

EOH

Unaudited interim condensed consolidated financial statements

for the six months ended
31 January 2024



Contents.

Commentary	1
Interim condensed consolidated statement of profit or loss and other comprehensive income	4
Interim condensed consolidated statement of financial position	5
Interim condensed consolidated statement of changes in equity	6
Interim condensed consolidated statement of cash flows	7
Segment results	8
Notes to the interim condensed consolidated financial statements	11
Corporate information	28

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Commentary.

“For many years we have been battling the effects of the corruption scandals, unprofitable legacy contracts, inefficient corporate structures, huge debt burdens and a highly inefficient capital structure. Following our successful R600 million capital raise last year and the recent closure of our last major legacy issue, EOH can now get back to business and focus on our Growth-Efficiency-Talent strategy. I am confident as I step down the team taking up the baton, who have all been part of the senior leadership for the past five years, will ensure the transition is seamless.” Stephen van Coller, CEO

Economic environment

South Africa continues to go through an immensely challenging period as it battles low growth, high unemployment, persistent load shedding, high inflation and interest rates, a weak currency, grey listing by FATF and deteriorating investor sentiment.

Notably, the IT sector itself shields EOH from some of the negative effects of the above-mentioned factors. This, as companies look for efficiency gains and more strategic use of information to maintain competitiveness, often turning to technology improvements that provide these solutions. Being at the forefront of the IT industry allows EOH to assist clients in their digitisation journeys as the Group leverages its end-to-end technology stack and development expertise.

EOH's growth into East and West Africa, through its exclusive AVEVA distribution, and the investments into Europe and the Middle East through existing operations, also provides further revenue growth potential and geographic risk diversification.

The 2023 calendar year was a particularly difficult year as the corporate and public sector looked to re-consider expenditure to extract maximum efficiencies in a difficult global and local economy. In H2-2023 we saw a downturn in revenue on H1-2023 which continued into the first quarter of FY-2024. However, EOH has seen a slight recovery in the second quarter, seeing continuing gross revenue increase from H2-2023 by 4%. EOH had taken a strategic decision to hold onto key scarce billable resources in anticipation of the turn-around even though they were not 100% productive. This has had an impact on gross margins, but positions EOH well for an anticipated improvement in trading in H2-2024.

Growth

With an improved capital structure in place and significantly lower interest payments to our lenders, EOH is now able to make proper long-term decisions, including investments in growth opportunities. The fast-growing areas of digital enablement, as well as the scaling

and development of our own-IP technologies, will continue to be prioritised. Organic investment into geographic expansion of our existing footprint, in Africa, Europe and the Middle East, has already begun.

In H1-2024 EOH invested R26 million into growth initiatives across the business. Approximately R7 million of the investment was into capital expenditures with R14 million operating expenditure, primarily linked to internal IT initiatives of R11 million, and R5 million into cost of sales. From a divisional perspective R7 million was invested into Infrastructure Services and R14 million into internal IT initiatives. The balance of the investment of R5 million was capex of R2 million in our RocketLab business, with R3 million in growth in our International business.

Efficiency

EOH has made great strides over the past few years in streamlining its operations and structures, including reducing corporate overheads and eliminating inefficient expenditure. For the full year 2023, EOH kept its operating costs flat overall despite an inflationary increase of 5% in salaries and in H1-2024 operating costs decreased by 3% compared to H1-2023 despite an inflationary increase in salaries. There is further work required to improve tax efficiency but with all the legacy obstacles out of the way this process remains a key focus area. EOH will continue to eliminate inefficient expenditure to keep the business as lean as possible.

Talent

EOH's skills base is the core of the Company, and it is immensely proud of the tenacity and perseverance that all our people have demonstrated during this extremely difficult period. A key milestone has been EOH receiving the Top Employer certification for the second year running from the Top Employers Institute, the global authority on recognising excellence in people practices. EOH can now build on this foundation to further invest into its talent to ensure that it remains an employer of choice in the IT industry and continue to offer clients the best solutions and implementations available.

Group performance

At Group level EOH saw a slight decrease of 2% in continuing revenue compared to H1-2023. Our Digital Enablement business showed good revenue growth at 9% and our International business continues strong growth at 11%. Revenue growth was again held back by Operational Technologies, where the delays in other large revenue contracts, resulted in a 19% reduction in revenue. The Infrastructure Services business, excluding the Enterprise Applications and Software Reseller business, saw an increase in revenue of 14%. The Enterprise Applications and Software Reseller business reported as part of Infrastructure Services had a decrease in revenue of 20% due to the loss of a significant contract in the Enterprise Applications business and EasyHQ recorded a marginal 3% revenue reduction.

At a continuing gross profit level EOH has seen a decrease in margins for continuing operations from 29% in H1-2023 to 27% in H1-2024. The Digital Enablement business has maintained a stable gross profit margin year on year, however, there was a decrease in gross profit margins across the other lines of business. EasyHQ continuing gross profit margin has decreased by 4%, which is directly related to an inflationary increase in the fixed cost base, not supported by the necessary increase in revenue. The decrease of 3% in the Operational Technologies gross profit margin, is as a result of

Commentary *continued*

the aforementioned delay in revenue contracts, which have a fixed cost base in place. The Infrastructure Services business had a decrease of 3% in their gross profit margin due to a change in sales mix, with higher hardware sales at lower margins.

Continuing operating expenses compared to H1-2023 have been well managed and are down from R829 million to R808 million despite an inflation related payroll increase of 6% and once off legacy costs of R10 million.

EOH achieved R97 million adjusted EBITDA from continuing operations for H1-2024 compared to R181 million in H1-2023.

Adjusted EBITDA for H1-2023 in the EasyHQ business included large benefits from delayed government grants, related to prior periods but received in H1-2023, of R12 million, as well as provision reversals and the recovery of previous debt and cash write-offs of R11 million, and an increased investment in people cost to support the growth phase of the business. Together with margin pressures and loss in revenue, these have all resulted in a significant reduction in EBITDA of R36 million compared to H1-2023.

Operating profit from continuing operations was R9 million for the period, compared to R110 million for H1-2023. This period includes an impairment of goodwill of R20 million, of which R16 million relates to the Operational Technology business, due to the aforementioned delay in contract revenues and stagnant growth.

The finance cost for H1-2024 of R68 million is significantly lower than H1-2023 of R102 million, which is due to the rights issue which closed on 10 February 2023, with a net R555 million being applied against the bridge facility. The Group further concluded a term sheet with The Standard Bank of South Africa Limited (acting through its Corporate and Investment Banking division) to refinance the remaining debt on 31 March 2023, which resulted in improved interest rates on its facilities, which now range between JIBAR+2.65% per annum to JIBAR+4% per annum, dependent on the leverage ratio. Our finance cost for H1-2024, further includes a once off legacy charge of R14 million, related to the Department of Water and Sanitation settlement.

Our tax efficiency remains a key focus area as we improve our corporate structures to normalise the tax charge. Our tax charge for H1-2024 includes a once-off charge of R7 million related to the compromise agreement reached with SARS on our PAYE dispute. Refer to note 22 for more detail.

EOH incurred a loss after tax from continuing operations for H1-2024 of R91 million.

Working capital and liquidity management are key focus areas of the business with net working capital of R171 million and cash and cash equivalents at the end of the period of R411 million, excluding the overdraft facility. Debt at 31 January 2023 was at R1 228 million and had subsequently reduced to R673 million, as at 31 January 2024 after paying down the bridge facility with the proceeds of the capital raise and other disposal proceeds.

Cash generated from operations is R201 million, however, cash generated from operations benefited from an early receipt of cash in our foreign operations, where the corresponding payable was only settled after the period end, however, excluding the above receipt, the cash generated from operations was R31 million.

Operational review

EOH has spent significant time over the past year optimising and aligning its suite of products and services and refining how it approaches the market and now has a stable portfolio of products and services. The Group operates through four key product pillars; namely Digital Enablement, IT Infrastructure Services, Operational Technologies, together forming iOCO SA, and EasyHQ. The International business outside of sub-Saharan Africa focuses on Digital Enablement and selling of own-IP platforms. The product pillars have further been optimised into three operating structures, with an Executive Committee that has also been aligned along these pillars, improving efficiency and accountability in our reporting structures.

