Mike Bosman
Nosipho Molope
Sipho Ngidi

* *Non-independent, non-executive director.*

Executive

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

Directors' interest in shares

The directors' interest in shares is set out in note 33 of the consolidated financial statements.

Directors' emoluments

The emoluments of directors and prescribed officers of the Group are set out in note 34 of the consolidated financial statements.

Related-party contracts

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

Transactions, defined as related-party transactions in terms of IFRS, between the Company or its subsidiaries, associates, joint ventures and the directors or their associates are disclosed in note 36 of the consolidated financial statements.

Governance and internal controls

EOH is well into its journey to maturity, with the imminent implementation of the Enterprise Resource Planning ("ERP") playing a significant role in EOH's journey to full maturity. EOH's combined assurance model has made significant progress in relation to EOH's preventative and detective controls in the current year.

Going concern

Based on the going concern assessment detailed in note 1.2 of the consolidated financial statements, the Board is of the view that the Group and the Company have adequate resources to continue in operation for the foreseeable future and accordingly, the consolidated and separate financial statements have been prepared on a going concern basis. The Group has completed the execution of an amended and restated Common Terms Agreement ("CTA"), together with all related security and other deal documentation. All conditions precedent were met on 1 April 2022, together with the implementation of the approved Group restructure as required in terms of the CTA.

The directors present their report for the year ended 31 July 2022

Going concern continued

Following negotiation with lenders on 1 April 2022, post the conclusion of all conditions precedent, the Group successfully refinanced the remaining R1.9 billion debt and existing facilities available into:

1. A R500 million three-year senior term loan due on 1 April 2025;
2. R1.4 billion senior bridge facility originally repayable on or before 1 April 2023 and subsequently extended by lenders on 12 October 2022 to 31 December 2023; and
3. A R250 million direct overdraft facility and R250 million in indirect facilities.

Proceeds from the sale of Sybrin and the Information Services Group ("InfoSys") during the year have reduced the senior bridge facility to R832 million. Subsequent to year end the sales of Network Solutions and Hymax SA were concluded, further reducing the bridge facility to R728 million.

The refinancing of the existing debt package provides the Group with greater certainty with respect to the overall debt outstanding and provides a more stable platform for the optimisation of the capital structure.

The Board is not aware of any new material changes that may adversely impact the Group. Further disclosure is provided in note 1.2 of the consolidated financial statements.

Litigation statement

The Group is involved in various litigious matters, most of which arise from the ordinary course of business. Each of these matters are at various stages in the litigious process, therefore, it is not possible to predict the outcome of any of these matters, 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. Notwithstanding the aforementioned, management has no reason to believe that the disposition of these matters will have a materially adverse effect on the financial position of the Group and Company. Further information is set out in note 31 of the consolidated financial statements.

Subsidiaries, joint ventures and associates

Details of the Company's investments in subsidiaries are set out in note 1 of the separate financial statements.

Discontinued operations and assets held for sale

The last remaining businesses identified as non-core are expected to be sold 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 2022. The businesses that were already sold during the current and previous reporting periods, and business held for sale at 31 July 2022 that have met the requirements to be presented as discontinued operations have been presented as discontinued operations in the Group's statement of profit or loss and other comprehensive income. Details are reflected in note 12 and note 13 of the consolidated financial statements.

Dividends

The Board has not declared any dividend for the year ended 31 July 2022 (2021: Rnil).

Special resolutions

On 2 December 2021, shareholders approved the following special resolutions at the AGM:

- Provision of financial assistance;
- Remuneration of the non-executive directors; and
- General authority to acquire shares.

Subsequent events

Details are reflected in note 38 of the consolidated financial statements.

Independent auditor's report

To the Shareholders of EOH Holdings Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of EOH Holdings Limited (the Company) and its subsidiaries (together the Group) as at 31 July 2022, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

What we have audited

EOH Holdings Limited's consolidated and separate financial statements set out on pages 14 to 85 comprise:

- the consolidated and separate statements of financial position as at 31 July 2022;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Our audit approach

Overview

Overall Group materiality

- Overall Group materiality: R60 311 000, which represents 1% of consolidated revenue from continuing operations.

Group audit scope

- We have identified 16 components on which we performed full scope audits, or audit of specific financial statement line items, or audit of specified procedures for group reporting purposes due to their financial significance and contribution to the risk of material misstatement in the consolidated financial statements.
- Analytical review procedures were performed over all remaining components not in scope. The main indicators used to identify components within continuing and discontinued operations included consolidated revenue, consolidated loss before tax, consolidated assets and consolidated liabilities.

Key audit matters

- Impairment assessment of goodwill arising from business combinations (Group);
- Accounting treatment of indirect tax exposures of the Group (Group); and
- Expected credit losses relating to loans advanced to Group companies (Company).

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

Materiality

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

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

Overall Group materiality	R60 311 000.
How we determined it	1% of consolidated revenue from continuing operations.
Rationale for the materiality benchmark applied	Consolidated revenue from continuing operations was selected as the benchmark because, in our view it is the benchmark against which the performance of the Group can be consistently measured, as it is an indicator of market share. Consolidated revenue is also considered to be the key objective and focus of the Group's business model and a key performance indicator for the management and investors. Consolidated revenue from discontinued operations is excluded as it will not reflect a consistent measurement of the Group's performance into the future. We chose 1% based on our professional judgement and after consideration of the range of quantitative materiality thresholds that we would typically apply when using revenue to compute materiality.

How we tailored our Group audit scope

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

The main operating businesses are located in South Africa.

In establishing the overall audit approach to the Group audit, we determined the type of work that needed to be performed at the local operations by ourselves, as the Group engagement team, and component auditors as well as other audit firms operating under our instruction. Within these segments, we have identified 14 components on which we performed full scope audits, 12 of which are continuing and 2 are discontinued and 2 components on which we performed audit of specific financial statement line items or audit of specified procedures for group reporting purposes, of which 1 is a continuing operation due to their financial significance and contribution to the risk of material misstatement in the consolidated financial statements.

The main indicators used to identify components within continuing and discontinued operations included consolidated revenue, consolidated loss before tax, consolidated assets and consolidated liabilities.

Analytical procedures were performed over all remaining components not in scope, to assess whether any risks exist that would require additional audit procedures.

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

Throughout the audit, various meetings and discussions were held with the teams of the in-scope components.

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill arising from business combinations *(Group)* The Group entered into various business combinations in the past which resulted in a significant amount of goodwill being recognised. As at 31 July 2022 the Group's goodwill balance amounted to R715.7 million, of which R41.1 million is classified as assets held for sale. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that impairment might be likely, as identified by management, at the level of individual cash-generating units ("CGUs"). CGUs have been identified to reflect the lowest level at which businesses are managed and monitored by common cluster heads and financial directors and or managers. The recoverable amount for each CGU not classified as held for sale was based on the higher of fair value less costs of disposal ("FVLCOD") and value in use, the latter being determined using discounted cash flow models which were compared to the carrying amounts to determine potential impairment. The recoverable amount for the CGUs classified as held for sale was based on FVLCOD which was compared to the carrying amount to determine potential impairments. In estimating the recoverable amount using value in use estimates, management uses assumptions relating to discount rates, perpetuity growth rates, revenue growth rates, adjusted Earnings before Interest, Taxation, Depreciation and Amortisation ("adjusted EBITDA") margins and cash flow forecasts which they model using forecast periods covering a minimum of three years and takes into consideration the historical impact of COVID-19, the projected revenue growth rates and adjusted EBITDA margins of each CGU. The fair value was determined primarily with reference to advanced offers from potential acquirers less estimated disposal costs. Impairments amounting to R66.5 million were recognised as a result of the aforementioned assessments performed by management during the year. This includes goodwill impairments recognised of R52.6 million relating to disposal groups held for sale that were written down to their FVLCOD, the majority of which related to the Sybrin CGU. Goodwill amounting to R423.8 million was disposed of as part of the disposals of subsidiaries that took place in the current year. The impairment assessment of goodwill arising from business combinations is considered to be a matter of most significance to our audit of the consolidated financial statements due to the significant judgements applied by management in determining the recoverable amounts of the respective CGUs, as well as the magnitude of the goodwill balances and impairments recognised in the consolidated financial statements. Refer to the following notes to the consolidated financial statements for details: - Note 1.3: Significant accounting judgements and sources of estimation uncertainty; - Note 1.5: Summary of significant accounting policies, Goodwill and intangible assets; - Note 1.5: Summary of significant accounting policies, Impairment of non-financial assets; and - Note 5: Goodwill.	We obtained and tested the mathematical accuracy of the valuation models used by management by testing the casting and extensions and by recalculating formulae within management's value in use models. No material exceptions were noted. We assessed the appropriateness of the valuation models applied by management with reference to market practice and the requirements of International Accounting Standard ("IAS") 36 *Impairment of Assets* and IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.* No material exceptions were identified. We assessed revenue growth rates and forecasted EBITDA margins against the Group's strategic initiatives, taking into account the historic impact of COVID-19 on the growth rates, adjusted EBITDA margins and budgets achieved. No material exceptions were identified. We utilised our valuations expertise to independently source data such as the long-term growth rates, as well as the Group's cost of debt, the Group's cost of leases, risk-free rates in the applicable market, market risk premiums, the industry's debt:equity ratios, as well as the betas of comparable companies, in order to recalculate an independent discount rate for each CGU. We applied our independently sourced discount rates, long-term growth rates and calculated inputs to management's forecasts and recalculated a value in use per CGU. We compared management's recoverable amount of each CGU to the results of our calculations. No material differences were noted. We further performed sensitivity analyses to determine the minimum changes in discount rates, long-term growth rates and forecast cash flows that would result in limited or no headroom being available. In respect to the FVLCOD, we performed an assessment of the sensitivity of the advanced offers to downward adjustments, by using a sensitivity of 5%. We compared the results of our sensitivity analyses to management's impairment results in order to identify those CGUs considered sensitive to a change in assumptions for disclosure purposes.

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Accounting treatment of indirect tax exposures ***(Group)*** Due to the inherent nature of exposures, rulings issued, assessments and notices by tax and regulatory authorities, the Group recognised a significant amount of indirect tax related provisions and contingencies as at 31 July 2022. Management applies judgement to estimate the following: • the potential exposure where the interpretation of the applicable tax laws and regulations could be subjective; and • the likelihood that a pending claim will succeed, or a liability will arise, and the quantification of the potential financial settlement, as applicable. We considered the accounting treatment of indirect tax exposures of the Group to be a matter of most significance to the current year audit due to the complexity, nature and magnitude of these exposures, together with a significant level of management judgement involved in interpreting specific acts, regulatory provisions or practices in determining the amounts of these liabilities. Refer to the following notes to the consolidated financial statements for details: • Note 1.3: Significant accounting judgements and sources of estimation uncertainty; • Note 20: Provisions; and • Note 31: Contingencies and commitments, Uncertain indirect tax exposure.	We utilised our indirect tax expertise to evaluate management's assessment of the probability of the exposures relating to PAYE and other indirect taxes. We held discussions with the Group's management regarding the significant exposures and inspected available underlying correspondence from the South African Revenue Service and other relevant documentation, in order to evaluate the reasonableness of management's conclusions. We evaluated, with the assistance of our indirect tax experts, management's legal advice obtained to support their conclusions and noted no matters requiring further consideration. Where exposures were deemed to be probable, through inspection of the underlying accounting records, we tested whether management had appropriately estimated and recognised these indirect tax exposures. We further assessed the appropriateness of the assumptions applied by management in estimating the likely outcome of the PAYE exposure by assessing these against the advice management obtained from their external tax counsel. We additionally inspected correspondence received by management from the tax authorities and the Group's external tax advisers to evaluate the consistency and adequacy of the exposures accounted for and disclosures made by management, based on the responses received. We did not identify any matters requiring further consideration.
Expected credit losses relating to loans advanced to Group companies ***(Company)*** Loans advanced to group companies represent a substantial amount of the total assets of the Company. As at 31 July 2022, the Company's loans to group companies amounted to R2.9 billion. Management individually assessed the loans to group companies on a forward-looking basis for expected credit losses (ECLs), using the general approach under IFRS 9 *Financial Instruments*. Management evaluates the creditworthiness of these counterparties on an ongoing basis, taking into account their financial position, past experience, subordination agreements (preventing first claim on loans to group companies loans in favour of all other creditors) including dividends expected to be received, financial guarantee liabilities (being the company's exposure to the Group debt) and other relevant factors that may indicate whether there is a significant increase in credit risk. Management considered three scenarios in line with the guidance provided in IFRS 9 on possible repayment of these loans, assuming the loans would be called upon at year-end. Based on the assessment performed, management reversed impairment losses amounting to R275 million in the statement of profit or loss and other comprehensive income. The impairment assessment of loans to group companies is considered to be a matter of most significance to the current year audit of the separate financial statements due to the following: • the significant judgements and estimation applied by management in their assumptions; and • the magnitude of the carrying values of loans to group companies and impairment recognised. Refer to the following note to the consolidated financial statements for detail: • Note 1.3: Significant accounting judgements and sources of estimation uncertainty (Group). Refer to the following notes to the separate financial statements for detail: • Note 2: Loans to/(from) group companies; and • Note 12: Financial assets and financial liabilities, Credit risk.	We assessed revenue growth rates and forecasted EBITDA margins against each of the respective group company's strategic initiatives, taking into account the historical growth rates and EBITDA margins achieved. No material exceptions were identified. We utilised our actuarial expertise to independently estimate the ECL using a "repay overtime" strategy. Using the borrower's available cash, a probability of default and the loss given default over the projected cash flow horizon for each loan was determined. No material exceptions were identified. We further utilised our actuarial expertise to perform the following procedures: • Calculated an expected credit loss for each group loan using our independently sourced data; and • Applied this data to the ECL models after taking into account the dividends expected to be received and other relevant forecast risks for each respective group company. We compared our independently calculated ECL allowance for each group company to the impairment losses relating to the loans to each group company determined by management. Material differences were noted and adjusted for by management. Based on our procedures performed and management's adjustments made, we noted no matters requiring further consideration.

Other information

The directors are responsible for the other information. The other information comprises the information included in the documents titled "EOH Integrated Report 2022" and "EOH Annual Financial Statements for the year ended 31 July 2022", which includes the Directors' Report, the Audit Committee's Report and the Report of the Company Secretary as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate 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 and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company'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 and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 and separate 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 and separate 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 and the Company'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 and the Company'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 and separate 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 and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

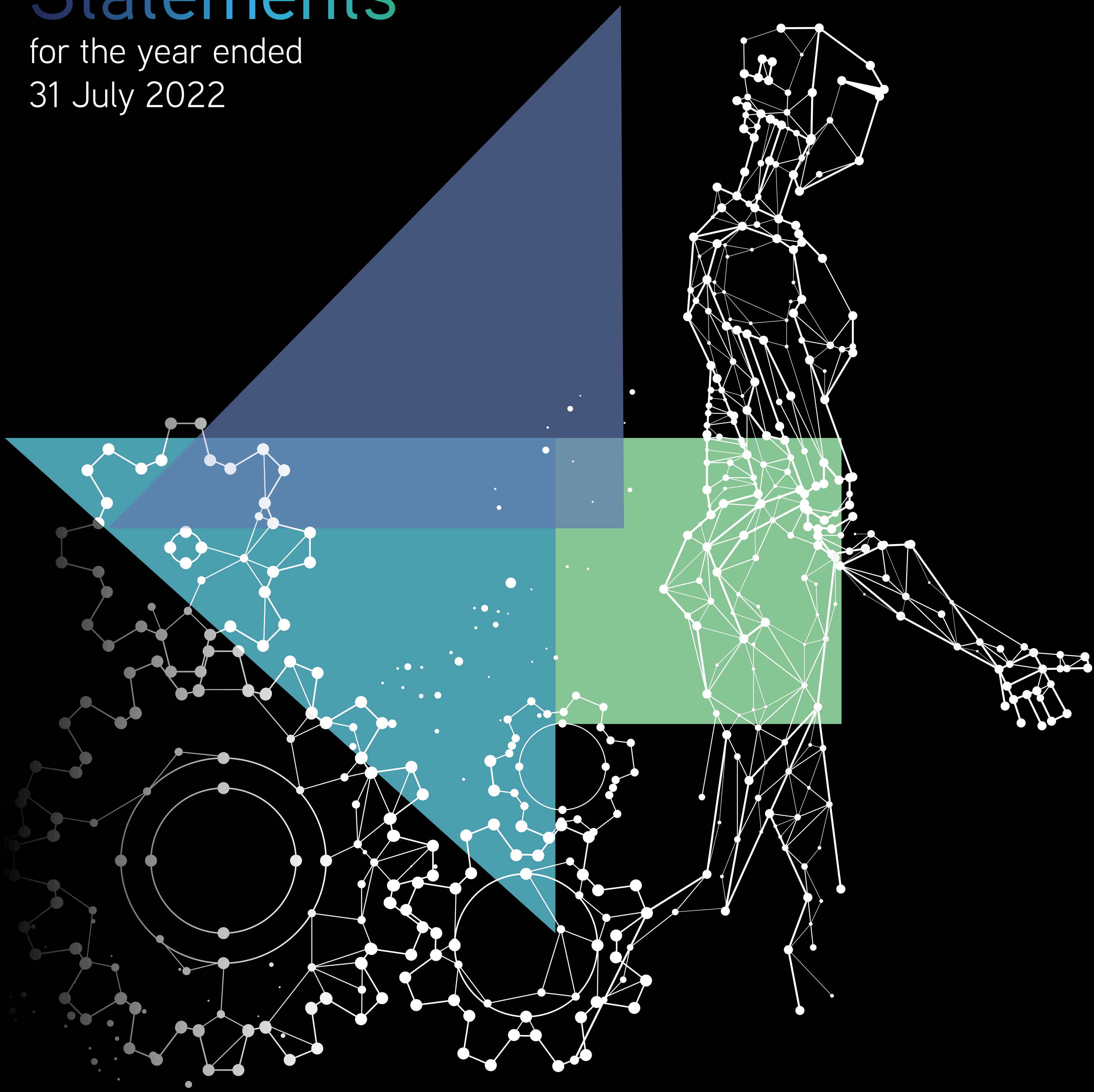
PricewaterhouseCoopers Inc.

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

Johannesburg, South Africa
26 October 2022

Consolidated Financial Statements

for the year ended
31 July 2022



Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 July 2022

Figures in Rand thousand	Notes	2022	Restated* 2021
Continuing operations			
Revenue	21	**6 031 100**	6 472 428
Cost of sales		**(4 341 284)**	(4 791 271)
Gross profit		**1 689 816**	1 681 157
Net financial asset impairment losses	22	**(59 719)**	(80 974)
Operating expenses		**(1 530 455)**	(1 544 974)
Operating profit	23	**99 642**	55 209
Investment income	24	**26 322**	9 180
Share of equity-accounted profits		**–**	2 972
Finance costs	25	**(216 292)**	(277 267)
Loss before taxation		**(90 328)**	(209 906)
Taxation	26	**(69 918)**	(97 249)
Loss for the year from continuing operations		**(160 246)**	(307 155)
Profit for the year from discontinued operations	13	**141 847**	27 353
Loss for the year		**(18 399)**	(279 802)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations^		**(10 028)**	(21 588)
Reclassification of foreign currency translation differences on loss of control and joint control^		**(71 716)**	13 498
Total comprehensive loss for the year		**(100 143)**	(287 892)
(Loss)/profit attributable to:			
Owners of EOH Holdings Limited		**(24 868)**	(279 655)
Non-controlling interests		**6 469**	(147)
		(18 399)	(279 802)
Total comprehensive (loss)/income attributable to:			
Owners of EOH Holdings Limited		**(107 628)**	(289 459)
Non-controlling interests		**7 485**	1 567
		(100 143)	(287 892)
From continuing and discontinued operations (cents)			
Loss per share	27	**(15)**	(166)
Diluted loss per share	27	**(15)**	(166)
From continuing operations (cents)			
Loss per share	27	**(99)**	(181)
Diluted loss per share	27	**(99)**	(181)

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2022.*
^ *These components of other comprehensive income do not attract any tax.*

Consolidated statement of financial position

As at 31 July 2022

Figures in Rand thousand	Notes	2022	2021
Assets			
Non-current assets			
Property, plant, equipment and right-of-use assets	3	**184 788**	341 464
Intangible assets	4	**83 515**	64 493
Goodwill	5	**674 574**	745 844
Equity-accounted investments		**—**	8 260
Other financial assets	6	**18 150**	—
Deferred taxation	7	**105 705**	116 853
Finance lease receivables	8	**10 723**	8 030
		1 077 455	1 284 944
Current assets			
Inventories	9	**90 122**	112 548
Other financial assets	6	**13 851**	11 058
Current taxation receivable		**35 095**	38 563
Finance lease receivables	8	**70 592**	101 299
Trade and other receivables	10	**1 828 655**	1 928 570
Cash and cash equivalents	11	**410 955**	824 902
		2 449 270	3 016 940
Assets held for sale	12	**225 532**	1 118 510
Total assets		**3 752 257**	5 420 394
Equity and liabilities			
Equity			
Stated capital	15	**4 217 285**	4 217 285
Shares to be issued to vendors		**393**	393
Other reserves	16	**494 754**	598 500
Accumulated loss		**(4 678 738)**	(4 658 537)
Equity attributable to the owners of EOH Holdings Limited		**33 694**	157 641
Non-controlling interests		**26 360**	20 153
Total equity		**60 054**	177 794
Liabilities			
Non-current liabilities			
Other financial liabilities	17	**496 486**	—
Lease liabilities	18	**51 438**	80 669
Deferred taxation	7	**28 258**	59 482
		576 182	140 151
Current liabilities			
Other financial liabilities	17	**937 876**	2 567 523
Current taxation payable		**36 481**	45 591
Lease liabilities	18	**55 449**	82 641
Trade and other payables	19	**1 700 828**	1 796 284
Provisions	20	**315 751**	324 299
		3 046 385	4 816 338
Liabilities directly associated with assets held for sale	12	**69 636**	286 111
Total liabilities		**3 692 203**	5 242 600
Total equity and liabilities		**3 752 257**	5 420 394

