Summary Financial Results

for the year ended
31 July 2022

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

Contents

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

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EOH commentary

EOH's primary focus has been on ensuring we do sustainable business, and as we close out our disposal of assets and capital restructure, we are focused on our continuing business performance as this forms the basis of our forward-looking business. We saw improvements in our gross margins from continuing business up at 28% from 26% in the prior year and over an 80% improvement in our operating profit from continuing operations at R100 million in the current year.

Our interest burden remains the last issue we need to solve as our business is performing from an operational perspective. As a result of the high cost of interest and a capital structure that is not fit for purpose we ultimately posted a loss after tax from continuing operations of R160 million – an improvement from the loss after tax in the prior year of R307 million.

We saw an improvement of 27% against the previously reported continuing headline loss per share from 98 cents to 72 cents and continuing loss per share showed a 45% improvement from 181 cents to 99 cents.

Cash generation from total operations was strong at an 80% adjusted EBITDA cash conversion while our net working capital is stable at R218 million despite a tough economic environment. We refinanced our debt facilities with lenders on 31 March 2022 in to a R500 million senior three-year term facility and a senior bridge facility, with R728 million currently outstanding on the senior bridge facility and ended the year with R459 million of cash and R250 million of undrawn direct overdraft facilities.

We continue to drive digitisation and automation of our business and expect to be live on our cloud-based ERP by the end of the calendar year. This should result in efficiency and simplicity unlock in the business.

Capital structure

The reduction of EOH's debt and the finalisation of an overall sustainable capital structure were key priorities in FY2022. Debt, which has been one of our critical areas of concern, has decreased significantly from R2 billion at the end of January 2022 to R1.3 billion at year end, and subsequently R1.2 billion post year end as a result of the conclusion of our major asset disposals. The conclusion of the common terms agreement ("CTA") with our lenders has brought more stability to our capital structure.

Following negotiations with lenders, we successfully refinanced the existing R1.9 billion debt into a R1.4 billion senior bridge facility repayable on or before 1 April 2023, and subsequently extended by lenders to 31 December 2023, and a R500 million three-year senior term loan, due on 1 April 2025. Proceeds from the sale of Sybrin and the Information Services Group ("InfoSys") reduced the senior bridge facility to R832 million. The proceeds from the sale of Network Solutions and Hymax SA post year end reduced the senior bridge facility by a further R104 million to R728 million. Over time, we believe the business should achieve a sustainable gearing level of c.1.0x to 1.5x net debt/adjusted EBITDA ("LTM") which will position the business for future growth opportunities. The cost of debt and refinancing costs seen in FY2022 unfortunately increased the finance cost line. When combined with the increase in the repo rate we have seen our blended cost of debt increase by 230 basis points over the financial year. With a normalised capital structure we would also expect to see the margin we pay on JIBAR decrease by between 200 and 300 basis points.

Further, right-sizing the capital structure will allow EOH to pursue a growth strategy, immediately improve earnings and ultimately lead to a value unlock for shareholders. The final resolution of the capital structure therefore remains a business imperative, particularly in the context of the current rising interest rate environment.

Improved earnings quality

From a revenue perspective we have seen our revenue stabilising and from an iOCO perspective, revenue is expected to grow again once the impact of legacy and low margin contracts are removed from the base.

Our focus on quality of earnings is paying off, with a steady increase in gross profit, EBITDA and operating margins and HEPS over the past three years. iOCO's closing out of legacy contracts in the prior year, and the beginnings of the turnaround in NEXTEC's results in the current year, have all contributed to the improvement in margins.

Continued focus on cost containment

The drive to remain agile at an operating-expense level was also key in ensuring we delivered an operating profit from continuing operations.

In an external environment marked by continuing volatility and uncertainty, it is crucial that we maintain a cost structure that allows us to weather headwinds and respond quickly to opportunities. We have worked to reduce our fixed-cost base, including the exit of property leases and expect further cost savings as a result. Property rationalisation started in 2019 and we have exited 151 buildings, saving an estimated R256 million in annual costs. We anticipate saving a further R45 million in 2023 based on 25 lease exits in the 2022 financial year as we close this chapter. We have had similar success in reducing legal entities from 272 to 112 by financial year end. This has significant administrative, tax, audit and finance-efficiency implications alongside the reduction in business risk. We also expect to see further savings coming through in 2023.

Liquidity

We had a good year from a liquidity perspective, with adjusted EBITDA-to-cash conversion at 80%. EOH continued to closely manage its working capital and liquidity, with gross cash balances of R459 million as of 31 July 2022, including foreign and restricted cash, but excluding its R250 million direct overdraft facility which remained undrawn at year end.

Settlement of legacy issues

Legacy issues involving ongoing provisions include: A PAYE provision related to a dispute with SARS. We have now taken this matter to the High Court to try and find a solution after trying unsuccessfully on six separate occasions to settle with SARS.

A provision has been raised related to the settlement of overbilling of licences with the Department of Water and Sanitation ("DWS"). We are close to settling this matter and have in principle come to agreement with the Special Investigations Unit ("SIU"). We expect to conclude a settlement agreement with the SIU during November 2022. This provision is at R112 million, to be payable in instalments.

FY2023 focus

We expect to finalise our capital structure by early 2023 which will set the business up to accelerate our growth-led strategy. Our focus will remain on driving revenue growth at good margins primarily through our iOCO Digital business, our International expansion and our Infrastructure Services business.

From an efficiency perspective we expect to go live towards the calendar year end of 2022 with the implementation of the fit-for-purpose ERP system and expect to see significant benefits flowing from the automation and consistency of processes the system will bring. We will continue to focus on our legal structure and reduce the number of legal entities within the Group to less than 100.

Stephen van Coller
Group Chief Executive Officer

Independent auditor's report on the summary consolidated financial statements

To the shareholders of EOH Holdings Limited

Opinion

The summary consolidated financial statements of EOH Holdings Limited, contained in the accompanying preliminary report, which comprise the summary consolidated statement of financial position as at 31 July 2022, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of EOH Holdings Limited for the year ended 31 July 2022.

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

Summary consolidated financial statements

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

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 26 October 2022. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Director's responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, set out in note 2 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements*.

Auditor's responsibility

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: D.H. Höll
Registered Auditor
Johannesburg, South Africa

26 October 2022

* *The examination of controls over the maintenance and integrity of the Group's website is beyond the scope of the audit of the summary financial statements. Accordingly, we accept no responsibility for any changes that may have occurred to the summary financial statements since they were initially presented on the website.*

Summary consolidated statement of profit or loss and other comprehensive income

For the year ended 31 July 2022

Figures in Rand thousand	Notes	2022	Restated* 2021
Continuing operations			
Revenue	6	**6 031 100**	6 472 428
Cost of sales		**(4 341 284)**	(4 791 271)
Gross profit		**1 689 816**	1 681 157
Net financial asset impairment losses	8	**(59 719)**	(80 974)
Operating expenses		**(1 530 455)**	(1 544 974)
Operating profit		**99 642**	55 209
Investment income		**26 322**	9 180
Share of equity-accounted profits		**–**	2 972
Finance costs		**(216 292)**	(277 267)
Loss before taxation		**(90 328)**	(209 906)
Taxation		**(69 918)**	(97 249)
Loss for the year from continuing operations		**(160 246)**	(307 155)
Profit for the year from discontinued operations	9	**141 847**	27 353
Loss for the year		**(18 399)**	(279 802)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations^		**(10 028)**	(21 588)
Reclassification of foreign currency translation differences on loss of control and joint control^		**(71 716)**	13 498
Total comprehensive loss for the year		**(100 143)**	(287 892)
(Loss)/profit attributable to:			
Owners of EOH Holdings Limited		**(24 868)**	(279 655)
Non-controlling interests		**6 469**	(147)
		(18 399)	(279 802)
Total comprehensive (loss)/income attributable to:			
Owners of EOH Holdings Limited		**(107 628)**	(289 459)
Non-controlling interests		**7 485**	1 567
		(100 143)	(287 892)
From continuing and discontinued operations (cents)			
Loss per share		**(15)**	(166)
Diluted loss per share		**(15)**	(166)
From continuing operations (cents)			
Loss per share		**(99)**	(181)
Diluted loss per share		**(99)**	(181)