With the asset sale process aimed at reducing legacy debt now largely complete, the Group is in the process of disposing of various other businesses as part of a strategic portfolio clean up aimed at further streamlining the Group's operations and aligning its business portfolio with its core objectives. The proceeds will further be used to deleverage the Group.

iOCO SA

Digital Enablement is at the heart of 4IR as well as our clients' digitisation journeys and includes application development, AI and automation, data and analytics, and cloud solutions. It also houses our RocketLab ventures, which is where EOH develop and scale exciting own-IP applications.

The Digital Enablement businesses experienced continued growth in H1-2024 with a 9% increase in revenues over the comparable period. The Digital Enablement business also performed well from an adjusted EBITDA perspective, increasing to R65 million from R52 million in H1-2023.

IT Infrastructure Services includes our Manage-and-Operate or Infrastructure-as-a-Service offering. This includes data centre and workspace services, network, connectivity and security solutions, Enterprise Applications and Software Reseller businesses.

The growth in revenue for IT Infrastructure Services (excluding the Enterprise Applications and Software Reseller business), which includes data centre, hardware sales and managed services, network, cloud and security solutions, also showed improved revenues of 14%.

Enterprise Applications and Software Reseller saw a 20% revenue decrease to R427 million, with adjusted EBITDA down by 26% to R39 million compared to R53 million for H1-2023. This business has seen continued industry-wide margin compression from OEMs, coupled with the loss of a significant contract in Enterprise Applications between H1-2023 to H1-2024, which it has not managed to replace. Management is implementing cost-saving initiatives in order to stabilise this business, as well as a strategic review of the components of Enterprise Applications.

The Operational Technologies business focuses on operational and industrial technology advisory, implementation and managed services. Many of the clients are involved in heavy industry and large-scale infrastructure projects. The business further includes the business which focuses on smart infrastructure solutions for buildings and municipalities.

Commentary *continued*

Operational Technologies has continued to have a challenging six months due to delays in closing large revenue contracts which impacted revenues and adjusted EBITDA. Compared to H1-2023, revenue was down 24% to R426 million. This excludes Nextec Consulting and Infrastructure, which is explained separately below.

Nextec Consulting & Infrastructure

The Nextec Consulting & Infrastructure businesses, reported as part of Operational Technologies, had a decline in revenue performance of 8% from H1-2023 to R198 million and an adjusted EBITDA loss of R9 million, compared to R11 million adjusted EBITDA profit in H1-2023. This business has received significant turnaround attention over the last 18 months and the continued goal is to get this business to break-even in FY2024.

EasyHQ

EasyHQ is the pillar focusing on head office solutions for our clients and has a range of capabilities and technologies that assist businesses in managing the complexities and challenges of regulatory compliance. EasyHQ solutions include governance, risk, compliance, attestations, recruitment, training and HR management among others.

EasyHQ overall business revenue decreased by 3% to R431 million. The People Solutions business is the biggest contributor to revenue, with the Platforms Solutions business gathering momentum.

Margin management remains a core focus and has held up well despite the trading pressures experienced with a slight year-on-year reduction to 33%. This is mainly related to the inflationary increase in the fixed cost base.

The adjusted EBITDA decreased by 79% to R9 million, due to an increased investment into productive resources, to support the growth phase of the business, as well as the H1-2023 EBITDA including large benefits from delayed government grants related to prior periods received in H1-2023 of R12 million, which has not repeated in H1-2024, as well as provision reversals and recovery of R11 million.

There are significant interventions in this business in terms of improving margins. A cost management programme has been launched focusing on standardisation, automation and duplicate effort removal across the cluster, as well as driving balance sheet efficiencies.

iOCO International

The International business outside of sub-Saharan Africa focuses on Digital Enablement and selling of own-IP platforms.

iOCO International continues to perform well with revenue growth of 11% to R298 million in H1-2024. This performance has been driven by strong growth in our business in Switzerland, as well as consistently strong performance in the Middle East. Our business based in the United Kingdom had a slow start to the year in terms of revenue, however, it is consistent with the performance in H1-2023.

Adjusted EBITDA of R35 million is in line with H1-2023 performance. The business remains profitable from an adjusted EBITDA perspective at an 11.8% adjusted EBITDA margin, after accounting for investments into the top-line growth in terms of sales, pre-sales and solutioning.

Legacy matters

The Group has managed to close out two of its significant legacy matters in the current 2024 financial year, which puts the Group in a position to now focus firmly on executing our Growth-Efficiency-Talent ("GET") strategy. These large legacy issues were the final piece of the very complicated puzzle that needed to be solved to allow the Group to operate as a normal business.

In January 2024, the various EOH entities implicated in the in the Mehleketo matter and the liquidators of Mehleketo concluded a settlement agreement in respect of the ongoing dispute between the parties. The settlement agreement sees the various EOH entities paying the liquidators an amount of approximately R49 million. Refer to note 17 of the interim condensed consolidated financial statements for the six months ended 31 January 2024.

Subsequent to the period end the Group reached a settlement with SARS in terms of the legacy PAYE matter within EOH Abantu Proprietary Limited ("Abantu"). Refer to note 22 of the interim condensed consolidated financial statements for the six months ended 31 January 2024. After a process of continuous engagement between the Group and SARS final settlement terms have been agreed as follows:

- » The payment of R112 million, which was paid on 1 March 2024. This amount is in line with the provision raised and therefore will not have an effect on the Group's interim condensed consolidated statement of profit or loss and other comprehensive income;
- » Abantu forfeited its tax receivable credit of R6.9 million which has not been provided for and will therefore affect the taxation line item in the Group's interim condensed consolidated statement of profit or loss and other comprehensive income; and
- » Abantu will forfeit its assessed loss of R34.5 million. This will not affect the Group's interim condensed consolidated statement of profit or loss and other comprehensive income nor its interim condensed consolidated statement of financial position as no deferred taxation has been previously recognised for this assessed loss.

Outlook

Despite the economic headwinds faced in South Africa, EOH is well placed to compete in the ICT sector with its full stack of technology offerings, diversified client base, as well as its strong international performance, supported by our highly skilled employee base.

With the capital raise now complete and a more appropriate capital structure in place with reduced interest payments as well as closing out the last of the significant legacy items, EOH is now well positioned to execute its growth strategy and execute its business consolidation in iOCO and EasyHQ, which will enable the business to right size its cost structure and capitalise on the growing demand for digital transformation across its client base.



Stephen van Coller
Group Chief Executive Officer

25 March 2024

Interim condensed consolidated statement of profit or loss and other comprehensive income.

For the six months ended 31 January 2024

<i>Figures in Rand thousand</i>	Notes	Unaudited for the six months to 31 January 2024	Unaudited for the six months to 31 January 2023
Continuing operations			
Revenue	6	3 145 755	3 214 962
Cost of sales		(2 307 205)	(2 281 055)
Gross profit		838 550	933 907
Net financial asset impairment (losses)/reversals	8	(20 778)	5 804
Operating expenses		(808 333)	(829 355)
Operating profit		9 439	110 356
Investment income		9 043	4 579
Finance costs		(68 019)	(102 237)
(Loss)/profit before taxation		(49 537)	12 698
Taxation		(41 845)	(49 662)
Loss for the period from continuing operations		(91 382)	(36 964)
Profit for the period from discontinued operations	9	—	31 634
Loss for the period		(91 382)	(5 330)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations [^]		5 777	(28 095)
Total comprehensive loss for the period		(85 605)	(33 425)
(Loss)/profit attributable to:			
Owners of EOH Holdings Limited		(92 968)	(7 038)
Non-controlling interests		1 586	1 708
		(91 382)	(5 330)
Total comprehensive (loss)/profit attributable to:			
Owners of EOH Holdings Limited		(89 428)	(29 338)
Non-controlling interests		3 823	(4 087)
		(85 605)	(33 425)
From continuing and discontinued operations (cents)			
Loss per share		(15)	(3)
Diluted loss per share		(15)	(3)
From continuing operations (cents)			
Loss per share		(15)	(14)
Diluted loss per share		(15)	(14)

[^] This component of other comprehensive income does not attract any tax.

