

EOH

Our purpose
is to SOLVE
courageously,
exponentially
and together

Unaudited interim condensed
consolidated financial statements
for the six months ended
31 January 2022



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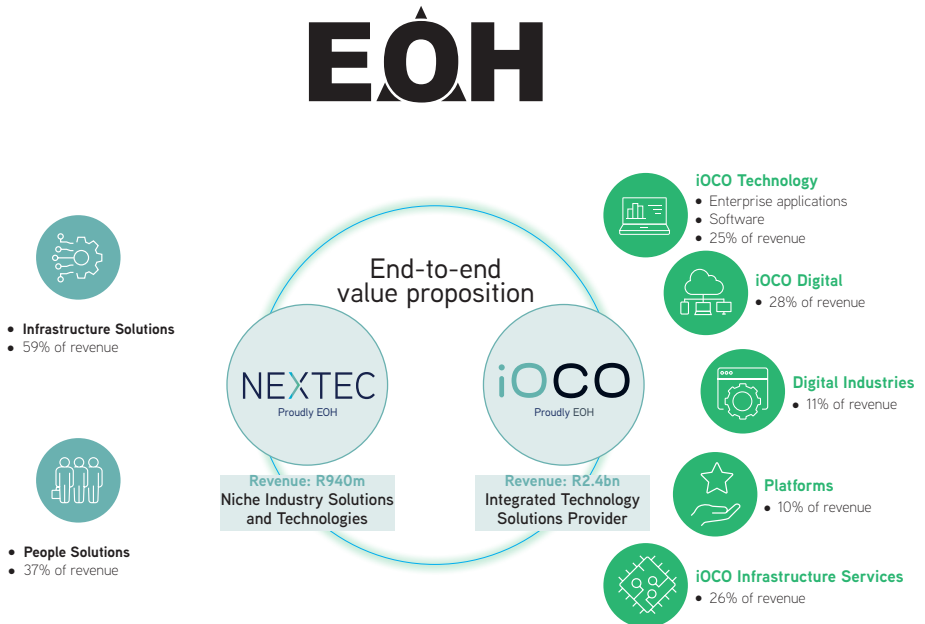


ABOUT EOH

EOH is one of Africa’s largest technology services providers, covering the entire information and communication technology (“ICT”) value chain, including offerings in: IT-managed services, security, automation, cloud solutions, data and development capabilities, proprietary IT product resales, IT consulting and implementation services. The Group’s geographic footprint extends across Africa, the UK, Europe and the Middle East.

The Group is a market leader in its core ICT business, which operates under the iOCO brand name and is an integral technology partner to a diversified client base of ~5 000 clients, including a number of leading JSE-listed, blue-chip companies, as well as 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 maintaining its status as a Level 1 Broad-based Black Economic Empowerment (“B-BBEE”) contributor. EOH is also a premier partner to global technology providers, representing over 50 original equipment manufacturers (“OEMs”) with up to 500 partnership certifications. The Group’s ~5 200 employees are intrinsic to its ability to deliver world-class services to clients across all major industries throughout South Africa.



EOH COMMENTARY

“Three years ago we embarked on a challenging turnaround strategy for the EOH Group and it has been a tough but truly rewarding journey. Today we stand together as an agile and focused organisation proudly celebrating the fact that we are able to report positive earnings per share. This important milestone is clear evidence of our collective success.

EOH’s full stack of technology offerings, its 5000 strong diversified client base as well as its global footprint, ensure the Group is well positioned for the future. Our clients strong demand for full digital transformation and EOH’s ability to deliver on all their needs across infrastructure, software and services puts the group in an attractive position with the ability to increase its market share.

Our collective confidence is underpinned by the business’ ever improving cashflow generation and positive momentum towards achieving the optimal sustainable capital structure. I am hugely grateful to our staff, shareholders and clients for their unwavering support over the last three years and look forward to our next chapter which will be underpinned by exponential growth”.

Stephen van Coller, CEO

Key highlights for the six months

(includes both continuing and discontinued operations)

EOH delivers
**profit following
the successful
completion of
the turnaround
strategy**

Total Group
revenue of
R3 511 million

Gross profit
margin increased
by **2.3%**
to **29.9%**

Improvement
in adjusted
EBITDA margin
by **1.8%**
to **9.7%**

Generated an
operating profit of
R167 million for
the half year following
an operating profit of
R76 million for
H1 2021

Cash on hand at the
end of the period of
R625 million

An improvement of **116%** in total earnings per share to
13 cents for the period following a total loss per share of
(83 cents) for H1 2021

OPERATIONAL REVIEW

The EOH Board and management team are pleased to report that, despite the ongoing challenging operating environment, this six-month period marks the successful completion of EOH's targeted turnaround strategy, with the Group reporting its first positive earnings per share in three years to 13 cents – a 116% improvement on the prior period (H1 2021: 83 cents loss per share) – and headline earnings per share of 41 cents (H1 2021: 36 cents loss per share).

The continued acceleration of digitisation across the business landscape has seen EOH entrenching its status as one of Africa's largest technology service providers by enabling its clients to rapidly pursue secure digital transformation and automation strategies as they adopt new hybrid operating models necessitating seamless connectivity between their virtual and physical environments.

The six-month period also sees the successful close out of the first phase of the EOH Board and management team's deleveraging strategy with the successful sale of a number of businesses previously identified for disposal in order to urgently pay down material tranches of the Group's onerous legacy debt. The IP assets are the last assets to be sold as part of this deleveraging process. The Sybrin sale was announced on 8 June 2021, with the proceeds from the disposal received on 31 March 2022 and the sale of the Information Services ("InfoSys") companies, announced on 11 March 2022, is expected to conclude in May 2022.

As part of this process EOH has also concluded its debt restructure with lenders whereby the Group has access to a R500 million three-year bullet facility; a R1.2 billion bridge facility repayable 1 April 2023 and overdraft facilities of R250 million (which were undrawn as at 12 April 2022).

As previously communicated, with the disposal strategy now complete and with the business optimally structured, from both an operational and commercial perspective, to offer its clients holistic technology solutions, EOH now requires the right capital structure for the business to pursue a growth-led strategy. To this end, management commenced engagements with shareholders and the investment community at the beginning of March 2022 in order to evaluate the various options available as the Group seeks to bed down a sustainable capital structure. Discussions to date have focused primarily on raising capital through a rights issue or having a strategic investor take a significant stake in the business. The long-term debt to equity target is 30:70 or less and one times EBITDA cover or less. Given the supportive investor engagements and insights received to date, the EOH Board and management team have every confidence that an optimal solution will be found and that this process will be concluded over the next few months.

iOCO

iOCO continued to perform well with a significant improvement in gross profit margin to 29.0%, compared to 26.6% in the prior year, and stable adjusted EBITDA margins at 10.2% (2021: 10.1%).

As part of the Group strategy aimed at evolving the business model, iOCO has established Infrastructure Services ("IS") as an end-to-end service offering. The IS offering comprises the Managed Services and Connectivity businesses (previously included in iOCO Services) and the Compute platforms business (previously included in iOCO Technology). The establishment of IS has resulted in higher adjusted EBITDA margins for the combined business for the half-year to January 2022 of 6% (2021: 4%), reflecting the enhanced value of the platform business model.