Consolidated statement of changes in equity

For the year ended 31 July 2022

Figures in Rand thousand	Stated capital	Shares to be issued to vendors	Other reserves	Accumulated loss	Equity attributable to the owners of EOH Holdings Limited	Non-controlling interests	Total equity
Balance at 1 August 2020	4 217 285	15 300	633 967	(4 422 991)	443 561	29 624	473 185
Loss for the year	—	—	—	(279 655)	(279 655)	(147)	(279 802)
Other comprehensive (loss)/ income	—	—	(9 804)	—	(9 804)	1 714	(8 090)
Non-controlling interest disposed	—	—	—	—	—	(9 816)	(9 816)
Movement in treasury shares	—	—	—	(1 145)	(1 145)	—	(1 145)
Transfer within equity*	—	(14 907)	(30 347)	45 254	—	—	—
Share-based payments	—	—	4 684	—	4 684	—	4 684
Dividends declared	—	—	—	—	—	(1 222)	(1 222)
Balance at 31 July 2021	4 217 285	393	598 500	(4 658 537)	157 641	20 153	177 794
(Loss)/profit for the year	**—**	**—**	**—**	**(24 868)**	**(24 868)**	**6 469**	**(18 399)**
Other comprehensive (loss)/ income	**—**	**—**	**(82 760)**	**—**	**(82 760)**	**1 016**	**(81 744)**
Non-controlling interest disposed	**—**	**—**	**—**	**—**	**—**	**(1 278)**	**(1 278)**
Transfer within equity*	**—**	**—**	**(4 667)**	**4 667**	**—**	**—**	**—**
Share-based payments	**—**	**—**	**17 468**	**—**	**17 468**	**—**	**17 468**
Share-based payments paid out during the year	**—**	**—**	**(33 787)**	**—**	**(33 787)**	**—**	**(33 787)**
Balance at 31 July 2022	**4 217 285**	**393**	**494 754**	**(4 678 738)**	**33 694**	**26 360**	**60 054**
Notes	15		16				

* *Transfers within equity are transfers from shares to be issued to vendors for expired shares and share-based payments reserve on disposed companies.*

Consolidated statement of cash flows

For the year ended 31 July 2022

Figures in Rand thousand	Notes	2022	2021
Cash generated from operations	29	**402 875**	404 942
Investment income received		**10 156**	13 280
Dividends received from equity-accounted investments		**–**	1 200
Interest paid		**(213 920)**	(229 207)
Taxation paid	30	**(79 182)**	(109 918)
Net cash inflow from operating activities		**119 929**	80 297
Cash flows from investing activities			
Additions to property, plant and equipment		**(47 119)**	(50 524)
Proceeds on the sale of property, plant, equipment and intangible assets		**21 121**	55 943
Intangible assets acquired		**(48 015)**	(79 314)
Cash receipt from disposal of businesses, net of cash given up	14	**747 843**	212 936
Cash inflow relating to other financial assets	6	**5 000**	–
Cash outflow relating to other financial assets	6	**(40 032)**	–
Increase in restricted cash		**(812 948)**	(547 516)
Decrease in restricted cash		**823 816**	623 019
Net cash inflow from investing activities		**649 666**	214 544
Cash flows from financing activities			
Dividends paid to non-controlling interests		**–**	(1 222)
Proceeds from other financial liabilities	17	**–**	52 387
Repayment of other financial liabilities	17	**(745 003)**	(527 358)
Principal elements of lease payments		**(92 074)**	(137 205)
Net cash outflow from financing activities		**(837 077)**	(613 398)
Net decrease in cash and cash equivalents		**(67 482)**	(318 557)
Cash and cash equivalents at the beginning of the year	11	**437 237**	530 584
Assets held for sale at the beginning of the year	12	**88 444**	328 743
Assets held for sale at the end of the year	12	**(47 412)**	(88 444)
Exchange gains/(losses) on cash and cash equivalents		**168**	(15 089)
Cash and cash equivalents at the end of the year	11	**410 955**	437 237

Consolidated segment results

For the year ended 31 July 2022

The reportable segments of the Group have been identified based on the nature of the business activities. The business is managed in three major segments and this remains consistent with the prior period. This basis is representative of the internal structure of the Group for management purposes. The Chief Operating Decision Maker ("CODM") is the Group Executive Committee. At the beginning of the current period, the People Outsourcing business was transferred from the iOCO segment to the NEXTEC segment and EMID Financial Solutions was transferred from the IP segment to the iOCO segment. These businesses that were transferred were allocated to different people to manage. Results as at 31 July 2021 were restated to reflect these transfers.

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

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

IP comprises a group of high-potential intellectual property companies with scaled technology ready to take to market with partners. The IP businesses are all classified as discontinued operations.

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

Adjusted EBITDA is defined as profit/loss before depreciation, amortisation, share-based payments, gain/loss on disposal of subsidiaries and associates, impairments of non-financial assets, loss on disposal of assets, changes in fair value of vendors for acquisition liability, interest income, interest expense, corporate overheads and current and deferred tax.

Revenue, gross profit and adjusted EBITDA

	2022					Restated* 2021				
Figures in Rand thousand	**iOCO**	**NEXTEC**	**IP**	**Recon-ciliation^**	**Total**	iOCO	NEXTEC	IP	Recon-ciliation^	Total
External	**4 667 704**	**1 781 301**	**481 543**	**—**	**6 930 548**	4 920 733	2 142 540	819 150	—	7 882 423
Hardware sales	**289 814**	**419 598**	**7 564**	**—**	**716 976**	259 522	471 627	15 666	—	746 815
Services	**3 798 401**	**1 332 455**	**471 354**	**—**	**5 602 210**	4 279 124	1 587 284	786 071	—	6 652 479
Software/licence contracts	**545 753**	**20 060**	**2 321**	**—**	**568 134**	340 469	25 919	17 169	—	383 557
Rentals	**33 736**	**9 188**	**304**	**—**	**43 228**	41 618	57 710	244	—	99 572
Intersegment	**207 803**	**44 450**	**2 178**	**(254 431)**	**—**	275 833	49 088	2 239	(327 160)	—
Hardware sales	**49 092**	**3 087**	**—**	**(52 179)**	**—**	53 336	2 055	—	(55 391)	—
Services	**139 887**	**41 363**	**2 178**	**(183 428)**	**—**	213 688	47 033	2 239	(262 960)	—
Software/licence contracts	**16 311**	**—**	**—**	**(16 311)**	**—**	5 037	—	—	(5 037)	—
Rentals	**2 513**	**—**	**—**	**(2 513)**	**—**	3 772	—	—	(3 772)	—
Gross revenue	**4 875 507**	**1 825 751**	**483 721**	**(254 431)**	**6 930 548**	5 196 566	2 191 628	821 389	(327 160)	7 882 423
Gross profit	**1 500 676**	**468 510**	**255 951**	**(211 218)**	**2 013 919**	1 383 927	509 084	454 647	(147 205)	2 200 453
Gross profit (%)	**30.8%**	**25.7%**	**52.9%**	**—**	**29.1%**	26.6%	23.2%	55.4%	—	27.9%

* *Comparative figures previously reported have been restated to reflect the transfers between segments for the year ended 31 July 2022.*
^ *Reconciliation comprises elimination of intersegment transactions.*

The above table comprises both continuing and discontinued operations.

Consolidated segment results *continued*

For the year ended 31 July 2022

Revenue, gross profit and adjusted EBITDA continued

Figures in Rand thousand	2022 iOCO	2022 NEXTEC	2022 IP	2022 Recon-ciliation^	2022 Total	Restated* 2021 iOCO	Restated* 2021 NEXTEC	Restated* 2021 IP	Restated* 2021 Recon-ciliation^	Restated* 2021 Total
Adjusted EBITDA	**529 897**	**30 971**	**105 572**	**(162 849)**	**503 591**	538 912	(33 132)	249 962	(88 537)	667 205
Adjusted EBITDA (%)	**10.9%**	**1.7%**	**21.8%**	**—**	**7.3%**	10.4%	(1.5)%	30.4%	—	8.5%
Material expenses included in adjusted EBITDA:										
Employee costs	**2 321 733**	**734 161**	**219 803**	**200 018**	**3 475 715**	2 754 272	912 075	356 006	178 237	4 200 590

* *Comparative figures previously reported have been restated to reflect the transfers between segments for the year ended 31 July 2022.*
^ *Reconciliation comprises elimination of intersegment transactions and includes head office expenses.*

The above table comprises both continuing and discontinued operations.

Adjusted EBITDA reconciliation

Figures in Rand thousand	Notes	2022	Restated* 2021
Operating profit		**282 125**	146 955
Operating profit from continuing operations		**99 642**	55 209
Operating profit from discontinued operations	13	**182 483**	91 746
Depreciation		**153 846**	227 516
Amortisation		**49 534**	47 151
Impairment losses on non-financial assets**		**6 938**	375
IAS 36 Impairment of goodwill**		**13 881**	136 359
IFRS 5 Remeasurement to fair value less costs to sell**		**59 454**	46 207
Loss on disposal of intangible assets and property, plant and equipment		**15 903**	6 824
Share-based payment expense		**17 468**	4 705
Changes in fair value of vendors for acquisition	17	**—**	10 864
Interest allocation		**10**	549
(Profit)/loss on disposal of subsidiaries and equity-accounted investments		**(95 568)**	39 700
Adjusted EBITDA		**503 591**	667 205

* *Comparative figures previously reported have been restated to reflect the transfers between segments for the year ended 31 July 2022.*
** *Comparative amounts of impairment losses on non-financial assets have been disaggregated further to disclose such impairments related to IAS 36 impairments of goodwill and IFRS 5 remeasurements to fair value less costs to sell to more accurately reflect the nature of impairment losses on non-financial assets.*

As a result of the stabilisation of the Group, the difference between adjusted EBITDA and core normalised EBITDA, as has been previously disclosed, is negligible. As a result, the Group has used adjusted EBITDA as its performance measure and will continue to do so going forward. Comparative disclosures have been amended to include only adjusted EBITDA.

1. Significant accounting policies

Reporting entity

EOH Holdings Limited ("EOH" or "the Company") is a holding company domiciled in South Africa that is listed on the JSE Limited under the category Technology: Software and Computer Services. EOH is one of the largest information and communications technology ("ICT") services providers in South Africa and is committed to providing the technology, knowledge, skills and organisational ability critical to the development and growth of the markets it serves. The consolidated financial statements of EOH for the year ended 31 July 2022, comprise the Company and its subsidiaries and the Group's investments in associates and joint ventures (together referred to as "the Group").

1.1 Statement of compliance

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

1.2 Basis of preparation

The consolidated and separate 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 and separate 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 and separate financial statements as the directors have a reasonable expectation that the Group and Company will continue as a going concern for the foreseeable future.

Going concern

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

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

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

The financial performance, condition and cash flows for the Group reflect a loss for the year of R18 million, an improvement from the prior year loss of R280 million, net asset value attributable to the owners of EOH Holdings Limited at the end of the year of R34 million (2021: R158 million), and cash inflows from operating activities of R120 million (2021: R80 million), (including continuing and discontinued operations). Details of the financial performance, condition and cash flows for the Group are explained in the consolidated and separate financial statements. A detailed action plan for deleveraging the Group to a sustainable level and resolving the "fit-for-purpose" cost structure was developed by the Group and its lenders and committed to. Since its announcement in October 2019, and subsequent revisions, the plan has been largely executed. Non-core businesses identified to be sold, have been successfully disposed of and proceeds received from these disposals have been repaid to lenders as part of the Group's deleveraging strategy and commitment.

Following negotiation with lenders, on 1 April 2022 post the conclusion of all conditions precedent, the Group successfully refinanced the remaining R1.9 billion debt and existing facilities available (refer to note 17 for additional information) into:

1. A R1.4 billion senior bridge facility originally repayable on or before 1 April 2023 and subsequently extended by lenders on 12 October 2022 to 31 December 2023 (refer to note 38);
2. A R500 million three-year senior term loan, due on 1 April 2025; and
3. A R250 million direct overdraft facility, of which no amounts were drawn down at the reporting date, and R250 million in indirect facilities (including guarantee facilities, credit card, fleet management, vehicle and asset finance and trading facilities).

Proceeds from the sale of Sybrin and the Information Services group during the year have reduced the senior bridge facility to R832 million. Subsequent to year end, the sales of the Network Solutions business and Hymax (SA) Proprietary Limited ("Hymax SA") were concluded, further reducing the bridge facility to R728 million.

As at year end the Group had R459 million of cash available (continuing and discontinued operations), including foreign and restricted cash but excluding the undrawn direct overdraft facility of R250 million, which was available at reporting date and remains at EOH's disposal. The Group expects to be in a positive free cash flow position in the forthcoming financial year. The reduction of EOH's debt and finalisation of an overall sustainable capital structure remains a key priority for EOH's management team and Board.

With the deleveraging strategy approaching completion, the Group has been actively assessing its strategic options with regard to achieving an optimal long-term capital structure that will allow the Group to pursue its growth strategy, immediately improve earnings and ultimately lead to value creation for shareholders. The Board and management continue to assess the Group's capital restructuring options.

1. Significant accounting policies continued

1.2 Basis of preparation continued

Going concern continued

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

1. The Group is solvent and is expected to remain solvent after considering the approved budget and expected performance;
2. The Group's current liabilities exceeded its current assets by R597 million, with the subsequent events of extending the repayment of the senior bridge facility to 31 December 2023, this will result in current assets exceeding current liabilities, refer to note 38;
3. There is an approved budget for the following 36 months;
4. There are monthly cash flow forecasts for the following 17 months to 31 December 2023 and annual forecasts for the 36 months to 31 July 2025, which were interrogated and adjusted for anomalies for each of the periods under review together with a detailed review of one-off cash payments; and
5. The Group has sufficient access to facilities and liquidity events to fund operations for the following 17 months based on the following assumptions:
   - Improved operational performance;
   - The Group's assets are appropriately insured; and
   - There is currently no outstanding litigation, that the directors believe has not been adequately provided for, that could pressurise the Group's ability to meet its obligations.

At the time of approval of these consolidated and separate financial statements for the year ended 31 July 2022, the Board has a reasonable expectation that the Group and Company have sufficient resources to continue in operation for the foreseeable future, which is not less than 12 months from the date of approval of these consolidated and separate financial statements.

The Board remains focused on and committed to the turnaround strategy and improving the capital structure.

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

Accounting policies

The accounting policies applied in the consolidated and separate financial statements are consistent with those applied in the previous years. Where applicable, the principal accounting policies applied in the separate financial statements are consistent with those applied in the consolidated financial statements.

A number of new standards and/or interpretations are effective for the annual reporting period commencing 1 August 2021, with no material effect on the consolidated and separate financial statements.

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

The significant accounting policies are set out in the following pages.

1.3 Significant accounting judgements and sources of estimation uncertainty

In preparing the consolidated and separate 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 and separate 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 and separate 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 have the most significant effect on the amounts recognised in the consolidated and separate financial statements:

Judgement relates to:		Notes
Deferred taxation assets	Judgement around future financial performance	1, 7 and 26
Revenue	Judgement in principal versus agent considerations	1.5
Revenue	Judgement in recognition of revenue at a point in time or over time	1.5 and 21
Discontinued operations	Judgement as to whether a component is a discontinued operation and meets held-for-sale criteria	13
Going concern	Judgement on the Group's ability to continue as a going concern	1.2, 37 and 38

1. Significant accounting policies continued

1.3 Significant accounting judgements and sources of estimation uncertainty continued

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:

Estimates relate to:		Notes
Impairment of intangible assets and goodwill	Estimates in determining the recoverable amount of the asset or cash-generating unit	4 and 5
Impairment of investment in subsidiaries	Estimates in determining the recoverable amount of the investment in subsidiaries (separate financial statements)	1
Provisions	Estimates in determining the amount and timing of the provisions	20
Revenue	Estimation of measuring progress towards satisfaction of performance obligations based on cost incurred, inputs versus milestones	21
Tax liability	Estimation in determining taxation liability	26
Impairment of trade receivables and contract assets	Estimates in calculating the expected credit loss provision on trade receivables and contract assets	37
Impairment of loans to Group companies and financial guarantee liabilities	Estimates in calculating the impairment of loans to Group companies and financial guarantee liabilities (separate financial statements)	12

1.4 Basis of consolidation

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

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

The Group considers that it controls an entity if the Group has:

- power or existing rights over the entity or investee that give it the ability to direct relevant activities;
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Intragroup transactions, balances, income and expenses are eliminated in full on consolidation.

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

1.5 Summary of significant accounting policies

Investments in associates and joint ventures

The Group has investments in associates and joint ventures. Interests in associates and joint ventures are accounted for using the equity method of accounting.

Under the equity method of accounting, investments are initially recognised in the consolidated and separate 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 financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

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

Translation of foreign currencies

The consolidated and separate financial statements are presented in South African Rand, which is the Group's presentation currency.

(a) Functional and presentation currency

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

1. Significant accounting policies continued

1.5 Summary of significant accounting policies continued

Translation of foreign currencies continued

(b) Foreign currency transactions

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

At the end of the reporting period:

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

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

(c) Foreign operations

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

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

Any goodwill recognised on foreign operations and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation and translated at the spot rate at the statement of financial position date.

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

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

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

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

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

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

- represents a separate major line of business or geographical area of operations; or
- is part of a single 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 from discontinued operations in the statement of profit or loss. The prior period is also re-presented for all operations that have been discontinued by the end of the reporting period.

Additional disclosures are provided in notes 12 and 13. All other notes to the consolidated and separate financial statements include amounts for continuing operations, unless indicated otherwise.

1. Significant accounting policies continued

1.5 Summary of significant accounting policies continued

Property, plant and equipment

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

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

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

Land is not depreciated.

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

An item of property, plant and equipment is derecognised upon disposal (ie at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

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

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those 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, customer relationships and contracts purchased

Separately acquired intellectual property is measured at historical cost. Intellectual property, customer relationships 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.

(c) Internally generated software

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

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

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

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

1. Significant accounting policies continued

1.5 Summary of significant accounting policies continued

Goodwill and intangible assets continued

(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 asset, on a straight-line basis, over the finite useful life of the asset, as follows:

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

(f) Derecognition

An intangible asset is derecognised upon disposal (ie at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Impairment of non-financial assets

Goodwill and intangible assets not subject to amortisation are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets. For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

Financial instruments

(1) Financial assets

(a) Classification

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

Those to be measured at amortised cost: ie trade receivables, other loans and receivables, intercompany loans, restricted cash, and cash and cash equivalents.

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

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

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. For a financial asset to be classified and measured at amortised cost the Group's business model for it needs to be managing the financial asset to collect contractual cash flows.

(b) Measurement

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

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

1. Significant accounting policies continued

1.5 Summary of significant accounting policies continued

Financial instruments continued

(1) Financial assets continued

(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 the original effective interest rate.

The Group recognises a loss allowance for ECLs on loans, finance lease receivables, cash and cash equivalents, and other financial assets using the general approach. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition. The Group considers there to have been a significant increase in credit risk when contractual payments are more than 30 days past due. 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 *Financial Instruments* ("IFRS 9"), which requires expected lifetime credit losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

Refer to the note 37 for further details on the methodology applied by the Group.

(2) Financial liabilities

(a) Measurement

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

The Group's financial liabilities include trade and other payables, and loans and borrowings including bank overdrafts and contingent consideration liabilities arising on the 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. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Contingent consideration arising on acquisition of businesses is classified either as equity or a financial liability. 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. This difference between the carrying value of the derecognised liability and the fair value of the new liability at initial recognition is recognised in the statement of profit or loss.

Cash and cash equivalents

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

For the purpose of the consolidated and separate statement of cash flows, cash and cash equivalents are net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Restricted cash

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

1. Significant accounting policies continued

1.5 Summary of significant accounting policies continued

Taxation

(a) Tax expenses

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

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

(b) Tax assets and liabilities

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

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

(c) Deferred tax assets and liabilities

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

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

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 operating or finance leases. Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases.

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

Operating leases: Operating lease income is recognised as rental 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

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

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

The Group recognises right-of-use assets and lease liabilities at the lease commencement date for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and for short-term leases. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases have a lease term of 12 months or less. Low-value assets comprise leases such as IT equipment (tablets and personal computers), office furniture or telephones.

Extension and termination options are included in a number of leases across the Group. In determining the lease term, all facts and circumstances are considered when assessing whether such options will be exercised. Extension options and periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

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

1. Significant accounting policies continued

1.5 Summary of significant accounting policies continued

Leases continued

(b) Group as lessee continued

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes adjustments, where necessary, to reflect changes in financing conditions and those specific to the lease, e.g. term and security.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Interest costs are charged to the statement of profit or loss and other comprehensive income over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to extend the lease term.

The right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date of the lease less any lease incentives received. The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease terms on a straight-line basis.

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

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out formula or weighted average cost method and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to its 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. Any distributions received on the treasury shares are eliminated on consolidation. Consideration paid or received is recognised directly in equity.

Share-based payments

Employee share plans

The Group has three equity-settled share schemes: The EOH Share Trust, The Mthombo Trust and The EOH Share Ownership Plan under which share-based compensation benefits are provided to employees through issue of share options or shares. Information relating to these schemes is set out in note 35.

The fair value of the share options granted is measured at the 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 the grant date using the binomial model. The share options/shares are only conditional on employees remaining in service and have no other performance conditions attached. The impact of any service conditions is excluded in determining the fair value of the options.

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

Amounts are transferred to retained earnings in so far as they relate to expired shares under these employee share plans.

Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, compensated absences as well as profit sharing and bonus payments are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service and are recognised as current liabilities in the statement of financial position. The liabilities are recognised in the period in which the service is rendered and are measured at the amounts expected to be paid when the liabilities are settled (ie 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.

1. Significant accounting policies continued

1.5 Summary of significant accounting policies continued

Revenue

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

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

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

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

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

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

The Group primarily generates revenue from providing the following goods and services: software/licence contracts, hardware sales and services. The transaction price recognised is based on the contracted amounts, less amounts collected on behalf of third parties. If the transaction price includes a variable amount, the Group estimates the amount to which it will be entitled in terms of the contract. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Software/ licence contracts	**Agent** These are contracts that are billed on behalf of software vendors for the right to use the software. The Group is an agent in these arrangements and recognises the net amount as revenue at a point in time when the software licences are delivered to the customer. **Principal** There are also cases under software/licence contracts where the Group acts as the principal as the Group obtains control of the goods before they are transferred to the customer. Revenue is recognised over time as the customer benefits as and when the Group performs.
Hardware	**Agent** These are contracts that are billed by the Group for hardware sales concluded on behalf of hardware vendors. The Group is an agent in these arrangements and recognises the net amount as revenue at a point in time when the hardware is delivered to the customer. **Principal** The Group recognises revenue when control is transferred to the customer, being when the customer accepts delivery of the goods, at a point in time.
Services	The Group provides a range of maintenance, support and other services to customers. Maintenance and support services consist of contracts with/promises to customers where the Group mainly provides hardware maintenance, software maintenance and support, and unspecified upgrades and patches for software at an agreed fee based on defined service level agreements. **Agent** The Group introduces customers to third-party service providers and performs billing and other administrative activities on behalf of such third parties but does not control the delivery of such professional services or the setting of prices for them. The Group recognises such third-party professional services on an agent basis at a point in time when the services have been rendered. **Principal** There are also cases under service contracts where the Group acts as the principal as the Group obtains control of the service before it is rendered. Revenue is recognised over time as the customer benefits as the service is rendered. Estimates of revenues, costs of extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimates revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.
Rentals	The Group supplies rentals of IT safety and security access equipment to customers. Revenue earned on rental contracts is recognised over time, being the period over which the customer and the Group are a party to the rental agreement.

