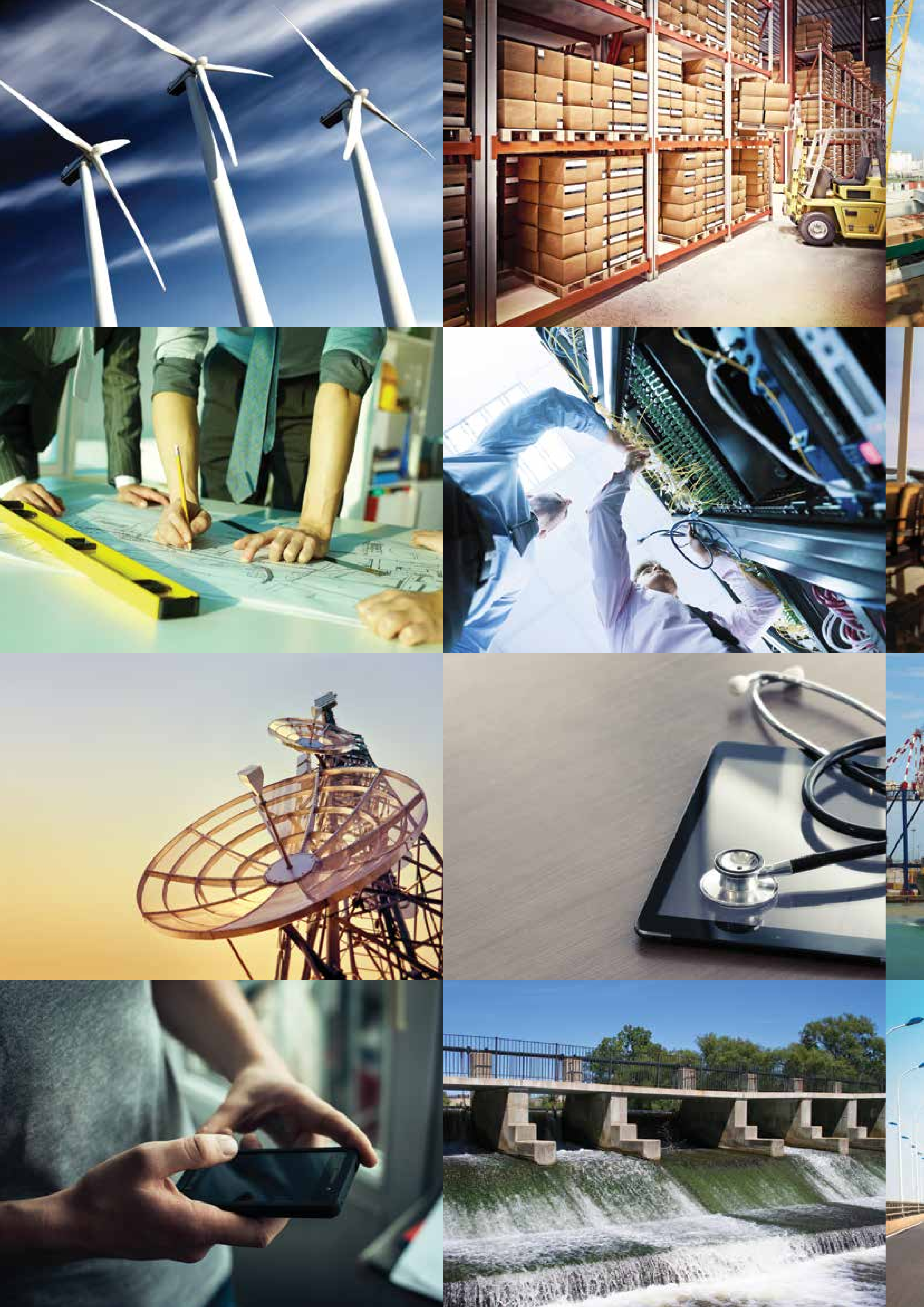

# ANNUAL INTEGRATED REPORT

# 2015

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

EOH



# CONTENTS

# ABOUT THE ANNUAL INTEGRATED REPORT

## Introduction and scope of the report

We are pleased to present our 2015 Annual Integrated Report. The report covers the performance of EOH Holdings Limited ('EOH' or the 'Company') and its subsidiaries (together referred to as the 'Group') as well as its associates and interests in joint ventures for the year ended 31 July 2015.

EOH's Annual Integrated Report contains the full set of audited consolidated financial statements for the year ended 31 July 2015. The King Code of Corporate Governance for South Africa, 2009 ('King III') checklist is available on the Company's website at www.eoh.co.za.

## Materiality

Our Annual Integrated Report focuses on information that is material to our business. It provides a concise overview of our performance, prospects and ability to create value for our stakeholders on a sustainable basis. The legitimate interests of our stakeholders were taken into account in determining information that is considered to be material for inclusion in this report.

## Assurance

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

## Forward-looking statements

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

## Approval of the Annual Integrated Report

The following reporting frameworks were applied and complied with in preparing this report:

- The Companies Act of South Africa;
- The Listings Requirements of the JSE Limited ('JSE Listings Requirements');
- King III;
- International Financial Reporting Standards ('IFRS'); and
- International Integrated Reporting Council ('IIRC') Integrated Reporting Framework.

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

**Asher Bohbot**
*Group Chief Executive Officer*

24 November 2015

**Sandile Zungu**
*Chairman*

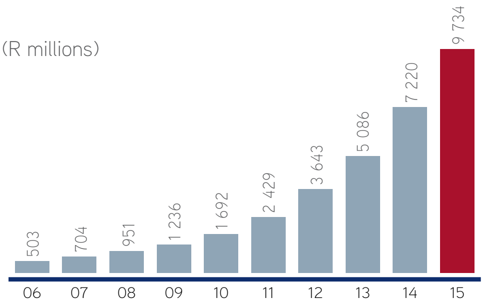
24 November 2015

# FINANCIAL HIGHLIGHTS

During the year, EOH increased revenue by 35%, 56% thereof being attributable to organic growth. The remainder of the growth is attributable to the successful integration of new businesses into the EOH family. Profit after taxation increased by 41%. This strong set of results reflects our consistent comprehension of the markets in which we operate and our understanding of our customers' unique needs.

## Revenue

(R millions)

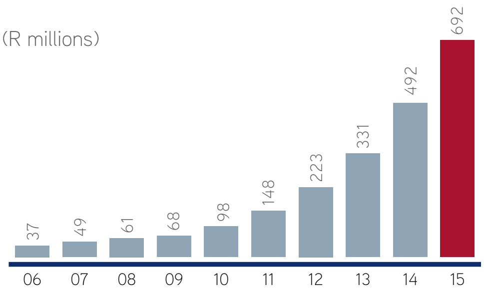



35%

R9 734 million

## Profit after taxation

(R millions)

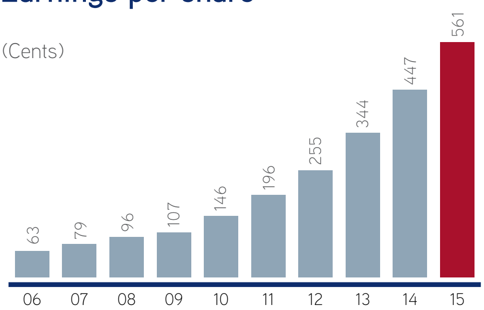



41%

R692 million

## Earnings per share

(Cents)

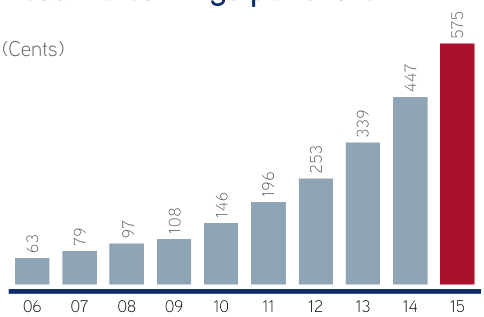



26%

561 cents

## Headline earnings per share

(Cents)




29%

575 cents

## Cash

56%

R1 664 million

## Dividend per share

25%

150 cents

# SIX-YEAR REVIEW

| | Five-year compound growth % p.a. | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|
| **Profit or loss and other comprehensive income and cash flows** | | | | | | | |
| Revenue (R 000) | 41,9 | 9 733 992 | 7 220 372 | 5 085 979 | 3 642 915 | 2 428 973 | 1 692 421 |
| Operating profit before interest and impairments (R 000) | 47,9 | 1 046 605 | 719 514 | 495 723 | 356 622 | 233 011 | 147 899 |
| Profit for the year (R 000) | | 691 794 | 492 163 | 331 359 | 223 088 | 148 404 | 97 779 |
| Cash generated from operations (R 000) | | 908 567 | 718 891 | 532 912 | 442 538 | 149 785 | 217 777 |
| EBITDA (R 000) | | 1 286 752 | 908 142 | 596 744 | 438 857 | 299 588 | 168 057 |
| Operating profit margin (%) | | 10,8 | 10,0 | 9,7 | 9,8 | 9,6 | 8,7 |
| Cash realisation rate (%) | | 70,6 | 79,2 | 89,3 | 100,8 | 50,0 | 129,6 |
| Headline earnings (R 000) | 48,7 | 707 775 | 487 225 | 327 035 | 221 010 | 147 019 | 97 430 |
| **Statement of financial position** | | | | | | | |
| Total assets (R 000) | | 8 372 707 | 5 686 061 | 3 456 952 | 2 511 058 | 1 638 046 | 1 105 132 |
| Total equity (R 000) | | 4 508 624 | 2 628 810 | 1 620 727 | 1 129 838 | 711 057 | 463 933 |
| Net assets (R 000) | 70,7 | 4 912 715 | 3 002 836 | 1 520 104 | 1 167 384 | 713 923 | 338 796 |
| **Profitability and asset management** | | | | | | | |
| Return on total assets (%) | | 14,9 | 15,7 | 16,6 | 17,2 | 17,0 | 15,3 |
| Return on net assets (%) | | 26,4 | 31,8 | 36,9 | 37,9 | 44,3 | 53,0 |
| Return on equity (%) | | 19,9 | 23,0 | 23,8 | 24,0 | 25,0 | 24,9 |
| **Shareholders' ratios** | | | | | | | |
| Earnings per share (cents) | | 561 | 447 | 344 | 255 | 196 | 146 |
| Headline earnings per share (cents) | | 575 | 447 | 339 | 253 | 196 | 146 |
| Dividend per share (cents) | 33,0 | 150 | 120 | 95 | 70 | 48 | 36 |
| Dividend cover (times) | | 3,8 | 3,7 | 3,6 | 3,6 | 4,1 | 4,1 |
| Net tangible asset value per share (cents) | | 1 150 | 520 | 531 | 324 | 168 | 175 |
| Net asset value per share (cents) | | 3 415 | 2 207 | 1 462 | 1 119 | 744 | 582 |
| **Stock exchange statistics** | | | | | | | |
| Market value per share | | | | | | | |
| - at year end (cents) | | 17234 | 9440 | 6075 | 3585 | 2206 | 1149 |
| - highest during the year (cents) | | 17234 | 9500 | 6075 | 3610 | 2294 | 1175 |
| - lowest during the year (cents) | | 9335 | 6150 | 3490 | 2000 | 1100 | 640 |
| Dividend yield (%) | | 0,9 | 1,3 | 1,6 | 2,0 | 2,2 | 3,1 |
| Earnings yield (%) | | 3,3 | 4,7 | 5,6 | 7,1 | 8,9 | 12,7 |
| Price to earnings ratio (times) | | 30 | 21 | 18 | 14 | 11 | 8 |
| Number of shares in issue (000) | | 132 039 | 118 653 | 110 848 | 100 866 | 95 389 | 79 737 |
| Market capitalisation (Rm) | 90,1 | 22 755 | 11 201 | 6 734 | 3 616 | 2 104 | 916 |

## Glossary

| | |
|---|---|
| Cash realisation rate: | This ratio is calculated by expressing cash generated by operations as a percentage of EBITDA and reflects the proportion of cash operating profit realised after working capital movements. |
| Closing share price: | EOH share price at the close of business on 31 July 2015. |
| Dividend cover: | Headline earnings per share divided by dividends per share. |
| Dividend yield: | Dividend per share as a percentage of closing share price. |
| EBITDA: | Earnings before interest, tax, depreciation, amortisation and impairment losses. |
| Earnings per share: | Profit for the year divided by the weighted average number of ordinary shares in issue during the year. |
| Earnings yield: | Headline earnings per share as a percentage of closing share price. |
| Headline earnings: | Profit for the year adjusted for profit/loss on sale of property, plant and equipment, investments and impairment losses. |
| Headline earnings per share: | Headline earnings divided by the weighted average number of ordinary shares in issue during the year. |
| Net assets: | Total assets other than cash, bank balances and deferred tax assets less interest-free trading liabilities. |
| Net asset value per share: | Ordinary shareholders' equity divided by the number of ordinary shares in issue. |
| Net tangible asset value per share: | Ordinary shareholders' equity less intangible assets divided by the number of shares in issue. |
| Operating profit: | Profit before interest, taxation, and impairment losses. |
| Operating profit margin: | Operating profit as a percentage of revenue. |
| Price to earnings ratio: | Closing share price divided by headline earnings per share. |
| Return on equity: | Headline earnings as a percentage of average shareholders' interest. |
| Return on net assets: | Operating profit as a percentage of average net assets. |
| Return on total assets: | Operating profit as a percentage of average total assets. |

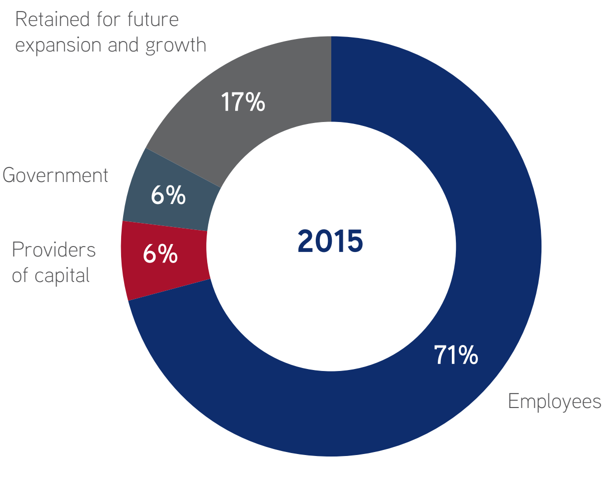
# EOH'S VALUE ADDED STATEMENT

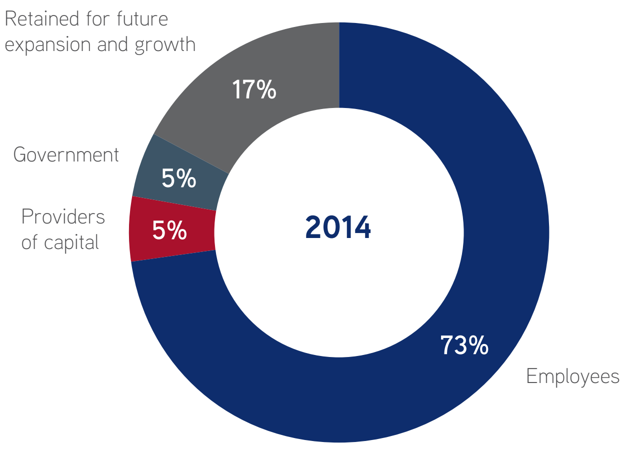
*for the year ended 31 July 2015*

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

## Distribution of wealth created:

| Figures in Rand thousand | 2015 | % | 2014 | % |
|---|---|---|---|---|
| **Wealth created** | | | | |
| Revenue | 9 733 992 | | 7 220 372 | |
| Cost of materials and services | (5 096 115) | | (3 705 312) | |
| Share of profits of equity accounted investments | 10 736 | | 337 | |
| Other income | 37 785 | | 29 676 | |
| **Total wealth created** | 4 686 398 | 100 | 3 545 073 | 100 |
| **Wealth distributed** | | | | |
| *Employees* | | | | |
| Salaries, wages and related benefits | 3 324 562 | 71 | 2 595 688 | 73 |
| | 259 769 | 6 | 180 227 | 5 |
| *Providers of capital* | | | | |
| Dividends to shareholders | 140 970 | 3 | 99 793 | 3 |
| Cost of funding | 118 799 | 3 | 80 434 | 2 |
| *Government* | | | | |
| Corporate taxation paid | 259 533 | 6 | 176 930 | 5 |
| *Wealth retained for future expansion and growth* | 842 534 | 17 | 592 228 | 17 |
| **Distribution of wealth created** | 4 686 398 | 100 | 3 545 073 | 100 |




EOH

# ABOUT EOH

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

EOH is the largest implementer of enterprise applications and has a wide range of Outsourcing, Cloud, Managed Services, Industrial Technologies and Business Process Outsourcing ('BPO') solutions.

EOH's 10 000 staff members deliver these services to over 2 000 large enterprise customers across all major industries throughout South Africa, the rest of Africa and in several countries overseas.

EOH has a strong brand and despite its size, remains entrepreneurial.

EOH has activities in 33 countries in Africa and 134 points of presence in South Africa.

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

With our substantial footprint in Africa, EOH has been able to acquire a deep understanding of the requirements of both businesses and the public sector in the various countries on the continent. This experience enables us to offer customers flexible and robust solutions to the unique challenges and opportunities that face countries in Africa.

EOH has several points of presence overseas and will be establishing additional offices in Australia, Middle East and the USA.

Since inception, EOH has delivered 43% compounded year-on-year revenue growth. This achievement demonstrates consistent growth as a result of our understanding of the needs of the market and our ability to meet client expectations.

Our strong financial position has meant that we are regularly rated as one of South Africa's best performing companies on the JSE and as one of the best companies to invest in.

## EOH'S PURPOSE

**To provide the technology, knowledge, skills and organisational ability critical to Africa's development and growth.**

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

## EOH PHILOSOPHY

**Best People**

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

**Partner for Life**

To nurture lifelong partnerships with our customers and business partners

**Right 1st Time**

To ensure professional planning and execution in all that we do

**Sustainable Transformation**

To transform and celebrate diversity

**Lead and Grow**

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

# ACHIEVEMENTS AND AWARDS

## Achievements

- Exceptional growth – revenue (up 35%) and profit for the year (up 41%)
- Ranked third best performing company on the JSE by the Financial Mail in 2015
- EOH ranked third in the Sunday Times Business Times Top 100 Companies for the second time
- EOH Youth Job Creation Initiative which has created over 8 000 jobs since inception three years ago
- Trained 1 800 graduates/trainees in past three years of which 70% have become permanent EOH employees
- Largest number of vendor certified practitioners across all major applications

## Awards

- Asher Bohbot received the SAPSA (South African Professional Services Awards) Award for Management Consulting Professional of the Year
- EOH received the Frost & Sullivan, Growth Excellence Leadership Award within the South African Information Technology Services Market
- EOH received the Top Empowered Job Creation Award at the 14th Annual Oliver Empowerment Awards

## Service excellence awards

- Excellence Award for being the Oracle EPM and BI Partner of the year
- HP Service One Partner of the year – PPS
- HP Service One Partner of the year – EG
- Winner for HP Storage Channel Achievers Club EMEA for best growth
- HP Workstation Partner of the year
- Winner of Oracle Cloud Services Partner of the Year 2015
- Censeo received the accolade of Forensics Corporate Member of the Year 2015 at the International Association of Certified Fraud Examiners ('ACFE') conference

# OPERATING MODEL

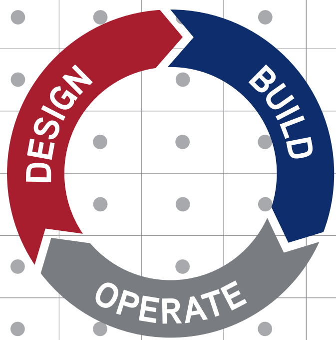
EOH's operating model is two dimensional, focused on key business areas and industry verticals. EOH offers solutions across the spectrum through a simple 'Design, Build and Operate' approach and is able to offer its customers tailored, flexible and robust solutions.

Our key business areas are Applications, IT Management, IT Outsourcing, Industrial Technologies and BPO. A key differentiator in our model is the specialist industry expertise that we provide through our industry verticals. In this way, EOH provides high value, end-to-end solutions across the spectrum and consistently delivers value to clients through its deep industry expertise, an understanding of clients' businesses and a 'Right 1st Time' approach to delivery.

The diagram below shows the major key business areas of EOH and the industry verticals in which we focus.

The table below shows the key services and solutions in the five major lines of businesses with the 'Industry Consulting' line of business operating across all disciplines and industry verticals.

| INDUSTRY VERTICALS / KEY BUSINESS AREAS | Financial Services | Telecommunications | Retail | Manufacturing | Transport and Logistics | Mining | Health | Energy | Water | Local Government | Central Government |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Industry Consulting | ● | ● | ● | ● | ● | | ● | ● | ● | ● | ● |
| IT Applications | ● | ● | ● | ● | | ● | | ● | ● | ● | ● |
| IT Management | ● | ● | ● | | ● | ● | ● | ● | ● | ● | ● |
| IT Outsourcing | ● | ● | ● | | ● | ● | ● | ● | ● | ● | ● |
| Industrial Technologies | ● | ● | ● | ● | | ● | | ● | ● | ● | ● |
| Business Process Outsourcing | ● | ● | ● | ● | ● | | ● | ● | ● | ● | ● |




| Applications | IT Management | IT Outsourcing | Industrial Technologies | BPO |
|---|---|---|---|---|
| Enterprise Applications | IT Performance Management and Optimisation | Applications | Connectivity Infrastructure | Human Capital |
| Information Management | IT Security and Governance | Infrastructure | Security and Safety | Learning and Development |
| Information Services | IT Infrastructure | Unified Communication | Automation and Control | Workplace Health |
| Software Development and Integration | Datacentre and Virtualisation | Network Solutions | Energy Infrastructure and Services | Customer Services Outsourcing |
| Digital | End User Computing and Mobility | | Infrastructure Engineering | Legal Services |
| Own niche applications | Cloud Services | | | Health |

## Industry Consulting

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

## Applications

As a market leader in enterprise solutions, EOH has developed an ecosystem that enables its customers to accelerate innovation, ensure return on investment and achieve breakthrough results. This EOH ecosystem puts knowledge and expertise at customers' fingertips so that they can use it when needed to achieve their objectives and improve business performance.

EOH's portfolio helps customers align strategy with execution so that they can address short-term challenges while building a foundation for continued productivity and growth. Our applications solutions include:

- Enterprise Applications
- Information Management
- Software Development and Integration
- Digital solutions
- Own Niche Applications

### Enterprise Applications

EOH is the largest enterprise applications provider in Africa. EOH either represents an international vendor in South Africa or is the largest, or one of the largest, partners of these vendors on the African continent.

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

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

### Information Management

A robust information management strategy has become a fundamental cornerstone of commercial success. Enterprises are entering a new era where the scale of data processed and stored is breaking down every architectural construct in the storage industry. EOH delivers solutions that address the challenges of big data through analytics, bandwidth and content management. We help our customers gain insight into massive datasets, move data quickly and store important data for long periods of time without increasing their operational complexity.

Effective information management strategies increase revenue, improve profitability and effectiveness, and reduce costs. This in turn gives organisations the competitive and strategic edge to:

- Design and deliver products cheaper, faster and more efficiently;
- Manage costs more effectively;
- Build more accessible, effective, efficient and valuable customer relationships;
- Provide additional products and services;
- Operate with higher levels of speed and efficiency; and with a
- Higher degree of accuracy.

### Software Development and Integration

EOH's Software Development and Integration solutions are designed to meet the unique business software requirements of its customers and to integrate them seamlessly with their core business systems.

These solutions include – Software development; Application design; Mobile development; Cloud-based hosted solutions; User experience; Application integration; and Application life cycle management.

### Digital solutions

EOH Digital comprises the innovative and fast paced digital arm of EOH. EOH's wealth of digital knowledge extends to strategy, multi-channel bespoke development; customer experience; digital marketing; self-service; mobility; analytics and managed solutions.

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

*A selection of EOH's technology partners*

### Own Niche Applications

Not all off the shelf applications are fit for purpose. In many cases, niche applications are required to drive industry-specific or cross-industry functionality. EOH has industry-specific applications that address issues not always catered for by the large enterprise systems.

These applications are owned, run and managed by EOH and are targeted at industries where there is specific need.

| | |
|---|---|
| sybrin<br>Electronic payments processing, interbank clearing, intelligent workflow | educos<br>The Ultimate Resource in Human Resources<br>Human capital management, payroll outsourcing, training management |
| Candy<br>Estimating, planning and project control | build smart<br>Cost management, procure to pay, payroll processing |
| xds<br>xpert decision systems<br>Full end-to-end bureau solution | iMQS<br>Integrated geospatial asset management system |
| emid<br>Transaction and reconciliation systems for financial services | ZOOMOUT<br>Prevention of procurement fraud |
| ENERGY CYBERNETICS<br>Performance evaluation tool for real time management of energy systems | EOH SMART Government solution |

## IT Management

There is a shift in emphasis away from IT being a support division, towards it being a proactive service provider that functions as a business within a business. Technology now underpins, informs and enables most organisations to function optimally. Technology – and hence IT – creates differentiation, generates revenue and enables customer-centricity.

The cornerstone of EOH's IT Management solutions is a process of transitioning IT from the traditional reactive mode to IT as a Service (ITaaS). EOH IT Management businesses provide consultation; readiness assessments; agnostic needs analysis; planning; migration and on-site support. Our solutions are designed to protect business-critical servers that house customers' organisation's information assets and include –

Performance Management and optimisation; End-user computing and mobility; Cloud services; IT Infrastructure; Data Centre and virtualisation.

### Performance Management and Optimisation

Systems, applications, data and networks are core to every organisation's IT functions. These need to be quick, reliable and consistent. EOH has vast experience and the largest number of IT performance management experts in the country.

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

### End User Computing and Mobility

Mobile management is becoming a crucial part of the IT environment. EOH provides organisations with the ability to manage, monitor and deliver enterprise mobility. Alternatively, EOH can take over a customer's entire IT environment and manage it on their behalf.

### Cloud Services

EOH Cloud Services gives customers scalability, agility and ease of access. Customers can outsource non-core business elements while they focus on their core business operations and customer service.

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

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

### IT Infrastructure

EOH IT Infrastructure provides information and communication technology solutions to commercial, industrial and manufacturing organisations.

Technical services include *ad hoc* support, online support, outsourcing, and consulting. EOH also delivers an end-to-end service ranging from information technology and networking infrastructure to ERP and back-office solutions.

### Data Centre and Virtualisation

A mature IT environment requires organisations to optimise their infrastructure while driving down costs and increasing efficiencies. IT needs the flexibility to adapt quickly and reliably to business needs. EOH assists organisations, no matter what stage they are at, in terms of moving from a physical to a virtual environment.

## IT Outsourcing

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

Traditionally outsourcing referred to an engagement model where customers outsourced their entire IT function to an outsource provider. However, the advent of cloud computing and managed services, provides customers with more flexible engagement models to meet their business requirements.

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

EOH combines knowledge, technology and experience in creating solutions to:

- Manage users, their identities and access to enterprise information;
- Secure systems, devices and operating platforms;
- Improve the resilience of information infrastructure and communication;
- Ensure availability and performance of applications and processes;
- Protect information and data wherever it resides; and
- Improve the effectiveness of an enterprise's security programmes.

EOH's outsourcing solutions include – unified communications; network solutions; infrastructure outsourcing and application outsourcing.

### Unified Communications

Unified Communications (UC) is the convergence of all communications on IP networks. UC unifies separate communication channels like telephony, video and data into a single communications platform thus improving the standard of communication.

EOH offers innovation, experience and expertise to provide a fully integrated solution that encompasses people, processes and technology. Our UC solutions help customers enhance the way they communicate, collaborate and work on a 'where, when and how' basis.

### Network Solutions

EOH Network Solutions delivers a full range of enterprise communications services. EOH has its own national and international telecommunications infrastructure and deploys, operates and manages large-scale telecommunications networks on behalf of its customers.

EOH helps organisations find a balance between lowering costs and the need to establish quality networks to support their business needs.

### Infrastructure Outsourcing

EOH Infrastructure Outsourcing specialises in operating and supporting Information and Communication Technology (ICT) infrastructure through a suite of comprehensive end-to-end management solutions enabling customers to focus on their core business.

Our service portfolio includes all the IT management, support and advice necessary to keep a customer's IT infrastructure secure and available.

### Application Outsourcing

EOH enables customers to optimise their technology solutions and to ensure that their mission-critical business systems are always available. EOH delivers value by managing performance, volume and data transparency ensuring consistency across the entire IT landscape.

