2016
ANNUAL INTEGRATED REPORT

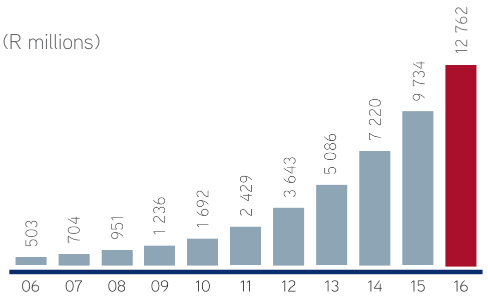
***Technology** makes it possible...*
***People** make it happen.*

EOH

HIGHLIGHTS

During the year, EOH increased revenue by 31%, 59% thereof attributable to organic growth. The remainder of the growth is attributable to the successful integration of new businesses into the EOH family. Profit before taxation increased by 39%. This strong set of results reflects our understanding of the markets in which we operate and the unique needs of our customers.

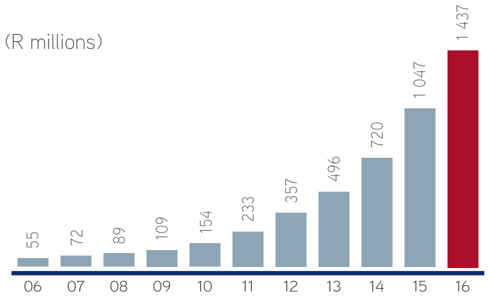
Revenue



31%

R12 762 million

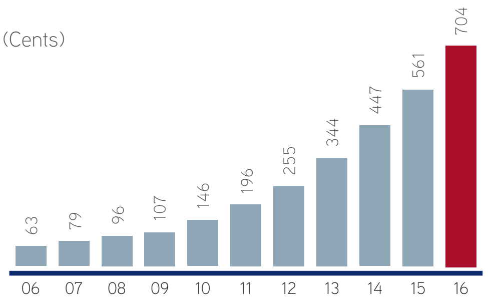
Operating profit



37%

R1 437 million

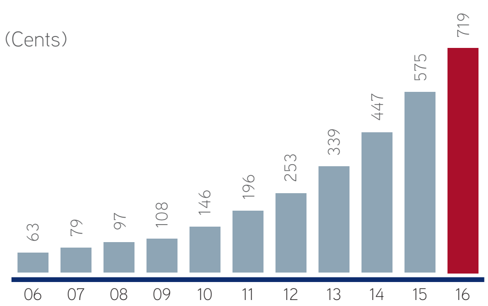
Earnings per share



25%

704 cents

Headline earnings per share



25%

719 cents

Profit after taxation

34%

R930 million

Cash

17%

R1 949 million

CONTENTS

R20 billion
Market Capitalisation

5 000
Large enterprise customers across major industries

12 000
Management and staff

48%
Black ownership

Level 2
contributor BBBEE status

7th
Sunday Times Top 100 Companies

134
points of presence in South Africa

50
countries international footprint

Royal status
Ranked in top 20 companies by Sunday Times over past 3 years

ABOUT THE ANNUAL INTEGRATED REPORT

Introduction and scope of the report

We are pleased to present our 2016 Annual Integrated Report which covers the performance of EOH Holdings Limited and its subsidiaries (hereafter referred to as 'EOH') as well as its associates and interests in joint ventures for the year ended 31 July 2016.

EOH's Annual Integrated Report contains the full set of audited consolidated financial statements for the year ended 31 July 2016.

Preparation of the Annual Integrated Report

The following reporting frameworks were considered when preparing this report:

- The Companies Act of South Africa;
- The Listings Requirements of the JSE Limited ('JSE Listings Requirements');
- King III (checklist available on www.eoh.co.za) and the principles in King IV considered;
- International Financial Reporting Standards ('IFRS'); and the
- International Integrated Reporting Council ('IIRC') Integrated Reporting Framework.

Materiality

EOH's Annual Integrated Report focuses on information that is material to EOH's business. It provides a concise overview of EOH's performance, prospects and ability to create sustainable value for all its stakeholders. The legitimate interests of all stakeholders have been taken into account and all material information has been included in this report.

Assurance

The Board of Directors of the Company ('the Board'), assisted by the Audit Committee, is responsible for ensuring the integrity of the Annual Integrated Report. Accordingly, EOH applies the combined assurance model by using a combination of external assurance and the input of the executive management team. The audit opinion expressed by the external auditors is included in their audit report as part of the Annual Financial Statements of the Group.

Forward-looking statements

This report contains forward-looking statements which are based on assumptions and managements' best estimates regarding EOH's future performance. Such statements are, by their nature, estimates which may result in EOH's actual performance being different from that expressed or implied in any forward-looking statements. These statements have not been audited by EOH's external auditors.

Approval of the Annual Integrated Report

The Board acknowledges that it is responsible for ensuring the integrity of this report and has applied its collective mind in the preparation thereof. The Board believes that the report has, in all material respects, been presented in accordance with the IIRC Integrated Reporting <IR> Framework.

Asher Bohbot
Group Chief Executive Officer

2 December 2016

Sandile Zungu
Chairman

2 December 2016

ABOUT EOH

EOH is the largest technology and knowledge services provider in South Africa. EOH has been listed on the Johannesburg Stock Exchange ('JSE') since 1998 and has consistently delivered strong financial results. EOH is committed to transformation, is a Level 2 contributor and has the highest BBBEE rating of its peers.

EOH is the largest implementer of enterprise applications and has a wide range of Industry Consulting, IT Services, Software, IT Infrastructure, Industrial Technologies and Business Process Outsourcing solutions.

EOH's 12 000 staff members deliver these services to over 5 000 large enterprise customers across all major industries throughout South Africa, the rest of Sub Saharan Africa, North Africa, the Middle East, Turkey and in several other countries.

EOH has activities in 134 locations in South Africa and has a growing international footprint with over 50 points of presence in the rest of Africa and internationally. Country managers oversee these activities and will develop these markets together with the teams in South Africa.

Despite its many challenges, Africa is a continent that has shown remarkable economic expansion. Improvements in corporate governance and the overall business environment, coupled with stronger macro-economic policies and trends, provide EOH with the opportunity to make a meaningful contribution to the development of this diverse continent.

With our substantial footprint in Africa, EOH has been able to acquire a deep understanding of the requirements of both business and the public sector in the various countries on the continent. This enables EOH to offer its existing and future customers tried and tested, relevant, flexible and robust solutions to address the unique challenges and opportunities that face countries in Africa.

Since inception, EOH has delivered 42% compounded year-on-year revenue growth. This demonstrates EOH's consistent growth over many years as a result of our understanding of the needs of the market and our ability to meet client expectations.

Notwithstanding its size, EOH remains entrepreneurial. It has a strong brand and continues to develop new products and services and to expand into new territories.

EOH's strong financial position has meant that it is regularly rated as one of South Africa's best performing companies on the JSE and as one of the best companies in which to invest.

EOH'S PURPOSE

To provide the technology, knowledge, skills and organisational ability critical to the development and growth of the markets we serve

To be an ethical and relevant force for good and to play a positive role in society, beyond normal business practice

EOH PHILOSOPHY

Best People

To attract, develop and retain the best people led by great leaders

Partner for Life

To nurture lifelong partnerships with our customers and business partners

Right 1st Time

To ensure professional planning and execution in all that we do

Sustainable Transformation

To transform and celebrate diversity

Lead and Grow

Strive to be number one in every domain in which we operate whilst remaining entrepreneurial

EOH AWARDS IN 2016

SAP Partner of the year in 2016

- SAP Enterprise Customer Relationship Management Award
- SAP Human Capital Management Award
- SAP Master VAR Partner of the year

Oracle Partner of the year in 2016

- Oracle PaaS Partner of the year
- Oracle BI Partner of the year

HP Partner of the year in 2016

- HP MEMA Award for Performance Excellence
- HP Enterprise Top Partner
- HP Enterprise Platinum Partner
- HP Enterprise Server Partner
- HP Enterprise Cloud Partner
- HP Channel Ambassador Award
- HP Suppliers Growth Partner
- HP ServiceOne Delivery Partner
- HP Services Partner
- HP Software Business Partner
- HP Inc. Workstation Partner

Microsoft CRM Partner of the year

Top new IBM Business Partner for IBM (Synergy)

Lenovo Premium Business Partner of the year

Top Infor Maintenance Partner of the year

Huawei Partner of the year in 2016

- Huawei Enterprise Channel Partner Programme Gold Partner
- Huawei Enterprise Annual Partner Programme Value Added Partner

Kofax EMEA Partner of the year in 2016

Aruba Partner of the year in 2016

Citrix Partner of the year awards in 2016

- Citrix Partner of the year
- Best virtualisation Citrix Partner
- Best Mobility Citrix Partner
- Largest Single Citrix Win in 2015/16

VEEAM Most significant Enterprise Project Award

President's Award for the best Wonderware team for 2016 from Schneider Electric Global Solutions

EOH Digital: Gold award for best branded content and Leader for UX, Interface and navigation at the Annual Assegai Awards 2016

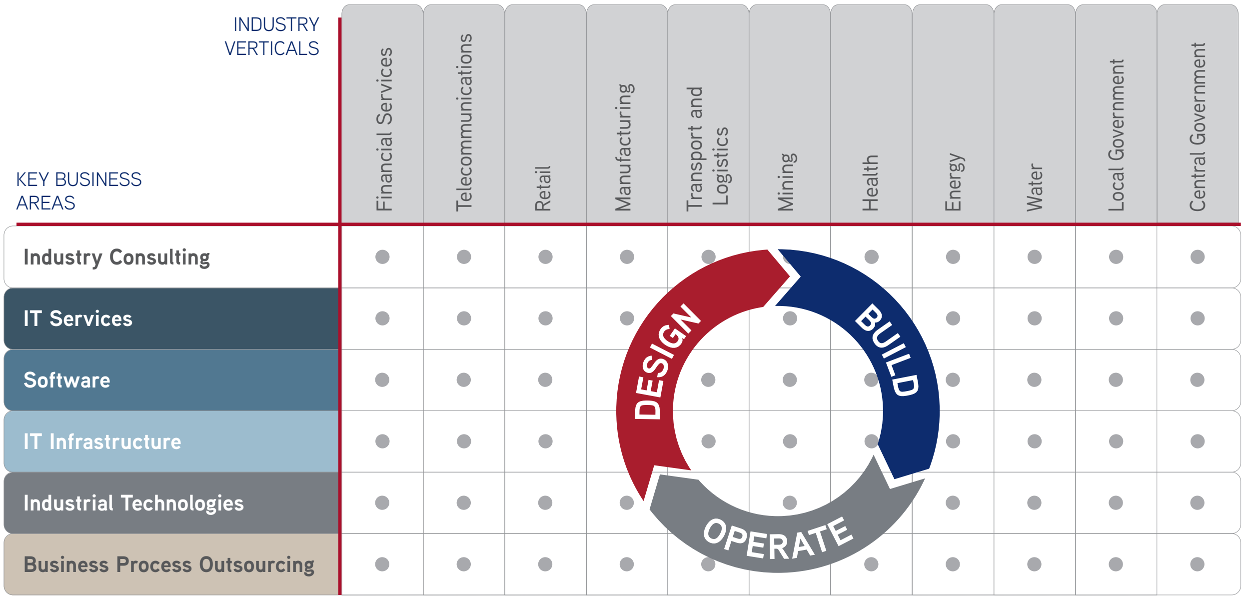
1st place in the Platinum 100 category at the Career Junctions Awards

Schneider Industrial Software: Best Project for the year: Eskom EDNA Enterprise Historian

OPERATING MODEL

EOH's operating model is two dimensional, focused on key business areas (lines of businesses) and industry verticals. EOH offers solutions across the spectrum through a simple 'Design, Build and Operate' approach and is able to offer its customers tailored, flexible and robust solutions through its industry specialisation.

EOH's consulting capability extends beyond the traditional consulting services and focuses on industry specific solutions.



IT Services

- IT managed services
- Application support
- IT management
- Software development and integration
- Information services
- Network solutions
- IT security solutions
- Cloud solutions
- Digital solutions

Software

- Enterprise Resource planning
- Business intelligence
- Information analytics
- Customer relationship management
- EOH niche software

IT Infrastructure

- Storage
- Servers
- Network equipment
- Office automation

Industrial Technologies

- Industrial automation
- Data centres and connectivity
- Energy services
- Water technology
- Transport technology
- Environmental management

BPO

- Human Capital solutions
- Claims and payment solutions
- Customer services
- Finance and admin services

INDUSTRY CONSULTING

EOH's consulting capability extends beyond the traditional generic consulting services offered by others and focuses on industry specific solutions. With EOH's insight into future business trends and business drivers, together with the enabling technology and know-how needed to support them, EOH has the skills and the capability to deliver end-to-end knowledge services. By providing technology agnostic business advice, EOH's consultants are able to deliver practical, actionable and tangible business solutions from concept and design, through to the implementation and the ongoing management thereof.

IT SERVICES

EOH is the largest enterprise applications provider in Africa. EOH either represents an international vendor in South Africa or is the largest, or one of the largest, partners of these vendors on the African continent. EOH is essentially a single service aggregator when it comes to IT matters. Our solutions ensure proper governance and control, superior customer experience, rapid product development and implementation, and the management of costs.

EOH enables customers to accelerate innovation, ensure a return on their investments and achieve outstanding results by providing practical, innovative technology solutions. Such solutions include a vast array of services/products from IT managed services to application support; effective IT management and optimisation; software development and integration; network and unified communication solutions; IT security solutions and both cloud and digital solutions.

IT Managed Services

Businesses need to leverage outsourcing as a competitive advantage. This reduces operational costs and drives business performance.

The traditional managed services engagement model involved customers outsourcing their entire IT function to an outsource provider. However, the advent of cloud and digital computing, coupled with faster and more secure connectivity, has allowed customers to choose from a range of flexible engagement models to meet their business requirements. These include co-sourcing models, remote support models and the partial outsourcing of some of their activities.

The increasing complexity of IT systems and the dependency of organisations on the availability of these systems, require highly skilled experts to manage and maintain such systems. EOH has the skills and resources and can therefore ensure a realistic transition from piecemeal, incremental, uncoordinated change to an outsourcing agenda that delivers a faster single integrated solution without having to use any other third party.

EOH combines knowledge, technology and experience to create integrated outsourcing solutions to ensure the security of users and their identities; secure systems, devices and operating platforms; improve the resilience of information infrastructure and communication; ensure the availability and performance of applications and processes and protect information and data wherever it resides.

Application Support

EOH helps customers optimise their technology solutions to ensure that their mission-critical business systems are always available. EOH manages performance, volume and data transparency to ensure consistency, efficiency and effectiveness across the entire IT landscape. This includes managing the performance of IT over a product's life cycle, ongoing quality checks, technical risk analyses and providing advisory support underpinned by a service-level agreement.

IT Management

There is a shift in emphasis away from the IT Function being a support division, towards it being a proactive service provider that operates as a business within a business. Technology now underpins, informs and enables most organisations to perform optimally. Technology – and hence IT – enables customers to differentiate their offerings, generate revenue and be end-user centric.

The cornerstone of EOH's IT Management solutions is to transform IT from being reactive to being agile, and to promote IT as a Service ('ITaaS'). IT Management includes the disciplines, tools and services to optimise performance. These solutions include – Software development; Application design; Mobile development; Cloud-based hosted solutions; User experience; Application integration, and Application life cycle management.

Software development and integration

EOH's Software development and integration solutions are designed to meet the unique business software requirements of customers and to integrate them seamlessly with other core business systems.

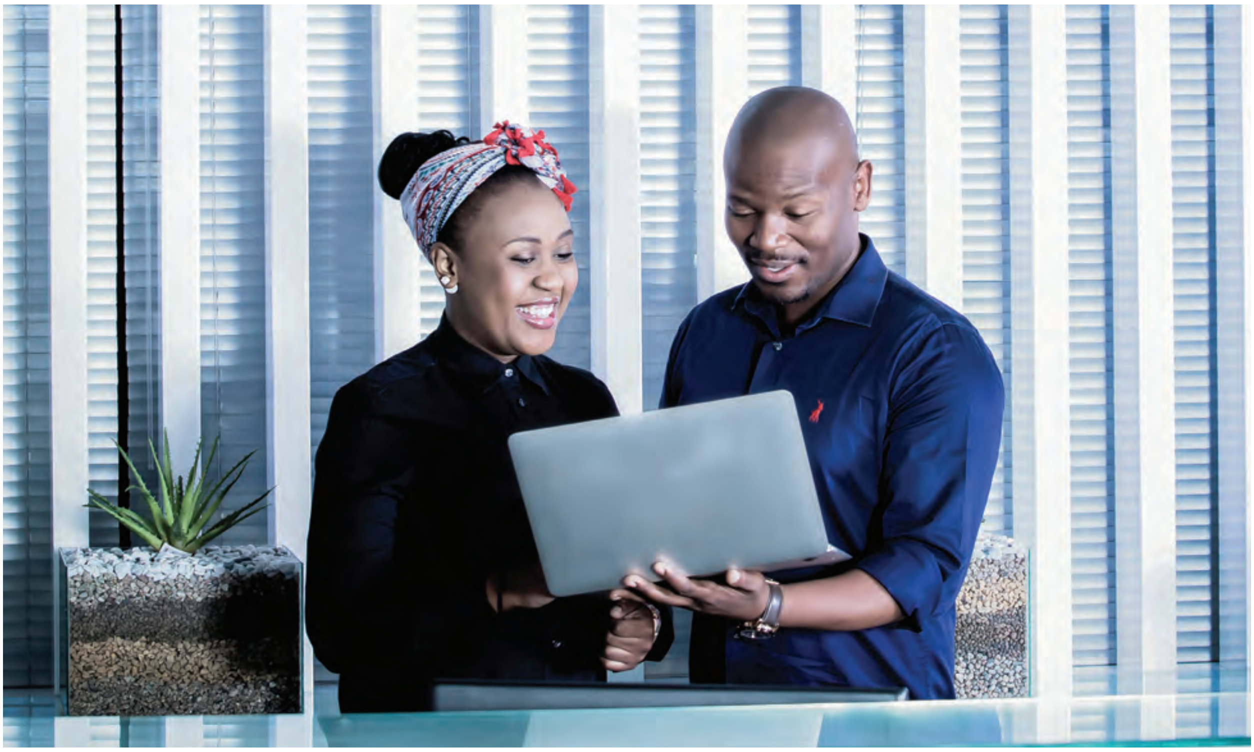
Software development enables customers meet their exact and unique business requirements; ensures that the developments can be easily maintained and enhanced; prolongs the lifespan of any technology investment by extracting and using all the functionality of such software; helps customers become market leaders in their space through innovation and differentiation; and improves responsiveness and quality.

System's integration involves real-time information to be accessed by multiple systems; improves efficiency through seamless integration; maintains the integrity across multiple systems and ultimately reduces overall operational costs.

Information Services

A robust information management strategy has become a fundamental cornerstone of commercial success. Enterprises are entering a new era where the scale of data to be processed and stored is huge. EOH delivers solutions that address the challenges of big data by using analytics, software tools, content management software, data compression devices and bandwidth management software. We help customers gain an insight into their massive datasets, move data more quickly and store important data for longer periods of time without increasing their operational complexity.

Effective information management strategies increase revenue, enhance profitability, and improve effectiveness and reduce costs. This in turn gives organisations the competitive and strategic edge to design and deliver products cheaper, faster and more efficiently; manage costs more effectively; build more accessible, effective, efficient and valuable customer relationships; provide additional products and services; operate faster, more efficiently and with a higher degree of accuracy.



Network Solutions

EOH Network Solutions deliver a full range of enterprise communication services including data centre management and virtualisation. EOH has its own national and international telecommunications infrastructure and deploys, operates and manages large-scale telecommunications networks on behalf of customers.

A mature IT environment requires organisations to optimise their infrastructure while driving down costs and increasing efficiencies. Systems, applications, data and networks need to be quick, reliable and consistent. EOH helps organisations find a balance between lowering costs and establishing quality networks to support their business needs.

EOH's solutions and skills include leading edge application performance tools; high availability; security; network and Wide Area Network optimisation tools; monitoring tools and the ability to manage customers' entire IT infrastructure.

IT security solutions

EOH provides an end-to-end portfolio of IT security solutions which include risk assessments; defining business requirements; designing solutions; building, operating and supporting customer's security programmes.

Cloud Solutions

EOH Cloud Services gives customers scalability, agility and ease of access. Customers often outsource non-core business elements to enable them to focus on their core business operations.

Managed Cloud Services gives customers flexibility to manage their systems, data, applications and services – without having to do it all in-house.

EOH Managed Hosted Cloud Services provides outsourced cloud infrastructure as a fully integrated managed service. Customers choose how they want to configure their infrastructure and the platforms and software on which they want to run.

Digital solutions

EOH Digital comprises the innovative and fast paced digital arm of EOH. Our digital services can be broadly categorised into four main areas: Enterprise services solutions; market place solutions; customer services and employee self-service solutions. EOH's wealth of digital knowledge extends to strategy, multi-channel bespoke development, sophisticated analytical tools and managed solutions.

EOH Digital has successfully delivered innovative, digital solutions to large automotive, travel, FMCG, telecommunications and pharmaceutical giants. Our solutions enable the right messages to be received by the right audiences at the right time.

Our solutions and services include digital strategy; self-service solutions; E and M commerce solutions; retail analytics, bespoke web, mobile and applications development; social media platforms and digital marketing solutions.

SOFTWARE

As a market leader in enterprise solutions, EOH has developed an ecosystem that enables its customers to accelerate innovation, optimise the return on their investment and achieve breakthrough results. This ecosystem puts knowledge and expertise at customers' fingertips enabling them to achieve their objectives and improve business performance.

EOH's portfolio helps customers align strategy with execution so that they can address short-term challenges while building a foundation for continued productivity and growth. Our software solutions include enterprise resource planning; business intelligence; information analytics; customer relationship management and EOH's niche software.

Enterprise Resource Planning (ERP)

EOH offers business-issue-specific IT enterprise solutions and comprehensive best-practice solutions that span all phases of an organisation's IT solution life cycle.

ERP solutions address every function, including human resources, customer relationship management, financial management, asset and plant maintenance and supply chain management.

EOH is by far the largest implementer of ERP solutions in Africa and is the number 1 partner for SAP, Oracle, Microsoft and Infor on the continent. EOH employs the largest number of consultants in the ERP world and has numerous reference sites of successful implementations.

EOH bridges the gap between strategy and execution by aligning customers' IT strategy with their business strategy. The close partnership with our technology partners enables us to turn a customer's information technology vision into reality through innovation and operational efficiency.

Business Intelligence and information analytics

Business intelligence and information analytics include custom analytical solutions; the integration of information; state of the art technology and processing solutions, giving clients access to meaningful, accurate data, identifying trends and patterns to inform decisions.

Information analytics software enables vast quantities of data to be properly analysed ensuring up to date, relevant and valuable information that can be used for decision-making purposes.

The output of such analyses enables customers to make informed business decisions in many areas including customer targeting; operational expenditure; new product and service offerings to be developed for their customers; and where to invest.

EOH Niche software

EOH has acquired and developed niche software-based on industry requirements and the needs of customers to fill the gap between off-the-shelf products and customer specific requirements. Industry-specific niche software addresses challenges not always covered by large enterprise systems. These applications are applicable and relevant to specific industries or to address particular challenges faced by a wide range of customers.

EOH's niche software includes electronic payment processing, interbank clearing and intelligent workflow; human capital management; project estimation, planning and cost management; end-to-end bureau solutions; geospatial asset management systems; fraud prevention/detection software; energy management; and SMART government solutions.

Customer relationship management systems (CRM)

Our CRM solutions provide a variety of solutions across the spectrum to assist customers manage the relationship with their clients.

Technology vendors and partners

EOH niche software

Electronic payments processing, interbank clearing, intelligent workflow

Human capital management, payroll outsourcing, training management

Estimating, planning and project control

Cost management, procure to pay, payroll processing

Full end-to-end bureau solution

Integrated geospatial asset management system

Transaction and reconciliation systems for financial services

Prevention of procurement fraud

Performance evaluation tool for real time management of energy systems

EOH SMART Government solution

IT INFRASTRUCTURE

IT infrastructure services cover a broad range of services. Our technical services include *ad hoc* support, online support, outsourcing and consulting services. Our solutions include storage and servers; network equipment and office automation.

- Storage and servers – advising, procuring and supplying storage devices and IT hardware equipment to customers.
- Network equipment – comprehensive connectivity solutions. This includes the design; ongoing maintenance of structured cabling; installing and managing fibre optic back-bones; installing wireless networking and business critical data centre infrastructure.
- Office automation – solutions to manage office machinery by using software to digitally create, collect, store, manipulate and relay day-to-day office usage.

Infrastructure partners

BUSINESS PROCESS OUTSOURCING

EOH Business Process Outsourcing ('BPO') takes care of a customer's business processes allowing them to focus on their primary business. Our strategic ability, operational capacity, specialist skills and enabling technologies ensure that customers achieve optimum performance.

Knowledge Process Outsourcing requires advanced analytical and technical skills as well as a high degree of specialist expertise. Business processes are essentially process-driven and rule-based, whereas knowledge processes involve judgement.

EOH's expertise lies in a number of specialised areas including: human capital solutions; claims and payment solutions; customer services; finance, admin and legal services.

Human Capital Solutions

Technology is driving the way people engage and relate to each other and is rapidly transforming every organisation. EOH understands what is needed to dramatically improve a customer's performance. Our offerings include Talent solutions; Staffing solutions; Remuneration solutions; Performance management solutions; Organisational design and development policies, procedures and guidelines and IT enabled people management solutions.

We provide a comprehensive array of wage and pay bureau services including the full employee life cycle, skills data, talent and performance management, time and attendance and employee and manager self-service solutions.

Our Learning and Development offerings include an integrated set of short courses; skills programmes and qualifications, offered either in the classroom, via eLearning or a blend of classroom and eLearning training; EOH Workplace Learning and EOH Conferences and Seminars.

Claims and payment solutions

These solutions include the processing and payment of suppliers on behalf of customers. In the Healthcare space EOH provides the settlement of claims, job scheduling and workflow management.

Customer Services

EOH creates value for its customers through the provision of harmonised end-to-end solutions, customised systems and quantifiable outcomes. These outcomes are aligned to a customer's specific business strategy and objectives. We help customers operate more efficiently by including employee benefit advisory services; communicating these benefits to employees; wellness and event management/programmes; data analytics and business efficiency services. Through our IT technology platform we can interface/integrate these services with our customers primary ERP systems.

Finance, admin and legal services

Our finance/admin/legal services include the provision of non-core services for numerous clients in the areas of financial management, wealth creation; payroll bureau services; and employee benefits.

EOH Legal Services consists of a group of attorneys and advocates, specialising in the delivery of corporate legal services to customers. EOH provides an independent, integrated, outsourced, 'in-house' legal department with an excellent understanding of the business and the legal requirements of its customers.

INDUSTRIAL TECHNOLOGIES

The EOH Industrial Technologies division combines state-of-the-art technology and best practice to create facilities and infrastructure that is efficient, smart, safe, healthy and secure. EOH has a strong and diversified portfolio, high degree of specialisation and the largest diversified technology and integration skills base.

This is achieved by optimising production and control; enhancing efficiency, availability, comfort and security; ensuring sustained protection of people and assets; creating optimum working and living conditions; and lowering energy consumption and CO_2 emissions.

Our integrated portfolio spans across many industries with a specific focus on telecoms, transport, energy, water, mining and manufacturing.

Industrial automation and control

EOH is a market leader in industrial automation and control. Automation and control addresses two primary business issues namely safety and efficiency in the plant/production environment.

EOH operates primarily in the oil and gas; mining; manufacturing metals and minerals; food and beverages; water, energy; as well as life science industries.

Our services include Manufacturing Execution Systems ('MES'); Distributed Control Systems ('DCS'); Supervisory Control And Data Acquisition ('SCADA') systems; Human Machine Interface ('HMI') solutions; Measurement and instrumentation software; Plant electrical infrastructure; Environmental monitoring and Plant automation software.

Data centres and connectivity infrastructure

The explosion of data is driving an increased demand for bandwidth, high-performance infrastructure and increasingly powerful, converged communication platforms to enable the Internet of Things (IoT). While these developments support economic and business growth, the fundamental prerequisite is fast, reliable, uninterrupted connectivity.

Today's connectivity infrastructure is complex and spans the full converged network spectrum, from structured cabling, fibre optic back-bones, wireless networking and business critical data centres. Our solutions include network reticulations for integrated voice, data and video networks; wireless networks; fibre optic solutions; microwave solutions; HVAC systems and off-grid and mobile data centre solutions.

EOH has the right skills and expertise to deliver comprehensive, practical, intelligent connectivity infrastructure solutions from the design stage, through to the implementation thereof and the ongoing maintenance thereafter. EOH is certified to design TIER 4 data centres.

Energy Infrastructure and Services

EOH offers world-class energy infrastructure, energy management and energy optimisation solutions. We deliver turnkey energy solutions based on a thorough understanding of the unique requirements of customers and the industries in which they operate.

EOH has a holistic approach to energy, gas and water resource management. This virtually guarantees measurable and verifiable returns on investment and the on-going reduction in the use and cost of these resources.

Our services include utility analytics, smart grid and metering solutions; energy audits; energy optimisation and management solutions; measurement and verification tools; backup power solutions; power quality solutions including the management thereof; control, protection and reactive power compensation; plant infrastructure and control management and automation solutions and renewable and hybrid energy solutions.

Water Technology

Water technology sits alongside and is part of what would traditionally have been regarded as infrastructure engineering. EOH provides a range of water technology solutions which enables us to provide holistic end-to-end services to our customers across many industries.

Our water technology portfolio includes the planning and management of water and waste water distribution systems; Graphic Information System ('GIS') based asset management solutions; substation infrastructure solutions; environmental control and infrastructure planning; water sanitation solutions; water demand management and water purification technology solutions.

Transport Technology

Our transport technology cluster focuses on signalling and rail automation; airport operations management; fleet and asset life cycle management; traffic management systems; road planning and engineering technology solutions.

Environmental management

This cluster includes consulting, environmental audits, analysis, assessment and monitoring services and solutions which enables customers to achieve their environmental sustainability targets.

Safety and security solutions

EOH's safety and security solutions offer a straight–forward approach by creating a comprehensive security, building management and workforce management solution.

Our safety and security services portfolio includes – monitoring and surveillance; access control; time and attendance; biometric ID management; smartcard solutions; fire safety; asset management and tracking and building management solutions. All these services can be integrated into effective safety and security solutions for our customers across all industries.

Industrial technology partners

ABB

C&D TECHNOLOGIES, INC. Power Solutions

COMMSCOPE®

DragonWave

EMERSON

Hewlett Packard Enterprise

HUAWEI

Itron

Microsoft Partner Network

RITTAL

Schneider Electric

SIEMENS

UNIPOWER POWERING TECHNOLOGY

NR

ACCUENERGY

INTRACOM TELECOM

CBNL Cambridge Broadband Networks

aruba

SIX-YEAR REVIEW

	2016	2015	2014	2013	2012	2011	Compound growth % p.a.*
Statement of profit or loss and other comprehensive income and cash flows							
Revenue (R'000)	12 761 810	9 733 992	7 220 372	5 085 979	3 642 915	2 428 973	39,3
EBITDA (R'000)	1 873 887	1 324 051	919 709	604 170	445 569	299 588	
Operating profit before interest and impairments (R'000)	1 437 013	1 046 605	719 514	495 723	356 622	233 011	43,9
Profit after taxation (R'000)	930 367	691 794	492 163	331 359	223 088	148 404	
Cash generated from operations (R'000)	961 275	908 567	718 891	532 912	442 538	149 785	
Headline earnings (R'000)	947 232	707 775	487 225	327 035	221 010	147 019	45,1
Cash realisation rate (%)	51,3	68,6	78,2	88,2	99,3	50,0	
Operating profit margin (%)	11,3	10,8	10,0	9,7	9,8	9,6	
Statement of financial position							
Total assets (R'000)	13 188 621	8 372 707	5 686 061	3 456 952	2 511 058	1 638 046	
Total equity (R'000)	6 585 845	4 508 624	2 628 810	1 620 727	1 129 838	711 057	
Net assets (R'000)	8 601 863	4 912 630	3 002 836	1 520 104	1 167 384	713 923	64,5
Profitability and asset management							
Return on equity (%)	17,1	19,9	23,0	23,8	24,0	25,0	
Return on net assets (%)	21,3	26,4	31,8	36,9	37,9	44,3	
Return on total assets (%)	13,3	14,9	15,7	16,6	17,2	17,0	
Shareholders' ratios							
Earnings per share (cents)	704	561	447	344	255	196	
Headline earnings per share (cents)	719	575	447	339	253	196	
Dividend per share (cents)	185	150	120	95	70	48	31,0
Dividend cover (times)	3,9	3,8	3,7	3,6	3,6	4,1	
Net asset value per share (cents)	4679	3415	2207	1462	1119	744	
Net tangible asset value per share (cents)	1024	1150	520	531	324	168	
Stock exchange statistics							
Market value per share							
– at year end (cents)	14170	17234	9440	6075	3585	2206	
– highest (cents)	17879	17234	9500	6075	3610	2294	
– lowest (cents)	12020	9335	6150	3490	2000	1100	
Dividend yield (%)	1,3	0,9	1,3	1,6	2,0	2,2	
Earnings yield (%)	5,1	3,3	4,7	5,6	7,1	8,9	
Number of shares in issue (000)	140 752	132 039	118 653	110 848	100 866	95 389	
Number of tradable shares in issue (000)	134 832	126 899	112 501	105 378	98 079	89 766	
Market capitalisation (Rm)	19 945	22 755	11 201	6 734	3 616	2 104	56,8
Price to earnings ratio (times)	20	30	21	18	14	11	

** Five-year compound growth % p.a.*

Glossary

Cash realisation rate:	This ratio is calculated by expressing cash generated by operations as a percentage of EBITDA and reflects the proportion of cash operating profit realised after working capital movements.
Dividend cover:	Headline earnings per share divided by dividends per share declared out of earnings for the year.
Dividend yield:	Dividend per share as a percentage of market value per share at year end.
EBITDA:	Earnings before interest, tax, depreciation, amortisation and impairment losses.
Earnings per share:	Net profit for the year divided by the weighted average number of ordinary shares in issue during the year.
Earnings yield:	Headline earnings per share as a percentage of market value per share at year end.
Headline earnings:	Net profit for the year adjusted for profit/loss on sale of property, plant and equipment, investments and impairment losses.
Headline earnings per share:	Headline earnings divided by the weighted average number of ordinary shares in issue during the year.
Net assets:	Total assets other than cash, bank balances and deferred tax assets less interest-free trading liabilities.
Net asset value per share:	Ordinary shareholders' equity divided by the number of ordinary shares in issue.
Net tangible asset value per share:	Ordinary shareholders' equity less intangible assets divided by the number of shares in issue.
Operating profit:	Profit before impairment losses, interest and taxation.
Operating profit margin:	Operating profit as a percentage of revenue.
Price to earnings ratio:	Market value per share divided by headline earnings per share at year end.
Return on equity:	Headline earnings as a percentage of average shareholders' interest.
Return on net assets:	Operating profit as a percentage of average net assets.
Return on total assets:	Operating profit as a percentage of average total assets.


