EOH

ANNUAL REPORT **2005**

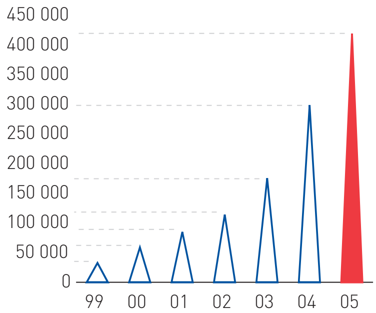
Systems make it possible...
People make it happen!

CONTENTS

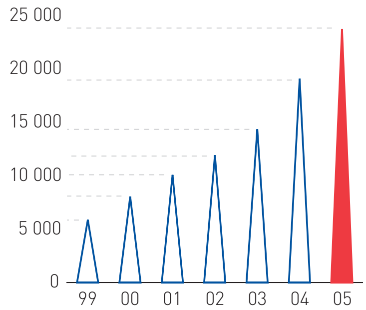
GROUP FINANCIAL HIGHLIGHTS

	12 months to 31 July 2005	12 months to 31 July 2004	12 months to 31 July 2003	12 months to 31 July 2002	12 months to 31 July 2001	12 months to 31 July 2000	12 months to 31 July 1999
Revenue (R'000)	**420 225**	299 535	175 969	114 328	84 094	58 988	32 701
Attributable income (R'000)	**23 802**	19 134	14 395	11 958	10 109	8 073	5 892
Earnings per share (cents)	**47,32**	40,61	30,67	24,02	20,19	16,05	12,21
Headline earnings per share (cents)	**53,97**	42,84	33,06	26,19	20,52	16,05	12,21
Fully diluted earnings per share (cents)	**38,03**	36,79	29,43	21,89	19,69	15,55	11,69
Dividend per share (cents)	**11,5**	10,0	7,0	6,0	0,0	0,0	0,0
Cash (R million)	**68,4**	61,7	40,4	29,6	24,9	19,0	13,2
NAV per share (cents)	**173,7**	133,3	102,8	84,3	58,2	39,9	29,5

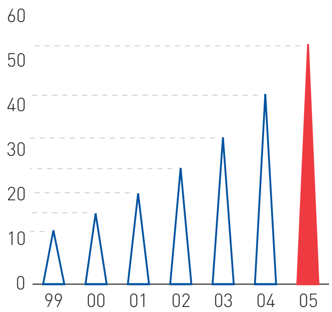
Revenue



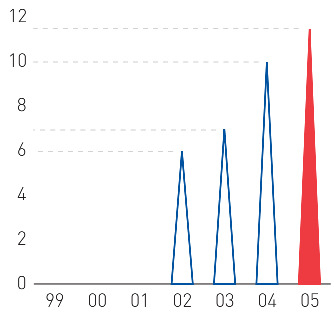
Attributable income



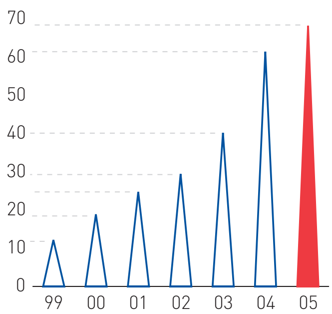
Headline earnings per share



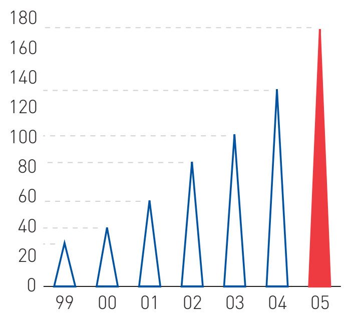
Dividend per share



Cash

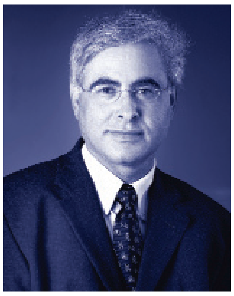


NAV per share

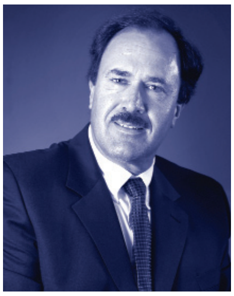


DIRECTORATE

Dr Nakedi Mathews Phosa (53)
Non-executive Chairman
BProc, LLB, Honorary PhD in Law (University of Boston)
Appointed 20 October 2003



Asher Bohbot (53)
Chief Executive Officer
BSc Industrial Engineering, MAP
Re-appointed 26 February 2004



Rob Sporen (56)
Executive Director
Re-appointed 26 February 2004

Jane Thomson (46)
Executive Director
Appointed 30 September 2002

Ken Cullinan (46)
Executive Director
National Diploma (Industrial Eng), CPIM
Appointed 30 September 2002

John King (45)
Executive Director
CA (SA)
Appointed 30 January 2004

Dion Ramoo (41)
Executive Director
BSc Info Proc, CA(SA)
Appointed 30 January 2004

Lucky Khumalo (36)
Executive Director
BSc (Computer Science)
Appointed 14 September 2005

Nkosinathi Khumalo (34)
Executive Director
B Com (Wits) B Com (Honours)(UNISA), CAIB (SA), EDP (WBS)
Appointed 14 September 2005

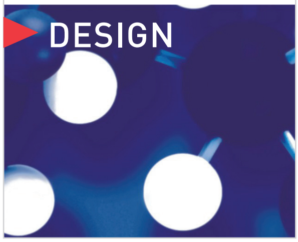
Steven Evans (34)
Executive Director
B Acc, CA(SA)
Appointed 3 October 2005

GROUP STRUCTURE

EOH

CONSULTING

- STRATEGY & OPERATIONS CONSULTING
- PROGRAMME & PROJECT SERVICES
- PUBLIC SECTOR CONSULTING
- CORPORATE GOVERNANCE
- SUPPLY CHAIN OPTIMISATION
- CHANGE MANAGEMENT

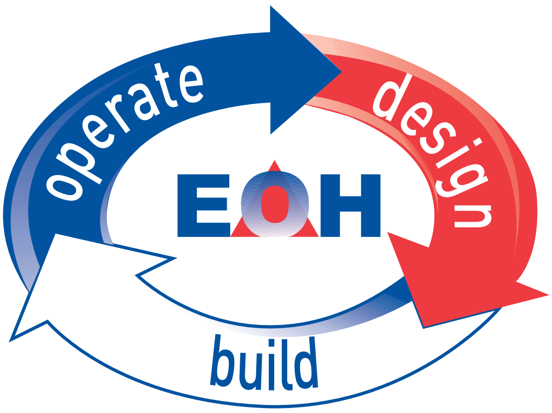


TECHNOLOGY

- ENTERPRISE APPLICATIONS
- BUSINESS PERFORMANCE MANAGEMENT
- MANUFACTURING SYSTEMS
- TECHNOLOGY ENABLEMENT
- IT GOVERNANCE
- SUPPLY CHAIN SYSTEMS

OUTSOURCING

- IT OUTSOURCING
- CO-SOURCING
- MANAGED SERVICES
- ON SITE RESOURCES
- BUSINESS PROCESSES OUTSOURCING
- DESKTOP SUPPORT SERVICES



partner for life

EOH BUSINESS MODEL

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

Overview

EOH has completed its seventh year of existence with flying colours. All of us at EOH are proud of our achievements, especially during the challenging times we live in.

The company has managed to grow substantially over the past seven years, whilst the issued number of shares only grew by a mere 3%. The business remains substantially debt free, with good cash reserves.

During the past year we not only continued our aggressive growth strategy, but also carried on with the development of our infrastructure, controls and, most importantly, the culture and values set essential for continued growth.

We currently represent in Southern Africa, leading enterprise software packages such as SSA, GEAC, Hyperion and Mercury.

In addition we offer services for other prominent ERP solutions such as SAP, Oracle, Syspro and Microsoft Business Solutions.

EOH is also the sole Southern African distributor for the Wonderware and F5 suite of products.

On 1 August 2004 EOH acquired Global Technology Business Intelligence (Pty) Limited (subsequently renamed Intellient), the master distributor of the Hyperion group of products in Southern Africa. Hyperion is the leading software provider of Business Intelligence and Financial Consolidation software in the world.

On 1 November 2004 EOH acquired Mthombo IT Services (Pty) Limited ('M-IT').

M-IT commenced trading during July 2000 with seven employees supplying support for IT break downs in and around Johannesburg. The company has grown to be one of the largest black owned service companies with a staff complement of approximately 202, and a client base which includes, amongst others, Telkom, SARS, the Department of Housing, the University of the Witwatersrand, John Deere and Sappi.

M-IT is a leading black IT service provider focused on delivering specialist, cost effective IT infrastructure services to the corporate and public sectors. M-IT is a well established, multi-vendor accredited service provider with a team of highly qualified professionals, good long-term customer relationships and a national service footprint.

On 1 April 2005 EOH was appointed as the master reseller in sub-Saharan Africa for Mercury, a world-leading provider of Business Technology Optimisation (BTO) solutions.

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

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

Financial performance

The board is satisfied with the overall performance for the year under review. Revenue improved by 40% over the previous year, whilst gross profit increased by 38%. Earnings increased by 22% and headline earnings per share increased by 26%.

