UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended
31 January 2021

CONTENTS

01	About EOH
02	Commentary
07	Interim condensed consolidated statement of profit or loss and other comprehensive income
08	Interim condensed consolidated statement of financial position
09	Interim condensed consolidated statement of changes in equity
10	Interim condensed consolidated statement of cash flows
11	Segment results
13	Notes to the interim condensed consolidated financial statements
IBC	Corporate information

ABOUT **EOH**

EOH is one of South Africa's largest technology services companies and has a wide range of solutions in Industry Consulting, IT Services, Systems Integration, Software, Industrial Technologies and Business Process Outsourcing. The Group continues to be a market leader in its core Information and Communications Technology (ICT) businesses, which operate principally under the iOCO brand name. Our solutions are systemic to both the public and private sector in South Africa. We are an integral technology partner for a number of leading JSE-listed, blue-chip companies, key metros and government departments. As a proudly South African business, EOH is committed to sustainable transformation, making a positive, meaningful contribution to society, and is a level 1 broad-based black economic empowerment (B-BBEE) contributor.

The Group's 6 151* employees deliver services to over 5 000 enterprise customers across all major industries throughout South Africa. The Group also has a footprint across Africa, Europe and the Middle East.

* *Total employees including contractors.*

The EOH business comprises three major pillars with clear alignment of focus and groupings of value:

iOCO

Advisory	**iOCO Services**	**iOCO Technology**	**iOCO Digital**
Product solutioning	Network solutions Manage and operate Digital industries Knowledge process Outsourcing	Computer software reseller Enterprise applications Computer hardware reseller	Application development (app dev) Data analytics Cloud and security International automation

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

The Power of People and Technology Realised

People outsourcing solutions	**Intelligent infrastructure solutions**

A variety of businesses focused on business process outsourcing and intelligent infrastructure at various stages of incubation for growth and scaling

IP

Information services	**Sybrin**

High potential IP companies with scalable technology

EOH **COMMENTARY**

"Our business, while smaller from a revenue perspective due to the strategic disposal of non-core assets and exit of under-performing businesses, is now a more sustainable business delivering better quality of earnings. We have seen a significant reduction in one-off costs and are confident that our legacy issues are now under control. The local and global economy remains constrained as we have seen the negative impact on some of our clients. However, we have also seen increased cloud uptake and spend on automation and application development in line with global trends since the beginning of the pandemic. Over the coming months, our focus will be on deleveraging, enhancing margins and remaining antifragile."

Stephen van Coller, CEO

KEY HIGHLIGHTS FOR THE SIX MONTHS

- The period followed the **continued improvement theme** from the last two six-month periods
- Total Group revenue of **R4.4 billion**
- Generated positive operating profit of **R59 million** compared to a R915 million operating loss in the prior period
- Total gross profit margin increased to **27.6%** from 24.2% in the prior period
- Total core normalised EBITDA **of R363 million** representing a **0.5% increase** in EBITDA margin **to 8.3%**
- Total headline loss per share improved **by 83%** with losses narrowing from 350 cents per share to 60 cents per share

OPERATIONAL REVIEW

COVID-19 has placed immense pressure on the South African economy as the national lockdowns, the second wave and the delays in the vaccine rollout have compromised economic recovery and led to an increase in the unemployment rate. Local businesses' liquidity positions have also taken strain, leading to reduced spend and project delays.

There was, however, an increased drive towards digital adoption and transformation, which gave rise to new areas of potential growth. EOH has been evolving its business model and has seen the direct benefit of digital uptake in its iOCO business in the digital industries, automation and cloud space.

EOH has seen progress in its key strategic initiatives, including optimising the cost structure and capital structure as well as focusing on quality of earnings. The benefit of this can be seen through the sustained and continued improvement in margins and the return to an operating profit.

Deleveraging and proactively engaging with lenders remains a strategic priority for EOH. Year-to-date, the Group has repaid the lenders a further R433 million principally from disposal proceeds. This brings the total legacy debt reduction since July 2018, including vendors for acquisition liabilities (VFAs), to c.R2 billion from R4 billion. We anticipate this to reduce further as we conclude the sale of the two largest IP businesses, namely Sybrin and Information Services.

iOCO

The overall iOCO business has benefitted from customers' increased migration to the Cloud and increased spend on Automation and App Dev. These trends contributed to iOCO Digital's pleasing 15%* growth in revenue underpinned by healthy EBITDA margins of 15%. The Digital Industries business that operates in the Internet of Things ('IOT') space, where the focus is on operational technology related to heavy industry and mining, continued to perform well with revenue growth of 33%*.

Hardware revenue was muted, falling short of the prior year as a result of customers both delaying spend on hardware or considering cloud alternatives.

iOCO achieved a 2.7% increase in its consolidated gross profit margin to 28.3%, up from 25.6% in the prior period with an EBITDA margin of 10%.

** Refers to TTM average growth.*

NEXTEC

NEXTEC has experienced an improved operating performance for the period with a strong result from the Digital Infrastructure cluster off the back of increased customer investment in digital technologies, particularly in the mining industry. The people businesses, albeit a smaller contributor to the overall result, have also performed well against expectations.

The positive performance from NEXTEC is a direct result of the sale or closure of underperforming businesses over the past 12 months and the strategic interventions put in place by the new management teams.

EOH continues to report on the NEXTEC non-core businesses to be closed, namely PiA Solar and Autospec. In both businesses, significant steps have been taken to materially reduce the expected losses to completion.

NEXTEC's focus remains on quality of earnings, cash conversion and profitable growth as low margin projects are phased out. Gross margins in NEXTEC improved by 4.4% to 18.1% from 13.7% in the prior period.

IP

The IP cluster performed well over the period and has recovered from the low levels seen over April and May 2020, where the negative impact of the national lockdown was most severe. Following the sale of Syntell post year-end, the disposal processes of the two remaining IP assets, namely Sybrin and Information System, have advanced significantly and are expected to close before the calendar year-end. Gross profit margins remained strong in the IP business in excess of 41% with EBITDA margins of c.23%.

Legacy contracts

Significant progress has been made in closing out the previously disclosed problematic legacy contracts. Five of the eight problematic public sector contracts have been settled, with one having been ceded to a sub-contractor with settlement currently in arbitration, another concluding at the end of April 2021 and one that has been terminated with handover discussions currently underway. We anticipate that all these contracts will be satisfactorily closed out by the end of the current financial year.

With respect to the overbilling uncovered in the ENSafrica investigation, EOH has settled with the Special Investigating Unit (SIU) on the Department of Defence contracts and has begun repayment. Furthermore, final negotiations with the SIU on the Department of Water and Sanitation contracts are underway and it is anticipated that settlement will take place in H2 2021. This will bring to a conclusion the overbilling issues.

The public sector division is an important business for the Group and project delivery has been streamlined through the existing Centres of Excellence to ensure consistency in quality delivery.

Cost optimisation

EOH continues to focus on cost control and efficiency measures across the Group, having exited a further 9 581m^2 of property year-to-date with an additional 14 900m^2 under negotiation.

Headcount was further reduced by 1 566 (excluding new hires and resignations) primarily due to asset disposals and contracts not being renewed.