EOH COMMENTARY CONTINUED

iOCO continued

The businesses remaining in the iOCO Technology cluster comprises enterprise applications (EA) and the software reseller business, which saw a reduction in adjusted EBITDA margins. The reduction in adjusted EBITDA margins to 9% (2021: 13%) was as a result of OEMs reducing margins to resellers of software and the EA business performing at sub-optimal levels. The performance of the EA business is being addressed; and given that margin pressure from OEMs to resellers is expected to be a long-term trend, the OEM strategy for software resellers is being refined.

iOCO Digital is at the heart of 4IR and delivered a solid performance, albeit with a reduction in revenue. Revenue reduced as a result of a close out of a non-recurring contract in Prague that was partially offset by new business. The business has focused strongly on cost management and productivity and as a result saw expansion in adjusted EBITDA margin to 10% (2021: 8%), as well as an upward trend in revenue growth off its new base.

The iOCO Platform business houses the knowledge outsource businesses and early platform businesses. Revenue reduced as a result of a close out of a low margin non-recurring contract. This has resulted in an improvement in adjusted EBITDA margin from 8% to 10%.

Digital Industries provides operational technology solutions to customers in the industrial, commercial and process control industry sectors and posted an adjusted EBITDA margin of 18% (2021: 19%). Digital Industries' margins decreased slightly as a result of investment in growth and opportunities to grow out the business into Africa and the Middle East.

The iOCO business is now a well-balanced business, with a focused strategy and an end-to-end offering to customers in the ICT space.

NEXTEC

NEXTEC has focused on turning around the business over the last three years, improving the business model and developing a strategy for the business, which is now made up of two main pillars – people outsourcing solutions and infrastructure solutions. The focus has remained on achieving quality earnings through de-risking the profile of deals signed and focused offerings to customers. NEXTEC has made significant progress in this regard, achieving an improvement in gross profit margin to 28.9% from 22.9% in the prior year; and an adjusted EBITDA margin of 5% compared to negative returns in the prior year.

The NEXTEC People Outsourcing Solutions business delivered a strong performance resulting in an expansion in adjusted EBITDA margin to 9% from 7% in the prior period.

The NEXTEC Infrastructure Solutions business was impacted by contract delays and international supply challenges; however, this was partially offset by the outperformance of projects in the mining industry, related to demand for mesh communication networks and the positive momentum in the consulting businesses, which is a leading indicator for industrial development in the country. The Infrastructure Solutions business delivered a positive adjusted EBITDA for the first time in three years with an adjusted EBITDA margin of 1%.

The NEXTEC businesses that remain core to EOH continue to be self-sufficient from a liquidity perspective.

IP

The IP segment forms part of discontinued operations and is in the final stages of being disposed. Gross profit margin remained in excess of 50% with an adjusted EBITDA margin of 21.2% (2021: 28.6%).

BUSINESS PERFORMANCE

(Commentary based on total continuing and discontinued operations)

Total revenue decreased 20% to R3 511 million from R4 376 million in the prior year and was largely attributable to disposals as the Group continued to execute on its stated strategy of exiting non-performing and non-core businesses, as well as the close out of legacy contracts and low margin contracts. This accounted for over 74% of the decline.

While revenue has declined, the Group's focus on quality of earnings and sustainable business is evidenced in the total gross profit margin, which increased by 2.3% points from 27.6% to 29.9%. This is a direct result of managing productivity and efficiencies, the turnaround in NEXTEC related to loss-making contracts, as well as exiting businesses and contracts in the prior year that were underperforming.

Total operating expenses decreased by 22% from R1 132 million to R881 million in the current year. The decline in operating expenditure is a result of a reduction in once-off costs related to goodwill impairments, with the current period amount of R42 million (2021: R70 million), reduction in depreciation and amortisation to R115 million (2021: R155 million) largely related to the IP businesses being held for sale and cost-saving initiatives across the property portfolio and staff efficiencies.

Total adjusted EBITDA for the period was R339 million compared to R347 million in the prior year. The prior year included an additional R50 million of adjusted EBITDA from discontinued IP entities. The Group saw an improvement in adjusted EBITDA margins from 7.9% in the prior year to 9.7% in the current year.

The Group posted a positive operating profit of R167 million for the half year (2021: R76 million).

Despite the Group's over-indebted capital structure and high interest bill of R97 million (2021: R139 million), as a result of the focus on quality customer contracts and cost efficiencies, the Group posted a profit after tax for the period for the first time in three years of R22 million (2021: R140 million loss).

Total headline profit/(loss) per share from continuing and discontinuing operations improved from a loss of 36 cents per share to a profit of 41 cents per share, while earnings per share showed improvement from a loss of 83 cents per share to a profit of 13 cents a share.

Working capital and liquidity management remained a key focus of the business with net working capital of R299 million and cash at the end of the period of R625 million.

Debt at 31 January 2022 was at R2 034 million. Subsequent to the conclusion of the Sybrin disposal and other smaller disposals, the debt is currently at R1.7 billion, comprising a three-year bullet facility and the remaining R1.2 billion a bridge facility. Further proceeds largely from the InfoSys sale will reduce the bridge facility further and are expected to be in the region of R425 million.

EOH COMMENTARY CONTINUED


Cash generated from operations after changes in working capital was R258 million (2021: R26 million). After paying interest and taxes, the Group was cash generative with R124 million of cash generated from operating activities (2021: R165 million cash utilised). The Group has continued to focus strongly on liquidity management, which has shown through in the cash generation.

OUTLOOK

EOH's full stack of technology offerings, diversified client base as well as its global footprint, ensure the Group is well positioned for growth as the local economy enters the post-COVID-19 recovery phase. Demand for IT services and products remains robust and EOH's product offering enables it to capture this demand, as well as increase its market share.

Confidence in our outlook is underpinned by our robust commercial strategy, which is geared towards driving customer solutions and attracting new customers. As the business' cashflow generation improves and we get closer to a sustainable capital structure, EOH can firmly focus on growth and continue to capitalise on the accelerating demand for digital transformation across our client base.

Approved on behalf of the Board of directors of EOH.



Stephen van Coller

Chief Executive Officer

13 April 2022

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

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

Figures in Rand thousand	Notes	Unaudited for the six months to 31 January 2022	Unaudited restated** for the six months to 31 January 2021
Continuing operations			
Revenue	7	2 979 854	3 515 901
Cost of sales		(2 118 847)	(2 596 869)
Gross profit		861 007	919 032
Net financial asset impairment reversals/(losses)	9	4 157	(80 168)
Operating expenses		(702 778)	(826 413)
Operating profit		162 386	12 451
Investment income		4 446	6 881
Share of equity-accounted profit		–	1 552
Finance costs		(97 129)	(138 568)
Profit/(loss) before taxation		69 703	(117 684)
Taxation		(29 847)	(51 248)
Profit/(loss) for the period from continuing operations		39 856	(168 932)
(Loss)/profit for the period from discontinued operations	10	(17 679)	29 166
Profit/(loss) for the period		22 177	(139 766)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Reclassification of foreign currency translation differences on loss of control and joint control [^]		–	(2 033)
Exchange differences on translation of foreign operations [^]		14 184	(28 474)
Total comprehensive income/(loss) for the period		36 361	(170 273)
Profit/(loss) attributable to:			
Owners of EOH Holdings Limited		21 139	(140 690)
Non-controlling interests		1 038	924
		22 177	(139 766)
Total comprehensive income/(loss) attributable to:			
Owners of EOH Holdings Limited		35 210	(168 465)
Non-controlling interests		1 151	(1 808)
		36 361	(170 273)
From continuing and discontinued operations (cents)			
Earnings/(loss) per share		13	(83)
Diluted earnings/(loss) per share		12	(83)
From continuing operations (cents)			
Earnings/(loss) per share		23	(100)
Diluted earnings/(loss) per share		22	(100)

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

** Comparative figures previously reported have been amended to reflect continuing operations prevailing for the six months ended 31 January 2022.

