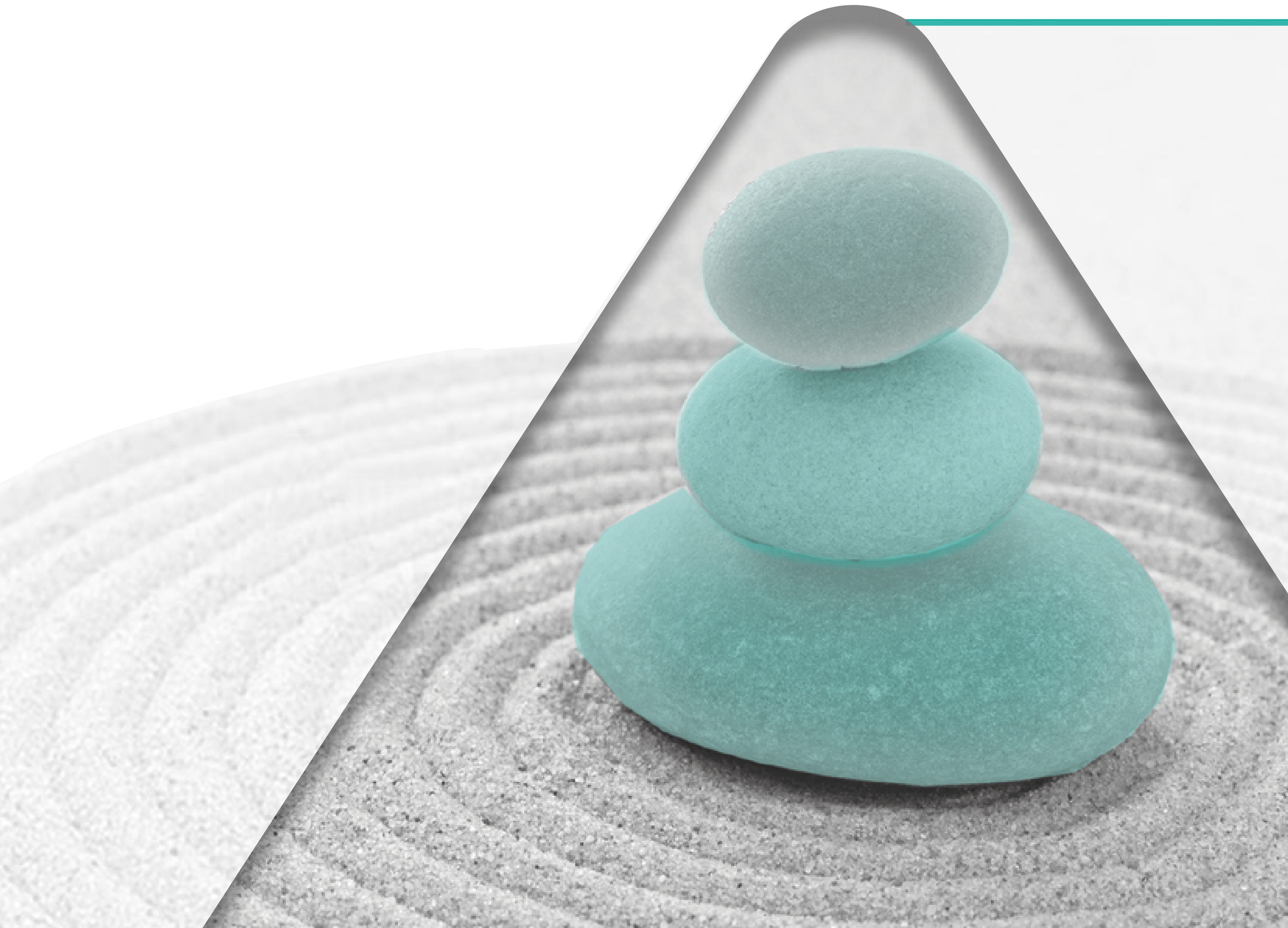
alviva
HOLDINGS

PRELIMINARY REVIEWED CONDENSED CONSOLIDATED

FINANCIAL RESULTS

FOR THE YEAR ENDED **30 JUNE 2019**

and final cash dividend



GROUP STRUCTURE

alviva HOLDINGS

ICT DISTRIBUTION

- Axiz
- alviva services
- OBSCURE
- pinnacle
- VH FIBRE OPTICS

SERVICES AND SOLUTIONS

SOLUTIONS AND INTEGRATORS

- datacentrix
- DG digital generation
- intdev internet technologies
- CENTRAVOICE