EOH
EOH

GROUP CEO'S REPORT

EOH is a customer and people-centric organisation and our approach to business relationships and technology partners is firmly embedded in our philosophy of 'Best People' and 'Partner for Life'.

We are very proud of our achievements over many years and would like to thank our people, their families, our customers, partners, vendors and the investor community for their support and significant contribution to EOH's success.

EOH's reputation for consistently delivering value to its customers is due to our deep industry expertise, great people, an understanding of our customers' business and a 'Right 1st Time' approach to service delivery.

EOH's solutions draw from a comprehensive portfolio of IT Services, Software, IT infrastructure, Industrial Technologies, Business Process Outsourcing and Industry consulting services and solutions. Driven by our design, build and operate approach, we are able to provide comprehensive, tailored solutions across all industry verticals.

BUSINESS PERFORMANCE

During the year ended 31 July 2016, revenue increased by 31% to R12 762 million and profit before tax increased by 39% to R1 324 million. The growth is attributable to a combination of strong organic growth and recent acquisitions. Organic growth accounted for 59% of revenue growth. Headline earnings per share ('HEPS') and earnings per share ('EPS') increased by 25% with cash and cash equivalents increasing to R1 949 million as at 31 July 2016.

All divisions contributed to EOH's growth with revenue from services totalling R9 815 million (77% of EOH's total revenue).

EOH remains a strong and proudly South African company with revenue in South Africa accounting for 86% of total revenue. Revenue from outside of South Africa – Sub-Saharan Africa, North Africa and the Middle East accounts for about 10% of total revenue with the remaining revenue earned from other countries.

OPERATING ENVIRONMENT

EOH operates in the Information Technology ('IT'), Industrial Technology and Business Process Outsourcing ('BPO') space. Our addressable market in South Africa is estimated to be over R250 billion and the addressable market in the rest of Africa is estimated to be at least twice as much. Despite EOH being the largest technology service provider in Africa, its market share in relation to the addressable market remains relatively small. We expect all areas to continue to grow as we have positioned ourselves to provide cost-effective solutions to medium and large enterprises.

Our IT services business is up 26% (R4,3 billion) with significant wins in both the public and private sector. Our service offerings include IT managed services; application support; IT management; software development and integration; information services; network and security solutions; and both digital and cloud solutions.

Business intelligence, big data and the need to translate data into valuable information is essential for organisations to grow. We have continued to grow significantly in this area as we provide comprehensive solutions using a combination of our bespoke methodologies and software and vendor applications.

IT software services which includes the implementation of enterprise solutions; business intelligence; information analytics; and EOH's bespoke software, has grown by 39% and accounts for R2,0 billion of EOH's revenue.

The revenue from EOH's IT infrastructure businesses, which includes storage; servers; network equipment; and office automation solutions increased to R0,9 billion.

EOH's Industrial Technology businesses have grown by 37%. This is as a result of significant organic growth and several new companies providing engineering, energy, water, transport, infrastructure, data centre and connectivity solutions joining EOH.

Business Process Outsourcing has also seen substantial growth – up 39% to R2,7 billion, on the back of strong organic and acquisitive growth.

NEW JOINERS

The continued convergence of technology, IT, telecommunications and engineering disciplines is positive for EOH as it creates many opportunities for further consolidation of players in the various sectors.

There continues to be consolidation in the IT Sector in which EOH has participated as a consolidator. During the period under review, EOH consolidated and complemented its existing services with strategic acquisitions growing its local business offerings and expanding into the rest of Africa and the Middle East.

EOH's expansion outside of South Africa is through a 'partnering and joint venture' model where an initial interest of 50% is acquired. This de-risks EOH's entry into these territories whilst it gains a better understanding of doing business in these countries and establishes a regional footprint.

During the year, two significant businesses joined the EOH family – the GCT group of companies ('GCT') and Mehleketo. GCT focuses on utility management via smart metering solutions and analytical, forensic and investigate software solutions for the security sector. Mehleketo focuses on rail technology with a primary focus on signalling, automation and control technologies. More information relating to these transactions is included in our detailed financial statements (see note 28).

EOH also acquired several smaller businesses to enhance its industrial technologies capability, augment its BPO business and to bolster its IT services and infrastructure business. The businesses that join EOH are quickly integrated into EOH's management structures. This enables us to complement and enhance our solution offerings to existing and future customers.

TRANSFORMATION

Transformation is one of EOH's key business philosophies. EOH is certified as a Large Enterprise Level 2 Contributor with BBBEE Procurement Recognition of 156% as a Value Adding Vendor. 55% of EOH's staff and 64% of its Board members are black. EOH's current black shareholding is 48%.

EOH's transformation initiatives are wide-ranging and include:

- **Employment Equity initiatives**

  Through our various empowerment initiatives and our Youth Job Creation Initiative, 55% of EOH's staff are black and we will continue to increase this percentage.

- **Skills training and development**

  EOH has its own academy and several training centres. EOH staff, with a particular focus on fast tracking our black staff, attend training courses throughout the year.

- **Enterprise and supplier development**

  EOH has several enterprise development initiatives aimed at developing black-owned companies. We provide both financial and non-financial support. Mentorship, coaching and counselling forms a significant part of developing, empowering and building black-owned companies into sustainable businesses in the technology and knowledge services sectors.

- **Black ownership**

  Through our Black Empowerment Trust, our deliberate focus on black ownership and our ability to attract black owned businesses, we expect to maintain and in future increase our black ownership of 48%.

CORPORATE SOCIAL RESPONSIBILITY

EOH understands that youth development is paramount to a prosperous South Africa. To this end, EOH's Corporate Social Investment ('CSI') activities include programmes and initiatives focused on the youth. These programmes include:

- Financial support for the Maths Centre which focuses on teaching mathematics, science, technology and entrepreneurship. The centre's primary objective is to equip teachers, learners and parents with learning material and programmes to improve their competency in these subjects.
- EOH provides support to the child and youth development programmes of Afrika Tikkun with the objective of providing a future for children living in townships.
- In the health field, EOH partnered with the South African Business Coalition on Health and AIDS (SABCOHA) to make a difference in the lives of thousands of South Africans through comprehensive health screening and intervention programmes.
- EOH supports the South African Police Service Education Trust (SAPSET) which was established to support the educational needs of children of police members who died in the line of duty.

THE EOH YOUTH JOB CREATION INITIATIVE

In 2012, EOH launched its 'EOH Youth Job Creation Initiative'. The aim of the programme is to work with business partners, customers and the Government to stimulate job creation. So far, EOH has created more than 10 000 jobs together with its partners.

As part of this programme, EOH launched its Internal Learnership Programme. To date more than 2 000 interns have participated in these programmes and more than 70% of these learners have been permanently employed by EOH. Another 700 learners are participating in the 2016 programme.

We believe that business has the resources and the responsibility to help resolve the problem of unemployment. In partnership with the radio station, 702, EOH has challenged all CEOs and government organisations to take at least 3% of their current staff complement as interns and learners each year. Through this and other initiatives, we, together with business, are aiming to create 100 000 jobs by 2020.

SUSTAINABILITY

EOH believes that the inter-dependence of people, business and the community is inseparable if a company is to be sustainable. At EOH we view sustainability as a journey – our ability to be relevant and to contribute to the upliftment of the economic, social and environmental elements of both business and society.

We support the Government's commitment to reduce unemployment. Our approach is underpinned by our strong appreciation that South Africa's development and growth is not the sole responsibility of Government. Government is responsible for creating an enabling environment through legislation and other frameworks, whilst business needs to create jobs. EOH is one of the leading businesses doing just this. At EOH, we have solutions that not only generate profit for the Group, but that also contribute to our country's democracy, governance and service delivery capability.

EOH responds to the needs and requirements of the economy and all its customers. We collaborate with both the public and private sector and use our technology, skills and know-how to make South Africa a better place. We have developed products, services and solutions that address customers' needs across a wide range of service offerings which ensures the sustainability of both EOH and the environment in which we operate. Our service offerings have helped, and continue to help public sector organisations deliver basic social services more efficiently and effectively.

CORPORATE GOVERNANCE

EOH recognises the need to adhere to generally accepted corporate governance principles in all its activities. The Board is committed to the highest level of corporate governance and has implemented and continues to refine structures, policies and procedures aimed at strengthening governance throughout EOH.

Corporate governance is integral to EOH's business philosophy of ethical leadership. There is no doubt that good corporate governance is a key element in ensuring growth, economic efficiency and enhancing investor confidence.

FUTURE PLANS

EOH will continue to develop new services, products and solutions; partner with new vendors; grow its share of existing customers' spend on technology through its strategic account partnering model; and by expanding into new territories

EOH will continue to find suitable businesses to join the group to complement, augment and supplement its existing solution clusters to address the needs of customers.

EOH will develop and acquire strategic industry specific niche IP/ software solutions and distribute these products, services and solutions across our footprint.

EOH is increasingly becoming a multi-national company and will continue to expand in Sub-Saharan Africa, North Africa, the Middle East and emerging markets because it is recognised for the quality of its people and its strong delivery capability.

EOH sees its involvement in the public sector as both a business opportunity and as a responsibility. EOH intends to continue its involvement in all tiers of government and state owned entities to improve service delivery.

EOH is committed to further advancing its transformation efforts through increased black ownership, enterprise development and increasing its spend on skills development.

By continually driving its philosophy of recruiting and retaining the best people and its 'Right 1st Time' quality initiatives, EOH expects to maintain and in time, to increase its operating margins.

EOH has the people, the scale, the offerings, the financial resources, the agility and the know how to continue to grow aggressively.

SUSTAINABILITY REPORT

EOH's purpose is:

- *to provide the technology, knowledge, skills and organisational ability critical to the development and growth of the markets it serves;*
- *to be an ethical and relevant force for good and to play a positive role in society, beyond normal business practice.*

Our philosophy demonstrates our commitment to sustainability by being a responsible employer, delivering an excellent service to our clients, being ethical and fair in all our business relationships and by maintaining a low environmental footprint.

EOH is a customer and people-centric organisation and our approach to business relationships and technology partners is firmly embedded in our philosophy of 'Best People' and 'Partner for Life'. EOH's reputation for consistently delivering value to its customers is due to our deep industry expertise, great people, an understanding of our customers' businesses and a 'Right 1st Time' approach to service delivery.

We respect the human rights of every person involved in our business and invest in our human capital (our employees) and our social and relationship capital (our external stakeholders).

Our supplier base is heterogeneous – we have medium to large customers in all industries in many geographies in South Africa, the rest of Africa and the Middle East. These companies are reputable and adhere to sound business and employment practices.

EOH's first rule of business is the employment of high-performing people with experience and the right set of skills. EOH believes that the inter-dependence of people, business, and the community is inseparable, and that a company is fundamentally a social structure. Our well-defined corporate culture, along with industry experts across multiple industry verticals, enables EOH to continue to grow.

Our sustainability strategy is founded on five guiding philosophies – attract, retain and develop the best people; nurture lifelong partnerships; ensure professional planning and execution in all that we do; transform and celebrate diversity; and strive to be number one in the domains in which we operate.

Sustainability objective	Description	Initiative
Best People	Be a responsible employer; attract and nurture talented people from diverse backgrounds; promote collaboration and well-being at work	• Hire the best people • Reward our people appropriately • Continuous training and development of employees is provided through the EOH Academy • Learnership Development programmes for previously unemployed people • Financial assistance available to employees who wish to enhance their careers • Employee Assist Programmes (EAP) • Executive health programme • Great work environment
Partner for Life	Ensure a high level of customer and vendor satisfaction	• Design and implement customer and industry oriented solutions • Build solid business relationships with customers and vendors
Right 1st Time	Conduct business in an ethical and responsible way in all of our spheres of influence	• Right 1st Time philosophy • Deliver to customer's satisfaction • Excellence in project execution • EOH way of life value charter
Sustainable transformation	Do not tolerate any form of discrimination; create a work environment that promotes equal opportunities for all; ensure that the environment in which we work reflects the demographics of the society in which we live.	• Social and Ethics Committee • Economic empowerment plans • Economic empowerment forums • Youth Job Creation programme • Skills development programmes • Management development programmes • CSI Programmes • Preferential procurement and supplier development
Lead and grow	Ensure a sustainable business so that EOH can continue to make a valuable contribution to society and macro-economic stability	• Understand and manage our environmental footprint so that we can make a positive impact through our actions and business activities • Ensure sound leadership • Ensure financial stability • Embrace change and associated opportunities • Stimulate growth by encouraging entrepreneurship • Create economic and shareholder value

To ensure that EOH continues to make a valuable contribution to society and to remain a sustainable organisation for many years to come, risks (both micro and macro), need to be properly identified and managed.

The process of managing enterprise risk within EOH is encapsulated in the EOH Group ERM policy which describes EOH's risk management framework, philosophy, approach and process. The EOH Group ERM philosophy drives the design and deployment principles of the enterprise-wide operational risk programme. The identified risks, their likelihood of occurrence, impact if occurred, mitigating measures (controls/procedures) are discussed on a regular basis. No risks identified exceeded tolerance levels.

COMMITMENT TO STAKEHOLDERS

Sustainability is a shared responsibility and engaging with our stakeholders proactively is an essential part of being a responsible company. EOH's success depends on the effectiveness with which we listen to and respond to the needs and expectations of stakeholders who, directly or indirectly, affect the activities of EOH. These stakeholders include employees, customers, suppliers, government institutions, investors and local communities. Our stakeholder initiatives help us identify risks and opportunities and adapt to social, technological and regulatory changes. We constantly communicate with stakeholders via many channels:

Stakeholder group	Strategic approach	Activities
Society/community	Contribute to a prosperous South Africa through improved education, health, wellness and job creation	• Job creation initiatives • CSI initiatives • Donations to and involvement in community projects • Enterprise development • Learnership programmes
Customers	Deliver high-quality products, services and solutions to meet their needs and expectations. This is ensured through EOH's 'Right 1st Time' quality process	• Account Executives for strategic and key accounts • Meet and exceed expectations • Customer service desks • EOH website and social media interaction • Industry specific solutions • Customer forums and events • Quality programmes • Quality compliance certificates
Employees	Attract, develop and retain the best people	• Recruitment policies and procedures • Employment equity forums • Adequately reward employees • A healthy and safe working environment • Performance appraisal and development programmes • Employee wellness programmes • Training and skills development
Investors	Remain an attractive investment for shareholders	• Superior financial performance • Investor relations programme • Investor meetings (one-on-one) • Publication of results – interim and final results
Suppliers/Technology partners	Maintain long-term relationships with suppliers	• Supplier agreements • Communication with key suppliers • Nurture ongoing supplier relationships • Preferred supplier protocols
Government and other regulatory bodies	Strengthen relations at all tiers of government	• Compliance with relevant Acts, regulations and legislation • Proactive interaction and communication with all public sector customers • Participate in economic forums

MATERIALITY ASSESSMENT

Our engagement with stakeholders and the determination of material considerations is in accordance with the principles of the Global Reporting Initiative ('GRI-G4'). In 2015, EOH developed a materiality matrix in accordance with G4 guidelines to identify the most relevant topics from the standpoint of sustainability. A ranking methodology involving qualitative considerations was developed to ensure alignment with its business strategy. Intensity was measured based on the importance of such to relevant stakeholders.

In 2016, interviews were conducted with the divisional managing directors to provide further insight from an industry vertical perspective. Material aspects were further reviewed and updated based on such discussions, after taking into account strategic priorities, corporate values, competitive activities and social expectations.

Based on the above approach, the following imperatives, aligned with our business philosophy, were identified –

Best People
- Employee development, retention and recruitment
- Employee wellness

Partner for Life
- Stakeholder management
  - customers
  - vendors
  - partners
  - suppliers

Right 1st Time
- Zero tolerance to any ethical and integrity breaches
- Excellence in execution
- Health and safety measures
- Consistent policies and procedures

Sustainable transformation
- Maximise black ownership
- Maximise employment equity
- Promote enterprise development
- Corporate social responsibility

Lead and grow
- Great leadership
- Strong financial performance
- Encourage entrepreneurship

BEST PEOPLE

Employee development, retention and recruitment

Our business success is built on the philosophy 'technology makes it possible – people make it happen'.

We value the contribution made by every employee and empower each employee to develop their career path; operate and benefit from a safe and rewarding work environment; enjoy the satisfaction of contributing both to the success of EOH and developing the communities in which EOH operates. Our employees are fundamental to the way we do business. With the right mix of challenging work, encouragement and organisational support, our people develop their personal skills and experience and enjoy a successful career at EOH.

Training and development

The EOH Academy represents the Group's commitment to attract, develop and retain the Best People. The purpose of the Academy is to build business-relevant skills. The EOH Academy is the learning and development division of EOH and provides short courses for individuals and organisations that require flexible, practical business skills. Emphasis is placed on empowering the workforce through proven methodologies, processes, diagnostic tools and expertise.

EOH staff attended 8 071 training sessions during 2016. This represents 79% of employees receiving some sort of training, whether on the job, formal or virtual training. This included learning interventions for 215 employees (2,66%) with disabilities. 160 of these employees were busy with either formal ICT Diploma studies or skills programmes. The remaining disabled employees were enrolled either for short courses or employed as 'learners'. 3,2% of the workforce consists of people on formal employed learnerships. A further 3% will commence employed learnership during the 2017 financial year.

Performance assessment

The EOH Performance Management approach – referred to as EOH Connect – is a balanced process that focuses on what has been achieved, how it was achieved and future goals. EOH Connect aligns the goals of every individual with EOH's overall objectives and strategy, enabling EOH to maximise the potential of all its people.

Skills management and life-long learning

EOH provides a comprehensive Employee Assistance Programme ('EAP') to all employees. The programme offers legal assistance, financial advice and trauma counselling to EOH employees and those living in the same household.

Labour practices

EOH does not tolerate any form of discrimination based on gender, race, religion, age and sexual preference (or any other basis as envisaged by the SA Bill of Rights in the Constitution). EOH has a formal grievance procedure to appropriately address any incident which may occur.

Freedom of association

EOH upholds the constitutional rights of the individual to freedom of association.

Group risk cover

It is a condition of service for all new employees to become a member of the Risk Cover benefit.

Provident fund

Contribution to the Group Provident fund, based on a discretionary percentage of total cost to company, is compulsory for all new EOH employees.

Wellness

EOH's Wellness Programmes enhance EOH's ability to recruit and retain healthy employees and improve productivity, while promoting healthy dialogue. Healthy employees reduce health-care costs, decrease the likelihood of illness and injuries and reduces absenteeism.

EOH regards employee wellness as a priority and as such, various wellness initiatives, training programmes and awareness days are held to ensure that employees are aware of health risks. EOH also provides professional services to employees to ensure a healthy lifestyle.

Travel clinic

A Travel Clinic was established in April 2015 which assists employees with travel vaccines and free blood pressure monitoring. Between August 2015 to July 2016, 213 individuals made use of these assessments.

Biokinetics

EOH has a biokinetics practice at the Bedfordview Wellness Centre. The practice assists with rehabilitation, fitness programmes and Health Reimbursement Assessments. Between August 2015 to July 2016, a number of Vitality assessments were conducted for EOH employees.

Executive health programme

This service focuses on comprehensive medical assessments and personalised preventive strategies for executive staff. The aim is to identify and manage risk factors which may have a negative impact on wellness and ones quality of life. Between August 2015 to July 2016, Executive Medicals have been conducted for our EOH employees at our National Network Centres.

Employee assistance programme (EAP)

The MyWellness@work programme is a confidential EAP designed to support employees and their families with the following issues: Psycho-social; Financial and legal; Nutrition and exercise; and Wellness coaching.

Between 1 August 2015 to July 2016, 430 employees have made use of the facility.

PARTNER FOR LIFE

The business model of professional services companies is dependent on trust and loyalty of its clients. To ensure long-term, mutually beneficial relationships, companies need to provide services that meet the highest professional standards of the industry. EOH takes measures to avoid conflicts of interest and to properly train its employees. EOH also has a zero tolerance policy towards bad behaviour and unethical practices.

EOH has regular contact with its people, customers, suppliers, investors, Non-Government Organisations (NGOs) and official bodies, and is receptive to their expectations and views. Open and continuous dialogue helps EOH gain an understanding of stakeholder expectations.

EOH seeks to satisfy its customers by providing innovative solutions and properly implementing such solutions.

EOH's relationships with its suppliers are based on strong partnerships, transparency and ethical conduct.

With shareholders and investors, EOH's strategy is to build confidence through good governance, strong financial performance, transparency and increased disclose regarding any material items.

EOH's interaction with society as a whole, which encompasses the press, government and industry associations, is designed to promote long-term relationships with these groups.

The financial value generated by EOH benefits a long line of stakeholders. This includes employees in the form of salaries and other benefits; the state and municipalities in the form of tax revenues; suppliers in the form of payments for goods and services delivered; customers in the form of high-quality products and services; and shareholders in the form of dividends and share appreciation.

RIGHT 1ST TIME

EOH adopted its Right 1st Time philosophy to ensure excellence, professional planning and a high level of execution in all that it does. The overall objective of the programme is to reduce business risk and ensure successful implementations by having the appropriate skills, processes, structures and identifying potential risks.

Business ethics and integrity, governance and risk management

In order for a company to have a social licence to operate, it requires a sound ethical culture, effective governance structures, and effective internal controls. EOH has adopted the governance structures as outlined in the Corporate Governance section of this report on pages 33 to 49 to ensure effective management throughout the organisation. During the year, EOH received no reports of non-compliance with its Code of Ethics.

Data confidentiality

We recognise that customers, employees and others care about the privacy and security of their data. EOH has established a company-wide governance infrastructure to drive an holistic approach to the stewardship of data. This includes having the correct policies, procedures, governance and security measures in place.

During the reporting year, there were no complaints regarding breaches of customer privacy or loss of customer data. No fines were imposed for non-compliance with laws and regulations.

Health and safety

EOH provides rules and guidelines to its employees in order to comply with the provisions of the Occupational Health and Safety Act, and to ensure the safety of employees and visitors. This is achieved by maintaining safe systems of work, safe premises, and by having adequate training and supervision. EOH is also bound by the Act and its regulations to ensure the safety of all other persons who may be affected by EOH's work activities.

Health and Safety Committees, with trained health and safety representatives, have been set up in each region. EOH has a Health and Safety Manager who is responsible for ensuring that all relevant health, safety and environmental legislation is complied with. Operational Health and Safety aspects are managed regionally across all the divisions and EOH locations.

During the reporting period, only 6 incidences were reported that resulted in lost days and absenteeism from work.

SUSTAINABLE TRANSFORMATION

Diversity and inclusion

Embracing and valuing diversity leads to a better understanding of, and engagement with, the people we work with, the customers we serve and the communities in which we operate. Furthermore, a diverse workforce and an inclusive workplace culture is attractive to potential employees. This provides EOH with an edge when competing for talent and talent retention.

EOH is committed to sustainable transformation and the empowerment of those who were previously economically marginalised or disadvantaged through discriminatory practices. EOH continues its drive towards economic and social equity through the process of Broad-Based Black Economic Empowerment ('BBBEE'). Transformation is managed at an operational level and reported and monitored at Group level via EOH's various reporting structures.

The Board has formalised a transformation programme with measurable objectives for the Group in terms of overall transformation, skills development and training.

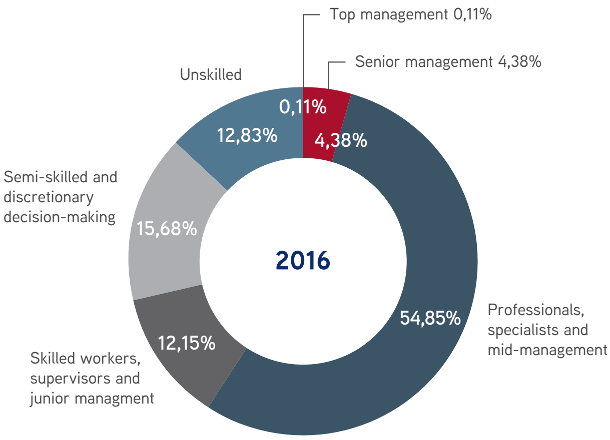
EOH is certified as a Large Enterprise Level 2 Contributor with BBBEE Procurement Recognition of 156% (as a value adding vendor). 55% of EOH's staff and 64% of its Board members are black. EOH's current shareholding is 48%.

Employees in numbers

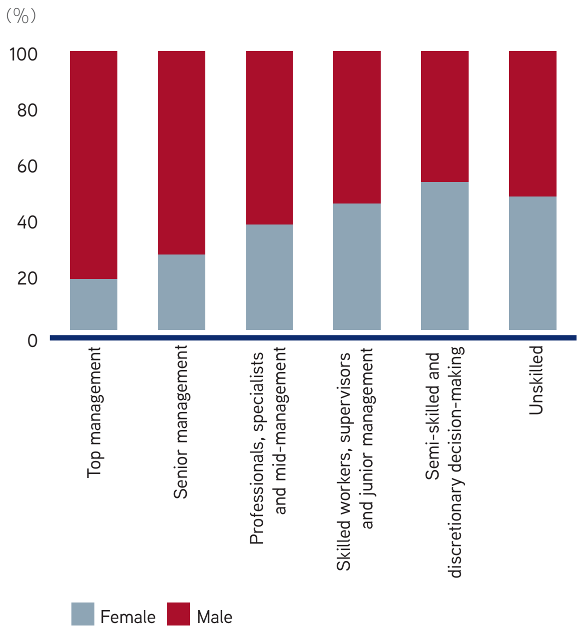
It is essential for our growth and competitiveness that we recognise the value of the diversity of our workforce. EOH strives to attract and retain top performers by addressing the evolving needs of our people in terms of quality of life and dual career expectations. By having a diverse workforce, stimulating productivity, creativity and innovation, we maintain our competitive edge.

Permanent employees increased by 22% for the year to 31 July 2016.

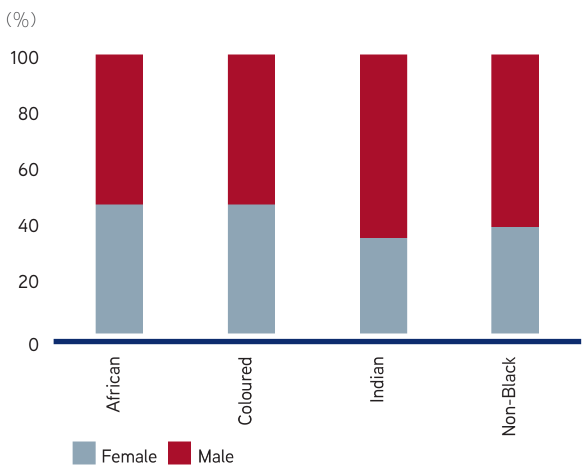
Employees by category



Gender distribution by category



Gender distribution per ethnic group



Youth job creation programme

South Africa doesn't have a shortage of jobs; it has a shortage of skills. According to a recent IMF study, work experience is a primary factor in our youth being employed. Therefore, any investment in up-skilling our youth is good for business and is good for our country.

In 2012, EOH launched its 'EOH Youth Job Creation Initiative'. To date more than 2 000 interns have participated in these programmes and more than 70% of these learners have been permanently employed by EOH.

EOH's initiatives relating to its Youth Job Creation Programme are more fully explained in the CEO's report.

Corporate social responsibility

EOH, as a provider of business and technology solutions across a vast range of industries, understands that education is paramount to building a prosperous South Africa. We have partnered with organisations who we believe can help us realise and support this vision. As outlined in the CEO's report, we have participated in numerous programmes including the following –

- Afrika Tikkun
- Maths Centre
- Tutudesk Project
- South African Police Service Education Trust ('SAPSET')
- South African Business Coalition on Health and AIDS ('SABCOHA')

Sourcing locally

We continue to nurture the value chain behind South African goods with the goal of creating more jobs in South Africa and growing the local economy. A year ago, we decided to stock our EOH Shop with only locally manufactured goods. Today, our shop is stocked with a wide range of creative, competitively priced South African merchandise. We have forged great relationships with local suppliers and are working closely with many local companies to find ways to manufacture goods that were not previously made in South Africa.

Enterprise development ('ED') and corporate social investment ('CSI')

EOH has several ED and CSI initiatives aimed at developing black-owned companies by providing both financial and non-financial support. The cumulative spend in 2016 was R77 million and R14,3 million on ED and CSI respectively.

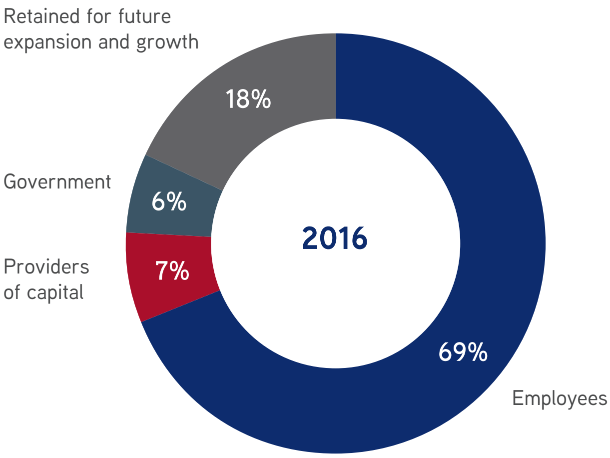
LEAD AND GROW

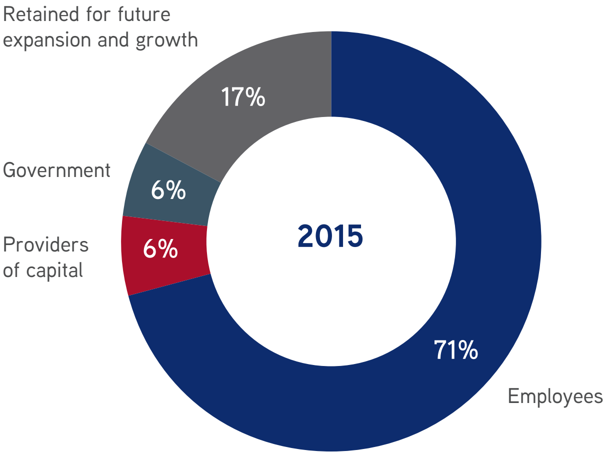
Value added statement

The value added statement shows the wealth that the Group has created through its activities and how this wealth has been distributed to stakeholders. The statement reflects the amounts retained and reinvested in the Group for the replacement of assets and the development of future operations

Distribution of wealth created:

Figures in Rand thousand	2016	%	2015	%
Wealth created				
Revenue	12 761 810		9 733 992	
Cost of materials and services	(6 762 098)		(5 096 115)	
Share of profits of equity-accounted investments	72 510		10 736	
Other income	49 379		37 785	
Total wealth created	6 121 601	100	4 686 398	100
Wealth distributed				
Employees				
Salaries, wages and related benefits	4 198 335	69	3 324 562	71
Providers of capital	408 807	7	259 769	6
Dividends to shareholders	194 340	3	140 970	3
Cost of funding	214 467	4	118 799	3
Government				
Corporate taxation	393 554	6	259 533	6
Wealth retained for future expansion and growth	1 120 905	18	842 534	17





ENVIRONMENTAL STEWARDSHIP

We recognise the challenges that climate change presents to the global economy. Responding to climate change and the transformation of the energy sector are changing the way natural resources are accessed and valued. As a major organisation, we believe we have a role to play in tackling these challenges in the areas where we can. We continue to monitor and actively manage our direct and indirect environmental footprint and have found new ways to help our clients to do the same. As a provider of professional services, EOH has a relatively low environmental footprint but believes good environmental stewardship is part of an organisation's licence to operate. Environmental responsibility stands at the forefront of today's global corporate agenda. EOH addresses this responsibility in two primary ways:

- By providing products and services that improve energy and water efficiency thereby reducing the potential harm to the environment, and
- By operating our facilities in a manner that protects the environment, by continually reducing energy consumption and waste.

Developing technologies that help customers address environmental challenges

We apply our expertise, resources, research and innovation to provide solutions to some of the world's most challenging environmental problems. More than ever, organisations are applying new technologies to transform their operations, products and services to become more efficient, innovative and sustainable. We recognise that our greatest opportunity for building a more sustainable planet is to assist our clients by providing them with the technology to do so.

EOH Infrastructure Technologies combines state-of-the-art technology and best practice to create smart, safe, healthy and secure environments. We have the right skills and expertise to deliver practical intelligent infrastructure solutions. From integrated and converged networks, to full turnkey data centres, biometric identity management, energy control systems, building management, and intelligent green building design, our solutions are proven and world class. By encouraging our clients to change energy management practices and by implementing EOH energy and water technology solutions, clients can dramatically reduce their energy and water consumption.

Our own carbon footprint

As part of our corporate commitment to environmental sustainability, we measure the direct and indirect Greenhouse Gas (GHG) emissions from our operations and products.

EOH complies with all the relevant and applicable environmental legislation. All fossil fuel consumption, purchased electricity and various other sources of emissions are included in the environmental data. Every new business that joins EOH automatically becomes part of the data-recording process.

EOH and its subsidiaries are committed to the protection of the environment through the implementation of effective environmental management programmes. The sustainability journey at EOH is ongoing and we will continue to strive to improve in all areas.