1. Significant accounting policies continued

1.5 Summary of significant accounting policies continued

Revenue continued

(a) Significant financing component

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

(b) Contract balances

Contract assets

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

Trade receivables

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

(c) Contract liabilities

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

Finance costs

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

2. New standards and interpretations

2.1 Adoption of new standards, amendments to standards and interpretations

Certain amendments to accounting standards became effective from 1 August 2021. These did not have a material impact on the Group.

2.2 Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not effective for 31 July 2022 reporting periods. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

The following new or revised IFRS and interpretations have effective dates applicable to future financial years and have not been early adopted:

- Effective from 1 August 2022:
  - Onerous Contracts – Cost of Fulfilling a Contract (Amendment to IAS 37);
  - Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
  - Reference to the Conceptual Framework (Amendments to IFRS 3); and
  - Annual Improvements to IFRS Standards 2018 – 2020, pertaining to IFRS 1, IFRS 9, IFRS 16 and IAS 41.
- Effective from 1 August 2023:
  - Disclosure of Accounting Policy (Amendments to IAS 1 and IFRS Practice Statement 2);
  - Definition of Accounting Estimate (Amendments to IAS 8);
  - Amendments regarding deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12); and
  - Classification of liabilities as current or non-current (Amendments to IAS 1).

2.3 Standards and interpretations early adopted

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

3. Property, plant, equipment and right-of-use assets

Figures in Rand thousand	2022 Cost	2022 Accumulated depreciation and impairments	2022 Carrying value	2021 Cost	2021 Accumulated depreciation and impairments	2021 Carrying value
Land and buildings	**664**	**–**	**664**	108 965	(69 754)	39 211
Right-of-use assets (buildings)	**298 622**	**(214 757)**	**83 865**	246 031	(118 201)	127 830
Furniture and fixtures	**70 024**	**(50 178)**	**19 846**	100 412	(68 836)	31 576
Motor vehicles	**33 738**	**(30 979)**	**2 759**	41 255	(35 729)	5 526
Right-of-use assets (motor vehicles)	**547**	**(158)**	**389**	–	–	–
Office equipment	**28 745**	**(25 278)**	**3 467**	59 581	(49 951)	9 630
IT equipment	**454 742**	**(348 931)**	**105 811**	643 205	(509 665)	133 540
Right-of-use assets (IT equipment)	**3 119**	**(3 119)**	**–**	–	–	–
Leasehold improvements	**35 899**	**(26 198)**	**9 701**	120 736	(94 142)	26 594
Other equipment	**15 908**	**(11 068)**	**4 840**	38 158	(13 613)	24 545
Closing balance before assets held for sale	**942 008**	**(710 666)**	**231 342**	1 358 343	(959 891)	398 452
Assets held for sale (note 12)	**(236 920)**	**190 366**	**(46 554)**	(99 290)	42 302	(56 988)
Closing balance	**705 088**	**(520 300)**	**184 788**	1 259 053	(917 589)	341 464

Reconciliation of property, plant, equipment and right-of-use assets

Figures in Rand thousand	Opening balance^	Additions	Disposals	Transfers	Foreign currency translation	Depreciation	(Impairments)/ Reversals	Disposals of business (note 14)	Total including assets held for sale	Assets held for sale (note 12)	Total
2022											
Land and buildings	39 211	–	(3 948)	(34 599)	–	–	–	–	664	–	664
Right-of-use assets (buildings)	127 830	33 945	(718)	34 599	(1 543)	(77 013)	(4 502)	(28 733)	83 865	–	83 865
Furniture and fixtures	31 576	669	(3 498)	(1 093)	3 570	(4 620)	(1 436)	(5 322)	19 846	(696)	19 150
Motor vehicles	4 983	1 480	(1 067)	(139)	586	(1 452)	(1 423)	(209)	2 759	(36)	2 723
Right-of-use assets (motor vehicles)^	543	–	(6)	–	–	(148)	–	–	389	–	389
Office equipment	9 630	1 014	(756)	76	348	(4 674)	(409)	(1 762)	3 467	(419)	3 048
IT equipment	129 755	43 379	(7 545)	(1 105)	1 045	(45 177)	2 421	(16 962)	105 811	(45 403)	60 408
Right-of-use assets (IT equipment)^	3 785	–	(666)	–	–	(3 119)	–	–	–	–	–
Leasehold improvements	26 594	–	(695)	–	57	(11 266)	–	(4 989)	9 701	–	9 701
Other equipment	24 545	577	(16 520)	2 261	787	(6 377)	(368)	(65)	4 840	–	4 840
	398 452	81 064	(35 419)	–	4 850	(153 846)	(5 717)	(58 042)	231 342	(46 554)	184 788

^ *Right-of-use assets relating to motor vehicles and IT equipment have been disclosed separately in the current year to enhance disclosure. This has not had an impact on equity nor on the statement of financial position of the Group.*

3. Property, plant, equipment and right-of-use assets continued

Reconciliation of property, plant, equipment and right-of-use assets continued

Figures in Rand thousand	Opening balance	Additions	Disposals	Transfers	Foreign currency translation	Depre-ciation	Impair-ment	Disposals of business (note 14)	Total including assets held for sale	Assets held for sale (note 12)	Total
2021											
Land and buildings	91 390	11 679	(28 091)	54 747	5 556	(10 662)	(6 264)	(79 144)	39 211	(8 255)	30 956
Right-of-use assets (buildings)	276 000	4 044	(4 200)	(32 608)	—	(85 593)	—	(29 813)	127 830	(24 353)	103 477
Furniture and fixtures	66 867	1 690	(4 837)	(19)	(19 451)	(11 554)	—	(1 120)	31 576	(4 423)	27 153
Motor vehicles*	28 844	547	(2 981)	509	(1 063)	(3 336)	(22)	(16 972)	5 526	(75)	5 451
Office equipment	24 165	1 682	(3 380)	(160)	(668)	(4 931)	—	(7 078)	9 630	(1 514)	8 116
IT equipment*	198 716	34 190	(12 012)	278	23 148	(86 162)	(14 492)	(10 126)	133 540	(13 379)	120 161
Leasehold improvements	61 556	4 202	—	(22 864)	(19)	(16 124)	—	(157)	26 594	(4 989)	21 605
Other equipment*	42 126	8 857	—	117	19 859	(9 154)	—	(37 260)	24 545	—	24 545
	789 664	66 891	(55 501)	—	27 362	(227 516)	(20 778)	(181 670)	398 452	(56 988)	341 464

* *Motor vehicles, IT equipment and other equipment include right-of-use assets.*

Refer to note 17 for details of the security provided on the loans secured through Security SPV.

The loss or gain on disposal of items of property, plant and equipment is included in operating expenses as per note 23.

The impairments to property, plant and equipment largely relate to:

- Right-of-use assets (buildings) were impaired for R4.5 million in an underperforming CGU in which goodwill and other impairments have been recognised. This same CGU also resulted in impairments being recognised for IT equipment, motor vehicles and office equipment.

Refer to note 5 which further discusses the impairments, including key assumptions and estimates.

4. Intangible assets

	2022			2021		
Figures in Rand thousand	**Cost**	**Accumulated amortisation and impairments**	**Carrying value**	Cost	Accumulated amortisation and impairments	Carrying value
Contracts purchased	**90 858**	**(90 858)**	**—**	90 858	(90 612)	246
Customer relationships	**131 499**	**(121 138)**	**10 361**	261 789	(230 173)	31 616
Intellectual property	**38 286**	**(23 066)**	**15 220**	152 558	(116 934)	35 624
Internally generated software	**120 197**	**(89 792)**	**30 405**	445 909	(270 793)	175 116
Computer software	**82 510**	**(68 686)**	**13 824**	400 279	(350 945)	49 334
Other intangible assets	**145 328**	**(113 924)**	**31 404**	140 122	(48 982)	91 140
Closing balance before assets held for sale	**608 678**	**(507 464)**	**101 214**	1 491 515	(1 108 439)	383 076
Assets held for sale (note 12)	**(33 890)**	**16 191**	**(17 699)**	(677 790)	359 207	(318 583)
Closing balance	**574 788**	**(491 273)**	**83 515**	813 725	(749 232)	64 493

4. Intangible assets continued

Reconciliation of intangible assets

Figures in Rand thousand	Opening balance	Additions	Disposals	Transfers	Foreign currency translation	Amorti-sation	Impair-ments	Disposals of business (note 14)	Total including assets held for sale	Assets held for sale (note 12)	Total
2022											
Contracts purchased	**246**	**–**	**–**	**–**	**–**	**(246)**	**–**	**–**	**–**	**–**	**–**
Customer relationships	**31 616**	**–**	**–**	**2 685**	**(1 924)**	**(3 633)**	**(228)**	**(18 155)**	**10 361**	**–**	**10 361**
Intellectual property	**35 624**	**–**	**–**	**416**	**141**	**(1 888)**	**–**	**(19 073)**	**15 220**	**–**	**15 220**
Internally generated software	**175 116**	**37 194**	**(497)**	**4 532**	**(10 492)**	**(5 386)**	**–**	**(170 062)**	**30 405**	**(8)**	**30 397**
Computer software	**49 334**	**9 195**	**–**	**(18 668)**	**10 968**	**(26 026)**	**(1 401)**	**(9 578)**	**13 824**	**(7 138)**	**6 686**
Other intangible assets	**91 140**	**19 570**	**(1 108)**	**11 035**	**(2 167)**	**(12 355)**	**(403)**	**(74 308)**	**31 404**	**(10 553)**	**20 851**
	383 076	**65 959**	**(1 605)**	**–**	**(3 474)**	**(49 534)**	**(2 032)**	**(291 176)**	**101 214**	**(17 699)**	**83 515**
2021											
Contracts purchased	534	–	–	–	–	(288)	–	–	246	–	246
Customer relationships	40 964	–	–	–	–	(6 659)	–	(2 689)	31 616	(27 831)	3 785
Intellectual property	39 533	–	–	–	(476)	(1 888)	–	(1 545)	35 624	(19 073)	16 551
Internally generated software	270 355	11 955	–	(58 492)	(19 027)	(11 401)	–	(18 274)	175 116	(170 745)	4 371
Computer software	59 294	37 774	(12 917)	(1 354)	(11 114)	(22 349)	–	–	49 334	(17 033)	32 301
Other intangible assets	47 608	29 585	(5 048)	59 846	(1 939)	(4 566)	–	(34 346)	91 140	(83 901)	7 239
	458 288	79 314	(17 965)	–	(32 556)	(47 151)	–	(56 854)	383 076	(318 583)	64 493

Impairments to intangible assets largely relate to:

- Customer relationships and other intangible assets that were impaired for an amount of R0.6 million (2021: Rnil) in a number of underperforming CGUs in which goodwill impairments have also been recognised.

Impairment testing

The Group performed a review of intangible assets for impairment, which highlighted impairments of R2 million (2021: Rnil). For the purpose of impairment testing, intangible assets were allocated, together with goodwill, to the Group's CGUs. The recoverable amount of these CGUs was 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 to sell.

Note 5 further discusses the impairments, including key assumptions, estimates and sensitivities in relation to the testing performed.

5. Goodwill

Figures in Rand thousand	**2022**	2021
Cost	**3 101 392**	3 225 516
Accumulated impairments	**(1 885 984)**	(1 704 698)
Opening balance	**1 215 408**	1 520 818
Foreign currency translation	**(388)**	(6 688)
Disposals	**(432 758)**	(117 436)
Impairments: discontinued operations	**(41 948)**	(36 374)
Impairments: continuing operations	**(24 597)**	(144 912)
Closing balance before assets held for sale	**715 717**	1 215 408
Cost	**2 581 371**	3 101 392
Accumulated impairments	**(1 865 654)**	(1 885 984)
Assets held for sale (note 12)	**(41 143)**	(469 564)
Closing balance	**674 574**	745 844

Goodwill is tested annually for impairment or more frequently where impairment indicators are identified. A number of economic and operational events during the year ended 31 July 2022 had a negative impact on EOH's market capitalisation and certain underlying businesses. The Group's annual review of goodwill highlighted impairments of R67 million (R3 million in the iOCO segment, R22 million in the NEXTEC segment and R42 million in the IP segment).

iOCO

With the continued effort to re-organise and simplify the corporate structure, several businesses have been shifted within the organisations and between segments, which resulted in the movement of goodwill attributable to certain CGUs and the aggregation of assets identified within the CGU. In the current financial year, the Employee Benefits CGU was moved from iOCO to the NEXTEC segment, the Legal CGU was subdivided into the Legal Transcription CGU and Legal Consulting CGU and two business units that will no longer be managed and reported as part of the Freethinking cluster have been removed from the composition of assets identified in the Freethinking CGU.

Goodwill amounting to R3 million attributable to the Legal Transcription CGU was fully impaired. The impairment was predominantly driven by the loss of the key contract in the transcription services division which contributed over 60% of its revenue. Management is exploring the discontinuation of this division and therefore the recoverable amount for the Legal Transcription CGU was considered to be negligible.

NEXTEC

An impairment of R11 million attributable to the Employee Benefits CGU was recognised as a result of its write-down to fair value less cost of disposal. The Employee Benefits CGU is classified as held for sale. Its recoverable amount based on fair value less cost of disposal amounted to R24 million.

As part of the Group's re-organisation and corporate structure simplification, Exigo Sustainability CGU has been merged with the Coastal and Environmental Services ("CES") CGU. The performance of these businesses is now collectively managed, measured and reported on by a single executive team, sharing the same markets and offering its services collectively to prospective customers.

During the current year, CES CGU (including Exigo Sustainability) was impaired by R3 million due to the reduction in revenue and increased operational costs, particularly outsourcing costs, resulting from the loss of key employees. The recoverable amount for CES CGU amounted to R8 million.

The goodwill in the Energy Insight CGU was impaired by R7 million due to lower investment in projects from traditional customers including Eskom and increased competition with pricing pressures reducing gross profit margins. The recoverable amount for Energy Insight CGU amounted to R6 million.

The goodwill balance in the Compu Power CGU of R1 million was fully impaired. The impairment was driven by working capital constraints resulting from upfront payment to foreign suppliers and delayed delivery of stock as well as loss of significant tenders. The recoverable amount for the Compu Power CGU amounted to R8 million.

IP

Goodwill impairment amounting to R42 million was attributable to the Sybrin CGU as a result of its write-down to fair value less costs of disposal. The main driver for the Sybrin impairment was an estimation of a downward price adjustment due to Sybrin's performance falling short of the EBITDA targets as outlined in the Sybrin contingent pricing mechanism, as well as Sybrin's build-up of net asset value since the 2021 financial year end. Sybrin group was disposed in the current financial year. Its recoverable amount based on fair value less cost to sell prior to its disposal amounted to R249 million. Refer to note 14 of the consolidated financial statements.

Prior year impairments

Prior year goodwill impairments amounted to R181 million (R130 million in the iOCO segment, R15 million in the NEXTEC segment and R36 million in the IP segment). The impairments in iOCO were largely driven by lost or non-renewed contracts and delayed projects with customers due to ongoing challenging market conditions and the impact of Covid-19. The largest contributor to the iOCO impairments was the Compute CGU, which incurred an impairment of R108 million. The largest contributor to the impairment in the NEXTEC segment was the ESA CGU, which incurred an impairment of R9 million due to the increased risk of non-renewal of key customer contracts. The impairment in the IP segment was due to the write-down to fair value less cost of disposal of the Sybrin CGU and Afiswitch CGU. Sybrin CGU incurred an impairment of R30 million and the Afiswitch CGU incurred an impairment of R6 million.

5. Goodwill continued

Impairment testing

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

A post-tax discount rate was used in discounting the projected cash flows depending on the nature of business and operating markets. Cash flow projections used in the value-in-use calculations cover a minimum of three years based on financial budgets and forecasts, as approved by the Group executive committee, which are based on assumptions of the business, industry and economic growth. Cash flows beyond the approved forecast period are extrapolated using the perpetual growth rates in line with industry norms. A perpetuity growth rate is calculated using long-term growth rates. This is further applied based on conservative historical market trends and operating markets.

Key assumptions used in discounted cash flow projection calculations

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

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

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

The following key assumptions were used for the value-in-use calculations:
- Revenue growth rates: the Group used growth rates for the forecast period based on the different industries the CGUs operate in, as well as management's views on the growth prospects of the businesses;
- Discount rates: the discount rates reflect the time value of money and CGU-specific risk factors which have not been adjusted in the forecast cash flows. In the current year, risk premiums have been taken into account in the forecast cash flows rather than in the discount rates;
- Adjusted EBITDA margins: the Group uses adjusted EBITDA margins as a reliable indicator of operational performance; and
- Perpetuity growth rates: a perpetuity growth rate of 4.0% (2021: 4.0%) has been used for the Group.

	2022			
Figures in Rand thousand	Goodwill closing balance	Pre-tax discount rates %	Revenue growth rates %	Adjusted EBITDA margins %
iOCO				
Compute	103 662	20.6	1.4	3.3
Managed Services*	80 793	18.8	13.1	5.3
Symplexity	50 123	22.0	9.0	20.0
Softworks	39 345	25.2	7.0	13.2
Digital	35 707	20.0	8.1	9.4
Coastal*	32 014	23.5	25.4	13.0
Legal Consulting#	26 154	21.9	(1.9)	18.5
Operational Technology	14 814	23.2	7.9	26.6
Freethinking*	14 081	23.1	14.5	19.7
XTND	13 333	24.0	9.2	10.6
Impressions**	12 240	23.1	35.3	31.4
Integrated Services*	12 016	23.5	10.2	20.8
Other	22 057	n/a	n/a	n/a
NEXTEC				
Learning and Development	93 488	20.5	9.4	17.4
JOAT	59 463	22.6	11.4	9.7
SCAN RF	28 155	23.4	7.0	10.1
ILS	10 429	25.0	4.6	24.7
BT Cape*	8 104	25.1	22.4	4.5
Impact Human Resources	7 904	24.0	7.4	4.9
Energy Insight	5 646	17.9	1.6	2.2
Other	5 046	n/a	n/a	n/a

* *Higher average growth rates are due to CGUs having a particularly high growth rate in 2023 due to the low 2022 revenue bases which were impacted by Covid-19 and CGUs demonstrating significant secured work or probable pipeline to support the growth.*
** *The Impressions CGU is forecast to grow significantly due to its early stage in its lifecycle and expectations to leverage off its investments in its IP and route to market.*
# *The negative average revenue growth rate for the Legal Consulting CGU was caused mainly by a decrease in revenue forecast in year one, after which a moderate annual growth rate is forecast thereafter.*
n/a – not applicable.

5. Goodwill continued

Key assumptions used in discounted cash flow projection calculations continued

	2021			
Figures in Rand thousand	Goodwill closing balance	Pre-tax discount rates %	Revenue growth rates %	Adjusted EBITDA margins %
iOCO				
Compute	103 662	24.4	3.5	1.6
Managed Services	80 793	24.2	1.5	10.0
Symplexity	50 123	25.8	5.5	16.3
Softworks	39 345	23.0	5.4	14.3
Digital	35 707	23.5	5.0	14.4
Employee Benefits#	22 758	26.9	(6.8)	11.6
Coastal* (including In the Cloud)	32 014	25.1	12.9	15.4
Legal	29 177	26.7	3.5	6.3
Network Solutions	29 101	27.2	2.6	7.3
Operational Technology*	14 814	32.1	16.4	43.3
Freethinking*	14 081	25.5	14.7	14.0
XTND	13 333	23.1	7.7	9.2
Impressions**	12 240	25.4	50.5	6.0
Integrated Services	12 016	26.2	6.2	28.9
Other	22 057	n/a	n/a	n/a
NEXTEC				
Learning and Development*	93 488	24.5	17.1	25.5
JOAT*	59 463	27.9	17.2	10.0
Scan RF	28 155	26.3	2.5	15.7
Energy Insight*	12 261	28.1	12.5	11.6
ILS*	10 429	24.4	10.1	23.3
BT Cape*	8 104	25.6	16.7	11.0
Impact Human Resources#	7 904	27.7	(1.4)	5.1
Other	9 289	n/a	n/a	n/a

* *The higher growth rates were applied to CGUs that had shown growth despite the Covid-19 impacted economic conditions, CGUs with low budgeted 2022 revenue bases due to the expected negative impacts of Covid-19, which are anticipated to grow over the forecast periods to historically achieved or improved levels or CGUs demonstrating significant secured work or probable pipeline to support the growth.*

** *The Impressions CGU is forecast to grow significantly due to its early stage in its lifecycle and expectations to leverage off its investments in its IP and route to market.*

\# *The negative average revenue growth rates forecast for the Employee Benefits and Impact Human Resources CGUs were caused mainly by a decrease in revenue forecast in year one, after which a moderate annual growth rate is forecast thereafter.*

n/a – not applicable.

5. Goodwill continued

Sensitivity analysis on value in use

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 adjusted EBITDA margins, discount rates and revenue assumptions. Revenue and discount rate assumptions were adjusted upwards and downwards by a percentage point and the adjusted EBITDA margins were adjusted by 2.5 percentage points. The aforementioned sensitivities are considered reasonable based on the sensitivity of the models to the key drivers. A reasonable possible change to the key assumptions as noted above would have resulted in the following impairments for the CGUs listed:

Figures in Rand thousand	2022			2021
	1% decrease in revenue	**2.5% decrease in adjusted EBITDA margin**	**1% increase in discount rate**	2.5% decrease in adjusted EBITDA margin
iOCO				
Legal	**n/a**	**n/a**	**n/a**	12 752
Symplexity	**n/a**	**n/a**	**n/a**	10 685
Compute	**30 807**	**56 425**	**n/a**	n/a
Managed Services	**90 324**	**138 817**	**5 312**	n/a
Impressions	**n/a**	**n/a**	**n/a**	8 490
Network Solutions	**n/a**	**n/a**	**n/a**	6 028
NEXTEC				
Impact Human Resources	**n/a**	**13 831**	**n/a**	n/a

n/a – not applicable

The CGUs not included and those referenced not applicable in the table above have sufficient headroom and no reasonable possible change to the key assumptions would result in the carrying amount of the CGU exceeding its recoverable amount.

Assets held for sale

The Group tested its assets held for sale for impairment in line with IFRS 5. The recoverable amount was determined as the fair value less costs of disposal which was compared to the carrying values of the CGUs for potential impairment. The fair value was determined primarily with reference to advanced offers from potential acquirers less estimated disposal costs. The below balances formed part of disposal groups held for sale. These fair values are considered to be level 3 in the fair value hierarchy. Refer to note 37 of the consolidated financial statements.

