EOH

07

ANNUAL REPORT 2007


Annual Report 2007

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www.eoh.co.za

DIRECTORATE

Dr Nakedi Mathews Phosa (55)
Non-executive Chairman
BProc, LLB, Honorary PhD in Law (University of Boston)
Appointed 20 October 2003

Asher Bohbot (55)
Chief Executive Officer
BSc Industrial Engineering, MAP
Re-appointed 26 February 2004

Kenneth Cullinan (48)
Executive Director
National Diploma (Industrial Eng.), CPIM
Re-appointed 15 February 2006

Steven Evans (36)
Executive Director
BAcc, CA(SA)
Appointed 3 October 2005

Lucky Khumalo (38)
Executive Director
BSc (Computer Science)
Appointed 14 September 2005

Nkosinathi Khumalo (36)
Executive Director
BCom (Wits), BCom (Honours) (UNISA), CAIB (SA), EDP (WBS)
Appointed 14 September 2005

Prof Tshilidzi Marwala (37)
Non-executive Director
BSc Mechanical Engineering, MSc Engineering, PhD
Appointed 22 November 2006

Dion Dominic Ramoo (42)
Executive Director
BSc Info Proc, CA(SA)
Re-appointed 22 February 2007

Robert Michael Maria Sporen (58)
Non-executive Director
CPIM
Appointed 1 November 2007
(An executive director until his retirement on 31 October 2007)

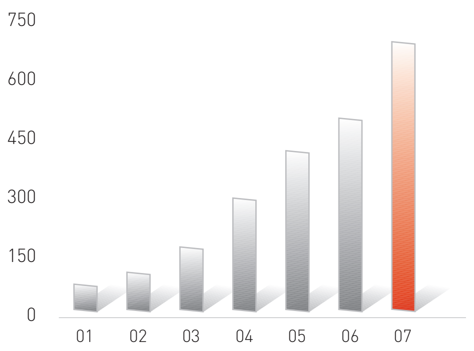
Jane Sinclair Thomson (48)
Executive Director
Re-appointed 15 February 2006

GROUP FINANCIAL HIGHLIGHTS

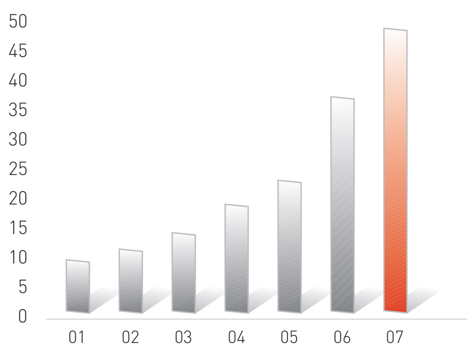
	12 months to 31 July 2007	12 months to 31 July 2006	12 months to 31 July 2005	12 months to 31 July 2004*	12 months to 31 July 2003*	12 months to 31 July 2002*	12 months to 31 July 2001*
Revenue (R'000)	703 673	503 292	420 225	299 535	175 969	114 328	84 094
Attributable income (R'000)	49 038	37 457	23 166	19 134	14 395	11 958	10 109
Earnings per share (cents)	78,7	63,4	46,1	40,6	30,7	24,0	20,2
Headline earnings per share (cents)	78,8	63,4	52,7	42,8	33,1	26,2	20,5
Fully diluted earnings per share (cents)	69,6	54,5	37,0	36,8	29,4	21,9	19,7
Dividend per share (cents)	20,0	14,0	11,5	10,0	7,0	6,0	–
Cash (Rmillions)	114,1	84,5	68,4	61,7	40,4	29,6	24,9
NAV per share (cents)	274,4	213,3	165,3	133,3	102,8	84,3	58,2

Note

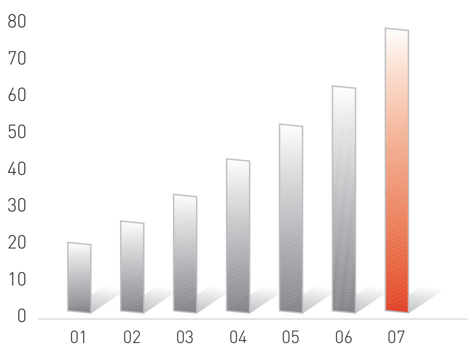
** These numbers are as reported under old SA GAAP*



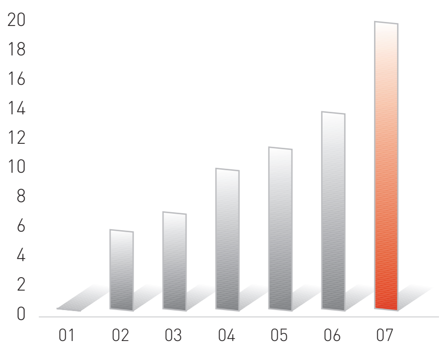
Revenue (Rmillions)



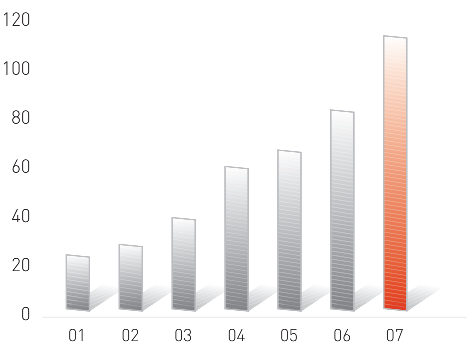
Attributable income (Rmillions)



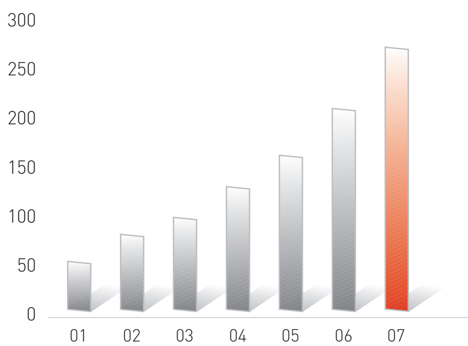
Headline earnings per share (cents)



Dividends per share (cents)



Cash (Rmillions)



NAV per share (cents)

Asher Bohbot
Chief Executive Officer

OVERVIEW

EOH has successfully completed its ninth year of existence with flying colours and all of us at EOH are proud of our achievements.

The company has managed to grow substantially over the past nine years, whilst the business remains debt free, with good cash reserves.

During the past year, we delivered strong organic growth within the core businesses which was complemented by the growth attributable to the Bromide acquisition. Earnings remain healthy with growth again funded internally.

We currently exclusively represent in Southern Africa leading enterprise software solutions; in addition we have strategic partnerships and offer services for prominent enterprise solutions.

"We greatly appreciate the confidence that our investors, customers and business partners have shown in us, affording EOH the right environment in which to continue to grow."

We are grateful to all our employees, who stuck to the task of creating this strong technology, consulting and outsourcing organisation. We also thank the families of our employees who we know have indirectly sacrificed for the creation of our organisation.

We greatly appreciate the confidence that our investors, customers and business partners have shown in us, affording EOH the right environment to grow.

FINANCIAL PERFORMANCE

The board is satisfied with the overall performance for the year under review. Revenue improved by 40% over the previous year, whilst profit increased by 31% and the headline earnings per share by 24%.

The balance sheet remains strong with the growth being financed internally. Cash resources were R114 million at year end.

The board has declared a 20,0 cents per share dividend.

BUSINESS MISSION

We are a business and technology solution provider. We endeavour to form life-long partnerships by developing business and IT strategies, supplying and implementing solutions and managing enterprise-wide systems and processes for medium to large clients.

EOH BUSINESS MODEL

The EOH Business Model is based on the 'design, build, operate' concept, enabling us to embrace our clients with products and services of both a business and technology perspective. The cycle reflects the ongoing nature of our client partnership, which accommodates change, whether initiated by changes from the client side, or opportunities created through developments in world-class best business practices and information technology.

EOH operates the following three clusters of business units as a fully integrated business:

Consulting – under the EOH Consulting brand are business units, primarily focusing on the public sector and offering services ranging from strategic process consulting, project services, change management and education. This cluster also develops IT strategy, advises on enterprise architecture, IT governance and risk management.

Technology – through a number of subsidiary companies, EOH is able to sell, implement and support a range of world-class business applications including ERP, CRM, Business Intelligence, Advanced Planning and Scheduling, e-Commerce, Manufacturing Execution Systems ("MES") and Technology Performance Management Solutions.

OPERATING STRUCTURE

EOH

CONSULTING

Strategy & Operations Consulting

Programme & Project Services

Public Sector Consulting

Corporate Governance

Supply Chain Optimisation

Change Management

TECHNOLOGY

Enterprise Applications

Business Performance Management

Manufacturing Systems

Technology Enablement

IT Governance

Supply Chain Systems

OUTSOURCING

IT Outsourcing

Co-sourcing

Managed Services

On Site Resources

Business Process Outsourcing

Desktop Support Services

Outsourcing – EOH offers comprehensive maintenance and support of clients' IT infrastructure and applications through the rendering of full IT Outsourcing, Application Hosting and Managed Services.

EOH has a presence in all major centres in South Africa and also operates elsewhere in Africa.

The organisation consists of strategic business units, each fully accountable for top and bottom line. Overall strategy is driven centrally. This structure and the processes supporting it ensure strong collaboration between the various business units, ensuring the client has access to the full product and service offering of the group.

EOH operates a shared services model which provides financial, IT, HR and marketing support, as well as business development and strategic account management. This ensures the business units remain customer focused, maximising value-add.

BRANDING

EOH operates two levels of branding. The EOH brand is associated with technology outsourcing services. All generic business consulting services are rendered under the EOH Consulting brand. Specific brands are used in business units associated with specific software application packages. Product-specific brands are:

- Softworx
- Impact Africa
- ESP Solutions
- Axia Business Solutions
- Wonderware SA
- Enterweb
- Intellient
- Navigor
- MIT
- Gallium
- Optec Solutions

The EOH model is replicated in the following regional operations:

- EOH KwaZulu Natal
- EOH Eastern Cape
- EOH Western Cape

EOH's reputation, market penetration and recognition are contributing handsomely to the continuous strengthening of the EOH brand, which is crucial to its growth plans.

STRATEGY

Product and Service Offering

EOH offers its products and services to public as well as private sectors, more specifically to:

- Financial Services
- Commerce and Industry
- Mining
- Information & Communication Technology
- Public Services

People

During the past year we have continued to develop and drive strategy ensuring our people remain our key differentiator giving us a competitive advantage.

EOH's value system, culture and code of conduct is represented by our "Work Life Constitution" ("WLC") being:

- We deliver around the clock, uncompromising, dedicated and professional customer service.
- We all act as salespersons, continuously searching for additional opportunities to add value to our customers.
- We conduct ourselves with honesty and integrity, promoting trust amongst all stakeholders.
- We challenge, excite, involve and communicate intensively.
- We work by defined roles and expectations, are held accountable, give feedback and reward our employees accordingly.
- We do not tolerate bad attitude, non-delivery and lack of co-operation.
- We have fun and enjoy the work we do.

Black Economic Empowerment

The EOH Black Economic Empowerment ("BEE") Plan is based on a 10-point strategy as follows:

- Equity participation
- Board structure
- Management development programme
- Employment and mentorship programme

- Joint ownership
- Collaborative partnerships
- Customer involvement
- Supplier participation
- Corporate social investment
- Legal requirements

EOH has

- 33,3% broad-based effective black ownership in EOH;
- 40% black employee profile;
- Total staff well in excess of 1 200; and
- Total of five black directors, including three executives, one non-executive and a non-executive chairman.

EOH believes that the most effective way to achieve broad-based empowerment is to involve its BEE employees, this is being accomplished through the EOH Mthombo Trust which has EOH shares issued to it.

The achievement of BEE equity ownership requirements provides EOH with an enhanced platform for growth.

Growth

EOH has achieved critical mass and is considered a leader in enterprise wide consulting, technology and outsourcing. EOH's wide offering added to various industries both in the private and public sector bode well for our future growth. With a well proven business model, top quality skills, strong management and financial strength, EOH is well positioned for growth.

OPERATIONAL REVIEW

CONSULTING

This cluster of business units operates in the private and public sectors offering services such as Strategic Reviews, Business Process Improvement, HR & Strategic Transformation Consulting, Project Services and Supply Chain.

Strategy Development

Public and private sector entities need to be sure that the time, effort and cost of implementing new business processes and new technology will be justifiable in terms of derived business benefits. We help our clients create a business case, an implementation plan and a budget before a final decision is made to embark on new undertakings.

Programme Management

Our programme managers co-ordinate the different teams focusing on business processes, software applications, hardware configuration, integration with other systems, as well as education and training programmes to ensure achievement of the objectives and critical success factors identified in the eBusiness strategy.

Technology Consulting

This division develops and implements eBusiness technology to improve the supply chain performance and effective use of IT of companies in commerce and industry. Its focus is on realising the business benefits from Enterprise Resource Planning ("ERP") systems, Advanced Planning and Scheduling ("APS") systems, eCommerce applications, Customer Relationship Management ("CRM") systems, Business Intelligence and Manufacturing Execution Systems ("MES").

Knowledge Transfer

Systems make it possible, but only people can make it work. We present seminars, workshops and courses on how to gain business benefits from eBusiness technology and supply chain best practices.

Prospects

Business and technology consulting is a critical part of our business model. Its value-add to the group is paramount and a prime differentiator for EOH. Technology Consulting operates at the board room level in client companies and is therefore also able to identify opportunities for other business units to contribute to the client's success.