RENEWABLE ENERGY

- Solareff
- GridCars

APPLICATIONS AND IP

- SINTREX
- MERLYNN
- SynergERP *

FINANCIAL SERVICES

- centrafin RAPID | RELIABLE | RESPONSIVE

GROUP CENTRAL SERVICES

- GROUP ADMINISTRATION
- GROUP TREASURY
- GROUP IT

* *Acquired after the end of the reporting period.*

REVENUE

UP 17%

at **R15,9 billion**

EBITDA

UP 5%

to **R860 million**

CORE EPS

UP 17%

to **353 cents**

HEPS

UP 9%

to **297 cents**

CASH GENERATED FROM OPERATIONS

OF

R275 million

GROSS DIVIDEND PER SHARE

UP 11%

to **30 cents**

COMMENTARY

INTRODUCTION

The Board of Directors is pleased to present the reviewed condensed consolidated financial statements for the year ended 30 June 2019.

OVERVIEW

The Group has endured a difficult trading period over the last financial year. The vast majority of its operations are exposed to the South African economy and so, given that there has been little or no growth in South Africa during this period, it would be of no surprise to advise shareholders that this has been a challenging operating environment. Notwithstanding, the investments made into new businesses have helped increase revenue by 17% and Alviva's existing businesses have produced a resilient performance to allow the Group to maintain its returns to shareholders.

There have been a number of one-off transactions that have impacted the results in the reporting period that are worthy of mention. The Group recognised income on the release from its contingent consideration of R45 million, in respect of its acquisitions of VH Fibre Proprietary Limited ("VH Fibre") and Obscure Enterprises Proprietary Limited ("Obscure").

- VH Fibre, the fibre contracting business that Alviva acquired in 2018, was on track to deliver on its earn-out when it reached the end of the first six months to December 2018. Unfortunately, market forces and certain events conspired against it and, in the second six months of the reporting period, VH Fibre recognised a small loss. The Board is confident that this business will be able to recover from this setback and return to its growth trajectory.
- In August 2019, negotiations with certain of the vendors of Obscure took place, resulting in an agreement whereby 53% of the shareholders would have their consideration settled based on Obscure's 2019 financial results, whilst the remaining vendors would keep the settlement based on the financial results in 2019, 2020 and 2021. As the anticipation is that the profits will increase over these periods, the early settlement has resulted in a release to income of approximately R21 million.

Alviva has recognised impairment losses to the value of R23 million on its investment in equity-accounted investee. This business has been prejudiced by the delays in executing on the RT3 contract with government and has incurred substantial losses as processes and documentation are finalised. It is hoped that eventually this will proceed in September 2019. In addition, the implementation of IFRS 9 has resulted in increased expenses in the profit or loss of approximately R9 million.

During the reporting period, the Board received an offer for its enclosure manufacturing business. The offer came with a continued supply agreement and so, at the end of February 2019, Alviva sold the Modrac operation to a customer who the Board believes will be much more adept at managing the manufacturing environment. This resulted in a loss on disposal of subsidiary of approximately R32 million.

The decrease in the weighted average number of shares at the end of June has largely been due to the Company's share repurchase programme and has assisted in delivering increased returns to shareholders. Headline earnings per share was up 9% to 297,1 cents per share (cps) (2018: 273,2 cps).

The increase in working capital at the reporting date and the consequent low cash generated from operations were largely due to a combination of the tougher market conditions and the timing of Alviva's reporting date. The majority of the Group's customers settle their accounts at month-end and, when the month-end falls on a week-end (30 June 2019 was a Sunday), often payments get delayed until the following Monday. Generally, working capital has been well managed throughout the year as evidenced by the net interest during the period.