Cost reductions have continued across the major expense categories such as travel, marketing and administrative expenses, and a 5% reduction in costs on the remaining business has been realised over the six-month period.

Disposal of assets

EOH continues to dispose of assets as part of its stated deleveraging strategy. The sale of DENIS and the remaining 30% stake in CCS to RIB Limited (RIB) was announced in the 2020 financial year with the first R234 million payment related to the DENIS transaction received on 30 September 2020 and R16 million being held in escrow until 1 April 2022. In addition to the early exercise of the call option, RIB released the full cash amount in escrow of R47 million on 30 September 2020.

On 18 November 2020, EOH concluded the sale of 100% of the issued share capital of MARS Holdings (Pty) Ltd and its principal business Syntell, to a consortium led by the current executive directors of Syntell for a consideration of R211 million. The execution of the transaction provided EOH with the opportunity to extinguish the last sizeable VFA liability of R36 million on the balance sheet. Furthermore, a shareholder loan from EOH of R10.5 million was settled by Syntell prior to the signature date of the sale agreement. On 18 November 2020, the Group received a cash amount equal to the base purchase price of R211 million less the VFA liability of R36 million.

Deleveraging imperative

Due to the heavy interest burden of the legacy debt, deleveraging the business through disposals has been a top priority. Year-to-date, the Group has repaid the lenders a further R433 million (including the Sanlam Note) principally from disposal proceeds with the current total debt balance at c.R 2 billion from R4 billion in 2018.

The Group has been engaging with lenders to create a more sustainable debt structure and has concluded term sheets with its lenders. This has also resulted in the lender group waiving the R1.6 billion that was required to be paid by 28 February 2021 of which EOH has paid R950 million.

The Group is in advanced stages for the sale of the last two IP assets, which will reduce the Group's debt to a more manageable level.

Total finance costs reduced by R39 million to R164 million in the current period from R203 million in the prior period. The lower base rates and lower outstanding gross debt balance have resulted in materially lower financing costs, albeit at a higher level than budgeted due to the delay in the IP sale processes as a result of COVID-19.

BUSINESS PERFORMANCE

(Commentary based on total continuing and discontinued numbers)

Total revenue decreased to R4 376 million from R6 194 million in the prior period and was largely attributable to disposals and the settlement of legacy contracts (which accounted for c.70% of the decline) as the Group continued executing on its stated strategy of exiting non-performing as well as non-core businesses. Revenue was impacted by COVID-19 as customers delayed spend on large, planned information technology (IT) projects specifically in the hardware space. While revenue has declined, the Group's focus on quality of earnings and sustained improvements is demonstrated by an increase of 3.4% in the Group's total gross profit margin to 27.6%, up from 24.2% in the prior period.

Total operating expenses decreased by 52% to R1 060 million from R2 209 million in the prior period. The decline in operating expenditure is largely a result of a reduction in once-off costs as the Group continued to close out its remaining legacy issues and implemented cost-saving initiatives and asset sales or closures.

Once-off costs (excluding normalisation adjustments) reduced by R415 million in the period under review due to a 74% decrease in impairment losses to R72 million (H1 2020: R279 million) and a R208 million reduction in other once-off costs to R8 million in the current period. Normalised operating costs (excluding one-off costs) reduced 33% to R1 024 million from R1 522 million. This was significantly higher than the 29% reduction in revenue, creating a significant positive effect on the operating profit and margins.

Total core normalised EBITDA for the period was R363 million compared to R480 million in H1 2020, while EBITDA before normalisation adjustments was R329 million for the period. As the business evolves and approaches a steady state, the gap between normalised EBITDA and reported EBITDA continues to narrow. The Group also saw an improvement in EBITDA margin from 7.8% in the prior year to 8.3% in the current year.

For the first time in the two years since the Group embarked on its turnaround plan, EOH posted a positive operating profit of R59 million for the half year.

Total headline loss per share from continuing and discontinuing operations improved by 83% with losses narrowing to 60 cents compared to 350 cents in H1 2020. Currently, the Group is making a headline loss as a result of its over-indebted capital structure and inefficient legal entity structure. The management team continues to address this as a core focus area.

Working capital management continues to receive a high degree of prioritisation as part of overall liquidity management. Investment in net working capital increased by R252 million due to:

- leave pay accruals released due to leave taken over the December/January period;
- paydown of payables; and
- an increase of debtors.

The Group is closely managing the collections of debtors as a slight general delay in payment is being experienced.

Cash generated from operations after changes in working capital was R26 million (H1 2020: R31 million). The business continues to be impacted by once-off payments, which resulted in a cash outflow of R202 million for the period. In addition, the reduction in the total cash balance was also impacted by businesses that were sold during the period, resulting in the Group no longer having access to R214 million of cash relating to these entities. The Group remains pleased with the progress made in managing liquidity following the implementation of its cash pooling arrangement. The Group's cash pooling policy allows for cash previously held in individual legal entities to be centrally managed. This improved visibility has significantly decreased liquidity risk for the business.

OUTLOOK

The Group remains cautious around the recovery of the economy over the next few months. The possibility of a third and fourth wave of COVID-19 and the potential stricter national lockdown restrictions are likely to see customers continuing to exercise caution when considering spend. Given this underlying uncertainty, the focus will be on maintaining margins and continuing to develop best-in-class solutions for our clients as they seek to maintain business continuity and digitally transform their businesses beyond COVID-19.

Following the sale of the two remaining IP assets, EOH will be substantially relieved of the onerous legacy debt burden it has been carrying. Over the past two years, the management team has prioritised consolidating the Group's legal entity structures, optimising the business through non-core disposals, paying down legacy debt and refinancing. Significant progress has been made on these initiatives and the Group anticipates it will have the optimal business structure and model to begin executing on its growth plans towards the end of H2 2021.

Approved on behalf of the board of directors of EOH.

Stephen van Coller
Chief Executive Officer

14 April 2021

INTERIM CONDENSED **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 31 JANUARY 2021

Figures in Rand thousand	Notes	Unaudited for the six months to 31 January 2021	Unaudited restated*# for the six months to 31 January 2020
Continuing operations			
Revenue	7	**3 766 836**	4 649 586
Cost of sales		**(2 808 475)**	(3 650 308)
Gross profit		**958 361**	999 278
Net financial asset impairment losses	9	**(83 390)**	(209 371)
Operating expenses		**(866 772)**	(1 547 569)
Operating profit/(loss)		**8 199**	(757 662)
Investment income		**7 296**	13 522
Share of equity-accounted profit		**1 552**	5 481
Finance costs		**(138 858)**	(199 533)
Loss before taxation		**(121 811)**	(938 192)
Taxation		**(51 248)**	41 695
Loss for the period from continuing operations		**(173 059)**	(896 497)
Loss for the period from discontinued operations	10	**(5 882)**	(191 990)
Loss for the period		**(178 941)**	(1 088 487)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences reclassified to profit or loss		**(2 033)**	–
Exchange differences on translation of foreign operations		**(28 474)**	107 674
Total comprehensive loss for the period		**(209 448)**	(980 813)
(Loss)/profit attributable to:			
Owners of EOH Holdings Limited		**(179 865)**	(1 084 012)
Non-controlling interests		**924**	(4 475)
		(178 941)	(1 088 487)
Total comprehensive (loss)/income attributable to:			
Owners of EOH Holdings Limited		**(207 640)**	(986 575)
Non-controlling interests		**(1 808)**	5 762
		(209 448)	(980 813)
From continuing and discontinued operations (cents)			
Loss per share		**(107)**	(643)
Diluted loss per share		**(107)**	(643)
From continuing operations (cents)			
Loss per share		**(103)**	(536)
Diluted loss per share		**(103)**	(536)

* *Refer to note 6 – Restatement of interim condensed consolidated financial statements for the impact on profit or loss and other comprehensive income.*

Comparative figures previously reported have been amended to reflect continuing operations prevailing for the six months ended 31 January 2021.