Top issues identified by the materiality assessment

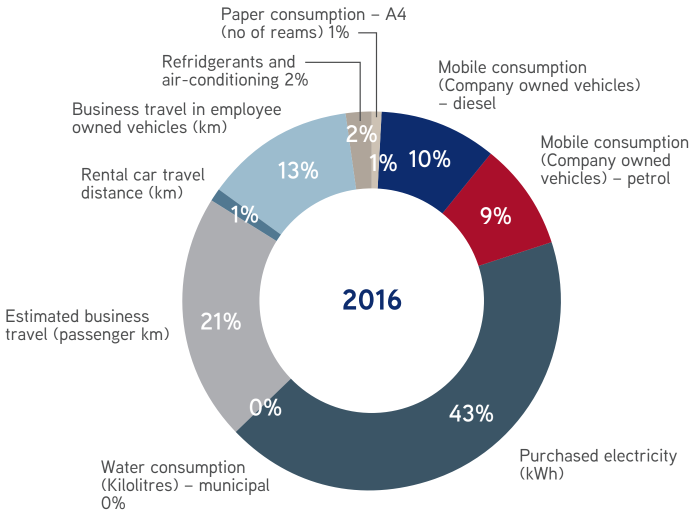
	Issue	Description	Response
Environmental responsibility	Waste Management	Avoid, minimise and manage the disposal of general and hazardous waste	All hazardous IT waste is responsibly disposed of or recycled. Paper waste is recycled. Processes are being developed to sort, monitor and recycle general waste
	Energy and greenhouse gases	Improve energy efficiency. Promote renewable energy usage	Develop an energy and greenhouse gas data collection and monitoring system. Buildings are systematically being 'greened'
Social responsibility	Education	Improve the level of maths and science education	Ongoing funding of maths and science training to ensure we equip school leavers with the necessary skills in these areas
	Job creation	Create jobs	EOH has embarked on a major job creation drive to assist in the creation of sustainable jobs. The objective is to create 100 000 jobs by 2020 together with our partners
	Healthy employees and society	Assist with programmes to improve the health of workers/employees.	EOH Health is the largest provider of wellness screening services in South Africa. It currently plans, executes and manages over 40 wellness events per day for several medical schemes, including the two largest. It also delivers these services to several large employers at their branches across the country
	Training and development	Increase the number of skilled people	Continuous training and development of employees is provided through the EOH Academy. Financial assistance is also made available to employees who wish to enhance their career paths. Learnership Development programmes for previously unemployed people
	Employment equity	Comply with and exceed regulatory and legislative targets	EOH has achieved a Broad-Based Black Economic Empowerment ('BBBEE') Level 2, which is the highest in its sector. Transformation is a high priority
Economic responsibility	Economic value generated and distributed	Sustainable profitable growth	EOH's Value Added Statement

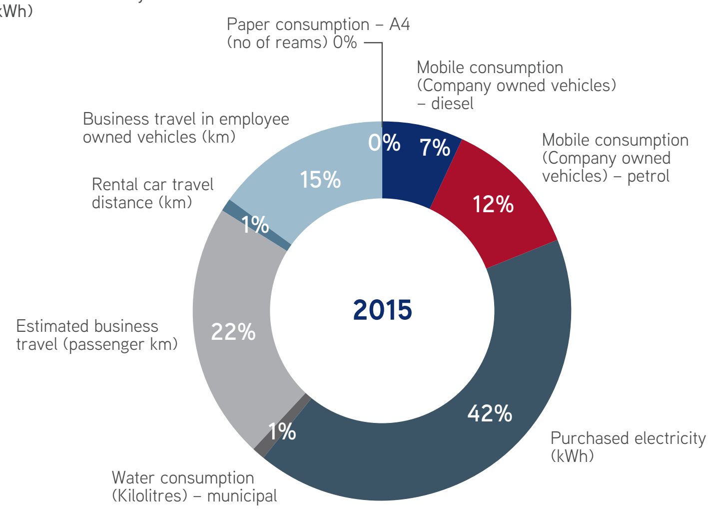
Environmental data

	2016	2015	2014	2013
Scope 1 emissions (tonne CO_2e)	5 237	3 715	3 274	3 412
Scope 2 emissions (tonne CO_2e)	10 449	6 704	6 138	6 508
Scope 3 emissions (tonne CO_2e)	8 498	6 631	5 181	2 350
Fuel consumption diesel (litres)	952 663	467 154	398 422	356 339
Fuel consumption petrol (litres)	981 813	897 353	917 423	1 078 552
Electricity consumption (kWh)	10 448 505	6 704 199	5 821 366	6 173 153
Estimated business air travel (passenger km)	29 958 812	22 060 230	16 800 876	9 979 637
Employee travel in personal cars for business purposes (km) (tonne CO_2e)	3 135	2 572	2 134	324
Business travel in rental cars (km)	1 582 278	930 405	912 874	658 941
Paper consumption estimated (tonnes)	55	42	21	20
Water consumption (kilolitres)	40 935	35 883	18 395	6 906
Emissions intensity (scope 1 and 2 emissions/number of full-time employees)	1,24	0,94	0,91	2,3

Environmental impact

Scope 1: Emissions are direct emissions from sources that a company directly owns or has control over
Scope 2: Emissions are from purchased electricity, heat or steam
Scope 3: Emissions are a consequence of a company's activities, but occur at sources owned or controlled by another company





CORPORATE GOVERNANCE

The Board of Directors ('the Board') is committed to the concept and principles of effective corporate governance.

Corporate governance includes the framework and principles and practices by which the Board ensures accountability, fairness and transparency in EOH's relationship with all its stakeholders. This concept is integral and aligned to all the EOH philosophies:

- Best People;
- Partner for Life;
- Right 1st Time;
- Sustainable Transformation;
- Lead and Grow

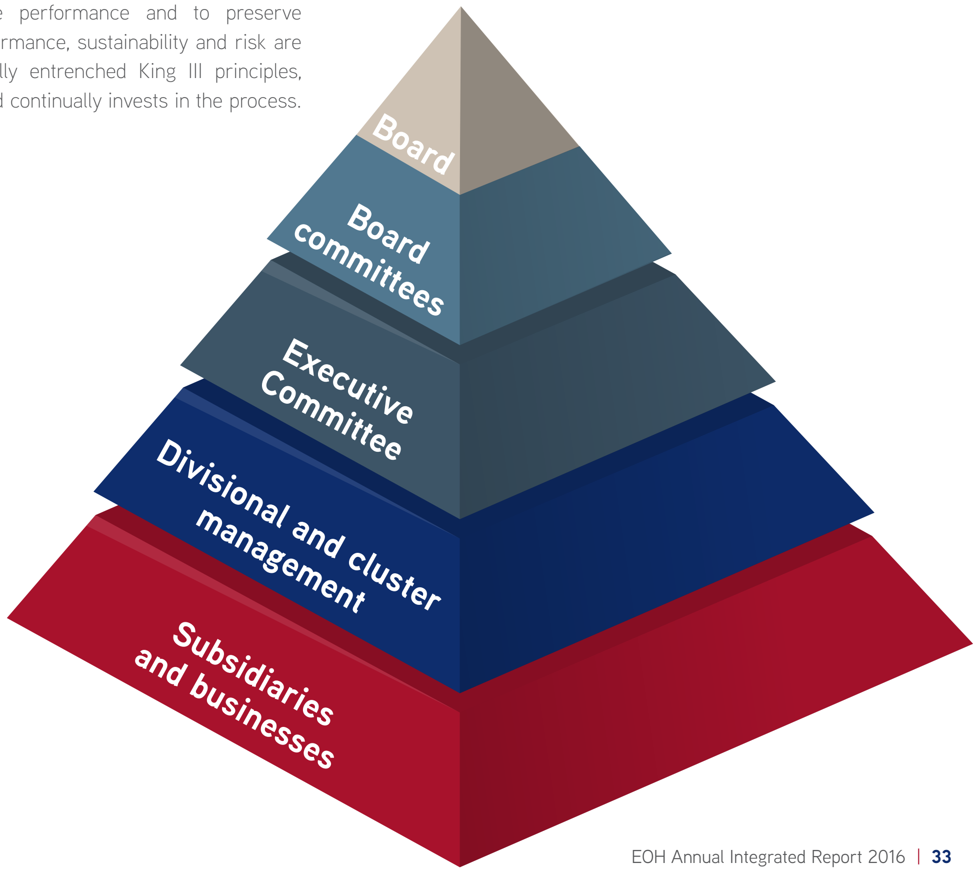
Governance structure

Governance standards throughout the organisation are continually reviewed to ensure sustainable performance and to preserve shareholder value. Strategy, performance, sustainability and risk are inseparable. EOH has successfully entrenched King III principles, is assessing King IV principles and continually invests in the process.

EOH reviews its governance structures to ensure that they support effective decision-making, provide robust controls and are aligned to best practice.

Sustainability is an integral part of how EOH does business. The Board ensures at all times that the Company is and is seen to be, a responsible corporate citizen. The Board not only considers financial performance of the Group, but also strives to enhance and invest in the economy and the environment of the markets in which EOH operates.

EOH's efficient use of resources, together with the provision of a safe and healthy working environment, contributes to the sustainability of the company and the environment.



THE BOARD OF DIRECTORS

Sandile Zungu
BSc (Mechanical Engineering), MBA
Reappointed 19 February 2016
Chairman

Responsibilities:

Non-Executive Chairman of the Board

Pumeza Bam
BSc (Biochemistry), PMD
Appointed 15 July 2009
Group Human Resources Director

Responsibilities:

Human Resources Director
Member of the Board
Member: Social and Ethics Committee
Invitee: Remuneration Committee
Invitee: Nominations Committee
Member of EOH Executive Committee

Asher Bohbot
BSc (Industrial Engineering)
Reappointed 27 February 2008
Group Chief Executive Officer ('Group CEO')

Responsibilities:

Group Chief Executive Officer
Member of the Board
Member: Risk and Governance Committee
Member: IT Governance Committee
Member: Social and Ethics Committee
Invitee: Audit Committee
Invitee: Remuneration Committee
Invitee: Nominations Committee
Chairman of EOH Executive Committee

John King
BCom, BAcc, CA(SA)
Reappointed 1 March 2008
Group Financial Director

Responsibilities:

Group Financial Director
Member of the Board
Member: Risk and Governance Committee
('Chief Risk Officer')
Member: IT Governance Committee
Member: Social and Ethics Committee
Invitee: Audit Committee
Invitee: Remuneration Committee
Invitee: Nominations Committee
Member of EOH Executive Committee

Dion Ramoo
CA(SA), CD(SA), Prof Acc (SA),
BSc (Info Proc), SAI MFO
Reappointed 23 February 2011
Executive Director

Responsibilities:

Member of the Board
Head of EOH Public Sector Advisory Services
Member of EOH Executive Committee

Jane Thomson
Reappointed 23 February 2011
Executive Director

Responsibilities:

Member of the Board
Managing Director of Softworks
Member of EOH Executive Committee

Lucky Khumalo
BSc (Computer Science)
Reappointed 11 February 2015
Independent Non-Executive Director

Responsibilities:

Member of the Board
Member: Audit Committee
Member: IT Governance Committee
Member: Remuneration Committee
Member: Nominations Committee

Danny Mackay
Reappointed 19 February 2016
Non-Executive Director

Responsibilities:

Member of the Board

Tshilidzi Marwala
BSc (Mechanical Engineering),
MSc (Engineering), PhD
Reappointed 19 February 2016
Independent Non-Executive Director

Responsibilities:

Member of the Board
Member: Audit Committee
Member: Risk and Governance Committee
Chairman: IT Governance Committee

Audrey Mothupi
BA (Honours)
Appointed 27 July 2016
Independent Non-Executive
Director

Member of the Board

Rob Sporen
Reappointed 11 February 2015
Lead Independent Non-Executive
Director

Responsibilities:

Member of the Board
Chairman: Audit Committee
Chairman: Risk and Governance
Committee
Chairman: Remuneration
Committee
Chairman: Nominations Committee
Chairman: Social and
Ethics Committee

Tebogo Skwambane
BA, MBA
Resigned 11 February 2016
Independent Non-Executive
Director

Thoko Mnyango
BJuris
Resigned 27 July 2016
Non-Executive Director

Regulatory and statutory compliance

Compliance with all relevant regulations affecting the business activities of the Group is regarded as being of the utmost importance. The principle frameworks includes:

Board charter

The Board charter is vital to the Company's governance framework, and:

- provides the legal framework within which the Board operates;
- outlines the policies that the Board has agreed upon to meet its responsibilities;
- assists the Company's leadership in delivering good governance;
- allows communication of the Board's expectations to management; and
- serves as an induction tool for new directors.

Role and the responsibilities of the Board

The overriding role of the Board is to ensure the long-term sustainability and success of EOH for the mutual benefit of all stakeholders. The duties, responsibilities and powers of the Board, the delegation of authority and matters reserved for the Board are set out in the company's Memorandum of Incorporation and the separate charters and policies. The Board is responsible for determining the long and short term strategy of EOH and how business is conducted. This includes the setting, monitoring and review of strategic targets and objectives; the approval of material capital expenditure; acquisitions; internal controls; risk management and IT Governance.

The directors bring to the Board a wide range of experience and expertise and, in the case of the independent non-executives, an independent perspective and judgement on issues of policy, strategy and performance.

Board members are expected to act in the best interest of EOH and the Group Company Secretary maintains a register of directors' interests.

Ethical leadership

The Board subscribes to ethical leadership which forms the basis of the EOH Code of Conduct.

Decisions and actions are based on these values:

- Integrity is non-negotiable;
- Respect the dignity of every individual;
- Act professionally and strive for excellence;
- Be legitimate and long-term contributors;
- Care for the environment;
- Promote the fight against corruption;
- Everyone is a valued contributor; and
- Build relationships with customers and vendors to understand and meet their needs.

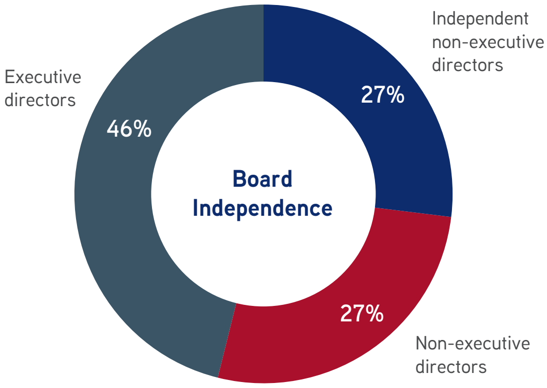
The Executive Committee is responsible for ensuring that these values are adhered to throughout the Group. The Board's Social and Ethics Committee ensures the application of these principles.

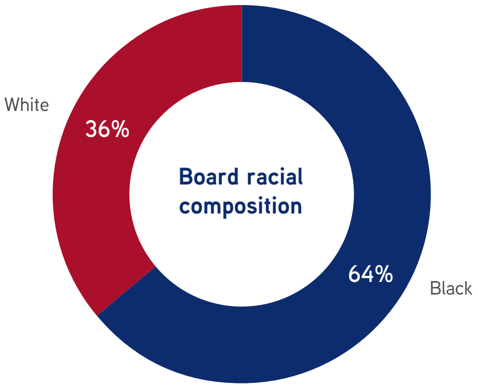
Composition of the Board

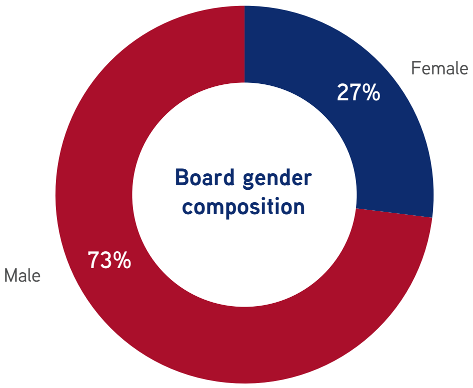
The Group has a unitary Board, the composition of which promotes the balance of authority and precludes any one director from dominating decision-making. The Board of EOH is sufficiently equipped to conduct the business of a board in terms of its collective knowledge, skills, experience, resources and diversity. Directors are classified as executive directors if they are employed full-time by EOH.

As at the date of this report, the Board consisted of eleven individuals. Five are executive directors, four are independent non-executive directors and two are non-executive directors. Six of the Board members are black, of which two are women.

Full details of the directorate are set out on pages 34 and 35.







The Chairman of the Board

The Chairman and Group CEO fulfil separate roles and operate under distinct mandates issued and approved by the Board. These mandates clearly differentiate the division of responsibilities within EOH and ensure a balance of power and authority.

The Chairman, a non-executive director, presides over the Board providing it with effective leadership and ensuring that all relevant information is placed before it. The Chairman is also responsible for leadership, promoting the highest standards of governance and effectiveness of the Board. The Chairman is reappointed annually. The Chairman is not independent, a lead independent director, Rob Sporen has been appointed.

The Group CEO

The Group CEO is fully accountable to the Board for EOH's day-to-day operations, developing the Group's strategy and presenting the business plan and budgets to the Board for approval. It is paramount that the executive directors lead EOH with integrity and good judgement. In exercising control of the Group, the Board is empowered to delegate its responsibilities.

Election and re-election of directors

The election and re-election of directors is delegated to the Nominations Committee. A rigorous assessment of new nominations is conducted by the Committee. Newly appointed directors are ratified at the next Annual General Meeting ('AGM') following their appointment.

In terms of the Company's Memorandum of Incorporation ('MOI'), one third of the non-executive directors are required to retire at each AGM, and if they are eligible and available for re-election, their names will be put forward for re-election by the shareholders at the next AGM. The non-executive directors to retire shall be those who have been in office for the longest period since their appointment.

Succession planning

Should a director retire, resign or be disqualified and removed, the Nominations Committee is tasked with identifying potential candidates. It performs an assessment as to the candidates' appropriateness for the position in terms of their experience and skills. The process of selection, induction and ongoing training of directors is formalised.

Directors' interest in contracts

Directors are required to declare their interests annually in order to determine whether there is any conflict with their duties and the interests of EOH.

Directors are also required to disclose any conflicts of interest if and when they arise. The directors have certified that they had no material interest in any transaction of any significance with the Company or any of its subsidiaries. A register detailing directors' interests in the Company is available for inspection at the Company's registered address.

Directors' interests in EOH shares

It is not a requirement of the Company's MOI or the Board Charter that directors own shares in the Company. The shares held by the directors as at 31 July 2016 are contained in the Annual Financial Statements on page 93. Directors have no loans with the Company.

Trading in Company shares

The Group Company Secretary informs the Board and management of its closed periods when trading in EOH shares by directors, senior executives and participants in the group share incentive schemes is prohibited. The closed periods commence on 1 August and 1 February each year and remain in force until the publication of the interim and final results respectively. Any period during which the Company may trade under cautionary announcement would also be classified as a closed period.

All directors' dealings require the prior approval of the Group CEO or Group Financial Director and are recorded. The Group Company Secretary retains a record of all such share dealings.

Non-executive directors' fees

As suggested by King III, Board member fees comprise both a retainer fee and a meeting attendance fee. Non-executive directors receive fees for their services as directors and as members of Board committees. The total remuneration payable to non-executive directors requires approval of shareholders at the AGM. The last AGM was held on 19 February 2016. The next AGM is scheduled for 22 February 2017.

Stakeholder engagement and communication

The Board has a clear understanding of its responsibilities to internal and external stakeholders. EOH's stakeholders are defined as those entities and individuals that are significantly affected by the Group's activities and those which have the ability to significantly impact the Group's ability to achieve its objectives.

Stakeholder communication is a planned, proactive process where management engages formally and informally with individuals and collective audiences to share information and gain an appreciation of stakeholder perspectives.

EOH's website is an information portal for Group news and announcements. Internal communication includes the monthly publication and distribution of 'the ECHO', a Group wide newsletter for internal stakeholders.

Group Company Secretary

The Group Company Secretary acts in a supportive capacity to the directors and Chairman. The Board is satisfied that the Group Company Secretary is suitably qualified, competent and experienced to provide guidance in matters relating to governance and other related practices across EOH. The Group Company Secretary has direct access to, and ongoing communication with the Chairman. The Group Company Secretary is not a director of the Company or its subsidiaries and the Board is satisfied that an arm's length relationship exists. All directors have access to the services of the Group Company Secretary and directors may obtain independent professional advice.

Adri Els CA(SA) is the Group Company Secretary. The Group Company Secretary is also the secretary to the Board committees and the Group's subsidiary companies.

Board statement of effectiveness

Performance evaluation

The Board appraises the Chairman, while the Remuneration Committee appraises the Group CEO. The Remuneration Committee also assesses the remuneration of the Chairman and directors. In addition to the Remuneration Committee's evaluation of the performance of the Board, the individual directors complete formal evaluations of their effectiveness. The Board also assesses the appropriateness of the Board structure and its effectiveness. The Group Company Secretary, together with the Board members and committee members, assumes responsibility for any actions required. Details of the directors' remuneration are set out on page 93 of the Annual Financial Statements.

Statement of compliance

The Board has adopted the 'apply or explain' principle contained in King III as required in terms of the JSE Listings Requirements. The assessment of the application and implementation of King III, including current levels of compliance in respect of the guidance and oversight of risk, governance and compliance management across the Group is ongoing. The King III checklist is available on the Company's website at www.eoh.co.za.

Internal controls

Based on a review of internal controls and risk management, nothing has come to the attention of the Board that causes it to believe that the Group's system of internal control and risk management are not effective.

Subsidiary boards

EOH has several wholly owned subsidiaries. The Group's operating business units function as divisions of legal entities. Each of EOH's subsidiary companies has a separate board of directors. The Board and its committees and the EOH Executive Committee oversee all significant aspects and transactions of the subsidiaries. The boards of the subsidiaries and management committees of the operating divisions are constituted with the necessary mix of skills, experience and diversity.

Board committees

The Board has delegated certain functions to committees. In doing so, the Board has not abdicated any of its own responsibilities. The committees are chaired by independent non-executive directors. All the Board committees operate under Board-approved mandates and terms of references.

The Chairpersons of these committees attend the AGM to respond to any shareholder queries. Shareholders are required to elect the members of the Audit Committee at the Company's AGM. Non-executive directors may meet separately with operational management without the attendance of the executive directors.

The Board has six committees:

- Audit Committee;
- Risk and Governance Committee;
- IT Governance Committee;
- Remuneration Committee;
- Nominations Committee; and
- Social and Ethics Committee.

Attendance at Board and Board Committee meetings

The Board meets quarterly and on an *ad hoc* basis when considered necessary. Board meetings are convened by formal notice incorporating detailed agendas and background material relating to matters to be discussed at each meeting to enable the directors to prepare in advance.

	Board	Audit	Risk and Governance	IT Governance	Remuneration	Nominations	Social and Ethics
Number of meetings held	4	3	2	2	2	1	2
Executive directors							
Pumeza Bam	4/4				2/2#	1/1#	2/2
Asher Bohbot	4/4	3/3#	2/2	2/2	2/2#	1/1#	2/2
John King	4/4	3/3#	2/2	2/2	2/2#	1/1#	2/2
Dion Ramoo	4/4						
Jane Thomson	4/4						
Non-executive directors							
Lucky Khumalo	3/4	2/3		1/2	2/2	1/1	
Danny Mackay	3/4						
Tshilidzi Marwala	4/4	3/3	2/2	2/2			
Audrey Mothupi	1/1*						
Rob Sporen	4/4	3/3	2/2	2/2	2/2	1/1	2/2
Sandile Zungu	4/4						
Other invitees							
Rob Godlonton (ICT Executive)				2/2			
Hendrick Mosopa (CIO)				2/2			
Isobel Townsend (Finance Executive)							2/2#
Adri Els (Group Company Secretary)							2/2#

By invitation

* *Audrey Mothupi was appointed as a member of the Board on 27 July 2016 and therefore was only eligible to attend the meeting on 12 September 2016.*

AUDIT COMMITTEE REPORT

The Audit Committee is independent and accountable to both the Board and shareholders.

The Committee does not assume the functions of management, this remains the responsibility of the executive directors and other members of senior management.

The Committee members were appointed by EOH's shareholders at the AGM held on 19 February 2016. It has decision-making authority with regard to its statutory duties. The mandate of the Audit Committee ('the Committee') is to oversee the integrity of EOH's internal control environment and to provide reasonable assurance relating to the integrity and reliability of the financial statements prepared in compliance with IFRS, and to safeguard, verify and ensure accountability of the Group's assets.

Role and responsibilities

The Committee's statutory duties and responsibilities are varied and include:

- Nominate and appoint a registered auditor who, in the opinion of the Committee, is independent;
- Determine the fees to be paid and the terms of engagement of the auditor;
- Determine the nature and extent of any non-audit services which the auditor may provide;
- Pre-approve any proposed contract with the auditor for the provision of non-audit services;
- Ensure that the appointment of the auditor complies with the Companies Act, JSE Listings Requirements and King III recommendations;
- Oversee the integrated reporting process;
- Review the Annual Financial Statements, interim reports, preliminary reports and provisional results announcements; and
- Review the Integrated Report and recommend such report for approval by the Board.

Composition

The Committee comprises two independent non-executive directors and is chaired by the Lead Independent Non-Executive Director. The members of the Committee have the requisite financial knowledge, skills and experience to oversee and assess the strategies and processes developed and implemented by management to manage the business in a continually evolving and changing environment.

The members nominated by the Board for re-election as members of the Committee, subject to shareholder approval at the AGM to be held on 22 February 2017, are:

- Rob Sporen as a member and Chairman of the Audit Committee;
- Lucky Khumalo as a member of the Audit Committee;
- Tshilidzi Marwala as a member of the Audit Committee; and.
- Audrey Mothupi as a member of the Audit Committee.

Attendance

The Committee met three times during the year in order to discharge its responsibilities. The Group CEO and Group Financial Director attend Committee meetings by invitation. Representatives from the external auditors are present at Committee meetings where results are approved or audit services are discussed and approved. The Committee's Chairman reports to the Board on the activities and recommendations of the Audit Committee. Refer to the attendance register on page 39.

Report on activities for 2016

In executing its delegated duties, the Committee focused on:

Integration of acquisitions

An overview of the 'acquisition process' was presented to both the Board and Audit Committee members. The detailed Audit Planning Memorandum of the external auditors clearly states that it focuses on new acquisitions. The Company Secretary, together with the Finance Function, Legal Function, HR Function and GRC Senior Manager take new joiners through the required processes/compliance matters applicable to being a member of EOH. All staff attend a one day 'orientation day' to familiarise them with EOH's policies, procedures and guidelines.

Profit warrant audits are conducted as and when required in terms of the contractual obligations of the purchase and sale agreements by the external auditors. These services are billed separately.

Annual Financial Statements

Reviewed the Annual Financial Statements and summarised information, interim and preliminary announcements, accompanying reports to shareholders and all other announcements on the Group's results and other financial information that was made public, prior to the submission to and approval by the Board.

Group Financial Director

The Committee confirms to shareholders that it is satisfied with the expertise and experience of John King.

Finance function

The Committee has reviewed the expertise, resources and experience of the Group's finance function and confirms to shareholders that the finance function is effective. In making these assessments, the Audit Committee obtained feedback from various external service providers.

Review of internal controls

The review of internal controls remains the responsibility of the Committee. The required testing and assessments were performed by external service providers and competent in-house financial staff.

The Committee is of the opinion, after having considered the assurance provided by management and external service providers, that the Group's system of internal financial controls, in all material aspects, is effective and provides reasonable assurance that the financial records may be relied upon for the preparation of the Annual Financial Statements.

External auditors

The Committee is responsible for the appointment of the external auditor and overseeing the external audit process. The Audit Committee is satisfied with the performance of the external auditors and recommends the reappointment of Mazars (Gauteng) Inc., as the external audit firm for the year ending 31 July 2017. The Committee is satisfied that the audit firm will act with unimpaired independence, free from any scope restrictions.

In short, the Committee has, *inter alia*:

- Monitored and reported on the independence of Mazars (Gauteng) Inc. as it relates to the signing off of the Annual Financial Statements for 2016;
- Pre-approved contracts for non-audit services that were rendered by Mazars (Gauteng) Inc.;
- Ensured there is a process for the Committee to be informed of any reportable irregularities (as identified in the Auditing Profession Act) identified and reported by the external audit firm;
- Reviewed the quality and effectiveness of the external audit process and ensured that the designated audit partner was independent.
- Nominates that Mazars (Gauteng) Inc. be reappointed as external auditors by shareholders at the AGM;
- Determined the terms of engagement and fees to be paid to Mazars (Gauteng) Inc.; and
- Ensured that the reappointment of the audit firm complies with the Companies Act and other relevant legislation;

Annual integrated reporting

The Committee oversaw the integrated reporting and in particular has:

- Considered all factors and risks that may have an impact on the integrity of the Annual Integrated Report for 2016;
- Reviewed the Annual Financial Statements for 2016 and the notes thereto;
- Considered whether there were any material sustainability issues;
- Reviewed the content of the information to ensure that it provided a balanced view;
- Prepared the reports to be included in the Annual Financial Statements for 2016; and
- Recommended the Annual Integrated Report for 2016 to the Board for approval.

Sustainability policy

The Committee, in conjunction with the Social and Ethics Committee, has ensured the establishment and maintenance of the relevant management structures and processes to meet the objectives of EOH's sustainability policy. Refer to the Sustainability Report on pages 21 to 31.

Audit Committee recommendation

The Committee hereby reports to the shareholders that:

Going concern

The Committee reviewed and considered the applicability of the going concern assertion by management. The Committee concluded that the Group is a going concern for the foreseeable future.

Statutory reporting

The Committee has evaluated the Consolidated Annual Financial Statements for the year ended 31 July 2016 and considers that the Group complies, in all material respects, with the Companies Act, IFRS, SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee, the JSE Listings Requirements and applicable legislation.

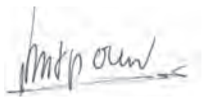
The Committee received no complaints on the accounting practices, financial statements or internal controls of the Group.

Annual Integrated Report

The Committee, having fulfilled the oversight role regarding the reporting process and all material factors that may impact the integrity of the Annual Integrated Report, recommended that the Annual Integrated Report and the consolidated Annual Financial Statements be approved by the Board.

Conclusion

The Committee is satisfied that it has met the requirements of its terms of reference.



Rob Sporen
Chairman, Audit Committee
Lead Independent Non-Executive Director

RISK AND GOVERNANCE COMMITTEE REPORT

The Board is responsible for the governance of EOH's risk and for setting levels of risk tolerance.

The Board has tasked the Risk and Governance Committee ('the Committee') to assist it in carrying out its risk responsibilities. The Committee ensures that there is an ongoing assessment of risks and the monitoring thereof. The EOH Executive Committee is accountable to the Board for designing, implementing and monitoring the risk management processes. Senior management is responsible for effectively managing risk within their respective areas of responsibility.

The role of the Committee is to assist the Board with the implementation of effective policies and to develop an effective risk management plan. The Committee's name was recently changed to include Governance.

Role and responsibilities

The Committee performs all functions necessary to fulfil its aforementioned role, including the following:

- Oversee the development and bi-annual review of the risk policy and risk management plan;
- Monitor the implementation of the policy and plan;
- Approve systems and processes;
- Make recommendations to the Board regarding the level of risk tolerance;
- Oversee the risk management plan and see to it that the plan is disseminated throughout the organisation as a part of daily activities;
- Ensure that risk management assessments are performed on a continuous basis;
- Ensure that frameworks and methodologies are implemented to anticipate risks;
- Ensure that management considers and implements appropriate risk responses;
- Ensure that management monitors risk;
- Liaise closely with the Audit Committee to exchange information relevant to risk;
- Express an opinion to the Board on the effectiveness of the system and process of risk management; and
- Review the reporting of risk to be included in the Annual Integrated Report.

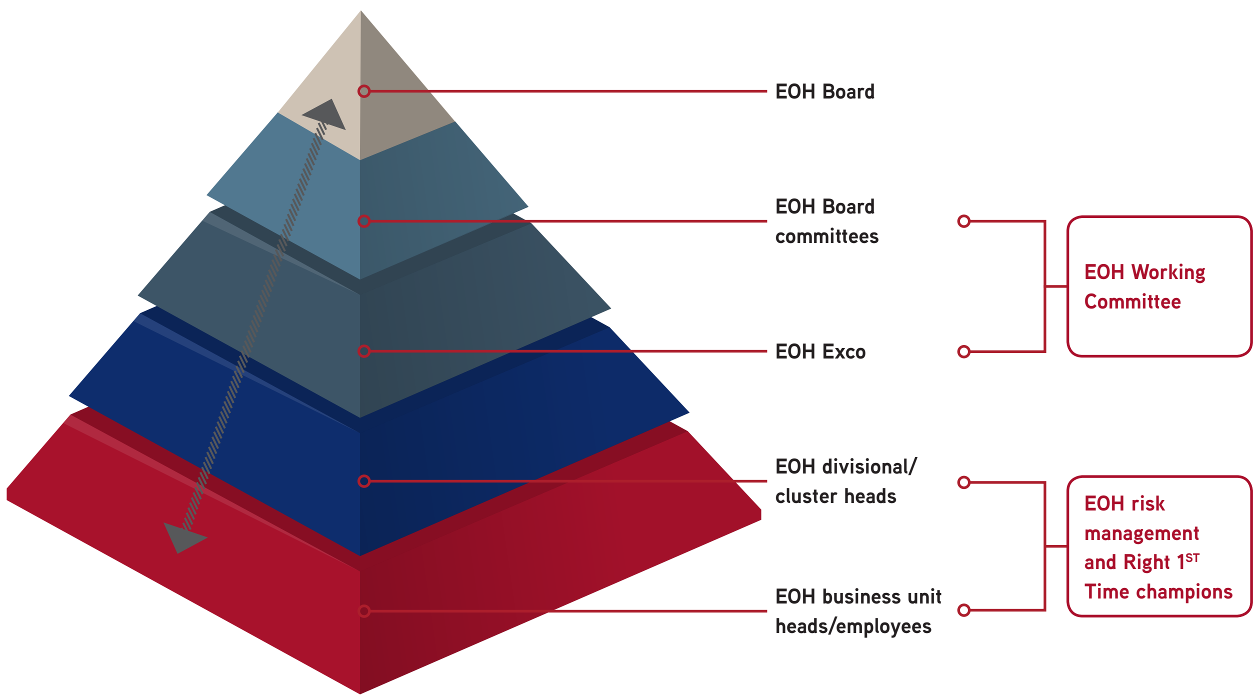
Composition

The Committee comprises two independent non-executive directors, the Group CEO and the Group Financial Director. The members of the Committee have the requisite knowledge, skills and experience to effectively carry out the Committee's mandate. The Committee consists of:

- Rob Sporen, Chairman
- Asher Bohbot
- John King
- Tshilidzi Marwala

Report on activities for 2016

- Improved the governance and risk framework;
- Drafted standardised policies and guidelines for use throughout EOH;
- Re-energised the zero tolerance policy on corruption and bribery;
- Enhanced IT governance policies with a specific focus on security;
- Focussed on reputational risk and mitigating actions;
- Created a centre of excellence to monitor divisional risk meetings, the reporting of identified risks and actions to mitigate such risks materialising; and
- Entrenched 'Right 1st Time' at all levels, with a focus on the sales and project management processes.



Enterprise Risk Management ('ERM') overview

The process of managing enterprise risk within EOH is encapsulated in the EOH Group ERM policy. The policy and framework describes EOH's risk management framework, philosophy, approach and process.

The effective management of enterprise risk is central to EOH. The EOH Group ERM philosophy drives the design and deployment principles of the enterprise-wide operational risk programme.

The EOH ERM objectives are aligned with the EOH philosophies, namely:

- Best People
- Partner for Life
- Right 1st Time
- Sustainable Transformation
- Lead and Grow

EOH ERM is a collaborated endeavour to identify risks and to put in place actions, processes and/or measures to mitigate the probability of such materialising.

The identified risks, their likelihood of occurrence, impact on business objectives if occurred, mitigating measures (controls/procedures) and the risk management outcomes are discussed on a regular basis. Risks are ranked and prioritised, ensuring a swift response and intervention to mitigate risks outside tolerance levels. No risks identified exceeded tolerance levels.

Liquidity risks are managed on a short-term and long-term basis ensuring the pairing of known cash in and outflows, with predictions of expected cash flows.

Ownership of risk management

The Committee is responsible for the risk management process and reports to the Board.

The EOH Executive Committee is the business sponsor for the risk programme. This operational body monitors and reviews EOH's risk management system and reports its findings to John King, who is the Chief Risk Officer, on a regular basis.

Operational responsibility for execution of the programme and the achievement of the agreed outputs is part of the responsibility of operational management. Those responsible for the management of risks are also responsible for ensuring that the necessary operational controls are adequate and effective at all times.

Risk management framework

The core risk management process is an ongoing systematic, business wide risk assessment process which supports EOH's ERM philosophy. This ensures that risks and opportunities are not only adequately identified, evaluated and managed at the appropriate level in each division, but also that their individual and joint impact on EOH as a whole is taken into consideration.

