Unaudited interim condensed consolidated financial statements

for the six months ended 31 January 2023

Our purpose is to **solve courageously, exponentially** and **together**

Contents

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Commentary

"For the first time since 2019, I am able to address our stakeholders in the context of EOH being a normal business. For many years, we have been battling corruption scandals, unprofitable legacy contracts, inefficient corporate structures, huge debt burdens and a highly inefficient capital structure. Today, following our successful R600 million capital raise, EOH can now truly get back to business and focus on our Growth-Efficiency-Talent strategy." – Stephen van Coller, CEO

G

Growth

With an improved capital structure in place and free of the onerous interest charges that it has been paying out to lenders, EOH can now properly invest in its growth opportunities. Initially, the fast-growing areas of digital enablement as well as the scaling and development of own IP technologies will be prioritised. Organic investment into geographic expansion of our existing footprint in Africa, Europe and the Middle East, has already begun.

In H1-2023 EOH invested R48 million into growth initiatives across the business. Approximately R24 million of the investment was into capital expenditures with R24 million operating expenditure, primarily new talent in growth areas, attracting R20 million investment, and R4 million into cost of sales. From a divisional perspective, R18 million was invested into Infrastructure Services and R16 million into IT initiatives. R6 million has been invested into the Operational Technologies East and West Africa expansion.

E

Efficiency

EOH has made great strides over the past few years in streamlining its operations and structures, including reducing corporate overheads and inefficient expenditure. There is further work required to ensure tax efficiency, which is a key focus area, and EOH will continue to eliminate inefficient expenditure to keep the business as lean as possible.

T

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 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 continues to offer clients the best solutions and implementations available.

Economic environment

South Africa is going through an immensely challenging period as it battles low growth, high unemployment, persistent loadshedding, high inflation, rising interest rates, a weakening currency, grey listing by FATF and deteriorating investor sentiment. Against this difficult backdrop, EOH management is extremely proud to have concluded the successful capital raise, allowing for a normalised capital structure with a future that is more within its own control.

Notably, the IT sector itself shields EOH from the full negative effects of the above-mentioned negative 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 provide further revenue growth potential and geographic risk diversification.

Group performance

At a Group level, EOH saw an 8% increase in continuing revenue compared to H1-2022. This was primarily driven by the double-digit growth in our IT Infrastructure Services and Enterprise Apps and Software Reseller businesses, and the 20% growth in our Digital business. Revenue growth was held back by Operational Technologies, where the inability to close certain contracts with state-owned entities ("SOEs") resulted in a 10% reduction in revenue. The NEXTEC People business also had a 13% revenue reduction due to the non-renewal of certain contracts and termination of unprofitable contracts, however, it kept its EBITDA intact.

At a continuing gross profit level, EOH maintained margins for continuing operations at 29%, with the long-term target being 30%.

Continuing operating expenses compared to H2-2022 have been well managed and are down from R892 million to R824 million. The comparable H1-2022 operating expenses of R699 million benefited from significant one-offs of R50 million in provision reversals, recovery of previous debt and cash written off. Once these one-offs have been stripped out, costs saw a 10% year-on-year increase.

EOH achieved R181 million adjusted EBITDA from continuing operations for H1-2023 compared to R278 million in H1-2022 (full FY2022 adjusted EBITDA was R364 million).

Adjusted EBITDA for H1-2022 included a large benefit from provision reversals and recovery of previous debt and cash written off of R50 million and R20 million of recovery from IP businesses for corporate costs which are no longer received. NEXTEC performance was also comparatively worse than the prior year by R20 million as the business continues to be turned around. Once these adjustments have been taken into account, EBITDA was effectively flat for H1-2023 compared to H1-2022.

Operating profit from continuing operations was R110 million for the period at a margin of 3.4%, (H1-2022: R162 million) comparing favourably to the R100 million operating profit from continuing operations for the full year 2022 at 1.7%.

The net finance cost for H1-2023 of R98 million is slightly higher than H1-2022 despite the paydown in debt levels since the financial year end. This demonstrates the impact of the sharp rise in interest rates during 2022 together with the onerous interest charge on the bridge facility of close to 16%, and underlies the necessity of EOH's capital raise after the half-year end, the benefit of which will start flowing through in H2-2023.

Our tax efficiency remains a key focus area as we improve our corporate structures to normalise the tax charge. EOH incurred a loss after tax from continuing operations for H1-2023 of R37 million.

Working capital and liquidity management are key focus areas of the business with net working capital of R253 million and cash at the end of the period of R227 million. Debt at 31 January 2023 was at R1 228 million and has subsequently been reduced to R673 million after paying down the bridge finance with the proceeds of the capital raise. The remaining debt has been refinanced through The Standard Bank of South Africa Limited at significantly improved interest rates reflecting the normalised capital structure and improved performance of the Group. The benefits of the revised debt package will start to be recognised in H2-2023.

Cash generated from operations after changes in working capital was R5 million.

Operational review

The Digital Enablement businesses experienced strong growth in H1-2023 with a 20% increase in revenues over the comparable period, led by our International business (45% increase) which now contributes 33% of the business unit's revenue. The Digital business also performed well from an EBITDA perspective, increasing to R108 million from R83 million in H1-2022.

The growth in revenue in the IT Infrastructure, which includes data centre and managed services, and network, cloud and security solutions, also showed pleasing growth in revenues of over 13%. EBITDA at R32 million was flat on a comparative basis as EOH invested in upgrading infrastructure.

The Operational Technologies business had a challenging six months due to the inability to close contracts with SOEs, which impacted revenues and EBITDA. Profitability in this business was further held back by certain high-margin contracts rolling off in FY2023 and the investment into East and West Africa. Compared to H1-2022, revenue was down 10% to R230 million and EBITDA down 45% to R26 million.

The Enterprise Applications and Software Reseller saw 10% revenue improvement to R634 million, with EBITDA slightly up at R61 million compared to R56 million at H1-2022. This business suffered from industry-wide margin compression from OEMs, however management has made some strategic interventions and expect the margins to stabilise going forward.

The Platforms business had a steady performance from a revenue and EBITDA perspective compared to last year. Revenue increased 3% to R203 million and EBITDA increased 9% to R23 million.

The NEXTEC Infrastructure Solutions business saw a pleasing 11% increase in revenues to R593 million, driven predominantly by our mesh networks business over-performing. However, one of our water platform businesses, which is solely dependent on the public sector for business, suffered a big drop in revenues in H1-2023, which impacted profitability significantly during this period compared to H1-2022. EBITDA for the Infrastructure Solutions business dropped from R4 million to a loss of R8 million. However, this business, which has received significant turnaround attention over the past year, showed a very encouraging improvement from H2-2022, with EBITDA reducing from a loss of R46 million to R8 million. As stated in the FY2022 results, the goal is to get this business to break even in FY2023.

The NEXTEC People business revenue dropped 13% to R291 million. A key client lost its contract with an SOE which had a knock-on impact on our Impact HR business, as well as the termination of certain unprofitable contracts during the period. However, the division was more profitable during the period with EBITDA margins increasing by over 2%, delivering a 5% EBITDA increase to R37 million in spite of the revenue decrease.

