Our purpose is to SOLVE courageously, exponentially and together

Summarised Financial Results for the year ended 31 July **2021**

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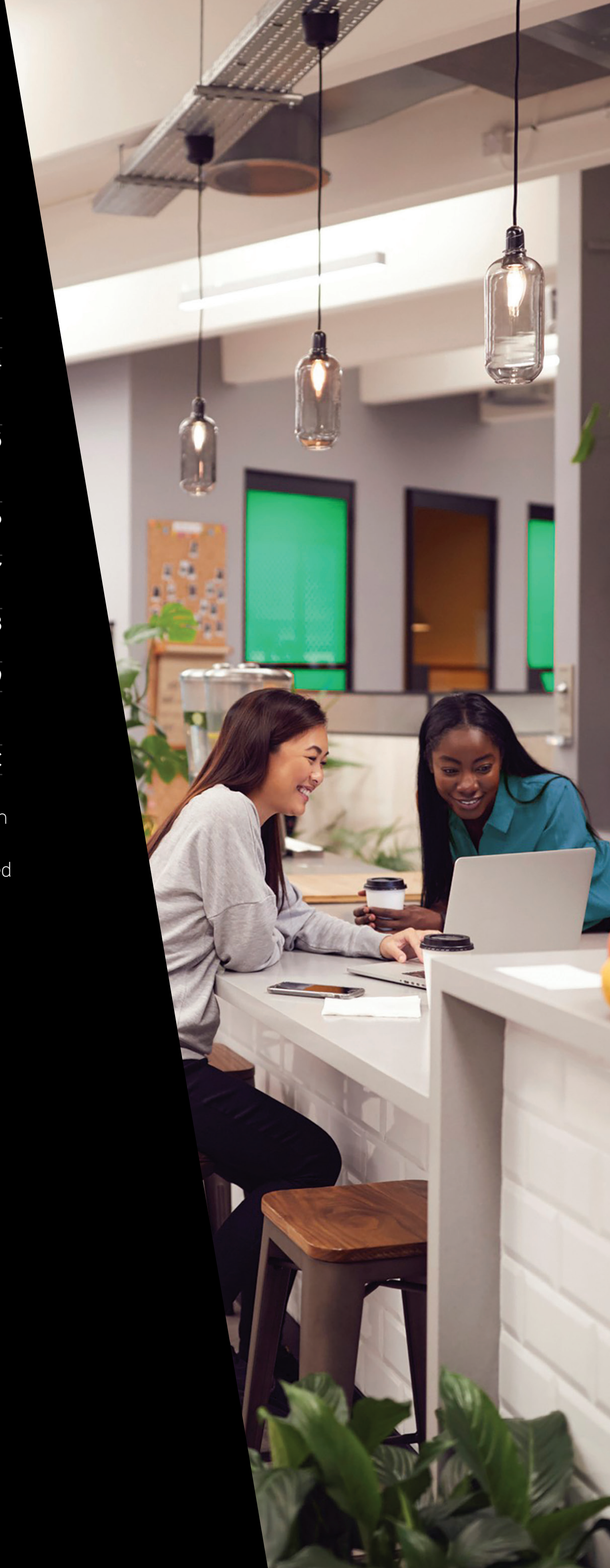
Note: Any forward-looking financial information disclosed in the results announcement has not been reviewed or audited or otherwise reported on by the external auditor.



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EOH COMMENTARY

EOH's significant progress since the start of our turnaround plan implemented three years ago in order to rectify the inherited legacy issues, is evident in the greatly improved financial results for the year to 31 July 2021. Gross margin continues to improve and the Group achieved an operating profit of R147 million from continuing and discontinued operations after posting a R1.3 billion loss in the prior year. Debt has declined significantly since 2018, although not as fast as we would have liked. Reducing the debt burden remains a critical focus for the management team. Cash management has been a highlight, especially considering the current economic climate, with excellent discipline in managing net working capital supporting improved liquidity.

The underlying effort and commitment from everyone in the EOH team to deliver this turnaround arises from the broader sense of purpose in the Group to not only turn the business around but also to transform it into a force-for-good that makes a difference in broader society.

The private sector has a key role to play in ensuring that business conducts itself ethically and with appropriate regard for the greater good.

Now more than ever it is critical business embraces its role in society by partnering with government and civil society, by uplifting communities, developing skills and creating employment, thus ensuring a sustainable and thriving economy.

As a Group we are embracing the digitisation and automation acceleration through our business systems optimisation project (SpaceX). This will ensure automation in our shared service functions and ensure we leverage off the latest cloud technologies. This is underpinned by a single target operating model and will ensure consistent processes across the organisation underpinning a single data strategy.

IMPROVING QUALITY OF EARNINGS

As part of our path to deleverage and create a sustainable capital structure for the business, we have focused on exiting non-performing, non-core and certain IP businesses. We have simultaneously focused on doing good business with the requisite margins that ultimately deliver shareholder value. These deliberate measures have resulted in total revenue decreasing to R7 882 million in FY2021 from R11 277 million in FY2020. Business disposals and the close-out of loss-making legacy contracts accounted for approximately 75% of the revenue decline. Our base revenue (total revenue excluding the impacts of the legacy issues clean-up, as well as liquidated and sold assets) decreased by 11% to R7 201 million in FY2021 from R8 145 million in FY2020. Approximately R740 million of the decline in base revenue was due to reduced hardware sales as customers delayed spend on large, planned IT projects with the move to the cloud gathering pace; and the impact of COVID-19 on our clients in the education and human capital, beverage, travel and health sectors.

The Group's focus on quality of earnings and continual improvement resulted in a significant improvement in gross profit, adjusted EBITDA and operating profit margins. This is an indication that our strategy of doing good business is paying off, as shown below:

- Gross profit margins have increased from 20% in FY2019 to 28% in FY2021
- Operating margins have increased from a negative 29% in FY2019 to 2% in FY2021
- Adjustded EBITDA margins have increased from -9% in FY2019 to 8% in FY2021

EOH COMMENTARY CONTINUED

Historically, the Group has reported on core normalised EBITDA which stripped out once-off items and non-core business lines to be closed. The Group's normalisation adjustments have decreased materially in FY2021, resulting in a negligible difference between adjusted EBITDA and core normalised EBITDA. Consequently, EOH will guide the market on adjusted EBITDA as a performance measure going forward.

AN ONGOING FOCUS ON COSTS

We have maintained our focus on creating an anti-fragile business by prioritising cost management and ensuring that our cost structure remains appropriate, agile and responsive to changing market conditions. Total operating expenses decreased by 46% to R2 053 million in FY2021 (FY2020: R3 788 million), as the remaining legacy issues were closed out and the benefits of cost-saving initiatives were realised.

From a property portfolio perspective, most of our leases expire in 2023, which is when we expect to optimise our property portfolio. Cost reductions have continued across the major expense categories such as travel, marketing and administrative expenses.

For the first time since the Group embarked on its turnaround plan, EOH moved into a positive operating profit from continuing and discontinued operations of R147 million from an operating loss of R1 319 million in FY2020.

Adjusted EBITDA (from continuing and discontinued operations) for the year was R667 million compared to R19 million in FY2020. Adjusted EBITDA margin improved from 0.2% in FY2020 to 8.5%, which is in line with our stated target of achieving a 10% margin in the medium term.

Total headline loss per share from continuing and discontinued operations improved by 96% with losses reducing to 22 cents from 534 cents in FY2020. The ongoing headline loss is largely due to the Group's over-indebted capital structure and inefficient legal entity structure, which the management team continues to address as a core focus area.

CASH MANAGEMENT AND LIQUIDITY

The increased financial discipline includes a sharp focus on working capital management as part of overall liquidity management. While we have continued to manage collection closely in the current economic climate, the net investment in working capital has increased to R263 million at the end of FY2021 from R175 million in FY2020, which is still within our expected range. Looking at the long-term trend, we have reduced investment in working capital by 83% from R1 549 million in FY2018.

We have also seen an improvement in our credit risk with our expected credit loss provisions decreasing from 18% in FY2020 to 15% in FY2021 and our debtors days remaining stable in the region of 65 days.

Our focus on working capital and liquidity management has resulted in strong cash generation from operations at R663 million (adjusted for legacy outflows) – and an EBITDA cash conversion rate close to 100%. From a business as usual perspective, the Group contributed R126 million of cash after paying finance costs, tax, capital expenditure and lease payments and incurred R273 million of legacy cash outflows related to the iOCO legacy public sector contracts (that are now all closed out) and the two NEXTEC engineering, procurement and construction ("EPC") contracts.

The Group had a net inflow of R214 million (after cash given up) from the disposal of subsidiaries and repaid lenders (including VFAs) R475 million and finished the year on R537 million of net cash with overdraft facilities of R400 million.

FURTHER DISPOSALS WILL REDUCE DEBT AND ENHANCE CAPITAL STRUCTURE

Following the disposal of Syntell in November 2020 for a consideration of R211 million, EOH concluded the disposal of Sybrin in June 2021 for a base cash consideration of R334 million. The deal is currently awaiting competition approvals in various African countries. Once these are concluded, the cash from the sale is expected to flow before the end of the 2021 calendar year. While disposals have been necessary as part of the deleverage strategy, management has always maintained that it would only conclude disposals if the valuations made sense, which is evidenced by the average EV/PAT multiples achieved on previous transactions.