[^] These components of other comprehensive income do not attract any tax.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY 2022

Figures in Rand thousand	Notes	Unaudited at 31 January 2022	Audited at 31 July 2021
ASSETS			
Non-current assets			
Property, plant, equipment and right-of-use assets		230 651	341 464
Intangible assets		52 225	64 493
Goodwill	12	692 593	745 844
Equity-accounted investments		–	8 260
Deferred taxation		115 612	116 853
Finance lease receivables		9 454	8 030
		1 100 535	1 284 944
Current assets			
Inventories	13	125 085	112 548
Other financial assets		89 243	11 058
Current taxation receivable		26 624	38 563
Finance lease receivables		87 482	101 299
Trade and other receivables		1 798 023	1 928 570
Cash and cash equivalents		423 975	824 902
		2 550 432	3 016 940
Assets held for sale	14	1 276 386	1 118 510
Total assets		4 927 353	5 420 394
EQUITY AND LIABILITIES			
Equity			
Stated capital	16	4 217 285	4 217 285
Shares to be issued to vendors		393	393
Other reserves		621 710	598 500
Accumulated loss		(4 637 398)	(4 658 537)
Equity attributable to the owners of EOH Holdings Limited		201 990	157 641
Non-controlling interests		21 304	20 153
Total equity		223 294	177 794
Liabilities			
Non-current liabilities			
Lease liabilities		51 220	80 669
Deferred taxation		69 065	59 482
		120 285	140 151
Current liabilities			
Other financial liabilities	17	2 180 522	2 567 523
Current taxation payable		19 836	45 591
Lease liabilities		67 962	82 641
Trade and other payables		1 629 360	1 796 284
Provisions		288 088	324 299
		4 185 768	4 816 338
Liabilities directly associated with assets held for sale	14	398 006	286 111
Total liabilities		4 704 059	5 242 600
Total equity and liabilities		4 927 353	5 420 394

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

Figures in Rand thousand	Stated capital	Shares to be issued to vendors	Other reserves	Accumulated loss	Equity attributable to the owners of EOH Holdings Limited	Non-controlling interests	Total equity
Audited balance at 1 August 2020	4 250 219	15 300	924 862	(4 680 506)	509 875	29 624	539 499
Correction of error*	(32 934)	-	(290 895)	257 515	(66 314)	-	(66 314)
Restated audited balance at 1 August 2020	4 217 285	15 300	633 967	(4 422 991)	443 561	29 624	473 185
Restated loss for the period*	-	-	-	(140 690)	(140 690)	924	(139 766)
Other comprehensive income	-	-	(27 775)	-	(27 775)	(2 732)	(30 507)
Non-controlling interest disposed	-	-	-	-	-	(7 743)	(7 743)
Movement in treasury shares*	-	-	-	-	-	-	-
Transfer within equity**	-	(14 907)	-	14 907	-	-	-
Share-based payments	-	-	23 930	-	23 930	-	23 930
Restated unaudited* balance at 31 January 2021	4 217 285	393	630 122	(4 548 774)	299 026	20 073	319 099
Audited balance at 1 August 2021	4 217 285	393	598 500	(4 658 537)	157 641	20 153	177 794
Profit for the period	-	-	-	21 139	21 139	1 038	22 177
Other comprehensive income	-	-	14 071	-	14 071	113	14 184
Share-based payments	-	-	9 139	-	9 139	-	9 139
Unaudited balance at 31 January 2022	4 217 285	393	621 710	(4 637 398)	201 990	21 304	223 294

Notes

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* 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.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

Figures in Rand thousand	Notes	Unaudited for the six months to 31 January 2022	Unaudited for the six months to 31 January 2021
Cash flows from operating activities			
Cash generated from operations	19	257 611	25 953
Investment income received		5 194	9 010
Interest paid		(94 321)	(127 500)
Taxation paid		(44 300)	(72 042)
Net cash inflow/(outflow) from operating activities		124 184	(164 579)
Cash flows from investing activities			
Additions to property, plant and equipment		(31 257)	(27 357)
Proceeds on the sale of property, plant, equipment and intangible assets		5 736	37 865
Intangible assets acquired		(27 436)	(43 688)
Cash receipts from disposal of businesses, net of cash given up		77 868	195 871
Increase in restricted cash		(77 249)	(538 343)
Decrease in restricted cash		4 094	485 390
Net cash (outflow)/inflow from investing activities		(48 244)	109 738
Cash flows from financing activities			
Proceeds from other financial liabilities		–	52 387
Repayment of other financial liabilities		(3 950)	(472 322)
Principal elements of lease payments		(55 080)	(73 747)
Net cash outflow from financing activities		(59 030)	(493 682)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		437 237	530 584
Assets held for sale at the beginning of the period		88 444	328 743
Assets held for sale at the end of the period		(116 089)	(107 956)
Exchange (losses)/gains on cash and cash equivalents		(2 527)	4 477
Cash and cash equivalents at the end of the period		423 975	207 325

Cash and cash equivalents include bank overdrafts of Rnil (period ended 31 January 2021: R381 million).

SEGMENT RESULTS

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

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

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

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

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

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

Adjusted EBITDA is defined as profit/loss before depreciation, amortisation, share-based 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 adjusted EBITDA

Figures in Rand thousand	Unaudited for the six months ended 31 January 2022					Restated* unaudited for the six months ended 31 January 2021				
	iOCO	NEXTEC	IP	Recon- ciliation [†]	Total	iOCO	NEXTEC	IP	Recon- ciliation [†]	Total
External	2 304 576	907 154	299 745	-	3 511 475	2 777 557	1 148 330	449 991	-	4 375 878
Hardware sales	145 009	172 465	5 124	-	322 598	151 784	221 059	11 985	-	384 828
Services	1 871 874	709 775	291 268	-	2 872 917	2 294 491	924 733	436 564	-	3 655 788
Software/licence contracts	270 542	4 784	3 150	-	278 476	310 448	15 433	1 425	-	327 306
Rentals	17 151	20 130	203	-	37 484	20 834	(12 895)	17	-	7 956
Intersegment	101 853	32 292	2 365	(136 510)	-	132 799	25 607	927	(159 333)	-
Hardware sales	12 955	1 459	-	(14 414)	-	4 789	1 420	-	(6 209)	-
Services	77 622	30 833	2 365	(110 820)	-	123 089	24 187	927	(148 203)	-
Software/licence contracts	9 987	-	-	(9 987)	-	2 738	-	-	(2 738)	-
Rentals	1 289	-	-	(1 289)	-	2 183	-	-	(2 183)	-
Gross revenue	2 406 429	939 446	302 110	(136 510)	3 511 475	2 910 356	1 173 937	450 918	(159 333)	4 375 878
Gross profit	697 596	271 805	154 686	(75 542)	1 048 545	773 185	269 180	225 769	(60 072)	1 208 062
Gross profit (%)	29.0%	28.9%	51.2%	29.9%	29.9%	26.6%	22.9%	50.1%		27.6%
Adjusted EBITDA	244 918	47 069	64 067	(16 567)	339 487	294 629	(8 605)	129 063	(68 467)	346 620
Adjusted EBITDA (%)	10.2%	5.0%	21.2%	9.7%	9.7%	10.1%	(0.7%)	28.6%		7.9%

* Comparative figures previously reported have been restated for the correction of prior period errors. Adjusted EBITDA for the six months ended 31 January 2021 has been restated in respect of the South African Revenue Services ("SARS") VAT Voluntary Disclosure Programme liability in one of the Group's discontinued subsidiaries in the IP segment amounting to R18 million. Refer to note 6. Comparative figures were also restated to reflect the transfers between segments. 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.