EOH has spent significant time over the past few months 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 now complete, EOH has a stable portfolio of products and services. The Group will approach the market through four key product pillars; namely Digital Enablement, IT Infrastructure Services, Operational Technologies and EasyHQ. The International business outside of sub-Saharan Africa will focus mainly on Digital Enablement and selling of own IP Platforms. The Executive Committee has also been aligned along these pillars, improving efficiency and accountability in our reporting structures. On a go-forward basis, EOH will look to align the reporting to this structure.

Four key product pillars

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 RocketLabs ventures, which are where EOH develop and scale 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 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 NEXTEC Infrastructure Solutions business, which focuses on smart infrastructure solutions for buildings and municipalities, was the one business which still required significant turnaround interventions this year. The majority of the work has been completed and the business is approaching break-even. This business has much in common with our iOCO Operational Technologies business and going forward these will now be managed as a single division.

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. The NEXTEC People business will be moved under this pillar. EasyHQ solutions include governance, risk, compliance, recruitment, training and HR management, attestations, and digital signature solutions, among others.

The changes to reporting structures and refinement of the strategy outlined above are currently being implemented and will be used for financial reporting at the year-end results.

Capital structure

Subsequent to the period end, the Group closed the rights issue on 10 February 2023 with an aggregate amount of R500 million raised and R100 million from the specific issue. After costs, a net R555 million was applied against the bridge facility with R173 million outstanding.

With the completion of the rights issue, the Group has subsequently 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 into the following package:

- R200 million four-year amortising term loan;
- R250 million three-year bullet term loan;
- R250 million four-year revolving credit facility; and
- R500 million general banking facilities which will include a working capital facility and ancillary banking facilities

Interest rates on the above facilities range between JIBAR +2.65% per annum to JIBAR +4% per annum, dependent on the leverage ratio.

The Group now has an appropriate capital structure to enable its Growth strategy.

Outlook

Despite the economic headwinds faced in South Africa, EOH is well-placed for profitable growth with its full stack of technology offerings, diversified client base, as well as its strong international performance.

With the capital raise now complete and a more appropriate capital structure in place with reduced interest payments, EOH is now well-positioned to execute its growth strategy and capitalise on the growing demand for digital transformation across its client base.

Stephen van Coller
Group Chief Executive Officer

5 April 2023

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

For the six months ended 31 January 2023

Figures in Rand thousand	Notes	Unaudited for the six months to 31 January 2023	Unaudited restated* for the six months to 31 January 2022
Continuing operations			
Revenue	6	**3 214 962**	2 979 854
Cost of sales		**(2 281 055)**	(2 118 847)
Gross profit		**933 907**	861 007
Net financial asset impairment reversals	8	**5 804**	4 157
Operating expenses		**(829 355)**	(702 778)
Operating profit		**110 356**	162 386
Investment income		**4 579**	4 446
Finance costs		**(102 237)**	(97 129)
Profit before taxation		**12 698**	69 703
Taxation		**(49 662)**	(29 847)
(Loss)/profit for the period from continuing operations		**(36 964)**	39 856
Profit/(loss) for the period from discontinued operations	9	**31 634**	(17 679)
(Loss)/profit for the period		**(5 330)**	22 177
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations^		**(28 095)**	14 184
Total comprehensive (loss)/income for the period		**(33 425)**	36 361
(Loss)/profit attributable to:			
Owners of EOH Holdings Limited		**(7 038)**	21 139
Non-controlling interests		**1 708**	1 038
		(5 330)	22 177
Total comprehensive (loss)/income attributable to:			
Owners of EOH Holdings Limited		**(29 338)**	35 210
Non-controlling interests		**(4 087)**	1 151
		(33 425)	36 361
From continuing and discontinued operations (cents)			
(Loss)/earnings per share		**(3)**	8
Diluted (loss)/earnings per share		**(3)**	7
From continuing operations (cents)			
(Loss)/earnings per share		**(14)**	14
Diluted (loss)/earnings per share		**(14)**	14

* *Comparative figures previously reported have been amended to reflect the effects of the bonus element of the renounceable rights offer to qualifying shareholders. Further detail regarding this transaction is provided in note 15.*

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

Interim condensed consolidated statement of financial position

As at 31 January 2023

Figures in Rand thousand	Notes	Unaudited at 31 January 2023	Audited at 31 July 2022
Assets			
Non-current assets			
Property, plant, equipment and right-of-use assets		**151 475**	184 788
Intangible assets		**90 192**	83 515
Goodwill	11	**674 574**	674 574
Other financial assets		**15 000**	18 150
Deferred taxation		**109 306**	105 705
Finance lease receivables		**4 546**	10 723
		1 045 093	1 077 455
Current assets			
Inventories	12	**82 721**	90 122
Other financial assets		**50 171**	13 851
Current taxation receivable		**33 999**	35 095
Finance lease receivables		**70 630**	70 592
Trade and other receivables		**2 007 337**	1 828 655
Cash and cash equivalents		**236 686**	410 955
		2 481 544	2 449 270
Assets held for sale	13	**74 573**	225 532
Total assets		**3 601 210**	3 752 257
Equity and liabilities			
Equity			
Stated capital	15	**4 217 285**	4 217 285
Shares to be issued to vendors		**–**	393
Other reserves		**465 067**	494 754
Accumulated loss		**(4 683 725)**	(4 678 738)
Equity attributable to the owners of EOH Holdings Limited		**(1 373)**	33 694
Non-controlling interests		**22 273**	26 360
Total equity		**20 900**	60 054
Liabilities			
Non-current liabilities			
Other financial liabilities	16	**500 349**	496 486
Lease liabilities		**37 837**	51 438
Deferred taxation		**38 933**	28 258
		577 119	576 182
Current liabilities			
Other financial liabilities	16	**896 047**	937 876
Current taxation payable		**16 273**	36 481
Lease liabilities		**38 894**	55 449
Trade and other payables		**1 837 549**	1 700 828
Provisions	17	**192 202**	315 751
		2 980 965	3 046 385
Liabilities directly associated with assets held for sale	13	**22 226**	69 636
Total liabilities		**3 580 310**	3 692 203
Total equity and liabilities		**3 601 210**	3 752 257

Interim condensed consolidated statement of changes in equity

For the six months ended 31 January 2023

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 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**
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**
Notes	15						

* *Transfers within equity are transfers from shares to be issued to vendors for expired shares and share-based payments reserve on disposed companies.*