The Group's current gross debt balance stands at c.R2 billion for FY2021 down from c.R2.4 billion in FY2020. Reducing the core legacy debt and the finalisation of the long-term overall capital structure remains a business imperative.

Good progress has been made on this front with the conclusion of a Common Terms Agreement with the lenders, structured into a R500 million three-year senior term loan facility and a R1.5 billion bridge facility repayable on 31 October 2022. During the year, the Group repaid lenders a further R433 million, principally from disposal proceeds. Conclusion of the sales of the remaining IP assets will further reduce the Group's debt to a more manageable level.

OUTLOOK

As we look forward, our focus remains on building on the turnaround plan we embarked on over the last two and a half years. We are now in a position to focus on delivering on our growth strategy and take advantage of the Fourth Industrial Revolution ("4IR"). We will continue to focus on doing good business at good margins, with a razor focus on costs and closing out our long-term capital structure.

Stephen van Coller
Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF EOH HOLDINGS LIMITED

Opinion

The summary consolidated financial statements of EOH Holdings Limited, set out on pages 5 to 43 of the EOH Summarised Financial Results for the year ended 31 July 2021, which comprise the summarised consolidated statement of financial position as at 31 July 2021, the summarised consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of EOH Holdings Limited for the year ended 31 July 2021.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the JSE Limited's (JSE) requirements for provisional reports, as set out in note 2 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary consolidated financial statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 28 October 2021. That report also includes:

- The communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.
- The communication of a report on other legal and regulatory requirements. In accordance with our responsibilities in terms of Section 44(2) and 44(3) of the Auditing Profession Act, we reported that we identified a reportable irregularity in terms of the Auditing Profession Act.

Director's responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the JSE's requirements for summary financial statements, set out in note 2 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: DH Höll
Registered Auditor
Johannesburg, South Africa
28 October 2021

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2021

Figures in Rand thousand	Notes	2021	Restated*# 2020
Continuing operations			
Revenue	7	**6 874 212**	8 772 134
Cost of sales		**(5 150 725)**	(6 974 302)
Gross profit		**1 723 487**	1 797 832
Net financial asset impairment losses	9	**(86 998)**	(323 444)
Operating expenses		**(1 600 152)**	(2 410 913)
Operating profit/(loss)		**36 337**	(936 525)
Investment income		**9 829**	26 402
Share of equity-accounted profits/(losses)		**2 972**	(565)
Finance costs		**(277 745)**	(411 203)
Loss before taxation		**(228 607)**	(1 321 891)
Taxation		**(97 249)**	60 234
Loss for the year from continuing operations		**(325 856)**	(1 261 657)
Profit/(loss) for the year from discontinued operations	10	**46 054**	(431 471)
Loss for the year		**(279 802)**	(1 693 128)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations^		**(21 588)**	107 697
Reclassification of foreign currency translation differences on loss of control and joint control^		**13 498**	47 313
Total comprehensive loss for the year		**(287 892)**	(1 538 118)
Loss attributable to:			
Owners of EOH Holdings Limited		**(279 655)**	(1 687 035)
Non-controlling interests		**(147)**	(6 093)
		(279 802)	(1 693 128)
Total comprehensive (loss)/income attributable to:			
Owners of EOH Holdings Limited		**(289 459)**	(1 528 882)
Non-controlling interests		**1 567**	(9 236)
		(287 892)	(1 538 118)
From continuing and discontinued operations (cents)			
Loss per share		**(166)**	(1 000)
Diluted loss per share		**(166)**	(1 000)
From continuing operations (cents)			
Loss per share		**(192)**	(747)
Diluted loss per share		**(192)**	(747)

* *Refer to note 6 – Restatement of summarised consolidated financial statements for the impact on profit or loss.*
\# *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2021.*
^ *These components of other comprehensive income do not attract any tax.*

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2021

Figures in Rand thousand	Notes	2021	Restated* 2020	Restated* 1 August 2019
ASSETS				
Non-current assets				
Property, plant, equipment and right-of-use assets	11	**341 464**	544 846	481 674
Intangible assets	11	**64 493**	112 967	488 974
Goodwill	12	**745 844**	916 743	1 850 854
Equity-accounted investments		**8 260**	6 689	228 067
Other financial assets		**–**	60 881	11 610
Deferred taxation		**116 853**	200 972	245 278
Finance lease receivables		**8 030**	55 120	106 775
		1 284 944	1 898 218	3 413 232
Current assets				
Inventories	13	**112 548**	113 754	251 456
Other financial assets		**11 058**	137 109	76 718
Current taxation receivable		**38 563**	53 940	52 916
Finance lease receivables		**101 299**	67 720	72 638
Trade and other receivables		**1 928 570**	2 116 576	3 353 971
Cash and cash equivalents		**824 902**	645 837	1 048 583
		3 016 940	3 134 936	4 856 282
Assets held for sale	14	**1 118 510**	2 152 366	1 765 016
Total assets		**5 420 394**	7 185 520	10 034 530
EQUITY AND LIABILITIES				
Equity				
Stated capital	16	**4 217 285**	4 217 285	4 217 468
Shares to be issued to vendors		**393**	15 300	20 257
Other reserves		**598 500**	633 967	440 921
Accumulated loss		**(4 658 537)**	(4 422 991)	(2 723 840)
Equity attributable to the owners of EOH Holdings Limited		**157 641**	443 561	1 954 806
Non-controlling interests		**20 153**	29 624	40 621
Total equity		**177 794**	473 185	1 995 427
Liabilities				
Non-current liabilities				
Other financial liabilities	17	**–**	5 674	2 255 825
Lease liabilities		**80 669**	171 699	28 030
Deferred taxation		**59 482**	111 291	305 917
		140 151	288 664	2 589 772
Current liabilities				
Other financial liabilities	17	**2 567 523**	2 748 028	1 068 132
Current taxation payable		**45 591**	49 329	97 988
Lease liabilities		**82 641**	104 723	29 331
Trade and other payables		**1 796 284**	1 951 060	3 272 914
Provisions		**324 299**	670 125	410 427
		4 816 338	5 523 265	4 878 792
Liabilities directly associated with assets held for sale	14	**286 111**	900 406	570 539
Total liabilities		**5 242 600**	6 712 335	8 039 103
Total equity and liabilities		**5 420 394**	7 185 520	10 034 530

* *Refer to note 6 – Restatement of summarised consolidated financial statements for the impact on the affected assets, liabilities and equity*

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2021

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 2019	4 239 621	20 257	742 597	(3 047 669)	1 954 806	40 621	1 995 427
Correction of error**	(22 153)	–	(301 676)	323 829	–	–	–
Restated balance at 1 August 2019	4 217 468	20 257	440 921	(2 723 840)	1 954 806	40 621	1 995 427
Restated loss for the year**	–	–	–	(1 687 035)	(1 687 035)	(6 093)	(1 693 128)
Other comprehensive income	–	–	158 153	–	158 153	(3 143)	155 010
Non-controlling interest disposed	–	–	–	–	–	1 982	1 982
Movement in treasury shares**	(183)	(4 957)	–	–	(5 140)	–	(5 140)
Consideration – EOH shares forfeited	–	(12 116)	–	–	(12 116)	–	(12 116)
Transfer within equity*	–	12 116	–	(12 116)	–	–	–
Share-based payments: disposed entities	–	–	(13 392)	–	(13 392)	–	(13 392)
Share-based payments	–	–	48 285	–	48 285	–	48 285
Dividends declared	–	–	–	–	–	(3 743)	(3 743)
Restated balance at 31 July 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 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**
Notes	16						

* *Transfers within equity are transfers from shares to be issued to vendors for expired shares.*

** *Refer to note 6 – Restatement of summarised consolidated financial statements for the impact on profit or loss and equity.*

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2021

Figures in Rand thousand	Notes	2021	2020
Cash generated from operations	19	**404 942**	706 735
Investment income received		**13 280**	40 283
Dividends received from equity-accounted investments		**1 200**	–
Interest paid		**(229 207)**	(380 165)
Taxation paid		**(109 918)**	(211 419)
Net cash inflow from operating activities		**80 297**	155 434
Cash flows from investing activities			
Additions to property, plant and equipment		**(50 524)**	(175 643)
Proceeds on the sale of property, plant, equipment and intangible assets		**55 943**	127 659
Intangible assets acquired		**(79 314)**	(187 172)
Cash receipt from disposal of businesses, net of cash given up	15	**212 936**	164 625
Cash inflow relating to other financial assets		**–**	2 088
Cash outflow relating to other financial assets		**–**	(9 978)
Increase in restricted cash		**(547 516)**	(485 824)
Decrease in restricted cash		**623 019**	398 804
Net cash inflow/(outflow) from investing activities		**214 544**	(165 441)
Cash flows from financing activities			
Dividends paid to non-controlling interests		**(1 222)**	(3 743)
Proceeds from other financial liabilities	17	**52 387**	–
Repayment of other financial liabilities	17	**(527 358)**	(396 414)
Principal elements of lease payments		**(137 205)**	(94 894)
Net cash outflow from financing activities		**(613 398)**	(495 051)
Net decrease in cash and cash equivalents		**(318 557)**	(505 058)
Cash and cash equivalents at the beginning of the year		**530 584**	1 048 583
Assets held for sale at the beginning of the year	14	**328 743**	310 373
Assets held for sale at the end of the year	14	**(88 444)**	(328 743)
Exchange (losses)/gains on cash and cash equivalents		**(15 089)**	5 429
Cash and cash equivalents at the end of the year		**437 237**	530 584

CONSOLIDATED SEGMENT RESULTS
FOR THE YEAR ENDED 31 JULY 2021

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 year. 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.