TECHNOLOGY

This cluster of business units extended its service offering over the last year to provide implementation services around eCommerce, BI, CRM, APS and MES solutions, in addition to ERP services. Services include Project Management, Software Configuration, Program Development, Program Enhancement, Software Training and technical support. The main application packages sold, implemented and supported are Infor, SAP, Syspro, Oracle, Wonderware, Hyperion, Mercury and others.

Project Management

This service offering covers facilitation and change management, which are crucial for the successful implementation of business systems, using well-proven implementation methodologies.

Software Configuration

The Software Applications cluster employs personnel with many years of experience in the implementation of software solutions. Customers are advised on the configuration of the system modules and the underlying technical parameters, as well as the set-up of data to ensure correct and effective system utilisation and performance.

Program Development and Enhancement

Additional functionality is developed and existing functionality is augmented to suit the customer's needs, where the original application software does not fully meet the client's needs.

Training

Successful implementation of a software solution is reliant upon the efficient transfer of application knowledge to the user. Training is geared to suit the client's requirements, making use of those particular business processes and work instructions developed during the configuration of the system.

During the period under review, performance for this division was outstanding with a number of implementation projects again culminating in outsourcing contracts. Emphasis was placed on building resource skills to provide implementation support to customers implementing "new economy" software solutions. Partnerships with certain software vendors operating in this arena have been concluded and others are under way.

Prospects

More and more companies are beginning to appreciate the value that extended enterprise system applications (eCommerce, CRM, APS, BI, MES) can bring in ensuring customer loyalty, improving customer retention and increasing customer profitability. The business units in the Application Software cluster are well positioned to realise the maximum benefit for the customer by providing extended enterprise solutions that are integrated with the back office solutions and are geared towards supply chain optimisation.

Ongoing service provision to the existing client base in terms of upgrades, enhancements, re-implementations and re-training will continue to form an important component of the divisions' revenue stream.

OUTSOURCING

EOH Outsourcing seeks to partner companies who wish to concentrate their organisation's resources on their core business activity, but at the same time require professional, world-class business process and IT support. This is achieved through the overall management of specific business processes, particularly those that are technology intensive, as well as the management and operation of software applications used, as well as the server and desktop environments, through the design, installation and administration of both wide-area and local-area networking environments.

Prospects

The worldwide and local trend to outsource non-core business processes and IT operations continues to grow. Studies recently conducted in South Africa show that 90% of enterprises in South Africa are considering outsourcing in one form or another. The concept of outsourcing continues to gain acceptance primarily due to a lack of appropriate skills, especially where advanced technologies are deployed, resulting in difficulty of retaining skilled staff. Another contributing factor is the need for enterprises to focus on core business activities. Continued developments in technology will put further pressure on enterprises to outsource their IT services.

As organisations in South Africa and elsewhere in Africa continue to follow worldwide trends and outsource non-core business activities and the demand for limited technical skills increases, the future growth of outsourcing services is guaranteed. We believe this service offering to be extremely relevant in a fast changing society having to compete on a worldwide basis. Furthermore, through the comprehensive range of complementary service offerings available to existing and future outsourcing clients, EOH is strategically placed to capture a significant share of this market.


CORPORATE GOVERNANCE

The board of directors is committed to the concept and principles of effective corporate governance. The directors recognise the need for adherence to generally accepted corporate governance practice in all spheres of business activities.

THE BOARD OF DIRECTORS

Full details of the directorate are set out on page 20.

The current composition of the board does not comply with the recommendation of King II, however the board remains committed to transforming the composition of the board and its various sub-committees. To this end an independent non-executive director (Prof Tshilidzi Marwala) was appointed to the board on 22 November 2006 and a search is underway to identify suitably qualified, independent non-executive directors for appointment to the board and its sub-committees.

The appointment of directors is approved by the board of directors and confirmed by the shareholders in general meeting. The directors bring to the board a wide range of expertise and experience and in the case of the non-executive chairman, an independent perspective and judgement on issues of policy, strategy and performance.

The board meets at least quarterly to consider results and performance and to monitor issues of strategic direction and to consider any other issues having a material effect on the group.

The roles of chairman and chief executive officer ("CEO") remain separate, with the CEO, Asher Bohbot, ensuring that the day-to-day business affairs of the group are properly managed.

No executive director has a long-term service contract with the group. In accordance with the company's articles of association, all directors are subject to retirement by rotation and re-election by shareholders at least once every three years.

The board is responsible for setting the direction of the group through the establishment of strategic objectives and policies and takes overall accountability for the group by taking responsibility for its management. The board retains full and effective control over the group and decisions on material matters are reviewed by the board.

During the year under review the attendance at directors' meetings was as follows:

	18/09/2006	**22/11/2006**	**15/03/2007**	**13/06/2007**
Dr Mathews Phosa	√	X	√	√
Asher Bohbot	√	√	√	√
Ken Cullinan	√	√	√	√
Steven Evans	√	√	√	√
Lucky Khumalo	√	√	√	√
Nkosinathi Khumalo	√	√	√	√
John King (resigned 31/03/2007)	√	√	√	–
Prof Tshilidzi Marwala (appointed 22/11/2006)	–	√	X	√
Dion Ramoo	√	√	√	√
Rob Sporen	√	√	√	√
Jane Thomson	X	√	√	√

All directors have access to the advice and services of the company secretary and, in appropriate circumstances, are entitled and authorised, at the company's expense, to seek independent professional advice concerning the affairs of the company. The company secretary is responsible to ensure that board procedures and applicable rules and regulations are fully observed.

A Board Charter has been formally adopted by the board.

Details of the directors' emoluments are set out on page 43 of the annual report.

BOARD COMMITTEES

Committees are established to assist the board in performing its duties, and the board is free to form or disband committees as is appropriate. The board has appointed audit and remuneration committees, the details of which are presented below.

Audit and risk committee

The group's audit and risk committee is chaired by the chairman of the board. This committee formally meets twice a year prior to the publication of the group's interim and final results.

The audit and risk committee's responsibilities are varied and include ensuring that the necessary internal controls are in place through consultation with the external auditors, establishing that management is adhering to and continually improving these controls, and acting as a liaison between the external auditors and the board. The committee is also responsible for reporting to the board on each interim and final result.

The main objectives of the committee include:

- Assisting the board of directors to fulfil their responsibilities of ensuring that the system of internal controls, accounting practices, management information systems, financial reporting systems and auditing processes are functioning effectively;
- Facilitating the effective communication between the board of directors, management and the external auditors;
- Facilitating the credibility, objectivity and reliability of published financial reports and ensuring that the financial statements comply with International Financial Reporting Standards ("IFRS"), thereby providing an objective, independent forum for the resolution of significant accounting and reporting related matters;
- Promoting overall effectiveness of corporate governance;
- Evaluating the independence and effectiveness of the external auditors; and
- Monitoring the ethical conduct of the company, its executives and senior officials.

The external auditors have unfettered access to the chairman of the audit and risk committee and all of its members throughout the year.

During the year under review the audit and risk committee meetings were attended as follows:

	18/09/2006	15/03/2007
Dr Mathews Phosa	√	√
Asher Bohbot	√	√
Steven Evans	√	√
Nkosinathi Khumalo	√	√
Rob Sporen	√	√

The audit and risk committee does not comply with the recommendations of King II to the extent that whilst it is chaired by a non-executive director, the balance of the members of the audit and risk committee are all executive directors, further the audit and risk committee does not meet the recommended four times per annum. The board is committed to transforming the composition of the board and its various sub-committees, and to this end a search is currently underway to identify suitably qualified independent non-executive directors for appointment to the board and its sub-committees.

Remuneration committee

The remuneration committee is chaired by the non-executive chairman of the board and includes the CEO, two executive directors of the board and the human capital executive. The composition of the remuneration committee does not comply with the recommendations of King II, however the board is committed to transforming the composition of the board and its various sub-committees and to this end a search is currently underway to identify suitably qualified independent non-executive directors for appointment to the board and its sub-committees.

The remuneration committee is responsible for reviewing and approving the remuneration of directors and senior management as well as recommending the appointment of directors to the board.

In determining the remuneration of executives, the remuneration committee aims to provide appropriate packages required to attract, retain and motivate the executives whilst giving due consideration to remuneration levels, both within and outside the group. To meet these objectives, the committee from time to time takes advice from external remuneration specialists.

The board has agreed terms of reference in terms of which the remuneration committee is authorised to operate.

During the year under review the remuneration committee meetings were attended as follows:

	22/11/2006	13/06/2007	23/07/2007
Dr Mathews Phosa	√	√	√
Asher Bohbot	√	√	√
Steven Evans	√	√	√
Lucky Khumalo	√	x	√
Vera Massyn	√	√	x

COMPANY SECRETARY

The board appoints the company secretary whose responsibilities include assisting the chairman in co-ordinating and administering the operation of the board, providing guidance on the discharge of director responsibilities, implementing governance procedures and ensuring that the group complies with all statutory requirements.

All directors have access to the advice and services of the company secretary and, in appropriate circumstances, are entitled and authorised, at the company's expense, to seek independent professional advice concerning the affairs of the company. The company secretary is responsible for ensuring that board procedures and applicable rules and regulations are fully observed.

The company secretary is Adri Els CA(SA).

CODE OF ETHICS

All employees of the group are required to maintain the highest ethical standards in ensuring that the group's business practices are conducted in a manner which in all circumstances is above reproach. To this effect all employees are required to sign a "work life constitution" document. A culture involving the individual employee assuming personal responsibility for the actions of the business is encouraged, as is a culture of full disclosure.

A code of ethics has been formally adopted by the board.

ACCOUNTABILITY AND ACCOUNTING

The CEO is responsible for all group operations. Divisional and group management accounts are prepared monthly comparing actual results against approved budgets.

RISK MANAGEMENT

Accountability

The board is responsible and accountable for ensuring that adequate procedures and processes are in place to identify, assess, manage and monitor key business risks.

Internal control

Operational and financial risks are managed through implementation and maintenance of a system of internal and financial controls designed to provide reasonable assurance as to the integrity and reliability of the financial information presented and to safeguard the group's assets adequately. These internal controls are monitored regularly.

No incidents have come to the attention of the board that would indicate any material breakdown in these internal controls during the year.

The group's assets are insured against loss, cover being taken out above predetermined self-insurance levels.

Critical business processes

In a disaster recovery circumstance business continuity plans which are in place will ensure that the business, both from an information technology and operational viewpoint, continues with the least amount of disruption.

GOING CONCERN

The going concern basis has been adopted in preparing the annual financial statements. Based on forecasts and available cash resources, the directors have no reason to believe that the group will not continue as a going concern for the foreseeable future.

RELATIONSHIPS

Employment equity

The group provides equal employment opportunities and has a strong culture of internal promotion and upliftment of its people.

The company's employment equity plan was compiled in consultation with employee representatives and lodged with the Department of Labour in line with the required reporting dates each year. The major objectives adopted in this plan are:

- The promotion of equal opportunities and fair treatment in employment through the elimination of unfair discrimination; and
- The promotion of affirmative action measures to redress any disadvantages in employment experienced by designated groups, and to ensure equitable representation in all occupational categories and levels in the workplace.

An employment equity committee has been appointed to monitor the implementation of the plan. Training and development of employees from the designated groups forms an important component of the plan and attention will be focused on accelerated development of the previously disadvantaged groups.

Black Economic Empowerment strategy

The EOH Black Economic Empowerment ("BEE") Plan is based on a 10-point strategy as follows:

- Equity participation
- Board structure
- Management development programme
- Employment and mentorship programme
- Joint ownership
- Collaborative partnerships
- Customer involvement
- Supplier participation
- Corporate social investment
- Legal requirements

On 14 September 2005, shareholders approved the merger of M-IT and the establishment of the EOH Mthombo Trust.

The acquisition and the issue of shares to the Mthombo Trust saw EOH becoming a dominant IT services organisation with a:

- 33,3% broad-based effective black ownership in EOH;
- 40% black employee profile;
- Total staff well in excess of 1 200; and
- Total of five black directors, including three executives, one non-executive and a non-executive chairman.

EOH believes that the most effective way to achieve broad-based empowerment is to involve its BEE employees in the empowerment transaction. This is to be accomplished through the EOH Mthombo Trust which has had EOH shares issued to it.

The achievement of BEE equity ownership requirements will provide an enhanced platform for growth.

Worker participation

The group has an established and well-recognised policy of encouraging employee involvement on a wide range of issues. Various participative structures are designed to achieve good employer/employee relationships through effective sharing of relevant information, consultation and the identification and resolution of conflict. The purpose is to ensure that all employees are afforded equal opportunity for reward and progress based on ability and merit.

HEALTH AND SAFETY

The company is committed to ensuring a safe working environment for all its employees. In this regard a manager within the group is responsible for ensuring compliance with all relevant health, safety and environmental legislation.

Employee health and safety representatives and first-aiders have been appointed for designated areas and have been appropriately trained to fulfil their functions.

DEALINGS IN COMPANY SHARES

All dealings in the shares of the company by directors are reported on JSE Securities Exchange South Africa News Service, within 48 hours of the trade having been made.

Directors and officers are not permitted to trade in the group's listed shares during "closed periods", which run from the day of the financial half-year and year end until the publication of the interim and preliminary results announcements respectively.

Annual Financial Statements 2007

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REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF EOH HOLDINGS LIMITED

We have audited the group annual financial statements set out on pages 18 to 50 for the year ended 31 July 2007.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of the annual financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, 1973. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these annual 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 whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the annual 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 the directors, as well as evaluating the overall presentation of the annual financial statements.

