adapt IT

ABRIDGED SUMMARISED CONSOLIDATED AUDITED RESULTS

FOR THE YEAR ENDED 30 JUNE

AND NOTICE OF ANNUAL GENERAL MEETING

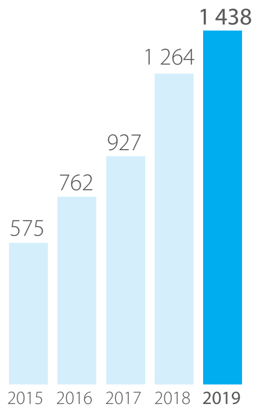
2019

KEY FINANCIAL FEATURES

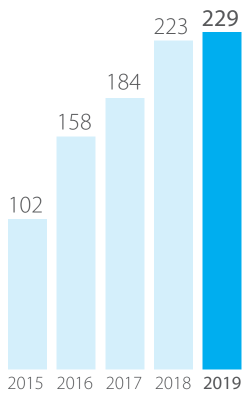
FINANCIAL HIGHLIGHTS

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

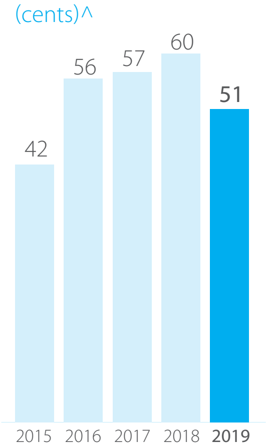
Revenue
(Rm)^



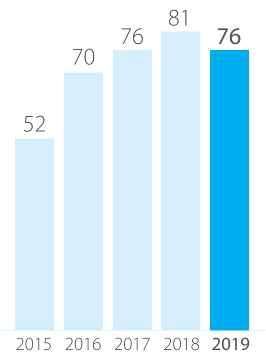
EBITDA
(Rm)^



BASIC EARNINGS PER SHARE
(cents)^

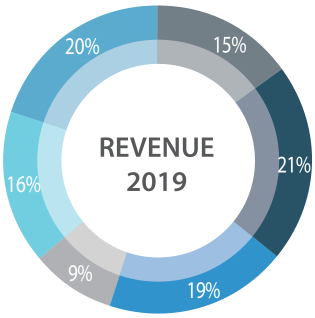


NORMALISED HEADLINE EARNINGS PER SHARE
(cents)^

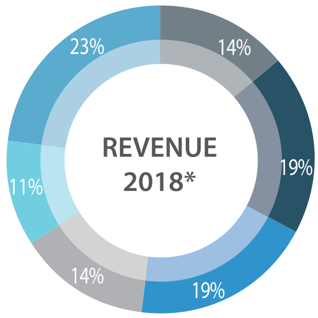


^ From continuing operations.
2018 restated.

SEGMENTAL REVENUE FROM CONTINUING OPERATIONS

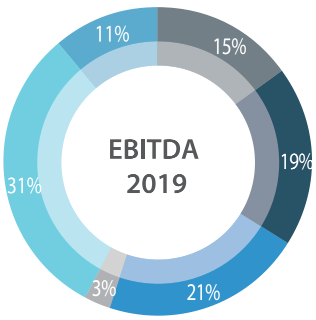


- Education
- Manufacturing
- Financial Services
- Energy
- Communications
- Hospitality

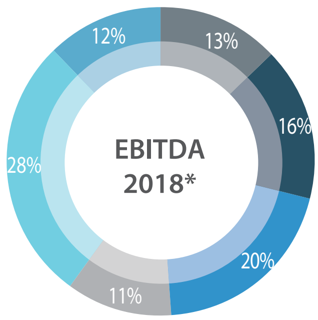


*Restated

SEGMENTAL EBITDA FROM CONTINUING OPERATIONS



- Education
- Manufacturing
- Financial Services
- Energy
- Communications
- Hospitality



*Restated

FINANCIAL REVIEW

Revenue from continuing operations increased by 14% to R1,438 billion (2018: R1,264 billion*[restated]). Revenue growth comprised an improved 5% organic growth from continuing operations and 9% from acquisitions. In spite of the ongoing poor trading conditions the majority of segments delivered double-digit organic growth. Underperformance in the Energy segment had a significant impact on the results with its earnings before interest, tax, depreciation and amortisation (EBITDA) reducing by R20 million. Once-off impacts on earnings in the current year included an impairment of R8 million on a fixed property held for sale and a negative foreign exchange movement year-on-year of R11 million. A net increase in loss allowances (provision for doubtful debts) of R4m pursuant to the adoption of IFRS 9 also impacted earnings. Annuity revenue remains healthy and an improvement on the previous reporting period to 61% (2018: 58%). EBITDA from continuing operations improved by 3% to R229 million (2018: R223 million*). Cash generated from operations was R179 million representing a cash conversion ratio of 1,08 times.