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 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 payment expense, gain/loss on disposal of subsidiaries and equity-accounted investments, impairments of non-financial assets, share of profit/loss of equity-accounted investments, remeasurement gain/losses on vendors for acquisition liability, interest income, interest expense and current and deferred tax.

Revenue, gross profit and core normalised EBITDA

	2021					Restated* 2020				
Figures in Rand thousand	iOCO	NEXTEC	IP	Recon-ciliation^	Total	iOCO	NEXTEC	IP	Recon-ciliation^	Total
External	4 944 066	1 898 114	1 040 243	–	7 882 423	6 699 614	3 375 968	1 201 121	–	11 276 703
Hardware sales	259 522	471 627	15 666	–	746 815	585 615	424 430	65 586	–	1 075 631
Services	4 302 457	1 342 858	1 007 164	–	6 652 479	5 314 543	2 879 843	1 117 557	–	9 311 943
Software/licence contracts	340 469	25 919	17 169	–	383 557	768 026	30 606	17 744	–	816 376
Rentals	41 618	57 710	244	–	99 572	31 430	41 089	234	–	72 753
Intersegment	268 545	52 497	2 239	(323 281)	–	222 948	154 442	11 180	(388 570)	–
Hardware sales	52 303	2 055	–	(54 358)	–	37 702	1 854	481	(40 037)	–
Services	207 471	50 442	2 239	(260 152)	–	182 722	152 588	10 699	(346 009)	–
Software/licence contracts	5 037	–	–	(5 037)	–	–	–	–	–	–
Rentals	3 734	–	–	(3 734)	–	2 524	–	–	(2 524)	–
Gross revenue	5 212 611	1 950 611	1 042 482	(323 281)	7 882 423	6 922 562	3 530 410	1 212 301	(388 570)	11 276 703
Gross profit	1 386 820	355 557	603 851	(145 775)	2 200 453	1 684 352	527 266	480 722	(223 441)	2 468 899
Gross profit (%)	26.6%	18.2%	57.9%	–	27.9%	24.3%	14.9%	39.7%	–	21.9%

* *Comparative revenue amounts have been disaggregated to better reflect the relationship between the revenue streams and the reportable segments.*
^ *Reconciliation comprises elimination of intersegment transactions and includes head office expenses.*

CONSOLIDATED SEGMENT RESULTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2021

Revenue, gross profit and core normalised EBITDA continued

Figures in Rand thousand	2021 iOCO	2021 NEXTEC	2021 IP	2021 Reconciliation^	2021 Total	Restated* 2020 iOCO	Restated* 2020 NEXTEC	Restated* 2020 IP	Restated* 2020 Reconciliation^	Restated* 2020 Total
Adjusted EBITDA	524 274	(35 408)	266 876	(88 537)	667 205	391 651	(111 128)	267 133	(528 480)	19 176
Normalisation adjustments	(3 166)	1 573	(1 769)	(21 091)	(24 453)	104 608	27 116	67	233 131	364 922
Normalised EBITDA**	521 108	(33 835)	265 107	(109 628)	642 752	496 259	(84 012)	267 200	(295 349)	384 098
Non-core business lines to be closed~	2 966	45 692	–	–	48 658	323 016	172 980	–	–	495 996
Core normalised EBITDA***	524 074	11 857	265 107	(109 628)	691 410	819 275	88 968	267 200	(295 349)	880 094
Core normalised EBITDA (%)	10.1%	0.6%	25.4%	–	8.8%	11.8%	2.5%	22.0%	–	7.8%

Adjusted EBITDA reconciliation

Figures in Rand thousand	Notes	2021	Restated* 2020
Operating profit/(loss)		146 955	(1 319 124)
Operating profit/(loss) from continuing operations		36 337	(936 525)
Operating profit/(loss) from discontinued operations		110 618	(382 599)
Depreciation		227 516	335 924
Amortisation		47 151	162 079
Impairment losses on non-financial assets		182 941	522 475
Loss on disposal of assets		46 524	263 675
Share-based payments		4 705	48 285
Interest allocation		549	–
Changes in fair value of vendors for acquisition	17	10 864	3 685
Income from joint venture		–	2 177
Adjusted EBITDA		667 205	19 176
Normalisation adjustments		(24 453)	364 922
Write-off of inventories#		–	20 396
Other financial assets write-off and specific provisions		45 964	149 245
Advisory and other##		20 315	106 605
Retrenchment and settlement costs		9 351	49 744
Provisions (released)/raised		(100 083)	38 932
Normalised EBITDA**		642 752	384 098
Non-core business lines to be closed~		48 658	495 996
Core normalised EBITDA***		691 410	880 094

* *Comparative figures previously reported have been restated for the correction of prior period errors. Refer to note 6. Comparative figures have also been amended to reflect continuing operations prevailing for the year ended 31 July 2021.*

** *Normalised EBITDA is defined as adjusted EBITDA adjusted for write-off of inventories, other financial assets write-off and specific provisions, advisory and other, retrenchment and settlement costs, and provisions (released)/raised.*

*** *Core normalised EBITDA is defined as normalised EBITDA adjusted for non-core business lines to be closed.*

\# *Write-off of inventories relates to inventory licences that were previously purchased and capitalised as inventory and subsequently written off as there were no customers for such inventory licences.*

\## *Advisory and other consists mainly of costs related to the ENSafrica investigation, costs related to internal restructuring of the businesses, adviser costs related to disposals of businesses and also includes the JSE fine referred to in note 21.*

~ *Non-core business lines to be closed reflect normalised EBITDA relating to businesses that management intends to close which have not yet met the IFRS 5 requirements to be classified as discontinued and non-profitable business lines or arrangements that are not expected to continue going forward.*

^ *Reconciliation comprises elimination of intersegment transactions and includes head office expenses.*

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2021

1. 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 summarised consolidated financial statements of EOH, as at 31 July 2021 and for the year ended 31 July 2021, comprise the Company and its subsidiaries (together referred to as the Group) and the Group's investments in associates and joint ventures.

2. STATEMENT OF COMPLIANCE

The summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, and the requirements of the Companies Act of South Africa applicable to summarised financial statements. The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

These summarised consolidated financial statements were compiled under the supervision of Megan Pydigadu CA(SA), the Group Chief Financial Officer ("CFO").

3. BASIS OF PREPARATION

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

Going concern

The IFRS Conceptual Framework states that going concern 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 summarised consolidated financial statements of the Group have been prepared on the going concern basis.

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 R280 million, net asset value attributable to the owners of EOH Holdings Limited at the end of the year of R158 million and cash inflows from operating activities of R80 million (including continuing and discontinued operations). Details of the financial performance, condition and cash flows for the Group are explained in the consolidated 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 in October 2019, revised in April 2020 and again in November 2020. Since its announcement in October 2019, the plan has been largely executed against and the directors reasonably believe it can continue to be implemented going forward in order to ensure the Group's ability to continue as a going concern.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2021

3. BASIS OF PREPARATION continued

Going concern continued

The key deliverables implemented by the Group in relation to the deleveraging plan have been focused around the disposal of assets. The sale of Sybrin was announced in June 2021. Currently, conditions precedent are being fulfilled and are expected to be finalised in November/December of this calendar year. This should result in approximately R334 million of funds to deleverage the debt. The remaining IP asset, InfoSys is in the late stages of being disposed and will also assist in the deleverage of a portion of the bridge facility. The Group obtained a deferral letter from its lenders relating to the repayment of the debt and a waiver of the events of default related to repayment and financial covenants which existed at 31 July 2021.

The Group has also implemented initiatives to improve liquidity. The Group also showed its ability to be agile and respond to new challenges as is evident from the liquidity initiatives implemented with the onset of COVID-19 restrictions in March 2020. The Group also has R537 million of net cash and access to overdraft facilities of R400 million.

The Group over the past year has revised its go-to-market strategy and brought in an industry veteran to spearhead the commercial strategy for the Group and improve the quality of revenue.

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. While the Group's current liabilities exceeded its current assets by R1.8 billion, with the subsequent events of signing the Common Terms Agreement this will result in current assets exceeding current liabilities refer to note 22;
3. There is an approved budget for the following 24 months;
4. There are cash flow forecasts for the following 12 months, 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 12 months based on the following assumptions:
   - improved operational performance;
   - the sale of non-core assets, which are at a relatively advanced stage;
   - 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.

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

The Board, after considering the negotiated 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 financial statements.

Accounting policies

The accounting policies applied in the consolidated financial statements are consistent with those applied in the previous years.

A number of new standards and/or interpretations are effective for the annual reporting period commencing 1 August 2020, with no material effect on the Group's financial statements.

4. AUDIT OPINION

These summarised consolidated financial statements for the year ended 31 July 2021 have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated financial statements from which these summarised consolidated financial statements were derived.

A copy of the auditor's report on the summarised consolidated financial statements and of the auditor's report on the consolidated financial statements are available for inspection at the Company's registered office or can be downloaded from the Company's website: www.eoh.co.za, together with the consolidated financial statements identified in the respective auditor's reports.