INTERIM CONDENSED **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 31 JANUARY 2021

Figures in Rand thousand	Notes	Unaudited at 31 January 2021	Audited at 31 July 2020
ASSETS			
Non-current assets			
Property, plant, equipment and right-of-use assets		**431 185**	544 846
Intangible assets		**44 348**	112 967
Goodwill	12	**820 932**	916 743
Equity-accounted investments		**8 241**	6 689
Other financial assets		**5 607**	60 881
Deferred taxation		**86 995**	200 972
Finance lease receivables		**38 326**	55 120
		1 435 634	1 898 218
Current assets			
Inventories		**119 491**	113 754
Other financial assets		**177 252**	137 109
Current taxation receivable		**36 346**	53 940
Finance lease receivables		**53 705**	67 720
Trade and other receivables		**2 161 233**	2 116 576
Cash and cash equivalents		**588 073**	645 837
		3 136 100	3 134 936
Assets held for sale	13	**1 187 903**	2 152 366
Total assets		**5 759 637**	7 185 520
EQUITY AND LIABILITIES			
Equity			
Stated capital	15	**4 250 360**	4 250 219
Shares to be issued to vendors		**393**	15 300
Other reserves		**600 388**	924 862
Accumulated loss		**(4 526 246)**	(4 680 506)
Equity attributable to the owners of EOH Holdings Limited		**324 895**	509 875
Non-controlling interests		**20 073**	29 624
Total equity		**344 968**	539 499
Liabilities			
Non-current liabilities			
Other financial liabilities	16	**110 430**	5 674
Lease liabilities		**95 176**	171 699
Deferred taxation		**17 782**	111 291
		223 388	288 664
Current liabilities			
Other financial liabilities	16	**2 478 946**	2 748 028
Current taxation payable		**32 484**	49 329
Lease liabilities		**111 991**	104 723
Trade and other payables		**1 849 543**	1 951 060
Provisions		**437 238**	670 125
		4 910 202	5 523 265
Liabilities directly associated with assets held for sale	13	**281 079**	834 092
Total liabilities		**5 414 669**	6 646 021
Total equity and liabilities		**5 759 637**	7 185 520

INTERIM CONDENSED **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE SIX MONTHS ENDED 31 JANUARY 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
Audited balance at 1 August 2019	**4 239 621**	**20 257**	**742 597**	**(3 047 669)**	**1 954 806**	**40 621**	**1 995 427**
Restated loss for the period*	–	–	–	(1 084 012)	(1 084 012)	(4 475)	(1 088 487)
Other comprehensive income	–	–	97 437	–	97 437	10 237	107 674
Non-controlling interest disposed	–	–	–	–	–	1 981	1 981
Movement in treasury shares	10 288	(4 957)	(6 638)	–	(1 307)	–	(1 307)
Consideration – EOH shares forfeited	–	(12 116)	–	–	(12 116)	–	(12 116)
Transfer within equity**	–	12 116	–	(12 116)	–	–	–
Share-based payments	–	–	15 249	–	15 249	–	15 249
Dividends declared	–	–	–	–	–	(3 743)	(3 743)
Restated unaudited* balance at 31 January 2020	**4 249 909**	**15 300**	**848 645**	**(4 143 797)**	**970 057**	**44 621**	**1 014 678**
Audited balance at 1 August 2020	**4 250 219**	**15 300**	**924 862**	**(4 680 506)**	**509 875**	**29 624**	**539 499**
Loss for the period	**–**	**–**	**–**	**(179 865)**	**(179 865)**	**924**	**(178 941)**
Other comprehensive income	**–**	**–**	**(27 775)**	**–**	**(27 775)**	**(2 732)**	**(30 507)**
Non-controlling interest disposed	**–**	**–**	**–**	**–**	**–**	**(7 743)**	**(7 743)**
Movement in treasury shares	**141**	**–**	**(1 411)**	**–**	**(1 270)**	**–**	**(1 270)**
Transfer within equity**	**–**	**(14 907)**	**(319 218)**	**334 125**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**23 930**	**–**	**23 930**	**–**	**23 930**
Unaudited balance at 31 January 2021	**4 250 360**	**393**	**600 388**	**(4 526 246)**	**324 895**	**20 073**	**344 968**
Notes	15						

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

** *Transfers within equity are transfers from shares to be issued to vendors for expired shares and transfers from other reserves that are no longer needed, to accumulated loss.*

INTERIM CONDENSED **CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE SIX MONTHS ENDED 31 JANUARY 2021

Figures in Rand thousand	Notes	**Unaudited for the six months to 31 January 2021**	Unaudited for the six months to 31 January 2020
Cash flows from operating activities			
Cash generated from operations	18	**25 953**	30 971
Investment income received		**9 010**	19 829
Interest paid		**(127 500)**	(185 451)
Taxation paid		**(72 042)**	(170 541)
Net cash outflow from operating activities		**(164 579)**	(305 192)
Cash flows from investing activities			
Additions to property, plant and equipment	11	**(27 357)**	(65 952)
Proceeds on the sale of property, plant and equipment and intangible assets		**37 865**	–
Intangible assets acquired	11	**(43 688)**	(68 091)
Cash receipts from disposal of businesses, net of cash given up	14	**195 871**	55 673
Increase in restricted cash		**(538 343)**	–
Decrease in restricted cash		**485 390**	–
Cash inflow relating to other financial assets		**–**	492
Net cash inflow/(outflow) from investing activities		**109 738**	(77 878)
Cash flows from financing activities			
Proceeds from other financial liabilities	16	**52 387**	–
Repayment of other financial liabilities	16	**(472 322)**	(99 927)
Principal elements of lease payments		**(73 747)**	(52 783)
Net cash outflow from financing activities		**(493 682)**	(152 710)
Net decrease in cash and cash equivalents		**(548 523)**	(535 780)
Cash and cash equivalents at the beginning of the period		**530 584**	1 048 583
Assets held for sale at the beginning of the period	13	**328 743**	310 373
Assets held for sale at the end of the period	13	**(107 956)**	(307 596)
Exchange gains on cash and cash equivalents		**4 477**	3 231
Cash and cash equivalents at the end of the period		**207 325**	518 811

Cash and cash equivalents includes bank overdrafts of R381 million. Refer to note 16.

SEGMENT **RESULTS**

FOR THE SIX MONTHS ENDED 31 JANUARY 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 period with some minor movements of businesses between the segments. Changes to the reportable segments in the prior year included the moving of HQaaS and Digital Industries businesses out of NEXTEC to iOCO to streamline and consolidate similar business offerings in line with the revised strategy of EOH. 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 the 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 a variety of businesses focused on business process outsourcing and technology 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 VFA liability, investment income, finance costs and current and deferred tax.