FINANCIAL RESULTS

Segment performance

The **ICT Distribution segment** increased revenue* by 13% and EBITDA by 1%. The performance of the segment was adversely affected by VH Fibre, as noted above. Other than that, the entities in this cluster performed well, given the economic conditions. Working capital at the end of June largely reflects the increase in revenue of the entities but stockholding was approximately R125 million higher than planned due to a much slower than expected May and June as well as some stalled orders. It has been a great deal more challenging to control the levels of inventory in an environment where demand is not easy to predict.

The **Services and Solutions segment** increased its revenue* by 26% but EBITDA increased by 8%. The newly acquired entities have been successfully bedded down and performed well, in line with expectations. Datacentrix had a better second half to the year but was unable to make up for the shortfall experienced in the first six months. Solareff had one unprofitable contract that undid all of the good work of the first six months. The market remains tough but the pipeline for all businesses in the segment is encouraging and all efforts are being applied to ensure a satisfactory execution into the future.

Centrafin (Financial Services segment) had a good year with revenue* growing by 10% and EBITDA, due to a higher expense base and increased IFRS 9 charges, decreased by 4%. The expense growth is due to the planned investment in costs into businesses that have yet to deliver the anticipated revenue. The book increased by R183 million for the reporting period, which positions the segment well for the future.

* *Revenue refers to the total segment revenue before the elimination of inter-segment revenue.*

Investment activities and financial position

Cash generated by operating activities in the 2019 reporting period was R275 million, compared to R1 049 million for the comparable reporting period. This decrease was due to working capital increasing by R604 million. This is mainly attributable to an increase in business activity as well as the market conditions and reporting date issue mentioned earlier.

The Group continued with its acquisition strategy and R160 million was spent on the acquisitions finalised in the reporting period. Additionally, a further R49 million has been utilised to increase Alviva's investment in Sintrex from 51% to 75%. There has been an increase in the finance receivables book of R166 million due to the positive growth in Centrafin. The share repurchase programme has continued with funds of R151 million being applied to this enhancing activity and R41 million has been returned to shareholders in the form of dividends paid.

These payments have been facilitated by using the majority of the cash resources held at the end of June 2018.

CORPORATE ACTIONS

Tricon Services ("Tricon")

Alviva completed the acquisition of the Services Division of Tri-Continental Limited ("Tri Continental") on 3 September 2018 for a cash consideration of R75 million. Tri Continental is an IT-based company in London and has operated in the African market for over 30 years. Alviva has been granted the right to use the naming rights to "Tricon Services" and it operates as a division within the Group.

Tricon Services has developed a services operation, with a resource complement of 200 multi-disciplined certified IT resources that spans 37 countries in Central, East and West Africa (CEWA) and southern Africa. It services an extensive network of IT partners, customers and integrators through its long-term relationships with a number of major international IT vendors and suppliers.

The transaction meets the definition of a business combination as set out in IFRS 3: *Business Combinations*.

In July 2019, subsequent to the reporting date, it was decided to re-brand the division to be known as "Alviva Services" and to no longer use the name "Tricon".

Sintrex Integration Services Proprietary Limited ("Sintrex")

On 22 October 2018, Alviva, through its subsidiary company DCT Holdings Proprietary Limited ("DCT"), exercised its option to acquire a further 59 shares in Sintrex for R49 million, giving DCT a resultant 75% shareholding in Sintrex. The consideration was settled in cash.

Obscure

On 27 October 2018, Alviva, through its subsidiary company DCT, acquired the balance of the equity (28%) that it did not own of Obscure. As previously announced as part of the financial results for the year ended 30 June 2018, the purchase price of the initial 72% would be determined and paid on a formula ("formula") that was based on the profits for the financial years ending 30 June 2020, 2021 and 2022. This has subsequently been changed by agreement between all of the parties and the purchase price will now be determined and paid on the formula based on the profits for the financial year ended 30 June 2019 for 53% of the vendors and, for the balance of 47%, will be paid on the financial years ending 30 June 2019, 2020 and 2021. The other terms remain the same.