5. NEW STANDARDS AND INTERPRETATIONS

5.1 Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not effective for 31 July 2021 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.

5.2 Standards and interpretations early adopted

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

6. RESTATEMENT OF SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

During the current year, management identified the following matters which were incorrectly accounted for and presented in prior periods:

- SARS VAT Voluntary Disclosure Programme ("VDP") liability (6.1);
- Fair value adjustments on treasury shares not eliminated on consolidation (6.2); and
- Expired Vendors For Acquisition ("VFA") balance within other reserves (6.3).

The 2020 summarised financial statements and the summarised consolidated statement of financial position as at 1 August 2019 have been restated to correct the prior period errors.

A brief explanation of each category of error is provided below, following which an analysis is included of the financial impact on the affected financial statement line items:

6.1 SARS VAT VDP liability

During the disposal process of one of the discontinued subsidiaries in the Group, a tax due diligence finding was raised, regarding VAT not raised on services billed from the subsidiary to another foreign entity within the Group for the period August 2013 to 28 February 2021. The invoices were zero rated as export services to the foreign entity under the Income Tax Act of South Africa section 11(2)l, although after consultations with Senior Counsel, the opinion was that these services were being rendered to a tax resident, while the foreign entity was not carrying on an enterprise in South Africa, it was tax resident for income tax and by default should be a resident for VAT.

Therefore section 11(2)k was applicable and not 11(2)l, and in that case VAT needed to be raised for all services performed from within South Africa and only those physically rendered outside South Africa could be zero rated. EOH submitted a VAT VDP to the South African Revenue Service and the total VAT liability for the period August 2013 to 28 February 2021 (R66 million at 31 July 2020 including related interest of R14 million) would be settled through the sale proceeds from the buyer using an ESCROW account.

6.2 Fair value adjustments on treasury shares not eliminated on consolidation

A subsidiary within the Group as well as the Trusts previously acquired EOH Holdings' shares. Such shares were remeasured to fair value within these entities, with the fair value gains or losses being recognised within other reserves in equity. The fair value adjustments that had occurred prior to the 2019 financial year were not reversed on consolidation. This resulted in an overstatement of the other reserves, an overstatement of the stated capital and an understatement of accumulated loss with no impact on total equity.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2021

6. RESTATEMENT OF SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

6.3 Expired VFA balance within other reserves

Prior to the 2019 financial year, a subsidiary within the Group had made an acquisition of a business through which a portion of the consideration was contingent based on profit warranties. The liability for the contingent consideration was recognised. Subsequently, prior to the 2019 financial year, the subsidiary no longer had the obligation for the contingent consideration due to expiry and the liability was derecognised, with the other side of the entry being in other reserves. The derecognition of the liability should have been recognised in the income statement and ultimately to accumulated loss rather than directly to other reserves. This resulted in an overstatement of the other reserves and an overstatement of accumulated loss, with no impact on total equity.

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

Summarised statement of financial position (extract) as at 1 August 2019

Figures in Rand thousand	1 August 2019	SARS VAT VDP liability	Fair value adjust-ments on treasury shares	Expired VFA	Restated 1 August 2019
Stated capital	(4 239 621)	–	22 153	–	(4 217 468)
Other reserves	(742 597)	–	245 437	56 239	(440 921)
Accumulated loss	3 047 669	–	(267 590)	(56 239)	2 723 840
Total equity	(1 995 427)	–	–	–	(1 995 427)

Summarised statement of financial position (extract) as at 31 July 2020

Figures in Rand thousand	As previously stated 31 July 2020	SARS VAT VDP liability	Fair value adjust-ments on treasury shares*	Expired VFA**	Restated 31 July 2020
Liabilities directly associated with assets held for sale	(834 092)	(66 314)	–	–	(900 406)
Net assets	539 499	(66 314)	–	–	473 185
Stated capital	(4 250 219)	–	32 934	–	(4 217 285)
Other reserves	(924 862)	–	234 656	56 239	(633 967)
Accumulated loss	4 680 506	66 314	(267 590)	(56 239)	4 422 991
Total equity	(539 499)	66 314	–	–	(473 185)

* *Represents the accumulated correction for the fair value adjustment on treasury shares, including the 2020 correction of R10 million.*
** *Represents the accumulated correction for the expired VFA.*

6. RESTATEMENT OF SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

Summarised statement of profit or loss and other comprehensive income (extract) for the year ended 31 July 2020

Figures in Rand thousand	31 July 2020	SARS VAT VDP liability	Re-presented as discon-tinued operations (note 10)	Restated 31 July 2020
Continuing operations				
Revenue	8 690 350	–	81 784	8 772 134
Cost of sales	(6 893 957)	–	(80 345)	(6 974 302)
Gross profit	1 796 393	–	1 439	1 797 832
Net financial asset impairment losses	(320 712)	–	(2 732)	(323 444)
Operating expenses	(2 417 575)	–	6 662	(2 410 913)
Operating loss	(941 894)	–	5 369	(936 525)
Investment income	26 984	–	(582)	26 402
Share of equity-accounted loss	(565)	–	–	(565)
Finance costs	(410 875)	–	(328)	(411 203)
Loss before taxation	(1 326 350)	–	4 459	(1 321 891)
Taxation	64 030	–	(3 796)	60 234
Loss for the year from continuing operations	(1 262 320)	–	663	(1 261 657)
Loss for the year from discontinued operations	(364 494)	(66 314)	(663)	(431 471)
Loss for the year	(1 626 814)	(66 314)	–	(1 693 128)
Other comprehensive income	155 010	–	–	155 010
Total comprehensive loss for the year	(1 471 804)	(66 314)	–	(1 538 118)

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2021

6. RESTATEMENT OF SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

Summarised statement of profit or loss and other comprehensive income (extract) for the year ended 31 July 2020 continued

Figures in Rand thousand	31 July 2020	Restated 31 July 2020
Loss attributable to:		
Owners of EOH Holdings Limited	(1 620 721)	(1 687 035)
Non-controlling interests	(6 093)	(6 093)
Total	(1 626 814)	(1 693 128)
Total comprehensive loss attributable to:		
Owners of EOH Holdings Limited	(1 462 568)	(1 528 882)
Non-controlling interests	(9 236)	(9 236)
Total	(1 471 804)	(1 538 118)
From continuing and discontinued operations (cents)		
Loss per share	(961)	(1 000)
Diluted loss per share	(961)	(1 000)
Headline loss per share	(495)	(534)
Diluted headline loss per share	(495)	(534)
From continuing operations (cents)		
Loss per share	(747)	(747)
Diluted loss per share	(747)	(747)
Headline loss per share	(505)	(505)
Diluted headline loss per share	(505)	(505)

The restatement adjustments are all non-cash adjustments and therefore do not impact cash generated before working capital changes or any other line items on the summarised consolidated statement of cash flows.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2021

7. REVENUE

Disaggregated revenue

Figures in Rand thousand	2021	Restated* 2020
Revenue by sector		
Public sector	**22%**	21%
Private sector	**78%**	79%
Total	**100%**	100%
Major revenue types		
Hardware sales	**746 815**	1 075 631
Services	**6 652 479**	9 311 943
Software/licence contracts	**383 557**	816 376
Rentals**	**99 572**	72 753
Total	**7 882 423**	11 276 703
Continuing operations	**6 874 212**	8 772 134
Discontinued operations (note 10)	**1 008 211**	2 504 569
Total	**7 882 423**	11 276 703

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2021.*

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

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2021

8. HEADLINE LOSS PER SHARE

Figures in Rand thousand	2021	Restated*# 2020
Headline loss per share and diluted headline loss per share		
Headline loss from continuing operations (R'000)	**(183 861)**	(851 118)
Weighted average number of shares in issue ('000)**	**168 737**	168 635
Headline and diluted loss per share from continuing operations (cents)	**(109)**	(505)
Headline loss from continuing and discontinued operations (R'000)	**(37 135)**	(900 513)
Weighted average number of shares in issue ('000)**	**168 737**	168 635
Headline and diluted loss per share from continuing and discontinued operations (cents)	**(22)**	(534)
Reconciliation between earnings, headline earnings and diluted headline earnings from continuing and discontinued operations		
Loss attributable to owners of EOH Holdings Limited	**(279 655)**	(1 687 035)
Adjusted for:		
Loss/(profit) on disposal of property, plant and equipment^	**6 824**	(37 032)
Loss on sale of subsidiaries and equity-accounted investments	**39 700**	300 707
IAS 36 Impairment of goodwill	**136 359**	232 874
IAS 36 Impairment of intangible assets and property, plant and equipment^	**20 778**	11 232
IFRS 5 remeasurement to fair value less costs to sell	**46 207**	278 369
Total tax effects on adjustments	**(7 347)**	518
Total non-controlling interest effects on adjustments	**(1)**	(146)
Headline loss from continuing and discontinued operations	**(37 135)**	(900 513)

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2021. Refer to note 6 for correction of prior period error.*

** *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.*

^ *Tax effects on loss/(profit) on disposal of property, plant and equipment and impairment of intangible assets and property, plant and equipment are (R1 529) (2020: R8 295) and (R5 818) (2020: (R7 777)) respectively.*