90% of the risk process is focused on:

- Root cause elimination
- Risk prevention
- Risk mitigation

10% of the risk process is focused on:

- Rectifying failure and managing emergencies

Risk management process

The EOH ERM process is divided in two streams, namely the 'strategic process' and the 'tactical process'. The strategic process is about policy, overall communication, overall roles and responsibilities and the measurement and review of the programme, whereas the tactical process is about identification, registration and treatment of risks.

Operational Business Unit Managers, as well as the Group IT, Finance, Strategic Sales and HR functions carry out regular self-assessments of risk. The process identifies critical business strategic, commercial, operational, financial and compliance exposures facing the group and the adequacy and effectiveness of processes and controls at all levels. The assessment methodology takes into account the severity and probability of occurrence and applies a rating based on the quality of control procedures, thereby ranking and setting priorities. The top risks, elevated at group level, are addressed through action plans put in place with responsibilities assigned to the appropriate people.

Risk categorisation

The high-level risk categories used by ERM are:

Strategic

Commercial

Operational

Financial

Compliance

ERM lines of defence

The 'three lines of defence' that support the Board:

- First line – operating divisional management

  The Group's first line of defence is the senior executives and business unit managers who are directly responsible for EOH's business operations.

- Second line – Group risk function

  The Chief Risk Officer is a member of the EOH Executive Committee and is accountable for the effectiveness of the risk management function. The Chief Risk Officer reports to the Group CEO and has direct and unrestricted access to the Risk and Governance Committee Chairman. The Chief Risk Officer is responsible for developing Group-wide risk management policies, overseeing their implementation and reporting on risk issues to the EOH Executive Committee.

- Third line – assurance

  The third line of defence comprises the Group's independent assurance functions that provide an independent and balanced view of all aspects of risk management (both first and second line of defence) across the Group to the various governance bodies within the Group.

Conclusion

The Committee is satisfied with EOH's Enterprise Risk Management policies, procedures and structures and the processes to identify risks and the actions to mitigate such risks materialising. The Committee is satisfied that it has met the requirements of its terms of reference.

Rob Sporen
Chairman, Risk and Governance Committee
Lead Independent Non-Executive Director

IT GOVERNANCE COMMITTEE REPORT

The Board has tasked the IT Governance Committee ('the Committee') with ensuring the effectiveness of EOH's information technology policies, processes and standards.

Role and responsibilities

- Focus on the effectiveness of EOH's IT strategy;
- Evaluate and ensure effective and efficient IT systems, policies and procedures;
- Evaluate and ensure that there is appropriate management capacity and resources;
- Review the capital and operating budgets for IT activities;
- Focus on the effectiveness of documentation for systems, programming, network and operations activities; and
- Focus on the effectiveness of business continuity and backup procedures.

Composition

- Tshilidzi Marwala, Chairman
- Asher Bohbot (Chief Executive Officer)
- John King (Group Financial Director)
- Rob Godlonton (CEO ICT Division)
- Lucky Khumalo (Non-executive Director)
- Hendrick Mosopa (Chief Information Officer)

Report on activities for 2016

- Reviewed and reissued IT policies and guidelines with specific focus on cyber security;
- Monitored the return on investment of significant IT projects;
- Rolled out projects including licensing, network security and operational systems for HR and Finance;
- Disaster recovery plans were enhanced and tested;
- Business Continuity Plans were tested;
- Assessed the adequacy of the IT risk management framework;
- Improved IT governance measures and ensured that the controls supporting IT services were adequate; and
- Developed policies, procedures and measures to protect intellectual property and personal information.

Conclusion

The Committee, having fulfilled its oversight role regarding the risk management process, is satisfied that it has met the requirements of its terms of reference.

Tshilidzi Marwala
Chairman, IT Governance Committee
Independent Non-Executive Director

REMUNERATION COMMITTEE REPORT

The Remuneration Committee is responsible for reviewing and approving the remuneration of directors, senior management and staff.

Roles and responsibilities

- Ensure that the Company's directors and senior executives are paid fairly for their individual contributions to the Company's performance, and that remuneration policies are appropriate to retain and motivate the directors and senior management;
- Ensure that the Company remunerates staff fairly and responsibly;
- Oversee the setting and administration of remuneration at all levels in EOH;
- Ensure that the remuneration policy promotes the achievement of strategic objectives and encourages individual performance;
- Review the implementation of the remuneration policy to ensure that objectives are being achieved;
- Ensure that the mix of fixed and variable pay, in cash, shares and other elements, meets EOH's needs and strategic objectives;
- Satisfy itself as to the accuracy of recorded performance measures that govern incentives;
- Ensure that all benefits are justified and correctly valued;
- Consider the results of the evaluation of the performance of the Group CEO and other executive directors;
- Regularly review incentive schemes;
- Consider the appropriateness of early vesting of share-based payments at the end of employment and the performance measures that govern the vesting of options;
- Advise on the remuneration of non-executive directors; and
- Ensure that the disclosure of the directors' remuneration is accurate, complete and transparent.

Composition

- Rob Sporen, Chairman
- Lucky Khumalo

The Group CEO, Group Financial Director and Group Human Resources Director attend Committee meetings by invitation.

The Remuneration Committee meets formally at least twice a year. The Chairman of the Board and the Group CEO meet to discuss the performance of the other executive directors and to make proposals as necessary.

EOH's remuneration philosophy

EOH's primary remuneration philosophy is to employ and reward high-calibre and high-performing employees who subscribe to the values and culture of EOH. EOH recognises that people are integral to the achievement of corporate objectives and that they should be remunerated accordingly for their contribution and the value that they deliver. Fees for non-executive directors should be determined in the context of good governance and be market related.

In compliance with the principles of King III, the Remuneration Committee assists the Board in setting and administering remuneration policies. The remuneration policy within the EOH Group is reviewed bi-annually.

EOH's remuneration strategy

EOH's remuneration strategy is aligned with the business strategy to attract, retain, motivate and reward employees to deliver on the strategy. The Remuneration Committee uses third-party information to benchmark remuneration to ensure that it is market related:

EOH's remuneration strategy is to use a combination of guaranteed annual salaries (with benefits commensurate with the market place); profit share incentives that reward short-term operational performance; and share option schemes (long-term share-based incentives) that promote retention and drive performance in alignment with EOH's strategic goals.

EOH's remuneration policy

The key principles of EOH's remuneration policy are:

- To provide appropriate remuneration packages to attract, retain and motivate staff, whilst giving consideration to remuneration levels, both within and outside EOH;
- To ensure that packages are competitive as talent is mobile, both locally and globally, and to take advice from external remuneration specialists from time to time to meet these objectives;
- Guaranteed remuneration is targeted broadly at the median position of the relevant market data. Annual salary adjustments are governed by factors such as the consumer price index ('CPI'), retention strategies, the producer price index ('PPI'), industry performance, contractual arrangements and affordability;
- Permanent employees are required to belong to a medical aid scheme;
- Permanent employees are members of a defined contribution provident fund scheme – the assets of the provident funds are managed independently and do not form part of EOH's assets;
- Variable pay is an important component of remuneration and both annual and long-term performance-based schemes are in place in support of EOH's business strategy;
- Incentive scheme performance measures are assessed by the Remuneration Committee – these measures include corporate performance, individual performance, and financial and non-financial criteria;
- Performance measures are applicable to the time period to which the scheme relates;
- Annual bonuses are based on performance for the financial year, while the long-term incentive scheme measures are based on long-term sustainability and shareholder value;
- The Group CEO is empowered to determine the remuneration packages of senior executives based on the guidelines agreed at the Remuneration Committee meetings; and
- To value and reward individual contributions. Executive reward is by its nature individualistic and performance-based. Accordingly, there is a guaranteed component of an executive's remuneration with a variable component specific to each individual's performance.

Remuneration structure of employees/executives/senior management

The salaries of employees are reviewed each year. Employees' salaries are recommended by the business unit leaders and are approved by the Group CEO. Changes in the scope and roles of individuals are considered.

The Group CEO and Group Financial Director are employed in terms of executive employment contracts with a notice period of six months. Other executive directors and senior management are employed in terms of standard employment contracts with a notice period of three months.

Bonuses are paid to certain employees based on them meeting pre-determined performance criteria.

Remuneration paid to directors is shown on page 93.

Non-executive directors' fees

As suggested by King III, Board fees comprise both a retainer fee and an attendance fee. Non-executive directors receive fees for their services as directors and as members of Board committees. The total remuneration payable to non-executive directors requires approval of shareholders at the Annual General Meeting. The next Annual General Meeting will be held on 22 February 2017.

Share incentive schemes

The Group has two share incentive schemes, the EOH Share Trust and the Mthombo Trust. Under the terms of the current schemes, up to 18 000 000 shares are reserved for share options. The share options are equity settled.

The EOH Share Trust

The scheme is governed by a trust deed approved by shareholders and the JSE Limited. The option strike price is equal to the share price at date of the offer less 40% discount. The participant may exercise the option in respect of the shares granted in tranches from time to time as set out below. The share options will lapse ten years after grant date.

- 25% after two years
- 25% after three years
- 25% after four years
- 25% after five years

The Mthombo Trust

The scheme is governed by a trust deed approved by shareholders. The option strike price is equal to the share price at the date of the offer less 40% discount. The participant may exercise the option in respect of the shares granted in tranches as set out below. The share options will lapse eight years after grant date.

- 33,33% after three years
- 33,33% after four years
- 33,33% after five years

The Committee is satisfied that it has properly discharged its responsibilities as per its Terms of Reference.

Activities addressed during the year

The following areas have been addressed during the year:

- Approved and referred to the Board the Terms of Reference of the 'Employee Benefits Manco';
- Reviewed and approved increases for F2016/17;
- Reviewed and approved executive directors' remuneration for 2016;
- Approved issues of options for F2016/F2017 to senior management and executives; and
- Reviewed non-executive directors' remuneration for 2016/2017 for approval at the next AGM.

Conclusion

The Remuneration Committee met twice during the 2016 financial year and conducted its affairs in compliance with its Terms of Reference. The Committee is satisfied that the overall principles laid down by King III have been applied, and that the Companies Act has been adhered to.

Rob Sporen
Chairman, Remuneration Committee
Lead Independent Non-Executive Director

NOMINATIONS COMMITTEE REPORT

The Nominations Committee's function is to assist with the process of identifying and evaluating suitable candidates for appointment to the Board.

Appointments to the Board are made in a formal and transparent manner and are considered by the Board as a whole. The Nominations Committee provides independent and objective recommendations to the Board to ensure that the Board has the appropriate composition to discharge its duties effectively.

With regard to potential appointments, consideration is given to their independence, experience, diversity, skills and demographics. All new appointees are subject to confirmation of appointment at the next AGM.

Roles and responsibilities

- Appoint the Chairman of the Board;
- Ensure that the Board has the appropriate directors to enable it to execute its duties effectively;
- Make recommendations regarding the composition of the Board;
- Identify suitable members for appointment to the Board;
- Perform reference and background checks of candidates prior to nomination;
- Ensure that directors are appointed through a formal process;
- Oversee the development of a formal induction programme for new directors;
- Oversee the development and implementation of continuing professional development programmes for directors;
- Consider the performance of directors and take steps to remove directors who do not make an appropriate contribution; and
- Ensure that formal succession plans are in place for the Board, Group CEO and senior executive appointments.

Composition of the Nominations Committee

- Rob Sporen, Chairman
- Lucky Khumalo

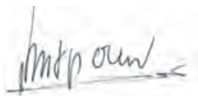
The Nominations Committee met once during the year. The Group CEO, Group Financial Director and Group Human Resources Director attend Committee meetings by invitation.

Focus areas for 2016

- The Committee was involved in the interview and referral to the Board of non-executive director candidates.
- The composition of the Board and Board sub-committees was addressed
- Succession planning was discussed and key individuals identified

Conclusion

The Committee is satisfied that the overall principles laid down by King III have been applied, and that the Companies Act has been adhered to.



Rob Sporen
Chairman, Nomination Committee
Lead Independent Non-Executive Director

SOCIAL AND ETHICS COMMITTEE REPORT

The Social and Ethics Committee is a statutory committee with an independent non-executive Chairman.

The Social and Ethics Committee ('the Committee') assists the Board monitor EOH's activities in terms of legislation, regulation and codes of best practice relating to ethics, stakeholder engagement, strategic empowerment and compliance with transformation codes. The Committee applies international best practice to provide guidance to management in respect of its duties relating to social, ethics, transformation and sustainability issues.

The key areas of responsibility are listed below:

Key area	Reference to further information on the topic elsewhere in the Annual Integrated Report
Sustainable transformation	Page 26
Sustainability	Page 21
Right 1st Time	Page 26
Empowerment and transformation	Page 26
Commitment to stakeholders	Page 23
Governance	Page 33
Risk and governance	Page 42
Best People	Page 25

The Board places significant emphasis on the use of empowered suppliers for goods and services. As required by King III, the Committee has anti-corruption measures and procedures, designed to reduce the opportunity for corrupt activity.

Roles and responsibilities

The Committee's role is to monitor EOH's initiatives and activities, bearing in mind any relevant legislation, and other legal requirements and prevailing codes of best practice, relating to:

- BBBEE with specific reference to Act 53 of 2013 with reference to:
  - Ownership;
  - Management control;
  - Skills development;
  - Enterprise and supplier development; and
  - Socio-economic development;
- Sustainable transformation strategies, objectives and targets and to advise the Board accordingly;
- Good corporate citizenship including the promotion of equality, prevention of unfair discrimination and zero tolerance regarding bribery and corruption;
- The development of communities, approve sponsorships and donations;
- Consumer relations and compliance with consumer protection laws;
- Monitor changes in legislation and Codes of Best Practice;
- Social and economic development activities of EOH including health, public safety and environmental issues;
- Labour and employment practices;
- The management of stakeholder relationships; and
- Continuously monitoring transformation and sustainability initiatives.

Composition

- Rob Sporen, Chairman
- Pumeza Bam
- Asher Bohbot
- John King

Adri Els, Group Company Secretary, and Isobel Townsend, Finance Executive, attend Committee meetings as invitees.

The Committee met twice during the year and deliberated on all aspects in accordance with Section 72 of the Companies Act, read in conjunction with regulation 43 of the Companies Regulations, 2011.

Activities during the year

Human resources and transformation

EOH continues its drive towards economic and social equity through the process of BBBEE. Transformation is managed at an operational level and reported and monitored at Group level via EOH's various reporting structures. The best measure of EOH's overall success is reflected in EOH's BBBEE rating – a Level 2 contributor status under the South African Department of Trade and Industry ('DTI') Code of Good Practice – the highest rating of its peers on the JSE.

The Board has formalised a transformation programme with measurable objectives for EOH in terms of transformation, skills development and training. A committee has been formed to prepare for the new proposed ICT chamber. Specific initiatives around Health and Safety have commenced.

Skills development

Skills development is an integral part of human capital management that ensures efficiency and effectiveness and the deployment of the best skills to customers and projects. A workplace skills plan was prepared and submitted to the Services Seta during the year.

EOH has various learnerships (employed and unemployed candidates) and internship programmes under the 'EOH youth job creation' initiative. Unemployed candidates obtain the opportunity to receive training and gain experience and EOH employees are placed on learnerships to receive additional training.

Socio Economic Development

EOH has a comprehensive socio economic development programme and has partnered with organisations to help realise and support its visions. Some initiatives include: Maths centre, Afrika Tikkun, Copesa, Rand Water Foundation, Education Trusts, Cape Town All Stars and others.

Supplier development and ownership

A 'Supplier Development' process has been developed to include the selection, partnering model, development, investment and the subsequent review of such activities thereafter.

Stakeholders

There were further improvements in stakeholder engagement, including international roadshows and a focus on key strategic accounts.

Reporting and compliance

EOH strives to comply with relevant environmental, social and governance legislation and regulations. Our reporting is also guided by the Global Reporting Initiatives (GRI) Guidelines. The zero tolerance on corruption and bribery policy and guidelines were re-energised. EOH has carried out an assessment on the implications of the Public Protection of Information Act.

Summary of DTI Code scores for EOH:

Element	Indicator	July 2016	July 2015
Management control	Black divisional executive directors	45,45%	38,46%
Employment equity	Black employees at senior management	19,11%	20,67%
	Black employees at middle management	37,42%	38,52%
	Black employees at junior management	73,86%	73,58%
Skills development	Skills development expenditure on learning programmes for black employees as a percentage of leviable amount	2,32%	1,36%
	Number of black employees participating in learnerships (categories B, C and D)	2 435	1 100
Preferential procurement	BBBEE procurement spend as a percentage of total measured procurement spend	71,62%	77,22%
Enterprise development	Value of all socio-economic development contributions and sector-specific programmes as a percentage of net profit after tax ('NPAT')	8,30%	6,93%
Socio-economic development	Value of enterprise development contributions and sector specific programmes measured as a percentage of NPAT	1,54%	3,02%
Ownership	Percentage of voting rights and economic interest of black people	47,67%	38,52%

Conclusion

The Committee confirms that EOH gives the necessary attention to its transformation, social and ethics responsibilities. Policies and programmes are in place to contribute to social and economic development, ethical behaviour, fair labour practices, environmental issues and good customer relations.

There were no areas of non-compliance with legislation and regulation, or non-adherence with the codes of best practice.

The Committee has conducted its affairs in compliance with the Board-approved terms of reference and has discharged all its responsibilities contained therein.

Rob Sporen
Chairman, Social and Ethics Committee
Lead Independent Non-Executive Director

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND OTHER INFORMATION

CONTENTS

The reports and statements set out below were prepared under the supervision of John King CA(SA), Group Financial Director, and comprise the Annual Financial Statements presented to the shareholders.

Level of assurance

These Annual Financial Statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

DIRECTORS' REPORT

for the year ended 31 July 2016

The directors have pleasure in submitting their report for the year ended 31 July 2016.

Nature of business

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 and its subsidiaries ('the Group'), is the largest technology services provider 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.

EOH has a wide range of IT services, software, IT infrastructure, Industrial technologies and Business process outsourcing ('BPO') solutions.

EOH's 12 000 staff members deliver these services to over 5 000 large enterprise customers across all major industries. EOH has 134 points of presence in South Africa and activities in 50 countries outside South Africa.

Directors and Group Company Secretary

The names of the directors and the Group Company Secretary at the date of this report, and who served during the current financial year, are detailed on pages 34 to 38.

None of the directors of the Company had an interest in any contract of significance during the financial year.

At the AGM held on 19 February 2016, the following directors were re-elected to the Board as per the Company's MOI: Sandile Zungu, Tshilidzi Marwala and Danny Mackay. Rob Sporen, Tshilidzi Marwala and Lucky Khumalo were elected to the Audit Committee until the next AGM to be held 22 February 2017. Tebogo Skwambane resigned as a director effective 19 February 2016. Thoko Mnyango resigned as a director effective 27 July 2016. Audrey Mothupi was appointed as a director effective 27 July 2016.

Directors' responsibilities

The responsibilities of the Company's directors are detailed on page 36.

Financial statements and results

The Group's results and financial position are reflected on pages 56 to 57.

Subsidiaries, joint ventures and associates

Details of the Company's investments in subsidiaries and the Group's investments in associates, joint ventures and subsidiaries are set out in note 5 – Equity-accounted investments and note 38 – Schedule of investments in subsidiaries.

Acquisition of businesses

Details are reflected in note 28 – Acquisition of businesses.

Tangible and intangible assets

There was no major change in the nature or the use of the property, plant and equipment and intangible assets owned by the Group during the year under review.

Stated capital

The authorised and issued stated capital of the Company at 31 July 2016 is set out in note 12 – Stated capital.

The Company issued 8 713 093 ordinary shares during the year. 2 492 000 shares were issued for a cash subscription of R300 million; 1 282 097 shares were issued during the year as a result of directors, management and employees exercising share options in terms of the EOH share option schemes and 4 938 996 shares were issued during the year to settle vendors for acquisitions.

Ordinary shares in issue at 31 July 2016 were 140 751 613. At 31 July 2016, 3 352 028 shares were held by a wholly owned subsidiary of the Company. These shares will not be cancelled. 1 798 469 shares have been issued subsequent to year end to settle vendors for acquisitions and 695 000 shares have been issued in respect of share options exercised.

Shareholder spread and material shareholders

In terms of the JSE Listings Requirements, EOH complies with the minimum shareholder spread requirements, with 85% (2015: 84%) of ordinary shares being held by the public at 31 July 2016. Details of the Company's shareholder spread and material shareholders are set out on page 110.

The EOH Share Trust and the Mthombo Trust share incentive schemes

Details are reflected in note 35 – Share-based payments.

DIRECTORS' REPORT CONTINUED

for the year ended 31 July 2016

Corporate Governance

The Corporate Governance reports are set out on pages 33 to 49.

Borrowing powers

The Company has unlimited borrowing powers in terms of its Memorandum of Incorporation.

Special resolutions

On 19 February 2016, shareholders approved the following special resolutions:

- approval of non-executive directors' remuneration for services as directors;
- general authority to repurchase shares of the Company; and
- general authority to provide financial assistance to related or inter-related entities.

At the next AGM to be held on 22 February 2017, shareholders will be asked to renew the above three resolutions as set out in the notice to shareholders on page 112.

No change statement

The Annual Financial Statements do not contain any material modification to the reviewed provisional condensed consolidated results that were published on 14 September 2016.

Subsequent events

Details are reflected in note 39 – Events after the reporting date.

COMPANY SECRETARY'S CERTIFICATE

In my capacity as the Company Secretary, I hereby certify that EOH Holdings Limited has lodged with the Companies and Intellectual Property Commission, all such returns and notices as are required of a public company in terms of the Companies Act of South Africa for the financial year ended 31 July 2016 and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

Adri Els
Group Company Secretary
2 December 2016

AUDIT COMMITTEE'S REPORT

for the year ended 31 July 2016

In terms of section 94 of the Companies Act of South Africa, the report by the Audit Committee, which is chaired by Rob Sporen, is presented below.

During the financial year ended 31 July 2016, the Audit Committee carried out its duties in accordance with its terms of reference (a summary of which and further details are provided on page 40) which included, *inter alia*:

- Approving the fees to be paid to Mazars (Gauteng) Inc. and its terms of engagement;
- ensuring that the appointment of Mazars (Gauteng) Inc. complied with the legislation relating to the appointment of auditors; and
- approving the nature and extent of any non-audit services which Mazars (Gauteng) Inc. may provide to the Group.

During the year under review, the Audit Committee pre-approved non-audit services provided by Mazars (Gauteng) Inc., including the review of internal controls within the Group. The Audit Committee has satisfied itself through enquiry that Mazars (Gauteng) Inc. and Miles Fisher, the designated auditor, are independent of the Group.

The Audit Committee is entirely satisfied with the competence, experience and expertise of the Group Financial Director.

The Audit Committee recommended the Annual Financial Statements for the year ended 31 July 2016 to the Board for approval. The Board has subsequently approved the Annual Financial Statements which will be open for discussion at the forthcoming Annual General Meeting.

Rob Sporen
Chairman of the Audit Committee
2 December 2016

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The directors are required by the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is their responsibility to ensure that the Annual Financial Statements present fairly the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards ('IFRS'), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Companies Act of South Africa and the Listings Requirements of the JSE Limited.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements. The Annual Financial Statements are prepared in accordance with IFRS and are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board of Directors set standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards to ensure that the Group's business is conducted in a manner that is above reproach.

The focus of risk management in the Group is to identify, assess, manage and monitor all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints. The Audit Committee performs an oversight role in matters relating to financial and internal controls.

The directors are of the opinion that based on the information and explanations given by management, the system of internal control provides reasonable assurance that the financial records can be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Group's cash flow forecast for the subsequent year and, in light of this review and the current financial position, they are satisfied that the Group has access to adequate resources to continue to operate for the foreseeable future.

The Annual Financial Statements, which have been prepared on the going concern basis, were approved by the Board of Directors on 2 December 2016 and are signed on its behalf by:

Rob Sporen
Lead Independent
Non-Executive Director
2 December 2016

Asher Bohbot
Group Chief Executive Officer

2 December 2016

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EOH HOLDINGS LIMITED

To the Shareholders of EOH Holdings Limited

We have audited the consolidated financial statements of EOH Holdings Limited set out on pages 56 to 109, which comprise the consolidated statement of financial position as at 31 July 2016, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The company's directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of EOH Holdings Limited as at 31 July 2016, and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act.

Other reports required by the Companies Act

As part of our audit of the consolidated financial statements for the year ended 31 July 2016, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that Mazars (Gauteng) Inc. has been the auditor of EOH Holdings Limited for 6 years (2 years as PKF Gauteng Inc).

Mazars (Gauteng) Inc.

Mazars Gauteng Inc.
Partner: **Miles Fisher**
Registered Auditor
2 December 2016
Johannesburg

STATEMENT OF FINANCIAL POSITION

as at 31 July 2016

Figures in Rand thousand	Notes	GROUP 2016	GROUP 2015
Assets			
Non-current assets			
Property, plant and equipment	3	492 221	412 159
Goodwill and intangible assets	4	5 144 242	2 989 582
Equity-accounted investments	5	626 085	351 852
Other financial assets	6	162 038	18 437
Deferred taxation	7	162 110	107 337
Finance lease receivables	8	203 773	130 459
		6 790 469	4 009 826
Current assets			
Inventory	9	468 392	195 665
Other financial assets	6	207 212	61 467
Current taxation receivable		21 694	47 955
Finance lease receivables	8	87 122	86 955
Trade and other receivables	10	3 664 333	2 307 021
Cash and cash equivalents	11	1 949 399	1 663 818
		6 398 152	4 362 881
Total assets		13 188 621	8 372 707
Equity and liabilities			
Equity			
Stated capital	12	2 263 307	1 533 163
Shares to be issued to vendors	13	1 164 870	663 461
Other reserves	13	603 015	490 305
Retained earnings		2 544 975	1 813 023
Equity attributable to the owners of EOH Holdings Limited		6 576 167	4 499 952
Non-controlling interest		9 678	8 672
		6 585 845	4 508 624
Liabilities			
Non-current liabilities			
Other financial liabilities	14	2 451 968	1 068 477
Finance lease payables	15	26 366	21 010
Deferred taxation	7	340 864	137 930
		2 819 198	1 227 417
Current liabilities			
Other financial liabilities	14	1 163 713	869 485
Current taxation payable		119 210	57 344
Finance lease payables	15	25 406	20 915
Trade and other payables	16	1 876 472	1 424 414
Deferred income	17	598 777	264 508
		3 783 578	2 636 666
Total liabilities		6 602 776	3 864 083
Total equity and liabilities		13 188 621	8 372 707

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 July 2016

		GROUP	
Figures in Rand thousand	Notes	2016	2015
Revenue	18	12 761 810	9 733 992
Cost of sales		(8 656 183)	(6 532 019)
Gross profit		4 105 627	3 201 973
Operating expenses	19	(2 343 285)	(1 925 957)
Depreciation	3	(106 539)	(114 685)
Amortisation of intangible assets	4	(218 790)	(114 726)
Operating profit before interest and impairments	19	1 437 013	1 046 605
Investment income	20	49 379	37 785
Impairment of assets	4,6	(20 514)	(25 000)
Share of profits of equity-accounted investments	5	72 510	10 736
Finance costs	21	(214 467)	(118 799)
Profit before taxation		1 323 921	951 327
Taxation	22	(393 554)	(259 533)
Profit for the year		930 367	691 794
Profit attributable to:			
Owners of the EOH Holdings Limited		927 354	690 692
Non-controlling interest		3 013	1 102
		930 367	691 794
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		35 955	27 144
Total comprehensive income for the year		966 322	718 938
Total comprehensive income attributable to:			
Owners of the EOH Holdings Limited		963 877	717 342
Non-controlling interest		2 445	1 596
		966 322	718 938
Earnings per share (cents)	23	704	561
Diluted earnings per share (cents)	23	668	534

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 July 2016

	Stated capital	Shares to be issued to vendors	Foreign currency translation reserve	Other reserves	Total other reserves	Retained earnings	Total attributable to the owners of EOH	Non-controlling interest	Total equity
Figures in Rand thousand	Note 12	Note 13			Note 13				
Balance at 1 August 2014	627 006	371 066	14 017	335 089	349 106	1 270 985	2 618 163	10 647	2 628 810
Profit for the year					–	690 692	690 692	1 102	691 794
Other comprehensive income			26 650		26 650		26 650	494	27 144
Issue of shares	964 689						964 689		964 689
Non-controlling interest arising on business combination							–	865	865
Non-controlling interest acquired						(7 684)	(7 684)	(4 436)	(12 120)
Movement in treasury shares	(58 532)			71 701	71 701		13 169		13 169
Shares to be issued*		292 395					292 395		292 395
Share-based payments				42 848	42 848		42 848		42 848
Dividends						(140 970)	(140 970)	–	(140 970)
Balance at 1 August 2015	1 533 163	663 461	40 667	449 638	490 305	1 813 023	4 499 952	8 672	4 508 624
Profit for the year					–	927 354	927 354	3 013	930 367
Other comprehensive income			36 523		36 523		36 523	(568)	35 955
Issue of shares	894 015						894 015		894 015
Non-controlling interest acquired						(1 062)	(1 062)	(1 439)	(2 501)
Movement in treasury shares	(163 871)			20 290	20 290		(143 581)		(143 581)
Shares issued to vendors*		(554 537)					(554 537)		(554 537)
Remaining shares to be issued to vendors*		1 055 946					1 055 946		1 055 946
Share-based payments				55 897	55 897		55 897		55 897
Dividends						(194 340)	(194 340)	–	(194 340)
Balance at 31 July 2016	2 263 307	1 164 870	77 190	525 825	603 015	2 544 975	6 576 167	9 678	6 585 845

** Shares to be issued and remaining shares to be issued to vendors comprise shares to be issued to vendors as consideration relating to both current and prior years' business combinations.*

STATEMENT OF CASH FLOWS

for the year ended 31 July 2016

Figures in Rand thousand	Notes	GROUP 2016	2015
Cash flows from operating activities			
Cash generated from operations	26	961 275	908 567
Investment income		49 269	37 571
Finance costs		(210 776)	(117 549)
Taxation paid	27	(401 465)	(301 143)
Net cash inflow from operating activities		398 303	527 446
Cash flows from investing activities			
Purchase of property, plant and equipment		(194 068)	(143 518)
Proceeds on the sale of property, plant and equipment		64 358	23 747
Purchase of other intangible assets		(183 656)	(139 358)
Net cash outflow from acquisition of businesses	28	(71 222)	(73 082)
Cash outflow on equity-accounted investments		–	(259)
Cash (outflow)/inflow relating to financial assets		(77 604)	5 605
Net cash outflow from investing activities		(462 192)	(326 865)
Cash flows from financing activities			
Proceeds from issue of share capital		300 037	556 376
Proceeds from other financial liabilities		1 471 509	520 478
Repayment of other financial liabilities		(1 038 462)	(549 505)
(Purchases)/proceeds from sale of treasury shares		(145 572)	47 748
Finance lease payments		(31 902)	(36 048)
Dividends paid	29	(194 300)	(140 956)
Net cash inflow from financing activities		361 310	398 093
Net increase in cash and cash equivalents		297 421	598 674
Foreign currency translation		(11 840)	622
Cash and cash equivalents at the beginning of the year		1 663 818	1 064 522
Cash and cash equivalents at the end of the year		1 949 399	1 663 818

SEGMENT RESULTS

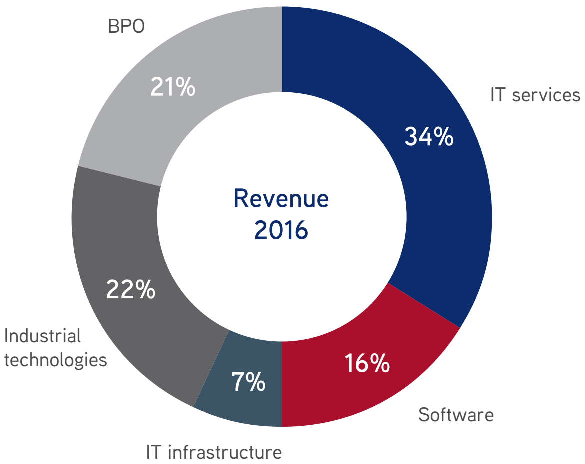
for the year ended 31 July 2016

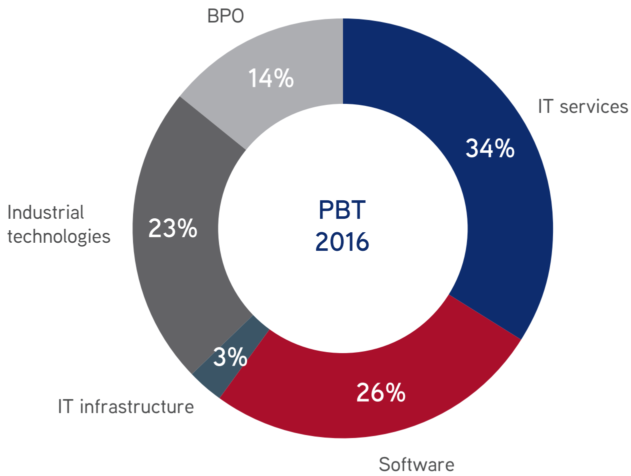
The reportable segments of the Group have been identified based on the nature of the business activities. The reportable segments have been modified from previous years to better reflect the major solution clusters in the Group. This basis is representative of the internal structure for management purposes and the way in which we access business operations. In previous years the segments were Services, Software and Infrastructure products. Segment results that are reported to the Group CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise corporate and head office expenses. Segmental operating profit before taxation includes revenue and expenses directly relating to a business segment as allocated.

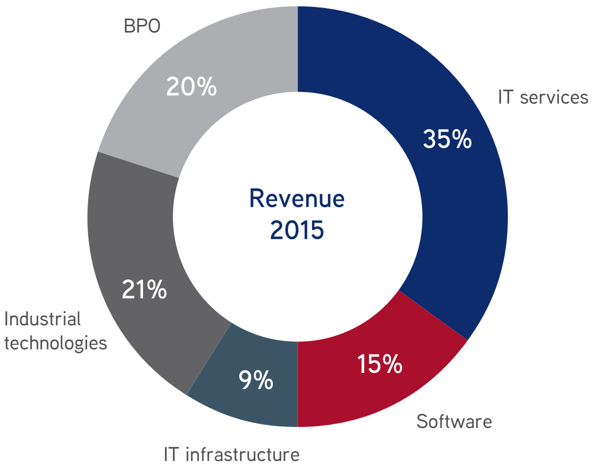
No individual customer comprises more than 3,2% (2015: 3,5%) of total revenue.

