EOH

Technology makes it possible...
People make it happen

Unaudited condensed consolidated results

for the six months ended 31 January 2019

About EOH

EOH is the largest technology services company in Africa and has a wide range of solutions in Industry Consulting, IT Services, Software, Industrial Technologies and Business Process Outsourcing.

EOH's 11 000 staff members deliver these services to over 2 500 large enterprise customers across all major industries throughout South Africa, Africa and the Middle East.

EOH is present in 134 locations in South Africa, and has a growing international footprint with 30 points of presence.

As a proudly South African business, EOH is committed to sustainable transformation, making a positive, meaningful contribution to society, and is a Level 1 Broad-based Black Economic Empowerment (BBBEE) contributor.

The EOH Purpose

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

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

Key financial indicators

Normalised revenue
R8 194 million

(R8 193 million)*

Available cash of
R957 million

(R1 418 million)

Normalised EBITDA
R387 million

(R1 088 million)*

Net asset value
R4 574 million

(R7 462 million)**

Market capitalisation
R1 855 million***

* *Restated comparatives for the period ended 31 January 2018 (refer to operating segments for further details).*

** *Restated comparatives for the year ended 31 July 2018 (refer to note 5 – Restatement of financial statements for the impact of errors on profit or loss and assets and liabilities).*

*** *At 11 April 2019.*

Commentary

"We are committed to building a sustainable, agile and competitive business. This includes preserving the future of our business, the country and the futures of a significant number of honest and hardworking EOH people" Stephen van Coller, CEO.

Salient features

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

- EOH remains an integral technology partner for major South African corporates as well as key metros and government departments.
- New leadership appointed which has:
  - initiated a significant internal governance review and undertaken remedial action; and
  - conducted an extensive group-wide strategic and balance sheet review.
- Meaningful progress made towards addressing legacy governance issues, future-proofing the business and aligning financial performance.

Key financial indicators

- Normalised revenue – R8 194 million (R8 193 million)*
- Normalised EBITDA – R387 million (R1 088 million)*
- Available cash of R957 million (R1 418 million)
- Net asset value of R4 574 million*.

** Restated (refer to note 5 and the operating segments).*

Context

The period under review marks the dawn of a new era for EOH. The appointment of key executive team members, including a new Group CEO and CFO, a revitalised strategic intent and transparent approach have greatly assisted the Group in navigating its way through the challenges to date and to set the direction for the future.

An extensive Group-wide strategic review identified the need to refocus the businesses, including the identification and ultimate elevation of the IP businesses. Meaningful progress has been made on implementing this as well as towards addressing legacy governance issues, future-proofing the business and aligning strategic and financial performance. While much of the execution to create focus and additional liquidity is yet to be concluded, EOH is well positioned to commence the process.

The Group remains committed to ethical leadership and robust and transparent governance practices. EOH has a zero-tolerance approach to unethical or fraudulent business practices and is committed to

removing any such activities in a responsible and effective manner. The building of a sustainable, agile and competitive EOH includes preserving the future of the business, the country and the jobs of the talented and hardworking people at EOH. A turnaround of EOH is imperative for driving South Africa's fourth industrial revolution.

EOH is supported by the leading talent in the technology industry. It remains an imperative to ensure that the conduct of a few individuals, who may have been implicated in any wrongdoing, does not taint the 11 000 strong committed workforce.

EOH has been in ongoing communication with clients and feedback has overwhelmingly been that their relationships with EOH are long term in nature and that the service they continue to receive is of the highest standards.

Notwithstanding the ongoing challenges, from a financial perspective:

- Revenue remains stable at R8 428 million and operating costs remain flat, after the removal of once-off items;
- Normalised EBITDA from continuing operations for H1 2019 is R387 million;
- The net asset value of the Group is R4 574 million, including cash of R957 million as at 31 January 2019; and
- The net asset value of the Group remains substantially above the market capitalisation of R1 855 million.

Building the EOH of the future

These last six months, including events post-period end, have been extremely challenging for the Group.

In addition to difficult trading conditions, EOH has been the subject of ongoing governance allegations, compounded by Microsoft cancelling its Channel Partner Agreement. This has accelerated shareholder value destruction and raised further questions about historic governance practices.

With assistance from professional advisory firms, management has instituted a full assessment in terms of the Group's compliance, governance and capital structures.

(i) Skilled and experienced executives in place to drive change

The leadership team of the Group has been bolstered by the appointment of skilled and experienced executives appointed to drive change. These include:

- Stephen van Coller, Group Chief Executive (started 1 September 2018);
- Megan Pydigadu, Chief Financial Officer (started 15 January 2019);
- Lufuno Nevhutalu, Executive Head for Public Sector in the ICT business (assumed new role 15 March 2019);
- Fatima Newman, Group Chief Commercial Officer (started 8 April 2019); and
- Debbie Millar, Treasury and Investor Relations (started 15 November 2018).

Additionally, the Group has retained the leading talent in the technology industry who are driven to provide globally best-in-breed technology platforms and services.

EOH is evolving to ensure fully King IV™* compliant and aligned boards, both at the operating company level as well as at the corporate holding company level. At a holding company level these include the appointment of two highly qualified and experienced independent non-executive Board members, Ismail Mamoojee and Jesmane Boggenpoel. Asher Bohbot, founder, non-executive Chairman and CEO for 19 years, and Rob Sporen, founding member of EOH and non-executive director have resigned, to assist with King Code Compliance in terms of Director independence. A process to appoint an independent Chairman and further independent Board members is under way at both a Group and operational unit level.

(ii) Reorganisation to ensure core businesses remain competitive

The Group has recently refined its operational structure into four distinct operating units to allow for leaner and more agile core businesses with separate capital and governance structures. Each Group business will be accountable for their own governance as well as risk and compliance, with oversight by their respective boards. These board appointments are expected to be concluded by 31 May 2019.

Rothschild & Co, the international investment bank, is working closely with the Group to assist in reorganising the business for enhanced growth and customer value. Rothschild & Co's experience will add immense impetus to the reorganisation process.

(iii) Governance

EOH's work to build a sustainable business that is untainted by unethical practices continues.

The EOH leadership team, with assistance from legal advisers, ENSafrica, are well progressed in tightening the Group's governance structures and in implementing a new, streamlined bid approval process. A variety of governance tools, processes and initiatives are being implemented, aimed at ensuring that any instances of wrongdoing within the Group are identified and removed. ENSafrica has been spearheading the current investigations which are expected to be concluded by 31 May 2019. As part of this process, obligations to report irregularities under various Acts will be fulfilled as required. One such report has already been filed.

ENSafrica's work to date has included:

Large public sector investigations – The challenges presented by the EOH public sector business over the last few years have provided sobering lessons about the importance of stricter governance and compliance processes. Existing public sector contracts have been ring-fenced to allow for focused governance and control and the Group has embarked on a radically different approach to mitigating risk in this area. ENSafrica is currently performing a prioritised investigation and accounting investigation into four large public sector transactions.

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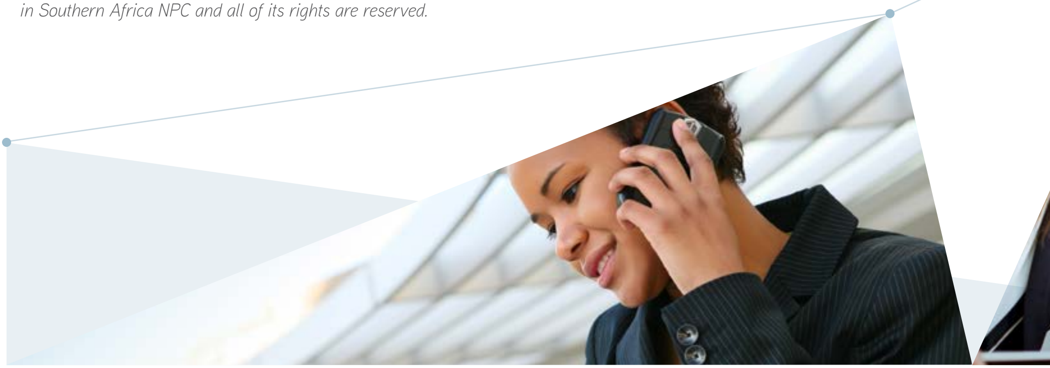


Furthermore, EOH has been conducting ongoing internal investigations and co-operating with relevant authorities as EOH address certain activities that may have tainted a very small minority of its business contracts over the past few years.