Figures in Rand thousand	**Goodwill closing balance 31 July 2022**	Goodwill closing balance 31 July 2021
IP		
InfoSys	**–**	208 101
Sybrin	**–**	204 135
Afiswitch	**–**	34 108
iOCO		
Network Solutions	**29 101**	–
NEXTEC		
ESA	**–**	23 220
Employee Benefits*	**12 042**	–
Total	**41 143**	469 564

** During the current financial year, Employee Benefits moved from iOCO to NEXTEC.*

In assessing the sensitivity for Network Solutions, the advanced offer was adjusted down by 5% and sufficient headroom remained.

6. Other financial assets

Figures in Rand thousand	2022	2021
Debt instruments at amortised cost	**32 001**	11 058
Equity-accounted investment receivables (note 36)	**51 564**	51 564
Enterprise development loan receivables	**9 590**	20 590
Restricted cash	**649**	11 517
Gross loans and receivables*	**141 749**	532 151
Receivables from disposal of subsidiaries and equity-accounted investments	**17 791**	17 660
Allowance for expected credit losses	**(189 342)**	(622 424)
Total other financial assets	**32 001**	11 058
Non-current other financial assets	**18 150**	—
Current other financial assets	**13 851**	11 058
	32 001	11 058

* *These have been fully provided for in the prior year.*

Restricted cash balances are those that are not available for use by the Group and are ring-fenced for repayment to the lenders. Refer to note 17 for additional information.

Expected credit losses

A total allowance for expected credit losses of R189 million (2021: R622 million) has been raised against debt instruments carried at amortised cost. Significant expected credit losses raised in the prior years were written off in the current year, as there was no realistic expectation of recovering these amounts. Both the gross carrying amounts and related expected credit loss allowances were written off in these instances.

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

Refer to note 37 for the disclosure on the expected credit losses.

Reconciliation of movements of debt instruments measured at amortised cost

Figures in Rand thousand	2022	2021
Opening balance	**11 118**	216 861
Cash paid	**(5 000)**	—
Net decrease in restricted cash	**(10 868)**	(75 503)
Receivables from disposal of subsidiaries and equity-accounted investments (note 14)	**131**	(64 392)
Net impairment reversal/(losses) on other financial assets (note 22)	**1 345**	(45 554)
Reclassification of balances on disposal of subsidiaries	**18 565**	—
Disposal of subsidiaries (note 14)	**(18 565)**	(19 352)
Loans and receivables granted	**21 467**	—
Reversal of previous write-off	**16 934**	—
Other movements	**(2 426)**	(942)
	32 701	11 118
Assets held for sale (note 12)	**(700)**	(60)
Closing balance	**32 001**	11 058

7. Deferred taxation

Figures in Rand thousand	2022	Restated* 2021
The balance comprises		
Aggregate of deferred taxation assets	**108 353**	128 023
Aggregate of deferred taxation liabilities	**(28 258)**	(91 923)
	80 095	36 100
Aggregate of deferred taxation assets	**108 353**	128 023
Assets held for sale (note 12)	**(2 648)**	(11 170)
Deferred taxation assets	**105 705**	116 853
Aggregate of deferred taxation liabilities	**(28 258)**	(91 923)
Liabilities directly associated with the assets held for sale (note 12)	**–**	32 441
Deferred taxation liabilities	**(28 258)**	(59 482)
Analysis of deferred taxation balances		
Prepaid expenses	**(7 505)**	(13 341)
Right-of-use asset and lease liabilities	**(77)**	3 627
Intangible assets	**(9 302)**	(64 205)
Property, plant and equipment	**(7 074)**	(23 767)
Net financial asset impairment losses	**91 473**	131 673
Payroll accruals	**90 123**	112 803
Assessed losses	**767 299**	987 483
Outside basis of tax on disposal groups held for sale	**49 972**	137 424
Deferred income	**66 601**	104 006
Fair value adjustments	**7 497**	(10 499)
	1 049 007	1 365 204
Deferred taxation assets not recognised in respect of deductible temporary differences	**(151 641)**	(212 314)
Deferred taxation assets not recognised in respect of assessed losses	**(767 299)**	(979 366)
Deferred taxation assets not recognised in respect of the outside basis of tax on disposal groups held for sale	**(49 972)**	(137 424)
	80 095	36 100
Deferred taxation movement		
Balance at the beginning of the year	**36 100**	89 329
Disposals of subsidiaries	**73 772**	(17 637)
Movement through profit or loss	**(31 091)**	(36 164)
Foreign currency translation	**1 314**	572
Balance at the end of the year	**80 095**	36 100

* *Comparative amounts have been restated to include deferred taxation assets not recognised in respect of the outside basis of tax on disposal groups held for sale. This has not had an impact on equity nor the statement of financial position.*

During the February 2022 Budget Speech, the South African Finance Minister announced a decrease in the corporate income tax rate from 28% to 27%, which will apply to companies with years of assessment ending on or after 31 March 2023. Where the Group has recognised deferred tax on assets and liabilities expected to be realised and settled in the financial year ended 31 July 2023 and thereafter, a tax rate of 27% has been used.

8. Finance lease receivables

Figures in Rand thousand	**2022**	Restated* 2021
Gross investment in the leases due		
– within one year	**126 801**	108 934
– within one to two years	**12 427**	21 859
– within two to three years	**865**	12 191
– within three to five years	**477**	669
	140 570	143 653
Less: unearned finance income	**(4 168)**	(11 687)
	136 402	131 966
Impairment allowance	**(55 087)**	(22 637)
	81 315	109 329
Present value of minimum lease payments due		
– within one year	**123 713**	101 299
– within two to five years	**12 689**	30 667
	136 402	131 966
Impairment allowance	**(55 087)**	(22 637)
– current lease receivables*	**(53 121)**	(6 254)
– non-current lease receivables*	**(1 966)**	(16 383)
	81 315	109 329
Lease receivables		
Current	**70 592**	101 299
Non-current	**10 723**	8 030
	81 315	109 329

* *Comparative amounts have been restated to disaggregate the impairment allowance recognised on current and non-current finance lease receivables. This has not had an impact on equity nor the statement of financial position.*

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

The lease terms are generally three to five years and the interest rate implicit in the lease is prime plus 1% to 6.5% above prime lending rates (2021: prime to 7% above prime lending rates).

Income received from finance leases is fixed.

9. Inventories

Figures in Rand thousand	**2022**	2021
Finished goods	**77 830**	95 853
Consumables	**9 927**	5 289
Work-in-progress	**25 438**	34 432
	113 195	135 574
Provision for write-down of inventories to its net realisable value	**(23 073)**	(23 026)
	90 122	112 548
Cost of goods sold during the year from continuing operations amounted to*	**796 208**	795 557

* *Comparative amount has been restated to disclose only cost of goods sold during the period from continuing operations representing inventories of the Group. This has not had an impact on equity nor on the statement of financial position of the Group.*

Write-down of inventories of R14 million (2021: R7 million) to net realisable value were recognised as an expense during the year and included in costs of sales in the statement of profit or loss and other comprehensive income.

10. Trade and other receivables

Figures in Rand thousand	2022	2021
Financial instruments	**1 259 207**	1 251 780
Trade receivables	**1 246 989**	1 227 182
Gross trade receivables*	**1 423 364**	1 440 181
Impairment allowance (refer to note 37)	**(176 375)**	(212 999)
Other receivables	**12 218**	24 598
Non-financial instruments	**569 448**	676 790
Contract assets	**238 411**	373 103
Gross contracts assets	**249 670**	391 005
Provision for contract assets (refer to note 37)	**(11 259)**	(17 902)
Prepayments	**258 052**	236 085
Value added tax ("VAT") receivable	**42 872**	29 853
Other receivables	**30 113**	37 749
	1 828 655	1 928 570

* *Comparative amounts have been aggregated to incorporate the variable consideration adjustment within gross trade receivables.*

Included in prepayments are contracts costs amounting to R189 million (2021: R125 million).

Refer to note 17 for details on the security provided on the loans secured through Security SPV.

11. Cash and cash equivalents

Figures in Rand thousand	2022	2021
Cash and cash equivalents consist of:		
Cash on hand	**523**	1 461
Bank balances and short-term deposits	**410 432**	823 441
	410 955	824 902
Bank overdrafts (note 17)	**–**	(387 665)
Net cash and cash equivalents per the statement of cash flows	**410 955**	437 237

Refer to note 17 for details on the security provided on the loans secured through Security SPV.

Figures in Rand thousand	2022	2021
The total amount of undrawn facilities available for future operating activities and commitments is	**250 000**	14 335

Refer to note 37 for disclosure on expected credit losses.

12. Assets held for sale

Over the past three years, EOH has embarked on a strategic journey to refine its operational structure, deleverage and create a sustainable capital structure. A key part of the Group's deleveraging strategy has been the disposal of non-core businesses and has, over the past years, identified and sold a group of assets in line with this strategy.

The Group continues to explore opportunities for the sale of non-core assets. In the current financial year, a number of businesses 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 separately as held for sale in the statement of financial position.

The Sybrin and InfoSys companies that were classified as held for sale and discontinued operations in the 2021 financial year, have successfully been disposed of in the current financial year bringing to completion the plan for strategic disposal of IP businesses. Refer to note 14 for further detail on disposals.

As at 31 July 2022, five disposal groups have been classified as held for sale, including the material disposal group, Network Solutions, in the iOCO segment, which is also discontinued operations in the current financial year. Network Solutions was classified as held for sale during the current financial year and is expected to be sold within the next financial year. The major classes of assets and liabilities of the disposal groups, per reportable segment, classified as held for sale are as follows:

Figures in Rand thousand	iOCO	NEXTEC	IP	2022
Assets				
Property, plant, equipment and right-of-use assets	46 202	352	–	46 554
Goodwill and intangible assets	45 800	13 042	–	58 842
Other financial assets	700	–	–	700
Deferred taxation	848	1 800	–	2 648
Inventories	3 736	–	–	3 736
Current taxation receivable	1 293	195	–	1 488
Trade and other receivables	64 152	–	–	64 152
Cash and cash equivalents	27 701	19 711	–	47 412
Assets held for sale	190 432	35 100	–	225 532
Liabilities				
Other financial liabilities	–	(306)	–	(306)
Current taxation payable	–	(1 104)	–	(1 104)
Trade and other payables	(58 141)	(10 085)	–	(68 226)
Liabilities directly associated with assets held for sale	(58 141)	(11 495)	–	(69 636)
Net assets directly associated with the disposal groups	132 291	23 605	–	155 896
Cumulative amounts recognised in other comprehensive income				
Foreign currency translation reserve	3 686	–	–	3 686
Impairment loss for write-down to fair value less costs to sell				
Continuing operations – operating expenses	(6 790)	(10 716)	–	(17 506)
Discontinued operations (note 13)	–	–	(41 948)	(41 948)
	(6 790)	(10 716)	(41 948)	(59 454)

12. Assets held for sale continued

Figures in Rand thousand	iOCO	NEXTEC	IP	2021
Assets				
Property, plant, equipment and right-of-use assets	–	2 744	54 244	56 988
Goodwill and intangible assets	–	31 968	756 179	788 147
Equity-accounted investments	5 979	–	–	5 979
Other financial assets	–	–	60	60
Deferred taxation	–	2 202	8 968	11 170
Inventories	–	–	3 197	3 197
Current taxation receivable	–	–	2 822	2 822
Trade and other receivables	–	–	161 703	161 703
Cash and cash equivalents	–	27 872	60 572	88 444
Assets held for sale	5 979	64 786	1 047 745	1 118 510
Liabilities				
Other financial liabilities	–	(328)	(5 121)	(5 449)
Lease liabilities	–	–	(17 008)	(17 008)
Deferred taxation	–	–	(32 441)	(32 441)
Current taxation payable	–	(857)	(4 842)	(5 699)
Trade and other payables	–	(27 313)	(119 893)	(147 206)
Provisions	–	–	(78 308)	(78 308)
Liabilities directly associated with assets held for sale	–	(28 498)	(257 613)	(286 111)
Net assets directly associated with the disposal groups	5 979	36 288	790 132	832 399
Cumulative amounts recognised in other comprehensive income				
Foreign currency translation reserve	(8 290)	–	(65 884)	(74 174)
Impairment loss for write-down to fair value less costs to sell				
Continuing operations – operating expenses	(1 280)	(8 553)	–	(9 833)
Discontinued operations (note 13)	–	–	(36 374)	(36 374)
	(1 280)	(8 553)	(36 374)	(46 207)

13. Discontinued operations

Identification and classification of discontinued operations

There were a number of businesses that were approved for sale at 31 July 2022, 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 and these continued to be measured at fair value less costs to sell in the current financial year. The resulting impairment has been allocated to the identified disposal groups (note 12).

Figures in Rand thousand	2022	Restated* 2021
Revenue	**899 448**	1 409 995
Cost of sales	**(575 345)**	(890 699)
Gross profit	**324 103**	519 296
Net financial asset impairment losses	**(3 267)**	(9 519)
Remeasurement to fair value less costs to sell	**(41 948)**	(36 374)
Gain/(loss) on disposal	**92 456**	(56 589)
Other operating expenses	**(188 861)**	(325 068)
Operating profit	**182 483**	91 746
Investment income	**468**	4 100
Finance costs	**(2 937)**	(8 758)
Profit before taxation	**180 014**	87 088
Taxation (note 26)	**(38 167)**	(59 735)
Profit for the year from discontinued operations	**141 847**	27 353
Attributable to:		
Owners of EOH Holdings Limited	**142 356**	26 008
Non-controlling interests	**(509)**	1 345
Earnings per share (cents)		
Earnings per share from discontinued operations	**84**	15
Diluted earnings per share from discontinued operations	**84**	15
Net cash flows in relation to discontinued operations:		
Net decrease in cash and cash equivalents	**(97 948)**	(281 831)
Operating activities	**(11 704)**	21 884
Investing activities	**(78 871)**	(290 782)
Financing activities	**(7 373)**	(12 933)

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2022.*

Profit before taxation before including the gain/(loss) on disposal and remeasurement to fair value less costs to sell was R129.5 million (2021: R180.1 million).

14. Disposal of subsidiaries and equity-accounted investments

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

Figures in Rand thousand	Treatment before disposal	Continuing/ discontinued operations#	Percentage holding disposed	Date of disposal	Consideration received or receivable*	(Loss)/ gain on disposal
Entity disposed						
NEXTEC						
Change Logic CS Proprietary Limited	Associate	Continuing	40%	1 August 2021	7 527	(935)
Energy Solutions & Analytics ("ESA")**	Business	Continuing	100%	1 August 2021	29 155	3 634
Triclinium Clinical Development Proprietary Limited ("TCD")***	Subsidiary	Discontinued	100%	1 February 2022	44 646	48 380
iOCO						
Hymax Talking Solutions Proprietary Limited	Subsidiary	Continuing	100%	1 March 2022	700	418
IP						
Afiswitch Proprietary Limited	Subsidiary	Discontinued	100%	1 October 2021	43 530	(5 905)
Sybrin	Subsidiary	Discontinued	100%	31 March 2022	270 837	54 410
InfoSys	Subsidiary	Discontinued	100%	1 June 2022	422 238	(3 841)
Transaction costs						(593)
Net gain on disposal of subsidiaries and equity-accounted investment					818 633	95 568

\# *Net gain on disposal of continuing operations is included in operating expenses.*
* *Consideration reflected does not include extinguishment of debt on sale.*
** *The sale of ESA was a sale of business as a going concern.*
*** *The sale of TCD was a sale of business as a going concern. Ownership of the legal entity is retained within EOH.*

Effective 1 October 2021, the Group concluded the sale of 100% of the issued ordinary shares of Afiswitch Proprietary Limited ("Afiswitch") for a consideration of R54 million. As part of the sale, R10 million of the consideration is contingent on either the buyer securing a renewal of Afiswitch's existing SAPS contract for a minimum period of 24 months or receiving the award of the SAPS tender within the next 24 months from the effective date of sale. The performance of this obligation is outside the influence of EOH and is not considered to be probable, thereby having a fair value of Rnil. This contingent consideration has therefore not been included in the determination of the loss on disposal of Afiswitch above.

Figures in Rand thousand	2022	2021
Opening balance	**17 660**	82 052
Cash consideration received or receivable	**818 633**	363 336
Write-off of consideration receivable	**(12 131)**	—
Less: amount outstanding at year end	**(17 791)**	(17 660)
Cash received from disposal of businesses	**806 371**	427 728
Less: cash balances disposed of	**(58 528)**	(214 792)
Cash receipt from disposal of businesses, net of cash given up	**747 843**	212 936

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

Figures in Rand thousand	Notes	2022	2021
Assets			
Property, plant, equipment and right-of-use assets	3	**58 042**	181 670
Goodwill and intangible assets	4, 5	**723 934**	174 290
Equity-accounted investments		**8 461**	4 000
Other financial assets	6	**18 565**	19 352
Deferred taxation	7	**—**	17 637
Finance lease receivables		**6**	—
Inventories		**2 299**	26 737
Current taxation receivable		**58 720**	—
Trade and other receivables		**237 013**	365 910
Cash and cash equivalents		**58 528**	214 792
Liabilities			
Other financial liabilities	17	**(3 294)**	(64 962)
Lease liabilities	18	**(10 994)**	(52 028)
Deferred taxation	7	**(73 772)**	—
Current taxation payable		**(70 521)**	(22 171)
Provisions		**(64 247)**	—
Trade and other payables		**(184 946)**	(481 076)

15. Stated capital

Figures in Rand thousand	2022	2021
Stated capital		
Opening balance	**4 217 285**	4 217 285
	4 217 285	4 217 285

Authorised

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

Issued

Figures in thousand	2022	2021
Reconciliation of the number of shares in issue		
Opening balance	**176 545**	176 545
Shares in issue at the end of the year	**176 545**	176 545
Less:		
Treasury shares held in the Group share incentive schemes	**(2 341)**	(2 341)
Treasury shares held by wholly owned subsidiaries of the Group	**(5 449)**	(5 446)
	168 755	168 758
EOH A shares of no par value:		
Reconciliation of the number of shares in issue		
Opening balance*	**40 000**	40 000
Closing balance	**40 000**	40 000

* *The Lebashe transaction was approved by shareholders on 18 September 2018 and effectively implemented on 1 October 2018. Since the date of approval Lebashe has:*
- *invested R750 million in 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 the number of EOH ordinary shares that will be issued, the obligation to Lebashe is treated as an equity transaction as the settlement will be undertaken in ordinary shares and the transaction is therefore within the scope of IFRS 2.*

Unissued

323 455 039 (2021: 323 455 039) unissued ordinary shares.

16. Other reserves

Figures in Rand thousand	Foreign currency translation reserve	Share-based payments reserve	Total
Opening balance at 1 August 2020	143 665	490 302	633 967
Other comprehensive loss	(9 804)	—	(9 804)
Transfer within equity**	(30 347)	—	(30 347)
Share-based payments	—	4 684	4 684
Balance at 31 July 2021*	**103 514**	**494 986**	**598 500**
Other comprehensive loss	**(82 760)**	**—**	**(82 760)**
Transfer within equity**	**—**	**(4 667)**	**(4 667)**
Share-based payments	**—**	**17 468**	**17 468**
Share-based payments paid out during the year	**—**	**(33 787)**	**(33 787)**
Balance at 31 July 2022	**20 754**	**474 000**	**494 754**

* *Comparatives have been disaggregated to reflect the reconciling movements for each reserve separately. This has not had an impact on equity nor on the statement of financial position of the Group.*
** *Transfers within equity are transfers from shares to be issued to vendors for expired shares and share-based payments reserve on disposed companies.*

17. Other financial liabilities

Figures in Rand thousand	2022	2021
Interest-bearing liabilities	**1 434 480**	2 568 834
Interest-bearing bank loans secured through Security SPV	**1 310 502**	2 061 321
Bank overdrafts	**–**	387 665
Project finance loan*	**118 244**	114 902
Unsecured interest-bearing bank loans	**5 734**	3 185
Interest-bearing bank loans secured by fixed property	**–**	1 761
Non-interest-bearing liabilities	**188**	4 138
Vendors for acquisition	**188**	4 138
Liabilities directly associated with assets held for sale (note 12)	**(306)**	(5 449)
	1 434 362	2 567 523
Non-current financial liabilities	**496 486**	–
Current financial liabilities	**937 876**	2 567 523
	1 434 362	2 567 523
Reconciliation of other financial liabilities		
Balance at the beginning of the year	**2 572 972**	2 783 218
(Repayment)/draw-down of bank overdrafts	**(387 665)**	272 412
Proceeds from other financial liabilities	**–**	52 387
Repayment of other financial liabilities	**(741 053)**	(512 864)
Repayment of vendors for acquisition	**(3 950)**	(14 494)
Disposal of subsidiaries (note 14)	**(3 294)**	(64 962)
Net changes in fair value of vendors for acquisition	**–**	10 864
Interest accrued on other financial liabilities	**180 213**	179 540
Interest repaid on other financial liabilities	**(195 669)**	(191 533)
Movement in capitalisation of debt restructuring fee (note 25)	**9 031**	51 028
Other non-cash items	**4 083**	7 376
Closing balance before liabilities directly associated with assets held for sale	**1 434 668**	2 572 972
Liabilities directly associated with assets held for sale (note 12)	**(306)**	(5 449)
	1 434 362	2 567 523
Financial instruments		
Measured at amortised cost	**1 434 174**	2 563 385
Financial liabilities carried at fair value through profit or loss	**188**	4 138
	1 434 362	2 567 523
Vendors for acquisition		
Current financial liabilities	**188**	4 138
	188	4 138

* *Ring-fenced debt due to the Industrial Development Corporation.*

17. Other financial liabilities continued

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

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

South African wholly owned subsidiaries contributing more than 80% of the Group's adjusted EBITDA are pledged as required above and the process of providing the security is ongoing.

As at the beginning of the financial year the following interest-bearing bank loans were in place and secured through Security SPV:

- an amortising facility at an interest rate of three-month Johannesburg Interbank Average Rate (JIBAR) + 425 basis points;
- revolving credit facility at an interest rate of three-month JIBAR + 435 basis points;
- a bullet facility at an interest rate of three-month JIBAR + 455 basis points; and
- a dematerialised note at an interest rate of three-month JIBAR + 240 basis points.

As at 1 April 2022 the Group restructured the above-mentioned interest-bearing loans. This resulted in a substantial modification to the previous loans, which was assessed and determined to be accounted for as an extinguishment of the abovementioned loans and a recognition of the new, restructured loans. This was performed as a non-cash transaction and resulted in the borrower changing from EOH Mthombo Proprietary Limited to EOH Treasury Proprietary Limited, both subsidiaries in the Group. Transaction costs of R31 million were levied on the restructuring, which were capitalised to the loans payable through the application of judgement by the Group.

The restructured loans now comprises:

- a senior amortising term facility of three-month JIBAR + 545 basis points repayable in 3 years; and
- a senior amortising bridge facility of one-month JIBAR + 842 basis points repayable on 31 December 2023.