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2022.*

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

Summary consolidated statement of financial position

As at 31 July 2022

Figures in Rand thousand	Notes	2022	2021
Assets			
Non-current assets			
Property, plant, equipment and right-of-use assets		**184 788**	341 464
Intangible assets		**83 515**	64 493
Goodwill	11	**674 574**	745 844
Equity-accounted investments		**—**	8 260
Other financial assets		**18 150**	—
Deferred taxation		**105 705**	116 853
Finance lease receivables		**10 723**	8 030
		1 077 455	1 284 944
Current assets			
Inventories	12	**90 122**	112 548
Other financial assets		**13 851**	11 058
Current taxation receivable		**35 095**	38 563
Finance lease receivables		**70 592**	101 299
Trade and other receivables		**1 828 655**	1 928 570
Cash and cash equivalents		**410 955**	824 902
		2 449 270	3 016 940
Assets held for sale	13	**225 532**	1 118 510
Total assets		**3 752 257**	5 420 394
Equity and liabilities			
Equity			
Stated capital	15	**4 217 285**	4 217 285
Shares to be issued to vendors		**393**	393
Other reserves		**494 754**	598 500
Accumulated loss		**(4 678 738)**	(4 658 537)
Equity attributable to the owners of EOH Holdings Limited		**33 694**	157 641
Non-controlling interests		**26 360**	20 153
Total equity		**60 054**	177 794
Liabilities			
Non-current liabilities			
Other financial liabilities	16	**496 486**	—
Lease liabilities		**51 438**	80 669
Deferred taxation		**28 258**	59 482
		576 182	140 151
Current liabilities			
Other financial liabilities	16	**937 876**	2 567 523
Current taxation payable		**36 481**	45 591
Lease liabilities		**55 449**	82 641
Trade and other payables		**1 700 828**	1 796 284
Provisions		**315 751**	324 299
		3 046 385	4 816 338
Liabilities directly associated with assets held for sale	13	**69 636**	286 111
Total liabilities		**3 692 203**	5 242 600
Total equity and liabilities		**3 752 257**	5 420 394

Summary consolidated statement of changes in equity

For the year ended 31 July 2022

Figures in Rand thousand	Stated capital	Shares to be issued to vendors	Other reserves	Accumulated loss	Equity attributable to the owners of EOH Holdings Limited	Non-controlling interests	Total equity
Balance at 1 August 2020	4 217 285	15 300	633 967	(4 422 991)	443 561	29 624	473 185
Loss for the year	–	–	–	(279 655)	(279 655)	(147)	(279 802)
Other comprehensive (loss)/income	–	–	(9 804)	–	(9 804)	1 714	(8 090)
Non-controlling interest disposed	–	–	–	–	–	(9 816)	(9 816)
Movement in treasury shares	–	–	–	(1 145)	(1 145)	–	(1 145)
Transfer within equity*	–	(14 907)	(30 347)	45 254	–	–	–
Share-based payments	–	–	4 684	–	4 684	–	4 684
Dividends declared	–	–	–	–	–	(1 222)	(1 222)
Balance at 31 July 2021	4 217 285	393	598 500	(4 658 537)	157 641	20 153	177 794
(Loss)/profit for the year	**–**	**–**	**–**	**(24 868)**	**(24 868)**	**6 469**	**(18 399)**
Other comprehensive (loss)/income	**–**	**–**	**(82 760)**	**–**	**(82 760)**	**1 016**	**(81 744)**
Non-controlling interest disposed	**–**	**–**	**–**	**–**	**–**	**(1 278)**	**(1 278)**
Transfer within equity*	**–**	**–**	**(4 667)**	**4 667**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**17 468**	**–**	**17 468**	**–**	**17 468**
Share-based payments paid out during the year	**–**	**–**	**(33 787)**	**–**	**(33 787)**	**–**	**(33 787)**
Balance at 31 July 2022	**4 217 285**	**393**	**494 754**	**(4 678 738)**	**33 694**	**26 360**	**60 054**
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.*

Summary consolidated statement of cash flows

For the year ended 31 July 2022

Figures in Rand thousand	Notes	2022	2021
Cash generated from operations	18	**402 875**	404 942
Investment income received		**10 156**	13 280
Dividends received from equity-accounted investments		**–**	1 200
Interest paid		**(213 920)**	(229 207)
Taxation paid		**(79 182)**	(109 918)
Net cash inflow from operating activities		**119 929**	80 297
Cash flows from investing activities			
Additions to property, plant and equipment		**(47 119)**	(50 524)
Proceeds on the sale of property, plant, equipment and intangible assets		**21 121**	55 943
Intangible assets acquired		**(48 015)**	(79 314)
Cash receipt from disposal of businesses, net of cash given up	14	**747 843**	212 936
Cash inflow relating to other financial assets		**5 000**	–
Cash outflow relating to other financial assets		**(40 032)**	–
Increase in restricted cash		**(812 948)**	(547 516)
Decrease in restricted cash		**823 816**	623 019
Net cash inflow from investing activities		**649 666**	214 544
Cash flows from financing activities			
Dividends paid to non-controlling interests		**–**	(1 222)
Proceeds from other financial liabilities	16	**–**	52 387
Repayment of other financial liabilities	16	**(745 003)**	(527 358)
Principal elements of lease payments		**(92 074)**	(137 205)
Net cash outflow from financing activities		**(837 077)**	(613 398)
Net decrease in cash and cash equivalents		**(67 482)**	(318 557)
Cash and cash equivalents at the beginning of the year		**437 237**	530 584
Assets held for sale at the beginning of the year	13	**88 444**	328 743
Assets held for sale at the end of the year	13	**(47 412)**	(88 444)
Exchange gains/(losses) on cash and cash equivalents		**168**	(15 089)
Cash and cash equivalents at the end of the year		**410 955**	437 237

Consolidated segment results

For the year ended 31 July 2022

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

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

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

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

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

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

Consolidated segment results *continued*

For the year ended 31 July 2022

Revenue, gross profit and adjusted EBITDA

Figures in Rand thousand	2022 iOCO	2022 NEXTEC	2022 IP	2022 Recon-ciliation^	2022 Total	Restated* 2021 iOCO	Restated* 2021 NEXTEC	Restated* 2021 IP	Restated* 2021 Recon-ciliation^	Restated* 2021 Total
External	**4 667 704**	**1 781 301**	**481 543**	**–**	**6 930 548**	4 920 733	2 142 540	819 150	–	7 882 423
Hardware sales	**289 814**	**419 598**	**7 564**	**–**	**716 976**	259 522	471 627	15 666	–	746 815
Services	**3 798 401**	**1 332 455**	**471 354**	**–**	**5 602 210**	4 279 124	1 587 284	786 071	–	6 652 479
Software/licence contracts	**545 753**	**20 060**	**2 321**	**–**	**568 134**	340 469	25 919	17 169	–	383 557
Rentals	**33 736**	**9 188**	**304**	**–**	**43 228**	41 618	57 710	244	–	99 572
Intersegment	**207 803**	**44 450**	**2 178**	**(254 431)**	**–**	275 833	49 088	2 239	(327 160)	–
Hardware sales	**49 092**	**3 087**	**–**	**(52 179)**	**–**	53 336	2 055	–	(55 391)	–
Services	**139 887**	**41 363**	**2 178**	**(183 428)**	**–**	213 688	47 033	2 239	(262 960)	–
Software/licence contracts	**16 311**	**–**	**–**	**(16 311)**	**–**	5 037	–	–	(5 037)	–
Rentals	**2 513**	**–**	**–**	**(2 513)**	**–**	3 772	–	–	(3 772)	–
Gross revenue	**4 875 507**	**1 825 751**	**483 721**	**(254 431)**	**6 930 548**	5 196 566	2 191 628	821 389	(327 160)	7 882 423
Gross profit	**1 500 676**	**468 510**	**255 951**	**(211 218)**	**2 013 919**	1 383 927	509 084	454 647	(147 205)	2 200 453
Gross profit (%)	**30.8%**	**25.7%**	**52.9%**	**–**	**29.1%**	26.6%	23.2%	55.4%	–	27.9%

* *Comparative figures previously reported have been restated to reflect the transfers between segments for the year ended 31 July 2022.*

^ *Reconciliation comprises elimination of intersegment transactions.*

The above table comprises both continuing and discontinued operations.