Revenue, gross profit and core normalised EBITDA:

	Unaudited for the six months ended 31 January 2021					Restated* unaudited for the six months ended 31 January 2020				
Figures in Rand thousand	**iOCO**	**NEXTEC**	**IP**	**Recon-ciliation^**	**Total**	iOCO	NEXTEC	IP	Recon-ciliation^	Total
Revenue										
External	**2 737 400**	**1 028 440**	**610 038**	**–**	**4 375 878**	3 378 171	2 021 743	794 533	–	6 194 447
Intersegment	**244 985**	**25 025**	**928**	**(270 938)**	**–**	226 590	111 062	8 956	(346 608)	–
Gross revenue	**2 982 385**	**1 053 465**	**610 966**	**(270 938)**	**4 375 878**	3 604 761	2 132 805	803 489	(346 608)	6 194 447
Gross profit	**844 035**	**190 804**	**252 334**	**(79 111)**	**1 208 062**	921 255	292 186	322 352	(38 159)	1 497 634
Gross profit (%)	*28.3%*	*18.1%*	*41.3%*		*27.6%*	25.6%	13.7%	40.1%		24.2%
Adjusted EBITDA	**282 934**	**(6 256)**	**120 746**	**(68 467)**	**328 957**	153 072	(165 360)	210 332	(336 961)	(138 917)
Normalisation adjustments	**7 405**	**1 577**	**20 008**	**(27 144)**	**1 846**	100 557	24 025	68	223 874	348 524
Normalised EBITDA**	**290 339**	**(4 679)**	**140 754**	**(95 611)**	**330 803**	253 629	(141 335)	210 400	(113 087)	209 607
Non-core business lines to be closed~	**6 573**	**25 582**	**–**	**–**	**32 155**	187 744	83 057	–	–	270 801
Core normalised EBITDA***	**296 912**	**20 903**	**140 754**	**(95 611)**	**362 958**	441 373	(58 278)	210 400	(113 087)	480 408
Core normalised EBITDA (%)	*10.0%*	*2.0%*	*23.0%*		*8.3%*	12.2%	(2.7%)	26.2%		7.8%

* *Comparative figures previously reported have been amended to reflect segment structure used for the 6 months to 31 January 2021, as well as correction of prior period errors as described in note 6.*

** *Normalised EBITDA is defined as Adjusted EBITDA, adjusted for certain once-off cash and non-cash items.*

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

~ *Non-core business lines to be closed reflect normalised EBITDA relating to businesses which management intends closing 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.*

SEGMENT **RESULTS** CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2021

Adjusted EBITDA reconciliation

Figures in Rand thousand	**Unaudited for the six months to 31 January 2021**	Unaudited restated* for the six months to 31 January 2020
Operating profit/(loss)	**58 664**	(915 410)
Operating profit/(loss) from continuing operations	**8 199**	(757 662)
Operating profit/(loss) from discontinued operations	**50 465**	(157 748)
Depreciation	**124 592**	165 040
Amortisation	**30 634**	85 054
Impairment losses on non-financial assets	**72 278**	279 072
Loss on disposal of assets	**2 950**	6 591
Share-based payments	**23 951**	18 104
Changes in fair value of vendors for acquisition	**10 864**	11 292
Loss from joint venture	**–**	2 178
Loss on disposal of subsidiaries and associates	**5 024**	209 162
Adjusted EBITDA	**328 957**	(138 917)
Normalisation adjustments	**1 846**	348 524
Write-off of inventories#	**–**	14 090
Other financial assets write-off and specific provisions	**45 963**	149 245
Advisory and other##	**14 262**	97 438
Retrenchment and settlement costs	**4 286**	38 703
Onerous contracts and other provisions	**(62 665)**	49 138
Normalised EBITDA**	**330 803**	209 607
Non-core business lines to be closed~	**32 155**	270 801
Core normalised EBITDA***	**362 958**	480 408

* *Comparative figures previously reported have been amended to reflect segment structure used for the six months to 31 January 2021, as well as correction of prior period errors as described in note 6.*

** *Normalised EBITDA is defined as Adjusted EBITDA, adjusted for certain once-off cash and non-cash items.*

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

~ *Non-core business lines to be closed reflect normalised EBITDA relating to businesses which management intends closing 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.*

\# *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 and adviser costs related to disposals of businesses.*

NOTES TO THE INTERIM CONDENSED **CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 31 JANUARY 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 ICT service 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 interim condensed consolidated financial statements of EOH, as at 31 January 2021 and for the six months then ended, 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 interim condensed consolidated financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ('IFRS') and its interpretations adopted by the International Accounting Standards Board ('IASB') and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and contain at a minimum the information required by IAS 34: Interim Financial Reporting, the requirements of the Companies Act 71 of 2008 of South Africa and the JSE Limited Listings Requirements.

3 BASIS OF PREPARATION

The accounting policies and methods of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the previous consolidated annual financial statements.

The interim condensed consolidated financial statements do not include all the notes of the type normally included in a set of consolidated annual financial statements. Accordingly, this report is to be read in conjunction with the consolidated annual financial statements for the year ended 31 July 2020.

The interim condensed 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.

The interim condensed 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 interim condensed consolidated financial statements as the directors have a reasonable expectation that the Group will continue as a going concern for the foreseeable future. Refer to note 4 for further information.

The comparative financial information in the interim condensed consolidated financial statements has been restated based on information available at 31 January 2021. Refer to note 6 for further information.

The interim condensed consolidated financial statements have not been audited or reviewed by the Group's external auditor.

4 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 interim condensed 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 period of R179 million;
- Net asset value attributable to the owners of EOH Holdings Limited at 31 January 2021 of R325 million; and
- Cash outflows from operating activities of R165 million (including continuing and discontinued operations).

Details of the financial performance, condition and cash flows for the Group are explained in the interim condensed 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 a more sustainable debt structure is in the process of being concluded. Since its announcement in October 2019, the deleveraging 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.

The key deleveraging requirements of the agreement signed with the Group's lenders in April 2020 required the following milestones to be met:

1. Delever of R500 million by 30 August 2020.
2. Delever of an additional R700 million by 30 November 2020.
3. Delever of an additional R400 million by 28 February 2021.
4. 1 April 2021 full refinancing of the remaining debt.

4 GOING CONCERN continued

The key deliverables implemented by the Group in relation to the deleveraging plan include:

1. The Group met the first repayment milestone prior to the end of the 2020 financial year-end. Subsequent to year-end, R450 million of the R700 million 30 November 2020 target was met. As detailed in Note 21, the Group's disposals process, which is key to the deleveraging plan, has been impacted by COVID-19 in terms of the time to close a deal and investors taking a conservative view on investing capital into new assets. As a result, the remaining R250 million and the additional R400 million deliverable due by 28 February 2021 were not met. The Group has concluded term sheets with lenders which include the refinancing of R650 million that was not settled in terms of the deleveraging agreement. As a result, the Group has received a waiver and extension for repayment of this amount;
2. Liquidation and/or close management of legal entities that are financially distressed;
3. Continued progress on the implementation of a cash pooling policy, allowing cash previously held in individual legal entities to be centrally managed. This allowed the Group's cash to be in the right place at the right time, without increasing risk to the Group due to improved visibility and cash management systems being implemented; and
4. Management of the Group's onerous contracts and once-off costs which negatively impacts liquidity.

