

# Reviewed Condensed Consolidated Results

for the year ended 31 July 2012

Revenue	▲ 50,0% to	R3 643 m
PBT	▲ 45,0% to	R341 m
EPS	▲ 29,8% to	254,9 cents
HEPS	▲ 29,1% to	253,1 cents
Dividend	▲ 32,6% to	70 cents
Cash	▲ 40,5% to	R452 m

The logo for EOH, consisting of the letters 'E', 'O', and 'H' in a bold, blue, sans-serif font. Each letter has a small red triangle above it, and the 'O' has a red triangle on its left side.

**Systems** make it possible...  
**People** make it happen

# Best people

## Partner for life

**Right** 1st time

Sustainable  
transformation

Profitable **growth**

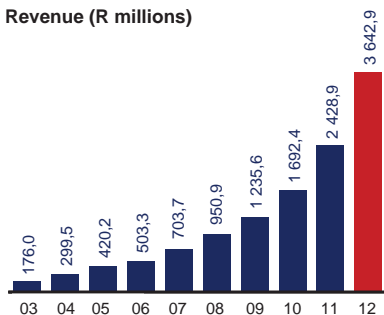
# Condensed Consolidated Statement of Comprehensive Income for the year ended 31 July 2012

	Reviewed 2012 R'000	% change	Audited 2011 R'000
<b>Revenue</b>	<b>3 642 915</b>	50,0	2 428 973
<b>Cost of sales</b>	<b>(2 086 082)</b>		(1 528 392)
Gross margin	<b>1 556 833</b>		900 581
Operating profit	<b>356 622</b>		233 011
Investment income	<b>12 676</b>		9 157
Finance costs	<b>(27 429)</b>		(7 646)
Share of losses of equity accounted investees	<b>(43)</b>		–
Net impairment of assets	<b>(1 907)</b>		(132)
<b>Profit before taxation</b>	<b>339 919</b>	45,0	234 390
Taxation	<b>(116 831)</b>		(85 986)
<b>Profit for the period</b>	<b>223 088</b>	50,3	148 404
<b>Other comprehensive income:</b>			
Foreign currency translation differences for foreign operations	<b>1 206</b>		1 742
<b>Total comprehensive income for the period</b>	<b>224 294</b>	49,4	150 146
<b>Profit attributable to:</b>			
Owners of the parent	<b>222 577</b>		147 273
Non-controlling interest	<b>511</b>		1 131
Profit for the period	<b>223 088</b>		148 404
<b>Total comprehensive income attributable to:</b>			
Owners of the parent	<b>223 783</b>		149 015
Non-controlling interest	<b>511</b>		1 131
<b>Total comprehensive income for the period</b>	<b>224 294</b>		150 146
Total number of shares in issue (000's)	<b>100 866</b>		95 389
Weighted average number of shares in issue (000's)	<b>87 312</b>		74 986
Diluted number of shares (000's)	<b>98 416</b>		85 342
Earnings per share (cents)	<b>254.9</b>	29,8	196,4
Diluted earnings per share (cents)	<b>226.2</b>	31,1	172,6
<b>Headline earnings reconciliation</b>			
<b>Profit after taxation attributable to:</b>			
Ordinary shareholders	<b>222 577</b>		147 273
Profit on disposal of assets	<b>(4 414)</b>		(254)
Net impairment of assets	<b>1 907</b>		–
Total tax effect of adjustments	<b>940</b>		–
Headline earnings	<b>221 010</b>		147 019
Headline earnings per share (cents)	<b>253,1</b>	29,1	196,1
Diluted headline earnings per share (cents)	<b>224,6</b>	30,4	172,3

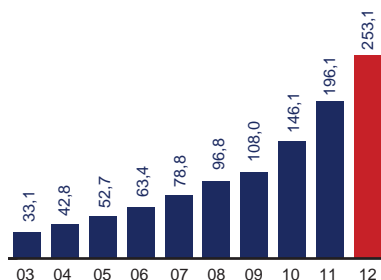
# Condensed Consolidated Statement of Financial Position for the year ended 31 July 2012