Consolidated segment results *continued*

For the year ended 31 July 2022

Revenue, gross profit and adjusted EBITDA continued

Figures in Rand thousand	2022 iOCO	2022 NEXTEC	2022 IP	2022 Recon-ciliation^	2022 Total	Restated* 2021 iOCO	Restated* 2021 NEXTEC	Restated* 2021 IP	Restated* 2021 Recon-ciliation^	Restated* 2021 Total
Adjusted EBITDA	**529 897**	**30 971**	**105 572**	**(162 849)**	**503 591**	538 912	(33 132)	249 962	(88 537)	667 205
Adjusted EBITDA (%)	**10.9%**	**1.7%**	**21.8%**	**–**	**7.3%**	10.4%	(1.5)%	30.4%	–	8.5%
Material expenses included in adjusted EBITDA:										
Employee costs	**2 321 733**	**734 161**	**219 803**	**200 018**	**3 475 715**	2 754 272	912 075	356 006	178 237	4 200 590

* *Comparative figures previously reported have been restated to reflect the transfers between segments for the year ended 31 July 2022.*

^ *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	2022	Restated* 2021
Operating profit		**282 125**	146 955
Operating profit from continuing operations		**99 642**	55 209
Operating profit from discontinued operations	9	**182 483**	91 746
Depreciation		**153 846**	227 516
Amortisation		**49 534**	47 151
Impairment losses on non-financial assets**		**6 938**	375
IAS 36 Impairment of goodwill**		**13 881**	136 359
IFRS 5 Remeasurement to fair value less costs to sell**		**59 454**	46 207
Loss on disposal of intangible assets and property, plant and equipment		**15 903**	6 824
Share-based payment expense		**17 468**	4 705
Changes in fair value of vendors for acquisition		**–**	10 864
Interest allocation		**10**	549
(Profit)/loss on disposal of subsidiaries and equity-accounted investments		**(95 568)**	39 700
Adjusted EBITDA		**503 591**	667 205

* *Comparative figures previously reported have been restated to reflect the transfers between segments for the year ended 31 July 2022.*

** *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.*

As a result of the stabilisation of the Group, the difference between adjusted EBITDA and core normalised EBITDA, as has been previously disclosed, is negligible. As a result, the Group has used adjusted EBITDA as its performance measure and will continue to do so going forward. Comparative disclosures have been amended to include only adjusted EBITDA.

Notes to the summary consolidated financial statements

For the year ended 31 July 2022

1. Reporting entity

EOH Holdings Limited ("EOH" or "the Company") is a holding company domiciled in South Africa that is listed on the JSE Limited under the category Technology: Software and Computer Services. EOH is one of the largest 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 summary consolidated financial statements of EOH for the year ended 31 July 2022, comprise the Company and its subsidiaries and the Group's investments in associates and joint ventures (together referred to as "the Group").

2. Basis of preparation

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

The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated financial statements.

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

3. 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 summary consolidated financial statements of the Group 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.

Notes to the summary consolidated financial statements *continued*

For the year ended 31 July 2022

3. Going concern continued

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

The financial performance, condition and cash flows for the Group reflect a loss for the year of R18 million, an improvement from the prior year loss of R280 million, net asset value attributable to the owners of EOH Holdings Limited at the end of the year of R34 million (2021: R158 million), and cash inflows from operating activities of R120 million (2021: R80 million), (including continuing and discontinued operations). Details of the financial performance, condition and cash flows for the Group are explained in the consolidated financial statements. A detailed action plan for deleveraging the Group to a sustainable level and resolving the "fit-for-purpose" cost structure was developed by the Group and its lenders and committed to. 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.

Following negotiation with lenders, on 1 April 2022 post the conclusion of all conditions precedent, the Group successfully refinanced the remaining R1.9 billion debt and existing facilities available (refer to note 16 for additional information) into:

1. a R1.4 billion senior bridge facility originally repayable on or before 1 April 2023 and subsequently extended by lenders on 12 October 2022 to 31 December 2023 (note 21);
2. a R500 million three-year senior term loan, due on 1 April 2025; and
3. a R250 million direct overdraft facility, of which no amounts were 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 Sybrin and InfoSys during the year have reduced the senior bridge facility to R832 million. Subsequent to year end, the sales of the Network Solutions business and Hymax (SA) Proprietary Limited ("Hymax SA") were concluded, further reducing the bridge facility to R728 million.

As at year end the Group had R459 million of cash available (continuing and discontinued operations) including foreign and restricted cash but excluding the undrawn direct overdraft facility of R250 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 reduction of EOH's debt and finalisation of an overall sustainable capital structure remains a key priority for EOH's management team and Board.

With the deleveraging strategy approaching completion, the Group has been actively assessing its strategic options with regard to achieving an optimal long-term capital structure that will allow the Group to pursue its growth strategy, immediately improve earnings and ultimately lead to value creation for shareholders. The Board and management continue to assess the Group's capital restructuring options.

Notes to the summary consolidated financial statements *continued*

For the year ended 31 July 2022

3. Going concern continued

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. The Group's current liabilities exceeded its current assets by R597 million, with the subsequent events of extending the repayment of the senior bridge facility to 31 December 2023, this will result in current assets exceeding current liabilities, refer to note 21;
3. There is an approved budget for the following 36 months;
4. There are monthly cash flow forecasts for the following 17 months to 31 December 2023 and annual forecasts for the 36 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
5. The Group has sufficient access to facilities and liquidity events to fund operations for the following 17 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 summary consolidated financial statements for the year ended 31 July 2022, 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 summary 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 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 summary consolidated financial statements.

4. Audit opinion

These summary consolidated financial statements for the year ended 31 July 2022 have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated financial statements from which these summary consolidated financial statements were derived.

The audited consolidated financial statements and the auditor's report thereon are available for inspection at the Company's registered office and on the Company's website at www.eoh.co.za.

5. New standards and interpretations

5.1 Adoption of new standards, amendments to standards and interpretations

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

Notes to the summary consolidated financial statements *continued*

For the year ended 31 July 2022

5. New standards and interpretations continued

5.2 Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not effective for 31 July 2022 reporting periods. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

The following new or revised IFRS and interpretations have effective dates applicable to future financial years and have not been early adopted:

- Effective from 1 August 2022:
  - Onerous Contracts – Cost of Fulfilling a Contract (Amendment to IAS 37);
  - Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
  - Reference to the Conceptual Framework (Amendments to IFRS 3); and
  - Annual Improvements to IFRS Standards 2018 – 2020, pertaining to IFRS 1, IFRS 9, IFRS 16 and IAS 41.
- Effective from 1 August 2023:
  - Disclosure of Accounting Policy (Amendments to IAS 1 and IFRS Practice Statement 2);
  - Definition of Accounting Estimate (Amendments to IAS 8);
  - Amendments regarding deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12); and
  - Classification of liabilities as current or non-current (Amendments to IAS 1).