\# *Comparatives have been disaggregated to show each remeasurement separately.*

8. HEADLINE LOSS PER SHARE continued

Figures in Rand thousand	2021	Restated*# 2020
Reconciliation between earnings, headline earnings and diluted headline earnings from continuing operations		
Loss attributable to owners of EOH Holdings Limited	**(279 655)**	(1 687 035)
Adjusted for discontinued operations (note 10)	**(44 709)**	427 554
Continuing loss attributable to ordinary shareholders	**(324 364)**	(1 259 481)
Continuing operations adjustments:		
Loss/(profit) on disposal of property, plant and equipment^	**6 141**	(16 224)
(Profit)/loss on sale of subsidiaries and equity-accounted investments	**(16 889)**	90 476
IAS 36 Impairment of intangible assets and property, plant and equipment^	**8 938**	11 232
IAS 36 Impairment of goodwill	**136 359**	232 874
IFRS 5 remeasurement to fair value less costs to sell	**9 833**	89 525
Total tax effect on adjustments	**(3 878)**	489
Total non-controlling interest effect on adjustments	**(1)**	(9)
Headline loss from continuing operations	**(183 861)**	(851 118)

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2021. Refer to note 6 for correction of prior period error.*
^ *Tax effects on loss/(profit) on disposal of property, plant and equipment and impairment of intangible assets and property, plant and equipment are (R1 376) (2020: R3 634) and (R2 502) (2020: (R3 145)) respectively.*
\# *Comparatives have been disaggregated to show each remeasurement separately.*

9. 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	2021	Restated* 2020
Impairment loss on trade and other receivables	**38 531**	192 893
Impairment loss on other financial assets	**45 554**	68 982
Impairment (reversal)/loss on contract assets	**(2 826)**	64 250
Impairment loss/(reversal) on finance lease receivables	**5 739**	(2 681)
	86 998	323 444

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2021.*

10. DISCONTINUED OPERATIONS

Identification and classification of discontinued operations

There were a number of businesses that were approved for sale at 31 July 2021, and for which the sale is expected to be completed within 12 months from the reporting date, as well as businesses that were already sold during the current and previous reporting periods that have met the requirements to be presented as discontinued operations and have accordingly been presented as such.

Judgement was applied in determining whether a component is a discontinued operation by assessing whether it represents a separate major line of business or geographical area of operations or is part of a single plan to dispose of a separate major line of business or geographical area of operations.

The Group's intention to dispose of these non-core assets triggered an initial impairment assessment on the underlying assets at 31 July 2020, and these continue to be measured at fair value less costs to sell at 31 July 2021. The resulting impairment has been allocated to the identified disposal groups (note 12).

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2021

10. DISCONTINUED OPERATIONS continued

Identification and classification of discontinued operations continued

Figures in Rand thousand	2021	Restated#* 2020
Revenue	**1 008 211**	2 504 569
Cost of sales	**(531 245)**	(1 833 502)
Gross profit	**476 966**	671 067
Net financial asset impairment losses	**(3 494)**	(8 875)
Remeasurement to fair value less costs to sell	**(36 374)**	(188 844)
Loss on disposal	**(56 589)**	(210 231)
Other operating expenses	**(269 891)**	(645 716)
Operating profit/(loss)	**110 618**	(382 599)
Investment income	**3 451**	13 881
Share of equity-accounted profits	**–**	10 034
Finance costs	**(8 280)**	(20 907)
Profit/(loss) before taxation	**105 789**	(379 591)
Taxation	**(59 735)**	(51 880)
Profit/(loss) for the year from discontinued operations	**46 054**	(431 471)
Other comprehensive income		
Attributable to:		
Owners of EOH Holdings Limited	**44 709**	(427 554)
Non-controlling interests	**1 345**	(3 917)
Loss per share (cents)		
Earnings/(loss) per share from discontinued operations	**26**	(253)
Diluted earnings/(loss) per share from discontinued operations	**26**	(253)
Net cash flows in relation to discontinued operations:		
Net decrease in cash and cash equivalents**	**(266 558)**	(178 656)
Operating activities	**20 881**	175 751
Investing activities	**(276 771)**	(342 246)
Financing activities	**(10 669)**	(12 161)

Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2021.

* *Refer to note 6 for the correction of prior period error.*

** *Comparative amounts have been disaggregated to show the cash flows related to discounted operations from operating, investing and financing activities.*

Profit before taxation before including the gain/(loss) on disposal and remeasurement to fair value less costs to sell was R198.8 million (2020: R19.5 million).

11. PROPERTY, PLANT, EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

The Group acquired property, plant, equipment and right-of-use assets at a value of R67 million (2020: R210 million) and intangible assets at a value of R79 million (2020: R187 million). The Group disposed of property, plant and equipment with a carrying value of R56 million (2020: R72 million) and intangible assets with a carrying value of R18 million (2020: R19 million).

An impairment charge of R21 million and Rnil (2020: R2 million and R26 million) against property, plant, equipment and right-of-use assets, and intangible assets respectively has been recognised at year-end.

12. GOODWILL

Figures in Rand thousand	2021	2020
Cost	**3 225 516**	3 657 801
Accumulated impairments	**(1 704 698)**	(1 484 715)
Opening balance	**1 520 818**	2 173 086
Foreign currency translation	**(6 688)**	8 975
Disposals	**(117 436)**	(248 149)
Impairments: discontinued operations	**(36 374)**	(147 870)
Impairments: continuing operations	**(144 912)**	(265 224)
Closing balance before assets held for sale	**1 215 408**	1 520 818
Cost	**3 101 392**	3 225 516
Accumulated impairments	**(1 885 984)**	(1 704 698)
Assets held for sale (note 14)	**(469 564)**	(604 075)
Closing balance	**745 844**	916 743

A number of economic and operational events during the year ended 31 July 2021 had a negative impact on EOH's market capitalisation and certain underlying businesses. The Group's annual review of goodwill highlighted impairments of R181 million (R130 million in the iOCO segment, R15 million in the NEXTEC segment and R36 million in the IP segment).

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2021

12. GOODWILL continued

iOCO

An impairment charge amounting to R108 million was recognised for the Compute cash-generating unit ("CGU"). The impairment was predominantly driven by lost or delayed contracts and projects as a result of challenging market conditions and the impact of COVID-19. The goodwill balance for Compute at 31 July 2021 amounts to R104 million, after recognising the impairment charge.

The Employee Benefits CGU was impaired by R15 million having been negatively impacted by part of its customer base opting out of their pension fund contributions due to the weak performance of equity markets driven by COVID-19.

An impairment charge amounting to R6 million was recognised for the Sortit CGU, with the related employees and contracts having been transferred to other businesses within the Group after the related legal entity entered a deregistration process.

During the year, In the Cloud and Coastal CGUs were merged to form a single CGU. EOH undertook a strategic business decision to use a single executive team to manage and report on the merged CGU due to the businesses having the same service offering and sharing the same markets and prospective customer base.

As part of the Group's reorganisation and structure simplification, two additional business units were incorporated into the Freethinking CGU as they are collectively managed, measured and reported on by a single management team, share the same markets and offer their services collectively to prospective customers.

NEXTEC

The ESA CGU was impaired by R9 million during 2021 due mainly to the increased risk of non-renewal of key customer contracts.

As part of the Group's reorganisation and corporate structure simplification, MBAT has been merged with the Learning and Development CGU. The performance of MBAT and the remaining Learning and Development CGU are now being collectively managed, measured and reported on by a single executive team, sharing the same markets and offering its services collectively to prospective customers.

IP

An impairment of goodwill amounting to R30 million was attributable to Sybrin as a result of its write-down to fair value less costs of disposal, which was primarily as a result of the negative effects of COVID-19 on the business, which caused a decrease in profitability as a result of delays in key projects. The Afiswitch CGU was impaired by R6 million driven mainly by increased risk of non-renewal of key customer contracts.

Prior year impairments

Prior year goodwill impairments amounted to R413 million (R110 million in the iOCO segment, R243 million in the NEXTEC segment and R60 million in the IP segment). The impairments in iOCO were largely driven by lost or unrenewed contracts, delayed projects with customers as a result of ongoing challenging market conditions, or businesses that were rendered non-operational during the year. The largest contributor to the NEXTEC impairments was the TCD CGU, which incurred an impairment of R93 million due to the effects of changes in clinical trials legislation which led to a loss of customers and consequent restructuring of the business. The PiA Solar CGU incurred a R49 million impairment to goodwill relating to renewable energy loss-making contracts. The PCI CGU incurred a R39 million impairment, primarily due to continued material delays in the commencement or award of projects in the water sector. The impairment of goodwill of R60 million in the IP segment related to key long-term contract renewal challenges. The balance of impairments sustained in the prior year related mainly to the prevailing challenging market conditions.

12. GOODWILL continued

Impairment testing

During the financial year ended 31 July 2021, the depressed economic environment as a result of COVID-19 impacted a number of the Group's operations giving rise to impairments of goodwill in certain CGUs.