Enhanced risk and compliance governance framework update – Management has also been working together with the University of Stellenbosch School of Business to play a supporting role in respect of additional initiatives to assist in improving governance, managing risk and restoring trust in the EOH brand. A new Code of Conduct and Anti-Bribery and Corruption Policy has been rolled out across the Group. The Group is also in the process of becoming ISO 37001 compliant.

(iv) Building a more appropriate capital structure

The Group has historically raised the vast majority of its funding centrally, while permitting the separate legal entities to manage their own cash and without a corporate treasury function.

A process to simplifying the operational structure is currently under way and will better enable a more efficient capital structure that is less dependent on cash balances but consequently also less dependent on such large funding facilities. To retain the debt quality, the lower anticipated longer-term sustainable EBITDA will also require a lower level of debt. Deleveraging is anticipated to take place primarily from the sale of non-core assets, following the strategic refocus, and identified assets selling a portion to strategic partners. Total expected proceeds from the sale of assets over the next three to 12 months are R1 billion, which will be applied against gross borrowing.

Ultimately, each of the two anticipated remaining operating units and each individually owned IP-based business will be individually leveraged based on their respective needs and capacity.

The corporatising of the working capital management cycle, including credit control, centralised procurement and property management is also anticipated to significantly improve these metrics as well as reduce targeted operating overhead costs. Releasing cash out of debtors is a key priority and a target of releasing R1 billion over the next 12 to 18 months has been set.

Ongoing committment

EOH is a business powered by its purpose to provide technology, skills and organisational ability which are critical to the development and growth of the markets served. The Group remains an ethical, relevant force for good and will continue to play a positive role in society, beyond business as normal.

Commentary continued

EOH is encouraged by the active support of its clients, technology partners and employees to help build the EOH of the future. The Group's commitment to ethical leadership and robust and transparent business practices has been reaffirmed and includes preserving the sustainability of the business and the jobs of 11 000 committed people.

Business performance

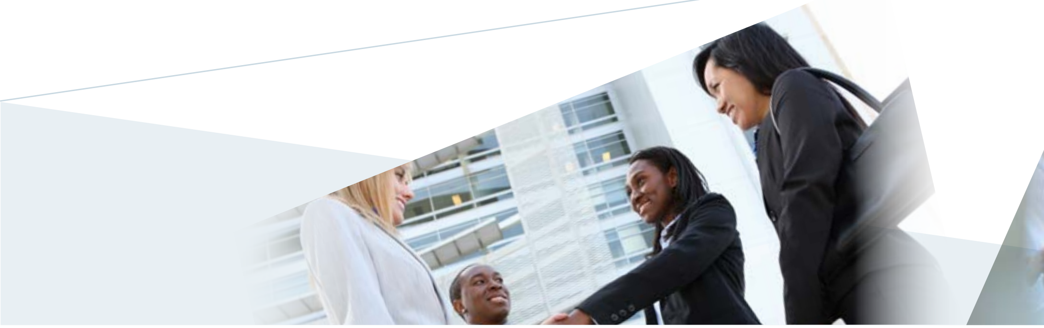
The combination of a continued, stressed macro-economic environment and close out of discontinuing projects, combined with the poor performance from the Middle East and Africa Enterprise Resource Planning ('ERP') business have negatively affected the results for the six months ended 31 January 2019.

EOH's revenue from operations remained stable at R8 428 million (2018: R8 354 million). Revenue has been under pressure in both the International ERP implementation business due to a slowdown in project awards and also a slowdown in the NEXTEC Industrial Engineering sector where there have been delays in the commencement of infrastructure projects.

Gross margin for the half year reduced from 32% to 20%. The impact on the margin from the prior year is as a result of continued losses on the close out of large multi-year public sector contracts and the closure of projects in the industrial technology area related to electrical infrastructure in the water space. Together this accounted for a 3.4% decline in margin. The International business in the Middle East also faced difficulties in project execution contributing to a 2.2% decline in the Group's margin. Sales mix contributed to a 1.8% decline in Group margin as a result of extraordinary hardware sales. The remaining decline in margin is as a result of margin pressure in the ICT business of 3.5% and then underperformance in the Water and Energy space resulting in a 1.1% decline.

Operating expenses increased by R2 148 million as a result of once-off items. Once these once-off items are excluded, operating expenses were flat. Once-off items include impairment of assets of R1 719 million, a R157 million IFRS 2 charge related to the Lebashe Holdco and its subsidiaries ('Lebashe') deal and R146 million on the disposal of the equity investment in Twenty Third Century Systems ('TTCS'). TTCS has previously been held as an equity investment. With effect from 17 January 2019 although the percentage holding in TTCS remained unchanged at 49%, EOH gained effective control of the board. This resulted in a disposal of TTCS as an equity investment and a subsequent acquisition of TTCS as a subsidiary.

Normalised EBITDA for the period amounted R387 million (2018: R1 088 million). The impact of the previously discussed once-off items and impacts on gross margin has resulted in a reduction in the profitability measures. Headline loss/earnings per share (HEPS) and loss/earnings per share (EPS) from continuing operations were 973 cents (2018: 314 cents) and 2 073 cents (2018: 320 cents), respectively.



Cash generated from operations after changes in working capital was R82 million (2018: R59 million).

As part of the half-year review, the balance sheet at 31 July 2018 was reviewed. Impairment indicators were re-evaluated related to the GCT Group receivable, resulting in a prior year adjustment of R124 million. TTCS was also reassessed which resulted in a prior year restatement of R542 million, due to impairments booked against the equity-accounted investment, loan receivable and trade receivable.

The Group has a positive net asset value of R4 574 million (2018: R7 462 million) with cash balances of R957 million (2018: R1 418 million).

EOH's R1 billion strategic BEE transaction advances

EOH and Lebashe entered into a landmark BEE transaction on 30 July 2018, making EOH one of the largest, majority black-owned technology companies in Africa.

On 11 December 2018, EOH shareholders were advised that, following receipt by EOH of R250 million from Lebashe pursuant to the Second Tranche of the Subscription Undertaking, a further 8 346 199 EOH ordinary shares were issued to Lebashe.

Lebashe now holds 62 760 193 EOH ordinary shares, amounting to 29.0% of the total votable EOH shares in issue and a further 40 million A shares.

EOH is certified as a Large Enterprise BBBEE Level 1 contributor.

Outlook

The Group expects the remainder of the 2019 financial year to be under pressure as a result of a slow-down in the economy, the delay of large infrastructure projects and the resultant Group reorganisation as a result of the new adopted strategy.

Approved on behalf of the Board of directors of EOH ('the Board').

Stephen van Coller
Chief Executive Officer

16 April 2019

Commentary continued

Operating segments

The reportable segments of the Group have been identified based on the nature of the business activities. This basis is representative of the internal structure of the Group for management purposes. As mentioned in the Group CEO's 100-day update on 11 December 2018, the current structure of the Group is being reviewed.

EOH ICT consists of EOH ICT operations in South Africa, EOH International and certain IP businesses. NEXTEC consists of Industrial Technologies, Business Process Outsourcing and certain IP businesses.

Corporate largely comprises head office expenses including salaries, advisor fees and JSE fees, among other costs.