	Reviewed 2012 R'000	Audited 2011 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment properties	2 872	–
Property, plant and equipment	183 856	80 325
Goodwill and intangible assets	801 497	550 355
Finance lease receivables	36 447	–
Other financial assets	16 203	23 436
Deferred taxation assets	90 008	38 427
<b>Current assets</b>		
Inventories	39 401	30 662
Finance lease receivables	26 360	–
Other financial assets	15 625	5 671
Taxation receivable	37 493	17 846
Trade and other receivables	809 429	569 817
Trade receivables	783 470	545 629
Other receivables	25 959	24 188
Cash and cash equivalents	451 867	321 507
<b>Total assets</b>	<b>2 511 058</b>	<b>1 638 046</b>
<b>EQUITY AND LIABILITIES</b>		
Equity attributable to owners of the parent	1 128 435	709 926
Non-controlling interest	1 400	1 131
<b>Total equity</b>	<b>1 129 835</b>	<b>711 057</b>
<b>Non-current liabilities</b>		
Finance lease obligations	2 748	3 714
Other financial liabilities	271 768	145 988
Deferred taxation liabilities	50 786	618
<b>Current liabilities</b>		
Trade and other liabilities	906 753	677 245
Deferred revenue	107 565	68 261
Taxation payable	41 603	31 163
<b>Total equity and liabilities</b>	<b>2 511 058</b>	<b>1 638 046</b>
Net asset value per share (cents)	1 118,7	744,2
Net tangible asset value per share (cents)	324,1	167,3

Revenue (R millions)



Headline EPS (cents)



# Condensed Consolidated Statement of Cash Flows for the year ended 31 July 2012

	Reviewed 2012 R'000	Audited 2011 R'000
Net income before tax and separately disclosed items	339 919	234 390
Non-cash items	118 329	80 965
Working capital changes	(15 710)	(165 572)
Cash generated by operating activities	442 538	149 783
Investment income	12 676	9 157
Finance costs	(27 429)	(7 646)
Taxation paid	(141 477)	(129 609)
Net cash inflow from operating activities	286 308	21 685
Net cash outflow from investing activities	(163 808)	(52 436)
Net cash inflow from financing activities	7 860	85 587
Net movement in cash and cash equivalents	130 360	54 836
Cash and cash equivalents at beginning of year	321 507	266 671
Cash and cash equivalents at end of year	451 867	321 507

# Condensed Consolidated Statement of Changes in Equity for the year ended 31 July 2012

	Stated capital R'000	Reserves R'000	Retained earnings R'000	Non- controlling interest R'000	Total Equity R'000
<b>Audited balance at 1 August 2010</b>	122 962	26 147	315 083	(259)	463 933
Total comprehensive income for the year	–	1 742	147 273	1 131	150 146
Dividends paid	–	–	(25 232)	–	(25 232)
Share-based payment	–	12 699	–	–	12 699
Minorities acquired	–	(2 566)	–	259	(2 307)
Shares to be issued	(8 726)	–	–	–	(8 726)
Issue of share capital	191 985	–	–	–	191 985
Movements in treasury shares	(4 622)	(57 436)	–	–	(62 058)
The effect of consolidating the Mthombo Trust	–	(9 383)	–	–	(9 383)
<b>Audited balance at 31 July 2011</b>	301 599	(28 797)	437 124	1 131	711 057
Total comprehensive income for the year	–	1 206	222 577	511	224 294
Dividends paid	–	–	(41 139)	–	(41 139)
Share-based payment	–	15 892	–	–	15 892
Minorities acquired	–	887	–	(242)	645
Shares to be issued	88 521	–	–	–	88 521
Issue of share capital	65 408	–	–	–	65 408
Movements in treasury shares	(45 916)	86 185	–	–	40 269
The effect of consolidating the Mthombo Trust	(11 129)	36 017	–	–	24 888
<b>Reviewed balance at 31 July 2012</b>	398 483	111 390	618 562	1 400	1 129 835

## About EOH

EOH is a leader in technology and business services, the largest implementer of business applications and a provider of end-to-end solutions. EOH is active in South Africa, Africa and the United Kingdom and has a strong black economic empowerment profile.