Interim condensed consolidated statement of cash flows

For the six months ended 31 January 2023

Figures in Rand thousand	Notes	Unaudited for the six months to 31 January 2023	Unaudited for the six months to 31 January 2022
Cash flows from operating activities			
Cash generated from operations	19	**4 676**	257 611
Investment income received		**4 607**	5 194
Interest paid		**(89 565)**	(94 321)
Taxation paid		**(57 943)**	(44 300)
Net cash (outflow)/inflow from operating activities		**(138 225)**	124 184
Cash flows from investing activities			
Additions to property, plant and equipment		**(20 258)**	(31 257)
Proceeds on the sale of property, plant, equipment and intangible assets		**1 167**	5 736
Intangible assets acquired		**(24 712)**	(27 436)
Cash receipt from disposal of businesses, net of cash given up		**92 117**	77 868
Increase in restricted cash		**(112 768)**	(77 249)
Decrease in restricted cash		**107 556**	4 094
Net cash inflow/(outflow) from investing activities		**43 102**	(48 244)
Cash flows from financing activities			
Repayment of other financial liabilities		**(104 120)**	(3 950)
Principal elements of lease payments		**(31 958)**	(55 080)
Net cash outflow from financing activities		**(136 078)**	(59 030)
Net (decrease)/increase in cash and cash equivalents		**(231 201)**	16 910
Cash and cash equivalents at the beginning of the period		**410 955**	437 237
Assets held for sale at the beginning of the period		**47 412**	88 444
Assets held for sale at the end of the period		**(28 658)**	(116 089)
Exchange losses on cash and cash equivalents		**(6 462)**	(2 527)
Cash and cash equivalents at the end of the period		**192 046**	423 975

Cash and cash equivalents includes bank overdrafts of R45 million (period ended 31 January 2022: Rnil).

Segment results

For the six months ended 31 January 2023

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.

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

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

IP comprised a group of high-potential intellectual property companies with scaled technology ready to take to market with partners. The last of the IP businesses were sold in the prior financial year and all prior period results for IP are shown 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 payments, gain/loss on disposal of subsidiaries and associates, impairments of non-financial assets, loss on disposal of assets, changes in fair value of vendors for acquisition liability, interest income, interest expense, corporate overheads and current and deferred tax.

Revenue, gross profit and adjusted EBITDA

	Unaudited for the six months to 31 January 2023					Unaudited for the six months to 31 January 2022				
Figures in Rand thousand	**iOCO**	**NEXTEC**	**IP**	**Recon-ciliation^**	**Total**	iOCO	NEXTEC	IP	Recon-ciliation^	Total
External	**2 359 924**	**883 894**	**–**	**–**	**3 243 818**	2 304 576	907 154	299 745	–	3 511 475
Hardware sales	**176 193**	**259 099**	**–**	**–**	**435 292**	145 009	172 465	5 124	–	322 598
Services	**1 820 238**	**609 785**	**–**	**–**	**2 430 023**	1 871 874	709 775	291 268	–	2 872 917
Software/licence contracts	**357 667**	**6 464**	**–**	**–**	**364 131**	270 542	4 784	3 150	–	278 476
Rentals	**5 826**	**8 546**	**–**	**–**	**14 372**	17 151	20 130	203	–	37 484
Intersegment	**61 206**	**12 349**	**–**	**(73 555)**	**–**	101 853	32 292	2 365	(136 510)	–
Hardware sales	**2 784**	**1 119**	**–**	**(3 903)**	**–**	12 955	1 459	–	(14 414)	–
Services	**50 509**	**11 230**	**–**	**(61 739)**	**–**	77 622	30 833	2 365	(110 820)	–
Software/licence contracts	**7 259**	**–**	**–**	**(7 259)**	**–**	9 987	–	–	(9 987)	–
Rentals	**654**	**–**	**–**	**(654)**	**–**	1 289	–	–	(1 289)	–
Gross revenue	**2 421 130**	**896 243**	**–**	**(73 555)**	**3 243 818**	2 406 429	939 446	302 110	(136 510)	3 511 475
Gross profit	**725 758**	**273 309**	**–**	**(65 123)**	**933 944**	697 596	271 805	154 686	(75 542)	1 048 545
Gross profit (%)	**30.0%**	**30.5%**	**–**	**–**	**28.8%**	29.0%	28.9%	51.2%	–	29.9%

^ *Reconciliation comprises elimination of intersegment transactions.*

The above table comprises both continuing and discontinued operations.

Segment results *continued*

For the six months ended 31 January 2023

Revenue, gross profit and adjusted EBITDA continued

Figures in Rand thousand	Unaudited for the six months to 31 January 2023					Unaudited for the six months to 31 January 2022				
	iOCO	NEXTEC	IP	Recon-ciliation^	Total	iOCO	NEXTEC	IP	Recon-ciliation^	Total
Adjusted EBITDA	**239 336**	**28 290**	**—**	**(97 064)**	**170 562**	244 918	47 069	64 067	(16 567)	339 487
Adjusted EBITDA (%)	**9.9%**	**3.2%**	**—**	**—**	**5.3%**	10.2%	5.0%	21.2%	—	9.7%
Material expenses included in adjusted EBITDA:										
Employee costs	**1 123 798**	**334 435**	**—**	**110 751**	**1 568 984**	1 137 137	374 765	148 372	96 058	1 756 332

^ *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 2023	Unaudited for the six months to 31 January 2022
Operating profit		**141 962**	167 122
Operating profit from continuing operations		**110 356**	162 386
Operating profit from discontinued operations	9	**31 606**	4 736
Depreciation		**50 836**	88 445
Amortisation		**11 872**	26 254
IAS 36 impairment losses on non-financial assets*		**—**	619
IFRS 5 remeasurement to fair value less costs to sell*		**2 616**	41 948
Loss on disposal of intangible assets and property, plant and equipment		**592**	3 308
Share-based payment expense		**4 835**	9 139
Write-off of vendors for acquisition	16	**(188)**	—
(Profit)/loss on disposal of subsidiaries and equity-accounted investments		**(41 963)**	2 652
Adjusted EBITDA		**170 562**	339 487

* *Comparative amounts of impairment losses on non-financial assets have been disaggregated further to disclose such impairments related to IAS 36 impairments of goodwill and IFRS 5 remeasurements to fair value less costs to sell to more accurately reflect the nature of impairment losses on non-financial assets.*

Notes to the interim condensed consolidated financial statements

For the six months ended 31 January 2023

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 technology ("IT") 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 2023 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 ("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 2022.

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 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 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 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 R5 million compared to the prior year, which had a profit of R22 million, net asset value at the end of the period of R21 million (31 July 2022: R60 million), and cash outflows from operating activities of R138 million (2022: inflow 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. Since its announcement in October 2019, and subsequent revisions, the plan has been largely executed. Non-core businesses identified to be sold, have been successfully disposed of and proceeds received from these disposals have been 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, through which R600 million was raised. R555 million of capital outstanding to the lenders was repaid.

4. Going concern continued

On 1 April 2022, the Group refinanced the R1.9 billion debt and existing facilities available into:

1. A R1.4 billion senior bridge facility originally repayable on or before 31 December 2023;
2. A R500 million three-year senior term loan, due on 1 April 2025; and
3. A R250 million direct overdraft facility, of which R45 million was drawn down at the reporting date, and R250 million in indirect facilities (including guarantee facilities, credit card, fleet management, vehicle and asset finance and trading facilities).

Proceeds from the sale of the Network Solutions business and Hymax (SA) Proprietary Limited ("Hymax SA") during the period have reduced the senior bridge facility to R728 million. Subsequent to period end, the rights issue and specific issue was concluded, further reducing the bridge facility by R555 million to R173 million.