Normalised revenue and EBITDA from continuing operations:

	Unaudited for the six months to 31 January 2019				Restated unaudited* for the six months to 31 January 2018			
Figures in Rand thousand	EOH ICT	NEXTEC	Corporate	Total	EOH ICT	NEXTEC	Corporate	Total
Revenue								
Revenue	4 634 899	3 793 381	–	8 428 280	4 863 718	3 489 888	–	8 353 606
Discontinuing	(62 441)	(171 662)	–	(234 103)	(161 094)	–	–	(161 094)
Normalised revenue	4 572 458	3 621 719	–	8 194 177	4 702 624	3 489 888	–	8 192 512
Gross profit	880 418	786 832	–	1 667 250	1 656 915	1 025 365	–	2 682 280
Discontinuing	126 946	157 500		284 446	1 303	–	–	1 303
Normalised gross profit	1 007 364	944 332	–	1 951 696	1 658 218	1 025 365	–	2 683 583
Normalised gross profit (%)	*22.0*	*26.1*	–	*23.8*	*35.3*	*29.4*	–	*32.8*
EBITDA**	(283 150)	(177 796)	(329 781)	(790 727)	649 267	386 853	(31 700)	1 004 420
Discontinuing	370 142	214 582	–	584 724	88 939	–	–	88 939
Once-off, cash normalisation adjustments	86 912	12 850	83 055	182 817	–	–	–	–
Non-cash normalisation adjustments	148 654	64 278	197 047	409 979	–	–	(5 180)	(5 180)
Normalised EBITDA	322 558	113 914	(49 679)	386 793	738 206	386 853	(36 880)	1 088 179
Normalised EBITDA (%)	*7.1*	*3.1*		*4.7*	*15.7*	*11.1*		*13.3*

* *Comparative figures previously reported have been amended to reflect continuing operations and segments prevailing during the period ended 31 January 2019.*

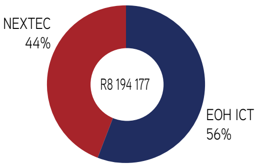
** *EBITDA is defined as continuing earnings before interest, tax, depreciation, amortisation, impairments, gains or losses on disposal of businesses and equity-accounted investments and includes profit or loss from equity-accounted investments.*

Normalised EBITDA is calculated after considering:

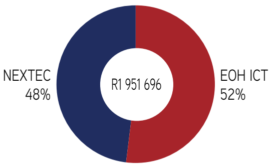
- Discontinuing businesses which have already been identified for closure as part of management's strategic review and includes the completion of the remaining large scale public sector ERP projects, as well as project and electrical infrastructure businesses in NEXTEC (predominantly operating in the water industry).
- Once-off cash normalisation adjustments predominantly comprise R86 million in licence stock, (written off in EOH ICT and EOH International) and once-off advisor fees of R36 million incurred in Corporate.
- Non-cash normalisation adjustments largely consist of the Lebashe IFRS 2 charge of R157 million in Corporate, specific IFRS 9 provisions of R184 million across NEXTEC and EOH ICT and specific IFRS 9 provisions of R40 million in Corporate (mainly related to the GCT receivable).

Unaudited for the six months to 31 January 2019

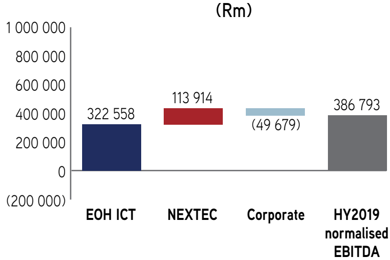
Normalised revenue



Normalised gross profit

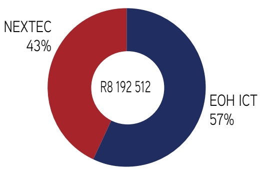


Normalised EBITDA (Rm)

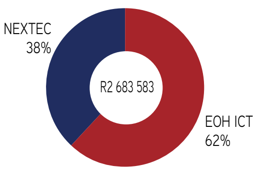


Restated unaudited for the six months to 31 January 2018

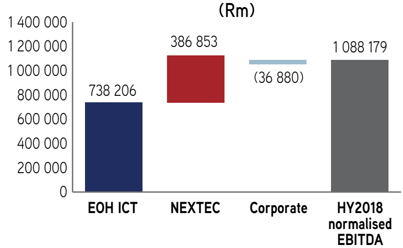
Normalised revenue



Normalised gross profit



Normalised EBITDA (Rm)

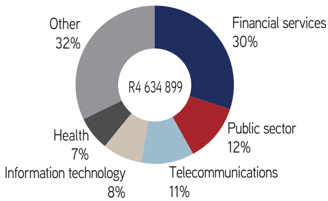


Revenue from continuing operations

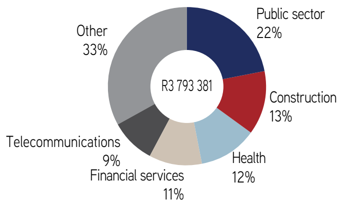
Unaudited for the six months to 31 January 2019

The following graphs illustrate the disaggregation of revenue by customer industry and by revenue type.

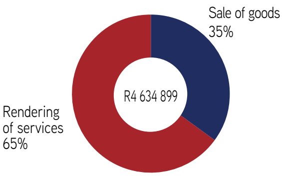
EOH ICT revenue by industry



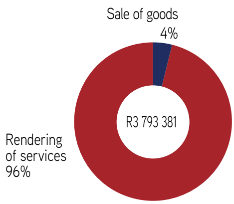
NEXTEC revenue by industry



EOH ICT segment revenue type

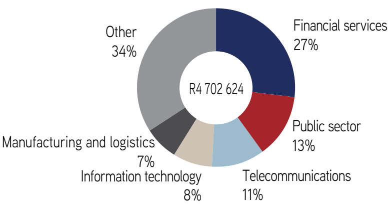


NEXTEC segment revenue type

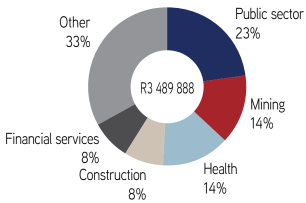


Restated unaudited* for the six months to 31 January 2018

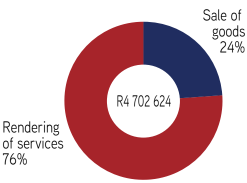
EOH ICT revenue by industry



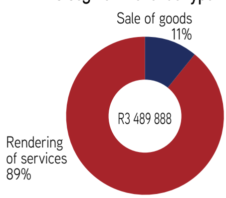
NEXTEC revenue by industry



EOH ICT segment revenue type



NEXTEC segment revenue type



* *Comparative figures previously reported have been amended to reflect continuing operations and segments prevailing during the period ended 31 January 2019.*

Condensed consolidated statement of profit or loss and other comprehensive income or loss

for the six months ended 31 January 2019

Figures in Rand thousand	Notes	Unaudited for the six months to 31 January 2019	Unaudited for the six months to 31 January 2018	Restated unaudited* 12 months to 31 July 2018
Continuing operations				
Revenue		8 428 280	8 353 606	16 341 024
Cost of sales		(6 761 030)	(5 671 326)	(11 523 643)
Gross profit		1 667 250	2 682 280	4 817 381
Net financial asset impairment losses		(513 986)	(14 524)	(557 483)
Operating expenses		(4 031 562)	(1 883 572)	(4 118 837)
Operating (loss)/profit before interest and equity-accounted (loss)/profit	14	(2 878 298)	784 184	141 061
Investment income		22 575	35 729	52 750
Share of equity-accounted (loss)/profit	8	(13 950)	6 371	48 223
Finance costs		(203 246)	(176 548)	(352 145)
(Loss)/profit before taxation		(3 072 919)	649 736	(110 111)
Taxation		(199 422)	(186 344)	(268 460)
(Loss)/profit for the period from continuing operations		(3 272 341)	463 392	(378 571)
Loss for the period from assets held for sale and discontinued operation	11	(41 194)	(392 450)	(392 450)
(Loss)/profit for the period		(3 313 535)	70 942	(771 021)
(Loss)/profit attributable to:				
Owners of EOH Holdings Limited		(3 304 029)	67 495	(767 812)
Non-controlling interest		(9 506)	3 447	(3 209)
		(3 313 535)	70 942	(771 021)
Other comprehensive income/(loss):				
Exchange differences on translating foreign operations (may be reclassified)		28 236	(152 600)	(48 317)
Total comprehensive loss for the period		(3 285 299)	(81 658)	(819 338)
Total comprehensive loss attributable to:				
Owners of EOH Holdings Limited		(3 283 119)	(83 871)	(813 095)
Non-controlling interest		(2 180)	2 213	(6 243)
		(3 285 299)	(81 658)	(819 338)
From continuing operations (cents)				
(Loss)/earnings per share		(2 073)	320	(260)
Diluted (loss)/earnings per share		(2 073)	310	(260)
Including discontinued operations (cents)				
(Loss)/earnings per share		(2 099)	47	(531)
Diluted (loss)/earnings per share		(2 099)	45	(531)