- Earnings per share (EPS) from continuing operations decreased by 15% to 51,32 cents.
- 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.

The group provides specialised software and digitally-led business solutions to the Education, Manufacturing, Financial Services, Energy, Communications and Hospitality sectors. Segment contributions to revenue were as follows:

- 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 Solutions Proprietary Limited, 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 Communications division grew 69% inclusive of the two acquisitions, contributing 16% to total revenue; and
- the Hospitality division remained flat in line with expectations and contributed 20% of total revenue.

Strategic acquisitions, which brought geographic diversification and attractive technologies, also assisted the group in achieving acquisitive growth of 9%, comprise the results of the LGR Telecommunication 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.

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.

The group experienced an unprecedented downward trajectory in its share price due to a fair amount of negativity within its peer group. Given the poor economic climate, the availability of acquisition opportunities at accretive valuations was limited. Under these conditions, complementary acquisitions, together with the share buyback, were the best application of capital to maximise shareholder returns. During the year 15,5 million (10%) of issued ordinary shares were repurchased for R96 million.

Interest-bearing borrowings increased to R501 million (2018: R214 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. We also incurred once-off capital expenses of R44 million for hospitality business hosting licenses for an average of five years. Net gearing is unusually high at 65% and will be reduced in the forthcoming year, to be closer aligned to the preferred net gearing ratio of 50%. In September 2019, pursuant to post year end adjustments, it was determined in hindsight that the group had breached its debt service cover covenant as at 30 June 2019, which breach was waived by Standard Bank of South Africa Limited (Standard Bank) for a period of one year from the date of the audit report on the 30 June 2019 financial statements. This has necessitated all Standard Bank borrowings to be shown as current at 30 June 2019 in terms of IFRS. The actual classification in the books of the company for amounts due after 12 months from the date of the waiver is non-current. This had no bearing on solvency and liquidity or the going concern status of the Company.

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).

DEFERRAL OF DIVIDEND

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.

** 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 10 on page 24. 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 (*).*

CHANGES TO THE BOARD DURING THE YEAR UNDER REVIEW

On 31 May 2019, Ms Zizipho Nyanga joined the board as an independent non-executive director and a member of the Audit and Risk Committee as well as the Remuneration Committee.

Ms Bongiwe Ntuli will retire from the board at the forthcoming annual general meeting and we thank her most sincerely for 11 years of service 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 company is recognised as one of the most gender empowered at board level on the JSE.

NOTICE OF THE ANNUAL GENERAL MEETING AND POSTING OF THE INTEGRATED ANNUAL REPORT

The integrated annual report will be mailed to shareholders on 25 October 2019 and is available on the group's website: www.adaptit.com from 14 October 2019.

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.

PROSPECTS

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 strategies and ensuring that all of this is done bearing good capital allocation in mind.

For and on behalf of the board

Craig Chambers
Independent non-executive chairman

Sbu Shabalala
Chief executive officer

14 October 2019

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

		Notes	2019 R	2018 Restated* R
Revenue			**1 438 138 457**	1 332 848 801
Cost of sales			**(645 556 263)**	(527 789 474)
Gross profit			**792 582 194**	805 059 327
Administrative, selling and other costs			**(626 831 577)**	(623 465 647)
Other income			**–**	26 350 922
Profit from operations			**165 750 617**	207 944 602
Finance income			**3 033 728**	5 492 972
Finance costs			**(42 830 348)**	(28 559 603)
Profit before taxation			**125 953 997**	184 877 971
Income tax expense			**(49 592 156)**	(62 728 482)
Profit for the year			**76 361 841**	122 149 489
Attributable to:				
Equity holders of the parent			**75 307 449**	114 557 933
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
Attributable to:				
Equity holders of the parent			**73 394 380**	114 055 951
Non-controlling interests			**1 054 392**	7 591 556
Basic earnings per share	(cents)	5.1	**51,32**	72,77
Basic diluted earnings per share	(cents)	5.1	**51,32**	72,77

* *See note 10.1 for details regarding the restatement for measurement period adjustment and note 10.2 for details about restatement as a result of prior period errors.*