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

AUDIT OPINION

In our opinion, the annual financial statements, prepared on the going concern basis, present fairly, in all material respects, the financial position of the company as of 31 July 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, 1973.

IAPA Johannesburg

IAPA Johannesburg
Registered Auditors
Chartered Accountants (SA)

Johannesburg
19 September 2007

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of EOH Holdings Limited and related information. The annual financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act. The group's independent auditors, IAPA Johannesburg, have audited the annual financial statements and their unqualified report appears on page 16.

The directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the annual financial statements, and to adequately safeguard, verify and maintain accountability of assets, as well as prevent and detect material misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year.

The annual financial statements are prepared on a going concern basis. Nothing has come to the attention of the directors to indicate that the group will not remain a going concern for the foreseeable future.

The annual financial statements set out on pages 18 to 50 were approved by the board of directors on 19 September 2007 and are signed on its behalf by:

Asher Bohbot
Chief Executive Officer

Rob Sporen
Non-executive Director

CERTIFICATION BY THE COMPANY SECRETARY

In terms of section 268 6(d) of the Companies Act, Act 61 of 1973 ("the Act") as amended, I certify that to the best of my knowledge and belief, the company and the group has lodged with the Registrar of Companies, for the financial year ended 31 July 2007, all such returns as are required of a public company in terms of the Act and that all such returns are true, correct and up to date.

Els

Mrs A Els
Company Secretary

19 September 2007

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the activities of the company and the group for the year ended 31 July 2007.

NATURE OF BUSINESS

EOH Holdings Limited ("EOH") is an IT company listed on the Information Technology sector of the JSE Limited ("JSE").

EOH is a business and technology solutions provider creating lifelong partnerships by developing business and IT strategies, supplying and implementing solutions and managing enterprise-wide business systems and processes for medium to large clients.

EOH operates the following three clusters of business units as a fully integrated business:

Consulting – under the EOH Consulting brand are business units offering services ranging from strategic and business process consulting, project services, change management, supply chain optimisation and education. This cluster also develops IT strategy, advises on enterprise architecture, IT governance and risk management.

Technology – through a number of subsidiary companies, EOH is able to sell, implement and support a range of world-class business applications including ERP, CRM, Business Intelligence, Advanced Planning and Scheduling, e-Commerce, Manufacturing Execution Systems ("MES") and Technology Performance Management Solutions.

Outsourcing – EOH offers comprehensive maintenance and support of client's IT infrastructure and applications through the rendering of full IT Outsourcing, Application Hosting and Managed Services. In addition EOH offers full Business Process Outsourcing ("BPO") services.

EOH has a presence in all major centres in South Africa and Botswana, and also operates elsewhere in Africa.

BASIS OF PREPARATION

These results are prepared in accordance with International Financial Reporting Standards ("IFRS") and the South African Companies Act, 1973.

The group's auditors, IAPA Johannesburg Chartered Accountants (SA), have audited the financial information for the period to 31 July 2007. Their unqualified audit report is available for inspection at the registered office of EOH.

TRADING RESULTS

The results of operations for the year ended 31 July 2007 are detailed in the accompanying table. Earnings attributable to ordinary shareholders amounted to R49 million, representing earnings per share of 78,6 cents and headline earnings per share of 78,8 cents. The group's operating income is attributable to its core business, namely enterprise solutions.

A summary of the group's trading results, restated for the adoption of IFRS, are set out below:

R'000	**Audited 2007**	Audited 2006
Revenue	**703 673**	503 292
Profit before tax	**72 346**	55 838
Taxation	**(23 199)**	(18 381)
Profit for the period	**49 147**	37 457
Earnings per share (cents)	**78,7**	63,4
Headline earnings per share (cents)	**78,8**	63,4
Dividends per share (cents)	**20,0**	14,0

GROUP'S FINANCIAL POSITION

The financial position of the company and group are set out in the balance sheet and cash flow statements.

DIVIDENDS

A cash dividend of 20,0 cents per share ("the dividend") has been proposed as payable to shareholders recorded in the books of the company at the close of business on Friday, 26 October 2007. Shareholders are advised that the last day to trade "cum" the dividend would be Friday, 19 October 2007 and the shares would then trade "ex" dividend as from Monday, 22 October 2007 with payment being made on Monday, 29 October 2007. Share certificates may not be dematerialised or rematerialised during the period Monday, 22 October 2007 to Friday, 26 October 2007, both days inclusive.

SHARE CAPITAL

During the financial year the authorised issued share capital has remained unchanged and a total of 2 016 750 ordinary shares were issued during the year as a result of employees exercising share options in terms of the EOH Share Option Scheme.

Between year end and the publication of the report, a further 700 857 ordinary shares have been issued as a result of employees exercising share options in terms of the EOH Share Option Scheme.

At year end 70 268 EOH shares were held by a wholly-owned subsidiary of EOH and will not be cancelled.

At 27 July 2007 the shares of the company were held by the following categories of shareholders:

Shareholder spread	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	263	21,8	159 990	0,2
1 001 – 10 000 shares	717	59,4	3 147 963	4,4
10 001 – 100 000 shares	177	14,7	5 028 911	6,9
100 001 – 1 000 000 shares	31	2,6	11 474 923	15,8
1 000 001 shares and over	18	1,5	52 742 201	72,7
	1 206	**100,0**	**72 553 988**	**100,0**

Distribution of shareholders	Number of shareholders	%	Number of shares	%
Banks	8	0,7	718 902	1,0
Close corporations	16	1,3	93 761	0,1
Empowerment trust	1	0,1	9 180 382	12,7
Endowment funds	8	0,7	26 065	0,0
Individuals	948	78,5	13 404 015	18,5
Insurance companies	7	0,6	1 779 084	2,4
Investment companies	2	0,2	2 161 805	3,0
Mutual funds	28	2,3	24 569 169	33,9
Nominees and trusts	128	10,6	2 617 814	3,6
Other corporations	23	1,9	9 216 964	12,7
Pension funds	4	0,3	8 170 793	11,3
Private companies	30	2,5	392 890	0,5
Public companies	1	0,1	23 000	0,0
Share trust	1	0,1	112 076	0,2
Treasury shares	1	0,1	87 268	0,1
	1 206	**100,0**	**72 553 988**	**100,0**

Public/Non-public shareholders	Number of shareholders	%	Number of shares	%
Public shareholders	1 197	99,2	49 482 336	68,2
Non-public shareholders:				
– Directors and associates of the company holdings	6	0,5	13 691 926	18,9
– The EOH Mthombo Trust	1	0,1	9 180 382	12,6
– The EOH Share Trust	1	0,1	112 076	0,2
– V55 Investments (Proprietary) Limited	1	0,1	87 268	0,1
	1 206	100,0	72 553 988	100,0

According to the records of the company, the only shareholders registered as holding three per cent or more of the company's shares at 27 July 2007, other than directors, are the following:

Major shareholders	Shareholding 31 July 2007	%	Shareholding 31 July 2006	%
Sanlam	13 238 906	18,2	12 021 607	17,0
The EOH Mthombo Trust	9 180 382	12,7	9 180 382	13,0
Alphen Asset Management	5 123 011	7,1	–	0,0
Eskom Pension & Provident Fund	5 017 793	6,9	4 112 067	5,8
Absa Group Pension Fund	2 973 000	4,1	2 973 000	4,2
Moonland Trading (Proprietary) Limited	–	0,0	4 010 000	5,7
Praesidium	–	0,0	3 243 405	4,6

INVESTMENTS IN SUBSIDIARY AND ASSOCIATE COMPANIES

Full details of all interests in subsidiaries and associates are included in Annexure A to the annual report.

ACQUISITIONS

In the period under review, EOH acquired the the business operations and investments of Bromide Technologies, from Bromide Technologies (Proprietary) Limited.

The rationale for the acquisition is the intention to expand the company's offerings to clients to include infrastructure offerings as part of the strategy to deliver "end to end" solutions. Bromide is a significant player in the infrastructure support services arena, with a large client base and a strong history of delivery and success.

DIRECTORATE

The following directors served through the period:

Dr Mathews Phosa
Ken Cullinan
John King (resigned 31 March 2007)
Lucky Khumalo
Prof Tshilidzi Marwala (appointed 22 November 2006)
Jane Thomson
Asher Bohbot
Steven Evans
Dion Ramoo
Nkosinathi Khumalo
Rob Sporen (Dutch)**

***Rob retired as an executive director on 31 October 2007 and was subsequently appointed as a non-executive director effective 1 November 2007.*

DIRECTORS' INTEREST IN CONTRACTS

None of the directors and officers of the company had an interest in any contract of significance during the financial year.

DIRECTORS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY

At 31 July 2007 the directors' direct and indirect interest in the company's issued shares were as follows:

	Beneficial		Non-beneficial		Share options	
	July 2007	July 2006	July 2007	July 2006	July 2007	July 2006
Ordinary shares						
– directly						
Dr Mathews Phosa	–	–	–	–	1 150 000	1 150 000
Asher Bohbot	123 106	123 106	–	–	75 000	75 000
Ken Cullinan	–	–	–	–	175 000	230 000
Steven Evans	–	–	–	–	300 000	200 000
Lucky Khumalo	2 283 000	4 000 000	–	–	–	–
Nkosinathi Khumalo	3 283 000	4 000 000	–	–	–	–
John King (resigned 31/03/2007)	–	–	–	–	–	600 000
Prof Tshilidzi Marwala	–	–	–	–	–	–
Dion Ramoo	–	–	–	–	620 000	745 000
Rob Sporen	–	–	–	–	–	25 000
Jane Thomson	–	–	–	–	250 000	150 000

DIRECTORS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY (continued)

	Beneficial		Non-beneficial		Share options	
	July 2007	July 2006	**July 2007**	July 2006	**July 2007**	July 2006
– indirectly						
Asher Bohbot	**7 219 920**	9 585 920	**18 000**	18 000	**–**	–
Rob Sporen	**782 900**	2 382 900	**85 000**	85 000	**–**	–

ORDINARY SHARES

During the course of the year, the following share allotments took place:

- The EOH Share Option Scheme – 2 016 750 ordinary shares issued to employees

Between year end and publishing of the annual report, the following share allotments took place:

- The EOH Share Option Scheme – 700 857 ordinary shares issued to employees

SHARE INCENTIVE SCHEME

The company has share incentive schemes giving all directors and staff the opportunity to participate in the growth of the group; the EOH Mthombo Scheme only grants participation to qualifying PDI directors and employees.

Under the terms of the current schemes up to 16% of the issued share capital from time to time is reserved for share options.

	The EOH Share Trust	EOH Share Option Scheme	The EOH Mthombo Trust
Opening balance	**778 479**	**5 686 250**	**4 847 200**
Granted	–	1 870 000	1 652 120
Exercised	(340 546)	(1 701 250)	–
Resigned	–	(832 500)	(1 379 200)
Closing balance	**437 933**	**5 022 500**	**5 120 120**
Exercisable	437 933	1 441 250	–

SUBSEQUENT EVENTS

Subsequent to year end:

- EOH has entered into an agreement to acquire the business operations of E-Prime Solutions.
- EOH has succeeded with a claim that had proceeded to arbitration, the related counter-claim against EOH was also dismissed.

Other than for the events noted above and in the annual report, no material event or transaction has occurred subsequent to 31 July 2007 that warrants adjustment to, or notification in, the annual financial statements.

CONTINGENT LIABILITIES

There are certain claims from clients relating to claims prior to acquisition of a subsidiary and the directors are of the opinion that these claims are not valid and are defendable. Where the risk of an award exists, the company has an equivalent counter-claim against the vendor of the subsidiary and/or group insurers in respect of these claims. Subsequent to year end (refer above) one of these claims has been settled in the company's favour.

Furthermore, there exist 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 nil recovery, management makes appropriate doubtful debt or credit note provisions.

NO CHANGE STATEMENT

This annual report for the year ended 31 July 2007 does not contain any material modifications to the audited results which were published on 21 September 2007.