The balance sheet remains strong with the growth being financed internally, cash resources were R68,4 million at year end.

The board has declared a dividend of 11,5 cents per share.

Business vision

The business has formulated its long-term vision as follows:

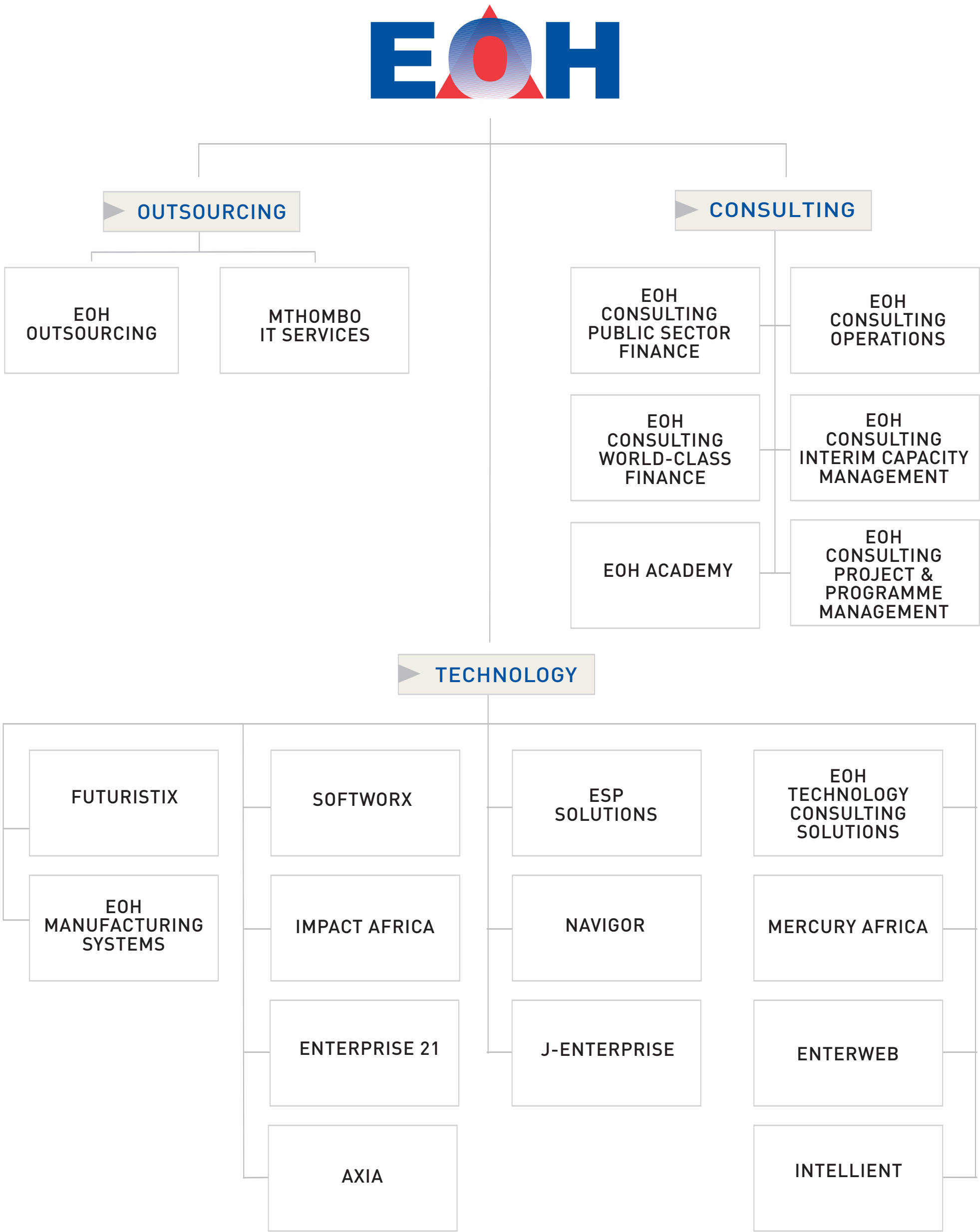
"To be the No.1 Business and Technology solutions provider in Africa".

We believe we have the resources, products and service offerings, as well as the people to achieve this vision and consider our organisation extremely relevant to the growth and development of the African continent.

Business mission

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

Structure



INDUSTRY GROUPS

Financial Services, Commerce & Industry, Mining,
Information,& Communication Technology, Public Services, Health Care

REGIONAL OPERATIONS

KwaZulu Natal, Eastern Cape, Western Cape, Botswana

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

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

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

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

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

The organisation includes 21 strategic business units, each fully accountable for top and bottom line. Overall strategy is driven centrally. This structure and the processes supporting it ensure strong collaboration between the various business units, ensuring the client has access to the full product and service offering of the group.

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

Branding

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

- Softworx
- J-Enterprise
- Impact Africa
- ESP Solutions
- Axia Business Solutions
- Futuristix
- Enterprise 21
- Enterweb
- Intellient
- Navigor

* Mercury Africa

The EOH model is replicated in the following regional operations:

- EOH KwaZulu Natal
- EOH Eastern Cape, Port Elizabeth
- EOH Consulting, East London
- EOH Western Cape
- EOH Consulting, Botswana

EOH's reputation, market penetration and recognition are contributing handsomely to the continuous strengthening of the EOH brand, which is crucial to its growth plans. In line with this the EOH shareholders approved, on 14 September 2005, that the company name be changed to " EOH Holdings Limited".

Strategy

Product and Service Offering

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

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

People

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

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

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

Black Economic Empowerment

The EOH Black Economic Empowerment ("BEE") Plan is aligned to the draft ICT Empowerment Charter and is based on the following 7-point strategy:

1. Equity ownership
2. Management and control
3. Employment equity
4. Skills development
5. Preferential procurement
6. Enterprise development
7. Corporate social investment

Subsequent to year end, shareholders approved the merger of M-IT and the establishment of the EOH Mthombo Trust ("Mthombo Trust").

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

- 25% broad-based black ownership in EOH;
- 38% black employee profile;
- total of four black directors, including three executives and a non-executive chairman.

The M-IT acquisition introduced black shareholders, senior management and staff to EOH. Pursuant to the acquisition, Lucky Khumalo and Nkosinathi Khumalo, two of the M-IT vendors, were appointed to the board of directors of EOH.

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

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

The benefits to EOH of the acquisition and the issue of shares to the Mthombo Trust can be summarised as follows:

– ensures compliance with national and sectoral BEE transformation requirements; and
– allows implementation of a growth strategy through the expansion of market share into further government and parastatals, and corporates having regard to their respective procurements strategies

Growth

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

Operational review

Consulting

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

Strategy Development

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

Programme Management

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

Technology Consulting

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

Knowledge Transfer

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

Prospects

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

Technology

This cluster of business units extended its service offering over the last year to provide implementation services around eCommerce, BI, CRM, APS and MES solutions, in addition to ERP services. Services include Project Management, Software Configuration, Program Development, Program Enhancement, Software Training and technical support. The main application packages sold, implemented and supported are Baan, JD Edwards, SAP, Syspro, System21, Oracle, PeopleSoft, Wonderware, Hyperion, Mercury and others.

Project Management

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

Software Configuration

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

Program Development and Enhancement

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

Training

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

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

Prospects

More and more companies are beginning to appreciate the value that extended enterprise system applications (eCommerce, CRM, APS, BI, MES) can bring in ensuring customer loyalty, improving customer retention and increasing customer profitability. The business units in the Application Software

cluster are well positioned to realise the maximum benefit for the customer by providing extended enterprise solutions that are integrated with the back office solutions and are geared towards supply chain optimisation.

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

Outsourcing

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

Prospects

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

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

CORPORATE GOVERNANCE

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

The board of directors

Full details of the directorate are set out on page 2.

The current composition of the board does not comply with the recommendation of King II. The board has, however, acknowledged the need to re-structure in order to take steps towards compliance with these recommendations.

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

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

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

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

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

	15/09/2004	15/01/2005	14/03/2005	19/04/2005	13/07/2005
Dr NM Phosa	√	√	X	X	√
Asher Bohbot	√	√	√	√	√
Antonio Cocciante	√	√	√	√	√
Jane Thomson	√	√	√	√	X
Rob Sporen	√	√	√	√	√
Ken Cullinan	√	√	√	X	√
John King	√	√	X	√	√
Dion Ramoo	√	√	X	√	√

The roles of chairman and chief executive officer are separate.

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

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

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

Details of the directors' emoluments are set out on page 35 of the annual report.

Board committees

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

Audit committee

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

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

The main objectives of the committee include:

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

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

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

	15/09/2004	19/04/2005
Asher Bohbot	√	√
Antonio Cocciante	√	√
Rob Sporen	√	√
David Grawitzky	√	√

The audit committee does not comply with the recommendations of King II to the extent that it is not chaired by a non-executive director, members of the audit committee are all executive directors and the audit committee does not meet four times per annum.

Remuneration committee

The remuneration committee comprises the CEO, the financial director and the human resources manager, which is not compliant with the recommendations of King II.