Refer to note 38 for additional information.

The Group has the following continuing debt covenant limits in respect of the above-mentioned loans and corresponding ratios as at 31 July 2022 indicating that covenants have been met:

- debt to EBITDA ratio of 2.75x or lower, whereas the actual ratio was 2.21x;
- debt to free cash flow ratio of 10x or lower, whereas the actual ratio was 5.90x; and
- interest cover ratio of 3x or higher, whereas the actual ratio was 7.34x.

18. Lease liabilities

Figures in Rand thousand	**2022**	2021
Amounts recognised in the statement of financial position		
Lease liabilities relate to:		
Buildings	**106 495**	175 075
IT equipment	**–**	2 827
Vehicles	**392**	1 224
Other equipment	**–**	1 192
Liabilities directly associated with assets held for sale (note 12)	**–**	(17 008)
	106 887	163 310
Additions to the lease liabilities amounted to R34 million (2021: R11 million).		
Amounts recognised in the statement of profit or loss		
Interest expense (note 25)	**13 152**	19 518
Expense relating to short-term leases and leases of low value (note 23)	**23 998**	21 213
	37 150	40 731

The total cash outflow for leases amounted to R131 million (2021: R181 million).

Potential future cash flows of R59 million undiscounted have not been included in the lease liability as it is not reasonably certain that the leases will be extended in considering their available extension options.

Lease commitments for short-term leases and leases of low-value items were considered and deemed immaterial.

18. Lease liabilities continued

Figures in Rand thousand	2022	2021
Lease liabilities reconciliation		
Opening balance	**180 318**	360 965
Additions	**33 945**	10 571
Lease payments	**(107 104)**	(159 562)
Interest accrued	**15 030**	22 357
Terminations	**(5 696)**	(4 200)
Disposal of businesses	**(10 994)**	(52 028)
Other movements	**1 388**	2 215
Closing balance before liabilities directly associated with assets held for sale	**106 887**	180 318
Liabilities directly associated with assets held for sale (note 12)	**–**	(17 008)
Closing balance	**106 887**	163 310

Figures in Rand thousand	2022	2021
Lease liabilities		
Current	**55 449**	82 641
Non-current	**51 438**	80 669
	106 887	163 310

19. Trade and other payables

Figures in Rand thousand	2022	2021
Financial instruments	**500 613**	378 713
Trade payables	**500 613**	374 071
Other payables	**–**	4 642
Non-financial instruments	**1 200 215**	1 417 571
VAT payable	**111 910**	156 888
Other accrued expenses	**299 516**	446 480
Payroll accruals	**412 043**	490 145
Contract liabilities	**376 746**	324 058
	1 700 828	1 796 284

Notes to the consolidated financial statements *continued*

For the year ended 31 July 2022

20. Provisions

Figures in Rand thousand	Provision for VAT liability	Provision for over-invoicing	PAYE provision	Onerous contracts	Total
Opening balance at 1 August 2020	—	173 400	246 825	249 900	670 125
Raised/(released) during the year	11 994	(70 000)	11 409	(44 283)	(90 880)
Paid	—	(14 525)	(42 000)	(13 941)	(70 466)
Utilised	—	—	—	(172 486)	(172 486)
Provisions directly associated with liabilities held for sale	(11 994)	—	—	—	(11 994)
Balance at 31 July 2021	**—**	**88 875**	**216 234**	**19 190**	**324 299**
Raised during the year	**—**	**65 448**	**8 782**	**5 436**	**79 666**
Paid	**—**	**—**	**(46 189)**	**—**	**(46 189)**
Transferred to trade and other payables		**(42 025)**	**—**	**—**	**(42 025)**
Balance at 31 July 2022	**—**	**112 298**	**178 827**	**24 626**	**315 751**

At the initial stage of the ENSafrica investigation, three contracts were identified as having apparent irregularities, including collusion to bypass the State Information Technology ("SITA") process to enable over-invoicing. The provision for the over-invoicing was raised in 2019 and continues to be recognised in the current financial year as these contracts are negotiated and closed out.

The PAYE provision relates to a PAYE dispute which the Group is contesting. Further detail around the contingency is disclosed in note 31. Provisions also include onerous contract provisions, where there is uncertainty on the final amount, which is the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil the contracts, with the timing of outflow expected to be in the next financial year.

21. Revenue

Disaggregated revenue

Figures in Rand thousand	2022	Restated* 2021
Revenue by sector		
Public sector	**16%**	22%
Private sector	**84%**	78%
Total	**100%**	100%
Major revenue types		
Hardware sales	**716 976**	746 815
Services	**5 602 210**	6 652 479
Software/licence contracts	**568 134**	383 557
Rentals**	**43 228**	99 572
Total	**6 930 548**	7 882 423
Continuing operations	**6 031 100**	6 472 428
Discontinued operations	**899 448**	1 409 995
Total	**6 930 548**	7 882 423

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2022.*

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

21. Revenue continued

Figures in Rand thousand	2022	2021
Contract balances		
Contract assets (note 10)	**238 411**	373 103
Contract liabilities (note 19)	**(376 746)**	(324 058)
Total	**(138 335)**	49 045

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

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

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

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

Figures in Rand thousand	2022	2021*
Contract assets		
Contract assets at the beginning of the year	**373 103**	429 689
Transfers from contract assets recognised at the beginning of the period and during the current period to receivables	**(518 818)**	(1 082 756)
Increases as a result of revenue recognised	**387 175**	1 023 344
Impairment allowance (raised)/reversed (note 37)	**(3 049)**	2 826
Contract assets at the end of the year	**238 411**	373 103
Contract liabilities		
Contract liabilities at the beginning of the year	**324 058**	348 014
Revenue recognised during the year and that which was included in the contract liability balance at the beginning of the year	**(247 231)**	(673 172)
Increases due to advance cash received or amounts billed, excluding amounts recognised as revenue during the year	**308 317**	713 012
Liabilities directly associated with assets held for sale	**(8 398)**	(63 796)
Contract liabilities at the end of the year	**376 746**	324 058
Net contract assets		
Unbilled revenue (note 10)	**249 670**	391 005
Allowance for impairment (note 10)	**(11 259)**	(17 902)
Net contract assets	**238 411**	373 103

* *Comparative movements in contract assets and contract liabilities have been disaggregated to disclose more detail on the movements within these balances.*

Performance obligations

Nature of goods and services

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

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

The Group recognised revenue as principal of R520 million and as agent of R48 million for software/licence contracts; as well as revenue as principal of R704 million and as agent of R13 million for hardware transactions.

Revenue recognised at a point in time amounted to R1.7 billion and revenue recognised over time amounted to R5.2 billion.

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

21. Revenue continued

Remaining performance obligations

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

Figures in Rand thousand	2022	2021
Within one year	**272 941**	148 125
More than one year	**412 887**	291 002
Total	**685 828**	439 127

The performance obligations expected to be recognised in more than one year relate to maintenance, software, managed and services contracts which 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 hardware sales (refer to note 1.3 for additional information).

22. Net financial asset impairment losses

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

Figures in Rand thousand	2022	Restated** 2021
Impairment loss on trade and other receivables	**30 040**	32 507
Impairment (reversal)/loss on other financial assets	**(1 345)**	45 554
Impairment loss/(reversal) on contract assets	**3 049**	(2 826)
Impairment loss on finance lease receivables	**27 975**	5 739
	59 719	80 974

** *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2022.*

23. Operating profit

Figures in Rand thousand	2022	Restated* 2021
Operating profit from continuing operations is stated after taking into account the following other items:		
Amortisation	**49 534**	44 893
Amortisation included in cost of sales	**22 088**	7 756
Amortisation not included in cost of sales	**27 446**	37 137
Auditor's remuneration	**39 286**	52 027
Audit fee	**37 908**	48 964
Fees for other services**	**1 378**	3 063
Depreciation	**146 423**	199 069
Depreciation included in cost of sales	**33 604**	40 657
Depreciation not included in cost of sales	**112 819**	158 412
Employee costs	**3 121 577**	3 696 511
Employee costs included in cost of sales	**2 010 561**	2 527 317
Employee costs not included in cost of sales	**1 111 016**	1 169 194
Materials, services and travel included in cost of sales	**2 275 031**	2 215 541
Inventory write-off	**14 447**	7 352
Profit on disposal of subsidiaries and equity-accounted investments	**(3 112)**	(16 889)
IFRS 5 remeasurement to fair value less costs to sell	**17 506**	9 833
Share-based payment expense	**16 607**	4 549
Foreign exchange (gain)/loss	**(3 111)**	22 578
Fair value loss on remeasurement of vendors for acquisition	**–**	10 864
Loss on disposal of intangible assets and property, plant and equipment	**15 920**	6 141
Short-term and low value lease charges	**23 998**	21 213
Short-term and low value lease charges on immovable property	**20 421**	17 307
Short-term and low value lease charges on movable property	**3 577**	3 906
Provisions raised/(released)	**79 666**	(90 880)
IAS 36 impairment of goodwill	**13 881**	136 359
IAS 36 impairment of intangible assets and property, plant and equipment	**7 023**	8 938

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2022.*
** *R1 million (2021: R3 million) of this relates to PwC in its capacity as external auditor. An amount of R4.6 million was charged by PwC for non-audit fees related to discontinued operations.*

24. Investment income
From continuing operations

Figures in Rand thousand	2022	Restated* 2021
Interest income		
Bank	**8 705**	7 974
Other interest received	**17 617**	1 206
	26 322	9 180

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2022.*

25. Finance costs
From continuing operations

Figures in Rand thousand	2022	Restated* 2021
Other financial liabilities	**180 213**	179 360
Debt restructuring fee	**9 031**	51 028
Lease liabilities	**15 030**	19 040
Bank	**4 753**	15 272
Other interest	**7 265**	12 567
	216 292	277 267

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2022.*

26. Taxation

Figures in Rand thousand	2022	Restated** 2021
Current taxation		
Local income taxation – current year	**67 784**	123 691
Local income taxation – prior years	**9 193**	(3 351)
Foreign income taxation – current year	**17**	480
	76 994	120 820
Discontinued operations	**15 348**	48 220
Continuing operations	**61 646**	72 600
	76 994	120 820
Deferred taxation		
Originating and reversing temporary differences	**22 649**	20 033
Prior year adjustments	**8 442**	16 131
	31 091	36 164
Discontinued operations	**22 819**	11 515
Continuing operations	**8 272**	24 649
	31 091	36 164
Total taxation	**108 085**	156 984
Discontinued operations	**38 167**	59 735
Continuing operations	**69 918**	97 249
Total taxation	**108 085**	156 984
Reconciliation of rate of taxation	**%**	%
For both continuing and discontinued operations		
South African normal rate of taxation	**28.0**	(28.0)
Reduction in rate for the year, due to:		
Exempt income^	**(8.2)**	(25.2)
Foreign taxation rate differences	**(4.0)**	(3.6)
Disallowed gain on disposal	**(28.0)**	—
Prior year adjustments to under provision of deferred taxation/current taxation	**–**	(0.8)
Share of profits of equity-accounted investments	**–**	(0.7)
Effect of unutilised temporary differences	**(71.3)**	(114.6)
Change in corporate tax rate	**(2.7)**	—
Increase in rate for the year, due to:		
Effect of utilised/not utilised estimated tax losses	**53.7**	179.9
Prior year adjustments to over provision of deferred taxation/current taxation	**10.3**	—
Disallowed loss on disposal	**–**	9.0
Non-deductible expenditure*	**137.0**	99.7
Capital gains taxation	**5.9**	12.0
	120.7	127.7
Unrecognised deferred taxation assets		
Deferred taxation assets not recognised in respect of deductible temporary differences	**563 689**	758 280
Deferred taxation assets not recognised in respect of taxation losses	**2 841 846**	3 497 735
Deferred taxation assets not recognised in respect of the outside basis of tax on disposal groups held for sale**	**49 972**	137 424
	3 455 507	4 393 439

* *The non-deductible expenditure relates mainly to impairment losses recognised (-57%) (2021: -147%) and intercompany loan write-off (190%) (2021: 170%) which will result in capital losses that can be utilised against future capital gains in terms of section 19 and paragraph 12A of the Income Tax Act of South Africa.*

** *Comparative amounts have been restated to include deferred taxation assets not recognised in respect of the outside basis of tax on disposal groups held for sale. This has not had an impact on equity nor the statement of financial position of the Group.*

^ *Exempt income (-29%) (2021: -25.2%) relates mainly to special allowances in terms of S12H, learnership and S11D, approved research and development.*

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

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

In 2022, R212 million (2021: R168 million) of previously unrecognised taxation losses was utilised.

27. Earnings per share

	2022	Restated* 2021
Basic loss per share and diluted loss per share		
Loss attributable to owners of EOH Holdings Limited from continuing and discontinued operations (R'000)	**(24 868)**	(279 655)
Weighted average number of shares in issue ('000)**	**168 755**	168 737
Basic loss per share from continuing and discontinued operations (cents)	**(15)**	(166)
Diluted loss per share from continuing and discontinued operations (cents)	**(15)**	(166)
Basic loss per share from continuing operations (cents)	**(99)**	(181)
Diluted loss per share from continuing operations (cents)	**(99)**	(181)

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2022.*
** *The impact of shares to be issued to vendors, share options and EOH A shares has been excluded from the weighted average diluted number of shares as they would be anti-dilutive.*

Basic earnings and diluted earnings are equal for the years ended 31 July 2021 and 31 July 2022.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

28. Headline loss per share

	2022	Restated* 2021
Headline loss per share and diluted headline loss per share		
Headline loss from continuing operations (R'000)	**(121 700)**	(165 160)
Weighted average number of shares in issue ('000)**	**168 755**	168 737
Headline loss per share from continuing operations (cents)	**(72)**	(98)
Diluted headline loss per share from continuing operations (cents)	**(72)**	(98)
Headline loss from continuing and discontinued operations (R'000)	**(29 925)**	(37 135)
Weighted average number of shares in issue ('000)**	**168 755**	168 737
Headline loss per share from continuing and discontinued operations (cents)	**(18)**	(22)
Diluted headline loss per share from continuing and discontinued operations (cents)	**(18)**	(22)

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2022.*
** *The impact of shares to be issued to vendors, share options and EOH A shares has been excluded from the weighted average diluted number of shares as they would be anti-dilutive.*

Figures in Rand thousand	2022		Restated* 2021	
Reconciliation between earnings, headline earnings and diluted headline earnings from continuing and discontinued operations	**Gross**	**Net**	**Gross**	**Net**
Loss attributable to owners of EOH Holdings Limited	**(24 868)**	**(24 868)**	(279 655)	(279 655)
Adjusted for:				
Loss on disposal of intangible assets and property, plant and equipment	**15 903**	**12 341**	6 824	5 295
(Profit)/loss on disposal of subsidiaries and equity-accounted investments	**(95 568)**	**(95 568)**	39 700	39 700
IAS 36 impairment of goodwill	**13 881**	**13 881**	136 359	136 359
IAS 36 impairment of intangible assets and property, plant and equipment	**6 938**	**4 995**	20 778	14 960
IFRS 5 remeasurement to fair value less costs to sell	**59 454**	**59 454**	46 207	46 207
Total non-controlling interest effects on adjustments	**(160)**	**(160)**	(1)	(1)
Headline loss from continuing and discontinued operations	**(24 420)**	**(29 925)**	(29 788)	(37 135)

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2022.*

28. Headline loss per share continued

Figures in Rand thousand	2022		Restated* 2021	
Reconciliation between earnings, headline earnings and diluted headline earnings from continuing operations	**Gross**	**Net**	**Gross**	**Net**
Loss attributable to owners of EOH Holdings Limited	**(24 868)**	**(24 868)**	(279 655)	(279 655)
Adjusted for discontinued operations (note 13)	**(142 356)**	**(142 356)**	(26 008)	(26 008)
Continuing loss attributable to ordinary shareholders	**(167 224)**	**(167 224)**	(305 663)	(305 663)
Continuing operations adjustments:				
Loss on disposal of intangible assets and property, plant and equipment	**15 920**	**12 354**	6 141	4 766
Profit on disposal of subsidiaries and equity-accounted investments	**(3 112)**	**(3 112)**	(16 889)	(16 889)
IAS 36 impairment of goodwill	**13 881**	**13 881**	136 359	136 359
IAS 36 impairment of intangible assets and property, plant and equipment	**7 023**	**5 056**	8 938	6 435
IFRS 5 remeasurement to fair value less costs to sell	**17 506**	**17 506**	9 833	9 833
Total non-controlling interest effect on adjustments	**(161)**	**(161)**	(1)	(1)
Headline loss from continuing operations	**(116 167)**	**(121 700)**	(161 282)	(165 160)

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2022.*

29. Cash generated from operations

Figures in Rand thousand	2022	Restated* 2021
Profit/(loss) before taxation from:	**89 686**	(122 818)
Continuing operations	**(90 328)**	(209 906)
Discontinued operations (note 13)	**180 014**	87 088
Adjustments for:		
Depreciation and amortisation	**203 380**	274 667
Impairment losses on non-financial assets**	**6 938**	375
IAS 36 impairment of goodwill**	**13 881**	136 359
IFRS 5 remeasurement to fair value less costs to sell**	**59 454**	46 207
Loss on disposal of intangible assets and property, plant and equipment	**15 903**	6 824
(Profit)/loss on disposal of subsidiaries and equity-accounted investments	**(95 568)**	39 700
Change in fair value for vendors for acquisition	**–**	10 864
Share of equity-accounted profits	**–**	(2 973)
Share-based payment expense	**17 468**	4 684
Net finance costs	**192 439**	272 745
Net financial asset impairment losses	**62 986**	90 492
Inventory write-off	**14 447**	7 352
Movement in provisions	**79 666**	(90 880)
Foreign exchange (gains)/losses	**(168)**	15 089
Other non-cash items	**5 061**	(5 402)
Cash generated before changes in working capital	**665 573**	683 285
Working capital changes net of effects of disposal of subsidiaries	**(228 911)**	(278 343)
Decrease/(increase) in inventories	**5 141**	(12 803)
(Increase)/decrease in trade and other receivables	**(76 169)**	154 746
Decrease in trade and other payables	**(157 883)**	(420 286)
Historical share-based payment plans paid out during the year	**(33 787)**	–
Cash generated from operations	**402 875**	404 942

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2022.*
** *Comparative amounts of impairment losses on non-financial assets have been disaggregated to disclose such impairments related to IAS 36 impairments of goodwill and IFRS 5 remeasurements to fair value less costs to sell to more accurately reflect the nature of impairment losses on non-financial assets.*

30. Taxation paid

Figures in Rand thousand	**2022**	2021
Amounts (owing)/receivable at the beginning of the year	**(7 028)**	4 611
Assets held for sale at the beginning of the year	**(2 877)**	(17 992)
Current taxation for the year	**(76 994)**	(120 820)
Disposals	**11 801**	22 171
Interest	**(5 086)**	(17 783)
Foreign currency translation	**–**	9 990
(Assets)/liabilities held for sale at the end of the year	**(384)**	2 877
Amounts owing at the end of the year	**1 386**	7 028
Taxation paid	**(79 182)**	(109 918)

31. Contingencies and commitments

Parent company guarantees

EOH issued parent company guarantees ("PCGs") during May 2019, as required by a client for a wholly owned subsidiary, PiA Solar SA Proprietary Limited ("PiA"). The guarantees provided are for a number of years during both construction and after handover, including an operation warranty guarantee, which by nature could (in the event of underperformance by PiA) compel EOH to either ensure physical performance or settle such underperformance in cash terms. While PiA had undergone some operational challenges as a result of several factors, including Covid-19, EOH has intervened in order to minimise the potential impact of these PCGs. All the projects subject to these PCGs are now substantially complete and have been handed over to the client. EOH thus believes that the risk presented by the PCGs, albeit still in existence, is and will be mitigated pursuant to the handover.

Litigation

EOH and its subsidiaries are involved in various litigation matters, which are at varying stages in the litigious process, and most of which arise from the ordinary course of business. None of these matters are considered material on an individual or in aggregate basis. Management has no reason to believe that the disposition of these matters will have a materially adverse effect in the consolidated financial position, financial results or cash flows of EOH.

Uncertain indirect tax exposure

The Group has an ongoing tax dispute dating back to 2012 related to a PAYE dispute in two of its staff outsourcing businesses. At 31 July 2022, the Group had provided for R179 million on the PAYE liability assessed and potential future assessments and is in ongoing discussions with SARS, regarding the potential settlement of this matter, in line with the requirements of the Tax Administration Act. To date, the settlement discussions with SARS have not been successful, as the EOH Group has made six different settlement offers that have all been declined by SARS and the Group has subsequently filed an application in the High Court to have the SARS decisions set aside, on the basis of irrationality. The Group remains confident that it has a strong legal case to contest the remaining exposure, based on internal and external legal and technical advice obtained. A total of R98 million for the period 2020 to 2022 of the initial provision of R277 million was repaid up to 31 July 2022. Refer to note 20 for additional information.

Department of Water and Sanitation SIU investigation

In 2021, the Special Investigations Unit ("SIU"), commenced an investigation into certain contracts concluded between the Department of Water and Sanitation and EOH in 2016. These historic contracts are currently under investigation as to whether there was any improper conduct in the award of the contract to EOH, and/or whether EOH had actually delivered on their contractual obligations. EOH is engaging with the SIU on its investigation and has made a settlement proposal to the SIU to conclude a settlement agreement for an amount of approximately R112.3 million, of which R65 million provision was raised in the current year, payable in monthly instalments to be agreed by EOH and the SIU. The aforementioned proposal is still under consideration by the SIU. Refer to note 20 for additional information.

Department of Home Affairs – ABIS (Biometric) arbitration

In November 2017, EOH and the Department of Home Affairs ("DHA") concluded a contract for the migration of certain biometric data for the DHA. EOH experienced significant difficulties attempting to achieve the contracted deliverables. On 31 March 2021, the aforementioned contract was assigned to a third party and the fulfilment of such contractual deliverables is no longer an EOH obligation. An arbitration process between EOH and the DHA, relating to the delay of the project and an EOH counter-claim for damages sustained in attempting to comply with the contract, is currently underway and yet to be finalised. The amount claimed by the DHA is approximately R44 million and the amount claimed by EOH is approximately R47 million. In May 2021, XON Systems Proprietary Limited ("XON") brought an application to set aside the award of the contract to EOH and the assignment to the third party. XON has since abandoned the application. It has been assessed, based on the DHA's claim, that a contingent liability exists. Based on legal advice, the Group does not consider an outflow to be probable.

31. Contingencies and commitments continued

Mehleketo Resources Proprietary Limited – in liquidation

Mehleketo Resources Proprietary Limited ("Mehleketo") was a wholly owned subsidiary which was placed in liquidation in 2019, due to its inability to pay its financial obligations as they became due. The liquidators of Mehleketo held certain section 417 and 418 (in terms of the Companies Act, No 71 of 2008) inquiries. In 2022, the liquidators issued a summons against various companies within the EOH Group, for a total amount of approximately R136 million on the basis of voidable/collusive preferences. EOH disagrees with the assertions made by the liquidators and has defended the court action instituted by the liquidators.