5.3 Standards and interpretations early adopted

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

6. Revenue

Disaggregated revenue

Figures in Rand thousand	2022	Restated* 2021
Revenue by sector		
Public sector	**16%**	22%
Private sector	**84%**	78%
Total	**100%**	100%
Major revenue types		
Hardware sales	**716 976**	746 815
Services	**5 602 210**	6 652 479
Software/licence contracts	**568 134**	383 557
Rentals**	**43 228**	99 572
Total	**6 930 548**	7 882 423
Continuing operations	**6 031 100**	6 472 428
Discontinued operations	**899 448**	1 409 995
Total	**6 930 548**	7 882 423

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2022.*

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

Notes to the summary consolidated financial statements *continued*

For the year ended 31 July 2022

7. Headline loss per share

	2022	Restated* 2021
Headline loss per share and diluted headline loss per share		
Headline loss from continuing operations (R'000)	**(121 700)**	(165 160)
Weighted average number of shares in issue ('000)**	**168 755**	168 737
Headline loss per share from continuing operations (cents)	**(72)**	(98)
Diluted headline loss per share from continuing operations (cents)	**(72)**	(98)
Headline loss from continuing and discontinued operations (R'000)	**(29 925)**	(37 135)
Weighted average number of shares in issue ('000)**	**168 755**	168 737
Headline loss per share from continuing and discontinued operations (cents)	**(18)**	(22)
Diluted headline loss per share from continuing and discontinued operations (cents)	**(18)**	(22)

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2022.*

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

Figures in Rand thousand	**2022**		Restated* 2021	
Reconciliation between earnings, headline earnings and diluted headline earnings from continuing and discontinued operations	**Gross**	**Net**	**Gross**	**Net**
Loss attributable to owners of EOH Holdings Limited	**(24 868)**	**(24 868)**	(279 655)	(279 655)
Adjusted for:				
Loss on disposal of intangible assets and property, plant and equipment	**15 903**	**12 341**	6 824	5 295
(Profit)/loss on disposal of subsidiaries and equity-accounted investments	**(95 568)**	**(95 568)**	39 700	39 700
IAS 36 impairment of goodwill	**13 881**	**13 881**	136 359	136 359
IAS 36 impairment of intangible assets and property, plant and equipment	**6 938**	**4 995**	20 778	14 960
IFRS 5 remeasurement to fair value less costs to sell	**59 454**	**59 454**	46 207	46 207
Total non-controlling interest effects on adjustments	**(160)**	**(160)**	(1)	(1)
Headline loss from continuing and discontinued operations	**(24 420)**	**(29 925)**	(29 788)	(37 135)

Notes to the summary consolidated financial statements *continued*

For the year ended 31 July 2022

7. Headline loss per share continued

Figures in Rand thousand	2022		Restated* 2021	
Reconciliation between earnings, headline earnings and diluted headline earnings from continuing operations	**Gross**	**Net**	**Gross**	**Net**
Loss attributable to owners of EOH Holdings Limited	**(24 868)**	**(24 868)**	(279 655)	(279 655)
Adjusted for discontinued operations (note 9)	**(142 356)**	**(142 356)**	(26 008)	(26 008)
Continuing loss attributable to ordinary shareholders	**(167 224)**	**(167 224)**	(305 663)	(305 663)
Continuing operations adjustments:				
Loss on disposal of intangible assets and property, plant and equipment	**15 920**	**12 354**	6 141	4 766
Profit on disposal of subsidiaries and equity-accounted investments	**(3 112)**	**(3 112)**	(16 889)	(16 889)
IAS 36 impairment of goodwill	**13 881**	**13 881**	136 359	136 359
IAS 36 impairment of intangible assets and property, plant and equipment	**7 023**	**5 056**	8 938	6 435
IFRS 5 remeasurement to fair value less costs to sell	**17 506**	**17 506**	9 833	9 833
Total non-controlling interest effect on adjustments	**(161)**	**(161)**	(1)	(1)
Headline loss from continuing operations	**(116 167)**	**(121 700)**	(161 282)	(165 160)

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2022.*

8. Net financial asset impairment losses

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

Figures in Rand thousand	2022	Restated* 2021
Impairment loss on trade and other receivables	**30 040**	32 507
Impairment (reversal)/loss on other financial assets	**(1 345)**	45 554
Impairment loss/(reversal) on contract assets	**3 049**	(2 826)
Impairment loss on finance lease receivables	**27 975**	5 739
	59 719	80 974

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2022.*

9. Discontinued operations

Identification and classification of discontinued operations

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

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

The Group's intention to dispose of these non-core assets triggered an initial impairment assessment on the underlying assets and these continued to be measured at fair value less costs to sell in the current financial year. The resulting impairment has been allocated to the identified disposal groups (note 13).

9. Discontinued operations continued

Figures in Rand thousand	2022	Restated* 2021
Revenue	**899 448**	1 409 995
Cost of sales	**(575 345)**	(890 699)
Gross profit	**324 103**	519 296
Net financial asset impairment losses	**(3 267)**	(9 519)
Remeasurement to fair value less costs to sell	**(41 948)**	(36 374)
Gain/(loss) on disposal	**92 456**	(56 589)
Other operating expenses	**(188 861)**	(325 068)
Operating profit	**182 483**	91 746
Investment income	**468**	4 100
Finance costs	**(2 937)**	(8 758)
Profit before taxation	**180 014**	87 088
Taxation	**(38 167)**	(59 735)
Profit for the year from discontinued operations	**141 847**	27 353
Attributable to:		
Owners of EOH Holdings Limited	**142 356**	26 008
Non-controlling interests	**(509)**	1 345
Earnings per share (cents)		
Earnings per share from discontinued operations	**84**	15
Diluted earnings per share from discontinued operations	**84**	15
Net cash flows in relation to discontinued operations:		
Net decrease in cash and cash equivalents	**(97 948)**	(281 831)
Operating activities	**(11 704)**	21 884
Investing activities	**(78 871)**	(290 782)
Financing activities	**(7 373)**	(12 933)

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2022.*

Profit before taxation before including the gain/(loss) on disposal and remeasurement to fair value less costs to sell was R129.5 million (2021: R180.1 million).

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 R81 million (2021: R67 million) and intangible assets at a value of R66 million (2021: R79 million). The Group disposed of property, plant and equipment with a carrying value of R35 million (2021: R56 million) and intangible assets with a carrying value of R2 million (2021: R18 million).

An impairment charge of R6 million and R2 million (2021: R21 million and Rnil) against property, plant, equipment and right-of-use assets, and intangible assets respectively has been recognised at year end.

11. Goodwill

Figures in Rand thousand	**2022**	2021
Cost	**3 101 392**	3 225 516
Accumulated impairments	**(1 885 984)**	(1 704 698)
Opening balance	**1 215 408**	1 520 818
Foreign currency translation	**(388)**	(6 688)
Disposals	**(432 758)**	(117 436)
Impairments: discontinued operations	**(41 948)**	(36 374)
Impairments: continuing operations	**(24 597)**	(144 912)
Closing balance before assets held for sale	**715 717**	1 215 408
Cost	**2 581 371**	3 101 392
Accumulated impairments	**(1 865 654)**	(1 885 984)
Assets held for sale (note 13)	**(41 143)**	(469 564)
Closing balance	**674 574**	745 844

Goodwill is tested annually for impairment or more frequently where impairment indicators are identified. A number of economic and operational events during the year ended 31 July 2022 had a negative impact on EOH's market capitalisation and certain underlying businesses. The Group's annual review of goodwill highlighted impairments of R67 million (R3 million in the iOCO segment, R22 million in the NEXTEC segment and R42 million in the IP segment).

iOCO

With the continued effort to re-organise and simplify the corporate structure, several businesses have been shifted within the organisations and between segments, which resulted in the movement of goodwill attributable to certain CGUs and the aggregation of assets identified within the CGU. In the current financial year, the Employee Benefits CGU was moved from iOCO to the NEXTEC segment, the Legal CGU was subdivided into the Legal Transcription CGU and Legal Consulting CGU and two business units that will no longer be managed and reported as part of the Freethinking cluster have been removed from the composition of assets identified in the Freethinking CGU.

11. Goodwill continued

iOCO continued

Goodwill amounting to R3 million attributable to the Legal Transcription CGU was fully impaired. The impairment was predominantly driven by the loss of the key contract in the transcription services division which contributed over 60% of its revenue. Management is exploring the discontinuation of this division and therefore the recoverable amount for the Legal Transcription CGU was considered to be negligible.

NEXTEC

An impairment of R11 million attributable to the Employee Benefits CGU was recognised as a result of its write-down to fair value less cost of disposal. Employee Benefits CGU is classified as held for sale. Its recoverable amount based on fair value less cost of disposal amounted to R24 million.

As part of the Group's re-organisation and corporate structure simplification, Exigo Sustainability CGU has been merged with the Coastal and Environmental Services ("CES") CGU. The performance of these businesses is now collectively managed, measured and reported on by a single executive team, sharing the same markets and offering its services collectively to prospective customers.

During the current year, CES CGU (including Exigo Sustainability) was impaired by R3 million due to the reduction in revenue and increased operational costs, particularly outsourcing costs, resulting from the loss of key employees. The recoverable amount for CES CGU amounted to R8 million.