Merlynn Intelligence Technologies Proprietary Limited ("Merlynn")

On 13 November 2018, Alviva acquired 65% of the equity of Merlynn for a maximum consideration of R94 million.

Leveraging subject matter expertise, Merlynn's Tacit Object Modeller ("TOM") technology provides business users with a highly intuitive user interface where they can simply and quickly configure highly intelligent Virtual Experts. The Virtual Experts are capable of rapidly replicating complex human decisions that typically rely on highly nuanced or subjective decision-making processes.

With relatively minimal reliance on data, the TOM Virtual Expert acts as a tangible, automated version of the expert's own tacit knowledge base. The strategic value of TOM lies in its ability to replicate complex subjective decision elements, those which cannot be explicitly defined and rarely exist in the form of business rules. This concept of tacit expertise is typically very difficult to expose from the underlying data itself. TOM allows users to intuitively codify the opaque, tacit objects that underpin the human decision making process, and enables this decision execution in a highly repeatable, traceable and scalable manner. TOM then employs a champion / challenger framework for model training and validation prior to deployment. The focus is on the financial and insurance sectors, both locally and overseas.

CHANGES TO THE BOARD AND COMMITTEES

Following the resignation of Ms N Medupe as director, as Chairperson of the Audit and Risk Committee and as member of the Remuneration Committee and to further strengthen the independence of the Board, the following changes were made to the Board and its Committees on 29 July 2019:

Ms P Natesan, the current Lead Independent Director, was appointed as Chairperson of the Audit and Risk Committee and stepped down as a member of the Social and Ethics Committee.

Ms MG Mokoka was appointed as an independent non-executive director and a member of both the Audit and Risk Committee and Remuneration Committee.

Mr PN Masemola was appointed as an independent non-executive director and member of the Social and Ethics Committee.

Following the above changes, the Board and Committees of the Board, at the publication date, are composed as follows:

The Board:

The Board comprises seven directors, two executive directors and five non-executive directors. The executive directors are the Chief Executive Officer and the Chief Financial Officer. Four of the five non-executive directors are independent. The Chairperson, who is a non-executive director, is not considered to be independent but the independence of the Board is strengthened by the inclusion of a Lead Independent Director as recommended by King IV™.

The Board composition:

Mr A Tugendhaft – Non-Executive Director – Chairperson

Mr P Spies – Chief Executive Officer

Ms SH Chaba – Independent Non-Executive Director

Mr RD Lyon – Chief Financial Officer

Mr PN Masemola – Independent Non-Executive Director

Ms MG Mokoka – Independent Non-Executive Director

Ms P Natesan – Independent Non-Executive Director – Lead Independent Director

Audit and Risk Committee:

Ms P Natesan – Chairperson

Ms SH Chaba – Member

Ms MG Mokoka – Member

Remuneration Committee:

Ms SH Chaba – Chairperson

Ms MG Mokoka – Member

Mr A Tugendhaft – Member

Social and Ethics Committee:

Ms SH Chaba – Chairperson

Mr PN Masemola – Member

Mr JV Parkin – Member

SHARE REPURCHASES

At the annual general meeting ("AGM") held on 23 November 2017, which authority was renewed at the AGM held on 21 November 2018, shareholders gave the Board general approval in terms of sections 46 and 48 of the Companies Act, by way of a special resolution, to acquire shares in the Company. The Board exercised this authority and mandated the repurchase of issued ordinary shares of the Company, to a maximum of 29 417 371 shares. During the year to June 2019, the Company has repurchased 8 450 067 ordinary shares.

DIVIDENDS

The Company's policy is to declare a dividend of 10% of HEPS (and since the introduction of Dividends Tax, a gross dividend of 10% of HEPS before deducting Dividends Tax). To this end, the Board has declared a final dividend of 30 cents (2018: 27 cents) per ordinary share for the financial year ended 30 June 2019.

