



INTEGRATED ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE

2019



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NAVIGATION TOOLKIT

-  Reference marker for additional information on the website, www.adaptit.com
-  Reference marker for additional information in the Integrated Annual Report
-  Reference marker for additional information in the Sustainability Report



ABOUT OUR INTEGRATED ANNUAL REPORT

Adapt IT Holdings Limited ("Adapt IT" or "the company") presents its 2019 Integrated Annual Report, which provides an overview of its strategy, risks and opportunities, governance and performance for the year ended 30 June 2019, and how these factors create value for stakeholders over the short-, medium-, and long-term.

SCOPE AND BOUNDARY

The Adapt IT Integrated Annual Report for the period from 1 July 2018 to 30 June 2019 covers information from all operating divisions and where additional information is available, it is clearly indicated. For a comprehensive overview, it is recommended that this report is read in conjunction with the information available on the Adapt IT website (www.adaptit.com).



The Integrated Annual Report is the primary report in a suite of publications that caters for the needs of our stakeholders. Stakeholders are also referred to the Sustainability Report on the website (www.adaptit.com), covering Adapt IT's social, economic and environmental impacts and how these contribute to sustainability.



This report has been prepared in compliance with applicable legislative reporting requirements, including principally, the International Financial Reporting Standards (IFRS), the Companies Act of South Africa and the Listings Requirements of the Johannesburg Stock Exchange, the JSE Limited (JSE) (JSE Listings Requirements).

In drafting the report, Adapt IT has also been guided by the fundamental concepts and guiding principles of the International Integrated Reporting <IR> Framework issued by the International Reporting Council, as well as the principles of the King IV™ Report on Corporate Governance, both of which Adapt IT remains committed to adopting.

MATERIALITY

Our material issues are those that matter most to our key stakeholders and that have an impact on our ability to create value. An issue is considered to be material if it has the potential to substantially impact on our commercial viability, our social relevance and the quality of relationships with our stakeholders. Our material issues are informed by the economic, social and environmental context in which we operate. These issues encompass the risks and opportunities associated with our strategic priorities, see pages 16 to 19 that impact the company's ability to realise its strategy.



How we determined our material issues:

- Engaged with external and internal stakeholders to focus on the opportunities and threats encountered by Adapt IT
- Developed a list of material issues, supplemented by a review of emerging risks and strategic priorities
- Assessed where there was alignment across the divisions
- Engaged with internal stakeholders to test the completeness of the list of material issues
- Developed a final list of material issues in consultation with the executive committee
- The list has been reviewed and approved by the Audit and Risk as well as the Social and Ethics Committees

The risk management process adopted involves:

- Identifying and understanding business strategy and activities
- Methodically identifying the risks surrounding our business strategy and activities
- Setting tolerance levels and assessing the impact and likelihood of the events occurring to establish the inherent risk
- Assigning owners to the risks, identifying current controls and rating the effectiveness thereof
- Identifying and implementing additional controls to reduce residual risks to an acceptable level
- Reporting and monitoring the effectiveness of the risk management approach and controls identified

ASSURANCE

Adapt IT has adopted a combined assurance framework that the board of directors (board) believes is appropriate with respect to Adapt IT's stage of development and strategies. This framework is overseen by the Audit and Risk Committee and involves obtaining assurance from executive and senior management, internal assurance providers and external assurance providers on risk areas identified.

As part of the adoption of Adapt IT's assurance framework, the following specific external assurances were obtained:

Business process	Nature of assurance	Status	Provider
Financial/operational			
Annual financial statements	External assurance	Assured	Deloitte & Touche
Internal audit	Internal assurance (outsourced)	Assured	KPMG
Empowerment			
B-BBEE	BEE Scorecard	In progress	Empowerlogic (Pty) Ltd
Ethics			
Whistleblowing hotline	External assurance	In place	KPMG
Anti-Bribery and Corruption Policy	Internal assurance	In place	Internal register

BOARD APPROVAL

Adapt IT's board acknowledges responsibility for ensuring the integrity of the Integrated Annual Report. Following collective assessment, the Audit and Risk Committee, responsible for oversight of the Integrated Annual Report, recommended approval of the report by the board.

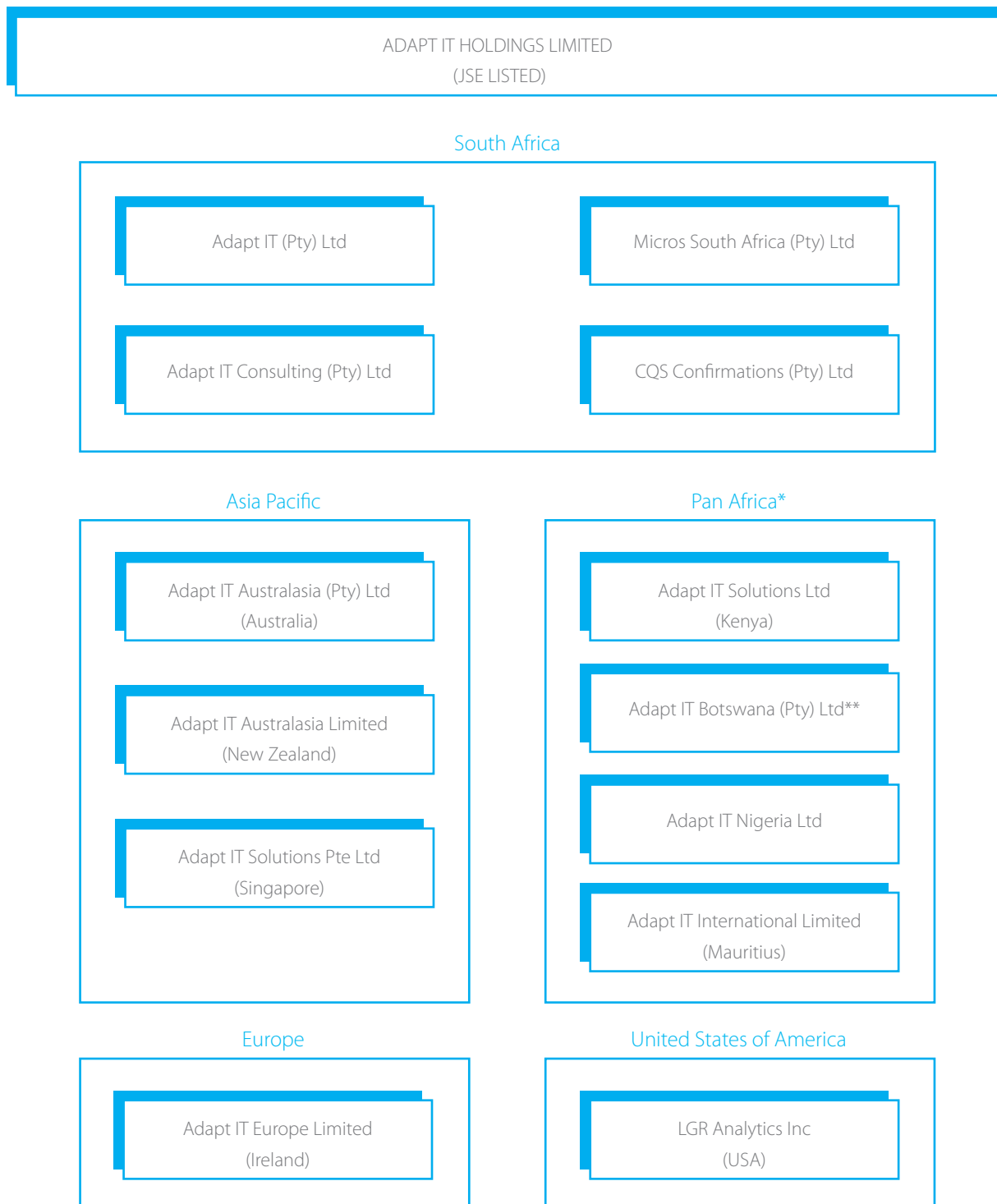
In the board's opinion, the Integrated Annual Report provides a fair and balanced representation of the integrated performance of the company and addresses all material issues and presents the integrated performance of Adapt IT fairly and without prejudice. The board accordingly approved the 2019 Integrated Annual Report on 11 October 2019 for release to shareholders.

Craig Chambers
Independent non-executive Chairman

Sbu Shabalala
Chief Executive Officer

ABOUT ADAPT IT

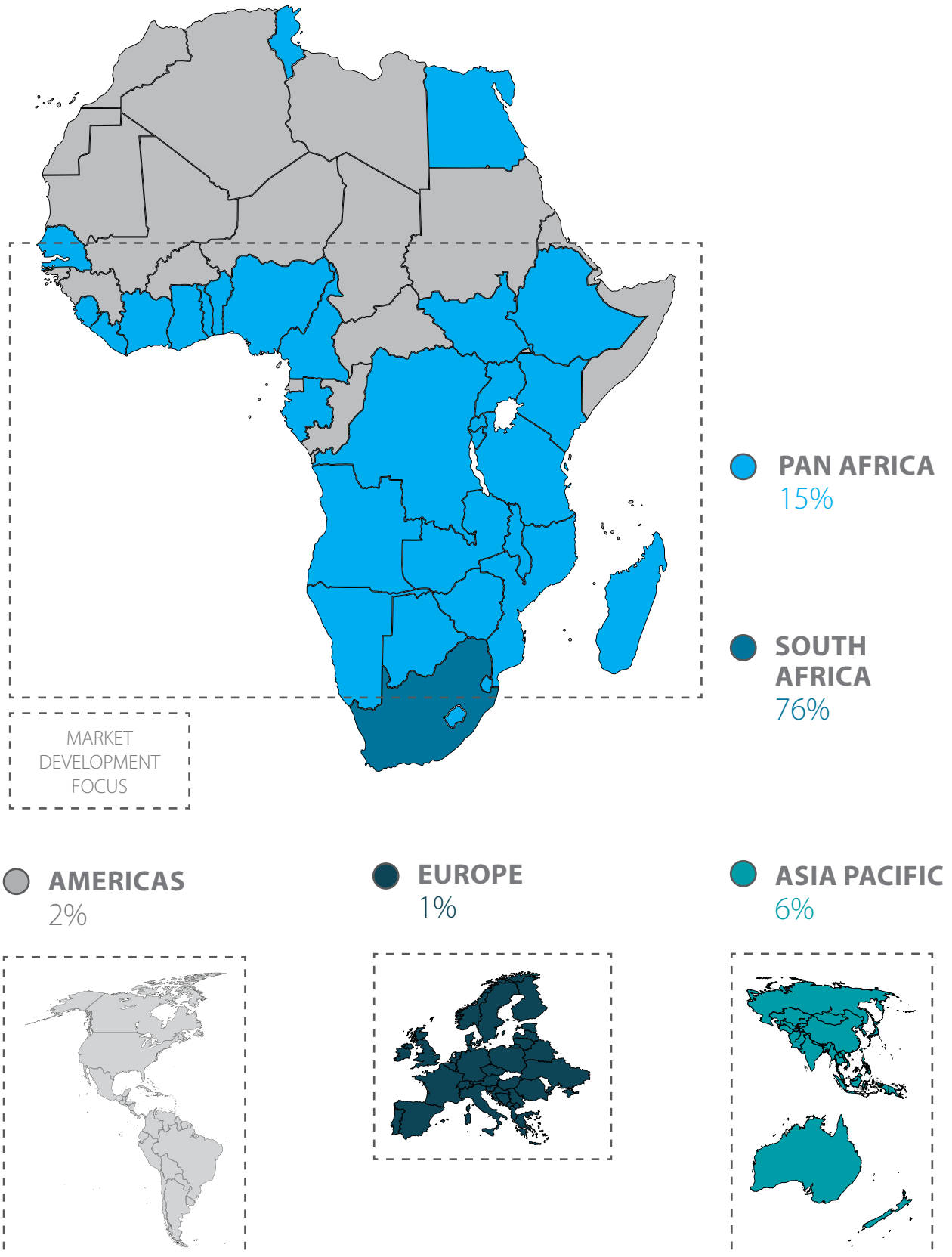
GROUP STRUCTURE



- * Across this Integrated Annual Report, Pan Africa references Adapt IT's African Countries of operation outside of South Africa as well as describing a target continent in which Adapt IT wishes to gain further exposure. References to Pan Africa are not limited to Kenya, Botswana, Nigeria or Mauritius, although in these jurisdictions legal operating entities have been established. See note 35 for the full list of African Countries from which revenue is currently derived, based on where the customers are located.
- ** 95% owned by Adapt IT Holdings Limited.
- All other entities are wholly-owned subsidiaries of Adapt IT Holdings Limited.

REVENUE BY GEOGRAPHY

We aim to grow our business, our people and our solutions to enable our clients and investors to *Achieve more.*

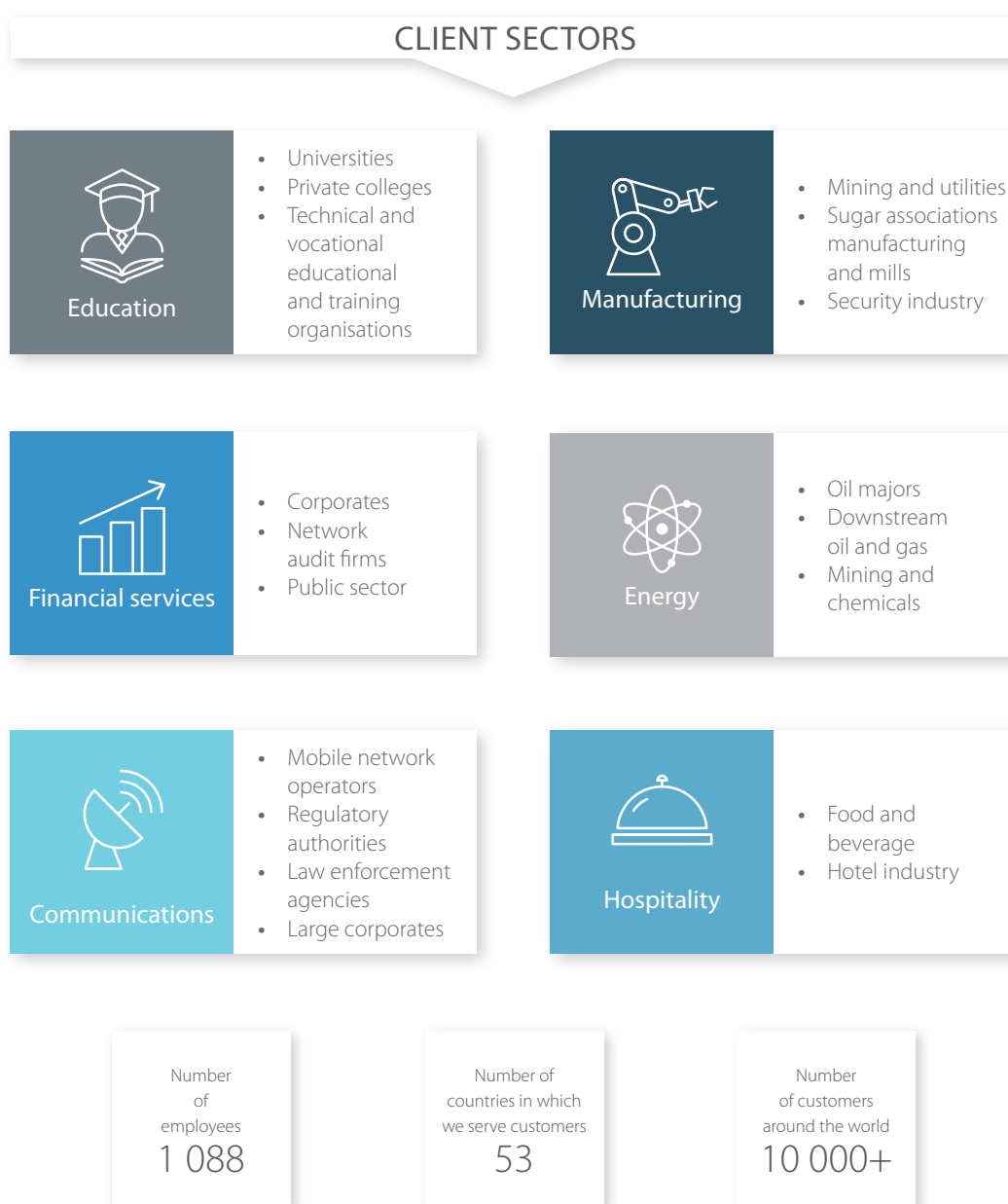


WHAT WE DO

Adapt IT provides leading, specialised software and digitally-led business solutions that assist clients, across the targeted industries, to **Achieve more** by improving their customer experience, core business operations, business administration, enterprise resource planning and public service delivery.

Adapt IT has deep sector knowledge and experience predominantly in the education, manufacturing, financial services, energy, communications and hospitality industries.

Adapt IT is headquartered in Johannesburg, South Africa, with regional offices in Durban and Cape Town and satellite offices elsewhere in the country. The primary focus is on the Pan African market – with a presence established in Mauritius, Botswana, Kenya and Nigeria. A secondary focus is on the Asia Pacific market, with a presence in Australia, New Zealand and Singapore. We have a presence in Ireland to service customers in Europe.



OUR PURPOSE, PERSONALITY, VALUES AND CULTURE

PURPOSE

Growing our business, our people and our solutions to enable our clients to **Achieve more** by improving their:

- Customer experience
- Core business operations
- Business administration
- Enterprise resource planning
- Public service delivery

THE CULTURE WE EMBRACE

- Embrace and value the diversity of our cultures, skills, experience and individual contributions
- Listen sincerely and actively, and communicate without raising our voices or using offensive language
- Arrive on time for all our engagements with colleagues, customers and partners
- Take care of company property, and enable a clean and considerate office space



RESPECT
EMBRACING AND VALUING OUR DIVERSITY

- Are ethical, truthful and transparent in all that we do
- Build trust through constructive feedback within all our teams
- Do what is right in all circumstances even when no one is watching
- Acknowledge our mistakes without fear or prejudice

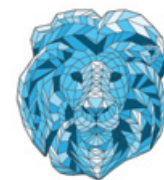


HONESTY
ETHICAL BEHAVIOUR

PERSONALITY

Leading. Professional. Experts.

- Build synergies and relationships to the benefit of the organisation
- Continuously innovate, creating efficiencies in our internal processes and product development
- Are customer centric, delivering superior quality through high performance
- Are socially responsible by contributing to the wellbeing and upliftment of our communities



RESPONSIBILITY
HIGH PERFORMANCE AND INNOVATION

VALUES

- Respect
- Honesty
- Responsibility
- Accountability

- Deliver on the commitments made to our colleagues, customers and partners
- Take ownership by always driving the next steps to achieve a successful outcome
- Complete our assigned tasks timeously
- Are adaptable to changes, and open to doing things differently



ACCOUNTABILITY
TAKING OWNERSHIP

CREATING VALUE BUSINESS MODEL

INPUTS

INTELLECTUAL CAPITAL

- Highly qualified technology professionals
- Vertical market expertise
- Goodwill
- Brands and intellectual property
- Innovation and research
- Clear strategy

HUMAN CAPITAL

- Entrepreneurial and skilled leadership team
- Highly qualified technology professionals in South Africa, Mauritius, Australia, Botswana, Singapore, Ireland, Kenya, Nigeria and New Zealand
- Skilled integrated sales capacity
- B-BBEE status and ownership

SOCIAL AND RELATIONSHIP CAPITAL

- Long-term customer relationships
- Ecosystem relationships with Original Software Manufacturers (OSM)
- Stakeholder engagement
- Community investment and development
- Skills and enterprise development
- Preferential procurement

FINANCIAL CAPITAL

- Shareholder and debt funding
- Retained profit used for growth
- Effective working capital management
- Capital allocation

MANUFACTURED CAPITAL

- Regional campuses and sales presences in Africa, Ireland, Australia and New Zealand
- Online platforms
- Enabling corporate environments

NATURAL CAPITAL

- Low materials consumption in operations
- Emissions, effluent, waste managed through group sustainability initiatives
- Energy-efficient workplace

VALUE CREATION

OUR VISION

To be a leader in specialised software and digitally-led business solutions.

OUR PURPOSE

Growing our business, people and solutions to enable our clients to [Achieve more.](#)

SECTOR FOCUS

Education

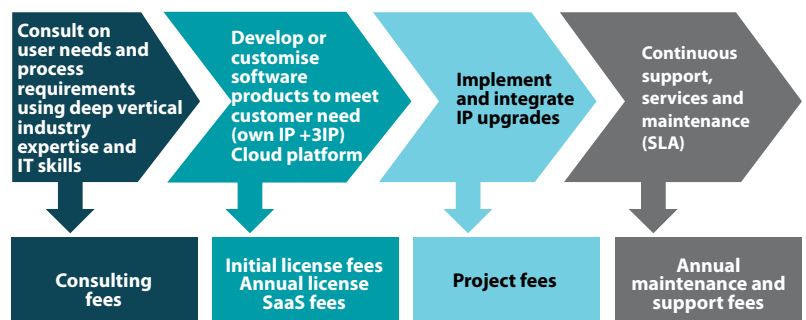
Manufacturing

Financial services

Energy

Communications

Hospitality



Diversified sustainable revenue model with annuity income of approximately 61%.



Highly successful remote support model provides significant operating leverage benefits.

OUTPUTS

SOFTWARE AND PRODUCTS

A wide range of flagship product and software is available from across the group and delivered to clients in various locations across the world.

For further information on the list of software and products www.adaptit.com



SOLUTIONS AND SERVICES

FRONT OFFICE

- Mobile point-of-sale platforms
- Student self-service platforms
- Corporate customer self-service platforms
- Advanced analytics platforms

MIDDLE OFFICE

- Integrated logistics and laboratory information management solutions
- Permit to work and energy isolation management solutions
- Advanced planning, transport and distribution solutions
- Terminal automation solutions
- Turn-key oil and gas management solutions
- Integrated operations management platforms
- Hotel operations and distribution platforms

BACK OFFICE

- Automated support and maintenance solutions
- Human Capital Management (HCM) and payroll outsourcing solutions
- Automated financial reporting solutions
- Tax practice management solutions
- Secretarial process management solutions
- Timetabling and rostering solutions
- Telecom and technology expense management solutions
- Enterprise performance management solutions

ERP SOLUTIONS

- SAP™ ERP solutions
- Microsoft ERP solutions
- Oracle ERP solutions
- Sugar industry specific ERP solutions
- Education and learning management ERP solutions

OUTCOMES

INTELLECTUAL CAPITAL

- Goodwill
- Brands and intellectual property
- Innovative solutions

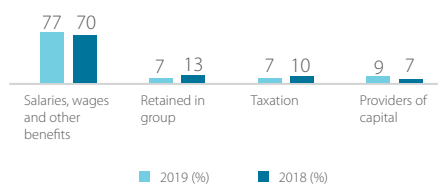
HUMAN CAPITAL

- Highly motivated staff
- Employee retention improved
- High level of skill
- Operating according to values and ethics

SOCIAL & RELATIONSHIP CAPITAL

- Long-term customer relationship
- Community investment and involvement
- B-BBEE status and ownership
- Contribution to local economy
- Improvement to client's business efficiencies

WEALTH CREATED & DISTRIBUTED



MANUFACTURED CAPITAL

- Employment equity targets
- Intellectual property
- Platform for integration of acquisitions

NATURAL CAPITAL

- Reduced emissions through creation of regional campuses
- Employee travel reduced through regional office creation in all areas of the operations
- Energy-efficient workplace

SOFTWARE DEVELOPMENT CAPABILITY IN SOUTH AFRICA

Adapt IT has software development capabilities which have been developed internally and been augmented through acquisitions to form the operating divisions and serve clients in an integrated approach. These capabilities are located predominantly at the Johannesburg campus, with a regional presence in Durban and Cape Town.

Adapt IT continues to leverage the JSE-listed platform to enhance the value of the software businesses it acquires.

INTEGRATION OF SOFTWARE CAPABILITY

Adapt IT integrates businesses it acquires to enable and encourage collaboration and in order to enhance cross-selling of software solutions, operational efficiency and innovative ability (see additional information on acquisitions on page 29).

The integrated shared services* function allows for cross-divisional governance and oversight of: sales, market positioning, finance and client support. Financial consolidation allows for a direct line of sight and the ability to have a centralised treasury function.

* Shared services functions are defined as financial management, human capital management, legal and commercial, strategy, marketing, ICT support and facilities management.

LOCATION OF MARKET DEVELOPMENT CAPABILITIES

Adapt IT's capabilities in the Pan Africa, Asia Pacific and European markets are predominantly for further market development in those regions, with project delivery being supported from South Africa where the majority of software development capabilities are based. Having locally-based personnel is advantageous in realising opportunities in those markets as it is easier to build and maintain key relationships (see page 3 for the map indicating revenue by geography; also indicates the location of the Adapt IT market development focus).

CREATING VALUE BUSINESS MODEL CONTINUED

DIVERSIFICATION CREATES SUSTAINABILITY

Adapt IT provides high value-add, specialised systems, digital solutions and advisory services across six client sectors.

Diversification at Adapt IT is approached at various levels:



SKILLS DIVERSIFICATION

Which Adapt IT sees as experience where technology specialists can be categorised as having international expertise, single market expertise, specialised skills, or as consultants in specific fields and technology experts in software skills.



PRODUCT DIVERSIFICATION

Continuous innovation in building new technologies and solutions for clients, which ensures that the solutions offered exceed clients' expectations and deliver on Adapt IT's value proposition, which is to assist clients across the targeted industries to **Achieve more** by improving their:

- Customer experience
- Core business operations
- Business administration
- Enterprise resource planning
- Public service delivery



CLIENT DIVERSIFICATION

Which is pursued both through **sector diversification** and software sales. Adapt IT has over 10 000 customers in 53 countries where it focuses on the six sectors of Education, Manufacturing, Financial Services, Energy, Communications and Hospitality.



GEOGRAPHIC DIVERSIFICATION

Adapt IT has selected specific markets for diversification where it has realised some successes, these being the Pan African, Asia Pacific and European markets.



ACQUISITIONS

Support diversification efforts by adding companies with skills, products, clients and new geographies, where these cannot be added rapidly through organic efforts. These companies typically have their own software IP and access to markets and can enhance cross-selling efforts.



STAKEHOLDER ENGAGEMENT



INTRODUCTION

Adapt IT is cognisant of the fact that its activities have an impact on a range of stakeholders from investors through to the communities in which it operates. The company is committed to building and maintaining open, long-term, mutually beneficial relationships with all of its stakeholder groups.

New initiatives to this end include:

- The first Investor Day held on 27 June 2019, an event intended to be included to the annual calendar as an additional avenue for engagement
- An annual Employee Engagement Survey, launched in July 2019
- User-group events hosted during the financial year, by the Educational and Financial Services divisions, for the benefit of their customers

Furthermore, stakeholders are encouraged to engage with management using email channels and the website, www.adaptit.com.



To define its stakeholders, Adapt IT used the definition by GRI as a guideline. It states:

"Stakeholders are defined as entities or individuals that can reasonably be expected to be significantly affected by the reporting organisation's activities, products, or services; or whose actions can reasonably be expected to affect the ability of the organisation to implement its strategies or achieve its objectives." (Consolidated Set of GRI Sustainability Reporting Standards, 2018).

With that as a guideline, the following have been identified:

- Shareholders and the investment community
- Employees
- Customers
- Government
- JSE and other regulatory authorities
- Financial institutions and funders
- Communities
- Suppliers and partners

SHAREHOLDERS AND THE INVESTMENT COMMUNITY

Adapt IT pursues engagement opportunities that continue to cultivate a relationship of trust with shareholders, investors and analysts through transparent communication of operations, strategies and overall performance. Through these relationships, Adapt IT is able to access financial capital that is utilised to fund future growth.

NATURE OF ENGAGEMENT

- Interim and annual reports
- Results announcements and presentations
- Shareholder meetings
- Corporate website
- Feedback emails
- Investor day event
- Annual general meeting (AGM)



Areas of focus	Strategic response
Sustainable revenue and profit growth	<ul style="list-style-type: none"> • Development and roll out of a robust integrated enterprise wide strategy with a project implementation programme • Shareholder value creation through the implementation of linked organic and acquisitive growth strategies • Effective integration of acquired companies to maximise synergies • Improvement of value propositions to the respective target markets • Sustainable growth through diversified product offerings and markets • Regional diversification into new Pan African, Asia Pacific and other target markets • Strengthening of divisional sales structures and processes • Leveraging and strengthening group-wide support structures to enable growth, extract profit and drive operating efficiencies
Capital allocation	<ul style="list-style-type: none"> • Funding internal research and ongoing product development to sustain and grow existing businesses • Funding capital requirements (new campus investment was significant in the recent past); recurring capital costs are not significant • Repurchasing of shares when the return is more accretive to shareholders than acquisitions • Continuing to grow through strategic acquisitions • Maintaining a dividend
Succession planning for leadership	<ul style="list-style-type: none"> • Implementation of a succession plan as recommended by the Nominations Committee
Macro-economic and socio-economic considerations	<ul style="list-style-type: none"> • Pursuit of sustainable operations, social investment and adherence to corporate governance standards
Integration of acquired companies	<ul style="list-style-type: none"> • Integration of Wisenet and Conor into Adapt IT has been successful, with Wisenet contributing towards growth in Australia and Conor providing expansion into high-performance telecommunications and mobile financial service solutions

STAKEHOLDER ENGAGEMENT CONTINUED

EMPLOYEES

Adapt IT acknowledges the pivotal role its employees play in its ongoing operations – with an employee complement of 1088, it is able to access markets beyond South Africa. Adapt IT employees are professional, enthusiastic and demonstrate the highest level of integrity, respect and teamwork. They are an important pillar without which Adapt IT would not be able to deliver on its goals. As such, it is incumbent on Adapt IT to maintain an open and mutually beneficial relationship with its employees.

NATURE OF ENGAGEMENT

- HCM policy engagement sessions
- One-on-one sessions with line managers
- Monthly communication sessions
- Quarterly newsletters and Intranet
- CEO roadshows
- Interim and full-year performance reviews
- Interim and full-year results presentations
- Employee engagement survey
- Employee training
- Adapt IT social events

Areas of focus	Strategic response
Transformation	<ul style="list-style-type: none"> • Social and Ethics Committee's commitment to implementing B-BBEE Codes of Good Practice
Provision of gainful employment	<ul style="list-style-type: none"> • Affording employment security and creating opportunities for economic participation and empowerment
Fair labour practices	<ul style="list-style-type: none"> • Open communication around fair management practices together with alignment to group-wide policies
Career development	<ul style="list-style-type: none"> • Enabling continuous personal development and career progression through the performance review process and training • Collaborating towards a high-performance culture of which employees can be proud to be a part
Competitive remuneration and benefits packages	<ul style="list-style-type: none"> • Equitable remuneration and performance recognition • Job benchmarking and grading exercise to ensure parity between remuneration of employees of same skill/function level, across divisions
Skills shortages	<ul style="list-style-type: none"> • With the shortage of skills in the IT sector, Adapt IT offers competitive salaries in order to attract and retain talent • Structured graduate programme
Health and Safety	<ul style="list-style-type: none"> • Adoption of Safety, Health, Environment and Quality (SHEQ) policy • The Employee Wellness Programme (EWP) offers confidential advice and support in wellness matters such as health, financial, psychological and legal
A healthy and attractive working environment	<ul style="list-style-type: none"> • The Adapt IT working environment is healthy and attractive, designed to encourage collaboration
Ethics and values	<ul style="list-style-type: none"> • Continuous ethics and values programmes supported by policies and behavioural charters

CUSTOMERS

Adapt IT provides specialised software to over 10 000 customers in 53 counties. It is through these partnerships with our customers, by understanding and serving their needs, that Adapt IT is able to sustain revenue generation and growth. Adapt IT maintains constant communication with customers so that it is able to solve their problems and enable them to realise more value in their operations.

NATURE OF ENGAGEMENT

- Account management meetings and visits
- Service management reports
- Solution and service updates and launches
- Contract negotiations
- Call centre
- Corporate website and brochures
- Media press releases
- Social media interactions
- Tradeshow, exhibitions and conferences

Areas of focus	Strategic response
Customer value creation	<ul style="list-style-type: none"> • Providing industry-specific innovative solutions that assist clients in improving operations and interaction with their customers, addressing their administrative needs and providing value-added services
Competitive pricing	<ul style="list-style-type: none"> • Adapt IT's integrated service offering lends affordability to solutions
Service delivery	<ul style="list-style-type: none"> • Delivery of high-quality services and solutions • Expert customer support • Continuous training of employees for better solution delivery and support
Anti-competitive behaviour	<ul style="list-style-type: none"> • Adherence to Ethics and Code of Conduct policies, that do not condone anti-competitive behaviour
User group events	<ul style="list-style-type: none"> • The Education and Financial Services divisions hosted user groups as engagement opportunities to network, benchmark and share ideas and experiences

GOVERNMENT

The government is a stakeholder group that is able to permit Adapt IT to operate or deny it the ability to do so as it provides licenses to operate and a clear and supportive regulatory environment. The company ensures that it remains a going concern by complying with the requirements of Acts, guidelines, procedure and policies. It also maintains good standing through transparent and open communication, as well as proactive action towards making an impact.

NATURE OF ENGAGEMENT

- Written correspondence
- Collaborative forums

Areas of focus	Strategic response
Statutory and legal compliance	<ul style="list-style-type: none"> • Compliance with applicable Acts, guidelines, procedure and policies • Fair and sustainable business practices • Providing regular and transparent information • Full contribution to the fiscus through taxation and levies
Contribution to shaping industry policy	<ul style="list-style-type: none"> • Proactive consulting and contribution as required • Job creation and retention • In February 2019, the CEO received an invitation for Adapt IT to contribute in the Public Private Growth Initiative (PPGI), an ongoing initiative that seeks to contribute towards ICT sector growth

STAKEHOLDER ENGAGEMENT CONTINUED

JSE AND OTHER REGULATORY BODIES

As a company listed on the JSE, Adapt IT is required to meet certain regulations, and it has been proactive in maintaining ongoing communication with various regulatory bodies. Adapt IT communicates and consults with the following bodies to ensure compliance and support in implementing best practice: International Reporting Council, Institute of Directors Southern Africa, the Global Reporting Initiative, and Sustainability Accounting Standards Board.

NATURE OF ENGAGEMENT

- Written correspondence
- Meetings
- External and internal audits
- Business associations

Areas of focus	Strategic response
Legal and statutory compliance	• Strict adherence to the prescripts of the JSE and various related laws
Disclosure	• Complete transparency and disclosure in line with regulations
Adherence to best practice guidelines	• Endeavour to comply with requirements and guidelines of international best practice such as The Companies Act of South Africa, IFRS, JSE Listings Requirements, King IV™, GRI and IRC
Good corporate citizenship	• Implementation of a focused CSI strategy to comply with and champion the requirements of good corporate citizenship
JSE interaction	• Adapt IT's Sponsor facilitates engagement with the JSE

FINANCIAL INSTITUTIONS AND FUNDERS

In order to maintain good relationships with financial partners, Adapt IT has been diligent in its management of finances, from the management of cash to management of debt and related risk. The company's adherence to regulations and contractual obligations is strict and resolute.

NATURE OF ENGAGEMENT

- Meetings and CEO events
- Written correspondence
- Interim and annual results
- Financial and cash flow analyses

Areas of focus	Strategic response
Relationship management engagement	• Ongoing meetings with financial partners
Prudent financial management	<ul style="list-style-type: none"> • Adapt IT has a highly qualified finance team that has been entrusted by the company to ensure good financial decision-making • Risk management structures that are aligned to best practice
Macro-economic concerns	<ul style="list-style-type: none"> • Agile and responsive strategies are in place to address changes in the macro-economic environment • Focus on integration initiatives that will maximise divisional synergies
Disclosure of financial and related information	• Interim and annual reports are made available to financial partners
Liquidity	<ul style="list-style-type: none"> • Adoption of a prudent cash management approach • Accurate forecasting and monitoring
Management of risk and related exposure	<ul style="list-style-type: none"> • The board defines the policies related to risk management and risk tolerance levels • Continuous monitoring of financial position against pre-defined tolerance levels
Risk tolerance and covenants	<ul style="list-style-type: none"> • The Audit and Risk Committee, together with financial partners, define risk tolerance ratios and monitor covenants • Continuous monitoring of risk tolerance ratios allows for the identification of risks
External assurance providers	• External assurance providers actively engaged

COMMUNITIES

Adapt IT embraces its responsibility to make a positive contribution to local communities. As a company that has proactively sought opportunities to contribute in the communities in which it operates, Adapt IT values the relationships that have been cultivated through engagements. One such engagement has led to an on-going relationship with the Adopt-a-School Foundation, targeting technology education in disadvantaged communities.

NATURE OF ENGAGEMENT

- Meetings
- CSI initiatives
- Media releases

Areas of focus	Strategic response
Good corporate citizenship	<ul style="list-style-type: none"> • Provision of employment opportunities within communities • Proactive contribution to communities' IT educational needs
Sustainable business practices	<ul style="list-style-type: none"> • Commitment to monitoring operations to ensure that harm is not done to communities within which Adapt IT operates
Corporate social investment (CSI) initiatives	<ul style="list-style-type: none"> • The Adopt-a-School initiative is targeted at facilitating technology education within disadvantaged communities • In 2018, Adapt IT selected Lodirole Secondary School as a beneficiary of a fully furnished computer lab • In 2019, Adapt IT selected Kwazamokuhle Secondary School to be an additional beneficiary – the group has undertaken to fund the construction of a fully resourced computer centre at the school.
CEO events	<ul style="list-style-type: none"> • The CEO hosted a networking luncheon for business leaders in the Midrand Business community in December 2018

SUPPLIERS AND PARTNERS

Adapt IT seeks partnerships that enable it to provide solutions of superior quality to its customers; partnerships that provide access to superior technologies in support of those solutions. As such, it is important that suppliers and solution partners have a clear understanding of Adapt IT's plans and goals. This is achieved through frequent and mutually beneficial communication. These partnerships include the Oracle Gold, Microsoft Gold, SAP™ and IBM Business partnerships. The company strengthened its partnership with SAP™ when it was appointed a key partner, and a value-added reseller of SAP™ software and solutions.

NATURE OF ENGAGEMENT

- Relationship management meetings and visits
- Technology conferences
- Technology certifications
- Performance audits and reports
- Supplier days
- Contract negotiations

Areas of focus	Strategic response
Continued growth and meaningful relationships	<ul style="list-style-type: none"> • Management of long-term relationships with partners for sustained growth • Efficient payment cycles for suppliers
Collaboration	<ul style="list-style-type: none"> • Continuous assessment for better collaboration for constantly evolving solutions
Supportive procurement practices	<ul style="list-style-type: none"> • Preferential procurement in line with B-BBEE Codes of Good Practice recommendations • Adapt IT's landlord for the Johannesburg campus meets the preferential procurement requirements.
Supplier vetting	<ul style="list-style-type: none"> • Implementing enhanced review of suppliers to ensure brand is protected

MANAGING MATERIAL ISSUES

Adapt IT operates in a fast-changing environment that continually presents management with a multitude of risks, which cannot be avoided or ignored. An effective and efficient risk management process is in place that allows the capturing of opportunities and provides mitigation against adverse events, where possible.

The Adapt IT Enterprise Risk Management framework provides a methodology to achieve this by providing guidance to implement a consistent, efficient, and economical approach to identify, evaluate and respond to key risks that may impact business objectives. The framework is based on the principles embodied in the Enterprise Risk Management Framework published by the Committee of Sponsoring Organisations (COSO) of the Treadway Commission, the International Standard on Risk Management (ISO 31000) and the King Code on Governance Principles (King IV™).

All relevant internal, industry and macro-economic factors are evaluated. The needs, expectations and concerns of the stakeholder groups that are most likely to influence Adapt IT's ability to create sustainable value – notably customers, suppliers, employees, shareholders and providers of financial capital – are central to determining the material issues. Despite the ongoing risks and challenges faced, the business remains resilient.

In the review for the 2019 financial year, the directors have reviewed the material issues and confirm that they are relevant.

In this report, opportunities and mitigating actions are presented for each material issue to indicate how Adapt IT is using its competitive advantage to manage the impacts of the material issues on value creation.

Navigating a tough trading environment		
Overview	Risk	Adapt IT's response
<p>The year under review was met with challenging and poor market conditions in South Africa. These were dominated by economic and political uncertainty which in turn dampened demand for technology. Adapt IT also felt the impact of a world economic slump.</p> <p>The challenging economic conditions were felt in all operational segments within the primary market, South Africa, which on a macroeconomic basis underperformed all forecasts. South Africa accounts for 76% of Adapt IT's revenue (2018: 81%). The JSE-listed Software and Services sector experienced a downward trajectory in valuations due to fraudulent behaviour and adverse allegations relating to some companies in the sector.</p> <p>Management's diversification strategy proved itself in the current year though the ability to absorb the particular impact of the economy on some divisions with the positive results of others.</p>	<p>Challenging economic conditions in most sectors that Adapt IT serves prompted lower than anticipated organic revenue growth and led to pressure on EBITDA margin of 16% (2018: 18%) in the year under review.</p> <p>In a previous communication to shareholders, Adapt IT stated a revenue target of R3 billion (annualised for acquisitions). Given the tough economic environment and capital allocation decision to undertake a share buyback, performance against this target is significantly lagging and more realistic growth targets have been reset. Challenging trading conditions continue to pose a risk of delays to client IT projects and upgrades. Should South African economic conditions not improve, this will continue to have an impact on anticipated client spend in the country.</p>	<p>The tough trading conditions in South Africa have been a catalyst for Adapt IT to focus on operational improvements and on diversifying its product, client and geographic revenue spread. Both focus areas present opportunities for the company.</p> <ul style="list-style-type: none"> Adapt IT continues to employ strategies to develop all divisions to become more skilled at growing organically, together with diversification in geography, customer portfolio and foreign currency revenue. Operational focus during the year under review resulted in the successful co-location and integration of businesses, which has positioned Adapt IT to take advantage of any economic upturn. Detailed efficiency reviews have been undertaken and initiatives identified to further improve profitability. Moreover, a focus on forming a highly skilled and motivated group-wide sales force has seen success in cross-selling, which has opened new client bases to most operating segments. <p>A major strategy review has been undertaken across the business, with reprojections agreed upon, to drive the financial ambition and the vision within the group (see new vision on page 22).</p>



Retaining top talent		
Overview	Risk	Adapt IT's response
<p>Attracting and retaining the most highly skilled individuals in the Software and Services sector is a challenge for businesses in South Africa. Adapt IT's sustainability depends predominantly on its ability to continue to attract technology skills.</p> <p>Successful implementation of the Adapt IT strategy requires continuity and stability in the workforce, prompting a focus on retaining key team members in an environment in which skilled employees are in demand.</p>	<p>The shortage of deep Software and Services skills remains a market challenge and risk to Adapt IT.</p> <p>This is particularly due to the fierce competition for skills in the sector.</p>	<p>During the year under review, Adapt IT embarked on a significant restructure and upliftment of its HCM capability.</p> <p>Key actions taken included:</p> <ul style="list-style-type: none"> • A completely revised recruitment model: in-house recruitment process outsourcing model • Independent employee engagement survey • Review of group-wide HR policies • Enhanced remuneration parity at all levels after a benchmarking exercise conducted using data from PwC's REMchannel salary benchmarking tool • The establishment of learnership, internship and apprenticeship programmes to bring new capacity and skills into the business • Management development and skills development programmes, with both formal and on-the-job mentorship, which assist in developing the necessary skills • Formal succession initiatives • Co-location of all software divisions into the state-of-the-art Johannesburg campus <p>The positive impact of these initiatives reflects in responses to recruitment drives as well as employee satisfaction.</p>

MANAGING MATERIAL ISSUES CONTINUED

Managing acquisition integration		
Overview	Risk	Adapt IT's response
<p>Adapt IT integrates the business it acquires to enable and encourage collaboration and in order to enhance cross-selling of software solutions, operational efficiency and innovation.</p> <p>These integrated shared services functions (integration of systems capability for shared services [see page 27]) allow for access and visibility of sales, market positioning, finance and client support. Financial consolidation allows for a direct line of sight and the ability to have a centralised treasury function and resource management.</p> <p>Given the acquisitive growth strategy, the high pace of acquisitive growth requires operational focus on ensuring successful integration.</p>	<p>Unsuccessful integration of acquisitions compromises Adapt IT and erodes the expected return on equity.</p>	<p>Adapt IT has developed (and continues to enhance) an effective integration strategy for newly acquired businesses.</p> <p>A formal integration methodology involves the Commercial, HCM and division's representatives who are responsible for planning and tracking the integration process, milestones and finalisation.</p> <p>Integration processes are focused on maintaining good employee morale, a high-performance culture and business success. Adapt IT targets acquisitions only within the strategic vision.</p>
Need for a high-performance culture		
Overview	Risk	Adapt IT's response
<p>A high-performance culture is a prerequisite to achieving the strategic goals and targets that Adapt IT has set.</p>	<p>Without a high-performance culture, Adapt IT risks not achieving the growth targets that it has set.</p>	<p>Adapt IT has made strides in developing the building blocks of a high-performance organisation by setting a clear strategic vision, communicating the shared values system, linking remuneration to performance, configuring organisational agility and seeking to continuously improve performance measurement and recognition.</p> <p>A high-performance culture is also enabled through:</p> <ul style="list-style-type: none"> • Strategy sessions, robust budget and forecasting sessions • Performance management • Monitoring of key performance indicators • Performance-based incentives • Setting a high-performance culture at the top of the organisation

Non-compliance with legislation in the environments in which we operate

Overview	Risk	Adapt IT's response
Adapt IT has ongoing obligations to comply with legislation in the environments in which we operate. Risks relate to our geographic diversification, which increases the number of jurisdictions in which we must comply, as well as regular changes to standards and regulations relevant to Adapt IT. These include JSE Listings Requirements; King IV™; B-BBEE regulation; Protection of Personal Information Act (POPIA); General Data Protection Regulation (GDPR); and Anti-bribery and anti-corruption regulation (ABAC). We also comply with foreign legislation (Mauritius, Asia Pacific, Ireland, Botswana, Kenya and Nigeria).	The rapid and consistent change of regulatory requirements provide ongoing need to stay abreast of changes and ensure governance and compliance standards are met. This is particularly complex given Adapt IT's increasingly multinational nature.	Adapt IT takes the following actions to ensure governance and compliance requirements are met: <ul style="list-style-type: none"> • Ongoing engagement with external and internal auditors to ensure internal control compliance • Ongoing counsel from internal and external legal advisors • Third-party service providers provide visibility and guidance on changes related to JSE Listings Requirements, King IV™, B-BBEE legislation, POPIA, GDPR and ABAC • Third-party service providers provide visibility and guidance on foreign legislation (Mauritius, Asia Pacific, Ireland, Botswana, Kenya and Nigeria) • In the period under review, a POPIA/Data Privacy project commenced to ensure compliance • There is ongoing engagement at the different layers of assurance (audit, JSE Sponsor, Company Secretary and legal) to supplement knowledge

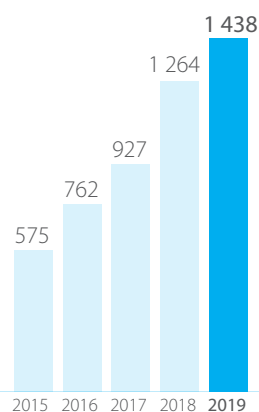
FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

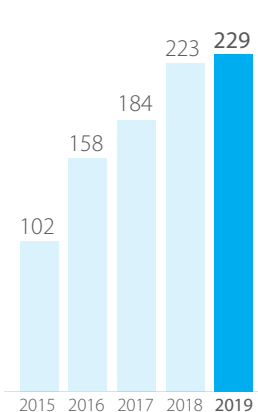
REVENUE FROM CONTINUING OPERATIONS	14% ▲
EBITDA FROM CONTINUING OPERATIONS	3% ▲

		2019	2018*	% Change
Revenue from continuing operations	(R'000)	1 438 138	1 263 532	14
Earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations	(R'000)	228 541	222 824	3
Operating profit from continuing operations	(R'000)	165 751	172 422	(4)
EBITDA margin from continuing operations	(%)	15,89	17,63	(10)
Operating profit margin from continuing operations	(%)	11,53	13,65	(16)
Basic earnings from continuing operations	(cents)	51,32	60,23	(15)
Headline earnings per share from continuing operations	(cents)	57,27	60,78	(6)
Normalised headline earnings from continuing operations	(cents)	76,20	80,90	(6)
Dividends paid per share	(cents)	17,10	13,70	25
Return on equity	(%)	10,56	16,18	(35)
Net asset value	(R'000)	679 035	747 457	(9)
Net gearing	(%)	65,47	17,51	274
Cash generated from operations	(R'000)	178 688	259 995	(31)
Cash conversion ratio	(times)	1,08	1,25	(14)

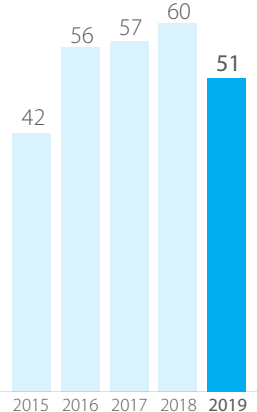
Revenue
(Rm)[^]



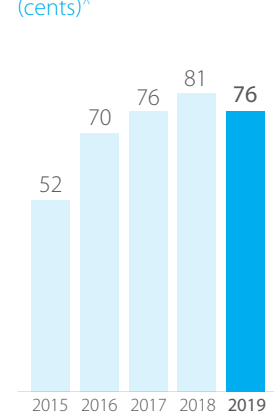
EBITDA
(Rm)[^]



BASIC EARNINGS PER SHARE
(cents)[^]



NORMALISED HEADLINE
EARNINGS PER SHARE
(cents)[^]



[^] From continuing operations.

* Restated.

NON-FINANCIAL HIGHLIGHTS

IMPROVED REVENUE DIVERSIFICATION



Improved diversification of revenue by **geography**



Diversified **portfolio of products and solutions**



Won targeted **new clients**



Strengthened **strategic sales** function



Appointed as a **key partner** and value-added reseller of SAP™ software and solutions

EXTENDED GEOGRAPHIC REACH



Pan African presence
Market share gained in **Kenya** and **Botswana**



Global presence
Australia, New Zealand and **Singapore** expansion

CAPITAL ALLOCATION



Effected **share buyback**



Strategic acquisitions to enhance industry offering

- Education: Strive Software and Wisenet group
- Communications: LGR Telecommunications and Conor Solutions

BUSINESS INTEGRATION



Successfully commissioned the **Johannesburg campus**



Enhanced **Shared Services** capabilities



Complete and comprehensive **strategy review**



Enhanced Adapt IT **culture and values**

OUR VISION

To be a leader in specialised software and digitally-led business solutions

As Adapt IT evolves to provide diversified products and greater value to our clients, we have similarly enhanced our vision to reflect what we do as a company. Our vision is to be "A leader in specialised software and digitally-led business solutions".

Our vision defines a very clear message about the business we want to be and provides us with a sense of purpose. The vision is not only about revenue and profit targets, but places equal emphasis on environmental, social and governance (ESG) issues that affect all of our people as well as society at large. A large component of our employees are millennials who have the view that purpose should be at the very centre of a company's operations. Attracting and retaining the best talent thus requires a clear expression of purpose and assigning equal weight to ESG components, whilst still striving to attain ambitious growth targets and profits.

BUILDING BLOCKS OF OUR VISION

ORGANISATIONAL STRUCTURE, GOVERNANCE AND RISK CONTROLS

- Global
 - South African head office
 - Strategic regional offices
- Centralised risk management
- Leading governance and controls

FINANCIAL AMBITION

- Revenue Growth
 - Organic growth targets to beat market performance
 - Acquisitive growth targets to compliment organic growth
- Profitable Growth
 - EBITDA targets
 - HEPS growth target



OPERATIONAL AND TECHNOLOGY INFRASTRUCTURE

- Shared services
 - Finance
 - Commercial
 - Strategic sales and marketing
 - Strategy and HCM
 - Integration management
- Customer experience monitoring
- Technology
 - Integrated systems
 - Leading customer centre

CORE BUSINESS PROCESSES AND CAPABILITIES

- Software sales
- Technology innovation
- Application development
- Application support
- Industry specific IP development
- Industry consulting
- Digitally-led business consulting
- Software enabled business process outsourcing

You will note that our vision is depicted using Adapt IT's Johannesburg Campus. This visually represents not only the building blocks of our vision and strategy, but the fact that we are quite literally building a business we can all be proud of.

Our vision emphasises the Adapt IT value proposition and highlights where our key strengths and capabilities lie. We are a company focused at providing leading specialised software and digitally-led business solutions that assist our clients, across the targeted industries, to [Achieve more](#) by improving their:

Customer Experience | Core Business Operations | Business Administration | Enterprise Resource Planning | Public Service Delivery

MARKETS AND REGIONAL STRUCTURES

- Pan African Market
 - Southern African Development Community (SADC) Countries
 - East Africa
 - West Africa
- International Market
 - Australia
 - New Zealand
 - Singapore

PROPOSITIONS AND BRANDS

- We provide leading specialised software and digitally-led business solutions that assists clients, across the targeted industries, to [Achieve more](#) by improving their:
 - Customer experience
 - Core business operations
 - Business administration
 - Enterprise resource planning
 - Public service delivery

CLIENTS AND CHANNELS

- Primary Specialised Industries
 - Education
 - Telecommunications
 - Finance professionals
 - Hospitality
 - Energy and natural resources
 - Financial services
- Targeted Large Accounts
 - Private sector
 - Public sector



PEOPLE AND CULTURE

- A caring organisation
- Reflective of country demographics
- Experts in our respective markets
- Delivery focused and responsive
- Values-based culture
 - Respect
 - Honesty
 - Responsibility
 - Accountability

CONTRIBUTION TO COMMUNITIES

- Employee development
 - Further education sponsorship
- Employment creation
 - Employment of local professionals
- Social impact in communities
 - Prioritising Maths, Science and ICT education



STRATEGIC FOCUS

Adapt IT's strategy is to create sustainable long-term shareholder value by providing specialised software and digitally-led business solutions that assist our clients to improve their customer experience and business operations.

A strategic review process to facilitate medium- and long-term growth was conducted during the year to further enhance divisional strategy alignment, financial sustainability, market share growth, good corporate citizenship and integration throughout the Adapt IT business.

The following priorities upon which focus will be placed were highlighted:

PRIORITY 1: GENERATE ABOVE-INDUSTRY ORGANIC GROWTH

Adapt IT intends to generate above-industry organic growth through augmented sales efforts, and to this end, company-wide and divisional sales structures and processes have been fortified.

As a leader in specialised software and digitally-led business solutions, our sales capability is central to us reaching our organic growth targets. We must be equipped with the required operating and sales processes, culture and delivery channels to ensure effective client delivery through a strengthened sales function.

A focal point will be reengineered and standardised, as required, leading sales processes coupled with enhanced sales governance support enablement from group. A clearly structured and defined function will enable sales capabilities across Adapt IT, increasing sales and growth opportunities. A completed sales diagnostic has provided focus on the key improvement areas that each Division is implementing. The execution of these initiatives will result in improved sales forecasting efficiencies, sales delivery and account management.