Interim condensed consolidated statement of financial position.

As at 31 January 2024

Figures in Rand thousand	Notes	Unaudited at 31 January 2024	Audited at 31 July 2023
Assets			
Non-current assets			
Property, plant, equipment and right-of-use assets		154 237	145 360
Intangible assets		83 251	93 571
Goodwill	11	647 902	668 924
Other financial assets		17 968	15 968
Deferred taxation		108 861	112 125
Finance lease receivables		729	1 226
		1 012 948	1 037 174
Current assets			
Inventories	12	90 642	73 727
Other financial assets		57 081	59 311
Current taxation receivable		20 138	42 381
Finance lease receivables		19 700	20 804
Trade and other receivables		1 959 727	1 959 103
Cash and cash equivalents		410 800	235 948
		2 558 088	2 391 274
Assets held for sale	13	32 829	—
Total assets		3 603 865	3 428 448
Equity and liabilities			
Equity			
Stated capital	15	4 774 521	4 774 521
Other reserves		76 462	111 578
Accumulated loss		(4 375 278)	(4 325 319)
Equity attributable to the owners of EOH Holdings Limited		475 705	560 780
Non-controlling interests		30 712	26 889
Total equity		506 417	587 669
Liabilities			
Non-current liabilities			
Other financial liabilities*	16	645 323	2 489
Lease liabilities		42 436	33 324
Deferred taxation		7 452	25 095
		695 211	60 908
Current liabilities			
Other financial liabilities*	16	314 845	836 006
Current taxation payable		26 162	27 006
Lease liabilities		31 198	34 099
Trade and other payables		1 879 179	1 698 995
Provisions	17	139 925	183 765
		2 391 309	2 779 871
Liabilities directly associated with assets held for sale	13	10 928	—
Total liabilities		3 097 448	2 840 779
Total equity and liabilities		3 603 865	3 428 448

* In terms of a strict interpretation of IAS 1 paragraph 69, the debt was viewed as current liabilities as at 31 July 2023 based on the interest-cover ratio. With effect from 6 October 2023, this debt has been reclassified back to non-current liabilities. Refer to note 16 for more details.

Interim condensed consolidated statement of changes in equity.

For the six months ended 31 January 2024

<i>Figures in Rand thousand</i>	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 2022	4 217 285	393	494 754	(4 678 738)	33 694	26 360	60 054
(Loss)/profit for the period	—	—	—	(7 038)	(7 038)	1 708	(5 330)
Other comprehensive loss	—	—	(22 300)	—	(22 300)	(5 795)	(28 095)
Transfers within equity*	—	(393)	(1 658)	2 051	—	—	—
Share-based payments	—	—	(3 500)	—	(3 500)	—	(3 500)
Share-based payments paid out during the period	—	—	(2 229)	—	(2 229)	—	(2 229)
Unaudited balance at 31 January 2023	4 217 285	—	465 067	(4 683 725)	(1 373)	22 273	20 900
Audited balance at 1 August 2023**	4 774 521	—	111 578	(4 325 319)	560 780	26 889	587 669
(Loss)/profit for the period	—	—	—	(92 968)	(92 968)	1 586	(91 382)
Other comprehensive income	—	—	3 540	—	3 540	2 237	5 777
Transfers within equity*	—	—	(43 009)	43 009	—	—	—
Share-based payments	—	—	4 849	—	4 849	—	4 849
Share-based payments paid out during the period	—	—	(496)	—	(496)	—	(496)
Unaudited balance at 31 January 2024	4 774 521	—	76 462	(4 375 278)	475 705	30 712	506 417

Notes

15

* Transfers within equity are transfers from the share-based payments reserve for expired, unexercised options.

** During February 2023, the Group undertook a renounceable rights offer to qualifying shareholders, and a specific issue of ordinary shares to Lebashe in order to raise a total of R600 million, as well as amended the terms of EOH A Shares issued to Lebashe in 2018.

Interim condensed consolidated statement of cash flows.

For the six months ended 31 January 2024

<i>Figures in Rand thousand</i>	Notes	Unaudited for the six months to 31 January 2024	Unaudited for the six months to 31 January 2023
Cash flows from operating activities			
Cash generated from operations	19	201 441	4 676
Investment income received		8 075	4 607
Interest paid		(67 134)	(89 565)
Taxation paid		(37 737)	(57 943)
Net cash inflow/(outflow) from operating activities		104 645	(138 225)
Cash flows from investing activities			
Additions to property, plant and equipment		(24 701)	(20 258)
Proceeds on the sale of property, plant, equipment and intangible assets		7 318	1 167
Intangible assets acquired		(11 297)	(24 712)
Cash receipt from disposal of businesses, net of cash given up		25 077	92 117
Cash outflow relating to other financial assets		(1 032)	—
Increase in restricted cash		(28 593)	(112 768)
Decrease in restricted cash		10 356	107 556
Net cash (outflow)/inflow from investing activities		(22 872)	43 102
Cash flows from financing activities			
Repayment of other financial liabilities		(10 291)	(104 120)
Principal elements of lease payments		(20 877)	(31 958)
Net cash outflow from financing activities		(31 168)	(136 078)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period*		204 080	410 955
Assets held for sale at the beginning of the period		—	47 412
Assets held for sale at the end of the period		(7 645)	(28 658)
Exchange losses on cash and cash equivalents		(2 965)	(6 462)
Cash and cash equivalents at the end of the period		244 075	192 046

* Cash and cash equivalents at the beginning of the period is the balance as at 1 August 2023 (1 August 2022).

Cash and cash equivalents includes bank overdrafts of R167 million (period ended 31 January 2023: R45 million).

Segment results.

For the six months ended 31 January 2024

The Group has spent significant time over the last two years optimising and aligning its suite of products and services and refining how it approaches the market. With the asset sale process aimed at reducing legacy debt largely complete, EOH has a stable portfolio of products and services. The Group approaches the market now through four key product pillars; namely Digital Enablement, IT Infrastructure Services, Operational Technologies and EasyHQ. The International business outside of sub-Saharan Africa focuses mainly on digital enablement and selling of own-IP platforms. The Group Executive Committee, which is the Chief Operating Decision Maker ("CODM"), was also aligned along these pillars, improving efficiency and accountability in our reporting structures.

Digital Enablement is at the heart of the Fourth Industrial Revolution ("4IR") as well as our clients' digitisation journeys and includes application development, AI and automation, data and analytics, and cloud solutions. It also houses our RocketLab ventures, which is where the Group develops and scales exciting own-IP applications.

IT Infrastructure Services includes our Manage-and-Operate or Infrastructure-as-a-Service offering. This includes data centre and workspace services, network, connectivity and security solutions, enterprise applications, and software reseller businesses.

The Operational Technologies business specialises in the provision of operational and industrial technology solutions to customers across the industrial and commercial markets. The solutions include operational software, process automation, critical connectivity and managed services and support for critical infrastructure and systems. Enhanced with the provision of power infrastructure management, energy information systems and energy management systems,

connected by critical wireless communications infrastructure, tailored for heavy industries, utilities and energy-intensive users, the business can provide solutions for the complete industrial operation of a client.

EasyHQ is the pillar focusing on head office solutions for our clients. As EOH developed solutions internally to rectify its own shortcomings over the last few years, it ensured that all these solutions were digitised so that they could be used by its clients in the future. There has been a very positive response in the pilot rollouts and EOH believes that EasyHQ will become a key contributor to our clients' efficiency gains over the coming years. EasyHQ solutions include governance, risk, compliance, recruitment, training and HR management, attestations and digital signature solutions, among others.

The International business provides digital enablement solutions for new markets, expanding access to talent pools and attracting new clients in Europe and the Middle East.