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

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

Accountability and accounting

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

Risk management

Accountability

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

Internal control

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

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

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

CORPORATE GOVERNANCE (continued)

Critical business processes

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

Going concern

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

Employment equity

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

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

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

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

Worker participation

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

Code of ethics

All employees of the group are required to maintain the highest ethical standards in ensuring that the group's business practices are conducted in a manner which in all circumstances is above reproach. As mentioned in the CEO's operational report, all employees are required to sign a "Work Life Constitution" document. A culture involving the individual employee assuming personal responsibility for the actions of the business is encouraged, as is a culture of full disclosure.

Health and safety

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

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

Dealings in company shares

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

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

REPORT OF THE INDEPENDENT AUDITORS

To the shareholders of EOH Holdings Limited

We have audited the group annual financial statements set out on pages 20 to 47 for the year ended 31 JULY 2005. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

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

– examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;

– assessing the accounting principles used and significant estimates made by management, and

– evaluating the overall financial statement presentation.

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

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and group at 31 JULY 2005 and the results of its operations and cash flows for the year ended in accordance with South African Generally Accepted Accounting Practice, and in the manner required by the Companies Act.

IAPA Johannesburg

IAPA Johannesburg
Registered Accountants and Auditors
Chartered Accountants (S.A.)

Johannesburg
21 September 2005

DIRECTORS' RESPONSIBILITY STATEMENT

To the shareholders of EOH Holdings Limited

The directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of EOH Holdings Limited and related information. The annual financial statements have been prepared in accordance with Generally Accepted Accounting Practice and in the manner required by the Companies Act. The group's independent auditors, IAPA Johannesburg, have audited the annual financial statements and their unqualified report appears on page 18.

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

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

The annual financial statements set out on pages 20 to 47 were approved by the board of directors on 21 September 2005 and are signed on its behalf by:

Asher Bohbot
Chief Executive Officer

Rob Sporen
Executive Director

CERTIFICATION BY THE COMPANY SECRETARY

In terms of section 268 6(d) of the Companies Act, Act 61 of 1973 ("the Act") as amended, I certify that to the best of my knowledge and belief, the company and the group has lodged with the Registrar of Companies, for the financial year ended 31 July 2005, all such returns as are required of a public company in terms of the Act and that all such returns are true, correct and up to date.

S Matheson
Company Secretary
21 September 2005

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the activities of the company and the group for the year ended 31 July 2005.

Nature of business

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

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

Basis of preparation

The financial statements of the group have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice. The accounting policies used are consistent with those of the prior year.

Operating leases

In terms of the new interpretation of AC105 on operating leases, the cost of operating leases is now smoothed over the period of the lease.

The effect of this change in accounting policy was determined not to be material at year end, however attention is drawn to the fact that going forward this may not remain the case and accordingly the impact thereof will be highlighted in future periods.

Trading results

The results of operations for the year ended 31 July 2005 are detailed in the following table:

R'000	Audited 2005	Audited 2004	Audited 2003
Revenue	**420 225**	299 535	175 969
Profit from operations before goodwill	**39 849**	24 404	18 050
Amortisation af goodwill	**–**	(1 125)	(1 123)
Impairment of goodwill	**(3 348)**	–	–
Taxation	**(12 699)**	(3 845)	(2 320)
Outside shareholders' interest	**–**	(300)	(212)
Profit for the period	**23 802**	19 134	14 395
Earnings per share (cents)	**47,32**	40,61	30,67
Headline earnings per share (cents)	**53,97**	42,84	33,06
Fully diluted earnings per share (cents)	**38,03**	36,79	29,43
Dividends per share (cents)	**11,50**	10,00	7,00

Group's financial position

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

Dividends

A cash dividend of 11,5 cents per share ("the dividend") has been declared and is payable to shareholders recorded in the books of the company at the close of business on Friday, 28 October 2005. Shareholders are advised that the last day to trade "cum" the dividend will be Friday, 21 October 2005. The shares will trade "ex" dividend as from Monday, 24 October 2004. Payment will be made on Monday, 31 October 2005. Share certificates may not be dematerialised or rematerialised during the period Monday, 24 October 2005 to Friday, 28 October 2005, both days inclusive.

Share capital

During the financial year the authorised share capital has remained unchanged.

At year end 247 819 EOH shares were owned by a wholly-owned subsidiary of EOH and will not be cancelled.

Ordinary shares

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

- Futuristix vendors – issued with 600 000 ordinary shares in terms of the second profit warranty payment, pursuant to the acquisition of the business operations of Futuristix.

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

- M-IT vendors – issued with 8 000 000 ordinary shares
- EOH Mthombo Trust – issued with 9 180 382 ordinary shares
- EOH Share Option Scheme – 765 000 ordinary shares issued to employees

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

	July 2005 %	July 2004 %
Non-public	**50,3**	59,8
– Directors and management	**47,7**	49,9
– The EOH Share Trust	**2,1**	7,4
– V55 Investments (Proprietary) Limited	**0,5**	2,5
Public	**49,7**	40,2
	100,0	100,0

Shareholder spread	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	76	11,1	34 849	0,1
1 001 – 10 000 shares	419	61.3	1 455 361	2,8
10 001 – 100 000 shares	159	23,3	3 772 052	7,4
100 001 – 1 000 000 shares	17	2,5	5 247 129	10,2
1 000 001 shares and over	12	1,8	40 757 965	79,5
	683	100,0	51 267 356	100,0

Distribution of shareholders	Number of shareholders	%	Number of shares	%
Banks	6	0,9	687 635	1,4
Close corporations	17	2,5	127 805	0,2
Endowment funds	6	0,9	18 000	0,1
Individuals	514	75,2	4 565 661	8,9
Insurance companies	5	0,7	113 787	0,2
Mutual funds	19	2,8	11 274 660	22,0
Nominees and trusts	72	10,5	4 849 299	9,5
Other corporations	14	2,0	159 400	0,3
Pension funds	5	0,7	3 117 000	6,1
Private companies	23	3,4	24 829 804	48,4
Public companies	1	0,2	428 262	0,8
Share trust	1	0,2	1 096 043	2,1
	683	100,0	51 267 356	100,0

DIRECTORS' REPORT (continued)

According to the records of the company, the only shareholders registered as holding three per cent or more of the company's shares at 31 July 2005, other than directors are the following:

	% held	Number of shares	
Major shareholders		**July 2005**	July 2004
ABSA Group Pension Fund	5,8	**2 973 000**	2 973 000
Moonland Trading (Pty) Limited	10,6	**5 410 000**	0
M Cubed	7,3	**3 756 908**	4 023 663
Sanlam	10,1	**5 192 962**	0
Shaparon Nominees (Proprietary) Limited	2,4	**1 207 605**	4 542 415
Wavetop Nominees (Pty) Limited	7,4	**3 782 215**	0
Prospect Reef Trading (Pty) Limited	6,5	**3 348 600**	11 758 600

Investments in subsidiary and associate companies

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

Acquisitions

The following acquisitions were completed during the period under review:

- The entire share capital of and claims against Intellient (Pty) Limited (previously Global Technology Business Intelligence (Pty) Limited). The consideration for the acquisition amounted to R4,75 million and was settled by EOH in cash. The effective date of the acquisition was 1 August 2004.
- The business operations of Idea 2 Action. The consideration for the acquisition was net asset value, amounting to R690 000. The effective date of the acquisition was 1 August 2004.
- The shares in and claims against Mthombo IT Services ('M-IT') from the M-IT vendors with effect from 1 November 2004, for a net acquisition consideration consisting of R6 million in cash and 8 000 000 EOH shares at R3,83 per share, together with the assumption of the M-IT IDC preference share liability, amounting to R5 million. The consideration shares were issued to the M-IT vendors on 17 October 2005, which are subject to the attainment of the first and second profit warranties. The M-IT vendors have agreed to pledge half the consideration shares to EOH until such time that the warranties referred to are met.
- An exclusive master reseller agreement for sub-Saharan Africa was concluded with Mercury Interactive, effective 1 April 2005. As part of this agreement, EOH employed the personnel and assumed responsibility for existing client maintenance agreements.

Directorate

The following directors served through the period:

Dr Nakedi Mathews Phosa[1,2,3]
Asher Bohbot[2,3]
Antonio Cocciante[2,3] (resigned 12 September 2005)
Rob Sporen[2] (Dutch)

Directorate (continued)

Jane Thomson

Ken Cullinan

John King

Dion Ramoo

Lucky Khumalo[3] (appointed 14 September 2005)

Nkosinathi Khumalo[2] (appointed 14 September 2005)

Steven Evans[2,3] (appointed 3 October 2005)

[1] Non-executive

[2] Audit committee member

[3] Remuneration committee member

Lucky Khumalo and Nkosinathi Khumalo were appointed as directors on 14 September 2005 and Steven Evans on 3 October 2005. A short *curriculum vitae* for these three directors is provided below:

Nkosinathi Khumalo – Executive Director

BCom (Wits), BCom (Honours UNISA), CAIB (SA), EDP (WBS)

Nkosinathi has five years of merchant banking experience with SCMB and Investec Bank as an Investment Analyst. He has served as Chief Executive Officer of M-IT for the last five years and also sits on the board of Rand Water and ACT. Nkosinathi and Lucky Khumalo are the founder members of M-IT, which is one of the few successful BEE start-ups in South Africa. The company is now one of the largest BEE IT services companies in the country and was voted the 2004 Top Black ICT Company by Forge Ahead and the Department of Communications.