For the purpose of impairment testing, goodwill is allocated to the Group's CGUs. The recoverable amount of these CGUs were 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 pre-tax discount rate was used in discounting the projected cash flows depending on the nature of business and operating markets. These calculations use cash flow projections based on financial budgets and forecasts for three years, as approved by the Board, which are based on assumptions of the business, industry and economic growth. 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:
- 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: discount rates used reflect both time value of money and other specific risks relating to the relevant CGU;
- Adjusted EBITDA margins in the following ranges: iOCO (1.5% – 43.1%) (prior year: 3.4% – 45.3%) and NEXTEC (5.1% – 23.3%) (prior year: 6.4% – 19.8%); and
- Perpetuity growth rates: a perpetuity growth rate of 4.0% (prior year: 4.0%) has been used for the Group.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2021

12. GOODWILL continued

Key assumptions used in discounted cash flow projection calculations continued

Figures in Rand thousand	2021		
	Goodwill closing balance	Pre-tax discount rates %	Growth rates %
iOCO			
Compute	103 662	24.4	3.5
Managed Services	80 793	24.2	1.5
Symplexity	50 123	25.8	5.5
Softworks	39 345	23.0	5.4
Microsoft	35 707	23.5	5.0
Employee Benefits#	22 758	26.9	(6.8)
Coastal* (including In the Cloud)	32 014	25.1	12.9
Legal	29 177	26.7	3.5
Network Solutions	29 101	27.2	2.6
IoT*	14 814	32.1	16.4
Freethinking*	14 081	25.5	14.7
XTND	13 333	23.1	7.7
Impressions**	12 240	25.4	50.5
Connection 42	12 016	26.2	6.2
Other	22 057	n/a	n/a
NEXTEC			
Learning and Development*	93 488	24.5	17.1
JOAT*	59 463	27.9	17.2
Scan RF	28 155	26.3	2.5
Energy Insight*	12 261	28.1	12.5
ILS*	10 429	24.4	10.1
BT Cape*	8 104	25.6	16.7
Impact HR#	7 904	27.7	(1.4)
Other	9 289	n/a	n/a

* *The higher growth rates are 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 forecasted periods to historically achieved or improved levels or CGUs demonstrating significant secured work or probable pipeline to support the growth. In the prior year, the higher growth rates were driven by businesses that had shown significant growth amidst COVID-19 impacted conditions.*

** *The Impressions CGU is forecasted 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 forecasted for the Employee Benefits and Impact HR CGUs were caused mainly by a decrease in revenue forecast in year one, after which a moderate annual growth rate is forecast thereafter.*

12. GOODWILL continued

Key assumptions used in discounted cash flow projection calculations continued

Figures in Rand thousand	2020 Goodwill closing balance	2020 Pre-tax discount rates %	2020 Growth rates %
iOCO			
Compute	211 899	23.4	7.8
Managed Services	80 793	23.9	5.8
Symplexity	50 123	23.6	0.8
Softworks	39 345	22.1	7.4
Employee Benefits	38 162	23.4	3.2
Microsoft	35 707	22.5	11.4
Network Solutions	31 163	22.1	4.6
Legal	29 177	23.5	2.9
Coastal	22 342	22.9	13.5
IoT	14 814	25.6	6.0
Freethinking	14 081	22.5	14.4
XTND	13 333	23.9	6.9
Impressions	12 240	24.6	37.2
Connection 42	12 016	23.7	9.4
Other	55 305	n/a	n/a
NEXTEC			
Learning and Development	93 488	25.1	17.7
JOAT	59 463	27.3	10.6
Scan RF	28 155	25.6	(2.2)
Energy Insight	12 261	24.9	17.6
ESA#	31 773	25.6	(2.3)
Other*	31 103	n/a	n/a

* *Other includes ILS, BT Cape and Impact HR.*
\# *ESA was shown under iOCO in 2020 and has been correctly moved to be shown under NEXTEC.*

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2021

12. 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 growth assumptions. Revenue growth 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. The CGUs not included in the table below have sufficient headroom and are not sensitive to the changes applied to the assumptions. However, a decrease in the adjusted EBITDA margin of 2.5 percentage points resulted in the following CGUs being impaired by the values listed:

Figures in Rand thousand	2021	2020
iOCO		
Legal	**12 752**	6 412
Symplexity	**10 685**	n/a
Compute	**n/a**	3 110
Impressions	**8 490**	8 405
Network Solutions	**6 028**	n/a
NEXTEC		
GLS Consulting	**n/a**	3 280
Impact Human Resources	**n/a**	16 258

Assets held for sale

The Group tested its asset held for sale assets, 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 goodwill balances for potential impairment. The fair value was determined primarily with reference to advanced offers from potential acquirers less estimated disposal costs.

During the year, goodwill from the InfoSys CGU which relates to the Afiswitch business was separated and subjected to a separate sales process as a result of a change in the sale process. Afiswitch historically formed part of the InfoSys sale assets. As a result the goodwill that historically formed part of the InfoSys CGU which was applicable to Afiswitch has been shown separately for 2021.

Figures in Rand thousand	Goodwill closing balance 2021	Goodwill closing balance 2020
IP		
InfoSys	**208 101**	248 443
Sybrin	**204 135**	242 630
Syntell	**–**	38 601
Afiswitch	**34 108**	–
NEXTEC		
DENIS	**–**	74 401
ESA	**23 220**	–
Total	**469 564**	604 075

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

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2021

13. INVENTORIES

Figures in Rand thousand	2021	2020
Finished goods	**95 853**	110 298
Consumables	**5 289**	3 122
Work-in-progress	**34 432**	12 930
	135 574	126 350
Provision for write-down of inventories to its net realisable value	**(23 026)**	(12 596)
	112 548	113 754
Cost of goods sold during the year from continuing operations amounted to:	**2 502 099**	3 238 440

Write-down of inventories of R7 million (2020: R31 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.

14. ASSETS HELD FOR SALE

The Group refined its operational structure during the 2019 financial year into three distinct operating units to allow for leaner and more agile core businesses with separate capital and governance structures. On 11 December 2018, the Group announced that opportunities would be explored for the sale of certain non-core assets, of which many have been sold during the current financial year.

The Sybrin, DENIS, Syntell and InfoSys groups of companies were classified as held for sale and discontinued operations in the prior year, with DENIS and Syntell being disposed of during the current year. At the reporting date the Sybrin and InfoSys groups of companies are held for sale with sales of both groups of companies expected to finalise within 12 months. The sale of Sybrin was concluded, subject to the fulfilment or waiver of a few suspensive conditions.

There continues to be a number of businesses approved for sale and for which the sale is expected to be completed within 12 months from the reporting date. These businesses are classified as disposal groups held for sale and the assets and liabilities of these disposal groups have been presented as held for sale. Unforeseen delays, mostly due to COVID-19 related implications, outside the control of management have prevented the sale of certain businesses within 12 months from the prior year reporting date. These continue to be held for sale as both management and the prospective purchaser are committed to the sale transaction.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2021

14. ASSETS HELD FOR SALE continued

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	2021
Assets				
Property, plant and 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 10)	–	–	(36 374)	(36 374)
	(1 280)	(8 553)	(36 374)	(46 207)

14. ASSETS HELD FOR SALE continued

Figures in Rand thousand	iOCO	NEXTEC	IP	Restated* 2020
Assets				
Property, plant and equipment and right-of-use assets	2 513	101 932	140 373	244 818
Goodwill and intangible assets	406	88 863	860 127	949 396
Equity-accounted investments	11 000	–	–	11 000
Other financial assets	–	13 811	5 060	18 871
Deferred taxation	–	21 152	9 979	31 131
Finance lease receivables	–	1 197	479	1 676
Inventories	–	3 804	19 472	23 276
Current taxation receivable	2 925	2 712	14 078	19 715
Trade and other receivables	53 547	225 513	244 680	523 740
Cash and cash equivalents	205	171 938	156 600	328 743
Assets held for sale	70 596	630 922	1 450 848	2 152 366
Liabilities				
Other financial liabilities	(12 739)	–	(16 777)	(29 516)
Lease liabilities	–	(27 834)	(56 709)	(84 543)
Deferred taxation	–	(1 389)	(30 094)	(31 483)
Current taxation payable	–	(22 364)	(15 343)	(37 707)
Trade and other payables	(51 292)	(319 702)	(279 849)	(650 843)
Provisions	–	–	(66 314)	(66 314)
Liabilities directly associated with assets held for sale	(64 031)	(371 289)	(465 086)	(900 406)
Net assets directly associated with the disposal groups	6 565	259 633	985 762	1 251 960
Cumulative amounts recognised in other comprehensive income				
Foreign currency translation reserve	(933)	(45)	(20 808)	(21 786)
Impairment loss for write-down to fair value less costs to sell				
Continuing operations – operating expenses	(57 175)	(32 350)	–	(89 525)
Discontinued operations (note 10)	(63 108)	(65 736)	(60 000)	(188 844)
	(120 283)	(98 086)	(60 000)	(278 369)

* *Refer to note 6 for the correction of the prior period error.*

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2021

15. 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, associate and joint ventures during the year.