Further, it offers on-going quality checks for technical risk analyses and a support advisory centre is underpinned by a service-level agreement.

## Industrial Technologies

The EOH Industrial Technologies division combines state-of-the-art technology and best practice to create facilities and infrastructures that are efficient, smart, safe, healthy and secure.

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

The Industrial Technologies portfolio includes –

Connectivity infrastructure; Security and Safety; Energy infrastructure and services; Automation and control and Infrastructure engineering.

### Connectivity Infrastructure

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

Today's connectivity infrastructure environment is complex and spans the full converged networking spectrum, from structured cabling, fibre optic back-bones, wireless networking, and business critical data centres.

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

### Security and Safety

Security is a fundamental aspect of our lives. EOH's Security and Safety solutions offer a straight-forward approach by creating a comprehensive unified security, building management and workforce management solution.

Our services portfolio includes – monitoring and surveillance; access control; time and attendance; biometric ID management; smartcard solutions; fire safety; asset management and tracking; and building management.

### Energy Infrastructure and Services

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

EOH has a holistic approach to energy, gas and water resource management that virtually guarantees measurable and verifiable returns on investment and continuous reduction in the use and cost of energy consumption.

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

### Automation and Control

EOH is a market and thought leader in this space. Automation and control addresses two primary business issues namely – safety and efficiency in the plant/production process.

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

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

### Infrastructure Engineering

Infrastructure engineering sits alongside and is part of what would traditionally have been regarded as the domain of information technology. EOH provides a range of knowledge services in the infrastructure engineering space. This allows us to provide holistic end-to-end services to our customers across many industries.

Our services portfolio include: Planning and management of water and waste water distribution systems; Graphic Information System (GIS) based asset management; Sub-station infrastructure; Environmental control and Infrastructure planning.

## Business Process Outsourcing

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

EOH's BPO offerings include –

Knowledge Process Outsourcing; Workplace Health Outsourcing; Human Capital Outsourcing; Learning and Development Outsourcing; Customer Services Outsourcing; and Legal Services Outsourcing.

### Knowledge Process Outsourcing

Knowledge Process Outsourcing (KPO) describes the outsourcing of core information-related business activities which are competitively important or form an integral part of a company's value chain.

KPO requires advanced analytical and technical skills as well as a high degree of specialist expertise. Business processes are essentially process-driven and rule-based, whereas knowledge processes involve judgement. EOH has the skills, resources and technology know-how to operate these 'core processes' both efficiently and effectively.

### Workplace Health Outsourcing

EOH Workplace Health is a provider of workplace health and wellness. EOH implements workplace health programmes and delivers comprehensive health and wellness services to over 700 customers in South Africa.

### Human Capital Outsourcing

Technology is driving the way people engage and relate and is rapidly transforming every organisation. EOH understands the critical business goals of customers and what is needed to dramatically improve their performance.

Our offerings include Talent solutions; Staffing solutions; Remuneration solutions; Organisational design and development and IT enabled people management solutions.

### Learning and Development Outsourcing

EOH Learning and Development is a multi-disciplinary learning solutions provider. Our offerings include:

- EOH Academies – an integrated set of learning solutions from short courses, to skills programmes and qualifications, offered either in the classroom, via eLearning or a blend of classroom and eLearning training
- EOH Learning and Development Managed Services – a training academy, or training function, managed on a customer's behalf
- EOH Workplace Learning – a specialist experiential learning solution that manages, implements and supports on-the-job learning programmes
- EOH Conferences and Seminars – which manages and coordinates all event related learning logistics for small and large programmes.

### Customer Services Outsourcing

EOH creates value for its customers through the provision of harmonised end-to-end solutions, customised systems and quantifiable outcomes. These outcomes are aligned to a customer's specific business strategy and objectives. We help customers operate at more efficiency by including employee benefit advisory services; communication solutions; wellness and event management/programmes; data analytics and interface management and business efficiency services.

### Legal Services Outsourcing

EOH Legal Services consists of a group of attorneys and advocates, specialising in the delivery of corporate legal services to customers.

EOH Legal Services offers a complete suite of legal services to its many clients. EOH provides an independent, integrated, outsourced, 'in-house' legal department with an excellent understanding of the business and the legal requirements of its customers.


EOH

# GROUP CEO'S INTEGRATED REPORT

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

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

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

Our solutions draw from a comprehensive portfolio of Applications, IT Management, IT Outsourcing, Industrial Technologies and BPO solutions. Driven by our design, build and operate approach, we are able to provide comprehensive, tailored solutions across all industry verticals.

## BUSINESS PERFORMANCE

During the year ended 31 July 2015, revenue increased by 35% to R9 734 million and profit after tax increased by 41% to R692 million. The growth is attributable to a combination of strong organic growth and recent acquisitions. Organic growth accounted for 56% of the revenue growth and 51% of the growth in profit before tax. Earnings per share ('EPS') increased by 26% and headline earnings per share ('HEPS') increased by 29%, with cash increasing to R1 664 million.

During the year, EOH continued its strategy to consolidate and complement its existing services with strategic acquisitions focusing on industry specific niche software and businesses providing engineering, technology, consulting and outsourcing services to medium and large enterprises and to the public sector. EOH also continued its expansion into Africa by acquiring a significant interest in the Twenty Third Century Systems Group ('TTCS') of companies.

EOH acquired Construction Computer Software Proprietary Limited ('CCS'), which develops and markets software products used by the construction industry, and Managed Integrity Evaluation Proprietary Limited and Afiswitch Proprietary Limited ('MIE Group'), which offers electronic verification services using its own proprietary software. Several smaller businesses also joined the EOH group of companies.

EOH's revenue is derived from Services (Systems Integration, Outsourcing and Industrial Technology services), Software (software sales and maintenance revenue) and Infrastructure products (IT hardware, networks and infrastructure; telecommunications infrastructure; and hardware associated with security solutions).

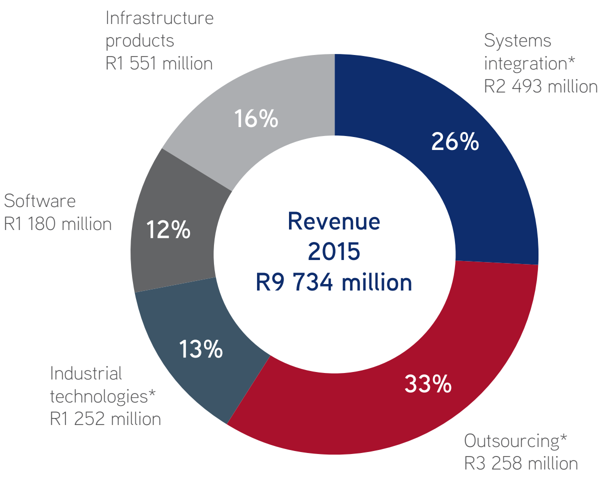
The revenue from Services increased by 27% to R7 003 million and accounted for 72% of total revenue. The revenue derived from software and infrastructure products increased by 60% and 58% respectively.

Systems Integration activities include system applications and technology solutions; software development and integration; cloud solutions; information management; security services; digital solutions; and industry-based consulting services.

Outsourcing activities include infrastructure managed services; application managed services and Business and Knowledge Process Outsourcing.

Industrial Technologies Services include energy management and infrastructure services; automation and control; infrastructure engineering; safety and security solutions and connectivity solutions.

### Diagram below shows the revenue split by segment




** Revenue from services totals R 7 003 million*

# OPERATING ENVIRONMENT

EOH operates in the Information Technology ('IT'), Industrial Technology and Business Process Outsourcing (BPO) space. Our addressable market in South Africa is estimated to be about R220 billion – which is growing at 8% per annum – and the addressable market in the rest of Africa is estimated to be at least as much. Despite EOH's revenue growth in excess of 40% this year, its market share remains relatively small.

We have seen growth in all areas and we expect this trend to continue and we have positioned ourselves to provide cost-effective solutions to medium and large enterprises.

Our managed services business is up 22% with significant wins in petrochemical and retail companies and in the public sector. We have also expanded our service offering to include verification and accreditation services. This area already accounts for over R3,2 billion of EOH's revenue and continues to grow.

EOH's Industrial Technology businesses have grown by 35%. This is as a result of significant organic growth and several new companies joining EOH providing engineering, energy, water, transport and infrastructure solutions.

There are new and exciting opportunities in cloud computing and we have capitalised on our end-to-end service offerings to provide cloud services as an alternative solution for customers.

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

There has again been some consolidation in the IT sector, in which EOH has participated as a consolidator. The continued convergence of technology, IT, telecommunications and engineering disciplines is positive for EOH as we already have a comprehensive range of solutions enabling us to be a single services integrator for our customers.

# TRANSFORMATION AND SOCIAL RESPONSIBILITY

Transformation is one of EOH's key business philosophies. EOH is certified as a Large Enterprise Level 2 Contributor with BBBEE Procurement Recognition of 156% as a Value Adding Vendor. 54% of EOH's staff and 67% of its board members are black. EOH's current black shareholding is 39%.

Our transformation initiatives are wide-ranging and include:

- **Employment Equity initiatives**

  54% of our staff are black and through our various empowerment initiatives and programmes, implemented at Business Unit level, and our Youth Job Creation Initiative, we will continue to increase this percentage.

- **Skills training and development**

  EOH has its own academy and various training businesses. All our staff, with a particular focus on fast tracking our black staff, attend and participate in training courses throughout the year.

- **Enterprise and supplier development**

  We have several enterprise development initiatives aimed at developing black-owned companies by providing both financial and non-financial support, with a particular emphasis on empowering black women owned businesses to build sustainable businesses in the technology and knowledge services sectors.

- **Increasing black ownership**

  39% of EOH is currently owned by black people, and through our Black Empowerment Trusts and our deliberate focus to increase our black equity ownership, we expect even a greater percentage of EOH to be black owned in the future.

- **Corporate Social Investment**

  We believe that youth development is paramount to a prosperous South Africa. To this end, our Corporate Social Investment ('CSI') programme includes:

  - Financial support for the Maths Centre which focuses on teaching mathematics, science, technology and entrepreneurship. The centre's primary objective is to equip teachers, learners and parents with learning material and programmes to improve their competency in these subjects.
  - EOH provides support to the child and youth development programmes of Afrika Tikkun with the objective of providing a future for children living in townships.
  - EOH has partnered with SABCOHA (South African Business Coalition on Health and Aids) who test at least 25 000 people annually for Aids and TB.

- **The EOH Youth Job Creation Initiative**

  EOH believes that all businesses have a responsibility to help solve the problem of youth unemployment. In 2012, EOH launched its successful EOH Youth Job Creation Initiative with the aim of working with its business partners, customers and the Government to stimulate job creation. This Initiative, equips young people with the necessary skills and experience to enable them to have a job for life.

  As part of this programme, EOH also launched its Internal Learnership Programme in the same year. To date, more than 1 800 EOH interns and learners have participated in this programme and EOH has permanently employed more than 70% of these interns. In addition, through various partnerships and programmes, more than 8 000 jobs have been created country-wide and our objective is to create over 50 000 jobs by 2020.

  The Youth Job Creation Programme is a permanent part of EOH's development programme. We will continue to broaden the scope of this programme and continue to stimulate conversations, share ideas and support customers with similar initiatives.

# SUSTAINABILITY

Sustainability principles have always been part of EOH's philosophy. EOH believes that the inter-dependence of people, business and the community is inseparable and that a company is fundamentally a social structure.

Our approach is underpinned by our strong appreciation that South Africa's development and growth is not the sole responsibility of the Government. Government is responsible for creating an enabling environment through legislation and other frameworks, whilst corporates need to assist the Government meet these objectives. EOH is one of the leading organisations doing just this. At EOH, we have solutions that not only generate profits for the Group, but that also contribute to our country's democracy, governance and service delivery capability. Our service offerings help public sector organisations deliver basic social services efficiently and effectively and we support the Government's commitment to reducing unemployment and inequality.

We respond to the needs and requirements of the economy and all our customers. We collaborate with both the public and private sector and use our technology, skills and know-how to make South Africa a better place. We have developed products, services and solutions that address their needs across a wide range of service offerings to ensure the sustainability of both EOH and the environment in which we operate.

At EOH we view sustainability as our ability to be relevant and to contribute to the upliftment of the economic, social and environmental elements of both business and society. At EOH, we understand that sustainability is a journey. We will remain an active participant and will continue to refine our sustainability approach and practices to ensure that we remain relevant and a major contributor to society.

# CORPORATE GOVERNANCE

EOH recognises the need to adhere to generally accepted corporate governance practices in all spheres of business activities. The Board is committed to entrenching the highest levels of corporate governance and continues to make significant progress in implementing structures, policies and procedures aimed at strengthening governance throughout the Group.

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

Our value driven culture and our Code of Ethics underpin EOH's governance structures and processes. The Board's ethical leadership provides the foundation for values which are central to the way we do business. Our decisions and actions are based on a set of values that forms the basis of our Code of Conduct:

- Integrity is non-negotiable;
- We respect the dignity of every individual;
- We are professional and strive for excellence;
- We are legitimate and long-term contributors;
- We care for the environment;
- We promote the fight against corruption;
- Everyone is a valued contributor; and
- We build relationships with our customers and vendors to understand and meet their needs.

The Executive Committee ensures that these values are adhered to and the Social and Ethics Committee ensures compliance and the application of these principles in all our businesses.

# FUTURE PLANS

EOH will continue to develop new solutions, new lines of business, enhance its industry-specific businesses and expand its service offerings into new territories. EOH is a diversified business with a wide service offering and the ability to meet the challenges of a continually changing landscape. EOH has the ability to attract the best people and to offer comprehensive complex solutions to its many and varied customers.

All of EOH's five large integrated divisions – Information Communication and Technology ('ICT in the Private Sector'); Smart Government ('ICT in the Public Sector'); Industrial Technology; BPO and Industry Services – will continue to grow both organically and through strategic acquisitions, and the prospects for growth are as good as ever.

EOH is becoming a Pan-African company and we will continue to grow our business in the rest of Africa. This growth is expected to accelerate following the joining of forces with TTCS. EOH will continue to increase its in-country presence, form joint ventures and partnerships and acquire businesses in the rest of Africa.

EOH sees its involvement in the public sector as both a responsibility and a business opportunity. Through its wide range of solutions, EOH will continue to contribute to the overall improvement in South Africa's infrastructure and service delivery. EOH intends to continue to increase its involvement in the Public Sector in all spheres of government – National, Provincial and Local.

EOH has developed, owns and is acquiring industry specific niche software. EOH is already selling its niche software to users across the globe and intends to intensify its efforts in this regard. EOH is executing on its plan to market and distribute these software applications internationally.

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

EOH is recognised for the quality of its people and its strong delivery capabilities. By continually driving its philosophy of recruiting and retaining the best people and its 'Right 1st Time' quality initiatives, EOH expects to maintain and in time, to increase its operating margins. EOH is in a strong financial position and has sufficient cash resources to ensure sustainable future growth.

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

# SUSTAINABILITY REPORT

## GROUP CEO'S STATEMENT ON SUSTAINABILITY

*In the past three years EOH's approach to the rest of Africa has moved from being opportunistic to one of a strategic growth area.*

Local and foreign investment is large and growing in areas of infrastructure, energy, mining, oil, manufacturing and ICT. We have made major strides, and now have a presence in 33 other African countries and are collaborating with a number of African organisations in joint venture and partnership relationships. We are further aligning our own organisational structures to better coordinate our activities on the continent.

EOH believes in the future of Africa, including South Africa, and the great prospects of this continent. All our products and services are very relevant to Africa and we have a major role to play in the vast development expected, both now and for many years to come. Our current and future expansion into Africa makes EOH a truly Pan African organisation, by Africans, serving Africa.

EOH's success is largely attributable to its unfailing business philosophy that is centred around people. "Technology makes it possible… People make it happen" is embedded in our culture and is being 'lived' on a daily basis.

At EOH, we address the needs of all our stakeholders without compromise or sacrifice, to ensure the sustainability of both the Company and the environment in which we operate. Our solutions not only generate profits for the Group, but contribute to creating sustainable societies in South Africa and beyond its borders.

Our service offerings are reaching a wider market and our people are a larger force for good than ever before. Our geographical footprint, services and staff compliment have grown significantly since our previous report. We are making a positive impact in the public sector through the introduction of new technology and processes supporting government in the provision of services to its citizens and in reducing unemployment, poverty and inequality. We have developed technologies and services that address these needs, including water, energy, infrastructure, engineering and health solutions.

EOH has considerable experience in helping local government to operate SMARTER, by providing holistic and proven information management solutions which convert disparate and manual information into actionable and digital knowledge.

We will continue to provide outstanding services to our customers, ensuring quality, the best products and solutions and the best customer support. This will ensure that we will continue to deliver results for all our stakeholders.

**Asher Bohbot**
*Group Chief Executive Officer*

# SOCIAL AND ETHICS COMMITTEE CHAIRMAN'S STATEMENT ON SUSTAINABILITY

*EOH's sustainability philosophy is inherent in the way we do business.*

Our approach to sustainability is embedded in our desire to remain relevant in a changing environment so we can be in business forever. As a technology-driven services company we need to grow with the changing demands of our customers and our offerings need to address the root issues of the society in which we operate.

Our business is about people; people who use technology to do things more efficiently; be they our people or the people in our customers' organisations; hence our motto: "Technology makes it possible… People make it happen". Our "Ecosystem Approach" focuses on 'our people' and in doing so we impact their extended families and ultimately society as a whole; in this way a whole ecosystem is impacted.

At EOH we utilise technology and knowledge to address the underlying root causes that impact economic growth and sustainability with a specific focus on skills and education. We, as a knowledge and technology company, have the ability to address the inequalities of the past and create jobs and we focus on what we are already good at – our learnership programmes and our job creation initiative.

EOH is a rapidly growing organisation and our entrepreneurial business model makes us flexible and agile, easily able to embrace change enabling us to, not only be resilient, but to continue to grow.

Our sustainability approach allows us to deal with the challenges of our society, to remain involved at all levels, and to recognise that sustainability is an ongoing journey. We will keep on making a difference wherever we can.

**Rob Sporen**
*Lead Independent Non-Executive Director*

Our approach to sustainability is embedded in our desire to remain relevant in a changing environment so that we can be in business forever.

# SUSTAINABILITY PHILOSOPHY

EOH's purpose is to be an ethical, relevant force for good and to play a positive role in our society, beyond normal business practice.

Sustainable Transformation is a cornerstone of EOH's philosophy, along with Best People, Partner For Life, Right 1st Time and Lead and Grow. Our Partner For Life philosophy incorporates our relationship with all our stakeholders – our people, customers, suppliers, business partners, investors, financiers, the larger communities in which we operate and Government and other regulatory bodies.

EOH believes that the inter-dependence of people, business, and the community is inseparable. EOH's sustainability philosophy is informed by our desire to be in business forever. EOH appreciates that in order to be in business, it frequently has to ask the question, "Why are we relevant?" Relevance underpins EOH's sustainability approach.

EOH's sustainability strategy includes environmental, social and economic actions and initiatives. At EOH, both the internal and external factors influencing all facets of business are treated holistically, and therefore issues such as education, health, employment, energy efficiency and the fight against climate change are given the spotlight.

Sustainability resonates with EOH's core approach to business, namely understanding what people want, what they feel and what they need. EOH then creates a business and an environment that fulfils those needs. Its strategy is to create a sustainable environment and to ensure that its own impact is positive and sustainable in respect of people, prosperity and the planet.

EOH concentrates its efforts in the following areas:

| People | Prosperity | Planet |
|---|---|---|
| • Skills development for employees;<br>• Upholding best labour relations practices;<br>• Contributing to meaningful job creation;<br>• Supporting health and wellness. | • Providing technology, knowledge, skills and organisational ability critical to Africa's development and growth;<br>• Ensuring that profitable growth is sustainable. | • EOH conducts business in an ethical manner that respects and protects the environment, paying attention to:<br>- Energy saving;<br>- Waste management;<br>- Water resource optimisation;<br>- Reduced travelling. |

# ETHICS AND INTEGRITY

All employees are required to maintain the highest ethical standards to ensure that the Group's business practices are conducted in a manner that is above reproach. A culture of individual employees assuming personal responsibility for their actions is encouraged, as is full disclosure.

Our value driven culture and Code of Conduct and business ethics underpins EOH's governance structures and processes, committing the business to the highest standards of business integrity and ethics. Our decisions and actions are based on a sound set of values and our Social and Ethics Committee ensures that these values are adhered to.

# STAKEHOLDER INCLUSIVENESS

'Partner for Life' is manifested in the practices the Group employs in its relations and interactions with its stakeholders. Guided by transparency and ethical conduct aimed at consolidating long-term relationships, EOH has regular contact with its people, customers, suppliers, investors, Non-Government Organisations ('NGOs') and official bodies, and is receptive to their expectations and views. Open and continuous dialogue helps the Group gain an understanding of stakeholder expectations and raises EOH's awareness and commitment.

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

## ‘Partner for Life’ is manifested in the practices the Group employs in its relations and interactions with its stakeholders.

| Stakeholder group | Strategic approach | Activities |
|---|---|---|
| Society/community | Build a prosperous South Africa through improved education, health, wellness and job creation | • Job creation initiatives<br>• CSI initiatives<br>• Donations to and involvement in community projects<br>• Enterprise development |
| Customers | Deliver high-quality products and services to clients that fulfil their needs and expectations. This is ensured through EOH’s ‘Right 1st Time’ quality process | • Account Executives for strategic and key accounts<br>• Customer visits<br>• Customer service desks<br>• EOH website and social media interaction |
| Employees | Attract, develop and retain the best people in all our chosen skill sets | • Recruitment policies and procedures<br>• Employment equity forums<br>• Employee surveys<br>• Healthy and safe working environment<br>• Performance appraisals<br>• Employee benefits<br>• Employee wellness |
| Investors | Remain an attractive investment for shareholders | • Superior financial performance<br>• Entrepreneurial<br>• Investor open days<br>• Investor meetings (one-on-one)<br>• SENS communications<br>• Publication of results – interim and final results |
| Suppliers/Technology partners | Maintain long-term relationships with suppliers | • Supplier agreements<br>• Communication with key suppliers<br>• Supplier relationships |
| Government and other regulatory bodies | Strengthen relations with all tiers of government | • Compliance with relevant Acts, regulations and legislation<br>• Proactive interaction and communication at all levels |

### Sustainability materiality matrix

In 2015, EOH undertook the construction of a materiality matrix to identify the most relevant topics from the standpoint of sustainability. The process was developed in accordance with Global Reporting Initiative’s (‘GRI’) G4 — Core sustainability reporting guidelines. The subjects were defined based on industry analyses and internal stakeholder consultations in accordance with the GRI G4 requirements.

A ranking methodology involving qualitative considerations was developed. Intensity was measured based on the importance of such initiative to stakeholders. Qualitative insights were provided by direct and indirect comments. Senior management representatives provided input.

A materiality matrix was created based on stakeholder importance. These were validated and prioritised by EOH senior management to ensure maximum impact.

# TOP ISSUES IDENTIFIED BY THE MATERIALITY ASSESSMENT

| | Issue | Description | Response |
|---|---|---|---|
| **Environmental responsibility** | Waste Management | Avoid, minimise and manage the disposal of general and hazardous waste | All hazardous IT waste is responsibly disposed of or recycled. Paper waste is recycled. Processes are being developed to sort, monitor and recycle general waste |
| | Energy and greenhouse gases | Improve energy efficiency. Promote renewable energy usage | Develop an energy and greenhouse gas data collection and monitoring system. Buildings are systematically being 'greened' |
| **Social responsibility** | Education | Improve the level of maths and science education | Ongoing funding of maths and science training to ensure we equip school leavers with the necessary skills in these areas |
| | Job creation | Create jobs | EOH has embarked on a major job creation drive to assist in the creation of sustainable jobs. The objective is to create 50 000 jobs by 2020 |
| | Healthy employees and society | Assist with programmes to improve the health of workers/employees. | EOH Health is the largest provider of wellness screening services in South Africa. It currently plans, executes and manages over 40 wellness events per day for several medical schemes, including the two largest. It also delivers these services to several large employers at their branches across the country |
| | Training and development | Increase the number of skilled people | Continuous training and development of employees is provided through the EOH Academy. Financial assistance is also made available to employees who wish to enhance their career paths. Learnership Development programmes for previously unemployed people |
| | Employment equity | Comply with and exceed regulatory and legislative targets | EOH has achieved a Broad-Based Black Economic Empowerment ('BBBEE') Level 2, which is the highest in its sector. Transformation is a high priority |
| **Economic responsibility** | Economic value generated and distributed | Sustainable profitable growth | EOH's Value Added Statement |

# ENVIRONMENTAL RESPONSIBILITY

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

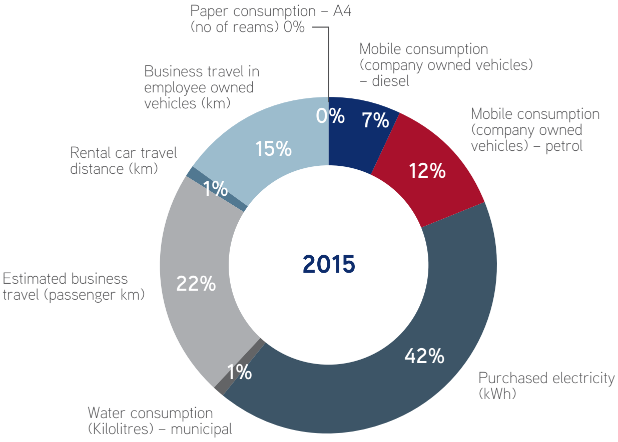
EOH and its subsidiaries are committed to the protection of the environment through the implementation of effective environmental management programmes. The sustainability journey at EOH is ongoing and we will continue to strive to improve in all areas.

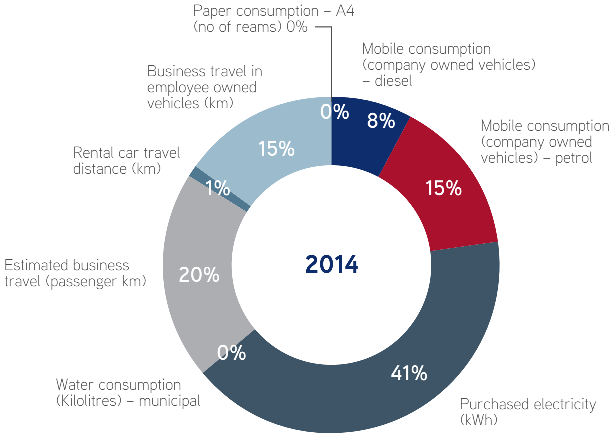
## Environmental data

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Scope 1 emissions (tonne $CO_2e$) | 3 715 | 3 274 | 3 412 |
| Scope 2 emissions (tonne $CO_2e$) | 6 704 | 6 138 | 6 508 |
| Scope 3 emissions (tonne $CO_2e$) | 6 631 | 5 181* | 2 350 |
| Fuel consumption diesel (litres) | 467 154 | 398 422 | 356 339 |
| Fuel consumption petrol (litres) | 897 353 | 917 423 | 1 078 552 |
| Electricity consumption (kWh) | 6 704 199 | 5 812 366 | 6 173 153 |
| Estimated business air travel (passenger km) | 22 060 230 | 16 800 876* | 9 979 637 |
| Employee travel in personal cars for business purposes (km) (tonne $CO_2e$) | 2 572 | 2 134 | 324 |
| Business travel in rental cars (km) | 930 405 | 912 874 | 658 941 |
| Paper consumption estimated (tonnes) | 42,0 | 21,3 | 19,9 |
| Water consumption (kilolitres) | 35 883 | 18 395 | 6 906 |
| Emissions intensity (Scope 1 and 2 emissions/number of full-time employees) | 0,94 | 0,91 | 2,3 |

** Restated based on updated information*

## Environmental impact




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

The primary source of emissions is from purchased electricity. EOH's strategy to grow the business in Africa has contributed to an increase in air travel. EOH aims to reduce fuel consumption by reducing travelling and encouraging telecommunication meetings where possible. A reduction in the amount of travel is important in reducing travel costs as well as Greenhouse Gas (GHG) emissions.

# SOCIAL RESPONSIBILITY

EOH recognises the need for the Group to contribute to the transformation and economic growth of the community at large in terms of access to ICT and Corporate Social Investment ('CSI'). We have partnered with organisations who we believe can help us realise and support this vision. The EOH Group CSI strategy is to educate community based organisations ('CBOs'), such as The Maths Centre which is our main CSI Beneficiary at present. Some of the CSI initiatives EOH engaged in, are:

## Afrika Tikkun

EOH provides support to the child and youth development programmes of Afrika Tikkun with the objective of providing a future for children living in townships.

