EOH

06

ANNUAL

REPORT

2006

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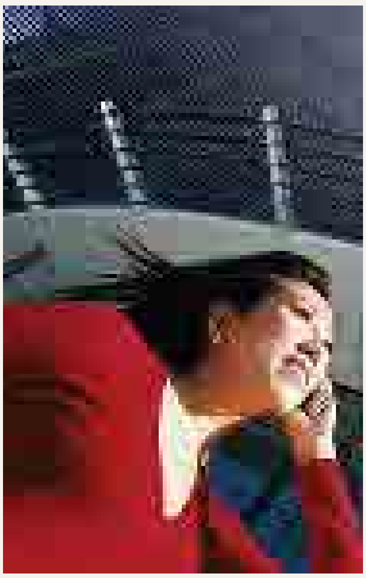

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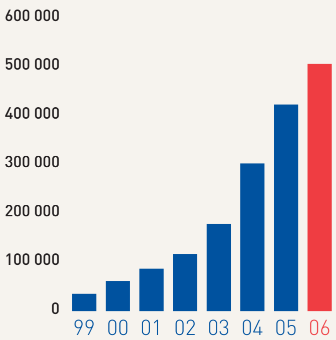
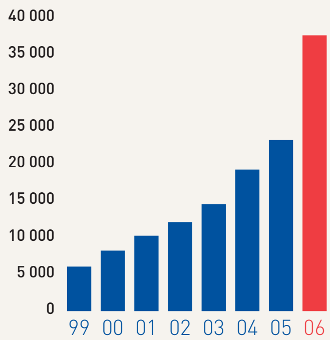
GROUP FINANCIAL HIGHLIGHTS

	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*	12 months to 31 July 2000*	12 months to 31 July 1999*
Revenue (R'000)	**503 292**	420 225	299 535	175 969	114 328	84 094	58 988	32 701
Attributable income (R'000)	**37 457**	23 166	19 134	14 395	11 958	10 109	8 073	5 892
Earnings per share (cents)	**63,4**	46,1	40,6	30,7	24,0	20,2	16,1	12,2
Headline earnings per share (cents)	**63,4**	52,7	42,8	33,1	26,2	20,5	16,1	12,2
Fully diluted earnings per share (cents)	**54,5**	37,0	36,8	29,4	21,9	19,7	15,6	11,7
Dividend per share (cents)	**14,0**	11,5	10,0	7,0	6,0	–	–	–
Cash (R'000)	**84,5**	68,4	61,7	40,4	29,6	24,9	19,0	13,2
NAV per share (cents)	**213,3**	165,3	133,3	102,8	84,3	58,2	39,9	29,5

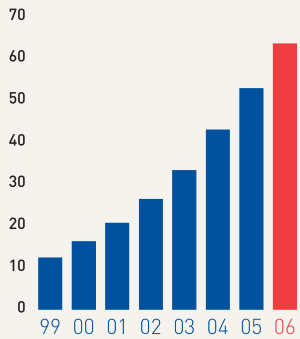
Note
* these numbers are as reported under old SAGAAP
† restated under IFRS



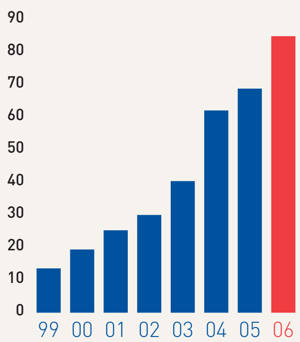
Revenue (R'000)



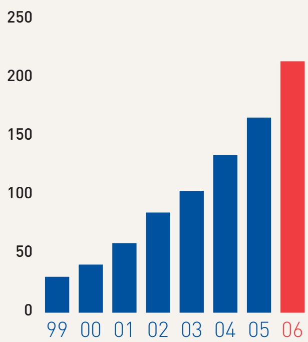
Attributable income (R'000)



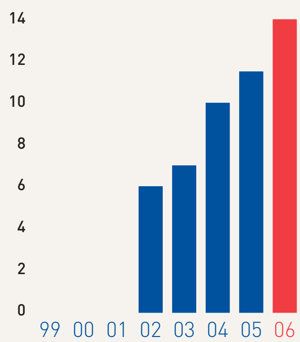
Headline earnings per share (cents)



Cash (R'000)



NAV per share (cents)



Dividend per share (cents)

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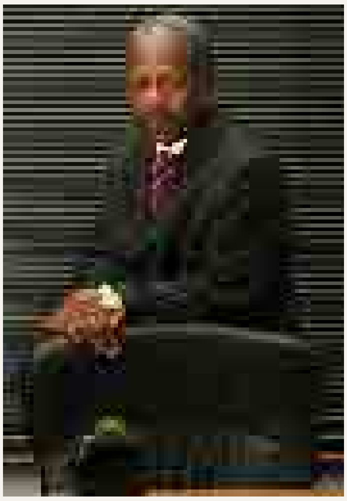
DIRECTORATE



Dr Mathews Phosa (54)

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

Asher Bohbot (54)

Chief Executive Officer
BSc Industrial Engineering, MAP
Re-appointed 26 February 2004

Kenneth Cullinan (47)

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

Steven Evans (35)

Executive Director
BAcc, CA(SA)
Appointed 3 October 200

Lucky Khumalo (37)

Executive Director
BSc (Computer Science)
Appointed 14 September 2005

Nkosinathi Khumalo (35)

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

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John King (46)

Executive Director
BComm, BAcc, CA(SA)
Appointed 30 January 2004

Dion Ramoo (41)

Executive Director
BSc Info Proc, CA(SA)
Appointed 30 January 2004

Robert Sporen (57)

Executive Director
CPIM
Re-appointed 26 February 2004

Jane Thomson (47)

Executive Director
Re-appointed 15 February 2006

Prof Tshilidzi Marwala (36)

Non-executive Director
BSc Mechanical Engineering, MSc Engineering, PhD
Appointed 22 November 2006

CONSULTING

STRATEGY & OPERATIONS CONSULTING

PROGRAMME & PROJECT SERVICES

PUBLIC SECTOR CONSULTING

CORPORATE GOVERNANCE

SUPPLY CHAIN OPTIMISATION

CHANGE MANAGEMENT

TECHNOLOGY CONSULTING

TECHNOLOGY

ENTERPRISE APPLICATIONS

BUSINESS PERFORMANCE MANAGEMENT

MANUFACTURING SYSTEMS

TECHNOLOGY ENABLEMENT

IT GOVERNANCE

BUSINESS TECHNOLOGY OPTIMISATION

OUTSOURCIING

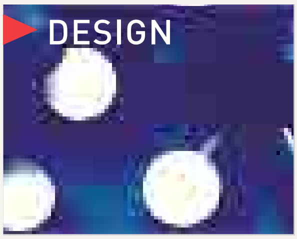
IT OUTSOURCING

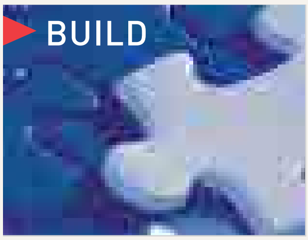
CO-SOURCING

MANAGED SERVICES

ON SITE RESOURCES

DESKTOP SUPPORT SERVICES





Asher Bohbot
Chief Executive Officer

Systems make it possible... People make it happen!

OVERVIEW

EOH has successfully completed its eighth year of existence with flying colours, with all of us at EOH proud of our achievements.

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

During the past year we delivered growth that was substantially organic, this on the back of the centralisation of our infrastructure, the roll out of a shared services business function and the continued focus on the culture and value set essential for our continued growth.

We currently represent, in Sub-Saharan Africa, leading enterprise software packages such as Infor, System21, Hyperion, Wonderware, Mercury, f5 and TEC (technologyevaluation.com).

In addition we partner with other prominent ERP vendors such as Oracle, SAP, Syspro and Microsoft.

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 in which to continue to grow.

FINANCIAL PERFORMANCE

The board is satisfied with the overall performance for the year under review. Revenue improved by 20% over the previous year, whilst profit increased by 53% and the headline earnings per share by 20%.

The balance sheet remains strong with the growth being financed internally. Cash resources were R85 million at year end.

The board has declared a 14,0 cents per share dividend.

BUSINESS VISION

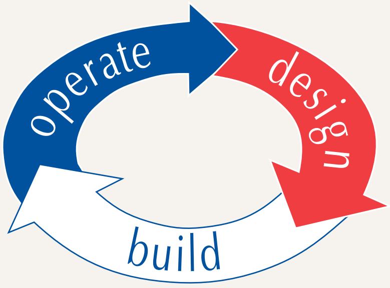
The business has formulated its long-term vision as follows:
"To be the No.1 Business and Technology solution provider in Africa"

We believe we have the resources, products and service offerings and – most importantly – the people to achieve this vision and consider our organisation extremely relevant in the growth and development of South Africa and the rest of the African continent.

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



partner for life

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.

STRUCTURE

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.

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, as well as desktop support services and providing on-site resources.

EOH has a presence in all major centres in South Africa and Botswana, also operating throughout Africa.

The organisation includes various 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 for financial, IT, HR and marketing support, as well as for business development and strategic account management. This model ensures the business units remain customer focused, maximising value-add to them.