With the completion of the rights issue subsequent to 31 January 2023, the Group has 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 into the following package:

- R200 million four-year amortising term loan;
- R250 million three-year bullet term loan;
- R250 million four-year revolving credit facility; and
- R500 million general banking facilities which will include a working capital facility and ancillary banking facilities.

As at period end, the Group had R227 million of cash available (continuing and discontinued operations), including foreign and restricted cash but excluding the undrawn portion of the direct overdraft facility of R205 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 2023 was R21 million, which subsequently changed to R592 million as at the end of February 2023, due to the rights issue and specific issue;
3. The Group's current liabilities exceeded its current assets by R499 million at 31 January 2023, but subsequent to the rights issue and specific issue, current assets exceeded current liabilities by R56 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 2024 and annual forecasts for the 30 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 2023, 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 2022. These did not have a material impact on the Group.

Notes to the interim condensed consolidated financial statements *continued*

For the six months ended 31 January 2023

6. Revenue

Disaggregated revenue

Figures in Rand thousand	**Unaudited for the six months to 31 January 2023**	Unaudited for the six months to 31 January 2022
Revenue by sector		
Public sector	**14%**	18%
Private sector	**86%**	82%
Total	**100%**	100%
Major revenue types		
Hardware sales	**435 292**	322 598
Services	**2 430 023**	2 872 917
Software/licence contracts	**364 131**	278 476
Rentals*	**14 372**	37 484
Total	**3 243 818**	3 511 475
Timing of revenue recognition		
Goods or services transferred to customers:		
– at a point in time	**799 423**	601 074
– over time	**2 444 395**	2 910 401
Total	**3 243 818**	3 511 475
Continuing operations	**3 214 962**	2 979 854
Discontinued operations (note 9)	**28 856**	531 621
Total	**3 243 818**	3 511 475

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

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.

7. Headline (loss)/earnings per share

	Unaudited for the six months to 31 January 2023	Unaudited restated* for the six months to 31 January 2022
Headline (loss)/earnings per share and diluted headline (loss)/earnings per share		
Headline (loss)/earnings from continuing operations (R'000)	**(35 778)**	39 055
Weighted average number of shares in issue ('000)**	**271 374**	271 374
Diluted weighted average number of shares in issue ('000)**	**271 374**	283 578
Headline (loss)/earnings per share from continuing operations (cents)	**(13)**	14
Diluted headline (loss)/earnings per share from continuing operations (cents)	**(13)**	14
Headline (loss)/earnings from continuing and discontinued operations (R'000)	**(46 107)**	68 753
Weighted average number of shares in issue ('000)**	**271 374**	271 374
Diluted weighted average number of shares in issue ('000)**	**271 374**	283 578
Headline (loss)/earnings per share from continuing and discontinued operations (cents)	**(17)**	25
Diluted headline (loss)/earnings per share from continuing and discontinued operations (cents)	**(17)**	24

* *Comparative figures previously reported have been amended to reflect the effects of the bonus element of the renounceable rights offer to qualifying shareholders. Further detail regarding this transaction is provided in note 15.*

** *The impact of shares to be issued to vendors, share options and EOH A shares has been excluded from the weighted average diluted number of shares for the six months to 31 January 2023 as they would be anti-dilutive.*

7. Headline (loss)/earnings per share continued

Figures in Rand thousand	Unaudited for the six months to 31 January 2023		Unaudited restated* for the six months to 31 January 2022	
Reconciliation between earnings, headline earnings and diluted headline earnings from continuing and discontinued operations	**Gross**	**Net**	**Gross**	**Net**
(Loss)/profit attributable to owners of EOH Holdings Limited	**(7 038)**	**(7 038)**	21 139	21 139
Adjusted for:				
Loss on disposal of intangible assets and property, plant and equipment	**592**	**464**	3 308	2 567
(Profit)/loss on disposal of subsidiaries and equity-accounted investments	**(41 963)**	**(41 963)**	2 652	2 652
IAS 36 impairment of intangible assets and property, plant and equipment	**–**	**–**	619	446
IFRS 5 remeasurement to fair value less costs to sell	**2 616**	**2 616**	41 948	41 948
Total non-controlling interest effects on adjustments	**(186)**	**(186)**	1	1
Headline (loss)/earnings from continuing and discontinued operations	**(45 979)**	**(46 107)**	69 667	68 753

Figures in Rand thousand	Unaudited for the six months to 31 January 2023		Unaudited restated* for the six months to 31 January 2022	
Reconciliation between earnings, headline earnings and diluted headline earnings from continuing operations	**Gross**	**Net**	**Gross**	**Net**
(Loss)/profit attributable to owners of EOH Holdings Limited	**(7 038)**	**(7 038)**	21 139	21 139
Adjusted for discontinued operations (note 9)	**(31 634)**	**(31 634)**	17 780	17 780
Continuing (loss)/profit attributable to ordinary shareholders	**(38 672)**	**(38 672)**	38 919	38 919
Continuing operations adjustments:				
Loss on disposal of intangible assets and property, plant and equipment	**592**	**464**	3 309	2 567
Profit on disposal of subsidiaries and equity-accounted investments	**–**	**–**	(2 897)	(2 897)
IAS 36 impairment of intangible assets and property, plant and equipment	**–**	**–**	646	466
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)/earnings from continuing operations	**(35 650)**	**(35 778)**	39 977	39 055

* *Comparative figures previously reported have been amended to reflect disaggregated reconciling amounts gross and net of taxation.*

8. Net financial asset impairment reversals

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 2023	Unaudited for the six months to 31 January 2022
Impairment reversal on trade and other receivables	**21 424**	7 350
Impairment reversal on other financial assets	**–**	69
Impairment loss on contract assets	**(3 189)**	(1 562)
Impairment loss on finance lease receivables	**(12 431)**	(1 700)
	5 804	4 157

9. Discontinued operations

Identification and classification of discontinued operations

There were a number of businesses that were approved for sale 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 and these continue to be measured at fair value less costs to sell in the current reporting period. As at 31 January 2023, no impairment was recognised for disposal groups classified as discontinued operations. Impairment recognised in the 2022 interim period was allocated to the identified disposal groups. Refer to note 13.

Figures in Rand thousand	**Unaudited for the six months to 31 January 2023**	Unaudited for the six months to 31 January 2022
Revenue	**28 856**	531 621
Cost of sales	**(28 819)**	(344 083)
Gross profit	**37**	187 538
Net financial asset impairment losses	**(228)**	(1 722)
Remeasurement to fair value less costs to sell	**–**	(41 948)
Gain/(loss) on disposal	**41 963**	(5 549)
Other operating expenses	**(10 166)**	(133 583)
Operating profit	**31 606**	4 736
Investment income	**28**	748
Finance costs	**–**	(3 510)
Profit before taxation	**31 634**	1 974
Taxation	**–**	(19 653)
Profit/(loss) for the period from discontinued operations	**31 634**	(17 679)
Attributable to:		
Owners of EOH Holdings Limited	**31 634**	(17 780)
Non-controlling interests	**–**	101
Earnings/(loss) per share (cents)		
Earnings/(loss) per share from discontinued operations	**11**	(6)
Diluted earnings/(loss) per share from discontinued operations	**11**	(7)
Net cash flows in relation to discontinued operations:		
Net decrease in cash and cash equivalents	**(14 564)**	(23 760)
Operating activities	**(1 823)**	25 010
Investing activities	**(12 309)**	(36 945)
Financing activities	**(432)**	(11 825)

(Loss)/profit before taxation before including the gain/(loss) on disposal and remeasurement to fair value less costs to sell was R10 million (2022: R49 million).