SEGMENT RESULTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

Adjusted EBITDA reconciliation

Figures in Rand thousand	Notes	Unaudited for the six months to 31 January 2022	Unaudited restated* for the six months to 31 January 2021
Operating profit		167 122	76 327
Operating profit from continuing operations		162 386	12 451
Operating profit from discontinued operations	10	4 736	63 876
Depreciation		88 445	124 592
Amortisation		26 254	30 634
Impairment losses on non-financial assets		42 567	72 278
Loss on disposal of assets		3 308	2 950
Share-based payments		9 139	23 951
Changes in fair value of vendors for acquisition		–	10 864
Loss on disposal of subsidiaries and associates		2 652	5 024
Adjusted EBITDA		339 487	346 620

* Comparative figures previously reported have been restated for the correction of prior period errors. Adjusted EBITDA for the six months ended 31 January 2021 has been restated in respect of the SARS VAT Voluntary Disclosure Programme liability in one of the Group's discontinued subsidiaries in the IP segment amounting to R18 million. Refer to note 6. Comparative figures have also been amended to reflect continuing operations prevailing for the six months ended 31 January 2022.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

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 2022 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.

These interim condensed consolidated financial statements were compiled under the supervision of Megan Pydigadu CA(SA), the Group Chief Financial Officer (“CFO”).

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 2021.

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 2022. 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

4 GOING CONCERN continued

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 an operating profit of R167 million for the half-year, net asset value attributable to the owners of EOH Holdings Limited at the end of the period of R202 million and cash inflows from operating activities of R124 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, November 2020 and October 2021. Since its announcement in October 2019, the plan has been largely executed against and the Board reasonably believes it can continue to be implemented going forward in order to ensure the Group’s ability to continue as a going concern.

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 and final conditions precedent were met on 31 March 2022. Proceeds received from the sale of Sybrin, as well as other smaller disposals, has reduced the outstanding debt by R360 million since 31 January 2022. A share purchase agreement relating to the disposal of the remaining IP asset, InfoSys, was signed on 11 March 2022. The suspensive conditions relating to this disposal including shareholder approval are in the process of being executed with anticipated timing for final conditions to be met by the end of May 2022. Proceeds from the disposal of InfoSys will also be utilised to reduce the overall debt of the Group by approximately a further R425 million.

The Group has also completed the execution of an amended and restated common terms agreement (“CTA”) with its lenders with the following split of debt:

- A R500 million three-year bullet facility.
- A bridge facility of R1 .2 billion repayable on 1 April 2023.

The bridge facility will be partially repaid from the disposal proceeds to be received from the InfoSys disposal. In addition, the Board and management are considering strategic options to settle the remaining R750 million, as well as to raise equity to pursue growth opportunities. These options primarily comprise an equity raise from existing and/or new investors, the introduction of mezzanine debt, a combination of these or further disposal of assets. New investors may include investors that could assist with increasing the Group’s BEE ownership, as well as potential strategic partners. The Board and management team have appointed financial advisers to assist the Group in evaluating its strategic options.

Executive management and the financial advisers have had initial discussions with a range of investors to discuss its strategic options. Feedback from these discussions have been positive and will enable the management team and its financial advisers to assess the most optimal solution in terms of the capital structure of the organisation.

The Group has also implemented initiatives to improve liquidity and has proven its ability to be agile and respond to new challenges as required. The Group has R625 million of net cash as at 31 January 2022 and access to overdraft facilities of R250 million. These overdraft facilities have remained undrawn for the last several months.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

4 **GOING CONCERN** continued

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 R1.6 billion, with the subsequent events of signing the amended and restated CTA, disposals underway to partially repay the bridge facility as well as the work underway to resolve the capital structure of the Group, this will result in current assets exceeding current liabilities;
3. There is an approved forecast 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 once-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 interim condensed consolidated financial statements.

5 **NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP**

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

6 **RESTATEMENT OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The previously reported January 2021 half-year results were prepared prior to the finalisation of restatements, which finalisation only occurred during the year ended 31 July 2021. Consequently, the January 2021 results have now been restated to align with the final conclusions and restatements set out in the 2021 consolidated annual financial statements.

During the year ended 31 July 2021, management identified three matters which were incorrectly accounted for or presented in prior periods. These three matters require restatement to the January 2021 half-year results:

- 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).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

6 RESTATEMENT OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

The 2021 interim condensed consolidated statement of profit or loss and other comprehensive income and interim condensed consolidated statement of changes in equity have 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 2021 and therefore the statement of financial position at 31 July 2021 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 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 SARS and the total VAT liability for the period August 2013 to 28 February 2021 would be settled through the sale proceeds from the buyer using an ESCROW account.

Within the January 2021 half-year results, R44 million of the VAT VDP liability was recorded through the interim condensed consolidated statement of profit or loss and other comprehensive income. However, upon finalising the 2021 consolidated annual financial statements, it was determined that from the total VAT VDP liability of R74 million, R66 million was supposed to be recorded in the financial years prior to 2021 and the 2021 movement was to be R8 million, with the movement for the first half of 2021 being R5 million. Accordingly, R39 million (R18 million in penalties and R21 million in interest) of the R44 million that was recorded in the first half of 2021 has now been reversed.

6.2 Fair value adjustments on treasury shares not eliminated on consolidation

A subsidiary within the Group, as well as the EOH Share Trust and EOH Mthombo Trust, 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 overstatement of accumulated loss with no impact on total equity.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

6 RESTATEMENT OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

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

Interim condensed consolidated statement of profit or loss and other comprehensive income (extract) for the six months ended 31 January 2021

Figures in Rand thousand	31 January 2021	SARS VAT VDP liability	Re-presented as discon- tinued operations (note 10)	Restated 31 January 2021
Continuing operations				
Revenue	3 766 836	–	(250 935)	3 515 901
Cost of sales	(2 808 475)	–	211 606	(2 596 869)
Gross profit	958 361	–	(39 329)	919 032
Net financial asset impairment losses	(83 390)	–	3 222	(80 168)
Operating expenses	(866 772)	–	40 359	(826 413)
Operating profit	8 199	–	4 252	12 451
Investment income	7 296	–	(415)	6 881
Share of equity-accounted profit	1 552	–	–	1 552
Finance costs	(138 858)	–	290	(138 568)
Loss before taxation	(121 811)	–	4 127	(117 684)
Taxation	(51 248)	–	–	(51 248)
Loss for the period from continuing operations	(173 059)	–	4 127	(168 932)
(Loss)/profit for the period from discontinued operations	(5 882)	39 175	(4 127)	29 166
Loss for the period	(178 941)	39 175	–	(139 766)
Other comprehensive loss	(30 507)	–	–	(30 507)
Total comprehensive loss for the period	(209 448)	39 175	–	(170 273)
(Loss)/profit attributable to:				
Owners of EOH Holdings Limited	(179 865)			(140 690)
Non-controlling interest	924			924
Total	(178 941)			(139 766)
Total comprehensive loss attributable to:				
Owners of EOH Holdings Limited	(207 640)			(168 465)
Non-controlling interest	(1 808)			(1 808)
Total	(209 448)			(170 273)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