Notice is hereby given that a final dividend of 30 cents per ordinary share for the year ended 30 June 2019 has been declared by the Board of Directors of the Company.

The salient dates applicable to the final dividend are as follows:

	Date
Last day of trade "cum" dividend	Tuesday, 12 November 2019
First day to trade "ex" dividend	Wednesday, 13 November 2019
Record date	Friday, 15 November 2019
Payment date	Monday, 18 November 2019

No share certificates may be dematerialised or rematerialised between Wednesday, 13 November 2019 and Friday, 15 November 2019, both days inclusive.

Dividends are to be paid out of distributable reserves. Dividends Tax of 20% will be withheld in terms of the Income Tax Act for those shareholders who are not exempt from dividend tax. In accordance with paragraphs 11.17(a)(i) to (ix) and 11.17(c) of the JSE Listings Requirements, the following additional information is disclosed:

- The gross local dividend amount is 30 cents per ordinary share for shareholders exempt from Dividends Tax;
- The net local dividend amount is 24 cents per ordinary share for shareholders liable to pay Dividends Tax;
- Alviva Holdings Limited currently has 141 942 246 ordinary shares in issue (which includes 6 835 000 FSP shares); and
- Alviva Holdings Limited's income tax reference number is 9675/146/71/7.

COMMENTARY

continued

Where applicable, payment in respect of certificated shareholders will be transferred electronically to shareholders' bank accounts on the payment date. In the absence of specific mandates, payment cheques will be posted to certificated shareholders at their risk on the payment date. Shareholders who have dematerialised their shares will have their accounts at their Central Securities Depository Participant or broker credited on the payment date.

PROSPECTS

The outlook for the year to 30 June 2020 is unclear. The economy is under huge pressure with little or no apparent appetite for investment. Much needs to be done to turn around confidence in the business arena. Notwithstanding these factors, the Group has well established businesses with solid experienced management in place that have shown themselves to be adept at growing revenues during times of hardship. In addition, the new acquisitions that have been brought into the Group recently offer exciting prospects. We remain cautiously optimistic albeit that we are surrounded by despondency.

For and on behalf of the Board

A Tugendhaft
Chairperson

P Spies
Chief Executive Officer

16 September 2019
Midrand

CONDENSED CONSOLIDATED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2019

	2019 Reviewed R'000	2018 Restated * R'000	2018 Audited R'000
Revenue (note 2)	**15 922 641**	13 628 916	13 628 916
Cost of sales	**(13 314 503)**	(11 219 810)	(11 219 810)
Gross profit	**2 608 138**	2 409 106	2 409 106
Operating expenses	**(1 748 354)**	(1 588 623)	(1 588 623)
Selling expenses	**(66 165)**	(61 688) *	(95 923)
Impairment loss on trade- and finance lease receivables	**(37 361)**	(34 235) *	–
Impairment loss on loan to equity-accounted investee	**(23 210)**	–	–
Employee benefit expenses	**(1 338 582)**	(1 273 532)	(1 273 532)
Administration expenses	**(307 683)**	(237 749)	(237 749)
Profit on disposal of property, plant and equipment	**609**	634	634
Loss on disposal of subsidiary	**(32 141)**	–	–
Gain on remeasurement of contingent consideration	**45 270**	–	–
Gain on discounting of finance lease agreements	**2 841**	2 656	2 656
Gain on foreign exchange	**8 068**	15 291	15 291
EBITDA **	**859 784**	820 483	820 483
Depreciation and amortisation	**(190 011)**	(130 354)	(130 354)
Operating profit before interest	**669 773**	690 129	690 129
Net finance costs	**(133 049)**	(121 257)	(121 257)
Finance income	**52 059**	39 909	39 909
Finance costs	**(185 108)**	(161 166)	(161 166)
Profit before tax	**536 724**	568 872	568 872
Income tax expense	**(145 866)**	(151 548)	(151 548)
Profit for the period	**390 858**	417 324	417 324
– Owners of the Company	**394 500**	421 707	421 707
– Non-controlling interests	**(3 642)**	(4 383)	(4 383)
Other comprehensive income			
– Items that may be reclassified to profit or loss net of tax:	**447**	1 136	1 136
Exchange differences from translating foreign operations	**447**	1 684	1 684
Cash flow hedge	**–**	(548)	(548)
Total comprehensive income for the period	**391 305**	418 460	418 460
– Owners of the Company	**394 947**	422 843	422 843
– Non-controlling interests	**(3 642)**	(4 383)	(4 383)
Earnings per ordinary share (cents)			
– Basic earnings per ordinary share	**275,3**	273,5	273,5
– Diluted basic earnings per ordinary share	**268,1**	269,4	269,4