Lucky Khumalo – Executive Director

BSc

Lucky is the Chief Operations Officer at M-IT, and holds the position of director on various other boards. Amongst his qualifications Lucky holds a BSc in Computer Science, Project Management and SCO Ace in Unix. He also has various technical and management qualifications.

Lucky started out his career as a programmer at Nampak in 1994 where he worked for a period of three years. In 1996, he was appointed a group systems manager at Saffer & Company, part of the Boumat Group where he managed over nine branches around the country. Lucky then joined Compaq Computers in 1999 as a technical accounts manager in charge of the MTN account, before becoming a Service Sales Account manager focusing on high availability and mission critical corporate customers.

In June 2000, Lucky became one of the founding members of M-IT.

His experience in Programming, Business Analysis coupled with strong management skills has awarded him an opportunity to work with clients such as MTN, SARS, Eskom, Telkom and Dimension Data.

In 2001, Lucky was voted the Top Black ICT Individual in the country for his role in making M-IT a successful BEE Services company.

DIRECTORS' REPORT (continued)

Steven Evans – Financial Director

BAcc, CA (SA)

Steven started his career in 1993 doing his articles at Price Waterhouse – where he worked in the audit division until early 1996, leaving to pursue a career in commerce and industry. He joined Van Leer SA as a BU financial manager in 1996 and then Game Stores in an executive management accounting role in early 1997. In October 1999 he joined Tourvest as its Group Financial Manager before being appointed Financial Director of Seekers Travel (a division of Tourvest) in 2001 and ultimately Financial Director of the Tourvest Outbound division in early 2005.

He was appointed Financial Director to EOH in October 2005.

Directors' interest in contracts

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

Directors' interest in the share capital of the company

At 31 July 2005 the directors' direct and indirect interest in the company's issued shares were as follows:

	Beneficial		Non-beneficial	
	July 2005	July 2004	**July 2005**	July 2004
Ordinary shares				
– directly				
Asher Bohbot	**123 106**	123 106		
– indirectly				
Asher Bohbot	**12 320 230**	13 220 230	**18 000**	18 000
Rob Sporen	**3 157 900**	3 457 900	**85 000**	85 000

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

- **Exercise and sale of share options – EOH Share Option Scheme**
  John King, exercised and sold 200 000 share options
  Dion Ramoo, exercised and sold 125 000 share options
- **Issue of vendor shares**
  Lucky Khumalo, 4 000 000 ordinary shares
  Nkosinathi Khumalo, 4 000 000 ordinary shares
- **Sale of beneficial shares**
  Rob Sporen, 100 000 ordinary shares

Share incentive scheme

The company has a share incentive scheme giving all directors and staff the opportunity to participate in the growth of the group. At 31 July 2005 there were 8 925 000 options outstanding.

Contingent liabilities

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

Subsequent events

Other than the events noted in the annual report, no material event or transaction has occurred subsequent to 31 July 2005 that warrants adjustment to, or notification in, the annual financial statements.

No change statement

This annual report for the year ended 31 July 2005 does not contain any material modifications to the audited results which were published on 21 September 2005.

INCOME STATEMENT

for the year ended 31 July 2005

	Notes	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
Revenue		420 225	299 535	–	930
Cost of sales		(262 771)	(185 263)	–	–
Gross profit		157 454	114 272	–	930
Dividend income		–	–	5 067	3 547
Depreciation		(5 774)	(4 825)	–	–
Amortisation of development costs		(2 040)	(2 024)	–	–
Impairment of goodwill		(3 348)	–	–	–
Amortisation of goodwill		–	(1 125)	–	–
Impairment of investment		–	–	–	(1 073)
Other expenses	2	(110 683)	(85 031)	(928)	(1 611)
Finance costs	3	(1 079)	(734)	–	–
Interest income		1 676	2 746	–	–
Share of profits of associate companies	4	295	–	–	–
Profit before tax		36 501	23 279	4 139	1 793
Taxation	6	(12 699)	(3 845)	5	(61)
Profit for the year		23 802	19 434	4 144	1 732
Attributable to:					
Equity holders of the parent		23 802	19 134	4 144	1 732
Outside shareholders' interest		–	300	–	–
		23 802	19 434	4 144	1 732
Earnings per share (cents)	7	47,32	40,61	8,24	3,68
Fully diluted earnings per share (cents)	7	38,03	36,79	6,62	3,33
Headline earnings per share (cents)	7	53,97	42,84	8,24	6,55
Fully diluted headline earnings per share (cents)	7	43,38	38,80	6,62	5,94
Dividends per share (cents)		11,50	10,00	11,50	10,00

	Notes	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
ASSETS					
Non-current assets		90 666	34 413	42 763	28 533
Property, plant and equipment	8	9 291	8 017	–	–
Goodwill	9	71 621	18 636	–	–
Other intangible assets	10	4 567	6 606	800	800
Investment in associates	11	815	–	–	–
Available for sale investments	12	–	–	41 589	27 343
Loans receivable	13	132	132	374	390
Deferred tax	14	4 240	1 022	–	–
Current assets		157 045	133 885	126	280
Inventory	15	1 295	55	–	–
Trade receivables	16	82 589	70 592	–	–
Other current assets	17	4 081	1 543	84	264
Cash and cash equivalents		69 080	61 695	42	16
Total assets		247 711	168 298	42 889	28 813
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent		89 038	67 548	10 648	10 653
Share capital	18	501	471	513	507
Share premium		10 797	8 306	12 249	11 337
Other reserves	19	705	471	–	–
Retained earnings		77 035	58 300	(2 114)	(1 191)
Non-current liabilities		3 653	2 825	137	142
Long-term borrowings	20	3 653	2 825	–	–
Deferred tax	14	–	–	137	142
Current liabilities		155 020	97 925	32 104	18 018
Trade and other payables	21	110 583	70 728	71	166
Current portion of long-term borrowings	20	34 927	22 375	32 160	17 906
Bank overdraft		723	–	–	–
Tax payable		8 787	4 822	(127)	(54)
Total equity and liabilities		247 711	168 298	42 889	28 813

STATEMENT OF CHANGES IN ORDINARY SHAREHOLDERS' INTEREST

for the year ended 31 July 2005

GROUP – R'000	Share capital	Share premium	Revaluation reserve	Translation reserve	Retained earnings	Outside shareholders interest	Total
Balance at 1 August 2003	487	9 069	252		42 713	212	52 733
Effects of consolidating The EOH Share Trust	(23)	(634)	6				(651)
Restated balance	464	8 435	258	–	42 713	212	52 082
Movement in treasury shares	7	238	158				403
Effects of consolidating The EOH Share Trust		(367)	55				(312)
Profit for the period					19 134		19 134
Dividends					(3 547)	–	(3 547)
Outside shareholders interest						(212)	(212)
Balance at 31 July 2004	**471**	**8 306**	**471**	**–**	**58 300**	**–**	**67 548**
Movement in treasury shares	**10**	**1 089**	**131**				**1 230**
Effects of consolidating The EOH Share Trust	**14**	**490**	**272**				**776**
Currency translation differences				**(169)**			**(169)**
Profit for the period					**23 802**		**23 802**
Dividends					**(5 067)**		**(5 067)**
Issue of share capital	**6**	**912**					**918**
Balance at 31 July 2005	**501**	**10 797**	**874**	**(169)**	**77 035**	**–**	**89 038**

COMPANY – R'000	Share capital	Share premium	Retained earnings	Total
Balance at 1 August 2003	507	11 337	624	12 468
Profit for the period			1 732	1 732
Dividends			(3 547)	(3 547)
Balance at 31 July 2004	507	11 337	(1 191)	10 653
Profit for the period			4 144	4 144
Dividends			(5 067)	(5 067)
Issue of share capital	6	912		918
Balance at 31 July 2005	**513**	**12 249**	**(2 114)**	**10 648**