Figures in Rand thousand	Treatment before disposal	Percentage holding disposed	Date of disposal	Consideration received or receivable**	(Loss)/gain on disposal
Entity disposed#					
NEXTEC					
PCI Group	Subsidiary	100%	1 August 2020	5 000	2 354
DENIS Group	Subsidiary	100%	30 September 2020	160 359	(14 473)
SI Analytics Proprietary Limited	Subsidiary	100%	30 November 2020	10 994	(1 993)
Civec Civil Engineers Consultants Proprietary Limited	Subsidiary	100%	1 March 2021	–	(1 536)
iOCO					
NEXTEC Advisory Proprietary Limited*	Subsidiary	100%	31 October 2020	–	22 984
Allos SRL (Italy)	Subsidiary	100%	31 December 2020	8 956	(3 911)
Çözümevi Yönetim Danişmanliğ Ve Bilgisayar Yazilm Ticaret Anonim Şirketi	Joint venture	50%	31 December 2020	2 895	(1 105)
IP					
Imaging Solutions Zimbabwe Private Limited	Subsidiary	75%	1 August 2020	–	(20 099)
Syntell Group***	Subsidiary	100%	18 November 2020	175 132	(8 065)
Transaction costs					(13 856)
Net loss on disposal of subsidiaries and equity-accounted investments				363 336	(39 700)

* NEXTEC Advisory Proprietary Limited has been disposed of by way of liquidation.
** Consideration reflected does not include extinguishment of debt on sale.
*** EOH Group held a 50.1% interest in both Syntell Systems Proprietary Limited and Mikros Systems Proprietary Limited, these companies form part of the Syntell Group.
# NEXTEC Advisory Proprietary Limited, SI Analytics Proprietary Limited and Civec Civil Engineers Consultants Proprietary Limited are shown within continuing operations of the Group. The remaining entities disposed are included within discontinued operations in note 10.

15. DISPOSAL OF SUBSIDIARIES AND EQUITY-ACCOUNTED INVESTMENTS continued

Figures in Rand thousand	2021	2020
Opening balance	**82 052**	–
Cash consideration received or receivable	**363 336**	416 709
Less: amount outstanding at year end	**(17 660)**	(82 052)
Cash received from disposal of businesses	**427 728**	334 657
Less: cash balances disposed of	**(214 792)**	(170 032)
Cash receipt from disposal of businesses, net of cash given up	**212 936**	164 625

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

Figures in Rand thousand	Notes	2021	2020
Assets			
Property, plant and equipment		**181 670**	71 495
Goodwill and intangible assets		**174 290**	303 537
Equity-accounted investments		**4 000**	245 950
Other financial assets		**19 352**	–
Deferred taxation		**17 637**	10 259
Inventories		**26 737**	14 950
Current taxation receivable		**–**	9 458
Trade and other receivables		**365 910**	630 142
Cash and cash equivalents		**214 792**	170 032
Liabilities			
Other financial liabilities	17	**(64 962)**	(244 266)
Lease liabilities		**(52 028)**	(2 764)
Trade and other payables		**(481 076)**	(547 774)
Current taxation payable		**(22 171)**	–

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2021

16. STATED CAPITAL

Figures in Rand thousand	2021	Restated* 2020
Stated capital		
Restated opening balance	**4 217 285**	4 217 468
Treasury shares	**–**	(183)
	4 217 285	4 217 285

* *Refer to note 6 – Restatement of summarised consolidated financial statements.*

Authorised

500 000 000 ordinary shares of no par value.

40 000 000 EOH A shares of no par value.

Issued

Figures in Rand thousand	2021	2020
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 Company	**(5 446)**	(5 548)
	168 758	168 656
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 (2020: 323 455 039) unissued ordinary shares.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2021

17. OTHER FINANCIAL LIABILITIES

Figures in Rand thousand	2021	Restated# 2020
Interest-bearing liabilities	**2 568 834**	2 739 175
Interest-bearing bank loans secured through Security SPV	**2 061 321**	2 267 269
Bank overdrafts	**387 665**	115 253
Project finance loan*	**114 902**	135 080
Unsecured interest-bearing bank loans	**3 185**	215 247
Interest-bearing bank loans secured by fixed property	**1 761**	6 326
Non-interest-bearing liabilities	**4 138**	44 043
Vendors for acquisition	**4 138**	44 043
Liabilities directly associated with assets held for sale (note 14)	**(5 449)**	(29 516)
	2 567 523	2 753 702
Non-current financial liabilities	**–**	5 674
Current financial liabilities	**2 567 523**	2 748 028
	2 567 523	2 753 702
Reconciliation of other financial liabilities		
Balance at the beginning of the year	**2 783 218**	3 333 205
Bank overdrafts	**272 412**	115 253
Proceeds from other financial liabilities	**52 387**	–
Repayment of other financial liabilities	**(512 864)**	(321 128)
Repayment of vendors for acquisitions	**(14 494)**	(75 286)
Disposal of subsidiaries (note 15)	**(64 962)**	(244 266)
Net changes in fair value of vendors for acquisitions	**10 864**	3 685
Interest accrued on other financial liabilities	**179 540**	362 585
Interest repaid on other financial liabilities	**(191 533)**	(323 718)
Movement in capitalised debt restructuring fee	**51 028**	(51 028)
Other non-cash items	**7 376**	(16 084)
Closing balance before liabilities directly associated with assets held for sale	**2 572 972**	2 783 218
Liabilities directly associated with assets held for sale (note 14)	**(5 449)**	(29 516)
	2 567 523	2 753 702
Financial instruments		
Measured at amortised cost	**2 563 385**	2 709 659
Financial liabilities carried at fair value through profit or loss	**4 138**	44 043
	2 567 523	2 753 702
Vendors for acquisition		
Current financial liabilities	**4 138**	44 043
	4 138	44 043

* *Ring-fenced debt.*

\# *Comparatives have been restated to present interest accrued and interest repaid separately.*

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2021

17. OTHER FINANCIAL LIABILITIES continued

Interest-bearing bank loans are secured through a Security SPV which require 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 is pledged as required above and the process of providing the security is ongoing.

The interest-bearing bank loans secured through the Security SPV comprises:

- an amortising facility at an interest rate of 3-month Johannesburg Interbank Average Rate (JIBAR) + 265 basis points;
- revolving credit facility at an interest rate of 3-month JIBAR + 220 basis points;
- a bullet facility at an interest rate of 3-month JIBAR + 285 basis points; and
- a dematerialised note at an interest rate of 3-month JIBAR + 240 basis points.

From 1 April 2019 the secured lenders (excluding the note) have charged an additional 250 basis points of default interest on top of the above fully drawn facilities. The penalty interest was reduced to 170 basis points with effect from 1 September 2020.

The 3-month JIBAR referred to above is reset quarterly.

Refer to note 22 for subsequent events on the above loans.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2021

18. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2021

18. FINANCIAL ASSETS AND FINANCIAL LIABILITIES 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 2020:

	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	–	974 580	974 580	(328 743)	645 837	–	–	–	–
Trade and other receivables	–	1 751 276	1 751 276	(361 515)	1 389 761	–	–	–	–
Finance lease receivables	–	124 516	124 516	(1 676)	122 840	–	–	–	–
Other financial assets	–	216 861	216 861	(18 871)	197 990	–	–	–	–
Financial liabilities									
Trade and other payables	–	858 743	858 743	(355 816)	502 927	–	–	–	–
Lease liabilities	–	360 965	360 965	(84 543)	276 422	–	–	–	–
Other financial liabilities	44 043	2 739 175	2 783 218	(29 516)	2 753 702	–	–	44 043	44 043

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 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.

18. FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

Financial liabilities at fair value through profit or loss

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

Vendors for acquisition

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

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

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

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% (2020: 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.

Vendors for acquisition reconciliation of movement

Figures in Rand thousand	2021	2020
Balance at the beginning of the year	**44 043**	303 313
Disposals	**(36 275)**	(187 735)
Paid to vendors	**(14 494)**	(75 286)
Foreign exchange effects	**–**	66
Net changes in fair value	**10 864**	3 685
Balance at the end of the year	**4 138**	44 043

Non-recurring fair value measurements

Disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The fair values are determined based on sales agreements that are in place for each of the disposal groups that are held for sale. The total of such fair values is R834 million (2020: R1 033 million). These fair values are categorised as level 3, based on inputs used.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2021

19. CASH GENERATED FROM OPERATIONS

Figures in Rand thousand	2021	Restated* 2020
(Loss)/profit before taxation from:	**(122 818)**	(1 701 482)
Continuing operations	**(228 607)**	(1 321 891)
Discontinued operations (note 10)	**105 789**	(379 591)
Adjustments for:		
Depreciation and amortisation	**274 667**	498 004
Impairment of assets	**182 941**	522 475
Loss on disposal of subsidiaries, equity-accounted investments and property, plant and equipment	**46 524**	263 675
Change in fair value for vendors for acquisition	**10 864**	–
Share of equity-accounted profits	**(2 973)**	(7 282)
Share-based payments expense	**4 684**	48 285
Net finance costs	**272 745**	377 917
Net financial asset impairment losses	**90 492**	332 319
Inventory write-off/impairment	**7 352**	30 907
Movement in provisions	**(90 880)**	326 012
Foreign exchange losses/(gains)	**15 089**	(5 429)
Other non-cash items	**(5 402)**	(11 824)
Cash generated before changes in working capital	**683 285**	673 577
Working capital changes net of effects of disposal of subsidiaries	**(278 343)**	33 158
(Increase)/decrease in inventories	**(12 803)**	103 625
Decrease in trade and other receivables	**154 746**	596 569
Decrease in trade and other payables	**(420 286)**	(667 036)
Cash generated from operations	**404 942**	706 735

* *Refer to note 6 – Restatement of summarised consolidated financial statements.*

20. RELATED-PARTY TRANSACTIONS

The Group entered into various transactions with related parties.