Alteram Municipal Services Proprietary Limited – litigation

In 2017, EOH and Alteram Municipal Services Proprietary Limited ("Alteram") concluded an agreement in terms of which EOH subcontracted certain services to Alteram in relation to EOH's Department of Water and Sanitation contract. It was subsequently established that the ultimate beneficial owner of Alteram was the same individual who helped facilitate the historic fraud and corruption within EOH. EOH, upon seeking external expert legal advice on the matter, terminated the aforementioned contract with effect from February 2020. Alteram has since issued a summons against EOH for approximately R35 million claiming unlawful termination. EOH defended Alteram's action and that matter is set down for hearing within the next financial year. It has been assessed in light of the Alteram's claim that a contingent liability exists. Based on legal advice, the Group does not consider an outflow to be probable.

Cornastone Enterprise Systems Proprietary Limited ("Cornastone")/Cell C Limited ("Cell C") – alleged tender fraud

Cornastone is a wholly owned subsidiary of EOH which was acquired in 2016. In February 2020, EOH was made aware of irregular activities relating to Cornastone's supply of goods and services to Cell C. The leadership of EOH immediately conducted an internal investigation and uncovered collusive activities between certain senior executives at both Cornastone and Cell C ("Perpetrators") dating as far back as 2012. EOH contacted Cell C and shared its findings with it and subsequently lodged criminal cases against the Perpetrators. Warrants of arrest were issued against the Perpetrators. In May 2022, Cornastone received a section 345 (in terms of the Companies Act) letter from attorneys purporting to represent Cell C. Cell C was claiming an amount of approximately R62 million from Cornastone alleging that it was defrauded of these amounts pursuant to the collusive conduct of the Perpetrators, one of which was a Cell C executive. EOH appointed external legal experts to respond to Cell C's attorneys advising them that Cornastone disputes Cell C's alleged claim. It has been assessed that the possibility of an outflow is considered to be remote.

Commitments

Figures in Rand thousand	**2022**	2021
Expected, but not yet contracted capital expenditure	**38 000**	85 635
	38 000	85 635

32. Retirement benefits

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

At 31 July 2022, the membership of the funds was 3 200 (2021: 5 099) employees.

At 31 July 2022, the Group's contribution to the fund was R119 million (2021: R128 million).

33. Directors' and prescribed officers' interest in ordinary shares of the Company

	2022		2021	
Number of shares	**Beneficial direct interest**	**Total**	Beneficial direct interest	Total
Executive directors				
Stephen van Coller	**264 000**	**264 000**	264 000	264 000
Megan Pydigadu	**17 705**	**17 705**	17 705	17 705
	281 705	**281 705**	281 705	281 705

There have been no other changes in the directors' interest in shares of the Company between year end and the date of approval of the consolidated and separate financial statements. Non-executive directors do not hold any direct interest in shares of the Company. The executive directors and prescribed officers do not hold indirect interests in shares of the Company. No shares held by the directors have been pledged as security or subject to a guarantee, collated or other encumbrance. Jabu Moleketi, who was appointed as a non-executive director in the prior year, is a shareholder and director of Lebashe Investment Group, which holds 23 062 458 ordinary shares of the Company.

34. Directors' and prescribed officers' remuneration

Figures in Rand thousand	Short-term benefits: Remuneration including other benefits*	Short-term benefits: Bonuses	Short-term benefits: For services as directors	Short-term benefits: Total	Share-based payments charge
2022					
Executive directors					
Stephen van Coller	**10 000**	**4 180**	**–**	**14 180**	**3 408**
Megan Pydigadu	**6 750**	**1 859**	**–**	**8 609**	**151**
Fatima Newman	**6 150**	**1 710**	**–**	**7 860**	**–**
Non-executive directors					
Andrew Mthembu	**–**	**–**	**1 388**	**1 388**	**–**
Andrew Marshall	**–**	**–**	**938**	**938**	**–**
Bharti Harie	**–**	**–**	**763**	**763**	**–**
Jabu Moleketi	**–**	**–**	**658**	**658**	**–**
Jesmane Boggenpoel	**–**	**–**	**853**	**853**	**–**
Mike Bosman	**–**	**–**	**1 148**	**1 148**	**–**
Nosipho Molope	**–**	**–**	**773**	**773**	**–**
Sipho Ngidi	**–**	**–**	**798**	**798**	**–**
	22 900	**7 749**	**7 319**	**37 968**	**3 559**
Less: Paid/payable by subsidiaries	**22 900**	**7 749**	**7 319**	**37 968**	**–**
	–	**–**	**–**	**–**	**3 559**

Figures in Rand thousand	Short-term benefits: Remuneration including other benefits*	Short-term benefits: Bonuses	Short-term benefits: For services as directors	Short-term benefits: Total	Share-based payments charge
2021					
Executive directors					
Stephen van Coller	10 007	4 539	–	14 546	5 435
Megan Pydigadu	6 757	2 049	–	8 806	380
Fatima Newman	6 157	2 030	–	8 187	–
Non-executive directors					
Andrew Mthembu	–	–	1 200	1 200	–
Andrew Marshall	–	–	758	758	–
Bharti Harie (appointed with effect from 1 January 2021)	–	–	504	504	–
Ismail Mamoojee (resigned 20 January 2021)	–	–	403	403	–
Jabu Moleketi (appointed 1 September 2020)	–	–	543	543	–
Jesmane Boggenpoel	–	–	850	850	–
Mike Bosman	–	–	1 220	1 220	–
Dr Moretlo Molefi (resigned with effect from 15 December 2020)	–	–	186	186	–
Nosipho Molope (appointed with effect from 1 January 2021)	–	–	499	499	–
Sipho Ngidi	–	–	883	883	–
	22 921	8 618	7 046	38 585	5 815
Less: Paid/payable by subsidiaries	22 921	8 618	7 046	38 585	–
	–	–	–	–	5 815

* *Other benefits include medical aid and retirement fund contributions.*

35. 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 and share ownership scheme, the participant needs to be in the employ of the Group in order to exercise vested options and shares. 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 the 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 the grant date.
- 25% after two years;
- 25% after three years;
- 25% after four years; and
- 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 (rand)	
	2022	2021	**2022**	2021
Opening balance	**2 372 401**	3 398 657	**46.61**	46.22
Forfeited during the year	**(410 512)**	(787 856)	**64.69**	56.65
Expired during the year	**(6 250)**	(238 400)	**17.70**	7.90
Options granted but not issued up to the end of the year	**1 955 639**	2 372 401	**42.91**	46.61
Vesting of share options				
Number of options exercisable at year end	**1 447 139**	1 547 942	**50.53**	57.51
Exercise date within one year	**258 500**	312 334		
Exercise date between two and five years	**250 000**	512 125		
	1 955 639	2 372 401		

There were no new share options granted during 2022 for The EOH Share Trust.

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 the grant date.
- 33.33% after three years;
- 33.33% after four years; and
- 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 (rand)	
	2022	2021	**2022**	2021
Opening balance	**198 918**	586 584	**62.27**	55.55
Forfeited during the year	**(79 232)**	(294 333)	**55.92**	60.47
Expired during the year	**(1 666)**	(93 333)	**51.00**	25.71
Options granted but not issued up to the end of the year	**118 020**	198 918	**66.70**	62.27
Vesting of share options				
Number of options exercisable at year end	**118 020**	155 029	**66.70**	66.92
Exercise date within one year	**–**	27 222		
Exercise date between two and five years	**–**	16 667		
	118 020	198 918		

There were no new share options granted during the 2022 financial year for the EOH Mthombo Trust.

35. Share-based payments continued

The Share Ownership Plan

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

- 25% after two years;
- 25% after three years;
- 25% after four years; and
- 25% after five years.

An additional award was made to qualifying employees in June 2020 who had taken salary cuts as a result of Covid-19. Shares granted vest 100% after two years.

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

	The Share Ownership Plan			
	Number of shares		Weighted average share price (rand)	
	2022	2021	**2022**	2021
Opening balance	**10 507 010**	6 127 136	**11.74**	23.86
Granted during the year	**–**	10 690 363	**–**	6.13
– to management and employees	**–**	10 690 363	**–**	6.13
Forfeited during the year	**(1 136 553)**	(4 688 625)	**11.85**	10.26
Vested and exercised during the year	**(6 755 501)**	(1 621 864)	**8.67**	25.76
Shares granted but not issued up to the end of the year	**2 614 956**	10 507 010	**19.91**	11.74
Vesting of shares				
Number of shares vested at year end	**89 959**	896 898	**27.78**	21.60
Vesting date within one year	**1 209 032**	7 476 694		
Vesting date between two and five years	**1 315 965**	2 133 418		
	2 614 956	10 507 010		

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

Shares have been exercised under this scheme in the current year. These have been settled in cash as elected by the Group.

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

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

	Outstanding at 31 July 2021	Exercised during the period	Shares granted during the year	Weighted average strike price/ share price* (rand)	Outstanding at 31 July 2022
Executive directors					
Stephen van Coller					
The EOH Share Trust (options)	1 000 000	–	–	**19.00**	**1 000 000**
Vested at year end	250 000	–	–	**19.00**	**500 000**
Exercisable within one year	250 000	–	–	**19.00**	**250 000**
Exercisable between two and five years	500 000	–	–	**19.00**	**250 000**
The Share Ownership Plan (shares)	452 830	(113 207)	–	**13.25***	**339 623**
Exercisable within one year	113 207	(113 207)	–	**13.25***	**113 207**
Exercisable between two and five years	339 623	–	–	**13.25***	**226 416**
Megan Pydigadu					
The Share Ownership Plan (shares)	46 516	(15 505)	–	**32.25***	**31 011**
Exercisable within one year	15 505	(15 505)	–	**32.25***	**15 505**
Exercisable between two and five years	31 011	–	–	**32.25***	**15 506**

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

36. Related-party transactions

The Group entered into various transactions with related parties.

Figures in Rand thousand	2022	2021
Transactions with associates		
Sales of products and services	–	29
Purchases of products and services	–	2 792
Balances arising from sales/purchases of goods and services with associates		
Trade receivable balances with related parties	–	46
Trade payable balances with related parties	–	471
Loans receivable from joint ventures	–	–
Gross loans receivable from joint ventures	51 564	51 564
Allowances for expected credit losses on loans to joint ventures	(51 564)	(51 564)
Transactions between Group companies (subsidiaries)		
Sale of products and services	889 447	1 610 641
Purchases of products and services	642 132	1 099 800
Operating expenses	247 315	566 151
Outstanding loan balances		
Loans from EOH Holdings Limited to subsidiaries	2 859 887	2 511 277
Loans to EOH Holdings Limited from subsidiaries	227 396	370 619

Directors' remuneration

The remuneration for directors of the Company paid during the year by subsidiaries within the Group has been disclosed in note 34. Directors and prescribed officers' interest in ordinary shares of the company is disclosed in note 33. Directors are defined as key management.

37. 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 cooperation 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; and
- Currency risk.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy at 31 July 2022:

	Carrying amount					Fair value			
Figures in Rand thousand	Mandatorily at FVTPL	Amortised cost	Total	Held for sale	Balance	Level 1	Level 2	Level 3	Total
Financial assets									
Cash and cash equivalents	–	458 367	458 367	(47 412)	410 955	–	–	–	–
Trade and other receivables	–	1 310 426	1 310 426	(51 219)	1 259 207	–	–	–	–
Finance lease receivables	–	81 315	81 315	–	81 315	–	–	–	–
Other financial assets	–	32 701	32 701	(700)	32 001	–	–	–	–
Financial liabilities									
Trade and other payables	–	540 386	540 386	(39 773)	500 613	–	–	–	–
Lease liabilities	–	106 887	106 887	–	106 887	–	–	–	–
Other financial liabilities	188	1 434 480	1 434 668	(306)	1 434 362	–	–	188	188

37. 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 2021:

	Carrying amount					Fair value			
Figures in Rand thousand	Mandatorily at FVTPL	Amortised cost	Total	Held for sale	Balance	Level 1	Level 2	Level 3	Total
Financial assets									
Cash and cash equivalents	—	913 346	913 346	(88 444)	824 902	—	—	—	—
Trade and other receivables	—	1 382 196	1 382 196	(130 416)	1 251 780	—	—	—	—
Finance lease receivables	—	109 329	109 329	—	109 329	—	—	—	—
Other financial assets	—	11 118	11 118	(60)	11 058	—	—	—	—
Financial liabilities									
Trade and other payables	—	412 169	412 169	(33 456)	378 713	—	—	—	—
Lease liabilities	—	180 318	180 318	(17 008)	163 310	—	—	—	—
Other financial liabilities	4 138	2 568 834	2 572 972	(5 449)	2 567 523	—	—	4 138	4 138

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.

Other financial liabilities and assets, and lease receivables and payables carrying amounts approximate their fair values due to the nature and contractual terms of the instruments.

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

Financial liabilities at fair value through profit or loss

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

Vendors for acquisition

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

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

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

Fair values have been determined using discounted cash flows. Unobservable inputs include budgeted results based on margins, discount rates and revenue growth rates historically achieved by the various segments. The applicable discount rate is 7% (2021: 7%), discounting cash flows over a two-year period. Changing such inputs to reflect reasonably possible alternative assumptions does not significantly change the fair value of the vendors for acquisition liability.

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

37. Financial assets and financial liabilities continued

Vendors for acquisition reconciliation of movement

Figures in Rand thousand	2022	2021
Balance at the beginning of the year	**4 138**	44 043
Disposals	**–**	(36 275)
Paid to vendors	**(3 950)**	(14 494)
Net changes in fair value	**–**	10 864
Balance at the end of the year	**188**	4 138

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 and offers that are in place for each of the disposal groups that are held for sale. The total of such fair values is R195 million (2021: R834 million). These fair values are categorised as level 3, based on inputs used.

Gains or losses from continuing operations

Figures in Rand thousand	2022	2021
Fair value losses on financial liabilities at fair value through profit or loss	**–**	(10 864)
	–	(10 864)

Capital risk management

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

The Group has a historically large debt burden which is not fit for purpose in terms of its capital structure. The stated objective of the Group has been to deleverage the Group to an appropriate capital structure. The deleveraging process has primarily been done by disposing of non-core assets and certain IP assets (as disclosed in note 14). The Group is targeting a 70% equity to 30% debt ratio. Significant progress has been made in this regard over the past year.

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

In terms of allocating capital within the business, the Group looks at return on invested capital ("ROIC") metrics to allocate capital. This is measured against the Group's discount rate of 14.8%, to ensure there is value creation whereby ROIC needs to exceed the discount rate.

The debt-to-equity ratios were as follows:

Figures in Rand thousand	2022	2021
Debt* (R'000)	**1 434 362**	2 567 523
Equity at market value (R'000)	**882 725**	1 147 542
Debt to equity ratio	**62:38**	69:31

* *Debt reflects amounts owed to funders.*

Refer to note 1.2 and note 38, which provide further discussion surrounding the EOH Group debt reduction strategy.

37. Financial assets and financial liabilities continued

Liquidity risk

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

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

Figures in Rand thousand	Less than 1 year	Between 1 and 5 years
At 31 July 2022		
Other financial liabilities	**939 428**	**579 305**
Lease liabilities	**63 312**	**63 011**
Trade and other payables	**540 386**	**—**
At 31 July 2021		
Other financial liabilities	2 567 523	—
Lease liabilities	109 630	98 959
Trade and other payables	412 169	—

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

Included within the 'Less than 1 year' maturity bucket for other financial liabilities is R82 million of interest repayable within 6 months after year end. R857 million is due within 7 and 12 months after year end, of which R42.5 million relates to interest. On 12 October 2022, the capital repayment due within 7 and 12 months amounting to R814.5 million has been deferred by the lenders from on or before 1 April 2023 to 31 December 2023.

Furthermore, included within the 'Between 1 and 5 years' maturity bucket is R50 million of interest, which is due between 1 and 2 years. In addition, R529 million of the balance included in the 1 and 5 years maturity bucket is due between 2 and 3 years, of which R33 million relates to interest repayable.

Refer to notes 1.2 and 38 for additional information.

Interest rate 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 other financial liabilities, being 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 JIBAR 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 2022, if the interest rate on Rand-denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been R15 million (2021: R27 million) lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

37. Financial assets and financial liabilities continued

Credit risk and expected credit losses

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

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

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

Figures in Rand thousand	**2022**	2021
Other financial assets	**222 043**	633 542
Finance lease receivables	**136 402**	131 966
Trade and other receivables	**1 495 063**	1 613 494
Cash and cash equivalents	**458 367**	913 346
Contract assets	**250 462**	391 005
	2 562 337	3 683 353
Impairment losses on financial assets recognised in profit or loss from continuing operations were as follows:		
Impairment (reversals)/loss on other financial assets	**(1 345)**	45 554
Impairment loss on finance lease receivables	**27 975**	5 739
Impairment loss on trade and other receivables	**30 040**	38 531
Impairment loss/(reversals) on contract assets	**3 049**	(2 826)
	59 719	86 998

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.

Trade receivables and contract assets

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

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

The average credit period on sales of goods and services ranges 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 are industry segments, share similar credit risk characteristics. Trade receivables are assessed for impairment on a collective basis as well as on a specific basis considering the individual customers' credit quality and payment history in addition to their industry segment. 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 receivables and contract assets for which no loss allowance is recognised because of collateral held.

37. Financial assets and financial liabilities continued

Credit risk and expected credit losses continued

Trade receivables and contract assets continued

Expected credit loss assessment for trade receivables and contract assets

The allowance for impairment of trade receivables and contract assets is created to the extent and as and when required, based upon the expected collectability of accounts receivable. The Group uses a provision matrix to measure the expected credit losses ("ECLs") of trade receivables and contract assets. In addition to this, a specific assessment of customers for ECLs is performed.

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

The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Two scenarios have been modelled per customer incorporating both their historical payment profiles as well as expectations about their abilities to pay amounts due.

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

ECLs on contract assets have been disclosed by industry in the current year to more accurately reflect their assessment and estimation of ECLs. This has not had an impact on the ECLs recognised.

The following table provides information about the exposure to credit risk and ECLs for contract assets as at 31 July 2022:

Figures in Rand thousand	Gross amount	Weighted average loss rate %	Expected credit loss
Industry			
Agriculture, environment, forestry and fisheries	761	2	16
Automotive	3 239	2	65
Construction, real estate, facilities and property management	3 226	5	158
Education	8 386	5	386
Electricity, gas, water, energy and utilities	33 505	5	1 523
Financial services	15 423	3	392
Health and pharmaceuticals	2 035	5	102
Human capital and resourcing	2 836	2	57
Industrial services	15	1	*
Information technology	3 772	27	1 032
Manufacturing and FMCG	3 427	5	160
Metro and municipalities	14 167	6	854
Mining and quarrying	2 499	3	78
National government	25 290	1	372
Other	31 495	8	2 601
Provincial government	5 286	1	28
Public benefit and membership organisations	12 122	37	4 444
Public institutions and agencies	14 379	1	180
Retail and wholesale trade	4 349	1	41
State-owned entities	3 304	–	–
Telecommunications	9 980	2	224
Tourism, hospitality, food and beverage	4 309	7	268
Transport, supply chain, logistics and storage	59	4	3
	203 864		12 984

* *Less than R1 000.*

37. Financial assets and financial liabilities continued

Credit risk and expected credit losses continued

Trade receivables and contract assets continued

Expected credit loss assessment for trade receivables and contract assets continued

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 July 2022:

Figures in Rand thousand	Gross amount	Weighted average loss rate %	Expected credit loss
Industry			
Agriculture, environment, forestry and fisheries	8 647	4	317
Automotive	21 264	11	2 296
Business and professional services	80 689	15	11 847
Constitutional and regulatory body	6 447	54	3 455
Construction, real estate, facilities and property management	44 250	30	13 428
Education	11 058	39	4 267
Electricity, gas, water, energy and utilities	48 652	14	6 967
Financial services	149 128	7	10 668
Health and pharmaceuticals	46 825	3	1 371
Human capital and resourcing	3 044	6	197
Industrial services	11 206	7	750
Information technology	222 871	19	42 327
Manufacturing and FMCG	76 429	20	15 062
Marketing and advertising	14 442	7	1 075
Metro and municipalities	78 275	23	17 922
Mining and quarrying	95 024	6	6 129
National government	88 863	38	34 062
Other	156 590	3	4 692
Provincial government	126 678	9	10 885
Public benefit and membership organisations	19 791	14	2 748
Public institutions and agencies	10 284	7	763
Retail and wholesale trade	19 240	7	1 391
Security services	2 868	4	115
State-owned entities	29 658	6	1 825
Telecommunications	104 939	14	15 121
Tourism, hospitality, food and beverage	56 452	11	6 248
Transport, supply chain, logistics and storage	7 466	5	389
	1 541 080		216 317

Industry-related loss rates have changed in the current year as a result of the composition of the gross carrying amounts of trade receivables across a number of customer industries.

37. Financial assets and financial liabilities continued

Credit risk and expected credit losses continued

Trade receivables and contract assets continued

Expected credit loss assessment for trade receivables and contract assets continued

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 31 July 2021:

Figures in Rand thousand	Gross amount	Weighted average loss rate %	Expected credit loss
Contract assets	391 005	5	17 902
Industry			
Agriculture, environment, forestry and fisheries	10 271	11	1 152
Automotive	25 471	12	3 016
Business and professional services	68 003	18	12 066
Constitutional and regulatory body	3 382	11	375
Construction, real estate, facilities and property management	35 718	16	5 621
Education	4 996	8	395
Electricity, gas, water, energy and utilities	23 506	8	1 779
Financial services	196 021	10	18 705
Health and pharmaceuticals	18 890	9	1 681
Human capital and resourcing	2 712	7	183
Industrial services	10 793	17	1 859
Information technology	79 390	15	11 651
Manufacturing and FMCG	58 808	30	17 660
Marketing and advertising	21 866	15	3 386
Metro and municipalities	132 223	22	29 328
Mining and quarrying	74 449	15	11 471
National government	131 196	17	22 156
Other	388 109	14	55 944
Provincial government	9 758	25	2 394
Public benefit and membership organisations	7 914	15	1 166
Public institutions and agencies	65 131	21	13 780
Retail and wholesale trade	34 550	11	3 731
Security services	7 869	6	457
State-owned entities	101 440	8	8 562
Telecommunications	149 241	11	16 731
Tourism, hospitality, food and beverage	91 272	18	16 159
Transport, supply chain, logistics and storage	11 604	8	950
	2 155 588		280 260

The expected loss rate by industry is based on payment profiles of sales over a 12-month period respectively and the corresponding historical credit losses experienced within this period, which is considered to be representative of the collection cycle. These loss rates are adjusted to reflect a deterioration in the risk of the customer and macro-economic overlay affecting the ability of the customer to settle the receivables. The macro-economic overlay is based on the difference in default rates during the 2008 – 2010 financial crisis versus a financial non-crisis period and applied to the portion of each industry that is expected to be affected by the anticipated economic circumstances (this industry expectation is taken from Fitch). South African customers had an overlay of 4.1% applied.