EOH was listed on the JSE Limited ('JSE') in 1998 and since then has grown to over 4 700 people and more than 3 500 clients across all major industries. EOH has achieved compounded annual revenue growth in excess of 40% since inception.

### EOH's purpose

- ▲ To provide technology, knowledge, skills and organisational ability critical to Africa's development and growth; and
- ▲ To be an ethical and relevant force for good and to play a positive role in society, beyond normal business.

### EOH's vision

To be the best technology and knowledge service provider in Africa to:

- ▲ work for;
- ▲ partner with; and
- ▲ invest in.

### EOH's Business Philosophy

EOH is about people and its business philosophy is driven through five areas:

- ▲ **Best people** To attract, develop and retain the best people.
- ▲ **Partner for life** To develop life-long, mutually beneficial partnerships with its clients and partners.
- ▲ **Right 1st time** To ensure professional planning and execution and to have pride in all that we do.
- ▲ **Sustainable transformation** To transform and to manage diversity.
- ▲ **Profitable growth** To grow the top and bottom lines similarly, while remaining entrepreneurial.

## Operating model

The EOH operating model is based on a two dimensional approach: lines of business and industry verticals. The **lines of business** are clustered around consulting, technology, technology outsourcing and business process outsourcing.

### Consulting

EOH Consulting Services helps clients create value and architect change in a rapidly changing environment. These services include:

- ▲ Business operations improvement;
- ▲ IT strategy;
- ▲ IT architecture;
- ▲ Project management; and
- ▲ Change management.

## Technology

Over the years, EOH has earned widespread regard for the skill of its people, the quality of its processes and the calibre of its methodologies. EOH's technology offerings include:

- ▲ Enterprise applications;
- ▲ Information management;
- ▲ Enterprise content management;
- ▲ Information risk management;
- ▲ IT management and optimisation;
- ▲ Software development and integration;
- ▲ IT infrastructure; and
- ▲ Intelligent infrastructure.

## Technology outsourcing

EOH offers a range of technology outsourcing services:

- ▲ Transformational outsourcing;
- ▲ Managed services;
- ▲ Cloud services; and
- ▲ Hosting and networking.

## Business Process Outsourcing ('BPO')

EOH derives maximum value for its clients by outsourcing specific business processes. These include: finance and accounting, corporate legal services, customer services, human capital solutions and procurement.

## Industries

The industries in which EOH operates include:

- ▲ Financial Services;
- ▲ Telecommunications;
- ▲ Manufacturing and Logistics;
- ▲ Central and Local Government;
- ▲ State-owned entities;
- ▲ Mining; and
- ▲ Health.

## Basis of preparation

The reviewed condensed consolidated results for the year ended 31 July 2012 ('year under review') have been prepared in accordance with IAS 34 – Interim Financial Reporting, the South African Companies Act, 2008 (Act 71 of 2008), as amended, the Listings Requirements of the JSE and the AC 500 Standards as issued by the Accounting Practices Board. The accounting policies have been consistently applied with those in the prior year, which are supported by reasonable and prudent judgments and estimates.

These reviewed condensed consolidated results have been prepared under the supervision of John King, CA(SA), the Financial Director of EOH.

## Accounting policies

The accounting policies and methods of computation applied in the preparation of these reviewed condensed consolidated results for the year under review, which are based on reasonable judgements and estimates, are in accordance with IFRS and are consistent with those applied in the preparation of the group's annual financial statements for the year ended 31 July 2011. The amendments to IFRS 3 and IFRS 7 have been accounted for in the results.

## Review opinion

The condensed consolidated results for the year ended 31 July 2012 have been reviewed by the group auditors, PKF (Gauteng) Inc., and their unmodified review report is available for inspection at the registered office of EOH.