10. Property, plant, equipment and right-of-use assets

The Group acquired property, plant, equipment and right-of-use assets at a value of R23 million (year ended 31 July 2022: R81 million) and intangible assets at a value of R26 million (year ended 31 July 2022: R66 million). The Group disposed of property, plant, equipment and right-of-use assets with a carrying value of R1.7 million (year ended 31 July 2022: R35 million) and intangible assets with a carrying value of R2.5 million (year ended 31 July 2022: R2 million).

An impairment charge of R0.02 million and R0.91 million (year ended 31 July 2022: R6 million and R2 million) against property, plant, equipment and right-of-use assets and intangible assets respectively has been recognised during the period.

11. Goodwill

Figures in Rand thousand	Unaudited at 31 January 2023	Audited at 31 July 2022
Cost	**2 581 371**	3 101 392
Accumulated impairments	**(1 865 654)**	(1 885 984)
Opening balance	**715 717**	1 215 408
Foreign currency translation	**–**	(388)
Disposals	**(29 101)**	(432 758)
Impairments: discontinued operations	**–**	(41 948)
Impairments: continuing operations	**(1 684)**	(24 597)
Closing balance before assets held for sale	**684 932**	715 717
Cost	**2 549 611**	2 581 371
Accumulated impairments	**(1 864 679)**	(1 865 654)
Assets held for sale	**(10 358)**	(41 143)
Closing balance	**674 574**	674 574

Impairment of goodwill

During the six months ended 31 January 2023, 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.

NEXTEC

Goodwill impairment amounting to R2 million was attributable to Employee Benefits group as a result of its write-down to fair value less costs of disposal. The main driver for the goodwill impairment was a revised downward selling price adjustment as a result of an amendment to the commercial terms of the sale agreement.

12. Inventories

Figures in Rand thousand	Unaudited at 31 January 2023	Audited at 31 July 2022
Finished goods	**92 107**	77 830
Consumables	**11 653**	9 927
Work-in-progress	**4 959**	25 438
	108 719	113 195
Provision for write-down of inventories to net realisable value	**(25 998)**	(23 073)
	82 721	90 122
Cost of goods sold during the year from continuing operations amounted to	**581 939**	796 208

Write-down of inventories of R5 million (2022: R14 million) to net realisable value were recognised as an expense during the period and included in costs of sales in the statement of profit or loss and other comprehensive income.

13. Assets held for sale

Over the past three years, EOH has embarked on a strategic journey to refine its operational structure, deleverage and create a sustainable capital structure. A key part of the Group's deleveraging strategy has been the disposal of non-core businesses and the Group has, over the past years, identified and sold a group of assets in line with this strategy.

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 separately as held for sale in the statement of financial position.

As at 31 January 2023, four disposal groups have been classified as held for sale. The material disposal group Network Solutions, in the iOCO segment, which was classified as held for sale in the prior financial year, has been sold in the current financial period. Refer to note 14 for more information on its disposal. Network Solutions is also classified as discontinued operations.

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 2023
Assets				
Property, plant, equipment and right-of-use assets	440	495	–	935
Goodwill and intangible assets	16 489	11 359	–	27 848
Deferred taxation	838	1 944	–	2 782
Current taxation receivable	1 434	135	–	1 569
Trade and other receivables	12 691	90	–	12 781
Cash and cash equivalents	12 229	16 429	–	28 658
Assets held for sale	44 121	30 452	–	74 573
Liabilities				
Other financial liabilities	(61)	(144)	–	(205)
Current taxation payable	(693)	(956)	–	(1 649)
Trade and other payables	(11 739)	(8 633)	–	(20 372)
Liabilities directly associated with assets held for sale	(12 493)	(9 733)	–	(22 226)
Net assets directly associated with the disposal groups	31 628	20 719	–	52 347
Cumulative amounts recognised in other comprehensive income				
Foreign currency translation reserve	3 359	–	–	3 359
Impairment loss for write-down to fair value less costs to sell				
Continuing operations – operating expenses	(932)	(1 684)	–	(2 616)
Discontinued operations	–	–	–	–
	(932)	(1 684)	–	(2 616)

Notes to the interim condensed consolidated financial statements *continued*

For the six months ended 31 January 2023

13. Assets held for sale continued

Figures in Rand thousand	iOCO	NEXTEC	IP	Audited at 31 July 2022
Assets				
Property, plant, equipment and right-of-use assets	46 202	352	—	46 554
Goodwill and intangible assets	45 800	13 042	—	58 842
Other financial assets	700	—	—	700
Deferred taxation	848	1 800	—	2 648
Inventories	3 736	—	—	3 736
Current taxation receivable	1 293	195	—	1 488
Trade and other receivables	64 152	—	—	64 152
Cash and cash equivalents	27 701	19 711	—	47 412
Assets held for sale	190 432	35 100	—	225 532
Liabilities				
Other financial liabilities	—	(306)	—	(306)
Current taxation payable	—	(1 104)	—	(1 104)
Trade and other payables	(58 141)	(10 085)	—	(68 226)
Liabilities directly associated with assets held for sale	(58 141)	(11 495)	—	(69 636)
Net assets directly associated with the disposal groups	132 291	23 605	—	155 896
Cumulative amounts recognised in other comprehensive income				
Foreign currency translation reserve	3 686	—	—	3 686
Impairment loss for write-down to fair value less costs to sell				
Continuing operations – operating expenses	(6 790)	(10 716)	—	(17 506)
Discontinued operations	—	—	(41 948)	(41 948)
	(6 790)	(10 716)	(41 948)	(59 454)

14. Disposal of subsidiaries

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 during the period.