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

1. The Group is solvent, and is expected to remain solvent after considering the approved budget, updated cash flow forecasts and expected longer-term performance;
2. While the Group's current liabilities exceeded its current assets by R1.7 billion, the Group has signed term sheets to refinance approximately R2 billion of the Group's facilities, thus bringing the ratio of current assets to current liabilities to above one times;
3. There is an approved budget for the following 24 months;
4. There are cash flow forecasts for the 12-month period as well as the longer term aligned to the Group's updated long-term forecasts with adequate consideration being taken into account of cash outflows required for onerous and legacy contracts as well as one-off costs; 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 refinancing for its term and working capital facilities with its primary lending institutions, the salient commercial terms of which have been agreed by the Group with its lenders;
   - 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, after considering the above as well as the risks and mitigating actions, 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 interim condensed consolidated financial statements.

5 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

No new standards or amendments were applied for the first time to the annual reporting period commencing 1 August 2020.

6 RESTATEMENT OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The previously reported, January 2020 half-year results were prepared prior to the finalisation of restatements, which finalisation only occurred during the year ended 31 July 2020. Consequently, the January 2020 results have now been restated to align with the final conclusions and restatements set out in the 2020 consolidated annual financial statements.

During the year ended 31 July 2020, management identified a number of matters which were incorrectly accounted for or presented in prior periods. Among those matters, the following two matters require restatement to the January 2020 half-year results:

- Revenue-principal versus agent (6.1); and
- Timing of the recognition of provision (6.2).

The 2020 interim condensed consolidated statement of profit or loss and other comprehensive income has been restated to correct the prior period errors.

The restatements had no impact on any line item in the statement of financial position as at 31 July 2020 and therefore the statement of financial position at 31 July 2020 remains as previously reported. 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 interim condensed consolidated statement of cash flows.

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 Revenue – principal versus agent

IFRS 15 – Revenue from Contracts with Customers (IFRS 15) requires that the Group shall determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by another party (i.e. the Group is an agent). There were a number of revenue transactions, for which the Group would have been considered to be an agent, using information available in the prior period, where such revenue had been incorrectly recognised on a gross basis (as a principal) in the prior period. This incorrect application of the accounting principles in the prior period has been adjusted as a prior period error through the reversal of revenue and cost of sales and only recognising the margin as revenue. There is no impact on gross profit, loss before tax, loss after tax and retained earnings for the prior period. No new transactions were identified in the current period where an adjustment was required to the prior period and all those contracts that were adjusted for to the prior period now are consistent with what was identified at the year-end of 2020.

6.2 Timing of recognition of provision

In the 2019 financial year, the Group had raised a provision for the payment of pay-as-you-earn (PAYE), which arose in one of the subsidiaries. The Group had further increased such provision in the first half of the prior year. However, in the second half of the prior year, the Group had identified that a portion of the increase in the provision recognised during the first half of the prior year should have been recognised at the end of the 2019 financial year. Reversal of the additional provision that was recognised in the first half of the prior year resulted in a decrease in liabilities as well as a decrease in the expenses and an increase in retained earnings for the first half of the prior year.

6 RESTATEMENT OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

Interim condensed consolidated statement of profit or loss and other comprehensive income (extract) for the six months ended 31 January 2020

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

		CORRECTION OF PRIOR PERIOD ERRORS			
Figures in Rand thousand	31 January 2020	Revenue (principal versus agent)	Timing of recognition of provision	Represented as discontinued operations (Note 10)	Restated 31 January 2020
Continuing operations					
Revenue	4 544 173	(159 131)	–	264 544	4 649 586
Cost of sales	(3 477 294)	159 131	–	(332 145)	(3 650 308)
Gross profit	**1 066 879**	**–**	**–**	**(67 601)**	**999 278**
Net financial asset impairment losses	(198 683)	–	–	(10 688)	(209 371)
Operating expenses	(1 596 412)	–	75 096	(26 253)	(1 547 569)
Operating loss	**(728 216)**	**–**	**75 096**	**(104 542)**	**(757 662)**
Investment income	14 002	–	–	(480)	13 522
Share of equity-accounted profit	5 486	–	–	(5)	5 481
Finance costs	(189 598)	–	–	(9 935)	(199 533)
Loss before taxation	**(898 326)**	**–**	**75 096**	**(114 962)**	**(938 192)**
Taxation	10 626	–	–	31 069	41 695
Loss for the period from continuing operations	**(887 700)**	**–**	**75 096**	**(83 893)**	**(896 497)**
Loss for the period from discontinued operations	**(275 883)**	**–**	**–**	**83 893**	**(191 990)**
Loss for the period	**(1 163 583)**	**–**	**75 096**	**–**	**(1 088 487)**
Other comprehensive income	107 674	–	–	–	107 674
Total comprehensive loss for the period	**(1 055 909)**	**–**	**75 096**	**–**	**(980 813)**
Loss attributable to:					
Owners of EOH Holdings Limited	(1 159 108)				(1 084 012)
Non-controlling interests	(4 475)				(4 475)
Total	(1 163 583)				(1 088 487)
Total comprehensive (loss)/income attributable to:					
Owners of EOH Holdings Limited	(1 061 671)				(986 575)
Non-controlling interests	5 762				5 762
Total	(1 055 909)				(980 813)

6 RESTATEMENT OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

Interim condensed consolidated statement of profit or loss and other comprehensive income (extract) for the six months ended 31 January 2020 continued

From continuing and discontinued operations (cents)	31 January 2020	Restated 31 January 2020
Loss per share	(687)	(643)
Diluted loss per share	(687)	(643)
Headline loss per share	(395)	(350)
Diluted headline loss per share	(395)	(350)

From continuing operations (cents)	31 January 2020	Restated 31 January 2020
Loss per share	(527)	(536)
Diluted loss per share	(527)	(536)
Headline loss per share	(381)	(391)
Diluted headline loss per share	(381)	(391)

7 REVENUE

Disaggregated revenue

Figures in Rand thousand	**Unaudited for the six months to 31 January 2021**	Unaudited restated*# for the six months to 31 January 2020
Revenue by sector		
Public sector	**20%**	21%
Private sector	**80%**	79%
Total	**100%**	100%
Major revenue types**		
Hardware sales	**384 828**	825 007
Services	**3 655 788**	4 554 875
Software/licence contracts	**327 306**	768 126
Rentals***	**7 956**	46 439
Total	**4 375 878**	6 194 447
Timing of revenue recognition		
Goods or services transferred to customers:		
– at a point in time	**542 517**	1 195 072
– over time	**3 833 361**	4 999 375
Total	**4 375 878**	6 194 447
Continuing operations	**3 766 836**	4 649 586
Discontinued operations	**609 042**	1 544 861
Total	**4 375 878**	6 194 447

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the six months ended 31 January 2021.*

\# *Refer to note 6 – Restatement of interim condensed consolidated financial statements.*

** *In the current period revenue has been disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The disaggregation for the prior period has been updated to align to the current period disaggregation.*