To bolster and enable our sales capability, initiatives focused at enhancing divisional go-to-market strategies and key account plans have been prioritised. Adapt IT has revised the group, Industry and Solution value propositions in a clear, consistent and concise way so that the market knows what we do, and these will continue to be challenged and reviewed. We recognise the importance of having an enabled and productive sales culture which will be achieved through training across industry and product value propositions as well as general sales skills.

There have been successes in cross-selling as a result of improved knowledge sharing across our company-wide sales force and Adapt IT will continue to leverage these capabilities and its strengthened support structures to achieve its growth targets.

Adapt IT's intellectual property is a source of competitive advantage and continued efforts to develop innovative, value-adding solutions will enable growth both within and outside of the existing customer base. Strategic partnerships with select organisations continue to be a source of enhancement and diversification in the group's service offering, thus affording Adapt IT additional revenue opportunities. We need to keep up with market demands and industry trends by

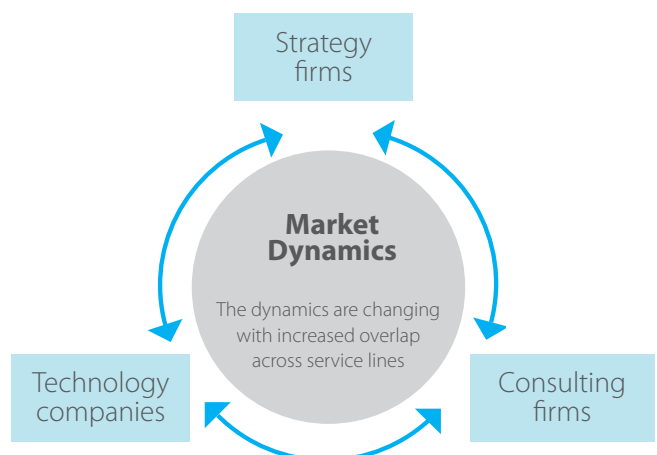
offering enhanced offerings and capabilities. Incorporating cutting-edge technology, such as Cloud, Artificial Intelligence (AI), Internet of Things (IoT), Mobility and Analytics into our solutions will be a focus area for Adapt IT over the next few years. Aligned to this, we strive to continuously enhance our solution portfolio and value propositions through progressive and effective innovation and Intellectual Property (IP) development across all divisions.

We have identified opportunities for Adapt IT in the services segment of the ICT market spend and in the Financial Services sector to ensure that we are able to keep delivering innovative solutions aligned to our client needs and the changing market landscape. An independent market share study revealed that these two areas remain largely untapped by Adapt IT and that substantial room for growth exists.

PRIORITY 2: DEVELOP STRATEGIC CONSULTING CAPABILITY

The market landscape is changing, and corporate services companies are diversifying to offer complementary solutions. The Software and Services sector is fast-changing, relative to other sectors and for this reason Adapt IT will focus more on building digitally-led consulting and specialised BPO competencies. The opportunity to develop these capabilities is paramount for our continued growth and efforts to this end are underway.

Building out our digitally-led consulting competency will further augment our opportunities for growth. This will enable us to establish multiple touch points with our existing client base, defend key accounts by being more strategic and value-adding and it will further allow us to build a digitally-enabled solutions capability that enhances our technology brand.



STRATEGIC FOCUS CONTINUED



PRIORITY 3: PURSUE GEOGRAPHIC DIVERSIFICATION

Geographic diversification is an imperative part of the Adapt IT strategy and will continue to be in the long-term, with two regions currently holding priority for market development:

PAN AFRICA

The current Pan African footprint includes Botswana, Kenya, Nigeria and Mauritius, and a strategy is underway to establish a presence in the West African market through Ghana. Fortifying business development capabilities within the Pan African market will underpin further success in the region and will be supported by the delivery teams that are predominantly based in South Africa. Central to this will be to further grow the South Africa market share; to do this we have identified diversification opportunities for Adapt IT in the Services segment of the ICT market spend and in the Financial Services sector to ensure that we are able to keep delivering innovative solutions aligned to client needs and the changing market landscape. An independent market share study revealed that these two areas remain largely untapped by Adapt IT and that substantial room for growth exists. More diverse capabilities in the South African market in turn offer increased business development opportunities in regions outside of South Africa.

The mitigation of risk for the Pan African strategy is to set up a local presence in the regions of operation as has been done with success in Botswana and Kenya.

ASIA PACIFIC

A number of opportunities have been identified in the greater Asia Pacific region, in the form of acquisitions as well as the offering of solutions and services within targeted sectors; they will be pursued with the goal of realising set targets. Strategic support continues to

be availed to regional operations from project delivery and business development perspectives, thereby deriving value from the multi-sector expertise. Our increased footprint in the region has further increased opportunities to cross-sell existing Adapt IT products and solutions into a market in which we are already recognised for our local presence. Adapt IT's Asia Pacific footprint includes Australia, New Zealand and Singapore and the growing footprint requires that Adapt IT enhances the existing go-to-market strategy to ensure that our focus is aligned to market demand and client needs.

PRIORITY 4: ENHANCE ORGANISATIONAL CULTURE

Adapt IT employees play a pivotal role in its ongoing operations, and with an employee complement of 1 015 in South Africa and 73 internationally, the company is focusing on enhancing its organisational culture across its operations.

The move into the Johannesburg campus created an opportunity to further develop the culture. A strategic priority for us is to embed our values-based culture across the organisation for employees to feel that they are part of the Adapt IT family. Initiatives such as behaviour charters, employee surveys and improved communications are all in progress. As a company that specialises in technology, we want to share this expertise with the broader African community by offering our support where we can to close the IT skills gap. We want to make a substantial difference through upskilling and empowering individuals, both outside of our reach as well as internally. A key focus area for us is our staff – we empower them through education and structured bursary frameworks that can aid them to further their studies. Continuous improvement of our performance measurement and remuneration policies will ensure that our employees are rewarded and encouraged to work in ways that add value to our client base.



PRIORITY 5: STRATEGIC ACQUISITIONS

Adapt IT has, through strategic acquisitions, added deep industry expertise, robust entrepreneurial management teams, and improved annuity income from transitioning to Cloud-based solutions.

During the period, the successful acquisition of the Wisenet group and its leading education products boosted Adapt IT's presence and its credibility in the education space.

The continuous prioritisation of strategic acquisitions that will bolster our products and solutions portfolio remains a priority that will enable enhancements in the delivery of value-added services. Consolidating and integrating potential acquisitions will be crucial to ensure continuous collaboration and synergies across all Adapt IT divisions and regions.

Adapt IT is positioned to be more strategic and value-adding to clients to maintain a competitive advantage.

PRIORITY 6: IMPROVE OPERATING STRUCTURE

As a growing technology company, we want to be Fit for Purpose – entailing consistent work to have the necessary governance, efficiencies and shared services capability to deliver value-adding solutions to our markets.

We view transformation as a strategic imperative. Adapt IT is committed to continuing its investment in improving transformation and diversity through a multitude of initiatives embedded within the organisation. We will be able to achieve our transformation target by upskilling our employees and prioritising training focused at technical skills as well as personal development. Hiring skilled individuals aligned to our transformation requirements will further progress our transformative approach.

The improvement and centralisation of our shared services functions and systems will enable our employees to effectively deliver value-add to clients. Standardisation in terms of how this infrastructure is utilised and embedded within operations will increase productivity and consistent value-adding delivery. As a leading technology company, we want to continuously be challenging and improving our ways of working – identifying and implementing efficiency initiatives across the divisions will ensure that we remain fit for purpose.

Our Governance framework continues to be strengthened to manage risk.

INVESTMENT CASE

Adapt IT is committed to an integrated approach creating value for its stakeholders and the environment for a sustainable future.

Well diversified across sectors, clients and geographies with future growth potential

Strong, integrated business model and leadership provide strong foundation for growth

Proven acquisition integration capability

12 year track record of growth

Specialised industry solutions result in low client attrition and provide quality of earnings

Strong annuity income stream (2019: 61%)

Good margin generation

Normalised HEPS compound annual growth rate (CAGR) across 5 years 8%

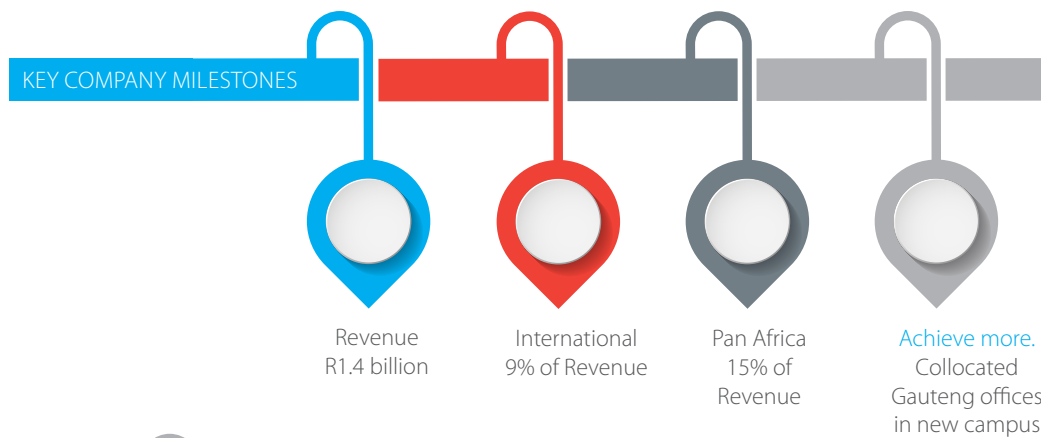
Consistent dividend payer

CAGR of 16% over 5 years

B-BBEE transformation drives sustainability, competitive advantage and has internal and client benefits

33% of shares held by directors, management and employees (compensation aligned to shareholder interest)

ACQUISITION HISTORY



- 
OCTOBER 2007
 InfoWave merges with Adapt IT creating a software business.
- 
OCTOBER 2008
 Adapt IT, specialising in software for the Manufacturing sector, moves to the main board of the JSE.
- 
AUGUST 2009
 Education specialisation through the acquisition of Integrated Tertiary Software (ITS) – a leader in tertiary education ERP systems expanding the company into Europe and Asia Pacific.
- 
OCTOBER 2012
 The Swicon360 acquisition extends the manufacturing offering with SAP™ Human Capital Management Business Process Outsourcing.
- 
OCTOBER 2013
 Energy sector entry through the Aquilon acquisition expands Adapt IT into Africa's growing energy sector, serving major oil companies.
- 
SEPTEMBER 2014
 Telecommunications intelligence management software added through the AspviaUnison acquisition.
- 
JANUARY 2016
 Financial Services Sector is entered through the acquisition of CQS.
- 
AUGUST 2016
 EasyRoster acquisition expands the Manufacturing division offering with rostering optimisation software services to staffing solutions business.
- 
JULY 2017
 Micros South Africa, a leader in Hospitality Software, is acquired by Adapt IT.
- 
JUNE 2018
 LGR Telecommunications group, provider of end-to-end data warehouse and business intelligence systems with presence in Africa and Australia, is acquired.
- 
JANUARY 2019
 Conor group, specialist in high-performance telco and mobile financial service solutions to extend the Telecoms division service offering, is acquired.
- 
MARCH 2019
 Wisenet group, a provider of software as a Service Learning Relationship Management System in the Asia Pacific education sector, is acquired.

OUR PERFORMANCE CHAIRMAN'S REPORT



“We have completed a stringent strategic review and are confident that the metamorphosis of Adapt IT from a small software business to a leading specialised software and digitally-led business solutions company has been built on sustainable foundations and that the group is now poised to capitalise on growth opportunities.”

Craig Chambers
Chairman

INTRODUCTION

I am pleased to present the Adapt IT Integrated Report for 2019, my seventh letter to shareholders and stakeholders. The group experienced a particularly difficult year given the poor operating environment in South Africa, which remains our primary market.

However, Adapt IT, which celebrates 21 years as a listed company, continues to cement itself as a reliable, capable and applicable ICT provider delivering specialised software and digitally-led business solutions across the education, manufacturing, energy, financial services, communication and hospitality sectors, with a more recent venture into the public sector. The group currently employs 1 088 professionals (2018: >1 000) serving more than 10 000 clients that are operational across 53 countries.

This capacity is underpinned by the group's ability to produce acceptable financial results, with an improvement in revenue from continuing operations of 14% to R1,4 billion and growth in EBITDA of 3% from continuing operations at a healthy EBITDA margin of 16% (2018: 18%). Our strong diversification and continued focus and interrogation of our strategy contributed to this achievement. Organic growth from continuing operations, although still in single digits, accounted for growth of 5%, whilst acquisitive growth contributed 9%.

Cash generation was commendable, with R179 million generated by operations. Due to a subdued economy and reduced share price, it did not make sense to make large acquisitions and the decision was taken to continue our share buyback programme. This was undertaken successfully, with a total of 15,5 million shares being repurchased. Interest increased significantly due to funding all acquisitions with cash and the utilisation of cash for the share buyback programme.

Normalised headline earning per share from continuing operations was down by 6%. Traditionally the company declares a dividend at year end only. However, given the current borrowing position resulting from the funding of acquisitions and the share buyback, the board has taken a decision to hold the consideration of a dividend over to after the interim reporting period as a matter of prudence. Cash flows are generally stronger in the first half of the calendar year.

Given the difficult economic climate locally and abroad, the year was used as a period of consolidation, bedding down the operations at the new Johannesburg campus, fortifying the leadership team, and focusing on governance – a period of introspection, so to speak. We are confident that the stringent strategic overview undertaken will provide an attractive growth path for the future.

I am pleased to report that Adapt IT is becoming a household name in its operating sectors, where it continues to focus on software applications it knows and understands, in sectors across which it has deep experience. This allows Adapt IT to innovate and provide clients with appropriate solutions to tackle the fast pace of business today. In doing this, the group is able to assist clients to succeed and as such the symbiosis works well.

HOW WE THINK ABOUT TRANSFORMATION

Adapt IT consistently and consciously drives the business to embed transformation at every level. This is part of our organisational value set, but we also know we cannot do business in South Africa, our largest geography in terms of revenue at 76% (2018: 81%), without a dedicated focus on transformation and black ownership. Despite the current level 2 B-BBEE rating we have more work to do and this will remain an ongoing effort. Likewise, in the remaining geographies in which Adapt IT operates, we strive to ensure that our people are well versed in the requirements of each country to ensure it is enabling people and at the same time creating sustainability, all the while supporting clients and ensuring their specialised software and digitally-led business solutions needs are covered.

GOVERNANCE AND SUSTAINABILITY

In this edition of our Integrated Annual Report, a concerted effort has been made to improve feedback to stakeholders on how Adapt IT approaches and thinks about sustainability. A comprehensive separate Sustainability Report is available on the website, www.adaptit.com. The sustainability information was compiled with reference to the Global Reporting Initiative (GRI) Standards as with the aim of being in accordance with the 'core' option and with reference to the Sustainability Accounting Standards board (SASB) standards. In the feedback Adapt IT explores the impact that it has across a wide range of areas: economic, people, transformation, social responsibility, environmental management and systemic consideration from technology disruptions, and strives to show how Adapt IT approaches sustainability to ensure it remains a good corporate citizen.

The Corporate Governance Report contains feedback from the various board sub-committees of which Adapt IT has four, i.e. the Audit and Risk, Remuneration, Nominations and Social and Ethics committees respectively. The roles and responsibilities of the committees, their respective members as well as the overall importance Adapt IT places on governance is well documented.

This report can be found on pages 55 to 66.

BOARD OF DIRECTORS

On 31 May 2019, Zizipho Nyanga joined the board as a non-executive director and sits on the Audit and Risk Committee as well as the Remuneration Committee. Bongwiwe Ntuli will retire from the board at the forthcoming AGM and we thank her most sincerely for 11 years of service in which she chaired the Audit and Risk Committee and saw Adapt IT grow from revenue of R58 million in 2008 to R1.4 billion in the 2019 financial year. Post the year end, Oliver Fortuin was appointed as lead independent director.

The board comprises diversity reflected in terms of age, gender, race, tenure and capability. A further enhancement to this Integrated Annual Report is the provision of the value each board member brings to the group. This information, together with resume information, can be found on pages 56 to 57. The board fulfils its fiduciary duties effectively. We do not interfere with the management of the group but do ensure that the mandate of growth and returns is responsibly executed.

In accordance with the strategy, organic growth is supported by accretive acquisitions, along the lines of sensible capital allocation as explained in the Business Model and Strategic Focus section contained on pages 6 to 8 and 25 to 27 respectively. The acquisition strategy is complementary to organic growth, and serves the business strategy, to ensure we continue to bring valuable solutions to our clients to help them achieve more.

ANNUAL GENERAL MEETING

In the Notice of the AGM on page 163 you will find all relevant information pertaining to the meeting to be held on 22 November 2019. Adapt IT encourages shareholders to participate in the meeting and take the opportunity to engage with management.

Should you require interaction with Adapt IT outside of the annual general meeting please take a look at the Investors Dashboard on the website for contact details through which meetings can be arranged.

THE FUTURE

Adapt IT has transitioned successfully from being a small software business to a leading specialised software and digitally-led business solutions provider in a journey that has progressed steadily and sustainably. The group is now poised to capitalise on growth opportunities. We have touched on our appetite for public sector work, which is already being executed, although on a small scale. We confirm to shareholders that this path will be plotted thoughtfully so as not to compromise our ethics or over-expose us to the risk of non-payment.

Similarly, the group's expansion into Africa was prudent given the further slowdown in South Africa. This has resulted in improved growth prospects in these countries of operation. The bedding down of acquisitions in Australasia whilst simultaneously strengthening the Education offering in this geography has also positioned Adapt IT for additional growth. We strive to ensure that we are consistent in pursuit of our strategy through negative market cycles and it is this relentless pursuit that underpins our market position in our areas and countries of operation.

We will continue to ensure our people and the skills they hold are well looked after, nurtured and enhanced in order to be the best we can be for our clients.

THANK YOU AND APPRECIATION

It is not possible to report the results we achieved were it not for our dedicated employees. To everyone at Adapt IT, thank you for your incredible work ethic and the care you show towards our customers by living the group's values.

Similarly, management must be commended for steering performance, while at the same time ensuring that the best solutions are provided to clients.

To the executive team, it has by no means been easy, but you know the industry extremely well and always ensure that customers' needs are a priority, and that effective solutions are found. This, together with the clear vision and strategy that are in place, has ensured our resilience in the current economic climate.

To my fellow board members, thank you for the time, dedication and thoughtful contributions you make to our deliberations. Your wisdom and guidance are appreciated. To all clients, partners, suppliers and shareholders, thank you for your continued support. We appreciate our relationships with you.



Craig Chambers
Independent non-executive chairman

11 October 2019

OUR PERFORMANCE

CHIEF EXECUTIVE OFFICER'S REPORT



“In a year of global macroeconomic challenges, Adapt IT made great strides in positioning itself for the next growth phase, with strategic focus on geographic positioning, strengthening sales capabilities and ensuring that the Adapt IT divisions are streamlined. Our strategic intent – to provide the specialised software and services that enable our clients to enhance the value created in their operations – drove our 2019 focus on business efficiency, profitability, strengthened support structures and transformation.”

Sbu Shabalala
Chief Executive Officer

PERFORMANCE


The results for the year under review showed moderate growth, with revenue from continuing operations increasing 14% to R1.438 billion (2018: R1.264 billion*), with earnings before interest depreciation and amortisation (EBITDA) improving by 3% to R229 million (2018: R223 million*). The EBITDA margin remained at a steady 16%, a level we are extremely pleased with given the pressures experienced in the market.

In the Education, Manufacturing, Financial Services and Communications sectors, strategies were adapted to uncover growth opportunities. This proactive intervention delivered above market organic growth from an operating environment that can best be described as dire. This was the case particularly within Adapt IT's primary market, South Africa, which, on a macroeconomic basis, underperformed all forecasts. The Energy division however could not escape these headwinds, resulting in decreased project revenue contributing to muted organic growth of 5% from continuing operations.

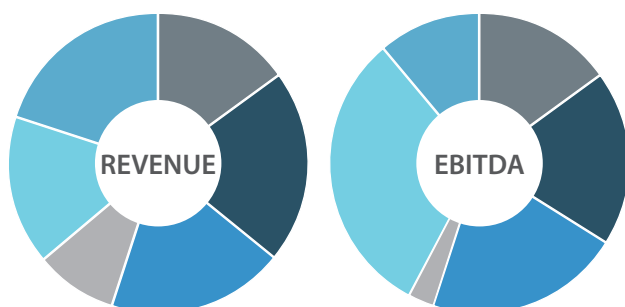
Notwithstanding the challenging conditions that punctuated the 2019 financial year, our portfolio of diversified products and solutions aided in the winning of targeted new clients and reducing client concentration to 7%.

Strategic acquisitions, which brought geographic diversification and attractive technologies, were made through the acquisitions of LGR, Strive Software, Conor and Wisenet, resulting in acquisitive growth of 9%.

Overall the group showed a resilient performance in a soft market through geographic and solution diversification as well as strategic acquisitions.

The group's summary results are contained in the CFO Report on pages 36 to 39. 

2019 FINANCIAL CONTRIBUTION (%)



	REVENUE 2019	EBITDA 2019
Education	15	15
Manufacturing	21	19
Financial Services	19	21
Energy	9	3
Communications	16	31
Hospitality	20	11

* Restated, refer note 37 on page 153

GEOGRAPHIC DIVERSIFICATION

Internationally, Adapt IT gained market share by implementing strategic Pan African and Asia Pacific diversification plans. These two geographies became important focus areas, given the subdued economic climate in South Africa. As a result of this diversification strategy, international revenue for the 2019 financial year amounts to 24% (2018: 19%).

During the year, the Pan African growth was strengthened resulting in a 15% contribution to revenue. A heightened presence in Kenya became an integral part of the Pan African business, supplementing an already established presence in Botswana, Nigeria and Mauritius,

Growth in Asia Pacific more than doubled with the successful acquisition of the Australian based Wisenet group and its integrated applications for training and education institutions, further cementing Adapt IT's presence in Australia and enhancing the group's offerings in the Education sector.

CAPITAL ALLOCATION

The group's diversification strategy included making strategic acquisitions bringing attractive technologies through the conclusion of Strive Software, Conor and Wisenet acquisitions.

The JSE Listed Software and Services sector experienced an unprecedented downward trajectory in valuations due to a fair amount of negativity within the peer group. Given the muted economic climate, the availability of acquisition opportunities at accretive valuations was limited. The Adapt IT enterprise value to EBITDA valuation was more attractive than comparable acquisitive opportunities and made the application of capital to buying back Adapt IT shares earnings accretive, enhancing normalised headline earnings per share to 76,20 cents.

Under these conditions, complementary acquisitions, together with the share buy back, were the best tools available to us to utilise our capital allocation and maximise shareholder returns.

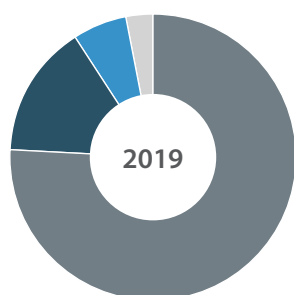
OPERATIONAL EFFICIENCIES

The establishment of the state-of-the-art Adapt IT Johannesburg campus, during the course of 2018, consolidating eight previously scattered Gauteng locations, brought together all staff members from previous acquisitions into one location. This has realigned the teams, enhanced group culture, will facilitate better cross-selling and standardise processes that are critical for sustainability. Adapt IT has been on the campus for 16 months and is already experiencing positive employee engagement across the organisation.

As part of the wider internal focus to drive organic growth, emphasis was placed on the reengineering and standardisation of leading sales processes. A sales diagnostic was performed by an external party to provide focus on the key improvement areas that each of the divisions has begun implementing. The execution of these initiatives will result in improved sales forecasting ability, sales execution and account management. Overall, this will enable sales capabilities across Adapt IT, increasing sales and growth opportunities.

A strategic review process to facilitate medium and long-term growth was conducted during the year to further enhance divisional strategy alignment, financial sustainability, market share growth, good corporate citizenship and integration throughout the Adapt IT business.

REVENUE BY GEOGRAPHIC AREA (%)*



	2019
South Africa	76
Pan Africa	15
Asia Pacific	6
Other	3

* The revenue information above is based on the location of the customer. Refer to note 35 for additional information.

OUR PERFORMANCE

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

ADAPT IT STRATEGIC PRIORITIES

Adapt IT revised its strategic priorities to further leverage our leading position as a specialised software and digitally-led business solutions company, our strong client relationships and geographic footprint to ensure future sustainability.

We learned that our diversification not only in products, but also in terms of services and specialisation into targeted sectors, remains a key focus of Adapt IT.

Our strategic priorities are to:

GENERATE ABOVE INDUSTRY ORGANIC GROWTH <ul style="list-style-type: none"> • enhance sales capability • innovate on our own intellectual property 	DEVELOP STRATEGIC CONSULTING CAPABILITY <ul style="list-style-type: none"> • develop digitally-led consulting and specialised business process outsourcing (BPO) capabilities • develop multiple touch points to become more value-adding 	PURSUE GEOGRAPHIC DIVERSIFICATION <ul style="list-style-type: none"> • focus on Pan African and Asia Pacific growth
ENHANCE ORGANISATIONAL CULTURE <ul style="list-style-type: none"> • enhance our organisational culture and drive collaboration and sharing of expertise • empower employees through skills development and improved performance management and remuneration policies 	STRATEGIC ACQUISITIONS <ul style="list-style-type: none"> • continue to assess strategic acquisitions in support of product and geographic diversification 	IMPROVE OPERATING STRUCTURE <ul style="list-style-type: none"> • improved governance and integration capabilities • drive transformation, diversity and skills upliftment

The group executive team is focused on delivering on this strategy. We believe that it is the combination of these factors that will create a sustainable competitive advantage for the group.

TRANSFORMATION WITHIN ADAPT IT

Our focus on transformation is a major strategic advantage for three main reasons: our diversity assists our drive to recruit and retain top-tier talent; it enhances our innovation and performance; and our level 2 Broad-Based Black Economic Empowerment (B-BBEE) status is another way we achieve stickiness with clients focused on their procurement spend.

The focus enables Adapt IT to instil a group-wide culture in which there is commitment to racial and gender equity and our opposition to all forms of discrimination.

Transformation also has an impact on employment equity in our South African operations. We achieved our 2019 targets for black and black female representation in senior, middle and junior management.

OUTLOOK

I am proud of the fact that Adapt IT is poised to take advantage of its underlying diversification. This can be done by mining the current client base more effectively, focusing on sales in a cohesive manner, carefully expanding on the Pan Africa and Asia Pacific strategy and ensuring that all of this is done bearing good capital allocation in mind.

The South African market has started to slowly pick up after a prolonged period of uncertainty, and remains the largest market that Adapt IT services. This presents a flicker of good news as the strong customer focus, sector specialisation, skills and software that the group has at its disposal will assist in ensuring the operations take advantage of these green shoots.

Furthermore, the group foresees growth in Africa provided we ensure the necessary traction which, given the quality of the offerings, should be additive. Adapt IT is also confident that it can execute on the strategy in the region based on the way the group has set up its Pan African operations.

The public sector is an attractive space for Adapt IT as the sector becomes more accountable, with an improved focus on governance; the group believes a careful approach will suffice in protecting it against the risks often associated with this market.

THANKS AND APPRECIATION

I extend my sincere thanks to clients for their ongoing support and for entrusting Adapt IT with key aspects of their businesses. These solutions would not be possible without commitment from the entire Adapt IT family. As colleagues with individual strengths and skills, we make a strong team because of our shared goals, ethics, culture and drive. I would like to thank each member of the team for the part they play in ensuring we remain relevant to our clients and as we position ourselves to embrace a future which holds great excitement and further growth for our group.

To the leadership and management teams within Adapt IT, I value the thought and care you impart to your people as we ensure our culture embraces diversity of race, gender, age, skills and expertise, and is nurtured to ensure sustainability and skilled succession.

To the board of Directors, who guide us with their governance skills and ensure we continue to do business for the right reasons and in the right way, your support is sincerely appreciated.



Sbu Shabalala
Chief Executive Officer

11 October 2019

CLIENT FOCUS

What we have observed is that the value proposition in the ICT space is critical. For clients, ICT is an intimate part of their respective business models, plans and ultimate success of their business. Given this, Adapt IT has to forge a relationships built on competence, respect, knowledge and delivery. What sets the group apart is that it provides locally-developed intellectual property backed by international software platforms with excellent reputations and products.

OUR PERFORMANCE

CHIEF FINANCIAL OFFICER'S REPORT



“Adapt IT continues to grow in a tough trading environment through the diversification strategy that continues to provide resilience and synergistic opportunities.”

Tiffany Dunsdon
Chief Commercial Officer (Acting CFO**)

FINANCIAL PERFORMANCE

Revenue from continuing operations increased by 14% to R1,438 billion (2018: R1,264 billion*). Revenue growth comprised an improved 5% organic growth from continuing operations and 9% from acquisitions. The five-year compound annual growth rate for revenue was 20%.

Annuity revenue remains healthy and has improved from the previous reporting period to 61% (2018: 58%).

In spite of the ongoing poor trading conditions three divisions delivered double-digit organic growth. Underperformance in the Energy segment had a significant impact on the results. The segmental performance is set out on page 37 and in a detailed note 35 on page 150.

Acquisitive growth of 9% comprises the results of the LGR Telecommunications group (LGR) for eleven months; Strive Software (Strive) for ten months; Conor Solutions (Conor) for six months and Wisenet group (Wisenet) for four months during the financial year.

OTHER MATERIAL FACTORS AFFECTING THE RESULTS

ADOPTION OF IFRS 15 AND RESTATEMENT OF 2018 RESULTS

Prior year figures have been restated mainly for errors related to revenue recognition that were identified pursuant to the adoption of IFRS 15. The components of the restatement are set out in note 37 on page 153. The reduction in revenue amounted to a net R16 million and the reduction to profit after tax was R7 million. The commentary in this report is therefore presented against the restated 2018 results.

All restated figures are indicated with an asterisk ().*

DISCONTINUED OPERATION

In the year ended 30 June 2018, Adapt IT disposed of a subsidiary resulting in the group's share of a capital profit after tax on disposal of R16 million. The same subsidiary contributed R4 million in profit after tax attributable to Adapt IT shareholders. Accordingly, R20 million of prior year profit after tax attributable to Adapt IT shareholders related to the discontinued operation thus, where relevant, performance is also explained on the basis of continuing operations.

IMPAIRMENT OF THE ASSET HELD FOR SALE

During the course of the year the property situated in Pretoria, South Africa, was marketed with no success. At year end an offer was received and accepted, necessitating an impairment of R8 million to the value of the asset held for sale. There was no tax shield on this impairment.

FOREIGN EXCHANGE MOVEMENTS

Net foreign exchange loss in the period totalled R6 million (2018: R5 million net gain), resulting in a negative year-on-year movement of R11 million. The foreign currency exposure at year end totalled R23 million (2018: R23 million) and is set out in note 32.4 on page 148.

Earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations rose by 3% to R229 million (2018: R223 million*), representing a healthy 16% EBITDA margin from continuing operations (2018: 18%*). In the prior year R26 million of EBITDA was attributable to a once-off capital profit on the disposal of a non-core business, which contributed 2% to the EBITDA margin.

Interest-bearing borrowings increased to R501 million (2018: R214 million). Finance costs consequently increased to R43 million (2018: R29 million). The cash interest expense increased from R23 million to R38 million due to funding working capital, the share buyback programme and acquisitions, which were funded exclusively through cash. Imputed interest on financial liabilities arising from the deferred portions of the purchase considerations for EasyRoster and Wisenet was R4 million (2018: R5 million).

The effective tax rate is unusually high at 39% (2018: 34%*) due to foreign withholding taxes and non-deductible interest and expenses relating to acquisitions (being costs of a capital nature).

Amortisation of intangible assets acquired increased to R36 million (2018: R34 million) arising from the allocation of the purchase considerations for acquisitions, to separable intangible assets, relating primarily to customer relationships and internally developed software.

Earnings per share (EPS) from continuing operations decreased by 15% to 51,32 cents and headline earnings per share (HEPS) from continuing operations decreased by 6% to 57,27 cents. Normalised HEPS from continuing operations decreased by 6% to 76,20 cents.

ACQUISITIONS AND EARN-OUTS



Adapt IT acquired LGR one month prior to the 30 June 2018 year end. The final consideration paid was R51 million (refer to note 37.1 on page 153). In the current year, LGR was fully integrated in South Africa and Australia, further bolstering the Communications segment product offering.

EasyRoster achieved 93% of its third profit warranty in the period from 1 July 2018 to 30 June 2019.

The acquisition of the going concern of Strive for a consideration of R13 million, creating an entry into the private college market of the education sector in South Africa, further diversified the sector exposure of the Education segment. Strive was consolidated effective 1 September 2018 and has performed in line with expectations during the year under review.

The Conor going concern was acquired for a consideration of R80 million. Conor is focused on mobile technologies providing turnkey technology solutions to mobile network operators, financial institutions, enterprises and SMEs across Africa. This acquisition further diversified the Communications sector offerings. Conor was consolidated effective 31 December 2018 and has performed in line with expectations during the reporting period.

Adapt IT acquired the going concern and intellectual property of Wisenet for a minimum consideration of R54 million plus a contingent earn-out consideration for performance to the end of December 2021, the fair value of which is estimated at R23 million. The maximum contingent consideration of SGD15 million (approximately R150 million) is not considered likely to materialise as it was simply an unrealistically high cap set through negotiations.

Wisenet has a Learning Relationship Management Software as a Service (SaaS) Cloud-only product serving the private college and training institutions market of the education sector in Australia, New Zealand and Singapore, further diversifying the geographic exposure of the Education division. Wisenet was consolidated effective 1 March 2019 and has performed slightly below expectations during the reporting period due to intensive focus on integration.

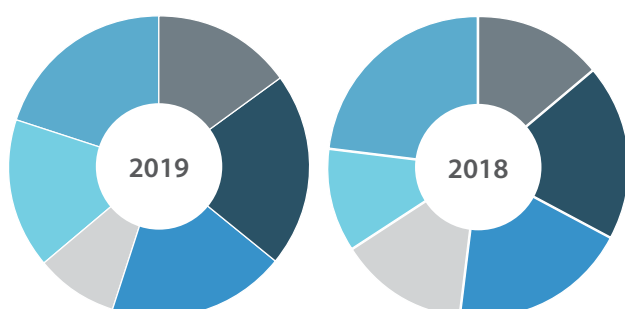
On 1 December 2018 the group acquired the 30% minority interest held in CQS Confirmations (Pty) Ltd from Que Dee Trading 35 (Pty) Ltd for a consideration of R16 million.

REVENUE DIVERSIFICATION

Revenue is well diversified across six sectors and various geographies monitored in the operating divisions of Adapt IT. The operating divisions are driven and reported in sectors, namely Education, Manufacturing, Financial Services, Energy, Communications, and Hospitality, with the Communications segment now disclosed separately in the current year and which includes the two further acquisitions into this segment.

- The Education division delivered an increase in revenue of 24%, contributing 15% to total revenue.
- The Manufacturing division achieved excellent revenue growth of 26% year-on-year, contributing 21% to total revenue.
- Financial Services grew 11% from continuing operations, post the disposal of CQS GRC, contributing 19% to total revenue.
- The Energy division experienced a 30% decrease in revenue from a decrease in project revenue after several years of strong project revenue, contributing 9% to total revenue. The EBITDA contribution fell by R20 million, this being the main reason for underperformance in the 2019 financial year. The division is under new management, with a revised strategy and is beginning to show a recovery.
- The Communications division grew 69% inclusive of the two acquisitions, contributing 16% to total revenue.
- The Hospitality division remained flat in line with expectations and contributed 20% of total revenue.

The segmental analysis of revenue from continuing operations is provided in note 35 on page 150, and shown graphically below, demonstrating a good balance and spread of risk, in support of our strategy of diversification to ensure consistency through periods of negative market cycles.



REVENUE BY SEGMENT %		2019	2018
	Education	15	14
	Manufacturing	21	19
	Financial Services	19	19
	Energy	9	14
	Communications	16	11
	Hospitality	20	23

OUR PERFORMANCE

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Revenue from foreign customers comprises 24% (2018: 19%) of total revenue, with 15% of total revenue being from 33 African countries, excluding South Africa.

Diversification by geography and growing hard currency revenue streams is a key factor in diversifying market risk and continues to remain a strategic focus.

FINANCIAL POSITION

Total equity decreased to R679 million (2018: R747 million*). The reason for the decrease was offsetting of items in the statement of changes in equity. The increase in retained earnings from comprehensive income of R76 million (2018: R122 million*) together with treasury share issue of R4 million (2018: share issue of R69 million) was offset by the share repurchase of R96 million (2018: R73 million), dividends paid of R29 million (2018: R35 million), the purchase of a minority interest for R16 million and an IFRS transitional adjustment of R4 million.

Adapt IT held 8,2 million treasury shares at the start of the financial year, of which 8 million were cancelled at the end of February 2019 in order to allow for the repurchase programme to continue. Across the year, another 15,5 million (10%) of its issued ordinary shares were repurchased in the open market under the general authority granted by shareholders for R96 million at an average price of 609 cents per share. To settle a performance bonus relating to a prior acquisition, 0,5 million shares were issued and 15,2 million shares (10%) are held in treasury at year end.

The 16th dividend of 17,10 cents per share, covered four times by earnings, was paid to shareholders in September 2018. Having given consideration to the level of gearing, the board has taken a decision that it is prudent to defer a dividend decision until after the interim period when cash flows of the group are generally stronger from a 'seasonality' perspective.

Goodwill increased to R739 million (2018: R598 million*) due to the LGR, Strive, Conor and Wisenet acquisitions. The acquisitions of Conor and Wisenet have been provisionally accounted under IFRS 3 Business Combinations. The considerations paid for the acquisitions effectively includes amounts in relation to the benefit of the expected synergies, revenue growth, new market penetration and future market development.

Intangible assets arising from the allocation of purchase consideration to intangible assets at acquisition, being internally generated software and customer relationships, increased by R29 million to R249 million (2018: R220 million), relating mainly to the Strive and Wisenet acquisitions and long-term licenses for the Hospitality segment. Refer to note 8 on page 114 for further details.

Property and equipment grew to R110 million (2018: R96 million), mainly from computer hardware, leasehold improvements and furniture and fittings acquired during the year. Total capital commitments of R45 million (2018: R34 million), disclosed in note 28.2 on page 142, are to be financed through internal cash resources and relate primarily to future capital requirements for the fit-out of the final phase of the Johannesburg Campus and additional computer equipment.

Finance lease receivables of R33 million and inventory of R26 million relate to finance lease arrangements with Micros customers for IT equipment and finished goods held at year end.

Trade and other receivables increased to R312 million (2018: R249 million*) largely due to the LGR and Conor acquisitions and pre-paid annual maintenance on hosting licenses. The average debtors' days outstanding at the end of the year increased slightly to 71 days (2018: 68 days). IFRS 9 Financial Instruments was adopted in the year, resulting in a transitional adjustment of R6 million, reducing opening equity and an overall increase in allowances for expected credit losses of R5 million, compared with the prior year. Management believes that the allowances for expected credit losses are adequate. The ageing of the account receivable is provided in note 32.1 on page 146 together with a comparison of the prior year. Contract assets (previously disclosed as accrued revenue) amounted to R24 million at 30 June 2019. The 2018 amount of R30 million was previously disclosed in other receivables. Refer to note 16 on page 128 for a detailed breakdown of contract assets and allowance for expected credit losses.

Contract liabilities (previously disclosed as deferred income) increased to R108 million (2018: R96 million*). Contract liabilities relate mainly to the Education and Hospitality segments where revenue in respect of license fees and product development and support is received annually in advance at the beginning of each calendar year. Furthermore, there are certain project revenues, including other license and support revenues, received in advance across the sectors. Refer to note 26 on page 140 for a detailed breakdown.

Leave pay and provisions increased from R52 million to R60 million. This was mainly due to acquisitions.

CASH FLOW, LIQUIDITY AND BORROWINGS

Cash generated from operations after working capital changes was R179 million (2018: R260 million*). The cash conversion ratio was 1,08 times (2018: 1,25 times). Net cash and cash equivalents was R58 million (2018: R86 million) at the end of the period.

The net gearing ratio is unusually high at 65% (2018: 18%). This is because no shares were issued for acquisitions during the year, instead internally generated cash and borrowings were used to fund acquisitions and the share repurchase. The net gearing will be reduced in the forthcoming year, to be closer to the preferred net gearing ratio of 50%.

Adapt IT has adequate working capital for all operational and capital commitments through its cash resources and bank facilities and will raise funding as and when required for further acquisitive growth.

FINANCIAL CONTROLS AND RISK MANAGEMENT

The combined assurance model including the internal control framework detailing financial controls, has been approved by the Audit and Risk Committee and the control environment is continuously evaluated by management, together with the internal audit function, to improve both the identification of risks and internal controls.

The combined assurance approach has been dealt with under the Audit and Risk Committee Report. The financial risk management is covered on page 145.

ACCOUNTING POLICIES

IFRS 15 Revenue from Contracts with customers and IFRS 9 Financial Instruments were adopted during the year. The adoption of new or revised accounting standards, interpretations and circulars have been described in note 1.8 on page 99. The other accounting policies and methods of computation used in the preparation of the annual financial statements are in keeping with IFRS and consistent with those used in the previous financial year. In the forthcoming year IFRS16 Leases will be adopted.

GOING-CONCERN ASSERTION

The board has formally considered the going-concern assertion for Adapt IT and is of the opinion that it is appropriate.

CONCLUSION

In spite of the South African market remaining challenging, Adapt IT is resilient and strategically well positioned and continues to extend its geographic reach and build on its strong, well-diversified foundation.



Tiffany Dunsdon

Chief Commercial Officer (Acting CFO**)

* Restated as per note 37.

** Nombali Mbambo is Adapt IT's Chief Financial Officer, and served as such until 14 June 2019 when Tiffany Dunsdon, Chief Commercial Officer, took over the role in an acting capacity for the remainder of the financial year while Ms Mbambo was on maternity leave.



OUR PERFORMANCE

SEGMENTAL PERFORMANCE



EDUCATION

VALUE PROPOSITION

The division's in-depth understanding of the challenges faced by the education sector enables it to design, develop, implement and maintain a range of education software products and services.

HIGHLIGHTS

- Acquired Wisenet group

FLAGSHIP SOFTWARE

- ITS Integrator
- CELCAT Timetabler
- ICAS® Integrated Campus Administrative System
- Wisenet

SERVICES

- ITS Integrator Support
- Implementation, Customisation, Development and Integration
- Automated Exam and Class Timetabling
- Training and Consulting
- Learning Relationship Management System

FINANCIAL CONTRIBUTION FROM CONTINUING OPERATIONS

	2019 %	2018* %
Percentage of revenue	15	14
Percentage of EBITDA	15	13
EBITDA margin	16	17

* Restated

BACKGROUND

The Adapt IT Education division provides solutions to higher education institutions worldwide. The division's operations date back 33 years. The division currently services more than 800 customers in Africa, Europe and Asia Pacific. The flagship product is the Enterprise Resource Planning (ERP) software solution used by educational institutions for processes including application to study, registration, study period, examination and graduation.

The software supports the Department of Higher Education and Training's (DHET) statutory reporting requirements, with integration into agencies such as the DHET and National Student Financial Aid Scheme (NSFAS). The Adapt IT Education division uses its knowledge of the challenges faced by the education sector to design, develop, implement and maintain software products and services.

GROWTH AND STRATEGY UPDATE

The division's focus is on targeting clients in the rest of Africa as well as cross-selling across regions globally in which Adapt IT has a presence.

The division has created a digital research and innovation unit to exploit the latest developments in the sector, including self-service technology and the enhanced use of mobile devices for education.

Adapt IT Education further aims to enter into strategic partnerships, centred on collaboration to co-create commercially viable solutions for the sector, with institutions of higher learning.

CORPORATE ACTIONS

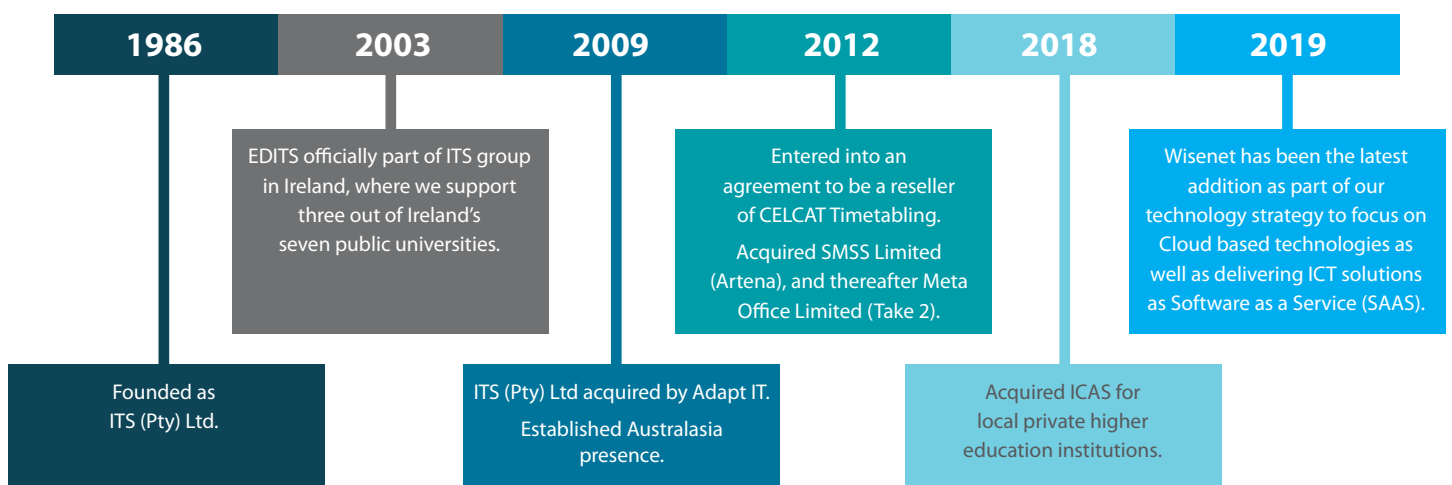
During the period under review, Adapt IT:

- Acquired Strive Software effective September 2018 for a consideration of R13 million, to diversify into the private college market; and
- Boosted growth in Asia Pacific with the acquisition of Melbourne-based Wisenet group effective 1 March 2019 to increase Adapt IT's presence in Australia. Wisenet is a leading provider of Learning Relationship Management Applications to the education industry.

PROSPECTS

The division is positive regarding the impact of adding the Strive Software and Wisenet offerings to its existing education services and solutions, to target growth from African and European operations.

OUR HISTORY – EDUCATION



OUR PERFORMANCE

SEGMENTAL PERFORMANCE CONTINUED



MANUFACTURING

VALUE PROPOSITION

The division is a provider of specialised software products for sugar producers, security providers, power stations, mines and other heavy industry. The software products are serviced by subject matter experts in the sectors in which we operate.

HIGHLIGHTS

- Continued growth of services to a key sugar client
- Release of ScaleABILITY product
- Significant growth in international revenues

FLAGSHIP SOFTWARE

- Sugar Industry ERP Solution
- Sugar Industry LIMS Solution – CaneLab
- Weighbridge Automation – ScaleABILITY
- Operational Risk Management – OpSUITE (including IntelliPERMIT)
- Shift Roster Software – EasyRoster
- Expense Management
- Enterprise Performance Management

SERVICES

- Business Advisory
- Software Development, Implementations, Systems Integration
- Sustainability Reporting
- ERP Support

FINANCIAL CONTRIBUTION FROM CONTINUING OPERATIONS

	2019 %	2018* %
Percentage of revenue	21	19
Percentage of EBITDA	19	16
EBITDA margin	15	15

* Restated

BACKGROUND

The Adapt IT Manufacturing division develops software solutions for the manufacturing, agri-processing, security resources and utilities sectors, servicing clients in 27 countries. The division comprises of businesses with over 23 years of experience. It designs and builds solutions that address sector challenges ranging from the coordination of centralised procurement and inventory management to the controlled payment of cane growers, optimisation of security guard rosters and solutions managing the safety of nuclear power plant refuelling shutdowns.

EasyRoster, a flagship offering, is an integrated workforce management system that caters for efficient rostering according to contract requirements, including the exporting of attendance details to payroll systems. The system enables automation of rostering and attendance registration.

GROWTH AND STRATEGY UPDATE

The division's focus on key customers, core products and capabilities has yielded good performance despite the challenging conditions in its markets. Differentiated intellectual property and steady annuity revenue streams remains the basis for the resilience of this business.

The business is focused on assisting clients to improve the efficiency and competitiveness of operations through providing outsourced support and strategic technology solutions including:

- Automation of the supply chain;
- Support for digital transformation; and
- Operational risk solutions.

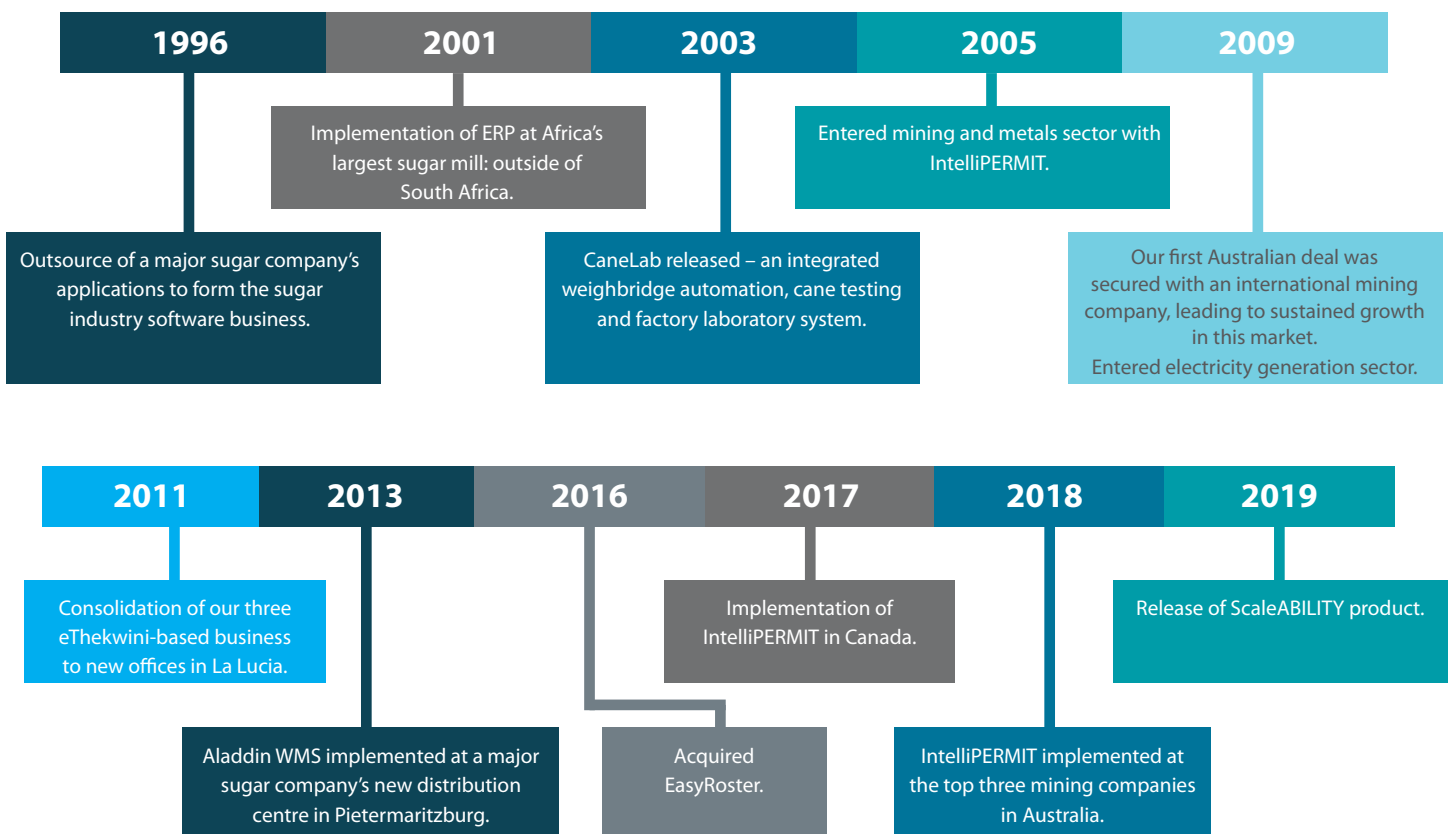
The Cloud version of EasyRoster is under development with a view to diversifying into global markets.

PROSPECTS

Challenging conditions across much of the commodities sector translated into changes for the Adapt IT Manufacturing division during the year under review, as discussed in the CEO Report on page 32. In response to these conditions, the division is focused on the following areas:

- Existing sugar industry customer base, which require digital transformation and efficiencies in their businesses in order to remain competitive;
- Mining and metals sector in Australia, which is providing a strong pipeline of opportunities; and
- Petrochemical industry, with division's focus being on the industry's safety solutions spend through cross-selling its operational risk management solutions.

OUR HISTORY – MANUFACTURING



OUR PERFORMANCE

SEGMENTAL PERFORMANCE CONTINUED



FINANCIAL SERVICES

VALUE PROPOSITION

The division has specialised in the design, development and deployment of software solutions for financial professionals for over 23 years.

HIGHLIGHTS

- Invested in a presence in Kenya, Botswana and Mauritius
- First Public Sector client signed up in Kenya
- Market reach expanded with Modified Cash Offering for National and Provincial Departments
- Signed MOU with the Mauritius Institute of Professional Accountants in Mauritius

FLAGSHIP SOFTWARE

- CaseWare
- TaxWare
- Probe Audit Working Papers
- Audit International
- Confirmation

SERVICES

Software implementation services in support of:

- Audit
- Financial reporting
- Practice Management
- Tax and Secretarial solutions

FINANCIAL CONTRIBUTION FROM CONTINUING OPERATIONS

	2019 %	2018* %
Percentage of revenue	19	19
Percentage of EBITDA	21	20
EBITDA margin	19	19

* Restated

BACKGROUND

The Adapt IT Financial Services division provides a range of software solutions that automate financial statement and assurance engagements, streamlines tax management processes, enable simplified time and billing management in addition to taking care of secretarial duties. The division serves about 4 500 audit and accounting firms, government entities, municipalities and large companies across Africa. The business dates back to 1995.

Adapt IT is the authorised distributor for CaseWare International, the global provider of auditing and financial software. The group serves more than 25 000 users across Africa.