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

	2022		2021	
Figures in Rand thousand	**Trade receivables**	**Contract assets**	Trade receivables	Contract assets
Opening balance	**212 999**	**17 902**	310 347	124 595
Impairment losses recognised/(reversed) on receivables and contract assets	**8 235**	**—**	(32 738)	(2 826)
Amounts written off during the year as uncollectible	**(27 684)**	**(3 049)**	(36 086)	(101 149)
Disposals	**(10 125)**	**(90)**	(20 052)	(2 718)
Transfer to assets held for sale	**(8 421)**	**(11 259)**	(8 490)	—
Foreign exchange translation losses	**1 371**	**7 755**	18	—
Closing balance	**176 375**	**11 259**	212 999	17 902

Trade receivables with a contractual amount of R28 million (2021: R36 million) were written off during the year.

37. Financial assets and financial liabilities continued

Credit risk and expected credit losses continued

Cash and cash equivalents

The Group maintains its cash and cash equivalents with banks and financial institutions that have good reputations, good past track records and high-quality credit ratings and also reviews their credit worthiness on an ongoing basis.

Due to the short-term nature of these assets and historical experience, cash and cash equivalents are regarded as having a low probability of default and therefore the related expected credit loss is deemed to be insignificant.

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

Figures in Rand thousand	**Cash and cash equivalents 2022**	Cash and cash equivalents 2021
Credit rating of financial institution		
Aaa – A3	**98 625**	90 343
Baa3 – B2	**346 342**	816 999
Other	**13 910**	6 004
	458 877	913 346

Finance lease receivables

The policy choice is to measure the loss allowance at an amount equal to lifetime ECLs.

Finance lease receivables have been assessed using a provision matrix as well as individually to determine ECLs. Allowances have been raised considering the probability of default of the counterparty to the lease taking into account creditworthiness and other relevant factors affecting their ability to make lease payments over the lifetime of the exposure. Loss rates per the provision matrix have been assessed using the same inputs and assumptions as mentioned above in respect of those applied to trade receivables and contract assets. Allowances raised during the prior year amounted to R16 million. There has been a significant increase in the allowance recognised during the current year which relates to specific allowance amounts raised as a result of the circumstances prevailing for primarily short-term debtors affecting their ability to pay amounts due.

The following table provides information about the exposure to credit risk and ECLs for finance lease receivables as at 31 July 2022:

Figures in Rand thousand	**Gross amount**	**Weighted average loss rate %**	**Expected credit loss**
Industry			
Business and professional services	**815**	**6**	**51**
Construction, real estate, facilities and property management	**1 292**	**59**	**766**
Education	**20**	**6**	**1**
Financial services	**1 312**	**6**	**81**
Health and pharmaceuticals	**3 807**	**52**	**1 975**
Information technology	**91 926**	**25**	**23 439**
Manufacturing and FMCG	**1 017**	**43**	**433**
Marketing and advertising	**2 407**	**12**	**297**
Mining and quarrying	**1 093**	**55**	**600**
Other	**2 394**	**16**	**391**
Retail and wholesale trade	**200**	**31**	**62**
Telecommunications	**202**	**6**	**12**
Tourism, hospitality, food and beverage	**29 917**	**90**	**26 979**
	136 402		**55 087**

37. Financial assets and financial liabilities continued

Credit risk and expected credit losses continued

Finance lease receivables continued

The following table provides information about the exposure to credit risk and ECLs for finance lease receivables as at 31 July 2021:

Figures in Rand thousand	Gross amount	Weighted average loss rate %	Expected credit loss
Industry			
Construction, real estate, facilities and property management	6 372	39	2 495
Electricity, gas, water, energy and utilities	563	*	2
Education	16	6	1
Financial services	4 837	29	1 405
Health and pharmaceuticals	5 750	1	51
Manufacturing and FMCG	3 853	9	361
Mining and quarrying	2 776	1	26
Other	26 545	16	4 363
Tourism, hospitality, food and beverage	13 592	24	3 222
	64 304		11 926

* *Less than 1%.*

Other financial assets

Other financial assets are specific assets and were assessed individually for expected credit losses, using the general approach under IFRS 9 raising a lifetime expected credit loss. The expected credit loss model of IFRS 9 requires the classification and measurement of expected credit losses using the general model which is a three-stage model. The three stages are performing (stage 1), underperforming (stage 2) and non-performing (stage 3). Other financial assets are considered to be in stage 3.

Management evaluates the credit worthiness of counterparties on an ongoing basis, taking into account their financial position, past experience and other relevant factors that may indicate whether there is a significant increase in credit risk.

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

ECLs have been raised for a significant portion of other financial assets, as in note 6. Given the credit losses of banking institutions, restricted cash balances are not exposed to a significant increase in credit risk. Specific assessments were performed on loans provided to equity-accounted entities, Enterprise Development loans and on gross loans and receivables.

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

	2022	2021
Figures in Rand thousand	**Other financial assets**	Other financial assets
Opening balance	**622 424**	579 573
Impairment losses (reversed)/recognised on other financial assets	**(409 362)**	46 106
Amounts written off during the year as uncollectible	**(21 455)**	(680)
Disposals	**(2 265)**	—
Transfer to assets held for sale	**—**	(2 575)
Closing balance	**189 342**	622 424

37. Financial assets and financial liabilities continued

Currency risk

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

Foreign exchange risk arises from future commercial transactions, recognised assets or liabilities that are denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group's strategy to dispose of non-core business lines has resulted in the sale of the majority of its foreign investments. The Group has limited investments in foreign operations where the assets are exposed to foreign currency translation risk. A 1% movement in the foreign currency exchange rates would not have a significant impact on the carrying values.

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

Foreign currency financial instruments

	2022				
	Financial assets			Financial liabilities	
Figures in Rand thousand	Other financial assets	Trade and other receivables	Cash and cash equivalents	Other financial liabilities	Trade and other payables
British Pound	–	**24 974**	**80 612**	**(84)**	**(13 645)**
US Dollar	–	**74 119**	**39 374**	–	**(117 024)**
Arab Emirates Dirham	**691**	**88 841**	**13 112**	**(11 837)**	**(61 127)**
Euro	–	**4 023**	**14 939**	–	**(11 532)**
Egyptian Pound	–	**89 859**	**10 169**	–	**(25 592)**
Saudi Riyal	–	**36 633**	**8 647**	–	**(18 400)**
Swiss Franc	–	**16 427**	**34 515**	**(1 129)**	**(3 771)**
Mozambican Metical	–	**17 028**	**12 001**	–	**(3 050)**
Other	–	**9 865**	**21 967**	–	**(1 354)**

	2021				
	Financial assets			Financial liabilities	
Figures in Rand thousand	Other financial assets	Trade and other receivables	Cash and cash equivalents	Other financial liabilities	Trade and other payables
British Pound	–	18 252	44 571	(81)	(12 119)
US Dollar	–	68 167	44 377	–	(64 926)
Arab Emirates Dirham	609	73 226	2 572	(10 995)	(54 853)
Euro	–	16 462	19 503	–	(28 088)
Egyptian Pound	–	65 252	3 854	–	(14 829)
Saudi Riyal	–	20 745	4 036	–	(13 441)
Other	–	40 473	54 275	(2 859)	(18 538)

38. Events after reporting date

Disposal of NuvoteQ

The Group entered into a share purchase agreement ("SPA") on 1 September 2022 to dispose of 100% of the issued ordinary shares of NuvoteQ Proprietary Limited ("NuvoteQ"). The purchase consideration payable on closing date amounts to R21 million. The transaction is subject to the fulfilment or waiver, as the case may be, of the suspensive conditions as detailed in the sale agreement.

Disposal of Network Solutions and Hymax SA

Effective 1 September 2022, the Group concluded the sale of its Network Solutions business and of the entire issued share capital of Hymax SA for a purchase consideration of R136.9 million. The purchase consideration was settled with an upfront payment of R104.5 million received on 1 September 2022 used towards repaying amounts owed to lenders, with the remaining balance being held in an interest-bearing escrow account for a period of 12 months. The consideration received is still subject to the finalisation of the completion accounts adjustments, which include adjustments for net debt and net working capital. This is expected to be finalised within 60 days of closing.

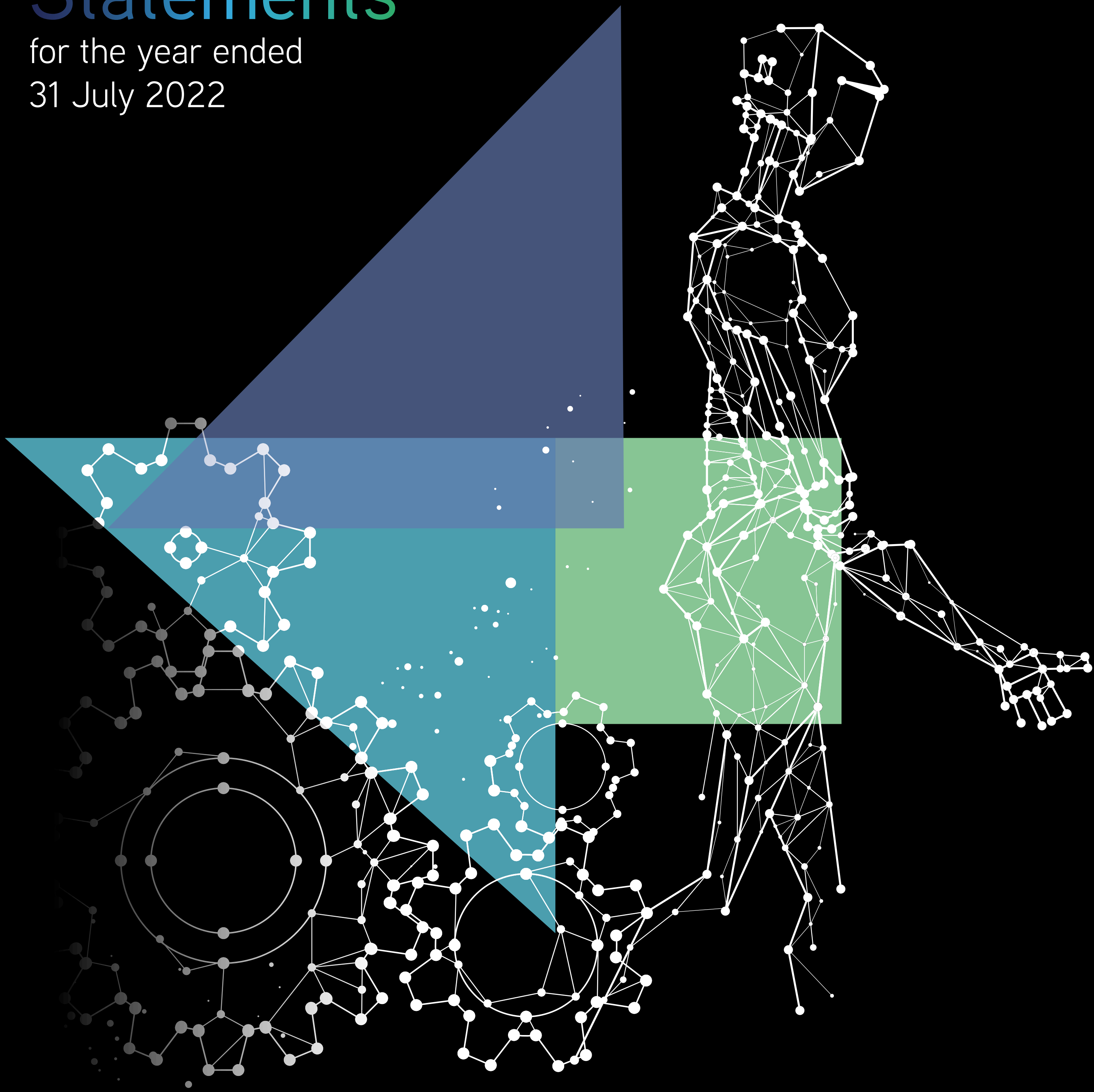
The above transactions are in line with EOH's stated strategic intent of selling non-core assets as it seeks to right-size the Group and deleverage its balance sheet. The cash consideration received by EOH will primarily be utilised to reduce debt with the remainder being utilised for the working capital requirements of the Group.

Deleveraging

Effective from 12 October 2022 the lenders have granted the Group consent in respect of the senior bridge facility originally payable on or before 1 April 2023. In terms of the consent granted, the repayment of this facility has been extended to 31 December 2023.

Separate Financial Statements

for the year ended
31 July 2022



Separate statement of profit or loss and other comprehensive income

For the year ended 31 July 2022

Figures in Rand thousand	Notes	2022	2021
Revenue	8	**222 737**	8 349
Investment income		**1**	17
Impairment of investment in subsidiaries	1	**—**	(45 646)
Reversal of impairment on loans to Group companies	2	**275 040**	2 071 575
Remeasurement of financial guarantee liability	6	**17 867**	71 472
Other operating (expenses)/income		**(1 810)**	206
Operating profit		**513 835**	2 105 973
Finance costs	2	**(2 338)**	—
Profit before taxation		**511 497**	2 105 973
Taxation	9	**(5)**	(5)
Profit for the year		**511 492**	2 105 968
Other comprehensive income			
Other comprehensive income		**—**	—
Total comprehensive income for the year		**511 492**	2 105 968

Separate statement of financial position

As at 31 July 2022

Figures in Rand thousand	Notes	2022	2021
Assets			
Non-current assets			
Investments in subsidiaries	1	**75 734**	42 802
Loans to Group companies	2	**2 859 887**	2 511 277
		2 935 621	2 554 079
Current assets			
Current taxation receivable		**1**	—
Cash and cash equivalents	3	**1**	370
		2	370
Total assets		**2 935 623**	2 554 449
Equity and liabilities			
Equity			
Stated capital	4	**4 834 704**	4 834 704
Other reserve	5	**517 554**	500 000
Accumulated losses		**(2 658 806)**	(3 170 298)
Total equity		**2 693 452**	2 164 406
Liabilities			
Current liabilities			
Financial guarantee liability	6	**12 038**	14 528
Loans from Group companies	2	**227 396**	370 619
Other payables	7	**2 737**	4 896
Total liabilities		**242 171**	390 043
Total equity and liabilities		**2 935 623**	2 554 449

Separate statement of changes in equity

For the year ended 31 July 2022

Figures in Rand thousand	Stated capital	Other reserve	Accumulated losses	Total equity
Balance at 1 August 2020	4 834 704	495 316	(5 276 266)	53 754
Total comprehensive income for the year	—	—	2 105 968	2 105 968
Share-based payments	—	4 684	—	4 684
Balance at 31 July 2021	4 834 704	500 000	(3 170 298)	2 164 406
Total comprehensive income for the year	**—**	**—**	**511 492**	**511 492**
Share-based payments	**—**	**17 554**	**—**	**17 554**
Balance at 31 July 2022	**4 834 704**	**517 554**	**(2 658 806)**	**2 693 452**
Notes	4	5		

Separate statement of cash flows

For the year ended 31 July 2022

Figures in Rand thousand	Notes	2022	2021
Cash (utilised)/generated from operations	10	**(3 957)**	141
Dividends received		**222 737**	—
Interest paid		**(2 338)**	—
Taxation paid		**(6)**	(5)
Net inflow from operating activities		**216 436**	136
Cash flows from investing activities			
Acquisition of shares in subsidiary		**—**	(42 930)
Net outflow from investing activities		**—**	(42 930)
Cash flow from financing activities			
Inflows from loans from Group companies		**229 068**	42 988
Outflows from loans from Group companies		**(445 873)**	—
Net (outflow)/inflow from financing activities		**(216 805)**	42 988
Net (decrease)/increase in cash and cash equivalents		**(369)**	194
Cash and cash equivalents at the beginning of the year		**370**	176
Cash and cash equivalents at the end of the year	3	**1**	370

1. Investments in subsidiaries

Investments in subsidiaries are carried at cost less any accumulated impairment. The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

Investments in subsidiaries are tested for impairment whenever events or changes in circumstances indicate that the asset may be impaired, and an impairment is recognised if the carrying amount exceeds the assets recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The recoverable amount of investments in subsidiaries classified as held for sale is based on fair value less costs of disposal. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

A transaction involving entities or businesses under common control is one in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the transaction, and that control is not transitory.

Common control accounting is applied to such transaction and assets and liabilities acquired are recognised at their carrying values with the difference between the acquisition value and the aggregate purchase consideration recognised in equity.

All the subsidiaries below are incorporated in South Africa.

	Effective interest		2022			2021		
Figures in Rand thousand	**2022 %**	2021 %	**Cost**	**Accumulated impairment**	**Carrying amount**	Cost	Accumulated impairment	Carrying amount
CA Southern Africa Proprietary Limited	**–**	100	**–**	**–**	**–**	15 055	–	15 055
iOCO Software Distribution Proprietary Limited	**–**	100	**–**	**–**	**–**	16 459	–	16 459
EOH Abantu Proprietary Limited	**–**	100	**–**	**–**	**–**	837 127	(837 127)	–
EOH Consulting Proprietary Limited	**–**	100	**–**	**–**	**–**	61 030	(61 030)	–
EOH International Proprietary Limited	**–**	100	**–**	**–**	**–**	140 468	(140 468)	–
EOH Investment Holdings Proprietary Limited	**–**	100	**–**	**–**	**–**	–	–	–
EOH Mthombo Proprietary Limited	**–**	100	**–**	**–**	**–**	1 425 903	(1 425 903)	–
iOCO Enterprise Application Proprietary Limited	**–**	100	**–**	**–**	**–**	9 972	–	9 972
Mthombo IT Services Proprietary Limited	**–**	100	**–**	**–**	**–**	43 157	(43 157)	–
NEXTEC Industrial Technologies Proprietary Limited	**–**	100	**–**	**–**	**–**	547 256	(547 256)	–
EOH Treasury Proprietary Limited	**–**	100	**–**	**–**	**–**	–	–	–
iOCO Holdings Proprietary Limited	**–**	100	**–**	**–**	**–**	1 316	–	1 316
NEXTEC Shared Services Proprietary Limited	**–**	100	**–**	**–**	**–**	43 939	(43 939)	–
V55 Investments Proprietary Limited	**–**	100	**–**	**–**	**–**	–	–	–
EOH Intermediate Holdco Proprietary Limited	**100**	–	**75 734**	**–**	**75 734**	–	–	–
			75 734	**–**	**75 734**	3 141 682	(3 098 880)	42 802
Trusts								
The EOH Share Trust	**100**	100	**–**	**–**	**–**	–	–	–
The Mthombo Trust	**100**	100	**–**	**–**	**–**	–	–	–

As a result of the amended and restated CTA terms, the Company has transferred its investments in subsidiaries to a wholly owned subsidiary within the Group, EOH Treasury Proprietary Limited. In terms of the amended structure within the Group, the Company now only holds 100% of EOH Intermediate HoldCo Proprietary Limited. Refer to note 1.2 of the consolidated financial statements for further detail on the amended and restated CTA terms. This transaction was accounted for as a transaction under common control with all assets and liabilities being transferred at their respective carrying values in an asset for share transaction whereby the Company obtained the shares in EOH Intermediate Holdco Proprietary Limited in exchange for investments held in a number of subsidiary companies.

1. Investments in subsidiaries continued

Impairment testing

The recoverable amount of the investment in EOH Intermediate Holdco Proprietary Limited is determined with reference to the future cash-generating ability of the underlying subsidiaries. The carrying amount of the investment was assessed for impairment using a number of indicators and subsequently compared to its recoverable amount, including the following:

- Comparing the carrying value of the investment to the net asset value of the underlying subsidiaries;
- Where the net asset value of the subsidiary was less than the carrying value of the investment, additional assessments were performed, including assessment of value-in-use calculations;
- The value-in-use calculations were performed on a sum-of-the-parts basis using the underlying cash-generating units ("CGUs") of the applicable subsidiaries;
- Budget and forecast earnings information was utilised as a primary indication of future recoverable amounts of each underlying CGU; and
- Where the above assessments were not applicable or available, the recoverable amount was determined using discounted cash flow models or other models appropriate to determine recoverable value.

In performing the impairment calculations in relation to the respective legal entities on a value-in-use basis, a post-tax discount rate was used in discounting the projected cash flows, depending on the nature of business and operating markets. Refer to note 5 of the consolidated financial statements for details on key assumptions used in the discounted cash flow projections.

Where the carrying value of the investment exceeded its recoverable amount, an impairment loss was recognised. No impairment charge was recognised in relation to the Company's investment in subsidiary in the current financial year (2021: R46 million). The full list of subsidiaries can be found at the Company's registered offices.

Prior year impairment

The 2021 impairment charge was mainly attributable to NEXTEC Shared Services Proprietary Limited (R43 million). The impairment was driven by a recapitalisation of NEXTEC Shared Services Proprietary Limited required for the subsidiary's solvency position. Based on management's assessment, the recoverable amount was Rnil and therefore a full impairment of the investment was recognised. The recoverable value was valued at Rnil after considering the expectation of losses being incurred in the budgeted and forecast periods.

2. Loans to/(from) Group companies

Refer to note 1 of the consolidated financial statements for the applicable accounting policy.

	2022			2021		
Subsidiaries *Figures in Rand thousand*	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**	Gross carrying amount	Loss allowance	Net carrying amount
EOH International Proprietary Limited	**142 680**	**(11 364)**	**131 316**	69 109	(17 035)	52 074
V55 Investments Proprietary Limited	**(34 734)**	**–**	**(34 734)**	(23 919)	–	(23 919)
EOH Abantu Proprietary Limited	**384 089**	**(20 795)**	**363 294**	384 090	(73 026)	311 064
EOH Consulting Proprietary Limited	**(91 011)**	**–**	**(91 011)**	(244 413)	–	(244 413)
EOH Treasury Proprietary Limited	**(69 158)**	**–**	**(69 158)**	(54 793)	–	(54 793)
The EOH Share Trust	**(32 493)**	**–**	**(32 493)**	(32 494)	–	(32 494)
EOH Mthombo Proprietary Limited	**2 658 735**	**(400 175)**	**2 258 560**	2 658 735	(596 882)	2 061 853
NEXTEC Industrial Technologies Proprietary Limited	**115 115**	**(8 398)**	**106 717**	115 115	(28 829)	86 286
iOCO Enterprise Application Proprietary Limited	**–**	**–**	**–**	(15 000)	–	(15 000)
	3 073 223	**(440 732)**	**2 632 491**	2 856 430	(715 772)	2 140 658

The loan payable to EOH Treasury Proprietary Limited incurs interest based on 1-month JIBAR + 320 basis points. The loan is unsecured and payable on demand. The interest incurred for the current financial year amounted to R2.3 million (2021: Rnil).