The CODM is not presented with secondary information in the form of geographic information, and therefore 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. The CODM reviews revenue, gross profit and adjusted EBITDA as profit measures.

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

Segment results *continued*

Revenue, gross profit and adjusted EBITDA

Figures in Rand thousand	Unaudited for the six months to 31 January 2024						
	Digital Enablement	IT Infrastructure Services	Operational Technologies	EasyHQ	International	Reconciliation [^]	Total
External revenue	881 894	982 218	617 945	381 891	281 807	—	3 145 755
Hardware sales	34 298	212 493	120 002	—	379	—	367 172
Services	801 061	598 855	380 854	381 891	202 293	—	2 364 954
Software/licence contracts	41 593	170 870	117 089	—	79 135	—	408 687
Rentals	4 942	—	—	—	—	—	4 942
Intersegment revenue	35 879	33 841	5 659	49 287	16 480	(141 146)	—
Hardware sales	765	26 845	756	—	—	(28 366)	—
Services	16 912	6 759	4 893	49 287	16 480	(94 331)	—
Software/licence contracts	18 202	237	10	—	—	(18 449)	—
Rentals	—	—	—	—	—	—	—
Gross revenue	917 773	1 016 059	623 604	431 178	298 287	(141 146)	3 145 755
Cost of sales	(671 281)	(742 990)	(461 562)	(289 502)	(200 551)	58 681	(2 307 205)
Gross profit	246 492	273 069	162 042	141 676	97 736	(82 465)	838 550
Gross profit (%)	26.9%	26.9%	26.0%	32.9%	32.8%	—	26.7%

[^] Reconciliation comprises elimination of intersegment transactions.

Figures in Rand thousand	Unaudited restated* for the six months to 31 January 2023						
	Digital Enablement	IT Infrastructure Services	Operational Technologies	EasyHQ	International	Reconciliation [^]	Total
External revenue	790 163	1 031 329	727 745	429 321	265 260	—	3 243 818
Hardware sales	52 245	168 673	212 610	—	1 764	—	435 292
Services	671 763	658 961	438 810	429 321	231 168	—	2 430 023
Software/licence contracts	56 490	198 988	76 325	—	32 328	—	364 131
Rentals	9 665	4 707	—	—	—	—	14 372
Intersegment revenue	53 632	68 104	42 842	16 905	3 923	(185 406)	—
Hardware sales	1 198	18 918	11 063	—	—	(31 179)	—
Services	42 490	42 495	31 779	16 905	3 923	(137 592)	—
Software/licence contracts	9 869	6 013	—	—	—	(15 882)	—
Rentals	75	678	—	—	—	(753)	—
Gross revenue	843 795	1 099 433	770 587	446 226	269 183	(185 406)	3 243 818
Cost of sales	(619 951)	(769 360)	(547 106)	(282 017)	(173 268)	81 828	(2 309 874)
Gross profit	223 844	330 073	223 481	164 209	95 915	(103 578)	933 944
Gross profit (%)	26.5%	30.0%	29.0%	36.8%	35.6%	—	28.8%

* Comparative figures previously reported were restated to reflect the changes to reportable segments as a result of the changes to the Group's internal organisational structure for the period ended 31 January 2024.

[^] Reconciliation comprises elimination of intersegment transactions.

The above table comprises both continuing and discontinued operations.

Segment results *continued*

Revenue, gross profit and adjusted EBITDA *continued*

Figures in Rand thousand	Unaudited for the six months to 31 January 2024						
	Digital Enablement	IT Infrastructure Services	Operational Technologies	EasyHQ	International	Reconciliation [^]	Total
Adjusted EBITDA	65 408	75 556	24 236	9 341	35 287	(112 495)	97 333
Adjusted EBITDA (%)	7.1%	7.4%	3.9%	2.2%	11.8%	—	3.1%
Material expenses included in adjusted EBITDA:							
Employee costs	438 955	459 299	236 103	255 772	78 140	131 741	1 600 010

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

Figures in Rand thousand	Unaudited restated* for the six months to 31 January 2023						
	Digital Enablement	IT Infrastructure Services	Operational Technologies	EasyHQ	International	Reconciliation [^]	Total
Adjusted EBITDA	51 688	78 038	29 232	45 283	36 681	(70 360)	170 562
Adjusted EBITDA (%)	6.1%	7.1%	3.8%	10.1%	13.6%	—	5.3%
Material expenses included in adjusted EBITDA:							
Employee costs	407 531	455 215	239 355	223 942	84 964	157 977	1 568 984

* Comparative figures previously reported were restated to reflect the changes to reportable segments as a result of the changes to the Group's internal organisational structure for the period ended 31 January 2024.

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

The above table comprises both continuing and discontinued operations.

Adjusted EBITDA reconciliation

Figures in Rand thousand	Notes	Unaudited for the six months to 31 January 2024	Unaudited for the six months to 31 January 2023
Operating profit		9 439	141 962
Operating profit from continuing operations		9 439	110 356
Operating profit from discontinued operations	9	—	31 606
Depreciation		41 831	50 836
Amortisation		13 331	11 872
IAS 36 net impairment reversals of intangible assets and property, plant and equipment		(2 492)	—
IAS 36 impairment of goodwill		19 780	—
IFRS 5 remeasurement to fair value less costs to sell		—	2 616
Loss on disposal of intangible assets and property, plant and equipment		1 720	592
Share-based payment expense		10 955	4 835
Write-off of vendors for acquisition	16	—	(188)
Loss/(profit) on disposal of subsidiaries and equity-accounted investments		2 769	(41 963)
Adjusted EBITDA		97 333	170 562

Notes to the interim condensed consolidated financial statements.

For the six months ended 31 January 2024

1 Reporting entity

EOH Holdings Limited (“EOH” or “the Company”) is a holding company domiciled in South Africa that is listed on the JSE Limited under the category Technology: Software and Computer Services. EOH is one of the largest information and communications technology (“ICT”) services providers in South Africa and is committed to providing the technology, knowledge, skills and organisational ability critical to the development and growth of the markets it serves. The interim condensed consolidated financial statements of EOH, as at 31 January 2024 and for the six months then ended, comprise the Company and its subsidiaries (together referred to as “the Group”).

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 Accounting Standards (“IFRS[®] Accounting Standards”) 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 Marialet Greeff 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 2023.

The interim condensed consolidated financial statements have been prepared on the historical cost basis.

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 was 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 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 the going concern concept is an underlying assumption in the preparation of IFRS financial statements. Therefore, the financial statements presume that an entity will continue in operation in the foreseeable future or, if that presumption is not valid, disclosure and a different basis of reporting is 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 have been prepared on the going concern basis of accounting.

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

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

The financial performance, condition and cash flows for the Group reflect a loss for the period of R91 million compared to the prior year, which had a loss of R5 million, net asset value at the end of the period of R506 million (31 July 2023: R588 million), and cash inflows from operating activities of R105 million (2023: outflows of R138 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. Since its announcement in October 2019, and subsequent revisions, the plan was largely executed. Non-core businesses identified to be sold, have been successfully disposed of and proceeds received from these disposals were repaid to lenders as part of the Group’s deleveraging strategy and commitment. Further to this, the rights issue and the specific issue was successfully implemented during February 2023, the proceeds of which were repaid to lenders. The Group is further in the process of disposing of various other businesses as part of a strategic portfolio clean up aimed at further streamlining the Group’s operations and aligning its business portfolio with its core objectives, of which the proceeds will further be used to deleverage the Group.

Notes to the interim condensed consolidated financial statements *continued*

4 **Going concern** *continued*

As at period end, the Group had R467 million of cash available, including foreign and restricted cash but excluding the undrawn portion of the direct overdraft facility of R133 million, which was available at reporting date and remains at EOH's disposal. The Group expects to be in a positive free cash flow position in the forthcoming financial year.