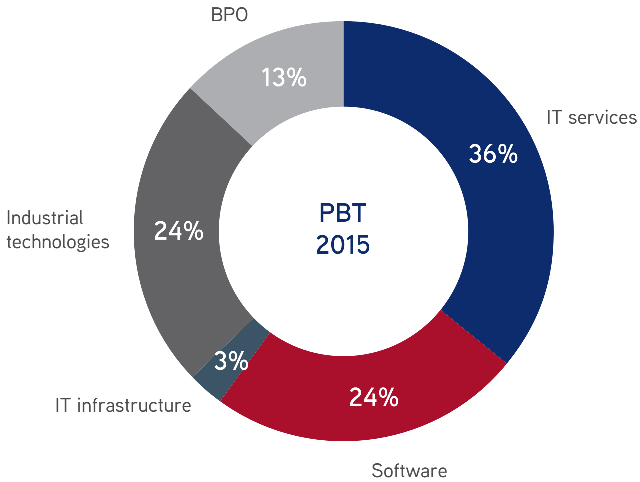
Figures in Rand thousand	IT services	Software	IT infrastructure	Industrial technologies	BPO	Reportable segments	Not specifically allocated	Total
2016								
Revenue	4 309 821	2 023 100	923 620	2 845 302	2 659 967	12 761 810	–	12 761 810
Profit before taxation ('PBT')	452 190	341 433	36 692	305 869	187 737	1 323 921	–	1 323 921
Depreciation and amortisation	(121 041)	(80 075)	(13 449)	(79 679)	(70 120)	(364 364)	–	(364 364)
Investment income	16 052	10 619	1 784	10 567	9 299	48 321	1 058	49 379
Impairment of assets	–	–	–	–	(20 514)	(20 514)	–	(20 514)
Equity-accounted profits	72 510					72 510	–	72 510
Finance costs	(80 942)	(53 252)	(7 493)	(41 110)	(31 670)	(214 467)	–	(214 467)
PBT margin %	10,5	16,9	4,0	10,7	7,1	10,4		10,4
2015								
Revenue	3 425 159	1 451 899	866 495	2 077 384	1 913 055	9 733 992	–	9 733 992
Profit before taxation ('PBT')	343 521	226 302	34 984	225 545	120 975	951 327	–	951 327
Depreciation and amortisation	(97 360)	(59 523)	(12 460)	(53 904)	(43 463)	(266 710)	–	(266 710)
Investment income	13 793	8 433	1 765	7 637	6 157	37 785	–	37 785
Impairment of assets	(2 000)		(15 000)	(3 000)	(5 000)	(25 000)	–	(25 000)
Equity-accounted profits	10 736					10 736	–	10 736
Finance costs	(45 639)	(36 212)	(4 348)	(20 458)	(12 142)	(118 799)	–	(118 799)
PBT margin %	10,0	15,6	4,0	10,9	6,3	9,8		9,8

REVENUE AND PROFIT BEFORE TAX ('PBT') BY SEGMENT









NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 July 2016

1. Accounting policies

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 the largest ICT services provider 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 consolidated Annual Financial Statements of EOH, as at 31 July 2016 and for the year ended 31 July 2016, comprise the Company and its subsidiaries (together referred to as the Group) and the Group's investments in associates and joint ventures.

Statement of compliance

The consolidated Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and Interpretations as issued by the IFRS Interpretations Committee ('IFRIC'), and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council ('FRSC'), the JSE Listings Requirements and the requirements of the Companies Act of South Africa.

Basis of preparation

The Annual Financial Statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period as explained in the accounting policies below.

These accounting policies are consistent with the previous period, as there have been no new standards and amendments mandatorily effective for the first time in the current year as described in note 2 and the Group has not chosen to early adopt any new standards and interpretations not yet effective.

The Annual Financial Statements are presented in South African Rand, which is the Group's functional currency. All financial information has been rounded to the nearest thousand except for when otherwise indicated. The going concern basis has been used in preparing the Annual Financial Statements as the directors have a reasonable expectation that the Group will continue as a going concern for the foreseeable future.

The principal accounting policies are set out below.

1.1 Consolidation

Basis of consolidation

The consolidated Annual Financial Statements incorporate the Annual Financial Statements of the Company and all investees which are controlled by the Company. Control exists when the Group has power over the investee; it is exposed to or has rights to variable returns from its involvement with the investee; and it has the ability to affect those returns through its power over the investee.

The results of subsidiaries are included in the consolidated Annual Financial Statements from the effective date of acquisition to the effective date of disposal. Adjustments are made when necessary to the Annual Financial Statements of subsidiaries to bring their accounting policies in line with those of the Group.

Inter-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised in equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for the non-controlling interest.

Transactions that result in changes in ownership levels, where the Group has control of the subsidiary both before and after the transaction, are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Business combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair value of assets transferred, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except for the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

1. Accounting policies continued

1.1 Consolidation continued

Business combinations continued

Contingent consideration is included in the cost of the business combination at fair value as at the date of acquisition. Subsequent changes to the assets, liabilities or equity which arise as a result of the contingent consideration are not effected against goodwill, unless they are valid measurement period adjustments. If the contingent arrangement is classified as equity, then it is not remeasured and subsequent settlement is accounted for in equity. Subsequent changes in the fair value of other contingent arrangements are recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business Combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal group) that are classified as held-for-sale, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the Group assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for Group purposes.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The treatment is not an accounting policy choice but is made on a transaction-by-transaction basis.

The Group measures goodwill at the acquisition date as:

- fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount of the identifiable assets acquired and liabilities assumed.

When the excess is negative, the acquirer reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and ensures that the measurements appropriately reflect consideration of all available information as of the acquisition date. After carrying out the necessary assessments and the negative excess remains, a bargain purchase gain is recognised immediately in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date. The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from effective date of the acquisition.

In cases where the Group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised through other comprehensive income in the statement of profit or loss and other comprehensive income.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control over the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control over an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

1. Accounting policies continued

1.1 Consolidation continued

Investments in associates and joint ventures continued

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated Annual Financial Statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held-for-sale.

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted subsequently to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

When a group entity transacts with an associate or joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

1.2 Use of significant estimates and judgements

In preparing the Annual Financial Statements, management is required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts represented in the Annual Financial Statements and related disclosures. Use of available information, historical experience and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Annual Financial Statements include:

Valuation allowances

Valuation allowances may be raised against loans and receivables. Management determines estimates based on the information available. Judgement is used to write-down inventory to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write-down is included in the operating profit.

Consolidated financial statements

No significant judgements or assumptions were necessary in determining whether control over the investments in subsidiaries existed. Control over the investees was established by virtue of the Group's representation on the respective company's Board of Directors, involvement in the daily operations and majority ownership.

Joint control is established by virtue of the Group's representation on the respective company's Board of Directors and involvement in the daily operations as governed by a shareholders' agreement. Percentage ownership is also considered.

Revenue

Revenue for projects in progress is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed based on surveys and milestones of work performed.

Options granted

Management used the Binomial model to determine the value of the options at issue date. Additional details regarding the estimates are included in note 35 Share-based payments.

Fair value estimation

The fair value of financial instruments for disclosure purposes is established by using valuation techniques. These include the use of recent market observable data, quoted prices in active markets, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs. The Group Financial Director reviews significant unobservable inputs and valuation adjustments and has the overall responsibility for overseeing all significant fair value measurements.

1. Accounting policies continued

1.2 Use of significant estimates and judgements continued

Fair value estimation continued

When measuring the fair value of an asset or liability, the Group uses market observable data, as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as price) or indirectly (i.e. derived from price)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change, which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill, intangible and tangible assets.

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates of expected future cash flows are prepared for each group of assets. Expected future cash flows used to determine the value-in-use of goodwill, intangible and tangible assets are inherently uncertain and could materially change over time.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Property, plant and equipment

Management has made certain estimates with regards to the determination of estimated useful lives and residual values of items of property, plant and equipment, as disclosed further in accounting policy note 1.3 – Property, plant and equipment.

Intangible assets

Management has made certain estimates with regards to the determination of estimated useful lives and residual values of intangible assets, as disclosed further in accounting policy note 1.4 – Goodwill and intangible assets.

1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Group; and
- the cost of the item can be measured reliably.

Property, plant and equipment are initially measured at cost. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses. Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2016

1. Accounting policies continued

1.3 Property, plant and equipment continued

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	50 years
Furniture and fixtures	10 years
Motor vehicles	5 years
Office equipment	3 to 6 years
IT equipment	2 to 5 years
Leasehold improvements	Period of the lease
Medical equipment	6 years
Other equipment	5 to 10 years

Land included in land and buildings is not depreciated.

Leased assets are depreciated over the shorter of the lease term and the asset's useful life. If it is reasonably certain that the Group will obtain ownership by the end of the lease term, the asset is then depreciated over the useful life of the asset.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Goodwill and intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Goodwill and intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. The amortisation period and the amortisation method for intangible assets are reviewed on an annual basis and adjustments, where applicable, are accounted for as a change in accounting estimate. Amortisation, charged to profit or loss, is provided to write down the intangible assets, on a straight-line basis, over the finite useful life of the asset, to nil as follows:

Item	Useful life
Contracts	1 to 5 years
Customer relations	2 to 15 years
Intellectual property	2 to 10 years
Internally generated software	3 to 15 years
Other intangible assets	2 to 13 years

1. Accounting policies continued

1.5 Financial instruments

Classification

The Group classifies financial assets and financial liabilities into the following categories:

- loans and receivables;
- financial assets at fair value through profit or loss – designated;
- financial liabilities measured at amortised cost; and
- financial liabilities at fair value through profit and loss – designated.

Classification depends on the purpose for which the financial instruments were obtained or incurred and takes place at initial recognition. Classification is reassessed on an annual basis, except for financial assets designated as held for fair value through profit or loss, which are not classified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instruments.

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Transaction costs directly attributable to the acquisition or issue of loans and receivables as well as financial liabilities at amortised cost are included in the measurement of these financial instruments on initial recognition.

Subsequent measurement

After initial recognition loans and receivables are measured at amortised cost, using the effective interest method, less accumulated impairment losses. Cash and cash equivalents and trade and other receivables fall into this category of financial instruments. Other financial assets are subsequently measured at amortised cost, using the effective interest method or at fair value through profit or loss based on appropriate classification.

The Group's financial liabilities include borrowings and trade and other payables. Financial liabilities are subsequently measured at amortised cost, using the effective interest method or at fair value through profit and loss based on appropriate classification.

For all financial instruments carried at amortised cost where the impact of discounting is not considered to be material these instruments are not discounted as their original fair values adjusted for transaction costs approximate their amortised cost values.

Offsetting and derecognition

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a current legally enforceable right to set off the recognised amount and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised if the Group's rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control of substantially all risks and rewards of the asset.

Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Impairment of financial assets

At each reporting date the Group assesses all financial assets, other than those held at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

Impairment losses are recognised in profit or loss. Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed does not exceed what the carrying amount would have been had the impairment not been recognised. Reversals of impairment losses are recognised in profit or loss.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss. When such assets are written off, the write-off is made against the relevant allowance account.

Subsequent recoveries of amounts previously written-off are recognised in profit or loss.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2016

1. Accounting policies continued

1.5 Financial instruments continued

Other financial assets

Other financial assets include loans receivable from joint ventures, directors, managers, employees and other enterprise development partners. These financial assets are classified as loans and receivables.

Other financial assets that are classified as financial assets at fair value through profit or loss include securities investments that are traded on the open market.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, breach of contract and default or delinquency in payments are considered indicators that the receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss within operating expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are recognised in profit or loss. Trade and other receivables are classified as loans and receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Other financial liabilities

Other financial liabilities include borrowings and bank overdrafts that are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for finance chargers.

Vendors for acquisition

The amounts due to vendors represent the expected purchase consideration owing in respect of acquisitions which will be settled in cash resources when the relevant profit warranties have been fulfilled. Vendors for acquisition are classified as financial liabilities at fair value through profit or loss, with any gains or losses arising on remeasurement recognised in profit or loss.

1.6 Taxation

Tax assets and liabilities

Tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, unless the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- the parent is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

1. Accounting policies continued

1.6 Taxation continued

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, associates and interests in joint ventures, to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses and/or unutilised capital allowances to the extent that it is probable that future taxable profit will be available against which the unused tax losses and/or unutilised capital allowances can be utilised. Deferred tax assets are reviewed at each reporting date and are adjusted if recovery is no longer probable.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income; or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

Finance leases – lessor

The Group recognises finance lease receivables in the statement of financial position at an amount equal to the net investment in the lease. Finance lease income is recognised based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The lease payments are apportioned between the finance charge and the amount to reduce the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases – lessor

Operating lease income is recognised as income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Operating leases – lessee

Operating lease payments are recognised as expenses on a straight-line basis over the lease term. Any contingent rents are expensed in the period they are incurred.

1. Accounting policies continued

1.8 Inventory

Inventory is measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventory is based on the first-in, first-out formula and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to their present location and condition.

When inventory is sold, the carrying amount of that inventory is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventory to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventory, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventory recognised as an expense in the period in which the reversal occurs.

1.9 Deferred income and expenditure

Where costs have been incurred and revenue received prior to the implementation of a project, these are capitalised and recognised in profit or loss over the implementation period of the project, on a percentage-of-completion basis.

1.10 Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that a non-financial asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. Irrespective of whether there is any indication of impairment, the Group also:

- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and then
- to the other assets of the unit, *pro rata* on the basis of the carrying amount of each asset in the unit.

The Group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset, other than goodwill, attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

1.11 Stated capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Shares in the Company held by its subsidiaries, are classified in the Group's shareholders' interest as treasury shares. These shares are treated as a deduction from the issued and weighted average number of shares. The cost price of the shares is presented as a deduction from total equity. Distributions received on treasury shares are eliminated on consolidation.

If the Group reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes), on those treasury shares is deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Consideration paid or received is recognised directly in equity.

1. Accounting policies continued

1.12 Share-based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

The fair value of the equity instrument is measured at grant date using the Binomial model and recognised as an expense with corresponding increase in equity over the vesting period.

For equity-settled share-based payment transactions the goods or services received and the corresponding increase in equity are measured, directly, at the fair value of the goods or services received provided that the fair value can be estimated reliably. If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity are measured, indirectly, by reference to the fair value of the equity instruments granted.

Vesting conditions which are not market related (i.e. service conditions and non-market related performance conditions) are not taken into consideration when determining the fair value of the equity instruments granted. Instead, vesting conditions which are not market related are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount, so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest. Market conditions, such as a target share price, are taken into account when estimating the fair value of the equity instruments granted. The number of equity instruments is not adjusted to reflect equity instruments which are not expected to vest or do not vest because the market condition is not achieved. The fair value of equity-settled options is not remeasured subsequently.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, those services are recognised as they are rendered by the counterparty during the vesting period, thus on a straight-line basis over the vesting period.

Management reassesses the number of options to ultimately vest based on non-market vesting conditions.

The impact of the revision to the original estimates, if any, is recognised in profit or loss, with a corresponding adjustment to equity.

1.13 Employee benefits

The cost of short-term employee benefits (those expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service) are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

1.14 Shareholders for dividends and dividends declared

Dividends payable are recognised as a liability on the date of declaration.

1.15 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of value-added tax, trade discounts and volume rebates. Revenue is recognised provided the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group and specific criteria have been met for each of the Group's activities.

The Group recognises the revenue from the sale of goods in profit or loss when the significant risks and rewards of ownership of the goods have transferred to the buyer and the Group no longer retains managerial involvement or control over the goods.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed based on surveys of work performed. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest is recognised, in profit or loss, using the effective interest method. Rental income is recognised on a straight-line basis over the term of the lease.

1. Accounting policies continued

1.16 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales. Depreciation directly attributable to revenue generating activities is included in cost of sales.

1.17 Finance charges

Finance charges comprise interest payable on borrowings calculated using the effective interest rate method. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method. All other borrowing costs are recognised as an expense in the period in which they are incurred.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest amount over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial asset or liability or, where appropriate, a shorter period.

1.18 Translation of foreign currencies

Functional and presentation currency

Items included in the Annual Financial Statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency').

The consolidated Annual Financial Statements are presented in Rand, which is the Group's presentation currency.

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous Annual Financial Statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised in other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised in other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Foreign operations

The results and financial position of a foreign operation are translated into the functional currency using the following procedures:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each item of profit or loss are translated at exchange rates at the dates of the transactions; and
- All resulting exchange differences are recognised in other comprehensive income and accumulated as a separate component of equity.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially in other comprehensive income and accumulated in the translation reserve. They are recognised in profit or loss as a reclassification adjustment through other comprehensive income on disposal of net investment.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

2. New standards and interpretations

2.1 Adoption of new standards, amendments to standards and interpretations

There were no new standards nor amendments to standards and interpretations applicable for the first time during the year under review which had a material impact on the financial statements.

2.2 New standards, amendments to standards and interpretations in issue not yet effective

The following standards and interpretations have been published and will become mandatory for the Group's accounting periods beginning on or after 1 August 2016 or later periods which are not yet effective. These standards and interpretations will be adopted when they become effective. The Directors are still in the process of assessing what the impact of these new standards and interpretations will be.

IFRS 7 – Financial Instruments: Disclosures

- Annual Improvements 2012 – 2014 Cycle: Amendment clarifying under what circumstances an entity will have continuing involvement in a transferred financial asset as a result of servicing contracts (effective 1 January 2016).
- Annual Improvements 2012 – 2014 Cycle: Amendment clarifying the applicability of previous amendments to IFRS 7 issued in December 2011 with regard to offsetting financial assets and financial liabilities in relation to interim financial statements prepared under IAS 34 (effective 1 January 2016).

IFRS 9 – Financial Instruments

- A finalised version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement (effective 1 January 2018). The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition:
  - IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.
  - The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" model for the measurement of financial assets.
  - IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition, enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements.
  - IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.

IFRS 10 – Consolidated Financial Statements

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture (effective 1 January 2016).

IFRS 11 – Joint Arrangements

- Amendments adding new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business which specify the appropriate accounting treatment for such acquisitions (effective 1 January 2016).

IFRS 15 – Revenue from Contracts from Customers

- New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers.

  The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

  The new standard supersedes:

  IAS 11 – Construction Contracts; IAS 18 – Revenue; IFRIC 13 – Customer Loyalty Programmes; IFRIC 15 – Agreements for the Construction of Real Estate; IFRIC 18 – Transfers of Assets from Customers; and SIC-31 Revenue – Barter Transactions Involving Advertising Services (effective 1 January 2018).

2. New standards and interpretations continued

2.2 New standards, amendments to standards and interpretations in issue not yet effective continued

IFRS 16 – Leases

- New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 – Statement of Cash Flows. (effective 1 January 2019).

IAS 1 – Presentation of Financial Statements

- Disclosure Initiative: Amendments designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures (effective 1 January 2016).

IAS 7 – Statement of Cash Flows

- Disclosure Initiative: Amendments requiring entities to disclose information about changes in their financing liabilities. The additional disclosures will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses) (effective 1 January 2017).

IAS 12 – Income Taxes

- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12): Narrow-scope amendment to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value (effective 1 January 2017).

IAS 16 – Property, Plant and Equipment

- Amendment to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets (effective 1 January 2016).

IAS 27 – Consolidated and Separate Financial Statements

- Amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements (effective 1 January 2016).

IAS 28 – Investments in Associates and Joint Ventures

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture (effective 1 January 2016).

IAS 34 – Interim Financial Reporting

- Annual Improvements 2012 – 2014 Cycle: Clarification of the meaning of disclosure of information 'elsewhere in the interim financial report' (effective 1 January 2016).

IAS 38 – Intangible Assets

- Amendments to IAS 16 and IAS 38 to clarify the basis for the calculation of depreciation and amortisation, as being the expected pattern of consumption of the future economic benefits of an asset (effective 1 January 2016).
- Amendment to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets (effective 1 January 2016).

2.3. Standards and interpretations early adopted

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

3. Property, plant and equipment

Figures in Rand thousand	2016 Cost	2016 Accumulated depreciation	2016 Carrying value	2015 Cost	2015 Accumulated depreciation	2015 Carrying value
Land and buildings	90 493	(2 232)	88 261	90 096	(475)	89 621
Furniture and fixtures	75 068	(26 555)	48 513	59 417	(15 412)	44 005
Motor vehicles	78 235	(22 906)	55 329	41 308	(14 016)	27 292
Office equipment	77 311	(40 437)	36 874	69 722	(29 349)	40 373
IT equipment	524 304	(331 339)	192 965	423 947	(268 595)	155 352
Leasehold improvements	92 765	(65 407)	27 358	82 420	(47 960)	34 460
Medical equipment	6 007	(4 397)	1 610	6 085	(4 632)	1 453
Other equipment	53 997	(12 686)	41 311	24 754	(5 151)	19 603
	998 180	(505 959)	492 221	797 749	(385 590)	412 159

Reconciliation of property, plant and equipment

Figures in Rand thousand	Opening balance	Additions	Additions through business combinations	Disposals	Transfers	Foreign currency translation	Depreciation	Closing balance
2016								
Land and buildings	89 621	342	–	(1 100)	–	–	(602)	88 261
Furniture and fixtures	44 005	10 705	4 844	(939)	187	369	(10 658)	48 513
Motor vehicles	27 292	18 128	27 299	(1 918)	329	155	(15 956)	55 329
Office equipment	40 373	18 140	7 258	(17 998)	218	(210)	(10 907)	36 874
IT equipment	155 352	147 495	8 722	(39 986)	2 381	377	(81 376)	192 965
Leasehold improvements	34 460	10 068	735	(15)	(92)	(7)	(17 791)	27 358
Medical equipment	1 453	819	799	(707)	–	–	(754)	1 610
Other equipment	19 603	16 251	15 036	(1 986)	(63)	–	(7 530)	41 311
	412 159	221 948	64 693	(64 649)	2 960	684	(145 574)	492 221
2015								
Land and buildings	84 486	626	4 720	–	–	–	(211)	89 621
Furniture and fixtures	37 385	8 252	5 078	(910)	–	115	(5 915)	44 005
Motor vehicles	22 214	16 275	3 883	(6 748)	–	17	(8 349)	27 292
Office equipment	74 188	15 107	1 254	(2 358)	(31 159)	12	(16 671)	40 373
IT equipment	148 175	76 870	15 974	(15 110)	29 848	784	(101 189)	155 352
Leasehold improvements	29 199	17 941	2 266	(266)	–	–	(14 680)	34 460
Medical equipment	922	1 609	–	(7)	–	–	(1 071)	1 453
Other equipment	8 003	10 939	4 821	(262)	–	–	(3 898)	19 603
	404 572	147 619	37 996	(25 661)	(1 311)	928	(151 984)	412 159

Depreciation expense included in cost of sales is R39 035 (2015: R37 299) and in operating expenses is R106 539 (2015: R114 685).

Buildings were pledged as security against other financial liabilities with a carrying value of R15 013 (2015: R20 165). The pledge is limited to the carrying value of the related liability (refer to note 14).

Additions of R27 299 (2015: R2 584) relate to finance leases (refer to note 15).

For more details relating to additions through business combinations please refer to note 28.

Disposals occur in the normal course of business. The loss on disposal of property, plant and equipment is included in operating expenses as per note 19.

3. Property, plant and equipment continued

Property, plant and equipment subject to finance lease shown at carrying value

Figures in Rand thousand	2016	2015
Motor vehicles	10 307	20 112
Office and IT equipment	31 216	21 576
Medical equipment	–	122
	41 523	41 810

4. Goodwill and intangible assets

	2016			2015		
Figures in Rand thousand	Cost	Accumulated amortisation/ impairment losses	Carrying value	Cost	Accumulated amortisation/ impairment losses	Carrying value
Goodwill	3 913 041	(18 321)	3 894 720	2 423 603	(25 000)	2 398 603
Intangible assets	1 828 917	(579 395)	1 249 522	951 584	(360 605)	590 979
Contracts purchased	325 486	(186 150)	139 336	128 167	(106 951)	21 216
Customer relations	506 304	(211 576)	294 728	299 754	(183 230)	116 524
Intellectual property	368 026	(32 489)	335 537	102 278	(12 082)	90 196
Internally generated software	468 248	(76 610)	391 638	344 578	(34 359)	310 219
Other intangible assets	160 853	(72 570)	88 283	76 807	(23 983)	52 824
	5 741 958	(597 716)	5 144 242	3 375 187	(385 605)	2 989 582

Reconciliation of goodwill and intangibles

Figures in Rand thousand	Opening balance	Additions	Additions through business combinations	Disposals	Transfers	Foreign currency translation	Amortisation	Impairment	Closing balance
2016									
Goodwill	2 398 603	–	1 488 899	–	–	25 539		(18 321)	3 894 720
Intangible assets	590 979	183 656	675 552	–	(2 960)	21 085	(218 790)	–	1 249 522
Contracts purchased	21 216	–	197 319	–	–	–	(79 199)	–	139 336
Customer relations	116 524	–	206 550	–	–	–	(28 346)	–	294 728
Intellectual property	90 196	–	267 987	–	(2 239)	–	(20 407)	–	335 537
Internally generated software	310 219	102 625	–	–	–	21 045	(42 251)	–	391 638
Other intangible assets	52 824	81 031	3 696	–	(721)	40	(48 587)	–	88 283
	2 989 582	183 656	2 164 451	–	(2 960)	46 624	(218 790)	(18 321)	5 144 242
2015									
Goodwill	1 764 848	–	651 224	(13 472)	–	21 003		(25 000)	2 398 603
Intangible assets	236 333	139 358	325 093	–	1 311	3 610	(114 726)	–	590 979
Contracts purchased	9 035	–	26 571	–	–	–	(14 390)	–	21 216
Customer relations	81 753	–	95 001	–	–	–	(60 230)	–	116 524
Intellectual property	11 100	3 485	83 692	–	–	–	(8 081)	–	90 196
Internally generated software	132 676	94 007	98 732	–	1 311	3 610	(20 117)	–	310 219
Other intangible assets	1 769	41 866	21 097	–	–	–	(11 908)	–	52 824
	2 001 181	139 358	976 317	(13 472)	1 311	24 613	(114 726)	(25 000)	2 989 582

For more details relating to additions through business combinations please refer to note 28.

4. Goodwill and intangible assets continued

Impairment testing

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units. The impairment tests were based on the value-in-use and were determined by discounting the future cash flows to be generated from the continuing operations of each cash-generating unit. Cash-generating units have been identified to reflect the various solution clusters in EOH. Comparatives have been aligned to this structure.

The aggregate carrying amounts of goodwill were allocated to the following cash-generating units:

Goodwill	GROUP	
Figures in Rand thousand	2016	2015
Construction and mining technologies	241 085	241 085
Health cluster	190 880	145 000
Energy cluster	242 601	242 601
Financial services and telco solutions	263 957	247 646
Information services	286 940	244 050
Recruitment and staffing solutions	179 135	179 135
Smart government solutions	208 469	154 326
Security and defence cluster	604 593	–
Technology cluster	183 835	22 767
Transport technologies	176 924	1 807
Water technologies	188 459	–
Other	1 127 842	920 186
	3 894 720	2 398 603

The carrying amount of certain cash-generating units was determined to be less than their recoverable amounts using value-in-use calculations. Impairment losses of R18 million (2015: R25 million) were recognised for these and allocated to goodwill.

Key assumptions used in discounted cash flow projection 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 the current market conditions.

A pre-tax weighted-average cost-of-capital rate ranging between 16,1% and 20,1% (2015: 15,9% and 22,2%) was used in discounting the projected cash flows depending on the nature of business. The cash flow projections were based on approved 2017 budgets and a reasonable growth rate applied for a further four years based on market conditions and historic trends. Thereafter a perpetuity growth rate of approximately 5,0% (2015: 5,0%) was applied based on conservative historical market trends.

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.

5. Equity-accounted investments

	GROUP	
Figures in Rand thousand	2016	2015
Equity-accounted joint venture investments	165 979	6 976
Equity-accounted associate investments	460 106	344 876
	626 085	351 852
Share of profits of equity-accounted joint venture investments	6 043	(38)
Share of profits of equity-accounted associate investments	66 467	10 774
Share of profits of equity-accounted investments	72 510	10 736

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for the year ended 31 July 2016

5. Equity-accounted investments continued

	GROUP	
Figures in Rand thousand	2016	2015
Aggregate information of equity-accounted investments that are not individually material		
Joint venture investments		
The Group's share of profit/(loss) from continuing operations	6 043	(38)
The Group's share of total comprehensive income/(loss)	6 043	(38)
Aggregate carrying amount of the Group's interests in these joint ventures	165 979	6 976
Unrecognised share of losses	–	2 928
Associate investments		
The Group's share of profit from continuing operations	1 238	–
The Group's share of total comprehensive income	1 238	–
Aggregate carrying amount of the Group's interests in these associates	39 609	33 409

The Group has the following material associate

Associate name:	Twenty Third Century Systems (Private) Limited ('TTCS')
Principal activity:	IT systems integrator and business solutions provider
Country of incorporation:	Zimbabwe
Effective interest in issued ordinary share capital:	49%
Year end:	31 December (Aligned with the statutory requirements in Zimbabwe)
Effective date of acquisition:	1 July 2015

TTCS brings to the EOH Group a staff complement of over 500 diverse, highly skilled IT experts in finance, logistics, human capital management, analytics, mobility, cloud and database technologies and provides solutions across the spectrum. Its operations are underpinned by timely and effective systems integration, product delivery, maintenance and support. TTCS has a presence across the African continent with offices in Zimbabwe, Zambia, Malawi, Kenya, Uganda, Rwanda, Botswana and Nigeria and projects in several other countries including Ghana, Namibia, Tanzania and Cameroon.

Reconciliation of the carrying amount of the interest in TTCS:

Figures in Rand thousand	2016	2015
Balance at beginning of the year	311 467	–
Initial investment	–	300 693
Foreign currency translation reserve	43 801	–
Share of results after taxation	65 229	10 774
Balance at the end of the year	420 497	311 467

Summarised financial information of the material associate

Management accounts for the twelve months to 31 July 2016 were used to calculate the share of profits at the reporting date.

Figures in Rand thousand	2016	2015
Current assets	574 000	436 403
Non-current assets	8 130	8 420
Current liabilities	(360 814)	(368 581)
Non-current liabilities	(477)	–
Revenue	550 940	95 498
Profit for the year	133 120	21 988
Total comprehensive income for the year	133 120	21 988
Total net assets	220 839	76 242
Proportion of the Group's ownership interest	108 211	37 358

6. Other financial assets

Figures in Rand thousand	GROUP 2016	2015
Financial assets carried at fair value through profit or loss	165 529	–
Other financial assets relate to investments acquired as part of a business combination. The fair value of the investments is determined by reference to the performance of indices in the active market.		
Enterprise development loans	51 867	16 387
The maturity dates range between one and five years.		
Vendor loans and receivables	58 238	32 618
The maturity dates range between one and five years.		
Roadlab Prehab JV Proprietary Limited	–	2 105
The loan matures within one year.		
Quantified Living Proprietary Limited	9 363	6 496
The loan matures within one year.		
CA Incorporated Limited – multi-year contracts	6 659	10 891
The maturity dates range between one and two years.		
Twenty Third Century Systems (Private) Limited	28 197	–
The loan matures within 1 year.		
BC Skills	15 968	–
The loan maturity dates range between one and two years.		
Interest in 9% of Gibela Rail Transport Consortium Proprietary Limited at cost	25 983	–
Other loans and receivables	7 446	11 407
The loans are unsecured, interest free and have no fixed terms of repayment. The loans and receivables consist of a number of smaller loans to unrelated parties.		
	369 250	79 904
Non-current financial assets	162 038	18 437
Current financial assets	207 212	61 467
	369 250	79 904
Financial instruments		
Loans and receivables	203 721	79 904
Financial assets carried at fair value through profit and loss	165 529	–
	369 250	79 904

Measurement of loans and receivables

Loans and receivables are measured at amortised cost using the effective interest method. The present value of the loans and receivables was calculated by using a risk adjusted discount rate. The carrying value may be affected by changes in the credit risk of the counterparties. Based on the directors assessment of the recoverability of these financial instruments, R2 million (2015:nil) was impaired.

The loans and receivables are unsecured and interest free. There is no material difference between the fair value of loans and receivables and their book value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2016

7. Deferred taxation

	GROUP	
Figures in Rand thousand	2016	2015
The balance comprises		
Aggregate of deferred taxation assets	162 110	107 337
Aggregate of deferred taxation liabilities	(340 864)	(137 930)
	(178 754)	(30 593)
Deferred taxation movement		
Balance at the beginning of the year	(30 593)	42 772
Acquired in business combinations	(185 305)	(67 788)
Movement through profit or loss	43 491	(6 071)
Foreign currency translation	(6 347)	494
Balance at the end of the year	(178 754)	(30 593)
Analysis		
Deferred costs	(175 305)	(61 117)
Prepaid expenses	(14 781)	(26 770)
Leases	(27 022)	(25 271)
Intangibles	(307 128)	(131 465)
Property, plant and equipment	(4 784)	(2 422)
Valuation allowances	26 926	21 108
Other payroll accruals	98 698	76 547
Deferred income	217 136	99 430
Assessed losses	9 674	11 448
Other	(2 168)	7 919
	(178 754)	(30 593)

8. Finance lease receivables

	GROUP	
Figures in Rand thousand	2016	2015
Gross investment in leases due		
within one year	119 467	108 123
within two to five years	263 123	145 872
beyond five years	1 234	–
	383 824	253 995
Less unearned finance income	(92 929)	(36 581)
	290 895	217 414
Present value of minimum lease payments due		
within one year	87 122	86 955
within two to five years	202 672	130 459
beyond five years	1 101	–
	290 895	217 414

The Group entered into finance leasing arrangements for certain IT safety and security access equipment. The lease terms are three to seven years and the average effective lending rate is 2% to 6,5% above prime lending rates.

9. Inventory

	GROUP	
Figures in Rand thousand	2016	2015
Finished goods	389 584	123 890
Consumables	29 028	613
Work in progress	61 517	75 567
	480 129	200 070
Inventory write-downs	(11 737)	(4 405)
	468 392	195 665
Cost of goods sold during the year amounted to:	2 386 848	1 896 357

10. Trade and other receivables

	GROUP	
Figures in Rand thousand	2016	2015
Financial instruments	3 421 103	2 200 077
Trade receivables	3 396 614	2 179 468
Trade debtors	2 536 380	1 797 346
Work in progress/Revenue accruals	860 234	382 122
Other receivables	24 489	20 609
Non-financial instruments	243 230	106 944
Prepayments	198 405	106 944
VAT receivable	27 007	–
Other receivables	17 818	–
	3 664 333	2 307 021

Trade and other receivables amounting to R1 617 784 (2015: R337 068) have been pledged to the Group's bankers for facilities as per note 14.

Trade and other receivables that are neither past due nor impaired are considered to be of good credit quality and no significant default in payment is expected. This assessment is based on the fact that the vast majority of these debtors are established large enterprises and public sector entities. There is no pattern of default by these customers.

Trade and other receivables past due but not impaired

Trade and other receivables that are less than 90 days past due are not considered for impairment unless there is objective evidence to suggest otherwise. At 31 July 2016, R1 255 150 (2015: R453 216) were past due but not impaired, as there has not been any significant changes in the credit quality and the amounts are considered recoverable.

The ageing of amounts past due but not impaired is as follows:

	GROUP	
Figures in Rand thousand	2016	2015
– 30 days	429 401	–
– 60 days	251 451	–
– 90 days	115 895	185 863
– 120 days and over	458 403	267 353

10. Trade and other receivables continued

Impairment allowance

Trade receivables are stated after impairment allowances based on management's assessment of customer creditworthiness.