## The Maths Centre for Professional Teachers

EOH, as a provider of business and technology solutions across a vast range of industries, understands that education is paramount in building a prosperous South Africa.

The Maths Centre for Professional Teachers ('MCPT') is a non-profit organisation which excels in mathematics, science, technology and entrepreneurship education; spread across all provinces. The centre's primary objective is to equip teachers, learners and parents with learning materials and programmes. This is the fifth year that EOH has supported this initiative.

EOH supports 10 schools in the MCPT project, which touches over 96 teachers and over 8 071 learners in schools based in Katlehong and Thokoza. EOH further supports two schools with special needs, benefiting six teachers and 63 learners. Their creed, "I respect mathematics, I respect science and I respect myself," demonstrates the interconnectedness of social responsibility, the private sector, education and sustainability. EOH believes that partnerships such as these, involving the private sector, teachers, learners and the community contribute significantly to developing South Africans. Education in science and mathematics opens doors to the future.

## South African Business Coalition on Health and Aids (SABCOHA)

In 2009 the South African National AIDS Council (SANAC) was tasked by Government to ensure businesses participate in the HIV Counselling and Testing Campaign ('HCT') with the Global Fund as the international funding agency. The Global Fund provides funding for campaigns that fight HIV in needy countries, while promoting partnerships between governments, civil society, the private sector and affected communities by relaying country ownership and performance based funding for communicable diseases in needy countries.

SABCOHA and EOH Workplace Health and Wellness rallied to the Government's call initiating Phase 1 during which EOH carried out over 22 000 HCT sessions.

EOH provides technology, knowledge, skills, organisational ability and funding – all critical to the success of the project. The success of Phase 1 has led to the initiation of Phase 2 where EOH continued to play a pivotal and leading role in the project in order to address the problem in the informal sector.

EOH was selected as a finalist in the Titanium Awards for Excellence in CSI. The Titanium Awards, run by the Board of Healthcare Funders South Africa, recognises CSI with an emphasis on initiatives that are well rounded, sustainable, holistic and responsible.

EOH continues to support SABCOHA and government with a financial contribution, assigned resources and working with small, medium and micro enterprises.

At least 10 000 people in the informal business sector in the Gert Sibande district, Mpumalanga, underwent comprehensive health screening assessments. The screenings are having a ripple effect in the community – Micro enterprise owners that form part of the project are encouraged to motivate their workers, partners, family members and customers to take up testing. Education focuses strongly on reducing the stigma associated with this disease.

Empowered and informed decisions can now be made on how to avoid lifestyle diseases such as strokes, diabetes, heart attacks and HIV infection. Post-test counselling and referral to the public healthcare system formed part of the programme.

The project's uniqueness lies in the fact that the screening takes place within the informal business sector and remote areas of the country – where people have never before been tested.

## Sourcing locally produced products

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

# TRANSFORMATION

## Commitment

EOH is committed to the empowerment of those who have been economically marginalised and previously disadvantaged through discriminatory practices. EOH does not discriminate and creates a work environment that promotes equal opportunities for all. This will ensure that the future environment within which we operate reflects the demographics of South African society. EOH acknowledges and accepts that it has an important role to play in normalising society through positive intervention programmes.

## Ownership

EOH is a listed Company with shares held by private individuals and public entities alike. The combined effect of the merger of black-owned companies and the Mthombo Share Trust for black employees has contributed to EOH's black shareholding of 39% (2014: 36%). EOH will continue to strive to improve this percentage.

## Management and control

EOH has a Board consisting of 12 directors. There are seven non-executive directors – one white and six black members, two of whom are female. There are five executive directors – three white and two black members, one of whom is female. The participation by black directors is quantified at 67% and the participation by black female directors is 25%.

## Employment equity

EOH complies with the requirements of the Employment Equity Act and currently has a total previously disadvantaged staff complement of 54%.

## Skills development

EOH's skills development policy, implemented at the operational level in each business unit, meets the aims and objectives of the Skills Development Act.

The total cost of skills development for black people, adjusted using the gender recognition, was R43,2 million (2014: R41,4 million).

In 2015, EOH had 872 black trainees on intern and learnership programmes. During the year, 478 trainees were permanently employed after successfully completing the programme.

The EOH Academy, accredited through the Services SETA, plays a vital role in developing employees. Employees also attend external training programmes and seminars in line with their functional requirements. EOH continually strives to improve its employees' skills and competencies, once again entrenching the philosophy that people make it happen.

## Preferential procurement

EOH has developed and implemented policies and procedures to increase and maintain procurement from black-owned and black-controlled enterprises. EOH spent 70% of its total measured procurement spend on suppliers with a BBBEE status varying from level 1 to level 8 and the weighted BEE procurement spend equated to 77% (2014: 80%) of total measured procurement spend.

## Enterprise development

Enterprise development means monetary and non-monetary contributions made to beneficiary entities, with the objective of contributing to the development, sustainability, financial and operational independence of those beneficiaries. Total Enterprise Development contributions by EOH totalled R40,2 million (2014: R38,3 million).

EOH has established an Enterprise Development Trust which facilitates Enterprise Development funding to small enterprises. The object of the trust is to take reasonable measures to ensure that benefits are transferred to beneficiaries through the effective and efficient use of available resources.

### Corporate social investment

EOH supported many organisations during the year under review. These organisations and programmes have been highlighted throughout this report. Through these upliftment programmes a much larger group of people have benefited from these initiatives.

# EMPLOYEE RELATIONS

The Group provides equal employment opportunities for all and has a strong culture of uplifting its people through extensive employee development programmes and through leadership development programmes.

The Employment Equity and Training Plan is developed in consultation with employee representatives and is 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 of employees;
- The promotion of affirmative action measures to redress any disadvantages in South Africa's employment practices of the past; and
- The continuous development of employees.

The Employment Equity Committee monitors the implementation of the plan.

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.

## Health and safety

Health and safety committees are set up regionally with trained health and safety representatives. Health and safety initiatives, such as first aid kits at all locations, staff trained in first aid techniques and incident registers are in place. EOH has a Health and Safety Manager responsible for ensuring compliance with all relevant health, safety and environmental legislation.

# WELLNESS

## Travel Clinic

A Travel Clinic was established in April 2015 at the EOH Head Office which assists employees with up to date specialised travel healthcare such as travel vaccinations, health education, as well as free blood pressure monitoring.

## Biokinetics

EOH has a biokinetics practice established at the Bedfordview Wellness Centre. Our Biokineticist assists with rehabilitation, fitness programmes and health reimbursement assessments. A free fitness class is also run twice weekly.

## Executive Health Programme

This service focuses on comprehensive medical assessments and personalised preventive strategies for executive staff. The aim is to identify and manage risk factors which may have a negative impact on wellness and quality of life.

## Employee Assistance Programme (EAP)

The MyWellness@work programme is a confidential EAP designed to support all employees and their families with the following issues:

- Psycho-social;
- Financial and legal;
- Nutrition and exercise; and
- Wellness coaching


ΕΩΗ

# CORPORATE GOVERNANCE

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

Corporate governance is defined as the systems by which companies are directed and controlled. This concept is integral to the EOH philosophy of 'Right 1st Time'. There is no doubt that good corporate governance is a key element in improving economic efficiency and growth and it enhances investor confidence.

EOH is committed to entrenching the highest levels of corporate governance and will:

- Continue to make significant progress in implementing structures, policies and procedures aimed at strengthening governance;
- Recognise the principle of transparency as a critical element of effective sustainability reporting; and
- Successfully entrench King III principles and continually invest in the process.

## Ethical leadership

Our value driven culture and Code of Conduct and business ethics underpins EOH's governance structures and processes, committing the business to the highest standards of business integrity and ethics. Our decisions and actions are based on these values which form the basis of our code of conduct:

- Integrity is non-negotiable;
- We respect the dignity of every individual;
- We are professional and strive for excellence;
- We are legitimate and long-term contributors;
- We care for the environment;
- We promote the fight against corruption;
- Everyone is a valued contributor; and
- We build relationships with our customers and vendors to understand and meet their needs.

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

## Sustainability

EOH's commitment to achieving operational excellence in a safe and responsible way benefits all stakeholders, including employees, governments and the communities in which we operate. EOH's efficient use of resources, together with the provision of a safe and healthy working environment, contributes to sustainability and the environment.

## Stakeholder engagement

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

## Regulatory and statutory compliance

Compliance remains a core focus of the Board and it ensures that EOH continuously complies with all relevant acts and regulations.

## The Board as a responsible corporate citizen

The Board ensures at all times that the Company is, and is seen to be, a responsible corporate citizen. The Board not only considers the financial performance of the Company, but also strives to enhance and invest in the economic life of the communities in which it operates.

# DIRECTORATE

## Sandile Zungu

BSc (Mechanical Engineering), MBA
Appointed 1 October 2013
Chairman

**Responsibilities:**

Non-Executive Chairman of the Board

## Pumeza Bam

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

**Responsibilities:**

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

## Asher Bohbot

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

**Responsibilities:**

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

## John King

BCom, BAcc, CA(SA)
Reappointed 1 March 2008
Group Financial Director ('Group FD')

**Responsibilities:**

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

## Dion Ramoo

BSc (Info Proc), CA(SA), A.I.M.F.O.
Reappointed 23 February 2011
Executive Director

**Responsibilities:**

Member of the Board
Head of Public Sector Consulting
Member of EOH Executive Committee

## Jane Thomson

Reappointed 23 February 2011
Executive Director

**Responsibilities:**

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

### Lucky Khumalo

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

**Responsibilities:**

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

### Danny Mackay

Appointed 1 November 2013
Non-Executive Director

**Responsibilities:**

Member of the Board

### Tshilidzi Marwala

BSc (Mechanical Engineering), MSc (Engineering), PhD
Reappointed 11 February 2014
Independent Non-Executive Director

**Responsibilities:**

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

### Thoko Mnyango

BJuris
Reappointed 11 February 2015
Non-Executive Director

**Responsibilities:**

Member of the Board

### Tebogo Skwambane

BA, MBA
Reappointed 11 February 2014
Independent Non-Executive Director

**Responsibilities:**

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

### Rob Sporen

Reappointed 11 February 2015
Lead Independent Non-Executive Director

**Responsibilities:**

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

# THE BOARD OF DIRECTORS

The overriding role of the Board is to ensure the long-term sustainability of the Group and success for the mutual benefit of all stakeholders. The duties, responsibilities and powers of the Board, the delegation of authority and matters reserved for the Board are set out in separate charters and policies. The Board is responsible for the strategic objectives and policies of the Group and takes overall accountability for its management.

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

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

## Composition of the Board

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

As at the date of this report, the Board consisted of 12 individuals of whom, five are executive directors, four are independent non-executive directors and three are non-executive directors. Eight of the Board members are black, of whom three are women.

Full details of the directorate are set out on pages 32 and 33.

## The Chairman of the Board

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

The Chairman, a non-executive director, presides over the Board providing it with effective leadership and ensuring that all relevant information is placed before it. The Chairman sets the ethical tone for the Board and the Group. The Chairman is reappointed annually.

## The Group CEO

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

## Election and re-election of directors

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

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

## Succession planning

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

## Group Company Secretary

Adri Els CA(SA) is the Group Company Secretary.

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

The Group Company Secretary is also the secretary to the Board committees and the Group's subsidiary companies.

## Directors' interest in contracts

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

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

## Directors' interests in EOH shares

It is not a requirement of the Company's MOI or the Board Charter that directors own shares in the Company. The shares held by the directors as at 31 July 2015 are contained in the Annual Financial Statements on page 90. Directors have no loans with the Company.

## Trading in Company shares

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

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

## Non-Executive Directors' fees

As suggested by King III, Board member fees comprise both a retainer fee and an attendance fee. Non-executive directors receive fees for their services as directors and as members of Board committees. The total remuneration payable to non-executive directors requires approval of shareholders at the AGM. The last AGM was held on 11 February 2015. The next AGM is scheduled for 19 February 2016.

## Performance evaluation

The Board appraises the Chairman, while the Remuneration and Nominations Committee appraises the Group CEO. The Remuneration and Nominations Committee also assesses the remuneration of the Chairman and directors. In addition to the Remuneration and Nominations Committee's evaluation of the performance of the Board, the individual directors complete formal evaluations of their effectiveness. The Board also assesses the appropriateness of the Board structure and its effectiveness. The Group Company Secretary, together with the Board members and committee members, assumes responsibility for any actions required. Details of the directors' remuneration are set out on page 90 of the Annual Financial Statements.

## Statement of compliance

The Board has adopted the 'apply or explain' principle contained in King III as required in terms of the JSE Listings Requirements. The assessment of the application and implementation of King III, including current levels of compliance in respect of the guidance and oversight of risk, governance and compliance management across the Group, is ongoing. The results show that governance processes are well entrenched in EOH. Where gaps have been identified, plans are in place to ensure application. The King III checklist is available on the Company's website at www.eoh.co.za.

## Board statement of effectiveness

### Internal controls

Based on a review of internal controls and risk management, service providers and management, and after considering the responses and explanations given by management, nothing has come to the attention of the Board that causes it to believe that the Group's system of internal control and risk management is not effective.

### Subsidiary boards

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

### Board committees

The Board has delegated certain functions to committees. In doing so, the Board has not abdicated any of its own responsibilities. The committees are chaired by non-executive directors. All the Board committees operate under Board-approved mandates and terms of references. The Chairmen of these committees attend the AGM to respond to any shareholder queries. Shareholders are required to elect the members of the Audit Committee at the Company's AGM. Non-executive directors may meet separately with operational management without the attendance of the executive directors.

The Board has five committees:

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

The Remunerations and Nominations Committee has recently split into two separate committees – the Remuneration Committee; and the Nominations Committee and the terms of reference approved by the Board.

## Attendance at Board and Board Committee meetings

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

| | Board | Audit Committee | Risk Committee | IT Governance Committee | Remuneration and Nominations Committee* | Social and Ethics Committee |
|---|---|---|---|---|---|---|
| Number of meetings | 4 | 3 | 2 | 2 | 2 | 2 |
| Committee members | | | | | | |
| *Executive directors* | | | | | | |
| Pumeza Bam | 3/4 | | | | 1/2^ | 2/2 |
| Asher Bohbot | 4/4 | 3/3^ | 2/2 | 2/2 | 2/2^ | 2/2 |
| John King | 4/4 | 3/3^ | 2/2 | 2/2 | 2/2^ | 2/2 |
| Dion Ramoo | 4/4 | | | | | |
| Jane Thomson | 2/4 | | | | | |
| *Non-executive directors* | | | | | | |
| Lucky Khumalo | 3/4 | 1/3** | | 2/2 | 2/2 | |
| Danny Mackay | 4/4 | | | | | |
| Tshilidzi Marwala | 3/4 | 2/3 | 2/2 | 2/2 | | |
| Thoko Mnyango | 3/4 | | | | | |
| Tebogo Skwambane | 3/4 | 3/3 | | | 1/2 | |
| Rob Sporen | 4/4 | 3/3 | 2/2 | | 2/2 | 2/2 |
| Sandile Zungu | 4/4 | | | | | |
| *Other invitees* | | | | | | |
| Rob Godlonton (ICT Executive) | | | | 2/2 | | |
| Hendrick Mosopa (Chief Information Officer) | | | | 2/2 | | |
| Isobel Townsend (Finance Executive) | | | | | | 2/2^ |
| Adri Els (Group Company Secretary) | | | | | | 2/2^ |

^ *By invitation*

* *The Remuneration and Nominations Committee has been separated into two committees: the Remuneration Committee and the Nominations Committee. The first meetings of the separate committees were held in November 2015.*

** *Lucky Khumalo was appointed as a member of the Audit Committee on 11 February 2015 and therefore was only eligible to attend 2 meetings during the year.*

# THE AUDIT COMMITTEE REPORT

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

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

The Committee members were appointed by EOH's shareholders at the AGM held on 11 February 2015. It has decision-making authority with regard to its statutory duties. The mandate of the Audit Committee ('the Committee') is to oversee the integrity of the Group's internal control environment and to provide reasonable assurance relating to the integrity and reliability of the financial statements prepared in compliance with IFRS, and to safeguard, verify and ensure accountability of the Company's assets.

Management has established and maintains internal controls and procedures, which are reviewed by the Committee and reported to the Board.

These internal controls and procedures are designed to identify and manage the risk of control malfunction and aim to provide reasonable but not absolute assurance that these risks are well managed and that material misstatements and/or loss will not materialise.

The Committee evaluates internal and external risks and oversees the implementation of corporate governance principles throughout the Group. The mandate of the Committee includes the subsidiaries, divisions and businesses of the Company.

## Composition and responsibilities

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

The members nominated by the Board for re-election as members of the Committee, subject to shareholder approval at the AGM to be held on 19 February 2016, are:

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

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

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

## Attendance

The Committee formally meets at least three times per annum to discharge its responsibilities. The Group CEO and Group FD attend Committee meetings by invitation. Representatives from the external auditors are present at Committee meetings where results are approved or audit services are discussed and approved. The Committee's Chairman reports to the Board on the activities and recommendations of the Audit Committee.

## Report on activities

In executing its delegated duties, the Audit Committee fulfilled, among other duties all its obligations including:

### Annual Financial Statements

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

### Group Financial Director

As required by the JSE Listings Requirements, the Company has a Group FD who serves on the Board. The position is currently held by John King, who is an executive director.

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

### Finance function

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

### External auditor

The Committee is responsible for the appointment of the external auditor and overseeing the external audit process. In this regard, the Committee has recommended the reappointment of Mazars (Gauteng) Inc., as the external audit firm for the year ending 31 July 2016. The Committee is satisfied that the audit firm will act with unimpaired independence, free from any scope restrictions.

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

- Nominated an independent external audit firm for reappointment by shareholders at the AGM;
- Determined the terms of engagement and fees to be paid to the audit firm;
- Ensured that the appointment of the audit firm complied with the Companies Act and other relevant legislation;
- Monitored and reported on the independence of the external auditor and the signing off of the Annual Financial Statements for 2015;
- Pre-approved contracts for non-audit services that were rendered by the external audit firm;
- Ensured there is a process for the Committee to be informed of any reportable irregularities (as identified in the Auditing Profession Act, 2005) identified and reported by the external audit firm; and
- Reviewed the quality and effectiveness of the external audit process and ensured that the designated audit partner was independent.

### Annual integrated reporting

The Committee oversaw the integrated reporting and in particular has:

- Considered all factors and risks that may have an impact on the integrity of the Annual Integrated Report for 2015;
- Reviewed the Annual Financial Statements for 2015 and summarised information;
- Considered whether there were any material sustainability issues;
- Reviewed the content of the summarised information to ensure that it provided a balanced view;
- Prepared a report to be included in the Annual Financial Statements for 2015; and
- Recommended the Annual Integrated Report for 2015 to the Board for approval.

### Review of internal controls

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

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

### Sustainability policy

The Committee, in conjunction with the Social and Ethics Committee, has ensured the establishment and maintenance of the relevant management structures and processes to meet the objectives of EOH's sustainability policy. Refer to the Sustainability Report on pages 21 to 29.

## Audit Committee recommendation

The Committee hereby reports to the shareholders that:

### Going concern

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

### Statutory reporting

The Committee has evaluated the Annual Financial Statements of the Company and the Group for the year ended 31 July 2015 and considers that the Company and the Group comply, in all material respects, with the Companies Act, IFRS, SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee, the JSE Listings Requirements and applicable legislation.

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

### Annual Integrated Report

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

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

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

# THE RISK COMMITTEE REPORT

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

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

The role of the Committee is to assist the Board with the implementation of effective policies and an effective plan for risk management.

## Responsibilities

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

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

## Composition

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

## The Committee consists of:

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

## Enterprise Risk Management ('ERM') overview

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

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

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

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

## Ownership of risk management

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

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

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

## EOH Group ERM objectives

The central driving principle in achieving Group ERM objectives is the consistent application of the ERM framework.

The core objectives are:

- To protect shareholder value by understanding and minimising the impact of uncertain future events;
- To maintain EOH Group ERM policy;
- To provide an information platform for more effective Group strategic and operational planning;
- To enhance organisational resilience by maintaining an embedded enterprise risk management culture;
- To provide an information system to deal more effectively with potential business disruptions thereby minimising the financial impact on the organisation; and
- To provide a structure and systematic process to learn from loss events and to put the necessary controls in place to prevent the recurrence of such incidents.

## ERM lines of defence

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

### First line – operating divisional management

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

- Managing the day-to-day risk exposures by applying appropriate procedures, internal controls and Group policies;
- The effectiveness of risk management and risk outcomes;
- Allocating resources to execute risk management activities;
- Tracking risk events and losses;
- Identifying occurrences and implementing remedial actions to address these occurrences; and
- Reporting and escalating material risks and issues to the Chief Risk Officer and Risk Committee.

### Second line – Group risk function

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

### Third line – assurance

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

## Conclusion

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

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

# THE IT GOVERNANCE COMMITTEE REPORT

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

## The purpose of the Committee is to:

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

## The Committee consists of:

- Tshilidzi Marwala, Chairman
- Asher Bohbot
- Rob Godlonton
- Lucky Khumalo
- John King
- Hendrick Mosopa

## During the year, the Committee focused on the following:

- Reviewed and updated the IT charter and policies;
- Approved the information security strategy;
- Confirmed that there are adequate business resilience arrangements in place for disaster recovery;
- Monitored the return on investment of significant IT projects;
- Ensured that the IT risk management framework is adequate;
- Ensured that the IT governance measures and controls supporting IT services are adequate;
- Ensured that intellectual property is properly protected;
- Delegated and empowered management to implement the approved strategy; and
- The formulation of an EOH Information Security Committee.

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

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

# THE REMUNERATION AND NOMINATIONS COMMITTEE REPORT

*The Remuneration and Nominations Committee is responsible for reviewing and approving the remuneration of directors and senior management, and recommending the appointment of directors to the Board.*

## Composition

Composition of the combined Remuneration Committee and Nominations Committee

- Rob Sporen, Chairman
- Lucky Khumalo
- Tebogo Skwambane

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

Following approval by the Board on 18 June 2015, it was agreed to establish two separate committees for the 2016 financial year.

## Role and responsibilities

The Remuneration Committee meets formally at least twice a year. The Nominations Committee will meet in November each year or as and when required. The Chairman of the Board and the Group CEO meet to discuss the performance of the other executive directors and to make proposals as necessary.

The primary role of the **Remuneration Committee** is:

- To ensure that the Company's directors and senior executives are paid fairly for their individual contributions to the Company's performance, and that remuneration policies are appropriate to retain and motivate the directors and senior management.

The Remuneration Committee must perform the following:

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

The primary role of the **Nominations Committee** is:

In applying the principles of the King III, the Nominations Committee's function is to assist with the process of identifying and evaluating suitable candidates for appointment to the Board.

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

More specifically, the primary responsibilities are to:

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

The Committee will meet for the first time as a separate Nominations Committee in November 2015.

## EOH's remuneration philosophy

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

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

## EOH's remuneration strategy

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

- Guaranteed annual salaries (with benefits commensurate with the market place);
- Profit share incentive that rewards short-term operational performance; and
- Share option schemes (long-term, share-based incentives) that promote retention and drive performance in alignment with shareholder goals.

## EOH's remuneration policy

The key principles of EOH's remuneration policy are:

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

## Remuneration structure of employees/executives/ senior management

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

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

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

Remuneration paid to directors is shown on pages 90.

## Non-executive directors' fees

As suggested by King III, Board fees comprise both a retainer fee and an attendance fee. Non-executive directors receive fees for their services as directors and as members of Board committees. The total remuneration payable to non-executive directors requires approval of shareholders at the Annual General Meeting. The last Annual General Meeting was held on 11 February 2015.

## Share incentive schemes

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

### The EOH Share Trust

The scheme is governed by a trust deed approved by shareholders and the JSE Limited. The option strike price is equal to the share price at date of the offer less 40% discount. The participant may exercise the option in respect of the shares granted in tranches from time to time as set out below. The share options will lapse 10 years after grant date.

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

### The Mthombo Trust

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

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

The Committee is satisfied that it has properly discharged its responsibilities as per its terms of reference.

## Activities addressed during the year

The following areas have been addressed during the year:

- Reviewed and approved increases for 2016;
- Reviewed and approved executive directors' remuneration for 2016; and
- Reviewed non-executive directors' remuneration for 2016 for approval at the next AGM.

The Combined Remuneration and Nominations Committee met twice during the 2015 financial year and conducted its affairs in compliance with its terms of reference.

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

**Rob Sporen**

*Chairman, Remuneration and Nominations Committee*
*Lead Independent Non-Executive Director*

# THE SOCIAL AND ETHICS COMMITTEE REPORT

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

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

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

## Composition

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

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

## Responsibilities

To monitor the Group's initiatives and activities, bearing in mind any relevant legislation, and other legal requirements and prevailing codes of best practice, relating to:

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


## Human resources and transformation

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

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

## Activities during the year

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

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

Summary of DTI Code scores for the Group:

| Element | Indicator | July 2015 | July 2014 |
|---|---|---|---|
| Management control | Black divisional executive directors | 38,46% | 40,00% |
| Employment equity | Black employees at senior management | 20,67% | 21,65% |
| | Black employees at middle management | 38,52% | 39,76% |
| | Black employees at junior management | 73,58% | 74,16% |
| Skills development | Skills development expenditure on learning programmes for black employees as a percentage of leviable amount | 1,36% | 1,45% |
| | Number of black employees participating in learnerships (categories B, C and D) | 1 100 | 980 |
| Preferential procurement | BBBEE procurement spend as a percentage of total measured procurement spend | 77,22% | 79,61% |
| Enterprise development | Value of all socio-economic development contributions and sector-specific programmes as a percentage of net profit after tax ('NPAT') | 6,93% | 8,29% |
| Socio-economic development | Value of enterprise development contributions and sector specific programmes measured as a percentage of NPAT | 3,02% | 3,66% |
| Ownership | Percentage of voting rights and economic interest of black people | 38,52% | 36,31% |

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

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

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

# ANNUAL FINANCIAL STATEMENTS AND OTHER INFORMATION

# CONTENTS



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

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

# DIRECTORS' REPORT

*for the year ended 31 July 2015*

The directors have pleasure in submitting their report for the year ended 31 July 2015.

## Nature of business

EOH Holdings Limited ('EOH' or 'the Company') is a holding company domiciled in South Africa that is listed on the JSE Limited under the category Technology: Software and Computer Services. EOH and its subsidiaries ('the Group') is the largest implementer of enterprise applications and has a wide range of Outsourcing, Cloud, Managed Services, Industrial Technologies and Business Process Outsourcing solutions.

EOH's 10 000 staff members deliver these services to over 2 000 large enterprise customers across all major industries throughout South Africa, the rest of Africa and in several countries overseas.

## Directors' responsibilities

The responsibilities of the Company's directors are detailed on page 50 as per the Approval of the Annual Financial Statements.

## Financial statements and results

The Group's results and financial position are reflected on pages 52 to 107.

## Corporate governance report

The Corporate governance report is set out on pages 31 to 45.

## Tangible and intangible assets

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

## Stated capital

The authorised and issued stated capital of the Company at 31 July 2015 is set out in note 13 – Stated capital.

## Shares issued or bought back during the year

The Company issued a total of 13 384 978 shares during the year, of which 5 329 200 ordinary shares were for a cash subscription of R560 million. 2 955 014 shares were issued during the year as a result of directors, management and employees exercising share options in terms of the EOH share option schemes. 5 100 764 shares were issued during the year to settle vendors for acquisitions.

Ordinary shares in issue at 31 July 2015 were 132 038 520. At 31 July 2015 2 214 390 shares were held by a wholly owned subsidiary of the Company. These shares will not be cancelled.

2 257 787 shares were issued subsequent to year end to settle vendors for acquisitions.

923 053 shares were bought back during the year at an average price of R136,42.

## Shareholder spread and material shareholders

In terms of the JSE Listings Requirements, EOH complies with the minimum shareholder spread requirements. 84% (2014: 82%) of ordinary shares were held by the public at 31 July 2015. Details of the Company's shareholder spread and material shareholders are set out on page 108.

## The EOH Share Trust and the Mthombo Trust share incentive schemes

Details are reflected in note 36 – Share-based payments.