GROWTH AND STRATEGY UPDATE

The auditing and accounting profession is experiencing unprecedented change, particularly in relation to technologies such as advanced analytics, robotics, process automation and emerging innovations. As a result, the division is focused on:

- Cloud-based integrated offerings that leverage big data and automate production, enabling clients to free up time for value-added services and enabling consolidated oversight;
- Data-driven solutions enabling clients to have analytics embedded throughout financial management and audit processes;

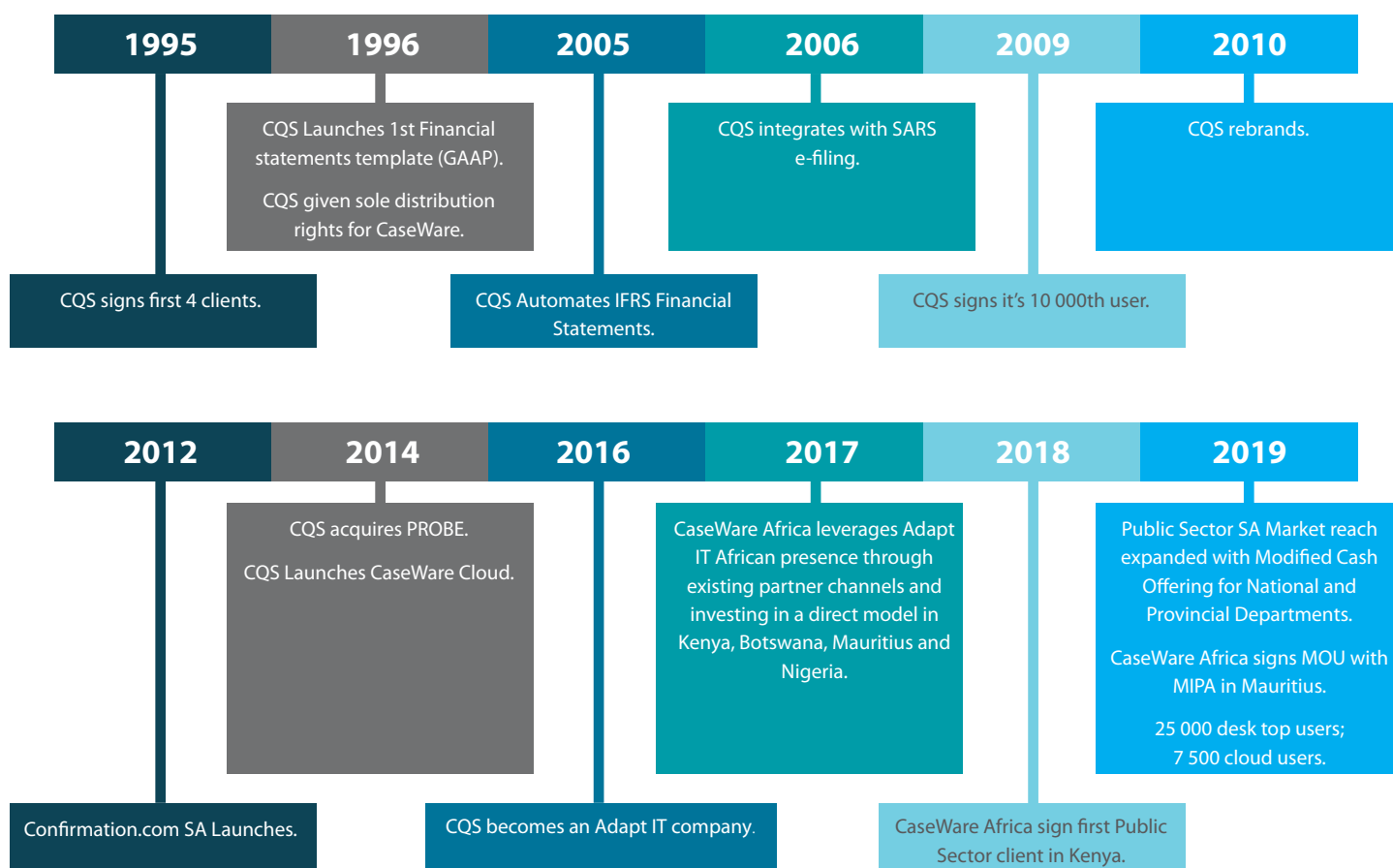
- Collaboration with industry bodies, regulators, and professional institutes across Southern Africa and the African continent, to support digital transformation initiatives where appropriate, as well as the ongoing evolution in compliance and regulation; and
- Automated IPSAS solutions for cash and accrual basis of reporting.

PROSPECTS

The division envisages growth in:

- Pan Africa (including South Africa)
 - Expanding services across regional financial professionals' networks;
 - Expanding services to small and medium-sized financial services practises through partnerships with institutes; and
 - Expanding in the Public Sector.
- South Africa
 - Expanding into Provincial and National departments
- Integration of analytics capabilities into all audit offerings

OUR HISTORY – FINANCIAL SERVICES



OUR PERFORMANCE

SEGMENTAL PERFORMANCE CONTINUED



ENERGY

VALUE PROPOSITION

The division has deep sector expertise in providing niche solutions and services within the oil and gas industry. It has a proven track record in large scale SAP™ and supply chain solution implementations and is the lead terminal automation software provider and implementer in Africa.

HIGHLIGHTS

The division strengthened its partnership with SAP™ when it was appointed a key partner for SAP™, and a value-added reseller of SAP™ software and solutions.

FLAGSHIP SOFTWARE

- SAP™ Oil-in-One
- TechnipFMC FUEL-FACS+
- ARMS (Adapt IT Remote Management System)
- Ortec
- SAP™ HCM Spectrum
- IntelliPermit

SERVICES

- Supply Chain Optimisation Technology and Innovation
- Supply Chain and Operational Advisory
- SAP™ IS-OIL Services and Integration
- SAP™ Services and Support
- Terminal Management and Services Support
- Transportation and Distribution Management
- Fuel Retail Network Services and Support
- Industry Solution Development, Deployment and Integration
- Business Process Outsourcing (BPO)

FINANCIAL CONTRIBUTION FROM CONTINUING OPERATIONS

	2019 %	2018* %
Percentage of revenue	9	14
Percentage of EBITDA	3	11
EBITDA margin	5	15

* Restated

BACKGROUND

Adapt IT Energy designs, implements and supports SAP™ and leading supply chain solutions within the oil and gas sector, in Africa and globally. The division provides innovation and digitisation across the oil and gas supply chain, with solutions for companies operating refineries, bulk fuel distribution and storage, warehousing, retail and commercial. The division also partners with fuel retailers to help them gain visibility, reduce operational costs, increase sales, differentiate themselves and improve customer satisfaction.

GROWTH AND STRATEGY UPDATE

The division is currently diversifying into new geographies and client segments, with a particular focus on cross-selling opportunities enabled through the integration of group-owned businesses during the period under review. There is focused development of the leadership, sales and delivery teams.

In geographic terms, the division is diversifying into new markets on the continent, with a focus on the Southern African Development Community (SADC), East and West Africa. In client segment terms, the focus is on targeting small to mid-tier enterprises. New leadership was appointed during the year under review.

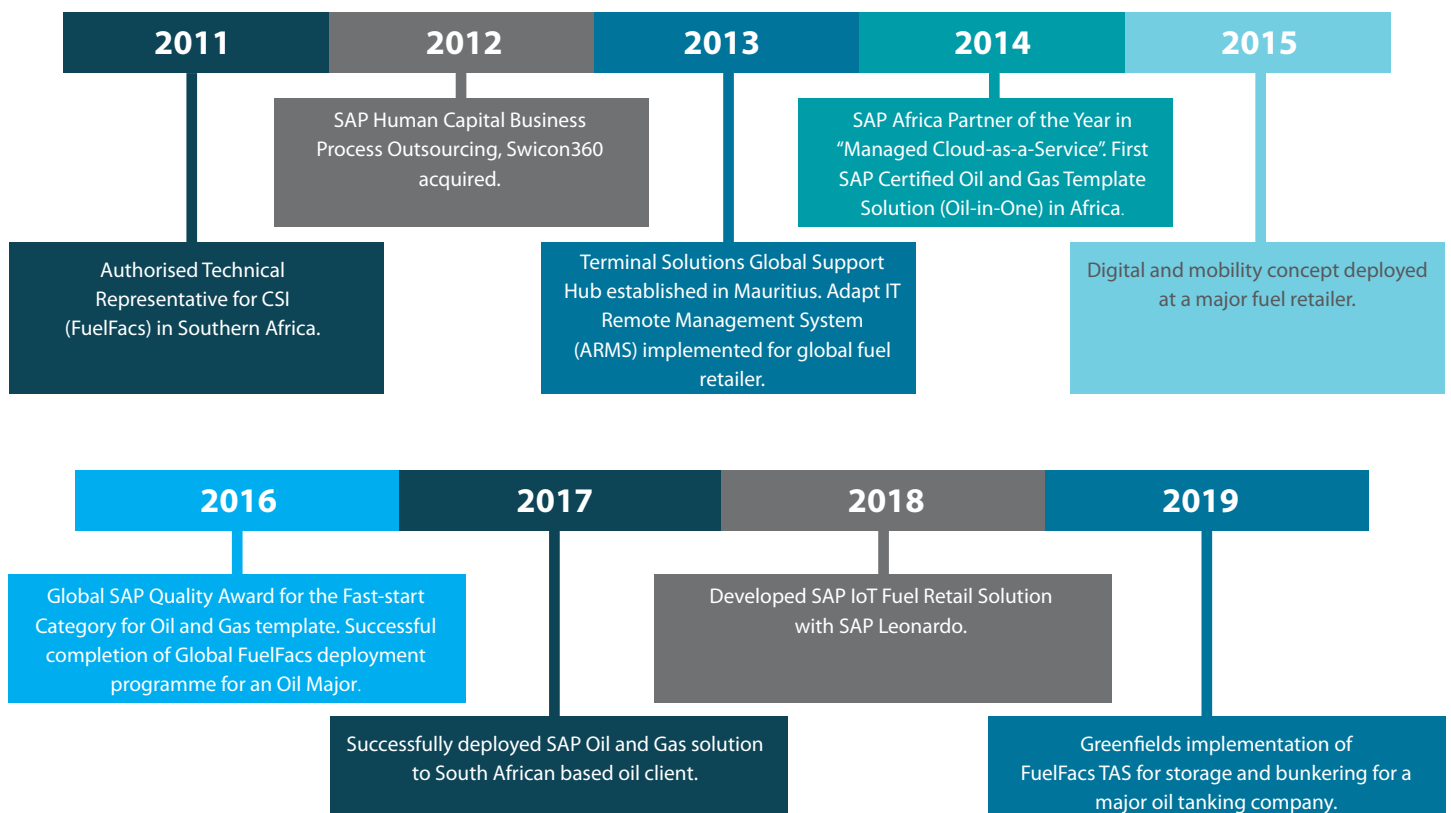
PROSPECTS

In the short-term, the division is focused on building the reputation of its oil and gas supply chain specialisation.

In the medium-term, the division foresees growth in:

- diversifying into new markets and regions on the African continent;
- targeting the independent and mid-tier customer segment as well as the existing client base with a niche and specialised offer;
- enhancing its partnership with SAP™;
- extending its supply chain solutions;
- improving software solutions within the oil and gas sector; and
- working to entrench Adapt IT as a leading software and solutions provider in the oil and gas sector.

OUR HISTORY – ENERGY



OUR PERFORMANCE

SEGMENTAL PERFORMANCE CONTINUED



COMMUNICATIONS

VALUE PROPOSITION

International expertise in telecoms expense management, customer experience, self-service/self-care and advanced telecoms analytics. Support into tier 1 mobile network operators speaks to competence in this sector.

HIGHLIGHTS

- Acquisition and integration of Conor V-services included in offering
- Technology Expense Management expands solutions to include EPM, Hosted Voice and Telecoms Fraud offering.

FLAGSHIP SOFTWARE

- Mobility Enabling Self-Service and Self-Care Platform
 - Corporate Carrier Self Service (CCSS)
- Advanced Telecoms Analytics – CDR Live
- v.Services – Next-Gen VAS, Multi-VAS and Omni-Channel Secure Integration Layer
- Multi-Opco High Volume ETL Platform
 - VISION (LEA and Regulatory Application)
- Telecoms Expense Management
- Telecoms Fraud management
- Enterprise Performance Management Solutions
- Technology Expense Management Solutions

SERVICES

- Software as a Service (SaaS)
- APN-as-a-Service
- Analytics-as-a-Service
- Telecommunication and Technology Expense Management
- Customer Experience (CX) and Self-Service Advisory
- Enterprise Data Services and Connectivity
- Enterprise Performance Management

FINANCIAL CONTRIBUTION FROM CONTINUING OPERATIONS

	2019 %	2018* %
Percentage of revenue	16	11
Percentage of EBITDA	31	28
EBITDA margin	32	46

* Restated

BACKGROUND

Adapt IT Communications division is an advanced telecommunications solutions provider with 18 years of experience, that understands and is able to enhance and anticipate client's business needs through the provision of specialist proprietary software and value-added services to the telecommunications industry. It has a footprint in Africa, Australia and South America.

The Technology Expense Management business focuses on improving the customer's financial bottom line through the implementation of smart spend management solutions, with the objective being to provide robust technology solutions to solve their business problems.

The Communications division further provides Cloud-based communication Technology Expense Management solutions, servicing over 1 000 corporate customers across multiple sectors. Branded self-service capabilities to Mobile Network Operators and advanced mobile operator analytical applications is also provided.

The division's strength is to enable clients to analyse, monitor, manage and make fact-based decisions on their mobility spend, allowing them to better manage and control usage behaviour in their organisations in respect of technology, telecommunications and Cloud services.

GROWTH AND STRATEGY UPDATE

A combination of two client trends provides growth opportunities for the division:

- Digitisation dominates this sector, with technologies including Customer Experience, Self-Service/Self-Care, Know-Your-Customer, Artificial Intelligence and Augmented Reality all being considered necessities

- Cash flow pressures across the industry mean business leaders are pursuing monetisation of both existing as well as future assets
- This means that value-added services, efficiently and effectively implemented, are considered key to any carrier's future sustainability.

Given that clients are pursuing only Cloud-based or Cloud-ready platforms, secure and enabled with analytics, Internet-of-Things (IoT) and fintech technologies, seen as future revenue growth areas, including solutions supporting 5G. All of the division's platforms are Cloud enabled, support the latest security protocols and data sharing. They also provide multiple opportunities for monetisation and both offer and support IoT as well as fintech modules and offerings.

CORPORATE ACTIONS

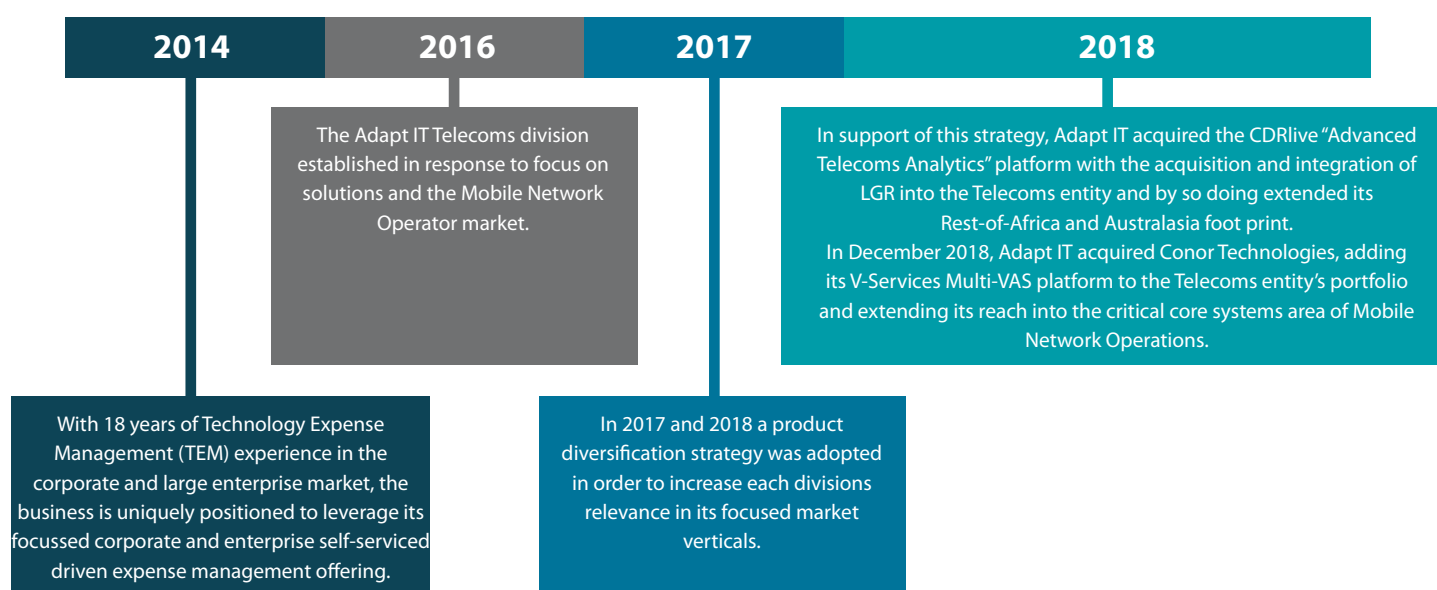
During the period, the group acquired and successfully integrated Conor Solutions, a South African ICT company that provides technology solutions to mobile operators, financial institutions, enterprises and smaller businesses in Africa and South America.

GROWTH PROSPECTS

In the medium-term, the division sees growth in:

- Expanding on customer experience and advanced analytics offerings;
- Using its capabilities and data management experience to enhance its position in the IoT space;
- Expanding the fintech competency to maximise Mobile Money and Mobile Wallet;
- Expanding sales into regions across Africa and Asia Pacific; and
- Expanding and broadening the capabilities of its TEM offering and enhancing its ability to offer pre-built industry specific solutions.

OUR HISTORY – COMMUNICATIONS



OUR PERFORMANCE

SEGMENTAL PERFORMANCE CONTINUED



HOSPITALITY

VALUE PROPOSITION

The Hospitality division has 21 years of experience in the hospitality, retail, and food and beverage industries. Throughout this period, we have been the market leader in bringing best of breed technology to and enabling the Hospitality sector.

HIGHLIGHTS

- Concluded an agreement with Oracle to extend hosting rights until end-2024
- Signing an exclusive five year agreement for the offering of SaaS services, Symphony POS, Reporting and Analysis (R&A) and Inventory to a leading franchise in South Africa.

FLAGSHIP SOFTWARE

- Oracle Hospitality Symphony
- Oracle Hospitality RES
- Oracle Hospitality Opera Property Management
- Oracle Hospitality Cloud – Opera Cloud
- Micros SA SaaS Services – Oracle Hospitality Reporting and Analytics, Inventory, Labour, Gifts and Loyalty

SERVICES

- Consulting
- Project Management
- Implementation Services
- Hosting and Database Services
- Application Services
- 24/7 Support

FINANCIAL CONTRIBUTION FROM CONTINUING OPERATIONS

	2019 %	2018* %
Percentage of revenue	20	23
Percentage of EBITDA	11	12
EBITDA margin	9	10

* Restated

BACKGROUND

Adapt IT's Hospitality division offers clients in the hospitality industry the technologies that improve their service, controls, efficiency and profitability.

The division was created through the acquisition of Micros South Africa (Micros) which specialises in the resale, support, and deployment of software and hardware products. The division complements these services with rapidly growing Cloud solutions and the provision of professional services for the hospitality industry.

GROWTH AND STRATEGY UPDATE

With the presence of online aggregators significantly changing the way the consumer buys from food and beverage establishments, the sector faces increasing pressure to be present online. This makes cloud-based technologies a key factor in most customers' buying decisions for food and beverage as well as hotel industries.

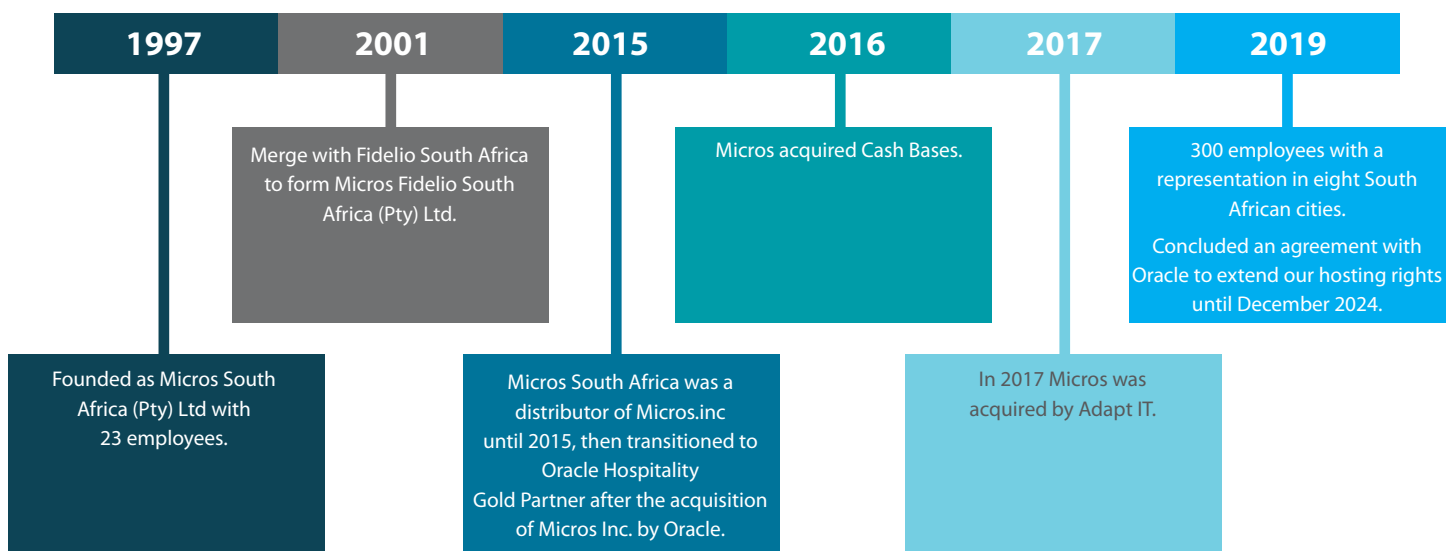
The division has offered clients its cloud offering for the food and beverage sector since 2003, having started with reporting and analytics and growing with client need to include point of sale, inventory management, labour management and loyalty.

PROSPECTS

The division sees growth in:

- Conversion of on-premise customers to Cloud;
- Opportunity in the SME retail sector with a new Cloud-based retail platform; and
- Online integrations using Cloud-based integration platform

OUR HISTORY – HOSPITALITY



OUR PERFORMANCE

FIVE-YEAR REVIEW

		30 June 2019	30 June 2018*	30 June 2017	30 June 2016	30 June 2015
OPERATING RESULTS						
Revenue	(R'000)	1 438 138	1 332 849	993 671	796 178	575 324
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(R'000)	228 541	260 066	194 326	165 140	102 385
Operating profit	(R'000)	165 751	207 945	150 983	136 389	86 500
Profit for the year	(R'000)	76 362	122 149	92 546	80 957	52 679
Profit attributable to equity holders of the parent	(R'000)	75 307	114 558	88 133	78 357	52 679
Headline earnings	(R'000)	84 033	97 723	88 150	78 259	52 639
Normalised headline earnings	(R'000)	111 812	130 409	118 461	97 480	64 728
Cash generated from operations	(R'000)	178 688	259 995	139 325	173 602	105 387
FINANCIAL POSITION						
Total equity	(R'000)	679 035	747 457	668 537	472 688	321 094
Total assets	(R'000)	1 619 524	1 373 164	1 086 447	964 877	561 852
Total current assets	(R'000)	464 251	464 251	355 666	259 556	153 805
Total liabilities	(R'000)	940 489	625 708	417 910	492 189	240 758
Total current liabilities	(R'000)	852 620	338 927	224 733	301 422	141 809
FINANCIAL RATIOS						
EBITDA margin	(%)	15,89	19,51	19,56	20,74	17,80
Operating profit margin	(%)	11,53	15,60	15,19	17,13	15,03
Return on equity	(%)	10,56	16,18	15,45	19,74	20,81
Return on assets	(%)	5,03	9,32	8,59	10,26	12,27
Interest-bearing borrowings, less cash, to equity (net gearing ratio)	(%)	65,47	17,51	15,47	34,94	7,58
Average debtors days	(days)	71,42	68,45	71,76	71,92	60,07
Solvency ratio	(times)	1,72	2,19	2,60	1,96	2,33
Liquidity ratio	(times)	0,54	1,16	1,58	0,86	1,08
Number of employees	(number)	1 088	943	670	664	450
SHARE PERFORMANCE						
Number of shares in issue at year end	('000)	152 513	160 540	153 597	140 062	129 201
Number of treasury shares held at year end	('000)	15 251	8 189	–	–	–
Number of shares, net of treasury shares, at year end	('000)	137 262	152 351	153 597	140 062	129 201
Basic earnings per share	(cents)	51,32	72,77	58,74	57,61	42,34
Diluted basic earnings per share	(cents)	51,32	72,77	58,74	55,28	41,33
Headline earnings per share	(cents)	57,27	62,08	58,76	57,54	42,31
Normalised headline earnings per share	(cents)	76,20	82,84	78,96	71,67	52,02
Diluted headline earnings per share	(cents)	57,27	62,08	58,75	55,21	41,30
Net asset value per share**	(cents)	494,70	490,61	435,25	337,49	248,52
Tangible net asset value per share**	(cents)	(130,39)	50,02	68,51	(34,18)	47,70
Closing share price at year end	(cents)	568	900	968	1 242	842
Dividend per share (paid)	(cents)	17,10	13,70	13,40	10,90	8,23

* Restated.

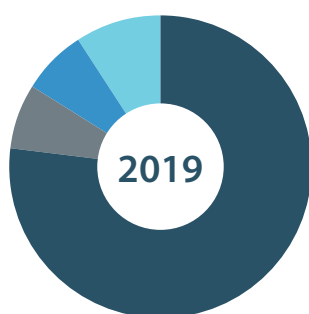
** Based on issued shares, net of treasury shares, held at year end

OUR PERFORMANCE

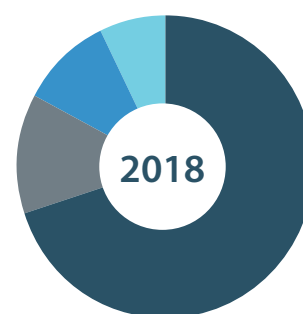
VALUE-ADDED STATEMENT

	Consolidated 2019 R'000	%	Consolidated 2018* R'000	%
Revenue	1 438 138		1 332 849	
Less:				
Net cost of products and services	(687 525)		(605 131)	
Value added	750 613		727 718	
Wealth created	750 613		727 718	
Applied to:				
Employees				
Salaries, wages and other benefits	577 511	76,9	514 857	69,8
Providers of capital	68 647	9,2	50 554	6,9
Interest on borrowings	42 830	5,7	28 560	3,9
Dividends to shareholders	25 817	3,5	21 994	3,0
Government				
Taxation	54 964	7,3	69 743	9,8
Income taxation: normal and deferred	49 592	6,6	62 729	8,9
Skills development levies	5 372	0,7	7 014	0,9
Retained in the group	49 491	6,6	92 564	13,5
Wealth distributed	750 613	100,0	727 718	100,0

* Restated.



VALUE ADDED	2019	2018
Salaries, wages and other benefits	77	70
Retained in the group	7	13
Taxation	7	10
Providers of capital	9	7





GOVERNANCE REPORT

THE BOARD OF DIRECTORS

THE BOARD

The board is responsible for determining Adapt IT's strategic direction and exercising prudent control over the group and its affairs. The board and the individual directors will, at all times, act in the best interest of Adapt IT and adhere to all relevant legal standards of conduct. The board meets four times per year.

Executive directors	Independent non-executive directors
S Shabalala (CEO)	C Chambers
N Mbambo (CFO)	B Ntuli
T Dunsdon (CCO)	C Koffman
	O Fortuin
	Z Nyanga

BOARD COMMITTEES

The board has appointed four permanent sub-committees to assist in fulfilling its governance role. The roles and responsibilities of the committees are presented below together with members of the respective committees.

Audit and Risk Committee	Remuneration Committee	Nominations Committee	Social and Ethics Committee
Fulfils a vital role in corporate governance and is in place to ensure, among other things, the integrity of integrated reporting and internal financial controls, identify and manage financial risks and monitors the financial sustainability of the group.	Responsible for establishing a formal and transparent procedure for developing a policy for executive directors' remuneration and performance appraisals and for establishing remuneration packages for key senior management.	Accountable for the thorough and objective nomination and appointment of members to the board and committees of the board. In so doing, the committee regularly reviews the structure, size and composition of the board and evaluates the balance of race, gender, skills, knowledge and experience of members in line with the Diversity Policy.	Accountable for ensuring the existence of an ethical and responsible relationship, between Adapt IT and the society in which it operates, through a code of ethics.
B Ntuli (Chairperson)	C Koffman (Chairperson)	C Chambers (Chairperson)	O Fortuin (Chairperson)
C Koffman	C Chambers	C Koffman	C Koffman
O Fortuin	B Ntuli	B Ntuli	T Dunsdon
Z Nyanga	Z Nyanga	S Shabalala (CEO) – Attendee	S Shabalala (CEO) – Attendee
S Shabalala (CEO) – Attendee	S Shabalala (CEO) – Attendee	N Mbambo (CFO) – Attendee	N Mbambo (CFO) – Attendee
N Mbambo (CFO) – Attendee	N Mbambo (CFO) – Attendee	T Dunsdon (CCO) – Attendee	
T Dunsdon (CCO) – Attendee	T Dunsdon (CCO) – Attendee		

GOVERNANCE REPORT

THE BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS



CRAIG CHAMBERS

CFA, PDM, BCom
Independent non-executive Chairman
Appointed to the board
3 May 2011

Craig is a certified Chartered Financial Analyst, having obtained a BCom degree majoring in accounting from the University of the Witwatersrand and a postgraduate Business Administration Certificate (PDM) from Wits Business School. Craig has been an asset manager for 21 years, with five years at Standard Corporate and Merchant Bank (SCMB) Asset Management as a small cap Unit Trust Manager. Craig is currently a senior investment professional at Old Mutual Investment group. In October 2012, Craig was appointed independent non-executive Chairman.

Chairperson
Nominations Committee

Member
Remuneration Committee

Value to the board

His extensive experience in financial markets and strong financial background enables Craig to not only lead the board in an outstanding manner, but also to provide guidance to members on financial information and aspects to consider especially when acquisitions are being considered.



BONGIWE NTULI

CA(SA), AMP (Harvard)
Independent non-executive director
Appointed to the board
27 May 2018

Bongiwe is a Chartered Accountant, an executive director and the Chief Financial Officer (CFO) for the Foschini group. She has previously held various finance, treasury and risk management positions within Anglo American head office and in subsidiaries in South Africa, Europe, Canada and the United Kingdom. Bongiwe joined Grindrod on her return to South Africa in 2008 as the Chief Financial Officer of Grindrod Freight Services. In May 2014, Bongiwe was appointed to the board of Atlatra Resources Corporation as a non-executive director.

Chairperson
Audit and Risk Committee

Member
Nominations Committee
Remuneration Committee

Value to the board

As a Chartered Accountant with years of experience at an executive leadership level, as well as being directly involved in risk and treasury functions, Bongiwe is well-suited to oversee the Audit and Risk Committee. She contributes substantially across all committees due to her experience in large corporates both locally and internationally.



OLIVER FORTUIN

MBA
Lead independent non-executive director
Appointed to the board
8 February 2013

Oliver has in excess of 27 years' experience in the technology industry, having held various leadership positions in the ICT sector. Having been with the IBM Corporation for over 17 years, Oliver held various executive positions including General Manager of the IBM PC business for Africa as well as General Manager of IBM South Africa and sub-Saharan Africa. Oliver was a Hewlett Packard South Africa director for HP Services, and headed HP's Technology Services group (TSG) and also served as Managing director of Hewlett Packard South Africa. Oliver is the former Managing director of i1 Solutions (a privately-owned technology company) and has been director and Lead Independent non-executive director for Ellies Holdings since April 2011. In May 2014, Oliver was appointed Managing Director of British Telecommunications sub-Saharan Africa (BT). In February 2017, Oliver left BT to join MTN, where he assumed the position of Executive Head of Business Enterprise, effective 1 March 2017.

Chairperson
Social and Ethics Committee

Member
Audit and Risk Committee

Value to the board

Having a person with close to three decades of experience in the ICT sector is a huge advantage to the board. Oliver gained this experience working in large, global, reputable ICT firms and his deep expertise assists fellow board members to understand nuances of the sector. His African and global expertise are also highly valuable.



CATHERINE KOFFMAN

BA, LLB, LLM, Admitted Attorney
Independent non-executive director
Appointed to the board
9 February 2015

Catherine is a qualified attorney, having obtained her law degree at the University of the Witwatersrand. Catherine has 22 years' experience in the legal, commercial and financial services sectors. She joined Arthur Andersen (later KPMG) in 1999 as a tax lawyer and in 2004 Catherine joined Nedbank Capital as Internal Legal Counsel supporting the Infrastructure Project Finance team in evaluating and structuring limited recourse transactions. Following this period, Catherine was part of the investment team as the legal counsel investment director for PAIDF, a private equity infrastructure development fund primarily focused on investments in sub-Saharan Africa. Catherine was appointed as the Head of Infrastructure and Telecommunications Project Finance at Nedbank Limited in January 2015. Effective 1 January 2018, Catherine's responsibilities increased to co-manage the Infrastructure, Public Sector and TMT business at Nedbank Corporate and Investment Bank, responsible for determining and executing the growth strategy for the investment bank in this sector. Catherine is also serving as a non-executive director for Food Forward SA.

Chairperson
Remuneration Committee

Member
Audit and Risk Committee
Nominations Committee
Social and Ethics Committee

Value to the board

Catherine's strong background in law and TMT infrastructure funding across Africa ensures that the group maintains high risk awareness. Catherine approaches board matters in a comprehensive way and is involved across all committees where her sharp mind and attention to detail is appreciated.

[Achieve more.](#)

The board of Directors has the necessary skills to function effectively. None of the non-executive board members have previously worked, audited or been an audit partner for Adapt IT.

NON-EXECUTIVE DIRECTOR

**ZIZIPHO NYANGA**

CA(SA), GEDP

*Independent non-executive director*Appointed to the board
27 May 2019

Zizipho Nyanga has over 14 years' experience in audit, SMME development, deal making, and financial and risk management in fast-paced organisations. She holds a BCom Accounting from the (former) University of Transkei and a Higher Diploma in Accounting from the University of the Witwatersrand. She completed her articles at EY and later joined various companies such as Kagiso Media, the Industrial Development Corporation and Old Mutual where she was appointed to her current role as CEO of the Masisizane Fund. Zizipho recently completed a Global Executive Development Programme with distinction at the Gordon Institute of Business Science and has recently been recognised as a leading manager by South African Professional Service Awards (SAPSA) and Black Women's Association of South Africa (BWASA).

MemberAudit and Risk Committee
Remuneration Committee**Value to the board**

Zizipho's background spans entrepreneurial beginnings to becoming the CEO of Old Mutual's Masisizane Fund, allowing her passion for entrepreneurial development to continue. Her experience and solid financial and business background, together with extensive knowledge on governance and her fresh perspective is extremely valuable to the board.

EXECUTIVE DIRECTORS

**SIBISISO (SBU) SHABALALA**

BCom

*Chief Executive Officer*Appointed to the board
5 December 2007

Sbu attained a Bachelor of Commerce degree and a postgraduate diploma in Financial Information Systems. With over 23 years IT experience, Sbu joined the group where he gained project management expertise in the implementation of Oracle applications throughout the Illovo group, with operations in various African countries. He founded Adapt IT 14 years ago as a black-owned SME in the IT sector. As Managing Director, Sbu grew Adapt IT (Pty) Ltd into a successful ICT business. Through a merger with InfoWave Holdings in 2007, Sbu effected the listing of Adapt IT onto the JSE and has been Chief Executive Officer and Director of Adapt IT Holdings Limited since January 2008.

**TIFFANY DUNSDON**

CA(SA)

*Chief Commercial Officer*Appointed to the board
18 April 2002

Tiffany is a Chartered Accountant who qualified with Deloitte and is registered in South Africa, Australia and New Zealand. She was involved with several major business re-engineering and IT outsourcing projects as a consultant to British Airways in the United Kingdom where she entered the ICT sector. Tiffany joined InfoWave Holdings in 2000 in a consulting capacity and was appointed as Financial Director in April 2002 and Chief Executive Officer in December 2003. Tiffany became the Commercial Officer of Adapt IT Holdings Limited after the merger of InfoWave Holdings and Adapt IT (Pty) Ltd in 2007 and is responsible for acquisitive growth of the group. She is also Managing Director of International operations, and is based in Perth, Australia.

**NOMBALI MBAMBO**

CA(SA)

*Chief Financial Officer*Appointed to the board
18 August 2016

Nombali was appointed as Chief Financial Officer and Director of Adapt IT Holdings Limited in 2016. She is a Chartered Accountant who completed articles with EY and thereafter joined Alexander Forbes as an accounting specialist. Nombali then joined ABSA Capital, rising from managing a Special Purpose Vehicle for debt capital market backed corporate finance to originating, structuring and executing corporate loans through the loan capital markets. She then moved to strategic roles at Unilever, initially serving as the Risk and Audit Manager for the Africa region, and subsequently as the Finance Business Partner for the Foods Division prior to joining Adapt IT.

GOVERNANCE APPROACH

Adapt IT's approach to governance is underpinned by the group's values of respect, honesty, responsibility and accountability. The group remains committed to the highest standards of governance, ethics and integrity.



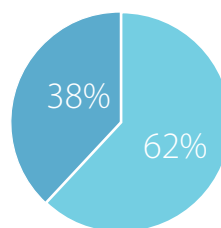
In the challenging year under review, the board has remained focused on Adapt IT's vision to be a leading provider of specialised software and digitally-led business solutions, as it guided and oversaw the metamorphosis of the group, through the implementation of the colocation and integration strategy which improved efficiencies across regions.

In this, the board continues to provide effective leadership to the group, premised on the belief that governance remains the foundation for ensuring Adapt IT's long-term success. The board pays close attention to cementing appropriate governance processes and frameworks, which ensure that the group is compliant with the regulatory environment that governs the business landscape, including the application of the King IV™ Code on Corporate Governance (King IV™), the JSE Listings Requirements, the Companies Act, and other applicable legislation.

BOARD DIVERSITY

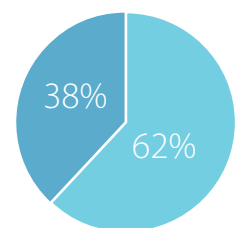
The group has always prided itself on a strong and diverse board. Board diversity in all forms – race, gender, nationality, business acumen, skills, and experience – continues to drive our board succession planning as we consider the attributes required to steer the group forward.

TRANSFORMATION



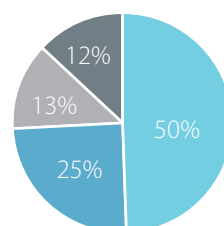
Black
White

GENDER



Female
Male

TENURE



<1 year
2 to 9 years
9 to 15 years
>15 years

GOVERNANCE FRAMEWORK

The board takes ultimate responsibility for Adapt IT's adherence to sound corporate governance standards and is fully committed to the promotion of good corporate governance, which is considered pivotal to the sustainable growth of the Adapt IT business.

The Governance Framework is encompassed in the board charter, duly aligned with the King IV™ Report. Compliance with the board charter is reviewed annually to enhance the Governance Framework.

ANTI-BRIBERY AND ANTI-CORRUPTION

The law has a significant role to play in the fight to combat bribery and corruption. Adapt IT, therefore, has an ongoing programme to follow international best practice and complies with various laws, including the Prevention and Combating of Corrupt Activities Act, the United Kingdom Bribery Act, and the Foreign Corrupt Practices Act.

DATA PROTECTION

Adapt IT recognises that data protection laws (like the General Data Protection Regulation and Protection of Personal Information Act) apply to the various relationships the company has, including the one Adapt IT has with you. The company generally performs the role of a processor for our customers, who are then the controllers. There are also many times when Adapt IT is the responsible party. Adapt IT takes its obligations under data protection laws seriously regardless of the role the company is performing and the relationship the company has with you. Adapt IT continually strives to meet its regulatory obligations. Adapt IT's Privacy Policy and PAIA Manual are available at www.adaptit.com.



JSE LISTINGS REQUIREMENTS

As a listed company, Adapt IT must comply with the JSE Listings Requirements. The company appreciates the importance of these requirements, including the proper implementation of the King Code on Corporate Governance, which requirements have been made mandatory. Adapt IT, therefore, not only complies with the requirements, but also commits to disclosing the company's implementation annually in our various reports, such as the Integrated Annual Report.

IFRS

In addition to Adapt IT's general governance, the company has always been diligent in establishing, maintaining and auditing its financial accounting policies. The company always wants to ensure consistency with the requirements of the International Financial Reporting Standards (IFRS) and that it reports its results with objectivity and the highest degree of integrity. Adapt IT is committed to providing financial information that is transparent, timely, complete, relevant and accurate.

KING IV™

The King Report on Corporate Governance for South Africa 2016, King IV™, was released on 1 November 2016. King IV™ advocates an outcomes-based approach and defines corporate governance as the exercise of ethical and effective leadership by the governing body (board) towards the achievement of the following governance outcomes:

- Ethical culture
- Good performance
- Effective control
- Legitimacy

The board is continuing on a journey to further enhance its corporate governance practices.

Having concluded a self-assessment of the group's practices against the relevant King IV™ Code recommended practices in 2017, the year under review entailed focus on embedding the King IV™ principles throughout the organisation.

BOARD MEETINGS

In line with the formally adopted terms of reference aligned to Principle 8 of the King IV™ Report, the board meets formally four times per year and reviews strategy, operational performance, capital expenditure, risk management, internal controls, communications and other material aspects pertaining to Adapt IT's business. Additional ad-hoc meetings are held to deliberate on various matters of substance, when necessary. The board remains committed to driving outcomes that support the group's vision to be a leading provider of specialised software and digitally-led business solutions. Details on board and committee attendance have been included in the Governance Report on page 61.



BOARD INDEPENDENCE

The company has a unitary board with a majority of non-executive directors. All non-executive directors are independent. The board views the objective judgement of directors as an essential attribute. The company's Memorandum of Incorporation (MOI) incorporates and entrenches the conflict of interest procedures and requirements of section 75 of the Companies Act. The independence of non-executive directors is further advocated for in the company's board Charter, duly aligned to King IV™ requirements.

GOVERNANCE FRAMEWORK CONTINUED

COMPOSITION OF BOARD OF DIRECTORS

The board regularly considers whether its size, diversity and demographics make it effective by setting the direction and approving the processes for it to attain the appropriate balance of knowledge, skills, experience, diversity and independence to objectively and effectively discharge its governance role and responsibilities. It further ensures that it is large enough to incorporate a variety of perspectives and skills, and gender diversity to represent the best interests of Adapt IT as a whole rather than of individual shareholders or interest groups. The appointment of an additional non-executive director will be considered in the forthcoming year.

In accordance with Principle 7 of King IV™ Report, the board is therefore deemed to be suitably constituted and comprises a balance of five independent non-executive directors and three executive directors, with all of the non-executive directors being independent. The Chairman of the board is an independent non-executive director and furthermore, the board appointed Oliver Fortuin as the lead independent director of the board.

In line with best practice, the roles of the Chairman and the Chief Executive Officer are separate, and a clear division of authority exists between these roles. The non-executive directors represent a wide range of skills and experience including information technology, financial, legal and commercial.

The board is satisfied that there have been no material instances of non-compliance with King IV™ or the JSE Listings Requirements during the reporting period.

The quorum for board meetings is majority of directors (as provided for in the Adapt IT board Charter and in line with Principle 7 of King IV™).

If a non-executive director has served on the board of a company for a period longer than nine years, the board conducts an assessment on an annual basis to conclude whether the director exercises objective judgment and that there is no interest, position, association or relationship that is likely to influence unduly or cause bias in decision-making.

Assisted by the Nominations Committee, the board formalised the board diversity policy on the promotion of gender and race diversity at board level. The board is therefore satisfied that the composition of the board is in line with the King IV™ recommendations, that the governing body comprises the appropriate balance of knowledge, skills, experience and is fully compliant with the board diversity policy.

In accordance with the Memorandum of Incorporation, one third of the non-executive directors are required to retire at each annual general meeting. The directors to retire in every year shall be those who have been longest in office since their last election. A retiring director shall be eligible for re-election. Appointment to the board is made in a formal, objective and transparent manner in accordance with the Nominations Committee terms of reference, as managed by the Nominations Committee on behalf of the board.

Non-executive directors retiring by rotation: C Chambers and B Ntuli. C Chambers is standing for re-election. Non-executive director standing for ratification: Z Nyanga

(see page 56 and 57 for resumes of relevant directors)



ACCOUNTABILITY

The board takes overall responsibility for Adapt IT's success and is responsible for approving the strategic direction of Adapt IT's business, as set out in the board charter. The board conducts its business in the best interest of the company and ensures that Adapt IT performs in the interests of its broader stakeholder group, including present and future investors in Adapt IT, its customers and clients, business partners, employees and the societies in which it operates.

BOARD CHARTER AND RESPONSIBILITIES

The general powers of the board and the directors are conferred in the company's Memorandum of Incorporation.

The terms of reference for the board are set out in the board Charter, comply with King IV™ and set out the powers and authority of the board.

The Charter sets out clear guidelines on the roles, responsibilities of the functions and powers of individual directors and the officials and executives of the company. The Charter further provides an overview of policies and practices of the board in respect of matters such as corporate governance, trading by directors in the securities of the group, declarations and conflicts of interest, board meeting documentation and procedures, composition of the board and the nomination, appointment, induction, training and evaluation of directors and members of board committees.

Board meetings are held four times in a year where the performance of the board is evaluated against the guidelines set out in the work plan of the charter.

The board further has a fiduciary duty to act in good faith, with due care, skill and diligence, and in the best interest of all stakeholders.

The powers and responsibilities of the board include the following:

- Retaining full effective control and providing ethical leadership in the best interest of the company;
- Informing and setting the strategic direction of the Adapt IT business;
- Determining policy and processes to ensure the integrity of aspects such as director selection, orientation, evaluation and remuneration;
- Considering its composition, including its size, diversity and demographic make-up;
- Ensuring that strategy, risk, performance and sustainability are effectively integrated and balanced;
- Reviewing the implementation of the strategic plan;
- Reserving specific powers to itself and delegating other matters to key senior management;
- Monitoring performance through various board committees; and
- Monitoring compliance with all relevant laws, regulations and codes of business practice and ensuring that Adapt IT communicates effectively with its stakeholders.

REGULATORY COMPLIANCE

Board members are kept apprised of changes to all relevant legislation, including the JSE Listings Requirements. These updates are provided by the company's Sponsor and the Company Secretary.

Board and sub-committee meeting attendance

	Board	Audit and Risk Committee	Remuneration Committee	Nominations Committee	Social and Ethics Committee
Meetings held	4	4	1	2	2
C Chambers	4*		1	2^	
B Ntuli	3	3^			
C Koffman	4	4	1^	2	2
O Fortuin	4	4			2^
S Shabalala (CEO)	4				
T Dunsdon (CCO)	4				2
N Mbambo (CFO)	4				

* Chairperson of board

^ Chairperson of committee

DELEGATION OF AUTHORITY

The board has delegated authority for specific matters to a number of well-structured board committees which have formal terms of reference and report to the board on a regular basis.

BOARD SUB-COMMITTEES

The Audit and Risk Committee members were formally appointed in terms of the Companies Act at the annual general meeting held on 23 November 2018.

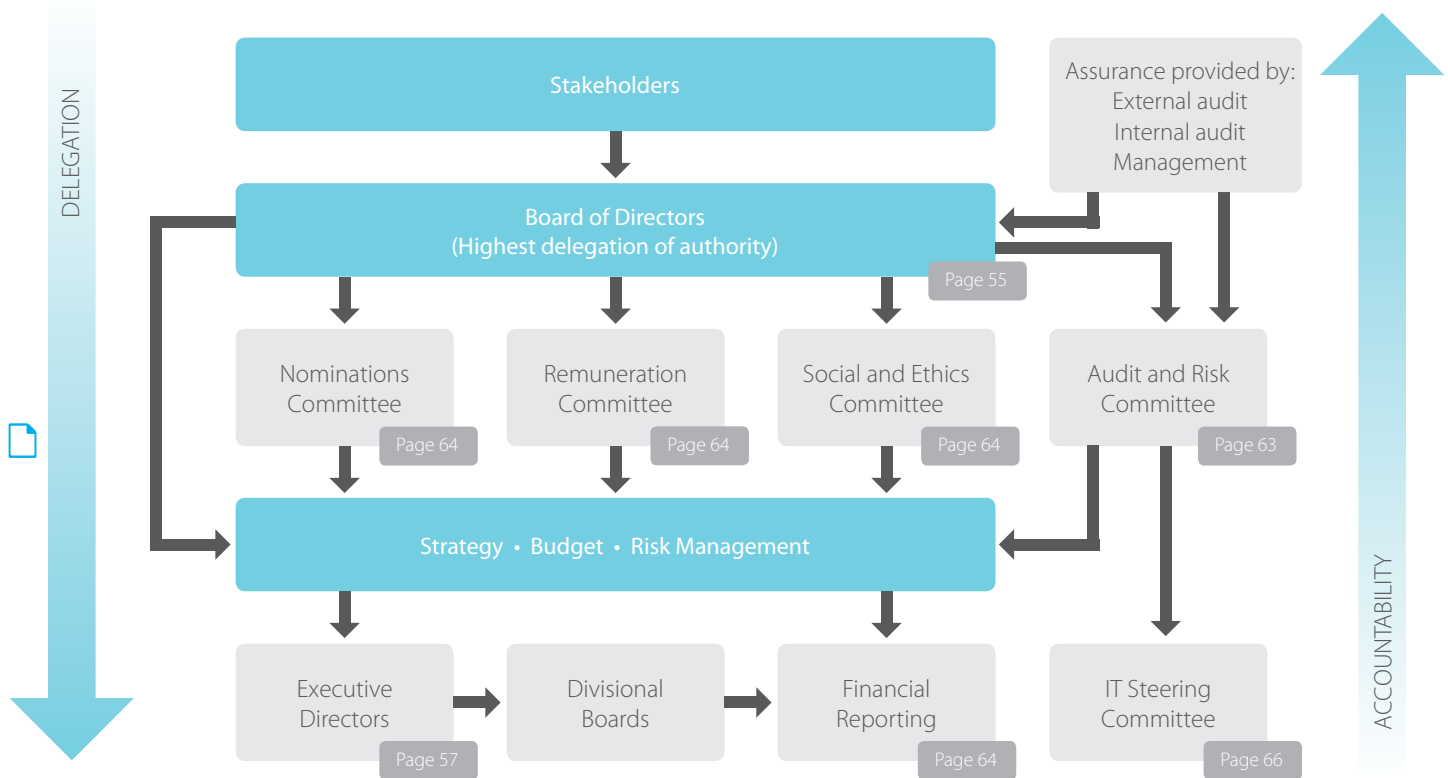
Furthermore, the board has powers to establish committees as it deems appropriate. The board therefore has constituted the following committees, which is in accordance with the recommendation of the King IV™ guidelines:

- Audit and Risk Committee
- Remuneration Committee
- Nominations Committee
- Social and Ethics Committee

Each of these committees of the board is chaired by an independent non-executive director. The executive directors attend certain committee meetings by invitation. The board acknowledges its accountability to Adapt IT's stakeholders for the actions of these committees and is satisfied that they have met their respective responsibilities for the year under review.

GOVERNANCE STRUCTURE

A complete governance structure with a functional board and Committees necessary for delegation and accountability form the basis of Adapt IT. The Adapt IT's corporate governance structure during the reporting period is represented in the diagram below:



BOARD AND COMMITTEE EVALUATION

In line with Principle 9 of the King IV™ Report, the board and individual directors' performance is assessed annually in terms of the board Charter, through a formal process of detailed evaluation questionnaires.

The assessment includes the Chairperson, the board as a whole as well as the board committees, including committee members, in order to evaluate their effectiveness and performance.

Statucor conducted the board evaluation in July 2019 and the appraisals concluded that the board and its committees were found to have operated and functioned effectively. The evaluation further indicated that the board displays confidence in its ability to function well as the strategic leaders of the group. This confidence manifests further in the individual members' rating of their own knowledge, skills and characteristics. The composition of the board and the collective skills and wisdom of its members contributes to its agility and efficacy, while at the same time ensuring strong support for the strategy and executive directors of the group.

Out of the areas assessed, 'Knowledge and Skills', 'board Independence', 'board Composition and Performance', 'Oversight and Responsibilities of the board', 'Sub-Committee's' and 'Compliance with Laws and Regulations', there are no significant areas of concern, merely focus on continuous improvement.

The board recognises the importance of board evaluation and development, not only as it constitutes good governance but also as it is a valuable process in improving board performance.

The board is responsible for determining Adapt IT's strategic direction and exercising prudent control over the group and its affairs. The board and the individual directors will, at all times, act in the best interest of Adapt IT and adhere to all relevant legal standards of conduct. The board meets four times per year.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee operates under formally adopted terms of reference aligned with Principle 15 of the King IV™ Report, assisting the board to fulfil its oversight responsibility on corporate governance. Its specific responsibility is on accurate financial reporting and the existence of adequate financial systems and controls.

The committee discharges its responsibility by evaluating the operations and findings of both internal and external audit and by assessing the appropriateness and adequacy of the accounting procedures and the systems of internal financial and operational control. The committee is accountable for the process of risk management and internal control systems and for reviewing the effectiveness thereof. It is also responsible for establishing risk and control policies and ensuring these are communicated throughout the Adapt IT business.

In accordance with the committee's charter, the committee consists of no less than three independent non-executive directors, one of whom is the Chairperson of the committee. The Chairperson of the committee is not the Chairman of the board.

The Chief Executive Officer, Chief Financial Officer, internal auditors and external auditors are required to attend the committee meetings but do not vote at meetings of the committee. Other board members also have the right of attendance only. Adapt IT's internal auditors and external auditors have unfettered access to members of the committee and the Chief Executive Officer.

The company Secretary is secretary to the committee. The committee reports on its findings to the board after each formal committee meeting.

During the year under review, Zizipho Nyanga was appointed as a member of this committee.



GOVERNANCE STRUCTURE CONTINUED

REMUNERATION COMMITTEE

In line with Principle 14 of the King IV™ Report, the Remuneration Committee is responsible for establishing a formal and transparent procedure for developing a policy for executive directors' remuneration and performance appraisals and for establishing remuneration packages for key senior management.

In addition to the above, the committee is responsible for making recommendations to the board on all fees payable to non-executive directors, subject to shareholder approval and considers the performance and independence of all non-executive directors.

The committee, consisting of three independent non-executive directors and the Chief Executive Officer (by invitation), is responsible for recommending to the board, on an annual basis, the remuneration packages of the executive directors.

During the year under review, Zizipho Nyanga was appointed as a member of this committee.

NOMINATIONS COMMITTEE

The Nominations Committee is accountable for the thorough and objective nomination and appointment of members to the board and committees of the board. In so doing, the committee regularly reviews the structure, size and composition of the board and evaluates the balance of race, gender, skills, knowledge and experience of members in line with the Diversity Policy.

The committee assists in the preparation of descriptions of roles and capabilities required for appointments, satisfies itself with regard to succession planning and that processes are in place with regard to both board and senior group appointments, monitors the leadership needs of the board and recommends procedures for annual director performance evaluations. It ensures that board candidates have sufficient time to devote to board duties, and that appointees receive formal letters of appointment and additional communications detailing duties and time commitments, together with induction plans.

The committee makes recommendations to the board regarding the re-appointment of non-executive directors, the continuation in service of directors and the appointment of directors to executive or other offices and appointments to the committees of the board.