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STRUCTURE

EOH

- **TECHNOLOGY**
  - WONDERWARE SA
  - INTELLIENT
  - ALG AFRICA
  - SOFTWORX
  - IMPACT AFRICA
  - ENTERPRISE 21
  - ESP SOLUTIONS
  - NAVIGOR
  - AXIA
  - EOH TECHNOLOGY CONSULTING
  - MERCURY AFRICA
  - ENTERWEB
- **CONSULTING**
  - EOH CONSULTING PUBLIC SECTOR FINANCE
  - EOH CONSULTING WORLD-CLASS FINANCE
  - EOH ACADEMY
  - EOH CONSULTING OPERATIONS
  - EOH CONSULTING INTERIM CAPACITY MANAGEMENT
  - EOH CONSULTING PROJECT & PROGRAMME MANAGEMENT
- **OUTSOURCING**
  - EOH OUTSOURCING
  - MTHOMBO IT SERVICES

INDUSTRY GROUPS

Financial Services, Commerce & Industry, Mining,
Information & Communication Technology, Public Services, Health Care
National, Provincial and Local Government

REGIONAL OPERATIONS

KwaZulu Natal, Eastern Cape, Western Cape, Botswana

BRANDING

EOH operates two levels of branding. The EOH brand is associated with consulting and outsourcing services. Specific brands are used in business units associated with software application packages. Product-specific brands are:

- Softworx
- Impact Africa
- ESP Solutions
- Axia Business Solutions
- Futuristix (now Wonderware SA)
- Enterprise 21
- Enterweb
- Intellient
- Navigor
- Mthombo IT Services (MIT)
- ALG Africa
- Mercury Africa

The EOH model is replicated in the following regional operations:

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

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 and Communication Technology
- National, Provincial and Local Government
- Health Care
- 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. The EOH Academy plays a significant role in this process.

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

1. Equity participation
2. Board structure

3. Management development programme
4. Employment and mentorship programme
5. Joint ownership
6. Collaborative partnerships
7. Customer involvement
8. Supplier participation
9. Corporate social investment
10. Legal requirements

EOH's empowerment status:

- 31,4% broad-based effective black ownership in EOH
- 37% black employee profile
- Total staff well in excess of 1 000
- Total of five black directors including three executives, one independent 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 and this is being accomplished through the EOH Mthombo Trust which has had EOH shares issued to it.

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

Growth

EOH has achieved a critical mass and is considered a leader in enterprise wide technology, consulting and outsourcing. EOH's wide offering added to various industries, both in the private and public sector, bodes 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

TECHNOLOGY

This cluster of business units is able 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, Oracle, SAP, Syspro, Wonderware, Hyperion, Mercury, Microsoft and others.

Systems make it possible...
People make it happen

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.

Prospects

More and more companies 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.

CONSULTING

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

Strategy Development

Public and private sector entities need to be sure 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 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 technology and global 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 boardroom level in client companies and is therefore also able to identify opportunities for other business units to contribute to the clients' success.

OUTSOURCING

EOH Outsourcing

This division seeks to partner with 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.

Mthombo IT Services

Through this division EOH provides top-notch managed services, desktop support, infrastructure project management and on-site resource services, supporting major clients in the public and private sectors.

Prospects

The world-wide 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 in 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 world-wide 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 world-wide 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.

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 pages 2 and 3.

The current composition of the board does not comply with the recommendation of King II. The board has, however, acknowledged the need to re-structure in order to take steps towards compliance with these recommendations and in a step towards the achievement of this goal, Prof Tshilidzi Marwala was appointed to the board on 22 November 2006 as an independent non-executive director.

The appointment of directors is approved by the board of directors. 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.

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.

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 are separate.

The chief executive officer, Asher Bohbot, ensures that the day-to-day business affairs of the group are properly managed.

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

	14/09/2005	15/02/2006	17/03/2006	07/06/2006
Dr Mathews Phosa	√	√	√	√
Asher Bohbot	√	√	√	√
Antonio Cocciante (resigned 12/09/2005)	√	-	-	-
Jane S Thomson	√	√	√	X
Robert Sporen	√	√	√	√
Ken Cullinan	√	√	√	√
John King	√	√	√	√
Dion Ramoo	√	√	√	X
Lucky Khumalo	X	√	√	√
Nkosinathi Khumalo	√	√	√	√
Steven Evans	–	√	√	√

Details of the directors' emoluments are set out on page 47 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 an audit and risk and a remuneration committee, 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 committee and all of its members throughout the year.

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

	14/09/2005	17/03/2006
Dr Mathews Phosa (appointed 17/03/2006)	–	√
Asher Bohbot	√	√
Antonio Cocciante (resigned 12/09/2005)	√	–
Steven Evans	–	√
Robert Sporen	√	√
Nkosinathi Khumalo (appointed 17/03/2006)	–	√

The audit committee does not comply with the recommendations of King II to the extent that, other than the chairman, the members of the audit committee are all executive directors and the audit committee only meets twice per annum, not the recommended four times.

Remuneration committee

The remuneration committee is chaired by the non-executive chairman of the board and includes the CEO, two executive directors (Steven Evans and Lucky Khumalo) and the human capital executive. This is not compliant with the recommendations of King II.

The committee is responsible for reviewing and approving the remuneration of directors and senior management.

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.

COMPANY SECRETARY

The board appoints the company secretary whose responsibilities include assisting the chairman in coordinating 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 to ensure that board procedures and applicable rules and regulations are fully observed.

On 7 June 2006 Ms Adri Els CA(SA) was appointed as company secretary, replacing Ms Sue Matheson.

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 and prior year results.

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 view point, 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:

1. Equity participation
2. Board structure

3. Management development programme
4. Employment and mentorship programme
5. Joint ownership
6. Collaborative partnerships
7. Customer involvement
8. Supplier participation
9. Corporate social investment
10. Legal requirements

On 14 September 2005, shareholders approved the merger of MIT with EOH and the establishment of the EOH Mthombo Trust.

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

- 31.4% broad-based effective black ownership in EOH;
- 37% black employee profile;
- Total staff well in excess of 1 000; and
- Total of five black directors including three executives, one independent 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 will continue to be accomplished through the EOH Mthombo Trust, which has been issued with 9 180 382 EOH shares.

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.

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.

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-aid officials 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 year-end results announcements respectively.

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REPORT OF THE INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF EOH HOLDINGS LIMITED

We have audited the annual financial statements and the group annual financial statements of EOH Holdings Limited as set out on pages 18 to 57 for the year ended 31 July 2006. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

SCOPE

We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

AUDIT OPINION

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and group at 31 July 2006 and the results of its operations and cash flows for the year ended in accordance with International Financial Reporting Standards, and in the manner required by the South African Companies Act, 1973.

IAPA Johannesburg

IAPA JOHANNESBURG
Registered Accountants and Auditors
Chartered Accountants (SA)

Johannesburg
20 September 2006

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 South African Companies Act, 1973. The group's independent external 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 57 were approved by the board of directors on 20 September 2006 and are signed on its behalf by:

Asher Bohbot
Chief Executive Officer

Rob Sporen
Executive Director

CERTIFICATION BY THE COMPANY SECRETARY

In terms of section 268 G(d) of the South African 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 2006, 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.

A Els

Mrs A Els
Company Secretary

20 September 2006

The directors have pleasure in submitting their report on the activities of the company and the group for the year ended 31 July 2006.

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:

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.

Consulting – under the EOH Consulting brand are business units, primarily focused 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.

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, as well as desktop support services and providing on-site resources.

EOH has a presence in all major centres in South Africa and Botswana, also operating throughout Africa.

BASIS OF PREPARATION

With effect from 31 July 2004 (`the transition date'), the group has adopted the International Financial Reporting Standards ("IFRS") making use of certain exemptions provided for under IFRS 1 (First time Adoption of IFRS). These results are prepared in accordance with IFRS and the South African Companies Act, 1973.

Effect of first time adoption of IFRS

In accordance with the first time adoption of IFRS (per IFRS 1), the group has prepared an opening balance sheet at 31 July 2004 ("the transition date balance sheet"). Changes to the transition date balance sheet are recorded through the statement of changes in equity.

As reported last year, the effect of implementing IAS 17 (Leases) was not considered material and no adjustment was made. IAS 17 is now applied to all new leases entered into after 31 July 2005 and the effect of this application is shown separately in the results.

IAS 16 (Property, Plant and Equipment) requires that the useful life and residual values of all assets be reassessed at each balance sheet date. Under SA GAAP the useful life and residual value of an asset were determined on recognition of the asset and depreciated accordingly.

IAS 38 (Intangible Assets) requires that the useful life of intangible assets be reassessed at each balance sheet date. Under SA GAAP the useful life of an asset was determined on recognition of the intangible asset and amortised accordingly.

IFRS 2 (Share-based Payments) requires that a company expense the cost of share options granted to employees.

The effect of applying the above statements has been accounted for, where appropriate, as follows:

- via the statement of changes in ordinary shareholders' interest;
- by restating the prior year comparatives and opening retained earnings; and
- by correctly reporting them in this year's Income statement.

The following exemptions have been applied in preparing the results:

Share-based payments

The group has elected not to apply the provisions of IFRS 2 to share-based awards granted either on or before 7 November 2002 or that had not vested by 1 January 2005 (the effective date of IFRS 2).

Cumulative foreign currency translation differences

The group has elected to reset the cumulative foreign currency translation differences on foreign operations to zero at the transition date. From that date on, all foreign currency translation differences on foreign operation will be recognised directly to equity.