Figures in Rand thousand	Treatment before disposal	Continuing/ discontinued operations	Percentage holding disposed	Date of disposal	Consideration received or receivable*	Gain on disposal
Entity disposed						
iOCO						
Network Solutions and Hymax SA Proprietary Limited	Subsidiary	Discontinued	100%	1 September 2022	131 936	41 963
Net gain on disposal of subsidiaries					131 936	41 963

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

Reconciliation of cash received from disposal of businesses

Figures in Rand thousand	**Unaudited at 31 January 2023**	Audited at 31 July 2022
Opening balance	**17 791**	17 660
Cash consideration received or receivable	**131 936**	818 633
Write-off of consideration receivable	**–**	(12 131)
Less: amount outstanding at period end	**(45 174)**	(17 791)
Cash received from disposal of businesses	**104 553**	806 371
Less: cash balances disposed of	**(12 436)**	(58 528)
Cash receipt from disposal of businesses, net of cash given up	**92 117**	747 843

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

Figures in Rand thousand	Notes	**Unaudited at 31 January 2023**	Audited at 31 July 2022
Assets			
Property, plant, equipment and right-of-use assets		**48 380**	58 042
Goodwill and intangible assets		**29 108**	723 934
Equity-accounted investments		**–**	8 461
Other financial assets		**–**	18 565
Finance lease receivables		**–**	6
Inventories		**3 719**	2 299
Current taxation receivable		**–**	58 720
Trade and other receivables		**54 931**	237 013
Cash and cash equivalents		**12 436**	58 528
Liabilities			
Other financial liabilities	16	**(5 191)**	(3 294)
Lease liabilities		**–**	(10 994)
Deferred taxation		**(2 768)**	(73 772)
Current taxation payable		**–**	(70 521)
Provisions		**–**	(64 247)
Trade and other payables		**(50 706)**	(184 946)

Notes to the interim condensed consolidated financial statements *continued*

For the six months ended 31 January 2023

15. Stated capital

Figures in Rand thousand	Unaudited at 31 January 2023	Audited at 31 July 2022
Stated capital		
Opening balance	**4 217 285**	4 217 285
	4 217 285	4 217 285

Authorised

7 500 000 000 ordinary shares of no par value

40 000 000 EOH A shares of no par value

Unissued

7 323 455 039 (2022: 323 455 039) unissued ordinary shares

Issued

Figures in thousand	Unaudited at 31 January 2023	Audited at 31 July 2022
Reconciliation of the number of shares in issue		
Opening balance	**176 545**	176 545
Shares in issue at the end of the period	**176 545**	176 545
Less		
Treasury shares held in the Group share incentive schemes	**(2 341)**	(2 341)
Treasury shares held by wholly owned subsidiaries of the Group	**(5 449)**	(5 449)
	168 755	168 755
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, 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 has been 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 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 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").

The Group undertook a renounceable rights offer to raise up to R500 million, to qualifying shareholders. The rights offer comprised 384 615 384 rights offer shares in the ratio of 227 rights offer shares for every 100 EOH ordinary shares held at the close of trade on Friday, 27 January 2023 and at a price of R1.30 per rights offer share. The total number of rights offer shares subscribed for and excess allocations applied for was 522 229 452 ordinary shares. On completion of the rights offer, the total number of ordinary shares in issue (including treasury shares) was 561 160 345 ordinary shares. An aggregate amount of R500 million was raised.

As the rights issue price per share was below the market value of the shares on the effective date, a bonus element is inherent in the rights offer. This is determined as the fair value per share before the exercise of rights as a proportion of the theoretical ex-rights value per share. The bonus element is 102 619 561 shares and has been taken into account as an adjustment when restating earnings/loss per share and headline earnings/loss per share for the current and prior period. Further detail regarding this transaction can be found in note 22.

Notes to the interim condensed consolidated financial statements *continued*

For the six months ended 31 January 2023

16. Other financial liabilities

Figures in Rand thousand	Unaudited at 31 January 2023	Audited at 31 July 2022
Interest-bearing liabilities	**1 396 601**	1 434 480
Interest-bearing bank loans secured through Security SPV	**1 219 053**	1 310 502
Bank overdrafts	**44 640**	—
Project finance loan*	**113 456**	118 244
Unsecured interest-bearing bank loans	**11 117**	5 734
Cash-based long-term incentive	**8 335**	—
Non-interest-bearing liabilities	**–**	188
Vendors for acquisition	**–**	188
Liabilities directly associated with assets held for sale (note 13)	**(205)**	(306)
	1 396 396	1 434 362
Non-current financial liabilities	**500 349**	496 486
Current financial liabilities	**896 047**	937 876
	1 396 396	1 434 362
Reconciliation of other financial liabilities		
Balance at the beginning of the period	**1 434 668**	2 572 972
Draw-down/(repayment) of bank overdrafts	**44 640**	(387 665)
Repayment of other financial liabilities	**(104 120)**	(741 053)
Repayment of vendors for acquisition	**–**	(3 950)
Disposal of subsidiaries (note 14)	**(5 191)**	(3 294)
Write-off of vendors for acquisition	**(188)**	—
Interest accrued on other financial liabilities	**85 399**	180 213
Interest repaid on other financial liabilities	**(86 275)**	(195 669)
Movement in capitalisation of debt restructuring fee	**13 547**	9 031
Recognition of cash-based long-term incentive	**8 335**	—
Other non-cash items	**5 786**	4 083
Closing balance before liabilities directly associated with assets held for sale	**1 396 601**	1 434 668
Liabilities directly associated with assets held for sale (note 13)	**(205)**	(306)
	1 396 396	1 434 362
Financial instruments		
Measured at amortised cost	**1 388 061**	1 434 174
Financial liabilities carried at fair value through profit or loss	**–**	188
Cash-based long-term incentive	**8 335**	—
	1 396 396	1 434 362
Vendors for acquisition		
Current financial liabilities	**–**	188
	–	188

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

Interest-bearing bank loans are secured through a Security 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.

16. Other financial liabilities continued

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 and secured through Security SPV:
- a senior amortising term facility of three-month JIBAR + 545 basis points repayable on 1 April 2025; and
- a senior amortising bridge facility of one-month JIBAR + 842 basis points repayable on 31 December 2023.

The Group has the following continuing debt covenant limits in respect of the above mentioned loans:
- debt to EBITDA ratio of 2.25x or lower, whereas the actual ratio was 2.45x;
- debt to free cash flow ratio of 6x or lower, whereas the actual ratio was 7.74x; and
- interest cover ratio of 3.5x or higher, whereas the actual ratio was 6.49x.

Subsequent to the period end, the lenders provided consent to waive the quarterly covenant compliance.

With the completion of the rights issue subsequent to 31 January 2023 the Group has 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 into the following package:
- R200 million four-year amortising term loan;
- R250 million three-year bullet term loan;
- R250 million four-year revolving credit facility; and
- R500 million general banking facilities which will include a working capital facility and ancillary banking facilities

Refer to note 22 for additional information.

Cash-based long-term incentive

Members of the Group's executives, divisional executives and management are granted cash-based unit long-term incentives ("CBLTIs") settled in cash. These awards vest subject to the achievement of designated performance criteria (non-market performance conditions) and subject to an employment condition. The employment condition is deemed to have been satisfied if the grantee remains in the employ of the Group on vesting of the units. The awards vest in a three-year period subject to the meeting of performance and employment conditions. The Board initially approved the award of CBLTIs during the current period.

The liability for the CBLTIs is measured, initially, and at the end of each reporting period, until settled, at the fair value of the CBLTIs, applying an appropriate valuation model taking into account the terms and conditions under which the CBLTIs were granted, the expected achievement of non-market performance conditions, and the extent to which services have been rendered by the grantees to date.

The expense recognised during the period arising from the CBLTIs cash-settled share-based payment transactions amounted to R8 million (2022: Rnil).

There have been no cancellations or modifications to the awards during the reporting period.