The 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. Net asset value as at 31 January 2024 is R506 million;
3. The Group's current assets exceed its current liabilities by R167 million;
4. There is an approved budget for the following 30 months;
5. There are monthly cash flow forecasts for the following 12 months to 31 January 2025 and annual forecasts for the 18 months to 31 July 2025, which were interrogated and adjusted for anomalies for each of the periods under review together with a detailed review of one-off cash payments; and
6. 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 Group's assets are appropriately insured; and
 - » There is currently no outstanding litigation, that the directors believe has not been adequately provided for, that could pressurise the Group's ability to meet its obligations.

At the time of approval of these interim condensed consolidated financial statements for the period ended 31 January 2024, the Board has a reasonable expectation that the Group has sufficient resources to continue in operation for the foreseeable future, which is not less than 12 months from the date of approval of these interim condensed consolidated financial statements.

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

The Board, after considering the renegotiated funding 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 2023. These did not have a material impact on the Group.

Notes to the interim condensed consolidated financial statements *continued*

6 Revenue Disaggregated revenue

	Unaudited for the six months to 31 January 2024	Unaudited for the six months to 31 January 2023
<i>Figures in Rand thousand</i>		
Revenue by sector		
Public sector	13%	14%
Private sector	87%	86%
Total	100%	100%
Major revenue types		
Hardware sales	367 172	435 292
Services	2 364 954	2 430 023
Software/licence contracts	408 687	364 131
Rentals*	4 942	14 372
Total	3 145 755	3 243 818
Timing of revenue recognition		
Goods or services transferred to customers:		
– at a point in time	1 177 314	799 423
– over time	1 968 441	2 444 395
Total	3 145 755	3 243 818
<i>Continuing operations</i>	3 145 755	3 214 962
<i>Discontinued operations (note 9)</i>	–	28 856
Total	3 145 755	3 243 818

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

In the current period the Group recognised revenue as a principal of R2 974 million and as an agent of R172 million.

In the prior period the Group recognised revenue as principal of R352 million and as agent of R12 million for software/licence contracts; as well as revenue as principal of R429 million and as agent of R6 million for hardware transactions.

Notes to the interim condensed consolidated financial statements *continued*

7 Headline loss per share

	Unaudited for the six months to 31 January 2024	Unaudited for the six months to 31 January 2023
Headline loss per share and diluted headline loss per share		
Headline loss from continuing operations (R'000)	(70 890)	(35 778)
Weighted average number of shares in issue ('000)**	630 296	271 374
Diluted weighted average number of shares in issue ('000)**	630 296	271 374
Headline loss per share from continuing operations (cents)	(11)	(13)
Diluted headline loss per share from continuing operations (cents)	(11)	(13)
Headline loss from continuing and discontinued operations (R'000)	(70 890)	(46 107)
Weighted average number of shares in issue ('000)**	630 296	271 374
Diluted weighted average number of shares in issue ('000)**	630 296	271 374
Headline loss per share from continuing and discontinued operations (cents)	(11)	(17)
Diluted headline loss per share from continuing and discontinued operations (cents)	(11)	(17)

**The impact of share options and EOH A shares were excluded from the weighted average diluted number of shares for the six months to 31 January 2024 as they would be anti-dilutive.

<i>Figures in Rand thousand</i>	Unaudited for the six months to 31 January 2024		Unaudited for the six months to 31 January 2023	
	Gross	Net	Gross	Net
Reconciliation between earnings, headline earnings and diluted headline earnings from continuing and discontinued operations				
Loss attributable to owners of EOH Holdings Limited	(92 968)	(92 968)	(7 038)	(7 038)
Adjusted for:				
Loss on disposal of intangible assets and property, plant and equipment	1 720	1 348	592	464
Loss/(profit) on disposal of subsidiaries and equity-accounted investments	2 769	2 769	(41 963)	(41 963)
IAS 36 impairment of goodwill	19 780	19 780	—	—
IAS 36 net impairment reversals of intangible assets and property, plant and equipment	(2 492)	(1 819)	—	—
IFRS 5 remeasurement to fair value less costs to sell	—	—	2 616	2 616
Total non-controlling interest effects on adjustments	—	—	(186)	(186)
Headline loss from continuing and discontinued operations	(71 191)	(70 890)	(45 979)	(46 107)

Notes to the interim condensed consolidated financial statements *continued*

7 **Headline loss per share** *continued*

Figures in Rand thousand

	Unaudited for the six months to 31 January 2024		Unaudited for the six months to 31 January 2023	
Reconciliation between earnings, headline earnings and diluted headline earnings from continuing operations	Gross	Net	Gross	Net
Loss attributable to owners of EOH Holdings Limited	(92 968)	(92 968)	(7 038)	(7 038)
Adjusted for discontinued operations (note 9)	—	—	(31 634)	(31 634)
Continuing loss attributable to ordinary shareholders	(92 968)	(92 968)	(38 672)	(38 672)
Continuing operations adjustments:				
Loss on disposal of intangible assets and property, plant and equipment	1 720	1 348	592	464
Loss on disposal of subsidiaries and equity-accounted investments	2 769	2 769	—	—
IAS 36 impairment of goodwill	19 780	19 780	—	—
IAS 36 net impairment reversals of intangible assets and property, plant and equipment	(2 492)	(1 819)	—	—
IFRS 5 remeasurement to fair value less costs to sell	—	—	2 616	2 616
Total non-controlling interest effect on adjustments	—	—	(186)	(186)
Headline loss from continuing operations	(71 191)	(70 890)	(35 650)	(35 778)

8 **Net financial asset impairment (losses)/reversals**

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

	Unaudited for the six months to 31 January 2024	Unaudited for the six months to 31 January 2023
<i>Figures in Rand thousand</i>		
Impairment (loss)/reversal on trade and other receivables	(26 639)	21 424
Impairment reversal/(loss) on contract assets	1 223	(3 189)
Impairment reversal/(loss) on finance lease receivables	4 638	(12 431)
	(20 778)	5 804

Notes to the interim condensed consolidated financial statements *continued*

9 Discontinued operations

Identification and classification of discontinued operations

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.

Network Solutions business and Hymax SA Proprietary Limited, which represented a significant component of the mobile network and voice solutions within the Group, were previously classified as held for sale and successfully disposed in the prior period. Their results as reported below were classified as discontinued operations. There are no discontinued operations for the six-month period ended 31 January 2024.

<i>Figures in Rand thousand</i>	Unaudited for the six months to 31 January 2024	Unaudited for the six months to 31 January 2023
Revenue	—	28 856
Cost of sales	—	(28 819)
Gross profit	—	37
Net financial asset impairment losses	—	(228)
Remeasurement to fair value less costs to sell	—	—
Gain on disposal	—	41 963
Other operating expenses	—	(10 166)
Operating profit	—	31 606
Investment income	—	28
Finance costs	—	—
Profit before taxation	—	31 634
Taxation	—	—
Profit for the period from discontinued operations	—	31 634
Attributable to:		
Owners of EOH Holdings Limited	—	31 634
Non-controlling interests	—	—
Earnings per share (cents)		
Earnings per share from discontinued operations	—	11
Diluted earnings per share from discontinued operations	—	11
Net cash flows in relation to discontinued operations:		
Net decrease in cash and cash equivalents	—	(14 564)
Operating activities	—	(1 823)
Investing activities	—	(12 309)
Financing activities	—	(432)

Loss before taxation before including the gain on disposal and remeasurement to fair value less costs to sell for the six months ended 31 January 2023 amounted to R10 million.

Notes to the interim condensed consolidated financial statements *continued*

10 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 R52.4 million (year ended 31 July 2023: R67.7 million) and intangible assets at a value of R11.3 million (year ended 31 July 2023: R42.8 million). The Group disposed of property, plant, equipment and right-of-use assets with a carrying value of R3.7 million (year ended 31 July 2023: R7.4 million) and intangible assets with a carrying value of R5.4 million (year ended 31 July 2023: R2.5 million).

A reversal of an impairment loss of R4.5 million and an impairment charge of R2.0 million (year ended 31 July 2023: Rnil and Rnil) against right-of-use assets and intangible assets respectively were recognised during the period.