Business combinations

The group has elected not to apply the requirements of IFRS 3 (Business Combinations) retrospectively to acquisitions prior to the transition date. As a result, the goodwill, net of amortisation, at the transition date becomes the carrying value of that goodwill thereafter.

TRADING RESULTS

The results of operations for the year ended 31 July 2006 are detailed in the accompanying table. Earnings attributable to ordinary shareholders amounted to R37,5 million representing earnings and headline earnings per share of 63,4 cents respectively. 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 2006	Audited 2005
Revenue	503 292	420 225
Profit from operations before goodwill	55 838	39 800
Impairment of goodwill	–	(3 348)
Taxation	(18 381)	(13 286)
Profit for the period	37 457	23 166
Earnings per share (cents)	63,4	46,1
Headline earnings per share (cents)	63,4	52,7
Fully diluted earnings per share (cents)	54,5	37,0
Dividends per share (cents)	14,0	11,5

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 14,0 cents per share ("the dividend") has been declared and is payable to shareholders recorded in the books of the company at the close of business on Friday, 27 October 2006. Shareholders are advised that the last day to trade "cum" the dividend will be Friday, 20 October 2006. The shares will trade "ex" dividend as from Monday, 23 October 2006. Payment will be made on Monday, 30 October 2006. Share certificates may not be dematerialised or rematerialised during the period Monday, 23 October 2006 to Friday, 27 October 2006, both days inclusive.

SHARE CAPITAL

During the financial year the authorised share capital has remained unchanged and the following share allotments took place:

– MIT vendor shares	
Nkosinathi Khumalo	4 000 000
Lucky Khumalo	4 000 000
– EOH Mthombo Trust	9 180 382
– EOH Share Options exercised	2 090 000

Between year end and the publication of this report a total of 1 556 250 shares have been allotted to employees after they exercised share options.

At year end 573 288 EOH shares were owned by a wholly owned subsidiary of EOH and will not be cancelled.

At the year end, the shares of the company were held by the following categories of shareholders:

Public/Non-public shareholders	Number of shareholders	%	Number of shares	%
Public	756	95,9	33 871 847	48,0
Non-public				
- Directors, management and associates	29	3,8	25 909 998	36,7
- The EOH Share Trust	1	0,1	963 603	1,4
- The EOH Mthombo Trust	1	0,1	9 180 382	13,0
- V55 Investments (Proprietary) Limited	1	0,1	611 908	0,9
	788	100,0	70 537 738	100,0

Shareholder spread	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	154	19,5	101 310	0,1
1 001 – 10 000 shares	447	56,7	2 065 813	2,9
10 001 – 100 000 shares	147	18,7	4 287 509	6,1
100 001 – 1 000 000 shares	23	2,9	6 870 386	9,8
1 000 001 shares and over	17	2,2	57 212 720	81,1
	788	100,0	70 537 738	100,0

Distribution of shareholders	Number of shareholders	%	Number of shares	%
Banks	11	1,4	1 093 755	1,6
Close corporations	15	1,9	85 850	0,1
Endowment funds	9	1,1	65 465	0,1
Individuals	604	76,7	15 138 036	21,4
Insurance companies	4	0,5	149 880	0,2
Investment companies	3	0,4	2 153 481	3,1
Mutual funds	13	1,7	15 975 511	22,6
Nominees and trusts	83	10,7	3 845 880	5,5
Other corporations	16	2,0	9 714 090	13,8
Pension funds	3	0,4	7 095 067	10,1
Private companies	23	2,9	4 969 688	7,0
Public companies	2	0,2	107 050	0,2
Share trusts	2	0,1	10 143 985	14,3
	788	100,0	70 537 738	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 31 July 2006, other than directors, are the following:

	% held	Number of shares	
Major shareholders		**July 2006**	July 2005
Sanlam	17,0	**12 021 607**	5 192 962
The EOH Mthombo Trust	13,0	**9 180 382**	–
Eskom Pension & Provident Fund	5,8	**4 112 067**	–
Moonland Trading (Proprietary) Limited	5,7	**4 010 000**	5 410 000
Praesidium	4,6	**3 243 405**	–
Absa Groep Pensioenfonds	4,2	**2 973 000**	2 973 000
M Cubed	2,5	**1 735 139**	3 756 908
Shaparon Nominees (Proprietary) Limited		**–**	1 207 605
Wavetop Nominees (Proprietary) Limited		**–**	3 782 215
Prospect Reef Trading (Proprietary) Limited	0,0	**31 700**	18 399 120

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 South African operations of Dicoll Electronics – a leading storage services provider – and Implement IT – a Siebel CRM implementation partner. Neither of these acquisitions had a material impact on the results of EOH for the period under review.

On 24 November 2006, EOH announced it had acquired 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.

The purchase consideration, which amounts to R30 million, will be settled through a combination of cash, the issue or procurement of shares and the settlement of vendor liabilities amounting to R9,7 million, R13 million and R7,3 million respectively. Part of the purchase consideration is subject to the attainment of certain profit after tax warranties, being R7,8 million and R9,8 million in years one and two respectively. The effective date of the acquisition is 1 November 2006.

The acquisition is conditional upon *inter alia*:

- the completion of a satisfactory due diligence by EOH;
- approval by the Competition Commission; and
- obtaining all necessary regulatory approvals.

DIRECTORATE

The following directors served through the period:

Dr Mathews Phosa *(Non-executive Chairman)*
Asher Bohbot *(Chief Executive Officer)*
Antonio Cocciante (resigned 12 September 2005)
Robert Sporen (Dutch)
Jane Thomson (re-appointed 15 February 2006)
Kenneth Cullinan (re-appointed 15 February 2006)
John King
Dion Ramoo
Lucky Khumalo
Nkosinathi Khumalo
Steven Evans (appointed 3 October 2005)
Prof Tshilidzi Marwala (appointed 22 November 2006)

Prof Tshilidzi Marwala was appointed a director of EOH on 22 November 2006, a short *curriculum vitae* is provided below:

Prof Tshilidzi Marwala (36)

Tshilidzi is the Carl and Emily Fuchs professor of systems and control engineering, as well as the head of control and systems group at Wits University's school of electrical and information engineering. A recipient of more than 35 awards, including the Order of Mapungubwe from President Thabo Mbeki, he sits on the boards of City Power Johannesburg, the State Information Technology Agency, Statistics South Africa, the National Advisory Council of Innovation and the South African Council of Natural Scientific Professions. He is also a fellow of the Council for Scientific and Industrial Research.

An accomplished and prolific academic, Tshilidzi has published more than 100 articles in journals, proceedings and books. Tshilidzi's areas of expertise are the theory and application of artificial intelligence to engineering, computer science, finance, social science and medicine. Tshilidzi was appointed as a non-executive director of EOH on 22 November 2006.

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 2006 the directors' direct and indirect interest in the company's issued shares were as follows:

	Beneficial		Non-beneficial		Share options	
	July 2006	July 2005	July 2006	July 2005	July 2006	July 2005
Ordinary shares						
– directly						
Asher Bohbot	123 106	123 106	–	–	75 000	1 000 000
Rob Sporen	–	–	–	–	25 000	350 000
Antonio Cocciante (resigned 12/09/05)	–	–	–	–	–	150 000
John King	–	–	–	–	600 000	800 000
Dion Ramoo	–	–	–	–	745 000	500 000
Ken Cullinan	–	–	–	–	192 500	500 000
Jane Thomson	–		–	–	150 000	300 000
Lucky Khumalo	4 000 000		–	–	–	–
Nkosinathi Khumalo	4 000 000		–	–	–	–
Dr Mathews Phosa	–		–	–	1 150 000	–
Steven Evans	–		–	–	200 000	–
– indirectly						
Asher Bohbot	9 585 920	12 320 230	18 000	18 000	–	–
Robert Sporen	2 382 900	3 157 900	85 000	85 000	–	–

Between the end of the financial year and the publication date of this report, the following material changes have occurred:

- **Exercise and sale of share options**

  John King, exercised and sold 150 000 share options.
  Dion Ramoo, exercised and sold 85 000 share options.
  Ken Cullinan, exercised and sold 117 500 share options.

- **Sale of vendor shares**

  Lucky Khumalo, 600 000 ordinary shares.
  Nkosinathi Khumalo, 600 000 ordinary shares.

EOH SHARE OPTION SCHEME

The company has a share incentive scheme giving all directors and staff the opportunity to participate in the growth of the group. Under the terms of the current scheme up to 16% of the issued share capital from time to time is reserved for share options.

Options in issue:	
01/08/2005	8 925 000
New issues	200 000
Exercised and allotted	(2 108 750)
Resignations	(1 330 000)
	5 686 250

CONTINGENT LIABILITIES

There are claims from customers/suppliers relating to claims prior to acquisition of a subsidiary. The directors are of the opinion that these claims are not valid and that the company has a counter-claim against the vendor in respect of these claims.

SUBSEQUENT EVENTS

Other than the events noted in the annual report, no material event or transaction has occurred subsequent to 31 July 2006 that warrants adjustment to, or notification in, the annual financial statements.

NO CHANGE STATEMENT

This annual report for the year ended 31 July 2006 does not contain any modifications to the audited results which were published on 20 September 2006.