## Financial results

The board of directors of EOH ('the board') is satisfied with the performance for the year under review. The statement of financial position is strong with substantial cash resources to ensure sustainability and to support future growth. Revenue increased by 50,0% to R3 642,9 million and profit before tax is up by 45,0% to R339,9 million. The growth is attributable to a combination of both organic growth and recent acquisitions. Earnings per share ('EPS') and headline earnings per share ('HEPS') have grown by 29,8% and 29,1%, respectively, with cash increasing to R451,9 million.

## Business combinations

During the year under review, EOH's primary focus was to increase its Managed Services, Intelligent Infrastructure and Business Process Outsourcing businesses and, accordingly, the group made several acquisitions in these areas. Total goodwill increased by R259,0 million as a result of the following acquisitions.

- ***Stanley Security Solutions (Proprietary) Limited ('Stanley Security')***  
The group acquired 100% of the share capital of Stanley Security, a company specialising in security equipment for a cash consideration of R83,2 million on 3 November 2011. The company was acquired to enhance EOH's intelligent infrastructure capability. A related property-owning company was also acquired during this transaction for R6,3 million in cash. The non-current and current assets acquired were R49,0 million and R68,6 million respectively. The non-current and current liabilities acquired were R8,2 million and R22,9 million respectively.
- ***Dental Information Systems Holdings (Proprietary) Limited ('DISH')***  
The group acquired the entire share capital of DISH with effect from 25 April 2012 for a consideration of R138,1 million, consisting of R49,8 million in cash and R88,3 million in equity instruments. DISH specialises in dental managed healthcare BPO services. The non-current and current assets acquired were R67,8 million and R23,5 million respectively. The non-current and current liabilities acquired were R23,7 million and R45,0 million respectively.
- ***Individually immaterial acquisitions made during the year under review***  
The group acquired a number of smaller businesses to complement EOH's existing service offerings. The total purchase consideration for these acquisitions is R220,0 million, consisting of R138,4 million in cash and R81,6 million in equity instruments. The cumulative non-current and current assets acquired at the respective dates were R45,3 million and R106,3 million. The cumulative non-current and current liabilities acquired were R8,4 million and R63,9 million.

The aggregated revenue of businesses acquired consolidated into the results for the period under review amounted to R626,2 million which contributed R47,1 million to profit before tax.



## Segmental reporting

EOH's revenue for the year ended 31 July 2012 is derived from the provision of services (consulting, systems implementation and integration and managed services), software (software sales and maintenance revenue) and infrastructure products.

R'000	Services		Software		Infrastructure		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Revenue	<b>2 344 641</b>	1 456 953	<b>614 971</b>	479 172	<b>683 303</b>	492 848	<b>3 642 915</b>	2 428 973
Operating profit	<b>245 781</b>	153 475	<b>69 364</b>	58 747	<b>41 477</b>	20 789	<b>356 622</b>	233 011

All areas of EOH's business operations have seen growth during the year under review with the revenue from services being the most significant generator of revenue. Services revenue has increased to R2 344,6 million, a 61% increase over the previous period. Software sales have increased to R614,9 million (increase of 28%). Infrastructure sales have also increased by 39% to R683,3 million. Overall margins are 9,8% compared with 9,6% the previous year.

## Subsequent events and capital commitments

There have been no significant events since the end of the year under review. No significant capital expenditure was authorised as at 31 July 2012.

## Transformation

EOH is certified as a Large Enterprise Level 3 Contributor with BEE Procurement Recognition of 138% as a Value Adding Vendor.

EOH's current black shareholding is 37,47%. 57% of EOH's staff and 60% of its board members are black.

EOH's Corporate Social Investment initiatives are focused around education and wellness. One of our community involvement projects is the Maths Centre Programme which has its primary objective to equip teachers with skills to develop learner competency in maths. We have also given our support to The Child and Youth Development Programme of Afrika Tikkun. This programme provides support to youth during their school career and assists them in finding employment in the workplace. During this year EOH has spent R3,7 million on CSI initiatives.

Our Enterprise Development initiatives are aimed at developing black-owned ICT companies through financial and non-financial support which includes the transfer of business skills. EOH has spent R12,1 million in the form of loans and training on Enterprise Development.