The committee meets at least once a year, consists mainly of independent non-executive directors and is chaired by the Chairman of the board, an independent non-executive director.

The committee also regularly reviews board and committee succession to ensure the right skills, continuity and experience for the future.

The induction and ongoing training and development of directors is conducted through the formal processes adopted through the Nominations Process that has been established as recommended by the Nominations Committee and approved by the board as per the recommendations of King IV™.

SOCIAL AND ETHICS COMMITTEE

In line with Principle 2 of the King IV™ Report, the Social and Ethics Committee is accountable for ensuring the existence of an ethical and responsible relationship, between Adapt IT and the society in which it operates, through a code of ethics.

Compliance by all employees to the high moral, ethical and legal standards of the code is mandatory, and appropriate action will be taken in respect of any and all instances of non-compliance.

In addition, the committee establishes formal and transparent arrangements to achieve equity in the workplace through the promotion of equal opportunity and fair treatment via the elimination of unfair discrimination. It further implements affirmative action measures to redress the disadvantages in employment experienced by designated groups, so ensuring equitable representation at all levels in the workplace. The committee addresses training and development, a safe and healthy workplace and employee wellbeing.

The committee oversees B-BBEE of Adapt IT, its corporate social investment and enterprise development activities as well as its environmental progress and broader stakeholder relations.

The committee meets at least once a year, but ordinarily twice a year, and is chaired by an independent non-executive director.

ETHICS HOTLINE

Adapt IT has an independent Ethics Tip-off Hotline that allows the reporting of information that can identify risks for investigation, prevent financial losses and facilitate the development of controls that will aid in the detection and prevention of fraud, corruption and unethical behaviour. This is done through a confidential conduit to assist employees in reporting sensitive information without fear of retribution. Significant cases are tabled at every Social and Ethics Committee meeting where these cases are reviewed, and best course of action agreed.

EXECUTIVE COMMITTEE

The Executive Committee meets regularly to deliberate on matters of strategy, budget, business planning and the effective operation of the business and monitors the performance of the divisions. The committee provides leadership on key issues to divisions. The committee comprises the Chief Executive Officer, Chief Financial Officer, Chief Commercial Officer, Chief Operations Officer, Chief Strategy Officer and divisional executives.

MANAGEMENT REPORTING

Comprehensive management reporting disciplines are in place and include the preparation of annual budgets by all divisions and quarterly operational management reports.

Adapt IT's budget is reviewed by the Executive Committee and approved by the board. Monthly results are reported against approved budgets and compared to the prior year. Profit projections and cash flow forecasts are updated regularly, while working capital and cash levels are monitored on an ongoing basis. The operational reports are reviewed, in line with the company's sustainable growth strategy, on a quarterly basis.

COMPANY SECRETARY

All directors have access to the advice and services of the Company Secretary who is responsible for ensuring proper administration and sound corporate governance procedures. All directors are provided with access to information that may be relevant to the proper discharge of their duties. The company Secretary provides guidance to the directors on their responsibilities within the prevailing regulatory and statutory environment and the manner in which such responsibilities should be discharged, including changes in legislation.

The Company Secretary function is outsourced to Statucor (Pty) Ltd ('Statucor'), as approved by the board. Statucor's client base includes listed and non-listed entities whom they advise in accordance with the Companies Act of South Africa No. 71 of 2008 (Companies Act of South Africa), as well as the provisions of the South African Corporate Business Administration publication as defined by the Southern African Institute of Chartered Secretaries and Administrators. Their approach delivers an informed interpretation of the Combined Code (set of principles of good corporate governance), with specific attention being paid to King IV™. Statucor is considered by the board to be suitably qualified and experienced to carry out the function of Company Secretary.

In accordance with the JSE Listings Requirements, the board has carried out a formal evaluation of the Company Secretary's performance and competence and has concluded that Statucor is both competent to perform its duties and is fit and proper for the position.

DEALING IN COMPANY SHARES

In terms of the JSE Listings Requirements, no director, officer or employee of the company may deal either directly or indirectly in Adapt IT's shares at any time on the basis of having access to price-sensitive information, nor may a director or officer of the company deal in Adapt IT's shares during closed periods. Closed periods extend from the end of Adapt IT's financial half-year and year end until the publication of the relevant results. Closed periods also include cautionary closed periods, being the period during which Adapt IT Holdings Limited is trading under a cautionary announcement.

All dealings in shares of Adapt IT Holdings Limited by company directors and the Company Secretary are reported to the company within three business days thereof and announced on the JSE Stock Exchange News Service ('SENS') within 24 hours of receipt of notification. All trades must be pre-approved by a duly authorised director of the company.

INVESTOR RELATIONS

The board requires objective and honest communication with investors in a timely, relevant and balanced manner. It is practice to engage with shareholders on a frequent basis. Adapt IT's investor information is posted timeously on the website, www.adaptit.com.

Transparent communication and engagement with stakeholders is vital to ensure that the principles on stakeholder management expressed in the King IV™ Code are adopted. The group regularly communicates its strategy, performance and vision to shareholders through presentations delivered during results

roadshow presentations. Management engages with investors and shareholders in one-on-one meetings on request. The CCO and CFO, with the assistance of an external investor relations consultant are tasked to be the spokespersons in the above instances.

It is the policy of the group to pursue regular dialogue with institutional investors, engaging constructively within the frameworks provided by statutory and regulatory environments regarding the dissemination of information. This helps ensure a fair and accurate representation and valuation of the group and its performance. Merchantec Capital Proprietary Limited acts as the group's Sponsor in compliance with the JSE Listings Requirements.

The group's annual general meeting provides an important platform for engagement with shareholders and offers them the opportunity to participate in discussions relating to the Group.

INTERNAL AUDIT

Adapt IT acknowledges the importance of an independent internal audit function to assist the Audit and Risk Committee in discharging its responsibilities. Adapt IT has outsourced the provision of internal audit services to KPMG Services (Pty) Ltd.

Internal audit is mandated by, and functions in terms of, an Audit and Risk Committee approved charter which describes its purpose, authority and responsibilities. The internal audit function performs independent evaluations of the adequacy and effectiveness of internal controls, financial reporting, information systems and operations.

The Audit and Risk Committee approves the annual audit plan prior to the commencement of each financial year and monitors the scope and effectiveness of the internal audit function during the financial year. Internal audit provides reports to the Audit and Risk Committee on the progress against the approved audit plan, results of any unsatisfactory audits and action plans to address these.

The internal audit function is independent of all other organisational functions, reports directly to the Audit and Risk Committee and has free and unrestricted access to all areas within the Adapt IT business, including management, employees, activities, locations and information. The Chief Internal Auditor has direct access to the Audit and Risk Committee through the Chairperson and attends all committee meetings to discuss any significant matters arising from activities.

Internal audit activities are performed in compliance with International Standards for the Professional Practice of Internal Auditing methodology and standards required by the Institute of Internal Auditors South Africa.

The primary responsibility of the internal audit function is to the board and its committees in discharging its governance responsibilities and, as a minimum, to perform the following functions:

- Evaluating the company's governance processes
- Assessing the effectiveness of risk management and the internal control framework
- Systematically analysing and evaluating business processes and associated controls



GOVERNANCE STRUCTURE CONTINUED

- Providing a source of information, as appropriate, regarding instances of fraud, corruption, unethical behaviour and irregularities

The focus in the 2019 financial year was to improve collaboration with management, other internal assurance providers and Adapt IT's external auditor to ensure optimal coverage of the key risks and minimal duplication of effort. The purpose of this collaboration was the development of a meaningful combined assurance model and plan, formally documented in the combined assurance framework and policy, approved by the Audit and Risk Committee.

INFORMATION TECHNOLOGY (IT) GOVERNANCE

In line with Principle 12 of the King IV™ Report, the board recognises that IT is an integral part of conducting business at Adapt IT, as IT is fundamental to the support, sustainability and growth of the organisation. IT serves all aspects, components and processes in the organisation and is therefore not only an operational enabler for Adapt IT, but a strategic business asset which can be leveraged to create opportunities and to gain competitive advantage.

The board is cognisant of the fact that as much as IT is a strategic asset within Adapt IT, it also presents the organisation with significant risk. The IT risks are governed and controlled to support Adapt IT's strategic objectives. In line with King IV™, technology and information governance forms part of the governance structures and the board has deemed it appropriate to delegate this function to the Audit and Risk Committee. However, the responsibility of IT governance ultimately resides with the board.

It is implemented based on the following model:

- The business applications and IT infrastructure being centralised;
- An IT Steering Committee, comprised of the Chief Executive Officer, Chief Operations Officer, key senior management and technical specialists, oversees the IT strategy and its implementation; and
- The IT Steering Committee reports to the Audit and Risk Committee.
- The IT Steering Committee is responsible for ensuring that IT is managed within a defined framework that takes into account, *inter alia*:
 - IT standards;
 - International Cyber Security Frameworks;
 - Legal requirements such as the Electronic Communications and Transactions Act, the Promotion of Access to Information Act, the Regulation of Interception of Communications Act and the Protection of Personal Information Act;
 - Internal policies defining application and use of IT resources;
 - Stricter controls when new businesses are acquired, requiring new businesses to comply with Adapt IT standards both locally and internationally;
 - Overall IT spend and allocation of investment; and
 - IT risk.

AUDIT AND RISK COMMITTEE REPORT



“The process of risk management has improved decision-making, planning and prioritisation, enabled an efficient allocation of capital and resources, improved the anticipation of what can go wrong, minimised the number of unforeseen circumstances and significantly improved the probability of delivering on Adapt IT’s business growth strategy.”

Bongwiwe Ntuli

Chairperson, Audit and Risk Committee

The Audit and Risk Committee (committee) is constituted as a statutory committee in terms of the Companies Act of South Africa and operates as a committee of the board in line with the board approved mandate and terms of reference as set out in its charter.

The committee’s formal terms of reference contained in the charter are reviewed annually in line with best practice and to conform with King IV™ and the Companies Act of South Africa. The committee has conducted its affairs in compliance with these terms, as approved by the board. The activities of the committee are set out in an annual work plan.


FUNCTIONS OF THE AUDIT AND RISK COMMITTEE

The functions of the committee are primarily to assist the board in overseeing the:

- Quality and integrity of integrated reporting and interim reporting;
- Appointment, reappointment and removal of the external auditor considering qualifications and independence;
- Scope and effectiveness of the external audit function and negotiating the fees to be paid to the auditor and the auditor’s terms of engagement;
- Nature and extent of non-audit services provided to Adapt IT;
- Effectiveness of internal controls and the internal audit function
- Compliance with legal and regulatory requirements, to the extent it may have an impact on financial statements;
- Monitoring of risk management, review of reports and making recommendations to the board; and
- Reporting to the board and shareholders on how it has discharged its duties.

COMPOSITION AND FREQUENCY OF MEETINGS

The committee comprises four independent non-executive directors, all of whom possess the necessary skills, knowledge and expertise to direct the committee constructively in the execution of its responsibilities. The committee is chaired by Ms B Ntuli, an independent non-executive director.

During the reporting period four meetings were held, attendance of the meetings is reflected on page 61, and the committee reported on its findings to the board after each formal meeting. 

In terms of section 94 of the Companies Act of South Africa, a public company must elect an audit committee at each annual general meeting. It is proposed in the notice of annual general meeting for the forthcoming annual general meeting of the company that Ms C Koffman, Mr O Fortuin and Ms Z Nyanga be re-appointed as members of the committee, until the next annual general meeting.

KEY DUTIES DISCHARGED EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

The committee has carried out an assessment to assure itself that the group external auditor is independent of the company, as required by Section 94(8) of the Companies Act of South Africa and the guidance contained in King IV™. This assessment included consideration of:

- Internal independence processes within the external audit firm;
- Periodic internal quality reviews, as well as those conducted by IRBA; and
- The rotation of the group audit partner and key component audit partners at least every five years.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

As a result of this assessment, the committee is satisfied that the group external auditor is independent of the group, has demonstrated the requisite institutional knowledge, expertise and experience and that their independence has not been impacted by tenure.

The committee ensured that the appointment of the group external auditor complied with the Companies Act and any other legislation relating to the appointment of auditors.

During the year under review, the committee met with the group external auditor without management being present and met with management without the group external auditor being present. No issues of any significance were raised by either the group external auditor or management at these meetings.

The committee was provided with the information in paragraph 22.15(h) of the JSE Listings Requirements by Deloitte & Touche and Fathima Ally. The information was used by the committee to assess the suitability for reappointment of both Deloitte & Touche and the appointment of Fathima Ally.

The committee, in consultation with executive management, reviewed and approved the engagement letter terms, audit plan, non-audit services and audit fees in respect of the 2019 financial year.

The committee has nominated Deloitte, for re-election at the annual general meeting, as the external audit firm, which has served in this capacity for the last six years and Fathima Ally as the designated auditor responsible for performing the functions of auditor, for the 2020 financial year. The audit firm and designated auditor are on the JSE list of accredited auditors and advisors.

INTERNAL AUDIT AND COMBINED ASSURANCE

The committee has assessed that the internal audit function possesses the appropriate expertise and experience to carry out its responsibilities and has satisfied itself of the objectivity and performance of the internal audit function, including the authority within Adapt IT to enable it to discharge its duties.

The annual internal audit plan and fees were reviewed and approved by the committee.

The committee is responsible for monitoring the appropriateness of the company's combined assurance model and has approved the combined assurance framework and policy, which aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers on the risk areas identified.

The committee has held separate meetings with management, internal and external auditors to discuss any reserved matters and has also overseen the co-operation between the internal and external auditors, in line with the combined assurance framework and policy, and is the link between the board and these functions.

FINANCIAL STATEMENTS AND ACCOUNTING PRACTISES

The committee has reviewed the accounting policies and the financial statements of the company and the group and is satisfied that they are appropriate and comply with International Financial Reporting Standards and the requirements of the Companies Act.

A process has been established to receive and deal appropriately with any concerns and complaints relating to the reporting practices of the company. No matters of significance have been raised in the past financial year.

GOING CONCERN

The committee has reviewed a documented assessment, prepared by management, which includes key assumptions, of the going concern status of Adapt IT. The board's statement on the going concern status of Adapt IT, as supported by the committee, is disclosed in the directors' approval of the annual financial statements.

EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION

The committee has satisfied itself that the Chief Financial Officer and the Chief Commercial Officer, who acted as CFO from 14 June 2019 to 17 October 2019 due to the CFO being on maternity leave, have the appropriate expertise and experience. The committee has considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function. The committee confirms that the appropriate financial reporting procedures are in place and such procedures are operating effectively.

SIGNIFICANT MATTERS CONSIDERED IN THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The committee has considered the qualitative and quantitative information presented in the statement of financial position and other items that require significant judgement, as detailed in the notes to the annual financial statements. The committee is satisfied that areas that require significant judgement have been highlighted as key audit matters in the Independent Auditors report on the audit of the consolidated annual financial statements for the year ended 30 June 2019, on page 76.

Following discussions and a review of the reports from management and the external auditor, the committee was satisfied that the consolidated annual financial statements appropriately address the critical judgements and key estimates pertaining to the key audit matters, in respect of both amounts and disclosure. The committee noted that the external auditor has concluded that the consolidated and separate annual financial statements were presented fairly in all material respects.



APPROACH TO GOVERNANCE OF RISK

The board is ultimately responsible for the governance of risk, provides the direction on risk management philosophy, and approves the risk appetite and tolerance levels, ensuring that the risks are managed within these levels. The board has mandated the Audit and Risk Committee to monitor and oversee risk management and to consider opportunities as appropriate, within the ambit of its terms of reference and the Enterprise Risk Management framework. Further details of the risk management process are presented below. The review conducted by the internal audit function indicated that the effectiveness of the risk management process in accordance with the risk management framework was satisfactory.

RISK MANAGEMENT

A risk management approach to strategy implementation was adopted and focused on identifying what could go wrong, evaluating the risks to be mitigated and implementing strategies to address those risks.

The risk management process assisted Adapt IT to identify and address the risks faced by the business and in so doing has increased the likelihood of successfully achieving the business objectives.

The risk management process adopted facilitates proactive identification, measurements and monitoring of risks and opportunities and involves:

- Identifying and understanding business strategy and activities;
- Methodically identifying the risks surrounding our business strategy and activities;
- Setting tolerance levels and assessing the impact and likelihood of the events occurring to establish the inherent risk;
- Assigning owners to the risks and identifying current controls, rating the effectiveness thereof;
- Identifying and implementing additional controls to reduce residual risks to an acceptable level; and
- Reporting and continuous monitoring of the effectiveness of the risk management approach and controls identified.

The process of risk management has improved decision-making, planning and prioritisation, enabled an efficient allocation of capital and resources, improved the anticipation of what can go wrong, minimised the number of unforeseen circumstances, and significantly improved the probability of delivering on Adapt IT's business growth strategy.

The key inherent risks were identified as follows:

1. Economic risk: organic revenue growth and maintaining profitability given challenging and poor market conditions in South Africa
2. Investment risk: managing acquisition integration
3. Human capital risk: attracting and retaining top talent given ICT skills shortage
4. Operational risk: need for a high-performance culture
5. Governance and compliance risk: non-compliance with legislation

These risks, and associated opportunities, are discussed on pages 16 to 19 of this report. 

The board and the committee have considered the aforementioned risks and have satisfied themselves of the appropriateness of the risk management processes, the adequacy of interventions, the appropriateness of the allocated resources and the pervasiveness of the risk management processes within Adapt IT.

The combined assurance provided by internal and external assurance providers as well as management, in line with the combined assurance framework and policy, has been sufficient to satisfy the committee that significant risk areas within Adapt IT have been adequately addressed and suitable controls exist to mitigate and reduce those significant risks faced by the business.

APPROVAL OF INTEGRATED ANNUAL REPORT

The committee reviewed this Integrated Annual Report for the year ended 30 June 2019 and recommended it to the board for approval.

CONCLUSION

The committee is satisfied that it has discharged its duties in terms of reference and mandate.



Bongiwe Ntuli

Chairperson, Audit and Risk Committee

11 October 2019

REMUNERATION REPORT



“The remuneration policy of Adapt IT supports the business strategy to create sustainable value for stakeholders both in the short-term and the long-term through the implementation of a high-performance culture.”

Catherine Koffman
Chairperson, Remuneration Committee

ADAPT IT'S REMUNERATION APPROACH

The remuneration policy of Adapt IT supports the business strategy to create sustainable value for stakeholders both in the short-term and the long-term through the implementation of a high-performance culture. To enable Adapt IT to continue to attract, retain and motivate high performing talent, market related pay, of which a high proportion is performance-based, is necessary. Remuneration is the largest component of Adapt IT's costs and ensuring the best return on the remuneration expense is essential.

The remuneration policy is reviewed annually, with its last review having taken place in April 2019.

Internal factors that influence remuneration are:

- the targeted pay mix;
- internal parity, which Adapt IT is always striving for as an acquisitive business, with ongoing alignment required to achieve internal fairness in remuneration; and
- performance, which is the key determinant of remuneration as it affects promotion into senior roles and reward in those roles.

External factors that influence remuneration are:

- market benchmarks through the use of independent and credible remuneration survey data; and
- competition for scarce skills.

GOVERNANCE OF REMUNERATION

The Remuneration Committee (committee) is tasked to ensure the alignment of remuneration with the interests of shareholders. The committee operates under terms of reference (as set out on page 64) that are reviewed annually, approved by the board and encompass the provisions of the Companies Act of South Africa and the requirements of King IV™. The composition and attendance of meetings of the committee is set out in the corporate governance report on page 61. The Remuneration Committee Chairperson attends the annual general meeting and is available to address any queries, if necessary, from shareholders.

NON-BINDING ADVISORY VOTE

At the annual general meeting held on 23 November 2018, the vote was 80.18% in favour of the remuneration policy of Adapt IT as included in the last Integrated Annual Report. Adapt IT has considered these inputs and concluded that the principle of performance measurement and proportional vesting scales, although not simply mechanical in application is applied in our practices and short term awards are proportionately lower due to under achievement of targets. Adapt IT will further develop its practices for the expressly scaled vesting of performance-related pay into the formal Remuneration Policy over the forthcoming year.

At the annual general meeting to be held on 22 November 2019, shareholders will be asked to vote on the two non-binding resolutions in terms of King IV™. These votes enable shareholders to express their satisfaction or otherwise on the remuneration policy and the implementation report. In terms of King IV™, if 25% or more votes are cast against either resolution, Adapt IT will engage directly with such shareholders as to the reasons therefore and will seek further external professional advice on how to improve the remuneration policy and practices. Notwithstanding the voting process, any shareholder who wishes to discuss the subject of remuneration is welcome to engage the executive management at any time, in the interests of continuous improvement.

KEY FOCUS AREAS AND DECISIONS IN THE PERIOD

There was no change to the remuneration policy in the period under review. Almost no value has been derived by executives from the Long Term Share Incentive Plan (LTI or LTIP) awards since the inception of the scheme four years ago primarily due to market forces affecting the Adapt IT share price adversely.

It remains a deep concern that the organisation must limit loss of key management in the medium-term. Therefore, there are proposed changes to the existing LTIP scheme to manage some of this risk. The proposed changes are set out on pages 71 to 72 and are subject to shareholder approval at the annual general meeting.

This prior year adjustment to the target pay mix was intended to enhance the company's value proposition to executives. The revised target pay mix is set out in the remuneration policy overview with the majority of the executives already fully migrated to the target pay mix.

BENCHMARKS

Market benchmarks, sourced predominantly from PwC REMChannel, taking cognisance of specific skills requirements and market benchmarks for similar roles (revenue, profit and number of employees reporting, consequence of error etc.) and of other similar sized companies listed on the JSE, are used. Adapt IT benchmarks against the 50th percentile with discretion to take account of the range of experience and performance in each role. A key risk for the committee to monitor is under-remuneration of executives, and thus risk of attrition of key management, required to realise the group's performance objectives. The committee is satisfied that the benchmarking PwC REMChannel executive remuneration survey data was independent and objective.

INDEPENDENCE OF THE COMMITTEE AND ACHIEVEMENT OF ITS OBJECTIVES

The committee is satisfied that its members are independent and objective. The committee has evaluated the stated objectives of the remuneration policy and concluded that there is a risk of loss of executives due to almost no value being derived from the LTIP portion for the last four years. The committee has proposed adjustments to the LTI scheme to protect the company against loss of executives. Other policy objectives were achieved or are in the process of being achieved through a multi-year plan.

AREAS OF FOCUS FOR THE COMING YEAR

Ongoing monitoring of key management attrition risk and the consideration of a retention awards in light of the long-term non realisation of LTIP.

Adapt IT will continue to refine its performance metrics, periods measured and scaled vesting metrics for Executive performance related pay.

With the proposed changes to the LTI scheme, Adapt IT is introducing the adoption of 'claw back' policies. This is not highly relevant at present given the very low level of incentive pay awarded in the last four years but will be applicable in the forthcoming years, as Adapt IT supports the principle of recovering incentive pay which, on ethical grounds, should not have been earned.

REMUNERATION POLICY OVERVIEW

The remuneration elements and key design principles for executives and other employees are set out below.

BENCHMARKS

Adapt IT benchmarks to the 50th percentile of market pay with pay scales lying between 80 – 120% of the 50th percentile, with some exceptions made for retention of very scarce skills and exceptionally high performers.

PAY MIX

The pay mix for employees comprises guaranteed pay and variable Short-Term Incentives (STI), generally short-term bonus or commission in nature. Executive Pay comprises of three elements namely Guaranteed Pay, STI and variable Long-Term Incentives (LTI), with the LTI element intended to align executives with shareholders' interests.

Total target earnings are allocated using the target pay mix (i.e. the ratio that each element bears to a 100% on target package (GP/STI/LTI) as follows:

- CEO: 50%/30%/20%
- Senior executives: 60%/25%/15%
- Other executives: 70%/20%/10%

PACKAGE STRUCTURE

GUARANTEED PAY

Guaranteed Pay is on a total cost to company basis (medical and other benefits can be elected within this element).

Variable Pay comprises a short-term element for all employees and a long-term element for executives.

STI – ANNUAL PERFORMANCE BONUS OR SALES COMMISSION

Short-term annual bonus incentives are based on the overall financial performance of Adapt IT, financial achievement of the operational division to which an employee is accountable and on individual performance, measured against the achievement of key performance indicators. Short-term bonus incentives payable to executive management, for targeted levels of performance, range between 20% and 30% of total cost to company if targets are met.

The sales commission scheme is another key aspect of variable pay for sales executives and managers who are on risk-based packages. The purpose of this is to drive organic growth and cross-selling.

LTI – SHARE APPRECIATION RIGHTS

The long-term executive share incentive plan was implemented in the 2015 financial year. It was designed to ensure that key executives are motivated and retained over a medium- to long-term period and to align their interests with those of shareholders. This scheme has delivered almost no value to participants due to market forces affecting the Adapt IT share price adversely in spite of Adapt IT's own performance over this period. As stated previously, the target pay mix was adjusted in the previous year in favour of guaranteed pay, reducing the LTIP proportion with the intention of retaining all executives.

The units vest and share appreciation gains can be realised, subject to group and individual performance conditions being met, in tranches over two years and up to the end of the third year, after which they lapse. Almost no units have been realised thus far. The maximum number of shares available under the scheme is 21 600 000 shares in issue and the maximum available for any one participant is 10% thereof.

REMUNERATION REPORT CONTINUED



The executive share incentive plan will continue in the forthcoming year with the following proposed changes to re-introduce the credibility of the scheme with the executive:

1. A change to the performance conditions relating to the target percentage above CPI – It is proposed that the performance conditions be aligned to the changes in the market while retaining the focus on driving better than market performance. In this regard, it is considered a better practice to align the premium to CPI to the prevailing market conditions by setting the target as a multiple of CPI instead of an absolute value. The proposal is to set a target at twice CPI. There is also a partial vesting threshold.
2. A change to the performance conditions relating to the baseline against which the performance target is measured – it is proposed that the baseline be changed from an absolute Headline Earnings growth measure to Headline Earnings Per Share. The purpose of this change is to reflect the effectiveness of capital allocation in shareholder returns.
3. Introduction of the option to opt for cash instead of share units under the LTI scheme. This option is taken upfront and cannot be changed after award. LTI in the form of cash will be an election outside of the share scheme and will not benefit from any movement in the share price and be static in value.
4. Introduce claw back provisions – in the event that there is any financial manipulation or fraud perpetrated by an individual who benefited under the plan, which malus is identified post an award or the vesting thereof, then the company will have the right to claw back any undue awards.
5. Exclusion of performance conditions for retention awards – where a significant risk of retention is identified, the ability to issue retention awards under this scheme with the vesting conditions relating only to the share price and continuous employment is required. However, these awards carry a longer vesting period being three years instead of the scheme's default provisions of two years.

The remuneration policy makes no provisions for any payments to an executive director on termination of employment.

PERFORMANCE FRAMEWORK AND MEASURES

The link between strategy, sustainable value creation, performance and remuneration is explained below.

Adapt IT's vision and related strategy is set with a medium-term horizon, current strategy set for 2023, and the KPIs are set annually and measured annually as the steps required to achieve the 2023 objectives. They are determined and adjusted each year, taking into account the experience of the past year and adjustments to the strategy which emanate from the annual review of the business strategy, where longer-term measures are reviewed. The measurement of KPIs is used to assess the achievement of strategic objectives. KPIs are weighted predominantly in favour of financial metrics (70%), being above market revenue growth and profitability; capital re-investment growth; and the balance of KPIs are other important goals (30%) which underpin the business and process efficiency; culture and staff engagement, B-BBEE rating, product development, service quality, leadership performance and succession planning, and other division specific goals.

KPIs used are measurable and include financial and other quantifiable metrics such as surveys.

The achievement of the Executive's KPIs is reported on by the CEO and monitored by the board at every board meeting.

If Adapt IT group and individual KPIs are substantially met, an Executive can expect to be remunerated near the target internal pay mix level for STI and LTI. If not, then a lower or no STI is paid, and likewise if hurdle performance targets are not met, then share incentive units do not vest but are forfeited. If KPIs are exceeded, then any STI pay above benchmark is at the discretion of the board and the share appreciation rights may exceed their targeted value if the company's shares outperform the fair value at issue date per the valuation of the independent experts. (Refer to indicative scale adjacent).

FAIRNESS

The overall remuneration policy is designed to ensure fair and responsible remuneration for Executive Management in the context of overall employee remuneration as it is market related (benchmarked) and has a significant component that is performance-based. Job grading is undertaken and pay is targeted at 80-120% of the market benchmark, set at the 50th percentile. All employees outside of those bands are carefully scrutinised. All jobs are graded using the Patterson Scale and associated market pay benchmarks, using the same independent remuneration consultants for all levels. Where discrepancies are identified, plans are put in place to address these through adjustments over a reasonable timeframe.

IMPLEMENTATION REPORT

EMPLOYMENT CONTRACTS

Sbu Shabalala was appointed CEO on 5 December 2007. Nombali Mbambo was appointed CFO on 18 August 2016. Tiffany Dunsdon joined Adapt IT on 18 April 2002 and is a permanent employee in Australia. These executives are permanent employees subject to termination on three months' notice. The contractual relationship between the company and its executive directors is governed through the committee.


PERFORMANCE MEASUREMENT FOR VARIABLE REMUNERATION

PERFORMANCE TARGETS – STI

The threshold for any STI to be awarded is achievement of >70% of Balanced Scorecard KPIs (group and individual).

INDICATIVE SCALE


Score	% of STI to be awarded
<=70%	0
71% to 80%	50
80% to 90%	65
90% to 100%	80
>100%	100 to 120

The overall KPIs for the year ended 30 June 2019 were partially achieved, see table on page 74. 

The KPIs of the group executive directors disclosed in this report closely mirror the KPIs above. Short-term incentives at 60% of on target STI were awarded to the divisional executives and 50% to group executives and directors as set out below.

LONG-TERM INCENTIVES

Performance Hurdles – HEPS Growth of CPI+8%, share appreciation and individual KPIs. The performance vesting criteria for LTIP were not met in FY19. All units were 'out of the money' at the 568 cps closing price on 30 June 2019.

Refer to the notes to the annual financial statements, note 21 on page 132, for full details of share appreciation rights issued, vested, forfeited and lapsed. 

Refer to the directors' Statutory Report on page 81 for directors' interests in the company and interests of directors in contracts. 

REMUNERATION REPORT CONTINUED

PERFORMANCE MEASUREMENT 30 JUNE 2019

KPI	Weighting (%)	Achievement	Not met/ partially met	Weighted performance score (%)
Above market revenue growth and maintain EBITDA margin	50	78%	Partially met	39
Capital re-investment	20	61%	Not met	12
Strategic alignment	10	Fully undertaken	Met	10
Empowerment improvement	5	Projected level 2	Partially met	4
Extend Pan African reach	10	100%	Partially met	10
Strengthening Shared Services	5	80%	Partially met	4
Total score				79

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

The tables below show a breakdown of the annual remuneration of the executive directors for the respective years ended. C Young is considered to be a prescribed officer of Adapt IT Holdings Limited as defined in the Companies Act of South Africa.

	Total guaranteed R	STI (Bonus) R	LTI	Total R
June 2019				
S Shabalala	3 666 994	1 179 450	–	4 846 444
T Dunsdon	2 983 909	697 500	–	3 681 409
N Mbambo	2 540 100	631 125	–	3 171 225
C Young	2 754 200	594 000	–	3 348 200
Total	11 945 203	3 102 075	–	15 047 278

June 2018				
S Shabalala	2 717 636	1 721 040	–	4 438 676
T Dunsdon	2 319 682	1 020 600	–	3 340 282
N Mbambo	1 920 000	810 400	–	2 730 400
C Young	1 986 295	819 000	–	2 805 295
Total	8 943 613	4 371 040	–	13 314 653

NON-EXECUTIVE DIRECTORS' FEES

The committee on an annual basis reviews the level of fees paid to non-executive directors. The recommendations are submitted to the board for consideration and the shareholders at the annual general meeting approve the fees in advance. A market survey referencing fees paid by comparable listed companies is utilised to determine the remuneration levels.

Non-executive directors receive fixed fees for serving on the board and board Committees and do not receive short-term incentives, nor participate in any share incentive scheme. Non-executive directors are not appointed under service contracts and their remuneration is not linked to Adapt IT's financial performance.

The following table shows the directors' fees paid to non-executive directors for the year ended:

	2019 R	2018 R
C Chambers	424 855	386 232
B Ntuli	289 238	262 944
O Fortuin	289 238	262 944
C Koffman	289 238	262 944
Z Nyanga*	24 103	–
Total	1 316 672	1 175 064

*Appointed on 31 May 2019.

APPROVAL

The Remuneration Committee approved this report on 28 August 2019 and by the board on 11 October 2019. The committee and the board are satisfied that there were no material deviations from the remuneration policy during the 2019 financial year.

On behalf of the Remuneration Committee



Catherine Koffman

Chairperson

11 October 2019

ANNUAL FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITIES AND APPROVAL

AS AT 30 JUNE 2019

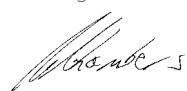
The directors are required by the Companies Act of South Africa, No 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements of Adapt IT Holdings Limited and its subsidiaries and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company and the group as at the end of the financial year and the results of their operations and cash flows for the year ended, in conformity with International Financial Reporting Standards, the JSE Listings Requirements and the Companies Act of South Africa, No 71 of 2008. The external auditors are engaged to express an independent opinion on the financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and the Companies Act of South Africa, No 71 of 2008, and are based upon appropriate accounting policies consistently applied except for the adoption of IFRS 9 and IFRS 15 in the current year and supported by reasonable and prudent judgements and estimates.

The directors are also responsible for the system of internal control. These controls are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, to record all liabilities, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with appropriate segregation of authority and duties. 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 under review.

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

The annual financial statements of the group and company, set out on pages 80 to 161, were approved by the board on 11 October 2019 and were signed on its behalf by:



Craig Chambers

Independent non-executive Chairman

Johannesburg
11 October 2019



Sbu Shabalala

Chief Executive Officer

PREPARER OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

These annual financial statements have been prepared under the supervision of T Dunsdon.



Tiffany Dunsdon CA(SA)

Chief Commercial Officer

Johannesburg
11 October 2019

CERTIFICATE OF THE COMPANY SECRETARY

FOR THE YEAR ENDED 30 JUNE 2019

We hereby certify that, to the best of our knowledge and belief, the company has lodged with the Companies and Intellectual Properties Commission all such returns as are required of a public company in terms of the Companies Act of South Africa, No 71 of 2008, and that all such returns are true, correct and up to date.



Statucor (Pty) Ltd

Company Secretary

Johannesburg
11 October 2019

ANNUAL FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Adapt IT Holdings Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Adapt IT Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 83 to 161, which comprise the consolidated and separate statements of financial position as at 30 June 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 30 June 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters apply to the consolidated financial statements and there is no key audit matter for the separate financial statements.

Key Audit Matter	How the matter was addressed in the audit
Judgment in determining the identification and valuation of the intangible assets included in the purchase price allocation on acquisition	
<p>Acquisition accounting requires management to identify and value acquired assets and liabilities at the acquisition date. The identified intangible assets include the customer relationships and acquired business combination software.</p> <p>This includes complex valuation considerations and requires the use of specialists and as a result the judgement in determining the identification and valuation of the intangible assets included in the purchase price allocations for the acquisitions is considered to be a key audit matter.</p> <p>On 1 June 2018, the LGR Telecommunications ("LGR") acquisition was concluded. The acquisition was provisionally accounted for in terms of the allowance per IFRS 3: Business combinations ("IFRS 3") as the purchase price allocation was still underway as at 30 June 2018. The provisional accounting has been finalised in the current year as disclosed in note 37.1 of the financial statements.</p> <p>On 1 September 2018, the group acquired Strive Software International ("Strive Software") for R12.5m. The provisional accounting has been finalised in the current year and disclosed in note C of the notes to the statements of cash flows in the financial statements.</p>	<p>We utilised our specialists to assess and challenge the completeness of separately identified intangible assets, valuation thereof and useful life attributed for LGR and Strive Software. The intangible assets identified are customer relationships and computer software.</p> <p>Customer relationships (R7.7m)</p> <p>In assessing the purchase price allocation to customer relationships for the acquisitions, we performed various procedures including the following:</p> <p>Involving our own specialists to conclude on:</p> <ul style="list-style-type: none"> the appropriateness of the valuation approach, assumptions underpinning the valuations including the appropriateness of the future cash flows and the discount rate by reviewing the model used, performing an Internal Rate of Return ("IRR") calculation to reconcile the purchase price paid to the business forecasts to gain comfort around the cash flows, assessing growth rates for reasonableness, and calculating an independent discount rate including assigning an estimated alpha/firm specific premium due to forecasting risk, where applicable. the useful life over which the customer relationship will be amortised being 10 years for Strive Software and 13 years for LGR.

Key Audit Matter	How the matter was addressed in the audit
Judgment in determining the identification and valuation of the intangible assets included in the purchase price allocation on acquisition	
<p>Customer relationships (R7.7m)</p> <p>The fair value of the customer relationships acquired are based on valuation techniques built, in part, on the assumptions around the future cash flows linked to the customer relationships and assumptions made in determining the discount rate.</p> <p>For Strive Software the Multi-Period Excess Earnings Method ("MEEM"), an income-based valuation method, was considered by the directors to be the most appropriate methodology for valuing the customer relationships. The principle behind the MEEM is that the value of an intangible asset is equal to the present value of the incremental after-tax cash flows attributable only to that intangible asset, determined by deducting expected costs and contributory assets charges from expected revenues attributable to the asset. The value attributed to the Strive Software customer relationships is R4.2m.</p> <p>For LGR, the directors used another income-based valuation method, the distributor method, to value customer relationships, as the software in LGR was considered to be the primary intangible asset. The value attributed to the LGR customer relationships is R3.5m.</p> <p>Computer Software (R25.6m)</p> <p>The fair value of the computer software was determined as follows:</p> <ul style="list-style-type: none"> For Strive Software, using the replacement cost new ("RCN") method whereby costs specific to developing the asset are allocated to the asset. The value attributed to the Strive Software computer software is R1.6m. For LGR, management applied the MEEM methodology as software was considered to be the primary intangible asset. The value attributed to the LGR computer software is R24m. 	<p>Computer Software (R25.6m)</p> <p>In assessing the purchase price allocation to computer software for the acquisitions we performed various procedures including the following:</p> <p>Involving our own specialists to conclude on:</p> <ul style="list-style-type: none"> the appropriateness of the valuation approach, assumptions underpinning the valuations including appropriateness of the future cash flows, costs involved and the discount rate by reviewing the model used, performing an IRR calculation to reconcile the purchase price paid to the business forecasts to gain comfort around the cash flows, assessing growth rates and obsolescence factors for reasonableness, and calculating an independent discount rate including assigning an estimated alpha/firm specific premium due to forecasting risk, where applicable. the useful life over which the computer software will be amortised being 3 years for Strive Software and 7 years for LGR. <p>In addition to the above, we assessed the design and implementation of the key controls over the purchase price allocation process and reported to those charged with governance regarding the outcome thereof and evaluated the adequacy of the disclosures.</p> <p>Based on the procedures performed we found the identified intangible assets to be complete and the valuation of the intangible assets acquired to be appropriate, including the useful lives assigned to the intangible assets.</p> <p>We consider the related disclosure in the annual financial statements in notes to be appropriate.</p>

ANNUAL FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the Shareholders of Adapt IT Holdings Limited

Key Audit Matter	How the matter was addressed in the audit
Impairment of goodwill and other intangible assets	
<p>Intangible assets, which consist of goodwill and other intangible assets such as customer relationships/ contracts and intellectual property comprise 61% (2018 restated: 60%) of total assets of the Group. These assets have been recognised in the consolidated statement of financial position largely as a consequence of business combinations.</p> <p>The allocation of surpluses paid over the fair value of assets and liabilities acquired in the respective business combinations is based on the outcomes of purchase price allocation valuations.</p> <p>As required by IAS 36: Impairment of assets, the directors conduct annual impairment tests to assess the recoverability of the carrying value of goodwill and other intangible assets and these are assessed for impairment when the indicators, as defined in the accounting standards, exist. These impairment assessments are performed using discounted cash flow models to determine value-in-use of the cash generating units ("CGU's"). There are a number of key assumptions made in determining the inputs into these models which include:</p> <ul style="list-style-type: none"> • Future cash flows; • Growth rates; and • The discount rate applied to the projected future cash flows. <p>As a result of the above factors, impairment of goodwill and other intangible assets is considered to be a key audit matter.</p>	<p>In evaluating the impairment of goodwill and other intangible assets, we reviewed the value-in-use calculations prepared by the directors, with a particular focus on the input assumptions relating to the future cash flows, growth rates and discount rate.</p> <p>We performed various procedures as part of our risk assessment procedures and substantive testing procedures as follows:</p> <ul style="list-style-type: none"> • An assessment of the CGU's to determine whether this was at the lowest level as monitored by the directors as required by IAS 36. • Testing of the design and implementation of the Group's controls relating to the budgeting process and preparation of the cash flow forecasts, the review of the discount rate and the review of the discounted cash flows and reported to those charged with governance regarding the outcome thereof. • Performed independent assessment of the inputs into the weighted average cost of capital, used as the discount rate, for both the South African CGU's and the Australian CGU, through the use of our own specialists. • Performed independent assessment of the cash flows through retrospective reviews and the application of various sensitivities to the cash flows as part of our risk assessment and substantive testing procedures. • Assessed the director's cash flow forecasts, where considered necessary, following the outcome of our risk assessment procedures. • Growth rates were assessed against inflation rates. • Assessed the carrying amount of the respective CGU's in accordance with the requirements of IAS 36. • Compared the value-in-use to the carrying amount of each CGU to confirm that no impairments were required. • Evaluated the adequacy of the disclosure in the annual financial statements. <p>We found that the assumptions and inputs used by the directors were reasonable when compared to the historical performance and the expected future performance taking cognisance of the director's strategic plans. The discount rates for the South African and Australian CGU's were found to be appropriate.</p> <p>We considered the goodwill impairment assessment disclosures as set out in the note 9 of the annual financial statements to be appropriate.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Adapt IT Integrated Annual Report for the year ended 30 June 2019", which includes the Directors' Statutory Report, the Audit and Risk Committee's Report and the Certificate of the Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as

the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and / or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Risk Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Risk Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Risk Committee, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Adapt IT Holdings Limited for 6 years.

Deloitte & Touche

Deloitte & Touche

Registered Auditor

Per: Fathima Ally

Partner

11 October 2019

Deloitte Place, 2 Pencarrow Crescent, Pencarrow Park, La Lucia Ridge Office Estate, 4051

DIRECTORS' STATUTORY REPORT

FOR THE YEAR ENDED 30 JUNE 2019

NATURE OF THE BUSINESS

Adapt IT Holdings Limited is the holding company of an information technology group which provides software solutions and services.

FINANCIAL RESULTS

The prior year results have been restated. Refer to note 37 on page 153 and note 38 on page 161 for further details. All restated figures are indicated with an asterisk*. The net profit attributable to shareholders of the company for the year ended 30 June 2019 amounted to R75 307 449 (2018: R114 557 933*). This translates into basic earnings per share of 51,32 cents (2018: 72,77 cents*) and headline earnings per share of 57,27 cents (2018: 62,08 cents*) based on the weighted average number of shares in issue during the year.

REVIEW OF OPERATIONS

Commentary is provided under the CEO report on page 32 and segment analysis on page 150.

ACQUISITIONS

On 1 September 2018 the group acquired 100% of the issued capital of Strive Software International (Pty) Ltd (Strive Software) for a maximum purchase consideration of R12 471 590. Strive Software conducts business in the private education sector, providing software, consulting and support to its clients. Refer to note C on page 91 for further details.

On 1 December 2018 the group acquired the 30% minority interest held in CQS Confirmations (Pty) Ltd by acquisition of Que Dee Trading 35 (Pty) Ltd (Que Dee), for a consideration of R16 125 826. Refer to note F on page 95 for further details.

On 31 December 2018 the group acquired the business of Conor Solutions (Pty) Ltd (Conor) for a maximum purchase consideration of R80 000 000. Conor operates in the ICT sector focused on mobile technologies providing turnkey technology solutions to mobile network operators, financial institutions, enterprises, and SMMEs. Refer to note D on page 92 for further details.

On 1 March 2019 the group acquired the businesses of Kura Holdings (Pty) Ltd (Kura), Wisenet Information Systems (Pty) Ltd (Wisenet Australia) and Wise.Net Corporate Trustee Limited (Wisenet New Zealand), and the business intellectual property and existing intellectual property rights of Wakatipu Management Pte Limited (Wisenet Singapore) (collectively, Wisenet) for a maximum purchase consideration of SGD20 000 000. Wisenet is a software-based business which develops its own intellectual property and has an annuity-based revenue model where SaaS subscriptions account for 90% of the total revenue. Wisenet will complement the growth strategy of Adapt IT's Education division and Adapt IT with access to key proprietary software, customers and markets in the Higher and further Education sector in Australia. Refer to note E on page 93 for further details.

EVENTS AFTER THE REPORTING DATE

On 30 August 2019, Adapt IT (Pty) Ltd signed the deed of sale for the disposal of the Pretoria property for R9 000 000 inclusive of VAT. Refer to note 17 on page 129 for further details.

On 9 October 2019, The Standard Bank of South Africa Limited waived the breach of a debt covenant for a period of one year from the date of the audit report on the 30 June 2019 Financial Statements. Refer to note 22 on page 135 and 136 for further details.

No other significant transactions or events have occurred between year-end date and the date of this report.

DIVIDENDS: ORDINARY DIVIDEND NUMBER 16

The company declared a dividend of 17,10 cents per share, which was paid to shareholders on 25 September 2018.

DEFERRAL OF DIVIDEND DECISION

The board has decided to prioritise the reduction of borrowings in the short term, accordingly, the board has deferred the consideration of a dividend until after the 31 December 2019 interim results.

SHARE CAPITAL AND TREASURY SHARES

During the current year, the issued ordinary share capital of the company reduced by 8 026 607 shares to 152 513 154 (2018: 160 539 761) shares as a result of the company cancelling the shares. The 8 026 607 cancelled shares have been delisted and returned to authorised but unissued share capital.

During the year, the company's subsidiary, Adapt IT (Pty) Ltd, repurchased 15 547 388 (2018: 9 264 774) shares representing 10,2% of the total issued share capital in Adapt IT Holdings Limited for R94 719 586 (2018: R72 666 348). 458 710 treasury shares were issued in September 2018 to two executives to settle an earn-in-bonus scheme.

15 251 315 treasury shares were held by the group at 30 June 2019 (2018: 8 189 244), resulting in a reduction of issued share capital in the current year to 137 261 389 shares (2018: 152 350 517 shares).

At the last annual general meeting (AGM), a general authority was granted by shareholders to allow the company or its subsidiaries to purchase up to 10% of its own shares in terms of the Companies Act, 2008, as amended, and the Listings Requirements of the JSE Limited. The directors consider it will be advantageous to the company for this general authority to continue and the authority will be used if the directors consider that it is in the best interest of the company and shareholders.

The share repurchase programme will be considered in light of the prevailing circumstances and the cash resources of the group at the time. This resolution is sought on a routine basis to avoid the need for a special meeting of shareholders, should the board deem a share repurchase programme to be suitable at a future date. Accordingly, shareholders will be asked to consider a similar special resolution to this effect at the forthcoming AGM.

INVESTMENTS IN SUBSIDIARIES

Details of the subsidiaries appear in note 10 and note 36 to the annual financial statements. Aggregate profit before taxation from subsidiaries for the year ended 30 June 2019 amounted to R129 616 485 (2018: R188 362 173*).

DIRECTORATE

Full details of the current board of Directors appear on pages 56 and 57. In terms of the company's Memorandum of Incorporation, one third of the directors retire annually by rotation at the AGM. Provided that if a director is appointed as an employee of the company, he or she shall not, while continuing to be employed by the company, be subject to retirement by rotation and shall not be taken into account in determining the rotation or retirement of directors. A retiring director shall be eligible for re-election.

Accordingly, Mr C Chambers retires at the AGM to be held on 22 November 2019 and offers himself for re-election. Ms Bongiwe Ntuli retires by rotation at the AGM after 11 years of service. She has not offered herself for re-election and will retire from the board at the AGM. Ms Z Nyanga was appointed to the board on 31 May 2019 and stands for election by shareholders at the AGM.

At 30 June 2019, the directors held interests in the company as follows:

Executive directors	2019 Direct beneficial		2018 Direct beneficial		2019 Indirect beneficial		2018 Indirect beneficial	
		%		%		%		%
S Shabalala	14 316 646	9	14 316 646	9	–	–	–	–
T Dunsdon	1 400 000	1	1 400 000	1	2 600 000	2	2 600 000	2
N Mbambo	113 115	–	63 000	–	–	–	–	–
Total	15 829 761	10	15 779 646	10	2 600 000	2	2 600 000	2

There were no non-beneficial interests held by the directors at the year-end. There have been no changes in the directors' shareholdings since the year-end.

DIRECTORS' STATUTORY REPORT CONTINUED

FOR THE YEAR ENDED 30 JUNE 2019

INTEREST OF DIRECTORS IN CONTRACTS

On 13 February 2019, Mr S Shabalala submitted a Notice of Director's Personal Financial Interest (Form CoR 36.4) to the company, advising the company, that Mshengu Property Holdings (Pty) Ltd (MPH), where Mr S Shabalala is a director, was in the process of negotiating the acquisition of the JHB Campus from Inyosi Ross Properties 2 (Pty) Ltd (Inyosi Ross). MPH and Inyosi Ross were not related parties. The company's subsidiary, Adapt IT (Pty) Ltd, entered into the JHB Campus lease agreement in November 2016. The lease agreement was ceded to MPH on 1 March 2019 on the same terms and conditions, therefore at arm's-length. A JSE ruling confirmed that this did not constitute a related party transaction.

Mr S Shabalala recuses himself from deliberations or dealings concerning the JHB Campus. Refer to related party note 31 on page 144 for further details.

The directors, apart from Mr S Shabalala, have certified that they were not materially interested in any transaction of material significance, which significantly affected the business of the group, with the company or any of its subsidiaries. Accordingly, no conflict of interest, with regard to these directors' interests in contracts exist.

There have been no material changes to the above since 30 June 2019 up to the date of this Integrated Annual Report.

FINANCIAL ASSISTANCE TO RELATED COMPANIES

At the forthcoming AGM, pursuant to the requirements of Section 45 of the Companies Act, shareholders will be requested to pass a special resolution authorising the directors, by way of general authority, to allow the company to provide direct or indirect financial assistance to any company which is related or interrelated to the company, subject to the relevant provisions of Section 45.

GOING CONCERN

The current liabilities as at 30 June 2019 exceed the current assets as the covenants for the Standard Bank of South Africa Limited facilities was in breach as at year-end. Subsequent to year-end, the bank waived the breach for a period of one year from the date of the audit report on the 30 June 2019 Financial Statements, accordingly there is no liquidity issue for the group and the group is able to meet its liabilities in the ordinary course of business. We are not aware of any events or conditions that may indicate that the group's continuance as a going concern may be questionable.

SPECIAL RESOLUTIONS PASSED BY THE COMPANY

The following special resolutions were passed at the previous AGM and granted directors' authority to:

- Increase the directors' fees, as tabled;
- Repurchase a maximum of 20% of the company's shares, valid until the next AGM; and
- Provide financial assistance to subsidiaries in the form of inter-company loans and guarantees of their debts as and when appropriate in the course of business.



Tiffany Dunsdon
Chief Commercial Officer

Johannesburg
11 October 2019

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Consolidated 2019 R	Consolidated 2018 Restated* R	Company 2019 R	Company 2018 Restated** R
Revenue	2	1 438 138 457	1 332 848 801	29 416 428	25 493 947
Cost of sales		(645 556 263)	(527 789 474)	–	–
Gross profit		792 582 194	805 059 327	29 416 428	25 493 947
Administrative, selling and other costs		(626 831 577)	(623 465 647)	(3 646 195)	(3 485 175)
Other income	3	–	26 350 922	–	–
Profit from operations		165 750 617	207 944 602	25 770 233	22 008 772
Finance income	3	3 033 728	5 492 972	2 303 262	241 357
Finance costs	3	(42 830 348)	(28 559 603)	(16 293)	–
Profit before taxation	3	125 953 997	184 877 971	28 057 202	22 250 129
Income tax expense	5	(49 592 156)	(62 728 482)	(1 098 104)	(34 513)
Profit for the year		76 361 841	122 149 489	26 959 098	22 215 616
Attributable to:					
Equity holders of the parent		75 307 449	114 557 933	26 959 098	22 215 616
Non-controlling interests		1 054 392	7 591 556	–	–
Other comprehensive loss					
Items that will not be reclassified to profit and loss		–	(2 750 454)	–	–
Devaluation of land and building		–	(3 544 400)	–	–
Income tax effect		–	793 946	–	–
Items that may be reclassified subsequently to profit and loss		(1 913 069)	2 248 472	–	–
Exchange (loss)/gain arising from translation of foreign operations		(1 913 069)	2 248 472	–	–
Total comprehensive income		74 448 772	121 647 507	26 959 098	22 215 616
Attributable to:					
Equity holders of the parent		73 394 380	114 055 951	26 959 098	22 215 616
Non-controlling interests		1 054 392	7 591 556	–	–
Basic earnings per share	(cents) 6.1	51,32	72,77		
Basic diluted earnings per share	(cents) 6.1	51,32	72,77		

* See note 37.1 for details regarding the restatement for measurement period adjustment and note 37.2 for details about restatement as a result of prior period errors.