BALANCE SHEET

at 31 July 2006

	Notes	Group 2006 R'000	Group Restated 2005 R'000	Company 2006 R'000	Company 2005 R'000
ASSETS					
Non-current assets		98 496	86 255	94 475	93 559
Property, plant and equipment	2	12 359	8 929	–	–
Goodwill	3	78 700	71 622	–	–
Investment in associate companies	4	848	815	–	–
Investment in subsidiary companies	5	–	–	94 475	93 559
Deferred taxation assets	6	6 589	4 889	–	–
Current assets		211 483	157 177	30 439	652
Inventories	7	2 460	1 295	–	–
Current taxation assets		–	–	115	127
Loans to group companies	5	–	–	3 826	25
Loans receivable	8	132	132	25 256	374
Trade and other receivables	9	124 384	86 670	108	84
Bank balances and cash		84 507	69 080	1 134	42
Total assets		309 979	243 432	124 914	94 211
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent		150 485	84 759	63 917	9 848
Share capital	10	604	501	706	513
Share premium	10	40 792	10 797	67 594	12 249
Other reserves	11	9 532	4 709	–	–
Retained earnings		99 557	68 752	(4 383)	(2 914)
Non-current liabilities		1 909	3 370	59 560	52 132
Loans from group companies	5	–	–	59 393	51 995
Long-term loans	13	1 909	3 370	–	–
Deferred taxation liabilities	6	–	–	167	137
Current liabilities		157 585	155 303	1 437	32 231
Trade and other payables	14	113 394	95 188	1 318	71
Provisions	15	20 447	15 395	–	–
Short-term loans	13	15 621	35 210	119	32 160
Bank overdraft		–	723	–	–
Current taxation liabilities		8 123	8 787	–	–
Total equity and liabilities		309 979	243 432	124 914	94 211

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INCOME STATEMENT

for the year ended 31 July 2006

	Notes	Group 2006 R'000	Group Restated 2005 R'000	Company 2006 R'000	Company 2005 R'000
Revenue	18	**503 292**	420 225	**–**	–
Cost of sales		**(306 040)**	(262 771)	**–**	–
Gross profit		**197 252**	157 454	**–**	–
Dividend income		**–**	–	**7 871**	5 067
Depreciation		**(5 922)**	(5 931)	**–**	–
Impairment of goodwill		**–**	(3 348)	**–**	–
Other expenses	19	**(136 123)**	(112 615)	**(1 394)**	(928)
Finance costs	20	**(1 448)**	(1 079)	**(24)**	–
Investment income	21	**1 956**	1 676	**6**	–
Share of profits of associate companies	22	**123**	295	**–**	–
Profit before tax		**55 838**	36 452	**6 459**	4 139
Taxation	24	**(18 381)**	(13 286)	**(57)**	5
Profit for the year		**37 457**	23 166	**6 402**	4 144
Attributable to:					
Equity holders of the parent		**37 457**	23 166	**6 402**	4 144
Outside shareholders' interest		**–**	–	**–**	–
		37 457	23 166	**6 402**	4 144
Earnings per share (cents)	25	**63,4**	46,1	**10,8**	8,2
Fully diluted earnings per share (cents)	25	**54,5**	37,0	**9,3**	6,6
Dividends per share (cents)	32	**14,0**	11,5	**14,0**	11,5

STATEMENT OF CHANGES IN ORDINARY SHAREHOLDERS' INTEREST

for the year ended 31 July 2006

GROUP – R'000	Share capital	Share premium	Revaluation reserve	Translation reserve	Retained earnings	Total
Balance at 1 August 2004	471	8 306	471	–	58 300	67 548
IFRS adjustments						
IAS 16 Property, Plant and Equipment					(206)	(206)
IFRS 2 Share-based Payments			1 772		(1 772)	
IAS 21 Forex Reserve Adjustment			300		(300)	
IAS 38 Intangible Assets					(6 606)	(6 606)
Deferred taxation on above					1 237	1 237
Revised balance at 1 August 2004 (Including IFRS adjustments)	471	8 306	2 543	–	50 653	61 973
Movement in treasury shares	10	1 089	131			1 230
Effects of consolidating The EOH Share Trust	14	490	272			776
Currency translation differences				(169)		(169)
Profit for the period					23 802	23 802
Profit 2005 IFRS adjustments			1 932		(636)	1 296
Dividends					(5 067)	(5 067)
Issue of share capital	6	912				918
Balance at 31 July 2005	**501**	**10 797**	**4 878**	**(169)**	**68 752**	**84 759**
Movement in treasury shares	(4)	(2 671)	269			(2 406)
Effects of consolidating The EOH Share Trust	6	180	(53)			133
Effects of consolidating The Mthombo Share Trust	(92)	(22 859)				(22 951)
Currency translation differences				(10)		(10)
Profit for the period			4 617		37 457	42 074
Dividends					(6 652)	(6 652)
Issue of share capital	193	55 345				55 538
Balance at 31 July 2006	**604**	**40 792**	**9 711**	**(179)**	**99 557**	**150 485**

COMPANY – R'000	Share capital R'000	Share premium R'000	Retained earnings R'000	Total R'000
Balance at 31 July 2004	507	11 337	(1 191)	10 653
IAS 38 Intangible Assets			(800)	(800)
Revised balance at 1 August 2004 (Including IFRS adjustments)	507	11 337	(1 991)	9 853
Profit for the period			4 144	4 144
Dividends			(5 067)	(5 067)
Issue of share capital	6	912		918
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**

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CASH FLOW STATEMENT

for the year ended 31 July 2006

	Notes	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Cash flows from operating activities					
Cash generated from/(utilised in) operations	26	66 427	46 771	(1 393)	(928)
Movements in working capital	27	(12 875)	11 919	138	81
Cash generated by/(utilised in) operating activities		53 552	58 690	(1 255)	(847)
Net finance income/(expense)		508	597	(19)	–
Taxation paid	28	(20 467)	(9 148)	(16)	(73)
Dividends paid	29	(6 622)	(5 063)	(6 786)	(5 063)
Dividends received		–	–	7 871	5 067
Net cash inflow/(outflow) from operating activities		26 971	45 076	(205)	(916)
Cash flows from investing activities					
Net additions to tangible assets		(8 772)	(4 611)	–	–
Post acquisition obligations settled		(713)	(5 975)	–	–
Movements in investments in subsidiaries		–	–	(916)	(47 507)
Movement in loan accounts with subsidiaries		–	–	3 597	33 261
Net cash inflow/(outflow) from acquisitions	30	1 964	(6 927)	–	–
Decrease/(increase) in long-term loans receivable		90	(470)	(24 882)	16
Net cash outflow from investing activities		(7 431)	(17 983)	(22 201)	(14 230)
Cash flows from financing activities					
Long-term borrowings (repaid)/raised		(3 262)	(23 186)	(32 040)	14 254
Treasury share (purchase)/resale		(2 406)	1 061	–	–
The EOH Share Trust share sales		187	776	–	–
Net proceeds on issue of ordinary share capital		1 947	918	55 538	918
Foreign currency translation reserve on cash		144	–	–	–
Net cash (outflow)/inflow from financing activities		(3 390)	(20 431)	23 498	15 172
Net movement in cash and cash equivalents		16 150	6 662	1 092	26
Cash and cash equivalents at beginning of the year		68 357	61 695	42	16
Cash and cash equivalents at end of the year	31	84 507	68 357	1 134	42

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 40.

1.2 Statement of compliance

These consolidated financial statements are prepared in accordance with IFRS. These are the group's first IFRS consolidated financial statements and IFRS 1 (First-time Adoption of IFRS) has been applied. Consolidated financial statements of the group until 31 July 2005 were prepared in accordance with South African Statements of Generally Accepted Accounting Practice ("SAGAAP"). SAGAAP differs in certain respects from IFRS.

1.3 Basis of transition to IFRS and changes in accounting policies

When preparing these consolidated financial statements, management has amended certain accounting, valuation and consolidation methods and policies applied in SAGAAP financial statements to comply with IFRS. The comparative figures in respect of 2005 were restated to reflect these adjustments. Reconciliations and descriptions of the effect of the transition from SAGAAP to IFRS and the subsequent changes in accounting policies on the group's equity and its net profit are given in note 39 to the consolidated financial statements.

1.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and the entities controlled by the company (its subsidiaries) 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 enterprise 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 dates of acquisition or up to the effective date of disposal as appropriate.

Subsidiaries are never excluded from consolidation. The results of subsidiaries are included for the period during which the group exercises control over the subsidiary.

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. ACCOUNTING POLICIES (continued)

1.5 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.

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 and residual value 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.

1.6 Goodwill

Goodwill is initially measured at cost, being the excess of the business combination over the company's interest of 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 the 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. ACCOUNTING POLICIES (continued)

1.7 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.

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.

1.8 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 group's interest in associate companies is carried in the balance sheet at an amount that reflects its share of the net assets and the portion of goodwill on acquisition.

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.

1.9 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.

1.10 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 cost of inventories comprises all costs of purchase, costs of conversion and other costs 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.

1. ACCOUNTING POLICIES (continued)

1.10 Inventories (continued)

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 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.

1.11 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.

1.12 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.

Deferred tax assets and liabilities are offset when they relate to income tax levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

1.13 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. ACCOUNTING POLICIES (continued)

1.14 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.

1.15 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.

1.16 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.

Interest income

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

1.17 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 cost of providing services recognised as revenue in the current period is included in cost of sales.

1.18 Borrowing costs

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

1. ACCOUNTING POLICIES (continued)

1.19 Dividends

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

1.20 Taxation

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

1.21 Operating leases

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

1.22 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.