BALANCE SHEET

at 31 July 2007

	Notes	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
ASSETS					
Non-current assets		**127 981**	100 989	**133 893**	123 557
Property, plant and equipment	2	**16 095**	12 359	**–**	–
Goodwill and other intangible assets	3	**96 460**	78 700	**–**	–
Investment in associate companies	4	**1 025**	418	**–**	–
Investment in subsidiary companies	5	**–**	–	**94 628**	94 476
Loans to group companies	5	**–**	–	**39 265**	29 081
Loans receivable	6	**2 651**	562	**–**	–
Deferred taxation assets	7	**11 750**	8 950	**–**	–
Current assets		**290 678**	211 351	**497**	1 357
Inventories	8	**11 784**	2 460	**–**	–
Current taxation assets		**–**	–	**47**	115
Trade and other receivables	9	**164 758**	124 384	**350**	108
Bank balances and cash		**114 136**	84 507	**100**	1 134
Total assets		**418 659**	312 340	**134 390**	124 914
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent		**198 835**	150 485	**64 586**	63 917
Share capital	10	**632**	604	**726**	706
Share premium	10	**45 841**	40 792	**69 644**	67 594
Other reserves	11	**12 354**	9 532	**–**	–
Retained earnings		**140 008**	99 557	**(5 784)**	(4 383)
Minority interest		**278**	–	**–**	–
Total equity		**199 113**	150 485	**64 586**	63 917
Non-current liabilities		**9 649**	4 270	**69 596**	59 560
Long-term loans	13	**6 929**	1 909	**–**	–
Loans from group companies	5	**–**	–	**69 596**	59 393
Deferred taxation liabilities	7	**2 720**	2 361	**–**	167
Current liabilities		**209 897**	157 585	**208**	1 437
Trade and other payables	14	**189 497**	133 841	**89**	1 318
Short-term loans	13	**8 482**	15 621	**119**	119
Current taxation liabilities		**11 918**	8 123	**–**	–
Total liabilities		**219 546**	161 855	**69 804**	60 997
Total equity and liabilities		**418 659**	312 340	**134 390**	124 914

INCOME STATEMENT
for the year ended 31 July 2007

	Notes	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Revenue	17	**703 673**	503 292	**–**	–
Cost of sales		**(449 521)**	(306 040)	**–**	–
Gross profit		**254 152**	197 252	**–**	–
Amortisation of intangible assets		**(1 222)**	–	**–**	–
Dividend income		**–**	–	**10 048**	7 871
Depreciation		**(6 506)**	(5 922)	**–**	–
Other expenses	18	**(174 793)**	(136 123)	**(1 536)**	(1 394)
Finance costs	19	**(1 337)**	(1 448)	**–**	(24)
Investment income	20	**2 746**	1 956	**5**	6
Impairment of loan to associate companies		**(461)**	–	**–**	–
Impairment of assets		**(131)**	–	**–**	–
Share of (losses)/profits of associate companies		**(102)**	123	**–**	–
Profit before tax		**72 346**	55 838	**8 517**	6 459
Taxation	22	**(23 199)**	(18 381)	**130**	(57)
Profit for the year		**49 147**	37 457	**8 647**	6 402
Attributable to:					
Equity holders of the parent		**49 038**	37 457	**8 647**	6 402
Outside shareholders' interest		**109**	–	**–**	–
		49 147	37 457	**8 647**	6 402
Earnings per share [cents]	23	**78,7**	63,4	**13,9**	10,8
Fully diluted earnings per share [cents]	23	**69,6**	54,5	**12,3**	9,3
Dividends per share [cents]	30	**20,0**	14,0	**20,0**	14,0

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 July 2007

Group	Share capital R'000	Share premium R'000	Revaluation reserve R'000	Translation reserve R'000	Retained earnings R'000	Total attributable to equity holders R'000	Minority interest R'000	Total equity R'000
Balance at 31 July 2005	501	10 797	4 878	(169)	68 752	84 759	–	84 759
Movement in treasury shares	(4)	(2 671)	269	–	–	(2 406)	–	(2 406)
The effects of consolidating the EOH Share Trust	6	180	(53)	–	–	133	–	133
The effects of consolidating the EOH Mthombo Trust	(92)	(22 859)	–	–	–	(22 951)	–	(22 951)
Currency translation differences	–	–	–	(10)	–	(10)	–	(10)
Profit for the period	–	–	4 617	–	37 457	42 074	–	42 074
Dividends	–	–	–	–	(6 652)	(6 652)	–	(6 652)
Issue of share capital	193	55 345	–	–	–	55 538	–	55 538
Balance at 31 July 2006	**604**	**40 792**	**9 711**	**(179)**	**99 557**	**150 485**	**–**	**150 485**
Movement in treasury shares	5	2 668	405	–	–	3 078	–	3 078
The effects of consolidating the EOH Share Trust	3	331	(1 160)	–	–	(826)	–	(826)
Acquisition of subsidiary company	–	–	–	–	–	–	169	169
Profit for the period	–	–	3 577	–	49 038	52 615	109	52 724
Dividends	–	–	–	–	(8 587)	(8 587)	–	(8 587)
Issue of share capital	20	2 050	–	–	–	2 070	–	2 070
Balance at 31 July 2007	**632**	**45 841**	**12 533**	**(179)**	**140 008**	**198 835**	**278**	**199 113**

Company	Share capital R'000	Share premium R'000	Retained earnings R'000	Total R'000
Balance at 31 July 2005	513	12 249	(2 914)	9 848
Profit for the period	–	–	6 402	6 402
Dividends	–	–	(7 871)	(7 871)
Issue of share capital	193	55 345	–	55 538
Balance at 31 July 2006	**706**	**67 594**	**(4 383)**	**63 917**
Profit for the period	–	–	8 647	8 647
Dividends	–	–	(10 048)	(10 048)
Issue of share capital	20	2 050	–	2 070
Balance at 31 July 2007	**726**	**69 644**	**(5 784)**	**64 586**

CASH FLOW STATEMENT

for the year ended 31 July 2007

	Notes	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Cash flows from operating activities					
Cash generated from/[utilised in] operations	24	**83 184**	66 427	**(1 536)**	(1 393)
Movements in working capital	25	**836**	(12 875)	**(399)**	138
Cash generated by/[utilised in] operating activities		**84 020**	53 552	**(1 935)**	(1 255)
Investment income		**2 746**	1 956	**5**	5
Finance costs		**(1 284)**	(1 448)	**–**	(24)
Taxation paid	26	**(21 844)**	(20 467)	**31**	(16)
Dividends paid	27	**(8 603)**	(6 622)	**(11 120)**	(6 786)
Dividends received		**–**	–	**10 048**	7 871
Net cash inflow/[outflow] from operating activities		**55 035**	26 971	**(2 971)**	(205)
Cash flows from investing activities					
Net additions to property, plant and equipment		**(6 702)**	(8 772)	**–**	–
Post acquisition obligations settled		**(10 442)**	(713)	**(152)**	–
Subsidiaries acquired		**–**	–	**–**	(916)
Loans receivable group companies net movement		**–**	–	**(10 184)**	(28 684)
Net cash [outflow]/inflow resulting from acquisitions	28	**(11 031)**	1 964	**–**	–
Subsidiary company now equity accounted	29	**(1 364)**	–	**–**	–
Decrease in loans receivable		**3 463**	90	**–**	–
Net cash outflow from investing activities		**(26 076)**	(7 431)	**(10 336)**	(29 600)
Cash flows from financing activities					
Net long-term borrowings repayments		**(4 022)**	(3 262)	**–**	(32 040)
Treasury share sale/[purchase]		**3 448**	(2 406)	**–**	–
Net increase in intercompany loans		**–**	–	**10 203**	7 399
Net EOH Share Trust share sales		**(826)**	187	**–**	–
Net proceeds on issue of ordinary share capital		**2 070**	1 947	**2 070**	55 538
Net cash inflow/[outflow] from financing activities		**670**	(3 534)	**12 273**	30 897
Net movement in cash and cash equivalents		**29 629**	16 006	**(1 034)**	1 092
Foreign currency translation reserve on cash		**–**	144	**–**	–
Cash and cash equivalents at beginning of the year		**84 507**	68 357	**1 134**	42
Cash and cash equivalents at end of the year		**114 136**	84 507	**100**	1 134

1. Accounting policies

1.1 Basis of preparation

These consolidated financial statements have been prepared under the historical cost basis except for the measurement of certain financial instruments at fair value.

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of International Financial Reporting Standards ("IFRS") that have a significant effect on the financial statements, and significant estimates made in the preparation of these consolidated financial statements are disclosed in note 37.

1.2 Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards.

1.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and the entities controlled by the company [its subsidiaries] made up to 31 July each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee company so as to obtain benefits from its activities generally accompanying an interest of more than one-half of the voting rights.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate.

Where necessary adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiary companies are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority share of changes in equity since the date of the combination.

1.4 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 company; and
- The cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and cost 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 replacement part is derecognised.

1. Accounting policies (continued)

1.4 Property, plant and equipment (continued)

The amount initially recognised in respect of an item of property, plant and equipment is allocated to its significant components and where they have different useful lives, are recorded and depreciated separately. The remainder of the cost, being the parts of the item that are individually not significant or have similar useful lives, are grouped together and depreciated as one component.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the straight-line method to reduce the carrying value of each component of an asset to its estimated residual value over its estimated useful life.

Useful lives of assets:

Software	2 years
Computer equipment	3 years
Leasehold improvements	period of the lease
Motor vehicles	5 years
Furniture and fittings	6 years
Office equipment	6 years

The useful life, residual value and depreciation method of each component is reviewed annually at year end and, if expectations differ from previous estimates, adjusted prospectively 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.

Where the carrying value of an asset is greater than its estimated recoverable amount, an impairment provision is raised immediately to bring the carrying value in line with the recoverable amount.

1.5 Goodwill and other intangible assets

Goodwill is initially measured at cost, being the excess of the business combination over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate.

Subsequently goodwill, acquired in a business combination, is carried at cost less any accumulated impairment.

Any impairment is recognised immediately in profit and loss and is not subsequently reversed.

The excess of the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over cost of the business combination is immediately recognised in profit and loss.

On disposal of a subsidiary or associate the attributable goodwill is included in the determination of the profit or loss on disposal. The same principle is applicable for the partial disposals, in other words a portion of the goodwill is expensed as part of the cost of disposal.

1.6 Research and development costs

Research expenditure is recognised as an expense as incurred.

Costs incurred on development projects are capitalised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably.

Other development expenditure is recognised as an expense as incurred. Development costs previously recognised as an expense are not capitalised as an asset in a subsequent period.

1. Accounting policies (continued)

1.6 Research and development costs (continued)

Development costs that have a finite useful life and that have been capitalised are amortised from the commencement of the commercial production of the product on a systematic basis over the period of its expected benefit and are reassessed annually.

1.7 Associate companies

An investment in an associate company is an investment in a company where the group has significant influence, through participation in the financial and operating policy decisions of the investee.

The equity method of accounting for associate companies is adopted in the consolidated financial statements except when the asset is classified as held for sale. In applying the equity method, account is taken of the group's share of accumulated retained earnings and movements in reserves from the effective date on which the enterprise became an associate, and up to the effective date of disposal. The carrying amount of the investment is reduced to recognise any decline in the value of the investment.

The results of associates are included for the period during which the group exercises significant influence over the associate.

Where the group transacts with an associate, unrealised profits and losses are eliminated to the extent of its interest in the associate, except where unrealised losses provide evidence of an impairment of the associate.

If an associate uses accounting policies other than those adopted in these consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

1.8 Investments in subsidiary companies

Investments in subsidiary companies are carried at cost less accumulated impairment losses, where applicable.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; and
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.9 Inventories

Inventories are valued 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 costs necessary to make the sale.

The costs of inventories comprise all costs of purchase, costs of conversion and other costs net of discounts incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in, first out formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are 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

1. Accounting policies (continued)

1.9 Inventories (continued)

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 the inventories recognised as an expense in the period in which the reversal occurs.

1.10 Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the balance sheet at an amount equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Any direct cost incurred in negotiating or arranging a lease is added to the cost of the asset. The discount rate used in calculating the present value of minimum lease payments is the rate implicit in the lease.

Capitalised leased assets are accounted for as property, plant and equipment. They are depreciated using the straight-line basis.

Finance lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are charged to operating costs as they become due.

1.11 Deferred taxation

Deferred tax is accounted for using the balance sheet liability method, in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition [other than in a business combination] of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

1.12 Current taxation

The taxation currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current taxation is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

1.13 Deferred expenditure and revenues

Where costs have been incurred and revenue received prior to the implementation of a project, these are capitalised and recognised over the implementation period of the project.

1. Accounting policies (continued)

1.14 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If a present obligation does not exist, the provision is not raised but rather treated as a contingent liability.

Provisions for future expenses are not raised, unless supported by an onerous contract, being a contract in which unavoidable costs will be incurred in meeting contract obligations in excess of the economic benefits expected to be received from the contract.

Contingent assets and contingent liabilities are not recognised.

1.15 Revenue

Revenue is the aggregate of the turnover of subsidiaries and is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of the business, net of rebates, discounts and sales related taxes.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the enterprise and the revenue and costs incurred or to be incurred in respect of the transaction can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Software, outsourcing and services revenue

Revenue from the sale of computer software, outsourcing or services is recognised when the sale, outsourcing or services takes place.

Hardware sales

Revenue from the sale of computer hardware is recognised when the significant risks and rewards of ownership are transferred to the buyer.

Maintenance revenue

Revenue is recognised over the period of the maintenance contract entered into by the group.

Deferred revenue

Amounts received in advance for future maintenance and services are raised as a deferred revenue liability on the balance sheet and recognised over the period the maintenance and services are performed.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

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 related costs of providing services recognised as revenue in the current period are included in cost of sales.

1.17 Borrowing costs

Borrowing costs are not capitalised but recognised in the income statement in the period incurred.

1.18 Dividends

Dividends are accounted for on the date of declaration and are not accrued as a liability in the financial statements until declared.

1. Accounting policies (continued)

1.19 Taxation

Income taxation expense represents the sum of the taxation currently payable and deferred taxation.

1.20 Operating leases

Rentals payable under operating leases are recognised as an expense on a straight-line basis over the term of the relevant lease.

1.21 Share-based payment transactions

An expense is recognised where the group receives goods or services in exchange for shares or rights over shares or in exchange for other assets equivalent in value to a given number of shares or rights over shares.

Employees, including directors, of the group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares.

The cost of equity-settled transactions with employees is measured by reference to the value at the date at which they are granted. The fair value is determined by an external valuer using an adjusted binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the group. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, on a straight-line basis over the period in which the non-market performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

1.22 Post retirement benefits

There are no post retirement benefits due to current and retired employees.

1.23 Defined contribution plans

Contributions in respect of defined contribution plans are recognised as an expense in the year to which they relate.

1.24 Short-term employee benefits

The cost of short-term employee benefits is recognised in the period in which the services are 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.