## Directors and Company Secretary

The names of the directors and the Company Secretary at the date of this report, and who served during the current financial year, are detailed on pages 32 to 34. None of the directors of the Company had any interest in any contract of significance during the financial year. At the AGM held on 11 February 2015, the following directors were re-elected to the Board as per the Company's MOI: Lucky Khumalo, Thoko Mnyango and Rob Sporen. Lucky Khumalo, Tshilidzi Marwala, Tebogo Skwambane and Rob Sporen were elected to the Audit Committee until the next AGM to be held on 19 February 2016.

## Subsidiaries, joint ventures and associates

Details of the Company's investments in subsidiaries and the Group's investments in associates, joint ventures and subsidiaries are set out in note 5 – Investments in subsidiaries; note 6 – Equity-accounted investments; and note 38 – Schedule of investments in subsidiaries.

# DIRECTORS' REPORT CONTINUED

*for the year ended 31 July 2015*

## Acquisition of businesses

Details are reflected in note 29 – Acquisition of businesses.

## Special resolutions

On 11 February 2015, shareholders approved the following special resolutions:

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

At the next AGM to be held on 19 February 2016, shareholders will be asked to renew the above three approvals as set out in the notice to shareholders as per page 110.

## Borrowing powers

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

## Subsequent events

Details are reflected in note 40 – Events after the reporting date.

## No change statement

The Annual Financial Statements do not contain any material modification to the reviewed provisional condensed consolidated results that were published on 16 September 2015.

# COMPANY SECRETARY'S CERTIFICATE

In my capacity as the Company Secretary, I hereby certify that EOH Holdings Limited has lodged all required returns and notices for the financial year end 31 July 2015 as are required of a public company in terms of the Companies Act of South Africa with the Companies and Intellectual Property Commission, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

**Adri Els**
*Group Company Secretary*
24 November 2015

# AUDIT COMMITTEE'S REPORT

*for the year ended 31 July 2015*

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

During the financial year ended 31 July 2015, in addition to the duties set out in the Audit Committee's terms of reference (a summary of which is provided on page 37) the Audit Committee carried out its functions, *inter alia*, as follows:

- Determined the fees to be paid to Mazars (Gauteng) Inc. and its terms of engagement;
- Ensured that the appointment of Mazars (Gauteng) Inc. complied with the legislation relating to the appointment of auditors; and
- Approved a non-audit services policy which determines the nature and extent of any non-audit services which Mazars (Gauteng) Inc. may provide to the Group.

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

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

The Audit Committee recommended the Annual Financial Statements for the year ended 31 July 2015 to the Board for approval. The Board has subsequently approved the Annual Financial Statements which will be open for discussion at the forthcoming Annual General Meeting.

**Rob Sporen**
*Chairman of the Audit Committee*
24 November 2015

# DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

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

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

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

Controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards to ensure that the Group's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management in the Group is to identify, assess, manage and monitor all known forms of risk across the Group. Whilst operating risk cannot be fully eliminated, the Group endeavours to mitigate such risks by ensuring that there is appropriate infrastructure, controls and systems. The Audit Committee performs an oversight role in matters related to financial and internal controls.

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

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

The Annual Financial Statements, which have been prepared on a going concern basis, were approved by the Board of Directors on 24 November 2015 and are signed on its behalf by:

**Rob Sporen**
*Lead Independent*
*Non-Executive Director*
24 November 2015

**Asher Bohbot**
*Group Chief Executive Officer*

24 November 2015

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

We have audited the financial statements of EOH Holdings Limited which comprise the consolidated and separate statements of financial position as at 31 July 2015, the consolidated and separate statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 52 to 107.

## Directors' responsibility for the consolidated financial statements

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

## Auditor's responsibility

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

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

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

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of EOH Holdings Limited as at 31 July 2015, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act.

## Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 July 2015, we have read the Directors' Report, the Audit Committee's report and the Group Company Secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Mazars (Gauteng) Inc.

**Mazars (Gauteng) Inc.**
*Registered Auditor*
Director: **S Ranchhoojee**
Johannesburg
24 November 2015

# STATEMENTS OF FINANCIAL POSITION

*as at 31 July 2015*

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| Figures in Rand thousand | Notes | 2015 | 2014 | 2015 | 2014 |
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 3 | 412 159 | 404 572 | – | – |
| Goodwill and intangible assets | 4 | 2 989 582 | 2 001 181 | – | – |
| Investments in subsidiaries | 5 | | | 159 549 | 159 549 |
| Equity-accounted investments | 6 | 351 852 | 2 090 | | |
| Other financial assets | 7 | 18 437 | 3 676 | – | – |
| Deferred taxation | 8 | 107 337 | 212 021 | – | – |
| Finance lease receivables | 9 | 130 459 | 114 462 | – | – |
| | | 4 009 826 | 2 738 002 | 159 549 | 159 549 |
| **Current assets** | | | | | |
| Inventory | 10 | 195 665 | 142 221 | – | – |
| Loans to Group companies | 5 | | | 1 637 047 | 679 627 |
| Other financial assets | 7 | 61 467 | 61 017 | – | – |
| Current taxation receivable | | 47 955 | 26 031 | – | – |
| Finance lease receivables | 9 | 86 955 | 66 136 | – | – |
| Trade and other receivables | 11 | 2 307 021 | 1 588 132 | 968 | 675 |
| Cash and cash equivalents | 12 | 1 663 818 | 1 064 522 | 75 | 46 |
| | | 4 362 881 | 2 948 059 | 1 638 090 | 680 348 |
| **Total assets** | | 8 372 707 | 5 686 061 | 1 797 639 | 839 897 |
| **Equity and liabilities** | | | | | |
| **Equity** | | | | | |
| Stated capital | 13 | 1 533 163 | 627 006 | 1 762 416 | 797 727 |
| Shares to be issued to vendors | | 663 461 | 371 066 | 7 193 | 14 896 |
| Total reserves | 14 | 490 305 | 349 106 | 8 863 | 8 863 |
| Retained earnings | | 1 813 023 | 1 270 985 | 10 448 | 827 |
| Equity attributable to the owners of the Company | | 4 499 952 | 2 618 163 | 1 788 920 | 822 313 |
| Non-controlling interest | | 8 672 | 10 647 | | |
| | | 4 508 624 | 2 628 810 | 1 788 920 | 822 313 |
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Other financial liabilities | 15 | 1 068 477 | 730 007 | – | – |
| Finance lease payables | 16 | 21 010 | 40 820 | – | – |
| Deferred taxation | 8 | 137 930 | 169 249 | 276 | 184 |
| | | 1 227 417 | 940 076 | 276 | 184 |
| **Current liabilities** | | | | | |
| Other financial liabilities | 15 | 869 485 | 627 201 | 8 153 | 17 040 |
| Current taxation payable | | 57 344 | 49 465 | – | – |
| Finance lease payables | 16 | 20 915 | 33 756 | – | – |
| Trade and other payables | 17 | 1 424 329 | 1 033 724 | 205 | 289 |
| Deferred income | 18 | 264 508 | 372 958 | – | – |
| Dividend payable | | 85 | 71 | 85 | 71 |
| | | 2 636 666 | 2 117 175 | 8 443 | 17 400 |
| **Total liabilities** | | 3 864 083 | 3 057 251 | 8 719 | 17 584 |
| **Total equity and liabilities** | | 8 372 707 | 5 686 061 | 1 797 639 | 839 897 |

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*for the year ended 31 July 2015*

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| Figures in Rand thousand | Notes | 2015 | 2014 | 2015 | 2014 |
| Revenue | 19 | 9 733 992 | 7 220 372 | – | – |
| Cost of sales | | (6 532 019) | (4 631 650) | – | – |
| **Gross profit** | | 3 201 973 | 2 588 722 | – | – |
| Operating expenses | 20 | (1 925 957) | (1 680 917) | (1 603) | (866) |
| Depreciation | | (114 685) | (90 748) | – | – |
| Amortisation of intangible assets | | (114 726) | (97 543) | – | – |
| **Operating profit/(loss) before interest and impairments** | 20 | 1 046 605 | 719 514 | (1 603) | (866) |
| Investment income | 21 | 37 785 | 29 676 | 153 700 | 105 305 |
| Impairment of goodwill and intangible assets | 4 | (25 000) | – | – | – |
| Share of profits of equity-accounted investments | 6 | 10 736 | 337 | | |
| Finance costs | 22 | (118 799) | (80 434) | – | – |
| **Profit before taxation** | | 951 327 | 669 093 | 152 097 | 104 439 |
| Taxation | 23 | (259 533) | (176 930) | (92) | (106) |
| **Profit for the year** | | 691 794 | 492 163 | 152 005 | 104 333 |
| **Other comprehensive income:** | | | | | |
| *Item that may be reclassified subsequently to profit or loss* | | | | | |
| Exchange differences on translating foreign operations | | 27 144 | 12 636 | | |
| **Total comprehensive income for the year** | | 718 938 | 504 799 | 152 005 | 104 333 |
| **Profit attributable to:** | | | | | |
| Owners of the Company | | 690 692 | 487 608 | 152 005 | 104 333 |
| Non-controlling interest | | 1 102 | 4 555 | | |
| | | 691 794 | 492 163 | 152 005 | 104 333 |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the Company | | 717 342 | 500 244 | 152 005 | 104 333 |
| Non-controlling interest | | 1 596 | 4 555 | | |
| | | 718 938 | 504 799 | 152 005 | 104 333 |
| Earnings per share (cents) | 24 | 561 | 447 | | |
| Diluted earnings per share (cents) | 24 | 534 | 418 | | |

# STATEMENTS OF CHANGES IN EQUITY

*for the year ended 31 July 2015*

| Figures in Rand thousand | Stated capital | Shares to be issued to vendors | Foreign currency translation reserve | Other reserves | Total reserves | Retained earnings | Total attributable to the owners of the Company | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | | |
| Balance at 1 August 2013 | 398 909 | 167 527 | 1 381 | 169 337 | 170 718 | 883 170 | 1 620 324 | 403 | 1 620 727 |
| Total comprehensive income | | | 12 636 | | 12 636 | 487 608 | 500 244 | 4 555 | 504 799 |
| Issue of shares | 237 414 | | | | – | | 237 414 | | 237 414 |
| Non-controlling interest arising on business combination | | | | | – | | – | 5 689 | 5 689 |
| Movement in treasury shares | (9 317) | | | 141 282 | 141 282 | | 131 965 | | 131 965 |
| Shares to be issued* | | 203 539 | | | – | | 203 539 | | 203 539 |
| Share-based payments | | | | 24 470 | 24 470 | | 24 470 | | 24 470 |
| Dividends | | | | | – | (99 793) | (99 793) | – | (99 793) |
| Balance at 1 August 2014 | 627 006 | 371 066 | 14 017 | 335 089 | 349 106 | 1 270 985 | 2 618 163 | 10 647 | 2 628 810 |
| Total comprehensive income | | | 26 650 | | 26 650 | 690 692 | 717 342 | 1 596 | 718 938 |
| Issue of shares | 964 689 | | | | – | – | 964 689 | | 964 689 |
| Non-controlling interest arising on business combination | | | | | – | – | – | 865 | 865 |
| Non-controlling interest acquired | | | | | – | (7 684) | (7 684) | (4 436) | (12 120) |
| Movement in treasury shares | (58 532) | | | 71 701 | 71 701 | – | 13 169 | | 13 169 |
| Shares to be issued* | | 292 395 | | | – | – | 292 395 | | 292 395 |
| Share-based payments | | | | 42 848 | 42 848 | – | 42 848 | | 42 848 |
| Dividends | | | | | – | (140 970) | (140 970) | – | (140 970) |
| Balance at 31 July 2015 | 1 533 163 | 663 461 | 40 667 | 449 638 | 490 305 | 1 813 023 | 4 499 952 | 8 672 | 4 508 624 |
| **Company** | | | | | | | | | |
| Balance at 1 August 2013 | 560 313 | – | | 6 953 | 6 953 | 1 799 | 569 065 | | 569 065 |
| Total comprehensive income | | | | | – | 104 333 | 104 333 | | 104 333 |
| Issue of shares | 237 414 | | | | – | – | 237 414 | | 237 414 |
| Shares to be issued* | | 14 896 | | | – | – | 14 896 | | 14 896 |
| Movement in treasury shares | | | | 1 910 | 1 910 | – | 1 910 | | 1 910 |
| Dividends | | | | | – | (105 305) | (105 305) | | (105 305) |
| Balance at 1 August 2014 | 797 727 | 14 896 | | 8 863 | 8 863 | 827 | 822 313 | | 822 313 |
| Total comprehensive income | | | | | – | 152 005 | 152 005 | | 152 005 |
| Issue of shares | 964 689 | | | | – | – | 964 689 | | 964 689 |
| Shares to be issued* | | (7 703) | | | – | – | (7 703) | | (7 703) |
| Dividends | | | | | – | (142 384) | (142 384) | | (142 384) |
| Balance at 31 July 2015 | 1 762 416 | 7 193 | | 8 863 | 8 863 | 10 448 | 1 788 920 | | 1 788 920 |

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

# STATEMENTS OF CASH FLOWS

*for the year ended 31 July 2015*

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| Figures in Rand thousand | Notes | 2015 | 2014 | 2015 | 2014 |
| **Cash flows from operating activities** | | | | | |
| Cash generated from/(used in) operations | 27 | 908 567 | 718 891 | (1 812) | (1 164) |
| Investment income | | 37 571 | 29 676 | – | – |
| Dividends received | | | | 153 700 | 105 305 |
| Finance costs | | (117 549) | (80 434) | – | – |
| Taxation paid | 28 | (301 143) | (260 695) | – | – |
| **Net cash inflow from operating activities** | | 527 446 | 407 438 | 151 888 | 104 141 |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | | (143 518) | (158 604) | – | – |
| Proceeds on the sale of property, plant and equipment | | 23 747 | 8 730 | – | – |
| Purchase of other intangible assets | | (139 358) | (40 298) | – | – |
| Net cash outflow from acquisition of businesses | 29 | (73 082) | (143 595) | – | – |
| Cash outflow on equity accounted investments | | (259) | – | – | – |
| Loans advanced to Group companies | | | | (589 405) | (22 829) |
| Proceeds from loans to Group companies | | | | 23 540 | 23 992 |
| Cash inflow/(outflow) relating to financial assets | | 5 605 | (9 555) | – | – |
| **Net cash (outflow)/inflow from investing activities** | | (326 865) | (343 322) | (565 865) | 1 163 |
| **Cash flows from financing activities** | | | | | |
| Proceeds from issue of share capital | | 556 376 | – | 556 376 | – |
| Proceeds from other financial liabilities | | 520 478 | 641 920 | – | – |
| Repayment of other financial liabilities | | (549 505) | (342 083) | – | – |
| Proceeds from sale of treasury shares | | 47 748 | 165 472 | – | – |
| Finance lease payments | | (36 048) | (18 255) | – | – |
| Dividends paid | 30 | (140 956) | (99 753) | (142 370) | (105 265) |
| **Net cash inflow/(outflow) from financing activities** | | 398 093 | 347 301 | 414 006 | (105 265) |
| **Net increase in cash and cash equivalents** | | 598 674 | 411 417 | 29 | 39 |
| Foreign currency translation | | 622 | 98 | | |
| Cash and cash equivalents at the beginning of the year | | 1 064 522 | 653 007 | 46 | 7 |
| **Cash and cash equivalents at the end of the year** | | 1 663 818 | 1 064 522 | 75 | 46 |

# SEGMENT RESULTS

*for the year ended 31 July 2015*

The reportable segments of the Group have been identified based on the nature of the business activities. This basis is representative of the internal structure for management purposes. Segment results that are reported to the Group CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate and head office expenses. Segmental operating profit before taxation includes revenue and expenses directly relating to a business segment as allocated.

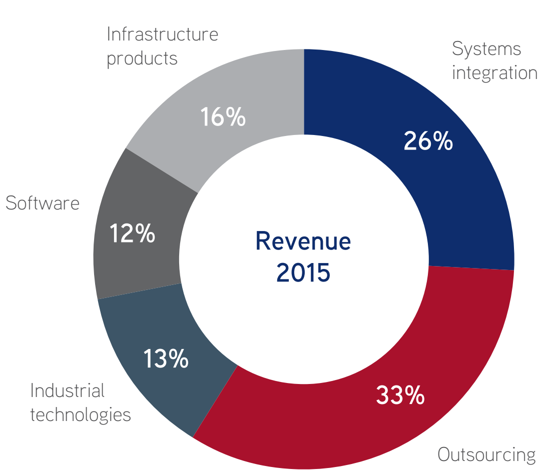
EOH's revenue is derived from Services (systems integration, outsourcing and industrial technologies), Software (software sales and maintenance revenue) and Infrastructure products (traditional IT hardware , network infrastructure, telecommunications infrastructure and the hardware associated with security solutions).

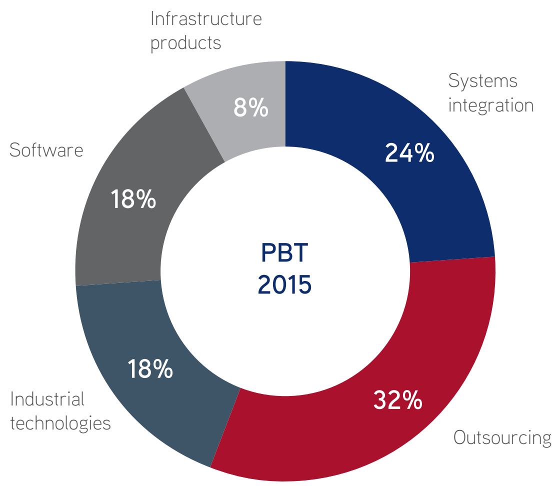
No individual customer comprises more than 3,5% (2014: 3,0%) of total revenue.

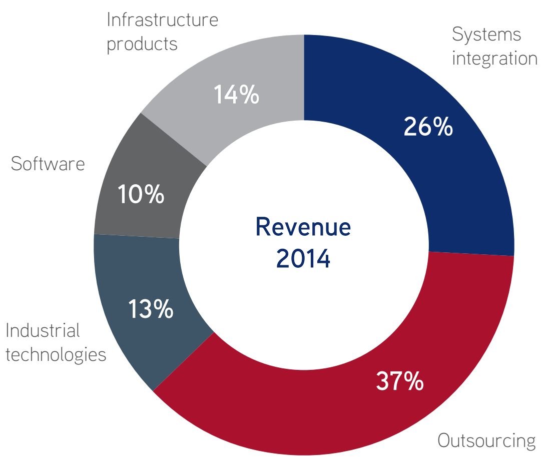
| | Services* | | | | Software | Infrastructure products | Reportable segments | Not specifically allocated | Total |
|---|---|---|---|---|---|---|---|---|---|
| Figures in Rand thousand | Systems integration | Outsourcing | Industrial technologies | Total Services | | | | | |
| **2015** | | | | | | | | | |
| Revenue | 2 492 733 | 3 258 282 | 1 251 933 | 7 002 948 | 1 179 856 | 1 551 188 | 9 733 992 | – | 9 733 992 |
| Intersegment revenue | 486 274 | 364 276 | 116 497 | 967 047 | 60 863 | 270 329 | 1 298 239 | – | 1 298 239 |
| Segment profit before taxation | 226 085 | 305 130 | 170 110 | 701 325 | 175 188 | 77 326 | 953 839 | (2 512) | 951 327 |
| Depreciation and amortisation | (71 333) | (83 731) | (42 810) | (197 874) | (43 635) | (24 558) | (266 067) | (643) | (266 710) |
| Investment income | 15 737 | 13 658 | 4 005 | 33 400 | 116 | 3 414 | 36 930 | 855 | 37 785 |
| Net impairment of assets | (2 000) | (5 000) | (3 000) | (10 000) | – | (15 000) | (25 000) | – | (25 000) |
| Finance costs | (28 480) | (28 480) | (35 600) | (92 560) | (23 733) | (2 373) | (118 666) | (133) | (118 799) |
| Operating margin % | 9,1 | 9,4 | 13,6 | 10,0 | 14,8 | 5,0 | 9,8 | | 9,8 |
| **2014** | | | | | | | | | |
| Revenue | 1 872 470 | 2 699 588 | 929 163 | 5 501 221 | 737 219 | 981 932 | 7 220 372 | – | 7 220 372 |
| Intersegment revenue | 301 832 | 404 704 | 50 545 | 757 081 | 24 978 | 142 697 | 924 756 | – | 924 756 |
| Segment profit before taxation | 166 663 | 244 925 | 110 867 | 522 455 | 92 435 | 67 790 | 682 680 | (13 587) | 669 093 |
| Depreciation and amortisation | (63 661) | (64 301) | (24 985) | (152 947) | (27 084) | (19 848) | (199 879) | 21 | (199 858) |
| Investment income | 6 546 | 16 352 | 2 438 | 25 336 | 2 066 | 2 094 | 29 496 | 180 | 29 676 |
| Finance costs | (24 584) | (23 033) | (10 434) | (58 051) | (9 020) | (13 363) | (80 434) | – | (80 434) |
| Operating margin % | 8,9 | 9,1 | 11,9 | 9,5 | 12,5 | 6,9 | 9,5 | | 9,3 |

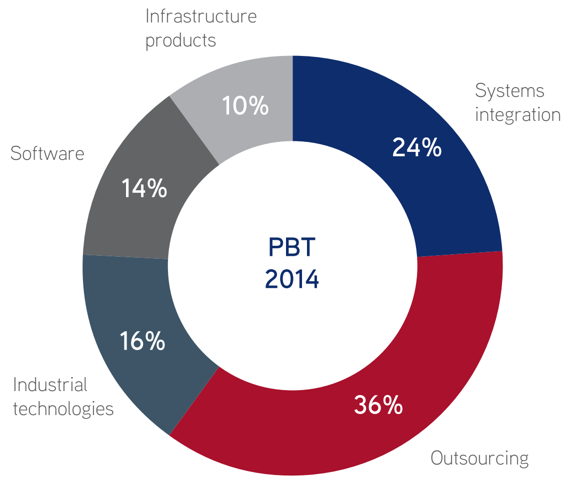
** During the year the categorisation of Services revenue was further refined and the comparative amounts reflect such refinement.*

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



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*for the year ended 31 July 2015*

## 1. Accounting policies

### Reporting entity

EOH Holdings Limited ('EOH' or 'the Company') is a holding company domiciled in South Africa that is listed on the JSE Limited under the category Technology: Software and Computer Services. EOH is the largest implementer of enterprise applications and has a wide range of Outsourcing, Cloud, Managed Services, Industrial Technologies and Business Process Outsourcing solutions. The consolidated and separate Annual Financial Statements of EOH, as at 31 July 2015 and for the year ended 31 July 2015, comprise the Company and its subsidiaries (together referred to as 'the Group') and the Group's investments in associates and joint ventures.

### Statement of compliance

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

### Basis of preparation

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

These accounting policies are consistent with the previous period, except for necessary changes as a result of new standards and amendments mandatorily effective for the first time in the current year as described in note 2.

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

The principal accounting policies are set out below.

### 1.1 Consolidation

*Basis of consolidation*

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

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

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

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

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

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

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary. The remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

*Business combinations*

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

# 1. Accounting policies continued

## 1.1 Consolidation continued

*Business combinations continued*

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

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 *Business Combinations* are recognised at their fair values at acquisition date, except for non-current assets (or disposal group) that are classified as held-for-sale in accordance with IFRS 5 *Non-Current Assets Held-For-Sale and Discontinued Operations*, which are recognised at fair value less costs to sell.

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

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

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

The Group measures goodwill at the acquisition date as:

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

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

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

In cases where the Group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

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

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

*Investments in associates and joint ventures*

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

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

*for the year ended 31 July 2015*

## 1. Accounting policies continued

### 1.1 Consolidation continued

*Investments in associates and joint ventures continued*

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated Annual Financial Statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held-for-sale, in which case it is accounted for in accordance with IFRS 5.

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

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

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

### 1.2 Use of significant estimates and judgements

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

*Valuation allowances*

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

*Consolidated financial statements*

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

Joint control is the contractually agreed sharing of control, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint control is established by virtue of the Group's representation on the respective company's board of directors and involvement in the daily operations as governed by a shareholders' agreement. Percentage of ownership is also considered.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of these policies. Significant influence is established by virtue of the Group's representation on the respective company's board of directors and involvement in the daily operations as governed by a shareholders' agreement. Percentage ownership is also considered.

*Revenue*

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

## 1. Accounting policies continued

### 1.2 Use of significant estimates and judgements continued

*Options granted*

Management used the Binomial model to determine the value of the options at issue date. Additional details regarding the estimates are included in note 36 – Share-based payments.

*Fair value estimation*

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

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

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

*Impairment testing*

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

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

*Taxation*

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

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

*Property, plant and equipment*

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

*Intangible assets*

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

*for the year ended 31 July 2015*

## 1. Accounting policies continued

### 1.3 Property, plant and equipment

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

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

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

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

| Item | Average useful life |
|---|---|
| Buildings | 50 years |
| Furniture and fixtures | 10 years |
| Motor vehicles | 5 years |
| Office equipment | 3 to 6 years |
| IT equipment | 2 to 3 years |
| Computer software | 2 years |
| Leasehold improvements | Period of the lease |
| Medical equipment | 4 years |
| Other equipment | 5 to 7 years |

Land included in land and buildings is not depreciated.

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

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

Assets under construction are not depreciated and are only depreciated when they are available for use. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

### 1.4 Goodwill and intangible assets

An intangible asset is recognised when:

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

Goodwill and intangible assets are initially recognised at cost.

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

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

## 1. Accounting policies continued

### 1.4 Goodwill and intangible assets continued

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

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

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

### 1.5 Investments in subsidiaries

In the Company's separate Annual Financial Statements, investments in subsidiaries are carried at cost less any accumulated impairment. 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; plus
- 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.

### 1.6 Financial instruments

*Classification*

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

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

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

*Initial recognition and measurement*

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

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

Financial instruments are measured initially at fair value.

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

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

## 1. Accounting policies continued

### 1.6 Financial instruments continued

*Subsequent measurement*

After initial recognition loans and receivables are measured at amortised cost, using the effective interest method, less accumulated impairment losses. Loans to Group companies, other financial assets, cash and cash equivalents and trade and other receivables fall into this category of financial instruments.

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

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

*Offsetting and derecognition*

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

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

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

*Impairment of financial assets*

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

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

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

Subsequent recoveries of amounts previously written off are credited against operating expenses.

*Loans to and from Group companies*

These include amounts receivable from and payable to subsidiaries and are recognised initially at fair value plus direct transaction costs. Amounts receivable from Group companies are classified as loans and receivables. Amounts payable to Group companies are classified as financial liabilities measured at amortised cost.

*Other financial assets*

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

*Trade and other receivables*

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

## 1. Accounting policies continued

### 1.6 Financial instruments continued

*Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. These are initially and subsequently recorded at amortised cost.

*Trade and other payables*

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

*Other financial liabilities*

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

*Vendors for acquisition*

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

### 1.7 Taxation

*Tax assets and liabilities*

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

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

*Deferred tax assets and liabilities*

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

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

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

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

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

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

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

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

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

## 1. Accounting policies continued

### 1.7 Taxation continued

*Deferred tax assets and liabilities* continued

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

*Tax expenses*

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

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

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

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

### 1.8 Leases

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

*Finance leases – lessor*

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

*Finance leases – lessee*

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

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

*Operating leases – lessor*

Operating lease income is recognised as income on a straight-line basis over the lease term. The difference between the amounts recognised as income and the contractual payments are recognised as an operating lease receivable.

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

*Operating leases – lessee*

Operating lease payments are recognised as expenses on a straight-line basis over the lease term. The difference between the amounts expensed and the contractual payments is recognised as an operating lease accrual. This liability is not discounted. Any contingent rents are expensed in the period they are incurred.

### 1.9 Inventory

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

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

## 1. Accounting policies continued

### 1.10 Deferred income and expenditure

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

### 1.11 Impairment of non-financial assets

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

- tests intangible assets not yet available for use for impairment annually by comparing their carrying amounts with their recoverable amounts. This impairment test is performed during the annual period and at the same time every period; and
- tests goodwill acquired in a business combination for impairment annually.

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

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

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

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

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

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

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

### 1.12 Stated capital

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

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

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

## 1. Accounting policies continued

### 1.13 Share-based payments

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

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

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

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

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

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

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

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

For share-based payment transactions in which the terms of the arrangement provide either the entity or the counterparty with the choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments, the components of that transaction are recorded, as a cash-settled share-based payment transaction if, and to the extent that, a liability to settle in cash or other assets has been incurred, or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

### 1.14 Employee benefits

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

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

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

### 1.15 Provisions and contingencies

Provisions are recognised when:

- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

# 1. Accounting policies continued

## 1.15 Provisions and contingencies continued

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

After their initial recognition, contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31 – Contingencies.