1.23 Post retirement benefits

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

1.24 Defined contribution plans

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

1.25 Short-term employee benefits

The cost of short-term employee benefits are recognised in the period in which the service is rendered and are not discounted.

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

1. ACCOUNTING POLICIES (continued)

1.26 Foreign currency transactions

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

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 year end.

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 average exchange rates 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.

1.27 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 loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit and loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.28 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 on trade date, being the date on which the group commits to purchase or sell the instrument.

Any changes 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 receivable

Loans receivable 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.

1. ACCOUNTING POLICIES (continued)

1.28 Financial instruments (continued)

Trade receivables

Trade receivables are recognised at fair value, and are subsequently measured at amortised cost.

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.

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 amortisations 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.

Where management has identified an objective evidence of impairment, provision is raised against the investment if the carrying value exceeds the recoverable amount.

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							
2006							
COST – OWNED							
Opening balance	4 118	15 389	–	721	2 817	2 577	25 622
Additions	499	4 005	–	356	1 031	2 376	8 267
Disposals	(28)	(453)	–	(199)	(4)	(444)	(1 128)
Foreign currency translation	–	20	–	–	(1)	(4)	15
Transfers	–	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)
Transfers	–	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
Transfers	–	(940)	103	–	–	–	(837)
Closing balance	–	–	2 209	–	–	–	2 209
ACCUMULATED DEPRECIATION LEASED							
Opening balance	–	439	292	–	–	–	731
Depreciation	–	–	297	–	–	–	297
Transfers	–	(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 borrowings.

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)							
2005							
COST – OWNED							
Opening balance	2 072	13 334	–	728	2 564	2 325	21 023
Additions	2 088	2 923	–	289	1 089	243	6 632
Disposals	(42)	(963)	–	(296)	(884)	(97)	(2 282)
Foreign currency translation	–	–	–	–	–	–	–
Transfers	–	95	–	–	48	106	249
Closing balance	4 118	15 389	–	721	2 817	2 577	25 622
ACCUMULATED DEPRECIATION OWNED							
Opening balance	1 103	9 271	–	362	1 591	887	13 214
Depreciation	1 383	3 141	–	162	432	469	5 587
Disposals	(42)	(659)	–	(152)	(869)	(6)	(1 728)
Foreign currency translation	–	–	–	–	–	–	–
Transfers	–	95	–	–	29	78	202
Closing balance	2 444	11 848	–	372	1 183	1 428	17 275
COST – LEASED							
Opening balance	–	135	303	–	48	106	592
Additions	–	900	70	–	–	–	970
Transfers	–	(95)	–	–	(48)	(106)	(249)
Closing balance	–	940	373	–	–	–	1 313
ACCUMULATED DEPRECIATION LEASED							
Opening balance	–	124	192	–	29	78	423
Depreciation	–	411	100	–	–	–	511
Transfers	–	(96)	–	–	(29)	(78)	(203)
Closing balance	–	439	292	–	–	–	731
NET BOOK VALUE							
31 July 2005	1 674	4 042	81	349	1 634	1 149	8 929

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

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
3. GOODWILL				
Cost				
Opening balance	74 970	18 636	–	–
Arising on acquisition of subsidiaries and businesses	7 078	56 334		
Closing balance	82 048	0	–	–
Impairment				
Opening balance	3 348	–	–	–
Impairment provision	–	3 348	–	–
Closing balance	3 348	3 348	–	–
	78 700	71 622	–	–
4. INVESTMENT IN ASSOCIATE COMPANIES				
Share of post acquisition profits	418	295	–	–
Loans to associates	430	520	–	–
Closing balance	848	815	–	–
Directors' valuation	848	815	–	

Investment in associates comprises 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 2006.

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 2006.

Summary financial information
AMC IT Services and Invision IT

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Assets	8 988	1 308	–	–
Liabilities	7 252	862	–	–
Revenue	76 817	78 945	–	–
Net profit after tax	957	666	–	–

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
5. INTEREST IN SUBSIDIARY COMPANIES				
5.1 Investment in subsidiary				
Shares at cost	–	–	95 548	94 632
Impairment provision	–	–	(1 073)	(1 073)
	–	–	94 475	93 559
5.2 Loan from group companies				
Amounts due from group companies			(59 393)	(51 995)
Amounts due to group companies			3 826	25
Net amount due	–	–	(55 567)	(51 970)
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. DEFERRED TAXATION ASSETS/(LIABILITIES)				
Balance at beginning of the year	4 889	2 259	(137)	(142)
Income statement movement	1 362	(1 890)	(30)	–
Adjustment due to income tax rate change	–	(175)	–	5
Businesses/subsidiaries acquired	338	4 695	–	–
Balance at end of the year	6 589	4 889	(167)	(137)
Provision for taxation on temporary differences resulting from:				
– provisions and allowances	2 943	(414)	–	–
– leased assets	1 115	147	–	–
– leased liabilities	(1 176)	(268)	–	–
– prepaid expenses	(524)	(71)	(30)	–
– other intangible assets	(661)	(305)	(137)	(137)
– assessed losses	–	35	–	–
– deferred revenue	4 526	5 765	–	–
– projects	366	–	–	–
	6 589	4 889	(167)	(137)
Comprising				
– assets	8 950	5 947	–	–
– liabilities	(2 361)	(1 058)	(167)	(137)
	6 589	4 889	(167)	(137)

Deferred tax assets have been raised to the value of RNil (2005 – R34 554) in respect of estimated assessed losses. No deferred tax asset was raised on estimated assessed losses amounting to R1 372 694 (2005 – R2 369 930) due to the unpredictability of future profit streams.

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
7. INVENTORIES				
Consumables	1 875	1 094	–	–
Merchandise for resale	585	201	–	–
	2 460	1 295	–	–
8. LOANS RECEIVABLE				
The EOH Share Trust	–	–	2 307	374
The Mthombo Share Trust	–	–	22 949	–
Vebus Business Systems CC	132	132	–	–
	132	132	25 256	374
The loans are unsecured, interest free and have no fixed terms of repayment.				
9. TRADE AND OTHER RECEIVABLES				
Trade receivables	132 563	95 523	–	–
Provision for doubtful debts	(13 438)	(12 934)	–	–
Prepaid expenses	1 558	2 069	101	38
Other receivables	3 701	2 012	7	46
	124 384	86 670	108	84
10. SHARE CAPITAL AND PREMIUM				
10.1 Share capital				
Authorised				
100 000 000 ordinary shares of 1 cent each	1 000	1 000	1 000	1 000
Issued				
Opening balance	501	471	513	507
Share issues	193	6	193	6
Movement in treasury shares	(4)	10	–	–
EOH Share Trust	6	14	–	–
Mthombo Trust	(92)	–	–	–
Closing balance	604	501	706	513
Number of shares				
Opening balance	51 267	50 667	51 267	50 667
Share issues	19 270	600	19 270	600
Closing balance	70 537	51 267	70 537	51 267

10. SHARE CAPITAL AND PREMIUM (continued)

The balance of 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.

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
10.2 Share premium				
Opening balance	10 797	8 306	12 249	11 337
Share issues	55 345	912	55 345	912
Movement in treasury shares	(2 671)	1 089	–	–
EOH Share Trust	180	490	–	–
Mthombo Trust	(22 859)	–	–	–
Closing balance	40 792	10 797	67 594	12 249
10.3 Reconciliation of issued shares:				
Issued and fully paid	70 537	51 267		
Less: Treasury shares held by the EOH Share Trust	(963)	(1 096)		
Less: Treasury shares held by the Mthombo Trust	(9 180)	–		
Less: Treasury shares held by V55	(573)	(237)		
	59 821	49 934		

11. OTHER RESERVES

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Revaluation reserve				
Opening balance	4 878	471	–	–
Movement in treasury shares	269	131	–	–
Shares held in The EOH Share Trust	(53)	272	–	–
IFRS restatement (note 32)	4 617	4 004		
Closing balance	9 711	4 878	–	–
The share-based-payment reserve represents the total cost recognised for the group's equity-settled share-based payments.				
Translation reserve				
Opening balance	(169)	–	–	–
Currency translation differences	(10)	(169)	–	–
Closing balance	(179)	(169)	–	–
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	9 532	4 709	–	–

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 listing requirements.

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.

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.

EOH Mthombo Trust

Established in the current 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 a third on the third, fourth and fifth anniversaries of issue respectively.