The goodwill in the Energy Insight CGU was impaired by R7 million due to lower investment in projects from traditional customers including Eskom and increased competition with pricing pressures reducing gross profit margins. The recoverable amount for Energy Insight CGU amounted to R6 million.

The goodwill balance in Compu Power CGU of R1 million was fully impaired. The impairment was driven by working capital constraints resulting from upfront payment to foreign suppliers and delayed delivery of stock as well as loss of significant tenders. The recoverable amount for Compu Power CGU amounted to R8 million.

IP

Goodwill impairment amounting to R42 million was attributable to the Sybrin CGU as a result of its write-down to fair value less costs of disposal. The main driver for the Sybrin impairment was an estimation of a downward price adjustment due to Sybrin's performance falling short of the EBITDA targets as outlined in the Sybrin contingent pricing mechanism, as well as Sybrin's build-up of net asset value since the 2021 financial year end. Sybrin group was disposed in the current financial year. Its recoverable amount based on fair value less cost to sell prior to its disposal amounted to R249 million. Refer to note 14 of the summary consolidated financial statements.

11. Goodwill continued

Prior year impairments

Prior year goodwill impairments amounted to R181 million (R130 million in the iOCO segment, R15 million in the NEXTEC segment and R36 million in the IP segment). The impairments in iOCO were largely driven by lost or non-renewed contracts and delayed projects with customers due to ongoing challenging market conditions and the impact of Covid-19. The largest contributor to the iOCO impairments was the Compute CGU, which incurred an impairment of R108 million. The largest contributor to the impairment in the NEXTEC segment was the ESA CGU, which incurred an impairment of R9 million due to the increased risk of non-renewal of key customer contracts. The impairment in the IP segment was due to the write-down to fair value less cost of disposal of Sybrin CGU and Afiswitch CGU. Sybrin CGU incurred an impairment of R30 million and the Afiswitch CGU incurred an impairment of R6 million.

Impairment testing

For the purpose of impairment testing, goodwill is allocated to the Group's CGUs. The recoverable amount of these CGUs was determined based on value-in-use calculations, discounting the future cash flows expected to be generated from the continuing operations of each CGU. Impairment tests on assets held for sale were based on fair value less costs of disposal.

A post-tax discount rate was used in discounting the projected cash flows depending on the nature of business and operating markets. Cash flow projections used in the value-in-use calculations cover a minimum of three years based on financial budgets and forecasts, as approved by the Group Executive Committee, which are based on assumptions of the business, industry and economic growth. Cash flows beyond the approved forecast period are extrapolated using the perpetual growth rates in line with industry norms. A perpetuity growth rate is calculated using long-term growth rates. This is further applied based on conservative historical market trends and operating markets.

Key assumptions used in discounted cash flow projection calculations

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on past experience and both external and internal data.

Changes in key assumptions, as well as the actual cash flows achieved against forecasts, may result in further impairments to the CGUs impaired during the year. The forecast cash flows of these CGUs are reliant on a certain level of anticipated improvement within the forecast period.

The assumptions below have been applied to calculate the recoverable amount of CGUs based on value-in-use calculations. The discount rates used in the discounted cash flow models are calculated using the principles of the Capital Asset Pricing Model, taking into account current market conditions.

The following key assumptions were used for the value-in-use calculations:

- Revenue growth rates: the Group used growth rates for the forecast period based on the different industries the CGUs operate in, as well as management's views on the growth prospects of the businesses;
- Discount rates: the discount rates reflect the time value of money and CGU-specific risk factors which have not been adjusted in the forecast cash flows. In the current year, risk premiums have been taken into account in the forecast cash flows rather than in the discount rates;

11. Goodwill continued

Key assumptions used in discounted cash flow projection calculations continued

- Adjusted EBITDA margins: the Group uses adjusted EBITDA margins as a reliable indicator of operational performance; and
- Perpetuity growth rates: a perpetuity growth rate of 4.0% (2021: 4.0%) has been used for the Group.

	2022			
Figures in Rand thousand	Goodwill closing balance	Pre-tax discount rates %	Revenue growth rates %	Adjusted EBITDA margins %
iOCO				
Compute	103 662	20.6	1.4	3.3
Managed Services*	80 793	18.8	13.1	5.3
Symplexity	50 123	22.0	9.0	20.0
Softworks	39 345	25.2	7.0	13.2
Digital	35 707	20.0	8.1	9.4
Coastal*	32 014	23.5	25.4	13.0
Legal Consulting#	26 154	21.9	(1.9)	18.5
Operational Technology	14 814	23.2	7.9	26.6
Freethinking*	14 081	23.1	14.5	19.7
XTND	13 333	24.0	9.2	10.6
Impressions**	12 240	23.1	35.3	31.4
Integrated Services*	12 016	23.5	10.2	20.8
Other	22 057	n/a	n/a	n/a
NEXTEC				
Learning and Development	93 488	20.5	9.4	17.4
JOAT	59 463	22.6	11.4	9.7
SCAN RF	28 155	23.4	7.0	10.1
ILS	10 429	25.0	4.6	24.7
BT Cape*	8 104	25.1	22.4	4.5
Impact Human Resources	7 904	24.0	7.4	4.9
Energy Insight	5 646	17.9	1.6	2.2
Other	5 046	n/a	n/a	n/a

* *Higher average growth rates are due to CGUs having a particularly high growth rate in 2023 due to the low 2022 revenue bases which were impacted by Covid-19 and CGUs demonstrating significant secured work or probable pipeline to support the growth.*

** *The Impressions CGU is forecast to grow significantly due to its early stage in its lifecycle and expectations to leverage off its investments in its IP and route to market.*

\# *The negative average revenue growth rate for the Legal Consulting CGU was caused mainly by a decrease in revenue forecast in year one, after which a moderate annual growth rate is forecast thereafter.*

n/a – not applicable.

11. Goodwill continued

Key assumptions used in discounted cash flow projection calculations continued

	2021			
Figures in Rand thousand	Goodwill closing balance	Pre-tax discount rates %	Revenue growth rates %	Adjusted EBITDA margins %
iOCO				
Compute	103 662	24.4	3.5	1.6%
Managed Services	80 793	24.2	1.5	10.0%
Symplexity	50 123	25.8	5.5	16.3%
Softworks	39 345	23	5.4	14.3%
Digital	35 707	23.5	5	14.4%
Employee Benefits#	22 758	26.9	(6.8)	11.6%
Coastal* (including in the Cloud)	32 014	25.1	12.9	15.4%
Legal	29 177	26.7	3.5	6.3%
Network Solutions	29 101	27.2	2.6	7.3%
Operational Technology*	14 814	32.1	16.4	43.3%
Freethinking*	14 081	25.5	14.7	14.0%
XTND	13 333	23.1	7.7	9.2%
Impressions**	12 240	25.4	50.5	6.0%
Integrated Services	12 016	26.2	6.2	28.9%
Other	22 057	n/a	n/a	n/a
NEXTEC				
Learning and Development*	93 488	24.5	17.1	25.5%
JOAT*	59 463	27.9	17.2	10.0%
Scan RF	28 155	26.3	2.5	15.7%
Energy Insight*	12 261	28.1	12.5	11.6%
ILS*	10 429	24.4	10.1	23.3%
BT Cape*	8 104	25.6	16.7	11.0%
Impact Human Resources#	7 904	27.7	(1.4)	5.1%
Other	9 289	n/a	n/a	n/a

* *The higher growth rates were applied to CGUs that had shown growth despite the Covid-19 impacted economic conditions, CGUs with low budgeted 2022 revenue bases due to the expected negative impacts of Covid-19, which are anticipated to grow over the forecast periods to historically achieved or improved levels or CGUs demonstrating significant secured work or probable pipeline to support the growth.*

** *The Impressions CGU is forecast to grow significantly due to its early stage in its lifecycle and expectations to leverage off its investments in its IP and route to market.*

\# *The negative average revenue growth rates forecast for the Employee Benefits and Impact Human Resources CGUs were caused mainly by a decrease in revenue forecast in year one, after which a moderate annual growth rate is forecast thereafter.*

n/a – not applicable.