** Refer to note 5 – Restatement of financial statements for the impact on profit or loss.*

Headline earnings per share

for the six months ended 31 January 2019

Figures in Rand thousand	Unaudited for the six months to 31 January 2019	Unaudited for the six months to 31 January 2018	Restated unaudited* 12 months to 31 July 2018
(Loss)/profit attributable to owners of EOH Holdings Limited	(3 304 029)	67 495	(767 812)
Adjusted for:			
Loss on disposal of subsidiaries, equity-accounted investments and other assets	156 686	384 251	392 880
Impairment of goodwill	1 138 413	–	84 710
Impairment of other assets	580 984	–	327 140
Gain on bargain purchase	–	(7 988)	(7 528)
Total tax effects on adjustments	(134 546)	14 676	4 385
Headline earnings	(1 562 492)	458 434	33 775
From continuing operations			
Headline (loss)/earnings per share	(973)	314	18
Diluted headline (loss)/earnings per share	(973)	304	18
Including discontinued operations			
Headline (loss)/earnings per share	(993)	319	23
Diluted headline (loss)/earnings per share	(993)	309	23
Ordinary shares (in thousands)			
Total number of shares in issue	176 545	152 009	152 797
Weighted average number of shares in issue	157 384	143 765	144 597
Weighted average diluted number of shares in issue**	158 612	148 349	148 450

* *Refer to note 5 – Restatement of financial statements for the impact on earnings.*

** *The impact of shares to be issued to vendors, share options and EOH A shares has been included in the weighted average diluted number of shares. However, as they would be anti-dilutive for the period ended 31 January 2019 and the year ended 31 July 2018, the diluted loss per share and diluted headline loss per share has been calculated based on the weighted average number of shares in issue.*

Condensed consolidated statement of financial position

as at 31 January 2019

Figures in Rand thousand	Notes	Unaudited at 31 January 2019	Unaudited at 31 January 2018	Restated unaudited* at 31 July 2018
ASSETS				
Non-current assets				
Property, plant and equipment		745 823	683 249	742 983
Goodwill	6	3 185 719	4 335 125	4 255 281
Intangible assets	7	751 922	1 194 235	1 265 220
Equity-accounted investments	8	281 921	762 530	530 861
Other financial assets	9	146 006	477 952	534 561
Deferred taxation		222 718	294 341	327 270
Finance lease receivables		119 081	154 724	140 511
		5 453 190	7 902 156	7 796 687
Current assets				
Inventory		317 729	468 392	431 609
Other financial assets	9	225 123	406 118	205 692
Current taxation receivable		84 278	101 489	88 442
Finance lease receivables		59 418	66 978	63 307
Trade and other receivables	10	4 834 248	5 921 302	5 374 665
Assets held for sale	11	118 045	–	–
Cash and cash equivalents		957 106	1 301 951	1 418 319
		6 595 947	8 266 230	7 582 034
Total assets		12 049 137	16 168 386	15 378 721
EQUITY AND LIABILITIES				
Equity				
Equity attributable to the owners of EOH Holdings Limited**		4 853 171	8 221 402	7 433 851
Non-controlling interest		(278 692)	30 448	28 034
		4 574 479	8 251 850	7 461 885
Liabilities				
Non-current liabilities				
Other financial liabilities	12	2 143 395	3 115 042	3 208 415
Finance lease payables		45 613	65 550	56 388
Deferred taxation		243 249	450 142	388 042
		2 432 257	3 630 734	3 652 845
Current liabilities				
Other financial liabilities	12	1 109 045	1 317 710	895 581
Current taxation payable		175 193	149 446	149 830
Finance lease payables		40 904	38 815	35 360
Trade and other payables	13	3 450 960	2 324 260	2 760 283
Deferred income		266 299	455 571	422 937
		5 042 401	4 285 802	4 263 991
Total liabilities		7 474 658	7 916 536	7 916 836
Total equity and liabilities		12 049 137	16 168 386	15 378 721

* *Refer to note 5 – Restatement of financial statements for the impact on the affected assets and liabilities.*

** *In addition, refer to note 4 – Changes in accounting policies for the impact of the adoption of IFRS 9 and IFRS 15.*

Condensed consolidated statement of changes in equity

Figures in Rand thousand	Stated capital	Shares to be issued to vendors	Other reserves	Retained earnings	Total attributable to the owners of EOH	Non-controlling interest	Total equity
Audited balance at 1 August 2017	3 333 678	1 013 809	665 937	3 491 764	8 505 188	56 416	8 561 604
Profit for the six months				67 495	67 495	3 447	70 942
Other comprehensive loss for the six months			(151 366)		(151 366)	(1 234)	(152 600)
Issue of shares	162 950	(128 479)			34 471		34 471
Non-controlling interest acquired	1 000			(57 410)	(56 410)	(28 181)	(84 591)
Movement in treasury shares	(120 955)		670		(120 285)		(120 285)
Remaining shares to be issued to vendors		280 603			280 603		280 603
Consideration – EOH shares forfeited		(74 549)			(74 549)		(74 549)
Transfer within equity		(207 882)		207 882	–		–
Share-based payments			47 975		47 975		47 975
Dividends				(311 720)	(311 720)		(311 720)
Unaudited balance at 31 January 2018	3 376 673	883 502	563 216	3 398 011	8 221 402	30 448	8 251 850
Restated loss for the six months				(835 307)	(835 307)	(6 656)	(841 963)
Other comprehensive income for the six months			106 083		106 083	(1 800)	104 283
Issue of shares	56 801	(79 012)			(22 211)		(22 211)
Non-controlling interest acquired				(48 074)	(48 074)	6 042	(42 032)
Movement in treasury shares	9 749		(53 764)		(44 015)		(44 015)
Remaining shares to be issued to vendors		8 386			8 386		8 386
Transfer within equity		(2 901)		2 901	–		–
Share-based payments			47 587		47 587		47 587
Restated unaudited balance at 31 July 2018*	3 443 223	809 975	663 122	2 517 531	7 433 851	28 034	7 461 885
Loss for the six months				(3 304 029)	(3 304 029)	(9 506)	(3 313 535)
Other comprehensive income for the six months			20 910		20 910	7 326	28 236
Issue of shares	762 715	(43 380)			719 335		719 335
Non-controlling interest acquired						(300 448)	(300 448)
Movement in treasury shares	(9 824)		(2 205)		(12 029)		(12 029)
Transfer within equity		(67 661)		67 661	–		–
Opening balance adjustment relating to adoption of new accounting standards**				(205 692)	(205 692)	(4 098)	(209 790)
Share-based payments			43 380	157 445	200 825		200 825
Unaudited balance at 31 January 2019	4 196 114	698 934	725 207	(767 084)	4 853 171	(278 692)	4 574 479
Note	16						

* *Refer to note 5 – Restatement of financial statements for the impact on profit and loss and retained earnings.*
** *In addition, refer to note 4 – Changes in accounting policies for the impact of the adoption of IFRS 9 and IFRS 15.*

Condensed consolidated statement of cash flows

for the six months ended 31 January 2019

Figures in Rand thousand	Notes	Unaudited for the six months to 31 January 2019	Unaudited for the six months to 31 January 2018	Audited 12 months to 31 July 2018
Cash generated from operations	17	82 365	59 381	1 266 021
Investment income		22 591	34 163	51 184
Finance costs		(189 489)	(132 684)	(282 337)
Taxation paid		(166 987)	(207 486)	(369 688)
Net cash (outflow)/inflow from operating activities		(251 520)	(246 626)	665 180
Cash flows from investing activities				
Additions to property, plant and equipment		(107 731)	(88 649)	(261 518)
Proceeds on the sale of property, plant and equipment and intangible assets		13 779	35 193	63 020
Intangible assets acquired and developed		(97 917)	(124 509)	(336 591)
Net cash outflow from acquisition/ disposal of businesses		(1 281)	(16 767)	(61 452)
Cash inflow/(outflow) relating to other financial assets		117 894	(37 180)	(83 187)
Net cash outflow from investing activities		(75 256)	(231 912)	(679 728)
Cash flows from financing activities				
Proceeds from the issue of shares		720 282	7 769	10 248
Proceeds from other financial liabilities		300 790	504 401	502 849
Repayment of other financial liabilities		(1 120 690)	(711 592)	(1 070 477)
Purchases of treasury shares		–	(141 295)	(141 295)
Finance lease payments		(36 277)	(33 817)	(49 592)
Dividends paid		–	(311 665)	(311 798)
Net cash outflow from financing activities		(135 895)	(686 199)	(1 060 065)
Net decrease in cash and cash equivalents		(462 671)	(1 164 737)	(1 074 613)
Foreign currency translation		1 458	(39 863)	(13 619)
Cash and cash equivalents at the beginning of the period		1 418 319	2 506 551	2 506 551
Cash and cash equivalents at the end of the period		957 106	1 301 951	1 418 319

Notes to the condensed consolidated financial statements

for the six months ended 31 January 2019

1. REPORTING ENTITY

EOH Holdings Limited ('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. The condensed consolidated interim financial statements of the Group for the six months ended 31 January 2019 comprise the Company and its subsidiaries (together referred to as 'the Group' or 'EOH') and the Group's interests in associates and joint ventures.

2. STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act of South Africa.

3. BASIS OF PREPARATION

The accounting policies applied in the presentation of the condensed consolidated financial statements are consistent with those applied for the year ended 31 July 2018, except for the new standards (refer to note 4) that became effective for the Group's financial period beginning 1 August 2018.

The condensed consolidated interim financial statements have not been audited or reviewed by the Group's external auditors nor have the restated balances at 31 July 2018.

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for financial instruments at fair value through profit or loss, under the supervision of Megan Pydigadu CA(SA), Group Chief Financial Officer.

The comparative financial information in the condensed consolidated interim financial statements has been restated based on information available at 31 July 2018, which was interpreted differently at the time. Refer to note 5 for further information.

4. CHANGES IN ACCOUNTING POLICIES

The Group has adopted the following new standards, including any consequential amendments to other standards, with a date of initial application of 1 August 2018:

IFRS 9 – Financial Instruments

The adoption of IFRS 9 – Financial Instruments has had a material impact on the Group's condensed consolidated annual financial statements at 31 July 2018. The Group has applied IFRS 9 retrospectively, with the initial application date of 1 August 2018 with no adjustments to comparative information.

4. CHANGES IN ACCOUNTING POLICIES continued

The effect of adopting IFRS 9 is:

Figures in Rand thousand	Classification	Restated IAS 39	1 August 2018 remeasurement	IFRS 9
Impairment allowance:				
Other financial assets	Amortised cost	167 106	35 521	202 627
Trade and other receivables	Amortised cost	447 154	126 826	573 980
Contract assets	Amortised cost	–	37 534	37 534
Finance lease receivables	Amortised cost	–	9 909	9 909

The adoption of IFRS 9 fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward looking expected credit loss approach. IFRS 9 requires the Group to recognise an allowance for expected credit losses for all financial assets not held at fair value through profit or loss and contract assets.

The additional impairments recognised with regard to other financial assets; trade and other receivables, contract assets and finance lease receivables result in a decrease in retained earnings of R210 million as at 1 August 2018.

Upon the adoption of IFRS 9, the Group had the following required or elected reclassifications:

Disclosed as:	IAS 39 classification	IFRS 9 classification
Loans and receivables at amortised cost	Amortised cost	Fair value through profit or loss

The reclassified loans and receivables balances were R10 million.

There were no changes in classification and measurement for the Group's financial liabilities.

IFRS 15 – Revenue from contracts with customers

The adoption of IFRS 15 – Revenue from Contracts with Customers did not have a material impact on the Group's condensed consolidated financial statements. The Group has applied IFRS 15 retrospectively, with the initial application date of 1 August 2018 with no adjustments to comparative information.

5. RESTATEMENT OF FINANCIAL STATEMENTS

In February and March 2019, the Group undertook a detailed review of its balance sheet as an integral part of the strategic process, as mentioned in the CEO 100-day update on 11 December 2018, to ensure that the investments in various tangible and intangible assets are appropriately valued.

Due to the change in management, an error in consideration of the impact of the impairment indicators on the measurement of TTCS Zimbabwe has been re-evaluated as follows:

- the recoverability of trade receivables and loan balances and the expected cash flows were re-evaluated in terms of IAS 39 resulting in a prior year impairment provision of R208 million for the trade receivables and R43 million for the loans being recognised; and
- the carrying value of the investment in the TTCS Group was re-evaluated, resulting in an impairment of R291 million being recognised.

Figures in Rand thousand	Audited at 31 July 2018	Restatement	Restated unaudited at 31 July 2018
Equity-accounted investments	452 609	(291 343)	161 266
Other financial assets	87 087	(42 749)	44 338
Trade and other receivables	424 204	(208 379)	215 825

In addition, an error in consideration of the impact of impairment indicators on the GCT Group receivable has been evaluated and the recoverability of expected cash flows re-calculated in terms of IAS 39, resulting in a prior year impairment provision of R124 million being recognised, after considering any collateral (inventory and debtors).

Figures in Rand thousand	Audited at 31 July 2018	Restatement	Restated unaudited at 31 July 2018
Other financial assets	424 319	(124 357)	299 962

5. RESTATEMENT OF FINANCIAL STATEMENTS continued

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

Statement of financial position (extract) as at 31 July 2018

Figures in Rand thousand	Audited at 31 July 2018	Restatement	Restated unaudited at 31 July 2018
Equity-accounted investments	822 204	(291 343)	530 861
Other financial assets	907 359	(167 106)	740 253
Trade and other receivables	5 583 044	(208 379)	5 374 665
Net assets	7 312 607	(666 828)	6 645 779
Retained earnings	3 184 359	(666 828)	2 517 531

Statement of profit or loss (extract) for the year ended 31 July 2018

Figures in Rand thousand	Audited at 31 July 2018	Restatement	Restated unaudited at 31 July 2018
Continuing operations			
Gross profit	4 817 381	–	4 817 381
Net impairment losses for financial assets carried at amortised cost	(181 998)	(375 485)	(557 483)
Operating expenses	(3 827 494)	(291 343)	(4 118 837)
Operating profit before interest and equity-accounted profits	807 889	(666 828)	141 061
Profit before taxation	556 717	(666 828)	(110 111)
Profit for the period from continuing operations	288 257	(666 828)	(378 571)
EBITDA	1 390 657	(375 485)	1 015 172

5. RESTATEMENT OF FINANCIAL STATEMENTS continued

Basic and diluted earnings per share has been restated as a result of the errors. The impact on earnings per share and headline earnings per share from continuing operations is as follows:

Figures in cents	Audited at 31 July 2018	Restatement	Restated unaudited at 31 July 2018
Earnings per share	202	(462)	(260)
Diluted earnings per share	196	(456)	(260)
Headline earnings per share	278	(260)	18
Diluted earnings per share	271	(253)	18

The impact on earnings per share and headline earnings per share including discontinued operations is as follows:

Figures in cents	Audited at 31 July 2018	Restatement	Restated unaudited at 31 July 2018
Earnings per share	(70)	(461)	(531)
Diluted earnings per share	(68)	(463)	(531)
Headline earnings per share	283	(260)	23
Diluted earnings per share	276	(253)	23

The restatement adjustments are all non-cash adjustments and therefore do not impact cash generated before working capital changes.

6. GOODWILL

Figures in Rand thousand	Unaudited at 31 January 2019	Unaudited at 31 January 2018	Audited at 31 July 2018
Opening balance	4 255 281	4 625 403	4 625 403
Acquired in business combinations	70 877	347 998	340 255
Foreign currency translation	3 194	(30 292)	9 268
Disposals	(5 220)	(607 984)	(634 935)
Impairments	(1 138 413)	–	(84 710)
Closing balance	3 185 719	4 335 125	4 255 281

A number of economic, operational and negative events during the six months ended 31 January 2019 had a significant negative impact on EOH's market capitalisation and certain underlying businesses. The Group has also gone through a review of its strategy which has impacted the CGU allocations and the carrying value of goodwill. As a result, the Group performed a half-year review of goodwill for impairment, resulting in impairments of R1 138 million (R311 million in the EOH ICT segment and R827 million in NEXTEC).