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

8 HEADLINE LOSS PER SHARE

Figures in Rand thousand	Unaudited for the six months to 31 January 2021	Unaudited restated*# for the six months to 31 January 2020
Headline loss per share and diluted headline loss per share		
Headline loss from continuing operations (R'000)	**(116 527)**	(658 537)
Weighted average number of shares in issue ('000)	**168 762**	168 610
Headline and diluted loss per share from continuing operations (cents)	**(69)**	(391)
Headline loss from continuing and discontinued operations (R'000)	**(100 570)**	(590 444)
Weighted average number of shares in issue ('000)	**168 762**	168 610
Headline and diluted loss per share from continuing and discontinued operations (cents)	**(60)**	(350)
Reconciliation between earnings, headline earnings and diluted headline earnings from continuing and discontinued operations		
Loss attributable to owners of EOH Holdings Limited	**(179 865)**	(1 084 012)
Adjusted for:		
Loss on disposal of property, plant and equipment	**2 950**	6 591
Loss on disposal of subsidiaries and equity-accounted investments	**5 024**	209 162
Impairment of goodwill	**69 940**	211 978
Impairment of equity-accounted investments	**1 280**	62 605
Impairment of intangible assets and property, plant and equipment	**1 058**	4 489
Total tax effects on adjustments	**(957)**	(1 257)
Headline loss from continuing and discontinued operations	**(100 570)**	(590 444)
Reconciliation between earnings, headline earnings and diluted headline earnings from continuing operations		
Loss attributable to owners of EOH Holdings Limited	**(179 865)**	(1 084 012)
Adjusted for discontinued operations (note 10)	**6 702**	180 541
Continuing loss attributable to ordinary shareholders	**(173 163)**	(903 471)
Continuing operations adjustments:		
Loss on disposal of property, plant and equipment	**2 430**	6 470
(Profit)/loss on disposal of subsidiaries and equity-accounted investments	**(17 231)**	87 478
Impairment of goodwill	**69 940**	114 219
Impairment of equity-accounted investments	**1 280**	38 175
Impairment of intangible assets and property, plant and equipment	**1 058**	58
Total tax effects on adjustments	**(841)**	(1 466)
Headline loss from continuing operations	**(116 527)**	(658 537)

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the six months ended 31 January 2021.*

\# *Refer to note 6 – Restatement of interim condensed consolidated financial statements.*

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	Unaudited for the six months to 31 January 2021	Unaudited restated* for the six months to 31 January 2020
Impairment loss on trade and other receivables	**37 427**	133 063
Impairment loss on other financial assets	**45 963**	49 695
Impairment loss on contract assets	**–**	26 613
	83 390	209 371

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the six months ended 31 January 2021.*

10 DISCONTINUED OPERATIONS

Identification and classification of discontinued operations

There were a number of businesses that were approved for sale at 31 January 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 January 2021, and the resulting impairment was allocated to the identified disposal groups (refer to note 13 – Assets held for sale).

10 DISCONTINUED OPERATIONS continued

Figures in Rand thousand	Unaudited for the six months to 31 January 2021	Unaudited restated* for the six months to 31 January 2020
Revenue	**609 042**	1 544 861
Cost of sales	**(359 341)**	(1 046 505)
Gross profit	**249 701**	498 356
Net financial asset impairment losses	**(6 048)**	5 460
Remeasurement to fair value less costs to sell	**–**	(126 620)
Loss on disposal	**(22 255)**	(121 684)
Other operating expenses	**(170 933)**	(413 260)
Operating profit/(loss)	**50 465**	(157 748)
Investment income	**1 714**	9 811
Share of equity-accounted profits	**–**	5
Finance costs	**(25 521)**	(3 924)
Profit/(loss) before taxation	**26 658**	(151 856)
Taxation	**(32 540)**	(40 134)
Loss for the period from discontinued operations	**(5 882)**	(191 990)
Attributable to:		
Owners of EOH Holdings Limited	**(6 702)**	(180 541)
Non-controlling interests	**820**	(11 449)
Loss per share (cents)		
Loss per share from discontinued operations	**(4)**	(107)
Diluted loss per share from discontinued operations	**(4)**	(107)
Net cash flows in relation to discontinued operations		
Net decrease in cash and cash equivalents	**(304 495)**	153 933

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the six months ended 31 January 2021.*

Loss before taxation before including the loss on disposal and remeasurement to fair value less costs to sell was R49 million (2020: Profit of R96 million).

11 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Group acquired property, plant and equipment ('PPE') at a cost of R30 million (year ended July 2020: R577 million) and intangible assets at a cost of R44 million (year ended July 2020: R187 million). The Group disposed of PPE with a carrying value of R35 million (year ended July 2020: R72 million) and intangible assets with a carrying value of R5 million (year ended July 2020: R19 million). Included in PPE acquired are additions of R3 million (year ended July 2020: R367 million) capitalised as right-of-use assets under IFRS 16 during the period.

An impairment charge of R1 million (year ended July 2020: R2 million) against PPE and Rnil (year ended July 2020: R26 million) against intangible assets has been recognised during the period.

12 GOODWILL

Figures in Rand thousand	Unaudited at 31 January 2021	Audited at 31 July 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	**(4 833)**	8 975
Disposals	**(117 436)**	(248 149)
Impairments: discontinued operations	**–**	(147 870)
Impairments: continuing operations	**(69 940)**	(265 224)
Closing balance before assets held for sale	**1 328 609**	1 520 818
Cost	**2 870 666**	3 225 516
Accumulated impairments	**(1 542 057)**	(1 704 698)
Assets held for sale	**(507 677)**	(604 075)
Closing balance	**820 932**	916 743

Impairment of goodwill

During the six months ended 31 January 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 cash-generating units ('CGUs'). Where impairment indicators were identified, the carrying amounts of the CGUs were compared to their respective recoverable amounts. These recoverable amounts were determined through value-in-use calculations discounting future cash flows.

iOCO

An impairment charge amounting to R61 million was recognised for the Compute CGU, driven mainly by delayed IT infrastructure projects and unanticipated margin pressure, both driven by the negative economic impacts of COVID-19. The goodwill balance for Compute at 31 January 2021 amounts to R151 million, after recognising the impairment charge.

NEXTEC

The Enerweb CGU has been classified as held for sale and an impairment charge amounting to R9 million was recognised on the write-down of the CGU's carrying amount to its recoverable amount. The recoverable amount was calculated as the fair value (selling price) less cost to sell. Within the Enerweb CGU, R24.5 million of goodwill remains.

13 ASSETS HELD FOR SALE

The Group has refined its operational structure 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 year. 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.