	GROUP	
Figures in Rand thousand	2016	2015
The ageing of which is:		
– 90 days	200	12
– 120 days and over	90 782	65 888
	90 982	65 900
Reconciliation of trade and other receivables impairment allowance		
Opening balance	65 900	112 340
Utilised	(1 229)	(86 202)
Charged to profit or loss	26 311	39 762
	90 982	65 900

The maximum exposure to credit risk at the reporting date is the fair value of trade and other receivables above.

The Group does not hold any collateral as security.

11. Cash and cash equivalents

	GROUP	
Figures in Rand thousand	2016	2015
Cash on hand	2 321	1 123
Bank balances and short-term deposits	1 947 078	1 662 695
	1 949 399	1 663 818
The total amount of undrawn facilities available for future operating activities and commitments	789 511	241 807

12. Stated capital

	GROUP	
	2016	2015
Authorised		
500 000 000 ordinary shares of nil par value		
Issued (000's)		
Shares in issue at 1 August 2015	132 039	118 653
Shares issued for cash	2 492	5 329
Shares issued as a result of the acquisition of businesses	4 939	5 102
Specific shares issued to the Group share incentive schemes	1 282	2 955
Shares in issue at 31 July 2016	140 752	132 039
Less:		
Treasury shares held in the Group share incentive schemes	(2 568)	(2 926)
Treasury shares held by wholly owned subsidiaries of the Company that will not be cancelled	(3 352)	(2 214)
	134 832	126 899

Figures in Rand thousand	2016	2015
Stated capital		
Opening balance	1 533 163	627 006
Shares issued for cash[1]	300 037	556 376
Shares issued as a result of the acquisition of businesses[2]	571 429	385 230
Shares issued to the Group share incentive schemes[3]	22 548	23 083
Treasury shares[4]	(163 870)	(58 532)
	2 263 307	1 533 163

[1] *At fair value;* [2] *In terms of purchase and sale agreements;;* [3] *In terms of the share incentive schemes;*
[4] *Average price paid for treasury shares amounts to R111,02 per share*

Unissued

359 248 387 (2015: 367 961 480) unissued ordinary shares are under the control of the directors in terms of the resolution of members passed at the last Annual General Meeting subject to the provisions of section 38 of the Companies Act of South Africa and the JSE Listings requirements. The directors are authorised to issue up to an aggregate maximum of 5% of the issued number of shares for cash until the next Annual General Meeting.

13. Total reserves

	GROUP	
Figures in Rand thousand	2016	2015
Shares to be issued to vendors	1 164 870	663 461
Other reserves	603 015	490 305
Foreign currency translation reserve	77 190	40 667
Share-based payments reserve	211 728	155 831
Treasury shares reserve	314 097	293 807
	1 767 885	1 153 766

14. Other financial liabilities

	GROUP	
Figures in Rand thousand	2016	2015
Interest bearing liabilities	2 290 367	1 121 839
Interest bearing bank loans secured by trade receivables as per note 10 The loans' maturity dates range between three and ten years with interest rates between 8,30% and 11,75%.	675 354	601 674
Unsecured interest bearing bank loans The loans' maturity dates range between one and three years with interest rates between 1,85% and 2,2% above JIBAR.	1 600 000	500 000
Interest bearing bank loans secured by certain property with a carrying value of R66 million (2015: R67 million), refer to note 3 The loans' maturity dates range between three and nine years with interest rates between 8,50% and 12,00%.	15 013	20 165
Non-interest bearing liabilities	1 325 315	816 123
Vendors for acquisition The amounts due to vendors represent the expected purchase consideration due in respect of the acquisition of businesses. The liability will be settled out of cash reserves when the relevant profit warranty conditions have been fulfilled.	1 284 763	771 009
Other non-interest bearing liabilities The above balance consists of a number of smaller loans, payable to previous shareholders, that are unsecured, interest free and have no fixed terms of repayment.	40 552	45 114
	3 615 682	1 937 962
Non-current financial liabilities	2 451 968	1 068 477
Current financial liabilities	1 163 713	869 485
	3 615 681	1 937 962
Financial instruments		
Measured at amortised cost	2 330 918	1 166 953
Financial liabilities carried at fair value through profit or loss	1 284 763	771 009
	3 615 681	1 937 962

15. Finance lease payables

	GROUP	
Figures in Rand thousand	2016	2015
Minimum lease payments due		
within one year	29 160	26 974
within two to five years	30 425	19 228
	59 585	46 202
Less future finance charges	(7 813)	(4 277)
	51 772	41 925
Present value of minimum lease payments due		
within one year	25 406	20 915
within two to five years	26 366	21 010
	51 772	41 925

The Group enters into finance leasing arrangements for certain motor vehicles and certain IT and office equipment. The lease periods terminate between 2016 to 2021. Interest rates are up to prime plus 4% (2015: prime plus 2%). The Group's obligations under these finance leases are secured by the leased assets as per note 3.

16. Trade and other payables

	GROUP	
Figures in Rand thousand	2016	2015
Financial instruments	1 312 538	993 398
Trade payables	764 903	701 718
Other accrued expenses	529 220	287 072
Other payables	18 415	4 608
Non-financial instruments	563 934	431 016
VAT	108 097	71 440
Payroll accruals	455 837	359 576
	1 876 472	1 424 414

17. Deferred income

	GROUP	
Figures in Rand thousand	2016	2015
Deferred income	598 777	264 508
	598 777	264 508

Where costs have been incurred and revenue received prior to the implementation of a project, these are capitalised and recognised in profit or loss over the implementation period of the project, on a percentage-of-completion basis.

18. Revenue

	GROUP	
Figures in Rand thousand	2016	2015
Sale of goods	3 036 205	1 129 319
Rendering of services	9 657 609	8 571 918
Rental income for property	–	309
Financing element of revenue	67 996	32 446
	12 761 810	9 733 992

19. Operating profit before interest and impairments

	GROUP	
Figures in Rand thousand	2016	2015
Operating profit before interest and impairments is stated after taking into account, among other items, the following:		
Auditors' remuneration	11 408	7 474
Audit fee	9 908	6 884
Fees for other services	1 500	590
Directors' remuneration	22 806	22 548
Executive directors	16 165	15 497
Non-executive directors	6 641	7 051
Employee costs	4 198 335	3 324 562
Employee costs included in cost of sales	2 710 850	2 103 288
Employee costs not included in cost of sales	1 431 588	1 178 426
Share-based payment expense	55 897	42 848
Foreign exchange profit	(30 677)	(20 161)
Gain on bargain purchase on acquisition of businesses	–	(9 474)
Operating lease charges	193 236	158 771
Operating lease charges on immovable property	176 185	149 809
Operating lease charges on movable property	17 051	8 962
Loss on disposal of property, plant and equipment	854	1 914
Gain on remeasurement of contingent consideration	(8 459)	(17 112)

20. Investment income

	GROUP	
Figures in Rand thousand	2016	2015
Interest income		
Financial institutions	34 035	29 193
Other interest received	15 344	8 592
	49 379	37 785

21. Finance costs

	GROUP	
Figures in Rand thousand	2016	2015
Other financial liabilities	197 861	105 847
Finance lease payables	3 444	7 546
Financial institutions	10 801	3 461
Other interest paid	2 361	1 945
	214 467	118 799

22. Taxation

Figures in Rand thousand	GROUP 2016	GROUP 2015
Current taxation		
Local income taxation – current year	412 958	276 088
Local income taxation – prior years	20 134	(25 021)
Foreign income taxation – current year	3 953	2 395
	437 045	253 462
Deferred taxation		
Originating and reversing temporary differences	(34 950)	12 635
Prior year adjustments	(8 541)	(6 564)
	(43 491)	6 071
Total taxation	393 554	259 533
Reconciliation of rate of taxation	%	%
South African normal rate of taxation	28,0	28,0
Reduction in rate for the year, due to:		
Exempt income	–	–
Foreign taxation rate difference	(0,1)	(0,4)
Deferred taxation liability on amortisation	(3,3)	(2,4)
Share of profits of equity-accounted investments	(1,7)	(0,6)
Deferred taxation asset raised	–	(0,2)
Prior year adjustments to over/under provision of deferred taxation/current taxation	–	(3,3)
Increase in the rate for the year, due to:		
Disallowable expenditure	5,3	5,1
Deferred taxation not raised on estimated taxation losses	0,6	1,1
Prior year adjustments to over/under provision of deferred taxation/current taxation	0,9	–
	29,7	27,3
Unrecognised deferred taxation assets		
Deferred taxation assets not recognised in respect of taxation losses	586 674	503 966

The deductible temporary differences do not expire under the current taxation legislation. Deferred taxation assets have not been recognised in respect of these items because management does not yet consider it probable that future profit will be available against which the Group can utilise the benefits therefrom in the next 12 months.

In 2016, R90 031 (2015: R27 349) of previously unrecognised taxation losses were recognised as management considered it probable that future taxable profits would be available against which they can be utilised in the next 12 months.

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23. Earnings per share

	GROUP	
	2016	2015
Profit attributable to owners of EOH Holding Limited (R'000)	927 354	690 692
Weighted average number of shares in issue (000's)	131 754	123 031
Earnings per share (cents)	704	561
Diluted earnings attributable to owners of EOH Holdings Limited (R'000)	927 354	690 692
Diluted weighted average number of shares in issue (000's)	138 850	129 271
Diluted earnings per share (cents)	668	534

24. Headline earnings per share

	GROUP	
	2016	2015
Headline earnings (R'000)	947 235	707 775
Weighted average number of shares in issue (000's)	131 754	123 031
Headline earnings per share (cents)	719	575
Diluted headline earnings (R'000)	947 235	707 775
Diluted weighted average number of shares in issue (000's)	138 850	129 271
Diluted headline earnings per share (cents)	682	548

Reconciliation between earnings, headline earnings and diluted headline earnings

	2016			2015		
Figures in Rand thousand	**Gross**	**Tax**	**Net**	Gross	Tax	Net
Profit attributable to owners of EOH Holdings Limited			927 354			690 692
Adjusted for:						
Loss on PPE[1]	854	(191)	663	1 914	(357)	1 557
FCTR[2]	1 246	(349)	897			
Impairment of goodwill	18 321	–	18 321	25 000	–	25 000
Gain on bargain purchase	–	–	–	(9 474)	–	(9 474)
Headline earnings			947 235			707 775

[1] PPE (Property, plant and equipment); [2] FCTR (Foreign currency translation reserve)

	GROUP	
	2016	2015
Reconciliation between weighted average number of shares and diluted weighted average number of shares in issue (000's)		
Weighted average number of shares in issue	131 754	123 031
Dilutive impact of share options	4 100	3 814
Dilutive impact of shares to be issued to vendors	2 996	2 426
Diluted weighted average number of shares in issue	138 850	129 271

25. Dividend per share

Figures in Rand thousand	GROUP 2016	GROUP 2015
Dividend declared	201 444	142 384
Dividends on treasury shares held by a wholly owned subsidiary of the Company	(3 497)	(118)
Dividends on treasury shares held through the Group share incentive schemes	(3 607)	(1 296)
	194 340	140 970
Dividend per share (cents)	185	150

The dividend relating to the year end 31 July 2016 was declared after year end and has been presented for information purposes. Further details regarding the dividend are set out in note 39.

26. Cash generated from operations

Figures in Rand thousand	GROUP 2016	GROUP 2015
Profit before taxation	1 323 921	951 327
Adjustments for		
Depreciation	145 574	151 983
Amortisation of intangible assets	218 790	114 726
Foreign exchange profit	(30 677)	(20 161)
Gain on bargain purchase of businesses acquired	–	(9 474)
Loss on disposal of property, plant and equipment	854	1 914
Gain on remeasurement of contingent consideration	(8 459)	(17 112)
Share-based payments expense	55 897	42 848
Unwinding of interest on financial instruments	44 077	30 781
Investment income	(49 379)	(37 785)
Impairment of assets	20 514	25 000
Share of profits of equity-accounted investments	(72 510)	(10 736)
Finance costs	214 467	118 799
Other non-cash items	(9 248)	(14 176)
Cash generated before changes in working capital	1 853 821	1 327 934
Working capital changes	(892 546)	(419 367)
(Increase) in inventory	(108 592)	(32 622)
(Increase) in trade and other receivables	(550 449)	(361 229)
(Increase) in work in progress	(478 112)	(138 923)
(Decrease)/increase in trade and other payables	(89 662)	221 857
Increase/(decrease) in deferred income	334 269	(108 450)
Cash generated from operations	961 275	908 567

27. Taxation paid

	GROUP	
Figures in Rand thousand	2016	2015
Amounts owing at the beginning of the year	(9 389)	(23 433)
Current taxation for the year	(437 045)	(253 462)
Capital gains taxation	(6 760)	(15 684)
Adjustment in respect of movement in businesses acquired during the year, including exchange rate movements	(45 788)	(17 953)
Amounts owing at the end of the year	97 517	9 389
Taxation paid	(401 465)	(301 143)

28. Acquisition of businesses

	GROUP				
	GCT group of companies	Mehleketo	Other	Total	Total
Figures in Rand thousand	2016	2016	2016	2016	2015
Fair value of assets and liabilities acquired					
Property, plant and equipment	12 888	23 807	27 998	64 693	37 996
Intangible assets	471 674	42 728	161 150	675 552	325 093
Other financial assets	540	153 472	50 311	204 323	12 708
Inventory	91 112	23 440	49 561	164 113	20 825
Trade and other receivables*	46 004	21 427	281 892	349 323	206 309
Cash and cash equivalents	(23 766)	60 332	217 259	253 825	163 500
Other financial liabilities	(96 582)	(45 468)	(103 865)	(245 915)	(66 484)
Finance lease payables	(2 190)	(3 294)	(3 831)	(9 315)	–
Net deferred taxation liabilities	(128 241)	(20 868)	(36 196)	(185 305)	(67 788)
Net current taxation payables	(15 527)	(3 807)	(26 455)	(45 789)	(17 953)
Trade and other payables	(55 797)	(16 876)	(213 911)	(286 584)	(149 237)
Deferred income	(36 647)	(190 858)	(30 915)	(258 420)	(27 431)
Net assets acquired	263 468	44 035	372 998	680 501	437 538
Non-controlling interests measured at their share of the fair value of net assets	–	–	–	–	3 571
Amount capitalised	263 468	44 035	372 998	680 501	441 109
Gain on bargain purchase	–	–	–	–	(9 474)
Transfer to retained earnings	–	–	–	–	7 684
Goodwill	604 593	160 993	723 313	1 488 899	651 224
Purchase price	868 061	205 028	1 096 311	2 169 400	1 090 543
Cash consideration paid	(119 167)	(15 000)	(190 880)	(325 047)	(236 582)
Less: Cash and cash equivalents acquired	(23 766)	60 332	217 259	253 825	163 500
Net cash (outflow)/inflow on acquisition	(142 933)	45 332	26 379	(71 222)	(73 082)
Consideration payable					
Cash paid	(119 167)	(15 000)	(190 880)	(325 047)	(236 582)
Shares issued#	(114 181)	(59 996)	(98 653)	(272 830)	(209 561)
Cash to be paid	(309 872)	(15 000)	(436 484)	(761 356)	(403 923)
Shares to be issued	(324 841)	(115 032)	(370 294)	(810 167)	(240 477)
Total consideration	(868 061)	(205 028)	(1 096 311)	(2 169 400)	(1 090 543)

** The gross contractual value of trade and other receivables for all acquisitions was R351 million.*
 # Shares issued at the fair value at the effective date.

28. Acquisition of businesses continued

	GROUP				
	GCT group of companies	Mehleketo	Other	Total	Total
Figures in Rand thousand	2016	2016	2016	2016	2015
Contribution to trading results					
Revenue	297 689	196 789	746 926	1 241 404	1 096 436
Profit before taxation*	33 961	43 111	75 876	152 948	138 610
Acquisition related costs				22 000	19 600

** Shown after the effect of amortisation on identifiable assets of R85 million.*

The contribution to trading results for all acquisitions have been accounted from the effective date of the business combination. In determining the purchase consideration paid, the profit history of the relevant business and its growth prospects in the EOH group are considered. The fair value of shares issued as part of the purchase price was determined based on the share price at the effective date. The accounting of these subsidiaries and businesses is based on best estimates and provisional fair values. The Group has not yet completed its assessment of the fair value of all identifiable assets, liabilities and/or contingent liabilities. The fair values will be accurately determined within twelve months from the date of acquisition. Goodwill relates mainly to future profits of these businesses and the anticipated synergies to be derived as a result of joining EOH. Some additional funding was obtained to finance some acquisitions.

Contribution had the effective date been 1 August 2015

	GROUP				
	GCT group of companies	Mehleketo	Other	Total	Total
Figures in Rand thousand	2016	2016	2016	2016	2015
Revenue	399 650	206 997	1 654 794	2 261 441	1 413 759
Profit before taxation	46 456	45 347	174 558	266 361	166 881

GCT group of companies

During the year under review, the Group acquired 100% of the share capital of Grid Control Technologies Proprietary Limited, Forensic Data Analysts Proprietary Limited and Investigative Software Solutions Proprietary Limited ('CGT') with effect from 18 November 2015 for an amount of R868 million of which R429 million is payable in cash and the balance through the issue of 2 869 426 EOH shares. The group specialises in utility management solutions (smart metering) and analytical, forensic and investigative software solutions for the security sector. EOH acquired the shares in GCT to strengthen its service offerings in the industrial infrastructure sector.

Mehleketo

100% of the share capital of Mehleketo Resourcing Proprietary Limited ('Mehleketo') was acquired with effect from 18 August 2015 for an amount of R205 million of which R30 million is payable in cash and the balance through the issue of 1 015 596 EOH shares.

Mehleketo provides rail automation and technology solutions, coupled with the design, build and management of operational nerve centres for the rail industry. EOH acquired the shares in Mehleketo to enhance its industry vertical strategy through Mehleketo's deep industry knowledge and established presence.

Other acquisitions that are not individually material

During the year under review, EOH continued its strategy to consolidate and complement its existing services with strategic acquisitions. In order to bolster the Group's industrial technology business by acquiring a number of businesses for a total purchase consideration of R403 million. The Group augmented its BPO and Human Capital Service offerings through the acquisition of several businesses for a total purchase consideration of R254 million. EOH also enhanced its IT services, infrastructure and software offerings, by acquiring businesses for a total consideration of R439 million. In all instances 100% of the shares or 100% of the business operations were acquired.

For details of the acquisitions made in the prior year, refer to the 2015 Annual Integrated Report.

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29. Dividends paid

	GROUP	
Figures in Rand thousand	2016	2015
Amounts owing at the beginning of the year	(85)	(71)
Amounts charged to retained earnings	(194 340)	(140 970)
Amounts owing at the end of the year	125	85
Dividends paid	(194 300)	(140 956)

30. Contingencies

There are instances where the business is involved in legal action to recover monies due and payable from its clients for services rendered. Where it is felt that there is a risk of part or no recovery, management makes appropriate provisions or credit note allowances.

There are certain claims from clients which, in the opinion of the directors, are not substantiated and are defendable. Where there is a perceived risk of an award, these incidents have been reported to the Group indemnity insurers. The directors are of the opinion that the resolution of these claims will have no material impact on the business.

31. Commitments

	GROUP	
Figures in Rand thousand	2016	2015
Approved, but not yet contracted capital expenditure	716	1 004
This capital expenditure relates to property, plant and equipment which will be financed from internally generated funds.		
Operating leases		
Minimum operating lease payments due – as lessee		
within one year	(78 937)	(69 011)
within two to five years	(94 730)	(88 557)
	(173 667)	(157 568)

Operating lease payments represent rentals payable for certain of its office premises. No contingent rent is payable.

32. Retirement benefits

The Group is a member of a corporate defined contribution retirement scheme to which employees elect to make retirement contributions on an income sacrifice basis. The Group makes no additional contribution and is under no obligation to cover any shortfalls. Employees are, however, eligible and obliged to become members of the Group risk benefit scheme, providing certain minimum death and disability benefits.

At 31 July 2016, 3 926 (2015: 3 287) employees were members of the fund.

33. Directors' interest in shares of the Company

Number of shares	2016 Direct interest	2016 Beneficial indirect interest	2016 Total	2015 Direct interest	2015 Beneficial indirect interest	2015 Total
Executive directors						
Pumeza Bam	113 227	–	113 227	110 263	–	110 263
Asher Bohbot	–	6 894 625	6 894 625	–	6 894 625	6 894 625
John King	636 089	–	636 089	620 826	–	620 826
Dion Ramoo	39 712	–	39 712	71 000	–	71 000
Jane Thomson	279 137	–	279 137	288 505	–	288 505
Non-executive directors						
Lucky Khumalo	10 000	–	10 000	5 000	–	5 000
Danny Mackay	–	7 225 116	7 225 116	–	7 218 866	7 218 866
Tshilidzi Marwala	9 900	–	9 900	4 900	–	4 900
Tebogo Skwambane (Resigned 19 February 2016)				5 000	–	5 000
Rob Sporen	–	85 000	85 000	–	155 000	155 000
Sandile Zungu	1 200	–	1 200	1 200	–	1 200
	1 089 265	14 204 741	15 294 006	1 106 694	14 268 491	15 375 185

Since the year end, John King exercised 175 000 share options in order to acquire a further direct interest of 30 000 shares. Dion Ramoo sold 39 712 shares. Jane Thomson sold 50 000 shares. Danny Mackay sold 86 100 shares.

34. Directors' remuneration

Figures in Rand thousand	Short-term benefits: For services as directors	Short-term benefits: Remuneration	Short-term benefits: Bonuses	Short-term benefits: Total	Share-based payment charge
2016					
Executive directors					
Pumeza Bam		1 735	650	2 385	525
Asher Bohbot		3 353	2 100	5 453	3 314
John King		2 393	1 600	3 993	1 499
Dion Ramoo		1 830	–	1 830	636
Jane Thomson		1 880	624	2 504	557
Non-executive directors					
Lucky Khumalo	1 839	–	–	1 839	–
Danny Mackay	146	–	–	146	–
Tshilidzi Marwala	1 883	–	–	1 883	–
Thoko Mnyango (Resigned 27 July 2016)	146	–	–	146	–
Audrey Mothupi (Appointed 27 July 2016)	–	–	–	–	–
Tebogo Skwambane (Resigned 19 February 2016)	83	–	–	83	–
Rob Sporen	1 983	–	–	1 983	–
Sandile Zungu	561	–	–	561	998
	6 641	11 191	4 974	22 806	7 529
Less: Paid by subsidiaries	(6 641)	(11 191)	(4 974)	(22 806)	
	–	–	–	–	7 529

34. Directors' remuneration continued

Figures in Rand thousand	Short-term benefits: For services as directors	Short-term benefits: Remuneration	Short-term benefits: Bonuses	Short-term benefits: Total	Share-based payment charge
2015					
Executive directors					
Pumeza Bam		1 580	550	2 130	295
Asher Bohbot		3 056	2 000	5 056	2 877
John King		2 199	1 400	3 599	1 145
Dion Ramoo		1 730	410	2 140	259
Jane Thomson		2 021	551	2 572	1 730
Non-executive directors					
Lucky Khumalo	1 525	–	–	1 525	–
Danny Mackay	230	–	–	230	–
Tshilidzi Marwala	1 512	–	–	1 512	–
Thoko Mnyango	135	–	–	135	–
Tebogo Skwambane	1 559	–	–	1 559	–
Rob Sporen	1 569	–	–	1 569	–
Sandile Zungu	521	–	–	521	179
	7 051	10 586	4 911	22 548	6 485
Less: Paid by subsidiaries	(7 051)	(10 586)	(4 911)	(22 548)	
	–	–	–	–	6 485

The share-based payment charge is recognised in the statement of profit or loss of the Group for share options granted to the respective director. This amount is not included in the remuneration amount for the director. There were no fees for other services.

For details of the EOH remuneration policy please refer to the Remuneration Committee report on pages 45 to 46 of this Annual Integrated Report.

35. Share-based payments

The Group has two share incentive schemes, the EOH Share Trust and the Mthombo Trust. The schemes allow directors, executive management and employees to benefit from the EOH share price performance.

The Mthombo Trust restricts participation to qualifying previously disadvantaged directors, executive management and employees. For both trusts, the participant needs to be in the employ of the Group in order to exercise vested options.

Under the terms of the current schemes, up to 18 000 000 shares are reserved for share options. The share options are equity-settled.

The EOH Share Trust

The scheme is governed by a trust deed approved by shareholders and the JSE Limited. The option strike price is equal to the share price at date of the offer less a 40% discount. The participant may exercise the option in respect of the shares granted in tranches as set out below. The share options will lapse 10 years after grant date if not exercised

- 25% after two years
- 25% after three years
- 25% after four years
- 25% after five years

35. Share-based payments continued

A reconciliation of the movement of share options

	The EOH Share Trust			
	Number of options		Weighted average strike price (cents)	
	2016	2015	2016	2015
Opening balance	7 555 999	8 200 263	8893	1875
Granted during the year	1 476 958	1 712 000	8 804	5 690
management	1 171 958	1 712 000	8716	5690
directors	305 000	–	9140	–
Forfeited during the year	(852 476)	(105 000)	3231	2605
Exercised during the year	(1 295 847)	(2 251 264)	958	8893
Options granted, not yet exercised at the end of the year	6 884 634	7 555 999	4486	3043
Number of options exercisable at year end	3 211 796	2 519 663	2237	951
Exercisable within one year	1 367 223	1 800 346		
Exercisable between two and five years	2 305 615	3 235 990		
	6 884 634	7 555 999		

The Mthombo Trust

The scheme is governed by a trust deed approved by shareholders. The option strike price is equal to the share price at date of the offer less a 40% discount. The participant may exercise the option in respect of the shares granted in tranches as set out below. The share options will lapse 8 years after grant date if not exercised.

33,33% after three years
33,33% after four years
33,33% after five years

A reconciliation of the movement of share options

	The Mthombo Trust			
	Number of options		Weighted average strike price (cents)	
	2016	2015	2016	2015
Opening balance	1 976 839	1 880 304	4092	1946
Granted during the year	343 371	803 000	8 843	7 019
management	343 371	703 000	8843	6674
directors	–	100 000	–	9447
Forfeited during the year	(160 549)	(80 000)	3852	5646
Exercised during the year	(230 804)	(626 465)	1099	447
Options granted, not yet exercised at the end of the year	1 928 857	1 976 839	5285	4092
Number of options exercisable at year end	383 986	1 560 839	2368	4055
Exercisable within one year	486 330	100 000		
Exercisable between two and five years	1 058 541	316 000		
	1 928 857	1 976 839		

35. Share-based payments continued

	The EOH Share Trust		The Mthombo Trust	
	2016	2015	**2016**	2015
Basis of valuation				
Fair value was determined using the Binomial model. The inputs were as follows:				
Weighted average share price (cents)	**14920**	9434	**13441**	10314
Option strike price (cents)	**8952**	5660	**8064**	6188
Expected volatility (%)	**23,5**	20,6	**23,3**	21,0
Expected dividend yield (%)	**3,7**	3,7	**3,7**	3,7
Weighted average expected life (years)	**3,7**	3,7	**4,1**	4,1
Weighted average fair value of options granted (cents)	**5376**	3847	**4374**	4167
Expiry date from grant (years)	**10**	10	**8**	8

The volatility of the share price at grant date was determined using the share trading history of EOH.

The after tax risk-free rate applied was the zero-swaps curve at the grant date of the option.

35. Share-based payments continued

The analysis of share options granted to directors is detailed below:

	Weighted average strike price (cents)	Outstanding at 31 July 2015	Granted during the period	Weighted average exercise price (cents)	Exercised during the period	Weighted average strike price (cents)	Outstanding at 31 July 2016
Executive directors							
Pumeza Bam	4920	30 000	30 000	15022	(7 500)	7403	52 500
Currently exercisable	4920	7 500		15022	(7 500)	–	–
Exercisable in one year	4920	7 500				4920	7 500
Exercisable between two and five years	4920	15 000	30 000			7817	45 000
Asher Bohbot	2589	700 000	125 000		–	3600	825 000
Currently exercisable	1484	475 000			–	1484	475 000
Exercisable in one year	4920	75 000				4920	75 000
Exercisable between two and five years	4920	150 000	125 000			6895	275 000
John King	2607	262 500	70 000		–	4009	332 500
Currently exercisable	1635	175 000			–	1635	175 000
Exercisable in one year	4920	25 000				4920	25 000
Exercisable between two and five years	4402	62 500	70 000			6971	132 500
Dion Ramoo	4920	30 000	40 000	15022	(7 500)	7701	62 500
Currently exercisable	4920	7 500		15022	(7 500)	4920	–
Exercisable in one year	4920	7 500				4920	7 500
Exercisable between two and five years	4920	15 000	40 000			8080	55 000
Jane Thomson	1850	237 500	40 000	14710	(150 000)	4935	127 500
Currently exercisable	1257	162 500		14710	(150 000)	4920	12 500
Exercisable in one year	2245	50 000				2245	50 000
Exercisable between two and five years	4920	25 000	40 000			7007	65 000
Non-executive directors							
Sandile Zungu	9447	100 000	–			9447	100 000
Exercisable between two and five years	9447	100 000	–			9447	100 000
Options granted, shares not issued up to the end of the year	3070	1 360 000	305 000	14738	(165 000)	4498	1 500 000

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36. Related party transactions

Related party transactions relate only to dividends received from subsidiaries, the recovery of group expenses and loans to subsidiaries, associates and joint ventures. The details of loans to subsidiaries are reflected in note 38. The dividends received from and expenses recovered are reflected below:

	Dividends received		Group expenses recovered	
Figures in Rand thousand	**2016**	2015	**2016**	2015
CA Southern Africa Proprietary Limited	(15 000)	(14 000)	(236)	(766)
Change Logic CS Proprietary Limited	–	–	–	(169)
Denis Insurance Administrators Proprietary Limited	–	–	–	(13)
Dental Information Systems Proprietary Limited	–	–	(127)	(314)
Enablemed Proprietary Limited	–	–	–	(26)
Enerweb Proprietary Limited	–	–	–	(136)
Enterprise Softworks Proprietary Limited	–	(8 000)	(182)	(387)
EOH Abantu Proprietary Limited	(21 500)	(45 950)	–	(720)
EOH Advisory Services Proprietary Limited	–	–	–	(56)
EOH Consulting Proprietary Limited	–	(600)	–	–
EOH Human Capital Solutions Proprietary Limited	–	–	–	(79)
EOH Intelligent Infrastructure Proprietary Limited	(55 650)	(19 400)	(235)	(467)
EOH Legal Services Proprietary Limited	–	–	–	(143)
EOH Managed Services PS Proprietary Limited	–	–	–	(289)
EOH Microsoft Coastal Proprietary Limited	–	–	–	(268)
EOH Mthombo Proprietary Limited	(112 000)	(64 500)	(1 750)	(4 525)
EOH Security and Building Technologies Proprietary Limited	–	–	(219)	(514)
Faculty Training Institute Proprietary Limited	–	–	–	(92)
Faranani Sapremo Proprietary Limited	–	–	–	(87)
Freethinking Business Consultants Proprietary Limited	–	–	–	(70)
Hospitality Professionals South Africa Proprietary Limited	–	–	–	(100)
Intellient Proprietary Limited	–	(1 250)	–	(100)
ITS Technologies Proprietary Limited	–	–	–	(57)
Medical Services Organisation International Proprietary Limited	–	–	–	(56)
SI Analytics Proprietary Limited	–	–	–	(61)
Siyanqoba Seminars Proprietary Limited	–	–	–	(78)
Totem Analytics Proprietary Limited	–	–	–	(17)
TSS Managed Services Proprietary Limited	–	–	–	(383)
	(204 150)	(153 700)	(2 749)	(9 973)

Directors' remuneration

The remuneration for directors of the Company paid during the year by subsidiaries within the Group has been disclosed in note 34. Directors are defined as key management.

	2016	2015
Professional fees		
Professional fees have been paid to a firm of which a non-executive director is a partner. The transactions were conducted at market-related rates prevailing at the time of entering into the transactions.	2 282	2 975

37. Risk management

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. Risk management is carried out centrally and management identifies, evaluates and analyses financial risks in close co-operation with the Group's operating business units. The Risk and Governance Committee oversees how management monitors the Group's compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's normal operations expose it to the following financial risks:

Capital risk;
Liquidity risk;
Interest risk;
Credit risk; and
Currency risk

The following table summarises the carrying amount of financial instruments recorded at 31 July 2016:

	GROUP	
Figures in Rand thousand	2016	2015
Financial assets		
Loans and receivables:		
Other financial assets	203 721	79 904
Finance lease receivables	290 895	217 414
Trade and other receivables	3 421 103	2 200 077
Cash and cash equivalents	1 949 399	1 663 818
Fair value through profit or loss:		
Other financial assets	165 529	–
	6 030 647	4 161 213
Financial liabilities		
Measured at amortised cost:		
Other financial liabilities	2 330 918	1 166 953
Finance lease payables	51 772	41 925
Trade and other payables	1 312 538	993 398
Fair value through profit or loss:		
Vendors for acquisition	1 284 763	771 009
	4 979 991	2 973 285

The Group does not have any financial instruments that are offset.

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

Financial assets measured at fair value through profit or loss, are classified as level 1 (in terms of the hierarchy) as the valuation techniques used are based on observable market data.

Financial liabilities measured at fair value through profit or loss, are classified as level 3 (in terms of the hierarchy) as the valuation techniques used are not based on observable market data.

There have been no transfers between levels during the period under review.

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37. Risk management continued

Fair value through profit or loss

Other financial assets

Other financial assets relate to investments acquired as part of a business combination. The fair value of the investments is determined by reference to the performance of indices in the active market.

	GROUP	
Figures in Rand thousand	**2016**	2015
Opening balance	–	–
Raised through business combinations	152 030	–
Additions	6 000	–
Net changes in fair value	7 499	–
	165 529	–

Vendors for acquisition

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 consideration 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 relevant factors.

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.

Unobservable inputs include budgeted results based on margins and revenue growth rates historically achieved by the various segments. Changing such inputs to reflect possible reasonable alternative assumptions does not significantly change the fair value of the liability in respect of vendors for acquisition.

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

	GROUP	
Figures in Rand thousand	**2016**	2015
Opening balance	771 009	440 568
Raised through business combinations	805 676	403 923
Raised as investments in Joint Ventures and Associates	143 239	119 160
Foreign exchange effects	27 640	11 234
Net changes in fair value	35 619	13 670
Cash paid/settled to vendors	(498 420)	(217 546)
	1 284 763	771 009

37. Risk management continued

Capital risk management

The Group's objective is to safeguard its ability to continue as a going concern and to maintain an appropriate capital structure while growing the business. This is consistent with previous years. In order to maintain or adjust the capital structure of the Group, the Board of directors may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. There are no externally imposed capital requirements.

The debt to equity ratios were as follows:

	GROUP	
Figures in Rand thousand	2016	2015
Total debt	3 667 453	1 979 887
Total equity	6 576 167	4 499 952
Debt to equity ratio (%)	55,8	44,0

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by reviewing future commitments and credit facilities to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual amounts (undiscounted).

Figures in Rand thousand	Less than 1 year	Between 2 and 5 years
At 31 July 2016		
Other financial liabilities	1 163 713	2 451 968
Finance lease payables	29 160	30 425
Trade and other payables	1 312 538	–
At 31 July 2015		
Other financial liabilities	876 694	1 091 681
Finance lease payables	26 974	19 228
Trade and other payables	1 352 974	–

The expected maturity of financial liabilities is not expected to differ from the contractual maturing periods disclosed above. There were no defaults or breaches relating to any contractual terms or conditions.