** See note 38 for details regarding restatement as a result of prior period errors.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Notes	30 June 2019 R	30 June 2018 Restated* R
ASSETS			
Non-current assets		1 155 272 857	981 570 266
Property and equipment	7	110 432 585	96 260 941
Intangible assets	8	248 468 038	219 762 342
Goodwill	9	739 423 848	598 251 511
Finance lease receivables	11	20 200 070	23 666 262
Loans receivable	12	6 000 000	15 288 798
Deferred taxation asset	13	30 748 316	28 340 412
Current assets		464 251 147	391 593 858
Inventories	14	26 417 695	21 994 177
Trade and other receivables	15	311 535 257	248 563 134
Contract assets	16	24 224 014	–
Current tax receivable		22 538 189	3 813 541
Finance lease receivables	11	12 804 422	10 986 946
Loans receivable	12	500 000	4 096 044
Cash and cash equivalents	G	58 405 483	86 578 028
Assets classified as held for sale	17	7 826 087	15 561 988
Total assets		1 619 524 004	1 373 164 124
EQUITY AND LIABILITIES			
Equity			
Share capital	18	15 251	16 054
Treasury shares	19	(1 525)	(819)
Share premium	20	248 123 665	340 277 986
Equity compensation reserve	21	17 988 406	19 221 006
Business combination reserves	F	(15 664 396)	–
Foreign currency translation reserve		3 106 370	5 019 439
Retained earnings		425 688 196	380 639 756
Attributable to equity holders of the parent		679 255 967	745 173 422
Non-controlling interests		(221 126)	2 283 174
Total equity		679 034 841	747 456 596
Non-current liabilities		87 869 376	286 780 403
Interest-bearing borrowings	22	2 986 854	200 794 458
Financial liabilities	23	40 749 830	33 479 340
Finance lease liabilities	24	877 849	1 670 033
Deferred taxation liability	13	43 254 843	50 836 572
Current liabilities		852 619 787	338 927 125
Trade and other payables	25	158 001 887	134 948 896
Contract liabilities	26	107 743 673	–
Deferred income		–	95 669 242
Leave pay and provisions	27	59 763 217	51 841 262
Current tax payable		11 121 749	2 519 351
Current portion of interest-bearing borrowings	22	498 005 325	13 680 725
Financial liabilities	23	16 866 530	38 951 795
Finance lease liabilities	24	1 117 406	1 315 854
Total equity and liabilities		1 619 524 004	1 373 164 124

* See note 37.1 for details regarding the restatement for measurement period adjustment and note 37.2 for details about restatement as a result of prior period errors.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Notes	30 June 2019 R	30 June 2018 Restated* R	1 July 2017 Restated* R
ASSETS				
Non-current assets		171 949 296	112 058 248	54 710 923
Interest in subsidiaries and share trust	10	147 869 730	90 320 247	54 678 765
Amounts owing by subsidiaries	10	23 974 901	21 672 542	32 158
Deferred taxation asset	13	104 665	65 459	–
Current assets		187 487 773	310 213 742	300 609 100
Trade and other receivables	15	183 598	212 804	2 277 675
Amounts owing by subsidiaries	10	186 865 007	309 607 769	297 962 752
Current tax receivable		–	99 395	86 770
Cash and cash equivalents	G	439 168	293 774	281 903
Total assets		359 437 069	422 271 990	355 320 023
EQUITY AND LIABILITIES				
Equity				
Share capital	18	15 251	16 054	15 360
Share premium	20	337 305 365	400 647 135	331 510 804
Other capital reserves		–	–	17 154 720
Equity compensation reserve	21	17 988 406	19 221 006	5 167 430
Retained earnings		2 276 744	1 134 074	912 405
Total equity		357 585 766	421 018 269	354 760 719
Non-current liabilities				
Deferred tax liability		–	–	32 030
Current liabilities		1 851 303	1 253 721	527 274
Trade and other payables	25	1 361 435	1 253 721	527 274
Current tax payable		489 868	–	–
Total equity and liabilities		359 437 069	422 271 990	355 320 023

* See note 38 for details regarding restatement as a result of prior period errors.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Share capital R	Treasury shares R	Share premium R	Other capital reserves R
Balance at 1 July 2017 (as previously reported)	15 360	–	336 225 816	17 154 720
Total comprehensive income for the year (restated*)	–	–	–	–
Profit for the year (restated*)	–	–	–	–
Other comprehensive loss for the year (restated*)	–	–	–	–
Share-based expense	–	–	–	–
Repurchase of shares	–	(927)	(72 665 420)	–
Issue of treasury shares	–	108	7 581 259	(7 581 367)
Settled in cash	–	–	–	(9 573 353)
Issue of shares for business combination	337	–	33 651 345	–
Shares issued during the year	357	–	35 484 986	–
Non-controlling interest disposed	–	–	–	–
Dividend paid	–	–	–	–
Balance at 30 June 2018 (restated*)	16 054	(819)	340 277 986	–
Transitional adjustment – implementation of IFRS 9 and 15 (refer note 1.8)	–	–	–	–
Balance at 1 July 2018 (restated*)	16 054	(819)	340 277 986	–
Total comprehensive income for the year	–	–	–	–
Profit for the year	–	–	–	–
Other comprehensive loss for the year	–	–	–	–
Share-based (release)/expense (refer to note 21)	–	–	–	–
Repurchase of shares	–	(1 555)	(95 764 322)	–
Cancellation of shares	(803)	803	–	–
Issue of treasury shares	–	46	3 610 001	–
Acquisition of minority interest	–	–	–	–
Dividends paid	–	–	–	–
Balance at 30 June 2019	15 251	(1 525)	248 123 665	–

* See note 37.1 for details regarding the restatement for measurement period adjustment and note 37.2 for details about restatement as a result of prior period errors.

Refer to note 18 for detail on share capital movement.

Attributable to equity holders of the parent

Equity compensation reserve R	Asset revaluation reserve R	Foreign currency translation reserve R	Business combination reserves R	Retained earnings R	Attributable to equity holders of the parent R	Non-controlling interests R	Total R
14 585 430	3 544 400	2 770 967	–	287 281 824	661 578 517	6 958 535	668 537 052
–	(3 544 400)	2 248 472	–	115 351 879	114 055 951	7 591 556	121 647 507
–	–	–	–	114 557 933	114 557 933	7 591 556	122 149 489
–	(3 544 400)	2 248 472	–	793 946	(501 982)	–	(501 982)
4 823 482	–	–	–	–	4 823 482	–	4 823 482
–	–	–	–	–	(72 666 347)	–	(72 666 347)
–	–	–	–	–	–	–	–
–	–	–	–	–	(9 573 353)	–	(9 573 353)
–	–	–	–	–	33 651 682	–	33 651 682
(187 906)	–	–	–	–	35 297 437	–	35 297 437
–	–	–	–	–	–	709 673	709 673
–	–	–	–	(21 993 947)	(21 993 947)	(12 976 590)	(34 970 537)
19 221 006	–	5 019 439	–	380 639 756	745 173 422	2 283 174	747 456 596
–	–	–	–	(4 442 581)	(4 442 581)	(7 455)	(4 450 036)
19 221 006	–	5 019 439	–	376 197 175	740 730 841	2 275 719	743 006 560
–	–	(1 913 069)	–	75 307 449	73 394 380	1 054 392	74 448 772
–	–	–	–	75 307 449	75 307 449	1 054 392	76 361 841
–	–	(1 913 069)	–	–	(1 913 069)	–	(1 913 069)
(1 232 600)	–	–	–	–	(1 232 600)	–	(1 232 600)
–	–	–	–	–	(95 765 877)	–	(95 765 877)
–	–	–	–	–	–	–	–
–	–	–	–	–	3 610 047	–	3 610 047
–	–	–	(15 664 396)	–	(15 664 396)	(461 237)	(16 125 633)
–	–	–	–	(25 816 428)	(25 816 428)	(3 090 000)	(28 906 428)
17 988 406	–	3 106 370	(15 664 396)	425 688 196	679 255 967	(221 126)	679 034 841

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Share capital R	Share premium R	Other capital reserves R	Equity compensation reserve R	Retained earnings R	Total equity R
Balance at 1 July 2017 (as previously reported)	15 360	331 510 804	17 154 720	–	912 405	349 593 289
Subsidiary capital contribution for share-based payment (restated*)	–	–	–	5 167 430	–	5 167 430
Balance at 1 July 2017 (restated)*	15 360	331 510 804	17 154 720	5 167 430	912 405	354 760 719
Total comprehensive income for the year	–	–	–	–	22 215 616	22 215 616
Subsidiary capital contribution for share-based payment (restated*)	–	–	–	14 053 576	–	14 053 576
Issue of shares	694	69 136 331	–	–	–	69 137 025
Shares issued through treasury shares and cash	–	–	(17 154 720)	–	–	(17 154 720)
Dividend paid	–	–	–	–	(21 993 947)	(21 993 947)
Balance at 30 June 2018 (restated)*	16 054	400 647 135	–	19 221 006	1 134 074	421 018 269
Total comprehensive income for the year	–	–	–	–	26 959 098	26 959 098
Subsidiary capital contribution for share-based payment	–	–	–	(1 232 600)	–	(1 232 600)
Cancellation of shares	(803)	(63 341 770)	–	–	–	(63 342 573)
Dividend paid	–	–	–	–	(25 816 428)	(25 816 428)
Balance at 30 June 2019	15 251	337 305 365	–	17 988 406	2 276 744	357 585 766

* See note 38 for details regarding restatement as a result of prior period errors.

Refer to note 18 for detail on share capital movement.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Consolidated 2019 R	Consolidated 2018 Restated* R	Company 2019 R	Company 2018 R
OPERATING ACTIVITIES					
Cash generated from operations	A	178 687 638	259 995 195	90 725	2 806 143
Finance income		3 033 728	3 957 779	903	241 357
Finance costs		(41 669 024)	(24 689 771)	(16 293)	–
Dividends received		–	–	25 816 428	21 993 947
Dividends paid		(28 906 428)	(34 970 537)	(25 816 428)	(21 993 947)
Taxation paid	B	(68 838 320)	(68 951 177)	(548 047)	(144 627)
Net cash flow from operating activities		42 307 594	135 341 489	(472 712)	2 902 873
INVESTING ACTIVITIES					
Property and equipment acquired	7	(35 021 299)	(90 683 597)	–	–
Intangible assets acquired and developed	8	(51 909 396)	(9 033 738)	–	–
Proceeds on disposal of property and equipment		290 851	2 065 746	–	–
Proceeds from loans receivable		17 723 077	5 752 936	–	–
Settlement of contingent purchase considerations		(33 635 484)	(12 684 552)	–	–
Net cash outflow on acquisition of subsidiaries	C to E	(130 641 237)	(108 554 069)	–	–
Loan advanced		(5 000 000)	–	–	–
Proceeds from disposal of subsidiary		–	42 027 110	–	–
Increase in investment in subsidiary		–	–	(58 782 083)	(21 587 906)
Net cash utilised in investment activities		(238 193 488)	(171 110 164)	(58 782 083)	(21 587 906)
FINANCING ACTIVITIES					
Proceeds from borrowings		797 936 803	323 000 000	–	–
Repayment of borrowings		(507 541 488)	(242 822 697)	–	–
Transaction costs related to borrowings		(6 290 974)	–	–	–
(Repayment)/proceeds from finance lease liabilities		(1 313 276)	285 291	–	–
Settlement of contingent purchase consideration relating to subsequent fair value changes		(2 388 608)	(8 419 663)	–	–
Treasury shares purchased and transaction costs		(95 765 877)	(72 666 348)	–	–
Net cash outflow on acquisition of minority interest	F	(16 125 633)	–	–	–
Issue of shares for cash		–	30 851 603	–	–
Issue of company's shares		–	–	–	69 137 025
Decrease/(increase) in amounts owing by subsidiaries		–	–	59 400 189	(50 440 121)
Repayment of vendor loans		–	(6 723 864)	–	–
Net cash flows from financing activities		168 510 947	23 504 322	59 400 189	18 696 904
Net (decrease)/increase in cash resources		(27 374 947)	(12 264 353)	145 394	11 871
Exchange (loss)/gain on translation		(797 598)	793 671	–	–
Cash and cash equivalents at beginning of year		86 578 028	98 048 710	293 774	281 903
Cash and cash equivalents at end of year	G	58 405 483	86 578 028	439 168	293 774

* See note 37.1 for details regarding the restatement for measurement period adjustment and note 37.2 for details about restatement as a result of prior period errors.

NOTES TO THE STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Consolidated 2019 R	Consolidated 2018 Restated* R	Company 2019 R	Company 2018 R
A. CASH GENERATED FROM OPERATIONS				
Profit before taxation	125 953 997	184 877 971	28 057 202	22 250 129
Adjustments for:				
Depreciation and amortisation	75 036 713	52 121 589	–	–
Unrealised foreign exchange gains	(171 773)	(184 445)	–	–
Net loss on disposal of property and equipment	952 256	473 160	–	–
Finance income (refer note 3)	(3 033 728)	(3 957 779)	(2 303 262)	(241 357)
Finance costs (refer note 3)	42 830 348	28 559 603	16 293	–
Dividend received	–	–	(25 816 428)	(21 993 947)
Share-based payment (release)/expense	(1 232 600)	4 823 482	–	–
Scrapping of property and equipment	430 000	385 239	–	–
Profit on sale of investment in Uyandiswa Project Management Solutions (Pty) Ltd	–	(84 108)	–	–
Profit on sale of CQS GRC Solutions (Pty) Ltd assets	–	(7 212 790)	–	–
Profit on disposal of subsidiary	–	(19 054 024)	–	–
Fair value adjustment to financial liabilities	–	2 891 886	–	–
Gain arising on derecognition of financial liability measured at amortised cost	(3 261 614)	–	–	–
Impairment of asset held for sale (refer note 17)	7 735 901	–	–	–
Discount on settlement of loans receivable	161 765	–	–	–
Transaction costs related to borrowings	2 412 655	–	–	–
Finance lease receivable profit	(15 614 103)	(10 859 926)	–	–
Working capital changes:				
(Increase)/decrease in inventory	(3 234 464)	8 280 786	–	–
(Increase)/decrease in trade and other receivables, including contract assets	(94 387 343)	11 532 188	29 206	2 064 871
Increase/(decrease) in trade and other payables	27 606 715	(14 290 060)	107 714	726 447
Decrease in contract liabilities/deferred income	(3 415 845)	(8 405 079)	–	–
Finance lease receivable receipts	14 119 770	10 859 926	–	–
Increase in leave pay and provisions	5 798 988	19 237 576	–	–
	178 687 638	259 995 195	90 725	2 806 143

* See note 37.1 for details regarding the restatement for measurement period adjustment and note 37.2 for details about restatement as a result of prior period errors.

	Consolidated 2019 R	Consolidated 2018 Restated* R	Company 2019 R	Company 2018 R
B. TAXATION PAID				
Charge to the statement of profit or loss and other comprehensive income	49 592 156	62 728 482	1 098 104	34 513
Adjustment for deferred taxation	5 015 914	15 409 893	39 206	97 489
Acquisition of subsidiary	4 430 587	2 705 548	–	–
Disposal of CQS GRC Solutions (Pty) Ltd	–	(2 660 320)	–	–
Foreign exchange adjustments	(322 587)	–	–	–
Movement in taxation balance	10 122 250	(9 232 426)	(589 263)	12 625
	68 838 320	68 951 177	548 047	144 627

* See note 37.1 for details regarding the restatement for measurement period adjustment and note 37.2 for details about restatement as a result of prior period errors.

BUSINESS COMBINATIONS

C. ACQUISITION OF SUBSIDIARY

With effect from 1 September 2018, the group acquired control of 100% of the share capital of Strive Software International (Pty) Ltd (Strive Software), for a consideration of R12 471 590.

Strive Software is a South African registered company.

Strive Software conducts business in the private education sector, providing software, consulting and support to its clients.

The purchase consideration of R12 471 590 was settled in cash.

The fair value of the net assets acquired amounted to R4 835 451, resulting in goodwill of R7 636 139 at acquisition. The purchase consideration paid for the combination effectively included amounts in relation to the benefit of the expected synergies, revenue growth, new market penetration and future market development.

The fair values of the identifiable net assets and liabilities of Strive Software as at the date of acquisition were:

	Fair value recognised on acquisition R
Assets	
Property and equipment	5 012
Intangible assets	5 810 303
Trade and other receivables	229 013
Cash and cash equivalents	816 162
Total assets	6 860 490
Liabilities	
Deferred tax liabilities	1 624 671
Trade and other payables	320 917
Contract liabilities	21 780
Current tax payable	57 671
Total liabilities	2 025 039
Total identifiable net assets	4 835 451
Goodwill arising on acquisition	7 636 139
Fair value of total consideration	12 471 590
Satisfied by: Cash	12 471 590
Cash consideration	(12 471 590)
Less: cash and cash equivalents acquired	816 162
Net cash outflow on acquisition	(11 655 428)

From the date of acquisition, Strive Software has contributed R1 332 300 to the profit after tax of the group. Non-cash expenses (amortisation of intangible assets) amounted to R573 851 after tax.

Cash costs of R275 915 relating to the acquisition have been expensed and are included in operational expenses on the statement of profit or loss and other comprehensive income.

If the acquisition of Strive Software had been completed on the first day of the financial year, its contribution to group profit after tax, would have been R1 598 760.

Goodwill recognised is not expected to be deductible for income tax purposes.

Acquired receivables represent the gross contractual amounts which approximate fair value and which are further estimated to be fully recoverable.

NOTES TO THE STATEMENTS OF CASH FLOWS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2019

D. ACQUISITION OF SUBSIDIARY

On 31 December 2018 the group acquired the business of Conor Solutions (Pty) Ltd (Conor) (South African registered), through the acquisition of assets and assumed liabilities.

Conor operates in the ICT sector focused on mobile technologies providing turnkey technology solutions to mobile network operators, financial institutions, enterprises, and SMMEs.

The acquisition provides the group with access to key proprietary software, customers and markets in the telecommunications space in South Africa as well as key markets in Africa including DRC, Tanzania, Lesotho and Namibia.

The purchase consideration of R80 000 000 was settled in cash in December 2018.

The fair value of the net assets acquired amounted to R8 165 247, resulting in goodwill of R71 834 753 at acquisition. The purchase consideration paid for the combination effectively included amounts in relation to the benefit of the expected synergies, revenue growth, new market penetration and future market development.

	Fair value recognised on acquisition R
Assets	
Property and equipment	1 099 302
Deferred tax asset	1 643 690
Cash and cash equivalents	12 597 939
Total assets	15 340 931
Liabilities	
Contract liabilities	4 662 005
Leave pay	1 208 318
Current tax payable	1 305 361
Total liabilities	7 175 684
Total identifiable net assets	8 165 247
Goodwill arising on acquisition	71 834 753
Fair value of total consideration	80 000 000
Satisfied by: Cash	80 000 000
Cash consideration	(80 000 000)
Less: cash and cash equivalents acquired	12 597 939
Net cash outflow on acquisition	(67 402 061)

The acquisition is provisionally accounted for in terms of the allowance per IFRS 3 Business Combinations.

The group has not yet completed the detailed exercise to identify and value the separately identifiable intangible assets acquired and thereafter the goodwill, if any, arising as a result of the transaction. This will be completed as part of the finalisation of the accounting for the acquisition.

From the date of acquisition, Conor has contributed R8 761 180 to the profit after tax of the group. If the acquisition of Conor had been completed on the first day of the financial year, its contribution to group profit after tax, would have been R17 522 361.

Cash costs of R1 549 586 relating to the acquisition have been expensed and are included in operational expenses on the statement of profit or loss and other comprehensive income.

Goodwill recognised is not expected to be deductible for income tax purposes.

E. ACQUISITION OF SUBSIDIARY

On 1 March 2019 the group acquired the businesses of Kura Holdings (Pty) Ltd (Kura), Wisenet Information Systems (Pty) Ltd (Wisenet Australia) and Wise.Net Corporate Trustee Limited (Wisenet New Zealand), and the business intellectual property and existing intellectual property rights of Wakatipu Management Pte Limited (Wisenet Singapore) (collectively, Wisenet). The acquisition involved the purchase of assets and assumed liabilities.

Wisenet is a software-based business which develops its own intellectual property and has an annuity-based revenue model where SaaS subscriptions account for 90% of the total revenue.

Wisenet will complement the growth strategy of Adapt IT's Education division and Adapt IT with access to key proprietary software, customers and markets in the Higher and further Education sector in Australia.

The purchase consideration consists of R54 046 363 (SGD 5 216 000) in cash paid on 28 February 2019 (payment 1). The agreement allows for a further contingent consideration of a maximum amount of SGD 14 784 000 (contingent earn-out portion) to be settled in cash. The contingent earn-out portion payable is subject to the achievement by Wisenet of EBITDA performance warranties over 34 months.

The maximum contingent earn-out portion is payable based on a cumulative remeasurement on three dates as follows:

- an amount, calculated using a predetermined formula based on the EBITDA for the 2019 calendar year, payable in cash five business days after the relevant determination date of such payment (payment 2);
- an amount, calculated using a predetermined formula based on the EBITDA for the 2020 calendar year, payable in cash five business days after the relevant determination date of such payment (payment 3); and
- an amount, calculated using a predetermined formula based on the average EBITDA for the 2020 and 2021 calendar years, payable in cash five business days after the relevant determination date of such payment (payment 4).

The financial projections for Wisenet at acquisition date indicates that no earn-out is anticipated in respect of 2019 and 2020 (payment 2 and 3), however an earn-out is anticipated for 2021 (payment 4).

The 2021 earn-out is estimated at SGD 2 607 785. This has been discounted to date of acquisition, resulting in a R23 410 292 additional contingent purchase consideration payable.

The fair value of total consideration amounts to R77 456 655.

The latest financial projections for Wisenet support the position at acquisition date.

The fair value of the net assets acquired amounted to R14 717 339, resulting in goodwill of R62 739 316 at acquisition. The purchase consideration paid for the combination effectively included amounts in relation to the benefit of the expected synergies, revenue growth, new market penetration and future market development.

NOTES TO THE STATEMENTS OF CASH FLOWS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2019

E. ACQUISITION OF SUBSIDIARY CONTINUED

	Fair value recognised on acquisition R
Assets	
Property and equipment	465 356
Intangible assets	24 351 902
Deferred tax asset	3 341 336
Cash and cash equivalents	2 462 615
Total assets	30 621 209
Liabilities	
Contract liabilities	11 921 666
Leave pay	914 649
Current tax payable	3 067 555
Total liabilities	15 903 870
Total identifiable net assets	14 717 339
Goodwill arising on acquisition	62 739 316
Fair value of total consideration	77 456 655
Satisfied by:	
Cash paid	54 046 363
Contingent purchase consideration payable	23 410 292
Fair value of total consideration	77 456 655
Cash consideration	(54 046 363)
Less: cash and cash equivalents acquired	2 462 615
Net cash outflow on acquisition	(51 583 748)

The acquisition is provisionally accounted for in terms of the allowance per IFRS 3 Business Combinations.

The group has not yet completed the detailed exercise to identify and value the separately identifiable intangible assets acquired and thereafter the goodwill, if any, arising as a result of the transaction. This will be completed as part of the finalisation of the accounting for the acquisition.

From the date of acquisition, Wisenet has contributed R1 358 955 to the profit after tax of the group. Non-cash amortisation of intangible assets amounted to R1 367 093 after tax.

If the acquisition of Wisenet had been completed on the first day of the financial year, its contribution to group profit after tax, would have been R4 076 865.

Cash costs of R2 063 196 relating to the acquisition have been expensed and are included in operational expenses on the statement of profit or loss and other comprehensive income.

Goodwill recognised is not expected to be deductible for income tax purposes.

F. ACQUISITION OF MINORITY INTEREST

On 1 December 2018 the group acquired the 30% minority interest held in CQS Confirmations (Pty) Ltd from Que Dee Trading 35 (Pty) Ltd (Que Dee), a South African registered company, for a consideration of R16 125 826.

The fair values of the net assets of Que Dee as at the date of acquisition were:

	Fair value recognised on acquisition R
Cash and cash equivalents acquired	193
Non-controlling interest derecognised	461 237
Cash paid on 10 December 2018	(12 545 461)
Cash paid on 13 June 2019	(3 580 365)
Business combination reserves	(15 664 396)
Cash consideration	(16 125 826)
Less: cash and cash equivalents acquired	193
Net cash outflow on acquisition of minority interest	(16 125 633)

G. CASH AND CASH EQUIVALENTS

	Consolidated 2019 R	Consolidated 2018 R	Company 2019 R	Company 2018 R
Bank balances	54 784 263	70 854 675	439 168	293 774
Cash on deposit	624 088	10 336 991	–	–
Foreign currency	2 929 535	5 352 534	–	–
Petty cash	67 597	33 828	–	–
Net cash and cash equivalents at year-end	58 405 483	86 578 028	439 168	293 774

Bank balances earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the group and earn interest at the respective short-term deposit rates.

Adapt IT Holdings Limited, Adapt IT (Pty) Ltd and CQS Confirmations (Pty) Ltd bank balances totalling R21 152 872 have been ceded as security for The Standard Bank of South Africa Limited debt (refer note 22).

Micros South Africa (Pty) Ltd positive bank balance of R5 613 065 (2018: R10 806 298) has been ceded as security for the FirstRand Bank Limited debt (refer note 22).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

Adapt IT Holdings Limited is incorporated and domiciled in South Africa.

The separate and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited and the requirements of the Companies Act. The financial statements have been prepared under the historical cost method, except for certain financial instruments and properties at fair value.

These accounting policies have been consistently applied to all the years presented, except for the Standards and Interpretations which became effective during the current financial year which are disclosed in note 1.8 to the financial statements.

In the current year, a decluttering exercise was performed which resulted in the following key changes:

- All related cash flow statement notes were rearranged such that they follow immediately after the statements of cash flows; and
- Accounting policies relating to specific balances and transactions were moved to reflect as part of the respective underlying notes.

The financial information is presented in the consolidated financial statements for the parent company Adapt IT Holdings Limited, together with its subsidiaries. The financial information presented in the company financial statements comprises that of the parent company, Adapt IT Holdings Limited. The financial statements have been prepared under the historical cost method, except for certain financial instruments and properties at fair value.

1.2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the company, its subsidiaries and the Adapt IT Holdings Limited Share Incentive Trust.

Subsidiaries

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control and continue to be consolidated until the date when such control ceases.

None of the investments in subsidiaries are listed. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Where considered necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies in line with those of the group.

Any subsequent changes to the group's ownership interests in subsidiaries are accounted for as equity transactions and are accumulated in the business combination reserve.

Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying value recognised in profit or loss. The fair value is the initial carrying value for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

1.3 BUSINESS COMBINATIONS

Acquisitions of subsidiaries (entities acquired) and businesses (assets and liabilities acquired) are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net fair value of the identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. Non-controlling interests at acquisition date is determined as the non-controlling shareholders' proportionate share of the fair value of the net assets of the subsidiary acquired. Acquisition-related costs are recognised in profit or loss as incurred.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Contingent consideration in a business combination is included in the cost of a business combination at fair value on the date of acquisition. The classification of the arrangement into debt or equity will dictate the subsequent accounting. If the arrangement is classified as debt the amount will have to be remeasured at each reporting period with changes being recognised in profit or loss. Changes in the fair value of a contingent consideration that has been classified as equity are not recognised.

When the accounting for a business combination can only be determined provisionally at the date of reporting, provisional values are used. These provisional values are adjusted once the initial accounting has been completed, which must be within 12 months of the date of acquisition, by retrospectively adjusting the fair values of the net assets acquired and goodwill.

1.4 FOREIGN CURRENCY TRANSACTIONS

The group's consolidated financial statements are presented in South African Rands, which is also the parent company's functional currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The assets and liabilities of foreign operations are translated into South African Rands at the rate of exchange prevailing at the reporting date and their statements of profit or loss and other comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income and accumulated in equity in the foreign currency translation reserve.

1.5 DIVIDENDS

Dividends to the company's ordinary equity holders are recognised as a liability in the period in which the dividends are declared and approved. Final dividends are accrued when approved by the board.

Dividends paid are classified as a component of cash flows from operating activities in order to assist users to determine the ability of the group to pay dividends out of operating cash flows.

1.6 COST OF SALES

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

Contract costs comprise:

- Costs that relate directly to the specific contract;
- Costs that are attributable to contract activity in general; and
- Such other costs as are specifically chargeable to the customer under the terms of the contract.

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

1.7 FINANCIAL INSTRUMENTS

Financial instruments are initially recognised when the group becomes a party to the contractual terms of the instrument.

Financial assets

Financial assets are presented as non-current assets, except for those with maturities within 12 months from the statement of financial position date, which are classified as current assets.

The group classifies its financial assets into the category discussed below:

Amortised cost

These assets arise principally from the provision of goods and services to customers, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The group calculates its allowance for credit losses based on expected credit losses (ECLs). To calculate ECLs, the group segments financial assets by customer type i.e. corporate, parastatal/government and SME. Impairment provisions for trade receivables and contract assets are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1. ACCOUNTING POLICIES CONTINUED

1.7 FINANCIAL INSTRUMENTS CONTINUED

the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables and contract assets. Trade receivables are written off against the associated provision where there is no realistic prospect of future recovery and all methods of collections including legal interventions have been exhausted.

The group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the group may also consider a financial asset to be in default when internal or external information indicates that the group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the group. Refer to note 32.1 credit risk for management's processes for assessing such default. The inputs used in the calculation of the ECLs are based on various relevant published indices.

The group has elected the general approach for measuring the loss allowance for finance lease receivables due to there being a significant financing component on these financial assets. Stage 1 includes finance lease receivables that have not had a significant increase in credit risk. All finance lease receivables which are current and until 30 days past due date of contractual terms are included in stage 1. Stage 2 includes finance lease receivables that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment risk since initial recognition or that have low credit risk at the reporting date. Stage 2 includes the finance lease receivables which are 31 days to 89 days past due date. The group considers finance lease receivables in default when contractual payments are 90 days past due.

The group's financial assets measured at amortised cost comprise trade and other receivables, contract assets, finance lease receivables, loan receivables and cash and cash equivalents in the consolidated statement of financial position.

In the company, related party loans include loans between the parent and a subsidiary (i.e. intragroup loans). The following types of arrangements exist within the company:

- (a) Loans advanced on an interest rate that is considered arm's length and repayable on a specified date (term loan); and
- (b) Loans advanced on an interest-free basis that are payable on demand.

These loans are within the scope of IFRS 9. All related party loans are held with the objective of collecting their contractual cash flow under a 'hold to collect' business model and consequently classified at amortised cost. Intercompany positions eliminate in the consolidated financial statements.

Simplifications from IFRS 9's general 3 stage impairment model are available for trade receivables, contract assets or lease receivables, but these do not apply to intercompany loans. The general model was therefore applied to calculate the expected credit loss on related party loans within the company.

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Judgements and estimates

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation. The group considers all reasonable and supportable information available to management at year end. Such information may be evaluated on an individual basis, a portfolio basis or a portion of a portfolio in determining the requisite expected credit loss. Management has adopted a multifactor and holistic analysis which considers both qualitative and quantitative information as criteria for the recognition of lifetime ECLs.

Financial liabilities

Financial liabilities are classified and measured at amortised cost.

Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire.

1.8 ADOPTION OF NEW AND REVISED STANDARDS

New and amended IFRS Standards that are effective for the current year.

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives, which option the group has elected.

Additionally, the group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2019 only as the modified retrospective approach was adopted on transition.

IFRS 9 introduced new requirements for:

1. The classification and measurement of financial assets; and
2. Impairment of financial assets.

The group does not apply hedge accounting.

Details of these new requirements as well as their impact on the group's consolidated financial statements are described below.

The group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 July 2018. Accordingly, the group has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 July 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018.

All recognised financial assets are held within a business model, the objective of which is to collect contractual cash flows, and which have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;

In the current year, the group has not designated any financial instruments that meet the amortised cost criteria as measured at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVTOCI).

Debt instruments that are measured subsequently at amortised cost are subject to impairment. See (b) below.

Management has reviewed and assessed the group's existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the group's financial assets with regard to their classification and measurement:

- financial assets classified as loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

No reclassifications of financial assets have been done on transition to IFRS 9, and accordingly this has not had any impact on the group's financial position, profit or loss and other comprehensive income.

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk from initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the group to recognise a loss allowance for expected credit losses on:

1. Lease receivables;
2. Trade receivables; and
3. Contract assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1. ACCOUNTING POLICIES CONTINUED

1.8 ADOPTION OF NEW AND REVISED STANDARDS CONTINUED

In particular, where the group applies the general approach, IFRS 9 requires the group to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the group is required to measure the loss allowance for that financial instrument at an amount equal to the 12 month ECL. IFRS 9 also permits a simplified approach for measuring the loss allowance at an amount equal to lifetime ECLs for trade receivables and contract assets.

The result of the assessment is as follows:

Items existing as at 1 July 2018 that are subject to the impairment provisions of IFRS 9	Note	Credit risk attributes at 1 July 2018	Cumulative additional loss allowance recognised R
Finance lease receivables	11	Finance leases receivables contain a significant financing component. The credit risk on these financial instruments has not increased significantly since initial recognition as permitted by IFRS 9 and accordingly the group recognises 12 month ECL for these assets.	741 293
Trade receivables	15	As trade receivables have no significant financing component, the group has applied the simplified approach and recognises lifetime ECL for these assets.	5 567 202
Contract assets	16	As contract assets have no significant financing component the group has applied the simplified approach and recognises lifetime ECL for these assets.	1 853 017
Total			8 161 512

The additional credit loss allowance of R8 161 512 as at 1 July 2018 has been recognised against retained earnings at that date, net of their related deferred tax impact of R2 239 668, resulting in a net decrease in retained earnings of R5 914 389 as at 1 July 2018. A reconciliation of the IAS 39 provision to the IFRS 9 provision has been included in note 15. There was no IAS 39 provision for finance lease receivables and contract assets.

The consequential amendments to IFRS 7 have also resulted in more extensive disclosures about the group's exposure to credit risk in the consolidated financial statements (refer note 32).

(c) Classification and measurement of financial liabilities

The application of IFRS 9 has had no impact on the classification and measurement of the group's financial liabilities.

(d) Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the group had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the group has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the group has elected to designate as at FVTPL at the date of initial application of IFRS 9.

The application of IFRS 9 has had no impact on the consolidated cash flows of the group.

Impact of application of IFRS 15 *Revenue from Contracts with Customers*

In the current year, the group has applied IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016) which is effective for the group for its annual period that begins on or after 1 July 2018. IFRS 15 introduced a five-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the group's consolidated financial statements are described below.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what the group has previously recognised as 'accrued revenue' and 'deferred income'. The group has adopted the terminology used in IFRS 15 to describe such balances.

The group's accounting policies for its revenue streams are disclosed in detail in note 2. Apart from providing more extensive disclosures for the group's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the group.

The table below reflects information relating to the impact of the adoption of IFRS 9 and IFRS 15 as at transition date being 1 July 2018 using the modified retrospective approach:

STATEMENT OF FINANCIAL POSITION

	30 June 2018 Restated* R	Transitional adjustment IFRS 9 ECL R	Transitional adjustment IFRS 15 R	1 July 2018 Adjusted balance R
ASSETS				
Non-current assets	981 570 266	1 982 089	(572 370)	982 979 985
Property and equipment	96 260 941	–	–	96 260 941
Intangible assets	219 762 342	–	–	219 762 342
Goodwill	598 251 511	–	–	598 251 511
Finance lease receivables	23 666 262	(257 579)	–	23 408 683
Loans receivable	15 288 798	–	–	15 288 798
Deferred taxation asset ¹	28 340 412	2 239 668	(572 370)	30 007 710
Current assets	391 593 858	(7 903 933)	–	383 689 925
Inventories	21 994 177	–	–	21 994 177
Trade and other receivables ²	248 563 134	(5 567 202)	(30 109 380)	212 886 552
Contract assets ²	–	(1 853 017)	30 109 380	28 256 363
Current tax receivable	3 813 541	–	–	3 813 541
Finance lease receivables	10 986 946	(483 714)	–	10 503 232
Loans receivable	4 096 044	–	–	4 096 044
Cash and cash equivalents	86 578 028	–	–	86 578 028
Assets classified as held for sale	15 561 988	–	–	15 561 988
Total assets	1 373 164 124	(5 921 844)	(572 370)	1 366 669 910

¹ To recognise the impact of deferred taxation due to transitional adjustments.

² The contract asset balance was reclassified from other receivables. This had no impact on retained earnings.

* See note 37.1 for details regarding restatement for measurement period adjustment and note 37.2 for details about restatement as a result of prior period errors.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1. ACCOUNTING POLICIES CONTINUED

1.8 ADOPTION OF NEW AND REVISED STANDARDS CONTINUED

STATEMENT OF FINANCIAL POSITION CONTINUED

	30 June 2018 Restated* R	Transitional adjustment IFRS 9 ECL R	Transitional adjustment IFRS 15 R	1 July 2018 Adjusted balance R
EQUITY AND LIABILITIES				
Equity				
Share capital	16 054	–	–	16 054
Treasury shares	(819)	–	–	(819)
Share premium	340 277 986	–	–	340 277 986
Equity compensation reserve	19 221 006	–	–	19 221 006
Foreign currency translation reserve	5 019 439	–	–	5 019 439
Retained earnings ³	380 639 756	(5 914 389)	1 471 808	376 197 175
Equity attributable to shareholders of the company	745 173 422	(5 914 389)	1 471 808	740 730 841
Non-controlling interests	2 283 174	(7 455)	–	2 275 719
Total equity	747 456 596	(5 921 844)	1 471 808	743 006 560
Non-current liabilities	286 780 403	–	–	286 780 403
Interest-bearing borrowings	200 794 458	–	–	200 794 458
Financial liabilities	33 479 340	–	–	33 479 340
Finance lease liabilities	1 670 033	–	–	1 670 033
Deferred taxation liability	50 836 572	–	–	50 836 572
Current liabilities	338 927 125	–	(2 044 178)	336 882 947
Trade and other payables ³	134 948 896	–	(929 003)	134 019 893
Deferred income ⁴	95 669 242	–	(95 669 242)	–
Contract liabilities ⁴	–	–	94 554 067	94 554 067
Provisions	51 841 262	–	–	51 841 262
Current tax payable	2 519 351	–	–	2 519 351
Current portion of interest-bearing borrowings	13 680 725	–	–	13 680 725
Financial liabilities	38 951 795	–	–	38 951 795
Finance lease liabilities	1 315 854	–	–	1 315 854
Total equity and liabilities	1 373 164 124	(5 921 844)	(572 370)	1 366 669 910

¹ To recognise the impact of deferred taxation due to transitional adjustments.

² The contract asset balance was reclassified from other receivables. This had no impact on retained earnings.

³ The group previously recognised revenue from licenses over the contractual term of the license. Upon adoption of IFRS 15, the group assessed that certain licenses contained no other significant obligations post delivery of the licenses. Accordingly, the deferred revenue and other payable recognised in relation to these licenses were recognised to retained earnings on the date of transition to represent point in time revenue recognition.

⁴ The adjustment to deferred income relates to the reclassification thereof to contract liabilities.

* See note 37.1 for details regarding restatement for measurement period adjustment and note 37.2 for details about restatement as a result of prior period errors.

1.9 NEW OR REVISED IFRS STANDARDS

The following standards, interpretations and amendments to standards applicable to the group were in issue but not yet effective:

Standards, interpretations and amendments	Effective for annual periods commencing on or after
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
IFRS 9 Prepayments Features with Negative compensation – amendments	1 January 2019
IAS 12 Income Taxes: Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January 2019
Conceptual Framework for Financial Reporting	1 January 2020
IFRS 3 Definition of a Business – amendments	1 January 2020
IAS 1 and IAS 8 Definition of Material – amendments	1 January 2020

Management has considered all standards, interpretations and amendments to standards that are in issue but not yet effective and anticipate that the above-mentioned items in future periods will have no material financial impact on the financial statements of the group and will only result in additional disclosure requirements except for IFRS 16 as discussed below. These statements, interpretations and amendments to standards will be adopted in the respective annual financial year that the respective effective dates fall into.

IFRS 16 Leases

The new requirements lead to an increase in recognised assets and liabilities. The group, as lessee, had a significant portfolio of operating leases that were off-balance sheet under IAS 17. Most of these leases are recognised on-balance sheet under IFRS 16. The effect is more significant for leases with a longer lease period and lower discount rate.

The overall financial impact on the groups' assets and liabilities is between R235million to R283million. Due to the material impact on the group, management are assessing which adoption method to apply.

The range has been determined for existing property related leases on a full retrospective basis scenario as well as a modified retrospective basis scenario. It is based on lease commitments using various scenarios of discount rates ranging between 9.8% to 11.25% for South African leases and 5.7% to 7.2% for foreign leases.

The new Standard will result in a change in the amount and presentation of expenses related to leases formerly classified as operating leases (where the group is a lessee). Under IAS 17, operating lease expenses was presented as part of operating expenses. Applying IFRS 16, the expense will be split into financing cost and depreciation expense. Consequently, key performance indicators (KPIs) such as operating profit and EBITDA, which are reported by the group, will be affected.

There are some exceptions. Any rental payments not included in the initial measurement of the liability (e.g. variable lease payments) will be classified as operating expenses, as well as the expenses relating to short-term and low value lease contracts for which the group, as a lessee, will make use of the available exemption. The low value exemption established for the group is R75 000.

Initial direct costs incurred by the group upon entering into a lease, as a lessee, will be included in the cost of the right-of-use asset. Accordingly, these costs are required to be amortised over the lease term whereas they are currently expensed as incurred for operating leases under IAS 17.

Currently under IAS 17 payments under operating leases are presented as part of cash flows from operating activities, under IFRS 16 lease payments are required to be split between cash payments for the interest portion of the lease liability and repayment of its principal portion. As required by IFRS 16, the group is required to present repayments of principal within the cash flows from financing activities. As permitted by IAS 7 and in accordance with the group's accounting policy, interest paid will be classified as part of cash flows from operating activities.

Lessor accounting

In contrast to lessee accounting the IFRS 16 lessor accounting requirements remain largely unchanged from IAS 17, which continue to require a lessor to classify a lease as either an operating lease or finance lease. Accordingly, there is no significant impact for transitions where the group is a lessor.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

2. REVENUE

Accounting policy

Revenue from contracts with customers

The group derives revenue from offering multiple services to customers. Certain service offerings are highly interdependent and interrelated as the customer cannot use one aspect without the other services/resources for their benefit and the benefit of the total service offering is only realised when certain service offerings are combined.

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the group expects to be entitled in exchange for those goods or services. The group has generally concluded that it is the principal in its revenue arrangements and recognises revenue on the gross basis, except where the group is acting in the capacity of an agent, in which case, revenue is recognised on the net basis.

Revenue is derived from fees charged to customers for the following service offerings:

- Software licenses;
- Subscriptions;
- Software installation, implementation and development;
- Maintenance and support services;
- Services such as project consulting and training;
- Hardware sales; and
- Other revenue from goods and services.

The group does not encounter any revenue reversal due to returns, refunds, rebates and other similar obligations.

All invoices are due and payable within payment terms of 30 to 60 days therefore the group has elected to apply the practical expedient as there are no significant financing components.

Revenue stream	Performance obligation	Timing	Measurement	Judgement
Software licenses	<p>Software license revenue represents fees earned from the sale or licensing of software to customers. Software license revenue includes revenue from the sale of standard software products and customised software developed in-house and/or at client's premises.</p> <p>License revenue may also include access to updates and/or upgrades throughout the contract period. Where the group sells on-premise software licenses with the right to updates and such updates are critical to the functionality of the software, the group concluded that these arrangements consist of one performance obligation.</p> <p>The group acts a principal in certain contracts and as an agent in others depending on the nature and scope of the contract. In concluding that the group is a principal in the contract, management determines whether the license was controlled by the group prior to transferring it to the customer. In determining control, the following factors are assessed: who is responsible for the delivery of the licenses and who sets the price for the licenses provided.</p>	<p>In assessing the timing of the revenue recognition, management assesses whether there are any activities that the group is required to undertake after delivery of the license that would significantly affect the license. When significant activities are required, the group recognises the license revenue over time rather than at a point in time.</p> <p>Where the license revenue relates to a right to use, these are recognised at a point in time. The benefit received by the customer does not significantly change during the contract period and the group has no further significant obligations once the license has been delivered to the customer.</p> <p>Revenue is recognised over time, when the license grants the customer a right to access over the contract period. Right to access entitles a customer to the benefit of significant upgrades or services over the contract period.</p>	Revenue is based on fixed prices as per contractual terms/agreement with customers.	No judgement involved relating to amount or timing of software license revenue recognised.
Subscriptions	Software as a Service (SaaS) subscriptions are a right to access software functionality (including standard functionalities and extensions) together with hosting and other similar inter-dependent services with the same pattern of transfer.	Revenue from subscriptions is recognised over time as the customer receives the right to access software. When subscriptions are invoiced for the full contract period, the transaction price is recognised as a contract liability, except where contracts are executory in nature, at the time of the initial sales transaction and is released to income over the period of the service.	Revenue from subscriptions is based on pre-determined selling prices depending on the type of subscription procured by the customer.	No judgement involved relating to amount or timing of subscription revenue recognised.

Revenue stream	Performance obligation	Timing	Measurement	Judgement
Software installation, development and implementation services revenue	<p>The group provides a service of installation, development and implementation of various software products for specialised business operations based on requirements set out in each respective contract.</p> <p>Project implementation services include customising, configuring, enabling, training, enhancing, deploying, upgrading, integrating, configuring and/or installing third party or in-house developed software applications.</p> <p>For certain contracts, the milestones cannot be split into distinct performance obligations. Accordingly, these are treated as one performance obligation.</p>	<p>Dependent on the nature of installation and implementation services, revenue may be recognised at a point in time or over time.</p> <p>Where performance obligations are satisfied over time, this is due to the customer simultaneously receiving benefits and/or the customer's asset being enhanced over time.</p> <p>For contracts with distinct performance obligations, revenue is recognised at a point in time when the installation and implementation has been fully satisfied per each obligation and the customer obtains control of the asset.</p>	<p>For installation services performed at a point in time, revenue is based on the contract price stipulated per agreements and per assigned performance obligations.</p> <p>For certain installation, development and implementation services which are recognised over time, revenue is determined as a percentage of completion using the following methods:</p> <ul style="list-style-type: none"> work completed over estimated work required to complete the service; and the cost incurred at period end over the total estimated costs to complete the service. 	<p>Management applies judgement to estimate:</p> <ul style="list-style-type: none"> work completed over estimated work required to complete the service; and the cost incurred at period end over the total estimated costs to complete the service. <p>This is performed on an individual contract basis.</p>
Maintenance and support revenue	<p>Maintenance and support services comprise unspecified future software updates, upgrades and enhancements as well as technical product support services for software products.</p>	<p>Revenue relating to maintenance and support services is recognised over time as the group is obligated to perform services under the contracts for the full contractual period. Alternatively, it is invoiced per month.</p> <p>When maintenance and support are invoiced for the full contract period, the transaction price is recognised as a contract liability, except where contracts are executory in nature, at the time of the initial sales transaction and is released to income over the period of the service.</p>	<p>Maintenance and support revenue is based on fixed or predetermined rates over the period of service received by the customer.</p>	<p>No judgement involved relating to amount or timing of maintenance and support revenue recognised.</p>
Services revenue	<p>Services revenue primarily represents fees earned from professional consulting services, premium support services, training services, and messaging services.</p>	<p>Revenue is recognised either at a point in time or over time depending on the nature of the work to be performed.</p> <p>For example: training revenue is recognised at a point in time when the training is provided. Consulting services are recognised over the period of time that the hours are delivered.</p>	<p>Service revenue is based on agreed upon hours and rates or amounts with the customer.</p>	<p>No judgement involved relating to amount or timing of services revenue recognised.</p>
Hardware sales revenue	<p>The group sells a range of hardware goods to its customers.</p>	<p>Revenue from the sale of hardware is recognised when control is transferred at a point in time, being when the customer accepts delivery of the goods.</p>	<p>Revenue is based on fixed prices as per contractual terms with customers.</p>	<p>No judgement involved relating to amount or timing of hardware revenue recognised.</p>
Other revenue	<p>Other revenue earned by the group on products and services are ancillary to those described above.</p>	<p>Other revenue is recognised at a point in time or over time depending of the service or product being supplied.</p>	<p>Revenue is based on pre determined rates. These are agreed upon with the customer prior to commencement of service.</p>	<p>No judgement involved relating to amount or timing of revenue recognised.</p>

Administrative fees and dividends received

Administrative fees received from subsidiaries is recognised as services are provided.

Dividends received from subsidiaries are recognised when the company's right to receive payment has been established.

Consolidated
2018[^]
Restated*
R

2.1 PRIOR YEAR DISCLOSURE

Services rendered	893 176 116
Sale of goods	432 049 413
Interest received on finance leases	7 623 272
Revenue	1 332 848 801

[^] The group elected to adopt IFRS 15 using the modified retrospective approach without restating the prior year, therefore prior year balances have not been disclosed.

* See note 37.2 for details about restatement as a result of prior period errors.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

2. REVENUE CONTINUED

2.2 CURRENT YEAR DISCLOSURE

The group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines:

Consolidated 2019 Product lines:	Education R	Manu- facturing R	Financial Services R	Energy R	Communi- cations R	Hospitality R	Total R
Licenses							
– at a point in time	9 937 067	32 095 855	249 025 641	6 581 348	6 144 343	15 835 615	319 619 869
– over time	13 904 537	38 788 041	–	–	21 969 357	–	74 661 935
Subscriptions							
– over time	16 937 444	1 224 565	–	1 774 479	124 893 431	60 152 588	204 982 507
Installation, development and implementation							
– at a point in time	–	6 815	–	–	22 216 078	32 133 394	54 356 287
– over time	20 304 448	107 315 337	–	44 239 308	17 244 563	–	189 103 656
Maintenance and support							
– over time	130 223 039	97 895 704	–	21 750 620	23 332 393	101 106 113	374 307 869
Services							
– at a point in time	23 124 158	25 104 713	19 622 104	44 134 763	246 678	–	112 232 416
– over time	633 276	–	–	–	15 025 192	–	15 658 468
Hardware							
– at a point in time	384 304	95 121	–	157 811	20 584	62 321 675	62 979 495
Other							
– at a point in time	4 384 515	174 285	4 975 757	1 468 460	108 650	3 540 546	14 652 213
– over time	741 547	–	–	–	–	–	741 547
Total revenue from contracts with customers	220 574 335	302 700 436	273 623 502	120 106 789	231 201 269	275 089 931	1 423 296 262
Non-IFRS 15 revenue							
Interest received on finance leases	–	–	–	–	–	14 842 195	14 842 195
Total revenue	220 574 335	302 700 436	273 623 502	120 106 789	231 201 269	289 932 126	1 438 138 457

2.3 COMPANY REVENUE

	2019 R	2018 Restated* R
Administrative fees received from subsidiaries	3 600 000	3 500 000
Dividends received from subsidiary	25 816 428	21 993 947
Revenue	29 416 428	25 493 947

* See note 38 for details regarding restatement as a result of prior period errors.

	Consolidated 2019 R	Consolidated 2018 Restated* R	Company 2019 R	Company 2018 Restated** R
3. PROFIT BEFORE TAXATION				
Profit before taxation for the year is stated after:				
Income				
Foreign exchange profit	662 357	4 590 960	–	–
Doubtful debts recovered	93 959	203 984	–	–
Finance income	3 033 728	5 492 972	2 303 262	241 357
Imputed interest	–	1 535 193	–	–
Other interest received	863 650	2 209 141	903	973
Interest received from subsidiaries	–	–	2 302 359	240 384
Interest on cash and cash equivalents	2 170 078	1 748 638	–	–
Share-based payment release	1 232 600	–	–	–
Gain arising on derecognition of financial liability measured at amortised cost	3 261 614	–	–	–
Profit on sale of investment in Uyandiswa Project Management Solutions (Pty) Ltd	–	84 108	–	–
Profit on sale of CQS GRC Solutions (Pty) Ltd assets	–	7 212 790	–	–
Profit on disposal of subsidiary	–	19 054 024	–	–
Loss allowance on amounts due from contract assets (refer note 16)	700 712	–	–	–
Expenditure				
Auditors' remuneration	5 893 036	4 595 290	481 954	400 261
– Fees	5 830 236	4 529 418	481 954	386 079
– Other services	62 800	65 872	–	14 182
Depreciation (refer note 7)	20 779 802	13 910 219	–	–
– Included in administration, selling and other costs	20 219 412	13 910 219	–	–
– Included in cost of sales	560 390	–	–	–
Amortisation (refer note 8)	54 256 911	38 211 370	–	–
– Included in administration, selling and other costs	42 570 522	38 211 370	–	–
– Included in cost of sales	11 686 389	–	–	–
Finance costs	42 830 348	28 559 603	16 293	–
– Borrowings	38 274 245	23 403 322	–	–
– Other	467 076	–	16 293	–
– Financial liabilities (imputed)	4 089 027	5 156 281	–	–
Foreign exchange loss	6 880 453	147	–	–
Staff costs	577 510 456	514 856 749	–	–
– Salaries and wages	528 863 278	473 802 642	–	–
– Commission	11 418 401	7 314 948	–	–
– Bonus and performance-related payments	37 228 777	33 739 159	–	–
Share-based payment expense	–	4 823 482	–	–
Operating lease charges				
– Property	48 125 412	34 531 836	–	–
Loss on sale of property and equipment	952 256	473 160	–	–
Scrapping of property and equipment	430 000	385 239	–	–
Impairment of asset held for sale (refer note 17)	7 735 901	–	–	–
Trade receivables written off	1 311 639	–	–	–
Loss allowance on trade receivables (refer note 15)	6 404 751	–	–	–
Loss allowance on finance lease receivables (refer note 11)	602 144	–	–	–
Provision for impairment of trade and other receivables	–	8 805 452	–	–
Fair value adjustment to financial liabilities	–	2 891 886	–	–

* See note 37.1 for details regarding the restatement for measurement period adjustment and note 37.2 for details about restatement as a result of prior period errors.

** See note 38 for details regarding restatement as a result of prior period errors.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

	Consolidated 2019 R	Consolidated 2018 R	Company 2019 R	Company 2018 R
4. DIRECTORS' REMUNERATION				
Executive directors				
<i>In connection with the affairs of the group</i>	11 120 890	12 970 289	11 120 890	12 970 289
Salary and medical aid				
– S Shabalala	3 666 994	2 717 636	3 666 994	2 717 636
– T Dunsdon	2 983 909	2 319 682	2 983 909	2 319 682
– N Mbambo	2 540 100	1 920 000	2 540 100	1 920 000
Share-based payment (release)/expense*				
– S Shabalala	(313 046)	1 167 951	(313 046)	1 167 951
– T Dunsdon	(185 640)	746 103	(185 640)	746 103
– N Mbambo	(79 502)	546 877	(79 502)	546 877
Bonus and performance-related payments				
– S Shabalala	1 179 450	1 721 040	1 179 450	1 721 040
– T Dunsdon	697 500	1 020 600	697 500	1 020 600
– N Mbambo	631 125	810 400	631 125	810 400
Prescribed Officer				
<i>In connection with the affairs of the group</i>	3 199 230	3 774 280	–	–
Salary and medical aid				
– C Young	2 754 200	1 986 295	–	–
Share-based payment (release)/expense*				
– C Young	(148 970)	968 985	–	–
Bonus and performance-related payments				
– C Young	594 000	819 000	–	–
Non-executive directors' fees				
<i>For attending meetings</i>	1 316 672	1 175 064	1 316 672	1 175 064
C Chambers	424 855	386 232	424 855	386 232
B Ntuli	289 238	262 944	289 238	262 944
O Fortuin	289 238	262 944	289 238	262 944
C Koffman	289 238	262 944	289 238	262 944
Z Nyanga**	24 103	–	24 103	–
	15 636 792	17 919 633	12 437 562	14 145 353

* The 30 June 2019 performance conditions have not been met, which resulted in forfeiture. The share-based payments expensed in 30 June 2018 were accordingly released at 30 June 2019. Refer to note 21.

** Appointed on 31 May 2019.

5. INCOME TAX EXPENSE

Accounting policy

Taxation expense, recognised in the statement of comprehensive income, comprises current and deferred taxation. Current and deferred taxation is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity, in which case it is also recognised in equity, and, to the extent that it relates to items recognised in other comprehensive income (OCI), it is also recognised in OCI.

Current taxation

Current taxation is the expected tax payable on the taxable income for the year, using taxation rates enacted or substantively enacted at the reporting date, and any adjustment to taxation payable in respect of previous years (prior-period tax paid). Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred taxation

Deferred taxation is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective taxation bases. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities and is measured at the taxation rates (enacted or substantively enacted at the reporting date) that are expected to be applied to the temporary differences when they reverse.

Deferred taxation is recognised in profit or loss for the period, except to the extent that it relates to a transaction that is recognised directly in equity or in OCI, or a business combination that is accounted for as an acquisition.