## 1.16 Shareholders for dividends and dividends declared

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

## 1.17 Revenue

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

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

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

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

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

Interest is recognised, in profit or loss, using the effective interest method. Rental income is recognised on a straight-line basis over the term of the lease. Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

## 1.18 Cost of sales

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

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

## 1.19 Finance charges

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

## 1. Accounting policies continued

### 1.19 Finance charges continued

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

### 1.20 Translation of foreign currencies

*Functional and presentation currency*

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

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

*Foreign currency transactions*

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

At the end of the reporting period:

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

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

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

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

*Foreign operations*

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

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

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

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

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

## 2. New standards and interpretations

### 2.1 Adoption of new standards, amendments to standards and interpretations

The Group has adopted the following standards and interpretations that are relevant to its operations:

*IFRS 2 Share-based Payment*

- *Annual Improvements 2010 – 2012 Cycle:* Amendments added the definitions of performance conditions and service conditions and amended the definitions of vesting conditions and market conditions (effective 1 July 2014).

*IFRS 3 Business Combinations*

- *Annual Improvements 2010 – 2012 Cycle:* Amendments to the measurement requirements for all contingent consideration assets and liabilities including those accounted for under IFRS 9 (effective 1 July 2014).
- *Annual Improvements 2011 – 2013 Cycle:* Amendments to the scope paragraph for the formation of a joint arrangement (effective 1 July 2014).

*IFRS 8 Operating Segments*

- *Annual Improvements 2010 – 2012 Cycle:* Amendments to some disclosure requirements regarding the judgements made by management in applying the aggregation criteria, as well as those to certain reconciliations (effective 1 July 2014).

*IFRS 9 Financial Instruments*

- *Annual Improvements 2010 – 2012 Cycle:* Amendments to the measurement requirements for all contingent consideration assets and liabilities included under IFRS 9 (effective 1 July 2014).

*IFRS 13 Fair Value Measurement*

- *Annual Improvements 2010 – 2012 Cycle:* Amendments to clarify the measurement requirements for those short-term receivables and payables (effective 1 July 2014).
- *Annual Improvements 2011 –2013 Cycle:* Amendments to clarify that the portfolio exception applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9 (effective 1 July 2014).

*IAS 36 Impairment of Assets*

- Amendments to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal (effective 1 January 2014).

The amendments became effective in the current financial period and the adoption of these amendments affects neither the financial position nor performance of the Group, but only the disclosures.

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

The following standards and interpretations have been published and will become mandatory for the Group's accounting periods beginning on or after 1 August 2015 or later periods which are not yet effective. These standards and interpretations will be adopted when they become effective. The directors are still in the process of assessing what the impact of these new standards and interpretations will be.

*IFRS 7 Financial Instruments: Disclosures*

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

*IFRS 9 Financial Instruments*

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

## 2. New standards and interpretations continued

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

*IFRS 9 Financial Instruments* continued

- IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements.
- IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.

*IFRS 10 Consolidated Financial Statements*

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

*IFRS 15 Revenue from Contracts from Customers*

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

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

  The new standard supersedes:

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

*IAS 1 Presentation of Financial Statements*

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

*IAS 16 Property, Plant and Equipment*

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

*IAS 27 Consolidated and Separate Financial Statements*

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

*IAS 28 Investments in Associates and Joint Ventures*

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

*IAS 34 Interim Financial Reporting*

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

*IAS 38 Intangible Assets*

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

### 2.3. Standards and interpretations early adopted

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

## 3. Property, plant and equipment

| Figures in Rand thousand | 2015 Cost | 2015 Accumulated depreciation | 2015 Carrying value | 2014 Cost | 2014 Accumulated depreciation | 2014 Carrying value |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| Land and buildings | 90 096 | (475) | 89 621 | 84 750 | (264) | 84 486 |
| Furniture and fixtures | 59 417 | (15 412) | 44 005 | 50 718 | (13 333) | 37 385 |
| Motor vehicles | 41 308 | (14 016) | 27 292 | 31 506 | (9 292) | 22 214 |
| Office equipment | 69 722 | (29 349) | 40 373 | 99 931 | (25 743) | 74 188 |
| IT equipment | 423 947 | (268 595) | 155 352 | 331 864 | (183 689) | 148 175 |
| Leasehold improvements | 82 420 | (47 960) | 34 460 | 62 840 | (33 641) | 29 199 |
| Medical equipment | 6 085 | (4 632) | 1 453 | 4 552 | (3 630) | 922 |
| Other equipment | 24 754 | (5 151) | 19 603 | 9 308 | (1 305) | 8 003 |
| | 797 749 | (385 590) | 412 159 | 675 469 | (270 897) | 404 572 |

### Reconciliation of property, plant and equipment

| Figures in Rand thousand | Opening balance | Additions | Additions through business combinations | Disposals | Transfers | Foreign currency translation | Depreciation | Total |
|---|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | | |
| Land and buildings | 84 486 | 626 | 4 720 | – | – | – | (211) | 89 621 |
| Furniture and fixtures | 37 385 | 8 252 | 5 078 | (910) | – | 115 | (5 915) | 44 005 |
| Motor vehicles | 22 214 | 16 275 | 3 883 | (6 748) | – | 17 | (8 349) | 27 292 |
| Office equipment | 74 188 | 15 107 | 1 254 | (2 358) | (31 159) | 12 | (16 671) | 40 373 |
| IT equipment | 148 175 | 76 870 | 15 974 | (15 110) | 29 848 | 784 | (101 189) | 155 352 |
| Leasehold improvements | 29 199 | 17 941 | 2 266 | (266) | – | – | (14 680) | 34 460 |
| Medical equipment | 922 | 1 609 | – | (7) | – | – | (1 071) | 1 453 |
| Other equipment | 8 003 | 10 939 | 4 821 | (262) | – | – | (3 898) | 19 603 |
| | 404 572 | 147 619 | 37 996 | (25 661) | (1 311) | 928 | (151 984) | 412 159 |
| **2014** | | | | | | | | |
| Land and buildings | 69 935 | – | 11 793 | – | 2 872 | – | (114) | 84 486 |
| Furniture and fixtures | 28 070 | 9 077 | 6 671 | (853) | (455) | 83 | (5 208) | 37 385 |
| Motor vehicles | 7 675 | 6 959 | 13 503 | (980) | – | – | (4 943) | 22 214 |
| Office equipment | 9 103 | 71 811 | 5 414 | (3 902) | 6 636 | (5) | (14 869) | 74 188 |
| IT equipment | 81 497 | 107 147 | 29 881 | (2 424) | (6 258) | 7 | (61 675) | 148 175 |
| Leasehold improvements | 27 040 | 15 424 | 89 | – | – | – | (13 354) | 29 199 |
| Medical equipment | 1 699 | 314 | 32 | – | (12) | – | (1 111) | 922 |
| Other equipment | 1 305 | 1 975 | 5 714 | (39) | 89 | – | (1 041) | 8 003 |
| | 226 324 | 212 707 | 73 097 | (8 198) | 2 872 | 85 | (102 315) | 404 572 |

Depreciation expense included in cost of sales is R37 299 (2014: R11 567) and in operating expenses is R114 685 (2014: R90 748).

Buildings were pledged as security against other financial liabilities with a carrying value of R20 165 (2014: R24 091). The pledge is limited to the carrying value of the related liability (refer to note 15). Additions of R2 584 (2014: R54 103) relate to finance leases (refer to note 16).

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

*for the year ended 31 July 2015*

## 3. Property, plant and equipment continued

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

| Figures in Rand thousand | 2015 | 2014 |
|---|---|---|
| Motor vehicles | 20 112 | 11 174 |
| Office equipment | 104 | 842 |
| IT equipment | 21 472 | 38 302 |
| Medical equipment | 122 | 138 |
| | 41 810 | 50 456 |

## 4. Goodwill and intangible assets

| Figures in Rand thousand | 2015 Cost | 2015 Accumulated amortisation/ impairment losses | 2015 Carrying value | 2014 Cost | 2014 Accumulated amortisation/ impairment losses | 2014 Carrying value |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| Goodwill | 2 423 603 | (25 000) | 2 398 603 | 1 764 848 | – | 1 764 848 |
| Contracts purchased | 128 167 | (106 951) | 21 216 | 101 596 | (92 561) | 9 035 |
| Customer relations | 299 754 | (183 230) | 116 524 | 204 753 | (123 000) | 81 753 |
| Intellectual property | 102 278 | (12 082) | 90 196 | 15 100 | (4 000) | 11 100 |
| Internally generated software | 344 578 | (34 359) | 310 219 | 146 965 | (14 289) | 132 676 |
| Other intangible assets | 76 807 | (23 983) | 52 824 | 13 844 | (12 075) | 1 769 |
| | 3 375 187 | (385 605) | 2 989 582 | 2 247 106 | (245 925) | 2 001 181 |

### Reconciliation of goodwill and intangibles

| Figures in Rand thousand | Opening balance | Additions | Additions through business combinations | Disposals | Transfers | Foreign currency translation | Amortisation | Impairment | Total |
|---|---|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | | | |
| Goodwill | 1 764 848 | – | 651 224 | (13 472) | – | 21 003 | | (25 000) | 2 398 603 |
| Contracts purchased | 9 035 | – | 26 571 | – | – | – | (14 390) | – | 21 216 |
| Customer relations | 81 753 | – | 95 001 | – | – | – | (60 230) | – | 116 524 |
| Intellectual property | 11 100 | 3 485 | 83 692 | – | – | – | (8 081) | – | 90 196 |
| Internally generated software | 132 676 | 94 007 | 98 732 | – | 1 311 | 3 610 | (20 117) | – | 310 219 |
| Other intangible assets | 1 769 | 41 866 | 21 097 | – | – | – | (11 908) | – | 52 824 |
| | 2 001 181 | 139 358 | 976 317 | (13 472) | 1 311 | 24 613 | (114 726) | (25 000) | 2 989 582 |
| **2014** | | | | | | | | | |
| Goodwill | 976 332 | – | 778 572 | – | – | 9 944 | | – | 1 764 848 |
| Contracts purchased | 5 062 | – | 24 334 | – | – | – | (20 361) | – | 9 035 |
| Customer relations | 24 023 | – | 115 238 | – | – | – | (57 508) | – | 81 753 |
| Intellectual property | 14 100 | – | – | – | – | – | (3 000) | – | 11 100 |
| Internally generated software | 8 170 | 40 298 | 96 988 | – | – | 1 405 | (14 185) | – | 132 676 |
| Other intangible assets | 4 258 | – | – | – | – | – | (2 489) | – | 1 769 |
| | 1 031 945 | 40 298 | 1 015 132 | – | – | 11 349 | (97 543) | – | 2 001 181 |

## 4. Goodwill and intangible assets continued

### Impairment testing

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units. The impairment tests were based on the value-in-use and were determined by discounting the future cash flows to be generated from the continuing operations of businesses in the divisions. A maximum of five years was used in all discounted future cash flows. The aggregate carrying amounts of goodwill were allocated to the following business units:

| Goodwill | GROUP | |
|---|---|---|
| Figures in Rand thousand | 2015 | 2014 |
| CCS | 241 145 | – |
| EOH Abantu | 173 352 | 146 799 |
| EOH Managed Services | 118 416 | 118 416 |
| EOH Mthombo | 277 253 | 256 376 |
| EOH Power Systems | 172 757 | 172 757 |
| MIE | 139 926 | – |
| Sybrin | 208 783 | 187 617 |
| Multiple units without significant goodwill | 1 066 971 | 882 883 |
| | 2 398 603 | 1 764 848 |

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

### Key assumptions used in discounted cash flow projection calculations

The discount rates used in the discounted cash flow models are calculated using the principles of the Capital Asset Pricing model, taking into account the current market conditions.

A pre-tax weighted-average cost-of-capital rate ranging between 15,9% and 22,2% (2014: 15,5% and 19,7%) was used in discounting the projected cash flows depending on the nature of business. The cash flow projections were based on approved 2016 budgeted results and a reasonable growth rate applied for a further four years thereafter based on market conditions and historic trends. Thereafter a perpetuity growth rate of 5,0% (2014: 4,5%) was applied.

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

## 5. Investments in subsidiaries

| | COMPANY | |
|---|---|---|
| Figures in Rand thousand | 2015 | 2014 |
| Unlisted shares | 159 549 | 159 549 |
| Loans to Group companies | 1 637 047 | 679 627 |
| | 1 796 596 | 839 176 |

A schedule of subsidiaries of the Company is set out in note 38.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

*for the year ended 31 July 2015*

## 6. Equity-accounted investments

| | GROUP | |
|---|---|---|
| Figures in Rand thousand | **2015** | 2014 |
| Equity-accounted joint venture investments | 6 976 | 2 090 |
| Equity-accounted associate investments | 344 876 | – |
| | 351 852 | 2 090 |
| **Aggregate information of equity-accounted investments that are not individually material:** | | |
| *Individually not material joint venture investments* | | |
| The Group's share of (loss)/profit from continuing operations | (38) | 337 |
| The Group's share of total comprehensive income | (38) | 337 |
| Aggregate carrying amount of the Group's interests in these joint ventures | 6 976 | 2 090 |
| Unrecognised share of losses | 2 928 | – |
| *Individually not material associate investments* | | |
| Aggregate carrying amount of the Group's interests in these associates | 33 409 | – |

**The Group has the following material associate**

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

TTCS brings to the EOH Group a staff complement of over 400 diverse, highly skilled IT experts in finance, logistics, human capital management, analytics, mobility, cloud and database technologies and provides solutions across the spectrum. Its operations are underpinned by timely and effective systems integration, product delivery, maintenance and support. TTCS has a presence across the African continent with offices in Zimbabwe, Zambia, Malawi, Kenya, Uganda, Rwanda, Botswana and Nigeria and projects in several other countries including Ghana, Namibia, Tanzania and Cameroon.

During the year the Group acquired a 49% interest in TTCS, for a consideration of USD 24.6 million, payable as follows:

| Figures in Rand thousand | ZAR |
|---|---|
| Cash to be paid | 106 214 |
| Shares to be issued | 194 479 |
| | 300 693 |

The net fair values of the associate's assets and liabilities at acquisition date are provisional and will be finalised in 2016.

| Figures in Rand thousand | ZAR |
|---|---|
| Balance at beginning of the year | – |
| Investment at cost | 300 693 |
| Share of results after taxation | 10 774 |
| Balance at the end of the year | 311 467 |

## 6. Equity-accounted investments continued

### Summarised financial information of the material associate

Management accounts, converted to South African Rand, for the one month to 31 July 2015, were used to calculate the share of profits at the reporting date.

| Figures in Rand thousand | ZAR |
|---|---|
| Current assets | 436 403 |
| Non-current assets | 8 420 |
| Current liabilities | (368 581) |
| | |
| Revenue | 95 498 |
| Total comprehensive income for the year | 21 988 |
| | |
| Total net assets | 76 242 |
| Proportion of the Group's ownership interest | 37 358 |

## 7. Other financial assets

| | GROUP | |
|---|---|---|
| Figures in Rand thousand | 2015 | 2014 |
| Enterprise development loans | 16 387 | 17 026 |
| The loans' maturity dates range between one and five years. | | |
| Vendor loans and receivables | 32 618 | 14 399 |
| The loans' maturity dates range between one and five years. | | |
| Roadlab Prehab JV Proprietary Limited | 2 105 | 9 116 |
| The loan matures within one year. | | |
| Quantified Living Proprietary Limited | 6 496 | 6 512 |
| The loan matures within one year. | | |
| CA Incorporated Limited – multi-year contracts | 10 891 | 4 101 |
| The loans' maturity dates range between one and two years. | | |
| Other loans and receivables | 11 407 | 13 539 |
| The loans are unsecured, interest free and have no fixed terms of repayment. The loans and receivables consist of a number of smaller loans to unrelated parties. | | |
| | 79 904 | 64 693 |
| Non-current financial assets | 18 437 | 3 676 |
| Current financial assets | 61 467 | 61 017 |
| | 79 904 | 64 693 |

### Measurement of loans and receivables

Loans and receivables are measured at amortised cost using the effective interest method. The present value of the loans and receivables was calculated by using a risk adjusted discount rate. The carrying value may be affected by changes in the credit risk of the counterparties.

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

## 8. Deferred taxation

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousand | 2015 | 2014 | 2015 | 2014 |
| **The balance comprises** | | | | |
| Aggregate of deferred taxation assets | 107 337 | 212 021 | – | – |
| Aggregate of deferred taxation liabilities | (137 930) | (169 249) | (276) | (184) |
| | (30 593) | 42 772 | (276) | (184) |
| **Deferred taxation movement** | | | | |
| Balance at the beginning of the year | 42 772 | 50 146 | (184) | (78) |
| Acquired in business combinations | (67 788) | (43 962) | – | – |
| Movement through profit or loss | (6 071) | 35 505 | (92) | (106) |
| Foreign currency translation | 494 | 1 083 | – | – |
| Balance at the end of the year | (30 593) | 42 772 | (276) | (184) |
| **Analysis** | | | | |
| Deferred costs | (61 117) | (81 739) | – | – |
| Prepaid expenses | (26 770) | (16 755) | (276) | (184) |
| Leases | (25 271) | (14 622) | – | – |
| Intangible assets | (131 465) | (51 788) | – | – |
| Property, plant and equipment | (2 422) | (1 381) | – | – |
| Valuation allowances | 21 108 | 29 691 | – | – |
| Other payroll accruals | 76 547 | 53 493 | – | – |
| Deferred income | 99 430 | 122 082 | – | – |
| Assessed losses | 11 448 | 5 966 | – | – |
| Other | 7 919 | (2 175) | – | – |
| | (30 593) | 42 772 | (276) | (184) |

## 9. Finance lease receivables

| | GROUP | |
|---|---|---|
| Figures in Rand thousand | 2015 | 2014 |
| Gross investment in leases due | | |
| – within one year | 108 123 | 91 711 |
| – within two to five years | 145 872 | 154 506 |
| | 253 995 | 246 217 |
| Less unearned finance income | (36 581) | (65 619) |
| | 217 414 | 180 598 |
| Present value of minimum lease payments due | | |
| – within one year | 86 955 | 66 136 |
| – within two to five years | 130 459 | 114 462 |
| | 217 414 | 180 598 |

The Group entered into finance leasing arrangements for certain IT safety and access equipment.

The lease terms are three to five years and the average effective lending rate is 2% to 5% above prime lending rates.

## 10. Inventory

| | GROUP | |
|---|---|---|
| Figures in Rand thousand | 2015 | 2014 |
| Finished goods | 123 890 | 93 145 |
| Consumables | 613 | 866 |
| Work in progress | 75 567 | 53 766 |
| | 200 070 | 147 777 |
| Inventory write-downs | (4 405) | (5 556) |
| | 195 665 | 142 221 |
| Cost of goods sold during the year amounted to: | 1 896 357 | 1 440 625 |

## 11. Trade and other receivables

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousand | 2015 | 2014 | 2015 | 2014 |
| Trade receivables | 2 179 468 | 1 520 312 | – | – |
| Prepayments | 106 944 | 61 747 | 967 | 478 |
| VAT receivable | – | 598 | – | 196 |
| Other receivables | 20 609 | 5 475 | 1 | 1 |
| | 2 307 021 | 1 588 132 | 968 | 675 |

Trade and other receivables amounting to R337 068 (2014: R736 982) have been pledged to the Group's bankers for facilities as per note 15.

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

### Trade and other receivables past due but not impaired

Trade and other receivables that are aged less than 90 days since invoice are not considered for impairment unless there is objective evidence to suggest otherwise. At 31 July 2015, R453 216 (2014: R269 612) were not impaired, as there has not been any significant changes in the credit quality and the amounts are still considered recoverable.
The ageing of amounts not impaired is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousand | 2015 | 2014 | 2015 | 2014 |
| – 90 days | 185 863 | 63 506 | – | – |
| – 120 days and over | 267 353 | 206 106 | – | – |

### Impairment allowance

Trade receivables are stated after impairment allowances based on management's assessment of customer creditworthiness, the ageing of which is:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousand | 2015 | 2014 | 2015 | 2014 |
| – 30 days | – | 56 | – | – |
| – 60 days | 12 | 28 | – | – |
| – 90 days | – | 6 019 | – | – |
| – 120 days and over | 65 888 | 106 237 | – | – |
| | 65 900 | 112 340 | – | – |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

*for the year ended 31 July 2015*

## 11. Trade and other receivables continued

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousand | **2015** | 2014 | **2015** | 2014 |
| **Reconciliation of trade and other receivables impairment allowance** | | | | |
| Opening balance | 112 340 | 114 588 | – | – |
| Utilised | (86 202) | (11 707) | – | – |
| Charged to profit or loss | 39 762 | 9 459 | – | – |
| | 65 900 | 112 340 | – | – |

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

The Group does not hold any collateral as security.

## 12. Cash and cash equivalents

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousand | **2015** | 2014 | **2015** | 2014 |
| Cash on hand | 1 123 | 864 | – | – |
| Bank balances and short-term deposits | 1 662 695 | 1 063 658 | 75 | 46 |
| | 1 663 818 | 1 064 522 | 75 | 46 |
| The total amount of undrawn facilities available for future operating activities and commitments | 241 807 | 230 620 | 144 100 | 144 100 |

## 13. Stated capital

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| **Authorised** | | | | |
| 500 000 000 ordinary shares of nil par value | | | | |
| Figures in thousand | | | | |
| **Issued** | | | | |
| *Reconciliation of the number of shares in issue:* | | | | |
| Opening balance | 118 653 | 110 848 | 118 653 | 110 848 |
| Shares issued for cash | 5 329 | – | 5 329 | – |
| Shares issued as a result of the acquisition of businesses | 5 102 | 5 024 | 5 102 | 5 024 |
| Specific shares issued to the Group share incentive schemes | 2 955 | 2 781 | 2 955 | 2 781 |
| Closing balance | 132 039 | 118 653 | 132 039 | 118 653 |
| *Less:* | | | | |
| Treasury shares held in the Group share incentive schemes | (2 926) | (3 832) | | |
| Treasury shares held by wholly owned subsidiaries of the Company that will not be cancelled | (2 214) | (2 320) | | |
| | 126 899 | 112 501 | 132 039 | 118 653 |

**Unissued**

367 961 480 (2014: 381 346 457) unissued ordinary shares are under the control of the directors in terms of the resolution of members passed at the last Annual General Meeting subject to the provisions of section 38 of the Companies Act of South Africa and the JSE Listings requirements. The directors are authorised to issue up to an aggregate maximum of 5% of the issued number of shares for cash until the next Annual General Meeting.

## 13. Stated capital continued

| Figures in Rand thousand | GROUP 2015 | GROUP 2014 | COMPANY 2015 | COMPANY 2014 |
|---|---|---|---|---|
| **Stated capital** | | | | |
| Opening balance | 627 006 | 398 909 | 797 727 | 560 313 |
| Shares issued for cash* | 556 376 | – | 556 376 | – |
| Shares issued as a result of the acquisition of businesses* | 385 230 | 220 213 | 385 230 | 220 213 |
| Specific shares issued to the Group share incentive schemes* | 23 083 | 17 201 | 23 083 | 17 201 |
| Treasury shares | (58 532) | (9 317) | | |
| | 1 533 163 | 627 006 | 1 762 416 | 797 727 |

** Issued at fair value or in terms of the Group share incentive schemes*

## 14. Total reserves

| Figures in Rand thousand | GROUP 2015 | GROUP 2014 | COMPANY 2015 | COMPANY 2014 |
|---|---|---|---|---|
| Foreign currency translation reserve | 40 667 | 14 017 | | |
| Share-based payments reserve | 155 831 | 112 983 | – | – |
| Treasury shares reserve | 293 807 | 222 106 | 8 863 | 8 863 |
| | 490 305 | 349 106 | 8 863 | 8 863 |

## 15. Other financial liabilities

| Figures in Rand thousand | GROUP 2015 | GROUP 2014 | COMPANY 2015 | COMPANY 2014 |
|---|---|---|---|---|
| **Interest bearing liabilities** | 1 121 839 | 887 775 | – | – |
| Interest bearing bank loans secured by trade receivables as per note 11. The loans' maturity dates range between three and ten years with interest rates between 8.30% and 11.75%. | 1 101 674 | 863 684 | – | – |
| Interest bearing bank loans secured by certain property with a carrying value of R67 million (2014: R67 million) The loans' maturity dates range between four and ten years with interest rates between 7.20% and 12.00%. | 20 165 | 24 091 | – | – |
| **Non-interest bearing liabilities** | 816 123 | 469 433 | 8 153 | 17 040 |
| Vendors for acquisition The amounts due to vendors represent the expected purchase consideration owing in respect of the acquisition of businesses. The liability will be settled out of cash reserves when the relevant profit warranty conditions have been fulfilled. | 771 009 | 440 568 | 8 153 | 17 040 |
| Other non-interest bearing liabilities A number of smaller loans that are unsecured, interest free and have no fixed terms of repayment. | 45 114 | 28 865 | – | – |
| | 1 937 962 | 1 357 208 | 8 153 | 17 040 |
| Non-current financial liabilities | 1 068 477 | 730 007 | – | – |
| Current financial liabilities | 869 485 | 627 201 | 8 153 | 17 040 |
| | 1 937 962 | 1 357 208 | 8 153 | 17 040 |

## 16. Finance lease payables

| | GROUP | |
|---|---|---|
| Figures in Rand thousand | 2015 | 2014 |
| Minimum lease payments due | | |
| – within one year | 26 974 | 39 175 |
| – within two to five years | 19 228 | 44 734 |
| | 46 202 | 83 909 |
| Less future finance charges | (4 277) | (9 333) |
| | 41 925 | 74 576 |
| Present value of minimum lease payments due | | |
| – within one year | 20 915 | 33 756 |
| – within two to five years | 21 010 | 40 820 |
| | 41 925 | 74 576 |

The Group enters into finance leasing arrangements for certain motor vehicles and certain IT equipment. The years of maturity range from 2015 to 2020 and the leases bear interest at rates up to prime plus 2% (2014: 4%). The Group's obligations under these finance leases are secured by the leased assets as per note 3.