In the current period a reversal of a prior year impairment loss of R4.5 million was recognised on certain right-of-use assets (buildings) in a cash-generating unit ("CGUs") in the Operational Technologies segment, in which impairments to goodwill and other assets were previously recognised. The impairment loss reversal results in the right-of-use assets carrying amount being that which would have been determined, net of depreciation, had no previous impairment loss been recognised. The impairment loss reversal was recognised as a result of evidence becoming available indicating that there is significant value remaining in the right-of-use asset (buildings) for which the Group has made use of in the current period and will make use of in future periods.

11 Goodwill

<i>Figures in Rand thousand</i>	Unaudited at 31 January 2024	Audited at 31 July 2023
Cost	2 549 611	2 581 371
Accumulated impairments	(1 880 687)	(1 865 654)
Opening balance	668 924	715 717
Disposals	—	(29 101)
Impairments: continuing operations	(19 780)	(17 692)
Closing balance before assets held for sale	649 144	668 924
Cost	2 549 611	2 549 611
Accumulated impairments	(1 900 467)	(1 880 687)
Assets held for sale	(1 242)	—
Closing balance	647 902	668 924

Impairment of goodwill

During the six months ended 31 January 2024, the Group performed a review of goodwill impairments in certain 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 post-tax projected cash flows using a post-tax discount rate. Impairment tests on assets held for sale were based on their fair value less costs of disposal.

Operational Technologies

During the period ended 31 January 2024, goodwill amounting to R10.2 million attributed to the JOAT CGU was impaired. This impairment was necessitated by delays on the commencement of major contracts which contributed to a downward adjustment in forecast revenue and adjusted EBITDA margins compared to the budgeted expectations.

The Energy Insight CGU recorded a full impairment of their goodwill balance amounting to R5.6 million. This impairment was driven by stagnant revenue growth, a lack of new business opportunities and high-operating costs.

Digital Enablement

During the period ended 31 January 2024, goodwill amounting to R3.9 million related to the Impression CGU was impaired. This impairment was primarily attributed to a decline in revenue compared to budgeted expectations and loss of notable pipeline revenue opportunities which prompted a downward revision in revenue projections.

Notes to the interim condensed consolidated financial statements *continued*

12 Inventories

	Unaudited at 31 January 2024	Audited at 31 July 2023
<i>Figures in Rand thousand</i>		
Finished goods	98 773	119 136
Consumables	—	92
Work-in-progress	7 495	1 730
	106 268	120 958
Provision for write-down of inventories to net realisable value	(15 626)	(47 231)
	90 642	73 727
Cost of goods sold during the period from continuing operations amounted to	523 356	981 548

Reversal of write-down of inventories of R0.4 million (2023: write-down of R17 million) to net realisable value was recognised as an income during the period (and as an expense in the prior period) and included in costs of sales in the interim condensed consolidated statement of profit or loss and other comprehensive income.

13 Assets held for sale

Over the past four years, EOH had embarked on a strategic journey to deleverage and create a sustainable capital structure. A key part of that deleveraging strategy was the disposal of non-core businesses and the Group has, over the past years, identified and sold a group of assets in line with that strategy. The restructuring and deleveraging strategy was effectively completed with the capital raise closing in February 2023 and the focus has now shifted towards the alignment of product and service offering within the Group and enhancing operational efficiency.

As at 31 January 2024, the Coastal and Environmental Services group ("CES") comprising Coastal and Environmental Services Proprietary Limited and Coastal & Environmental Services Mozambique Limitada, Exigo Sustainability Proprietary Limited and E-business Systems, Consultancy and Information Systems Limitada ("EBS") were approved for sale and classified as disposal groups held for sale with the sale expected to be completed within 12 months from the reporting date. Their planned disposal is part of a strategic portfolio clean up aimed at streamlining the Group's operations and further aligning its business portfolio with its core objectives. The disposal groups were measured at the lower of their carrying amount and fair value less cost of disposal and no impairment was recognised. No disposal groups were classified as held for sale in the comparative period ended 31 July 2023.

The major classes of assets and liabilities of the disposal groups, per reportable segment, classified as held for sale are as follows:

	Operational Technologies	International	Unaudited at 31 January 2024
<i>Figures in Rand thousand</i>			
Assets			
Property, plant, equipment and right-of-use assets	1 522	504	2 026
Goodwill and intangible assets	1 248	1 929	3 177
Inventories	—	261	261
Current taxation receivable	257	882	1 139
Trade and other receivables	11 339	7 242	18 581
Cash and cash equivalents	325	7 320	7 645
Assets held for sale	14 691	18 138	32 829
Liabilities			
Lease liabilities	(631)	—	(631)
Trade and other payables	(3 627)	(6 670)	(10 297)
Liabilities directly associated with assets held for sale	(4 258)	(6 670)	(10 928)
Net assets directly associated with the disposal groups	10 433	11 468	21 901
Cumulative amounts recognised in other comprehensive income			
Foreign currency translation reserve	278	2 078	2 356

Notes to the interim condensed consolidated financial statements *continued*

14 Disposal of subsidiary

The Group has disposed of the below investment in a subsidiary during the period.

<i>Figures in Rand thousand</i>	Treatment before disposal	Continuing/Discontinued operations	Percentage holding disposed	Date of disposal	Consideration received or receivable	Loss on disposal
Entity disposed						
Operational Technologies						
IMQS Proprietary Limited	Subsidiary	Continuing	100%	1 November 2023	6 000	(2 769)
Net loss on disposal of subsidiaries					6 000	(2 769)

Reconciliation of cash received from disposal of businesses

<i>Figures in Rand thousand</i>	Unaudited at 31 January 2024	Audited at 31 July 2023
Opening balance	23 160	17 791
Cash consideration received or receivable	6 000	164 273
Less: amount outstanding at period end	(2 791)	(23 160)
Cash received from disposal of businesses	26 369	158 904
Less: cash balances disposed of	(1 292)	(23 550)
Cash receipt from disposal of businesses, net of cash given up	25 077	135 354

The carrying amounts of major classes of assets and liabilities, associated with the subsidiaries disposed of during the current and prior periods, are as follows:

<i>Figures in Rand thousand</i>	Notes	Unaudited at 31 January 2024	Audited at 31 July 2023
Assets			
Property, plant, equipment and right-of-use assets		906	47 512
Goodwill and intangible assets		—	45 598
Inventories		—	3 719
Trade and other receivables		22 917	56 443
Cash and cash equivalents		1 292	23 550
Liabilities			
Other financial liabilities	16	(120)	(5 191)
Deferred taxation		—	(2 362)
Current taxation payable		—	(693)
Trade and other payables		(16 226)	(57 460)

Notes to the interim condensed consolidated financial statements *continued*

15 Stated capital

	Unaudited at 31 January 2024	Audited at 31 July 2023
<i>Figures in Rand thousand</i>		
Stated capital		
Opening balance	4 774 521	4 217 285
Share issue – Rights to qualifying shareholders	—	500 000
Transaction costs related to the issue of shares	—	(42 764)
Share issue – Specific issue of shares to Lebashe	—	100 000
	4 774 521	4 774 521

Authorised

7 500 000 000 (2023: 7 500 000 000) ordinary shares of no-par value.

40 000 000 (2023: 40 000 000) EOH A shares of no-par value.

Unissued

6 861 916 579 (2023: 6 861 916 579) unissued ordinary shares.

Issued

	Unaudited at 31 January 2024	Audited at 31 July 2023
<i>Figures in thousand</i>		
Reconciliation of the number of shares in issue		
Opening balance	638 083	176 545
Share issue – Rights to qualifying shareholders	—	384 615
Share issue – Specific issue of shares to Lebashe	—	76 923
Shares in issue at the end of the period (fully paid)	638 083	638 083
Less:		
Treasury shares held in the Group share incentive schemes	(2 341)	(2 341)
Treasury shares held by wholly owned subsidiaries of the Group	(5 446)	(5 446)
	630 296	630 296
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 and until 13 February 2023 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.