1.25 Foreign currency transactions

Foreign currency denominated assets and liabilities are translated into South African Rands at rates of exchange ruling at the period end.

1. Accounting policies (continued)

1.25 Foreign currency transactions (continued)

Transactions in foreign currencies are accounted for at the rate of exchange ruling on the date of the transaction.

Gains and losses are included in profit and loss.

Currency forward contracts are fair valued at each reporting date.

On consolidation, the assets and liabilities of the group's overseas entities are translated at exchange rates ruling on the balance sheet date. Income and expense items are translated at the exchange rate on day of transaction for the period. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

1.26 Impairment

At each balance sheet date the group assesses whether there is an indication that an asset may be impaired. If any such indication exists, the asset is tested for impairment by estimating the recoverable amount of the related asset. Irrespective of whether there is any indication of impairment, an intangible asset with an indefinite useful life, intangible assets not yet available for use and goodwill acquired in a business combination are tested for impairment on an annual basis.

When performing impairment testing, the recoverable amount is determined for the individual asset for which an objective indication of impairment exists. If the asset does not generate cash inflows from continuing use that are largely independent from other assets or groups of assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

A reversal of an impairment of assets, carried at cost less accumulated amortisation, other than goodwill, is recognised immediately in profit and loss – subject to the restriction that the carrying amount of the asset at the date the impairment is reversed, shall not exceed what the amortised cost would have been had the impairment not been recognised.

1.27 Financial instruments

Financial assets and financial liabilities are recognised on the group's balance sheet when the group has become a party to contractual provisions of the instrument.

Purchases and sales of financial instruments are recognised at fair value, less transactional costs on trade date, being the date on which the group commits to purchase or sell the instrument.

Any change in the fair value of the asset to be received during the period between the trade date and settlement date is not recognised for assets carried at cost or amortised cost, other than impairment losses.

Loans and receivables

Loans and receivables are stated at amortised cost. Amortised cost represents the original invoice amount less principal repayments received, the impact of discounting to net present value and a provision for impairment, where applicable.

The provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the loan receivable.

Trade receivables

Trade receivables are recognised at fair value, and are subsequently measured at amortised cost using the effective interest rate method where appropriate.

The provision for impairment for trade receivables is established where there is objective evidence that the group will not be able to collect all amounts due in accordance with the original terms of the credit given and includes an assessment of recoverability based on historical trend analysis and events that exist at the balance sheet date.

1. Accounting policies (continued)

1.27 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Cash and cash equivalents comprise cash on hand, 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.

All short-term cash investments are invested with major financial institutions in order to manage credit risk.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Equity instruments

Equity instruments are recorded at the proceeds received, net of direct issue costs.

If the company re-acquires its own equity instruments, those treasury shares are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

Non-trading financial liabilities

Non-trading financial liabilities are recognised at amortised cost. Amortised cost represents the original debt less principal payments made, the impact of discounting to net present value and amortisation of related costs, where applicable.

Trade payables

Trade payables are liabilities to pay for goods and services that have been received or supplied and have been invoiced or formally agreed with the supplier. Trade payables are recognised at fair value, and are subsequently measured at amortised cost.

Non-trading financial asset investments

Non-trading financial asset investments are stated at fair value. Resulting gains or losses are recognised as a fair value reserve in the statement of changes in equity until the asset is disposed of or impaired, when the cumulative gain or loss is recognised in the income statement.

GROUP	Software R'000	Computer equipment R'000	Leasehold improvements R'000	Motor vehicles R'000	Furniture and fittings R'000	Office equipment R'000	Total R'000
2. Property, plant and equipment							
2007							
Cost – owned							
Opening balance	4 589	19 901	–	878	3 843	4 505	33 716
Additions	1 103	4 036	313	–	1 132	628	7 212
Disposals	(88)	(1 130)	(235)	(3)	(236)	(324)	(2 016)
Acquisition via business combination	321	713	–	40	866	175	2 115
Reclassifications	(910)	(1 066)	2 209	(727)	(286)	(2 066)	(2 846)
Closing balance	5 015	22 454	2 287	188	5 319	2 918	38 181
Accumulated depreciation – owned							
Opening balance	3 814	15 018	–	331	1 699	2 013	22 875
Depreciation	921	2 965	305	57	629	514	5 391
Disposals	(87)	(713)	(111)	61	(200)	(423)	(1 473)
Reclassifications	(910)	(889)	691	(261)	(41)	(547)	(1 957)
Closing balance	3 738	16 381	885	188	2 087	1 557	24 836
Cost – leased							
Opening balance	–	–	2 209	–	–	–	2 209
Additions	–	–	–	503	–	147	650
Disposals	–	–	–	(887)	–	–	(887)
Acquisition via business combination	–	301	–	1 251	–	–	1 552
Reclassifications	910	1 066	(2 209)	727	286	2 066	2 846
Closing balance	910	1 367	–	1 594	286	2 213	6 370
Accumulated depreciation – leased							
Opening balance	–	–	691	–	–	–	691
Depreciation	–	276	–	360	48	430	1 114
Disposals	–	–	–	(142)	–	–	(142)
Reclassifications	910	889	(691)	261	41	547	1 957
Closing balance	910	1 165	–	479	89	977	3 620
Net book value 31 July 2007	1 277	6 275	1 402	1 115	3 429	2 597	16 095

Certain property, plant and equipment is encumbered, please refer note 13 on long-term loans.

GROUP	Software R'000	Computer equipment R'000	Leasehold improve-ments R'000	Motor vehicles R'000	Furniture and fittings R'000	Office equipment R'000	Total R'000
2. Property, plant and equipment (continued)							
2006							
Cost – owned							
Opening balance	4 118	15 389	–	721	2 817	2 577	25 622
Additions	499	3 421	–	356	751	2 359	7 386
Acquired via business combination	–	584	–	–	280	17	881
Disposals	(28)	(453)	–	(199)	(4)	(444)	(1 128)
Foreign currency translation	–	20	–	–	(1)	(4)	15
Reclassifications	–	940	–	–	–	–	940
Closing balance	4 589	19 901	–	878	3 843	4 505	33 716
Accumulated depreciation – owned							
Opening balance	2 444	11 848	–	372	1 183	1 428	17 275
Depreciation	1 398	2 791	–	124	518	794	5 625
Disposals	(28)	(49)	–	(165)	(2)	(209)	(453)
Foreign currency translation	–	(11)	–	–	–	–	(11)
Reclassifications	–	439	–	–	–	–	439
Closing balance	3 814	15 018	–	331	1 699	2 013	22 875
Cost – leased							
Opening balance	–	940	373	–	–	–	1 313
Additions	–	–	1 733	–	–	–	1 733
Reclassifications	–	(940)	103	–	–	–	(837)
Closing balance	–	–	2 209	–	–	–	2 209
Accumulated depreciation – leased							
Opening balance	–	439	292	–	–	–	731
Depreciation	–	–	297	–	–	–	297
Reclassifications	–	(439)	102	–	–	–	(337)
Closing balance	–	–	691	–	–	–	691
Net book value							
31 July 2006	775	4 883	1 518	547	2 144	2 492	12 359

Certain property, plant and equipment is encumbered, please refer note 13 on long-term loans.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
3. Goodwill and other intangible assets				
Goodwill – Cost				
Opening balance	82 048	74 970	–	–
Business combinations				
– Vendor price adjustment	(1 329)	–	–	–
– Provisional initial accounting	15 259	7 078	–	–
– Prior year initial accounting now finalised	(2 410)	–	–	–
– Other adjustments	827	–	–	–
Closing balance	94 395	82 048	–	–
Impairment of goodwill				
Opening balance	3 348	3 348	–	–
Impairment of goodwill	–	–	–	–
Closing balance	3 348	3 348	–	–
Intangibles – cost				
Opening balance	–	–	–	–
Business combinations				
– Other adjustments	4 225	–	–	–
– Prior year initial accounting now finalised	2 410	–	–	–
Closing balance	6 635	–	–	–
Amortisation of intangibles				
Opening balance	–	–	–	–
Amortisation of intangible	1 222	–	–	–
Closing balance	1 222	–	–	–
	96 460	78 700	–	–
4. Investment in associate companies				
AMC IT Services (Proprietary) Limited	99	178	–	–
Invasion IT (Proprietary) Limited	149	240	–	–
Guideline (Proprietary) Limited	777	–	–	–
SMB Solutions (Proprietary) Limited	700	–	–	–
Less: Impairment provision	(700)	–	–	–
Closing balance	1 025	418	–	–
Directors' valuation	1 025	418	–	–

Investment in associates comprise the following entities:

AMC IT Services (Proprietary) Limited
The group holds 32,5% of the voting rights of this entity and exercises significant influence over the entity. The accounting year end of the associate is 30 June 2007.

Invision IT (Proprietary) Limited
The group holds 50% of the voting rights of this entity, exercises significant influence but does not exercise control over the entity. The accounting year end of the associate is 31 July 2007.

Guideline (Proprietary) Limited
The group holds 30% of the voting rights of this entity, exercises significant influence but does not exercise control over the entity. The accounting year end of the associate is 28 February 2007.

SMB Solutions (Proprietary) Limited
The group holds 30% of the voting rights of this entity, exercises significant influence but does not exercise control over the entity. The accounting year end of the associate is 28 February 2007.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
4. Investment in associate companies (continued)				
Summary financial information				
AMC, Invision IT, Guideline and SMB				
Assets	21 446	8 988	–	–
Liabilities	19 152	7 252	–	–
Revenue	69 031	76 817	–	–
Net profit after tax	148	957	–	–
5. Interest in subsidiary companies				
Investment in subsidiary companies				
Shares at cost	–	–	95 701	95 549
Impairment provision	–	–	(1 073)	(1 073)
	–	–	94 628	94 476
Loan from group companies				
Loans to group companies	–	–	39 265	29 081
Loans from group companies	–	–	(69 596)	(59 393)
	–	–	(30 331)	(30 312)
Amounts due from subsidiary companies are unsecured, interest free and do not have any fixed repayment terms. [Details of subsidiaries are reflected in Annexure A.]				
6. Loans receivable				
Loans at cost				
Vendor loan receivable	1 212	–	–	–
Dicoll Panoptican (Proprietary) Limited	273	–	–	–
EOH Consulting Botswana (Proprietary) Limited	1 044	–	–	–
Invision IT (Proprietary) Limited	451	430	–	–
Vebus Business Systems CC	132	132	–	–
SMB Solutions (Proprietary) Limited	1 410	–	–	–
	4 522	562	–	–
Impairment of loans				
Opening balance	–	–	–	–
Arising via business combination – SMB Solutions (Proprietary) Limited	1 410	–	–	–
Impairment of loan – EOH Consulting (Botswana) (Proprietary) Limited	461	–	–	–
	1 871	–	–	–
Closing balance	2 651	562	–	–

The loans are unsecured, interest free and have no fixed terms of repayment.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
7. Deferred taxation assets/(liabilities)				
Balance at beginning of the year	**6 589**	4 889	**(167)**	(137)
Income statement movement	**1 947**	1 362	**167**	(30)
Businesses/subsidiaries acquired	**494**	338	**–**	–
Balance at end of the year	**9 030**	6 589	**–**	(167)
Provision for taxation on temporary differences resulting from:				
– provisions and allowances	**1 125**	2 943	**–**	–
– property, plant and equipment	**(11)**	–	**–**	–
– leased assets	**817**	1 115	**–**	–
– leased liabilities	**(963)**	(1 176)	**–**	–
– prepaid expenses	**(1 085)**	(524)	**–**	(30)
– other intangible assets	**(661)**	(661)	**–**	(137)
– assessed losses	**1 076**	–	**–**	–
– deferred revenue	**8 178**	4 526	**–**	–
– projects	**554**	366	**–**	–
	9 030	6 589	**–**	(167)
Comprising				
– assets	**11 750**	8 950	**–**	–
– liabilities	**(2 720)**	(2 361)	**–**	(167)
	9 030	6 589	**–**	(167)
Deferred tax assets have been raised to the value of R1 076 000 (2006: RNil) in respect of estimated assessed losses.				
No deferred tax asset was raised on estimated assessed losses amounting to R5 772 693 (2006: R1 372 694) due to the unpredictability of future profit streams.				
8. Inventories				
Consumables and replacement spares	**2 181**	1 875	**–**	–
Merchandise for resale	**9 603**	585	**–**	–
	11 784	2 460	**–**	–
9. Trade and other receivables				
Trade receivables	**168 760**	132 563	**–**	–
Provision for doubtful debts and credit notes	**(11 242)**	(13 438)	**–**	–
Prepaid expenses	**3 496**	1 558	**350**	101
Other receivables	**3 744**	3 701	**–**	7
	164 758	124 384	**350**	108
10. Share capital and premium				
Share capital				
Authorised				
100 000 000 ordinary shares of 1 cent each	**1 000**	1 000	**1 000**	1 000
Issued				
Opening balance	**604**	501	**706**	513
Share issues	**20**	193	**20**	193
Movement in treasury shares	**5**	(4)	**–**	–
The EOH Share Trust	**3**	6	**–**	–
The EOH Mthombo Trust	**–**	(92)	**–**	–
Closing balance	**632**	604	**726**	706

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
10. Share capital and premium (continued)				
Share capital (continued)				
Number of shares				
Opening balance	**70 537**	51 267	**70 537**	51 267
Share issues	**2 016**	19 270	**2 016**	19 270
Closing balance	**72 553**	70 537	**72 553**	70 537
The unissued ordinary shares are under the control of the directors until the next annual general meeting, subject to the provisions of section 221 of the Companies Act and the requirements of the JSE. The directors are only authorised to issue up to an aggregate maximum of 10% of the issued share capital in a financial year.				
Share premium				
Opening balance	**40 792**	10 797	**67 594**	12 249
Share issues	**2 050**	55 345	**2 050**	55 345
Movement in treasury shares	**2 668**	(2 671)	**–**	–
The EOH Share Trust	**331**	180	**–**	–
The EOH Mthombo Trust	**–**	(22 859)	**–**	–
Closing balance	**45 841**	40 792	**69 644**	67 594
Reconciliation of consolidated issued shares				
Issued and fully paid	**72 553**	70 537		
Shares due to The EOH Share Trust	**516**	512		
Shares held by The EOH Mthombo Trust	**(9 180)**	(9 180)		
Treasury shares held by V55 Investments (Proprietary) Limited	**(109)**	(573)		
	63 780	61 296		
11. Other reserves				
Revaluation reserve				
Opening balance	**9 711**	4 878	**–**	–
Movement in treasury shares	**405**	269	**–**	–
Effect of consolidating The EOH Share Trust	**(1 160)**	(53)	**–**	–
Share-based payments	**3 577**	4 617	**–**	–
Closing balance	**12 533**	9 711	**–**	–
The share-based payment reserve represents the total cost recognised for the group's equity-settled share-based payments.				
Translation reserve				
Opening balance	**(179)**	(169)	**–**	–
Currency translation differences	**–**	(10)	**–**	–
Closing balance	**(179)**	(179)	**–**	–
The foreign currency translation reserve is the result of exchange differences arising from the translation of the group's foreign subsidiary company to Rand, being the functional currency of the holding company.				
Total carrying value of other reserves	**12 354**	9 532	**–**	–

12. Share-based payments

Equity-settled Share Ownership Schemes

The group operates three different schemes to encourage and facilitate share ownership amongst its employees. These schemes are consolidated in terms of the JSE Listings Requirements.