EOH ICT

The impairments to goodwill in EOH ICT relate mainly to EOH's public sector-focused ERP businesses. After impairing part of the goodwill in one of these CGUs in FY2018, the remaining goodwill (R144 million across a number of CGUs) was impaired due to continued project complexities, slow debtor recoveries and the impact of no further large ERP projects on the continuing outsourcing business.

EOH ICT International businesses were impaired by R32 million due to continuing project delivery difficulties in the Middle East and East Africa.

In addition, goodwill arising on the change of control of the TTCS Group of R70 million was impaired. Refer to note 15 for further details.

The balance of the of the EOH ICT impairments comprise a number of CGUs which were impacted by the negative events and challenging South African market conditions, resulting in an impairment of R65 million.

6. **GOODWILL** continued

NEXTEC

Industrial Technologies, a division of NEXTEC, includes a number of impairments:

- The rail transport technologies CGU was impaired in full (R146 million), due to continuing difficulties in completing active contracts and ongoing delays in starting new contracts which have driven continued underperformance against budgets.
- Despite project awards and sign-off for various REIPP projects in the energy sector (electricity generation), there have been continued delays in award and completion of transmission and distribution projects both in South Africa and Mozambique, resulting in an impairment of R140 million in these CGUs.
- CGUs providing water infrastructure solutions continue to be impacted by delays in starting delivery on projects in hand, as well as new project awards as a result of public sector funding and administrative delays, which has resulted in continued underperformance to budgets resulting in impairments of R131 million.
- Margins within the digital infrastructure businesses have also been negatively impacted by original equipment manufacturers selling directly to customers and despite the business adopting a service-based model, expected performance levels have not been achieved resulting in an impairment of R90 million.

Business Process Outsourcing ('BPO'), a division of NEXTEC, also includes a number of impairments:

- A number of CGUs which provide employee services, were impacted more than expected by the recent High Court ruling related to temporary staffing. This resulted in decreased customer activity and reduced margins, driving an impairment of R94 million.

The balance of the NEXTEC impairments relate to a number of CGUs impacted by the negative events and challenging South African market conditions, resulting in further impairments of R95 million in smaller Industrial Technologies CGU's; R50 million in the Health businesses in BPO and a further R81 million in smaller BPO CGUs.

7. INTANGIBLE ASSETS

Figures in Rand thousand	Unaudited at 31 January 2019	Unaudited at 31 January 2018	Audited at 31 July 2018
Opening balance	1 265 220	1 449 296	1 449 296
Additions	97 917	124 509	336 591
Acquired in business combinations	–	126 716	141 801
Foreign currency translation	6 082	(7 807)	(425)
Impairments	(480 691)	–	(8 665)
Disposals	(1 601)	(378 010)	(390 660)
Amortisation	(134 982)	(120 469)	(262 718)
Classified as assets held for sale	(23)	–	–
Closing balance	751 922	1 194 235	1 265 220

Impairments to intangible assets largely relate to:

- Internally developed software templates of R265 million (focused on municipalities, the water industry; and the waste industry, among others) were impaired in the ICT and International businesses as a result of continued project complexities, slow debtor recoveries and no further large ERP projects being delivered.
- A R61 million impairment of internally developed, water infrastructure management software, which, despite early success, has not realised the expected market traction given the delays in the award and commencement of contracts in the water industry.
- Internally developed payroll software was impaired by R46 million as the business strategically shifted to a product agnostic solution offering, from its historic capital intensive software offering. This change was largely as a result of increasing market and customer demands.
- A further R74 million was impaired for customer relationships and customer contracts after the profitability of the related relationships and contracts deteriorated below expected levels.
- The remaining impairments relate to other internally generated software in a number of underperforming CGUs in which goodwill impairments have been recognised (R35 million).

8. EQUITY-ACCOUNTED INVESTMENTS

Figures in Rand thousand	Unaudited at 31 January 2019	Unaudited at 31 January 2018	Restated unaudited at 31 July 2018
Opening balance	530 861	847 917	847 917
Dividends received	–	–	(3 638)
Foreign currency translation	(86 027)	(91 758)	(60 298)
Foreign currency translation recognised in profit or loss	94 547	–	–
Disposals*	(146 460)	–	–
Capital contribution	3 243	–	–
Impairment	(100 293)	–	(301 343)
Share of equity-accounted profits	(13 950)	6 371	48 223
Closing balance	281 921	762 530	530 861

* *Refer to note 15 for further information regarding the change of control in the TTCS Group.*

Equity-accounted investments have been impaired by R100 million:

- R41 million of the impairments relate to EOH's investments in Turkey as a result of increased levels of political and macro-economic risk causing delays in project kick-offs and a deterioration in cash recovery rates.
- Margin erosion, deterioration in pipeline and reduced cash recovery rates triggered an impairment of R40 million in EOH's South American based ERP utilities investment.
- The remaining impairment of R19 million relates to EOH's Middle East based ERP utilities business which has also suffered a reduction in cash conversion and slower execution of its Saudi Arabian based projects.

The equity-accounted investments are as follows:

Figures in Rand thousand	Unaudited at 31 January 2019	Unaudited at 31 January 2018	Restated unaudited* at 31 July 2018
TTCS Group	–	396 491	161 266
Virtuoso Consulting	101 798	89 345	112 636
Asay Group	61 726	84 567	80 037
Bessertec Group	44 235	65 696	80 886
Acron	28 763	67 005	40 199
Cozumevi	25 156	44 921	35 934
Other	20 243	14 505	19 903
Total	281 921	762 530	530 861

* *Refer to note 5 for further information regarding the prior year restatement.*

9. OTHER FINANCIAL ASSETS

Figures in Rand thousand	Unaudited at 31 January 2019	Unaudited at 31 January 2018	Restated unaudited at 31 July 2018
Financial assets at fair value through profit or loss	49 162	123 462	138 788
Listed equity-linked investments	–	84 000	89 020
Other financial instruments	49 162	39 462	49 768
Debt instruments at amortised cost	321 967	760 608	601 465
Amounts receivable from sale of the GCT Group	220 501	493 250	299 962
Equity-accounted investment receivables	40 898	106 756	124 819
Enterprise development loan receivables	17 544	92 027	76 733
Other loans and receivables	43 024	68 575	99 951
Total financial assets	371 129	884 070	740 253
Non-current other financial assets	146 006	477 952	534 561
Current other financial assets	225 123	406 118	205 692
	371 129	884 070	740 253

Financial assets at fair value through profit or loss include investments in listed and unlisted equity shares. Unlisted financial assets are classified as Level 3 and are valued based on discounted cash flows or asset values adjusted for risks inherent in the nature of the underlying operations.

Impairment allowance

At 31 January 2019, a total impairment allowance of R240 million (2018: R167 million) has been raised against debt instruments carried at amortised cost.

An impairment allowance of R193 million (2018: R124 million) was raised for amounts receivable from the sale of the GCT Group. The allowance was raised based on the general approach and considers their current probability of default and collateral provided as security for the loan. The directors are actively engaged in the recovery of the receivables. The receivable from GCT Group is considered to be a stage 3, non-performing receivable.

The remaining shares receivable (199 257) from the acquirers of the GCT Group were received on 6 April 2019. Certain cash balances remain overdue and outstanding.

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

Refer to note 4 for further information regarding the transition to IFRS 9 and note 5 for further information regarding the prior year restatement.

9. OTHER FINANCIAL ASSETS continued

Figures in Rand thousand	Unaudited at 31 January 2019	Unaudited at 31 January 2018	Restated unaudited at 31 July 2018
Reconciliation of movements of debt instruments measured at amortised cost			
Opening balance	601 465	236 847	236 847
Equity adjustment relating to IFRS 9	(35 521)	–	–
Net cash paid/(received)	(28 873)	22 419	83 187
Disposal of businesses	(97 441)	499 870	459 163
Reclassification to fair value through profit or loss	(9 912)	–	(4 910)
Movement in provision for debt instruments	(95 183)	–	(186 322)
Classified as held for sale	(2 733)	–	–
Other movements	(9 835)	1 472	13 500
Closing balance	321 967	760 608	601 465

10. TRADE AND OTHER RECEIVABLES

Figures in Rand thousand	Unaudited at 31 January 2019	Unaudited at January 2018	Restated unaudited at 31 July 2018
Financial instruments			
Trade receivables	3 561 056	3 805 760	3 857 664
Gross trade receivables	4 288 032	3 917 295	4 328 838
Provision for credit notes	(22 760)	(25 907)	(24 020)
Impairment allowance	(704 216)	(85 628)	(447 154)
Contract assets*	943 750	1 743 841	1 107 926
Other receivables	57 499	74 738	89 916
Non-financial instruments	271 943	296 963	319 159
	4 834 248	5 921 302	5 374 665

* *Contract assets were previously disclosed as work-in-progress.*

Refer to note 4 for the transition impact of IFRS 9 on the financial instruments (trade receivables, contract assets and other receivables) and refer to note 5 for further information regarding the prior year restatement.