As at 13 February 2023 and in keeping with the spirit of the 2018 empowerment transaction, the Company and Lebashe have amended the EOH A share terms by:

- (i) amending the strike price of the EOH A shares from R90 per ordinary share to a price per ordinary share equal to the closing ordinary share price on the day following the publication of the results of the rights offer increased by a 25% CAGR which amounted to R11.81 per share; and
- (ii) extending the maturity of the EOH A shares by a further five years until 30 September 2028, as well as amending the Amended and Restated Relationship Agreement (being one of the key agreements of the 2018 empowerment transaction) to further enable Lebashe to add value as a strategic partner of EOH. The effect of the EOH A share amendments was to provide Lebashe with a reasonable prospect of it being issued with EOH ordinary shares upon maturity of the EOH A shares, while also extending the life of the Company's empowerment transaction (and the resultant benefits thereof to the Company) by a further five years.

The EOH A shares rank equal to an EOH ordinary share in respect of voting rights. 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 EOH 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 Share-based Payments ("IFRS 2").

Notes to the interim condensed consolidated financial statements *continued*

16 Other financial liabilities

	Unaudited at 31 January 2024	Audited at 31 July 2023
<i>Figures in Rand thousand</i>		
Interest-bearing liabilities	957 677	833 643
Interest-bearing bank loans secured through Security SPV	673 769	683 176
Bank overdrafts	166 725	31 868
Project finance loan*	113 456	113 456
Unsecured interest-bearing bank loans	3 727	5 143
Non-interest-bearing liabilities	2 491	4 852
Cash-based long-term incentive**	2 491	4 852
	960 168	838 495
Non-current financial liabilities	645 323	2 489
Current financial liabilities	314 845	836 006
	960 168	838 495
Reconciliation of other financial liabilities – financial instruments		
Balance at the beginning of the period	833 643	1 434 668
Draw-down of bank overdrafts	134 857	31 868
Proceeds from other financial liabilities	–	14 464
Repayment of other financial liabilities	(10 291)	(678 580)
Disposal of subsidiaries (note 14)	(120)	(5 191)
Write-off of vendors for acquisition	–	(188)
Interest accrued on other financial liabilities	41 183	131 465
Interest repaid on other financial liabilities	(41 143)	(117 518)
Amortisation of debt restructuring fee	845	22 843
Other non-cash items	(1 297)	(188)
Closing balance – financial instruments	957 677	833 643
Reconciliation of other financial liabilities – non-financial instruments		
Opening balance of cash-based long-term incentive**	4 852	–
Recognition of cash-based long-term incentive**	–	4 852
Remeasurement of cash-based long-term incentive**	6 106	–
Payment of the cash-based long-term incentive**	(8 467)	–
Closing balance – non-financial instruments	2 491	4 852
Financial instruments		
Measured at amortised cost	957 677	833 643
Non-financial instruments		
Cash-based long-term incentive**	2 491	4 852
	960 168	838 495

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

** The cash-based long-term incentive is measured in accordance with IFRS 2.

16 Other financial liabilities *continued*

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

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

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

The following interest-bearing bank loans were in place during the period and secured through the Security SPV:

- » R200 million four-year amortising term loan of three-month JIBAR + 3.7% repayable in March 2027;
- » R250 million three-year bullet term loan of three-month JIBAR + 3.8% repayable in March 2026;
- » R250 million four-year revolving credit facility of three-month JIBAR + 4% repayable in March 2027; and
- » R500 million general banking facilities which will include a working capital facility and ancillary banking facilities of prime + 1%.

The Group has the following continuing debt covenant limits in respect of the above-mentioned loans:

- » debt to EBITDA ratio of 2.75x or lower, whereas the actual ratio was 3.99x;
- » debt service coverage ratio to free cash flow of 1.10x or higher, whereas the actual ratio was 1.88x; and
- » interest cover ratio of 2.00x or higher, whereas the actual ratio was 2.02x.

There was a breach of the debt to EBITDA ratio for the covenant reporting period ended 31 January 2024. The Standard Bank of South Africa Limited (acting through its Corporate and Investment Banking division) ("Standard Bank"), agreed to waive the covenant measurement related the debt to EBITDA ratio for the measurement period and therefore there was no Default or Event of Default for the measurement date ending 31 January 2024.

With regards to the prior period, an error was noted in the definition of Finance Costs as included in the Second Amendment to the Common Terms Agreement entered into on 31 March 2023. This had a significant impact on the calculation of the interest cover ratio as required in the debt covenants on the above-mentioned loans, as interest on the old Senior Bridge Loan prior to the refinance was included in error, resulting in the interest cover ratio being 2.32 at 31 July 2023, which was less than the minimum of 3.75 based on the agreement effective at reporting date. The debt had thus been classified as current. This error was rectified through an amendment on 6 October 2023 to the covenant ratio from 3.75 to 2.00 and agreed by both Standard Bank and the Group. Standard Bank further agreed that there was never a Default or an Event of Default that had occurred for the measurement date ending 31 July 2023.

Notes to the interim condensed consolidated financial statements *continued*

17 Provisions

Figures in Rand thousand

	Provision for litigation	PAYE provision	Onerous contracts	Total
Opening balance at 1 August 2022	112 298	178 827	24 626	315 751
Raised/(released) during the year	45 000	(63 996)	9 746	(9 250)
Utilised	—	—	(10 438)	(10 438)
Transferred to trade and other payables	(112 298)	—	—	(112 298)
Audited balance at 31 July 2023	45 000	114 831	23 934	183 765
Raised during the period	4 000	—	3 459	7 459
Utilised	—	—	(2 299)	(2 299)
Transferred to trade and other payables	(49 000)	—	—	(49 000)
Unaudited balance at 31 January 2024	—	114 831	25 094	139 925

The provision for litigation relates to the matter arising in the course of liquidating Mehleketo Resources Proprietary Limited (“Mehleketo”), which was a wholly owned subsidiary which was placed into liquidation in 2019, due to its inability to pay its financial obligations as they became due. The liquidators of Mehleketo held certain section 417 and 418 (in terms of the Companies Act) inquiries. In 2022, the liquidators instituted litigious action against various EOH entities citing, among other things, preference of creditors. In January 2024, the various EOH entities and the liquidators of Mehleketo concluded a settlement agreement in respect of the ongoing dispute between the parties. The settlement agreement sees the various EOH entities paying the liquidators an amount of approximately R49 million. The settlement agreement was concluded on a without prejudice basis. This balance was accordingly transferred out of provisions to other payables as there is no longer uncertainty over the timing or amount payable.

The PAYE provision relates to a PAYE dispute which the Group was contesting, that relates to Abantu, a wholly owned subsidiary, which had an ongoing tax dispute dating back to 2012 related to a PAYE dispute in two of its staff outsourcing businesses. At 31 January 2024, the Group had provided for R115 million on the PAYE liability assessed and is in ongoing discussions with SARS, regarding the potential settlement of this matter, in line with the requirements of the Tax Administration Act. In October 2022, Abantu launched a review application against SARS relating to the above-mentioned tax dispute. Since the launch of the review application, Abantu and SARS were engaging to resolve the dispute in an amicable and efficient manner through a Compromise process, which was resolved in February 2024. A total of R98 million for the period 2020 to 2022 was repaid up to 31 January 2024, and there have been no other movements in this provision during the current period. Refer to note 22 for more information.

Provisions also include onerous contract provisions, where there is uncertainty on the final amount, which is the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil the contracts, with the timing of outflow expected to be in the next financial period.