## 17. Trade and other payables

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousand | 2015 | 2014 | 2015 | 2014 |
| Trade payables | 701 718 | 432 346 | – | 175 |
| VAT | 71 440 | 25 997 | – | – |
| Payroll accruals | 359 576 | 204 391 | – | – |
| Other accrued expenses | 287 072 | 366 323 | 205 | 114 |
| Other payables | 4 523 | 4 667 | – | – |
| | 1 424 329 | 1 033 724 | 205 | 289 |

## 18. Deferred income

| | GROUP | |
|---|---|---|
| Figures in Rand thousand | 2015 | 2014 |
| Deferred income | 264 508 | 372 958 |
| | 264 508 | 372 958 |

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

## 19. Revenue

| | GROUP | |
|---|---|---|
| Figures in Rand thousand | 2015 | 2014 |
| Sale of goods | 1 129 319 | 922 772 |
| Rendering of services | 8 571 918 | 6 275 967 |
| Interest received (trading) | 32 446 | 21 020 |
| Rental income for property | 309 | 613 |
| | 9 733 992 | 7 220 372 |

## 20. Operating profit/(loss) before interest and impairments

| Figures in Rand thousand | GROUP 2015 | GROUP 2014 | COMPANY 2015 | COMPANY 2014 |
|---|---|---|---|---|
| Operating profit before interest and impairments is stated after taking into account, among other items, the following: | | | | |
| Auditors' remuneration | 7 474 | 4 821 | – | – |
| Audit fee | 6 884 | 4 098 | – | – |
| Fees for other services | 590 | 723 | – | – |
| Directors' remuneration | 22 548 | 16 913 | – | – |
| Executive directors | 15 497 | 14 750 | 15 497 | 14 750 |
| Non-executive directors | 7 051 | 2 163 | 7 051 | 2 163 |
| *Less:* Amounts paid by subsidiaries | | | (22 548) | (16 913) |
| Employee costs not included in cost of sales | 1 178 426 | 1 029 391 | – | – |
| Foreign exchange (profit)/loss | (20 161) | 15 348 | – | – |
| Gain on bargain purchase on acquisition of businesses | (9 474) | – | – | – |
| Operating lease charges | 158 771 | 113 482 | – | – |
| Operating lease charges on immovable property | 149 809 | 107 265 | – | – |
| Operating lease charges on movable property | 8 962 | 6 217 | – | – |
| Loss/(profit) on disposal of property, plant and equipment | 1 914 | (532) | – | – |
| (Gain)/loss on remeasurement of contingent consideration | (17 112) | 4 558 | – | – |
| Share-based payments expense | 42 848 | 24 470 | – | – |

## 21. Investment income

| Figures in Rand thousand | GROUP 2015 | GROUP 2014 | COMPANY 2015 | COMPANY 2014 |
|---|---|---|---|---|
| **Dividend income** | | | | |
| Dividends received from subsidiaries | | | 153 700 | 105 305 |
| **Interest income** | | | | |
| Bank | 29 193 | 18 233 | – | – |
| Other interest received | 8 592 | 11 443 | – | – |
| | 37 785 | 29 676 | 153 700 | 105 305 |

## 22. Finance costs

| Figures in Rand thousand | GROUP 2015 | GROUP 2014 |
|---|---|---|
| Other financial liabilities | 105 847 | 66 365 |
| Finance lease payables | 7 546 | 3 963 |
| Bank | 3 461 | 4 395 |
| Other interest paid | 1 945 | 5 711 |
| | 118 799 | 80 434 |

## 23. Taxation

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousand | **2015** | 2014 | **2015** | 2014 |
| **Current taxation** | | | | |
| Local income taxation – current year | 276 088 | 196 413 | – | – |
| Local income taxation – prior years | (25 021) | 7 824 | – | – |
| Security transfer taxation* | – | 5 326 | – | – |
| Foreign income taxation – current year | 2 395 | 2 872 | – | – |
| | 253 462 | 212 435 | – | – |
| **Deferred taxation** | | | | |
| Originating and reversing temporary differences | 12 635 | (37 754) | 142 | 106 |
| Prior year adjustments | (6 564) | 2 249 | (50) | – |
| | 6 071 | (35 505) | 92 | 106 |
| Total taxation | 259 533 | 176 930 | 92 | 106 |
| **Reconciliation of rate of taxation** | % | % | % | % |
| South African normal rate of taxation | 28,0 | 28,0 | 28,0 | 28,0 |
| Exempt income | – | – | (27,9) | (27,9) |
| Prior year adjustments | (3,3) | 1,5 | | |
| Foreign taxation rate difference | (0,4) | 0,2 | | |
| Disallowable expenditure | 5,1 | 1,3 | | |
| Security transfer taxation | – | 0,8 | | |
| Deferred taxation (utilised)/not raised on estimated taxation losses | 1,1 | (2,1) | | |
| Deferred taxation asset raised | (0,2) | (3,3) | | |
| Deferred taxation liability on amortisation | (2,4) | – | | |
| Share of profits of equity-accounted investments | (0,6) | – | | |
| | 27,3 | 26,4 | 0,1 | 0,1 |
| **Unrecognised deferred taxation assets** | | | | |
| Deferred taxation assets not recognised in respect of taxation losses | 503 966 | 235 447 | 33 765 | 31 831 |

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

In 2015, R27 349 (2014: R85 649) of previously unrecognised taxation losses were recognised as management considered it probable that future taxable profits would be available against which they could be utilised.

** Security transfer taxation included in operating expenses for 2015*

## 24. Earnings per share

| | GROUP | |
|---|---|---|
| | 2015 | 2014 |
| Earnings (R 000) | 690 692 | 487 608 |
| Weighted average number of shares in issue | 123 031 | 109 086 |
| Diluted earnings (R 000) | 690 692 | 487 608 |
| Diluted weighted average number of shares in issue | 129 271 | 116 587 |
| Earnings per share (cents) | 561 | 447 |
| Diluted earnings per share (cents) | 534 | 418 |
| **Reconciliation between weighted average number of shares and diluted weighted average number of shares in issue** | | |
| Weighted average number of shares in issue | 123 031 | 109 086 |
| Dilutive impact of share options | 3 814 | 5 113 |
| Dilutive impact of shares to be issued to vendors | 2 426 | 2 388 |
| Diluted weighted average number of shares in issue | 129 271 | 116 587 |

## 25. Headline earnings per share

| | GROUP | |
|---|---|---|
| | 2015 | 2014 |
| Headline earnings (R 000) | 707 775 | 487 225 |
| Weighted average number of shares in issue | 123 031 | 109 086 |
| Diluted headline earnings (R 000) | 707 775 | 487 225 |
| Diluted weighted average number of shares in issue | 129 271 | 116 587 |
| Headline earnings per share (cents) | 575 | 447 |
| Diluted headline earnings per share (cents) | 548 | 418 |

**Reconciliation between earnings, headline earnings and diluted headline earnings**

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| Figures in Rand thousand | Gross | Tax | Net | Gross | Tax | Net |
| Profit attributable to owners of the Company | 690 692 | | 690 692 | 487 608 | | 487 608 |
| **Adjusted for:** | | | | | | |
| Loss/(profit) on disposal of property, plant and equipment | 1 914 | (357) | 1 557 | (532) | 149 | (383) |
| Impairment of assets | 25 000 | – | 25 000 | – | – | – |
| Gain on bargain purchase | (9 474) | – | (9 474) | – | – | – |
| Headline earnings | 708 132 | (357) | 707 775 | 487 076 | 149 | 487 225 |

## 26. Dividend per share

| Figures in Rand thousand | GROUP 2015 | GROUP 2014 | COMPANY 2015 | COMPANY 2014 |
|---|---|---|---|---|
| Dividend of 95 cents per share, paid 28 October 2013 | | 105 305 | | 105 305 |
| Dividend of 120 cents per share, paid 3 November 2014 | 142 384 | | 142 384 | |
| Dividends on treasury shares held by wholly owned subsidiaries of the Company | (118) | (3 486) | | |
| Dividends on treasury shares held through the Group share incentive schemes | (1 296) | (2 026) | | |
| | 140 970 | 99 793 | 142 384 | 105 305 |
| Dividend per share (cents) | 150 | 120 | 150 | 120 |

The dividend related to the year ended 31 July 2015 was declared after year end and has been presented for information purposes. Further details regarding the dividend are set out in note 40.

## 27. Cash generated from/(used in) operations

| Figures in Rand thousand | GROUP 2015 | GROUP 2014 | COMPANY 2015 | COMPANY 2014 |
|---|---|---|---|---|
| Profit before taxation | 951 327 | 669 093 | 152 097 | 104 439 |
| **Adjustments for:** | | | | |
| Depreciation | 151 983 | 102 315 | – | – |
| Amortisation of intangible assets | 114 726 | 97 543 | – | – |
| Foreign exchange (profit)/loss | (20 161) | 15 348 | – | – |
| Gain on bargain purchase on acquisition of businesses | (9 474) | – | – | – |
| Loss/(profit) on disposal of property, plant and equipment | 1 914 | (532) | – | – |
| (Gain)/loss on remeasurement of contingent consideration | (17 112) | 4 558 | – | – |
| Share-based payments expense | 42 848 | 24 470 | – | – |
| Unwinding of interest on financial instruments | 30 781 | 16 832 | – | – |
| Investment income | (37 785) | (29 676) | – | – |
| Impairment of goodwill and intangible assets | 25 000 | – | – | – |
| Share of profits of equity-accounted investments | (10 736) | (337) | | |
| Finance costs | 118 799 | 80 434 | – | – |
| Dividends received | | | (153 700) | (105 305) |
| Other non-cash items | (14 176) | 416 | – | – |
| Cash generated/(used) before changes in working capital | 1 327 934 | 980 464 | (1 603) | (866) |
| Working capital changes | (419 367) | (261 573) | (209) | (298) |
| Increase in inventories | (32 622) | (28 451) | – | – |
| (Increase) in receivables | (500 152) | (218 014) | (293) | (341) |
| Increase/(decrease) in payables | 221 857 | (144 513) | 84 | 43 |
| (Decrease)/increase in deferred income | (108 450) | 129 405 | – | – |
| **Cash generated from/(used in) operations** | 908 567 | 718 891 | (1 812) | (1 164) |

## 28. Taxation paid

| | GROUP | |
|---|---|---|
| Figures in Rand thousand | 2015 | 2014 |
| Amounts owing at the beginning of the year | (23 433) | (2 915) |
| Current taxation for the year | (253 462) | (212 435) |
| Capital gains taxation | (15 684) | (31 987) |
| Adjustment in respect of businesses acquired and sold during the year, including exchange rate movements | (17 953) | (36 791) |
| Amounts owing at the end of the year | 9 389 | 23 433 |
| Taxation paid | (301 143) | (260 695) |

## 29. Acquisition of businesses

| | GROUP | | | | |
|---|---|---|---|---|---|
| | CCS | MIE | Other | Total | Total |
| Figures in Rand thousand | 2015 | 2015 | 2015 | 2015 | 2014 |
| **Fair value of assets and liabilities acquired** | | | | | |
| Property, plant and equipment | 3 258 | 5 893 | 28 845 | 37 996 | 73 097 |
| Intangible assets | 113 110 | 111 610 | 100 373 | 325 093 | 236 560 |
| Other financial assets | 16 | 1 292 | 11 400 | 12 708 | 18 463 |
| Inventory | – | 1 854 | 18 971 | 20 825 | 47 292 |
| Trade and other receivables | 34 828 | 20 133 | 151 348 | 206 309 | 236 685 |
| Cash and cash equivalents | 34 578 | 4 412 | 124 510 | 163 500 | 220 875 |
| Other financial liabilities | – | – | (66 484) | (66 484) | (86 648) |
| Net deferred taxation | (23 606) | (28 717) | (15 465) | (67 788) | (43 962) |
| Net current taxation | (8 305) | (1 875) | (7 773) | (17 953) | (36 791) |
| Trade and other payables | (36 169) | (16 002) | (97 066) | (149 237) | (193 799) |
| Deferred income | (9 298) | (302) | (17 831) | (27 431) | (83 685) |
| Net assets acquired | 108 412 | 98 298 | 230 828 | 437 538 | 388 087 |
| Non-controlling interests measured at their share of the fair value of net assets | – | – | 3 571 | 3 571 | (5 689) |
| Amount capitalised | 108 412 | 98 298 | 234 399 | 441 109 | 382 398 |
| Gain on bargain purchase | – | – | (9 474) | (9 474) | – |
| Transfer to retained earnings | – | – | 7 684 | 7 684 | – |
| Goodwill | 241 145 | 139 926 | 270 153 | 651 224 | 778 572 |
| Purchase price | 349 557 | 238 224 | 502 762 | 1 090 543 | 1 160 970 |
| Cash consideration paid | (27 535) | (60 000) | (149 047) | (236 582) | (364 470) |
| *Less:* Cash and cash equivalents acquired | 34 578 | 4 412 | 124 510 | 163 500 | 220 875 |
| Net cash inflow/(outflow) on acquisition | 7 043 | (55 588) | (24 537) | (73 082) | (143 595) |
| **Consideration payable** | | | | | |
| Cash paid | (27 535) | (60 000) | (149 047) | (236 582) | (364 470) |
| Shares issued | (123 696) | (23 082) | (62 783) | (209 561) | (115 396) |
| Cash to be paid | (171 535) | (56 634) | (175 754) | (403 923) | (334 334) |
| Shares to be issued | (26 791) | (98 508) | (115 178) | (240 477) | (346 770) |
| **Total consideration** | (349 557) | (238 224) | (502 762) | (1 090 543) | (1 160 970) |

## 29. Acquisition of businesses continued

| | GROUP | | | | |
|---|---|---|---|---|---|
| | CCS | MIE | Other | Total | Total |
| Figures in Rand thousand | 2015 | 2015 | 2015 | 2015 | 2014 |
| **Contribution to trading results for the year** | | | | | |
| Revenue | 168 022 | 120 090 | 808 324 | 1 096 436 | 974 024 |
| Profit before taxation | 43 273 | 14 550 | 80 787 | 138 610 | 102 621 |
| **Adjusted as if acquired with effect from 1 August 2014** | | | | | |
| Revenue | 194 692 | 147 095 | 1 071 972 | 1 413 759 | 1 308 177 |
| Profit before taxation | 53 363 | 16 928 | 96 590 | 166 881 | 139 326 |
| **Acquisition related costs** | | | | | |
| (included in operating expenses in the statement of profit or loss and other comprehensive income) | | | | 19 600 | 8 549 |

For all acquisitions, the results of operations have been accounted for from the effective date of the business combination. In determining the purchase consideration paid, we considered the profit history of the relevant business and its growth prospects in the EOH stable. The fair value of shares issued as part of the purchase price was determined based on the share price at the effective date. The acquisition of these subsidiaries and businesses is based on best estimates and provisional fair values. The Group has not yet completed its assessment of the fair values of all identifiable assets, liabilities and/or contingent liabilities. The fair values will be accurately determined within 12 months from the date of acquisition.

### CCS Group

During the year under review, the Group acquired 100% of the share capital of Construction Computer Software Proprietary Limited ('CCS'), with effect from 19 September 2014 for an amount of R350 million of which R199 million is payable in cash and the balance through the issue of 1 594 135 EOH shares.

CCS is a specialised developer of software products used by the construction industry. EOH acquired the shares in CCS to enhance its software development capabilities and to strengthen its service offerings in the construction industry.

The assets acquired were R186 million, including trade and other receivables with a gross contractual value of R35 million (which approximated its fair value) and liabilities of R77 million. The goodwill of R241 million that was raised relates to expected profits to be generated as a result of being part of EOH.

### MIE Group

EOH also acquired 100% of the share capital of Managed Integrity Evaluation Proprietary Limited and Afiswitch Proprietary Limited, hereinafter collectively referred to as 'MIE', with effect from 1 November 2014 for an amount of R238 million of which R117 million is payable in cash and the balance through the issue of 1 129 812 EOH shares.

MIE offers electronic verification services and has developed its own bespoke software for such purpose. EOH acquired the shares in MIE to reinforce its Business Process Outsourcing ('BPO') and financial sector service offerings.

The assets and liabilities acquired were R145 million, including trade and other receivables with a gross contractual value of R20 million (which approximated its fair value) and of R47 million respectively. The goodwill of R140 million that was raised relates to expected profits to be generated as a result of being part of EOH.

### Other acquisitions that are not individually material

The total purchase consideration for these acquisitions is R503 million, consisting of R325 million in cash and 1 613 661 EOH shares.

During the year under review, EOH continued its strategy to consolidate and complement its existing services with strategic acquisitions. In order to bolster the Group's intelligent infrastructure capability, EOH acquired a number of businesses for a total purchase consideration of R74 million. The Group augmented its BPO and human capital service offerings through the acquisition of several businesses for a total purchase consideration of R185 million. EOH also enhanced its technology applications and consulting service offerings, by acquiring businesses for a total consideration of R244 million. With the exception of an 80% investment in E-business Systems Limitada and a 36,2% additional investment in IMQS Software Proprietary Limited, in all other instances either 100% of the shares or 100% of the business operations were acquired.

## 29. Acquisition of businesses continued

### Other acquisitions that are not individually material continued

The cumulative assets acquired were R435 million, including trade and other receivables with a gross contractual value of R159 million (fair value of R151 million). The cumulative liabilities acquired were R205 million. The goodwill associated with these acquisitions is R270 million. This goodwill relates mainly to future profits of these businesses and the anticipated synergies to be derived as a result of joining EOH. The fair values determined for the net assets of certain acquirees exceeded the related consideration giving rise to gains on bargain purchases. These are included in operating profit in the statement of profit or loss and other comprehensive income.

For details of the acquisitions made in the prior year, refer to the 2014 Annual Integrated Report.

## 30. Dividends paid

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousand | **2015** | 2014 | **2015** | 2014 |
| Amounts owing at the beginning of the year | (71) | (31) | (71) | (31) |
| Amounts charged to retained earnings | (140 970) | (99 793) | (142 384) | (105 305) |
| Amounts owing at the end of the year | 85 | 71 | 85 | 71 |
| Dividends paid | (140 956) | (99 753) | (142 370) | (105 265) |

## 31. Contingencies

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

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

## 32. Commitments

| | GROUP | |
|---|---|---|
| Figures in Rand thousand | **2015** | 2014 |
| Authorised, contracted capital expenditure not yet delivered | 1 004 | 3 857 |
| This capital expenditure relates to property, plant and equipment for the Group which will be financed from internally generated funds. | | |
| Operating leases | | |
| Minimum operating lease payments due – as lessee | | |
| – within one year | (69 011) | (63 948) |
| – within two to five years | (88 557) | (93 500) |
| | (157 568) | (157 448) |
| Operating lease payments represent rentals payable by the Group for certain of its office premises. No contingent rent is payable. | | |
| Minimum operating lease payments receivable – as lessor | | |
| – within one year | 276 | 562 |
| – within two to five years | 47 | 303 |
| | 323 | 865 |

## 33. Retirement benefits

The Group is a member of a corporate defined contribution retirement scheme to which employees elect to make retirement contributions on an income sacrifice basis. The Group makes no additional contribution and is under no obligation to cover any other benefits. Employees are however eligible and obliged to become members of the Group risk benefit scheme, providing certain minimum death and disability benefits. At 31 July 2015, the membership of the fund was 3 287 (2014: 2 403) employees.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

*for the year ended 31 July 2015*

## 34. Directors' interest in shares of the Company

| Number of shares | 2015 Beneficial direct interest | 2015 Beneficial indirect interest | 2015 Total | 2014 Beneficial direct interest | 2014 Beneficial indirect interest | 2014 Total |
|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | |
| Pumeza Bam | 110 263 | – | 110 263 | 28 370 | – | 28 370 |
| Asher Bohbot | – | 6 894 625 | 6 894 625 | – | 7 085 336 | 7 085 336 |
| John King | 620 826 | – | 620 826 | 580 026 | – | 580 026 |
| Dion Ramoo | 71 000 | – | 71 000 | 108 000 | – | 108 000 |
| Jane Thomson | 288 505 | – | 288 505 | 306 682 | – | 306 682 |
| **Non-executive directors** | | | | | | |
| Lucky Khumalo | 5 000 | – | 5 000 | – | – | – |
| Danny Mackay | – | 7 218 866 | 7 218 866 | – | 6 848 866 | 6 848 866 |
| Tshilidzi Marwala | 4 900 | – | 4 900 | – | – | – |
| Tebogo Skwambane | 5 000 | – | 5 000 | – | – | – |
| Rob Sporen | – | 155 000 | 155 000 | – | 210 000 | 210 000 |
| Sandile Zungu | 1 200 | – | 1 200 | 1 200 | – | 1 200 |
| | 1 106 694 | 14 268 491 | 15 375 185 | 1 024 278 | 14 144 202 | 15 168 480 |

The following movements in directors' interests have occurred after year end:

John King acquired a further beneficial direct interest of 9 000 shares, Jane Thomson exercised 150 000 share options in order to acquire an additional 82 559 beneficial direct interest shares and sold 91 927 shares, resulting in a net decrease of 9 368 shares. Danny Mackay acquired a further beneficial indirect interest of 6 250 shares.

## 35. Directors' remuneration

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

## 35. Directors' remuneration continued

| Figures in Rand thousand | Short-term benefits: For services as directors | Remuneration | Bonuses | Fees for other services | Total | Share-based payments charge |
|---|---|---|---|---|---|---|
| **2014** | | | | | | |
| **Executive directors** | | | | | | |
| Pumeza Bam | | 1 520 | 470 | – | 1 990 | 207 |
| Asher Bohbot | | 2 546 | 1 850 | – | 4 396 | 2 412 |
| John King | | 1 940 | 1 250 | – | 3 190 | 1 127 |
| Dion Ramoo | | 1 668 | 100 | – | 1 768 | 213 |
| Jane Thomson | | 1 756 | 1 650 | – | 3 406 | 830 |
| **Non-executive directors** | | | | | | |
| Lucky Khumalo | 137 | – | – | 1 000 | 1 137 | |
| Danny Mackay | 93 | – | – | – | 93 | |
| Tshilidzi Marwala | 150 | – | – | – | 150 | |
| Thoko Mnyango | 140 | – | – | – | 140 | |
| Tebogo Skwambane | 139 | – | – | – | 139 | |
| Rob Sporen | 180 | – | – | – | 180 | |
| Sandile Zungu | 417 | – | – | – | 417 | |
| | 1 256 | 9 430 | 5 320 | 1 000 | 17 006 | 4 789 |
| *Less:* Paid by subsidiaries | (1 256) | (9 430) | (5 320) | (1 000) | (17 006) | |
| | – | – | – | – | – | 4 789 |

The IFRS 2 share-based payments charge is recognised in the statement of profit or loss of the Group for share options granted to the respective director.

## 36. Share-based payments

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

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

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

### The EOH Share Trust

The scheme is governed by a trust deed approved by shareholders and the JSE Limited. The option strike price is equal to the share price at date of the offer less 40% discount. The participant may exercise the option in respect of the shares granted in tranches from time to time as set out below. The share options will lapse 10 years after grant date.

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

## 36. Share-based payments continued

A reconciliation of the movement of all share options in The EOH Share Trust is detailed below:

| | The EOH Share Trust | | | |
|---|---|---|---|---|
| | Number of options | | Weighted average strike price (cents) | |
| | **2015** | 2014 | **2015** | 2014 |
| Opening balance | **8 200 263** | 9 958 831 | **1 875** | 913 |
| Granted during the year | **1 712 000** | 1 850 000 | **5 690** | 4 536 |
| to management | **1 712 000** | 1 340 000 | **5 690** | 4 390 |
| to directors | **–** | 510 000 | **–** | 4 920 |
| Forfeited during the year | **(105 000)** | (137 500) | **2 605** | 1 965 |
| Exercised during the year | **(2 251 264)** | (3 471 068) | **8 893** | 581 |
| Options granted, shares not issued up to the end of the year | **7 555 999** | 8 200 263 | **3 043** | 1 875 |
| Number of options exercisable at year end | **2 519 663** | 2 510 308 | **951** | 702 |
| Exercise date within one year | **1 800 346** | 1 870 352 | | |
| Exercise date between two and five years | **3 235 990** | 3 819 603 | | |
| | **7 555 999** | 8 200 263 | | |

### The Mthombo Trust

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

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

A reconciliation of the movement of all share options in the Mthombo Trust is detailed below:

| | The Mthombo Trust | | | |
|---|---|---|---|---|
| | Number of options | | Weighted average strike price (cents) | |
| | **2015** | 2014 | **2015** | 2014 |
| Opening balance | **1 880 304** | 2 855 646 | **1 946** | 843 |
| Granted during the year | **803 000** | 548 000 | **7 019** | 4 507 |
| to management | **703 000** | 548 000 | **6 674** | 4 507 |
| to directors | **100 000** | – | **9 447** | – |
| Forfeited during the year | **(80 000)** | (506 237) | **5 646** | 1 142 |
| Exercised during the year | **(626 465)** | (1 017 105) | **447** | 588 |
| Options granted, shares not issued up to the end of the year | **1 976 839** | 1 880 304 | **4 092** | 1 946 |
| Number of options exercisable at year end | **1 560 839** | 748 666 | **4 055** | 653 |
| Exercise date within one year | **100 000** | 493 638 | | |
| Exercise date between two and five years | **316 000** | 638 000 | | |
| | **1 976 839** | 1 880 304 | | |

## 36. Share-based payments continued

| | The EOH Share Trust | | The Mthombo Trust | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| **Basis of valuation** | | | | |
| Fair value was determined using the Binomial model. The inputs were as follows: | | | | |
| Weighted average share price (cents) | 9 434 | 7 560 | 10 314 | 7 512 |
| Option strike price (cents) | 5 660 | 4 536 | 6 188 | 4 507 |
| Expected volatility (%) | 20,6 | 21,4 | 21,0 | 22,3 |
| Expected dividend yield (%) | 3,7 | 3,0 | 3,7 | 3,0 |
| Weighted average expected life (years) | 3,7 | 3,7 | 4,1 | 4,1 |
| Weighted average fair value of options granted (cents) | 3 847 | 3 142 | 4 167 | 3 076 |
| Expiry date from grant (years) | 10 | 10 | 8 | 8 |

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

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

*for the year ended 31 July 2015*

## 36. Share-based payments continued

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

| | Weighted average strike price (cents) | Outstanding at 31 July 2014 | Granted during the period | Weighted average exercise price (cents) | Exercised during the period | Weighted average strike price (cents) | Outstanding at 31 July 2015 |
|---|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | | |
| **Pumeza Bam** | 944 | 234 167 | | 10 198 | (204 167) | 4 920 | 30 000 |
| Currently exercisable | 360 | 204 167 | | 10 198 | (204 167) | – | – |
| Exercisable in one year | 4 920 | 7 500 | | | | 4 920 | 7 500 |
| Exercisable between two and five years | 4 920 | 22 500 | | | | 4 920 | 22 500 |
| **Asher Bohbot** | 2 034 | 1 025 000 | | 10 744 | (325 000) | 2 589 | 700 000 |
| Currently exercisable | 840 | 350 000 | | 10 744 | (325 000) | 840 | 25 000 |
| Exercisable in one year | 1 520 | 450 000 | | | | 1 520 | 450 000 |
| Exercisable between two and five years | 4 920 | 225 000 | | | | 4 920 | 225 000 |
| **John King** | 2 046 | 400 000 | | 10 057 | (137 500) | 2 607 | 262 500 |
| Currently exercisable | 975 | 137 500 | | 10 057 | (137 500) | – | – |
| Exercisable in one year | 1 582 | 162 500 | | | | 1 582 | 162 500 |
| Exercisable between two and five years | 4 272 | 100 000 | | | | 4 272 | 100 000 |
| **Dion Ramoo** | 4 920 | 30 000 | | | | 4 920 | 30 000 |
| Currently exercisable | – | – | | | | – | – |
| Exercisable in one year | 4 920 | 7 500 | | | | 4 920 | 7 500 |
| Exercisable between two and five years | 4 920 | 22 500 | | | | 4 920 | 22 500 |
| **Jane Thomson** | 1 292 | 475 000 | | 10 065 | (237 500) | 1 850 | 237 500 |
| Currently exercisable | 734 | 237 500 | | 10 065 | (237 500) | – | – |
| Exercisable in one year | 1 257 | 162 500 | | | | 1 257 | 162 500 |
| Exercisable between two and five years | 3 137 | 75 000 | | | | 3 137 | 75 000 |
| **Non-executive directors** | | | | | | | |
| **Sandile Zungu** | – | – | 100 000 | | | 9 447 | 100 000 |
| Currently exercisable | – | – | | | | – | – |
| Exercisable in one year | – | – | | | | – | – |
| Exercisable between two and five years | – | – | 100 000 | | | 9 447 | 100 000 |
| Options granted, shares not issued up to the end of the year | 1 796 | 2 164 167 | 100 000 | 10 338 | (904 167) | 3 070 | 1 360 000 |

## 37. Related party transactions

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

| | Dividends received | | Group expenses recovered | |
|---|---|---|---|---|
| Figures in Rand thousand | 2015 | 2014 | 2015 | 2014 |
| CA Southern Africa Proprietary Limited | (14 000) | (8 500) | (766) | (773) |
| Change Logic CS Proprietary Limited | – | – | (169) | – |
| Denis Insurance Administrators Proprietary Limited | – | – | (13) | – |
| Dental Information Systems Proprietary Limited | – | – | (314) | (450) |
| Enablemed Proprietary Limited | – | – | (26) | – |
| Enerweb Proprietary Limited | – | – | (136) | – |
| Enterprise Softworks Proprietary Limited | (8 000) | (5 305) | (387) | (647) |
| EOH Abantu Proprietary Limited | (45 950) | (30 000) | (720) | (1 375) |
| EOH Advisory Services Proprietary Limited | – | – | (56) | (239) |
| EOH Consulting Proprietary Limited | (600) | – | – | – |
| EOH Human Capital Solutions Proprietary Limited | – | – | (79) | – |
| EOH Intelligent Infrastructure Proprietary Limited | (19 400) | (1 500) | (467) | (660) |
| EOH Legal Services Proprietary Limited | – | – | (143) | (154) |
| EOH Managed Services PS Proprietary Limited | – | – | (289) | – |
| EOH Microsoft Coastal Proprietary Limited | – | – | (268) | (311) |
| EOH Mthombo Proprietary Limited | (64 500) | (57 000) | (4 525) | (4 754) |
| EOH Security and Building Technologies Proprietary Limited | – | – | (514) | (519) |
| Faculty Training Institute Proprietary Limited | – | – | (92) | – |
| Faranani Sapremo Proprietary Limited | – | – | (87) | – |
| Freethinking Business Consultants Proprietary Limited | – | – | (70) | – |
| Hospitality Professionals South Africa Proprietary Limited | – | – | (100) | (81) |
| Intellient Proprietary Limited | (1 250) | (3 000) | (100) | – |
| ITS Technologies Proprietary Limited | – | – | (57) | – |
| Medical Services Organisation International Proprietary Limited | – | – | (56) | (110) |
| Medical Services Organisation South Africa Proprietary Limited | – | – | – | (339) |
| SI Analytics Proprietary Limited | – | – | (61) | – |
| Siyanqoba Seminars Proprietary Limited | – | – | (78) | – |
| Totem Analytics Proprietary Limited | – | – | (17) | – |
| TSS Managed Services Proprietary Limited | – | – | (383) | (531) |
| | (153 700) | (105 305) | (9 973) | (10 943) |