EOH has 620 trainees participating in a year long graduate and school leavers' programme and has spent R8,4 million on this programme so far and is committed to spending a further R7,8 million over the next six months.

## Future plans

EOH will continue to grow both organically and acquisitively to meet the needs of its current and future clients. The organic growth will be propelled through the introduction of EOH's industry vertical approach. At the same time EOH will develop and/or acquire businesses in order to enhance its service offering.

EOH sees its main areas of growth in infrastructure and application managed services, cloud offerings, enterprise applications, information management, BPO, security and intelligent infrastructure.

EOH will continue its drive into the Public Sector to improve Public Sector delivery. Currently a quarter of EOH's revenue is derived from the Public Sector, from all tiers of government and from State Owned Entities. The Public Sector represents a major business opportunity and will continue to form a part of EOH's future growth.

EOH views Africa as a growth area in the medium term and will continue to cautiously pursue opportunities in identified countries.

EOH is well positioned to take advantage of the growing demands of its clients in a sector which grows at a faster pace than the rest of the economy. EOH has the resources, track record, know-how and capability to continue to grow aggressively.

### **Job creation initiative**

EOH's job creation initiative launched in September 2011 is gaining momentum.

Government has created the platform for job creation and EOH's view is that business can and should do more. Business can actively assist in alleviating unemployment in several ways:

- Invest in business to create more jobs.
- Keep jobs in South Africa. Large international IT companies and large enterprises in South Africa must not offshore services to overseas companies. These jobs must remain in South Africa and they should bring back services that have already been offshored.
- Invest in the development and training of young trainees through well structured learnership and internship programmes.

EOH's own contribution to this initiative is the employment of 620 trainees as part of its learnership and internship programmes. If every eighth person throughout business was a trainee, as is the case at EOH, the unemployment challenge could be eradicated in no time.

EOH is working with its international technology partners and clients to reduce unemployment in South Africa.

### **Directorate**

There have been no changes to the board during the year under review. At the AGM held on 6 March 2012, directors who were eligible for re-election in terms of the policy of rotation, were re-elected.

### **Dividends**

Notice is hereby given that a gross cash dividend of 70 cents (2011: 48 cents after deduction of secondary tax on dividends of 10%) per share ('the dividend') has been declared and is payable to shareholders recorded in the books at the close of business on Friday, 26 October 2012.

This represents a 32,6% increase of the cost of dividends to the company. Shareholders are advised that the last day of trade *cum* the dividend will be Friday, 19 October 2012. The shares will trade *ex* the dividend as from Monday, 22 October 2012. Payment will be made on Monday, 29 October 2012. Share certificates may not be dematerialised or rematerialised during the period Monday, 22 October 2012 to Friday, 26 October 2012, both days inclusive.

Shareholders are advised that the company will withhold the Dividend Tax and pay over the required amount to SARS on their behalf.

- The dividend should be treated as an income payment.
- The local dividend tax rate is 15%.
- There are no Secondary Tax on Companies credits utilised against the dividend.
- The gross local dividend is 70 cents per share for shareholders exempt from paying the new Dividend Tax.
- The net local dividend amount is 59,5 cents per share for shareholders liable to pay the new Dividend Tax.
- EOH's tax reference number is 9248321847.

**Asher Bohbot**

*Chief Executive Officer*

12 September 2012

**EOH Holdings Limited**

Incorporated in the Republic of South Africa

Registration number 1998/014669/06

Share code: EOH

ISIN: ZAE000071072

**Registered office**

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**Directorate**

**Executive directors**

Asher Bohbot (Chief Executive Officer)

Pumeza Bam

John King

Dion Ramoo

Jane Thomson

**Non-executive directors**

Dr Mathews Phosa (Chairman)

Lucky Khumalo

Prof Tshilidzi Marwala

Tebogo Skwambane

Rob Sporen (Dutch)

**Company secretary**

Adri Els

**Sponsor**

Merchantec Capital

**Auditors**

PKF (Gauteng) Inc.

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