	Consolidated 2019 R	Consolidated 2018 Restated* R	Company 2019 R	Company 2018 R
South African normal tax				
Current tax				
– Current year	40 764 937	71 427 553	736 960	146 071
– Prior year under/(over) provision	111 910	738 679	400 350	(14 069)
Deferred tax				
– Current year	(3 844 631)	(14 316 403)	(39 092)	(84 466)
– Prior year over provision	(1 171 283)	(1 093 490)	(114)	(13 023)
Share transfer tax	–	345 510	–	–
	35 860 933	57 101 849	1 098 104,00	34 513
Foreign tax				
– Current year	13 722 146	5 881 494	–	–
– Prior year under/(over) provision	9 077	(254 861)	–	–
	13 731 223	5 626 633	–	–
Tax for the year	49 592 156	62 728 482	1 098 104	34 513

* See note 37.1 for details regarding the restatement for measurement period adjustment and note 37.2 for details about restatement as a result of prior period errors.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

	Consolidated 2019 %	Consolidated 2018 Restated* %	Company 2019 %	Company 2018 %
5. INCOME TAX EXPENSE CONTINUED				
Effective rate of taxation[^]				
South African normal tax rate	28,0	28,0	28,0	28,0
Adjusted for:				
– Dividends received from subsidiary	–	–	(25,7)	(27,6)
– Prior year under/(over) provision in current and foreign tax	0,1	0,3	1,4	(0,1)
– Prior year under provision in deferred tax	(0,9)	(0,6)	–	(0,1)
– Other disallowed expenses ⁽¹⁾	1,3	1,7	0,2	–
– Disallowed interest	2,6	0,9	–	–
– Acquisition and business formation costs disallowed	1,6	0,9	–	–
– Impairment of asset held for sale	1,7	–	–	–
– Gain arising on derecognition of financial liability	(0,7)	–	–	–
– Allowances ⁽²⁾	(1,9)	(0,8)	–	–
– Capital profits	–	(4,0)	–	–
– Withholding tax paid	8,9	2,9	–	–
– Withholding tax credits and rebates	(1,6)	(0,2)	–	–
– Tax losses not recognised	0,6	–	–	–
– Tax losses utilised to reduce tax ⁽³⁾	(0,5)	(0,2)	–	–
– Different tax rates	0,2	–	–	–
– Capital gains tax	–	4,8	–	–
– Share transfer tax	–	0,2	–	–
Effective rate of taxation	39,4	33,9	3,9	0,2

* See note 37.1 for details regarding the restatement for measurement period adjustment and note 37.2 for details about restatement as a result of prior period errors.

[^] Effective rate of taxation is based on profit before taxation.

⁽¹⁾ This includes consultancy fees, legal costs, share-based payments, donations, fines and penalties, which are not deductible for tax purposes in many countries in which the group operates. These items are immaterial on an individual basis.

⁽²⁾ Allowances includes Government incentives for learnerships and business formation cost allowance in Australia.

⁽³⁾ R4 968 318 (2018: R1 465 086) of assessed losses brought forward were utilised in the current year to reduce taxable profits.

6. EARNINGS AND DIVIDENDS PER SHARE

Accounting policy

Normalised headline EPS

The group pursues a diversified growth strategy which includes ongoing strategic acquisitions. Headline earnings have been normalised for the following items:

1. Amortisation of intangible assets arising from business combinations through purchase price allocations, net of tax;
2. Imputed interest and change in anticipated cash flows on earn-out financial liabilities (where carried at amortised cost); and
3. Fair value adjustment on earn-out financial liabilities (where carried at FVTPL).

6.1 EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to equity holders of R75 307 449 (2018: R114 557 933) and the weighted average number of ordinary shares in issue during the year of 146 729 840 (2018: 157 415 107). The calculation of diluted earnings per share is based on the profit of R75 307 449 (2018: R114 557 933) and the weighted average number of diluted ordinary shares in issue during the year of 146 729 840 (2018: 157 415 107).

	Consolidated 2019	Consolidated 2018 Restated*
Reconciliation between earnings, headline earnings and normalised headline earnings		
Earnings attributable to equity holders of the parent	75 307 449	114 557 933
Adjusted for:		
– Impairment of asset held for sale (refer note 3)	7 735 901	–
– Loss on sale of property and equipment (refer note 3)	952 256	473 160
– Scrapping of property and equipment (refer note 3)	430 000	385 239
– Profit on sale of businesses (refer note 3)	–	(26 350 922)
– Total tax effects of adjustments	(392 951)	8 657 807
Headline earnings	84 032 655	97 723 217
Adjusted for:		
Amortisation of intangible assets acquired through business combinations	36 154 490	34 119 474
Deferred taxation on amortisation of intangible assets acquired	(9 202 326)	(9 482 256)
Fair value adjustment to financial liability (imputed interest)	4 089 027	5 156 281
Gain arising on derecognition of financial liability measured at amortised cost	(3 261 614)	–
Fair value adjustment to financial liability (Micros underpin)	–	2 891 886
Normalised headline earnings	111 812 232	130 408 602
Basic earnings per share (cents)	51,32	72,77
Headline earnings per share (cents)	57,27	62,08
Basic diluted earnings per share (cents)	51,32	72,77
Diluted headline earnings per share (cents)	57,27	62,08
Normalised headline earnings per share (cents)	76,20	82,84
6.2 DIVIDENDS PER SHARE		
Dividends per share (cents)	17,10	13,70

* See note 37.1 for details regarding the restatement for measurement period adjustment and note 37.2 for details about restatement as a result of prior period errors.

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7. PROPERTY AND EQUIPMENT

Accounting policy

Property and equipment are initially recognised at cost if it is probable that any future economic benefits associated with the items will flow to the group and they have a cost that can be measured reliably.

Subsequent costs are included in the asset's carrying value, or recognised as a separate asset, only when it is probable that the future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss in the period in which they are incurred.

Depreciation

Property and equipment are depreciated to estimated residual value on a straight-line basis over their expected useful life. The assets' residual values and useful lives are reviewed annually and adjusted prospectively, if applicable. Leasehold improvements are depreciated over the lesser of the period of the lease and the useful life of the asset.

Derecognition

Items of property and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is recognised in profit or loss and is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Judgements and estimates

The group depreciates its property and equipment over their estimated useful lives taking into account residual values, where appropriate. The estimation of the useful lives of assets and residual values is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. The actual lives of these assets and residual values can vary depending on a variety of factors, including technological innovation, maintenance programmes and relevant market information.

Depreciation rates

The estimated useful life information for 2019 was as follows:

Category	Useful life
Computer hardware	3 to 5 years
Motor vehicles	5 to 7 years
Leasehold improvements	Period of lease
Other tangible assets:	
Furniture and fittings	6 to 10 years
Telephone equipment	5 to 7 years
Office equipment	5 to 6 years

	Owner-occupied property, land and building*	Computer hardware	Other tangible assets**	Leasehold improvements	Motor vehicles***	Total
	R	R	R	R	R	R
Consolidated 2019						
Carrying amount at end of year						
– Cost or valuation	–	40 898 363	63 300 508	42 217 736	5 300 979	151 717 586
– Accumulated depreciation	–	(17 096 887)	(14 419 914)	(7 286 894)	(2 481 306)	(41 285 001)
Carrying amount at end of year	–	23 801 476	48 880 594	34 930 842	2 819 673	110 432 585
Movement in property and equipment						
Carrying amount at beginning of year	–	17 479 473	48 811 179	26 479 240	3 491 049	96 260 941
Additions	–	14 474 693	7 725 711	11 941 834	879 061	35 021 299
Acquisition of subsidiary	–	1 109 310	460 360	–	–	1 569 670
Disposals/scrapping	–	(391 711)	(799 944)	(430 000)	(51 452)	(1 673 107)
Depreciation	–	(8 888 998)	(7 316 413)	(3 065 028)	(1 509 363)	(20 779 802)
Foreign exchange adjustments	–	18 709	(299)	4 796	10 378	33 584
Carrying amount at end of year [#]	–	23 801 476	48 880 594	34 930 842	2 819 673	110 432 585
Consolidated 2018 (restated)[^]						
Carrying amount at end of year						
– Cost or valuation	–	23 335 127	52 003 096	30 702 315	4 529 961	110 570 499
– Accumulated depreciation	–	(5 855 654)	(3 191 917)	(4 223 075)	(1 038 912)	(14 309 558)
Carrying amount at end of year	–	17 479 473	48 811 179	26 479 240	3 491 049	96 260 941
Movement in property and equipment						
Carrying amount at beginning of year	19 442 496	7 654 730	6 139 675	1 395 918	652 268	35 285 087
Additions	–	14 341 460	43 863 146	30 608 607	1 870 384	90 683 597
Devaluation	(3 544 400)	–	–	–	–	(3 544 400)
Acquisition of subsidiary	–	3 214 285	4 457 565	–	2 863 381	10 535 231
Disposals of CQS GRC Solutions (Pty) Ltd assets	–	(805 942)	(21 010)	(4 212 465)	–	(5 039 417)
Disposals/scrapping	–	(492 882)	(1 514 159)	(119 631)	(279 586)	(2 406 258)
Depreciation	(336 108)	(6 609 028)	(4 131 879)	(1 201 403)	(1 631 801)	(13 910 219)
Transfers	(15 561 988)	23 797	(23 797)	–	–	(15 561 988)
Foreign exchange adjustments	–	153 053	41 638	8 214	16 403	219 308
Carrying amount at end of year	–	17 479 473	48 811 179	26 479 240	3 491 049	96 260 941

* Owner-occupied property, land and building was transferred to assets classified as held for sale.

** Other tangible assets comprise furniture and fittings, telephone equipment and office equipment.

*** Motor vehicles acquired through finance leases are held as security for the amount outstanding on the finance lease. The carrying value of motor vehicles held as security at year-end is R1 940 613 (2018: R3 322 098).

[#] Movable assets of Adapt IT (Pty) Ltd are held as security for The Standard Bank of South Africa Limited debt (note 22) with a carrying value at year-end of R93 264 363.

[^] See note 37.1 for details regarding the restatement for measurement period adjustment.

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8. INTANGIBLE ASSETS

Accounting policy

Customer relationships

The cost of customer relationships acquired in a business combination is its fair value at the date of the acquisition. Following initial recognition, the value of customer relationships is carried at cost less any accumulated amortisation and any accumulated impairment losses. The amortisation of customer relationships is recognised in profit or loss in the period to which it relates.

Inhouse developed software

Development costs that relate to an identifiable product or process that is demonstrated to be technically and commercially feasible which the group has sufficient resources and the intention to complete and bring to market and which is expected to result in future economic benefits, are recognised as assets.

The expenditure capitalised, provided the costs are measurable, includes the cost of material, direct labour and an appropriate portion of overheads. Capitalised development expenditure is shown as cost less accumulated amortisation and impairment losses. The amount of capitalised development cost recognised as an asset is amortised over the estimated useful life of the asset.

Other software

All other software acquired separately is measured on initial recognition at cost. The cost of software acquired in a business combination is its fair value at the date of the acquisition. Following initial recognition, software is carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful life of software is assessed as finite and is reassessed, with the amortisation method, at least at each financial period-end. The amortisation of software is recognised in profit or loss in the period to which it relates.

Trademarks

Trademarks are recognised at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is recognised in profit or loss and commences when the trademarks are available for use.

Licenses acquired

Licenses acquired are measured on initial recognition at cost. Following initial recognition, licenses acquired are carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is recognised in profit or loss and is included in cost of sales.

Judgements and estimates

The group amortises its finite useful life intangible assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, maintenance programmes and relevant market information.

Amortisation rates

The estimated useful life information for 2019 was as follows:

Category	Useful life
Customer relationships	7 to 13 years
Acquired business combination software	3 to 10 years
Inhouse developed software	2 to 7 years
Computer software	2 to 5 years
Trademarks	20 years
Licenses acquired	3 to 7 years

	Customer relationships R	Acquired and inhouse developed software R	Computer software R	Trademarks R	Licenses acquired R	Total R
Consolidated 2019						
Carrying amount at end of year						
– Cost or valuation	239 600 122	103 659 672	14 941 409	192 898	43 974 199	402 368 300
– Accumulated amortisation	(85 356 969)	(45 615 644)	(11 170 015)	(71 245)	(11 686 389)	(153 900 262)
Carrying amount at end of year	154 243 153	58 044 028	3 771 394	121 653	32 287 810	248 468 038
Movement in intangible assets						
Carrying amount at beginning of year	151 444 933	66 611 275	1 706 648	(514)	–	219 762 342
Additions	–	4 168 882	3 766 315	–	43 974 199	51 909 396
Acquisition of subsidiary	28 416 383	1 612 191	–	133 631	–	30 162 205
Amortisation	(25 479 592)	(15 378 241)	(1 701 569)	(11 120)	(11 686 389)	(54 256 911)
Foreign exchange adjustments	(138 571)	1 029 921	–	(344)	–	891 006
Carrying amount at end of year	154 243 153	58 044 028	3 771 394	121 653	32 287 810	248 468 038
Consolidated 2018 (restated)*						
Carrying amount at end of year						
– Cost or valuation	211 358 735	97 379 637	11 176 064	36 058	7 467 967	327 418 461
– Accumulated amortisation	(59 913 802)	(30 768 362)	(9 469 416)	(36 572)	(7 467 967)	(107 656 119)
Carrying amount at end of year	151 444 933	66 611 275	1 706 648	(514)	–	219 762 342
Movement in intangible assets						
Carrying amount at beginning of year	132 361 195	46 395 499	1 643 775	644	474 257	180 875 370
Additions	–	8 272 261	761 477	–	–	9 033 738
Acquisition of subsidiary	48 493 790	23 976 687	1 167 049	–	–	73 637 526
Disposal of CQS GRC Solutions (Pty) Ltd	(5 198 155)	(1 689 656)	–	–	–	(6 887 811)
Disposals	–	–	(132 647)	–	–	(132 647)
Amortisation	(24 275 375)	(11 726 178)	(1 733 006)	(2 554)	(474 257)	(38 211 370)
Foreign exchange adjustments	63 478	1 382 662	–	1 396	–	1 447 536
Carrying amount at end of year	151 444 933	66 611 275	1 706 648	(514)	–	219 762 342

* See note 37.1 for details regarding the restatement for measurement period adjustment.

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9. GOODWILL

Accounting policy

Goodwill arises on the acquisition of subsidiaries and is recognised as an asset on the date that control is acquired, being the acquisition date. Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net fair value of the identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment

Goodwill is not amortised but is tested for impairment at least once a year. Any impairment loss is recognised immediately in profit or loss. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Impairment testing is performed by comparing the recoverable of the cash generating unit to the carrying value of the unit, including allocated goodwill. The recoverable amount is the greater of the value in use and fair value less costs to sell.

Derecognition

Where goodwill forms part of a cash-generating unit and part of the operation within which that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Significant judgements and estimates

The group's impairment test for goodwill is based on value in use calculations that use a discounted cash flow model. Future cash flows are derived from the budget for a period of five years and do not include restructuring activities that the group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The discount rates used in the discounted cash flow models are calculated using the principles of the Capital Asset Pricing Model, taking into account current market conditions. Management judgement is applied in estimating the future cash inflows of the cash generating units when preparing detailed budgets. These estimates are set in relation to historic figures and current projects and opportunities that each unit is currently delivering or pursuing.

Sensitivities

The group has conducted an analysis of the sensitivity of the impairment test to changes in key assumptions used to determine the recoverable amount for each CGU's to which goodwill is allocated. Management believe that any reasonable change in the key assumptions, on which the recoverable amounts are based, would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

Refer to sensitivity assessment of goodwill impairment on page 118.

In addition, to the sensitivities reflected on page 118, management also assessed the budgeted cash flows for each CGU. An assessment of actual performance against budget was performed for the last five years or since acquisition to determine an average percentage variance of actual profit before interest and taxation achieved versus budgets. After applying this average variance percentage to the budgeted cash flow for each CGU, no impairment charge would be recognised.

	Consolidated 2019 R	Consolidated 2018 Restated* R
Carrying amount at beginning of the year	598 251 511	500 346 685
Acquisition of LGR	–	28 771 084
Acquisition of EasyRoster	–	(1 380 462)
Acquisition of Micros	–	78 047 323
Disposal of CQS GRC Solutions (Pty) Ltd	–	(8 057 402)
Acquisition of Strive Software	7 636 139	–
Acquisition of Conor [#]	71 834 753	–
Acquisition of Wisenet [#]	62 739 316	–
Foreign exchange adjustments	(1 037 871)	524 283
Carrying amount at end of year	739 423 848	598 251 511
The carrying amount of goodwill has been allocated to cash-generating units (CGUs) as follows:		
– Manufacturing	10 407 854	10 407 854
– HCM	12 352 476	12 352 476
– Energy	95 476 795	95 476 795
– Telecoms	143 038 405	143 038 405
– CQS	187 932 511	187 932 511
– EasyRoster	41 700 780	41 700 780
– Micros	78 047 323	78 047 323
– LGR Australia	21 464 460	22 102 596
– LGR South Africa	7 192 771	7 192 771
– Strive Software	7 636 139	–
– Conor	71 834 753	–
– Wisenet Australia	54 928 477	–
– Wisenet New Zealand	7 411 104	–
Total	739 423 848	598 251 511

* See note 37.1 for details regarding the restatement for measurement period adjustment.

[#] The acquisition of Conor and Wisenet is provisionally accounted for.

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9. GOODWILL CONTINUED

Sensitivity assessment of goodwill impairment

The recoverable amount of each cash-generating unit (CGU) is determined based on a value in use calculation which uses cash flow projections based on financial forecasts approved by the directors. The discounted cash flows cover a five year period using a 5% growth rate, and a discount rate (weighted average cost of capital) of 16% per annum (2018: 15%) for South Africa and 10% per annum for Australia. The terminal growth rate used is 4,6% for South Africa and 2,2% for Australia. The table below illustrates the sensitivity assessment per key input on the existing headroom per CGU. Based on the below sensitivity analysis, whilst the headroom per CGU reduces, there is no resulting impairment charge.

South Africa

Sensitivity assessment per key input to the existing headroom (% change)*				
CGU	Discount rate of 17%	Financial year 2020 forecast PBIT – 90% achieved	Growth rate of 2.5% on financial year 2020 forecast PBIT (year 2 to 4)	Terminal growth rate reduction of 1%
– Manufacturing	(12)	(19)	0	(9)
– HCM	(11)	(16)	(7)	(8)
– Energy	(28)	(36)	(16)	(20)
– Telecoms	(11)	(15)	(9)	(8)
– CQS	(12)	(15)	(11)	(8)
– EasyRoster	(21)	(27)	(20)	(15)
– Micros	(19)	(14)	(12)	(13)
– LGR South Africa	(8)	(12)	(11)	(5)
– Strive Software	(13)	(16)	(15)	(9)

* Only a percentage change of more than 100% would result in an impairment charge.

Australia

Sensitivity assessment per key input to the existing headroom (% change)*				
CGU	Discount rate of 11%	Financial year 2020 forecast PBIT – 90% achieved	Growth rate of 2.5% on financial year 2020 forecast PBIT (year 2 to 4)	Terminal growth rate reduction of 1%
– LGR Australia	(19)	(17)	(14)	(15)

* Only a percentage change of more than 100% would result in an impairment charge.

10. INTEREST IN SUBSIDIARIES AND SHARE TRUST

Accounting policy

Subsidiaries

In the company, investments in subsidiaries are accounted for at cost, in accordance with IAS 27, less any accumulated impairment losses.

	Company Effective holding 2019 %	Company Effective holding 2018 %	Company 2019 R	Company 2018 Restated* R
Incorporated in South Africa				
Adapt IT (Pty) Ltd	100 **	100 **	67 687 647	68 920 247
Adapt IT Holdings Limited Share Incentive Trust			–	–
Incorporated in Mauritius				
Adapt IT International Ltd	100	100	55 616 951	21 400 000
Incorporated in Singapore				
Adapt IT Solutions Pte Ltd	100	–	24 565 132	–
			147 869 730	90 320 247

** 100% consolidation

	Company 2019 R	Company 2018 Restated* R
Adapt IT (Pty) Ltd		
Shares at cost	48 115 401	48 115 401
Capital contribution for share-based payment charge of subsidiary	19 572 246	20 804 846
Total shares	67 687 647	68 920 247
Amounts due from subsidiary	186 865 007	309 607 769
	254 552 654	378 528 016
This intercompany amount is between Adapt IT (Pty) Ltd and Adapt IT Holdings Limited.		
No interest is charged and there are no fixed terms of repayment. The loan is unsecured.		
The investment in Adapt IT (Pty) Ltd has been pledged as security for The Standard Bank of South Africa Limited debt (refer note 22).		
Adapt IT International Ltd		
Shares at cost	55 616 951	21 400 000
Amounts due from subsidiary	23 942 743	21 640 384
	79 559 694	43 040 384

The loan is Rand denominated. Interest is charged at prime rate and the full loan amount is repayable by 31 May 2026. The loan is unsecured.

* See note 38 for details regarding restatement as a result of prior period errors.

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10. INTEREST IN SUBSIDIARIES AND SHARE TRUST CONTINUED

	Company 2019 R	Company 2018 Restated* R
Adapt IT Solutions Pte Ltd		
Shares at cost	24 565 132	–
Adapt IT Holdings Limited Share Incentive Trust		
Loan to Share Incentive Trust	32 158	32 158
	32 158	32 158
The indebtedness of the Share Incentive Trust was as a result of interest earned on financial assistance in respect of share options.		
The loan is unsecured and no interest is charged. The loan has no set terms of repayment.		
Total interest in subsidiaries and Share Incentive Trust		
Total shares	147 869 730	90 320 247
Net amount owing from subsidiaries	210 839 908	331 280 311
– Non-current loans ^A	23 974 901	21 672 542
– Current loans ^B	186 865 007	309 607 769
Total interest	358 709 638	421 600 558

* See note 38 for details regarding restatement as a result of prior period errors.

^A There has been no significant increase in credit risk since the loan was initially recognised. The loan is therefore in stage 1 of the impairment model and a 12-month expected credit loss is applicable. The borrower is not in default and has enough unrestricted cash to repay the loan on reporting date. The expected credit loss is therefore negligible, and no further consideration was considered necessary.

^B Interest-free intercompany loans with no stated term are assumed to be payable on demand. There is no distinction between 12-month and lifetime expected credit losses from a measurement point of view. This is due to the lender's credit exposure being limited to the time it takes to demand repayment (i.e. as short as one day or less). The borrower has enough unrestricted cash to repay the loan at reporting date. The expected credit loss is therefore negligible, and no further consideration was considered necessary.

The directors' valuations of the above investments exceed the carrying amounts as reflected above, and hence no impairment is considered necessary.

Refer to note 31 for details of transactions between related parties.

Loans receivable not past due, nor impaired amount to R210 839 908 (2018: R331 280 311).

11. FINANCE LEASE RECEIVABLES

Accounting policy

A lease is classified as a financial lease if it transfers substantially all the risks and rewards incidental to ownership.

In terms of IAS 17 Leases, amounts due from lessees under finance leases are recognised as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Please refer to note 1.7 for the group's accounting policy regarding the impairment of the finance lease receivables.

	Consolidated 2019 R	Consolidated 2018 R	Company 2019 R	Company 2018 R
Minimum lease payments:				
Amounts receivable under finance leases:				
Within one year	20 159 532	17 548 470	–	–
In second to fifth year inclusive	31 809 766	31 740 537	–	–
	51 969 298	49 289 007	–	–
Less: unearned interest	(17 621 369)	(14 635 799)	–	–
Present value of minimum lease payments receivable	34 347 929	34 653 208	–	–
Loss allowance (expected loss rate of 4%)	(1 343 437)	–	–	–
	33 004 492	34 653 208	–	–
Present value of minimum lease payments:				
Amounts receivable under finance leases:				
Current finance lease receivables	13 377 697	10 986 946	–	–
Non-current finance lease receivables	20 970 232	23 666 262	–	–
Present value of minimum lease payments	34 347 929	34 653 208	–	–
Analysed as:				
Current finance lease receivables	12 804 422	10 986 946	–	–
Non-current finance lease receivables	20 200 070	23 666 262	–	–
	33 004 492	34 653 208	–	–
The movement in the impairment allowance in respect of finance leases receivables during the year was as follows:				
Closing loss allowance at 30 June 2018 [^] (calculated under IAS 39)	–	–	–	–
Transitional adjustments – IFRS 9	741 293	–	–	–
Adjusted balance at 1 July 2018 (calculated under IFRS 9)	741 293	–	–	–
Loss allowance on finance lease receivables	602 144	–	–	–
Closing loss allowance as at 30 June 2019	1 343 437	–	–	–

[^]The comparative amounts have not been disclosed due to the adoption of IFRS 9 on the modified retrospective approach.

Micros enters into finance lease arrangements for IT equipment. The average term of finance leases entered into is five years. The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 19%.

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12. LOANS RECEIVABLE

Accounting policy

Loans receivable are measured at amortised cost as they are generated through a business model, the objective of which is to hold these assets for the purpose of collecting contractual cashflows and those cashflows comprise solely payments of principal and interest (i.e. 'hold to collect' business model).

Enterprise Development loans are made for the purposes of Black Economic Empowerment and may not be secured or bear interest.

Please refer to note 1.7 for the group's complete accounting policies regarding financial assets and liabilities.

	Consolidated 2019 R	Consolidated 2018 R	Company 2019 R	Company 2018 R
Non-current loans receivable	6 000 000	15 288 798	–	–
Current loans receivable	500 000	4 096 044	–	–
	6 500 000	19 384 842	–	–
Split of balance				
Enterprise Development loan	5 000 000	–	–	–
Loan to Uyandiswa Project Management Services (Pty) Ltd	1 500 000	19 384 842	–	–
	6 500 000	19 384 842	–	–

Enterprise Development loan

On 28 June 2019, the group entered into an agreement with Jubilee Line Consulting (Pty) Ltd (JLC), whereby loan funding has been advanced.

The loan is a 38-month facility and is interest free.

Loan to Uyandiswa Project Management Services (Pty) Ltd

The loan comprises two elements as follows:

Interest free loans:

- Loan A: The loan balance of R1 500 000 (2018: R2 000 000) has monthly repayments of R41 667 with the last repayment being 30 June 2022. The loan is unsecured.
- Loan B: This loan was fully settled in 2019. The balance at 30 June 2018 was R1 202 400. The loan was repayable over five years and was unsecured.

Interest-bearing loan:

- This loan was fully settled in 2019. An interest rate of prime plus 0,1% was charged. The loan was repayable over five years and was unsecured.

The loans are carried at amortised cost.

13. DEFERRED TAXATION

Accounting policy

Deferred taxation assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are only offset to the extent that the balances are recoverable from the same tax authority and there is a legal right to offset them at settlement of those balances.

Judgements and estimates

Deferred tax assets representing the carry forward of unused tax losses are only recognised to the extent that it is probable that taxable profits will be available in future. In instances where there is no contracted income, the raising of the deferred taxation asset is limited to the next two years' budgeted taxable profit due to uncertainty of estimating profits more than two years hence.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

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13. DEFERRED TAXATION CONTINUED

	Consolidated 2019 R	Consolidated 2018 Restated* R	Company 2019 R	Company 2018 R
The major components of the deferred taxation balance are as follows:				
Deferred taxation asset				
Temporary differences to be offset against future income:				
Leave pay, bonus and other provisions	31 615 187	27 746 453	139 033	112 073
Contract liabilities	20 224 951	–	–	–
Deferred revenue	–	18 544 327	–	–
Estimated tax losses	1 754 234	1 665 347	–	–
Other	372 211	508 896	–	–
	53 966 583	48 465 023	139 033	112 073
Deferred taxation liability				
Prepaid expenditure	(4 353 555)	(2 514 560)	(34 368)	(46 614)
Contract assets	(7 067 475)	–	–	–
Accrued revenue	–	(6 630 702)	–	–
Property and equipment	(11 797 239)	(10 979 350)	–	–
Business combination on intangible asset	(43 254 841)	(50 836 571)	–	–
	(66 473 110)	(70 961 183)	(34 368)	(46 614)
Comprising:				
Deferred taxation asset	30 748 316	28 340 412	104 665	65 459
Deferred taxation liability	(43 254 843)	(50 836 572)	–	–
	(12 506 527)	(22 496 160)	104 665	65 459
Reconciliation of deferred taxation:				
Balance at beginning of year	(22 496 160)	(33 602 165)	65 459	(32 030)
Movements during the period attributable to:				
– Business combination on intangible asset	(1 624 671)	(14 350 819)	–	–
– Charge to profit and loss	3 844 631	14 316 403	39 092	84 466
– Prior year under provision	1 171 283	1 093 490	114	13 023
– Transition period adjustments	1 667 298	–	–	–
– Revaluation of property	–	793 946	–	–
– Foreign currency differences	(53 934)	(46 652)	–	–
– Acquisition of subsidiary	4 985 026	7 371 050	–	–
– Disposal of subsidiary	–	1 928 587	–	–
Balance at end of year	(12 506 527)	(22 496 160)	104 665	65 459

* See note 37.1 for details regarding the restatement for measurement period adjustment and note 37.2 for details about restatement as a result of prior period errors.

14. INVENTORIES

Accounting policy

The group recognises inventories initially at cost when it has control of the inventories, expects it to provide future economic benefits and the cost can be measured reliably. Inventories are subsequently measured at the lower of cost and net realisable value. Net realisable value is the estimate of the selling price in the ordinary course of business, less applicable variable selling expenses.

Inventories consists largely of point of sale hardware.

	Consolidated 2019 R	Consolidated 2018 R	Company 2019 R	Company 2018 R
Finished goods	26 417 695	21 994 177	–	–

15. TRADE AND OTHER RECEIVABLES

Accounting policy

Trade and other receivables, which generally have 30 to 60 day terms, are recognised and carried at original invoice amount, less an allowance for any uncollectible amounts. Short duration receivables with no stated interest rate are measured at original invoice amount. Due to their short-term nature, the carrying amount of trade receivables approximates their fair value and are classified as measured at amortised cost.

Please refer to note 1.7 for the group's complete accounting policies regarding financial assets and liabilities.

Prepayments and other receivables are stated at their nominal values.

	Consolidated 2019 R	Consolidated 2018 Restated* R	Company 2019 R	Company 2018 R
Trade receivables	281 559 791	205 817 092	15 119	–
Prepaid expenses	34 958 260	15 322 605	168 479	212 804
Other receivables	9 228 486	38 519 012	–	–
VAT	7 822 617	357 354	–	–
	333 569 154	260 016 063	183 598	212 804
Loss allowance/provision for impairment	(22 033 897)	(11 452 929)	–	–
	311 535 257	248 563 134	183 598	212 804

* See note 37.1 for details regarding the restatement for measurement period adjustment and note 37.2 for details about restatement as a result of prior period errors.

The carrying value of trade receivables pledged as security for The Standard Bank of South Africa Limited debt at year-end is R263 044 584 (2018: nil) (refer note 22).

The carrying value of trade receivables pledged as security for the FirstRand Bank Limited debt at year-end is R31 549 386 (2018: R13 848 637) (refer note 22).

Other receivables relates mainly to deposits and suppliers with debit balances (2018 included accrued revenue).

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15. TRADE AND OTHER RECEIVABLES CONTINUED

	Consolidated Loss allowance 2019 R	Consolidated Provision for impairment 2018 R
Loss allowance/provision for impairment reconciliation		
Balance at beginning of year	11 452 929	2 860 800
Transitional adjustments – IFRS 9	5 567 202	–
Adjusted balance at 1 July [^]	17 020 131	2 860 800
Charge for the year	6 404 751	8 805 452
Recovered for the year	(93 959)	(203 984)
Amounts written-off	(1 315 708)	(766 097)
Foreign exchange movement	(13 833)	(1 374)
Acquisition of subsidiary	32 515	850 385
Disposal of CQS GRC Solutions (Pty) Ltd	–	(92 253)
Balance at end of year	22 033 897	11 452 929

[^] The comparative amounts have not been disclosed due to the adoption of IFRS 9 on the modified retrospective approach.

The table below provides a breakdown of the customer types identified by the group:

Category	Description
Corporate	Business to business channel, where the counterparty predominantly is in the formal space in the economy.
Parastatal/ Government	A company, agency, or intergovernmental organisation, that possesses political clout and is separate from the government, but whose activities serve the state, either directly or indirectly. General purpose administrative subdivisions of government at a local level whom have corporate status and powers of self-government or jurisdiction as granted by national and regional laws.
SME	SME entity type is defined using the Minister of Small Business Development published amended definitions of micro, small and medium enterprises in South Africa published in the Government Gazette. Included in this grouping are business to consumer, and business to micro/small business customers whom specifically do not meet the requirements of any of the other groupings.

As at 30 June 2019 the lifetime expected loss allowance for trade receivables are as follows:

		Not past due	Past due by 1 to 30 days	Past due by 31 to 60 days	Past due by 61 to 90 days	90+ days past due	Total
Corporate							
Expected loss rate	(%)	0,48	0,05	0,53	1,01	51,05	5,10
Estimated total gross carrying amount at default		86 673 586	48 021 869	21 359 066	9 210 901	16 941 321	182 206 743
Expected credit loss allowance		412 279	24 184	114 248	93 354	8 648 089	9 292 154
Parastatal/Government							
Expected loss rate	(%)	0,02	0,07	0,003	0,02	46,65	10,99
Estimated total gross carrying amount at default		45 426 625	5 361 435	5 084 242	2 433 832	17 932 546	76 238 680
Expected credit loss allowance		7 761	3 507	146	395	8 365 162	8 376 971
SME							
Expected loss rate	(%)	0,13	0,23	0,23	4,25	72,14	18,88
Estimated total gross carrying amount at default		11 919 441	2 372 726	2 600 673	221 733	5 999 795	23 114 368
Expected credit loss allowance		15 662	5 430	6 102	9 415	4 328 163	4 364 772
Total trade receivables							
Expected loss rate	(%)	0,30	0,06	0,41	0,87	52,21	7,83
Estimated total gross carrying amount at default		144 019 653	55 756 030	29 043 981	11 866 466	40 873 661	281 559 791
Expected credit loss allowance		435 702	33 121	120 496	103 164	21 341 414	22 033 897

The group considered all reasonable and supportable information available at year end. Where such evidence indicated that a portfolio, a portion of the portfolio or an individual customer reflected objective evidence of impairment, the group recognised a specific credit loss allowance. Accordingly, the above expected loss rates do not portray an incremental profile.

The below table represents the expected credit loss rate profile excluding the specific credit loss allowance as detailed above:

Total trade receivables excluding specific credit loss allowance

		Not past due	Past due by 1 to 30 days	Past due by 31 to 60 days	Past due by 61 to 90 days	90+days past due	Total
Expected loss rate	(%)	0,04	0,06	0,12	0,15	21,52	3,18
Estimated total gross carrying amount at default		144 019 653	55 756 030	29 043 981	11 866 466	40 873 661	281 559 791
Expected credit loss allowance		57 544	33 117	35 804	18 392	8 796 802	8 941 659

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16. CONTRACT ASSETS

Accounting policy

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration. Contract assets are measured at amortised cost.

Please refer to note 1.7 for the group's complete accounting policies regarding financial assets and liabilities.

	Consolidated 2019 R	Consolidated 2018 R	Company 2019 R	Company 2018 R
Education	12 118 539	–	–	–
Manufacturing	1 482 935	–	–	–
Communications	5 532 781	–	–	–
Energy	6 242 064	–	–	–
	25 376 319	–	–	–
Loss allowance (expected loss rate of 4.5%)	(1 152 305)	–	–	–
	24 224 014	–	–	–
The movement in the impairment allowance in respect of contract assets during the year was as follows:				
Closing loss allowance at 30 June 2018 [^] (calculated under IAS 39)	–	–	–	–
Transitional adjustments – IFRS 9	1 853 017	–	–	–
Adjusted balance at 1 July 2018 (calculated under IFRS 9)	1 853 017	–	–	–
Loss allowance on amounts due from contract assets	(700 712)	–	–	–
Closing loss allowance as at 30 June 2019	1 152 305	–	–	–

[^] The comparative amounts have not been disclosed due to the adoption of IFRS 9 on the modified retrospective approach.

The table below discloses significant changes to the contract asset balances during the financial year:

	Consolidated 2019 R	Consolidated 2018 R	Company 2019 R	Company 2018 R
Balance at beginning of year [#]	–	–	–	–
Transitional adjustments – IFRS 15 (recognition of contract assets)	30 109 380	–	–	–
Transitional adjustments – IFRS 9 (recognition of ECL on contract assets)	(1 853 017)	–	–	–
Adjusted balance at 1 July 2018	28 256 363	–	–	–
Release to the income statement	(4 915 879)	–	–	–
Movement on loss allowance on amounts due from contract assets	700 712	–	–	–
Foreign exchange movement	182 818	–	–	–
Balance at end of year	24 224 014	–	–	–

[#] The comparative amounts have not been disclosed due to the adoption of IFRS 9 and IFRS 15 on the modified retrospective approach.

17. ASSETS CLASSIFIED AS HELD FOR SALE

Accounting policy

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for the sales of such assets and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amounts and fair value less directly attributable cost to sell and are not depreciated.

The group considers a sale as highly probable when director approval, or shareholder approval where necessary, is obtained and an active plan to locate a buyer has been initiated.

Due to unanticipated delays experienced outside of the control of management, the group was unable to complete the disposal of the land and building in the current year. Management have continued to classify the property as held for sale and are satisfied that the IFRS 5 requirements are fulfilled.

At year-end, the group entered into an agreement to dispose of the property for a consideration of R7 826 087 (excluding VAT), resulting in an impairment of R7 735 901.

In accordance with IFRS 13, the property was held at fair value determined in relation to a sale agreement. Accordingly, the fair value was determined as a level 2 input in terms of the fair value hierarchy as per paragraph 82 of IFRS 3.

	Consolidated 2019 R	Consolidated 2018 R	Company 2019 R	Company 2018 R
Property – land and buildings	7 826 087	15 561 988	–	–
Total	7 826 087	15 561 988	–	–
Reconciliation of balance				
Balance at beginning of year	15 561 988	16 965 892	–	–
Disposals	–	(16 965 892)	–	–
Reclassification from property and equipment	–	15 561 988	–	–
Impairment (refer note 3)	(7 735 901)	–	–	–
	7 826 087	15 561 988	–	–

The property described as Erf 1488 Monument Park, Registration Division JR, Province of Gauteng; measuring 5 090 square metres.

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18. SHARE CAPITAL

Accounting policy

Consideration paid or received for equity instruments is recognised directly in equity. Issued share capital is initially measured at the proceeds received less directly attributable issue costs. Shares which are cancelled are delisted and returned to authorised but unissued share capital.

	Consolidated 2019 R	Consolidated 2018 R	Company 2019 R	Company 2018 R
Authorised				
200 000 000 ordinary shares at 0,01 cent each	20 000	20 000	20 000	20 000
Issued				
152 513 154 (2018: 160 539 761) ordinary shares of 0,01 cent each	15 251	16 054	15 251	16 054
			2019 Number of shares	2018 Number of shares
Reconciliation of the number of ordinary shares in issue				
Ordinary shares in issue:				
Balance at beginning of year			160 539 761	153 596 911
Cancellation of shares			(8 026 607)	–
Issue of shares for business combinations			–	3 371 912
Issue of shares for cash			–	3 553 008
Issue of shares for share appreciation rights			–	17 930
Balance at end of the year			152 513 154	160 539 761

The remaining unissued shares are under the control of the directors subject to the provision of Section 41 and 42 of the Companies Act, 2008, and the Listings Requirements of the JSE Limited. All shares are fully paid up.

19. TREASURY SHARES

Accounting policy

The purchase by any group entity of the company's equity instruments results in the recognition of treasury shares. The consideration paid is deducted from equity. Where such treasury shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the equity holders of the company, net of any directly attributable incremental transaction costs and the related tax effects.

	Consolidated 2019 R	Consolidated 2018 R
15 251 315 (2018: 8 189 244) treasury shares of 0,01 cent each	1 525	819
	2019 Number of shares	2018 Number of shares
Reconciliation of the number of treasury shares		
Treasury shares on hand:		
Balance at beginning of year	8 189 244	–
Cancellation of treasury shares	(8 026 607)	–
Purchase of treasury shares	15 547 388	9 264 774
Issue of treasury shares	(458 710)	(1 075 530)
Balance at end of the year	15 251 315	8 189 244

20. SHARE PREMIUM

Accounting policy

Share Premium represents the excess of the issue price over the par value on shares issued less transaction costs arising on issue.

	Consolidated 2019 R	Consolidated 2018 R	Company 2019 R	Company 2018 R
Balance at beginning of year	340 277 986	336 225 816	400 647 135	331 510 804
On shares cancelled during the year	–	–	(63 341 770)	–
On shares allotted during the year for business combination	–	33 651 345	–	33 651 345
On shares allotted during the year	–	35 484 986	–	35 484 986
On treasury shares allotted during the year	3 610 001	7 581 259	–	–
On shares repurchased during the year	(94 718 031)	(72 665 420)	–	–
Share buyback costs	(1 046 291)	–	–	–
Balance at end of year	248 123 665	340 277 986	337 305 365	400 647 135

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21. EQUITY COMPENSATION RESERVE

Accounting policy

Executive directors and senior executives have been granted equity-settled share options in terms of the Adapt IT Holdings Limited Executive Share Incentive Plan (a share appreciation rights scheme). Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant and recognised in profit or loss based on the anticipated vesting profile over the vesting period. Fair value is adjusted for the effect of non-market-based vesting conditions at year-end. Fair value is measured using a binomial pricing model.

The Adapt IT Holdings Limited Executive Share Incentive Plan (a share appreciation rights scheme) was implemented in 2015. The scheme was approved by the JSE Limited and shareholders.

A participating executive must meet the non-market performance conditions and be in the employ of the group in order for share units to be capable of vesting. The incentive units are equity-settled.

In terms of the approved Share Incentive Plan, the company has the obligation to settle in its own shares to employees of the group with respect to any incentive vested and exercised. The company makes a capital contribution to its subsidiary as the share-based payment expense is recorded by the subsidiary that receive the services of the employees in terms of the incentive plan.

The company measures its obligation under the incentive plan over the vesting period by increasing the cost of its investment in its subsidiary and its equity compensation reserve. The share-based payment expense is recognised in the underlying subsidiaries where the services are rendered.

The unit price is generally equal to the share price at date of the offer. If performance conditions are met, the units vest in tranches on or after the dates set out below.

The units lapse three years after issue date.

- 50% after one year
- 50% after two years

Share-based payments are measured at fair value at the date of the grant, which is expensed over the period of vesting.

	Consolidated 2019 R	Consolidated 2018 R	Company 2019 R	Company 2018 Restated* R
Equity compensation reserve				
Balance at beginning of year	19 221 006	14 585 430	19 221 006	5 167 430
Investment in Adapt IT (Pty) Ltd	–	–	(1 232 600)	14 241 482
Shares issued during the year	–	–	–	(187 906)
Total (release)/expense recognised arising from share-based payment	(1 232 600)	4 823 482	–	–
Exercised during the year equity-settled	–	(187 906)	–	–
Balance at end of year	17 988 406	19 221 006	17 988 406	19 221 006

* See note 38 for details regarding restatement as a result of prior period errors.

	Number of shares (number of share units)	Weighted average strike price of share units (cents)
Reconciliation of incentive units		
Granted during the 30 June 2015 year:		
Outstanding at beginning of year	740 603	901
Lapsed during the year	(740 603)	901
Basis of valuation		
Fair value was determined by using the Binomial model. The following inputs were used:		
Unit price	(cents)	901
Strike price	(cents)	901
Expected volatility	(%)	29,4
Expected dividend yield	(%)	1,0
Weighted fair value of options issued	(cents)	232
Expiry date from issue	(years)	3
Reconciliation of incentive units		
Granted during the 30 June 2016 year:		
Outstanding at beginning of year	369 316	1 125
Lapsed during the year	(369 316)	1 125
Basis of valuation		
Fair value was determined by using the Binomial model. The following inputs were used:		
Unit price	(cents)	1 125
Strike price	(cents)	1 125
Expected volatility	(%)	34,5
Expected dividend yield	(%)	0,8
Weighted fair value of options issued	(cents)	272
Expiry date from issue	(years)	3
Reconciliation of incentive units		
Granted during the 30 June 2017 year:		
Outstanding at beginning of year	1 639 325	1 294
Cancelled during the year	(160 772)	–
Outstanding at end of year	1 478 553	1 294
Exercisable at end of year	1 478 553	1 294
Basis of valuation		
Fair value was determined by using the Binomial model. The following inputs were used:		
Unit price	(cents)	1 294
Strike price	(cents)	1 294
Expected volatility	(%)	29,3
Expected dividend yield	(%)	0,8
Weighted fair value of options issued	(cents)	359
Expiry date from issue	(years)	3
Reconciliation of incentive units		
Granted during the 30 June 2018 year:		
Outstanding at beginning of year	9 612 380	933
Forfeited/cancelled during the year	(5 526 547)	–
Outstanding at end of year	4 085 833	933
Exercisable at end of year	4 085 833	933
Basis of valuation		
Fair value was determined by using the Binomial model. The following inputs were used:		
Unit price	(cents)	933
Strike price	(cents)	933
Expected volatility	(%)	29,8
Expected dividend yield	(%)	1,5
Weighted fair value of options issued	(cents)	215
Expiry date from issue	(years)	3

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21. EQUITY COMPENSATION RESERVE CONTINUED

Share appreciation units granted to executive directors:

Expiring three years from	Issue price (cents)	Number of conditional awards 30 June 2018	Granted	Exercised	Lapsed	Forfeited	Number of conditional awards 30 June 2019	Time constrained
S Shabalala								
Granted during the 30 June 2015 year	901	347 026	–	–	(347 026)	–	–	–
Granted during the 30 June 2016 year	1 125	131 630	–	–	(131 630)	–	–	–
Granted during the 30 June 2018 year	933	1 887 106	–	–	–	(943 553)	943 553	943 553
		2 365 762	–	–	(478 656)	(943 553)	943 553	943 553
T Dunsdon								
Granted during the 30 June 2015 year	901	184 411	–	–	(184 411)	–	–	–
Granted during the 30 June 2016 year	1 125	69 949	–	–	(69 949)	–	–	–
Granted during the 30 June 2018 year	933	1 119 078	–	–	–	(559 539)	559 539	559 539
		1 373 438	–	–	(254 360)	(559 539)	559 539	559 539
N Mbambo								
Granted during the 30 June 2017 year	1 294	106 109	–	–	–	–	106 109	106 109
Granted during the 30 June 2018 year	933	599 122	–	–	–	(299 561)	299 561	299 561
		705 231	–	–	–	(299 561)	405 670	405 670
Share appreciation units granted to prescribed officer:								
C Young								
Granted during the 30 June 2018 year	933	898 026	–	–	–	(449 013)	449 013	449 013
		898 026	–	–	–	(449 013)	449 013	449 013

There are a further 17 executives who participate in the same share incentive scheme.

22. INTEREST-BEARING BORROWINGS

Accounting policy

Interest-bearing borrowings are recognised initially at fair value and net of directly attributable transaction costs. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest rate method. The effective interest rate amortisation is included as finance costs in the statement of loss or loss.

Fees paid on the establishment of selected loan facilities are capitalised as a prepayment against the loan and amortised over the period of the facility to which they relate.

The group presents separately current and non-current borrowings on the face of the statement of financial position. A liability is classified as current unless the group has an unconditional right to defer settlement of the liability for at least 12 months after year-end.

Please refer to note 1.7 for the group's complete accounting policies regarding financial assets and liabilities.

	Consolidated 2019 R	Consolidated 2018 R
Non-current borrowings	2 986 854	200 794 458
(2) FirstRand Bank Limited	2 986 854	11 714 093
(3) Investec Bank Limited	–	189 080 365
Current borrowings	498 005 325	13 680 725
(1) The Standard Bank of South Africa Limited	490 182 518	–
(2) FirstRand Bank Limited	7 822 807	10 398 783
(3) Investec Bank Limited	–	3 281 942
Total	500 992 179	214 475 183

Analysis and maturity profile of interest-bearing borrowings:

(1) The Standard Bank of South Africa Limited

The borrowings terms comprise	Facility amount R	Date obtained	Term	Repayment	Interest rate terms
Facility A – term loan facility for acquisitions	350 000 000	13 December 2018	60 months	Quarterly, starting 31 December 2019	JIBAR + margin of 2,65% to 2,90%
Facility B – revolving credit facility for working capital	405 000 000	13 December 2018	36 months	12 December 2021	Prime less margin of 0,20% to 0,45%
	755 000 000				

The facilities are secured by cession of all insurance policies, cash and cash equivalents and trade receivables of Adapt IT Holdings Limited, Adapt IT (Pty) Ltd, CQS Confirmations (Pty) Ltd and Que Dee Trading 35 (Pty) Ltd along with the shares held in Adapt IT (Pty) Ltd, CQS Confirmations (Pty) Ltd and Que Dee Trading 35 (Pty) Ltd. The facilities are further secured by cession of a R755 000 000 general notarial bond over the moveable assets of Adapt IT (Pty) Ltd.

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22. INTEREST-BEARING BORROWINGS CONTINUED

Balance at 30 June 2019	Capital outstanding	Interest capitalised	Total	Interest rate	Interest rate % charged
Facility A – term loan facility for acquisitions	145 745 461	115 897	145 861 358	JIBAR +2,65%	Rates ranging between 9,6590 and 9,8650
Facility B – revolving credit facility for working capital	348 612 012	280 800	348 892 812	Prime -0,45%	Rates ranging between 9,8000 and 9,8650
	494 357 473	396 697	494 754 170		
Capital raising fees (amortised over term of facilities)	(4 571 652)	–	(4 571 652)		
Total	489 785 821	396 697	490 182 518		

The Standard Bank of South Africa Limited (SBSA) debt covenants, specifically the Debt Service Cover ratio, was breached as at 30 June 2019. This ratio is a measure of free cash flow available to service senior debt. As at 30 June 2019, the group had no unconditional right to defer settlement in view of the breach and accordingly the non-current portion of the liability of R464 066 035 has been recorded as current.

Subsequent to year end, SBSA waived the breach for a period of one year from the date of the audit report on the 30 June 2019 Financial Statements.

(2) FirstRand Bank Limited

Micros South Africa (Pty) Ltd has two term facilities with FirstRand Bank Limited. The one term facility matures on 7 December 2019 and the other one on 7 December 2021.

The facilities are repayable monthly and accrue interest at FirstRand Bank Limited's prime interest rate plus 0,75%.

The facilities are secured by trade receivables, cession of all the positive bank accounts and a R15 000 000 general notarial bond over the moveable assets of Micros South Africa (Pty) Ltd.

The interest rate for 2019 was 11,00% (2018: 10,75%).

(3) Investec Bank Limited

A loan from Investec Bank Limited was obtained in July 2015 to fund future working capital requirements. The loan was a 60 month credit facility at an interest rate of the three month JIBAR plus 3,2% margin. In January 2018 a further facility from Investec Bank Limited was obtained to fund working capital.

The facility was a 12 month revolving facility at interest rate of Investec Bank Limited's prime rate. The Investec Bank Limited facilities were secured by 100% of the shares held in Adapt IT (Pty) Ltd and cession of book debts held by Adapt IT Holdings Limited and its subsidiaries.

The Investec facilities were settled on 6 December 2018.

Interest-bearing borrowings are carried at amortised cost.

23. FINANCIAL LIABILITIES

Accounting policy

Financial liabilities are recognised initially at fair value and expected future payments are discounted to present value using an appropriate market-related discount rate. The liabilities are subsequently measured at amortised cost using the effective interest rate method. The amount expected to be settled within 12 months from year-end date is shown as current and the amounts expected to be settled 12 months after year-end date is shown as non-current on the statement of financial position. The difference between the total capital repayments and the present value of the liabilities will be released to financing costs in the profit or loss over the terms on the liabilities.

Please refer to note 1.7 for the group's complete accounting policies regarding financial assets and liabilities.

Significant estimates and judgement

On 1 March 2019 the group acquired Wisenet. The purchase agreement allows for a further contingent consideration of a maximum amount of SGD 14 784 000 (contingent earn-out portion) to be settled in cash. The contingent earn-out portion payable is subject to the achievement by Wisenet of EBITDA performance warranties over 34 months and is based on three re-measurements (Contingent Payments 2, 3 and 4). The re-measurements are at the end of each calendar year for 2019, 2020 and 2021. An earn-out only realises once the EBITDA exceeds the base EBITDA of SGD 1 049 000 linked to the cash consideration already paid.

Management estimates have been used in calculating the EBITDA used in the contingent earn-out model. These estimates were based on detailed forecasts which were set in relation to current market conditions and the Wisenet strategy. Refer to note E for further details.

The discount rate used in present valuing the contingent consideration was 5.25%.

Sensitivities: Wisenet contingent earn-out

The key assumption used in the model is the forecast EBITDA. A change in EBITDA of 5% would result in a SGD 403 129 increase in the total contingent consideration estimated of SGD 2 607 785.

	Consolidated 2019 R	Consolidated 2018 R
Non-current	40 749 830	33 479 340
EasyRoster future performance warranties	17 019 791	33 479 340
Wisenet contingent earn out	23 730 039	–
Current	16 866 530	38 951 795
EasyRoster performance warranty achieved	16 866 530	15 491 708
Micros cash underpin	–	15 301 336
LGR earn-out payment	–	8 158 751
Total	57 616 360	72 431 135

EasyRoster future performance warranties is contingent upon the achievement by EasyRoster of EBITDA performance warranties (12 months remaining).

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24. FINANCE LEASE LIABILITIES

Accounting policy

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

Finance lease liabilities are recognised at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease.

Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognised immediately in profit or loss.

	Consolidated 2019 R	Consolidated 2018 R	Company 2019 R	Company 2018 R
Non-current finance lease liabilities	877 849	1 670 033	–	–
Current finance lease liabilities	1 117 406	1 315 854	–	–
Present value of minimum lease payments	1 995 255	2 985 887	–	–
Minimum lease payments				
Within one year	1 270 265	1 554 226	–	–
In second to fifth year inclusive	950 809	1 843 745	–	–
	2 221 074	3 397 971	–	–
Less: unearned interest	(225 819)	(412 084)	–	–
	1 995 255	2 985 887	–	–

Micros South Africa (Pty) Ltd lease certain motor vehicles under instalment sale agreements.

Interest rates are linked to prime rate at the contract date.

All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The finance leases are secured by the lessor's charge over the leased assets (refer note 7).

25. TRADE AND OTHER PAYABLES

Accounting policy

Trade payables are initially measured at cost, being the fair value of the consideration to be paid in the future for goods and services rendered. These are subsequently measured at amortised cost using the effective interest rate method.

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

Please refer to note 1.7 for the group's complete accounting policies regarding financial assets and liabilities.

	Consolidated 2019 R	Consolidated 2018 Restated* R	Company 2019 R	Company 2018 R
Trade payables	85 929 096	85 232 093	58 926	175 065
Accruals	45 945 942	30 892 652	496 545	400 670
VAT	10 674 948	6 728 173	493 659	479 090
Other payables	15 139 596	11 897 082	–	–
Unclaimed dividends	312 305	198 896	312 305	198 896
	158 001 887	134 948 896	1 361 435	1 253 721

* See note 37.1 for details regarding the restatement for measurement period adjustment and note 37.2 for details about restatement as a result of prior period errors.