	EOH Share Trust	EOH Share Option Scheme	EOH Mthombo Share Trust
Opening balance	**1 382 035**	**8 925 000**	**–**
Granted	–	200 000	5 470 950
Exercised	(505 870)	(2 108 750)	–
Resigned	(97 686)	(1 330 000)	(623 750)
Cancelled	–		–
Closing balance	**778 479**	**5 686 250**	**4 847 200**
Exercisable	778 479	1 455 000	–

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 Share Trust
Grant date	01/12/2002	01/07/2003 to 01/10/2005	01/12/2005
Option price (cents)	0,01	0.83 to 2,94	2,79
Weighted price (cents)	0,01	1,52	2,79
Expiry date	30/11/2009	30/06/2013 to 30/09/2015	30/11/2012
Expected volatility (%)	36,4	43,9 to 46,5	42,7
Expected dividend yield (%)	2,6	2,6 to 5,2	2,6

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

	Group		Company	
	2006 R'000	2005 R'000	**2006 R'000**	2005 R'000
13. LONG-/SHORT-TERM LOANS				
Amounts due to vendors	**11 679**	32 864	**119**	32 160
The amounts due from vendors represent purchase consideration owing in respect of acquisitions and will be settled through the issue of shares or cash resources when the relevant profit warranties have been fulfilled.				
The amounts owing are interest free and will be settled within the next year.				
Unsecured				
L Khumalo	**–**	65	**–**	–
N Khumalo	**–**	65	**–**	–
Mthombo Bench (Proprietary) Limited	**–**	153	**–**	–
J Beukes	**1 134**			
P Velilas	**506**			
The loans are interest free and have no fixed terms of repayment				
Secured				
Industrial Development Corporation of South Africa Limited	**1 235**	3 549	**–**	
Loan bearing interest at the bank prime overdraft rate less 0,4% (2005 – prime) per annum repayable in monthly instalments of R200 000 (2005 – R105 000) commencing 1 August 2004. Secured by a cession and pledge of the company shares in a subsidiary, Mthombo IT Services (Proprietary) Limited.				
Finance lease	**2 976**	1 884	**–**	–
Finance leases secured by movable assets as detailed in note 2. Repayable in monthly instalments of R404 267 (2005 – R155 238) including interest at prime overdraft rates (2005 – prime).				
Total liability	**17 530**	38 580	**119**	32 160
Current portion of long-term borrowings	**(15 621)**	(35 210)	**(119)**	(32 160)
Total long-term borrowings	**1 909**	3 370	**–**	–
Payable in two years but no later than five	**1 909**	3 370	**–**	–

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
14. TRADE AND OTHER PAYABLES				
Trade payables	40 922	25 414	103	51
Accruals	36 322	33 298	110	–
Deferred revenue	36 102	36 456	–	–
Shareholders for dividends	48	20	1 105	20
	113 394	95 188	1 318	71

15. PROVISIONS

Group	Opening	Movement	Closing
Operating lease provision	–	243	243
Leave pay provision	5 992	5 349	11 341
Bonus provision	9 403	(540)	8 863
	15 395	5 052	20 447

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
16. CAPITAL COMMITMENTS				
Approved by directors in respect of property, plant and equipment				
– Contracted for	1 000	3 000		
– Not contracted for	2 500	4 500	–	–
	3 500	7 500	–	–
17. OPERATING LEASE COMMITMENTS				
Future lease charges for premises, equipment and office furniture				
– Payable within one year	3 227	2 529	–	–
– Payable in two years but not later than five	5 292	1 091	–	–
	8 519	3 620	–	–
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	–	4 727	–	–
– Payable in two years but not later than five	–	6 190	–	–
	–	10 917	–	–

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
18. REVENUE				
Software and maintenance	195 493	115 707	–	–
Hardware	12 473	5 541	–	–
Services	295 326	298 977	–	–
	503 292	420 225	–	–
19. OTHER EXPENSES				
Other expenses include the following items:				
Auditors' remuneration				
– Services	(432)	(1 105)	(224)	(55)
Consulting fees	(2 101)	(781)	–	(48)
Contributions to defined contribution fund	(13 263)	(3 151)	–	–
Foreign exchange losses	(2 134)	–	–	–
Foreign exchange gains	2 758	1 791	–	–
Operating lease charges	–	–	–	–
– land and buildings	(7 516)	(6 373)	–	–
– vehicles and equipment	(475)	(900)	–	–
– IAS 17 adjustment	(243)	–	–	–
Number of employees	1 004	860	–	–
20. FINANCE COSTS				
Interest paid	(1 174)	(858)	(24)	–
Interest on obligations under finance leases	(274)	(221)	–	–
	(1 448)	(1 079)	(24)	–
21. INVESTMENT INCOME				
Interest received				
– bank	1 400	1 676	–	–
– other	556	–	6	–
	1 956	1 676	6	–
22. SHARE OF PROFITS OF ASSOCIATE COMPANIES				
Share of post acquisition profit	123	295	–	–
	123	295	–	–

23. DIRECTORS' EMOLUMENTS

Directors' emoluments paid by subsidiary – R'000

	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
2006						
Executive directors						
Asher Bohbot	1 056	–	168	–	4 719	5 943
Antonio Cocciante	74	483	6	–	–	563
Dion Ramoo	886	185	61	–	424	1 556
Jane Thomson	872	367	–	–	817	2 056
Ken Cullinan	907	175	36	–	358	1 476
Lucky Khumalo	880	480	–	–	–	1 360
Nkosinathi Khumalo	1 130	240	–	–	–	1 370
John King	1 023	220	90	–	679	2 012
Rob Sporen	912	400	–	–	1 657	2 969
Steven Evans	670	–	80	–	–	750
	8 410	2 550	441	–	8 654	20 055
Non-executive directors						
Dr Nakedi M Phosa	–	–	–	617	–	617
	8 410	2 550	441	617	8 654	20 672
2005						
Executive directors						
Asher Bohbot	1 177	–	157	–	–	1 334
Antonio Cocciante	716	160	47	–	–	923
Dion Ramoo	802	365	61	–	–	1 228
Jane Thomson	783	350	–	–	–	1 133
Ken Cullinan	871	120	36	–	–	1 027
John King	961	320	90	–	–	1 371
Rob Sporen	922	400	–	–	–	1 322
	6 232	1 715	391	–	–	8 338
Non-executive directors						
Dr Mathews Phosa	–	–	–	589	–	589
	6 232	1 715	391	589	–	8 927

	Group		Company	
	2006 R'000	2005 R'000	**2006 R'000**	2005 R'000
24. TAXATION				
Comprising:				
South African normal taxation:	**18 759**	10 588	**27**	–
Current year	**19 679**	10 979	**27**	–
Prior year over provision	**(920)**	(391)	**–**	–
Deferred taxation:	**(1 362)**	2 065	**30**	(5)
Current year	**(1 335)**	1 890	**30**	–
Prior year over provision	**(27)**	–		
Due to rate change	**–**	175	**–**	(5)
STC	**984**	633	**–**	–
	18 381	13 286	**57**	(5)
	%	%	**%**	%
Reconciliation of tax rate:				
Standard rate of taxation	**29,0**	29,0	**29,0**	29,0
Amortisation and impairment of goodwill	**–**	2,7	**–**	–
Assessed losses not provided for	**0,7**	2,4	**6,5**	6,2
Assessed losses utilised	**–**	(1,1)	**–**	–
Disallowable expenses	**3,1**	2,2	**–**	0,3
Non-taxable income	**–**	–	**(35,0)**	(35,5)
Prior year tax adjustments	**(1,7)**	(1,0)	**0,4**	–
Deferred tax rate change	**–**	0,5	**–**	(0,1)
STC	**1,8**	1,7	**–**	–
Effective rate of taxation	**32,9**	36,4	**0,9**	(0,1)
	R'000	R'000	**R'000**	R'000
25. EARNINGS PER SHARE				
Profit for the year	**37 457**	23 166	**6 402**	4 144
Attributable to minority interests	**–**	–	**–**	–
Profit for the purposes of basic earnings per share and diluted earnings per share	**37 457**	23 166	**6 402**	4 144
Weighted average number of ordinary shares for the purposes of basic earnings per share and headline earnings per share ('000)	**59 118**	50 305	**59 118**	50 305
Weighted average number of ordinary shares for the purposes of fully diluted earnings per share ('000)	**68 686**	62 585	**68 686**	62 585
HEADLINE EARNINGS PER SHARE				
Earnings for the purposes of basic earnings per share	**37 457**	23 166	**6 402**	4 144
Goodwill impaired	**–**	3 348	**–**	–
Profit for the purposes of headline earnings and diluted earnings per share	**37 457**	26 514	**6 402**	4 144
Headline earnings per share (cents)	**63,4**	52,7	**10,8**	8,2
Fully diluted headline earnings per share (cents)	**54,5**	42,4	**9,3**	6,6

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
26. CASH GENERATED FROM/(UTILISED IN) OPERATIONS				
Profit before taxation	55 838	36 452	6 459	4 139
Share of profit of associate companies	(123)	(295)	–	–
Nett finance (income)/cost	(508)	(597)	19	–
Dividends received	–	–	(7 871)	(5 067)
Depreciation	5 922	5 931	–	–
Unrealised foreign exchange loss	380	–	–	–
Receiver of revenue penalties accrued	58	–	–	–
Share options IFRS adjustment	4 617	1 932	–	–
Operating lease IFRS adjustment	243	–	–	–
Impairment of goodwill	–	3 348	–	–
	66 427	46 771	(1 393)	(928)
27. MOVEMENTS IN WORKING CAPITAL				
Decrease/(increase) in inventories	(1 165)	(1 240)	–	–
Decrease/(increase) in trade receivables and other current assets	(37 321)	(14 535)	(24)	180
Increase/(decrease) in trade payables, other payables and provisions	22 256	42 070	162	(99)
Acquisition working capital	3 355	(14 376)	–	–
	(12 875)	11 919	138	81
28. TAXATION PAID				
Amounts owing at beginning of the year	(8 787)	(4 822)	127	54
Acquired opening balances	–	(1 892)	–	–
Amount charged to income statement (excluding deferred taxation)	(19 745)	(11 221)	(28)	–
Amount of penalties accrued	(58)	–	–	–
Amounts unpaid at end of the year	8 123	8 787	(115)	(127)
	(20 467)	(9 148)	(16)	(73)
29. DIVIDENDS PAID				
Dividends declared	(6 652)	(5 067)	(7 871)	(5 067)
Movement in shareholders for dividends	30	4	1 085	4
	(6 622)	(5 063)	(6 786)	(5 063)