The EOH Share Trust

These shares were allocated to staff, on a deferred delivery basis, at the listing of EOH at par value and were exercisable 30%, 20%, 20% and 30%, in years 1, 2, 3 and 4 respectively.

The EOH Share Option Scheme

These share options vest in equal tranches of 25% per annum on the second, third, fourth and fifth anniversaries of issue respectively.

The EOH Mthombo Trust

Established in the previous financial year to promote share ownership within the PDI employee base of the group, the EOH Mthombo Trust grants options to PDI employees which vest one-third on the third, fourth and fifth anniversaries of issue respectively.

	EOH Share Trust	EOH Share Option Scheme	EOH Mthombo Trust
Opening balance	**778 479**	**5 686 250**	**4 847 200**
Granted	–	1 870 000	1 652 120
Exercised	(340 546)	(1 701 250)	–
Forfeited	–	(832 500)	(1 379 200)
Closing balance	**437 933**	**5 022 500**	**5 120 120**
Exercisable	437 933	1 441 250	–

The group elected to apply the share-based payment exemption, accordingly it applied IFRS 2 from the transition date to those share options that were issued after 7 November 2002 but that had not vested by 1 January 2005.

Those shares subject to IFRS 2 have been valued using a binomial model, the inputs into this model included the following:

	EOH Share Trust	EOH Share Option Scheme	EOH Mthombo Trust
Grant date	2002/12/01	2003/06/06 to 2007/06/01	2005/12/01 to 2007/07/16
Option price [cents]	1	83 to 529	279 to 507
Weighted price [cents]	1	254	328
Expiry date	2009/11/30	2013/06/05 to 2017/05/31	2012/11/30 to 2015/07/15
Expected volatility [%]	36,4	40,2 to 46,5	39,9 to 42,7
Expected dividend yield [%]	2,6	2,1 to 5,2	2,1 to 2,6

The volatility of the share price at issue date was determined using the share trading history for EOH prior to issue date and the risk-free rate applied was the zero-swaps curve at date of grant of option.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
13. Long-/Short-term loans				
Amounts due to vendors	**12 256**	13 319	**119**	119
The amounts due to vendors represents the expected purchase consideration owing in respect of acquisitions and will be settled through the issue of shares and/or cash resources when the relevant profit warranties have been fulfilled.				
The amounts owing are interest free.				
Secured				
Industrial Development Corporation of South Africa Limited	**–**	1 235	**–**	
Finance lease	**3 155**	2 976	**–**	–
Finance leases secured by movable assets as detailed in note 2. Repayable in monthly instalments of R123 195 (2006: R404 267) including interest at prime overdraft rates (2005: prime).				
Total liability	**15 411**	17 530	**119**	119
Current portion of long-term borrowings	**(8 482)**	(15 621)	**(119)**	(119)
Total long-term borrowings	**6 929**	1 909	**–**	–
Payable in two years but no later than five	**6 929**	1 909	**–**	–
14. Trade and other payables				
Trade payables	**69 494**	40 922	**50**	103
Accruals	**81 296**	56 769	**6**	110
Deferred revenue	**38 674**	36 102	**–**	–
Shareholders for dividends	**33**	48	**33**	1 105
	189 497	133 841	**89**	1 318
15. Capital commitments				
Approved by directors in respect of property, plant and equipment				
– Contracted for	**2 836**	1 000	**–**	–
– Not contracted for	**6 110**	2 500	**–**	–
	8 946	3 500	**–**	–

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
16. Operating lease commitments				
Future lease charges for premises, equipment and office furniture				
– Payable within one year	**5 454**	3 227	**–**	–
– Payable in two years but not later than five	**4 403**	5 292	**–**	–
	9 857	8 519	**–**	–
Subsequent to year end, new leases have been entered and existing leases have been renewed. As a result of this the future lease changes at year end, incorporating these are:				
– Payable within one year	**1 133**	–	**–**	–
– Payable in two years but not later than five	**1 982**	–	**–**	–
	3 115	–	**–**	–
17. Revenue				
Software and maintenance	**210 140**	195 493	**–**	–
Hardware	**101 054**	12 473	**–**	–
Services	**392 479**	295 326	**–**	–
	703 673	503 292	**–**	–
18. Other expenses				
Other expenses include the following items:				
Auditor's remuneration				
– Services	**(251)**	(432)	**–**	(224)
Consulting fees	**(1 056)**	(2 101)	**–**	–
Contributions to defined contribution fund	**(10 293)**	(13 263)	**–**	–
Foreign exchange losses	**(1 189)**	(2 134)	**–**	–
Foreign exchange gains	**1 979**	2 758	**–**	–
Operating lease charges				
– land and buildings	**(6 194)**	(7 516)	**–**	–
– vehicles and equipment	**(353)**	(475)	**–**	–
– IAS 17 adjustment	**(95)**	(243)	**–**	–
Profit on sale of assets	**187**	–	**–**	–
Number of employees	**1 124**	1 004	**–**	–
19. Finance costs				
Interest paid	**(1 018)**	(1 174)	**–**	(24)
Interest on obligations under finance leases	**(319)**	(274)	**–**	–
	(1 337)	(1 448)	**–**	(24)

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
20. Investment income				
Interest received				
– bank	2 555	1 400	–	–
– other	191	556	5	6
	2 746	1 956	5	6

	Remuneration R'000	Bonuses R'000	Contributions to provident fund R'000	Directors' fees R'000	Gain on share options exercised R'000	Total R'000
21. Directors' emoluments						
Directors' emoluments paid by subsidiary						
2007						
Executive directors						
Asher Bohbot	1 287	600	113	–	–	2 000
Ken Cullinan	979	462	21	–	830	2 292
Steven Evans	894	350	66	–	–	1 310
Lucky Khumalo	1 200	700	–	–	–	1 900
Nkosinathi Khumalo	1 260	380	–	–	–	1 640
John King	693	–	53	–	707	1 453
Dion Ramoo	1 008	–	36	–	621	1 665
Rob Sporen	970	350	–	–	170	1 490
Jane Thomson	950	290	–	–	–	1 240
	9 241	3 132	289	–	2 328	14 990
Non-executive directors						
Dr Mathews Phosa	–	–	–	667	–	667
	9 241	3 132	289	667	2 328	15 657
2006						
Executive directors						
Asher Bohbot	1 056	–	168	–	4 719	5 943
Antonio Cocciante	74	483	6	–	–	563
Ken Cullinan	907	175	36	–	358	1 476
Steven Evans	670	–	80	–	–	750
John King	1 023	220	90	–	679	2 012
Lucky Khumalo	880	480	–		–	1 360
Nkosinathi Khumalo	1 130	240	–		–	1 370
Rob Sporen	912	400	–	–	1 657	2 969
Dion Ramoo	886	185	61	–	424	1 556
Jane Thomson	872	367	–	–	817	2 056
	8 410	2 550	441	–	8 654	20 055
Non-executive directors						
Dr Mathews Phosa	–	–	–	617	–	617
	8 410	2 550	441	617	8 654	20 672

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
22. Taxation				
Comprising:				
South African normal taxation:	23 890	18 759	37	27
Current year	26 385	19 679	(9)	27
Prior year	(2 495)	(920)	46	–
Deferred taxation:	(1 947)	(1 362)	(167)	30
Current year	(3 622)	(1 335)	(167)	30
Prior year	1 675	(27)	–	–
Secondary taxation on companies	1 256	984	–	–
	23 199	18 381	(130)	57
Reconciliation of tax rate:	%	%	%	%
Standard rate of taxation	29,00	29,00	29,00	29,00
Assessed losses not provided for	1,78	0,70	5,96	6,50
Assessed losses utilised	(1,46)	–	(2,81)	–
Disallowable expenses	2,14	3,10	–	–
Non-taxable income	–	–	(33,67)	(35,00)
Prior year tax adjustments	(1,13)	(1,70)	–	0,40
Deferred tax rate change	–	–	–	–
Secondary taxation on companies	1,74	1,80	–	–
Effective rate of taxation	32,07	32,90	(1,52)	0,90
	R'000	R'000	R'000	R'000
23. Earnings per share				
Profit for the year	49 038	37 457	8 647	6 402
Attributable to minority interests	109	–	–	–
Profit for the purposes of basic earnings per share and diluted earnings per share	49 147	37 457	8 647	6 402
Earnings per share (cents)	78,7	63,4	13,9	10,8
Fully diluted earnings per share (cents)	69,6	54,5	12,3	9,3
Headline earnings per share				
Earnings for the purposes of basic earnings per share	49 038	37 457	8 647	6 402
Asset impaired	131	–	–	–
Profit for the purposes of headline earnings and diluted earnings per share	49 169	37 457	8 647	6 402
Headline earnings per share (cents)	78,8	63,4	13,9	10,8
Fully diluted headline earnings per share (cents)	69,6	54,5	12,3	9,3
Weighted average number of ordinary shares for the purposes of basic earnings per share and headline earnings per share ('000)	62 423	59 118	62 423	59 118
Weighted average number of ordinary shares for the purposes of fully diluted earnings per share ('000)	70 571	68 686	70 571	68 686

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
24. Cash generated from/(utilised in) operations				
Profit before taxation	**72 346**	55 838	**8 517**	6 459
Adjusted for non-cash flow items:				
Share of losses/(profit) of associate companies	**102**	(123)	**–**	–
Impairment of loans receivable	**461**	–	**–**	–
Finance cost	**1 337**	1 448	**–**	24
Investment income	**(2 746)**	(1 956)	**(5)**	(5)
Dividends received	**–**	–	**(10 048)**	(7 871)
Profit on sale of assets	**(187)**	–	**–**	–
Depreciation	**6 506**	5 922	**–**	–
Unrealised foreign exchange losses	**27**	380	**–**	–
SARS penalties accrual	**–**	58	**–**	–
Share-based payments expense	**3 577**	4 617	**–**	–
Operating lease IFRS adjustment	**185**	243	**–**	–
Impairment of assets	**131**	–	**–**	–
Vendors for acquisition adjustment	**223**	–	**–**	–
Amortisation of intangible asset	**1 222**	–	**–**	–
	83 184	66 427	**(1 536)**	(1 393)
25. Movements in working capital				
Increase in inventories	**(9 324)**	(1 165)	**–**	–
Decrease/(increase) in trade and other receivables	**(40 375)**	(37 321)	**(242)**	(24)
(Decrease)/increase in trade and other payables	**55 476**	22 256	**(157)**	162
Business combination – working capital acquired	**(4 347)**	3 355	**–**	–
Subsidiary company now equity accounted	**587**	–	**–**	–
Business combination – adjustment to Goodwill	**(969)**	–	**–**	–
Unrealised foreign exchange losses	**(27)**	–	**–**	–
Operating lease IFRS adjustment	**(185)**	–	**–**	–
	836	(12 875)	**(399)**	138
26. Taxation paid				
Amounts owing at beginning of the year	**(8 123)**	(8 787)	**115**	127
Business combination – liability acquired	**(348)**	–	**–**	–
Current tax per income statement	**(25 146)**	(19 745)	**(37)**	(28)
Tax arising on gain via non-distributable reserve	**(164)**	–	**–**	–
Penalties/(interest) accrued	**19**	(58)	**–**	–
Amount unpaid at end of the year	**11 918**	8 123	**(47)**	(115)
	(21 844)	(20 467)	**31**	(16)
27. Dividends paid				
Dividends declared	**(8 587)**	(6 652)	**(10 048)**	(7 871)
Movement in shareholders for dividends	**(16)**	30	**(1 072)**	1 085
	(8 603)	(6 622)	**(11 120)**	(6 786)

Notes to cash flow statement

28. Net cash (outflow)/inflow from acquisitions

2007

Bromide Technologies

During the year under review, EOH acquired the business and certain investments of Bromide Technologies (Proprietary) Limited ("Bromide"), the agreement date was 1 November 2006 and the business combination was only accounted for from 1 January 2007 once control was deemed to have been obtained.