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

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

** See note 10.1 for details regarding the restatement for measurement period adjustment and note 10.2 for details about restatement as a result of prior period errors.*

SUMMARISED 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	–	–	–	–
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	–		–	–
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 10.1 for details regarding the restatement for measurement period adjustment and note 10.2 for details about restatement as a result of prior period errors.*

ibutable 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**

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 R	2018 Restated* R
OPERATING ACTIVITIES			
Cash generated from operations		**178 687 638**	259 995 195
Finance income		**3 033 728**	3 957 779
Finance costs		**(41 669 024)**	(24 689 771)
Dividends received		**–**	–
Dividends paid		**(28 906 428)**	(34 970 537)
Taxation paid		**(68 838 320)**	(68 951 177)
Net cash flow from operating activities		**42 307 594**	135 341 489
INVESTING ACTIVITIES			
Property and equipment acquired		**(35 021 299)**	(90 683 597)
Intangible assets acquired and developed		**(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	7	**(130 641 237)**	(108 554 069)
Loan advanced		**(5 000 000)**	–
Proceeds from disposal of subsidiary		**–**	42 027 110
Increase in investment in subsidiary		**–**	–
Net cash utilised in investment activities		**(238 193 488)**	(171 110 164)
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		**(16 125 633)**	–
Issue of shares for cash		**–**	30 851 603
Repayment of vendor loans		**–**	(6 723 864)
Net cash flows from financing activities		**168 510 947**	23 504 322
Net decrease in cash resources		**(27 374 947)**	(12 264 353)
Exchange (loss)/gain on translation		**(797 598)**	793 671
Cash and cash equivalents at beginning of year		**86 578 028**	98 048 710
Cash and cash equivalents at end of year		**58 405 483**	86 578 028

** See note 10.1 for details regarding the restatement for measurement period adjustment and note 10.2 for details about restatement as a result of prior period errors.*

NOTES TO THE SUMMARISED CONSOLIDATED AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1. BASIS OF PREPARATION

The abridged summarised consolidated audited financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council, and also, as a minimum contains the information required by IAS 34: Interim Financial Reporting. These abridged summarised consolidated audited financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated annual financial statements for the year ended 30 June 2019.

The abridged summarised consolidated financial statements have been prepared under the supervision of Ms T Dunsdon CA(SA), Chief Commercial Officer, and were approved by the board of directors (the board) on 11 October 2019.

AUDTOR'S REPORT

These abridged summarised consolidated audited financial statements, which have been derived from the consolidated annual financial statements and with which they are consistent in all material respects, have been audited by Deloitte & Touche. Their unmodified audit opinions on the consolidated annual financial statements and on the summarised consolidated audited financial statements (ISA 810) together with the accompanying financial information are available for inspection at the registered office of the company.

The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the group's registered office.

The board takes full responsibility for the preparation of this report and that the financial information has been correctly extracted from the underlying consolidated audited annual financial statements, which is available for inspection at the registered office of the company.

2. ACCOUNTING POLICIES

The accounting policies adopted and methods of computation used in the preparation of the abridged summarised consolidated audited financial statements are in accordance with IFRS and are consistent with those of the annual financial statements for the year ended 30 June 2018, with the exception of the new and revised IFRS as detailed in note 3.

3. IFRS STANDARDS THAT BECAME EFFECTIVE DURING THE YEAR

3.1 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.

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.

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.

NOTES TO THE SUMMARISED CONSOLIDATED AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2019

3. IFRS STANDARDS THAT BECAME EFFECTIVE DURING THE YEAR CONTINUED

3.1 IMPACT OF INITIAL APPLICATION OF IFRS 9 FINANCIAL INSTRUMENTS CONTINUED

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	Credit risk attributes at 1 July 2018	Cumulative additional loss allowance recognised R
Finance lease receivables	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	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	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. 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

(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 fair value through profit or loss (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.

3. IFRS STANDARDS THAT BECAME EFFECTIVE DURING THE YEAR CONTINUED

3.2 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 it's 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.

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 10.1 for details regarding restatement for measurement period adjustment and note 10.2 for details about restatement as a result of prior period errors.*

NOTES TO THE SUMMARISED CONSOLIDATED AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2019

3. IFRS STANDARDS THAT BECAME EFFECTIVE DURING THE YEAR CONTINUED

3.2 IMPACT OF APPLICATION OF IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS 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 10.1 for details regarding restatement for measurement period adjustment and note 10.2 for details about restatement as a result of prior period errors.*

4. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

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 SUMMARISED CONSOLIDATED AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2019

5. EARNINGS AND DIVIDENDS PER SHARE

5.1 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).