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
30. NET CASH INFLOW/(OUTFLOW) FROM ACQUISITIONS				
During the current year the group acquired the SA business of Dicoll Electronics and Implement IT. During the prior year the group acquired the entire issued share capital of Mthombo IT Services (Pty) Limited and Intellient (Pty) Limited.				
The assets and liabilities at the date of acquisition were as follows:				
Property, plant and equipment	(582)	(2 438)		
Inventory	(1 251)	(1 111)		
Trade and other receivables	(4 439)	(26 152)		
Loans receivable	–	(50)		
Current tax receivable	–	(1 075)		
Cash and cash equivalents	(1 964)	(6 161)		
Long-term borrowings	506	5 926		
Deferred tax	(338)	(4 696)		
Trade and other payables	2 335	41 639		
Current tax payable	–	2 967		
Net assets	(5 733)	8 849		
Goodwill	(6 122)	(52 577)		
Purchase consideration	(11 855)	(43 728)		
Shares to be issued	–	30 640		
Vendors for acquisition	11 855	–		
Cash and cash equivalents purchased	1 964	6 161		
Net cash inflow/(outflow) required for acquisition	1 964	(6 927)		
31. CASH AND CASH EQUIVALENTS				
Bank balances and cash	84 507	69 080	1 134	42
Bank overdrafts	–	(723)	–	–
Cash and cash equivalents	84 507	68 357	1 134	42

32. DIVIDENDS

The directors have declared a dividend of 14 cents which will be paid to shareholders recorded in the books at the close of business on Friday, 27 October 2006.

33. 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.

33. FINANCIAL INSTRUMENTS (continued)

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 liquidity 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:

		2006			2005		
	Currency	Foreign amount	Exchange rate at year end	R'000	Foreign amount	Exchange rate at year end	R'000
Uncovered receivables	USD	329	6,88	2 264	1 004	6,5	6 503
Uncovered receivables	GBP	95	12,82	1 218	–	–	–
Uncovered receivables	EU	–	–	–	222	8,3	1 835
Uncovered receivables	AUD	72	5,26	379	5	5,0	25
Uncovered payables	USD	1 309	6,88	9 006	1 449	6,6	9 538
Uncovered payables	GBP	3	12,82	38	4	10,5	42

34. RETIREMENT BENEFIT INFORMATION

The group continues to contribute to a defined contribution plan. This fund is registered under and governed by the Pension Funds Act, 1956 as amended. Substantially all of the group's employees belong to the fund.

All members pay a contribution to the fund and the group makes a similar contribution.

35. RELATED PARTY TRANSACTIONS

The subsidiaries within the group are identified in Annexure A.

All of these entities are related parties of the company.

All purchasing and selling transactions with related parties are concluded at arm's length.

36. SUBSEQUENT EVENTS

Other than the events noted in the annual report, no material event or transaction has occurred subsequent to 31 July 2006 that warrants adjustment to, or notification in, the annual financial statements.

37. CONTINGENT LIABILITIES

There are claims from customers/suppliers relating to claims prior to acquisition of a subsidiary. The directors are of the opinion that these claims are not valid and that the company has a counter-claim against the vendor in respect of these claims.

38. SEGMENTAL REPORTING

An analysis of the business units and geographical split of the company revealed that the business operations are closely integrated and all revenue is generated in Southern Africa, therefore, a segmental analysis will be of no benefit.

39. BASIS OF TRANSITION TO IFRS AND OTHER ADJUSTMENTS

39.1 Application of IFRS 1

The group applied IFRS 1 (First-time Adoption of IFRS) in preparing these consolidated financial statements. The group's transition date is 1 August 2004. The group prepared its opening IFRS balance sheet at that date using the accounting policies as set out in these financial statements.

In preparing these consolidated financial statements in accordance with IFRS 1, the group applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS.

Optional exemptions from full retrospective application elected by the group

Business combinations exemption

The group applied the business combination exemption in IFRS 1. It has not restated business combinations that took place prior to the transition date.

Foreign currency translation reserve exemption

The group elected to set previously accumulated cumulative translation differences recorded in foreign currency translation reserve to zero at the transition date.

Share-based payment transaction exemption

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

Fair value as deemed cost exemption

The group elected to measure the majority items of property, plant and equipment at fair value as at 1 August 2004.

Mandatory exceptions from full retrospective application followed by the group

Estimates exception

Estimates under IFRS at 1 August 2004 are consistent with estimates made for the same date under SAGAAP, unless there was evidence that those estimates were in error.

IAS 17 not applied retrospectively

The retrospective effect of implementing IAS 17 (Leases) was not considered material and no adjustment was made. IAS 17 is now applied to all new leases entered into after 31 July 2005.

39. BASIS OF TRANSITION TO IFRS AND OTHER ADJUSTMENTS (continued)

39.2 Reconciliation of equity at 1 August 2004

	Notes	2004 R'000 SAGAAP	Effect of transition to IFRS	2004 R'000 IFRS
ASSETS				
Non-current assets		34 281	(5 575)	28 706
Property, plant and equipment	a	8 017	(206)	7 811
Goodwill		18 636	–	18 636
Other intangibles	b	6 606	(6 606)	–
Investment in associate companies		–	–	–
Deferred taxation assets	c	1 022	1 237	2 259
Current assets		134 017	–	134 017
Inventories		55	–	55
Loans receivable		132	–	132
Trade and other receivables		72 135	–	72 135
Bank balances and cash		61 695	–	61 695
Total assets		168 298	(5 575)	162 723
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent		67 548	(5 575)	61 973
Share capital		471	–	471
Share premium		8 306	–	8 306
Other reserves	d, e	471	2 072	2 543
Retained earnings	f	58 300	(7 647)	50 653
Non-current liabilities		2 825	–	2 825
Long-term loans		2 825	–	2 825
Deferred taxation liabilities		–	–	–
Current liabilities		97 925	–	97 925
Trade and other payables		70 728	–	70 728
Short-term loans		22 375	–	22 375
Bank overdraft		–	–	–
Current taxation liabilities		4 822	–	4 822
Total equity and liabilities		168 298	(5 575)	162 723

39. BASIS OF TRANSITION TO IFRS AND OTHER ADJUSTMENTS (continued)

39.3 Reconciliation of equity at 31 July 2005

	Notes	2005 R'000 SAGAAP	Effect of transition to IFRS	2005 R'000 IFRS
ASSETS				
Non-current assets		90 535	(4 280)	86 255
Property, plant and equipment	a	9 291	(362)	8 929
Goodwill		71 622	–	71 622
Other intangibles	b	4 567	(4 567)	–
Investment in associate companies		815	–	815
Deferred taxation assets	c	4 240	649	4 889
Current assets		157 177	–	157 177
Inventories		1 295	–	1 295
Loans receivable		132	–	132
Trade and other receivables		86 670	–	86 670
Bank balances and cash		69 080	–	69 080
Total assets		247 712	(4 280)	243 432
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent		89 039	(4 280)	84 759
Share capital		501	–	501
Share premium		10 797	–	10 797
Other reserves	d, e	706	4 003	4 709
Retained earnings	f	77 035	(8 283)	68 752
Non-current liabilities		3 370	–	3 370
Long-term loans		3 370	–	3 370
Current liabilities		155 303	–	155 303
Trade and other payables		95 188	–	95 188
Provisions		15 395	–	15 395
Short-term loans		35 210	–	35 210
Bank overdraft		723	–	723
Current taxation liabilities		8 787	–	8 787
Total equity and liabilities		247 712	(4 280)	243 432

39. BASIS OF TRANSITION TO IFRS AND OTHER ADJUSTMENTS (continued)

39.4 Reconciliation of profit

	Notes	2005 R'000 SAGAAP	Effect of transition to IFRS	2005 R'000 IFRS
Revenue		420 225	–	420 225
Cost of sales		(262 771)	–	(262 771)
Gross profit		157 454	–	157 454
Depreciation	a	(5 774)	(157)	(5 931)
Amortisation of development cost	b	(2 040)	2 040	–
Impairment of goodwill		(3 348)	–	(3 348)
Other expenses		(110 683)	(1 932)	(112 615)
Finance costs		(1 079)	–	(1 079)
Interest income		1 676	–	1 676
Share of profits of associate companies		295	–	295
Profit before tax		36 501	(49)	36 452
Taxation	c	(12 699)	(587)	(13 286)
Profit for the year		23 802	(636)	23 166
Earnings per share (cents)		47,3	(1.2)	46,1
Development costs			4,1	
Depreciation			(0,3)	
Share options			(3,8)	
Taxation			(1,2)	
Fully diluted earnings per share (cents)		38,0	(1,0)	37,0
Development costs			3,3	
Depreciation			(0,3)	
Share options			(3,1)	
Taxation			(0,9)	
Headline earnings per share (cents)		53,9	(1,2)	52,7
Development costs			4,1	
Depreciation			(0,3)	
Share options			(3,8)	
Taxation			(1,2)	
Fully diluted headline earnings per share (cents)		43,4	(1,0)	42,4
Development costs			3,3	
Depreciation			(0,3)	
Share options			(3,1)	
Taxation			(0,9)	

Adjustments to cash flow statements:

There are no differences between the cash flow statements presented under IFRS and those presented under SAGAAP.