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 2021 continued

From continuing and discontinued operations

	31 January 2021	Restated 31 January 2021
Figures in cents		
Loss per share	(107)	(83)
Diluted loss per share	(107)	(83)
Headline loss per share	(60)	(36)
Diluted headline loss per share	(60)	(36)
From continuing operations		
	31 January 2021	Restated 31 January 2021
Figures in cents		
Loss per share	(103)	(100)
Diluted loss per share	(103)	(100)
Headline loss per share	(69)	(67)
Diluted headline loss per share	(69)	(67)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

7 REVENUE

Disaggregated revenue

Figures in Rand thousand

	Unaudited for the six months to 31 January 2022	Unaudited restated* for the six months to 31 January 2021
Revenue by sector		
Public sector (%)	18	20
Private sector (%)	82	80
Total (%)	100	100
Major revenue types		
Hardware sales	322 598	384 828
Services	2 872 917	3 655 788
Software/licence contracts	278 476	327 306
Rentals**	37 484	7 956
Total	3 511 475	4 375 878
Timing of revenue recognition		
Goods or services transferred to customers:		
– at a point in time	601 074	542 517
– over time	2 910 401	3 833 361
Total	3 511 475	4 375 878
<i>Continuing operations</i>	2 979 854	3 515 901
<i>Discontinued operations (note 10)</i>	531 621	859 977
Total	3 511 475	4 375 878

* Comparative figures previously reported have been amended to reflect continuing operations prevailing for the six months ended 31 January 2022.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

8 HEADLINE EARNINGS/(LOSS) PER SHARE

Figures in Rand thousand

Headline earnings/(loss) per share and diluted headline earnings/(loss) per share

	Unaudited for the six months to 31 January 2022	Unaudited restated*# for the six months to 31 January 2021
Headline earnings/(loss) from continuing operations (R'000)	39 055	(112 400)
Weighted average number of shares in issue ('000)	168 754	168 762
Diluted weighted average number of shares in issue ('000)	176 344	168 762
Headline earnings/(loss) per share from continuing operations (cents)	23	(67)
Diluted headline earnings/(loss) per share from continuing operations (cents)	22	(67)
Headline earnings/(loss) from continuing and discontinued operations (R'000)	68 753	(61 395)
Weighted average number of shares in issue ('000)	168 754	168 762
Diluted weighted average number of shares in issue ('000)	176 344	168 762
Headline earnings/(loss) per share from continuing and discontinued operations (cents)	41	(36)
Diluted headline earnings/(loss) per share from continuing and discontinued operations (cents)	39	(36)

Reconciliation between earnings, headline earnings and diluted headline earnings from continuing and discontinued operations

Profit/(loss) attributable to owners of EOH Holdings Limited	21 139	(140 690)
Adjusted for:		
Loss on disposal of property, plant and equipment	3 308	2 950
Loss on sale of subsidiaries and equity-accounted investments	2 652	5 024
IAS 36 Impairment of goodwill	-	61 387
IAS 36 Impairment of intangible assets and property, plant and equipment	619	1 058
IFRS 5 Remeasurement to fair value less costs to sell	41 948	9 833
Total tax effects on adjustments	(914)	(957)
Total non-controlling interest effects on adjustments	1	-

Headline earnings/(loss) from continuing and discontinued operations

68 753	(61 395)
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* Comparative figures previously reported have been amended to reflect continuing operations prevailing for the six months ended 31 January 2022.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

8 HEADLINE EARNINGS/(LOSS) PER SHARE continued

Figures in Rand thousand

	Unaudited for the six months to 31 January 2022	Unaudited restated*# for the six months to 31 January 2021
Reconciliation between earnings, headline earnings and diluted headline earnings from continuing operations		
Profit/(loss) attributable to owners of EOH Holdings Limited	21 139	(140 690)
Adjusted for discontinued operations (note 10)	17 780	(28 346)
Continuing profit/(loss) attributable to ordinary shareholders	38 919	(169 036)
<i>Continuing operations adjustments:</i>		
Loss on disposal of property, plant and equipment	3 309	2 430
Profit on sale of subsidiaries and equity-accounted investments	(2 897)	(17 231)
IAS 36 Impairment of intangible assets and property, plant and equipment	646	1 058
IAS 36 Impairment of goodwill	–	61 387
IFRS 5 Remeasurement to fair value less costs to sell	–	9 833
Total tax effect on adjustments	(922)	(841)
Headline earnings/(loss) from continuing operations	39 055	(112 400)

* Comparative figures previously reported have been amended to reflect continuing operations prevailing for the six months ended 31 January 2022.

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

9 NET FINANCIAL ASSET IMPAIRMENT REVERSALS/(LOSSES)

Impairment reversals/(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 2022	Unaudited restated* for the six months to 31 January 2021
Impairment reversal/(loss) on trade and other receivables	7 350	(34 205)
Impairment reversal/(loss) on other financial assets	69	(45 963)
Impairment loss on contract assets	(1 562)	–
Impairment loss on finance lease receivables	(1 700)	–
	4 157	(80 168)

* Comparative figures previously reported have been amended to reflect continuing operations prevailing for the six months ended 31 January 2022.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

10 DISCONTINUED OPERATIONS

Identification and classification of discontinued operations

There were a number of businesses that were approved for sale at 31 January 2022, and for which the sale is expected to be completed within 12 months from the reporting date, as well as businesses that were already sold during the current and previous reporting periods that have met the requirements to be presented as discontinued operations and have accordingly been presented as such.

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

The Group's intention to dispose of these non-core assets triggered an initial impairment assessment on the underlying assets at 31 July 2020, and these continue to be measured at fair value less costs to sell at 31 January 2022. The resulting impairment has been allocated to the identified disposal groups. Refer to note 14.

Figures in Rand thousand

	Unaudited for the six months to 31 January 2022	Unaudited restated** for the six months to 31 January 2021
Revenue	531 621	859 977
Cost of sales	(344 083)	(570 947)
Gross profit	187 538	289 030
Net financial asset impairment losses	(1 722)	(9 270)
Remeasurement to fair value less costs to sell	(41 948)	–
Loss on disposal	(5 549)	(22 255)
Other operating expenses	(133 583)	(193 629)
Operating profit	4 736	63 876
Investment income	748	2 129
Finance costs	(3 510)	(4 299)
Profit before taxation	1 974	61 706
Taxation	(19 653)	(32 540)
(Loss)/profit for the period from discontinued operations	(17 679)	29 166
Attributable to:		
Owners of EOH Holdings Limited	(17 780)	28 346
Non-controlling interests	101	820
(Loss)/earnings per share (cents)		
(Loss)/earnings per share from discontinued operations	(10)	17
Diluted (loss)/earnings per share from discontinued operations	(10)	17
Net cash flows in relation to discontinued operations:		
Net decrease in cash and cash equivalents**	(23 760)	(261 375)
Operating activities	25 010	30 096
Investing activities	(36 945)	(276 624)
Financing activities	(11 825)	(14 847)

* Comparative figures previously reported have been amended to reflect continuing operations prevailing for the six months ended 31 January 2022.