37. Risk management continued

Interest risk

The interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate owing to changes in the market interest rate. The fair value interest rate risk is the risk that the value of the financial instrument will fluctuate because of changes to market interest rates. The Group assumes exposure to the effects of fluctuations in the prevailing market interest rates on both the fair value and cash flow risks.

Interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group policy is to maintain most of its borrowings in variable rate instruments. The variable rates are influenced by movements in the prime borrowing rates. During the reporting period, the Group's borrowings at variable rates were denominated in Rands.

The Group analyses its interest rate exposure on an ongoing basis. The Group is not highly geared and does not hedge against fluctuations in interest rates

At 31 July 2016, if the interest rate on Rand-denominated borrowings had been 1% higher with all other variables held constant, pre-tax profit for the year would have been R23 million lower (2015: R11 million).

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's other financial assets, finance lease receivables, trade and other receivables and cash and cash equivalents.

Trade receivables and finance lease receivables comprise a widespread customer base, spread across diverse industries and geographical areas. The Group has a general policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Management evaluates credit risk relating to customers on an ongoing basis, taking into account its financial position, past experience and other relevant factors. If customers are independently rated, these ratings are also considered. The Group only deposits cash with major banks with a high-quality credit rating.

The carrying amount of financial assets, which are net of any impairments, represents the maximum credit exposure. Financial assets exposed to credit risk at year end were as follows:

	GROUP	
Figures in Rand thousand	2016	2015
Other financial assets	203 721	79 904
Finance lease receivables	290 895	217 414
Trade and other receivables	3 421 103	2 200 077
Cash and cash equivalents	1 949 399	1 663 818

At the reporting date, the Group did not consider there to be any significant concentration of credit risk which has not been adequately provided for.

Currency risk

The Group operates internationally but has limited exposure to foreign exchange risk arising from various currency exposures.

To manage foreign exchange risk arising from commercial transactions and recognised assets and liabilities, management uses forward exchange contracts when considered appropriate.

Foreign exchange risk arises from future commercial transactions, recognised assets or liabilities that are denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group has limited investments in foreign operations, where the assets are exposed to foreign currency translation risk. Currency exposure arising from net assets of the Group's foreign operations will have no effect on the post-tax profit as the effect of the translation is recognised directly in the foreign currency translation reserve (FCTR). As at 31 July 2016, if the foreign entities local currencies had weakened or strengthened by 5% against the Rand, with all other variables held constant, the impact on equity for the Group would have amounted to R9 million (2015: R25 million).

37. **Risk management** continued

Currency risk continued

Foreign currency financial instruments

Currency unit thousands	2016 Financial assets: Other financial assets	2016 Financial assets: Trade and other receivables	2016 Financial assets: Cash and cash equivalents	2016 Financial liabilities: Other financial liabilities	2016 Financial liabilities: Trade and other payables
Arab Emirates Dirham	–	3 160	5 515	–	2 141
Australian Dollar	–	31	236	–	163
Botswana Pula	–	24	58	–	10
British Pound	–	1 576	1 802	91	1 026
Euro	–	1 311	101	–	1 312
Hong Kong Dollar	–	80	1 871	–	70
Kenyan Schilling	–	24 509	45 916	–	6 242
Mozambican Metical	–	28 775	95 904	413	107 278
Nigerian Naira	–	27 320	26 499	6 229	–
Rwandan Frank	–	274	9 550	–	4 369
Swiss Franc	–	–	333	–	28
US Dollar	19	1 279	3 887	–	122

Currency unit thousands	2015 Financial assets: Other financial assets	2015 Financial assets: Trade and other receivables	2015 Financial assets: Cash and cash equivalents	2015 Financial liabilities: Other financial liabilities	2015 Financial liabilities: Trade and other payables
Arab Emirates Dirham	–	3 128	3 154	–	1 776
Australian Dollar	–	43	254	–	85
Botswana Pula	–	–	185	–	54
British Pound	–	436	661	22	312
Euro	5	2 673	159	–	3 146
Hong Kong Dollar	–	49	1 535	–	58
Kenyan Schilling	–	18 394	54 384	–	12 679
Mozambican Metical	–	16 163	15 131	413	12 099
Nigerian Naira	–	4 140	18 953	–	18 681
Rwandan Franc	–	9 453	19 217	–	1 749
Swiss Franc	–	–	381	–	17
US Dollar	23	2 640	3 750	107	520

The majority of trade and other receivables and trade and other payables are fixed in the Company's functional currency.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2016

37. Risk management continued

Currency risk continued

Exchange rates used for conversion of foreign amounts to the South African Rand were:

	2016	2015
Arab Emirates Dirham	4,31	3,44
Australian Dollar	11,05	9,28
Botswana Pula	1,43	1,25
British Pound	18,61	19,72
Euro	15,78	13,98
Hong Kong Dollar	1,89	1,63
Japanese Yen		0,10
Kenyan Schilling	0,16	0,12
Malawi Kwacha	0,02	
Moroccan Dirham	1,44	
Mozambican Metical	0,22	0,33
Nigerian Naira	0,05	0,06
Rwandan Frank	0,02	0,04
Swiss Franc	15,11	13,21
Turkish Lira	4,76	
US Dollar	14,10	12,60
Zambian Kwacha	1,41	

38. Schedule of subsidiaries

The subsidiaries below are incorporated in South Africa unless otherwise indicated. Proprietary Limited has been abbreviated as (Pty) Ltd.

	Stated capital	Effective interest		Carrying amount of investment in shares		Loans owing by subsidiaries*	
Figures in Rand thousand	2016 R	2016 %	2015 %	2016	2015	2016	2015
Direct subsidiaries							
Aptronics (Pty) Ltd.	1 000	100	–	218 729	–	–	–
CA Southern Africa (Pty) Ltd.	100	100	100	10 084	–	78 110	63 110
Enterprise Softworks (Pty) Ltd.	18 324 853	100	100	10 564	–	50 542	49 855
EOH Abantu (Pty) Ltd.	100	100	100	30 201	–	617 720	329 422
EOH Consulting (Pty) Ltd.	1 115	100	100	52 587	42 773	13 710	13 710
EOH Intelligent Infrastructure (Pty) Ltd.	52 048	100	100	73 728	67 692	400 011	131 180
EOH International (Pty) Ltd.	100	100	100	128	–	44 642	600
EOH Mthombo (Pty) Ltd.	100	100	100	141 734	2 302	1 235 958	969 367
Intellient (Pty) Ltd.	1 000	100	100	8 963	7 140	26 355	26 355
Mthombo IT Services (Pty) Ltd.	537	100	100	43 157	39 642	8 000	8 000
V55 Investments (Pty) Ltd.	100	100	100	–	–	13 308	13 308
				589 875	159 549		
Trusts							
The EOH Share Trust		100	100			361	361
The Mthombo Trust		100	100			8 564	17 426
Indirect trust							
EOH Enterprise Development Trust		100	100			–	–

* *Intercompany loans are unsecured, interest free and have no fixed terms of repayment. The maximum exposure of the Holding company at year end is limited to the cost of the investment in shares and the balance owing by subsidiaries.*

38. Schedule of subsidiaries continued

The subsidiaries below are incorporated in South Africa unless otherwise indicated. Proprietary Limited has been abbreviated as (Pty) Ltd.

	Stated capital	Effective interest		Loans owing by subsidiaries*	
Figures in Rand thousand	2016 R	2016 %	2015 %	2016	2015
Indirect subsidiaries					
8 Bit Platoon (Pty) Ltd.	1 000	100		–	
About Time Software (Pty) Ltd.	94	100	100	–	–
Afiswitch (Pty) Ltd.	100	100	100	–	–
Amber Moon Trading 5 (Pty) Ltd.	100	100	100	–	–
Ashreq Environmental and Occupational Hygiene Consultants (Pty) Ltd.	100	100	100	–	–
Ashreq Health and Safety Services (Pty) Ltd.	100	100	100	–	–
Blick Properties SA (Pty) Ltd.	3 830 000	100	100	–	–
CCS Mining and Industrial (Pty) Ltd.	100 000	100	100	–	–
Censeo Botswana (Pty) Ltd. – incorporated in Botswana	3 599	100	100	–	–
Censeo (Pty) Ltd.	3 000	100	100	–	–
CES Mozambique Limitada – incorporated in Mozambique	100	98	98	–	–
Change Logic CS (Pty) Ltd.	100	100	100	–	–
Civec Civil Engineering Consultants (Pty) Ltd.	100	100		–	
Clearline Infrastructure Solutions (Pty) Ltd.	100	100	100	–	–
Clearlineis (Pty) Ltd.	500	100	100	–	–
Coastal and Environmental Services (Pty) Ltd.	1 100	100	100	–	–
Comitant Solutions (Pty) Ltd.	100	100	100	–	–
Compensation Technologies Holdings (Pty) Ltd.		–	100		–
Compensation Technologies Share based Incentives (Pty) Ltd.		–	100		–
Compu-Power (Pty) Ltd.	2 046 070	100	100	–	–
Computerised Health and Environment Surveillance Systems (Pty) Ltd.	1 000	65	65	–	–
Construction & Project Management Limited – incorporated in United Kingdom	2 388	100	100	–	–
Construction Computer Software (Asia) Limited – incorporated in Hong Kong	97	100	100	–	–
Construction Computer Software (Aus) (Pty) Ltd. – incorporated in Australia	2 028 398	100	100	–	–
Construction Computer Software (Gulf) LLC incorporated in United Arab Emirates	615 246	100	100	–	–
Construction Computer Software (Pty) Ltd.	1 000 200	100	100	–	–
Cool Ideas 1016 (Pty) Ltd.	100	100	100	–	–
Cortez Trading (Pty) Ltd.	100	100	100	–	–
Count My Stock (Pty) Ltd.	1 000	51	51	–	–
CSV Water Consulting Engineers (Pty) Ltd.	1 000	100		–	
Cybercare (Pty) Ltd.	470 170	100	100	–	–
Dcode Mobility (Pty) Ltd.	100	100	100	–	–
Deixis (Pty) Ltd.	120	100	100	–	–
Denis Insurance Administrators (Pty) Ltd.	120	100	100	–	13
Denis UK Limited – incorporated in United Kingdom	8 404 885	100	100	–	–
Denis Underwriting Managers (Pty) Ltd.		100	100	–	–
Dental Information Systems Holdings (Pty) Ltd.	100	100	100	–	–
Dental Information Systems (Pty) Ltd.	100	100	100	–	764
Dihlase Consulting Engineers (Pty) Ltd.	2 394 107	100	100	–	–
E-business systems Limitada – incorporated in Mozambique	6 518 945	80	80	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2016

38. Schedule of subsidiaries continued

Figures in Rand thousand	Stated capital 2016 R	Effective interest 2016 %	Effective interest 2015 %	Loans owing by subsidiaries* 2016	Loans owing by subsidiaries* 2015
ECDOH's Differentiated Amenities (Pty) Ltd.	120	100	100	–	–
Educos Vision S.A.R.L – Luxembourg	163 388	100	100	–	–
Educos Vision Services S.A.R.L – Luxembourg	163 388	100	100	–	–
Electronic Business Manager Investment Company (Pty) Ltd.	1 000	100		–	
Emerald Sky Trading 730 (Pty) Ltd.	100	100		–	
Employers Mutual Protection Service (Pty) Ltd.	100	100		–	
Enablemed Investment Holdings (Pty) Ltd.		–	100		–
Enablemed (Pty) Ltd.	100	100	100	–	–
Enablemed Services (Pty) Ltd.	70	100	100	–	–
Energy Cybernetics (Pty) Ltd.	600	100	100	–	–
Energy Insight (Pty) Ltd.	1 270 000	100	100	–	–
Enerweb (Pty) Ltd.	360	100	100	–	–
Emid (Pty) Ltd.	61 333 559	100	100	–	–
EOH Advisory Services (Pty) Ltd.	200	100	100	5 239	5 239
EOH Consulting Services Eastern Cape (Pty) Ltd.		–	100		–
EOH Employee Benefits (Pty) Ltd.	100	100	100	–	–
EOH Europe Limited – incorporated in United Kingdom	1 159	100	100	–	–
EOH Financial Solutions (Pty) Ltd.	200	100	100	–	–
EOH Human Capital Solutions (Pty) Ltd.	100	100	100	2 000	2 000
EOH Impact Consulting Services (Pty) Ltd.		–	100		–
EOH Legal Services (Pty) Ltd.	100	100	100	501	501
EOH Linkstate Services (Pty) Ltd.	1 000	100		–	
EOH Managed Services PS (Pty) Ltd.	319 000 100	100	100	–	–
EOH Microsoft Coastal (Pty) Ltd.	100	100	100	580	580
EOH Mthombo Mozambique Limitada – incorporated in Mozambique	6 977	95	95	–	–
EOH Power Systems (Pty) Ltd.	490	100	100	–	–
EOH (Pty) Ltd. – incorporated in Australia		–	100		–
EOH Rwanda Limited – incorporated in Rwanda	11 480	100	100	–	–
EOH Security and Building Technologies (Pty) Ltd.	11 330 000	100	100	519	519
EOH Wealth (Pty) Ltd.	100	100	100	–	–
EOH Wellness Centre Proprietary Limited		–	100		–
Epsilon Learning (Pty) Ltd.	240	100	100	–	–
E-Secure Distribution Proprietary Limited	100	100	100	750	750
Exigo Sustainability (Pty) Ltd.	100	100	100	–	–
Ezobuchwepheshe Business Solutions (Pty) Ltd.	1 000	100	100	–	–
Faculty Training Institute (Pty) Ltd.	80	100	100	92	92
Faranani Sapremo (Pty) Ltd.	10 000	100	100	–	–
Forensic Data Analysts (Pty) Ltd.	100	100		–	
Freethinking Business Consultants (Pty) Ltd.	1 250	100	100	–	–
Global Access Health Network (DRC) – incorporated in Democratic Republic of Congo	23 840	80	80	–	–
Global Access Health Network (Isle of Man) Limited – incorporated in Isle of Man	125	70	70	–	–
GLS Consulting (Pty) Ltd.	117	100	100	–	3 500
GLS Software (Pty) Ltd.	2 024 017	100	100	–	–
Grid Control Technologies (Pty) Ltd.	200	100		–	
Golden Dividend 382 (Pty) Ltd.		–	100		–
Healthshare Health Solutions (Pty) Ltd.	100	100		–	

38. Schedule of subsidiaries continued

Figures in Rand thousand	Stated capital 2016 R	Effective interest 2016 %	Effective interest 2015 %	Loans owing by subsidiaries* 2016	Loans owing by subsidiaries* 2015
HCI Financial Services (Pty) Ltd.	100	100	100	–	–
Highveld Wealth Management (Pty) Ltd.	1 000	100	100	–	–
Hlanganani Blick (Pty) Ltd.	100	100	100	–	–
Hoonar Tekwurks Consulting South Africa (Pty) Ltd.	100	100		–	
Hospitality Professionals South Africa (Pty) Ltd.	100	100	100	–	–
HR Professional Resources (Pty) Ltd.		–	100		–
Hymax SA (Pty) Ltd.	63 549 585	100		–	
Hymax Talking Solutions (Pty) Ltd.	120	100		–	
Imaging Solutions (Pvt) Limited – incorporated in Zimbabwe	315	75	75	–	–
Impact Human Resources (Pty) Ltd.	30 000	100	100	–	–
IMQS Software (Pty) Ltd.	743 417	94	86	–	–
In The Cloud Internet Services (Pty) Ltd.	100	100		–	
Industrial Logistic Systems (Pty) Ltd.	18 100	100		–	
Infrastructure System Integrators (Pty) Ltd.	120	100	100	–	–
Intelligens IT Solutions (Pty) Ltd.	400	100	100	–	–
Investigative Software Solutions (Pty) Ltd.	400	100		–	
Isilumko Staffing (Pty) Ltd.	1 000	100	100	–	–
iThemba Governance and Statutory Solutions (Pty) Ltd.	133	100	100	–	–
iThemba Legal & Compliance (Pty) Ltd.		–	100		–
ITS Technologies (Pty) Ltd.	100	100	100	–	–
Ivy-Moon 112 (Pty) Ltd.		–	100		–
Joat Consulting (Pty) Ltd.	100	100		–	
Joat Sales & Services EC (Pty) Ltd.	100	100		–	
Joat Sales & Services GP (Pty) Ltd.	10	100		–	
Joat Sales & Services (Pty) Ltd.	768	100		–	
Lan Metrix (Pty) Ltd.		–	100		–
Lighting Cybernetics (Pty) Ltd.	114	100	100	–	–
Managed Integrity Evaluation (Pty) Ltd.	30	100	100	–	–
Managed Print Solutions (Pty) Ltd.	100	100	100	–	–
Medical Services Organisation International (Pty) Ltd.	1 000	70	70	–	–
Medical Services Organisation South Africa (Pty) Ltd.	1 000	100	100	395	395
Medical Services Organisation – incorporated in Nigeria		100	100	–	–
Mehleketo Resourcing (Pty) Ltd.	1 000	100		–	
MPC Recruitment (Pty) Ltd.	100	100	100	–	–
Muvoni Biometric and Smart Card Solutions (Pty) Ltd.	100	100	100	–	–
New Africa Rail (Pty) Ltd.	100	100		–	
Paterson Candy International (South Africa) (Pty) Ltd.	540 475	100		–	
Prehab Testing (Pty) Ltd.	100	100	100	–	–
Process Contracting International Nigeria Limited – incorporated in Nigeria	680 000	100		–	
Proserv Tourism South Africa (Pty) Ltd.	200	100	100	–	–
Railco (Pty) Ltd.	100	100		–	
Regro Technology (Pty) Ltd.	203	100	100	–	–
Riccla 1715 (Pty) Ltd.	1 000	100		–	
Rinedata UK Limited – incorporated in United Kingdom	149 314	100		–	
Rinedata SA (Pty) Ltd.	100	100		–	
Riverbend Trade and Invest 38 (Pty) Ltd.	3 740 990	100	100	–	–
Ronbel 117 (Pty) Ltd.	120	100	100	–	–
Rosstone Consulting (Pty) Ltd.	100	100	100	–	–
Sabela Learning Academy (Pty) Ltd.	100	100		–	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 July 2016

38. Schedule of subsidiaries continued

Figures in Rand thousand	Stated capital 2016 R	Effective interest 2016 %	Effective interest 2015 %	Loans owing by subsidiaries* 2016	Loans owing by subsidiaries* 2015
Sanyati Mehleketo Construction (Pty) Ltd.	100	100		–	
Scientia Healthcare Group Schemes (Pty) Ltd.	100	100	100	–	–
Scientia Optimate Financial Services (Pty) Ltd.	1 000	100	100	–	–
Shandon Business Solutions (Pty) Ltd.	2 361	100	100	–	–
SI Analytics (Pty) Ltd.	100	100	100	–	–
Siyanqoba Seminars (Pty) Ltd.	100	100	100	–	–
Siyaya Skills Institute (Pty) Ltd.	100	100		–	
Sizabantu Background Checks (Pty) Ltd.	1 021 000	100		–	
Sortit (Pty) Ltd.	1 242 378	100		–	
Sukema IP CO (Pty) Ltd.	3 000	51		–	
SWX Investments (Pty) Ltd.	120	100	100	–	–
SWX Managed Print Services Namibia (Pty) Ltd. – incorporated in Namibia	100	100	100	–	–
Sybrin Kenya Limited – incorporated in Kenya	11 080	90	90	–	–
Sybrin Limited (Guernsey) – incorporated in Guernsey	15 884	100	100	–	–
Sybrin Mozambique Limitada – incorporated in Mozambique		75	75	–	–
Sybrin Systems (Pty) Ltd.	100	100	100	–	–
Symplexity (Pty) Ltd.	557	100		–	
Synergy Bus. Intelligence (Switzerland) GmbH – incorporated in Switzerland	167 862	100	100	–	–
Telebo Construction (Pty) Ltd.	10	100	100	–	–
Tifozi Trading (Pty) Ltd.	1 000	100	100	–	–
Tintswalo Training (Pty) Ltd.	100	100		–	
Totem Analytics (Pty) Ltd.		–	100		–
Trackstar Trading 308 (Pty) Ltd.	72	100	100	–	–
TSS Managed Services (Pty) Ltd.	81	100	100	–	–
Umbane Systems (Pty) Ltd.	100	100	100	–	–
V & V Consulting Engineers (Pty) Ltd.	120	100	100	–	–
V & V Holdings (Pty) Ltd.	100	100	100	–	–
V & V Software Development (Pty) Ltd.	100	100	100	–	–
Veritek (Pty) Ltd.	300	100	100	–	–
XI Data Services (Pty) Ltd.	100	100	100	–	–
Xpert Decisions Systems (Pty) Ltd.	100	100	100	–	–
Zenaptix (Pty) Ltd.	100	100		–	
Zusiza (Pty) Ltd.	100	100		–	
				2 507 357	1 637 047

* *Intercompany loans are unsecured, interest free and have no fixed terms of repayment. The maximum exposure of the Holding company at year end is limited to the balance owing by indirect subsidiaries.*

39. Events after the reporting date

There have been no significant events between the reporting date and the date of authorisation other than the dividend declaration and additional business combinations.

Dividend declaration

On 12 September 2016 the directors declared a gross ordinary dividend of 185 cents per ordinary share, payable on 7 November 2016 to ordinary shareholders recorded in the books of the Company at the close of business on 4 November 2016.

Business combinations

The Group acquired a 100% shareholding in a number of businesses subsequent to year end in order to enhance its industrial technologies offerings and to augment its ICT services capabilities, none of which are individually material.

The total purchase consideration for acquisitions for which a reliable estimation of the consideration was determinable at the time of signing the report is estimated at R310 million (R197 million in cash and 804 473 EOH shares). In determining the purchase consideration paid, the profit history of the relevant business as well as its growth prospects in the EOH stable were considered. At the time of signing the report, the initial accounting for these acquisitions had not been finalised.

SHAREHOLDER SPREAD

	31 July 2016				31 July 2015			
	Number of shareholders	%	Number of shares	%	Number of shareholders	%	Number of shares	%
Analysis of shareholdings								
1 – 10 000	11 636	69,31	4 076 020	2,90	7 753	64,20	2 887 185	2,19
10 001 – 50 000	4 249	25,31	13 044 898	9,27	3 495	28,94	11 126 739	8,43
50 001 – 100 000	746	4,44	22 233 278	15,80	660	5,46	19 280 118	14,60
100 001 – 1 000 000	139	0,83	42 277 127	30,03	153	1,27	43 494 846	32,94
1 000 001 and more	18	0,11	59 120 290	42,00	16	0,13	55 249 632	41,84
	16 788	100,00	140 751 613	100,00	12 077	100,00	132 038 520	100,00
Shareholder categories								
Banks	84	0,50	23 857 996	16,95	50	0,41	18 758 979	14,21
Close corporations	167	0,99	661 955	0,47	161	1,33	833 313	0,63
Endowment funds	163	0,97	879 060	0,62	87	0,72	511 277	0,39
Individuals	12 532	74,65	24 969 995	17,74	9 238	76,50	31 791 311	24,08
Insurance companies	54	0,32	3 249 086	2,31	45	0,37	1 811 739	1,37
Investment companies	6	0,04	1 680 318	1,19	31	0,26	4 200 522	3,18
Medical schemes	8	0,05	21 875	0,02	5	0,04	54 826	0,04
Mutual funds	201	1,20	27 055 581	19,22	164	1,36	22 727 647	17,21
Other corporations	87	0,52	838 938	0,60	77	0,64	319 923	0,24
Own holdings (Treasury shares)	1	0,01	3 352 028	2,38	1	0,01	2 214 390	1,68
Private companies	529	3,15	12 125 581	8,61	359	2,97	14 022 438	10,62
Public companies	10	0,06	707 886	0,50	12	0,10	350 466	0,27
Retirement funds	108	0,64	18 886 103	13,42	92	0,76	18 793 359	14,23
Share trusts	2 838	16,90	22 465 211	15,97	1 755	14,53	15 648 330	11,85
	16 788	100,00	140 751 613	100,00	12 077	100,00	132 038 520	100,00

	31 July 2016		31 July 2015	
	Number of shares	%	Number of shares	%
Shareholder spread				
Public shareholders	119 537 093	84,93	111 523 026	84,47
Non-public shareholders	21 214 520	15,07	20 515 494	15,53
Directors and associates of the Company	15 294 006	10,87	15 375 185	11,63
Share trusts	2 568 486	1,82	2 925 919	2,22
Treasury shares (Own holding)	3 352 028	2,38	2 214 390	1,68
	140 751 613	100,00	132 038 520	100,00
Major shareholders: 3% or more				
Government Employee Pension Fund	15 686 281	11,14	16 249 182	12,31
Fidelity	10 811 867	7,68	10 744 203	8,14
Tactical Software Systems Proprietary Limited	7 225 116	5,13	7 218 866	5,47
Bejaled Trust	6 894 625	4,90	6 894 625	5,22
	40 617 889	28,85	41 106 876	31,14
Shares in issue				
Total number in issue	140 751 613		132 038 520	
Treasury shares (Own holding)	(3 352 028)		(2 214 390)	
Incentive schemes	(2 568 486)		(2 925 919)	
Effective number of shares in issue	134 831 099		126 898 211	

SHAREHOLDER DIARY

Financial year end	31 July
Annual General Meeting	Wednesday, 22 February 2017
Financial results	
Announcement of annual results for the year ended 31 July 2016	Wednesday, 14 September 2016
Posting of the Annual Integrated Report for the year ended 31 July 2016	Friday, 9 December 2016
Announcement of interim results for the half-year ending 31 January 2017	Wednesday, 15 March 2017
Dividend declaration F2016	
Dividend declaration date	Monday, 12 September 2016
Last day to trade *cum dividend*	Tuesday, 1 November 2016
Shares commence trading *ex dividend*	Wednesday, 2 November 2016
Record date	Friday, 4 November 2016
Payment of dividend	Monday, 7 November 2016

Share certificates could not be dematerialised nor rematerialised between Wednesday, 2 November 2016 and Friday, 4 November 2016, both dates inclusive.

NOTICE OF ANNUAL GENERAL MEETING

EOH Holdings Limited

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

If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant ('CSDP'), broker, banker, attorney, accountant or other professional adviser.

Notice is hereby given that the eighteenth Annual General Meeting ('AGM') of shareholders of EOH will be held at 14h00 on Wednesday, 22 February 2017 in the boardroom of the Company, Ground Floor, Block D, Gillooly's View, 1 Osborne Lane, Bedfordview, 2007 for the purpose of considering, and, if deemed fit, passing with or without modification, the ordinary and special resolutions set out hereunder.

1. Record date

The board of directors of the Company ('Board') has determined, in terms of Section 62(3)(a), as read with Section 59 of the Companies Act of South Africa (the 'Companies Act') that Friday, 17 February 2017 be the record date for the purposes of determining which shareholders of the Company are entitled to participate in and vote at the AGM. Accordingly, the last day to trade EOH shares in order to be recorded in the register to be entitled to vote will be Tuesday, 14 February 2017.

Kindly note that participants (including shareholders and proxies) at the AGM meeting are required to provide satisfactory identification before being entitled to attend or participate in the AGM proceedings. Forms of identification include valid identity documents, driver's licences and passports.

2. Presentation of financial statements

The audited financial statements of the Company for the period ended 31 July 2016, including the director's report, the independent auditor's report and various sub-committee reports, to be presented at the meeting as required in terms of section 30(3) (d) of the Companies Act.

3. Conditions applicable to the issue of shares for cash in terms of Ordinary Resolutions 6, 7 and 8 set out hereunder

The JSE Listings Requirements currently provide, *inter alia*, that:

- Any general authority to issue shares for cash will be valid until the earlier of the Company's next AGM or the expiry of a period of 15 (fifteen) months from the date that this authority is given;
- The securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- Any such issue may only be made to 'public shareholders' as defined in the JSE Listings Requirements and not to related parties;
- The securities which are the subject of a general issue for cash may not exceed 15% (fifteen percent) of the number of listed securities, excluding treasury shares and any shares in terms of the JSE listing requirements as at the date of this notice, being 21 596 028 securities. Any securities issued under this authorisation will be deducted from the aforementioned 21 596 028 listed securities. In the event of a sub-division or a consolidation the authority will be adjusted to represent the same allocation ratio;
- In determining the price at which securities may be issued in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price of such securities measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed in writing between the issuer and the party/ies subscribing for the securities;
- If any issue of shares is greater than 5%, an announcement giving full details, including the number of securities issued, the average discount to the weighted average traded price of the securities over 30 (thirty) business days prior to the date that the issue is agreed in writing between the issuer and the parties subscribing for the securities, an explanation, including supporting documents (if any), of the intended use of the funds will be published when the Company has issued securities representing, on a cumulative basis within the earlier of the Company's next AGM or the expiry of a period of 15 (fifteen) months from the date that this authority is given;
- whenever the Company wishes to use repurchased shares, held as treasury stock by a subsidiary of the Company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares; and
- The issue of shares for cash in terms of ordinary resolutions 6, 7 and 8 combined will not exceed the aforementioned 15%.

4. Ordinary Resolutions

The minimum percentage of voting rights required for each of the resolutions set out in items 5 to 9 below to be adopted is more than 50% (fifty percent), unless otherwise specifically indicated, of the voting rights exercised by shareholders present or represented by proxy at the AGM in respect of each of the resolutions.

5. Ordinary Resolution number 1: Rotation of non-executive directors

The following directors retire in accordance with the Company's Memorandum of Incorporation ('the MOI') and being eligible, offer themselves for re-election, each by separate vote, as a director of the Company.

1.1 "RESOLVED THAT, Rob Sporen, be and is hereby re-elected as a director."
1.2 "RESOLVED THAT, Lucky Khumalo, be and is hereby re-elected as a director."

Refer to Annexure A for a short résumé of each director.

6. Ordinary Resolution number 2: Election of independent non-executive director

"RESOLVED THAT, the appointment of Audrey Mothupi as an independent non-executive director, is hereby ratified and confirmed, in accordance with the Company's Memorandum of Incorporation ('the MOI')."

Refer to page Annexure A of this Annual Integrated Report (of which this notice forms part) for her brief résumé.

7. Ordinary Resolutions number 3.1 to 3.4: Election of Audit Committee members

"RESOLVED THAT, the following independent non-executive directors are re-elected or nominated for election, as members of the Company's Audit Committee, each by way of a separate vote:

3.1 Rob Sporen as a member and Chairman of the Audit Committee (re-elected);
3.2 Lucky Khumalo as a member of the Audit Committee (re-elected);
3.3 Tshilidzi Marwala as a member of the Audit Committee (re-elected); and
3.4 Audrey Mothupi as a member of the Audit Committee (nominated for election)."

Refer to page Annexure A of this Annual Integrated Report (of which this notice forms part) for a brief résumé of each director.

8. Ordinary Resolution number 4: Reappointment of independent external auditors

"RESOLVED THAT, Mazars (Gauteng) Inc. is re-appointed, as the independent auditors of the Company with Miles Fisher being the individual registered auditor who has undertaken the audit of the Company for the ensuing financial year, and to authorise the directors' to determine the auditors' remuneration. The Audit Committee and the Board have evaluated the performance of Mazars (Gauteng) Inc. and recommended their reappointment as the external auditors of the Company."

9. Ordinary Resolution number 5: Signature of documents

"RESOLVED THAT, each director of the Company be and is hereby individually authorised to sign all such documents and do all such things as may be necessary for or incidental to the implementation of the resolutions adopted at the AGM."

10. Ordinary resolution 6: General approval to issue ordinary shares for cash

"RESOLVED THAT, the directors of EOH and/or any of its subsidiaries be and are hereby authorised, by way of a general authority, to:

Allot and issue, or to issue any options in respect of a maximum of 5% (five percent) of the authorised but unissued ordinary shares in the capital of the Company, being 7 198 676 shares, at the date of this notice, for cash, to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the Companies Act, the MOI of the Company and its subsidiaries and the JSE Listings Requirements."

The capital raised by the Company from shares issued under a general issue for cash would be utilised by the Company for key and strategic acquisitions.

Any issue of shares for cash is subject to the JSE Listings Requirements as set out in paragraph 3 hereto, entitled 'Conditions applicable to the issue of shares for cash'. In terms of ordinary resolutions 6, 7 and 8 combined will not exceed the aforementioned 15% threshold.

Under the JSE Listing Requirements, ordinary resolution numbers 6 must be passed by a 75% (seventy five percent) majority of votes cast in favour of the resolution by all members present or represented by proxy at the AGM.

11. Ordinary resolution 7: Approval to issue ordinary shares for cash for BBBEE purposes

"RESOLVED THAT, the directors of EOH and/or any of its subsidiaries be and are hereby authorised, by way of a general authority, to:

Allot and issue, or to issue any options in respect of, a maximum of 15% (fifteen percent) of the authorised but unissued ordinary shares in the capital of the Company, being 21 596 028 shares, at the date of this notice, for cash, to such Broad-Based Black Economic Empowerment ('BBBEE') person/s on such terms and conditions and at such times as the directors may in their discretion deem fit, subject to the Companies Act, the MOI of the Company and its subsidiaries and the JSE Listings Requirements."

Any issue of shares for cash is subsequent to the JSE Listings Requirements as set out in paragraph 3 hereto, entitled 'Conditions applicable to the issue of shares for cash' in terms of ordinary resolutions 6, 7 and 8 combined will not exceed the aforementioned 15% threshold.

Under the JSE Listing Requirements, ordinary resolution number 7 must be passed by a 75% (seventy five percent) majority of votes cast in favour of the resolution by all members present or represented by proxy at the AGM.

12. Ordinary resolution 8: Approval to sell treasury shares for cash

"RESOLVED THAT, the directors of EOH and/or any of its subsidiaries be and are hereby authorised, by way of a general authority, to:

Sell or otherwise dispose of or transfer, or issue any options in respect of a maximum of 3% (three percent) of the authorised but unissued ordinary shares in the capital of the Company, being 4 319 205 shares, at the date of this notice, for cash, to such person/s on such terms and conditions and at such times as the directors may in their discretion deem fit, subject to the Companies Act, the MOI of the Company and its subsidiaries and the JSE Listings Requirements."

Any issue of shares for cash is subsequent to the JSE Listings Requirements as set out in paragraph 3 hereto, entitled 'Conditions applicable to the issue of shares for cash' in terms of ordinary resolutions 6, 7 and 8 combined will not exceed the aforementioned 15% threshold.

Under the JSE Listings Requirements, ordinary resolution number 8 must be passed by a 75% (seventy five percent) majority of votes cast in favour of the resolution by all members present or represented by proxy at the AGM.

13. Ordinary resolution 9: Adoption of the EOH Mthombo Share Incentive Trust

"RESOLVED THAT, in compliance with Schedule 14 of the JSE Listings Requirements, the EOH Mthombo Share Incentive Trust, a Broad-Based Black Economic Empowerment ('BBBEE') employee share option scheme, a copy of which has been initialled by the chairperson of the AGM for purposes of identification and tabled at this meeting, be and is hereby approved and adopted by EOH shareholders."