11. Goodwill continued

Sensitivity analysis on value in use

In performing the impairment test for goodwill, EOH considered the sensitivity of the EOH CGUs to changes in assumptions around key value drivers. The key value drivers for the EOH CGUs are adjusted EBITDA margins, discount rates and revenue assumptions. Revenue and discount rate assumptions were adjusted upwards and downwards by a percentage point and the adjusted EBITDA margins were adjusted by 2.5 percentage points. The aforementioned sensitivities are considered reasonable based on the sensitivity of the models to the key drivers. A reasonable possible change to the key assumptions as noted above would have resulted in the following impairments for the CGUs listed:

	2022			2021
Figures in Rand thousand	1% decrease in revenue	2.5% decrease in adjusted EBITDA margin	1% increase in discount rate	2.5% decrease in adjusted EBITDA margin
iOCO				
Legal	n/a	n/a	n/a	12 752
Symplexity	n/a	n/a	n/a	10 685
Compute	30 807	56 425	n/a	n/a
Managed Services	90 324	138 817	5 312	n/a
Impressions	n/a	n/a	n/a	8 490
Network Solutions	n/a	n/a	n/a	6 028
NEXTEC				
Impact Human Resources	n/a	13 831	n/a	n/a

n/a – not applicable.

The CGUs not included and those referenced not applicable in the table above have sufficient headroom and no reasonable possible change to the key assumptions would result in the carrying amount of the CGU exceeding its recoverable amount.

Assets held for sale

The Group tested its assets held for sale for impairment in line with IFRS 5. The recoverable amount was determined as the fair value less costs of disposal which was compared to the carrying values of the CGUs for potential impairment. The fair value was determined primarily with reference to advanced offers from potential acquirers less estimated disposal costs. The below balances formed part of disposal groups held for sale. These fair values are considered to be level 3 in the fair value hierarchy. Refer to note 17 of the summary consolidated financial statements.

Notes to the summary consolidated financial statements *continued*

For the year ended 31 July 2022

11. Goodwill continued

Assets held for sale continued

Figures in Rand thousand	**Goodwill closing balance 31 July 2022**	Goodwill closing balance 31 July 2021
IP		
InfoSys	**–**	208 101
Sybrin	**–**	204 135
Afiswitch	**–**	34 108
iOCO		
Network Solutions	**29 101**	–
NEXTEC		
ESA	**–**	23 220
Employee Benefits*	**12 042**	–
Total	**41 143**	469 564

* *During the current financial year, Employee Benefits moved from iOCO to NEXTEC.*

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

12. Inventories

Figures in Rand thousand	**2022**	2021
Finished goods	**77 830**	95 853
Consumables	**9 927**	5 289
Work-in-progress	**25 438**	34 432
	113 195	135 574
Provision for write-down of inventories to its net realisable value	**(23 073)**	(23 026)
	90 122	112 548
Cost of goods sold during the year from continuing operations amounted to*:	**796 208**	795 557

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

Write-down of inventories of R14 million (2021: R7 million) to net realisable value were recognised as an expense during the year and included in costs of sales in the summary statement of profit or loss and other comprehensive income.

Notes to the summary consolidated financial statements *continued*

For the year ended 31 July 2022

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 has, over the past years, identified and sold a group of assets in line with this strategy.

The Group continues to explore opportunities for the sale of non-core assets. In the current financial year, a number of businesses were 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.

The Sybrin and InfoSys companies that were classified as held for sale and discontinued operations in the 2021 financial year, have successfully been disposed of in the current financial year bringing to completion the plan for strategic disposal of IP businesses. Refer to note 14 for further detail on disposals.

As at July 2022, five disposal groups have been classified as held for sale, including the material disposal group, Network Solutions, in the iOCO segment, which is also discontinued operations in the current financial year. Network Solutions was classified as held for sale during the current financial year and is expected to be sold within the next financial year. 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	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**

13. Assets held for sale continued

Figures in Rand thousand	iOCO	NEXTEC	IP	2022
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 (note 9)	–	–	(41 948)	(41 948)
	(6 790)	(10 716)	(41 948)	(59 454)

Figures in Rand thousand	iOCO	NEXTEC	IP	2021
Assets				
Property, plant, equipment and right-of-use assets	–	2 744	54 244	56 988
Goodwill and intangible assets	–	31 968	756 179	788 147
Equity-accounted investments	5 979	–	–	5 979
Other financial assets	–	–	60	60
Deferred taxation	–	2 202	8 968	11 170
Inventories	–	–	3 197	3 197
Current taxation receivable	–	–	2 822	2 822
Trade and other receivables	–	–	161 703	161 703
Cash and cash equivalents	–	27 872	60 572	88 444
Assets held for sale	5 979	64 786	1 047 745	1 118 510

Notes to the summary consolidated financial statements *continued*

For the year ended 31 July 2022

13. Assets held for sale continued

Figures in Rand thousand	iOCO	NEXTEC	IP	2021
Liabilities				
Other financial liabilities	—	(328)	(5 121)	(5 449)
Lease liabilities	—	—	(17 008)	(17 008)
Deferred taxation	—	—	(32 441)	(32 441)
Current taxation payable	—	(857)	(4 842)	(5 699)
Trade and other payables	—	(27 313)	(119 893)	(147 206)
Provisions	—	—	(78 308)	(78 308)
Liabilities directly associated with assets held for sale	—	(28 498)	(257 613)	(286 111)
Net assets directly associated with the disposal groups	5 979	36 288	790 132	832 399
Cumulative amounts recognised in other comprehensive income				
Foreign currency translation reserve	(8 290)	—	(65 884)	(74 174)
Impairment loss for write-down to fair value less costs to sell				
Continuing operations – operating expenses	(1 280)	(8 553)	—	(9 833)
Discontinued operations (note 9)	—	—	(36 374)	(36 374)
	(1 280)	(8 553)	(36 374)	(46 207)

Notes to the summary consolidated financial statements *continued*

For the year ended 31 July 2022

14. Disposal of subsidiaries and equity-accounted investments

On 11 December 2018, the Group announced that opportunities would be explored for the sale of certain non-core assets. In line with this strategy, the Group has disposed of its investments in a number of subsidiaries and an associate during the year.

Figures in Rand thousand	Treatment before disposal	Continuing/ discontinued operations#	Percentage holding disposed	Date of disposal	Consideration received or receivable*	(Loss)/ gain on disposal
Entity disposed						
NEXTEC						
Change Logic CS Proprietary Limited	Associate	Continuing	40%	1 August 2021	7 527	(935)
Energy Solutions & Analytics ("ESA")**	Business	Continuing	100%	1 August 2021	29 155	3 634
Triclinium Clinical Development Proprietary Limited ("TCD")***	Subsidiary	Discontinued	100%	1 February 2022	44 646	48 380
iOCO						
Hymax Talking Solutions Proprietary Limited	Subsidiary	Continuing	100%	1 March 2022	700	418
IP						
Afiswitch Proprietary Limited	Subsidiary	Discontinued	100%	1 October 2021	43 530	(5 905)
Sybrin	Subsidiary	Discontinued	100%	31 March 2022	270 837	54 410
InfoSys	Subsidiary	Discontinued	100%	1 June 2022	422 238	(3 841)
Transaction costs						(593)
Net gain on disposal of subsidiaries and equity-accounted investment					818 633	95 568

Net gain on disposal of continuing operations is included in operating expenses.
* *Consideration reflected does not include extinguishment of debt on sale.*
** *The sale of ESA was the sale of business as a going concern.*
*** *The sale of TCD was a sale of business as a going concern. Ownership of the legal entity is retained within EOH.*

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

Notes to the summary consolidated financial statements *continued*

For the year ended 31 July 2022

14. Disposal of subsidiaries and equity-accounted investments continued

Figures in Rand thousand	2022	2021
Opening balance	**17 660**	82 052
Cash consideration received or receivable	**818 633**	363 336
Write-off of consideration receivable	**(12 131)**	—
Less: amount outstanding at year end	**(17 791)**	(17 660)
Cash received from disposal of businesses	**806 371**	427 728
Less: cash balances disposed of	**(58 528)**	(214 792)
Cash receipt from disposal of businesses, net of cash given up	**747 843**	212 936

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

Figures in Rand thousand	Notes	2022	2021
Assets			
Property, plant, equipment and right-of-use assets		**58 042**	181 670
Goodwill and intangible assets		**723 934**	174 290
Equity-accounted investments		**8 461**	4 000
Other financial assets		**18 565**	19 352
Deferred taxation		**—**	17 637
Finance lease receivables		**6**	—
Inventories		**2 299**	26 737
Current taxation receivable		**58 720**	—
Trade and other receivables		**237 013**	365 910
Cash and cash equivalents		**58 528**	214 792
Liabilities			
Other financial liabilities	16	**(3 294)**	(64 962)
Lease liabilities		**(10 994)**	(52 028)
Deferred taxation		**(73 772)**	—
Current taxation payable		**(70 521)**	(22 171)
Provisions		**(64 247)**	—
Trade and other payables		**(184 946)**	(481 076)

Notes to the summary consolidated financial statements *continued*

For the year ended 31 July 2022

15. Stated capital

Figures in Rand thousand	2022	2021
Stated capital		
Opening balance	**4 217 285**	4 217 285
	4 217 285	4 217 285

Authorised

500 000 000 ordinary shares of no par value.