Notes to the interim condensed consolidated financial statements *continued*

18 Financial assets and financial liabilities

Financial risk management and fair value disclosures

The following table shows the carrying amounts and fair values of financial assets and financial liabilities at 31 January 2024:

<i>Figures in Rand thousand</i>	Carrying amount				
	Mandatorily at FVTPL	Amortised cost	Total	Held for sale	Balance
Financial assets					
Cash and cash equivalents	—	418 445	418 445	7 645	410 800
Trade and other receivables	—	1 363 440	1 363 440	17 225	1 346 215
Finance lease receivables	—	20 429	20 429	—	20 429
Other financial assets	—	75 049	75 049	—	75 049
Financial liabilities					
Trade and other payables	—	644 601	644 601	3 440	641 161
Lease liabilities	—	74 265	74 265	631	73 634
Other financial liabilities	—	960 168	960 168	—	960 168

The following table shows the carrying amounts and fair values of financial assets and financial liabilities at 31 July 2023:

<i>Figures in Rand thousand</i>	Carrying amount				
	Mandatorily at FVTPL	Amortised cost	Total	Held for sale	Balance
Financial assets					
Cash and cash equivalents	—	235 948	235 948	—	235 948
Trade and other receivables	—	1 414 691	1 414 691	—	1 414 691
Finance lease receivables	—	22 030	22 030	—	22 030
Other financial assets	—	75 279	75 279	—	75 279
Financial liabilities					
Trade and other payables	—	681 440	681 440	—	681 440
Lease liabilities	—	67 423	67 423	—	67 423
Other financial liabilities	—	833 643	833 643	—	833 643

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

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

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

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

Non-recurring fair value measurements

Disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The fair values are determined based on sales agreements and offers that are in place for each of the disposal groups that are held for sale. The total of such fair values is R17 million (year ended 31 July 2023: Rnil). These fair values are categorised as level 3, based on inputs used.

Notes to the interim condensed consolidated financial statements *continued*

19 Cash generated from operations

	Unaudited for the six months to 31 January 2024	Unaudited for the six months to 31 January 2023
<i>Figures in Rand thousand</i>		
(Loss)/profit before taxation from:	(49 537)	44 332
Continuing operations	(49 537)	12 698
Discontinued operations (note 9)	—	31 634
Adjustments for:		
Depreciation and amortisation	55 162	62 708
IAS 36 net impairment reversals of intangible assets and property, plant and equipment	(2 492)	—
Loss/(profit) on disposal of subsidiaries, equity-accounted investments and property, plant and equipment	4 489	(41 371)
IAS 36 impairment of goodwill	19 780	—
IFRS 5 remeasurement to fair value less costs to sell	—	2 616
Share-based payment expense	10 955	4 835
Net finance costs	58 976	97 630
Net financial asset impairment losses/(reversals)	20 778	(5 576)
Inventory write-off (reversals)/impairment	(358)	5 187
Movement in provisions	5 160	(11 085)
Foreign exchange losses	10 670	6 462
Other non-cash items	(4 656)	1 727
Cash generated before changes in working capital	128 927	167 465
Working capital changes net of effects of disposal of subsidiaries	81 477	(160 560)
(Increase)/decrease in inventories	(16 818)	2 231
(Increase)/decrease in trade and other receivables	(29 298)	35 681
Increase/(decrease) in trade and other payables	127 593	(198 472)
Historical share-based payment plans paid out during the period	(8 963)	(2 229)
Cash generated from operations	201 441	4 676

20 Related-party transactions

The Group entered into various transactions with related parties.

	Unaudited at 31 January 2024	Audited at 31 July 2023
<i>Figures in Rand thousand</i>		
Transactions between Group companies (subsidiaries)		
Sale of products and services	298 900	822 714
Purchases of products and services	173 628	592 116
Operating expenses	125 272	230 598
Outstanding loan balances		
Loans from EOH Holdings Limited to subsidiaries	3 196 422	2 851 241
Loans to EOH Holdings Limited from subsidiaries	142 868	237 176

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 were provided during both construction and after handover, including an operation warranty guarantee, which by nature could (in the event of a contractual breach by PiA) compel EOH to either ensure physical performance or settle any underperformance in cash terms. The continued provision of these guarantees is being discussed with the relevant client. While PiA had undergone some operational challenges as a result of several factors, EOH has intervened in order to minimise the potential impact of these PCGs and is working closely with the client to resolve outstanding issues. EOH will continue to proactively manage these projects to ensure that the risks presented by the PCGs are mitigated.

Litigation

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

Digital Industries Proprietary Limited (“DI”)/Shema Power Lake Kivu (“SPLK”) – Dispute

DI, a subsidiary of EOH, concluded an agreement with SPLK for certain services, goods and equipment to be delivered to SPLK’s site in Rwanda. SPLK’s allegation is that the services and equipment provided by DI were deficient in that it failed to provide proper advice and to properly instruct the installation of the equipment, resulting in the equipment being damaged and rendered unfit for purpose. SPLK instituted a summons against DI and its claim equates to approximately R57 million. EOH has defended the action and has instituted certain counterclaims in relation to the matter. The litigation proceedings are ongoing.

EOH Mthombo Proprietary Limited (“Mthombo”)/Msunduzi Local Municipality – Dispute

Msunduzi Local Municipality issued a letter of demand against Mthombo in 2021 looking to enter into an arbitration in respect of Mthombo’s alleged repudiation of the service level agreement concluded between them on or about April 2016. Mthombo contends that delays in the contract were attributable to both parties and that in 2019, Msunduzi Local Municipality was placed under administration and did not pay any further invoices to Mthombo. Mthombo’s suspension of services was ultimately as a result of the municipality not paying Mthombo.

Commitments

	Unaudited at 31 January 2024	Audited at 31 July 2023
<i>Figures in Rand thousand</i>		
Expected, but not yet contracted capital expenditure	105 939	65 244
Contractual obligation for future lease payments	34 982	25 157
	140 921	90 401

22 Events after reporting date

Disposal of Coastal and Environmental Services Group and Exigo Sustainability Proprietary Limited

On 12 February 2024, the Group concluded the sale of Coastal and Environmental Services Proprietary Limited, including its subsidiary Coastal & Environmental Services Mozambique Limitada and Exigo Sustainability Proprietary Limited as one indivisible transaction for a purchase consideration of R14 million. The full purchase consideration was received on 9 February 2024.

Settlement reached on the PAYE dispute with SARS

On 29 February 2024, a statement was issued regarding the historical PAYE dispute between EOH Abantu Proprietary Limited t/a Highveld ("Abantu"), a subsidiary in the Group, and SARS.

After a process of continuous engagement between the Group and SARS final settlement terms were agreed as follows:

- » The payment of R112 million, which was paid on 1 March 2024. This amount is in line with the PAYE provision raised and therefore will not have an effect on the Group's condensed consolidated statement of profit or loss and other comprehensive income.
- » Abantu forfeited its tax receivable credit of R6.9 million which has not been provided for and therefore affects the taxation line item in the Group's condensed consolidated statement of profit or loss and other comprehensive income.
- » Abantu will forfeit its assessed loss of R34.5 million. This will not affect the Group's condensed consolidated statement of profit or loss and other comprehensive income nor its condensed consolidated statement of financial position as no deferred taxation has been previously recognised for this assessed loss.

As a result of the above settlement the Group's lenders, Standard Bank have agreed to the below:

- » Agreement for a temporary increase to facilities to allow for payment to be made on 1 March 2024.
- » Due to successful sales of non-core assets the additional facility requirements are limited to R63 million.
- » Agreement to waiving the loan covenants for a period of 12 months to allow additional loan repayments to reduce the EBITDA to total debt covenant ratio below the 2:1 requirement level.

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) (appointed as Executive Chairman with effect from 1 April 2024)
Andrew Marshall (appointed as Lead Independent Non-executive Director from 1 April 2024)
Bharti Harie
Jabu Moleketi*
Jesmane Boggenpoel
Mike Bosman (resigned effective 22 November 2023)
Nosipho Molope
Sipho Ngidi
* *Non-independent, Non-executive Director.*

Executive

Stephen van Coller (Group Chief Executive Officer) (resigned effective 31 March 2024)
Megan Pydigadu (Group Chief Financial Officer) (resigned effective 31 October 2023)
Marialet Greeff (Group Chief Financial Officer) (appointed with effect from 1 November 2023)
Fatima Newman (Group Executive: EasyHQ – effective 1 August 2023)

Company Secretary

Mpeo Nkuna

Registered Address

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Sponsor

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Transfer Secretaries

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