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	Unaudited 31 January 2021
Assets				
Property, plant and equipment	–	2 098	41 775	43 873
Goodwill and intangible assets	–	28 863	819 145	848 008
Equity-accounted investments	5 979	–	–	5 979
Other financial assets	–	–	43	43
Deferred taxation	–	2 754	7 838	10 592
Inventories	–	–	903	903
Current taxation receivable	–	920	1 752	2 672
Trade and other receivables	–	–	167 877	167 877
Cash and cash equivalents	–	37 657	70 299	107 956
Assets held for sale	5 979	72 292	1 109 632	1 187 903
Liabilities				
Other financial liabilities	–	(253)	(8 285)	(8 538)
Lease liabilities	–	(1 056)	(21 266)	(22 322)
Deferred taxation	–	–	(18 612)	(18 612)
Current taxation payable	–	–	(4 913)	(4 913)
Trade and other payables and provisions	–	(20 713)	(205 981)	(226 694)
Liabilities directly associated with assets held for sale	–	(22 022)	(259 057)	(281 079)
Net assets directly associated with the disposal groups	5 979	50 270	850 575	906 824
Cumulative amounts recognised in other comprehensive income				
Foreign currency translation reserve	–	–	(4 853)	(4 853)
Impairment loss for write-down to fair value less costs to sell				
Continuing operations - operating expenses	(8 553)	–	–	(8 553)
	(8 553)	–	–	(8 553)

13 ASSETS HELD FOR SALE continued

Figures in Rand thousand	iOCO	NEXTEC	IP	31 July 2020
Assets				
Property, plant and equipment	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 and provisions	(51 292)	(319 702)	(279 849)	(650 843)
Liabilities directly associated with assets held for sale	**(64 031)**	**(371 289)**	**(398 772)**	**(834 092)**
Net assets directly associated with the disposal groups	**6 565**	**259 633**	**1 052 076**	**1 318 274**
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	(63 108)	(65 736)	(60 000)	(188 844)
	(120 283)	**(98 086)**	**(60 000)**	**(278 369)**

14 DISPOSAL OF SUBSIDIARIES AND EQUITY-ACCOUNTED INVESTMENTS

The Group has continued its strategy of disposing of non-core assets to assist with its deleveraging plans and remove unnecessary complexity within the Group structure. In line with this strategy the Group has disposed of its investments in a number of subsidiaries and joint ventures during the period.

Figures in Rand thousand	Treatment before disposal	Percentage holding disposed	Date of disposal	Conside-ration received or receivable**	Gain/(Loss) on disposal
Entity disposed					
PCI Group	Subsidiary	100%	1 Aug 2020	5 000	2 354
DENIS Group	Subsidiary	100%	30 Sep 2020	170 000	(4 845)
NEXTEC Advisory (Pty) Ltd*	Subsidiary	100%	31 Oct 2020	–	22 984
Syntell Group	Subsidiary	100%#	18 Nov 2020	175 132	(8 065)
SI Analytics (Pty) Ltd	Subsidiary	100%	30 Nov 2020	14 000	(1 993)
Allos SRL (Italy)	Subsidiary	100%	31 Dec 2020	2 065	(10 594)
Çözümevi Yönetim	Joint Venture	50%	31 Dec 2020	2 895	(1 105)
Transaction costs					(3 760)
Net loss on disposal of subsidiaries and equity-accounted investments				369 092	(5 024)

* *NEXTEC Advisory (Pty) Ltd has been disposed of by way of liquidation.*

** *Consideration reflected does not include extinguishment of debt on sale.*

\# *The Syntell Group includes partially owned subsidiaries.*

14 DISPOSAL OF SUBSIDIARIES AND EQUITY-ACCOUNTED INVESTMENTS continued

Figures in Rand thousand	Unaudited at 31 January 2021
Opening receivable from disposal of subsidiaries and equity-accounted investments	**82 052**
Cash consideration received or receivable	**369 092**
Closing receivable from disposal of subsidiaries and equity-accounted investments	**(40 971)**
Cash received from disposal of businesses	**410 173**
Less: cash balances disposed of	**(214 302)**
Cash receipt from disposal of businesses, net of cash given up	**195 871**

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	Note	Unaudited at 31 January 2021
Assets		
Property, plant and equipment		**181 163**
Goodwill and intangible assets		**168 697**
Equity-accounted investments		**4 000**
Deferred taxation		**17 414**
Inventories		**26 721**
Trade and other receivables		**360 862**
Cash and cash equivalents		**214 302**
Liabilities		
Other financial liabilities	16	**(55 208)**
Lease liabilities		**(42 709)**
Current taxation payable		**(22 716)**
Trade and other payables		**(526 708)**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2021

15 STATED CAPITAL

Figures in Rand thousand	Unaudited at 31 January 2021	Audited at 31 July 2020
Stated capital		
Opening balance	**4 250 219**	4 239 621
Treasury shares allocated[1]	**141**	10 598
	4 250 360	4 250 219

[1] Average price paid for treasury shares is R5.45 per share (2020: R14.48).

Authorised

500 000 000 ordinary shares of no par value

40 000 000 EOH A shares of no par value

Figures in thousand	Unaudited at 31 January 2021	Audited at 31 July 2020
Issued		
Reconciliation of the number of shares in issue		
Opening balance	**176 545**	176 545
Shares in issue at the end of the period	**176 545**	176 545
Less:		
Treasury shares held in the Group share incentive schemes	**(2 341)**	(2 341)
Treasury shares held by wholly owned subsidiaries of the Group that will not be cancelled	**(5 442)**	(5 548)
	168 762	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

Unissued

323 455 039 (2020: 323 455 039) unissued ordinary shares are under the control of the directors in terms of the provisions of the Company's memorandum of incorporation (MoI).

16 OTHER FINANCIAL LIABILITIES

Figures in Rand thousand	Unaudited at 31 January 2021	Audited at 31 July 2020
Interest-bearing liabilities	**2 593 776**	2 739 175
Interest-bearing bank loans secured through security SPV	**2 032 663**	2 267 269
Bank overdrafts	**380 997**	115 253
Project finance loan*	**109 994**	135 080
Unsecured interest-bearing bank loans	**66 208**	215 247
Interest-bearing bank loans secured by fixed property	**3 914**	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 13)	**(8 538)**	(29 516)
	2 589 376	2 753 702
Non-current financial liabilities	**110 430**	5 674
Current financial liabilities	**2 478 946**	2 748 028
	2 589 376	2 753 702
Reconciliation of other financial liabilities		
Balance at the beginning of the period	**2 783 218**	3 333 205
Bank overdrafts	**265 744**	115 253
Proceeds from other financial liabilities	**52 387**	–
Repayment of other financial liabilities	**(457 828)**	(321 128)
Repayment of vendors for acquisitions	**(14 494)**	(75 286)
Disposal of subsidiaries	**(55 208)**	(244 266)
Net changes in fair value of vendors for acquisition	**10 864**	3 685
Interest accrued on other financial liabilities	**(7 568)**	38 867
Movement in capitalised debt restructuring fee	**20 928**	(51 028)
Other non-cash items	**(129)**	(16 084)
Closing balance before liabilities directly associated with assets held for sale	**2 597 914**	2 783 218
Liabilities directly associated with assets held for sale (note 13)	**(8 538)**	(29 516)
	2 589 376	2 753 702
Financial instruments		
Measured at amortised cost	**2 585 238**	2 709 659
Financial liabilities carried at fair value through profit or loss	**4 138**	44 043
	2 589 376	2 753 702
Vendors for acquisition		
Current financial liabilities	**4 138**	44 043
	4 138	44 043

* *Ring-fenced debt.*

17 FINANCIAL INSTRUMENTS

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.

Figures in Rand thousand	**Unaudited at 31 January 2021**	Audited at 31 July 2020
Fair value through profit or loss:		
Vendors for acquisition	**4 138**	44 043
	4 138	44 043

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 and revenue growth rates historically achieved by the various segments. The applicable discount rate is 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.