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

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

Profit before taxation before including the loss on disposal and remeasurement to fair value less costs to sell was R49 million (2021: R84 million).

The profit after tax for the InfoSys companies was R22.821 million (2021: R26.291 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

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 R31 million (year ended 31 July 2021: R67 million) and intangible assets at a value of R27 million (year ended 31 July 2021: R79 million). The Group disposed of property, plant and equipment with a carrying value of R8.6 million (year ended 31 July 2021: R56 million) and intangible assets with a carrying value of R0.4 million (year ended 31 July 2021: R18 million).

An impairment charge of R0.2 million and R0.4 million (year ended 31 July 2021: R21 million and Rnil million) against property, plant, equipment and right-of-use assets and intangible assets respectively has been recognised during the period.

12 GOODWILL

Figures in Rand thousand

	Unaudited at 31 January 2022	Audited at 31 July 2021
Cost	3 101 392	3 225 516
Accumulated impairments	(1 885 984)	(1 704 698)
Opening balance	1 215 408	1 520 818
Foreign currency translation	2 520	(6 688)
Disposals	(57 329)	(117 436)
Impairments: discontinued operations	(41 948)	(36 374)
Impairments: continuing operations	–	(144 912)
Closing balance before assets held for sale	1 118 651	1 215 408
Cost	3 046 583	3 101 392
Accumulated impairments	(1 927 932)	(1 885 984)
Assets held for sale	(426 058)	(469 564)
Closing balance	692 593	745 844

Impairment of goodwill

During the six months ended 31 January 2022, the Group performed a review of goodwill impairments 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 estimated future cash flows using a pre-tax discount rate. Impairment tests on assets held for sale were based on their fair value less costs of disposal.

IP

An impairment of goodwill amounting to R42 million was attributable to the Sybrin group as a result of its writedown to fair value less costs of disposal. The main driver for the Sybrin impairment was an estimation of a downward price adjustment due to the expectation that Sybrin’s performance will fall short of the EBITDA targets as outlined in the Sybrin contingent pricing mechanism, as well as Sybrin’s build-up of net asset value since the 2021 financial year end.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

13 INVENTORIES

Figures in Rand thousand	Unaudited at 31 January 2022	Audited at 31 July 2021
Finished goods	92 671	95 853
Consumables	15 633	5 289
Work in progress	36 876	34 432
	145 180	135 574
Provision for write-down of inventories to net realisable value	(20 095)	(23 026)
	125 085	112 548
Cost of goods sold during the period from continuing operations amounted to:*	488 473	917 454

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

Reversal of write-down of inventories of R1 million (year ended 31 July 2021: write-down of R7 million) to net realisable value were recognised (or were offset) against expenses during the period and included in costs of sales in the statement of profit or loss and other comprehensive income.

14 ASSETS HELD FOR SALE

The Group continued to explore opportunities for the sale of certain non-core assets, of which a few have been sold during the current financial period.

The Sybrin and InfoSys companies were classified as held for sale and discontinued operations in the 2021 financial year. At the reporting date, the Sybrin and InfoSys groups of companies continue to be held for sale subject to the fulfilment or waiver of a few suspensive conditions. The sale of both groups of companies are expected to be concluded before the end of the 2022 financial year. Refer to note 22 for further developments on these disposals subsequent to the reporting date.

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 compliance with suspensive conditions, 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 purchasers are committed to the sale transactions.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

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#	Unaudited at 31 January 2022
Assets				
Property, plant, equipment and right-of-use assets	42 691	3 111	50 774	96 576
Goodwill and intangible assets	32 402	35 926	691 620	759 948
Equity-accounted investments	5 979	–	–	5 979
Other financial assets	–	–	69	69
Deferred taxation	10	5 248	6 503	11 761
Finance lease receivables	143	–	7	150
Inventories	10 446	–	1 601	12 047
Current taxation receivable	882	134	301	1 317
Trade and other receivables	78 458	2 531	191 461	272 450
Cash and cash equivalents	19 902	46 922	49 265	116 089
Assets held for sale	190 913	93 872	991 601	1 276 386
Liabilities				
Other financial liabilities	(1 520)	(1 102)	(3 861)	(6 483)
Lease liabilities	–	–	(12 934)	(12 934)
Deferred taxation	–	–	(35 731)	(35 731)
Current taxation payable	–	(1 968)	(2 682)	(4 650)
Trade and other payables	(77 485)	(42 776)	(158 604)	(278 865)
Provisions	–	–	(59 343)	(59 343)
Liabilities directly associated with assets held for sale	(79 005)	(45 846)	(273 155)	(398 006)
Net assets directly associated with the disposal groups	111 908	48 026	718 446	878 380
Cumulative amounts recognised in other comprehensive income				
Foreign currency translation reserve	4 411	–	5 732	10 143
Impairment loss for write-down to fair value less costs to sell				
Continuing operations – operating expenses	–	–	–	–
Discontinued operations (note 10)	–	–	41 948	41 948
	–	–	41 948	41 948

[#] The net assets of the Sybrin companies is R310,387 million (Assets of R534,397 million and liabilities of R224,010 million) and the net assets of the InfoSys companies is R 408,059 million (Assets of R457,204 million and liabilities of R49,145 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

14 ASSETS HELD FOR SALE continued

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

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 to assist with its plan to deleverage and remove unnecessary complexity within the Group. In line with this strategy, the Group has disposed of certain investments in subsidiaries and an associate during the period.

Figures in Rand thousand	Treatment before disposal	Percentage holding disposed	Date of disposal	Consideration received or receivable*	(Loss)/gain on disposal
Entity disposed#					
NEXTEC					
Change Logic CS Proprietary Limited	Associate	40%	1 August 2021	7 527	(935)
Energy Solutions & Analytics ("ESA")	Subsidiary	100%	1 August 2021	29 178	3 657
IP					
Afiswitch Proprietary Limited	Subsidiary	100%	1 October 2021	43 530	(4 808)
Transaction costs					(566)
Net loss on disposal of subsidiaries and equity-accounted investments				80 235	(2 652)

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

Energy Solutions & Analytics and Change Logic CS Proprietary Limited are shown within continuing operations of the Group while Afiswitch Proprietary Limited is included within discontinued operations in note 10.