		2019	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		**7 735 901**	–
– Loss on sale of property and equipment		**952 256**	473 160
– Scrapping of property and equipment		**430 000**	385 239
– Profit on sale of businesses		**–**	(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

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).

5.2 DIVIDENDS PER SHARE

		2019	2018 Restated*
Dividends per share	(cents)	**17,10**	13,70

** See note 10.1 for details regarding the restatement for measurement period adjustment and note 10.2 for details about restatement as a result of prior period errors.*

6. INTEREST-BEARING BORROWINGS

	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.

NOTES TO THE SUMMARISED CONSOLIDATED AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2019

6. 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.

7. BUSINESS COMBINATIONS

7.1 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 SUMMARISED CONSOLIDATED AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2019

7. BUSINESS COMBINATIONS CONTINUED

7.2 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.

7.3 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 SUMMARISED CONSOLIDATED AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2019

7. BUSINESS COMBINATIONS CONTINUED

7.3 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.

8. 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								**(20 219 412)**
Amortisation								**(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								(13 910 219)
Amortisation								(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 form 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 10.3 for details on restatement as a result of prior period errors.*

NOTES TO THE SUMMARISED CONSOLIDATED AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2019

8. SEGMENT ANALYSIS CONTINUED

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 10.3 for details on restatement as a result of prior period errors.*

9. 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.

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 6 on page 15 and 16 for further details.

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

10. RESTATEMENT

10.1 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 SUMMARISED CONSOLIDATED AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2019

10. RESTATEMENT CONTINUED

10.2 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 apposed 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 10.1) 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 5 for restated earnings per share information):

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

			Significant contract revenue recognition			
	30 June 2018 As previously reported R	LGR measurement period adjustment R	Revenue recognition R	License treated as principal instead of agent R	Subcontractor treated as agent instead of principal R	30 June 2018 Restated 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 SUMMARISED CONSOLIDATED AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2019

10. RESTATEMENT CONTINUED

10.2 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 24, 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 the 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 SUMMARISED CONSOLIDATED AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2019

10. RESTATEMENT CONTINUED

10.2 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
Adjustments for:						
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	(3 957 779)	–	–	–	–	(3 957 779)
Finance costs	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)
Working capital changes:						
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

10.3 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 10.2);
- 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 SUMMARISED CONSOLIDATED AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2019

10. RESTATEMENT CONTINUED

10.3 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

11. FINANCIAL INSTRUMENTS

This announcement does not include the information required pursuant to paragraph 16A(j) of IAS 34. The full Integrated Annual Report is available on the group's website, at the group's registered offices and upon request.

12. CAPITAL COMMITMENTS

	2019 R	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.

13. 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.

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.

13. RELATED PARTY TRANSACTIONS CONTINUED

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, no significant related party transactions were entered into during the year under review.

NOTES TO THE SUMMARISED CONSOLIDATED AUDITED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2019

14. 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

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

Statucor (Pty) Ltd
22 Wellington Road
Parktown
2193

REGISTERED OFFICE

Adapt IT Johannesburg Campus
152 14th Road
Midrand
South Africa

DIRECTORS

Craig Chambers* (Chairman)
Oliver Fortuin* (Lead Independent Director)
Sbu Shabalala (Chief Executive Officer)
Tiffany Dunsdon (Chief Commercial Officer)
Nombali Mbambo (Chief Financial Officer)
Bongiwe Ntuli*
Catherine Koffman*
Zizipho Nyanga*
** Independent Non-executive Director*

TRANSFER SECRETARY

Computershare Investor Services (Pty) Ltd
PO Box 61051, Marshalltown, 2107
T +27 (0) 11 370 5000
F +27 (0) 11 688 5200

AUDITORS

Deloitte & Touche

SPONSOR

Merchantec Capital
13th floor, Illovo Point
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Illovo, Sandton
2196

CORPORATE BANKERS

The Standard Bank of South Africa Limited
ABSA Bank Limited

LEGAL REPRESENTATIVES

Garlicke & Bousfield Incorporated
Michalsons Attorneys
Corrs Chambers Westgarth

ADAPT IT WEBSITE

www.adaptit.com

SOUTH AFRICAN OFFICES

GAUTENG

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KWAZULU-NATAL

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WESTERN CAPE

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INTERNATIONAL OFFICES

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