The Company has agreed, in terms of signed subordination agreements, to subordinate their loans against EOH Mthombo Proprietary Limited and EOH Abantu Proprietary Limited. The subordinations shall remain in force until such time as the assets of the Company, fairly valued, exceed its liabilities.

The remaining loans are unsecured, interest free and are payable on demand.

The movements in gross loans are primarily as a result of contractual rights being ceded to other parties or contractual obligations assumed by EOH Holdings Limited. In 2022, R155 million was repaid to CA Southern Proprietary Limited, R153 million was repaid to EOH Consulting Proprietary Limited, R44 million was repaid to EOH Treasury Proprietary Limited and R15 million was repaid to iOCO Enterprise Application Proprietary Limited. R155 million was received from CA Southern Proprietary Limited and R16 million was received from EOH Consulting Proprietary Limited in the current year. In 2021, a loan of R43 million was received from EOH Treasury Proprietary Limited.

2. Loans to/(from) Group companies continued

Reversal of impairment on loans to Group companies

Figures in Rand thousand	2022	2021
Reversal of impairment	**(275 040)**	(2 088 611)
Impairment losses	**–**	17 036
Net reversal of impairment on loans to Group companies	**(275 040)**	(2 071 575)
Refer to note 12 for details on the expected credit losses reversed on loans to Group companies.		
Non-current assets	**2 859 887**	2 511 277
Current liabilities	**(227 396)**	(370 619)
	2 632 491	2 140 658

3. Cash and cash equivalents

Refer to note 1 of the consolidated financial statements for the applicable accounting policy.

Figures in Rand thousand	2022	2021
Cash and cash equivalents consist of:		
Bank balances	**1**	370

4. Stated capital

Refer to note 1 of the consolidated financial statements for the applicable accounting policy.

Figures in Rand thousand	2022	2021
Stated capital	**4 834 704**	4 834 704
Authorised		
500 000 000 ordinary shares of no par value		
40 000 000 EOH A shares of no par value		

Figures in thousand	2022	2021
Issued		
Reconciliation of the number of shares in issue:		
Opening balance	**176 545**	176 545
Shares in issue at the end of the year	**176 545**	176 545
EOH A shares of no par value:		
Reconciliation of the number of shares in issue:		
Opening balance	**40 000**	40 000
Closing balance	**40 000**	40 000

Unissued

323 455 039 (2021: 323 455 039) unissued ordinary shares are under the control of directors in terms of the provisions of the Company's Memorandum of Incorporation; however, there is no authority to issue shares for cash. No shares held by the directors have been pledged as security or are subject to a guarantee collateral or other encumbrance.

5. Other reserve

Refer to note 1 of the consolidated financial statements for the applicable accounting policy.

Figures in Rand thousand	2022	2021
Share-based payments reserve	**517 554**	500 000

6. Financial guarantee liability

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contracts issued by the Company are initially measured at their fair values and are subsequently measured at the higher of:

- the expected credit loss ("ECL") in accordance with IFRS 9; or
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with IFRS 15.

The ECL is a probability weighted estimate of credit losses (the cash shortfalls) over the expected life of the guarantee. Accordingly, the cash shortfalls are the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Company expects to receive from the holder, debtor or any other party. Where guarantees in relation to loans to related parties are provided for no compensation, the fair values are accounted for as capital contributions and recognised as part of the cost of the investment.

The valuation of the financial guarantee liability includes assumptions on credit default rates, credit risks, and ECLs. The determination of ECL includes estimates relating to the probability of a default by the borrower and the resultant loss to the guarantor. Refer to note 12 for further detail on ECL model and fair valuation for financial guarantees.

Figures in Rand thousand	**2022**	2021
Reconciliation of financial guarantee liability		
Balance at the beginning of the year	**14 528**	86 000
Financial guarantee derecognised*	**(14 528)**	–
Financial guarantee recognised	**15 377**	–
Remeasurement of financial guarantee liability*	**(3 339)**	(71 472)
	12 038	14 528

* *These amounts comprise the remeasurement of financial guarantee liability in the separate statement of profit or loss and other comprehensive income.*

The Company has issued financial guarantees to certain lenders in terms of which the Company would be liable to the lenders to the extent that the companies in the EOH Group, to which the funding has been provided, fail to make payments when due in accordance with the terms of the loan agreements.

A restructure of the debt was undertaken with the lenders and effected from 1 April 2022. As a result of this, EOH Mthombo Proprietary Limited was legally released from its contractual obligations to the lenders and EOH Treasury Proprietary Limited has become the holder of the restructured debt. As a result, the original financial guarantee liability was extinguished and derecognised and a new financial guarantee liability amounting to R15 million was recognised under the terms of the restructured debt of EOH Treasury Proprietary Limited.

7. Other payables

Refer to note 1 of the consolidated financial statements for the applicable accounting policy.

Figures in Rand thousand	**2022**	2021
Financial instruments	**2 625**	4 812
Other payables	**2 625**	4 812
Non-financial instruments	**112**	84
VAT payable	**–**	84
Accrued expenses	**112**	–
	2 737	4 896

8. Revenue

Revenue comprises dividend income.

Dividend income from investments is recognised as revenue in profit or loss when the right to receive payment is established. Dividend income does not flow from contracts with customers and is therefore not in the scope of IFRS 15 *Revenue from Contracts with Customers.*

Figures in Rand thousand	**2022**	2021
Dividends received	**222 737**	8 349

9. Taxation

Refer to note 1 of the consolidated financial statements for the applicable accounting policy.

Figures in Rand thousand	**2022**	2021
Current taxation		
Local income taxation – current year	**(5)**	(5)
	(5)	(5)

Reconciliation of rate of taxation	**2022**	2021
South African normal rate of taxation	**28**	28
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Exempt income – dividends received	**(12.19)**	(0.11)
Exempt income – financial guarantee liability derecognised	**(0.98)**	(0.95)
Non-deductible expenses – impairment loss of investments	**–**	0.61
Reversal of impairment of loans to Group companies	**(14.83)**	(27.54)
	–	–

10. Cash generated from operations

Figures in Rand thousand	**2022**	2021
Profit before taxation	**511 497**	2 105 973
Adjustments for:		
Cash dividend received	**(222 737)**	–
Non-cash dividend received	**–**	(8 349)
Other non-cash items	**13**	319
Reversal of impairment on loans to Group companies	**(275 040)**	(2 071 575)
Impairment of investments in subsidiaries	**–**	45 646
Finance cost	**2 338**	–
Remeasurement of financial guarantee liability	**(17 867)**	(71 472)
Cash (utilised)/generated before changes in working capital	**(1 796)**	542
Working capital changes	**(2 161)**	(401)
Decrease in other receivables	**–**	481
Decrease in other payables	**(2 161)**	(882)
Cash (utilised)/generated from operations	**(3 957)**	141

11. Related-party transactions

The Company entered into various transactions with related parties.

Loans to/from related parties are disclosed in note 2 – Loans to/(from) Group companies.

Financial guarantee liability is disclosed in note 6 – Financial guarantee liability.

Directors remuneration is disclosed in note 34 of the consolidated financial statements.

Figures in Rand thousand	**2022**	2021
Transactions with subsidiaries		
Dividend received – Mthombo IT Services Proprietary Limited	**–**	8 349
Dividend received – iOCO Software Distribution Proprietary Limited	**19 674**	–
Dividend received – CA Southern Africa Proprietary Limited	**155 000**	–
Dividend received – iOCO Enterprise Application Proprietary Limited	**8 363**	–
Dividend received – iOCO Holdings Proprietary Limited	**15 000**	–
Dividend received – EOH Treasury Proprietary Limited	**9 000**	
Dividend received – EOH Intermediate Holdco Proprietary Limited	**15 700**	–
	222 737	8 349

12. Financial assets and financial liabilities

Financial risk management and fair value disclosures

Refer to note 37 of the consolidated financial statements for the applicable risk management information.

The Company's normal operations expose it to the following financial risks from its use of financial instruments:
- Capital risk;
- Liquidity risk; and
- Credit risk.

There is no significant exposure to interest rate and currency risk.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities at 31 July 2022:

	Carrying amount		
Figures in Rand thousand	Mandatorily at FVTPL	Amortised cost	Total
Financial assets			
Cash and cash equivalents	–	1	1
Loans to Group companies	–	2 859 887	2 859 887
Financial liabilities			
Other payables	–	2 625	2 625
Loans from Group companies	–	227 396	227 396
Financial guarantee liability	12 038	–	12 038

The following table shows the carrying amounts and fair values of financial assets and financial liabilities at 31 July 2021:

	Carrying amount		
Figures in Rand thousand	Mandatorily at FVTPL	Amortised cost	Total
Financial assets			
Cash and cash equivalents	–	370	370
Loans to Group companies	–	2 511 277	2 511 277
Financial liabilities			
Other payables	–	4 812	4 812
Loans from Group companies	–	370 619	370 619
Financial guarantee liability	14 528	–	14 528

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

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

The carrying values of loans to/(from) Group companies approximate their fair values as these loans are payable on demand.

Fair value measurement

The financial guarantee liability is categorised as a level 3 fair value instrument.

The fair value of the financial guarantee liability on initial recognition is determined using valuation techniques that require management to make certain assumptions about the model inputs, which include the probability of default, exposure at default and loss given default rates. Refer to the expected credit loss model for financial guarantees below.

Capital risk management

The Company'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 Company, 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:

	2022	2021
Total debt (R'000)	242 171	390 043
Total equity (R'000)	2 693 452	2 164 406
Debt to equity (%)	9.0%	18.0%

12. Financial assets and financial liabilities continued

Liquidity risk

Refer to note 37 of the consolidated financial statements for an explanation on liquidity risk and how it is managed.

It has been determined that the Company is solvent as at 31 July 2022. While the Company's current liabilities exceed its current assets by R242 million, R227 million of the current liabilities relate to loans from Group companies which are repayable on demand. Should these loans from Group companies be called upon, the Company has access to loans to Group companies that are also repayable on demand, and which the Company can call on in order to settle payables that may become due, if required. The Company's intention, however, remains not to call on the loans to Group companies within the next 12 months, and as a result these loans to Group companies remain classified as non-current at the reporting date. The remaining R12 million is in respect of the financial guarantee liability. Refer to note 1.2 of the consolidated financial statements for an assessment of going concern.

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

Figures in Rand thousand	Less than 1 year
At 31 July 2022	
Loans from Group companies	**227 396**
Financial guarantee liability	**1 310 502**
Other payables	**2 625**
At 31 July 2021	
Loans from Group companies	370 619
Financial guarantee liability	2 061 000
Other payables	4 812

The total value of debt being guaranteed for EOH Treasury Proprietary Limited (2021: EOH Mthombo Proprietary Limited) is shown above, being the maximum exposure to liquidity risk. The Company recognised a financial guarantee liability amount of R12 million (2021: R15 million).

Credit risk

Expected credit loss ("ECL") model for financial guarantees

The allowance accounts for credit losses are determined with reference to the following:

- Stage 1: 12-month ECLs for those financial guarantees where there has not been a significant increase in credit risk since recognition;
- Stage 2: Lifetime ECLs for those financial guarantees where there has been a significant increase in credit risk on a collective basis; and
- Stage 3: Lifetime ECLs for all credit-impaired financial guarantees.

Calculations were performed in determining the day one fair value, amortised to reporting date, calculated in line with the principles of IFRS 13 and reporting date ECL. The guaranteed loan facilities were assessed to be in Stage 2.

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amounts of financial assets represent the maximum credit exposure. The Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

A significant increase in credit risk considers the impact of forward-looking economic information that is readily available. Management has applied the below-mentioned assumptions, judgements and estimates in developing the ECL model. Probability of default was determined as a key input using the Merton model method with the Company's listed share price movements over the period. Financial guarantees are assessed for ECLs on a specific basis, taking into account the respective financial positions and performance of other companies within the EOH Group. Refer to note 6 for the remeasurement of financial guarantee liability.

Guarantee exposure

The Group has agreed modified payment terms on outstanding loan facilities with the relevant financial institutions. These updated cash flow profiles have been considered in the balance rundown for purposes of the ECL measurement on the financial guarantee liability.

Risk of default and credit loss was assessed by forecasting various cash flow scenarios and assigning reasonable probabilities to the various outcomes. This was used to calculate a probability weighted expectation of credit loss which was taken into account in the calculation of the ECLs pertaining to the financial guarantee liability. A large number of scenarios were considered when determining probability of default and the related correlations thereto.

A loss given default ("LGD") and recovery rate were used in the ECL models that is in line with standard market practice.

ECL model for loans to Group companies

The allowance accounts for credit losses and is determined with reference to the following:

- Stage 1: 12-month ECLs for those loans to Group companies where there has not been a significant increase in credit risk since recognition;
- Stage 2: Lifetime ECLs for those loans to Group companies where there has been a significant increase in credit risk on a collective basis; and
- Stage 3: Lifetime ECLs for all credit-impaired loans to Group companies.

12. Financial assets and financial liabilities continued

Credit risk continued

ECL model for loans to Group companies continued

Loans to Group companies are very specific assets and were assessed on a forward-looking basis individually for ECLs, using the general approach under IFRS 9. The ECL assessment considers forecast cash flows and the expected financial position of individual counterparties. Management evaluates the credit worthiness of counterparties on an ongoing basis, taking into account their financial position, past experience, subordination agreements, including dividend expected to be received and other relevant factors that may indicate whether there is a significant increase in credit risk. Loans to Group companies are considered to be in Stage 2.

Management effectively considered three scenarios in line with the guidance provided in IFRS 9 on possible repayment of these loans, assuming the loans would be called upon at year end.

Each ECL was prepared as a cash flow forecast on the assumption that loans were called at period end due to them being repayable on demand.

Typically three scenarios were reviewed within each ECL:

- A best-case scenario which typically was weighted in line with what would have been expected taking into account historic performance trend lines and related analysis. This would have also been impacted by any specific turnaround or plans for the entity which would impact its forward trajectory;
- A base-case scenario which would have been weighted in line with the above. This would have typically involved some form of sensitivity being applied over the cash flow scenario in order to moderate any forecast growth or other expectations in the ECL; and
- A worst-case scenario in which downside assumptions were applied to the extent deemed acceptable and weighted accordingly.

A significant increase in credit risk considers the impact of forward-looking economic information that is readily available, including any future turnaround plans, forecast cash flows and anticipated growth. Management has applied the above-mentioned assumptions, judgements and estimates in developing the ECL model. Loans to Group companies are assessed for ECLs on a specific basis taking into account the respective financial positions and performance of other companies within the EOH Group. The decrease in ECLs has been driven by the individual assessment of the counterparties ability to pay amounts due. The current year ECL assessment has shown an improvement in expected forecast cash flows and financial positions of the relevant counterparties and therefore a reversal of the provision for ECLs has been recognised.

Over and above this, there were specific adjustments made to the outcome of the ECL assessments to reflect any additional level conservatism to account for additional worst-case scenarios. This was also linked to the impairment in investments exercise that considered which loans would not be repaid and were subsequently provided for to align the two assessments.

Inputs into the ECL model ranged from the budget income statement to a forecast cash flow. The budget income statement was sensitised and haircuts were applied to account for any sensitivities necessary. The income statement results were then applied to the balance sheet which impacted the ECL recognised for each of the loans.

Each scenario is assigned a probability and an ECL amount was determined based on the portion of the loan that could not be repaid in each scenario (probability weighted).

Figures in Rand thousand	**2022**	2021
Loans to Group companies	**2 859 887**	2 511 277
Cash and cash equivalents	**1**	370
Impairment losses recognised in profit or loss were as follows:		
Reversal of impairment on loans to Group companies	**(275 040)**	(2 071 575)

Cash and cash equivalents are regarded as having a low probability of default and therefore the related ECL is deemed to be insignificant.

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

Movement in impairment provision for loans to Group companies:

Figures in Rand thousand	**2022**	2021
Balance at the beginning of the year	**715 772**	2 787 347
Reversal of impairment on loans to Group companies	**(275 040)**	(2 071 575)
Balance at the end of the year	**440 732**	715 772
Gross loans to Group companies	**3 300 619**	3 227 049
Loss allowance	**(440 732)**	(715 772)
Loans to Group companies net of loss allowance	**2 859 887**	2 511 277

Interest rate risk

Refer to note 37 of the consolidated financial statements for an explanation on interest rate risk and how it is managed.

The Company's interest rate risk arises mainly from loan payable to EOH Treasury Proprietary Limited. Refer to note 2 for further details. At 31 July 2022, if the interest rate had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been R0.3 million lower/higher.

Annexure 1 – Shareholders' analysis

	2022				2021			
	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
Analysis of shareholdings								
Holdings								
1 – 10 000	12 484	91.24	12 692 087	7.19	12 266	91.28	13 401 934	7.59
10 001 – 50 000	873	6.38	19 815 274	11.22	858	6.39	19 866 340	11.25
50 001 – 100 000	153	1.12	11 057 986	6.26	151	1.12	10 819 230	6.13
100 001 – 1 000 000	146	1.06	39 024 788	22.11	140	1.04	38 331 215	21.71
1 000 001 and more	27	0.20	93 954 826	53.22	23	0.17	94 126 242	53.32
	13 683	100	176 544 961	100	13 438	100	176 544 961	100
Shareholder categories								
Banks	10	0.07	10 402 562	5.89	36	0.27	15 596 005	8.83
Close corporations	54	0.39	988 049	0.56	73	0.54	1 011 316	0.57
Empowerment	2	0.01	23 062 458	13.06	2	0.02	23 062 458	13.06
Endowment funds	9	0.07	467 411	0.26	22	0.16	217 232	0.12
Individuals	12 835	93.80	51 793 582	29.34	12 416	92.39	47 956 425	27.17
Insurance companies	74	0.54	3 093 851	1.75	53	0.39	1 196 686	0.68
Investment companies	28	0.20	303 040	0.17	1	0.01	14 600	0.01
Medical schemes	3	0.02	880 236	0.50	2	0.02	437 146	0.25
Mutual funds	36	0.26	24 338 906	13.79	43	0.32	33 800 929	19.15
Other corporations	25	0.18	6 726 300	3.81	34	0.25	30 337	0.02
Own holdings (treasury shares)	2	0.01	5 445 661	3.08	2	0.02	5 445 661	3.09
Private companies	207	1.51	7 388 566	4.19	254	1.89	8 002 418	4.53
Public companies	4	0.03	494 793	0.28	5	0.04	128 750	0.07
Retirement funds	31	0.23	24 459 977	13.85	31	0.23	28 978 219	16.41
Trusts (including EOH share trusts)	363	2.68	16 699 569	9.47	464	3.45	10 666 779	6.04
	13 683	100	176 544 961	100	13 438	100	176 544 961	100

Major shareholders

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

	31 July 2022		31 July 2021	
	Number of shares	%	Number of shares	%
Alexander Forbes Investments	–	–	6 765 621	3.83
EOH treasury shares – V55 Investments Proprietary Limited	5 445 661	3.08	5 445 661	3.08
Fidelity	7 057 888	4.00	7 506 693	4.25
Foord Asset Management	9 547 398	5.41	10 689 240	6.05
HSBC Private Bank Suisse Omnibus Client	8 100 022	4.59	–	–
Lebashe Investment Group	23 062 458	13.06	23 062 458	13.06
Metal Industries Benefit Funds Administrators	13 472 202	7.63	19 463 488	11.02
Standard Bank	–	–	5 378 893	3.05
	66 685 629	37.77	78 312 054	44.34

* *Government Employee Pension Fund holding decreased to 2.42% as at 31 July 2022.*

Annexure 1 – Shareholders' analysis *continued*

Shareholder spread

	31 July 2022		31 July 2021	
	Number of shares	**%**	Number of shares	%
Shareholder spread				
Public shareholders	**145 413 629**	**82.37**	145 413 629	82.37
Non-public shareholders	**31 131 332**	**17.63**	31 131 332	17.63
Directors, associates and management of the Company	**281 705**	**0.16**	281 705	0.16
Strategic holdings	**23 062 458**	**13.06**	23 062 458	13.06
EOH share trusts	**2 341 508**	**1.33**	2 341 508	1.33
EOH treasury shares – V55 Investments Proprietary Limited	**5 445 661**	**3.08**	5 445 661	3.08
	176 544 961	**100**	176 544 961	100
Shares in issue				
Total number in issue	**176 544 961**		176 544 961	
Share trusts	**(2 341 508)**		(2 341 508)	
EOH treasury shares – V55 Investments Proprietary Limited	**(5 445 661)**		(5 445 661)	
Effective number of shares in issue	**168 757 792**		168 757 792	

Annexure 2 – Shareholders' diary

Financial year end	31 July 2022
Annual general meeting	Tuesday, 13 December 2022
Reports	
Announcement of annual results for the year ended 31 July 2022	Wednesday, 26 October 2022
Availability of the Annual Integrated Report for the year ended 31 July 2022	Wednesday, 26 October 2022

Annexure 3 – Glossary

FINANCIAL	
Adjusted EBITDA	Profit/loss before depreciation, amortisation, share-based payments, gain/loss on disposal of subsidiaries and associates, impairments of non-financial assets, loss on disposal of assets, changes in fair value of vendors for acquisition liability, interest income, interest expense, corporate overheads and current and deferred tax.
Earnings per share	Net profit/(loss) for the year attributable to the owners of EOH Holdings Limited divided by the weighted average number of ordinary shares in issue during the year.
Headline earnings	Net profit for the year adjusted for profit/loss on sale of property, plant and equipment, investments and impairment losses on non-financial assets.
Headline earnings per share	Headline earnings divided by the weighted average number of ordinary shares in issue during the year.

Annexure 4 – Corporate information

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

Directorate
Non-executive
Andrew Mthembu (Chairman)
Andrew Marshall
Bharti Harie
Jabu Moleketi*
Jesmane Boggenpoel
Mike Bosman
Nosipho Molope
Sipho Ngidi
* *Non-independent, non-executive director*

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

Company Secretary
Thiroshnee Naidoo (resigned 31 July 2022)
Neill O'Brien (interim appointment 1 October 2022)

Registered address
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4 Lisbon Lane, Waterfall City, Jukskei View, 2090

Sponsor
Java Capital Trustees and Sponsors Proprietary Limited
(Registration number 2006/005780/07)
6th Floor, 1 Park Lane
Wierda Valley,
Sandton, 2196
(PO Box 522606, Saxonwold, 2132)

Transfer secretaries
Computershare Investor Services Proprietary Limited
(Registration number: 2004/003647/07)
Rosebank Towers
15 Biermann Avenue, Rosebank, Johannesburg, 2196
(Private Bag X9000, Saxonwold, 2132)

EOH

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