11. ASSETS HELD FOR SALE

On 11 December 2018, the Group announced that opportunities would be explored for the sale of certain non-core assets and as a result of an active programme to locate a buyer for the Mehleketo Group, the associated assets and liabilities have been presented as held for sale. In addition, other small businesses were disposed of during the period.

The loss for the period from the assets held for sale is analysed as follows:

Figures in Rand thousand	For the six months ended 31 January 2019	For the six months ended 31 January 2019	For the six months ended 31 January 2019
	Mehleketo Group	Other	Total
Revenue	167 844	–	167 844
Cost of sales	(170 210)	–	(170 210)
Gross loss	(2 366)	–	(2 366)
Net finance asset impairment losses	(9 058)	–	(9 058)
Operating expenses	(19 075)	(10 395)	(29 470)
Investment income	16	–	16
Finance costs	(136)	–	(136)
Loss before taxation	(30 619)	(10 395)	(41 014)
Taxation	(180)	–	(180)
Loss for the period	(30 799)	(10 395)	(41 194)
The net cash flows incurred by the Mehleketo Group for the relevant periods were as follows:			
Operating activities	(92 709)	–	(92 709)
Investing activities	88 116	–	88 116
Financing activities	2 183	–	2 183
Net cash outflow	(2 410)	–	(2 410)
Net assets classified as held for sale	118 045	–	118 045

The discontinued operation (GCT Group) was disposed of during the year ended 31 July 2018, as a result no assets were held for sale at 31 July 2018.

Notes to the condensed consolidated financial statements continued

for the six months ended 31 January 2019

12. OTHER FINANCIAL LIABILITIES

Figures in Rand thousand	Unaudited at 31 January 2019	Unaudited at 31 January 2018	Audited at 31 July 2018
Interest-bearing liabilities	2 775 049	3 529 770	3 404 595
Interest-bearing bank loans secured through security SPV*	2 508 303	2 964 406	2 841 518
Unsecured interest-bearing bank loans	248 787	529 793	537 844
Interest-bearing bank loans secured by certain property	17 959	35 571	25 233
Non-interest-bearing liabilities	477 391	902 982	699 401
Vendors for acquisition	418 628	824 129	633 709
Other non-interest-bearing liabilities	58 763	78 853	65 692
	3 252 440	4 432 752	4 103 996
Non-current other financial liabilities	2 143 395	3 115 042	3 208 415
Current other financial liabilities	1 109 045	1 317 710	895 581
	3 252 440	4 432 752	4 103 996

* *Larger subsidiaries have pledged cash and trade receivables.*

Vendors for acquisition (measured at fair value through profit or loss)

Financial liabilities measured at fair value through profit or loss are classified as Level 3 as the valuation techniques used are based on unobservable inputs for the liability.

The vendors for acquisition balance 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 estimated by applying the income approach to calculate the present value of the expected settlement. Profit warrant periods normally extend over a 24-month period.

Unobservable inputs include budgeted results based on margins and revenue growth rates historically achieved by the various segments. Changing such inputs to reflect reasonably possible alternative assumptions does not significantly change the fair value of the vendors for acquisition liability. EOH has an established control framework with respect to the measurement of fair values. This includes a valuation team that reports directly to the Group CEO who oversees all significant fair value measurements.

13. TRADE AND OTHER PAYABLES

Figures in Rand thousand	Unaudited at 31 January 2019	Unaudited at 31 January 2018	Audited at 31 July 2018
Financial instruments	2 619 382	1 728 437	1 951 216
Trade payables	1 431 846	952 657	1 245 207
Other accrued expenses	1 175 878	734 961	693 164
Other payables	11 658	40 819	12 845
Non-financial instruments	831 578	595 823	809 067
	3 450 960	2 324 260	2 760 283

14. OPERATING (LOSS)/PROFIT BEFORE INTEREST AND EQUITY-ACCOUNTED (LOSS)/PROFIT

Figures in Rand thousand	Unaudited for the six months to 31 January 2019	Unaudited for the six months to 31 January 2018	Restated unaudited 12 months to 31 July 2018
Operating (loss)/profit before interest from continuing operations	(2 878 298)	784 184	141 061
Depreciation and amortisation	235 665	213 865	414 038
Impairments of assets	1 719 396	–	411 850
Share of equity-accounted (loss)/profit	(13 950)	6 371	48 223
Loss on deemed disposal	146 460	–	–
EBITDA	(790 727)	1 004 420	1 015 172
Discontinuing	584 724	88 939	362 237
Once-off, cash normalisation adjustments	182 817	–	–
Non-cash normalisation adjustments	409 979	(5 180)	320 514
Normalised EBITDA	386 793	1 088 179	1 697 923
Operating profit before interest is stated after taking into account the following other items:			
Employee costs	2 871 846	2 764 235	5 722 266
Employee share-based payments expense	43 380	47 976	95 562
Lebashe share-based payments expense	157 445	–	–
Foreign exchange loss	(14 415)	24 791	(32 338)
Fair value (gain)/loss on remeasurement of contingent consideration	(17 215)	(14 617)	(9 156)
Operating lease charges	140 796	166 677	280 087

15. CHANGE OF CONTROL IN INVESTMENT IN ASSOCIATE

The Group gained control of the TTCS Group of companies ('TTCS') on 17 January 2019 as a result of the board of directors of TTCS being reconstituted to afford EOH 60% of the voting rights. The direct and effective shareholding in each entity was unchanged.

TTCS provides system integration, product delivery, maintenance and support services predominantly to customers in Zimbabwe and is focusing on growing operations in Zambia, Malawi, Kenya, Uganda, Rwanda, Tanzania, Ghana, Botswana and Nigeria, as well as other project delivery in sub-Saharan Africa.

As a result of the deemed disposal of the investment in TTCS, a loss on disposal of R146 million was recognised. This loss was as a result of the Group's reliance on the Zimbabwean operations and the recent and continuing disruptions within Zimbabwe, as well as the impact of the changes in local currency.

The (loss)/profit for the period from the deemed disposal is:

Figures in Rand thousand	Five months ended 31 December 2018	Six months ended 31 January 2018
Share of (loss)/profit for equity-accounted associate investments	(14 297)	10 263
Non-cash, once-off, accounting loss on deemed disposal of associates*	(146 460)	–
	(160 757)	10 263

** The value of the TTCS Group is based on a valuation of the current shareholding and the following key assumptions:*
- *a four-year forecast for the TTCS Group's operations;*
- *a weighted average cost of capital of between 17.0% and 23.6% (depending on the country of operation);*
- *a terminal growth rate of 2.1%; and*
- *discounts of 10% to 30% for a lack of marketability and the current illiquid nature of the investments which increased significantly as a result of the recent deterioration in local currency, as recognised through the Old Mutual Implied Rate.*

The businesses were valued at approximately R64 million at 31 December 2018. Conservatively, as a result of the continuing uncertainty regarding Zimbabwe and the new currency, management's expectation is that dividends are not likely to be paid in the medium to long term. Therefore, conservatively when calculating goodwill and the loss on disposal, an enterprise value of Rnil has been used.