A reconciliation of the movement of the CBLTIs is detailed below:

Cash-based long-term incentives

Number of awards	2023	2022
Opening balance	–	–
Granted during the year	8 583 041	–
Closing balance	8 583 041	–
Vesting of CBLTIs		
Exercise date within one year	2 647 059	–
Exercise date between two and five years	5 935 982	–
	8 583 041	–

Notes to the interim condensed consolidated financial statements *continued*

For the six months ended 31 January 2023

17. Provisions

Figures in Rand thousand	Provision for over-invoicing	PAYE provision	Onerous contracts	Total
Opening balance at 1 August 2021	88 875	216 234	19 190	324 299
Raised during the year	65 448	8 782	5 436	79 666
Paid	—	(46 189)	—	(46 189)
Transferred to trade and other payables	(42 025)	—	—	(42 025)
Audited balance at 31 July 2022	**112 298**	**178 827**	**24 626**	**315 751**
Released during the period	**—**	**—**	**(11 085)**	**(11 085)**
Paid	**—**	**—**	**(166)**	**(166)**
Transferred to trade and other payables	**(112 298)**	**—**	**—**	**(112 298)**
Unaudited balance at 31 January 2023	**—**	**178 827**	**13 375**	**192 202**

At the initial stage of the ENSafrica investigation, three contracts were identified as having apparent irregularities including collusion to bypass the State Information Technology ("SITA") process to enable over-invoicing. The provision for the over-invoicing was raised in 2019.

During the current period the Group, the Special Investigating Unit ("SIU") and the Department of Water and Sanitation ("DWS") have concluded an agreement regarding payment of a settlement amount by the Group to the DWS of:

- An initial upfront payment of R65 million which relates to duplicated software licences which will be refunded; and
- The remainder of an amount of R112 million to be paid over a period of 36 months commencing in January 2023.

The remaining balance was accordingly transferred out of provisions to trade and 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 is contesting. Further detail around the contingency is disclosed in note 21.

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.

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, including their levels in the fair value hierarchy at 31 January 2023:

	Carrying amount					Fair value			
Figures in Rand thousand	Mandatorily at FVTPL	Amortised cost	Total	Held for sale	Balance	Level 1	Level 2	Level 3	Total
Financial assets									
Cash and cash equivalents	–	**265 344**	**265 344**	**(28 658)**	**236 686**	–	–	–	–
Trade and other receivables	–	**1 440 743**	**1 440 743**	**(12 628)**	**1 428 115**	–	–	–	–
Finance lease receivables	–	**75 176**	**75 176**	–	**75 176**	–	–	–	–
Other financial assets	–	**65 171**	**65 171**	–	**65 171**	–	–	–	–
Financial liabilities									
Trade and other payables	–	**714 804**	**714 804**	**(1 879)**	**712 925**	–	–	–	–
Lease liabilities	–	**76 731**	**76 731**	–	**76 731**	–	–	–	–
Other financial liabilities	–	**1 388 266**	**1 388 266**	**(205)**	**1 388 061**	–	–	–	–

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 2022:

	Carrying amount					Fair value			
Figures in Rand thousand	Mandatorily at FVTPL	Amortised cost	Total	Held for sale	Balance	Level 1	Level 2	Level 3	Total
Financial assets									
Cash and cash equivalents	–	458 367	458 367	(47 412)	410 955	–	–	–	–
Trade and other receivables	–	1 310 426	1 310 426	(51 219)	1 259 207	–	–	–	–
Finance lease receivables	–	81 315	81 315	–	81 315	–	–	–	–
Other financial assets	–	32 701	32 701	(700)	32 001	–	–	–	–
Financial liabilities									
Trade and other payables	–	540 386	540 386	(39 773)	500 613	–	–	–	–
Lease liabilities	–	106 887	106 887	–	106 887	–	–	–	–
Other financial liabilities	188	1 434 480	1 434 668	(306)	1 434 362	–	–	188	188

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 R54 million (year ended 31 July 2022: R195 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 2023

19. Cash generated from operations

Figures in Rand thousand	**Unaudited for the six months to 31 January 2023**	Unaudited for the six months to 31 January 2022
Profit before taxation from:	**44 332**	71 677
Continuing operations	**12 698**	69 703
Discontinued operations	**31 634**	1 974
Adjustments for:		
Depreciation and amortisation	**62 708**	114 699
Impairment losses on non-financial assets*	**–**	619
(Profit)/loss on disposal of subsidiaries, equity-accounted investments and property, plant and equipment	**(41 371)**	5 960
IFRS 5 remeasurement to fair value less costs to sell*	**2 616**	41 948
Share-based payment expense	**4 835**	9 139
Net finance costs	**97 630**	95 445
Net financial asset impairment reversals	**(5 576)**	(2 435)
Inventory write-off impairment/(reversals)	**5 187**	(1 137)
Write-off of historical trade balances	**–**	(13 127)
Movement in provisions	**(11 085)**	(6 930)
Foreign exchange losses/(gains)	**6 462**	(4 199)
Other non-cash items	**1 727**	8 582
Cash generated before changes in working capital	**167 465**	320 241
Working capital changes net of effects of disposal of subsidiaries	**(160 560)**	(62 630)
Decrease/(increase) in inventories	**2 231**	(21 263)
Decrease in trade and other receivables	**35 681**	11 703
Decrease in trade and other payables	**(198 472)**	(53 070)
Historical share-based payment plans paid out during the period	**(2 229)**	–
Cash generated from operations	**4 676**	257 611

* *Comparative amounts of impairment losses on non-financial assets, have been disaggregated to disclose such impairments related to IAS 36 impairments of goodwill and IFRS 5 remeasurements to fair value less costs to sell, to more accurately reflect the nature of impairment losses on non-financial assets.*

Notes to the interim condensed consolidated financial statements *continued*

For the six months ended 31 January 2023

20. Related-party transactions

The Group entered into various transactions with related parties.

Figures in Rand thousand	Unaudited at 31 January 2023	Audited at 31 July 2022
Loans receivable from joint ventures	–	–
Gross loans receivable from joint ventures	–	51 564
Allowances for expected credit losses on loans to joint ventures	–	(51 564)
Transactions between Group companies (subsidiaries)		
Sale of products and services	432 724	889 447
Purchases of products and services	373 970	642 132
Operating expenses	58 754	247 315
Outstanding loan balances		
Loans from EOH Holdings Limited to subsidiaries	2 859 887	2 859 887
Loans to EOH Holdings Limited from subsidiaries	227 396	227 396

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 underperformance by PiA) compel EOH to either ensure physical performance or settle such underperformance in cash terms. The continued provision of these guarantees is being discussed with the relevant clients. 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. All the projects subject to these PCGs are now substantially complete and have been handed over to the client. 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. 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 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 two of its staff outsourcing businesses. At 31 January 2023, the Group had provided for R179 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. To date, the settlement discussions with SARS have not been successful, as the EOH Group has made six different settlement offers, that have all been declined by SARS and the Group has subsequently filed an application in the High Court to have the SARS decisions set aside, on the basis of irrationality. 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 R98 million for the period 2020 to 2022 of the initial provision of R277 million was repaid up to 31 January 2023. Refer to note 17 for additional information.