		Group		Company	
	Notes	2005 R'000	2004 R'000	2005 R'000	2004 R'000
Cash flows from operating activities					
Cash generated from/(utilised in) operations	30	46 771	29 162	(928)	(398)
Movements in working capital	31	11 919	30 413	81	300
Cash generated by/(utilised in) operating activities		58 690	59 575	(847)	(98)
Share of profit of associate companies		295	–	–	–
Nett finance income		597	2 012	–	–
Taxation paid	32	(9 148)	(2 062)	(73)	(140)
Dividends paid	33	(5 063)	(3 531)	(5 063)	(3 531)
Dividends received		–	–	5 067	3 547
Net cash inflow/(outflow) from operating activities		45 371	55 994	(916)	(222)
Cash flows from investing activities					
Nett additions to tangible assets		(4 610)	(5 946)	–	–
Projects in progress		(1)	(130)	–	–
Post acquisition obligations		(5 975)	(26 660)	–	–
Movements in investments in subsidiaries		–	–	(45 712)	(45 686)
Movement in loan account with subsidiaries		–	–	33 261	28 145
Net cash effect on disposal of subsidiary		–	235	–	(127)
Net cash outflow required for acquisitions	34	(6 927)	(20 923)	–	–
Increase in investment in associate		(295)	–	–	–
Increase in investments		–	–	(1 795)	–
Net cash outflow from investing activities		(17 808)	(53 424)	(14 246)	(17 668)
Cash flows from financing activities					
Loans receivable repaid/(advanced)		(470)	–	16	–
Long-term borrowings (repaid)/raised		(3 035)	2 303	14 254	17 906
Share resale		1 061	404	–	–
The EOH Share Trust		776	(313)	–	–
Net proceeds on issue of ordinary share capital		918	–	918	–
Short-term borrowings (repaid)/raised		(20 151)	16 335	–	–
Net cash (outflow)/inflow from financing activities		(20 901)	18 729	15 188	17 906
Net movement in cash and cash equivalents		6 662	21 299	26	16
Cash and cash equivalents at beginning of the year		61 695	40 396	16	–
Cash and cash equivalents at end of the year	35	68 357	61 695	42	16

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 July 2005

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice on the historical cost basis, and incorporate the following principal accounting policies:

The financial statements set out on pages 20 to 47 are prepared on the historical cost basis and incorporate the principal accounting policies set out below. These significant accounting policies confirm with South African Statements of Generally Accepted Accounting Practice. These policies are consistent in all material respects with those applied in the previous year.

1.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and the enterprises controlled by the company (its subsidiaries) made up to 31 July each year. Control is achieved where the company has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

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

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

All significant inter-company transactions and balances between group enterprises are eliminated on consolidation.

1.2 Property, plant and equipment

Property, plant and equipment is stated at historical cost to the group, less accumulated depreciation.

Depreciation is calculated on historical cost using the straight-line method over the estimated useful life of the assets.

Major leasehold improvements are capitalised. Repairs and maintenance are expensed when incurred.

The gain or loss on disposal of an asset is determined as the difference between the sales proceeds and the net book value and is recognised in income.

1.3 Goodwill

Goodwill arising on consolidation represents the excess of the purchase consideration of the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess (deficiency) of the cost of acquisition over (below) the fair value of identifiable net assets is recognised as goodwill (negative goodwill). The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised

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

On disposal of subsidiaries, the attributable amount of goodwill or negative goodwill is included in the determination of the profit or loss on disposal.

1.4 Development costs

Expenditure on development is charged to income in the year in which it is incurred, except where a clearly defined project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity. Such development costs are recognised as an intangible asset and are amortised on a straight-line basis over the life of the project from the date of commencement of commercial operation, which is an average of three to five years.

Expenditure on research activities is recognised as an expense in the period in which it is accrued.

1. ACCOUNTING POLICIES (continued)

1.5 Associate companies

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

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

1.6 Investments

Investments, including those subsidiaries, are stated at cost, less amounts written off where there has been a permanent diminution in value.

Where an investment is acquired in a non-monetary exchange, its cost is determined by reference to its fair value at the effective date of acquisition. Where such fair value is not readily determinable, the cost is based on fair value of the asset given up.

Long-term investments, where the group is not in a position to exercise significant influence or joint control, are stated at cost less impairment loss, where the investment's carrying amount exceeds its estimated recoverable amount.

1.7 Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale.

1.8 Assets financed under finance lease

Leases are classified as finance leases where substantially all the risk and rewards associated with ownership of an asset are transferred from the lessor to the group as lessee.

Assets subject to finance lease agreements are capitalised, where material, at the cash cost equivalent and the corresponding liability to the lessor is raised. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income, and the capital repayment, which reduces the liability to the lessor.

These assets are depreciated on the same basis as similar categories of assets owned by the group or, where shorter, the term of the relevant lease.

1.9 Deferred taxation

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

1. ACCOUNTING POLICIES (continued)

1.9 Deferred taxation (continued)

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

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

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

1.10 Deferred expenditure and revenues

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

1.11 Revenue

Revenue represents the net invoiced value of goods and services provided to third parties (excluding Value Added Tax).

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

Software, outsourcing and services revenue

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

Hardware sales

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

Maintenance revenue

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

Deferred revenue

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

Interest income

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

1.12 Taxation

The charge for the current tax is based on the results of the year adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

1. ACCOUNTING POLICIES (continued)

1.13 Operating leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

1.14 Post retirement benefits

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

Defined contribution plans

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

1.15 Foreign currency transactions

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

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

Gains and losses are included in operating profit.

Unrealised gains and losses arising on currency forward contracts and options designated as hedges of identified exposures, are deferred and matched against gains and losses arising on the specified transactions.

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

1.16 Impairment

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another Standard, in which case the impairment loss is treated as a revaluation decrease under the Standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another Standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other Standard.

1. ACCOUNTING POLICIES (continued)

1.17 Financial instruments

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

Trade receivables and trade payables are stated at their nominal value. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts.

Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Equity instruments

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

With respect to preference share capital, where the substance of the transaction indicates a fixed term and borrowing amount, this is accounted for as a liability. Comparative numbers have been appropriately restated.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows relating to firm commitments and forecasted transactions are recognised directly in equity. If the hedged firm commitment or forecasted transaction results in recognition of an asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

1.18 Comparatives

Where necessary, comparative figures have been adjusted to allow for more meaningful comparison.

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
2. OTHER EXPENSES				
Other expenses include the following items:				
Auditors' remuneration				
– Services	(1 105)	(641)	(55)	(102)
Capital profit/(loss) on sale at subsidiary	–	79	–	(283)
Consulting fees	(781)	(696)	(48)	(130)
Contributions to defined contribution fund	(3 151)	(3 237)	–	–
Foreign exchange losses	–	(742)	–	–
Foreign exchange gains	1 791	–	–	–
Operating lease charges	–	–		
– land and buildings	(6 373)	(3 712)	–	–
– vehicles and equipment	(900)	(1 349)	–	–
Number of employees	860	636	–	–
3. FINANCE COSTS				
Interest paid	(858)	(668)		
Interest on obligations under finance leases	(221)	(66)	–	–
	(1 079)	(734)	–	–
4. SHARE OF PROFITS OF ASSOCIATE COMPANIES				
Share of post acquisition profit	295	–	–	–
	295	–	–	–

5. DIRECTORS' EMOLUMENTS

Directors' emoluments paid by subsidiary	Remuneration R'000	Bonuses R'000	Contributions to provident fund R'000	Directors' fees R'000	Total R'000
Executive directors					
2005					
Asher Bohbot	1 177	–	157		1 334
Antonio Cocciante	716	160	47		923
Ken Cullinan	871	120	36		1 027
John King	961	320	90		1 371
Dion Ramoo	802	365	61		1 228
Rob Sporen	922	400	–		1 322
Jane Thomson	783	350	–		1 133
	6 232	1 715	391		8 338
2004	5 707	1 340	318		7 365
Non-executive directors					
2005					
Dr Nakedi M Phosa	–	–	–	589	589
2004	–	–	–	377	377

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
6. TAXATION				
Comprising:				
South African normal taxation:	10 588	4 784	–	37
Current year	10 979	4 784	–	37
Prior year over provision	(391)	–	–	–
Deferred taxation:	1 478	(1 382)	(5)	24
Current year	1 303	(1 382)	–	24
Increase due to rate change	175	–	(5)	–
STC	633	443	–	–
	12 699	3 845	(5)	61
Reconciliation of tax rate:	%	%	%	%
Standard rate of taxation	29,0	30,0	29,0	30,0
Amortisation and impairment of goodwill	2,7	–	–	–
Assessed losses not provided for	2,4	–	6,2	–
Assessed losses utilised	(1,1)	(19,6)	–	–
Disallowable expenses	0,6	4,2	0,3	9,2
Non-taxable income	–	–	(35,5)	(37,1)
Prior year tax adjustments	(1,0)	–	–	–
Deferred tax rate change	0,5	–	(0,1)	–
STC	1,7	1,9	–	–
Effective rate of taxation	34,8	16,5	(0,1)	2,1
7. EARNINGS PER SHARE				
Profit for the year	23 802	19 434	4 144	1 732
Attributable to minority interests	–	(300)	–	–
Profit for the purposes of basic earnings per share and diluted earnings per share	23 802	19 134	4 144	1 732
Weighted average number of ordinary shares for the purposes of basic earnings per share and headline earnings per share ('000)	50 305	47 111	50 305	47 111
Weighted average number of ordinary shares for the purposes of fully diluted earnings per share ('000)	62 585	52 012	62 585	52 012
HEADLINE EARNINGS PER SHARE				
Earnings for the purposes of basic earnings per share	23 802	19 134	4 144	1 732
(Profit)/loss on sale of subsidiary	–	(79)	–	283
Goodwill impaired/amortised	3 348	1 125	–	–
Investment impaired	–	–	–	1 073
Profit for the purposes of headline earnings and diluted earnings per share	27 150	20 180	4 144	3 088