40 000 000 EOH A shares of no par value.

Issued

Figures in thousand	2022	2021
Reconciliation of the number of shares in issue		
Opening balance	**176 545**	176 545
Shares in issue at the end of the year	**176 545**	176 545
Less:		
Treasury shares held in the Group share incentive schemes	**(2 341)**	(2 341)
Treasury shares held by wholly owned subsidiaries of the Company	**(5 449)**	(5 446)
	168 755	168 758
EOH A shares of no par value:		
Reconciliation of the number of shares in issue		
Opening balance*	**40 000**	40 000
Closing balance	**40 000**	40 000

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

- *invested R750 million in three tranches in EOH ordinary shares based on a 30-day VWAP at a 10% discount for an average share price of R33.59; and*
- *received 40 million unlisted EOH A shares which will be redeemed in five years on 1 October 2023 through an ordinary share issue. The A shares rank equal to an EOH ordinary share in respect of voting rights and each EOH A share will receive cash dividends in an amount equal to the value of 15% of dividends paid by EOH to ordinary shareholders. The remaining 85% of the dividend value will be accrued and redeemed through the redemption of the A shares. Despite the variability in the number of EOH ordinary shares that will be issued, the obligation to Lebashe is treated as an equity transaction as the settlement will be undertaken in ordinary shares and the transaction is therefore within the scope of IFRS 2.*

Unissued

323 455 039 (2021: 323 455 039) unissued ordinary shares.

Notes to the summary consolidated financial statements *continued*

For the year ended 31 July 2022

16. Other financial liabilities

Figures in Rand thousand	2022	2021
Interest-bearing liabilities	**1 434 480**	2 568 834
Interest-bearing bank loans secured through Security SPV	**1 310 502**	2 061 321
Bank overdrafts	**–**	387 665
Project finance loan*	**118 244**	114 902
Unsecured interest-bearing bank loans	**5 734**	3 185
Interest-bearing bank loans secured by fixed property	**–**	1 761
Non-interest-bearing liabilities	**188**	4 138
Vendors for acquisition	**188**	4 138
Liabilities directly associated with assets held for sale (note 13)	**(306)**	(5 449)
	1 434 362	2 567 523
Non-current financial liabilities	**496 486**	–
Current financial liabilities	**937 876**	2 567 523
	1 434 362	2 567 523
Reconciliation of other financial liabilities		
Balance at the beginning of the year	**2 572 972**	2 783 218
(Repayment)/draw-down of bank overdrafts	**(387 665)**	272 412
Proceeds from other financial liabilities	**–**	52 387
Repayment of other financial liabilities	**(741 053)**	(512 864)
Repayment of vendors for acquisitions	**(3 950)**	(14 494)
Disposal of subsidiaries (note 14)	**(3 294)**	(64 962)
Net changes in fair value of vendors for acquisition	**–**	10 864
Interest accrued on other financial liabilities	**180 213**	179 540
Interest repaid on other financial liabilities	**(195 669)**	(191 533)
Movement in capitalisation of debt restructuring fee	**9 031**	51 028
Other non-cash items	**4 083**	7 376
Closing balance before liabilities directly associated with assets held for sale	**1 434 668**	2 572 972
Liabilities directly associated with assets held for sale (note 13)	**(306)**	(5 449)
	1 434 362	2 567 523

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

16. Other financial liabilities continued

Figures in Rand thousand	2022	2021
Financial instruments		
Measured at amortised cost	**1 434 174**	2 563 385
Financial liabilities carried at fair value through profit or loss	**188**	4 138
	1 434 362	2 567 523
Vendors for acquisition		
Current financial liabilities	**188**	4 138
	188	4 138

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.

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.

As at the beginning of the financial year the following interest-bearing bank loans were in place and secured through Security SPV:

- an amortising facility at an interest rate of three-month Johannesburg Interbank Average Rate (JIBAR) + 425 basis points;
- revolving credit facility at an interest rate of three-month JIBAR + 435 basis points;
- a bullet facility at an interest rate of three-month JIBAR + 455 basis points; and
- a dematerialised note at an interest rate of three-month JIBAR + 240 basis points.

As at 1 April 2022 the Group restructured the above-mentioned interest-bearing loans. This resulted in a substantial modification to the previous loans, which was assessed and determined to be accounted for as an extinguishment of the abovementioned loans and a recognition of the new, restructured loans. This was performed as a non-cash transaction and resulted in the borrower changing from EOH Mthombo Proprietary Limited to EOH Treasury Proprietary Limited, both subsidiaries in the Group. Transaction costs of R31 million were levied on the restructuring, which were capitalised to the loans payable through the application of judgement by the Group.

16. Other financial liabilities continued

The restructured loans now comprises:

- a senior amortising term facility of three-month JIBAR + 545 basis points repayable in three years; and
- a senior amortising bridge facility of one-month JIBAR + 842 basis points repayable on 31 December 2023.

Refer to note 21 for additional information.

The Group has the following continuing debt covenant limits in respect of the above-mentioned loans and corresponding ratios as at 31 July 2022 indicating that covenants have been met:

- debt to EBITDA ratio of 2.75x or lower, whereas the actual ratio was 2.21x;
- debt to free cash flow ratio of 10x or lower, whereas the actual ratio was 5.90x; and
- interest cover ratio of 3x or higher, whereas the actual ratio was 7.34x.

17. Financial assets and financial liabilities

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy at 31 July 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

Notes to the summary consolidated financial statements *continued*

For the year ended 31 July 2022

17. Financial assets and financial liabilities continued

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy at 31 July 2021:

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

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.

Financial liabilities at fair value through profit or loss

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

17. Financial assets and financial liabilities continued

Vendors for acquisition

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

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

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

Fair values have been determined using discounted cash flows. Unobservable inputs include budgeted results based on margins, discount rates and revenue growth rates historically achieved by the various segments. The applicable discount rate is 7% (2021: 7%), discounting cash flows over a two-year period. Changing such inputs to reflect reasonably possible alternative assumptions does not significantly change the fair value of the vendors for acquisition liability.

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

Vendors for acquisition reconciliation of movement

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

Non-recurring fair value measurements

Disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The fair values are determined based on sales agreements and offers that are in place for each of the disposal groups that are held for sale. The total of such fair values is R195 million (2021: R834 million). These fair values are categorised as level 3, based on inputs used.