Trade payables are non-interest-bearing and are normally settled on 30 day terms.

Accruals are non-interest-bearing and are normally settled between 30 days and 60 days.

Other payables mainly relate to payroll-related payables. Other payables are non-interest-bearing and settled within 30 days.

Trade, other payables and unclaimed dividends are carried at amortised cost and their carrying value approximates fair value.

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26. CONTRACT LIABILITIES

Accounting policy

A contract liability is recognised if a payment is received from a customer before the group transfers the related goods or services. Contract liabilities are recognised as revenue when the group performs under the contract (i.e. transfers control of the related goods or services to the customer). There is no significant financing component in contract liabilities.

	Consolidated 2019 R	Consolidated 2018 R	Company 2019 R	Company 2018 R
Education	64 523 642	–	–	–
Manufacturing	2 398 965	–	–	–
Financial Services	6 113 394	–	–	–
Energy	1 722 018	–	–	–
Communications	6 141 512	–	–	–
Hospitality	26 844 142	–	–	–
	107 743 673	–	–	–

The table below discloses significant changes to the contract liability balances during the financial year:

	Consolidated 2019 R	Consolidated 2018 [^] R	Company 2019 R	Company 2018 R
Balance at beginning of year	–	–	–	–
Transitional adjustments – IFRS 15 (recognition of contract liabilities)	94 554 067	–	–	–
Adjusted balance at 1 July 2018	94 554 067	–	–	–
Release to the income statement	(4 011 643)	–	–	–
Acquisition of subsidiaries	16 605 451	–	–	–
Foreign exchange movement	595 798	–	–	–
Balance at end of year	107 743 673	–	–	–

[^]The comparative amounts have not been disclosed due to the adoption of IFRS 15 on the modified retrospective approach.

Contract liabilities relate to maintenance, software licenses, software as a service (SaaS), long-term software projects in progress, ongoing upgrades and hosting pre-invoiced for future periods.

27. LEAVE PAY AND PROVISIONS

Accounting policy

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, in respect of which it is probable that an outflow of economic benefits will occur, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the reasonable estimate of the expenditure required to settle the obligation at the reporting date. Provisions are reviewed at each reporting date and adjusted to reflect the current reasonable estimate. If it is no longer probable that an outflow of resources will be required to settle the obligation, the provision is reversed.

	Consolidated 2019 R	Consolidated 2018 R	Company 2019 R	Company 2018 R
Leave pay				
Carrying value at beginning of year	22 316 411	14 222 360	–	–
Leave pay raised during the year	6 810 658	5 944 629	–	–
Utilised/paid during the year	(4 773 658)	(5 307 978)	–	–
Acquisition of subsidiary	2 122 967	8 410 237	–	–
Disposal of CQS GRC Solutions (Pty) Ltd	–	(1 022 610)	–	–
Foreign exchange movement	33 459	69 773	–	–
Carrying value at end of year	26 509 837	22 316 411	–	–
The leave pay is calculated using the total cost of employment multiplied by the leave days outstanding at year-end. The expected release date of leave pay benefits is within the subsequent year.				
Bonus				
Carrying value at beginning of year	29 135 658	10 698 916	–	–
Prior year under provision	(72 172)	(241 728)	–	–
Provision raised during the year	37 300 949	33 980 887	–	–
Provision utilised/paid during the year in respect of the prior year	(33 407 350)	(14 214 339)	–	–
Acquisition of subsidiary	–	–	–	–
Disposal of CQS GRC Solutions (Pty) Ltd	–	(1 022 610)	–	–
Foreign exchange movement	85 108	(65 468)	–	–
Carrying value at end of year	33 042 193	29 135 658	–	–
The bonus provision is based on the results of the group and the related performance evaluation of the employees. The payment of the provision is expected within three months after year-end.				
Warranties				
Carrying value at beginning of year	389 193	–	–	–
Provision released during the year	(178 006)	–	–	–
Provision raised during the year	–	67 601	–	–
Acquisition of subsidiary	–	321 592	–	–
Carrying value at end of year	211 187	389 193	–	–
Total	59 763 217	51 841 262	–	–

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28. COMMITMENTS

28.1 PROPERTY OPERATING LEASE COMMITMENTS

Operating leases

Leases where a significant portion of risks and rewards of ownership is retained by the lessor are classified as operating leases. Operating lease costs (net of any incentives from the lessor) are charged against operating profit on a straight-line basis over the period of the lease. All contingent lease costs are excluded from the operating lease commitments detailed below. The operating lease commitments detailed below are measured under IAS 17. Please refer to note 1.9 for details of the provisional impact for the change in accounting policy from IAS 17 to IFRS 16.

	Consolidated 2019 R	Consolidated 2018 R
No later than one year	43 480 730	41 989 280
Later than one year and no later than five years	166 346 487	157 322 358
Later than five years and no later than 10 years	200 444 622	188 928 059
Later than ten years and no later than 15 years	66 814 874	100 761 631
	477 086 713	489 001 328

The group leases offices in terms of operating leases. The group does not have the option to acquire the assets at the termination of the leases and there are no restrictions imposed by the leases. The lease terms are between one year and 13 years, and the lease agreements are renewable at the end of the lease period at the prevailing market rates. The Johannesburg Campus lease rental escalates by a percentage determined by the lessor, provided that in any year the escalation will not exceed 8%. The Cape Town and Durban Campus lease rentals escalate by 8% and 8,5% respectively. The future minimum lease payments under non-cancellable operating leases are shown above.

28.2 CAPITAL COMMITMENTS

	Consolidated 2019 R	Consolidated 2018 R
Authorised and contracted	192 889	15 542 979
Authorised but not contracted	44 310 651	18 626 479
	44 503 540	34 169 458

Capital commitments will be funded from cash resources.

The company does not have any capital commitments.

29. CONTINGENT LIABILITIES

	Consolidated 2019 R	Consolidated 2018 R
Bank guarantees:		
Property leases	7 390 002	7 390 002
Performance obligation	2 845 071	–
Credit card facilities	1 305 000	1 305 000
Total bank guarantees	11 540 073	8 695 002

The property lease guarantees are in favour of Johannesburg Campus, Durban and Cape Town landlords and relate to the last three months' office rental. The bank guarantee will only be released upon the expiry of the office lease agreements.

The performance obligation guarantees relate to bid/tenders for the fulfilment of performance obligations under the contract, mainly relating to tenders submitted in Kenya and Ghana. The guarantees expire between 31 August 2019 and 30 April 2020.

30. BORROWING LIMITS

The directors may from time to time at their discretion raise or borrow monies for the purpose of the group as they deem fit. There are no borrowing limits in the Memorandum of Incorporation of the company or its subsidiaries.

31. RELATED PARTY TRANSACTIONS

During the year, the group, in the ordinary course of business, entered into various related party revenue, purchases and investment transactions.

All intercompany transactions and balances within the group are eliminated in full on consolidation.

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial and operating decisions.

These transactions occurred under terms that are no more or less favourable than those arranged with third parties.

	Company Effective holding 2019 %	Company Effective holding 2018 %
Related party relationship:		
Incorporated in South Africa		
Adapt IT (Pty) Ltd	100	100
Adapt IT Holdings Limited Share Incentive Trust	**	**
Incorporated in Mauritius		
Adapt IT International Ltd	100	100
Incorporated in Singapore		
Adapt IT Solutions Pte Ltd	100	–

** 100% consolidated

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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31. RELATED PARTY TRANSACTIONS CONTINUED

	2019 R	2018 R
Loan		
Loans from the company to (refer note 10):		
Adapt IT Holdings Share Incentive Trust	32 158	32 158
Adapt IT (Pty) Ltd	186 865 007	309 607 769
Adapt IT International Ltd	23 942 743	21 640 384
The loans to Adapt IT (Pty) Ltd and Adapt IT Holdings Share Incentive Trust are unsecured and no interest is charged. The loans have no set terms of repayment.		
The loan to Adapt IT International Ltd is unsecured and interest at prime rate is charged. The loan is repayable by 31 May 2026.		
The following transactions were entered into between related parties within the group:		
Management fees received by the company from:		
Adapt IT (Pty) Ltd	3 600 000	2 100 000
Micros South Africa (Pty) Ltd	–	1 400 000

Management fees are charged to operating subsidiaries in order to recover management time and effort.

Key management personnel compensation is represented by directors' emoluments as referred to in note 4.

Transactions with directors

Adapt IT JHB campus background

During 2016, the group embarked on a process to co-locate all eight Johannesburg and Pretoria offices into a single office (JHB Campus).

The group engaged third party advisors, Jones Lang LaSalle (Pty) Ltd (JLL), to negotiate the lease of the JHB Campus with JT Ross (Pty) Ltd (JT Ross), which included the development of the property, lease payments and contractual terms. The final lease and development agreement (lease agreement) terms were concluded at arm's length in the ordinary course of business.

In 2016, the group's board of directors approved the lease agreement in respect of the JHB Campus with property developers Brownstone Finance (Pty) Ltd ("Brownstone"), the development subsidiary company of JT Ross.

On 2 October 2017, Brownstone sold the building to another subsidiary of JT Ross, Inyosi Ross Properties 2 (Pty) Ltd (Inyosi 2), ceded the lease agreement to Inyosi 2, which cession was permitted in terms of the lease agreement. JT Ross, Brownstone and Inyosi 2 are not related parties in relation to the group.

The sale transaction

With effect from 1 March 2019, Mshengu Property Holdings (Pty) Ltd (MPH) acquired the JHB Campus from Inyosi 2. MPH is 100% owned by the Mshengu Family Trust.

Mr S Shabalala, the Chief Executive Officer of the group, is a trustee of the Mshengu Family Trust. Furthermore, Mr S Shabalala is a director of MPH.

As a result of the change in ownership of the JHB Campus, the lease agreement signed by the group on 19 December 2016 was automatically ceded from Inyosi 2 to MPH.

Sale of transaction categorisation

A ruling was obtained from the JSE Limited confirming that this did not constitute a related party transaction. Should any changes to the lease terms be negotiated in due course, then such transaction would constitute a related party transaction governed by the JSE Listings Requirements.

Further, the group was neither a party to the transaction, involved in the negotiations between MPH and Inyosi 2, nor did it provide any financial assistance or any form of security to MPH, the Mshengu Family Trust or Mr S Shabalala in his personal capacity. The transaction for the sale of the JHB Campus was strictly between MPH and Inyosi 2 and no changes to the lease agreement were made as a result thereof.

Conflict of interest management

In accordance with section 75 of the Companies Act, 2008 and the Regulation 36 (4) of the Companies Regulations 2011, Mr S Shabalala fully disclosed and completed the notice of director's personal financial interest along with recusing himself from all of the company's decisions pertaining to the lease since MPH effectively became the landlord.

The Chief Operating Officer of the group has delegated authority for the overall management of operations of the JHB Campus.

All other property lease expenses invoiced to the group by MPH are assessed to the underlying third party invoice and all transactions are concluded at arm's-length in the ordinary course of business.

Transactions with MPH for the year ended 30 June 2019 were as follows:

	2019 R	2018 R
Operating lease charges	11 051 018	–
Operational expenses	1 323 700	–
Total	12 374 718	–

Other than disclosed above, and in the Directors' Report, no significant related party transactions were entered into during the year under review.

32. FINANCIAL RISK MANAGEMENT

The group is exposed through its operation to the following financial risks:

- Credit risk;
- Liquidity risk;
- Market risk;
- Foreign currency risk; and
- Interest rate risk.

The group is exposed to risks that arise from its use of financial instruments. This note describes the group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

	Consolidated 2019 R	Consolidated 2018 Restated* R	Company 2019 R	Company 2018 R
Categories of financial instruments				
Financial assets				
Amortised cost	390 888 369	373 318 884	211 294 195	331 574 085
Reconciliation to statements of financial position				
Amounts owing from subsidiaries	–	–	210 839 908	331 280 311
Trade and other receivables net of loss allowance [#]	268 754 380	232 883 175	15 119	–
Contract assets net of loss allowance	24 224 014	–	–	–
Finance lease receivables net of loss allowance	33 004 492	34 653 208	–	–
Loans receivable	6 500 000	19 384 842	–	–
Cash and cash equivalents	58 405 483	86 397 659	439 168	293 774
Financial liabilities				
Other financial liabilities measured at amortised cost	707 930 733	418 112 928	867 776	774 631
Reconciliation to statements of financial position				
Trade and other payables	147 326 939	128 220 723	867 776	774 631
Interest-bearing borrowings	500 992 179	214 475 183	–	–
Financial liabilities	57 616 360	72 431 135	–	–
Finance lease liabilities	1 995 255	2 985 887	–	–

* See note 37.1 for details regarding the restatement for measurement period adjustment and note 37.2 for details about restatement as a result of prior period errors.

[#] The 30 June 2018 trade and other receivables net of loss allowance was further restated to exclude prepayments of R15 322 605.

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32. FINANCIAL RISK MANAGEMENT CONTINUED

Due to their nature, the carrying value of the financial assets and liabilities approximates their fair value.

All financial assets and liabilities are carried at amortised cost and hence no fair value disclosure is necessary, in terms of the fair value hierarchy requirements of IFRS 7 Financial Instruments: Disclosures.

General objectives, policies and processes

The board has overall responsibility for the determination of the group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the group's finance function. The board receives quarterly reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The group's internal auditors also review the risk management policies and processes and report their findings to the audit committee.

The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the group's competitiveness and flexibility.

32.1 CREDIT RISK

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group.

The group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Receivables comprise loans to associated companies and accounts receivable. Trade receivables comprise mainly a blue chip customer base and are spread among a number of different customers and geographic areas. Weekly meetings are held with the finance executives, finance managers and debtor management teams. At these meetings, the trade receivables ageing is reviewed and updates regarding collections of long-outstanding or debtors in default are performed.

Further disclosures regarding trade and other receivables are provided in note 15.

The group does not hold collateral as security.

The group grants varied credit terms of between 30 to 60 days to its customers. The analysis of trade and other receivables and contract assets (excluding prepayments and VAT) which are past due at reporting date is as follows:

	Consolidated 2019 R	Consolidated 2018 Restated* R
Not past due or impaired	167 772 311	114 253 516
Past due by 31 to 60 days but not impaired	59 936 021	27 960 636
Past due by 61 to 90 days but not impaired	30 256 180	25 032 725
Past due over 90 days but not impaired	58 200 084	77 089 227
Total trade and other not impaired	316 164 596	244 336 104

* See note 37.1 for details regarding the restatement for measurement period adjustment and note 37.2 for details about restatement as a result of prior period errors.

The carrying amount of the trade receivables loss allowance is R22 033 897 (2018: R11 452 929).

The carrying amount of the contract assets loss allowance is R1 152 305.

The group limits its counterparty exposures attributable to its cash investments by dealing only with well-established financial institutions of high credit standing.

32.2 LIQUIDITY RISK

Liquidity risk is defined as the risk that the group will not be able to settle or meet its obligations on time or at a reasonable price.

Liquidity risk is proactively managed and the group's cash resources exceed its working capital requirements. There have been no defaults or breaches on repayments during the year.

The Standard Bank of South Africa Limited (SBSA) debt covenants, specifically the Debt Service Cover ratio, was breached as at 30 June 2019. This ratio is a measure of free cash flow available to service senior debt. As at 30 June 2019, the group had no unconditional right to defer settlement in view of the breach and accordingly the non-current portion of the liability of R464 066 035 has been recorded as current and is therefore disclosed as on demand.

Subsequent to year end, SBSA waived the breach for a period of one year from the date of the audit report on the 30 June 2019 Financial Statements.

The board receives rolling 12 month cash flow projections on a quarterly basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The liquidity risk of the group is managed centrally by the shared services finance function. Budgets are set and agreed by the board in advance, enabling the group's cash requirements to be anticipated.

The following table summarises the maturity profile of the group's undiscounted financial liabilities based on the contractual payments:

	On demand R	Within one year R	Two to five years R	Greater than five years R	Total R
Consolidated 2019					
Interest-bearing borrowings	490 182 518	7 995 621	3 712 795	–	501 890 934
Financial liabilities	16 866 530	18 906 298	27 048 207	–	62 821 035
Finance lease liabilities	–	1 270 265	950 809	–	2 221 074
Accounts payable	–	147 014 634	–	–	147 014 634
Total	507 049 048	175 186 818	31 711 811	–	713 947 677
2018 (restated)*					
Interest-bearing borrowings	13 680 725	32 920 098	223 917 135	–	270 517 958
Financial liabilities	38 951 795	18 071 640	20 326 577	–	77 350 012
Finance lease liabilities	–	1 554 226	1 843 745	–	3 397 971
Accounts payable	–	128 021 827	–	–	128 021 827
Total	52 632 520	180 567 791	246 087 457	–	479 287 768

* See note 37.1 for details regarding the restatement for measurement period adjustment and note 37.2 for details about restatement as a result of prior period errors.

	On demand R	Within one year R	Two to five years R	Greater than five years R	Total R
Company 2019					
Accounts payable	–	867 776	–	–	867 776
Total	–	867 776	–	–	867 776
2018					
Accounts payable	–	774 631	–	–	774 631
Total	–	774 631	–	–	774 631

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32. FINANCIAL RISK MANAGEMENT CONTINUED

32.3 MARKET RISK MANAGEMENT

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market prices comprise two types of risk that impact the group: foreign currency risk and interest rate risk. The group does not make use of derivative financial instruments.

32.4 FOREIGN CURRENCY RISK MANAGEMENT

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The group's exposure to the risk of changes in foreign exchange rates relates primarily to the group's operating activities (when revenue or expenses is denominated in a different currency from the company's functional currency). Apart from these particular cash flows, the group aims to fund expenses and investments in the respective currency and to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred.

Most transactions are Rand-based with a limited exposure to other currencies, mainly US Dollars, Australian Dollars, Euro and Ghanaian Cedi resulting in a net foreign exchange loss for the year of R6 218 095 (2018: net profit of R4 406 368).

The group has the following uncovered cash on hand, receivables and payables:

	2019 Foreign amount	R	2018 Foreign amount	R
US Dollar	1 104 279	15 509 152	773 875	10 612 431
Ghanaian Cedi	2 843 803	7 329 136	749 047	2 155 008
Australian Dollar	149 483	1 472 461	546 758	5 545 880
Euro	31 735	506 680	155 448	2 486 828
Namibian Dollar	109 796	109 796	–	–
British Pounds	(84 730)	(1 510 087)	121 863	2 277 104
New Zealand Dollar	1 066	10 058	2 602	24 174
Singapore Dollar	389	4 035	–	–
Indian Rupee	16 180	3 290	–	–
UAE Dirham	680	2 600	–	–
Canadian Dollar	220	2 359	–	–
Rwanda Franc	63 101	965	–	–
Mozambique Metical	2 649	591	–	–
Botswana Pula	453	590	–	–
Kenya Shilling	3 200	435	–	–
Ugandan Shilling	48 000	181	–	–
Tanzanian Shillings	22 000	134	–	–
Total		23 442 376		23 101 425

Foreign currency sensitivity

The group's exchange rate exposure relates mainly to the US Dollar, Australian Dollar, Euro and Ghanaian Cedi. The following details the group's sensitivity to a 14,0% (2018: 14,0%) increase or decrease in the Rand against the relevant foreign currencies. 14,0% is the sensitivity rate used based on the average movement in foreign exchange rates between reporting dates and represents management's best assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and adjusts their translation at the year-end for a 14,0% change in foreign currency rates. The amount below indicates the amount by which profit or loss and equity would increase or decrease if the Rand strengthens or weakens by 14,0% (2018: 14,0%). This is reflective of the currency risk exposure throughout the year.

	2019 R	2018 R
Sensitivity analysis		
If the foreign currency rates had been 14,0% (2018: 14,0%) higher/lower and all other variables held constant, the group's profit for the year (before tax) would increase/decrease by	3 281 933	3 234 199

32.5 INTEREST RATE RISK MANAGEMENT

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's exposure to the risk of changes in market interest rates relates primarily to the group's long-term debt obligations with variable interest rates.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure of cash and cash equivalents and the interest-bearing loans to interest rates.

A 100 basis point increase or decrease has been used.

	Consolidated 2019 R	Consolidated 2018 Restated* R
Sensitivity analysis		
If the interest rates had been 100 basis points higher/lower and all other variables held constant, the group's profit for the year (before tax) would increase/decrease by	4 115 775	1 280 775

* See note 37.1 for details regarding restatement for measurement period adjustment.

33. CAPITAL MANAGEMENT

Capital includes equity attributable to the equity holders of the parent, as presented in the statements of financial position.

The primary objective of managing the group's capital is to ensure that there is sufficient capital available to support the funding requirements of the group, including capital expenditure, in a way that optimises the cost of capital, maximises shareholders' returns and ensures that the group remains in a sound financial position. There were no changes to the group's overall capital management approach during the current year.

The group monitors capital using a net gearing ratio, which is net debt (interest-bearing borrowings less cash balances) divided by total equity. The group's policy is to keep the net gearing ratio below 50%.

Approval was obtained from the board to temporarily exceed the net gearing ratio benchmark, mainly due to the use of cash to fund acquisitions and the use of internally generated cash for the share buyback programme.

The group is not subject to any external capital requirements other than to fund acquisitive growth.

	2019	2018*
Net gearing ratio	(%) 65,5	17,5

* See note 37.1 for details regarding restatement for measurement period adjustment and note 37.2 for details about restatement as a result of prior period errors.

34. EVENTS AFTER THE REPORTING DATE

On 30 August 2019, Adapt IT (Pty) Ltd signed the deed of sale for the disposal of the Pretoria property for R9 000 000 inclusive of VAT. Refer to note 17 on page 129 for further details.

On 9 October 2019, The Standard Bank of South Africa Limited waived the breach of a debt covenant for a period of one year from the date of the audit report on the 30 June 2019 Financial Statements. Refer to note 22 on page 135 and 136 for further details.

No other significant transactions or events have occurred between year-end date and the date of this report.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

35. SEGMENT ANALYSIS

The reportable segments reflect the current operating model of the group and achieve alignment with the way in which the business is managed and reported on by the group's Chief Operating Officer (the Chief Operating Decision-Maker (CODM)). Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Monthly management meetings are held to evaluate segment performance against budget and forecast. The CODM does not monitor assets and liabilities by segment.

The group's reportable segments are Education, Manufacturing, Financial Services, Energy, Communications and Hospitality.

The following tables present turnover and EBITDA information regarding the group's operating segments for the year ended 30 June 2019 and 30 June 2018 respectively:

	Education R	Manufacturing R	Financial Services R	Energy R	Communications R	Hospitality R	Total R
30 June 2019							
Revenue	220 574 335	302 700 436	273 623 502	120 106 789	231 201 269	289 932 126	1 438 138 457
EBITDA*	35 713 870	45 954 915	51 240 876	6 274 046	74 848 263	26 074 817	240 106 787
Adjusted for:							
Depreciation (refer note 3)							(20 219 412)
Amortisation (refer note 3)							(42 570 522)
Transaction costs							(6 930 184)
Impairment of asset held for sale							(7 735 901)
Discount on settlement of loans receivable							(161 765)
Gain arising on derecognition of financial liability measured at amortised cost							3 261 614
Profit from operations							165 750 617
EBITDA* margin (%)	16	15	19	5	32	9	17
30 June 2018 (restated)^							
Revenue	177 732 748	240 112 020	314 887 863	172 806 367	137 069 437	290 240 366	1 332 848 801
EBITDA*	30 923 534	36 498 059	57 058 123	26 141 882	63 364 885	28 238 619	242 225 102
Adjusted for:							
Depreciation (refer note 3)							(13 910 219)
Amortisation (refer note 3)							(38 211 370)
Transaction costs							(5 617 947)
Fair value adjustment to financial liabilities							(2 891 886)
Profit on disposal of businesses							26 350 922
Profit from operations							207 944 602
EBITDA* margin (%)	17	15	18	15	46	10	18

* EBITDA represents operating profit before depreciation and amortisation adjusted for specific non-trading items.

^ See note 37.3 for details on restatement as a result of prior period errors.

The following table presents revenue by geographic area of the group's operating segments as at 30 June 2019 and 30 June 2018:

	Education R	Manufacturing R	Financial Services R	Energy R	Communications R	Hospitality R	Total R
30 June 2019							
Revenue from external customers by geographic area*	220 574 334	302 700 437	273 623 502	120 106 790	231 201 269	289 932 125	1 438 138 457
South Africa	132 337 039	204 699 563	222 717 760	117 248 482	170 855 548	244 406 393	1 092 264 785
African Countries**	42 014 940	70 523 063	31 058 577	720 024	31 727 467	38 000 487	214 044 558
United Kingdom	—	—	114 806	—	—	—	114 806
Europe	6 976 076	—	—	512 665	—	239 701	7 728 442
Asia	82 408	857 966	—	—	—	174 145	1 114 519
North America	—	4 582 066	19 716 766	1 625 619	—	—	25 924 451
South America	—	—	—	—	—	447 393	447 393
Australasia	39 163 871	21 565 214	15 593	—	28 618 254	1 515 019	90 877 951
Middle East	—	472 565	—	—	—	5 148 987	5 621 552
30 June 2018[^]							
Revenue from external customers by geographic area*	177 732 748	240 112 020	314 887 863	172 806 367	137 069 437	290 240 366	1 332 848 801
South Africa	119 288 168	170 387 776	235 471 049	157 469 664	133 870 450	265 900 648	1 082 387 755
African Countries**	29 141 059	54 599 630	61 277 206	259 658	10 039	24 154 763	169 442 355
United Kingdom	—	—	119 221	—	—	—	119 221
Europe	8 136 541	15 712	71 172	1 857 845	—	167 875	10 249 145
Asia	—	2 219 098	—	3 545 679	—	1 080	5 765 857
North America	—	913 199	17 932 429	7 032 152	—	16 000	25 893 780
South America	—	—	—	2 256 824	—	—	2 256 824
Australasia	21 166 980	11 976 605	16 786	384 545	3 188 948	—	36 733 864

* The revenue information above is based on the location of the customer.

** African countries are: Ghana, Zambia, Tanzania, Mozambique, Namibia, Malawi, Swaziland, Lesotho, Botswana, Nigeria, Sierra Leone, Zimbabwe, Kenya, Burundi, Congo, Rwanda, Uganda, Cameroon, Senegal, Ethiopia, Benin, Gambia, Egypt, Gabon, Angola, Guinea, Togo, Liberia, Tunisia, Côte d'Ivoire, Mali, Morocco, Mauritius, St Helena, Madagascar and South Sudan.

[^] See note 37.3 for details on restatement as a result of prior period errors.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

36. OPERATING SUBSIDIARIES

			Effective group holding		Investment	
Company name	Country of incorporation	Currency	2019 %	2018 %	2019 R	2018 R
Direct						
Adapt IT (Pty) Ltd	South Africa	ZAR	100	100	67 687 647	68 920 247
Adapt IT International Limited	Mauritius	USD	100	100	55 616 951	21 400 000
Adapt IT Solutions Pte Limited	Singapore	SGD	*100	–	24 565 132	–
Total direct investment					147 869 730	90 320 247
Indirect						
Micros South Africa (Pty) Ltd	South Africa	ZAR	100	100	75 636 788	75 636 788
CQS Confirmations (Pty) Ltd	South Africa	ZAR	100	70	2 000 000	1 400 000
Adapt IT Australasia Limited	New Zealand	NZD	100	100	4 149 179	524 551
Adapt IT Europe Limited	Ireland	EUR	100	100	–	–
Adapt IT Australasia (Pty) Ltd	Australia	AUD	100	100	35 044 591	602 599
Adapt IT Botswana (Pty) Ltd	Botswana	BWP	95	95	–	–
Adapt IT Nigeria Limited	Nigeria	NGN	100	100	14	–
LGR Analytics Inc	United States of America	USD	100	100	13 090	13 090
Adapt IT Solutions Limited	Kenya	KES	#100	–	13 592	–
Strive Software International (Pty) Ltd	South Africa	ZAR	**100	–	12 471 590	–
Que Dee Trading 35 (Pty) Ltd	South Africa	ZAR	***100	–	16 125 826	–
Cash Bases South Africa (Pty) Ltd	South Africa	ZAR	^100	100	6 393 663	14 397 333
Total indirect investment					151 848 333	92 574 361
Total investment in subsidiaries					299 718 063	182 894 608

* Incorporated on 27 December 2018.

Incorporated on 16 July 2018.

** Acquired 1 September 2018.

*** Acquired 1 December 2018 through minority buyout – Company name changed in August 2019 to Adapt IT Consulting (Pty) Ltd and the company is now held directly through Adapt IT Holdings Limited.

^ Dormant following the merger of the business into Adapt IT (Pty) Ltd on 1 July 2018.

Definitions:

AUD	Australian Dollar
BWP	Botswana Pula
KES	Kenyan Shilling
NGN	Nigerian Naira
NZD	New Zealand Dollar
EUR	Euro
SGD	Singapore Dollar
USD	US Dollar
ZAR	South African Rand

37. RESTATEMENT

37.1 ACQUISITION DATE MEASUREMENT PERIOD ADJUSTMENT

On 1 June 2018, the group acquired the business of CDR Live Limited (Mauritius registered), the issued share capital in its wholly-owned subsidiary, LGR Analytics Inc (USA registered), and the businesses of its wholly-owned subsidiaries, LGR Telecommunications (Pty) Ltd (South African registered) and LGR Telecommunications (Pty) Ltd (Australian registered) (collectively LGR).

The acquisition was provisionally accounted for in terms of the allowance per IFRS 3 Business Combinations.

In the business combination of LGR, an estimated fair value was placed on intangible assets as the purchase price allocation valuation of these assets had not been completed as at 30 June 2018.

The valuation of these assets, namely Customer Relationship and Internally Generated Software, has subsequently been finalised.

Furthermore, the fair value of other assets and liabilities acquired were also firmed up during the measurement period.

The effect on the business combination as at date of acquisition being 1 June 2018, is as follows:

	As previously reported R	Measurement period adjustment R	Restated amount R
Assets			
Property and equipment	561 359	19 301	580 660
Intangible assets	48 130 538	(20 603 357)	27 527 181
Deferred tax asset	–	1 632 315	1 632 315
Trade and other receivable	8 966 464	(204 437)	8 762 027
Cash and cash equivalents	–	180 369	180 369
Total assets	57 658 361	(18 975 809)	38 682 552
Liabilities			
Deferred tax liability	119 450	599 851	719 301
Trade and other payables	9 555 940	5 208 958	14 764 898
Current tax	–	1 010 686	1 010 686
Total liabilities	9 675 390	6 819 495	16 494 885
Total identifiable net assets	47 982 971	(25 795 304)	22 187 667
Goodwill arising on acquisition	2 975 780	25 795 304	28 771 084
Fair value of consideration payable	50 958 751	–	50 958 751
Fair value of consideration payable			–
Cash paid	42 800 000	–	42 800 000
Fair value of contingent purchase consideration owing in respect of acquisition	8 158 751	–	8 158 751
Fair value of consideration payable	50 958 751	–	50 958 751
Cash outflow on acquisition			
Net cash acquired with the subsidiary	–	180 369	180 369
Cash paid	(42 800 000)	–	(42 800 000)
Net cash outflow on acquisition	(42 800 000)	180 369	(42 619 631)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

37. RESTATEMENT CONTINUED

37.2 MEASUREMENT PERIOD ADJUSTMENT AND CORRECTION OF PRIOR PERIOD ERRORS TO 30 JUNE 2018 AS PREVIOUSLY REPORTED

Significant contract revenue recognition

As a result of the adoption of IFRS 15, a detailed analysis of revenue contracts was undertaken. The revenue recognition for a significant contract, won in the 2018 financial year, was incorrectly done for the following reasons:

- Revenue from the project was being recognised by including a contingency fee which was still subject to customer approval though a variation order and therefore should not have been taken into account;
- The subcontractor aspect of the contract was being treated as agent as opposed to principal; and
- License revenue was being treated as principal instead of agent.

This included project revenue (services rendered) as well as licensing revenue (sale of goods).

Pre-invoicing on executory contracts

As at 30 June 2018 the trade and other receivables, trade and other payables and deferred income were overstated due to pre-invoicing of certain contracts that were still executory in nature and no cash had been collected. This was due to advance/pre-invoicing by the business. This had no impact on profit.

The effect of the at acquisition measurement period adjustment (note 37.1) and the related impacts to 30 June 2018, together with the correction for the prior period errors on the 30 June 2018 consolidated results are as follows (refer to note 6 for restated earnings per share information):

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	30 June 2018 As previously reported R	LGR measurement period adjustment R	Significant contract revenue recognition			30 June 2018 Restated R
			Revenue recognition R	License treated as principal instead of agent R	Subcontractor treated as agent instead of principal R	
Revenue	1 348 403 468	–	(10 220 399)	(15 128 140)	9 793 872	1 332 848 801
Cost of sales	(533 123 742)	–	–	15 128 140	(9 793 872)	(527 789 474)
Gross profit	815 279 726	–	(10 220 399)	–	–	805 059 327
Administrative, selling and other costs	(623 426 024)	(39 623)	–	–	–	(623 465 647)
Other income	26 350 922	–	–	–	–	26 350 922
Profit from operations	218 204 624	(39 623)	(10 220 399)	–	–	207 944 602
Finance income	5 492 972	–	–	–	–	5 492 972
Finance costs	(28 559 603)	–	–	–	–	(28 559 603)
Profit before taxation	195 137 993	(39 623)	(10 220 399)	–	–	184 877 971
Income tax expense	(65 526 402)	(63 792)	2 861 712	–	–	(62 728 482)
Profit for the year	129 611 591	(103 415)	(7 358 687)	–	–	122 149 489
Attributable to:						
Equity holders of the parent	122 020 035	(103 415)	(7 358 687)	–	–	114 557 933
Non-controlling interest	7 591 556	–	–	–	–	7 591 556
Other comprehensive loss						
Items that will not be classified to profit and loss	(2 750 454)	–	–	–	–	(2 750 454)
Devaluation of land and building	(3 544 400)	–	–	–	–	(3 544 400)
Income tax effect	793 946	–	–	–	–	793 946
Items that may be reclassified subsequently to profit and loss	533 692	1 714 780	–	–	–	2 248 472
Exchange gain arising from translation of foreign operations	533 692	1 714 780	–	–	–	2 248 472
Total comprehensive income	127 394 829	1 611 365	(7 358 687)	–	–	121 647 507

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

37. RESTATEMENT CONTINUED

37.2 MEASUREMENT PERIOD ADJUSTMENT AND CORRECTION OF PRIOR PERIOD ERRORS TO 30 JUNE 2018 AS PREVIOUSLY REPORTED CONTINUED

STATEMENT OF FINANCIAL POSITION

	30 June 2018 As previously reported R	LGR measurement period adjustment R	Significant contract revenue recognition R	Pre-invoicing on executory contract R	30 June 2018 Restated R
ASSETS					
Non-current assets	974 153 583	6 735 837	680 846	–	981 570 266
Property and equipment	96 241 640	19 301	–	–	96 260 941
Intangible assets	239 365 393	(19 603 051)	–	–	219 762 342
Goodwill	571 931 924	26 319 587	–	–	598 251 511
Finance lease receivables	23 666 262	–	–	–	23 666 262
Loans receivable	15 288 798	–	–	–	15 288 798
Deferred taxation asset	27 659 566	–	680 846	–	28 340 412
Current assets	413 361 377	180 369	(8 039 533)	(13 908 355)	391 593 858
Inventories	21 994 177	–	–	–	21 994 177
Trade and other receivables	272 691 888	–	(10 220 399)	(13 908 355)	248 563 134
Current tax receivable	1 632 675	–	2 180 866	–	3 813 541
Finance lease receivables	10 986 946	–	–	–	10 986 946
Loans receivable	4 096 044	–	–	–	4 096 044
Cash and cash equivalents	86 397 659	180 369	–	–	86 578 028
Assets classified as held for sale	15 561 988	–	–	–	15 561 988
Total assets	1 387 514 960	6 916 206	(7 358 687)	(13 908 355)	1 373 164 124
EQUITY AND LIABILITIES					
Equity					
Share capital	16 054	–	–	–	16 054
Treasury shares	(819)	–	–	–	(819)
Share premium	340 277 986	–	–	–	340 277 986
Equity compensation reserve	19 221 006	–	–	–	19 221 006
Foreign currency translation reserve	3 304 659	1 714 780	–	–	5 019 439
Retained earnings	388 101 858	(103 415)	(7 358 687)	–	380 639 756
Attributable to equity holders of the parent	750 920 744	1 611 365	(7 358 687)	–	745 173 422
Non-controlling interests	2 283 174	–	–	–	2 283 174
Total equity	753 203 918	1 611 365	(7 358 687)	–	747 456 596
Non-current liabilities	287 750 540	(970 137)	–	–	286 780 403
Interest-bearing borrowings	200 794 458	–	–	–	200 794 458
Financial liabilities	33 479 340	–	–	–	33 479 340
Finance lease liabilities	1 670 033	–	–	–	1 670 033
Deferred taxation liability	51 806 709	(970 137)	–	–	50 836 572
Current liabilities	346 560 502	6 274 978	–	(13 908 355)	338 927 125
Trade and other payables	133 859 490	5 208 958	–	(4 119 552)	134 948 896
Deferred income	105 458 045	–	–	(9 788 803)	95 669 242
Provisions	51 841 262	–	–	–	51 841 262
Current tax payable	1 453 331	1 066 020	–	–	2 519 351
Current portion of interest-bearing borrowings	13 680 725	–	–	–	13 680 725
Financial liabilities	38 951 795	–	–	–	38 951 795
Finance lease liabilities	1 315 854	–	–	–	1 315 854
Total equity and liabilities	1 387 514 960	6 916 206	(7 358 687)	(13 908 355)	1 373 164 124

STATEMENT OF CASH FLOW

In addition to the prior period errors described on page 154, additional errors were noted on the statement of cash flow as follows:

- The cash flow relating to finance lease receivables was incorrect as the net movement on the carrying amount from acquisition date to the year-end was treated as a cash flow as opposed to cash received on repayments from customers. Whilst correcting for this, it was identified that the issue for cash proceeds reported included certain non-cash share issues to employees; and
- The settlement of contingent purchase consideration in Investing Activities included the full amount of the cash settled instead of only amounts recognised on date of acquisition. The imputed interest should have been recorded in Operating Activities as this is where finance costs cash flows are presented for the group. Furthermore, the cash settled in relation to changes to the anticipated amounts determined to be paid on date of acquisition, should have been presented in Financing Activities as this is where the group has elected to present such cash flows.

	30 June 2018 As previously reported R	LGR measurement period adjustment R	Finance lease receivables reclassification and share issue for cash R	Contingent consideration settlement R	30 June 2018 Restated R
OPERATING ACTIVITIES					
Cash generated from operations	257 709 547	–	2 285 648	–	259 995 195
Finance income	3 957 779	–	–	–	3 957 779
Finance costs	(23 403 322)	–	–	(1 286 449)	(24 689 771)
Dividends paid	(34 970 537)	–	–	–	(34 970 537)
Taxation paid	(68 951 177)	–	–	–	(68 951 177)
Net cash flow from operating activities	134 342 290	–	2 285 648	(1 286 449)	135 341 489
INVESTING ACTIVITIES					
Property and equipment acquired	(90 683 597)	–	–	–	(90 683 597)
Intangible assets acquired and developed	(9 033 738)	–	–	–	(9 033 738)
Proceeds on disposal of property and equipment	2 065 746	–	–	–	2 065 746
Proceeds from loans receivable	5 752 936	–	–	–	5 752 936
Payments to acquire financial assets	(2 160 186)	–	2 160 186	–	–
Settlement of contingent purchase consideration	(22 390 664)	–	–	9 706 112	(12 684 552)
Net cash outflow on acquisition of subsidiaries	(108 734 438)	180 369	–	–	(108 554 069)
Proceeds from disposal of subsidiary	42 027 110	–	–	–	42 027 110
Net cash utilised in investment activities	(183 156 831)	180 369	2 160 186	9 706 112	(171 110 164)
FINANCING ACTIVITIES					
Proceeds from borrowings	323 000 000	–	–	–	323 000 000
Repayment of borrowings	(242 822 697)	–	–	–	(242 822 697)
Proceeds from finance lease	285 291	–	–	–	285 291
Share repurchases	(72 666 348)	–	–	–	(72 666 348)
Issue of shares for cash	35 297 437	–	(4 445 834)	–	30 851 603
Settlement of acquired contingent purchase consideration relating to subsequent fair value changes	–	–	–	(8 419 663)	(8 419 663)
Repayment of vendor loans	(6 723 864)	–	–	–	(6 723 864)
Net cash flows from financing activities	36 369 819	–	(4 445 834)	(8 419 663)	23 504 322
Net decrease in cash resources	(12 444 722)	180 369	–	–	(12 264 353)
Exchange gain on translation	793 671	–	–	–	793 671
Cash and cash equivalents at beginning of year	98 048 710	–	–	–	98 048 710
Cash and cash equivalents at end of year	86 397 659	180 369	–	–	86 578 028

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

37. RESTATEMENT CONTINUED

37.2 MEASUREMENT PERIOD ADJUSTMENT AND CORRECTION OF PRIOR PERIOD ERRORS TO 30 JUNE 2018 AS PREVIOUSLY REPORTED CONTINUED

NOTES TO THE STATEMENT OF CASH FLOW

	30 June 2018 As previously reported R	LGR measurement period adjustment R	Significant contract revenue recognition R	Finance lease receivables reclassification and share issue for cash R	Pre-invoicing on executory contracts R	30 June 2018 Restated R
Cash generated from operations						
Profit before taxation	195 137 993	(39 623)	(10 220 399)	—	—	184 877 971
<i>Adjustments for:</i>						
Depreciation and amortisation	51 897 521	224 068	—	—	—	52 121 589
Unrealised foreign exchange gains	—	(184 445)	—	—	—	(184 445)
Net profit on disposal of property and equipment	473 160	—	—	—	—	473 160
Finance income (refer note 3)	(3 957 779)	—	—	—	—	(3 957 779)
Finance costs (refer note 3)	28 559 603	—	—	—	—	28 559 603
Share-based payment expense	4 823 482	—	—	—	—	4 823 482
Scrapping of property and equipment	385 239	—	—	—	—	385 239
Profit on sale of investment in Uyandiswa Project Management Solutions (Pty) Ltd	(84 108)	—	—	—	—	(84 108)
Profit on sale of CQS GRC Solutions (Pty) Ltd assets	(7 212 790)	—	—	—	—	(7 212 790)
Profit on disposal of subsidiary	(19 054 024)	—	—	—	—	(19 054 024)
Fair value adjustment to financial liabilities	2 891 886	—	—	—	—	2 891 886
Finance lease receivable profit	—	—	—	(10 859 926)	—	(10 859 926)
<i>Working capital changes:</i>						
Decrease in inventory	5 995 138	—	—	2 285 648	—	8 280 786
Decrease/(increase) in trade and other receivables	(12 596 566)	—	10 220 399	—	13 908 355	11 532 188
Finance lease receivable receipts	—	—	—	10 859 926	—	10 859 926
Decrease in trade and other payables	(10 170 508)	—	—	—	(4 119 552)	(14 290 060)
Increase/(decrease) in deferred income	1 383 724	—	—	—	(9 788 803)	(8 405 079)
Increase in provisions	19 237 576	—	—	—	—	19 237 576
	257 709 547	—	—	2 285 648	—	259 995 195
Taxation paid						
Charge to the statement of profit or loss and other comprehensive income	65 526 402	63 792	(2 861 712)	—	—	62 728 482
Adjustment for deferred taxation	14 737 505	(8 458)	680 846	—	—	15 409 893
Acquisition of subsidiary	1 694 862	1 010 686	—	—	—	2 705 548
Disposal of CQS GRC Solutions (Pty) Ltd	(2 660 320)	—	—	—	—	(2 660 320)
Movement in taxation balance	(10 347 272)	(1 066 020)	2 180 866	—	—	(9 232 426)
	68 951 177	—	—	—	—	68 951 177

37.3 SEGMENT ANALYSIS ERRORS

The segment analysis for 30 June 2018 is restated for the following reasons:

- The effect of the measurement period adjustment, together with the correction for prior period errors (refer note 37.2);
- Communications should have been reported as a separate segment as its contribution is greater than 10%. Previously it was included in the Manufacturing and Financial Services segments;
- Shared services costs was inconsistently applied to determine segment EBITDA. These costs are now proportionately allocated based on segment EBITDA contribution before arriving at final segment EBITDA; and
- Other has been removed as a segment as these related to non-trading items.

The following table present turnover and EBITDA information regarding the group's operating segments for the year ended 30 June 2018 as previously reported:

	Education R	Manufacturing R	Financial Services R	Energy R	Hospitality R	Other R	Total R
Revenue	177 732 748	373 022 527	332 148 564	175 259 263	290 240 366	—	1 348 403 468
Segment EBITDA	31 766 389	92 526 573	55 698 553	35 761 021	35 140 050	19 209 559	270 102 145
EBITDA margin (%)	18	25	17	20	12		20

The effect of the measurement period adjustment and correction for the above prior period errors on the 30 June 2018 segment analysis are as follows:

	Education R	Manufacturing R	Financial Services R	Energy R	Communications R	Hospitality R	Other R	Total R
Revenue as previously reported	177 732 748	373 022 527	332 148 564	175 259 263	—	290 240 366	—	1 348 403 468
Significant contract revenue recognition	—	(13 101 771)	—	(2 452 896)	—	—	—	(15 554 667)
Communications separately reportable segment	—	(119 808 736)	(17 260 701)	—	137 069 437	—	—	—
Total revenue restated	177 732 748	240 112 020	314 887 863	172 806 367	137 069 437	290 240 366	—	1 332 848 801
EBITDA as previously reported	31 766 389	92 526 573	55 698 553	35 761 021	—	35 140 050	19 209 559	270 102 145
Significant contract revenue recognition	—	(7 767 503)	—	(2 452 896)	—	—	—	(10 220 399)
Measurement period adjustment	—	—	—	—	184 445	—	—	184 445
Communications separately reportable segment	—	(35 463 536)	(21 366 110)	—	56 829 646	—	—	—
Shared services costs revised allocation	(842 855)	(12 797 475)	22 725 680	(7 166 243)	6 350 794	(6 901 431)	(1 368 470)	—
Non-trading items	—	—	—	—	—	—	(17 841 089)	(17 841 089)
Total EBITDA* restated	30 923 534	36 498 059	57 058 123	26 141 882	63 364 885	28 238 619	—	242 225 102
EBITDA margin restated (%)	17	15	18	15	46	10		18

* EBITDA represents operating profit before depreciation and amortisation adjusted for specific non-trading items.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

37. RESTATEMENT CONTINUED

37.3 SEGMENT ANALYSIS ERRORS CONTINUED

Revenue by geographic area as at 30 June 2018 is restated as follows:

	Education R	Manufacturing R	Financial Services R	Energy R	Communications R	Hospitality R	Total R
Revenue from external customers by geographic area as previously reported							
South Africa	119 288 168	300 100 602	252 718 416	159 922 560	—	265 900 648	1 097 930 394
African Countries	29 141 059	54 608 362	61 290 540	259 658	—	24 154 763	169 454 382
Australasia	21 166 980	15 165 554	16 786	384 545	—	—	36 733 865
Revenue from external customers by geographic area restated							
South Africa	119 288 168	170 387 776	235 471 049	157 469 664	133 870 450	265 900 648	1 082 387 755
African Countries	29 141 059	54 599 630	61 277 206	259 658	10 039	24 154 763	169 442 355
Australasia	21 166 980	11 976 605	16 786	384 545	3 188 948	—	36 733 864

38. COMPANY RESTATEMENT

As the listed holding company of the group essentially holds investments in subsidiaries within the group, it earns investment income from dividends as well as management fees from subsidiaries. These income streams should have been classified as revenue in prior years as these form part of the operating activities of the company.

The effect on the 30 June 2018 statement of profit or loss and other comprehensive income is as follows:

	30 June 2018 As previously reported R	Revenue reclassification R	30 June 2018 Restated R
Revenue	–	25 493 947	25 493 947
Administrative, selling and other costs	(3 485 175)	–	(3 485 175)
Sundry revenue	3 500 000	(3 500 000)	–
Profit from operations	14 825	21 993 947	22 008 772
Dividend received	21 993 947	(21 993 947)	–

IFRS 2: Share-based payment

In terms of the approved Share Incentive Plan, the company has the obligation to settle in its own shares to employees of the group with respect to any incentive vested and exercised. The company makes a capital contribution to its subsidiary as the share-based payment expense is recorded by the subsidiary that receive the services of the employees in terms of the incentive plan.

The company therefore should measure its obligation under the incentive plan over the vesting period by increasing the cost of its investment in its subsidiary and its equity compensation reserve.

Previously the company only recognised the actual issue of its shares with the corresponding entry increasing its investment in the subsidiary.

The effect of the restatement on the 30 June 2018 financial position is as follows:

	30 June 2018 As previously reported R	Share-based payment correction R	30 June 2018 Restated R
Non-current assets			
Interest in subsidiaries and share trust	71 099 241	19 221 006	90 320 247
Equity			
Equity compensation reserve	–	19 221 006	19 221 006

The effect of the restatement on the 30 June 2017 financial position is as follows:

	30 June 2017 As previously reported R	Share-based payment correction R	30 June 2017 Restated R
Non-current assets			
Interest in subsidiaries and share trust	49 511 335	5 167 430	54 678 765
Equity			
Equity compensation reserve	–	5 167 430	5 167 430

There were no changes to the statement of cash flows.

SHAREHOLDER INFORMATION

SHARES AND SHAREHOLDERS

		2019	2018
PERFORMANCE ON THE JSE LIMITED			
Total number of shares traded	('000)	29 071	45 120
Total number of shares traded as a percentage of total issue shares (liquidity)	(%)	19	28
Total value of shares traded	(R'000)	165 907	369 836
<i>Prices:</i>			
Closing	(cents)	568	900
High	(cents)	579	1099
Low	(cents)	550	560
SPREAD (NUMBER OF SHAREHOLDERS)			
Up to 10 000 shares		6 771	7 088
10 001 to 100 000 shares		975	1 042
100 001 to 200 000 shares		50	57
Over 200 000 shares		82	87
		7 878	8 274

	Number	%	Shares	%
SHAREHOLDER DISTRIBUTION				
Public	7 809	99	102 535 246	67
Non-public	63	1	12 321 888	8
Directors	4	–	22 004 705	15
Associates of directors	1	–	400 000	–
Subsidiaries	1	–	15 251 315	10
	7 878	100	152 513 154	100

PRINCIPAL SHAREHOLDERS

The following are the principal shareholders whose holdings in the company total more than 5% of the total issued share capital as at 30 June 2019.

	%	Shares
Adapt IT (Pty) Ltd	10	15 251 315
Sibusiso Shabalala	9	14 316 646

SHAREHOLDERS' DIARY

Financial year-end	30 June
Annual general meeting	November
Reports and profit statements	
Interim report	February
Audited Group results	September
Annual report and financial statements issued	October

Shareholders are reminded to notify the transfer secretary of any change in address.

NOTICE OF ANNUAL GENERAL MEETING

ADAPT IT HOLDINGS LIMITED

Incorporated in the Republic of South Africa

Registration number 1998/017276/06

Share code: ADI

ISIN: ZAE000113163

("Adapt IT" or "the company" or "the group")

NOTICE OF THE 20TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

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 20th annual general meeting of shareholders of Adapt IT will be held on Friday, 22 November 2019 at 09:00 at the company's office situated at No. 152, 14th Road, Midrand, Johannesburg, for the purpose of considering, and, if deemed fit, passing, with or without modification, the resolutions set out hereafter.

The Board of Directors of the company ("the Board") has determined that, in terms of section 62(3)(a), as read with section 59 of the Companies Act, No. 71 of 2008, as amended ("the Companies Act"), the record date for the purposes of determining which shareholders of the company are entitled to participate in and vote at the annual general meeting is Friday, 15 November 2019. Accordingly, the last date to trade in order to be registered in the register of shareholders of the company and therefore be eligible to participate in and vote at the annual general meeting is Tuesday, 12 November 2019.

1. SPECIAL RESOLUTIONS

To consider and, if deemed fit, to pass, with or without modification, the following special resolutions. The percentage of voting rights that will be required for the adoption of each special resolution is the support of at least 75% of the voting rights exercised on the resolution.

1.1 SPECIAL RESOLUTION NUMBER 1 – NON-EXECUTIVE DIRECTORS' FEES

Resolved as a special resolution that, unless otherwise determined by the company in a general meeting, the following annual fees payable by the company to its non-executive directors for their service as directors, with effect from 1 July 2019, are approved:

	Fee for the year ended 30 June 2019 R	Proposed fee year ending 30 June 2020 R
Chairman	424 855	446 098
Lead Independent Director	357 047	374 899
Director	289 238	303 700

Explanation

Section 66(9) of the Companies Act requires that a company may pay remuneration to its directors for their services as directors only in accordance with a special resolution approved by the shareholders within the previous two years. The reason for, and effect of, special resolution number 1 is to grant the company the authority to pay fees to its non-executive directors for their services as directors. The non-executive directors' fees are benchmarked against similar sized companies listed on the JSE.

1.2 SPECIAL RESOLUTION NUMBER 2 – GENERAL APPROVAL TO ACQUIRE OWN SHARES

Resolved, as a general approval by special resolution, that the company and/or any of its subsidiaries from time to time be and they are hereby authorised to acquire ordinary shares in the company in terms of, and subject to, the Companies Act, the Memorandum of Incorporation of the company and its subsidiaries and the Listings Requirements of the JSE Limited ("JSE Listings Requirements"), as amended from time to time. Any acquisition of ordinary shares is also subject to the sanction of any other authority whose approval is required by law, regulation or the JSE Listings Requirements.

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

- the acquisition of the ordinary shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- this general authority shall only be valid until the earlier of the company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date of passing of this special resolution;

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

- in determining the price at which the company's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date on which the transaction is effected;
- at any point in time, the company may only appoint one agent to effect any acquisition/s on its behalf;
- the acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty percent) of the company's issued ordinary share capital;
- the company may only effect the repurchase once a resolution has been passed by the Board confirming that the Board has authorised the repurchase, that the company has passed the solvency and liquidity test ("**test**") and that since the test was done there have been no material changes to the financial position of the group;
- the company or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements; and
- an announcement will be published once the company has cumulatively repurchased 3% (three percent) of the number of the ordinary shares in issue at the time this general authority is granted ("**initial number**"), and for each 3% (three percent) in aggregate of the initial number acquired thereafter.

Explanation

Special resolution number 2 is to grant the company a general authority for the company and the company's subsidiaries to acquire the company's issued ordinary shares. There is no requirement in the Companies Act for shareholder approval unless the acquisition by the company of any particular class of securities exceeds 5% (five percent) of the issued shares of that class, either alone or together with other transactions in an integrated series of transactions, per sections 48(8), 115 and 116 of the Companies Act.

It is the intention of the directors of the company to use such authority should prevailing circumstances (including tax dispensations and market conditions) in their opinion warrant it but subject at all times to the requirements of the Companies Act, the JSE Listings Requirements and the Memorandum of Incorporation of the company.

1.2.1 Other disclosure in terms of section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosures, which are contained in the integrated annual report of which this notice forms part:

- Share capital of the company page 130; and
- Major shareholders of the company page 162.

1.2.2 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.