8. **PROPERTY, PLANT AND EQUIPMENT**

GROUP	Software R'000	Computer equipment R'000	Leasehold improvements R'000	Motor vehicles R'000	Furniture and fittings R'000	Office equipment R'000	Total R'000
COST – OWNED							
Opening balance	2 072	13 334	–	728	2 564	2 325	21 023
Additions	2 088	2 923	–	289	1 089	243	6 632
Disposals	(42)	(963)		(296)	(884)	(97)	(2 282)
Transfers		95			48	106	249
Closing balance	**4 118**	**15 389**	**–**	**721**	**2 817**	**2 577**	**25 622**
ACCUMULATED DEPRECIATION – OWNED							
Opening balance	1 103	9 271	–	365	1 561	875	13 175
Depreciation	1 480	2 774	–	172	387	450	5 263
Disposals	(42)	(659)		(152)	(869)	(6)	(1 728)
Transfers		95			29	78	202
Closing balance	**2 541**	**11 481**	**–**	**385**	**1 108**	**1 397**	**16 912**
COST – LEASED							
Opening balance	–	135	303	–	48	106	592
Additions	–	900	70	–	–	–	970
Transfers	–	(95)	–	–	(48)	(106)	(249)
Closing balance	**–**	**940**	**373**	**–**	**–**	**–**	**1 313**
ACCUMULATED DEPRECIATION – LEASED							
Opening balance	–	124	192	–	29	78	423
Depreciation	–	411	100	–	–	–	511
Transfers	–	(95)	–	–	(29)	(78)	(202)
Closing balance	**–**	**440**	**292**	**–**	**–**	**–**	**732**
NET BOOK VALUE							
31 July 2004	969	4 074	111	363	1 022	1 478	8 017
31 July 2005	**1 577**	**4 408**	**81**	**336**	**1 709**	**1 180**	**9 291**

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

	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
9. GOODWILL				
Cost				
Opening balance	22 421	21 493	–	–
Arising on acquisition of subsidiaries	56 333	928		
Closing balance	78 754	22 421	–	–
Amortisation/impairment				
Opening balance	3 785	2 660	–	–
Impairment provision	3 348	–	–	–
Amortisation	–	1 125	–	–
Closing balance	7 133	3 785	–	–
	71 621	18 636	–	–
10. OTHER INTANGIBLE ASSETS				
Development costs				
Cost				
Opening balance	8 390	8 260	–	–
Additions	1	130	–	
Closing balance	8 391	8 390	–	–
Amortisation				
Opening balance	(4 474)	(2 450)	–	–
Amortisation	(2 040)	(2 024)	–	–
Closing balance	(6 514)	(4 474)	–	–
Trade names				
Cost				
Opening balance	2 690	2 690	800	800
Closing balance	2 690	2 690	800	800
	4 567	6 606	800	800

	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
11. INVESTMENT IN ASSOCIATES				
Share of post acquisition profits	295	–	–	–
Loans to associates	520	–	–	–
Closing balance	815	–	–	–
Directors' valuation	815	–	–	–
Investment in associates comprise the following entities:				
AMC IT Services (Proprietary) Limited The group holds 32,5% of the voting rights of this entity and exercises significant influence over the entity. The accounting year end of the associate is 30 June 2005.				
Invision IT (Proprietary) Limited The group holds 50% of the voting rights of this entity, exercises significant influence but does not exercise control over the entity. The accounting year end of the associate is 31 July 2005.				
Summary financial information				
Assets	1 308	–	–	–
Liabilities	862	–	–	–
Revenue	78 945	–	–	–
Net profit after tax	666	–	–	–
12. AVAILABLE FOR SALE INVESTMENTS				
Interest in subsidiaries				
Shares at cost	–	–	92 837	47 125
Amounts due to subsidiaries	–	–	(51 970)	(18 709)
Impairment provision	–	–	(1 073)	(1 073)
	–	–	39 794	27 343
Details of subsidiaries are reflected in Annexure A.				
Investment in unlisted companies				
Shares at cost	–	–	1 795	–
Directors' valuation	–	–	1 795	–
	–	–	41 589	27 343

	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
13. LOANS RECEIVABLE				
The EOH Share Trust	–	–	374	390
Vebus Business Systems CC	132	132	–	–
	132	132	374	390
The loans are unsecured, interest free and have no fixed terms of repayment.				
14. DEFERRED TAX				
Balance at beginning of the year	1 022	(360)	(142)	(118)
Income statement movement	(1 303)	1 382	–	(24)
Adjustment due to income tax rate change	(175)	–	5	–
Subsidiaries acquired	4 696	–	–	–
Balance at end of the year	4 240	1 022	(137)	(142)
Provision for taxation on temporary differences resulting from:				
– provisions and allowances	(521)	168	–	–
– leased assets	147	–	–	–
– leased liabilities	(268)	–	–	–
– prepaid expenses	(71)	–	–	–
– development costs	(847)	(273)	(137)	(142)
– assessed losses	35	–	–	–
– deferred revenue	5 765	1 127	–	–
	4 240	1 022	(137)	(142)
Comprising				
– assets	5 340	1 295	–	–
– liabilities	(1 100)	(273)	(137)	(142)
	4 240	1 022	(137)	(142)
Deferred tax assets have been raised to the value of R34 554 (2004 – Rnil) in respect of estimated assessed losses.				
No deferred tax asset was raised on estimated assessed losses amounting to R2 369 930 (2004 – R1 475 976) due to the unpredictability of future profit streams.				
15. INVENTORY				
Consumables	1 094	–	–	–
Merchandise for resale	201	55	–	–
	1 295	55	–	–

	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
16. TRADE RECEIVABLES				
Trade receivables	95 523	87 379	–	–
Provision for doubtful debts	(12 934)	(16 787)	–	–
	82 589	70 592	–	–
17. OTHER CURRENT ASSETS				
Prepaid expenses	2 069	–	38	28
Other receivables	2 012	1 543	46	236
	4 081	1 543	84	264
18. SHARE CAPITAL				
Authorised				
100 000 000 ordinary shares of 1 cent each	1 000	1 000	1 000	1 000
Issued				
Opening balance	471	464	507	507
Share issues	6	–	6	–
Movement in treasury shares	24	7	–	–
Closing balance	501	471	513	507
Number of shares				
Opening balance	50 667	50 667	50 667	50 667
Share issues	600	–	600	–
Closing balance	51 267	50 667	51 267	50 667
The balance of the unissued ordinary shares are under the control of the directors until the next annual general meeting, subject to the provisions of Section 221 of the Companies Act and the requirements of the JSE.				
19. OTHER RESERVES				
Revaluation reserve				
Opening balance	471	258	–	–
Movement in treasury shares	131	158	–	–
Shares held in The EOH Share Trust	272	55	–	–
Closing balance	874	471	–	–
Translation reserve				
Opening balance	–	–	–	–
Currency translation differences	(169)	–	–	–
Closing balance	(169)	–	–	–
Total carrying value of other reserves	705	471	–	–

	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
20. LONG-TERM BORROWINGS				
Amounts due to vendors	32 864	22 375	32 160	17 906
The amounts due from vendors represent purchase consideration owing in respect of acquisitions and will be settled through the issue of shares or cash resources when the relevant profit warranties have been fulfilled.				
The amounts owing are interest free and will be settled within the next year.				
Unsecured				
L Khumalo	65	–	–	–
N Khumalo	65	–	–	–
Mthombo Bench (Pty) Limited	153	–	–	–
The loans are interest free and have no fixed terms of repayment.				
Secured				
Industrial Development Corporation of South Africa Limited	3 549		–	
Loan bearing interest at the bank prime overdraft rate per annum repayable in monthly instalments of R105 000 commencing 1 August 2004. Secured by a cession and pledge of the company shares held by the shareholder.				
Finance lease	1 884	2 825	–	–
Finance leases secured by movable assets as detailed in note 8. Repayable in monthly instalments of R155 238 including interest at prime overdraft rates.				
Total liability	38 580	25 200	32 160	17 906
Current portion of long-term borrowings	(34 927)	(22 375)	(32 160)	(17 906)
Total long-term borrowings	3 653	2 825	–	–
Payable in two years but no later than five	3 653	2 825	–	–
21. TRADE AND OTHER PAYABLES				
Trade payables	25 414	10 783	51	142
Other payables	48 693	31 968	–	8
Deferred revenue	36 456	27 961	–	–
Shareholders for dividends	20	16	20	16
	110 583	70 728	71	166
22. CAPITAL COMMITMENTS				
Approved by directors				
– Contracted for	3 000	3 500		
– Not contracted for	4 500	–	–	–
	7 500	3 500	–	–

	Group		Company	
	2005	2004	**2005**	2004
	R'000	R'000	**R'000**	R'000
23. OPERATING LEASE COMMITMENTS				
Future lease charges for premises, equipment and office furniture				
– Payable within one year	**2 529**	812	**–**	–
– Payable in two years but not later than five	**1 091**	2 013	**–**	–
	3 620	2 825	**–**	–
Subsequent to year end, new leases have been entered and existing leases renewed. As a result of this the future lease charges at year end, incorporating these is:				
– Payable within one year	**4 727**			
– Payable in two years but not later than five	**6 190**			
	10 917			

24. FINANCIAL INSTRUMENTS

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

Credit risk management

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

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

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

Interest rate risk.