21. Contingencies and commitments continued

Department of Home Affairs – ABIS (Biometric) arbitration

In November 2017, EOH and the Department of Home Affairs ("DHA") concluded a contract for the migration of certain biometric data for the DHA. EOH experienced significant difficulties attempting to achieve the contracted deliverables. On 31 March 2021, the aforementioned contract was assigned to a third party and the fulfilment of such contractual deliverables is no longer an EOH obligation. An arbitration process between EOH and the DHA, relating to the delay of the project and an EOH counter-claim for damages sustained in attempting to comply with the contract, is currently underway and yet to be finalised. The amount claimed by the DHA is approximately R44 million and the amount claimed by EOH is approximately R47 million. In May 2021, XON Systems Proprietary Limited ("XON") brought an application to set aside the award of the contract to EOH and the assignment to the third party. XON has since abandoned the application. It has been assessed, based on the DHA's claim that a contingent liability exists. Based on legal advice, the Group does not consider an outflow to be probable and is currently assessing whether or not to proceed with the arbitration.

Mehleketo Resources Proprietary Limited – in liquidation

Mehleketo Resources Proprietary Limited ("Mehleketo") 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 71 of 2008) inquiries. In 2022, the liquidators issued a summons against various companies within the EOH Group, for a total amount of approximately R136 million on the basis of voidable/collusive preferences. EOH disagrees with the liquidators' position and has defended the court action instituted by the liquidators and the litigation proceedings are currently underway. In a related matter, in November 2022, EOH received a letter from the Directorate for Priority Crime Investigation ("DPCI") requesting information relating to the liquidation of Mehleketo. EOH responded to the DPCI, sharing with them the information relating to the liquidators' summons.

Alteram Municipal Services Proprietary Limited – litigation

In 2017, EOH and Alteram Municipal Services Proprietary Limited ("Alteram") concluded an agreement in terms of which EOH subcontracted certain services to Alteram in relation to EOH's Department of Water and Sanitation contract. It was subsequently established that the ultimate beneficial owner of Alteram was the same party who helped facilitate the historic fraud and corruption within EOH. EOH, upon seeking expert legal advice on the matter, terminated the aforementioned contract with effect from February 2020. Alteram has since issued a summons against EOH for approximately R35 million claiming unlawful termination. EOH defended Alteram's action and that matter is set down for arbitration in the current financial year. It has been assessed in light of the Alteram's claim that a contingent liability exists. Based on legal advice, the Group does not consider an outflow to be probable.

Shema Power Lake Kivu ("SPLK")/Digital Industries Limited ("DI") – Dispute

EOH, via DI, 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 R53 million. EOH has defended the action and has instituted certain counterclaims in relation to the matter. The litigation proceedings are ongoing.

Commitments

Figures in Rand thousand	**Unaudited at 31 January 2023**	Audited at 31 July 2022
Expected, but not yet contracted capital expenditure	**49 000**	38 000
	49 000	38 000

22. Events after reporting date

Disposal of NuvoteQ

Effective 1 March 2023, the Group concluded the sale of 100% of the issued ordinary shares of NuvoteQ Proprietary Limited ("NuvoteQ") for a purchase consideration of R21 million. An amount of R35 million was received on 1 March 2023 which included an amount of R14 million for the settlement of outstanding EOH loan payable at time of disposal.

Disposal of Triclinium Clinical Development Proprietary Limited

Effective 1 February 2022, the Group concluded the sale of business of Triclinium Clinical Development Proprietary Limited ("TCD") for a purchase consideration of R44.6 million. Pursuant to the sale agreement, R15 million of the purchase consideration was retained in an interest-bearing escrow account for a period of 18 months. On 8 February 2023, being twelve months post the effective date of sale, R5.7 million of the escrow balance was received.

22. Events after reporting date continued

Disposal of Network Solutions and Hymax SA

Effective 1 September 2022, the Group concluded the sale of its Network Solutions business and of the entire issued share capital of Hymax SA for a purchase consideration of R136.9 million. Pursuant to the sale agreement, 20% of the purchase consideration was retained in an interest-bearing escrow account for a period of 12 months. On 2 March 2023, being six months post the effective date of sale, 50% of the escrow balance amounting to R13.7 million was received.

Disposal of Employee Benefits

On 16 March 2023, the Group entered into a share purchase agreement ("SPA") to dispose of 100% of the issued shares of CSO Employee Benefit Services Proprietary Limited, EOH Employee Benefits Proprietary Limited, Scientia Optimate Financial Services Proprietary Limited and HCI Financial Services Proprietary Limited (together "Employee Benefits"). The purchase consideration payable on the closing date amounts to R21 million. As agreed, an additional amount of R8.9 million relating to the non-restricted cash less working capital is also payable by the purchaser to the Group on closing date. The sale transaction is subject to the fulfilment or waiver of the suspensive conditions contained in the SPA.

Deleveraging

The proceeds (less transaction costs) of the rights offer and related transactions detailed below were used to repay amounts due to lenders. To date R558 million has been repaid in this regard of which R3 million related to interest.

On 22 March 2023, the lenders provided consent to waive the quarterly covenant compliance as at 31 January 2023.

With the completion of the rights issue subsequent to 31 January 2023 the Group concluded a term sheet with The Standard Bank of South Africa Limited (acting through its Corporate and Investment Banking division) on 31 March 2023 to refinance the remaining debt into the following package:

- R200 million four-year amortising term loan;
- R250 million three-year bullet term loan;
- R250 million four-year revolving credit facility; and
- R500 million general banking facilities which will include a working capital facility and ancillary banking facilities.

Rights offer and related transactions

The Group undertook a renounceable rights offer to raise R500 million, to qualifying shareholders. The rights offer comprised 384 615 384 rights offer shares in the ratio of 227 rights offer shares for every 100 EOH ordinary shares held at the close of trade on Friday, 27 January 2023 and at a price of R1.30 per rights offer share. In addition, the Group undertook a specific issue of ordinary shares at the above mentioned rights offer share price of R1.30 per share for cash to Lebashe. An amount of R100 million was raised from this specific issue and Lebashe was issued with 76 923 076 ordinary shares.

The rights issue closed on 10 February 2023 with the results thereof released on 13 February 2023. The rights issue is therefore considered to be a non-adjusting event after the reporting period. The total number of rights offer shares subscribed for and excess allocations applied for was 522 229 452 ordinary shares. On completion of the rights offer, the total number of shares in issue (including treasury shares and the specific issue to Lebashe) was 638 083 421 ordinary shares. An aggregate amount of R500 million was raised from the rights issue and R100 million from the specific issue.

As the rights issue price per share was below the fair value of the shares on the effective date, a bonus element is inherent in the rights offer. This is determined as the fair value per share before the exercise of rights as a proportion of the theoretical ex-rights value per share. The bonus element is 102 619 561 shares and has been taken into account as an adjustment when restating earnings/loss per share and headline earnings/loss per share for the current and prior period.

In keeping with the 2018 empowerment transaction, the Company and Lebashe have amended the A Share terms by:

(i) amending the strike price of the 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 A Shares by a further five years, 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.

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
Neill O'Brien (interim appointment 1 October 2022, resigned 31 October 2022)
Mpeo Nkuna (appointed with effect from 1 November 2022)

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