The acquisition included the following:
- 100% of the business of Bromide Technologies (Proprietary) Limited;
- 80% of the issued share capital of E-Secure (Proprietary) Limited;
- 51% of the issued share capital of Managed Print Solutions (Proprietary) Limited;
- 30% of the issued share capital of Guideline Risk Technologies (Proprietary) Limited; and
- 46% of the issued share capital of SMB Solutions (Proprietary) Limited.

The transaction was initially based on a purchase consideration of R30 million and was then revised to R28 million as a result of a separate investment of Bromide no longer being included in the transaction.

The revised purchase consideration is payable by way of settlement of vendor liabilities (R2,1 million), in cash (R13,8 million) and by way of issue of shares at R6,75 (R12,1 million).

The shares are only issuable upon the reaching of the following profit after tax ("PAT") warranties:
- R5,6 million PAT for the period ending 31 July 2007 will result in the issue of shares to the value of R5,1 million;
- R9,4 million PAT for the period ending 31 July 2007 will result in the issue of shares to the value of R7 million.

Both warranties allow for a defined adjusted value in the event of the full warranted profit not being achieved.

Subsequent to year end, it was determined that the target for the period ending 31 July 2007 had not been achieved and that no shares would be issued as purchase consideration, this will result in a purchase price adjustment in the financial year ending 31 July 2008.

The initial accounting for this business combination has been determined on a provisional basis due to the complexities around the allocation of the purchase price to the various components of the acquisition and the determination and valuation of the intangible assets arising from the business combination. No contingent liabilities were acquired as part of this transaction.

Lanmetrix (Proprietary) Limited

During the year under review, EOH acquired the shares in Lanmetrix (Proprietary) Limited ("LMX") for a total purchase consideration of R6 million. The agreement date was 1 June 2007 and was treated as a business combination from that date.

The initial accounting for this business combination has only been determined on a provisional basis due to the brief time span between concluding this transaction and the financial year end. No contingent liabilities were acquired as part of this transaction.

2006

During the previous financial year EOH acquired the business operations of Dicoll Electronics SA (Proprietary) Limited and Implement IT (Proprietary) Limited.

28. Net cash inflow/(outflow) from acquisitions (continued)

	Bromide	LMX	2007	2006
The assets and liabilities at the date of acquisition were as follows:				
Outside shareholders	169	–	**169**	–
Property, plant and equipment	(2 952)	(715)	**(3 667)**	(582)
Investments	(709)	–	**(709)**	–
Inventory	(2 763)	–	**(2 763)**	(1 251)
Trade and other receivables	(19 607)	(1 732)	**(21 339)**	(4 438)
Loans receivable	(5 245)	–	**(5 245)**	–
Cash and cash equivalents	(2 171)	(2 164)	**(4 335)**	(1 964)
Long-term borrowings	1 929	–	**1 929**	506
Deferred tax	(6)	(88)	**(94)**	(337)
Trade and other payables	26 911	1 538	**28 449**	2 333
Current tax payable	212	253	**465**	–
Net assets	(4 232)	(2 908)	**(7 140)**	(5 733)
Goodwill and other intangible assets	(16 258)	(3 092)	**(19 350)**	(6 122)
Purchase consideration	(20 490)	(6 000)	**(26 490)**	(11 855)
Shares to be issued	4 624	–	**4 624**	–
Vendors for acquisition	500	6 000	**6 500**	11 855
Cash and cash equivalents purchased	2 171	2 164	**4 335**	1 964
Net cash outflow required for acquisition	(13 195)	2 164	**(11 031)**	1 964

	Revenue	PBT*
Financial impact of above acquisitions		
For the period under review, attributable to the above acquisitions	92 021	616
For the period under review, attributable to the above acquisitions and assuming the transactions were both effected 1 August 2006	186 360	2 739

** Profit before tax ("PBT") excludes any cost of amortisation of intangibles provisionally determined under the initial purchase price allocation.*

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
29. Subsidiary company now equity accounted				
2007				
EOH Consulting (Botswana) (Proprietary) Limited				
During the year, a change in circumstances in the management and operation of the above entity resulted in management concluding that control no longer existed and that the entity no longer met the definition of a subsidiary and was therefore equity accounted. The effect of this is summarised below				
Assets and liabilities at date of change were:				
Property, plant and equipment	**266**	–	**–**	–
Trade and other receivables	**1 086**	–	**–**	–
Loans payable	**(1 044)**	–	**–**	–
Trade and other payables	**(1 672)**	–	**–**	–
Cash and cash equivalents	**1 364**	–	**–**	–
Net assets	**–**	–	**–**	–
Cash and cash equivalents no longer consolidated	**(1 364)**	–	**–**	–
Net cash effect	**(1 364)**	–	**–**	–

30. Dividends

The directors have declared a dividend of 20 cents (2006: 14 cents) which will be paid to shareholders recorded in the books at the close of business on Friday, 26 October 2007.

31. Financial instruments

The group's non-derivative financial instruments consist mainly of deposits with banks, accounts receivable and payable, interest bearing debt and loans to and from subsidiaries and associate companies.

Credit risk management

The group only deposits cash surpluses with major banks of high quality credit standing.

Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis.

At year end, the group did not consider there to be any significant concentration of credit risk, which has not been adequately provided for.

Interest rate risk

The group adopts a policy of ensuring that its borrowings are at market related rates to address its interest rate risk and that fluctuations in market related rates do not have a material impact on profit and loss.

Liquidity risk

The group has minimised its illiquidity risk by ensuring that it has adequate banking facilities and reserve borrowing capacity. Cashflow forecasts are prepared and adequate utilised borrowing facilities are monitored through ongoing review of future commitments and credit facilities.

Fair values

The fair values of all financial instruments are substantially identical to the carrying value reflected in the balance sheet.

Currency risk

The group does not have a standard policy regarding foreign exchange contracts. These are utilised at management's discretion. Foreign revenue is set off against foreign royalty payments.

Details of uncovered foreign denominated assets and liabilities at year end are:

		2007			2006		
	Currency	Foreign amount	Exchange rate at year end	R'000	Foreign amount	Exchange rate at year end	R'000
Uncovered receivables	USD	1 458	7,10	10 351	329	6,88	2 264
Uncovered receivables	GBP	–	–	–	95	12,82	1 218
Uncovered receivables	EU	1	9,67	12	–	–	–
Uncovered receivables	AUD	–	–	–	72	5,26	379
Uncovered receivables	BWP	21	1,15	24	–	–	–
Uncovered receivables	MUR	163	0,24	39	–	–	–
Uncovered payables	USD	1 299	7,13	9 265	1 309	6,88	9 006
Uncovered payables	GBP	–	–	–	3	12,82	38
Uncovered payables	AUD	2	6,12	14	–	–	–
Uncovered payables	BWP	335	1,15	385	–	–	–

32. Retirement benefit information

The group contributed to defined contribution funds until 28 February 2007, whereafter membership of the funds was terminated. These funds were registered under and governed by the Pension Funds Act, 1956 as amended. Substantially all of the group's employees belonged to the funds and all members paid a contribution to the funds, with the group making a similar contribution.

All group funds which were terminated are now being liquidated and the funds will be distributed directly to members. The group is now a member of a corporate retirement scheme, to which employees may elect to make retirement contributions. Employees are however obliged to become members of the group benefit scheme, providing certain minimum death and disability benefits.

33. Related party transactions

The subsidiaries within the group are identified in Annexure A.

All of these entities, together with EOH Consulting (Botswana) (Proprietary) Limited, are related parties of the company.

All purchasing and selling transactions with related parties are concluded at arm's length and eliminated at group level, Group policy is that all intercompany debtors and creditors (other than loans) be settled at period end.

34. Subsequent events

Subsequent to year end:

- EOH has entered into an agreement to acquire the business operations of E-Prime Solutions.
- EOH has succeeded with a claim that had proceeded to arbitration, the related counter-claim against EOH was also dismissed.

Other than for the events noted above and in the annual report, no material event or transaction has occurred subsequent to 31 July 2007 that warrants adjustment to, or notification in, the annual financial statements.

35. Contingent liabilities

There are certain claims from clients relating to claims prior to acquisition of a subsidiary and the directors are of the opinion that these claims are not valid and are defendable. Where the risk of an award exists, the company has an equivalent counter-claim against the vendor of the subsidiary and/or group insurers in respect of these claims. Subsequent to year end (refer above) one of these claims has been settled in the company's favour.

Furthermore, there exist 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 nil recovery, management makes appropriate doubtful debt or credit note provisions.

36. Segmental reporting

An analysis of the business units and geographical split of the group reveals that the business operations are closely integrated and that substantially all revenue is generated in South Africa, therefore, a segmental analysis will provide little additional information and be of no benefit to users.

37. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related results. The most significant estimates and assumptions made in the preparation of these consolidated financial statements are discussed below:

Estimation of the fair value of share options

Assumptions were made in the valuation of the group's share options.

The group also makes estimates for:

- The calculation of the provision for doubtful debts and credit notes;
- The determination of useful lives and residual values of items of property, plant and equipment;
- The calculation of the provision for obsolete inventory;
- The calculation of any provision for claims, litigation and other legal matters;
- The calculation of any provisions for bonuses;
- The assessment of impairments and the calculation of the recoverable amount of assets; and
- The calculation of the fair value of assets, identifiable intangible assets and contingent liabilities on acquisition of businesses.

ANNEXURE A – SUBSIDIARY COMPANIES

at 31 July 2007

Name of company	Country of incorporation	Issued share capital 2007 R'000	Issued share capital 2006 R'000	Effective shareholding 2007 %	Effective shareholding 2006 %	Cost of shares 2007 R'000	Cost of shares 2006 R'000	Book value of company interest and indebtedness 2007 R'000	Book value of company interest and indebtedness 2006 R'000
Direct subsidiaries									
EOH Mthombo (Proprietary) Limited	South Africa	0,1	0,1	100	100	1 795	1 795	(43 600)	(32 646)
Enterprise Logistics Solutions (Proprietary) Limited	South Africa	0,1	0,1	100	100	–	–	25	25
Enterprise Implementation Solutions (Proprietary) Limited	South Africa	0,3	0,3	100	100	–	–	–	–
Technolease (Proprietary) Limited	South Africa	0,8	0,8	100	100	8	8	(8)	(8)
Enterprise Softworks (Proprietary) Limited	South Africa	9,0	9,0	100	100	–	–	3 150	1 100
V55 Investments (Proprietary) Limited	South Africa	0,1	0,1	100	100	–	–	2 307	(1 798)
Jent Solutions (Proprietary) Limited	South Africa	0,1	0,1	100	100	–	–	–	–
Enterprise 21 Solutions (Proprietary) Limited	South Africa	0,1	0,1	100	100	–	–	–	–
EOH Consulting Services (Western Cape) (Proprietary) Limited	South Africa	0,1	0,1	100	100	3 270	3 270	–	–
EOH Consulting (Proprietary) Limited	South Africa	1,0	1,0	100	100	43 846	43 846	(19 003)	(19 885)
Intellient (Proprietary) Limited	South Africa	1,0	1,0	100	100	7 140	7 140	948	(3 055)
Mthombo IT Services (Proprietary) Limited	South Africa	0,5	0,5	100	100	39 642	39 490	2 000	(2 000)
Enterweb (Proprietary) Limited	South Africa	1,0	1,0	100	100	–	–	–	–
ESP Solutions (Proprietary) Limited	South Africa	0,1	0,1	100	100	–	–	–	–
Axia Business Solutions (Proprietary) Limited	South Africa	1,0	1,0	100	100	–	–	–	–
Enterweb (Proprietary) Limited	South Africa	1,0	1,0	100	100	–	–	–	–
EOH Abantu (Proprietary) Limited	South Africa	1,0	–	100	100	–	–	–	–
Indirect subsidiaries									
EOH Consulting Services KZN (Proprietary) Limited	South Africa	0,1	0,1	100	100	–	–	–	–
EOH Impacting Consulting Services (Proprietary) Limited	South Africa	0,6	0,6	100	100	–	–	–	–
EOH Academy (Proprietary) Limited	South Africa	1,0	1,0	100	100	–	–	–	–
Enterprise Scheduling (Proprietary) Limited	South Africa	0,1	0,1	100	100	–	–	2 700	2 700
MPS (Proprietary) Limited	South Africa	0,1	–	51	–				
E-Secure (Proprietary) Limited	South Africa	0,1	–	80	–				
EOH Consulting Services (Eastern Cape) (Proprietary) Limited	South Africa	0,1	0,1	90	90	–	–	–	–
EOH Consulting (Botswana) (Proprietary) Limited	Botswana	0,2	0,2	99	99	–	–	–	–
Lanmetrix (Proprietary) Limited	South Africa	1,0	–	100	–	–	–	–	–
Intelliware (Proprietary) Limited	South Africa	0,1	0,1	100	100	–	–	–	–
Trusts									
EOH Mthombo Trust				100	100	–	–	22 948	22 948
EOH Share Trust				100	100	–	–	(1 798)	2 307
						95 701	95 549	(30 331)	(30 312)
Less: Impairment provision						(1 073)	(1 073)	–	–
						94 628	94 476	(30 331)	(30 312)

EOH Holdings Limited

Incorporated in the Republic of South Africa
Registration number 1998/014669/06
Share code: EOH ISIN: ZAE000071072
("EOH" or "company")

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 immediately.