### Directors' remuneration

The remuneration for directors of the Company paid during the year by subsidiaries within the Group has been disclosed in note 35. Directors are defined as key management.

| | 2015 | 2014 |
|---|---|---|
| **Professional fees** | | |
| Professional fees have been paid to a firm where a non-executive director is a partner. The transactions were conducted at market-related rates prevailing at the time of entering into the transactions. | 2 975 | 2 061 |
| **Payments to employees** | | |
| The remuneration to all employees amounted to: | 3 324 562 | 2 595 688 |

## 38. Schedule of investments in subsidiaries

All the subsidiaries below are incorporated in South Africa unless otherwise indicated

| | Stated capital | Effective interest | | Carrying amount of investment in shares | | Loans owing by subsidiaries | |
|---|---|---|---|---|---|---|---|
| Figures in Rand thousand | 2015 R | 2015 % | 2014 % | 2015 | 2014 | 2015 | 2014 |
| **Direct subsidiaries** | | | | | | | |
| CA Southern Africa Proprietary Limited | 100 | 100 | 100 | – | – | 63 110 | 49 110 |
| Enterprise Softworks Proprietary Limited | 18 324 853 | 100 | 100 | – | – | 49 855 | 40 775 |
| EOH Abantu Proprietary Limited | 100 | 100 | 100 | – | – | 329 422 | 311 725 |
| EOH Consulting Proprietary Limited | 1 000 | 100 | 100 | 42 773 | 42 773 | 13 710 | 13 710 |
| EOH Consulting Services KZN Proprietary Limited | 100 | 100 | 100 | – | – | 600 | – |
| EOH Intelligent Infrastructure Proprietary Limited | 52 048 | 100 | 100 | 67 692 | 67 692 | 131 180 | 30 613 |
| EOH Mthombo Proprietary Limited | 100 | 100 | 100 | 2 302 | 2 302 | 969 367 | 153 525 |
| Intellient Proprietary Limited | 1 000 | 100 | 100 | 7 140 | 7 140 | 26 355 | 25 105 |
| Mthombo IT Services Proprietary Limited | 537 | 100 | 100 | 39 642 | 39 642 | 8 000 | 8 000 |
| V55 Investments Proprietary Limited | 100 | 100 | 100 | – | – | 13 308 | 13 308 |
| **Trusts** | | | | | | | |
| The EOH Share Trust | | 100 | 100 | | | 361 | 1 818 |
| The Mthombo Trust | | 100 | 100 | | | 17 426 | 92 |
| **Indirect trust** | | | | | | | |
| EOH Enterprise Development Trust | | 100 | 100 | | | – | – |
| **Indirect subsidiaries** | | | | | | | |
| About Time Software Proprietary Limited | 94 | 100 | | | | – | |
| Afiswitch Proprietary Limited | 100 | 100 | | | | – | |
| Amber Moon Trading 5 Proprietary Limited | 100 | 100 | 100 | | | – | – |
| Ashreq Environmental and Occupational Hygiene Consultants Proprietary Limited | 100 | 100 | 100 | | | – | – |
| Ashreq Health and Safety Services Proprietary Limited | 100 | 100 | 100 | | | – | – |
| Blick Properties SA Proprietary Limited | 3 830 000 | 100 | 100 | | | – | – |
| CCS Mining and Industrial Proprietary Limited | 100 000 | 100 | | | | – | |
| Censeo Botswana Proprietary Limited – incorporated in Botswana | 3 599 | 100 | | | | – | |
| Censeo Proprietary Limited | 3 000 | 100 | | | | – | |
| CES Mozambique Limitada – incorporated in Mozambique | 100 | 98 | 98 | | | – | – |
| Change Logic CS Proprietary Limited | 100 | 100 | 100 | | | – | – |

## 38. Schedule of investments in subsidiaries continued

| Figures in Rand thousand | Stated capital 2015 R | Effective interest 2015 % | Effective interest 2014 % | Carrying amount of investment in shares 2015 | Carrying amount of investment in shares 2014 | Loans owing by subsidiaries 2015 | Loans owing by subsidiaries 2014 |
|---|---|---|---|---|---|---|---|
| Clearline Infrastructure Solutions Proprietary Limited | 100 | 100 | | | | – | |
| Clearlineis Proprietary Limited | 500 | 100 | | | | – | – |
| Coastal and Environmental Services Proprietary Limited | 1 100 | 100 | 100 | | | – | – |
| Comitant Solutions Proprietary Limited | 100 | 100 | | | | – | |
| Compensation Technologies Holdings Proprietary Limited | 120 | 100 | 100 | | | – | – |
| Compensation Technologies Share based Incentives Proprietary Limited | 100 | 100 | 100 | | | – | 361 |
| Compu-Power Proprietary Limited | 2 046 070 | 100 | 100 | | | – | – |
| Computerised Health and Environment Surveillance Systems Proprietary Limited | 1 000 | 65 | 65 | | | – | – |
| Construction & Project Management Limited – incorporated in United Kingdom | 2 388 | 100 | | | | – | |
| Construction Computer Software (Asia) Limited – incorporated in Hong Kong | 97 | 100 | | | | – | |
| Construction Computer Software (Aus) Proprietary Limited – incorporated in Australia | 2 028 398 | 100 | | | | – | |
| Construction Computer Software (Gulf) LLC – incorporated in United Arab Emirates | 615 246 | 100 | | | | – | |
| Construction Computer Software Proprietary Limited | 1 000 200 | 100 | | | | – | |
| Cool Ideas 1016 Proprietary Limited | 100 | 100 | | | | – | |
| Cortez Trading Proprietary Limited | 100 | 100 | 100 | | | – | – |
| Count My Stock Proprietary Limited | 1 000 | 51 | | | | – | |
| Cybercare Proprietary Limited | 470 170 | 100 | 100 | | | – | – |
| Dcode Mobility Proprietary Limited | 100 | 100 | | | | – | |
| Deixis Proprietary Limited | 120 | 100 | | | | – | |
| Denis Insurance Administrators Proprietary Limited | 120 | 100 | 100 | | | 13 | – |
| Denis UK Limited – incorporated in United Kingdom | 8 404 885 | 100 | 100 | | | – | – |
| Denis Underwriting Managers Proprietary Limited | – | 100 | 100 | | | – | – |
| Dental Information Systems Holdings Proprietary Limited | 100 | 100 | 100 | | | – | – |
| Dental Information Systems Proprietary Limited | 100 | 100 | 100 | | | 764 | 450 |
| Dihlase Consulting Engineers Proprietary Limited | 2 394 107 | 100 | 100 | | | – | – |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

*for the year ended 31 July 2015*

## 38. Schedule of investments in subsidiaries continued

| | Stated capital | Effective interest | | Carrying amount of investment in shares | | Loans owing by subsidiaries | |
|---|---|---|---|---|---|---|---|
| Figures in Rand thousand | 2015 R | 2015 % | 2014 % | 2015 | 2014 | 2015 | 2014 |
| E-business systems Limitada – incorporated in Mozambique | 6 518 945 | 80 | | | | – | |
| ECDOH's Differentiated Amenities Proprietary Limited | – | 100 | 100 | | | – | – |
| Educos Vision S.A.R.L – Luxembourg | 163 388 | 100 | 100 | | | – | – |
| Educos Vision Services S.A.R.L – Luxembourg | 163 388 | 100 | 100 | | | – | – |
| Enablemed Investment Holdings Proprietary Limited | 100 | 100 | 100 | | | – | – |
| Enablemed Proprietary Limited | 100 | 100 | 100 | | | – | – |
| Enablemed Services Proprietary Limited | 70 | 100 | 100 | | | – | – |
| Energy Cybernetics Proprietary Limited | 600 | 100 | 100 | | | – | – |
| Energy Insight Proprietary Limited | 1 270 000 | 100 | 100 | | | – | – |
| Enerweb Proprietary Limited | 360 | 100 | 100 | | | – | – |
| Emid Proprietary Limited | 61 333 559 | 100 | | | | – | |
| EOH Advisory Services Proprietary Limited | 200 | 100 | 100 | | | 5 239 | 5 239 |
| EOH Consulting Services Eastern Cape Proprietary Limited | 100 | 100 | 100 | | | – | – |
| EOH Employee Benefits Proprietary Limited | 100 | 100 | 100 | | | – | – |
| EOH Europe Limited – incorporated in United Kingdom | 1 159 | 100 | 100 | | | – | – |
| EOH Financial Solutions Proprietary Limited | 200 | 100 | 100 | | | – | – |
| EOH Human Capital Solutions Proprietary Limited | 100 | 100 | 100 | | | 2 000 | 2 000 |
| EOH Impact Consulting Services Proprietary Limited | 16 360 | 100 | 100 | | | – | – |
| EOH Legal Services Proprietary Limited | 100 | 100 | 100 | | | 501 | 154 |
| EOH Managed Services PS Proprietary Limited | 319 000 100 | 100 | 100 | | | – | – |
| EOH Microsoft Coastal Proprietary Limited | 100 | 100 | 100 | | | 580 | 312 |
| EOH Mthombo Mozambique Limitada – incorporated in Mozambique | 6 977 | 95 | 95 | | | – | – |
| EOH Power Systems Proprietary Limited | 490 | 100 | 100 | | | – | – |
| EOH Proprietary Limited – incorporated in Australia | 74 | 100 | 100 | | | – | – |
| EOH Rwanda Limited – incorporated in Rwanda | 11 480 | 100 | | | | – | |
| EOH Security and Building Technologies Proprietary Limited | 11 330 000 | 100 | 100 | | | 519 | 519 |
| EOH Wealth Proprietary Limited | 100 | 100 | 100 | | | – | – |

## 38. Schedule of investments in subsidiaries continued

| Figures in Rand thousand | Stated capital 2015 R | Effective interest 2015 % | Effective interest 2014 % | Carrying amount of investment in shares 2015 | Carrying amount of investment in shares 2014 | Loans owing by subsidiaries 2015 | Loans owing by subsidiaries 2014 |
|---|---|---|---|---|---|---|---|
| EOH Wellness Centre Proprietary Limited | 1 000 | 100 | 100 | | | – | – |
| Epsilon Learning Proprietary Limited | 240 | 100 | | | | – | |
| E-Secure Distribution Proprietary Limited | 100 | 100 | 100 | | | 750 | 750 |
| Exigo Sustainability Proprietary Limited | 100 | 100 | | | | – | |
| Ezobuchwepheshe Business Solutions Proprietary Limited | – | 100 | | | | – | |
| Faculty Training Institute Proprietary Limited | 80 | 100 | 100 | | | 92 | – |
| Faranani Sapremo Proprietary Limited | 10 000 | 100 | 100 | | | – | – |
| Freethinking Business Consultants Proprietary Limited | 1 250 | 100 | 100 | | | – | – |
| Global Access Health Network (DRC) – incorporated in Democratic Republic of Congo | 23 840 | 80 | 80 | | | – | – |
| Global Access Health Network (Isle of Man) Limited – incorporated in Isle of Man | 125 | 70 | 70 | | | – | – |
| GLS Consulting Proprietary Limited | 117 | 100 | 100 | | | 3 500 | – |
| GLS Software Proprietary Limited | 2 024 017 | 100 | 100 | | | – | – |
| Golden Dividend 382 Proprietary Limited | – | 100 | 100 | | | – | – |
| HCI Financial Services Proprietary Limited | 100 | 100 | 100 | | | – | – |
| Highveld Wealth Management Proprietary Limited | 1 000 | 100 | 100 | | | – | – |
| Hlanganani Blick Proprietary Limited | 100 | 100 | 100 | | | – | – |
| Hospitality Professionals South Africa Proprietary Limited | 100 | 100 | 100 | | | – | 81 |
| HR Professional Resources Proprietary Limited | 120 | 100 | 100 | | | – | – |
| Imaging Solutions (Pvt) Limited – incorporated in Zimbabwe | 315 | 75 | 75 | | | – | – |
| Impact Human Resources Proprietary Limited | 30 000 | 100 | 100 | | | – | – |
| IMQS Software Proprietary Limited | 743 417 | 86 | 50 | | | – | – |
| Infrastructure System Integrators Proprietary Limited | 120 | 100 | 100 | | | – | – |
| Intelligens IT Solutions Proprietary Limited | 400 | 100 | | | | – | |
| Isilumko Staffing Proprietary Limited | 1 000 | 100 | | | | – | |
| iThemba Governance and Statutory Solutions Proprietary Limited | 133 | 100 | | | | – | |
| iThemba Legal & Compliance Proprietary Limited | 100 | 100 | | | | – | |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

*for the year ended 31 July 2015*

## 38. Schedule of investments in subsidiaries continued

| Figures in Rand thousand | Stated capital 2015 R | Effective interest 2015 % | Effective interest 2014 % | Carrying amount of investment in shares 2015 | Carrying amount of investment in shares 2014 | Loans owing by subsidiaries 2015 | Loans owing by subsidiaries 2014 |
|---|---|---|---|---|---|---|---|
| ITS Technologies Proprietary Limited | 100 | 100 | 100 | | | – | – |
| Ivy-Moon 112 Proprietary Limited | – | 100 | 100 | | | – | – |
| Lan Metrix Proprietary Limited | 1 000 | 100 | 100 | | | – | – |
| Lighting Cybernetics Proprietary Limited | 114 | 100 | 100 | | | – | – |
| Managed Integrity Evaluation Proprietary Limited | 30 | 100 | | | | – | |
| Managed Print Solutions Proprietary Limited | – | 100 | 100 | | | – | – |
| Medical Services Organisation International Proprietary Limited | 1 000 | 70 | 70 | | | – | 110 |
| Medical Services Organisation South Africa Proprietary Limited | 1 000 | 100 | 100 | | | 395 | 339 |
| Medical Services Organisation – incorporated in Nigeria | – | 100 | 100 | | | – | – |
| MPC Recruitment Proprietary Limited | 100 | 100 | 100 | | | – | – |
| Muvoni Biometric and Smart Card Solutions Proprietary Limited | 100 | 100 | | | | – | |
| Prehab Testing Proprietary Limited | 100 | 100 | 100 | | | – | – |
| Proserv Tourism South Africa Proprietary Limited | 200 | 100 | 100 | | | – | – |
| Regro Technology Proprietary Limited | 203 | 100 | 100 | | | – | – |
| Riverbend Trade and Invest 38 Proprietary Limited | 3 740 990 | 100 | 100 | | | – | – |
| Ronbel 117 Proprietary Limited | 120 | 100 | | | | – | |
| Rosstone Consulting Proprietary Limited | 100 | 100 | 100 | | | – | – |
| Scientia Healthcare Group Schemes Proprietary Limited | 100 | 100 | | | | – | |
| Scientia Optimate Financial Services Proprietary Limited | 1 000 | 100 | | | | – | |
| Shandon Business Solutions Proprietary Limited | 2 361 | 100 | | | | – | |
| SI Analytics Proprietary Limited | 100 | 100 | 100 | | | – | – |
| Siyanqoba Seminars Proprietary Limited | 100 | 100 | 100 | | | – | – |
| SWX Investments Proprietary Limited | 120 | 100 | 100 | | | – | – |
| SWX Managed Print Services Namibia Proprietary Limited – incorporated in Namibia | 100 | 100 | 100 | | | – | – |
| Sybrin Kenya Limited – incorporated in Kenya | 11 080 | 90 | 90 | | | – | – |
| Sybrin Limited (Guernsey) – incorporated in Guernsey | 15 884 | 100 | 100 | | | – | – |
| Sybrin Mozambique Limitada – incorporated in Mozambique | – | 75 | 75 | | | – | – |
| Sybrin Systems Proprietary Limited | 100 | 100 | 100 | | | – | – |

## 38. Schedule of investments in subsidiaries continued

| | Stated capital | Effective interest | | Carrying amount of investment in shares | | Loans owing by subsidiaries | |
|---|---|---|---|---|---|---|---|
| Figures in Rand thousand | 2015 R | 2015 % | 2014 % | 2015 | 2014 | 2015 | 2014 |
| Synergy Bus. Intelligence (Switzerland) GmbH – incorporated in Switzerland | 167 862 | 100 | 100 | | | – | – |
| Telebo Construction Proprietary Limited | 10 | 100 | | | | – | |
| Tifozi Trading Proprietary Limited | – | 100 | 100 | | | – | – |
| Totem Analytics Proprietary Limited | 100 | 100 | 100 | | | – | – |
| Trackstar Trading 308 Proprietary Limited | 72 | 100 | | | | – | |
| TSS Managed Services Proprietary Limited | 81 | 100 | 100 | | | – | 21 531 |
| Umbane Systems Proprietary Limited | 100 | 100 | 100 | | | – | – |
| V & V Consulting Engineers Proprietary Limited | 120 | 100 | 100 | | | – | – |
| V & V Holdings Proprietary Limited | 100 | 100 | 100 | | | – | – |
| V & V Software Development Proprietary Limited | 100 | 100 | 100 | | | – | – |
| Veritek Proprietary Limited | 300 | 100 | 100 | | | – | – |
| XI Data Services Proprietary Limited | 100 | 100 | | | | – | |
| Xpert Decisions Systems Proprietary Limited | 100 | 100 | 100 | | | – | – |
| | | | | 159 549 | 159 549 | 1 637 047 | 679 627 |

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

## 39. Risk management

### Financial risk management

The Group's normal operations expose it to the following financial risks from its use of financial instruments:

- Capital risk
- Liquidity risk
- Interest risk
- Credit risk and
- Currency risk

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

## 39. Risk management continued

### Financial risk management continued

The following table summarises the carrying amount of financial instruments recorded at 31 July 2015:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousand | 2015 | 2014 | 2015 | 2014 |
| **Financial assets** | | | | |
| *Loans and receivables:* | | | | |
| Other financial assets | 79 904 | 64 693 | – | – |
| Finance lease receivables | 217 414 | 180 598 | – | – |
| Loans to Group companies | | | 1 640 417 | 679 627 |
| Trade and other receivables | 2 200 077 | 1 525 787 | 1 | 1 |
| Cash and cash equivalents | 1 663 818 | 1 064 522 | 75 | 46 |
| | 4 161 213 | 2 835 600 | 1 640 493 | 679 674 |
| **Financial liabilities** | | | | |
| *Measured at amortised cost:* | | | | |
| Other financial liabilities | 1 166 953 | 916 640 | – | – |
| Finance lease payables | 41 925 | 74 576 | – | – |
| Trade and other payables | 993 313 | 803 336 | 205 | 289 |
| Dividend payable | 85 | 71 | 85 | 71 |
| *Fair value through profit or loss:* | | | | |
| Vendors for acquisition | 771 009 | 440 568 | 8 153 | 17 040 |
| | 2 973 285 | 2 235 191 | 8 443 | 17 400 |

The Group does not have any financial instruments that are subject to offsetting.

### Fair value through profit or loss:

For financial instruments measured at fair value through profit or loss, in terms of the hierarchy, these are classified as level 3 as the valuation techniques used are not based on observable market data. There have been no transfers between levels during the year.

*Vendors for acquisition*

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

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

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

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

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

## 39. Risk management continued

### Fair value through profit or loss: continued

*Vendors for acquisition* continued

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousand | 2015 | 2014 | 2015 | 2014 |
| **Reconciliation of movement:** | | | | |
| Balance at the beginning of the year | 440 568 | 151 997 | 17 040 | – |
| Raised through business combinations | 403 923 | 375 157 | – | 24 057 |
| Raised as investments in joint ventures and associates | 119 160 | – | – | – |
| Net changes in fair value | 24 904 | 26 855 | – | 14 220 |
| Cash paid to vendors | (217 546) | (113 441) | (8 887) | ( 21 237) |
| Balance at the end of the year | 771 009 | 440 568 | 8 153 | 17 040 |

### Capital risk management

The Group's objective is to safeguard its ability to continue as a going concern and to maintain an appropriate capital structure while growing the business. This is consistent with previous years.

In order to maintain or adjust the capital structure of the Group, the Board of Directors may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There are no externally imposed capital requirements.

The debt to equity ratios were as follows:

| | GROUP | |
|---|---|---|
| Figures in Rand thousand | 2015 | 2014 |
| Total debt | 1 979 887 | 1 431 784 |
| Total equity | 4 499 952 | 2 618 163 |
| Debt to equity ratio (%) | 44,0 | 54,7 |

### Liquidity risk

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

## 39. Risk management continued

### Liquidity risk continued

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

| Figures in Rand thousand | Less than 1 year | Between 2 and 5 years |
|---|---|---|
| **Group** | | |
| At 31 July 2015 | | |
| Other financial liabilities | 876 694 | 1 091 681 |
| Finance lease payables | 26 974 | 19 228 |
| Trade and other payables | 1 352 889 | – |
| Dividend payable | 85 | – |
| At 31 July 2014 | | |
| Other financial liabilities | 630 939 | 743 971 |
| Finance lease payables | 39 175 | 44 734 |
| Trade and other payables | 1 007 727 | – |
| Dividend payable | 71 | – |
| **Company** | | |
| At 31 July 2015 | | |
| Other financial liabilities | 8 153 | – |
| Trade and other payables | 205 | – |
| Dividend payable | 85 | – |
| At 31 July 2014 | | |
| Other financial liabilities | 17 040 | – |
| Trade and other payables | 289 | – |
| Dividend payable | 71 | – |

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

### Interest risk

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

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

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

At 31 July 2015, if the interest rate on Rand-denominated borrowings had been 1% higher with all other variables held constant, pre-tax profit for the year would have been R11 million (2014: R10 million) lower, mainly as a result of higher interest expense on floating rate borrowings.

## 39. Risk management continued

### Credit risk

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

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

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| Figures in Rand thousand | 2015 | 2014 | 2015 | 2014 |
| Other financial assets | 79 904 | 64 693 | – | – |
| Finance lease receivables | 217 414 | 180 598 | – | – |
| Loans to Group companies | | | 1 640 417 | 679 627 |
| Trade and other receivables | 2 200 077 | 1 525 787 | 1 | 1 |
| Cash and cash equivalents | 1 663 818 | 1 064 522 | 75 | 46 |

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

### Currency risk

The Group operates internationally but has limited exposure to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, the Euro and the British Pound.

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

Foreign exchange risk arises from future commercial transactions, recognised assets or liabilities that are denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group has limited investments in foreign operations, where the assets are exposed to foreign currency translation risk. Currency exposure arising from net assets of the Group's foreign operations will have no effect on the post-tax profit as the effect of the translation is recognised directly in the foreign currency translation reserve. As at 31 July 2015, if the foreign entities' local currencies had weakened or strengthened by 5% against the Rand, with all other variables held constant, the impact on equity for the Group would have amounted to R25 million (2014: R2 million).

## 39. Risk management continued

Financial assets and financial liabilities are analysed by currency as follows:

**Foreign currency financial instruments**

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

| | 2014 | | | | |
|---|---|---|---|---|---|
| | Financial assets | | | Financial liabilities | |
| Currency unit thousands | Other financial assets | Trade and other receivables | Cash and cash equivalents | Other financial liabilities | Trade and other payables |
| Arab Emirates Dirham | – | 239 | – | – | – |
| Australian Dollar | – | 116 | 118 | – | – |
| British Pound | – | 6 576 | 11 367 | – | 2 035 |
| Euro | – | 755 | – | – | 424 |
| Japanese Yen | – | – | – | – | 226 |
| Kenyan Schilling | – | 2 405 | 2 510 | – | 17 |
| Mozambican Metical | – | – | 93 | – | – |
| Swiss Franc | – | – | 3 958 | – | 792 |
| US Dollar | – | 70 548 | 19 655 | – | 26 577 |

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

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

| | 2015 | 2014 |
|---|---|---|
| Arab Emirates Dirham | 3,44 | 2,92 |
| Australian Dollar | 9,28 | 9,95 |
| Botswana Pula | 1,25 | 1,20 |
| British Pound | 19,72 | 18,01 |
| Euro | 13,98 | 14,31 |
| Hong Kong Dollar | 1,63 | 1,38 |
| Japanese Yen | 0,10 | 0,10 |
| Kenyan Schilling | 0,12 | 0,12 |
| Mozambican Metical | 0,33 | 0,35 |
| Nigerian Naira | 0,06 | 0,07 |
| Rwandan Franc | 0,04 | 0,02 |
| Swiss Franc | 13,21 | 11,79 |
| US Dollar | 12,60 | 10,68 |

## 40. Events after the reporting date

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

### Dividend

The following information relates to the dividend in respect of the year under review:

The directors declared a gross ordinary dividend 150 cents per ordinary share, payable on 2 November 2015 to ordinary shareholders recorded in the books of the Company at the close of business on 30 October 2015.

### Business combinations

The Group acquired a 100% shareholding in a number of businesses subsequent to year-end in order to enhance its intelligent infrastructure and Business Process Outsourcing offerings and augment its ICT services capabilities.

The total purchase consideration for acquisitions for which a reliable estimation of the consideration was determinable at the time of signing the report is estimated at R425 million (R157 million in cash and 1 581 181 EOH shares). In determining the purchase consideration paid, the profit history of the relevant business as well as its growth prospects in the EOH stable were considered. At the time of signing the report, the initial accounting for these acquisitions had not been finalised.

In addition, EOH recently concluded a number of acquisitions for which the initial accounting is not yet finalised and certain matters are still being clarified (including, effective 18 November 2015, the acquisition of 100% of the GCT group–an analytical software, hardware and utility management solutions provider). As a result, at this stage, it is not possible to determine the majority of the disclosures required by IFRS 3.