15. CHANGE OF CONTROL IN INVESTMENT IN ASSOCIATE continued

The subsequent deemed acquisition of TTCS impacts the Group as follows:

Figures in Rand thousand	31 December 2018**
Fair value of assets and liabilities acquired	
Non-current assets	37 148
Current assets	48 590
Current liabilities (including minority portion of EOH payables)***	(387 346)
Net liabilities acquired	(301 698)
Non-controlling interests measured at their share of the fair value of net assets/ value of TTCS (including minority portion of EOH payables)***	300 448
Amount capitalised	(1 250)
Goodwill	70 877
Goodwill impairment	(70 877)
Net cash outflow*	(1 250)

* *Given the nature of the acquisition, there is no additional consideration payable.*

** *The fair value of the assets and liabilities acquired has been translated to ZAR based on an Old Mutual Implied Rate of 2.79 at 31 December 2018 for TTCS Zimbabwe, resulting in a negative net asset value as the majority of the Group's loans and trade payables are denominated in foreign currencies, while current assets are predominantly USD RTGS based. The loans of R86 million and trade payables of R480 million payable to EOH at 31 December 2018 are included in current liabilities and have been eliminated against trade receivables and loans on consolidation.*

*** *Minority proportion of EOH payables are eliminated on consolidation.*

Figures in Rand thousand	For the six months to 31 January 2019
Contribution to trading results for the period	
Revenue	83 049
Profit before tax	2 369
Contribution had the effective date been 1 August 2018	
Revenue	96 584
Loss before tax	(4 229)

There were no acquisition-related costs during the six months ended 31 January 2019 included in operating expenses in the statement of profit or loss and other comprehensive income.

The contribution of the trading results of the TTCS Group have been accounted for from the effective date of the business combination. The accounting of these subsidiaries is based on best estimates and provisional fair values. The Group has not completed its assessment of the fair value of all identifiable assets, liabilities and/or contingent liabilities. The fair values will be accurately determined within 12 months from the acquisition date.

Notes to the condensed consolidated financial statements continued

for the six months ended 31 January 2019

16. STATED CAPITAL

Figures in thousands	Unaudited for the six months to 31 January 2019	Unaudited for the six months to 31 January 2018	Audited 12 months to 31 July 2018
Issued			
Reconciliation of the number of shares in issue:			
Opening balance	152 797	150 095	150 095
Shares issued for cash*	22 495	–	–
Shares issued as a result of the acquisition of businesses	1 203	1 503	2 207
Shares issued to the Group's share incentive and retention schemes	50	411	495
Shares in issue at the end of the period	176 545	152 009	152 797
Less:			
Treasury shares held in the Group's share incentive schemes	(2 357)	(2 370)	(2 367)
Treasury shares held by wholly owned subsidiaries of the Company that will not be cancelled	(5 870)	(5 616)	(5 530)
	168 318	144 023	144 900
EOH A shares of no par value:			
Shares issued as a result of the Lebashe BBBEE transaction*	40 000	–	–
	40 000	–	–

* *The Lebashe transaction was approved by shareholders on 18 September 2018 and effectively implemented on 1 October 2018. Since the date of approval Lebashe has:*

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

The related IFRS 2 share-based payment charge of R157 million has been recognised in the statement of profit or loss.

16. STATED CAPITAL continued

Figures in Rand thousand	Unaudited for the six months to 31 January 2019	Unaudited for the six months to 31 January 2018	Audited 12 months to 31 July 2018
Opening balance	3 443 223	3 333 678	3 333 678
Shares issued for cash	713 115	–	–
Shares issued as a result of the acquisition of businesses	48 430	156 182	210 503
Shares issued to the Group's share incentive and retention schemes	1 170	7 768	10 248
Treasury shares	(9 824)	(120 955)	(111 206)
	4 196 114	3 376 673	3 443 223

Notes to the condensed consolidated financial statements continued

for the six months ended 31 January 2019

17. CASH GENERATED FROM OPERATIONS

Figures in Rand thousand	Unaudited for the six months to 31 January 2019	Unaudited for the six months to 31 January 2018	Restated unaudited* 12 months to 31 July 2018
(Loss)/profit before taxation from:	(3 113 933)	273 575	(486 272)
Continuing operations	(3 072 919)	649 736	(110 111)
Discontinued operations	(41 014)	(376 161)	(376 161)
Adjustments for:			
Depreciation and amortisation	238 619	202 041	425 861
Impairment of assets	1 719 396	–	411 850
Loss on disposal of subsidiaries and property, plant and equipment	156 685	384 251	392 880
Share-based payments expense	200 825	47 976	95 562
Net finance costs	180 791	143 230	301 806
Net financial asset impairment losses	523 044	–	557 483
Inventory write-off/impairment	86 912	–	–
Deferred income non-cash movement	(131 614)	–	–
Other non-cash items	6 358	3 382	(106 650)
Cash (consumed)/generated from operations before changes in working capital	(132 917)	1 054 455	1 592 520
Working capital changes net of effects of disposal of subsidiaries	215 282	(995 074)	(326 499)
(Increase) in inventories	(27 147)	(37 195)	(411)
(Increase) in trade and other receivables	(431 909)	(349 293)	(424 746)
(Increase) in contract assets	80 973	(375 270)	260 644
Increase/(decrease) in trade and other payables	604 690	(232 760)	258 429
(Decrease)/increase in deferred income	(11 325)	(556)	(56 419)
Cash generated from operations	82 365	59 381	1 266 021

** Refer to note 5 – Restatement of financial statements for further information.*

18. CONTINGENCIES AND COMMITMENTS

The Group has issued guarantees and performance bonds from various Group companies as well as through available third-party facilities. At this stage, the Group is not aware of any guarantees or bonds issued which may be exercised by holders. The balance at 31 January 2019 was R528 million (2018: R425 million).

19. CHANGE IN DIRECTORATE

During the period since 1 August 2018 there were several changes to the Board:

- Stephen van Coller was appointed as Group Chief Executive Officer effective 1 September 2018.
- John King resigned as Group Financial Director effective 3 October 2018.
- Megan Pydigadu was appointed as Group Chief Financial Officer effective 15 January 2019.
- Asher Bohbot resigned as non-executive Chairman effective 28 February 2019.
- Rob Sporen resigned as lead independent non-executive director effective 28 February 2019.
- Tshilidzi Marwala resigned as non-executive director effective 28 February 2019.
- Jesmane Boggenpoel was appointed as interim Chairperson effective 22 March 2019.
- Tebogo Maenetja resigned as executive director effective 31 March 2019.

20. EVENTS AFTER THE REPORTING DATE

Assets held for sale

As mentioned in the CEO 100-day update on 11 December 2018, the Group is considering disposing of certain businesses. Various disposal processes are expected to be realised before 31 July 2019, but have not met the criteria to be recognised as assets held for sale by 31 January 2019.

To date, agreements have been reached for the sale of a number of smaller businesses for an estimated total consideration of R100 million resulting in an estimated loss on disposal of R37 million.

Other

As announced on 19 February 2019, EOH initiated investigations into public sector contracts entered with the support of ENSafrica. This includes investigations related to Microsoft contracts referenced in the SENS. The investigations continue around four large public sector contracts and are expected to be concluded by 31 May 2019.

Microsoft issued a notice of termination in respect of EOH's channel partner agreement, and cancelled the related partnership agreements. Further details regarding this development were provided in the SENS issued on 25 March 2019.

Corporate information

EOH Holdings Limited
Incorporated in the Republic of South Africa
Registration number: 1998/014669/06
JSE share code: EOH
ISIN code: ZAE000071072

Directorate
Non-executive
Jesmane Boggenpoel (appointed interim Chairperson effective 22 March 2019)
Ismail Mamoojee
Moretlo Molefi
Pumeza Bam

Asher Bohbot (resigned as Chairman effective 28 February 2019)
Rob Sporen* (resigned as Lead Independent Non-executive Director effective 28 February 2019)
Tshilidzi Marwala (resigned as Non-executive Director effective 28 February 2019)
** Dutch*

Executive
Stephen van Coller (appointed as Group Chief Executive Officer effective 1 September 2018)
Megan Pydigadu (appointed as Group Chief Financial Officer effective 15 January 2019)
Zunaid Mayet (resigned as Group Chief Executive Officer effective 31 August 2018)

John King (resigned as Group Financial Director effective 3 October 2018)
Tebogo Maenetja (resigned as HR Director effective 31 March 2019)

Release date
Tuesday, 16 April 2019

Group Company Secretary
Adri Els

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Investor email: debbie.millar@eoh.com

Sponsor
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Transfer secretaries
Computershare Investor Services Proprietary Limited
Registration number: 2004/003647/07
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Auditors
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EOH

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

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