17 FINANCIAL INSTRUMENTS continued

Vendors for acquisition reconciliation of movement

Figures in Rand thousand	Unaudited at 31 January 2021	Audited at 31 July 2020
Balance at the beginning of the period	**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 period	**4 138**	44 043

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

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

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

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 were 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 R923 million (July 2020: R1 033 million). These fair values are categorised as level 3, based on inputs used.

18 CASH GENERATED FROM OPERATIONS

Figures in Rand thousand	Unaudited for the six months to 31 January 2021	Unaudited for the six months to 31 January 2020
(Loss)/profit before taxation from:	**(95 153)**	(1 090 048)
Continuing operations	**(121 811)**	(938 192)
Discontinued operations	**26 658**	(151 856)
Adjustments for:		
Depreciation and amortisation	**155 226**	250 094
Impairment of assets	**72 278**	279 072
Loss on disposal of subsidiaries, equity-accounted investments and property, plant and equipment	**7 974**	215 753
Changes in fair value of vendors for acquisition	**10 864**	11 292
Share of equity-accounted profits	**(1 552)**	(3 308)
Share-based payments expense	**23 930**	18 104
Net finance costs	**155 369**	180 124
Net financial asset impairment losses	**89 438**	203 911
Inventory write-off/impairment	**2 120**	21 351
Provisions	**(202 698)**	–
Foreign exchange gains	**(4 477)**	(3 231)
Other non-cash items	**3 238**	42 758
Cash generated before changes in working capital	**216 557**	125 872
Working capital changes net of effects of disposal of subsidiaries	**(190 604)**	(94 901)
(Increase)/decrease in inventories	**(12 205)**	44 975
Increase in trade and other receivables	**(66 618)**	(136 785)
Decrease in trade and other payables	**(111 781)**	(3 091)
Cash generated from operations	**25 953**	30 971

19 RELATED PARTIES

Figures in Rand thousand	Unaudited at 31 January 2021	Audited at 31 July 2020
Transactions with associates and joint ventures		
Sales of products and services	**29**	3 899
Purchases of products and services	**2 729**	3 272
Balances arising from sales/purchases of goods and services with associates and joint ventures		
Trade receivable balances with related parties	**3 412**	3 773
Trade payable balances with related parties	**3 422**	8 176
Loans receivable from associates and joint ventures	**10 442**	21 322
– Gross loans receivable from associates and joint ventures	**46 892**	57 772
– Allowances for expected credit losses on loans to associates and joint ventures	**(36 450)**	(36 450)
Transactions between Group companies (subsidiaries)		
Sale of products and services	**858 091**	2 075 904
Purchases of products and services	**680 926**	1 741 043
Operating expenses	**177 165**	334 861
Outstanding balances arising from sales/purchases of goods and services		
Loans from EOH Holdings Limited to subsidiaries	**162 290**	163 193
Loans to EOH Holdings Limited from subsidiaries	**51 633**	59 149
Vendor loans and receivables	**–**	287

20 CONTINGENCIES AND COMMITMENTS

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 the 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, with the last project to achieve handover to the end client completed by end-March 2021. EOH thus believes that the risk presented by the PCGs, albeit still in existence, is now sufficiently mitigated such that no cash flow impact is expected in the future.

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 COJ guarantee compels EOH to ensure physical performance. EOH Mthombo has since terminated its agreement with COJ and is currently negotiating its exit from the project.

EOH became aware of certain fraudulent conduct that was perpetrated between executives of another subsidiary, Cornastone Enterprise Solutions Proprietary Limited ('Cornastone'), as well as senior employees of 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 former executives of Cornastone and certain employees of Cell C.

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.

20 CONTINGENCIES AND COMMITMENTS continued

Uncertain 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 January 2021, the Group had provided for R257 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. R28 million of the R257 million provision was repaid as at 31 January 2021.

There is further uncertainty regarding historical taxes that may be due as a result of the impact of the fraudulent transactions identified in the forensic investigation performed by ENSafrica during the 2019 financial year. Provisions based on best estimates were recognised at 31 July 2019. The Group has obtained further external legal guidance on the matter in the current year of assessment and has reversed a portion of the initial provision raised based on guidance, during the period ended 31 January 2021.

There is a further exposure and provision raised within the Group relating to incorrect VAT zero rating of intragroup invoicing. The Group is in the process of preparing a submission in terms of the SARS Voluntary Disclosure Programme to rectify this position taken. A provision of R44 million has been raised at 31 January 2021.

Uncertain exposure due to suspect transactions

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 R84.2 million.

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

- Department of Water and Sanitation – The contract is currently under negotiation with the SIU to finalise settlement of the fine.
- Department of Home Affairs – ABIS (Biometric): At 31 March 2021 this contract has been ceded. An arbitration process is underway to finalise claims from both parties' sides and is expected to be concluded by 30 June 2021.

21 EVENTS AFTER REPORTING DATE

COVID-19

The Group considers information obtained subsequent to the reporting date, in relation to events it knows or should have known and expected eventualities identified as at 31 January 2021, as adjusting subsequent events. With regards to financial reporting impacts associated with COVID-19, the key principle is that COVID-19 is considered to be sufficiently prevalent in the Group's major markets at 31 January 2021. Therefore, COVID-19-related events that arise in the post-balance sheet period, that provide additional information in relation to assets and liabilities in existence at 31 January 2021, have been considered adjusting subsequent events. New events which occur after 31 January 2021, which do not relate to existing assets and liabilities related to COVID-19 at the reporting date (such as donations to relief initiatives), are considered to be non-adjusting subsequent events, and these, together with their relating financial effects, have been disclosed to the extent that they are considered to be material.

Deleveraging

The Group entered into an agreement with its lenders to deleverage R1 600 million by 28 February 2021. As at 31 January 2021, a total of R950 million had been repaid. The Group's disposal process, which is key to the deleveraging plan, has been impacted by COVID-19 in terms of the time to close a deal and investors taking a conservative view on investing capital into new assets. Lockdown level 5 and level 4 had a significant impact on delaying the process as well as an impact on operating performance of the IP B2B2C assets. As a result of these delays, the Group did not meet the full deleverage requirement of R1 600 million.

The Group has been engaging with lenders to create a more efficient debt structure for the longer term and has concluded long-form term sheets with its lenders to refinance the remaining debt due to lenders. This includes the refinancing of R650 million that was not settled in terms of the deleveraging agreement. As a result, the Group has received a waiver and extension for repayment of these amounts.

CORPORATE **INFORMATION**

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

Directorate
Non-executive
Andrew Mthembu (Chairman)
Andrew Marshall
Bharti Harie *(appointed 01 January 2021)*
Ismail Mamoojee *(resigned 20 January 2021)*
Jabu Moleketi *(appointed 01 September 2020)*
Jesmane Boggenpoel
Mike Bosman
Nosipho Molope *(appointed 01 January 2021)*
Sipho Ngidi
Dr Moretlo Molefi *(resigned 15 December 2020)*

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

Group Company Secretary
EOH Secretarial Services Proprietary Limited, represented by Neill O'Brien

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Transfer secretaries
Computershare Investor Services Proprietary Limited
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Bastion