# SHAREHOLDER SPREAD

| | 31 July 2015 | | | | 31 July 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of shareholders | % | Number of shares | % | Number of shareholders | % | Number of shares | % |
| **Analysis of shareholdings** | | | | | | | | |
| **Holdings** | | | | | | | | |
| 1 – 10 000 | 7 753 | 64,20 | 2 887 185 | 2,19 | 4 753 | 56,08 | 2 129 179 | 1,79 |
| 10 001 – 50 000 | 3 495 | 28,94 | 11 126 739 | 8,43 | 2 961 | 34,93 | 9 659 257 | 8,14 |
| 50 001 – 100 000 | 660 | 5,46 | 19 280 118 | 14,60 | 619 | 7,30 | 17 930 920 | 15,12 |
| 100 001 – 1 000 000 | 153 | 1,27 | 43 494 846 | 32,94 | 129 | 1,52 | 40 854 432 | 34,43 |
| 1 000 001 and more | 16 | 0,13 | 55 249 632 | 41,84 | 14 | 0,17 | 48 079 755 | 40,52 |
| | 12 077 | 100,00 | 132 038 520 | 100,00 | 8 476 | 100,00 | 118 653 543 | 100,00 |
| **Shareholder categories** | | | | | | | | |
| Banks | 50 | 0,41 | 18 758 979 | 14,21 | 44 | 0,52 | 13 449 462 | 11,34 |
| Close corporations | 161 | 1,33 | 833 313 | 0,63 | 123 | 1,45 | 532 477 | 0,45 |
| Endowment funds | 87 | 0,72 | 511 277 | 0,39 | 44 | 0,52 | 401 107 | 0,34 |
| Individuals | 9 238 | 76,50 | 31 791 311 | 24,08 | 6 577 | 77,59 | 32 941 317 | 27,76 |
| Insurance companies | 45 | 0,37 | 1 811 739 | 1,37 | 30 | 0,35 | 670 117 | 0,56 |
| Investment companies | 31 | 0,26 | 4 200 522 | 3,18 | 15 | 0,18 | 3 442 078 | 2,90 |
| Medical schemes | 5 | 0,04 | 54 826 | 0,04 | 3 | 0,04 | 6 070 | 0,01 |
| Mutual funds | 164 | 1,36 | 22 727 647 | 17,21 | 84 | 0,99 | 20 285 389 | 17,10 |
| Other corporations | 77 | 0,64 | 319 923 | 0,24 | 79 | 0,93 | 1 306 291 | 1,10 |
| Own holdings (Treasury shares) | 1 | 0,01 | 2 214 390 | 1,68 | 1 | 0,01 | 1 866 886 | 1,57 |
| Private companies | 359 | 2,97 | 14 022 438 | 10,62 | 237 | 2,80 | 12 294 723 | 10,36 |
| Public companies | 12 | 0,10 | 350 466 | 0,27 | 7 | 0,08 | 77 092 | 0,06 |
| Retirement funds | 92 | 0,76 | 18 793 359 | 14,23 | 72 | 0,85 | 14 795 850 | 12,47 |
| Share trusts | 1 755 | 14,53 | 15 648 330 | 11,85 | 1 160 | 13,69 | 16 584 684 | 13,98 |
| | 12 077 | 100,00 | 132 038 520 | 100,00 | 8 476 | 100,00 | 118 653 543 | 100,00 |

**Major shareholders**

According to the records of the Company, the only shareholders registered at 31 July holding 3% or more of the Company's shares were:

| | 2015 Number of shares | % | 2014 Number of shares | % |
|---|---|---|---|---|
| Government Employee Pension Fund | 16 249 182 | 12,31 | 11 547 880 | 9,73 |
| Fidelity | 10 744 203 | 8,14 | 7 766 200 | 6,55 |
| Tactical Software Systems Proprietary Limited | 7 218 866 | 5,47 | 6 848 866 | 5,77 |
| Bejaled Trust | 6 894 625 | 5,22 | 7 085 336 | 5,97 |
| The Mthombo Trust | n/a | n/a | 3 724 842 | 3,14 |
| | 41 106 876 | 31,14 | 36 973 124 | 31,16 |
| **Shareholder spread** | | | | |
| Public shareholders | 111 523 026 | 84,47 | 97 785 716 | 82,42 |
| Non-public shareholders | 20 515 494 | 15,53 | 20 867 827 | 17,58 |
| Directors and associates of the Company | 15 375 185 | 11,63 | 15 168 480 | 12,78 |
| Share trusts | 2 925 919 | 2,22 | 3 832 461 | 3,23 |
| Own holdings (Treasury shares) | 2 214 390 | 1,68 | 1 866 886 | 1,57 |
| | 132 038 520 | 100,00 | 118 653 543 | 100,00 |

# SHAREHOLDER DIARY

| | |
|---|---|
| Financial year end | 31 July |
| Annual General Meeting | Friday, 19 February 2016 |

**Reports**

| | |
|---|---|
| Announcement of annual results for the year ended 31 July 2015 | Wednesday, 16 September 2015 |
| Posting of the Annual Integrated Report for the year ended 31 July 2015 | Wednesday, 9 December 2015 |
| Announcement of interim results for the half-year ending 31 January 2016 | Wednesday, 9 March 2016 |

**Dividend declaration**

| | |
|---|---|
| Dividend declaration date | Wednesday, 16 September 2015 |
| Last day to trade cum-dividend | Friday, 23 October 2015 |
| Shares commence trading ex-dividend | Monday, 26 October 2015 |
| Record date | Friday, 30 October 2015 |
| Payment of dividend | Monday, 2 November 2015 |

# NOTICE OF ANNUAL GENERAL MEETING

## EOH Holdings Limited

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

*If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant ('CSDP'), broker, banker, attorney, accountant or other professional adviser immediately.*

Notice is hereby given, that the seventeenth Annual General Meeting ('AGM') of shareholders of EOH will be held at 11h00 on Friday, 19 February 2016 in the boardroom of the Company, Ground Floor, Block D, Gillooly's View, 1 Osborne Lane, Bedfordview, 2007 for the purpose of considering, and, if deemed fit, passing with or without modification, the ordinary and special resolutions set out hereunder.

The Board of Directors ('Board') of the Company has determined, in terms of Section 62(3)(a), as read with Section 59 of the Companies Act of South Africa (the 'Companies Act') the record date for the purposes of determining which shareholders of the Company are entitled to participate in and vote at the AGM is Friday, 5 February 2016. Accordingly, the last day to trade EOH shares in order to be recorded in the register to be entitled to vote will be Friday, 29 January 2016.

*Kindly note that meeting participants (including shareholders and proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, driver's licences and passports.*

## Ordinary resolutions

The minimum percentage of voting rights required for each of the resolutions set out in items 1 to 5 below to be adopted is more than 50% (fifty percent) of the voting rights exercised on each of the resolutions by shareholders present or represented by proxy at the AGM.

### 1. Ordinary Resolution number 1: Presentation of the Annual Financial Statements

To present the audited Annual Financial Statements for the year ended 31 July 2015, including the reports of the directors, auditors and the Audit and Risk Committees.

### 2. Ordinary Resolution number 2: Rotation of directors

To re-elect, each by way of a separate resolution, the following independent non-executive directors who retire by rotation in accordance with the Company's Memorandum of Incorporation ('the MOI') but, being eligible to do so, offer themselves for re-election.

2.1 Sandile Zungu
2.2 Tshilidzi Marwala
2.3 Danny Mackay

Refer to page 115 of this Annual Integrated Report of which this notice forms part for a brief curriculum vitae of each director.

### 3. Ordinary Resolutions number 3.1 to 3.4: Election of Audit Committee members

To elect, each by way of a separate resolution, the following independent non-executive directors, as members of the Company's Audit Committee:

3.1 Rob Sporen as a member and Chairman of the Audit Committee
3.2 Lucky Khumalo as a member of the Audit Committee
3.3 Tshilidzi Marwala as a member of the Audit Committee
3.4 Tebogo Skwambane as a member of the Audit Committee

Refer to page 115 of this Annual Integrated Report of which this notice forms part for a brief curriculum vitae of each director.

### 4. Ordinary Resolution number 4: Reappointment of independent external auditors

To reappoint Mazars (Gauteng) Inc., upon the recommendation of the Audit Committee, as the independent registered auditor of the Company for the financial year ending 31 July 2016. The Audit Committee and the Board have evaluated the performance of Mazars (Gauteng) Inc. and recommended their reappointment as the external auditors of the Company.

### 5. Ordinary Resolution number 5: Signature of documents

"RESOLVED THAT, each director of the Company be and is hereby individually authorised to sign all such documents and do all such things as may be necessary for or incidental to the implementation of those resolutions to be proposed at the AGM convened to consider the resolutions which are passed, in the case of ordinary resolutions, or are passed as special resolutions and registered by the Companies and Intellectual Property Commission, in the case of special resolutions."

6. **Ordinary Resolution number 6: Approval to issue ordinary shares, and to sell treasury shares, for cash**

"RESOLVED THAT, the directors of EOH and/or any of its subsidiaries from time to time be and are hereby authorised, by way of a general authority, to:

- Allot and issue, or to issue any options in respect of, a portion 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 in the capital of the Company purchased by subsidiaries of the Company;

for cash, to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the Companies Act, the MOI of the Company and its subsidiaries and the JSE Listings Requirements from time to time.

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

- This general authority will be valid until the earlier of the Company's next AGM or the expiry of a period of 15 (fifteen) months from the date that this authority is given;
- The securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- Any such issue may only be made to 'public shareholders' as defined in the JSE Listings Requirements and not to related parties;
- The securities which are the subject of a general issue for cash may not exceed 8% (eight percent) of the number of listed securities, excluding treasury shares, as at the date of this notice, being 10 643 998 securities. Any securities issued under this authorisation will be deducted from the aforementioned 10 643 998 listed securities. In the event of a sub-division or a consolidation the authority will be adjusted to represent the same allocation ratio;
- In determining the price at which securities may be issued in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price of such securities measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed in writing between the issuer and the party/ies subscribing for the securities;
- An announcement giving full details, including the number of securities issued, the average discount to the weighted average traded price of the securities over 30 (thirty) business days prior to the date that the issue, is agreed in writing between the issuer and the parties subscribing for the securities and in respect of options and convertible securities, the effects of the issue on the statement of financial position, net asset value per share, net tangible asset value per share, the statement of profit or loss and other comprehensive income, earnings per share and headline earnings per share and, if applicable, diluted earnings and headline earnings per share, or in respect of an issue of shares, an explanation, including supporting documents (if any), of the intended use of the funds will be published when the Company has issued securities representing, on a cumulative basis within the earlier of the Company's next AGM or the expiry of a period of 15 (fifteen) months from the date that this authority is given, 5% (five percent) or more of the number of securities in issue prior to the issue; and
- Whenever the Company wishes to repurchase 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 Listing Requirements, ordinary resolution number 6 must be passed by a 75% (seventy five percent) majority votes cast in favour of the resolution by all members present or represented by proxy at the Annual General Meeting."

## Special resolutions

Special Resolutions to be adopted at this AGM require approval from at least 75% (seventy five percent) of the voting rights exercised on each special resolution by shareholders present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution concerned.

### 7. Special Resolution number 1: Remuneration payable to non-executive directors

"RESOLVED THAT the annual remuneration increase of 5% payable in cash to the non-executive directors of EOH Holdings Limited ('the Company') be and is hereby approved as follows:

| | Fee in ZAR for the financial year 1 March 2015 to 28 February 2016 | Fee in ZAR for the financial year 1 March 2016 to 28 February 2017 |
|---|---|---|
| **Board** | | |
| Chairperson | 550 000 | 577 500 |
| Member | 143 000 | 150 150 |
| **Audit Committee** | | |
| Chairperson | 44 000 | 46 200 |
| Member | 22 000 | 23 100 |
| **Remuneration and Nominations Committee** | | |
| Chairperson | 33 000 | 34 650 |
| Member | 16 500 | 17 325 |
| **Risk Committee** | | |
| Chairperson | 33 000 | 34 650 |
| Member | 16 500 | 17 325 |
| **Social and Ethics Committee** | | |
| Chairperson | 27 500 | 28 875 |
| Member | 13 750 | 14 438 |
| **IT Governance Committee** | | |
| Chairperson | 27 500 | 28 875 |
| Member | 13 750 | 14 438 |

#### Explanatory note

In terms of Section 66(9) of the Companies Act, a company is required to pre-approve the payment of remuneration to non-executive directors for their services as directors for the ensuing financial year by means of a special resolution passed by shareholders of the Company.

### 8. Special Resolution number 2: General approval to acquire shares

"RESOLVED THAT, by way of a general approval, the Company and/or any of its subsidiaries from time to time be and are hereby authorised to acquire ordinary shares in the Company in terms of Sections 46 and 48 of the Companies Act, the Company's MOI and that of its subsidiaries and the JSE Listings Requirements, as amended from time to time.

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

- The acquisition of the ordinary shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- This general authority shall only be valid until the earlier of the Company's next AGM or the expiry of a period of 15 (fifteen) months from the date of passing of this Special Resolution;
- In determining the price at which the Company's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the five business days immediately preceding the date on which the transaction is effected;

## Special resolutions continued

### 8. Special Resolution number 2: General approval to acquire shares continued

- At any point in time, the Company may only appoint one agent to effect any acquisition/s on its behalf;
- The acquisition of ordinary shares in the aggregate in any one financial year may not exceed 10% (ten percent) of the Company's issued ordinary share capital;
- The Company may only effect the repurchase once a resolution has been passed by the Board confirming that the Board has authorised the repurchase, that the Company has passed the solvency and liquidity test ('test') and that since the test was done there have been no material changes to the financial position of the Group;
- The Company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements; and
- An announcement will be published once the Company has cumulatively repurchased 3% (three percent) of the number of the ordinary shares in issue at the time this general authority is granted ('initial number'), and for each 3% (three percent) in aggregate of the initial number acquired thereafter."

#### Adequacy of working capital

At the time that the contemplated repurchase is to take place, the directors of the Company will ensure that, after considering the effect of the maximum repurchase and for a period of twelve months thereafter that:

- The Company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business;
- The consolidated assets of the Company and its subsidiaries, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the consolidated liabilities of the Company and its subsidiaries;
- The issued share capital and reserves of the Company and its subsidiaries will be adequate for the purpose of the ordinary business of the Company and its subsidiaries; and
- The working capital available to the Company and its subsidiaries will be sufficient for the Group's requirements.

#### Explanatory note

The purpose of this Special Resolution number 2 is to obtain an authority for, and to authorise, the Company and the Company's subsidiaries, by way of a general authority, to acquire some of the Company's issued ordinary shares. It is the intention of the directors of the Company to use such authority should prevailing circumstances, in their opinion, warrant it.

### 9. Special Resolutions number 3.1 and 3.2: Financial assistance in terms of Sections 44 and 45 of the Companies Act

"RESOLVED THAT, the Board of Directors of the Company ('the Board') may to the extent required, in terms of and subject to Sections 44 and 45 of the Companies Act, as the case may be, and the Company's MOI, authorise the Company to provide, each by way of special resolution:

3.1 Section 44: Financial assistance by way of a loan, guarantee, the provision of security or otherwise, to any person in the EOH Group (excluding any director or prescribed officer of the Company, or a person related to such director or prescribed officer), for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company, subject to the terms and conditions of Section 44 of the Companies Act. No such financial assistance may be provided at any time in terms of this authority after the expiry of two years from the date of the adoption of this Special Resolution; and

The purpose of this Special Resolution number 3.1 is to grant the Board the authority to authorise the Company to provide financial assistance by way of a loan, guarantee, the provision of security, or otherwise to any person in the EOH Group (excluding any director or prescribed officer of the Company, or a person related to such director or prescribed officer), for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company as contemplated in Section 44 of the Companies Act.

3.2 Section 45: Any direct or indirect financial assistance (which includes lending money, guaranteeing a loan or other obligation and securing any debt or obligation as contemplated in Section 45 of the Companies Act) to a related or inter-related company or corporation, excluding any director or prescribed officer of the Company, or person related to such director or prescribed officer, on such terms as the Board deems fit, subject to the terms and conditions of Section 45 of the Companies Act. No such financial assistance may be provided at any time in terms of this authority after the expiry of two years from the date of the adoption of this Special Resolution.

The purpose of the Special Resolution number 3.2 is to grant the Board the authority to authorise the Company to provide direct or indirect financial assistance to a related or inter-related company or corporation, as contemplated in Section 45 of the Companies Act.

### Solvency and liquidity test

The directors undertake that prior to the Company providing the financial assistance as contemplated in Sections 44 and 45 of the Companies Act, the Company will have satisfied the solvency and liquidity test as set out in Section 4 of the Companies Act and that the terms under which the financial assistance is proposed to be given are fair and reasonable.

## Disclosure requirements

In terms of paragraph 11.26 of the JSE Listings Requirements, the following information is disclosed in the Annual Financial Statements of 2015:

- Major shareholders of the Company – page 108;
- Share capital of the Company – page 80;
- Material changes – Other than the facts and developments reported on in the Annual Integrated Report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of signature of the audit report and up to the date of this notice; and
- Directors responsibility statement – The directors of the Company whose names appear on pages 32 to 33 of the Annual Integrated Report of which this notice forms part, collectively and individually, accept full responsibility for the accuracy of the information pertaining to this notice and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice contains all information required by law and the JSE Listings Requirements.

## Voting and proxies

A shareholder entitled to attend and vote at the AGM is entitled to appoint a proxy or proxies to attend and act in his/her stead. A proxy need not be a member of the Company. For the convenience of registered members of the Company, a form of proxy is attached hereto. The attached form of proxy is only to be completed by those ordinary shareholders who:

- hold ordinary shares in certificated form; or
- are recorded on the sub-register in 'own name' dematerialised form.

Ordinary shareholders who have dematerialised their ordinary shares through a CSDP or broker without 'own name' registration and who wish to attend the AGM, must instruct their CSDP or broker to provide them with the relevant letter of representation to attend the AGM in person or by proxy and vote. If they do not wish to attend in person or by proxy, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

Forms of proxy should be forwarded to reach the transfer secretaries, Computershare Investor Services Proprietary Limited, at least 48 hours, excluding Saturdays, Sundays and public holidays, before the time of the AGM.

By order of the Board

**Adri Els**
*Group Company Secretary*
24 November 2015

# CURRICULUM VITAE OF NON-EXECUTIVE DIRECTORS NOMINATED FOR RE-ELECTION

## Sandile Zungu

Sandile is the founder and Executive Chairman of Zungu Investments Company Proprietary Limited ('Zico'), a diversified investment company with interests that include financial services, media, automotive, resources and gaming. He is a non-executive director of Grindrod Limited and Novus Holdings Limited. He is a member of the BRICS Business Council, Vice President of the Black Business Council and also serves on the Presidential BEE Advisory Council. Sandile is a council member of the University of Cape Town ('UCT') and serves on the advisory board of the UCT Graduate School of Business.

Sandile is a qualified mechanical engineer with an MBA. He has also completed the Global Leadership Programme at Harvard Business School.

## Rob Sporen

Rob is a Dutch national who came to South Africa in the early 1970s to assist with the introduction of television manufacturing. Subsequently he established a manufacturing software agency in the 1980s, and from 1987, presented education courses in the field of computerised manufacturing and distribution systems. In addition, he maintained a highly successful practice as a consultant to companies seeking to implement business systems or upgrade their business processes.

Rob served as Executive Director for Business Development on the EOH Board from its inception until his retirement in 2007. As Lead Independent Non-Executive Director, Rob is the Chairman of the Audit Committee, Risk Committee, Remuneration and Nominations Committee and the Social and Ethics Committee.

## Lucky Khumalo

Lucky started his career in 1994 as a programmer and has stayed in the ICT sector ever since. He has been involved with project management, business analysis and overall business management during his 21 years in the ICT world.

In June 2000, Lucky became one of three entrepreneurs to start an IT Services company, Mthombo IT ('M-IT'), which grew from seven people to over 250 people nationwide within five years before the merger with EOH in 2005.

In 2001, Lucky was voted the Top Black ICT individual in the country for the role he played within one of South Africa's most successful BEE services companies; M-IT was voted the Top Black ICT Company in SA in 2004.

Lucky left the Group as an executive director in May 2010 to grow his investment and empowerment business interests through RF Scanning Investments.

## Tshilidzi Marwala

Professor Tshilidzi Marwala is a Deputy Vice Chancellor for Research, Postgraduate Studies and the Library at the University of Johannesburg. He was previously the Dean of Engineering and the Built Environment at the University of Johannesburg, a full Professor of Electrical Engineering and the Carl and Emily Fuchs Chair of Systems and Control Engineering at the University of the Witwatersrand, as well as an executive assistant at South African Breweries. He previously served as Chair of the Local Loop Unbundling Committee, a Deputy Chair of Limpopo Business Support Agency, a non-executive director of SITA, Denel and City Power Johannesburg, as well as a Chair of Pikitup. He is currently Chairman of the Gauteng City Region Observatory ('GCRO').

He is the youngest recipient of the Order of Mapungubwe and was awarded the President Award by the National Research Foundation of South Africa. He holds a Bachelor of Science in Mechanical Engineering (*Magna cum laude*) from Case Western Reserve University (USA), a Master of Engineering from the University of Pretoria, a PhD in Engineering from University of Cambridge, was a post-doctoral research assistant at Imperial College (London), completed a Program for Leadership Development at Harvard Business School and training in accountancy and finance at the National University of Singapore. His research interests include the application of Artificial Intelligence to data mining, engineering, computer science, finance, social science and medicine.

He has supervised 46 Masters and 19 PhD students to completion and has published eight books, 220 papers and holds three international patents. He is a Fellow of The World Academy of Sciences ('TWAS'), a distinguished member of the Association for Computing Machinery and in 2015 he was awarded the National Research Foundation Champion of Research Capacity Development.

## Danny Mackay

Danny is the Executive Chairman and primary shareholder of Tactical Software Systems Proprietary Limited and has been in the ICT industry for 35 years. He was recognised for his contribution to the ICT sector in 2001 by receiving the Top 20 Black Achievers Award. Danny's natural leadership capability together with his drive for perfection has made him the perfect role model and indeed the enabler of the organisations he now oversees.

He seeks to constantly improve his own level of expertise and competence and those around him. In addition, his strong sense of ethics, fairness, integrity and vision has seen him steer his businesses to their current stature.

Danny is committed to transforming South African society and is involved in numerous projects and organisations to help create a better life for all. He is passionate about skills development and has assisted many individuals within his organisation and outside, as well as small emerging companies, to ensure that this vision becomes a reality.

### Tebogo Skwambane

Tebogo Skwambane is a Senior External Advisor at McKinsey and Company.

Tebogo obtained her BA(Honours) in Government from Dartmouth College in New Hampshire, USA, and her MBA from Harvard Business School, USA.

In 2005 Tebogo co-founded North Road Consulting, a strategy and operational consulting firm in South Africa. North Road Consulting worked with clients listed and private, for-profit and not-for-profit industries ranging from mining, manufacturing, logistics, and financial services to advertising. Tebogo has worked with clients on growth strategies, operational turnaround, performance improvement and management, organisational restructuring and organisational effectiveness. In addition Tebogo has managed strategy and organisational design projects in the public sector. In early 2011 North Road Consulting merged with The Monitor Group. Tebogo was a Monitor Group Global Partner and Managing Partner of Monitor South Africa between 2011 and 2013.

Before founding North Road Consulting Tebogo worked for Bain and Company, in the US, UK and South Africa.

Tebogo has held managerial positions at Eskom Enterprises where she was Strategy Manager in the CEO's office, and in financial services at the International Finance Corporation in Washington D.C. and at Brown Brothers Harriman a company in Boston.

# NOTES

# NOTES

# EOH Holdings Limited

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

For use only by ordinary shareholders who:

- hold ordinary shares in certificated form ('certificated ordinary shareholders'); or
- have dematerialised their ordinary shares ('dematerialised ordinary shareholders') and are registered with 'own name' registration,

at the seventeenth annual general meeting of shareholders of the Company to be held in the boardroom of the Company, Ground Floor, Block D, Gillooly's View, 1 Osborne Lane, Bedfordview, 2007, at 11h00 on Friday, 19 February 2016 and any adjournment thereof.

Dematerialised shareholders holding shares other than with 'own-name' registration who wish to attend the Annual General Meeting must inform their Central Securities Depository Participant ('CSDP') or broker of their intention to attend the Annual General Meeting and request their CSDP or broker to issue them with the relevant letter of representation to attend the Annual General Meeting in person or by proxy and vote. If they do not wish to attend the Annual General Meeting in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

**These ordinary shareholders must not use this form of proxy.**

Name of beneficial shareholder

Name of registered shareholder

Address

Telephone work ( ) Telephone home ( ) Cell:

being the holder/custodian of ________ ordinary shares in the Company, hereby appoint (see note):

1. or failing him/her,

2. or failing him/her,

3. the Chairperson of the Annual General Meeting,

as my/our proxy to attend and act for me/us on my/our behalf at the Annual General Meeting of the Company convened for purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat ('resolutions') and at each postponement or adjournment thereof and to vote for and/or against such resolutions, and/or abstain from voting, in respect of the shares in the issued share capital of the Company registered in my/our name/s in accordance with the following instructions:

| | | Number of ordinary shares | | |
|---|---|---|---|---|
| | | For | Against | Abstain |
| 1. | **Ordinary Resolution number 1**<br>Presentation of the Annual Financial Statements of the Company and Group for the financial year ended 31 July 2015. | | | |
| 2.1 | **Ordinary Resolution number 2**<br>Rotation of directors<br>To approve the re-election of Sandile Zungu as director who retires by rotation. | | | |
| 2.2 | To approve the re-election of Tshilidzi Marwala as director who retires by rotation. | | | |
| 2.3 | To approve the re-election of Danny Mackay as director who retires by rotation. | | | |
| 3.1 | **Ordinary Resolution number 3**<br>Election of Audit Committee members<br>To appoint Rob Sporen as Chairman and a member of the Audit Committee. | | | |
| 3.2 | To appoint Lucky Khumalo as member of the Audit Committee. | | | |
| 3.3 | To appoint Tshilidzi Marwala as member of the Audit Committee. | | | |
| 3.4 | To appoint Tebogo Skwambane as a member of the Audit Committee. | | | |
| 4. | **Ordinary Resolution number 4**<br>Reappointment of external auditors – Mazars (Gauteng) Inc. for the year ending 31 July 2016. | | | |
| 5. | **Ordinary resolution number 5**<br>Signature of documents. | | | |
| 6. | **Ordinary resolution number 6**<br>Approval to issue ordinary shares, and to sell treasury shares, for cash. | | | |
| 7 | **Special resolution number 1**<br>Remuneration payable to non-executive directors. | | | |
| 8. | **Special resolution number 2**<br>General approval to acquire shares. | | | |
| 9. | **Special resolution number 3.1**<br>Financial assistance in accordance with Section 44 of the Companies Act. | | | |
| 9. | **Special resolution number 3.2**<br>Financial assistance in accordance with Section 45 of the Companies Act. | | | |

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

A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and act in his/her stead. A proxy so appointed need not be a member of the Company.

Signed at on 2016

Signature

Assisted by (if applicable)

**Please read the notes on the reverse hereof**

# NOTES TO THE PROXY

1. Summary of Rights Contained in section 58 of the Companies Act, 2008 (Act 71 of 2008), as amended ('Companies Act') In terms of section 58 of the Companies Act:
   - a shareholder may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder;
   - a proxy may delegate his or her authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy;
   - irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder;
   - irrespective of the form of instrument used to appoint a proxy, any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
   - if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii)
   - delivering a copy of the revocation instrument to the proxy and to the Company; and
   - a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise (see note 7).
2. The form of proxy must only be completed by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
3. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the Annual General Meeting must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
4. A shareholder entitled to attend and vote at the Annual General Meeting may insert the name of a proxy or the names of two alternate proxies (none of whom need be a shareholder of the Company) of the share holder's choice in the space provided, with or without deleting 'the Chairperson of the meeting'. The person whose name stands first on this form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those proxy(ies) whose names follow. Should this space be left blank, the proxy will be exercised by the Chairperson of the meeting.
5. A shareholder is entitled to one vote on a show of hands and on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an 'X' has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholders or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
6. A vote given in terms of an instrument of proxy shall be valid in relation to the Annual General Meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries not less than forty eight hours before the commencement of the Annual General Meeting.
7. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the Annual General Meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.
8. The Chairperson of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
9. A shareholder's authorisation to the proxy including the Chairperson of the Annual General Meeting, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the Annual General Meeting.
10. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
11. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's transfer secretaries or waived by the Chairperson of the Annual General Meeting.
12. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the Company.
13. Where there are joint holders of ordinary shares:
    - any one holder may sign the form of proxy; and
    - the vote(s) of the senior ordinary shareholders (for that purpose seniority will be determined by the order in which the names of ordinary shareholders appear in the Company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
14. Forms of proxy should be lodged with or mailed to Computershare Investor Services Proprietary Limited:

| Hand deliveries to: | Postal deliveries to: |
|---|---|
| Computershare Investor Services<br>Proprietary Limited<br>Ground Floor, 70 Marshall Street<br>Johannesburg, 2001 | Computershare Investor Services<br>Proprietary Limited<br>PO Box 61051<br>Marshalltown, 2107 |

to be received by no later than 11:00 on Wednesday, 17 February 2016 (or 48 hours before any adjournment of the Annual General Meeting which date, if necessary, will be notified on SENS).

15. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.
16. If the instrument appointing the proxy or proxies has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company's Memorandum of Incorporation to be delivered by the Company to the shareholder, must be delivered by the Company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the Company to do so in writing; and (ii) paid any reasonable fee charged by the Company for doing so.
17. The completion of a form of proxy does not preclude any shareholder from attending the Annual General Meeting.

# CORPORATE INFORMATION

## EOH Holdings Limited

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

## Directorate

### Non-executive

Sandile Zungu (Chairman)
Rob Sporen* (Lead Non-executive Director)
Lucky Khumalo
Danny Mackay
Tshilidzi Marwala
Thoko Mnyango
Tebogo Skwambane
** (Dutch)*

### Executive

Asher Bohbot (Group Chief Executive Officer)
John King (Group Financial Director)
Pumeza Bam
Dion Ramoo
Jane Thomson

## Group Company Secretary

Adri Els

## Registered address

Block D, EOH Business Park
Osborne Lane
Bedfordview, 2007

PO Box 59, Bruma
2026

## Telephone

+27 (0) 11 607 8100

## Website

www.eoh.co.za

## E-mail

info@eoh.co.za

## Auditors

Mazars (Gauteng) Inc.

## Sponsor

Merchantec Capital
Registration number: 2008/027362/07
2nd Floor, North Block, Hyde Park Corner Office Towers
Corner 6th Road and Jan Smuts Avenue
Hyde Park, 2196

PO Box 41480, Craighall
2024

## Transfer secretaries

Computershare Investor Services Proprietary Limited
Registration number: 2004/003647/07
70 Marshall Street
Johannesburg, 2001

PO Box 61051, Marshalltown
2107

GREYMATTER & FINCH # 9159

EOH

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