Figures in Rand thousand	2021	2020
Transactions with associates and joint ventures		
Sales of products and services	**29**	3 899
Purchases of products and services	**2 792**	3 272
Balances arising from sales/purchases of goods and services with associates and joint ventures		
Trade receivable balances with related parties	**46**	3 773
Trade payable balances with related parties	**471**	8 176
Loans receivable from associates and joint ventures:	**–**	21 322
– Gross loans receivable from associates and joint ventures	**51 564**	57 772
– Allowances for expected credit losses on loans to associates and joint ventures	**(51 564)**	(36 450)
Transactions between Group companies (subsidiaries)		
Sale of products and services	**1 610 641**	2 075 904
Purchases of products and services	**1 099 800**	1 741 043
Operating expenses	**566 151**	334 861
Outstanding loan balances		
Loans from EOH Holdings Limited to subsidiaries	**2 511 277**	163 193
Loans to EOH Holdings Limited from subsidiaries	**370 619**	59 149
Vendor loans and receivables	**–**	287

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2021

21. 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 period 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. The projects subject to these PCGs are now substantially complete, and PiA is engaging with the customer in respect of the handover of the last project. EOH thus believes that the risk presented by the PCGs, albeit still in existence is and will be, mitigated pursuant to the handover.

During the prior financial year, EOH also issued a PCG for another subsidiary, EOH Mthombo Proprietary Limited ("EOH Mthombo"), relating to the implementation of an ERP solution at the City of Johannesburg ("COJ") for a project which was signed during the 2017 financial year. The agreement terminated in early 2021 and subsequent to year-end, the PCG was returned to EOH in terms of the Exit Management Plan and has been cancelled.

Fine imposed by the JSE Limited

The JSE Limited imposed a fine on EOH on 29 July 2020 for prior period errors contained in EOH's previously published financial statements for the financial years ended 31 July 2017 and 31 July 2018. The fine was for R7.5 million of which R2.5 million is suspended for a period of five years on condition that EOH is not found to be in breach of material and important provisions of the JSE Listings Requirements. The R5 million was raised as liability at 31 July 2020, against which payments have been made, with the suspended amount being a contingent liability.

Litigation

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

21. CONTINGENCIES AND COMMITMENTS continued

Uncertain indirect tax exposure

The Group has an ongoing tax dispute dating back to 2012 related to a PAYE dispute in one of its staff outsourcing businesses. At 31 July 2021, the Group had provided for R267 million on the PAYE liability assessed and potential future assessments, and has submitted a notice of objection to the South African Revenue Service ("SARS"). Based on internal and external legal and technical advice obtained, the Group remains confident that it has a strong legal case to contest the remaining exposure. A total of R52 million of the R267 million provision was repaid up to 31 July 2021.

Uncertain exposure due to suspect transactions

Alleged financial misconduct by a prescribed officer of the Group and director of a subsidiary within the Group

EOH became aware of alleged fraudulent conduct that was perpetrated between certain executives of a subsidiary, Cornastone Enterprise Systems Proprietary Limited ("Cornastone"), together with executives at Cell C Limited ("Cell C"), as it related to the supply of certain equipment and software licences. EOH commissioned an investigation in collaboration with Cell C, which has culminated in criminal charges being levelled against the alleged perpetrators.

The findings of the investigation identified a preliminary financial loss to Cornastone amounting to approximately R64 million relating to the cost of sales, covering a period of eight years from 2012 to 2020. The nature of the amounts was categorised as being "irregular" which relates almost exclusively to payments from Cornastone to the fictitious suppliers.

The current EOH leadership have undertaken the following corrective measures:

- The executives of the Cornastone management alleged to have been involved in the fraudulent conduct are, within effect from 2020, no longer in the employ of the Company;
- EOH has also taken legal advice in relation to its potential reporting obligations under section 34 of the Prevention and Combating of Corrupt Activities Act, 2004 in respect of the possible theft;
- This matter coming to light is evidence of the improved controls that have been introduced by the new management of the Group;
- Cases against all alleged perpetrators were reported to the South African Police Service which had led to their subsequent arrests;
- Third-party screening and procurement onboarding processes have been centralised within the Group in order to effectively exercise the necessary controls; and
- The financial department within the Group has been restructured to enhance oversight in regard to financial controls and risk management.

EOH's external auditors, PricewaterhouseCoopers Inc. ("PwC"), reported that a suspected irregularity had taken place as defined in the Auditing Profession Act, 2005 ("APA") to the Independent Regulatory Board of Auditors ("IRBA") on 13 October 2021 relating to the supply of certain equipment and software licences by Cornastone.

PwC subsequently submitted a second report to the IRBA as required by the APA, advising the IRBA that, in its view, the reportable irregularity was no longer occurring as the Company had acted on this matter as set out above.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2021

21. CONTINGENCIES AND COMMITMENTS continued

Uncertain exposure due to suspect transactions continued

ENSafrica assessment into contracts associated with suspicious activities

An assessment was undertaken in relation to contracts flagged by ENSafrica as being associated with suspicious activities, for purposes of determining the likelihood of a claim/s being raised against EOH Mthombo in relation to the contracts in question. The total contingent exposure identified in consequence of the results of that assessment is R48 million.

The assessments which resulted in a claim being regarded as likely and where a contingent liability was identified were in relation to the following contracts:

- Amathole District Municipality ("ADM") – SAP Implementation Contracts: there are disputes raised by ADM as to deliverables and sums payable to EOH under this contract, however, EOH maintains that it has performed substantially on the contract.

  Deloitte prepared a forensic report on the instruction of National Treasury (10 October 2019). The National Treasury issued an intervention and close-out report (27 February 2020). ADM did not accept the findings of the intervention and close-out report (27 February 2020). However, no further steps have yet been taken by ADM. In the event of a successful challenge to the validity of the contract, EOH would be entitled to just and equitable relief and would never be exposed for the full value of the contract.

- USAASA – SAP Implementation: In early 2021, National Treasury investigated the procurement of the SAP implementation-services by USAASA from EOH. There is a risk that there may be a finding of impropriety in the contract. This contract came to a natural conclusion at the end of 2017, with EOH having performed and with no claims or complaints having arisen since. In the event of a successful challenge to the validity of this contract, EOH, having performed under the contract, would be entitled to motivate a just and equitable remedy. It would be unlikely and certainly contrary to the principles of just and equitable relief, that EOH would have to "refund" USAASA.

Commitments

Figures in Rand thousand	**2021**	2020
Expected, but not yet contracted capital expenditure	**85 635**	169 171
	85 635	169 171

22. EVENTS AFTER REPORTING DATE

Deleveraging

A detailed action plan for deleveraging the Group to a sustainable level and resolving the capital structure was developed and committed to by the Group and its lenders in the prior financial year, with a revision in November 2020.

Term sheets were signed in April 2021 and since then, management have been engaging with lenders on the terms and conditions governing the new Common Terms Agreement ("CTA"). The CTA was signed by all parties on 20 October 2021. The refinancing contemplated by the CTA is subject to the Closing Date (as defined in the CTA) having occurred by 1 December 2021, and any other conditions of the CTA and the other legal documentation referred to in the CTA.

The new terms of the CTA outlines the following deleveraging plan:

1. A R500 million three-year term loan;
2. R1 500 million bridge facility repayable on 31 October 2022;
3. Disposal of the Sybrin Group - completion pending Competition Commission approval;
4. Disposal of the Information Services Group; and
5. Optimisation of the overall capital structure of the Group.

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.

Disposal of Energy Solutions and Analytics

Effective 23 September 2021, the Group closed a sale of business agreement to dispose of Energy Solutions and Analytics ("ESA"), a business unit of NEXTEC Industrial Technologies Proprietary Limited. The purchase consideration is expected to be between R26 million and R29 million, dependent on the final reviewed effective date accounts of ESA. The purchase consideration will be settled in two tranches, the first of which amounting to R23 million, was received on 1 October 2021.

Disposal of Afiswitch

Effective 1 October 2021, the Group concluded the sale of 100% of the issued ordinary shares of Afiswitch Proprietary Limited for a consideration of R49 million. The purchase consideration may be adjusted based on the closing date accounts. R39 million was received on 11 October 2021.

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.

CORPORATE INFORMATION

SHAREHOLDER INFORMATION

Shareholders are advised that EOH's integrated report and audited financial statements for the year ended 31 July 2021 are available on the Group's website at www.eoh.co.za.

EOH notice of annual general meeting ("AGM") together with the summarised audited financial statements for the year ended 31 July 2021 will be dispatched to shareholders on Wednesday, 3 November 2021 and will be available on the Group's website.

The AGM will be held on Thursday, 2 December 2021 at 10:00 by way of electronic participation. The last day to trade in order to be able to participate and vote at the AGM is Tuesday, 23 November 2021 and the record date for voting purposes is Friday, 26 November 2021. Full details for purposes of electronic participation are set out in the notice of AGM.

Results were published on 28 October 2021.

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 *(appointed with effect from 1 January 2021)*
Ismail Mamoojee *(resigned 20 January 2021)*
Jabu Moleketi* *(appointed 1 September 2020)*
Jesmane Boggenpoel
Mike Bosman
Dr Moretlo Molefi
(resigned with effect from 15 December 2020)
Nosipho Molope
(appointed with effect from 1 January 2021)
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
(*appointed with effect from 1 June 2021*)
Neill O'Brien (*resigned with effect from 31 May 2021*)

REGISTERED ADDRESS

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4 Lisbon Lane, Waterfall City, Jukskei View, 2090

SPONSOR

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