1.2.3 Directors' responsibility statement

The directors, whose names are given on pages 56 and 57 of the integrated annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 2 and certify that to the best of their knowledge and belief there are no facts in relation to special resolution number 2 that have been omitted which would make any statement in relation to special resolution number 2 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 2 together with this notice contains all information required by law and the JSE Listings Requirements in relation to special resolution number 2.

1.2.4 Adequacy of working capital

At the time that the contemplated repurchase is to take place, the directors of the company will ensure that, after considering the effect of the maximum repurchase and for a period of 12 months thereafter:

- the company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business;
- the consolidated assets of the company and its subsidiaries, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the consolidated liabilities of the company and its subsidiaries;
- the issued share capital and reserves of the company and its subsidiaries will be adequate for the purpose of the ordinary business of the company and its subsidiaries; and
- the working capital available to the company and its subsidiaries will be sufficient for the group's requirements.

1.3 SPECIAL RESOLUTION NUMBER 3 – LOANS OR OTHER FINANCIAL ASSISTANCE TO RELATED COMPANIES

Resolved that, as a special resolution, in terms of section 45 of the Companies Act, the shareholders hereby approve of the company providing, at any time and from time to time during the period of two years commencing on the date of this special resolution number 3, any direct or indirect financial assistance (which includes lending money, guaranteeing a loan or other obligation, and securing any debt or obligation) as contemplated in section 45 of the Companies Act to a related or inter-related company or corporation or to a member of any such related or inter-related corporation provided that:

- the Board from time to time, determines:
 - the specific recipient or general category of potential recipients of such financial assistance;
 - the form, nature and extent of such financial assistance;
 - the terms and conditions under which such financial assistance is provided; and
- the Board may not authorise the company to provide any financial assistance pursuant to this special resolution number 3 unless the Board meets all those requirements of section 45 of the Companies Act which it is required to meet in order to authorise the company to provide such financial assistance.

Explanation

The reason for and effect of special resolution number 3 is to grant the Board the authority to authorise the company to provide financial assistance as contemplated in section 45 of the Companies Act, to the persons specified in section 45(2), i.e. a related or inter-related company or corporation, or to a member of a related or inter-related corporation.

This resolution is intended to enable the company to provide inter-company loans and guarantees within the group.

1.4 SPECIAL RESOLUTION NUMBER 4 – CONVERSION OF SHARE CAPITAL TO NO PAR VALUE SHARES AND AMENDMENT OF ARTICLE 6.1.1 OF THE MEMORANDUM OF INCORPORATION

Whereas, the authorised share capital of the company is 200,000,000 ordinary par value shares of 0.01 cents each and the issued share capital as at 30 June 2019 is 152,513,154 ordinary par value shares of 0.01 cents each, as set out in note 18 on page 130.

Resolved that, as a special resolution, in terms of regulations 31(5) and 31(6) of the Companies Regulations 2011, as amended, section 16 of the Companies Act 2008, as amended, article 37 of the memorandum of incorporation and other applicable provisions, if any, article 6.1.1 of the memorandum of incorporation of the company be and is hereby amended by the conversion of all the authorised share capital of the company (including issued share capital) comprising 200,000,000 ordinary par value shares of 0.01 cents each to 200,000,000 ordinary shares of no par value.

Explanation

Regulations 31(2) and 31(5) of the Companies Regulations 2011, as amended, do not allow a company to authorise new par value shares. Any increase in share capital of pre-existing companies that have a share capital comprising of par value shares may only be undertaken after the share capital of the company has been converted to shares of no par value. Such conversion would also bring the company in line with the Companies Act. In accordance with regulation 31(7), the Board has prepared the attached report on page 177 as Annexure "A", which report sets out the material effects of the proposed conversion on the value of the ordinary shares and the rights of shareholders.

1.5 SPECIAL RESOLUTION NUMBER 5 – INCREASE IN AUTHORISED SHARE CAPITAL AND AMENDMENT OF ARTICLE 6.1.1 OF THE MEMORANDUM OF INCORPORATION

Subject to the adoption of special resolution number 4:

Resolved that, in terms of section 16 of the Companies Act, 2008, as amended, and articles 6.2 and 37 of the memorandum of incorporation, article 6.1.1 of the memorandum of incorporation of the company in respect of the authorised share capital be and is hereby amended to increase the authorised share capital from 200 000 000 ordinary no par value shares to 300 000 000 ordinary no par value shares.

Explanation

In terms of section 36(2) of the Companies Act, as read with article 16(2) of the memorandum of incorporation, the number of the company's authorised shares as set out in the company's memorandum of incorporation may be changed by way of a shareholders' special resolution.

The reason for, and effect of, special resolution number 5 is, therefore, to increase the authorised share capital by amending the memorandum of incorporation of the company. This is a follow through from special resolution number 4 which converts the share capital from par value to no par value shares as a necessary sequence of steps prescribed by regulation 31 of the Companies

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Regulations 2011, as amended, to achieve the increase in authorised share capital. The additional authorised shares will provide sufficient authorised ordinary shares to enable the company to raise additional capital for its operations and/or for expansion and growth.

1.6 SPECIAL RESOLUTION NUMBER 6 – REMOVAL OF TIME LIMIT FOR FILING OF PROXIES AND DELETION OF ARTICLE 21.4.3 OF THE MEMORANDUM OF INCORPORATION

Resolved that, in terms of section 16 of the Companies Act, 2008, as amended, and article 37 of the memorandum of incorporation, article 21.4.3 of the memorandum of incorporation of the company imposing a time limit for the delivery of proxies be and is hereby deleted.

Explanation

The purpose of the amendment is to bring the memorandum of incorporation of the company in line with the binding decision of the Supreme Court of Appeal in the case of *Richard Du Plessis Barry v Clearwater Estates NPC* [2017] ZASCA 11 ruling that in terms of the current section 58(1) as read with section 58(3)(c) of the Companies Act a shareholder is entitled to appoint a proxy **“at any time”** to exercise that shareholder’s rights and accordingly any provision seeking to impose a time limit for the submission of proxies before the meeting is void.

The effect of the amendment is that the current time limit for the submission of proxies is removed.

1.7 SPECIAL RESOLUTION NUMBER 7 – ADJUSTMENT OF BOARD POWER TO MAKE INTERIM DIRECTOR APPOINTMENTS AND AMENDMENT OF ARTICLE 24.9 OF THE MEMORANDUM OF INCORPORATION

Resolved that, in terms of section 16 of the Companies Act, 2008, as amended, and article 37 of the memorandum of incorporation, article 24.9 of the memorandum of incorporation of the company in respect of directors be and is hereby deleted and the following substituted:

“24.9 The Board has the following powers, and such powers are only limited and restricted as contemplated in this clause 24:

24.9.1 on a temporary basis, to appoint directors in order to fill any vacancy or as an addition to the Board; provided that such appointment must be confirmed by the Shareholders, in accordance with clause 24.2, at the next annual general meeting of the Company, as required in terms of section 70(3)(b)(i) (with reference to vacancies); and

24.9.2 to exercise all of the powers and perform any of the functions of the Company, as set out in section 66(1).”

Explanation

The purpose of the amendment is to extend the power of the Board to include the appointment of directors to both fill casual vacancies and make additional appointments, subject always to confirmation by shareholders at the next AGM as provided for in the wording of the clause and consistent with the Companies Act as well as the JSE Listings Requirements. The Board powers are further governed by the Board Charter. This provision is intended to assist the Board by giving it the agility it needs to attract significant investors, make strategic acquisitions and achieve or maintain the highest possible level of contribution to broad-based black economic empowerment.

The effect of the amendment is that the Board will be able to temporarily add directors subject to confirmation at the next AGM.

1.8 SPECIAL RESOLUTION NUMBER 8 – PROVISION FOR ALTERNATES AND INSERTION OF NEW ARTICLE 24.20 IN THE MEMORANDUM OF INCORPORATION

Resolved that, in terms of section 16 of the Companies Act, 2008, as amended, and article 37 of the memorandum of incorporation, article 24 of the memorandum of incorporation of the company in respect of directors be and is hereby amended by the insertion of the following new articles 24.20 – 24.22:

“Alternate Directors

24.20 Each Director may in writing appoint no more than one alternate Director at a time to act in such Director’s place during such Director’s absence or inability to act as such. Such alternate Director shall be a person who:

24.20.1 is not disqualified from holding the office of Director;

24.20.1 is not already appointed as an alternate Director for another Director; and

24.20.2 has been elected or approved by Shareholders by ordinary resolution: provided that an alternate Director may be appointed with the approval of the Board in lieu of the Shareholders if as a result no less than 50% of the alternate Directors on the Board are Directors that have been elected or approved by Shareholders, in compliance with section 66(4)(b) of the Act.

- 24.21 *On the appointment of an alternate Director being duly made and approved, the alternate Director shall, whilst acting in the place of the Director who appointed such alternate, exercise and discharge all the duties and functions of the Director being represented.*
- 24.22 *The appointment of an alternate Director shall cease if such alternate Director is removed or disqualified from acting as a Director in terms of this Memorandum of Incorporation or the Act, or if the appointing Director ceases to be a Director or gives notice to the Company Secretary that the appointment of the alternate Director representing such Director has been revoked. An alternate Director shall look to the Director who appointed such alternate Director for remuneration."*

Explanation

The memorandum of incorporation of the company does not presently make specific provision for the appointment of alternate directors. It is desirable that the Board and directors have the flexibility to include provision for the election or appointment of alternates to enable the Board to have a full complement of Directors and skills if any Director is absent or temporarily unable for any reason to attend meetings or consider proposals or to otherwise act. The Companies Act requires that at least 50% of alternate directors must be elected by shareholders and this has been incorporated into the amendments.

The effect of the amendment is that the Company will be able to elect, appoint and/or remove alternates as the situation demands.

1.9 SPECIAL RESOLUTION NUMBER 9 – ADOPTION OF A NEW CONSOLIDATED MEMORANDUM OF INCORPORATION

Resolved that, in terms of section 16 of the Companies Act, 2008, as amended, and article 37 of the memorandum of incorporation, the current memorandum of incorporation be deleted in its entirety and substituted by a new consolidated memorandum of incorporation signed by the Chairperson for identification.

Explanation

The current memorandum of incorporation (MOI) was registered in early 2013 and it is overdue for a review in order to incorporate the key amendments that have been proposed for adoption as special resolutions above, to ensure ongoing compliance with the JSE Listings Requirements and in order to effect a general clean-up.

An explanation of the salient features of these changes (other than those highlighted in the special resolutions above) is set out below. These salient features are not an exhaustive summary of the MOI. Shareholders are advised to read the full MOI which will be available for inspection on the company's website (www.adaptit.com/investors/AGM) and at the company's registered office from the date of this notice of annual general meeting, up to and including the date of the annual general meeting.

Articles 1.1 -1.8 – Interpretation – general tidying up of the definitions and relocation of the definition of "Law";

Existing Article 1.9 – deletion of provisions relating to expert determination;

Articles 2 and 6 – relocated from lower down in the document;

Article 8 – adjustments to the wording dealing with powers of directors relating to the issuing of securities of the company;

Existing Article 11.2 – deletion of provisions relating to death of a shareholder;

Article 18 – deletion of provisions covered by the Companies Act;

Existing Article 23 – deletion of provisions allowing for shareholders to act other than at a meeting in terms of section 60 of the Companies Act;

Article 25 – amended to comply with the JSE Listings Requirements, as amended;

Existing article 27 – provisions dealing with managing directors deleted; and

New Annexure 1 –provides for a new formal amended form of proxy.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

2. ORDINARY RESOLUTIONS

To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolutions. The percentage of voting rights that will be required for the adoption of each ordinary resolution is the support of more than 50% (fifty percent) of the voting rights exercised on the resolution. In the case of ordinary resolution number 10 and number 11, the JSE Listings Requirements prescribe a 75% (seventy-five percent) majority vote.

2.1 ORDINARY RESOLUTION NUMBER 1 – FINANCIAL STATEMENTS

To receive, consider and adopt the consolidated audited annual financial statements of the company for the year ended 30 June 2019, incorporating the reports of the auditors, the directors, the Audit and Risk Committee, and the Social and Ethics Committee, which will be presented to shareholders as required in terms of section 30(3)(d) of the Companies Act.

Note: The annual financial statements appear on pages 75 to 161 of the integrated annual report of which this notice forms part.

Re-election of a Director

2.2 ORDINARY RESOLUTION NUMBER 2 – RE-ELECTION OF MR C CHAMBERS AS A DIRECTOR

To re-elect, Mr C Chambers as a director of the company who, in terms of Article 24.7.1 of the company's Memorandum of Incorporation, retires by rotation at this annual general meeting but, being eligible to do so, offers himself for re-election.

Note: The curriculum vitae of Mr C Chambers is provided on page 56 of the integrated annual report.

Retirement from the Board

Director retiring by rotation who has not offered herself for re-election:

Ms Bongiwe Ntuli retires by rotation at the AGM after 11 years of service in accordance with clause 24.7.2 of the company's Memorandum of Incorporation. She has not offered herself for re-election and will retire from the Board at the AGM.

The Board reviews the composition of its membership continuously and will appoint additional directors when a need for specific expertise or an appropriate candidate is identified.

Election of a Director

2.3 ORDINARY RESOLUTION NUMBER 3 – APPOINTMENT OF MS Z NYANGA AS A DIRECTOR

To elect Ms Z Nyanga in terms of Article 24.2 of the company's Memorandum of Incorporation, as a director of the company effective 31 May 2019, for the ensuing year.

Note: The curriculum vitae of Ms Z Nyanga is provided on page 57 of the integrated annual report.

2.4 ORDINARY RESOLUTION NUMBER 4 – RE-APPOINTMENT OF MR O FORTUIN TO THE AUDIT AND RISK COMMITTEE

Pursuant to the requirements of section 94(2) of the Companies Act, to re-appoint Mr O Fortuin, a non-executive, independent director of the company, as a member of the Audit and Risk Committee until the next annual general meeting.

Note: The curriculum vitae of Mr O Fortuin is provided on page 56 of the integrated annual report.

2.5 ORDINARY RESOLUTION NUMBER 5 – RE-APPOINTMENT OF MS C KOFFMAN TO THE AUDIT AND RISK COMMITTEE

Pursuant to the requirements of section 94(2) of the Companies Act, to re-appoint Ms C Koffman, a non-executive, independent director of the company, as a member of the Audit and Risk Committee until the next annual general meeting.

Note: The curriculum vitae of Ms C Koffman is provided on page 56 of the integrated annual report.

2.6 ORDINARY RESOLUTION NUMBER 6 – APPOINTMENT OF MS Z NYANGA TO THE AUDIT AND RISK COMMITTEE

Pursuant to the requirements of section 94(2) of the Companies Act, but subject to the passing of ordinary resolution number 3 above, to appoint Ms Z Nyanga, a non-executive, independent director of the company, as a member of the Audit and Risk Committee until the next annual general meeting.

Note: The curriculum vitae of Ms Z Nyanga is provided on page 57 of the integrated annual report.

2.7 ORDINARY RESOLUTION NUMBER 7 – RE-APPOINTMENT OF THE INDEPENDENT REGISTERED AUDITOR

Pursuant to the requirements of section 90(1) read with section 61(8) of the Companies Act, and as nominated by the company's Audit and Risk Committee, to confirm the re-appointment of Deloitte & Touche as independent auditors of the company for the financial year ending 30 June 2020, with F Ally being the individual registered auditor, and to authorise the Audit and Risk Committee to determine the auditor's remuneration.

2.8 ORDINARY RESOLUTION NUMBER 8 – NON-BINDING ADVISORY ENDORSEMENT OF THE REMUNERATION POLICY

Resolved that the shareholders endorse, on a non-binding advisory basis, the company's remuneration policy ("Remuneration Policy"), which appears on pages 70 to 74 of the integrated annual report.

Note: King IV recommends that the company's Remuneration Policy be tabled to shareholders as a non-binding advisory vote at each annual general meeting. Failure to pass this resolution will not have legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into consideration when assessing the company's Remuneration Policy.

2.9 ORDINARY RESOLUTION NUMBER 9 – NON-BINDING ADVISORY ENDORSEMENT OF THE COMPANY'S IMPLEMENTATION REPORT

Resolved that the shareholders endorse, on a non-binding advisory basis, the company's implementation report ("Implementation Report"), which appears on pages 73 of the integrated annual report.

Note: King IV recommends that the Implementation Report on a company's remuneration policy be tabled as a non-binding advisory vote by shareholders at each annual general meeting of the company. This enables shareholders to express their views on the implementation of a company's remuneration policy. The effect of ordinary resolution number 9, if passed, will be to endorse the company's Implementation Report in relation to its Remuneration Policy. Ordinary resolution number 9 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the Board will take the outcome of the vote into consideration when considering amendments to the company's Remuneration Policy and its implementation.

2.10 ORDINARY RESOLUTION NUMBER 10 – APPROVAL TO ISSUE ORDINARY SHARES, AND TO SELL TREASURY SHARES, FOR CASH

Resolved that the directors of the company and/or any of its subsidiaries from time to time be and are hereby authorised, by way of a general authority, to:

- issue all or any of the authorised but unissued ordinary shares in the capital of the company, or to allot, issue and grant options to subscribe for, 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 in the capital of the company purchased by subsidiaries of the company, for cash, to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the Companies Act, the Memorandum of Incorporation of the company and its subsidiaries and the JSE Listings Requirements from time to time.

Note: Ordinary resolution number 10 is subject to the following:

- 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 30% (thirty percent) of the number of issued ordinary shares. The securities which are the subject of a general issue for cash may not exceed 30% (thirty percent) of the number of listed securities, excluding treasury shares, as at the date of this notice, being 41 178 552 securities. Any securities issued under this authorisation during the period of 15 (fifteen) months from the date that this authorisation will be deducted from the aforementioned 41 178 552 listed securities. In the event of a sub-division or a consolidation during the period contemplated above the authority will be adjusted to represent the same allocation ratio;
- this general authority will be valid until the earlier of the company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given;

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

- an announcement giving full details, including the number of securities issued, the average discount to the weighted average traded price of the securities over 30 (thirty) business days prior to the date that the issue is agreed in writing between the issuer and the parties subscribing for the securities, and in respect of options and convertible securities, the effects of the issue on the statement of financial position, net asset value per share, net tangible asset value per share, the statement of profit or loss and other comprehensive income, earnings per share and headline earnings per share and, if applicable, diluted earnings and headline earnings per share, or in respect of an issue of shares, an explanation, including supporting documents (if any), of the intended use of the funds will be published when the company has issued securities representing, on a cumulative basis within the earlier of the company's next annual general meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given, 5% (five percent) or more of the number of securities in issue prior to the issue;
- 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 percent) of the weighted average traded price on the JSE Limited of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities; and
- whenever the company wishes to use ordinary shares, held as treasury shares 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.

In terms of the JSE Listings Requirements a 75% (seventy five percent) majority of the votes cast by shareholders present or represented by proxy and entitled to vote at the annual general meeting must be cast in favour of ordinary resolution number 10 for it to be approved.

2.11 ORDINARY RESOLUTION NUMBER 11 – AMENDMENTS TO THE ADAPT IT HOLDINGS LIMITED EXECUTIVE SHARE INCENTIVE PLAN

Resolved that the amended Adapt IT Holdings Limited Executive Share Incentive Plan, which has been tabled at this annual general meeting and initialed by the Chairperson of the annual general meeting for purposes of identification, be and is hereby approved and adopted by the Adapt IT shareholders.

Refer to Annexure "B", attached to this notice, for the amended Salient Features of the Adapt IT Holdings Limited Executive Share Incentive Plan.

Explanatory note:

A marked-up copy of the Executive Share Incentive Plan ("the Rules"), setting out all proposed amendments, will be published on the company's website at (www.adaptit.com/investors/AGM) and will be available for inspection during normal business hours at the registered office of the Company from the date of posting of this notice of annual general meeting to the shareholders, up to and including the date of the annual general meeting.

The amendments to the Rules have been approved by the JSE, and the directors of the Company are of the opinion that the adoption of such amendments will be beneficial to Adapt IT and its shareholders and recommend that shareholders vote in favour of this ordinary resolution number 11.

The key amendments to the Rules are to change the performance metric from headline earnings to headline earnings per share and to make the performance threshold relative to CPI rather than CPI plus an absolute margin; to add scaled vesting; to add a retention category of award with an extended vesting period and to add claw back provisions for malus. There is no change to the number of shares already approved by shareholders as available under the Rules as barely any have been used since the Rules were first approved in November 2013.

In terms of the JSE Listings Requirements a 75% (seventy five percent) majority of the votes cast by shareholders present or represented by proxy and entitled to vote at the annual general meeting must be cast in favour of ordinary resolution number 11 for it to be approved.

It must be noted that shares in the Company held by any trust or share scheme of the Company or by any subsidiary of the Company will not have their votes taken into account for the purposes of resolutions proposed in terms of the JSE Listings Requirements.

2.12 ORDINARY RESOLUTION NUMBER 12 – SIGNATURE OF DOCUMENTS

Resolved that each director of the company be and is hereby individually authorised to sign all such documents and do all such things as may be necessary for or incidental to the implementation of those resolutions to be proposed at the annual general meeting convened to consider the resolutions which are passed, in the case of ordinary resolutions, or are passed and registered by the Companies and Intellectual Property Commission, in the case of special resolutions.

3. OTHER BUSINESS

To transact such other business as may be transacted at an annual general meeting of shareholders.

INFORMATION SCHEDULE

Record date

The record date for the purpose of determining which shareholders are entitled to participate in, and vote at, the annual general meeting is Friday, 15 November 2019. Accordingly, the last date to trade in order to be registered in the register of shareholders of the company and therefore be eligible to participate in and vote at the annual general meeting is Tuesday, 12 November 2019.

Shareholders should take note of the following important dates:

Record date for the purposes of determining which shareholders are entitled to receive notice of the annual general meeting	Monday, 21 October 2019
Last date to trade in order to be registered in the register of shareholders of the company and therefore be eligible to participate in and vote at the annual general meeting	Tuesday, 12 November 2019
Record date for purposes of determining which shareholders are entitled to participate in and vote at the annual general meeting	Friday, 15 November 2019
Last day to lodge forms of proxy	Wednesday, 20 November 2019 at 09:00
Date of the annual general meeting	Friday, 22 November 2019 at 09:00

Proxies/representation at the meeting

Shareholders holding certificated shares and shareholders that have dematerialised their shares and have elected own name registration in the sub-register maintained by a Central Securities Depository Participant (CSDP), may attend, speak and vote at the annual general meeting or may appoint one or more proxies (who need not be shareholders of the company) to attend, speak and vote at the annual general meeting on behalf of the shareholder who appointed such proxy or proxies.

A proxy form is enclosed with this notice. Duly completed proxy forms should be returned to the transfer secretaries, Computershare Investor Services Proprietary Limited (PO Box 61051, Marshalltown, 2107 or Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196) by no later than 09:00 on Wednesday, 20 November 2019 or otherwise presented to the Chairperson immediately before the appointed proxy exercises any of the shareholder's votes at the annual general meeting.

Shareholders who have dematerialised their shares through a CSDP or a broker and who have not elected own name registration in the sub-register maintained by the CSDP and who wish to attend the annual general meeting, should instruct their CSDP/broker to issue them with the necessary authority to attend. Shareholders who are unable or do not intend to attend the meeting, but wish to be represented at the meeting, may provide their CSDP/broker with their voting instructions in terms of the custody agreement entered into between such shareholders and their CSDP/broker.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

IDENTIFICATION

Shareholders and proxies are requested to ensure registration of attendance on arrival. Kindly note pursuant to the requirements of section 62(3) of the Companies Act, notice is hereby given that in terms of section 63(1), shareholders and proxies who attend the annual general meeting will be required to provide satisfactory identification. Forms of identification include valid identity documents, passports and driver's licences.

ACTION TO TAKE

If you are in any doubt as to what action you should take in respect of the following resolution, please consult your CSDP, broker, banker, attorney, accountant or other professional adviser immediately.

By order of the Board



Statucor (Pty) Ltd
Company Secretary

Johannesburg
11 October 2019

FORM OF PROXY

ADAPT IT HOLDINGS LIMITED

Incorporated in the Republic of South Africa

Registration number 1998/017276/06

Share code: ADI

ISIN: ZAE000113163

("Adapt IT" or "the company" or "the group")

For use only by ordinary shareholders who:

hold ordinary shares in certificated form ("certificated ordinary shareholders"); or have dematerialised their ordinary shares ("dematerialised ordinary shareholders") and are registered with own-name registration, at the 20th annual general meeting of shareholders of the company to be held Friday, 22 November 2019 at 09:00 at the company's office situated at No. 152, 14th Road, Midrand, Johannesburg, and any adjournment thereof.

Dematerialised ordinary shareholders holding ordinary shares other than with own-name registration who wish to attend the annual general meeting must inform their Central Securities Depository Participant (CSDP) or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the relevant Letter of Representation to attend the annual general meeting in person or by proxy and vote. If they do not wish to attend the annual general meeting in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. These ordinary shareholders must not use this form of proxy.

Name of beneficial shareholder

Name of registered shareholder

Address

Telephone work

Telephone home

Cell:

being the holder/custodian of

ordinary shares in the company, hereby appoint (see note):

1. or failing him/her,

2. or failing him/her,

3. the Chairperson of the meeting,

as my/our proxy to attend and act for me/us on my/our behalf at the annual general meeting of the company convened for purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat ("resolutions") and at each postponement or adjournment thereof and to vote for and/or against such resolutions, and/or abstain from voting, in respect of the ordinary shares in the issued share capital of the company registered in my/our name/s in accordance with the following instructions:

Special resolutions	Agenda item	Number of ordinary shares		
		For	Against	Abstain
Special resolution 1	Approval of non-executive directors' fees			
Special resolution 2	General approval to acquire own shares			
Special resolution 3	Loans or other financial assistance to related companies			
Special resolution 4	Conversion of share capital to no par value shares and amendment of article 6.1.1 of the memorandum of incorporation			
Special resolution 5	Increase in authorised share capital and amendment of article 6.1.1 of the memorandum of incorporation			
Special resolution 6	Removal of time limit for filing of proxies and deletion of article 21.4.3 of the memorandum of incorporation			
Special resolution 7	Adjustment of board power to make interim director appointments and amendment of article 24.9 of the memorandum of incorporation			
Special resolution 8	Provision for alternates and insertion of new article 24.20 in the memorandum of incorporation			
Special resolution 9	Adoption of a new consolidated memorandum of incorporation			

FORM OF PROXY CONTINUED

Ordinary resolutions	Agenda item	Number of ordinary shares		
		For	Against	Abstain
Ordinary resolution 1	To receive, consider and adopt the annual financial statements of the company and group for the financial year ended 30 June 2019			
Ordinary resolution 2	Re-election of director – Mr C Chambers			
Ordinary resolution 3	Appointment of director – Ms Z Nyanga			
Ordinary resolution 4	Re-appointment of Mr O Fortuin to the Audit and Risk Committee			
Ordinary resolution 5	Re-appointment of Mc Koffman to the Audit and Risk Committee			
Ordinary resolution 6	Appointment of Ms Z Nyanga to the Audit and Risk Committee			
Ordinary resolution 7	Re-appointment of the Independent Registered Auditor			
Ordinary resolution 8	Non-binding advisory endorsement of the Remuneration Policy			
Ordinary resolution 9	Non-binding advisory endorsement of the Implementation Report			
Ordinary resolution 10	Approval to issue ordinary shares, and to sell treasury shares, for cash			
Ordinary resolution 11	Amendments to the Adapt IT Holdings Limited Executive Share Incentive Plan			
Ordinary resolution 12	Signature of documents			

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

A member entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend and act in his stead. A proxy so appointed need not be a member of the company.

Signed at _____ on this _____ day of _____ 2019

Signature _____

Assisted by (if applicable) _____

NOTES TO THE FORM OF PROXY

1. Summary of Rights Contained in section 58 of the Companies Act in terms of section 58 of the Companies Act:
 - a shareholder may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder;
 - a proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy;
 - irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder;
 - any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
 - if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the company; and
 - a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise (see note 7).
2. The form of proxy must only be used by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
3. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the general meeting must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
4. A shareholder entitled to attend and vote at the general meeting may insert the name of a proxy or the names of two alternate proxies of the shareholder's choice in the space provided, with or without deleting "the Chairperson of the general meeting". The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of such proxy(ies) whose names follow.
5. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
6. A vote given in terms of an instrument of proxy shall be valid in relation to the general meeting, notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries not less than 48 (forty-eight) hours before the commencement of the general meeting.
7. If a shareholder does not indicate on this form of proxy 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 general meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.
8. The Chairperson of the general meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
9. A shareholder's authorisation to the proxy including the Chairperson of the general meeting, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the general meeting.
10. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
11. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company's transfer secretaries or is waived by the Chairperson of the general meeting.
12. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the company.
13. Where there are joint holders of shares:
 - any one holder may sign the form of proxy;
 - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
14. Forms of proxy should be lodged with or mailed to Computershare Investor Services Proprietary Limited ("Computershare"):

Hand deliveries to:	Postal deliveries to:
Computershare Investor Services Proprietary Limited	Computershare Investor Services Proprietary Limited
15 Biermann Avenue, Rosebank, Johannesburg, 2196	PO Box 61051, Marshalltown, 2107

to be received by no later than 09:00 on Wednesday, 20 November 2019 (or 48 hours before any adjournment of the annual general meeting, which date, if necessary, will be notified on SENS).
15. Any forms of Proxy not delivered to Computershare within the stipulated timeframe, may be handed to the Chairperson of the annual general meeting immediately before the appointed proxy exercises any of the shareholder's votes at the annual general meeting.
16. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.

NOTES TO THE FORM OF PROXY CONTINUED

GENERAL

1. QUORUM REQUIREMENTS

In terms of the company's Memorandum of Incorporation:

"The quorum for a shareholders' meeting to begin or for a matter to be considered, shall be at least 3 (three) shareholders entitled to attend and vote and present in person. In addition:

- a shareholders' meeting may not begin until sufficient persons are present at the meeting to exercise, in aggregate, at least 25% (twenty-five percent) of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the meeting; and
- a matter to be decided at a shareholders' meeting may not begin to be considered unless sufficient persons are present at the meeting to exercise, in aggregate, at least 25% (twenty-five percent) of all of the voting rights that are entitled to be exercised in respect of that matter at the time the matter is called on the agenda."

2. VOTES OF SHAREHOLDERS

In terms of the Memorandum of Incorporation, every shareholder present at the meeting who is entitled to vote shall be entitled to 1 (one) vote on a show of hands, irrespective of the number of voting rights that person would otherwise be entitled to exercise. Should the vote be conducted by poll, each shareholder present at the meeting in person or by proxy shall be entitled to vote in accordance with the voting rights associated with the securities held by that shareholder.

ANNEXURE A

REGULATION 31(7) REPORT TO CONVERT PAR VALUE SHARES TO NO PAR VALUE SHARES

IT IS RECORDED THAT the board of directors of the company has proposed the conversion of all the company's authorised ordinary shares ("**Ordinary Shares**"), including issued ordinary shares, with a par value of 0.01 cents each to no par value Ordinary Shares in accordance with the provisions of regulations 31(5) and 31(6) of the Companies Regulations 2011, as amended, through the amendment of the Company's memorandum of incorporation by way of a special resolution of the shareholders of the Company ("**Proposed Conversion**").

IT IS REPORTED IN TERMS OF REGULATION 31(7) OF THE COMPANIES REGULATIONS THAT:

the value of the Ordinary Shares will not be affected by the Proposed Conversion;

only the holders of the Ordinary Shares will be affected by the Proposed Conversion;

the Proposed Conversion will not have any material effect on the rights of the holders of the Ordinary Shares; and

the Proposed Conversion will not result in any material adverse effect for the holders of the Ordinary Shares and no holder will receive any compensation in terms of the Proposed Conversion.

ANNEXURE B

SALIENT FEATURES OF THE ADAPT IT HOLDINGS LIMITED EXECUTIVE INCENTIVE PLAN

The following highlights the salient clauses of the Executive Incentive Plan.

1. "INTERPRETATION AND DEFINITIONS

"Act" – means the Income Tax Act No. 58 of 1962, as amended;

"the Board" – means the Remuneration Committee of the board of directors of the Company for the time being;

"the Claw Back Circumstances" – means any act or omission constituting direct or indirect financial manipulation or fraud by a Participant (or person who was a Participant under the Rules) or by a Participant (or person who was a Participant under the Rules) with any other person or persons, including without limitation a material misstatement of the financial results of the Company and/or its Subsidiaries or the financial results of the segment for which the Participant (or person who was a Participant under the Rules) was solely or with 1 (one) or more other person/people responsible in part or in whole, that the auditors of the Company or the outside counsel of the Company determines to have been caused by, or to be directly attributable to, an intentional, a fraudulent, an intent to defraud or grossly negligent act or omission by a Participant (or person who was a Participant under the Rules) or by a Participant (or person who was a Participant under the Rules) with any other person or persons;

"CPI" – means the weighted average of the Consumer Price Index in respect of all areas and for all items as published by Central Statistical Services (Statistical Release PO141.7) from time to time for the 12-month reporting period immediately preceding the date of the Acceptance Notice referred to in Rule 3;

"Date of Grant" – means the date on which the Board makes an Offer in accordance with the provisions of Rule 2.1;

"Designated Event" – bears the meaning as defined in Rule 3.2;

"Designated Event Date" – means the date on which a Designated Event occurs in respect of a Participant/s;

"Designated Offer Date" – means 1 July of any financial year in which a Date of Grant occurs;

"Designated Percentage" – means the percentage which the number of days between the Designated Offer Date and the Designated Event Date, constitutes of the number of days, as regards the:

First Tranche Incentive Units as defined in Rule 3.1.1.1, from the Designated Offer Date to the 1st (first) anniversary of the Designated Offer Date; and

Second Tranche Incentive Units as defined in Rule 3.1.1.2, from the Designated Offer Date to the 2nd (second) anniversary of the Designated Offer Date;

"Designated Third Party" – bears the meaning as defined in Rule 3.2;

"Eligible Employee" – means any person (including a director) who at any Date of Grant is Employed, whether permanently or on a fixed term contract;

"Employed/Employment" – means employed by the Company or a Subsidiary;

"Employment Condition" – means the Participant is Employed at the date of acceptance or deemed acceptance of an Offer or part of an Offer;

"the Formula" – means:

$$P = n \times (S1 - S2)$$

where:

P – is the consideration payable for the Incentive Units sold by the Participant to the Company in terms of Rule 5; and

n – is the number of Incentive Units sold by the Participant to the Company in terms of Rules 3.4 and 5; and

S1 – is the Ruling Price, determined in accordance with the provisions of 4, applicable as at the Sale Date in respect of the Incentive Units sold in accordance with Rules 3.4 and 5; and

S2 – is the Ruling Price, determined in accordance with the provisions of 4, applicable as at the Date of Grant in respect of the Incentive Units sold in accordance with Rules 3.4 and 5;

"Issue Price" – means the issue price of the Shares which are to be issued to Participants in terms of Rule 5.3, determined with reference to the VWAP as at the Sale Date;

"Incentive Unit" – means a notional share in the Company, the value of which determines the value of an Offer;

"Offer" – means an offer made to an Eligible Employee on a Date of Grant to acquire Incentive Units in accordance with these Rules;

"Offer Certificate" – means a certificate by which an Offer is evidenced as referred to in Rule 2.5;

"Participant" – means any Eligible Employee (including, where the context permits, the legal representatives of such person) who holds an Offer Certificate and/or Incentive Units pursuant to an Offer;

"Plan" – means this plan, being the Adapt IT Holdings Limited Executive Incentive Plan, as amended from time to time;

"these Rules" – means the rules contained herein, together with any amendment/s thereto effected in accordance with the provisions of Rule 7;

"Ruling Price" means the price of an Incentive Unit from time to time, to be determined with reference to the VWAP of the Shares at the Date of Grant or the Sale Date, as the case may be, in accordance with the provisions of Rule 4, on the basis that the applicable Ruling Price at the Date of Grant and at the Sale Date shall be the value of an Incentive Unit at such time;

"Sale Date" – means in relation to a sale by a Participant to the Company of Incentive Units in terms of Rules 3.4 and 5, the date of delivery by such Participant to the Company of the Acceptance Notice referred to in Rule 3;

"Shares" – means ordinary shares in the Company;

"Subsidiary" – means a subsidiary of the Company; and

"VWAP" – means the 30 (thirty) day volume weighted average price at which the Shares are traded on the JSE for the 30 (thirty) trading day period immediately preceding the Date of Grant or the Sale Date, as the case may be."

2. "MAKING OF OFFERS"

- 2.1 Subject to the provisions of Rule 3, the Board may make Offers at such times to such Eligible Employees as the Board in its absolute discretion deems fit, which offers shall in each instance only become an Offer after receipt by the Company within 30 (thirty) days, or such longer period as the Board may determine, from the date on which the Board notified the Eligible Employee in writing of its intention to make an Offer, of a duly signed notice acknowledging the Offer and the terms thereof duly signed by the Eligible Employee in such form as determined by the Board in its discretion ("**Acknowledgment of Offer Notice**"). At the time of making an Offer, the Board will be required to determine, in its sole discretion whether the relevant Offer to a specific Eligible Employee shall be regarded as a retention Offer in circumstances where the Board has identified a specific risk of the relevant Eligible Employee leaving the employment of the Company or a Subsidiary ("**Retention Offer**") and resolved to designate the Offer as a Retention Offer for purposes of these Rules and failing any express determination the Offer shall not constitute a Retention Offer. All provisions of these Rules shall apply equally to all Offers, including a Retention Offer, save as may be specifically determined otherwise.
- 2.2 The Offers may be made by the Board subject to such conditions (additional to the conditions set out in these Rules and not inconsistent with the provisions of the Plan ("**Additional Conditions**") as the Board may in each case deem fit. Any such Additional Conditions, shall be performance based and/or retention based in respect of any Offer and may be waived or varied, in the sole discretion of the Board, if an event occurs which causes the Board to consider that such Additional Conditions should reasonably be waived or varied.
- 2.3 All Offers, other than a Retention Offer, shall include a condition that an Offer shall not be capable of acceptance in terms of Rule 3.1 unless the Company has achieved:
 - 2.3.1 as the primary objective and full vesting threshold, an annual increase in headline earnings per Share, as at the date of the Acceptance Notice, of not less than a percentage equal to CPI multiplied by 2 (two) ("**the Target Headline Earnings per Share Condition**"), in which case 100% (one hundred percent) of the Offer shall be capable of acceptance as contemplated in Rule 3.1.1.1.1 and Rule 3.1.1.2.1 ; or
 - 2.3.2 as the partial vesting threshold, an annual increase in headline earnings per Share, as at the date of the Acceptance Notice, of not less than a percentage equal to CPI multiplied by 1.5 (one and a half) up to an increase below CPI multiplied by 2 (two) ("**the Partial Vesting Target Headline Earnings per Share Condition**"), in which case 50% (fifty percent) of the Offer shall be capable of acceptance, with the remaining 50% (fifty percent) of the Offer forfeited, as contemplated in Rule 3.1.1.1.2 and Rule 3.1.1.2.2.

ANNEXURE B CONTINUED

- 2.4 If the Board has specified in the Offer Certificate that the relevant Offer to a specific Eligible Employee shall be regarded as a Retention Offer the Board may not make such Offer subject to any Additional Conditions and the Retention Offer shall only be subject to the Employment Condition."
- 2.5 ...
- 2.6 Notwithstanding anything to the contrary herein contained or implied, the Board may, in its sole and absolute discretion:
 - 2.6.1 make Offers to Participants at a discount of not more than 10% (ten percent) to the prevailing Ruling Price, in special circumstances;
 - 2.6.2 reduce the number of Incentive Units forming the subject matter of the portion of any Offer not yet accepted by the Participant, in the event that the Participant to whom such Offer has been made is demoted or his/her position in the Company or a Subsidiary is downgraded for any reason whatsoever, and in such circumstances, the relevant Offer Certificate shall be endorsed accordingly.
- 2.7 No amount shall be payable by an Eligible Employee in consideration for the making of an Offer nor by a Participant for the acceptance of all or any portion of such Offer.
- 2.8 ...
- 2.9 An Offer shall be personal to the Participant and shall not be assignable and any purported assignment, transfer, charge, disposal or dealing with the rights or interest of the Participant under the Plan shall render the Offer and the Participant's rights thereunder as being of no further force or effect. Incentive Units do not carry any rights to dividends that may be declared by the Company."

3. "ACCEPTANCE OF AN OFFER

- 3.1 Subject to Rule 2.6.2, Rule 3.2 and Rule 3.3, and subject further to any conditions attached to an Offer pursuant to Rule 2.2, a Participant shall be entitled to accept an Offer by written notice to the Company as follows ("**the Acceptance Notice**"):
- 3.1.1 in respect of an Offer, other than a Retention Offer:
 - 3.1.1.1 50% (fifty percent) of the Incentive Units forming the subject matter of an Offer ("**the First Tranche Incentive Units**") shall be capable of acceptance by the Participant at any time from the 1st (first) anniversary of the Date of Grant until the 3rd (third) anniversary of the Date of Grant subject to the following:
 - 3.1.1.1.1 if the Target Headline Earnings per Share Condition has been met as at the 1st (first) anniversary of the Date of Grant, the entire First Tranche Incentive Units shall be capable of acceptance by the Participant;
 - 3.1.1.1.2 if the Partial Vesting Target Headline Earnings per Share Condition has been met as at the 1st (first) anniversary of the Date of Grant, 50% (fifty percent) of the First Tranche Incentive Units shall be capable of acceptance by the Participant and the remainder of the First Tranche Incentive Units shall lapse and shall cease to be capable of acceptance;
 - 3.1.1.1.3 any other Additional Conditions to that portion of the Offer have not been fulfilled or waived by resolution of the Board and notified in writing to the Participant, by the 1st (first) anniversary of the Date of Grant, in which event such Incentive Units shall only be capable of acceptance by the Participant from the date that the Company gives written notice to the Participant that the applicable conditions have been fulfilled or waived by resolution of the Board and notified in writing to the Participant;
 - 3.1.1.1.4 subject to Rule 3.2, the Employment Condition is satisfied at the date of acceptance;
 - 3.1.1.2 the remaining 50% (fifty percent) of the Incentive Units forming the subject matter of an Offer ("**the Second Tranche Incentive Units**") shall be capable of acceptance by the Participant at any time from the 2nd (second) anniversary of the Date of Grant until the 3rd (third) anniversary of the Date of Grant subject to the following:
 - 3.1.1.2.1 if the Target Headline Earnings per Share Condition has been met as at the 2nd (second) anniversary of the Date of Grant, the entire Second Tranche Incentive Units shall be capable of acceptance by the Participant; or

- 3.1.1.2.2 if the Partial Vesting Target Headline Earnings per Share Condition has been met as at the 2nd (second) anniversary of the Date of Grant, 50% (fifty percent) of the Second Tranche Incentive Units shall be capable of acceptance by the Participant and the remainder of the Second Tranche Incentive Units shall lapse and shall cease to be capable of acceptance;
 - 3.1.1.2.3 any other Additional Conditions to that portion of the Offer have not been fulfilled or waived by resolution of the Board and notified in writing to the Participant, by the 2nd (second) anniversary of the Date of Grant, in which event such Incentive Units shall only be capable of acceptance by the Participant from the date that the Company gives written notice to the Participant that the applicable conditions have been fulfilled or waived by resolution of the Board and notified in writing to the Participant; and
 - 3.1.1.2.4 subject to Rule 3.2, the Employment Condition is satisfied at the date of acceptance, provided that the rights of acceptance of an Offer in terms of the foregoing provisions shall be cumulative (i.e. to the extent that right of acceptance vests but is not exercised prior to the expiry of the relevant period, such right of acceptance may be exercised thereafter) and provided further that any portion of an Offer not accepted in writing by the Participant prior to the 3rd (third) anniversary of the Date of Grant shall lapse and shall no longer be capable of acceptance by the Participant; and
- 3.1.2 in respect of a Retention Offer, the Incentive Units forming the subject matter of a Retention offer shall be deemed to have been accepted by the Participant on the 3rd (third) anniversary of the Date of Grant provided that the Employment Condition is satisfied on the date of such 3rd (third) anniversary.
- 3.2 Notwithstanding the provisions of Rule 3.1, provided that the Participant was in the employment of the Company or a Subsidiary on the date immediately preceding the relevant Designated Event in Rule 3.2.1 or on the date on which the Designated Event in Rule 3.2.2, 3.2.3 or 3.2.4 occurs: (i) all of the Incentive Units forming the subject matter of an Offer which have already become capable of acceptance by the Participant in accordance with the provisions of Rule 3.1 shall remain capable of acceptance by the Participant (or the executor of his/her and/or person holding a power of attorney to act on behalf of the Participant ("**the Designated Third Party**")) on the basis that those which lapsed and ceased to be capable of acceptance, shall remain so lapsed; and (ii) the Designated Percentage of all of the Incentive Units forming the subject matter of an Offer which have not already become capable of acceptance by the Participant in accordance with the provisions of Rule 3.1 shall become capable of acceptance by the Participant (or the Designated Third Party), forthwith by the delivery of an Acceptance Notice to the Company upon the happening of any of the following events ("**the Designated Events**"):
 - 3.2.1 the Participant ceases to be Employed by reason of his/her:
 - 3.2.1.1 death; or
 - 3.2.1.2 disability (as defined in the Company's Group Life Assurance Policy from time to time, or if the Participant's employment is terminated by reason of disability as resolved by the Board and the Board resolved that the Participant will be regarded as disabled for purposes of the Plan); or
 - 3.2.1.3 retirement in the ordinary course (retirement as defined in the Company's Policy from time to time, or if the Participant's employment is terminated by reason of retirement as resolved by the Board and the Board resolved that the Participant will be regarded as retired for purposes of the Plan); or
 - 3.2.1.4 retrenchment for operational reasons only by the company which employs the Participant in accordance with the Labour Relations Act, 1995, as read with the Company's internal policies; or
 - 3.2.2 an offer to acquire all of the issued Shares in the Company has been accepted and has become unconditional; or
 - 3.2.3 the entire business conducted by the Company or the Subsidiary concerned, is to be sold to a third party and an unconditional agreement to that effect has been entered into or the agreement entered into has become unconditional; or
 - 3.2.4 the passing of a resolution for the voluntary winding-up of the company which employs the Participant, unless in terms of a restructure, provided that any portion of an Offer which has not, in the circumstances set out in Rules 3.2.1.1 and 3.2.1.3 been accepted within a period 6 (six) months from the date of the happening of the relevant event; and in the circumstances set out in Rules 3.2.1.2, 3.2.2, 3.2.3 or 3.2.4, been accepted within a period of 90 (ninety) days from the date of the happening of the relevant event, shall lapse and shall no longer be capable of acceptance by the Participant.

ANNEXURE B CONTINUED

- 3.3 Notwithstanding anything to the contrary herein contained or implied, a Participant shall be deemed to have waived his/her right to accept the portion of the Offer which has not already been accepted by such Participant in accordance with the foregoing provisions, should the Participant cease to be Employed for any reason whatsoever other than the reasons set out in Rule 3.2.1.
- 3.4 Upon acceptance by the Participant of any portion of an Offer, the Incentive Units in respect of which the Offer has been accepted shall vest in the participant and immediately upon vesting, the Participant shall be deemed to have been sold the Incentive Units so vested to the Company in accordance with the provisions of Rule 5."

4. "RULING PRICE

The Ruling Price will be determined in a consistent manner by the Sponsor of the Company with reference to the VWAP of the Shares at the relevant date, being the Date of Grant or the Sale Date, as the case may be."

5. "SALE AND PURCHASE OF INCENTIVE UNITS

- 5.1 Subject at all times to the provisions of Rule 3.2, Rule 3.3 and Rule 3.4, the Company hereby agrees and undertakes to the Participants that it shall purchase any portion of the Incentive Units which shall have vested in such Participants pursuant to the acceptance of any portion of an Offer in terms of Rule 3 by the delivery of an Acceptance Notice referred to in Rule 3, stating the number of Incentive Units in respect of which he/she is accepting the Offer, upon the terms set out hereunder.
- 5.2 The purchase consideration payable by the Company to the Participant in question in respect of the Incentive Units sold to the Company shall be an amount determined in accordance with the Formula.
- 5.3 The purchase consideration payable by the Company to the Participant in question shall, subject at all times to the provisions of Rule 5.4, be discharged by the Company on the 7th (seventh) business day after the Sale Date:
 - 5.3.1 by way of the issue and allotment to the Participant concerned of such number of Shares which, at the Issue Price, shall be equal to the amount of the purchase consideration of his/her Incentive Units; alternatively and at the sole and absolute discretion of the Company, subject to being in the best interests of the Company at the time of acceptance of an Offer (in respect of any Offer other than a Retention Offer):
 - 5.3.2 in cash or partly in cash and partly by way of the issue and allotment of such number of Shares which, at the Issue Price, shall be equal to the portion of the purchase consideration to be discharged by the issue and allotment of Shares.
- 5.4 Notwithstanding the provisions of Rule 5.3, the number of Shares which may be issued and allotted by the Company in order to discharge the whole or portions, as the case may be, of the purchase consideration of the Incentive Units purchased by the Company in terms of the Plan, shall not:
 - 5.4.1 in the aggregate, in respect of all of the Incentive Units to be purchased by the Company in terms of the Plan, exceed 21 600 000 (twenty one million six hundred thousand) Shares; and
 - 5.4.2 in respect of any one Participant, in pursuance of the acquisition of Incentive Units from him/her, exceed 2 160 000 (two million one hundred and sixty thousand) Shares, provided that the aforementioned numbers of Shares shall be increased or reduced *pro rata* in pursuance of any subdivision, consolidation, capitalisation issue or scrip dividend by the Company in respect of its Shares, provided that the aforementioned numbers of Shares shall be increased or issue or scrip dividend by the Company in respect of its Shares."

6. "TAKEOVER OF COMPANY AND CHANGED CIRCUMSTANCES

Should control of the Company pass to another person or company as a result of a take-over, reconstruction, amalgamation or merge which makes provision for the Participants to receive equity instruments allotted and issued by such other persons or in such other company in substitution of their Plan Shares on terms in the opinion of the Company's auditors or such other independent expert as the Board may deem appropriate in the circumstances (such opinion being given by them as experts and not as arbitrators or quasi arbitrators) not less favourable than those on which those Participants are entitled to their Plan Shares, they shall be obliged to accept such equity instruments in such other company on such terms."

7. "ADMINISTRATION AND AMENDMENT"

- 7.1 ...
- 7.2 Notwithstanding anything to the contrary herein contained and subject to the JSE Listings Requirements, the Board may restructure, amend, vary, modify or alter any of these Rules, or cancel the Plan in its entirety, subject to being sanctioned by the Company in general meeting in terms of a resolution approved by a 75% majority of the votes cast in favour of such resolution, should circumstances so require, provided that the rights of Participants shall be compensated for in a fair and equitable manner. In the event of a dispute in regard to such compensation, such dispute shall be determined by the auditors of the Company, regard being had to the provisions of Rule 7.5.
- 7.3 ...
- 7.4 ...
- 7.5 In any matter in which they are required to act hereunder, the auditors of the Company shall be deemed to be acting as experts and not as arbitrators, and save in the event of a manifest error, the decision of the auditors in so acting shall be final and binding on the Company and the Participants. The Arbitration Acts 1950 – 1979 shall not apply hereto."

8. "CLAW BACK"

- 8.1 Without limiting any other provision in these Rules, should the Claw Back Circumstances apply at any time in respect of a Participant, a person who is Employed at the time ("**Employee**") and/or an Eligible Employee (or former Participant, Employee and/or Eligible Employee) to whom an Offer has been or was made, the Board may determine, in its sole discretion, by notice in writing to the relevant person ("**Cancellation Notice**"), in respect of any Incentive Units which are or were the subject matter of an Offer Certificate, and:
- 8.1.1 in respect of which an Acceptance Notice has not yet been issued or deemed to have been issued by the relevant person, that the Offer be cancelled with immediate effect and the person shall have no right to issue an Acceptance Notice in respect thereof and shall have no recourse against the Company of any nature whatsoever;
- 8.1.2 in respect of which an Acceptance Notice has been issued by the person and in respect of which the purchase consideration has not been discharged as contemplated in Rule 5 at the time of the Cancellation Notice, that the Offer and the Acceptance Notice be cancelled, in which circumstances the Company shall have no obligation to the person to make payment of the relevant purchase consideration and the person shall have no recourse against the Company of any nature whatsoever; and/or
- 8.1.3 in respect of which an Acceptance Notice has been issued by the person and in respect of which the purchase consideration has been discharged as contemplated in Rule 5 at the time of the Cancellation Notice, that the Offer and the Acceptance Notice be cancelled with retrospective effect and the Company shall be entitled to, in whole or in part, claim back by written demand ("**Demand Notice**") from the person an amount in cash equal to the purchase consideration paid to the person pursuant to Rule 5 in respect of the relevant Incentive Units which are the subject matter of the Cancellation Notice and the amount so claimed shall be paid at the earlier of a date before the person ceases to be an Employee and the date 10 days from the date of the issue of the Demand Notice by the Company to the person. For the avoidance of doubt, the amount so claimed back shall be payable in full in cash, notwithstanding that the purchase consideration under Rule 5 may have been discharged in part or in whole in Shares.
- 8.2 For purposes of ensuring that any amount claimed by the Company pursuant to this Rule 8 is paid by the person, the Board may, at its sole discretion, require the Participant to pay to the Company, on such terms as the Board may direct (including, without limitation, on terms that the relevant amount is to be deducted from any payment to be made to the Participant by the Company or a Subsidiary, to the extent permitted in law) such amount as is required for full payment to be made to the Company. Without limiting the foregoing, in pursuance of the foregoing, any person to whom an Offer has been made consents to the amount claimed under 3 above, being deducted from any outstanding payments due to the person on termination of his/her employment by the Company or a Subsidiary, including, payment *in lieu* of notice, accumulated annual leave and outstanding salaries or bonuses. The Company undertakes that such deductions will be made in accordance with section 34 of the Basic Conditions of Employment Act, 75 of 1997.

ANNEXURE B CONTINUED

- 8.3 To the extent that the person who is the subject matter of this Rule 8 fails to repay the full amount claimed back by the Company under this Rule 8 and/or that the Company or Subsidiary is unable to deduct the full amount on termination of employment, the person acknowledges that the outstanding amount constitutes a debt to the Company, and that the Company may institute legal action against the person to recover the debt."

9. ...

10. ...

11. "LISTINGS REQUIREMENTS OF THE JSE

The implementation of the Plan shall, to the extent applicable, be subject to the relevant provisions of the Listings Requirements of the JSE."

CORPORATE INFORMATION

ADAPT IT HOLDINGS LIMITED

Incorporated in the Republic of South Africa
Registration number 1998/017276/06
Share code: ADI
ISIN: ZAE000113163
JSE Main board Sector: Technology
– Software & Computer Services
Listing date: 1998
Shares in issue: 152 513 154
(as at 30 June 2019)
Net of treasury shares: 137 261 840

COMPANY SECRETARY

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Oliver Fortuin* (Lead Independent Director)
Sbu Shabalala (Chief Executive Officer)
Tiffany Dunsdon (Chief Commercial Officer)
Nombali Mbambo (Chief Financial Officer)
Bongiwe Ntuli*
Catherine Koffman*
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