Notice is hereby given that the ninth Annual General Meeting of shareholders of the company will be held on Wednesday, 27 February 2008 at 10:00 in the boardroom of the company, Ground Floor, Block D, Gillooly's View, 1 Osborne Lane, Bedfordview to conduct the following business:

1) To receive, consider and adopt the annual financial statements of the company and the group for the financial year ended 31 July 2007, including the directors' report and the report of the auditors therein.

2) To elect Mr Rob Sporen, who was appointed to the board subsequent to year end.

   Rob is a Dutch National who came to South Africa in the early 1970s to assist with the introduction of television manufacturing. After a career of 14 years with Philips SA, spanning amongst others, materials management, industrial engineering, cost accounting and systems analysis, he gathered valuable experience in the software industry as the Technical Support Director for a small software agency.

   In 1987 he formed a partnership to present education courses in the field of computerised manufacturing and distribution systems. In addition, he maintained a highly successful practice as a consultant to companies seeking to implement business systems or upgrade their business processes. Rob is considered a "guru" in his field and is well known and respected in the industry and until his retirement, on 31 October 2007, he served as an executive director of EOH.

3) To re-elect Dr Mathews Phosa, who retires as a director in terms of the company policy, but being eligible to do so, offers himself for re-election.

   Dr Phosa currently holds chairman, vice-chairman and board member duties for over 10 prominent companies, including Vuka Alliance, Technikon Southern Africa Council, Value Logistics and Command Holdings. Mathews is non-executive chairman of EOH as well as Chairperson elect of UNISA since 1 January 2004. He was elected as a member of the National Executive Committee of the ANC in 1999. Mathews is an attorney by profession. He was one of the first four members of the ANC to enter South Africa in 1990 from exile to start the process of negotiations with the then National Party Government. He subsequently served as Premier of Mpumalanga from 1994 to 1999 where he pioneered planning interaction between the private sector and government. In addition, he spearheaded the practical reconciliation initiatives between government and Afrikaans speaking communities initiated by former President Nelson Mandela. Since 1999 he has served as a business consultant to various local and international businesses. He also invested in various joint ventures between white and black business entities

4) To re-elect Mr Asher Bohbot, who retires as a director in terms of the company policy, but being eligible to do so, offers himself for re-election.

Asher moved to South Africa in 1980 where he joined AECI as a senior engineer. In 1981 he joined Laminate Industries (later to be part of the PG Group) as an industrial engineering manager. In 1990 he was appointed as a logistics director. He was subsequently promoted to the position of general manager of this entity. In 1993 he was appointed to the main board of PG Bison as Executive Director of Distribution with responsibility for 30 branches around the country. In 1995, he took responsibility for Group Logistics and IT at PG Bison. Throughout his career, Asher was exposed to general business leadership, business systems and supply chain logistics, leading four major system implementations.

5) To approve the directors' remuneration for the year ended 31 July 2007 as reflected in note 21 to the annual financial statements.

6) To confirm the re-appointment of IAPA Johannesburg as independent auditors of the company for the ensuing financial year and to authorise the directors to determine the auditors' remuneration.

As special business, to consider and, if deemed fit, to pass, with or without modification, the following resolutions:

Ordinary Resolution Number 1

Control of authorised but unissued ordinary shares

7) "Resolved by way of a general authority that the authorised but unissued ordinary shares in the capital of the company be and are hereby placed under the control and authority of the directors of the company ("directors") and that the directors be and are hereby authorised and empowered to allot and issue such ordinary shares, or to issue any options in respect of such ordinary shares, to such person/s on such terms and conditions and at such times as the directors may from time to time and in their discretion deem fit, subject to the provisions of the Companies Act (Act 61 of 1973), as amended, the articles of association of the company and the Listings Requirements of JSE Limited ("JSE") from time to time."

Ordinary Resolution Number 2

Approval to issue ordinary shares, and to sell treasury shares, for cash

8) "Resolved that the directors of the company and/or 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 all or any of the authorised but unissued ordinary shares in the capital of the company; and/or
- sell or otherwise dispose of or transfer, or issue any options in respect of ordinary shares purchased by subsidiaries of the company;

for cash, as and when they in their discretion deem fit, subject to the Companies Act (Act 61 of 1973), as amended, the articles of association of the company and its subsidiaries and the Listings Requirements of JSE Limited ("JSE") from time to time.

The JSE Listings Requirements currently provide, *inter alia*, that:

- 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 number of ordinary shares issued for cash shall not in any one financial year in the aggregate exceed 10% (ten per cent) of the number of issued ordinary shares. The number of ordinary shares which may be issued shall be based, *inter alia*, on the number of ordinary shares in issue, added to those that may be issued in future (arising from the conversion of options/convertibles) at the date of such application, less any ordinary shares issued, or to be issued in future arising from options/convertible ordinary shares issued during the current financial year; plus any ordinary shares to be issued pursuant to a rights issue which has been announced, is irrevocable and is fully underwritten, or an acquisition which has had final terms announced;

- this general authority will be valid until the earlier of the company's next annual general meeting and the expiry of a period of 15 (fifteen) months from the date that this authority is given;
- a paid press announcement giving full details, including the impact on net asset value, net tangible asset value per share, earnings per share, headline earnings per share and, if applicable, diluted earnings and headline earnings per share, will be published when the company has issued ordinary shares representing, on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of ordinary shares in issue prior to the issue;
- in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price on the JSE of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities; and
- whenever the company wishes to use ordinary 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."

Under the JSE Listings Requirements, Ordinary Resolution Number 2 must be passed by a 75% majority of the votes cast in favour of the resolution by all members present or represented by proxy at the annual general meeting.

Special Resolution Number 1

General approval to repurchase shares

9) "Resolved that, as a general approval contemplated in sections 85(2) and 85(3) of the Companies Act (Act 61 of 1973), as amended ("the Act"), the acquisition by the company, and/or any subsidiary of the company, from time to time of the issued ordinary shares of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, but subject to the articles of association of the company, the provisions of the Act and the JSE Limited ("JSE") Listings Requirements, where applicable, and provided that:
   - the acquisition of securities will 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 counter party;
   - this general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond 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 by the company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten per cent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) trading days immediately preceding the date of the repurchase of such ordinary shares by the company;
   - the acquisitions of ordinary shares in the aggregate in any one financial year do not exceed 20% (twenty per cent) of the company's issued ordinary share capital from the date of the grant of this general authority;
   - the company and the group are in a position to repay their debt in the ordinary course of business for the following year;
   - the consolidated assets of the company, being fairly valued in accordance with International Financial Reporting Standards, are in excess of the consolidated liabilities of the company for the following year;
   - the ordinary capital and reserves of the company and the group are adequate for the next twelve months;
   - the available working capital is adequate to continue the operations of the company and the group in the following year;
   - upon entering the market to proceed with the acquisition, the company's Sponsor has complied with its responsibilities contained in Schedule 25 of the JSE Listings Requirements;
   - after such repurchase the company will still comply with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread requirements;
   - the company or its subsidiaries will not acquire securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;

- when the company has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% in aggregate of the initial number of that class acquired thereafter, an announcement will be made; and
- the company only appoints one agent to effect any acquisition(s) on its behalf."

Reason for and effect of Special Resolution Number 1

The reason for and effect of Special Resolution Number 1 is to authorise the company and/or its subsidiaries by way of a general authority to acquire its own issued shares on such terms, conditions and in such amounts determined from time to time by the directors of the company, subject to the limitations set out above.

The directors of the company have no specific intention to effect the provisions of Special Resolution Number 1 but will, however, continually review the company's position, having regard to prevailing circumstances and market conditions, in considering whether to effect the provisions of Special Resolution Number 1.

Other disclosure in terms of Section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosures, some of which are disclosed in the annual report of which this notice forms part, as set out below:

- Directors and management – page 20;
- Major shareholders of EOH – page 20;
- Directors' interests in securities – pages 20 – 21; and
- Share capital of the company – pages 38 – 39.

Material change

There have been no material changes in the affairs or financial position of the company and its subsidiaries since the company's financial year end and the date of this notice.

Directors' responsibility statement

The directors, whose names are given on page 20 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to Special Resolution Number 1 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 resolution contains all such information.

Litigation statement

Save as disclosed in note 35 of the financial statements, the directors whose names are given on page 20 of the annual report, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the group's financial position.

Voting and proxies

A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend, speak and vote 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 enclosed herewith.

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 other than with "own name" registration and wish to attend the annual general meeting, must instruct their CSDP or broker to provide them with the relevant Letter of Representation, or 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.

Proxy forms should be forwarded to reach the transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, at least 48 hours, excluding Saturdays, Sundays and public holidays, before the time of the meeting.

By order of the board

AEls

Mrs A Els
Company Secretary

18 January 2008
Johannesburg

CORPORATE INFORMATION

EOH Holdings Limited
Registration number 1998/014669/06
Share code: EOH
ISIN Code: ZAE000071072

Directorate
Non-executive
Dr Mathews Phosa (Chairman)
Prof Tshilidzi Marwala
Rob Sporen (Dutch)

Executive
Asher Bohbot (Chief Executive Officer)
Ken Cullinan
Steven Evans
Dion Ramoo
Lucky Khumalo
Nkosinathi Khumalo
Jane Thomson

Company secretary
Adri Els

Registered address
Block D, Gillooly's View Office Park, 1 Osborne Lane, Bedfordview, 2007

Telephone number
+27 (0) 11 607 8100

Postal address
PO Box 59, Bruma, 2026

Website
www.eoh.co.za

Auditors
IAPA Johannesburg

Transfer secretaries
Computershare Investor Services 2004 (Proprietary) Limited

Sponsor
Merchant Sponsors (Proprietary) Limited

FORM OF PROXY

EOH Holdings Limited

Incorporated in the Republic of South Africa
Registration number 1998/014669/06
Share code: EOH ISIN: ZAE000071072
("EOH" or "company")

For the use by certificated shareholders or dematerialised shareholders registered with "own name" registration only, at the 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, on Wednesday, 27 February 2008 commencing at 10:00.

Dematerialised shareholders holding shares other than with "own name" registration, 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 necessary Letter of Representation to attend the annual general meeting in person and vote or provide their CSDP or broker with their voting instructions should they not wish to attend the annual general meeting in person but wish to be represented thereat. These shareholders must not use this form of proxy.

I/We (names in block letters) ______________________________

of (address) ______________________________

Telephone work ( ) ______________ Telephone home ( ) ______________

being the holder(s) of ______________ shares in the capital of the company, do 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 act for me/us at the annual general meeting for purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof; and to abstain from voting for and/or against the resolutions in respect of the shares registered in my/our name in accordance with the following instructions:

	Number of shares		
	For	**Against**	**Abstain**
1. To receive, consider and adopt the annual financial statements of the company and the group for the financial year ended 31 July 2007			
2. To elect as a director, Mr Rob Sporen who was appointed after year end			
3. To re-elect as a director, Dr Mathews Phosa			
4. To re-elect as a director, Mr Asher Bohbot			
5. To approve the directors' remuneration for the year ended 31 July 2007			
6. To confirm the reappointment of the auditors, IAPA Johannesburg, for the ensuing financial year and to authorise the directors to determine the auditors' remuneration			
7. **Ordinary Resolution Number 1** – Control of authorised but unissued ordinary shares			
8. **Ordinary Resolution Number 2** – Approval to issue ordinary shares for cash			
9. **Special Resolution Number 1** – General approval to repurchase shares			

Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable.

Signed at ______________ on ______________ 2008

Signature ______________________________

Assisted by (if applicable) ______________________________

Each shareholder is entitled to appoint one or more proxy/ies (who need not be a shareholder of the company) to attend, speak and vote in place of that shareholder at the annual general meeting.

Please read the notes on the reverse side of this form of proxy.

NOTES

1. The form of proxy must only be used by shareholders who hold shares that are not dematerialised or who hold dematerialised shares in their "own name".
2. A shareholder entitled to attend and vote may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairperson of the annual general meeting". A proxy need not be a shareholder of the company. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each share held. A shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the shareholder in the appropriate box(es). 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.
4. A vote given in terms of an instrument of proxy shall be valid in relation to the annual general meeting notwithstanding the death of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the vote is given, unless an intimation in writing of such death, revocation or transfer is received by the transfer secretaries not less than 48 hours before the commencement of the annual general meeting.
5. 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, the proxy shall be entitled to vote as he/she thinks fit.
6. 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.
7. 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, should such shareholder wish to do so.
8. 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 or unless this requirement is waived by the chairperson of the annual general meeting.
9. 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 company.
10. Where there are joint holders of shares:
    - 10.1 any one holder may sign the form of proxy;
    - 10.2 the vote(s) of the senior shareholder (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's register of 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).
11. Forms of proxy should be lodged with or mailed to Computershare Investor Services 2004 (Proprietary) Limited:

Hand deliveries to:	**Postal deliveries to:**
Computershare Investor Services 2004	Computershare Investor Services 2004
(Proprietary) Limited	(Proprietary) Limited
Ground Floor, 70 Marshall Street	PO Box 61051
Johannesburg, 2001	Marshalltown, 2107

    to be received by no later than 10:00 on Monday, 25 February 2008 (or 48 hours before any adjournment of the annual general meeting which date, if necessary, will be notified in the press).
12. Any alteration or correction made to this form of proxy, other than the deletion of alternatives, must be initialled by the signatory/ies.

SYSTEMS make it possible...
PEOPLE make it happen!

www.eoh.co.za