The group adopts a policy of ensuring that its borrowings are at market related rates to address its interest rate risk.

Liquidity risk

The group has minimised its illiquidity risk by ensuring that it has adequate banking facilities and reserve borrowing capacity.

Fair values

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

Currency risk

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

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

	Currency	**R'000**
Uncovered receivables	USD	6 503
Uncovered receivables	GBP	–
Uncovered receivables	EU	1 835
Uncovered receivables	AUD	25
Uncovered payables	USD	9 538
Uncovered payables	GBP	42

25. RETIREMENT BENEFIT INFORMATION

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

26. RELATED PARTY TRANSACTIONS

The subsidiaries within the group are identified in Annexure A.

All of these entities are related parties of the company.

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

27. SUBSEQUENT EVENTS

Other than the events noted in the annual report, no material event or transaction has occurred subsequent to 31 July 2005 that warrants adjustment to, or notification in, the annual financial statements.

28. CONTINGENT LIABILITIES

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

29. SEGMENTAL REPORTING

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

	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
30. CASH GENERATED FROM/(UTILISED IN) OPERATIONS				
Profit before taxation	36 501	23 279	4 139	1 793
Share of profit of associate companies	(295)	–	–	–
Nett finance income	(597)	(2 012)	–	–
Dividends received	–	–	(5 067)	(3 547)
Depreciation	5 774	4 825	–	–
Impairment of goodwill	3 348	–	–	–
Amortisation of goodwill	–	1 125		
Amortisation of development costs	2 040	2 024	–	–
Capital (profit)/loss on sale of subsidiary	–	(79)	–	283
Impairment of investment	–	–	–	1 073
	46 771	29 162	(928)	(398)
31. MOVEMENTS IN WORKING CAPITAL				
(Increase)/decrease in inventories	(1 240)	23	–	–
Decrease/(increase) in trade receivables and other current assets	(14 535)	(43 609)	180	(42)
Increase/(decrease) in trade and other payables	42 070	31 059	(99)	342
Acquisition working capital	(14 376)	42 940	–	–
	11 919	30 413	81	300

	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
32. TAXATION PAID				
Amounts owing at beginning of the year	(4 822)	(1 656)	54	(49)
Acquired opening balances	(1 892)	–	–	–
Amount charged to income statement (excluding deferred taxation)	(11 221)	(5 228)	–	(37)
Amounts unpaid at end of the year	8 787	4 822	(127)	(54)
	(9 148)	(2 062)	(73)	(140)
33. DIVIDENDS PAID				
Dividends declared	(5 067)	(3 547)	(5 067)	(3 547)
Movement in shareholders for dividends	4	16	4	16
	(5 063)	(3 531)	(5 063)	(3 531)
34. NET CASH OUTFLOW REQUIRED FOR ACQUISITIONS				
During the year, the group acquired the entire issued share capital of Mthombo IT Services (Pty) Ltd.				
The assets and liabilities at the date of acquisition were as follows:				
Property, plant and equipment	(1 450)	–	–	–
Inventory	(1 111)	–	–	–
Trade receivables	(9 567)	–	–	–
Loans receivable	(50)	–	–	–
Cash and cash equivalents	(3 384)	–	–	–
Long-term borrowings	5 678	–	–	–
Deferred tax	(554)	–	–	–
Trade and other payables	10 621	–	–	–
Current tax payable	2 967	–	–	–
Net assets	3 150	–	–	–
Goodwill	(41 723)	–	–	–
Purchase consideration	(38 573)			
Shares to be issued	30 640			
Cash and cash equivalents purchased	3 384			
Net cash outflow required for acquisition	(4 549)	–	–	–

	Group		Company	
	2005 R'000	2004 R'000	2005 R'000	2004 R'000
34. NET CASH OUTFLOW REQUIRED FOR ACQUISITIONS (continued)				
During the year, the group acquired the entire issued share capital of Intellient (Pty) Ltd.				
The assets and liabilities at the date of acquisition were as follows:				
Property, plant and equipment	(988)	–	–	–
Deferred tax	(4 142)	–	–	–
Trade receivables	(16 585)	–	–	–
Current tax receivable	(1 075)	–	–	–
Cash and cash equivalents	(2 777)	–	–	–
Long-term borrowings	248	–	–	–
Trade and other payables	31 018	–	–	–
Net assets	5 699	–	–	–
Goodwill	(10 854)	–	–	–
Purchase consideration	(5 155)	–	–	–
Cash and cash equivalents purchased	2 777	–	–	–
Net cash outflow required for acquisition	(2 378)	–	–	–
During the prior year the group acquired the entire issued share capital of Atos KPMG Consulting (Pty) Ltd.				
The assets and liabilities at the date of acquisition were as follows:				
Fixed assets	–	(3 046)		
Trade and other receivables	–	(59 789)		
Cash and cash equivalents	–	(2 145)		
Trade and other payables	–	16 589		
Deferred revenue	–	260		
Net assets	–	(48 131)		
Goodwill	–	25 063		
Purchase consideration	–	(23 068)		
Cash and cash equivalents purchased	–	2 145		
Net cash outflow required for acquisition	–	(20 923)		
	(6 927)	(20 923)	–	–
35. CASH AND CASH EQUIVALENTS				
Bank balances and cash	69 080	61 695	42	16
Bank overdrafts	(723)	–	–	–
Cash and cash equivalents	68 357	61 695	42	16

ANNEXURE A – SUBSIDIARY COMPANIES

at 31 July 2005

Name of company	Country of incorporation	Issued share capital 2005 R'000	Issued share capital 2004 R'000	Effective shareholding 2005 %	Effective shareholding 2004 %	Cost of shares 2005 R'000	Cost of shares 2004 R'000	Book value of company interest and indebtedness 2005 R'000	Book value of company interest and indebtedness 2004 R'000
Direct subsidiaries									
EOH Consulting Services (Proprietary) Limited	South Africa	0,1	0,1	100	100	0,1	0,1	(21 493)	4 303
Enterprise Logistics Solutions (Proprietary) Limited	South Africa	0,1	0,1	100	100	0,1	0,1	25	25
Enterprise Implementation Solutions (Proprietary) Limited	South Africa	0,3	0,3	100	100	0,3	0,3	–	–
Enterprise Outsourcing Solutions (Proprietary) Limited	South Africa	0,1	0,1	100	100	0,1	0,1	–	–
Technolease (Proprietary) Limited	South Africa	7,7	7,7	100	100	7,7	7,7	(8)	(8)
Enterprise Softworks (Proprietary) Limited	South Africa	9,0	9,0	100	100	–	–	–	–
V55 Investments (Proprietary) Limited	South Africa	0,1	0,1	100	100	0,1	0,1	(1 481)	–
Jent Solutions (Proprietary) Limited	South Africa	0,1	0,1	100	100	0,1	0,1	–	–
Enterprise 21 Solutions (Proprietary) Limited	South Africa	0,1	0,1	100	100	0,1	0,1	–	–
EOH Consulting Services (Western Cape) (Proprietary) Limited	South Africa	0,1	0,1	100	100	3 270	3 270	–	–
EOH Consulting (Proprietary) Limited	South Africa	1,0	1,0	100	100	43 846	43 846	(23 958)	(23 029)
Intellient (Proprietary) Limited	South Africa	1,0	–	100	–	7 140	–	(3 055)	–
Mthombo IT Services (Proprietary) Limited	South Africa	0,5	–	100	–	38 573	–	(2 000)	–
Indirect subsidiaries									
Enterprise Outsourcing (Western Cape) (Proprietary) Limited	South Africa	0,1	0,1	100	100	–	–	–	–
EOH Consulting Services (Eastern Cape) (Proprietary) Limited	South Africa	0,1	0,1	90	70	–	–	–	–
EOH Consulting Services KZN (Proprietary) Limited	South Africa	0,1	0,1	70	70	–	–	–	–
ESP Solutions (Proprietary) Limited	South Africa	0,1	0,1	100	100	–	–	–	–
Intelliware (Proprietary) Limited	South Africa	10,0	10,0	100	100	–	–	–	–
EOH Academy (Proprietary) Limited	South Africa	1,0	1,0	100	100	–	–	–	–
EOH Consulting (Botswana) (Proprietary) Limited	Botswana	0,2	0,2	99	99	–	–	–	–
						92 837	47 125	(51 970)	(18 709)
Less: Impairment provision						(1 073)	(1 073)		
						91 764	46 052	(51 970)	(18 709)

NOTICE OF ANNUAL GENERAL MEETING

EOH Holdings Limited

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

If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant ("CSDP"), broker, banker, attorney, accountant or other professional adviser immediately.

Notice is hereby given that the seventh Annual General Meeting of shareholders of the company will be held on Wednesday, 15 February 2006 at 10:00 in the boardroom of the company, Ground Floor, Block D, Gillooly's View, 1 Osborne Lane, Bedfordview to conduct the following business:

1) To receive, consider and adopt the annual financial statements of the company and the group for the financial year ended 31 July 2005, including the directors' report and the report of the auditors therein.