18. Cash generated from operations

Figures in Rand thousand	2022	Restated* 2021
Profit/(loss) before taxation from:	**89 686**	(122 818)
Continuing operations	**(90 328)**	(209 906)
Discontinued operations (note 9)	**180 014**	87 088
Adjustments for:		
Depreciation and amortisation	**203 380**	274 667
Impairment losses on non-financial assets**	**6 938**	375
IAS 36 impairment of goodwill**	**13 881**	136 359
IFRS 5 remeasurement to fair value less costs to sell**	**59 454**	46 207
Loss on disposal of intangible assets and property, plant and equipment	**15 903**	6 824
(Profit)/loss on disposal of subsidiaries and equity-accounted investments	**(95 568)**	39 700
Change in fair value for vendors for acquisition	**–**	10 864
Share of equity-accounted profits	**–**	(2 973)
Share-based payment expense	**17 468**	4 684
Net finance costs	**192 439**	272 745
Net financial asset impairment losses	**62 986**	90 492
Inventory write-off	**14 447**	7 352
Movement in provisions	**79 666**	(90 880)
Foreign exchange (gains)/losses	**(168)**	15 089
Other non-cash items	**5 061**	(5 402)
Cash generated before changes in working capital	**665 573**	683 285
Working capital changes net of effects of disposal of subsidiaries	**(228 911)**	(278 343)
Decrease/(increase) in inventories	**5 141**	(12 803)
(Increase)/decrease in trade and other receivables	**(76 169)**	154 746
Decrease in trade and other payables	**(157 883)**	(420 286)
Historical share-based payment plans paid out during the year	**(33 787)**	–
Cash generated from operations	**402 875**	404 942

* *Comparative figures previously reported have been amended to reflect continuing operations prevailing for the year ended 31 July 2022.*

** *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 summary consolidated financial statements *continued*

For the year ended 31 July 2022

19. Related-party transactions

The Group entered into various transactions with related parties.

Figures in Rand thousand	2022	2021
Transactions with associates		
Sales of products and services	–	29
Purchases of products and services	–	2 792
Balances arising from sales/purchases of goods and services with associates		
Trade receivable balances with related parties	–	46
Trade payable balances with related parties	–	471
Loans receivable from joint ventures	–	–
Gross loans receivable from joint ventures	**51 564**	51 564
Allowances for expected credit losses on loans to joint ventures	**(51 564)**	(51 564)
Transactions between Group companies (subsidiaries)		
Sale of products and services	**889 447**	1 610 641
Purchases of products and services	**642 132**	1 099 800
Operating expenses	**247 315**	566 151
Outstanding loan balances		
Loans from EOH Holdings Limited to subsidiaries	**2 859 887**	2 511 277
Loans to EOH Holdings Limited from subsidiaries	**227 396**	370 619

20. Contingencies and commitments

Parent company guarantees

EOH issued parent company guarantees ("PCGs") during May 2019, as required by a client for a wholly owned subsidiary, PiA Solar SA Proprietary Limited ("PiA"). The guarantees provided are for a number of years during both construction and after handover, including an operation warranty guarantee, which by nature could (in the event of underperformance by PiA) compel EOH to either ensure physical performance or settle such underperformance in cash terms. While PiA had undergone some operational challenges as a result of several factors, including Covid-19, EOH has intervened in order to minimise the potential impact of these PCGs. All the projects subject to these PCGs are now substantially complete and have been handed over to the client. EOH thus believes that the risk presented by the PCGs, albeit still in existence, is and will be mitigated pursuant to the handover.

Litigation

EOH and its subsidiaries are involved in various litigation matters, which are at varying stages in the litigious 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 disposition of these matters will have a materially adverse effect in 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 July 2022, the Group had provided for R179 million on the PAYE liability assessed and potential future assessments and is in ongoing discussions with SARS, regarding the potential settlement of this matter, in line with the requirements of the Tax Administration Act. 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

20. Contingencies and commitments continued

Uncertain indirect tax exposure continued

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 July 2022.

Department of Water and Sanitation SIU investigation

In 2021, the Special Investigations Unit ("SIU"), commenced an investigation into certain contracts concluded between the Department of Water and Sanitation and EOH in 2016. These historic contracts are currently under investigation as to whether there was any improper conduct in the award of the contract to EOH, and/or whether EOH had actually delivered on their contractual obligations. EOH is engaging with the SIU on its investigation and has made a settlement proposal to the SIU to conclude a settlement agreement for an amount of approximately R112.3 million, of which R65 million provision was raised in the current year, payable in monthly instalments to be agreed by EOH and the SIU. The aforementioned proposal is still under consideration by the SIU.

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.

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, No 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 assertions made by the liquidators and has defended the court action instituted by the liquidators.

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 individual who helped facilitate the historic fraud and corruption within EOH. EOH, upon seeking external 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 hearing within the next 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.

20. Contingencies and commitments continued

Cornastone Enterprise Systems Proprietary Limited ("Cornastone")/Cell C Limited ("Cell C") – alleged tender fraud

Cornastone is a wholly owned subsidiary of EOH which was acquired in 2016. In February 2020, EOH was made aware of irregular activities relating to Cornastone's supply of goods and services to Cell C. The leadership of EOH immediately conducted an internal investigation and uncovered collusive activities between certain senior executives at both Cornastone and Cell C ("Perpetrators") dating as far back as 2012. EOH contacted Cell C and shared its findings with it and subsequently lodged criminal cases against the Perpetrators. Warrants of arrest were issued against the Perpetrators. In May 2022, Cornastone received a section 345 (in terms of the Companies Act) letter from attorneys purporting to represent Cell C. Cell C was claiming an amount of approximately R62 million from Cornastone alleging that it was defrauded of these amounts pursuant to the collusive conduct of the Perpetrators, one of which was a Cell C executive. EOH appointed external legal experts to respond to Cell C's attorneys advising them that Cornastone disputes Cell C's alleged claim. It has been assessed that the possibility of an outflow is considered to be remote.

Commitments

Figures in Rand thousand	**2022**	2021
Expected, but not yet contracted capital expenditure	**38 000**	85 635
	38 000	85 635

21. Events after reporting date

Disposal of NuvoteQ

The Group entered into a share purchase agreement ("SPA") on 1 September 2022 to dispose of 100% of the issued ordinary shares of NuvoteQ Proprietary Limited ("NuvoteQ"). The purchase consideration payable on closing date amounts to R21 million. The transaction is subject to the fulfilment or waiver, as the case may be, of the suspensive conditions as detailed in the sale agreement.

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. The purchase consideration was settled with an upfront payment of R104.5 million received on 1 September 2022 used towards repaying amounts owed to lenders, with the remaining balance being held in an interest-bearing escrow account for a period of 12 months. The consideration received is still subject to the finalisation of the completion accounts adjustments, which include adjustments for net debt and net working capital. This is expected to be finalised within 60 days of closing.

The above transactions are in line with EOH's stated strategic intent of selling non-core assets as it seeks to right-size the Group and deleverage its balance sheet. The cash consideration received by EOH will primarily be utilised to reduce debt with the remainder being utilised for the working capital requirements of the Group.

Deleveraging

Effective from 12 October 2022 the lenders have granted the Group consent in respect of the senior bridge facility originally payable on or before 1 April 2023. In terms of the consent granted, the repayment of this facility has been extended to 31 December 2023.

Corporate information

Shareholder information

Shareholders are advised that EOH's integrated report and audited financial statements for the year ended 31 July 2022 are available on the Group's website at www.eoh.co.za.

EOH notice of annual general meeting ("AGM") together with the summary audited financial statements for the year ended 31 July 2022 will be dispatched to shareholders on Monday, 31 October 2022 and will be available on the Group's website.

The AGM will be held on Tuesday, 13 December 2022 at 09:00 by way of electronic participation. The last day to trade in order to be able to participate and vote at the AGM is Tuesday, 22 November 2022 and the record date for voting purposes is Friday, 25 November 2022. Full details for purposes of electronic participation are set out in the notice of AGM.

Results were released on 26 October 2022.

EOH Holdings Limited

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

Directorate

Non-executive

Andrew Mthembu (Chairman)
Andrew Marshall
Bharti Harie
Jabu Moleketi*
Jesmane Boggenpoel
Mike Bosman
Nosipho Molope
Sipho Ngidi

* *Non-independent, non-executive director*

Executive

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

Company secretary

Thiroshnee Naidoo (resigned 31 July 2022)
Neill O'Brien (interim appointment 1 October 2022)

Registered address

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Website

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Investor e-mail

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Auditor

PricewaterhouseCoopers Inc., South Africa
4 Lisbon Lane, Waterfall City, Jukskei View, 2090

Sponsor

Java Capital Trustees and Sponsors Proprietary Limited
(Registration number 2006/005780/07)
6th Floor, 1 Park Lane, Wierda Valley, Sandton, 2196
(PO Box 522606, Saxonwold, 2132)

Transfer secretaries

Computershare Investor Services Proprietary Limited
(Registration number: 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196
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