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

Reconciliation of cash received from disposal of businesses

Figures in Rand thousand	Unaudited at 31 January 2022	Audited at 31 July 2021
Opening balance	17 660	82 052
Cash consideration received or receivable	80 235	363 336
Write-off of consideration receivable	(1 000)	-
Less: Amount outstanding at period end	(21 474)	(17 660)
Cash received from disposal of businesses	75 421	427 728
Less: Bank overdraft/(cash balances) disposed of	2 447	(214 792)
Cash receipt from disposal of businesses, net of cash given up	77 868	212 936

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

15 DISPOSAL OF SUBSIDIARIES AND EQUITY-ACCOUNTED INVESTMENTS continued

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	Unaudited at 31 January 2022	Audited at 31 July 2021
Assets			
Property, plant, equipment and right-of-use assets		2 853	181 670
Goodwill and intangible assets		64 124	174 290
Equity-accounted investments		8 461	4 000
Other financial assets		4 433	19 352
Deferred taxation		–	17 637
Inventories		1 013	26 737
Current taxation receivable		1 395	–
Trade and other receivables		24 060	365 910
Cash and cash equivalents		–	214 792
Liabilities			
Other financial liabilities	17	–	(64 962)
Bank overdraft		(2 447)	–
Lease liabilities		(204)	(52 028)
Deferred taxation		(382)	–
Current taxation payable		(3 756)	(481 076)
Trade and other payables		(17 317)	(22 171)

16 STATED CAPITAL

Figures in Rand thousand	Unaudited at 31 January 2022	Audited at 31 July 2021
Stated capital		
Opening balance	4 217 285	4 217 285
	4 217 285	4 217 285

Authorised

500 000 000 ordinary shares of no par value

40 000 000 EOH A shares of no par value

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

16 STATED CAPITAL continued

Figures in Rand thousand	Unaudited at 31 January 2022	Audited at 31 July 2021
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
<i>Less:</i>		
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)	(5 446)
	168 758	168 758
EOH A shares of no par value		
Reconciliation of the number of shares in issue		
Opening balance*	40 000	40 000
Closing balance	40 000	40 000

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

- invested R750 million in three tranches in EOH ordinary shares based on a 30-day VWAP at a 10% discount for an average share price of R33.59; and
- received 40 million unlisted EOH A shares which will be redeemed in five years on 1 October 2023 through an ordinary share issue.

The A shares rank equal to an EOH ordinary share in respect of voting rights and each EOH A share will receive cash dividends in an amount equal to the value of 15% of dividends paid by EOH to ordinary shareholders. The remaining 85% of the dividend value will be accrued and redeemed through the redemption of the A shares. Despite the variability in the number of EOH ordinary shares that will be issued, the obligation to Lebashe is treated as an equity transaction as the settlement will be undertaken in ordinary shares and the transaction is therefore within the scope of IFRS 2.

Unissued

323 455 039 (year ended 31 July 2021: 323 455 039) unissued ordinary shares.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

17 OTHER FINANCIAL LIABILITIES

Figures in Rand thousand

	Unaudited at 31 January 2022	Audited at 31 July 2021
Interest-bearing liabilities	2 186 817	2 568 834
Interest-bearing bank loans secured through security SPV	2 062 398	2 061 321
Bank overdrafts drawn down	–	387 665
Project finance loan*	120 145	114 902
Unsecured interest-bearing bank loans	4 274	3 185
Interest-bearing bank loans secured by fixed property	–	1 761
Non-interest-bearing liabilities	188	4 138
Vendors for acquisition	188	4 138
Liabilities directly associated with assets held for sale (note 14)	(6 483)	(5 449)
	2 180 522	2 567 523
Non-current financial liabilities	–	–
Current financial liabilities	2 180 522	2 567 523
	2 180 522	2 567 523
Reconciliation of other financial liabilities		
Balance at the beginning of the period	2 572 972	2 783 218
Bank overdrafts (repaid)/drawn down	(387 665)	272 412
Proceeds from other financial liabilities	–	52 387
Repayment of other financial liabilities	–	(512 864)
Repayment of vendors for acquisitions	(3 950)	(14 494)
Disposal of subsidiaries (note 15)	–	(64 962)
Net changes in fair value of vendors for acquisition	–	10 864
Interest accrued on other financial liabilities	86 860	179 540
Interest repaid on other financial liabilities	(80 540)	(191 533)
Movement in capitalised debt restructuring fee	–	51 028
Other non-cash items	(672)	7 376
Closing balance before liabilities directly associated with assets held for sale	2 187 005	2 572 972
Liabilities directly associated with assets held for sale (note 14)	(6 483)	(5 449)
	2 180 522	2 567 523
Financial instruments		
Measured at amortised cost	2 180 334	2 563 385
Financial liabilities carried at fair value through profit or loss	188	4 138
	2 180 522	2 567 523
Vendors for acquisition		
Current financial liabilities	188	4 138
	188	4 138

* Ring-fenced debt.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

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 Security SPV comprises:

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

From 1 April 2019, the secured lenders 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 three-month JIBAR referred to above is reset quarterly.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

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 January 2022:

Figures in Rand thousand	Carrying amount				Fair value				
	Mandatorily at FVTPL	Amortised cost	Total	Held for sale	Balance	Level 1	Level 2	Level 3	Total
Financial assets									
Cash and cash equivalents	-	540 065	540 065	(116 090)	423 975	-	-	-	-
Trade and other receivables	-	1 241 207	1 241 207	(213 009)	1 028 198	-	-	-	-
Finance lease receivables	-	97 086	97 086	(150)	96 936	-	-	-	-
Other financial assets	-	89 312	89 312	(69)	89 243	-	-	-	-
Financial liabilities									
Trade and other payables	-	384 809	384 809	(90 265)	294 544	-	-	-	-
Lease liabilities	-	132 116	132 116	(12 934)	119 182	-	-	-	-
Other financial liabilities	188	2 186 817	2 187 005	(6 483)	2 180 522	-	-	188	188

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:

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

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

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

Other financial liabilities carrying amounts approximate their fair values due to the nature and contractual terms of the instruments.

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

Financial liabilities at fair value through profit or loss

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

18 FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

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% (year ended 31 July 2021: 7%), discounting cash flows over a two-year period. Changing such inputs to reflect reasonably possible alternative assumptions does not significantly change the fair value of the vendors for acquisition liability.

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

Vendors for acquisition reconciliation

Figures in Rand thousand	Unaudited at 31 January 2022	Audited at 31 July 2021
Balance at the beginning of the period	4 138	44 043
Disposals	–	(36 275)
Paid to vendors	(3 950)	(14 494)
Net changes in fair value	–	10 864
Balance at the end of the period	188	4 138

Non-recurring fair value measurements

Disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The fair values are determined based on sales agreements that are in place for each of the disposal groups that are held for sale. The total of such fair values is R954 million (year ended 31 July 2021: R834 million). These fair values are categorised as level 3, based on inputs used.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

19 CASH GENERATED FROM OPERATIONS

Figures in Rand thousand

	Unaudited for the six months to 31 January 2022	Unaudited restated* for the six months to 31 January 2021
Profit/(loss) before taxation from:	71 677	(55 978)
Continuing operations	69 703	(117 684)
Discontinued operations	1 974	61 706
Adjustments for:		
Depreciation and amortisation	114 699	155 226
Impairment of assets	42 567	72 278
Loss on disposal of subsidiaries, equity-accounted investments and property, plant and equipment	5 960	7 974
Changes in fair value of vendors for acquisition	–	10 864
Share of equity-accounted profits	–	(1 552)
Share-based payments expense	9 139	23 930
Net finance costs	95 445	155 369
Net financial asset impairment (reversals)/losses	(2 435)	89 438
Inventory write-off (reversal)/impairment	(1 137)	2 120
Write-off of historical trade balances	(13 127)	–
Provisions	(6 930)	(241 873)
Foreign exchange gains	(4 199)	(4 477)
Other non-cash items	8 582	3 238
Cash generated before changes in working capital	320 241	216 557
Working capital changes net of effects of disposal of subsidiaries	(62 630)	(190 604)
Increase in inventories	(21 263)	(12 205)
Decrease/(increase) in trade and other receivables	11 703	(66 618)
Decrease in trade and other payables	(53 070)	(111 781)
Cash generated from operations	257 611	25 953