39. BASIS OF TRANSITION TO IFRS AND OTHER ADJUSTMENTS (continued)

39.5 Notes

a Property plant and equipment and depreciation

Useful lives and residual values of items of property, plant and equipment were reassessed in accordance with the criteria of IAS 16 (Property, Plant and Equipment) (revised). In future, useful lives and residual values of all property, plant and equipment will be reassessed on an annual basis. Previously useful lives and residual values were only assessed on initial recognition of the specific items and were not subject to annual reassessment. The continuous reassessment typically leads to a change in depreciation charges annually.

No significant separate components of property, plant and equipment were identified. All components of an item of property, plant and equipment were depreciated at the same rate.

The effect of the above adjustments was to decrease property, plant and equipment by R362 000 at 31 July 2005 (1 August 2004 – R206 000) and to increase the depreciation charge for the year ended 31 July 2005 by R157 000.

b Other intangible assets

IAS 38 (Intangible Assets) requires that the useful life of intangible assets be reassessed at each balance sheet date.

The effect of the above adjustment was to reduce intangible asset by R4 567 000 at 31 July 2005 (1 August 2004 – R6 606 000) and to decrease the depreciation charge for the year ended 31 July 2005 by R2 040 000.

c Deferred taxation

The above changes increased the deferred tax asset by R649 000 at 31 July 2005 (1 August 2004 – R1 237 000 and increased the taxation charge for the year ended 31 July 2005 by R587 000.

d Capital and other reserves

The group applied IFRS 2 (Share-based Payments) to its equity-settled share-based payment arrangements granted after 7 November 2002 but that had not vested by 1 January 2005.

The effect was to increase the share-based payment reserve by R3 704 000, decrease retained earnings by R1 772 000 and increase staff cost for the year ended 31 July 2005 by R1 932 000.

e Translation reserve

In accordance with IFRS 1 the group has elected to set the previously accumulated translation differences recorded in the foreign currency translation reserve to zero at 1 August 2004. This exemption has been applied to all subsidiaries that qualified for first-time adoption in accordance with IFRS 1.

The effect was to increase the foreign currency translation reserve by R300 000 on 1 August 2004 and decrease retained earnings by the same amount.

f Retained earnings

The net effect of restatements on retained earnings resulted in a decrease of R7 647 000 on 1 August 2004, and R636 000 on 31 July 2005.

40. 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 financials 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
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
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 2006

Name of company	Country of incorporation	Issued share capital 2006 R000	Issued share capital 2005 R000	Effective shareholding 2006 %	Effective shareholding 2005 %	Cost of shares 2006 R'000	Cost of shares 2005 R'000	Book value of company interest and indebtedness 2006 R'000	Book value of company interest and indebtedness 2005 R'000
Direct subsidiaries									
EOH Mthombo (Proprietary) Limited	South Africa	0,1	0,1	100	100	1 795	1 795	(32 646)	(21 493)
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	–	–	–	–
Enterprise Outsourcing Solutions (Proprietary) Limited	South Africa	0,1	0,1	100	100	–	–	–	–
Technolease (Proprietary) Limited	South Africa	7,7	7,7	100	100	8	8	(8)	(8)
Enterprise Softworks (Proprietary) Limited	South Africa	9,0	9,0	100	100	–	–	1 100	–
V55 Investments (Proprietary) Limited	South Africa	0,1	0,1	100	100	–	–	(1 798)	(1 481)
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	(19 885)	(23 958)
Intellient (Proprietary) Limited	South Africa	1,0	1,0	100	100	7 140	7 140	(3 055)	(3 055)
Mthombo IT Services (Proprietary) Limited	South Africa	0,5	0,5	100	100	39 489	38 573	(2 000)	(2 000)
Enterweb (Proprietary) Limited	South Africa	0,1	0,1	100	100	–	–	–	–
Indirect subsidiaries									
Enterprise Scheduling (Western Cape) (Proprietary) Limited	South Africa	0,1	0,1	100	100	–	–	2 700	–
EOH Consulting Services (Eastern Cape) (Proprietary) Limited	South Africa	0,1	0,1	90	90	–	–	–	–
EOH Consulting Services KZN (Proprietary) Limited	South Africa	0,1	0,1	70	70	–	–	–	–
ESP Solutions (Proprietary) Limited	South Africa	0,1	0,1	100	100	–	–	–	–
EOH Impact Consulting Services (Proprietary) Limited	South Africa	10,0	10,0	100	100	–	–	–	–
EOH Academy (Proprietary) Limited	South Africa	1,0	1,0	100	100	–	–	–	–
EOH Consulting (Botswana) (Proprietary) Limited	Botswana	0,2	0,2	99	99	–	–	–	–
Axia Business Solutions (Proprietary) Limited	South Africa	1,0	1,0	100	100	–	–	–	–
Enterweb (Proprietary) Limited	South Africa	1,0	1,0	100	100	–	–	–	–
						95 548	94 632	(55 567)	(51 970)
Less: Impairment provision						(1 073)	(1 073)		
						94 475	93 559	(55 567)	(51 970)

EOH HOLDINGS LIMITED

Incorporated in the Republic of South Africa
(Registration number 1998/014669/06)
Share code: EOH ISIN: ZAE000071072
("EOH" or "the 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 eighth Annual General Meeting of shareholders of the company will be held on Thursday, 22 February 2007 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 2006, including the directors' report and the report of the auditors therein.

2. To elect Prof. Tshilidzi Marwala, who was appointed to the board subsequent to year end.

   Tshilidzi is the Carl and Emily Fuchs professor of systems and control engineering, as well as the head of control and systems group at Wits University's school of electrical and information engineering. A recipient of more than 35 awards, including the Order of Mapungubwe from President Thabo Mbeki, he sits on the boards of City Power Johannesburg, the State Information Technology Agency, Statistics South Africa, the National Advisory Council of Innovation and the South African Council of Natural Scientific Professions. He is also a fellow of the Council for Scientific and Industrial Research.

   An accomplished and prolific academic, Tshilidzi has published more than 100 articles in journals, proceedings and books. Tshilidzi's areas of expertise are the theory and application of artificial intelligence to engineering, computer science, finance, social science and medicine. Tshilidzi was appointed as a non-executive director of EOH on 22 November 2006.

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

   John is a Chartered Accountant and started his career with KPMG in 1984 after he graduated from the University of the Witwatersrand. John was admitted to the partnership of KPMG in 1990 at the age of 29 and for a number of years was an audit partner responsible for major clients in both the public and private sector. During his time with KPMG, John held several managerial positions at different times including that of National Staff Partner, Head of Government and Emerging Markets Consulting Services, Head of Strategy and Operations and finally as Chief Executive Officer of KPMG's consulting practice. John has considerable consulting experience and has led many large successful consulting engagements involving many consulting disciplines across different industries. John is the CEO of EOH Consulting, part of the EOH group of companies.

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

   Dion was employed by KPMG (Peat Marwick) in February 1986 and progressed to Manager in 1992. In 1995 he was appointed as a Partner at KPMG and soon thereafter was seconded for a four-year period to the Presidential Project established by the Honourable (then) President, Mr Nelson Mandela as head of Finance and Information Technology. Thereafter Dion established a very successful consulting practice in the East London office of KPMG and was also responsible for the Cape Region and E-Government on a national basis. After 18 years (seven as a partner/executive director), Dion now forms part of the

EOH Consulting business as a result of the legal separation from KPMG and acquisition of Atos KPMG Consulting by EOH. Dion is currently the BU Head of Public Services within the EOH group and is actively involved in BEE and Strategic Account Management within the group.

5. To approve the directors' remuneration for the year ended 31 July 2006 as reflected in note 23 to the annual financial statements.

6. To confirm the reappointment 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 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 15% (fifteen 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 determined or agreed to by the directors of the company; 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 counterparty;
- 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 Generally Accepted Accounting Practice, 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 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 2;
- major shareholders of EOH – page 21;
- directors' interests in securities – page 22; and
- share capital of the company – pages 40 to 41.

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 2 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the Special Resolution 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 37 of the financial statements, the directors whose names are given on page 2 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

A Els
Company Secretary

31 January 2007
Johannesburg

Designed by motiv
Printed by INCE

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 "the 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 Thursday, 22 February 2007 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 (FULL NAMES) (BLOCK LETTERS PLEASE)

of (ADDRESS)

Telephone work ( ) Telephone home ( )

being the holders of shares in the capital of the company, do hereby appoint (see note*):

1. or failing him

2. or failing him

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 2006			
2. To elect as a director, Prof. T Marwala who was appointed after year end			
3. To re-elect as a director, Mr John King			
4. To re-elect as a director, Mr Dion Ramoo			
5. To approve the directors' remuneration for the year ended 31 July 2006			
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)

*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.

Signed at on 2007

Signature

Assisted by (if applicable)

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

NOTES TO FORM OF PROXY

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:
    Computershare Investor Services 2004 (Proprietary) Limited
    Ground Floor, 70 Marshall Street
    Johannesburg, 2001

    Postal deliveries to:
    Computershare Investor Services 2004 (Proprietary) Limited
    PO Box 61051
    Marshalltown, 2107

    to be received by no later than 10:00 on Tuesday, 20 February 2007 (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!

EOH

www.eoh.co.za