The main object and purpose of the Company adopting the Scheme is the incentivisation and retention of management and employees, with a particular emphasis on previously disadvantaged individuals (PDIs) (in excess of 55%) and to this extent the Scheme, as contemplated in the Trust, will not be used for trading purposes.

The Trust is adopted to facilitate and govern the implementation of the Scheme. Employees, as beneficiaries of the Scheme, shall be provided with an incentive to advance the interests and growth of the Group Companies by awarding to them in terms of the Scheme, the opportunity to acquire and obtain the benefit of shares in the Company.

Under the JSE Listings Requirements, ordinary resolution number 9 must be passed by a 75% (seventy five percent) majority votes cast in favour of the resolution by all members present or represented by proxy at the AGM. The salient features of the EOH Mthombo Share Incentive Trust Scheme are set out in Annexure B to this notice. The Trust has been approved by the JSE.

14. Special Resolutions

Special Resolutions to be adopted at this AGM require approval from at least 75% (seventy five percent) of the voting rights exercised on each special resolution by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution concerned.

15. Special Resolution number 1: Financial assistance to individuals (excluding directors) in terms of section 44 of the Companies Act

"RESOLVED THAT, the board of directors of the Company ('the Board') may to the extent required, in terms of and subject to Section 44 of the Companies Act, as the case may be, and the Company's MOI, authorise the Company to provide, by way of special resolution, financial assistance by way of a loan, guarantee, the provision of security or otherwise, to any person in the EOH Group (excluding any director or prescribed officer of the Company, or a person related to such director or prescribed officer), for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company, subject to the terms and conditions of Section 44 of the Companies Act. No such financial assistance may be provided at any time in terms of this authority after the expiry of two years from the date of the adoption of this Special Resolution."

The purpose of this Special Resolution number 1 is to grant the Board the authority to authorise the Company to provide financial assistance by way of a loan, guarantee, the provision of security, or otherwise to any person in the EOH Group (excluding any director or prescribed officer of the Company, or a person related to such director or prescribed officer), for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company as contemplated in Section 44 of the Companies Act.

The directors undertake that prior to the Company providing the financial assistance as contemplated in Section 44 of the Companies Act, the Company will have satisfied the solvency and liquidity test as set out in Section 4 of the Companies Act and that the terms under which the financial assistance is proposed to be given are fair and reasonable.

16. Special Resolution number 2: Financial assistance to related or inter-related companies in terms of section 45 of the Companies Act

"RESOLVED THAT, the board of directors of the Company ('the Board') may to the extent required, in terms of and subject to Section 45 of the Companies Act, as the case may be, and the Company's MOI, authorise the Company to provide, by way of special resolution, any direct or indirect financial assistance (which includes lending money, guaranteeing a loan or other obligation and securing any debt or obligation as contemplated in Section 45 of the Companies Act) to a related or inter-related company or corporation, excluding any director or prescribed officer of the Company, or person related to such director or prescribed officer, on such terms as the Board deems fit, subject to the terms and conditions of Section 45 of the Companies Act. No such financial assistance may be provided at any time in terms of this authority after the expiry of two years from the date of the adoption of this Special Resolution."

The purpose of the Special Resolution number 2 is to grant the Board the authority to authorise the Company to provide direct or indirect financial assistance to a related or inter-related company or corporation, as contemplated in Section 45 of the Companies Act.

The directors undertake that prior to the Company providing the financial assistance as contemplated in Section 45 of the Companies Act, the Company will have satisfied the solvency and liquidity test as set out in Section 4 of the Companies Act and that the terms under which the financial assistance is proposed to be given are fair and reasonable.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

17. Special Resolution number 3: Remuneration payable to non-executive directors

In terms of Section 66(9) of the Companies Act, a company is required to pre-approve the payment of remuneration to non-executive directors for their services as directors for the ensuing financial year by means of a special resolution passed by shareholders of the Company. All fees will be paid on a pro-rata basis, based on meeting attendance.

"RESOLVED THAT the annual remuneration increase of 5% payable in cash to the non-executive directors of EOH Holdings Limited ('the Company') be and is hereby approved as follows:

	Fee for the period 1 March 2016 to 28 February 2017	Fee for the period 1 March 2017 to 28 February 2018
Board		
Chairperson	577 500	606 375
Member	150 150	157 658
Audit Committee		
Chairperson	46 200	48 510
Member	23 100	24 255
Nominations Committee		
Chairperson	34 650	36 383
Member	17 325	18 191
Remuneration Committee		
Chairperson	34 650	36 383
Member	17 325	18 191
Risk and Governance Committee		
Chairperson	34 650	36 383
Member	17 325	18 191
Social and Ethics Committee		
Chairperson	28 875	30 319
Member	14 438	15 160
IT Governance Committee		
Chairperson	28 875	30 319
Member	14 438	15 160

18. Special Resolution number 4: General approval to acquire shares

The purpose of this Special Resolution number 4 is to obtain an authority for, and to authorise, the Company and the Company's subsidiaries, by way of a general authority, to acquire some of the Company's issued ordinary shares. It is the intention of the directors of the Company to use such authority should prevailing circumstances, in their opinion, warrant it.

"RESOLVED THAT, by way of a general approval, the Company and/or any of its subsidiaries be and are hereby authorised to acquire ordinary shares in the Company in terms of Sections 46 and 48 of the Companies Act, the Company's MOI and that of its subsidiaries and the JSE Listings Requirements.

The JSE Listings Requirements currently provide, *inter alia*, that:

- The acquisition of the ordinary shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- This general authority shall only be valid until the earlier of the Company's next AGM or the expiry of a period of 15 (fifteen) months from the date of passing of this Special Resolution;
- In determining the price at which the Company's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the five business days immediately preceding the date on which the transaction is effected;
- At any point in time, the Company may only appoint one agent to effect any acquisition/s on its behalf;
- The acquisition of ordinary shares in the aggregate in any one financial year may not exceed 10% (ten percent) of the Company's issued ordinary share capital;
- The Company may only effect repurchases on the basis that the solvency and liquidity test ('test') has been completed and passed, and that since the test was done there have been no material changes to the financial position of the Group;
- The Company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements; and

18. Special Resolution number 4: General approval to acquire shares continued

- An announcement will be published once the Company has cumulatively repurchased 3% (three percent) of the number of the ordinary shares in issue at the time this general authority is granted ('initial number'), and for each 3% (three percent) in aggregate of the initial number acquired thereafter."
- At the time that the contemplated repurchase is to take place, the directors of the Company will ensure that, after considering the effect of the maximum repurchase and for a period of twelve months thereafter that there is adequate working capital. Such will be determined by ensuring that:
- The Company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business;
  - The consolidated assets of the Company and its subsidiaries, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the consolidated liabilities of the Company and its subsidiaries;
  - The issued share capital and reserves of the Company and its subsidiaries will be adequate for the purpose of the ordinary business of the Company and its subsidiaries; and
  - The working capital available to the Company and its subsidiaries will be sufficient for the Group's requirements.
- Information required in terms of the Listings Requirements paragraph 11.26 with regard to the general authority for the company or any of its subsidiaries to repurchase the company's securities are disclosed in the Annual Financial Statements.
  - Major shareholders of the Company – page 110;
  - Share capital of the Company – page 83;

  Other than the facts and developments reported on in the Annual Integrated Report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of signature of the audit report and up to the date of this notice.
- The directors of the Company whose names appear on pages 34 to 35 of the Annual Integrated Report of which this notice forms part, collectively and individually, accept full responsibility for the accuracy of the information pertaining to this notice and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice contains all information required by law and the JSE Listings Requirements.

19. Voting and proxies

A shareholder entitled to attend and vote at the AGM is entitled to appoint a proxy or proxies to attend and act in his/her stead. A proxy need not be a member of the Company. For the convenience of registered members of the Company, a form of proxy is attached hereto. The attached form of proxy is only to be completed by those ordinary shareholders who:

- hold ordinary shares in certificated form; or
- are recorded on the sub-register in 'own name' dematerialised form.

Ordinary shareholders who have dematerialised their ordinary shares through a CSDP or broker without 'own name' registration and who wish to attend the AGM, must instruct their CSDP or broker to provide them with the relevant letter of representation to attend the AGM in person or by proxy and vote. If they do not wish to attend in person or by proxy, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

Forms of proxy should be forwarded to reach the transfer secretaries, Computershare Investor Services Proprietary Limited, at least 48 hours, excluding Saturdays, Sundays and public holidays, before the time of the AGM.

By order of the Board

Adri Els
Group Company Secretary
2 December 2016

CURRICULUM VITAE OF NON-EXECUTIVE DIRECTORS NOMINATED FOR ELECTION AND RE-ELECTION

Rob Sporen

Rob is a Dutch national who came to South Africa in the early 1970s to assist with the introduction of television manufacturing. He then established a manufacturing software agency in the 1980s, and from 1987, presented education courses in the field of computerised manufacturing and distribution systems. He also practiced as a highly successful consultant assisting companies seeking to implement and upgrade their business systems or improve their business processes.

Rob served as Executive Director for Business Development on the EOH Board from its inception until his retirement in 2007. As Lead Independent Non-Executive Director, Rob is the Chairman of the Audit Committee, Risk and Governance Committee, Remuneration Committee, Nominations Committee and the Social and Ethics Committee.

Lucky Khumalo

Lucky started his career in 1994 as a programmer and has remained in the ICT sector ever since. He has been involved with project management, business analysis and general business management for more than 22 years.

In June 2000, Lucky became one of three entrepreneurs to start an IT Services company, Mthombo IT, which grew from 7 people to over 250 people nationwide within five years before merging with EOH in 2005.

In 2001, Lucky was voted the Top Black ICT businessman in the country. His company Mthombo IT was voted the Top Black ICT Company in SA in 2004.

Lucky resigned as an executive director in May 2010 to pursue other investment and empowerment business interests.

Tshilidzi Marwala

Professor Tshilidzi Marwala is a Deputy Vice Chancellor for Research and Internationalisation at the University of Johannesburg. Prior to his current position, he was the Dean of Engineering and the Built Environment at the University of Johannesburg, a full Professor of Electrical Engineering and the Carl and Emily Fuchs Chair of Systems and Control Engineering at the University of the Witwatersrand, as well as an executive assistant at South African Breweries. He has served as the Chair of the Local Loop Unbundling Committee, a Deputy Chair of Limpopo Business Support Agency, a non-executive director of SITA, Denel and City Power Johannesburg, as well as a Chair of Pikitup. He is currently the Deputy Chairman of the Gauteng City Region Observatory ('GCRO').

He is the youngest recipient of the Order of Mapungubwe and was awarded the President Award by the National Research Foundation of South Africa. He holds a Bachelor of Science in Mechanical Engineering (Magna cum laude) from Case Western Reserve University (USA), a Master of Engineering from the University of Pretoria, a PhD in Engineering from University of Cambridge, was a post-doctoral research assistant at Imperial College (London), completed a Programme for Leadership Development at Harvard Business School and training in accountancy and finance at the National University of Singapore. His research interests include artificial intelligence, big data and deep learning as well as their applications to engineering, computer science, finance, social science and medicine.

He has supervised 46 Masters and 21 PhD students to completion and has published nine books, 220 papers and holds three international patents. He is a Fellow of The World Academy of Sciences ('TWAS'), and a distinguished member of the Association for Computing Machinery. In 2015 he was awarded the National Research Foundation Champion of Research Capacity Development and in 2016 he received the Professional Achievement Award from Case Western Reserve University in USA.

Audrey Mothupi

Audrey Mothupi is the Chief Executive Officer of Systemic Logic Group, a global financial innovation and technology disruptor. Audrey's experience spans across various business domains including group strategy, talent design, and marketing and communications strategy. Prior to SystemicLogic Group, Audrey served as the Chief Executive Strategic Services at Liberty Group; and as Head of Inclusive Banking at Standard Bank Group. During her tenure at Standard Bank, her division was awarded the 2013 BAI-Finacle Global Banking Innovation Award for innovation in societal and community impact.

Audrey is an independent, non-executive director on the Pick 'n Pay board; serves as the chairperson of Orange Babies of South Africa – a non-profit organisation focused on the prevention of mother to child transmission of HIV/Aids and the care of Aids orphans; a Member of the Nordic Female Business Angel Network (NFBAN) Board – an organisation that advocates Impact Investing as a way to demonstrate measurable impact and profitable business models. She is also a member of the Numeric Board of South Africa – an organisation focused training Maths teachers and on helping young South African's excel in Maths.

Audrey is a Fellow of the African Leadership Initiative.

SALIENT TERMS OF SHARE INCENTIVE SCHEME

The salient features of the EOH Mthombo Share Incentive Trust, which has been approved by the JSE, are as follows:

1. Objects

1.1 The main object and purpose of the Company adopting the Scheme is the incentivisation and retention of management and employees, with a particular emphasis on PDI's (in excess of 55%).

1.2 The Trust is adopted to facilitate and govern the implementation of the Scheme. Employees, as beneficiaries of the Scheme, shall be provided with an incentive to advance the interests and growth of the Group Companies by awarding to them in terms of the Scheme the opportunity to acquire and obtain the benefit of Shares in the Company.

2. Definitions

In this annexure, the notice of annual general meeting and form of proxy, unless the context otherwise indicates, references to the singular include the plural and vice versa, words denoting one gender include the others, expressions denoting natural persons include juristic persons and associations of persons and vice versa, and the words hereunder have the following meanings:

2.1. "the Act"- the Companies Act, 2008 (Act 71 of 2008), as amended;

2.2. "Auditors" – the auditors of the Trust;

2.3. "Board" – the board of directors of the Company acting either itself or through any committee constituted by it for the purpose of administering this Scheme, and "Directors" shall have a similar meaning;

2.4. "Business Day" – any day other than a Saturday, Sunday or official public holiday;

2.5. "Company" – EOH Holdings Limited (Registration Number: 1998/014669/06);

2.6. "Discretion" – a sole, absolute and unfettered discretion;

2.7. "Eligible Applicant" – a person eligible for participation in the Scheme, namely, any Employee;

2.8. "Employee/s" – an employee of the Group;

2.9. "Exercise Date " – the date(s) upon or after which a Participant shall become entitled to exercise his/her Option(s), as set out in clause 8.8.4 of the Trust Deed, subject to the provisions of clause 12.3 of the Trust Deed;

2.10. "First Date" – the date being 3 (three) years from the Grant Date;

2.11. "Grant Date" – the date on which the Board resolves to grant an Option to a Participant in terms of the Scheme, it being recorded that the notice to the Participant recording the granting of the Option will take place as soon as is reasonably possible thereafter;

2.12. "Group" – the Company and its subsidiaries, and "Group Company" means any company forming part of the Group;

2.13. "Group Employer" – the member of the Group by which a particular Participant is employed;

2.14. "JSE" – The JSE Limited;

2.15. "Listings Requirements" – The Listings Requirements of the JSE Limited;

2.16. "Option" – an option granted in terms of the Scheme by the Trust to a Participant, which when exercised in respect of any Shares to which the option relates, will result in a sale of those Shares from the Trust to the Participant;

2.17. "Option Period" – the date from when an Option is capable of being exercised until the date upon which it is actually exercised by a Participant;

2.18. "Participant" – an Employee as formally identified by the Board, where at any time at least 55% of the Participants must be PDI's;

2.19. "PDI" – a black person as defined in the Broad Based Black Economic Empowerment Act No 53 of 2003 ("the BBBEE Act") (read together with the Codes of Good Practice that are issued by the South African Minister of Trade and Industry in terms of the BBBEE Act), which definition as at the date of signature of this Trust Deed is a generic term which means African, Coloured or Indian who is a citizen of the Republic of South Africa by birth or descent; or who becomes citizens of the Republic of South Africa by naturalisation:

2.19.1. before 27 April 1994; or

2.19.2. on or after 27 April 1994, but who would have been entitled to acquire citizenship by naturalisation prior to the date, without the apartheid policy in South Africa;"

2.20. "Previous Participant" – a Participant who has remained an employee of the Group and who has exercised his/her Option and taken transfer of the Shares to which the Options relates;

2.21. "Purchase Price" – in relation to Reserved Shares, an amount per Share equal to the middle market price of the Shares on the JSE on the trading day immediately preceding the Grant Date, less a discount of 30% (thirty percent) of such middle market price;

2.22. "Reserved Shares" – Scheme Shares which a Participant has an Option to purchase;

2.23. "Scheme" – the scheme created in terms of the Trust;

2.24. "Scheme Shares" – any Shares acquired by the Trustees by way of subscription in terms of clause 5.1 or which are otherwise acquired by the Trustees in terms of the Scheme, and until such Shares have been delivered to a Participant in pursuance of the exercise of an Option by the Participant;

2.25. "Second Date" – the date being 8 (eight) years after the Grant Date;

2.26. "Shares" – ordinary shares in the capital of the Company;

2.27. "Termination Date" – the date upon which a Participant's employment with a Group Employer shall terminate for any reason whatsoever or howsoever arising;

2.28. "the Trust" – The EOH Mthombo Share Incentive Trust incorporating the EOH Holdings Limited Empowerment Share Option Scheme;

2.29. "Trustees" – the trustees of the Trust;

2.30. "Trust Deed" – the deed of trust in respect of the EOH Mthombo Share Incentive Trust contemplated herein;

2.31. "Unreserved Shares" – Scheme Shares which are not Reserved Shares;

2.32. "Unvested Participant" – a Participant who has been granted an Option and who has accepted such Options, but whose Exercise Date in respect of such Option has not occurred and who has remained an Employee;

2.33. "Vested" – the right of a Participant to exercise his/her Options at the Exercise Date; and

2.34. "Vested Participant" – is a Participant who has been granted an Option and who has accepted such Option and whose Exercise Date in respect of such Option has occurred.

3. Nature

3.1. The Scheme will be implemented by way of the Trust, and provides for the granting of Options to Participants, which Options when exercised will result in the Participants being the holders of Shares in the Company.

3.2. The main object and purpose of the Company adopting the Scheme is the incentivisation and retention of management and employees, with a particular emphasis on PDI's (in excess of 55%) and to this extent the Scheme, as contemplated in the Trust, will not be used for trading purposes.

3.3. The Trust is adopted to facilitate and govern the implementation of the Scheme. Employees, as beneficiaries of the Scheme, shall be provided with an incentive to advance the interests and growth of the Group Companies by awarding to them in terms of the Scheme the opportunity to acquire and obtain the benefit of Shares in the Company.

4. Trustees

4.1. The first trustees of the Trust shall be Jack Howard Phalane, Nobulembu Babalwa Motjuwadi and Ursula Jennifer Botoulas. There shall at all times be a minimum of three independent Trustees in office. No person who is a Trustee of the Trust shall be entitled to be a beneficiary under the Scheme. Executive directors of the Company may not be appointed as Trustees of the Trust.

4.2. The Trustees shall exercise such powers as necessary to implement the main object and purpose (as per paragraph 1 above) of the Scheme, including, inter alia, enabling the Trust to acquire Shares in the Company for purposes of the Scheme by original subscription or to acquire Scheme Shares and/or Reserved Shares from Participants or others, on such terms and conditions as contained in the Trust deed.

5. Subscription for Shares by Trustees and Granting of Options to Eligible Participants

5.1. The Trustees shall subscribe for Shares upon the following terms:

5.1.1. the Trustees shall subscribe for such number of Shares and the Company shall, in pursuance of such subscription/s, issue and allot to the Trust such number of Shares as the Company may resolve. The subscription price of such Shares shall be an amount per Share equal to the middle market price of the Shares on the JSE on the trading day immediately preceding the date of issue and allotment of the Shares, less a discount of 30% (thirty percent) of such middle market price;

5.1.2. the Shares referred to in clause 5.1.1 shall be held by the Trust subject to the provisions of this Trust Deed and on the basis that:

5.1.2.1. (whether they are issued to the Trustees directly or otherwise acquired by them) they may be disposed of by the Trustees only as directed in terms of the Trust Deed, or, to the extent that any Shares held are surplus to their needs, in accordance with any other directions of the Company;

5.1.2.2. (whether they are issued to the Trustees directly or are otherwise acquired) they will upon acquisition by the Trustees become Scheme Shares;

5.1.2.3. such issued Shares shall rank *pari passu* in all respects with all other ordinary shares constituting the issued share capital of the Company, subject however to the Listings Requirements, and shall participate in the dividends declared by the Company and in any rights issue and in capitalisation issues for the sole and exclusive benefit of the Trust;

5.1.3. whenever the Trustees acquire any Shares for the purposes of the Scheme other than in terms of clause 5.1.1, the Company shall treat such acquisition as if it were in terms thereof and the provisions of clause 5.1.2 shall thereupon apply to all Shares so acquired.

5.2. The Trustees shall grant Options to Eligible Applicants on the basis that:

5.2.1 subject to clause 8.1 of the Trust Deed, the Board may instruct and authorise the Trustees in writing to award Options to such Participants selected by it to participate in this Scheme;

5.2.2. all Options shall be subject to the provisions of the Trust Deed;

5.2.3. the Board shall determine Employees selected to participate in this Scheme and the number of Options awarded to such Employees based on the main object and purpose of the Trust (as contemplated in clause 2.3 of the Trust Deed) and having regard to incentivising Employees based on recommendations by management and directors of the Company and/or any other Group Companies, to the extent applicable;

5.2.4. the frequency of the awarding of Options (including any new or additional Options) shall be determined by the Board;

5.2.5. the Board shall be under no obligation to award any Options to Employees or to award the same or similar amount of Options to Employees;

5.2.6. the Trustees shall forthwith in terms of clause 8 of the Trust Deed offer the Options to the Eligible Applicant to be selected; and

5.2.7. all Options granted to an Eligible Applicant who in terms of the South African exchange control regulations is a non-resident of the Republic of South Africa shall be subject to the provisions of the South African exchange control regulations and the obtaining of all requisite consents in terms thereof.

6. Funding the Trust

6.1. The subscription price of Shares acquired by the Trustees in terms of the Scheme, the costs incurred by the Trustees in the acquisition thereof, any duties payable by the Trustees upon the transfer thereof to Participants or upon the purchase thereof by the Trustees shall be paid out of:

6.1.1. the Trust's own resources, if any;

6.1.2. loans to be made to the Trust by the Company and/or the Group Employer in accordance with the provisions of the Act; and

6.1.3. loans by third parties to the Trust to be procured by the Company upon such terms as it is able to arrange; as the Company may direct.

6.2. The Company and/or the Group Employer nominated by it shall, subject to the prior approval of its directors, lend and advance to the Trustees, as and when required by them, monies for the proper execution of their duties as such, including, without derogating from the generality of the aforegoing:

6.2.1. for payment of any disbursements and expenditure incurred by them in their capacity as Trustees;

6.2.2. for payment of amounts due in terms of clause 3.10; and

6.2.3. for payment of any amount in respect of which they have been lawfully indemnified in terms of clause 13.3 of the Trust Deed.

6.3. All loans to the Trustees in terms of clauses 6.1 and/or 6.2 shall be free of interest and shall be repaid from amounts received by the Trustees which are surplus, after discharging all other liabilities then due, to its requirements for the ensuing period of 6 (six) months, which receipts shall include dividends received in respect of Unvested Scheme Shares and amounts paid by Participants in pursuance of the exercise of Options.

6.4. It is recorded that under no circumstances shall the Trustees be entitled or required to lend any moneys to any Participant for any purposes whatsoever.

7. Granting and Exercise of Options

7.1. Options may be exercised at any time:

7.1.1. after the First Date, in respect of 33⅓% (thirty three and one third percent) of the Shares to which the Option relates, or part thereof;

7.1.2. after the first anniversary of the First Date, in respect of a further 33⅓% (thirty three and one third percent) of the Shares to which the Option relates, or part thereof;

7.1.3. after the second anniversary of the First Date, in respect of a further 33⅓% (thirty three and one third percent) of the Shares to which the Option relates, or part thereof;

it being recorded that the number of Shares in respect of which the Option may be exercised as aforesaid, shall be computed on a cumulative basis, provided that, to the extent that an Option has not been exercised prior to the Second Date, the Option shall lapse.

8. Pricing

Options will be exercised at the Purchase Price.

9. Extent of Scheme

9.1. The maximum aggregate number of Shares that may be utilised for the purposes of the Scheme, shall not exceed 20 000 000 (Twenty Million) Shares.

9.2. The maximum number of Shares that may be acquired by any one Participant in terms of the Scheme shall be 1 000 000 (One Million) Shares.

9.3. The aforesaid numbers of Shares may only be amended if approved by the Board and permitted in terms of the JSE Listings Requirements, together with such Shareholder approval as may be required in terms of any law or regulation.

9.4. Scheme Shares, upon issue, will rank pari passu with the existing EOH Shares.

9.5. Ownership or any other vested rights in and to the Scheme Shares shall only pass to the Participant against payment of the Purchase Price and fulfilment of any other obligations of the Participant in terms of the Trust.

9.6. Shares held by the Trust will not have their votes at any general or annual general meetings taken into account for JSE Listings Requirements resolution approval purposes. Such Shares will also not be allowed to be taken into account for the purpose of determining categorisations as detailed in Section 9 of the JSE Listings Requirements.

9.7. If the Company is placed in liquidation (otherwise then for purposes of a reorganisation) than any unexercised options shall lapse as at the effective date of such liquidation.

9.8. In respect to Vested Scheme Shares, during the Option Period the dividends received shall be for the benefit of the Vested Participants and shall be paid to the Vested Participants.

9.9. In the event of a rights issue or other event affecting the share capital of the Company, before the date of exercise of any Options, such adjustments shall be made to the Purchase Price, the number of Shares that may be utilised for the purposes of the Scheme or the maximum number of Shares that may be acquired by any one Participant, as applicable in terms of the JSE Listings Requirements, as may be considered as being fair and reasonable by the Board. Such adjustment shall be subject to the independent auditors confirming to the JSE in writing that the adjustments are in accordance with the provisions of the Scheme. Such adjustment to share capital is intended to give each Participant entitlement to the same proportion of the equity capital as that to which such Participant was previously entitled. Any adjustments shall be reported on in the annual financial statements of the Company in the year during which the adjustments are made.

10. Lapse of Options

An Option which has been accepted by a Participant shall lapse automatically and without notice, in its entirety, in the event that the Termination Date shall occur on or before the First Date in respect of the Option in question.

An Option which has been accepted by a Participant shall lapse automatically and without notice in respect of such Participant:

10.1. to the extent that the Option in question has not been exercised prior to the Termination Date in respect of such Participant; or

10.2. to the extent that the Option in question has not been exercised prior to the Second Date,

whichever is the earlier, it being recorded that in any event should the Termination Date in respect of such Participant have occurred prior to the First Date, the Option will have lapsed.

10.3. To the extent that the Option in favour of a Participant has lapsed, for any reason whatsoever, the Board in consultation with the Trustees, may instruct and authorise the Trustees in writing to award Options in respect of the now Unreserved Shares to such further Participants as selected by it to participate in this Scheme ("the Supplementary Resolution"), provided that in this instance any Options granted to these Unreserved Shares shall only be granted to PDI's. The Supplementary Resolution shall specify the name of newly qualified Participant, the number of Options, the Grant Date, the Purchase Price and any other relevant terms and conditions as may be determined by the Board. These Unreserved Shares shall be subject to all terms and conditions of the Trust Deed.

11. Compliance and Disclosure

11.1. The parties shall in the implementation of the Scheme comply with all the applicable JSE Listings Requirements.

11.2. The Company shall make such disclosures (including in its annual financial statements) in relation to the Scheme as may be required by the Companies Act or the rules or JSE Listings Requirements.

11.3. The Company shall comply with the provisions of section 97 of the Companies Act, which shall include the appointment of a Compliance Officer.

12. Amendments to Trust Deed

Subject to:

12.1. approval by Shareholders in general meeting to the extent (if any) required in terms of any statute, regulation, rules or the JSE Listings Requirements (including schedule 14 thereof) from time to time; and/or

12.2. compliance with any applicable statute, regulation, rules or the JSE Listings Requirements (including schedule 14 thereof and any provisions contained therein which requires prior approval of shareholders in general meeting);

the Trust deed governing the Scheme may be amended in writing by the Board and the trustees.

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EOH Holdings Limited

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

For use only by ordinary shareholders who:

- hold ordinary shares in certificated form ('certificated ordinary shareholders'); or
- have dematerialised their ordinary shares ('dematerialised ordinary shareholders') and are registered with 'own name' registration,

at the eighteenth annual general meeting of shareholders of the Company to be held in the boardroom of the Company, Ground Floor, Block D, Gillooly's View, 1 Osborne Lane, Bedfordview, 2007, at 14h00 on Wednesday, 22 February 2017 and any adjournment thereof.

Dematerialised shareholders holding shares other than with 'own-name' registration who wish to attend the Annual General Meeting must inform their Central Securities Depository Participant ('CSDP') or broker of their intention to attend the Annual General Meeting and request their CSDP or broker to issue them with the relevant letter of representation to attend the Annual General Meeting in person or by proxy and vote. If they do not wish to attend the Annual General Meeting in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

These ordinary shareholders must not use this form of proxy.

Name of beneficial shareholder

Name of registered shareholder

Address

Telephone work ( ) Telephone home ( ) Cell:

being the holder/custodian of ______ ordinary shares in the Company, hereby appoint (see note):

1. or failing him/her,

2. or failing him/her,

3. the Chairperson of the Annual General Meeting,

as my/our proxy to attend and act for me/us on my/our behalf at the Annual General Meeting of the Company convened for purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat ('resolutions') and at each postponement or adjournment thereof and to vote for and/or against such resolutions, and/or abstain from voting, in respect of the shares in the issued share capital of the Company registered in my/our name/s in accordance with the following instructions:

		Number of ordinary shares		
		For	Against	Abstain
Ordinary Resolutions				
1	**Ordinary Resolution number 1:** Rotation of non-executive directors			
1.1	To approve the re-election of Rob Sporen as director who retires by rotation.			
1.2	To approve the re-election of Lucky Khumalo as director who retires by rotation.			
2	**Ordinary Resolution 2:** Election of independent non-executive director			
	To ratify and confirm the appointment of Audrey Mothupi.			
3	**Ordinary Resolution number 3:** Election of Audit Committee members			
3.1	To appoint Rob Sporen as Chairman and member of the Audit Committee.			
3.2	To appoint Lucky Khumalo as member of the Audit Committee.			
3.3	To appoint Tshilidizi Marwala as member of the Audit Committee.			
3.4	To appoint Audrey Mothupi as member of the Audit Committee.			
4	**Ordinary Resolution 4:** Reappointment of independent external auditors			
5	**Ordinary Resolution 5:** Signature of documents			
6	**Ordinary Resolution 6:** General approval to issue ordinary shares for cash			
7	**Ordinary Resolution 7:** Approval to issue ordinary shares for cash for BBBEE purposes			
8	**Ordinary Resolution 8:** Approval to sell treasury shares for cash			
9	**Ordinary Resolution 9:** Adoption of the EOH Mthombo Share Incentive Trust			
Special Resolutions				
1	**Special Resolution 1:** Financial assistance to individuals (excluding directors) in terms of section 44 of the Companies Act			
2	**Special Resolution 2:** Financial assistance to related or inter-related companies in terms of section 45 of the Companies Act			
3	**Special Resolution 3:** Remuneration payable to non-executive directors			
4	**Special Resolution 4:** General approval to acquire shares			

Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable.

A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and act in his/her stead. A proxy so appointed need not be a member of the Company.

Signed at on 2017

Signature

Assisted by (if applicable)

Please read the notes on the reverse hereof

NOTES TO THE PROXY

1. Summary of Rights Contained in section 58 of the Companies Act:
   - a shareholder may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder;
   - a proxy may delegate his or her authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy;
   - irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder;
   - irrespective of the form of instrument used to appoint a proxy, any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
   - if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii)
   - delivering a copy of the revocation instrument to the proxy and to the Company; and
   - a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise (see note 7).
2. The form of proxy must only be completed by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
3. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the Annual General Meeting must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
4. A shareholder entitled to attend and vote at the Annual General Meeting may insert the name of a proxy or the names of two alternate proxies (none of whom need be a shareholder of the Company) of the share
5. A shareholder is entitled to one vote on a show of hands and on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an 'X' has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholders or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
6. A vote given in terms of an instrument of proxy shall be valid in relation to the Annual General Meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries not less than forty eight hours before the commencement of the Annual General Meeting.
7. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the Annual General Meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.
8. The Chairperson of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
9. A shareholder's authorisation to the proxy including the Chairperson of the Annual General Meeting, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the Annual General Meeting.
10. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
11. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's transfer secretaries or waived by the Chairperson of the Annual General Meeting.
12. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the Company.
13. Where there are joint holders of ordinary shares:

- any one holder may sign the form of proxy; and
- the vote(s) of the senior ordinary shareholders (for that purpose seniority will be determined by the order in which the names of ordinary shareholders appear in the Company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).

14. Forms of proxy should be lodged with or mailed to Computershare Investor Services Proprietary Limited:

Hand deliveries to:	Postal deliveries to:
Computershare Investor Services Proprietary Limited Ground Floor, 70 Marshall Street Johannesburg, 2001	Computershare Investor Services Proprietary Limited PO Box61051, Marshalltown, 2107

to be received by no later than 14:00 on Wednesday, 22 February 2017

(or 48 hours before any adjournment of the Annual General Meeting which date, if necessary, will be notified on SENS).

15. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.
16. If the instrument appointing the proxy or proxies has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company's Memorandum of Incorporation to be delivered by the Company to the shareholder, must be delivered by the Company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the Company to do so in writing; and (ii) paid any reasonable fee charged by the Company for doing so.
17. The completion of a form of proxy does not preclude any shareholder from attending the Annual General Meeting.

CORPORATE INFORMATION

EOH Holdings Limited

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

Directorate

Non-executive

Sandile Zungu (Chairman)
Rob Sporen* (Lead Non-executive Director)
Lucky Khumalo
Danny Mackay
Tshilidzi Marwala
Audrey Mothupi (Appointed 27 July 2016)
Thoko Mnyango (Resigned 27 July 2016)
Tebogo Skwambane (Resigned 19 February 2016)
** (Dutch)*

Executive

Asher Bohbot (Group Chief Executive Officer)
John King (Group Financial Director)
Pumeza Bam
Dion Ramoo
Jane Thomson

Group Company Secretary

Adri Els

Registered address

Block D, EOH Business Park
Osborne Lane
Bedfordview, 2007

PO Box 59, Bruma
2026

Telephone

+27 (0) 11 607 8100

Website

www.eoh.co.za

E-mail

info@eoh.co.za

Auditors

Mazars (Gauteng) Inc.
Registration number: 2000/026635/21
Erasmus Forum A, 434 Rigel Avenue South,
Erasmusrand, Pretoria, 0181

Sponsor

Merchantec Capital
Registration number: 2008/027362/07
2nd Floor, North Block, Hyde Park Corner Office Towers
Hyde Park, 2196

PO Box 41480, Craighall
2024

Transfer secretaries

Computershare Investor Services Proprietary Limited
Registration number: 2004/003647/07
70 Marshall Street
Johannesburg, 2001

PO Box 61051, Marshalltown
2107

GREYMATTER & FINCH # 10091

EOH

Technology *makes it possible...*
People *make it happen.*