2) To elect Mr Steven Evans, who was appointed to the board subsequent to year end. Steven's brief *curriculum vitae* is provided on page 24 of the annual report.

3) To re-elect Mrs Jane Thomson, who retires as a director in terms of the company policy, but being eligible to do so, offers herself for re-election.

   In Jane's early career she worked as a Programmer, a Systems Analyst and then as an IT manager for a subsidiary of 3M. On joining the Barloworld Group in 1986, Jane held a number of positions with responsibilities in different portfolios including Divisional Information Systems Manager for the Oils and Shipping Division of Tiger Oats, guiding these companies in compiling and executing their IT strategies including the selection and successful implementation of appropriate ERP solutions. After project managing a Baan implementation at a Barloworld subsidiary, Jane joined the then Q Data in the mid 1990s to run the newly formed Baan Consulting division.

   During 1997, Jane responded to the challenge to start Brainware ERP, as a reseller and consulting partner for Baan. The company joined with Baan SA in 1999 when Jane accepted an offer from Baan SA to take up the role of Services Director, responsible for consulting and support. A management buy-out from Baan SA formed Softworx. Soon thereafter Jane joined the EOH group in 2000 when the group acquired Softworx. Jane runs the Softworx business that is responsible for the SSA Global cluster – being master reseller and representative of SSA Global in the sub-Saharan region: marketing, selling (both directly and through an indirect channel of partners), implementing and supporting the solutions from SSA Global.

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

   Ken practised as an industrial Engineer and Materials Manager for 12 years prior to joining Data Technologies, an IBM subsidiary. At Data Technologies he assisted in establishing a Unix division focusing on the sale and implementation of products such as Chameleon and Impact running on the IBM RS6000. Ken moved to KwaZulu Natal in 1992 where he co-owned IBS, a JD Edwards consulting practice. In 1998 he participated in a merger between IBS, Deloitte and Touche and Q-Inter forming a new entity, Deloitte and Touche Active Era. During the years from 1992 to 2001, Ken was extensively involved in Project Managing and Consulting on a variety of JD Edwards implementations throughout South Africa. In 2001 Ken joined EOH to establish J-Enterprise, focusing on the implementation and support of the JD Edwards suite of products. Ken has vast experience in manufacturing, supply chain management and logistics as well as general business management.

5) To approve the directors' remuneration for the year ended 31 July 2005 as reflected in note 18 to the annual financial statements.

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

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

ORDINARY RESOLUTION NUMBER 1

Control of authorised but unissued ordinary shares

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

ORDINARY RESOLUTION NUMBER 2

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

8) "Resolved that the directors of the company and/or of its subsidiaries be and are hereby authorised, by way of a general authority, to -

- allot and issue, or to issue any options in respect of all or any of the authorised but unissued ordinary shares in the capital of the company; and/or
- sell or otherwise dispose of or transfer, or issue any options in respect of ordinary shares purchased by subsidiaries of the company;

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

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

- the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue may only be made to "public shareholders" as defined in the JSE Listings Requirements and not to related parties;
- the number of ordinary shares issued for cash shall not in any one financial year in the aggregate exceed 15% (fifteen percent) of the number of issued ordinary shares. The number of ordinary shares which may be issued

shall be based, *inter alia,* on the number of ordinary shares in issue, added to those that may be issued in future (arising from the conversion of options/convertibles) at the date of such application, less any ordinary shares issued, or to be issued in future arising from options/convertible ordinary shares issued during the current financial year; plus any ordinary shares to be issued pursuant to a rights issue which has been announced, is irrevocable and is fully underwritten, or an acquisition which has had final terms announced;

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

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

SPECIAL RESOLUTION

General approval to repurchase shares

9) "Resolved that, as a general approval contemplated in sections 85(2) and 85(3) of the Companies Act (Act 61 of 1973), as amended ("the Act"), the acquisition by the company, and/or any subsidiary of the company, from time to time of the issued ordinary shares of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, but subject to the articles of association of the company, the provisions of the Act and the JSE Limited ("JSE") Listings Requirements, where applicable, and provided that:

- the acquisition of securities will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter party;
- this general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which the company's ordinary shares are acquired by the company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten per cent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) trading days immediately preceding the date of the repurchase of such ordinary shares by the company;
- the acquisitions of ordinary shares in the aggregate in any one financial year do not exceed 20% (twenty per cent) of the company's issued ordinary share capital from the date of the grant of this general authority;

- the company and the group are in a position to repay their debt in the ordinary course of business for the following year;
- the consolidated assets of the company, being fairly valued in accordance with Generally Accepted Accounting Practice, are in excess of the consolidated liabilities of the company for the following year;
- the ordinary capital and reserves of the company and the group are adequate for the next twelve months;
- the available working capital is adequate to continue the operations of the company and the group in the following year;
- upon entering the market to proceed with the acquisition, the company's Sponsor has complied with its responsibilities contained in Schedule 25 of the JSE Listings Requirements;
- after such repurchase the company will still comply with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread requirements;
- the company or its subsidiaries will not acquire securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- when the company has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% in aggregate of the initial number of that class acquired thereafter, an announcement will be made; and
- the company only appoints one agent to effect any acquisition(s) on its behalf."

Reason for and effect of Special Resolution

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

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

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

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

- directors and management – page 22;
- major shareholders of EOH – page 22;
- directors' interests in securities – page 24; and
- share capital of the company – page 21.

Material change

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

NOTICE OF ANNUAL GENERAL MEETING (continued)

Directors' responsibility statement

The directors, whose names are given on page 22 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the Special Resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all such information.

Litigation statement

Save as disclosed in note 28 of the financial statements, the directors whose names are given on page 22 of the annual report, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the group's financial position.

VOTING AND PROXIES

A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company. For the convenience of registered members of the company, a form of proxy is enclosed herewith.

The attached form of proxy is only to be completed by those ordinary shareholders who:

- hold ordinary shares in certificated form; or
- are recorded on the sub-register in "own name" dematerialised form.

Ordinary shareholders who have dematerialised their ordinary shares through a CSDP or broker other than with "own name" registration and wish to attend the annual general meeting, must instruct their CSDP or broker to provide them with the relevant Letter of Representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

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

By order of the board

S Matheson
Company Secretary

24 January 2006
Johannesburg

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Printed by Ince (Pty) Ltd

FORM OF PROXY

EOH Holdings Limited

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

For the use by certificated shareholders or dematerialised shareholders registered with "own-name" registration only, at the annual general meeting of shareholders of the company to be held in the boardroom of the company, Ground Floor, Block D, Gillooly's View, 1 Osborne Lane, Bedfordview, on Wednesday, 15 February 2006 commencing at 10:00.

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

I/We

(name/s in block letters)

of

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

1. or failing him/her,

2. or failing him/her,

3. the Chairperson of the annual general meeting,

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

	Number of shares		
	In favour of	Against	Abstain
1. To receive, consider and adopt the annual financial statements of the company and the group for the financial year ended 31 July 2005			
2. To elect as a director, Mr S Evans who was appointed after year end			
3. To re-elect as a director, Mrs J Thomson who is retiring by rotation			
4. To re-elect as a director, Mr K Cullinan who is retiring by rotation			
5. To approve the directors' remuneration for the year ended 31 July 2005			
6. To confirm the re-appointment of the auditors, IAPA Johannesburg, for the ensuing financial year and to authorise the directors to determine the auditors' remuneration			
7. Ordinary Resolution Number 1 Control of authorised but unissued ordinary shares			
8. Ordinary Resolution Number 2 Approval to issue ordinary shares for cash			
9. Special Resolution General approval to repurchase shares			

Signed at on 2006

Signature

Assisted by (where applicable)

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

NOTES

1. The form of proxy must only be used by shareholders who hold shares that are not dematerialised or who hold dematerialised shares in their "own name".
2. A shareholder entitled to attend and vote may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the Chairperson of the annual general meeting". A proxy need not be a shareholder of the company. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each share held. A shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the shareholder in the appropriate box(es). Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes.
4. A vote given in terms of an instrument of proxy shall be valid in relation to the annual general meeting notwithstanding the death of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the vote is given, unless an intimation in writing of such death, revocation or transfer is received by the transfer secretaries not less than 48 hours before the commencement of the annual general meeting.
5. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the annual general meeting be proposed, the proxy shall be entitled to vote as he/she thinks fit.
6. The Chairperson of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
8. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company or unless this requirement is waived by the Chairperson of the annual general meeting.
9. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the company.
10. Where there are joint holders of shares:

    10.1. any one holder may sign the form of proxy;

    10.2. the vote(s) of the senior shareholder (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
11. Forms of proxy should be lodged with or mailed to Computershare Investor Services 2004 (Proprietary) Limited:

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

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

    to be received by no later than 10:00 on Monday, 13 February 2006 (or 48 hours before any adjournment of the annual general meeting which date, if necessary, will be notified in the press).
12. Any alteration or correction made to this form of proxy, other than the deletion of alternatives, must be initialled by the signatory/ies.

www.eoh.co.za