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

20 RELATED PARTIES

Figures in Rand thousand	Unaudited at 31 January 2022	Audited at 31 July 2021
Transactions with associates		
Sales of products and services	–	29
Purchases of products and services	1 603	2 792
Balances arising from sales/purchases of goods and services with associates		
Trade receivable balances with related parties	–	46
Trade payable balances with related parties	1 157	471
Loans receivable from joint ventures		
– Gross loans receivable from joint ventures	51 564	51 564
– Allowances for expected credit losses on loans to joint ventures	(51 564)	(51 564)
Transactions between Group companies (subsidiaries)		
Sale of products and services	725 467	1 610 641
Purchases of products and services	446 752	1 099 800
Operating expenses	278 715	566 151
Outstanding loan balances		
Loans from EOH Holdings Limited to subsidiaries	2 584 847	2 511 277
Loans to EOH Holdings Limited from subsidiaries	247 185	370 619

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

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 number of years during both construction and after handover, including an operation warranty guarantee, which by nature could (in the event of underperformance by PiA) compel EOH to either ensure physical performance or settle such underperformance in cash terms. While PiA had undergone some operational challenges as a result of several factors, including COVID-19, EOH has intervened in order to minimise the potential impact of these PCGs. 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. As at the reporting date, exposure in respect of certain guarantees had reduced by approximately 30%. EOH thus believes that the risk presented by the PCGs, albeit still in existence, is and will be mitigated pursuant to the handover.

Litigation

EOH and its subsidiaries are involved in various litigation matters 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.

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 January 2022, the Group had provided for R267 million on the PAYE liability assessed and potential future assessments and is in ongoing discussions with SARS, regarding the potential settlement of this matter, in line with the requirements of the Tax Administration Act. Should the settlement discussions not be successful, the Group remains confident that it has a strong legal case to contest the remaining exposure, based on internal and external legal and technical advice obtained. A total of R76 million of the R267 million provision was repaid up to 31 January 2022.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

21 CONTINGENCIES AND COMMITMENTS 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 EOHMthombo 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.
- Department of Water and Sanitation – These historic contracts are currently under investigation with the Special Investigations Unit (“SIU”), who are investigating whether there was an improper conduct in the award of the contract to EOH, and/or whether EOH had actually delivered on their contractual obligations. EOH is collaborating with the SIU on its investigation and, if any historic improper conduct has been identified or undue benefit gained by EOH, EOH will embark on a negotiation with the SIU to conclude a settlement on similar terms to that of EOH’s settlement with the SIU in relation to the Department of Defence.
- Department of Home Affairs – ABIS (Biometric): At 31 March 2021 this contract had been assigned to a third party. An arbitration process relating to the delay of the project is underway in order to finalise claims from both parties’ sides. XON brought an application to set aside the award of the contract to EOH and the assignment to the third party, which application has been postponed indefinitely.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

22 EVENTS AFTER REPORTING DATE

Deleveraging

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, November 2020 and October 2021. Since its announcement in October 2019, the plan has been largely executed against and the Board reasonably believes it can continue to be implemented going forward in order to deleverage the Group and achieve its optimal capital structure.

Subsequent to 31 January 2022, the Group has repaid R360 million to lenders, largely from the proceeds relating to the disposal of Sybrin. The Group has also completed the execution of the amended and restated CTA, together with all related security and other deal documentation. All conditions precedent were met on 1 April 2022, together with the implementation of the approved group restructure as required in terms of the CTA.

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

1. A R500 million three-year bullet facility;
2. R1.2 billion bridge facility repayable on 1 April 2023;
3. Disposal of the InfoSys Group; and
4. 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 Triclinium Clinical Development Proprietary Limited

Effective 1 February 2022, the Group closed a sale of business agreement to dispose of the business of Triclinium Clinical Development Proprietary Limited. The final purchase consideration is expected to be between R55 million and R60 million, dependent on cession of certain customer contracts over an earn-out period of 90 days from the closing date.

Disposal of Hymax Talking Solutions Proprietary Limited

Effective 1 March 2022, the Group concluded the sale of 100% of the issued ordinary shares of Hymax Talking Solutions for a consideration of R0.7 million.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

22 EVENTS AFTER REPORTING DATE continued

Disposal of InfoSys

The Group entered into a share purchase agreement (“SPA”) on 10 March 2022 to dispose of 100% of the issued shares of Hoonar Tekwurks Consulting South Africa Proprietary Limited, Managed Integrity Evaluation Proprietary Limited, Xpert Decision Systems Proprietary Limited and Zenaptix Proprietary Limited (together “Information Services” or “InfoSys”). The cash consideration payable by the purchaser to the Group on the closing date will be calculated with reference to an enterprise value of R445 million and shall be an amount equal to the base purchase price of R417 million adjusted for final net debt and working capital benchmarks, certain once-off items and locked box adjustments as at 31 July 2021 (“the Locked Box Date”). Interest will accrue on the cash consideration from the Locked Box Date up to (and including) the closing date. The transaction is subject to the fulfilment or waiver, as the case may be, of the suspensive conditions contained in the SPA, which include, *inter alia*, the shareholders of EOH approving the ordinary resolution as required in terms of the JSE Limited Listings Requirements to approve the transaction.

Disposal of Sybrin

Pursuant to entering a sale agreement for 100% of the issued ordinary shares of the Sybrin Group of companies, which comprise two holding companies, Sybrin Limited and Sybrin Systems Proprietary Limited and their respective subsidiaries (“Sybrin”), the transaction was closed on 31 March 2022. The cash consideration amounts to up to R334 million (R50 million of which was contingent on Sybrin’s performance to EBITDA targets). R277 million was received on 31 March 2022. The final consideration is still subject to the finalisation of the completion accounts adjustments, which include adjustments for net debt and net working capital. This is expected to be finalised within 60 days of closing.

The remaining R55 million of the SARS VAT VDP liability was settled on 28 February 2022.

Disposal of Network Solutions and Hymax

On 6 April 2022, the Group concluded agreements to dispose of its Network Solutions business (“EOH-NS”), as well as Hymax (SA) Proprietary Limited (“Hymax”), both of which currently operate under the iOCO segment, for a consideration of R144.9 million. The purchase consideration will be settled as an upfront payment of R115.9 million, payable on the closing date and the remaining balance being held in an interest-bearing escrow account for a period of 12 months. The transaction is subject to the fulfilment or waiver, as the case may be, of the suspensive conditions detailed in both sale agreements, including the unconditional approval from the Competition Authorities.

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.

Change in tax rate

During the February 2022 Budget Speech, the South African Finance Minister announced a decrease in the corporate income tax rate from 28% to 27%, which will apply to companies with years of assessment ending on or after 31 March 2023.

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

Jabu Moleketi*

Jesmane Boggenpoel

Mike Bosman

Nosipho Molope

Sipho Ngidi

**Non-independent, non-executive director*

Executive

Stephen van Coller (Group Chief Executive Officer)

Megan Pydigadu (Group Chief Financial Officer)

Fatima Newman (Group Chief Risk Officer)

COMPANY SECRETARY

Thiroshnee Naidoo

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TRANSFER SECRETARIES

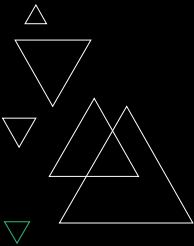
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