* *Impairment of trade- and finance lease receivables was aggregated with other operating expenses in 2018. In 2019, the amount was disaggregated. Comparative numbers have been updated accordingly.*

** *Earnings before interest, tax, depreciation and amortisation.*

CONDENSED CONSOLIDATED

STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

	2019 Reviewed R'000	2018 Audited R'000
ASSETS		
Non-current assets	**1 784 247**	1 554 618
Property, plant and equipment	**122 312**	120 697
Intangible assets and goodwill	**919 421**	847 153
Investment in equity-accounted investees	**88 119**	62 077
Finance lease receivables	**576 189**	449 930
Deferred tax	**78 206**	74 761
Current assets	**4 710 221**	4 271 704
Inventory (note 8)	**1 036 748**	774 111
Trade and other receivables	**3 264 856**	2 537 275
Finance lease receivables	**269 975**	230 508
Income tax receivable	**14 096**	38 352
Cash and cash equivalents	**124 546**	691 458
Total assets	**6 494 468**	5 826 322
EQUITY AND LIABILITIES		
Capital and reserves	**2 335 027**	2 227 404
Stated capital	**1 434**	1 584
Treasury shares	**(125 819)**	(129 090)
Other equity reserves	**33 568**	54 268
Retained earnings	**2 355 661**	2 211 329
Non-controlling interests	**70 183**	89 313
Non-current liabilities	**915 171**	943 016
Interest-bearing liabilities	**778 342**	749 636
Non-interest-bearing liabilities	**46 205**	98 635
Contract liabilities	**11 528**	11 327
Deferred tax	**79 096**	83 418
Current liabilities	**3 244 270**	2 655 902
Trade and other payables	**2 806 046**	2 364 929
Interest-bearing liabilities	**106 285**	42 019
Non-interest-bearing liabilities	**44 130**	68 850
Contract liabilities	**114 847**	157 235
Bank overdraft	**158 799**	–
Income tax payable	**14 163**	22 869
Total equity and liabilities	**6 494 468**	5 826 322

ADDITIONAL INFORMATION *

	2019 Reviewed R'000	2018 Audited R'000
Capital management		
Net asset value per share (cents)	**1 658,2**	1 453,6
Net tangible asset value per share (cents)	**985,0**	877,7
Working capital management		
Investment in working capital (R'000)	**1 380 711**	789 222
Liquidity and solvency		
Debt to equity (%)	**39,1**	37,0
Current ratio (excluding inventory in transit and work in progress)	**1,47**	1,64
Acid test (excluding inventory in transit)	**1,17**	1,39

** This information does not form part of the statement of financial position but is disclosed as additional information for the user.*

CONDENSED CONSOLIDATED
STATEMENT OF CASH FLOWS

for the year ended 30 June 2019

	2019 Reviewed R'000	2018 Audited R'000
Profit before tax	**536 724**	568 872
Adjusted for:		
Finance income	**(52 059)**	(39 909)
Finance costs	**185 108**	161 166
Non-cash flow items	**209 426**	140 087
– Depreciation and amortisation	**190 011**	130 354
– Profit on disposal of property, plant and equipment	**(609)**	(634)
– Loss on disposal of subsidiary	**32 141**	–
– Gain on remeasurement of contingent consideration	**(45 270)**	–
– Equity-settled share-based payment expense	**9 943**	11 222
– Impairment loss on loan to equity-accounted investee	**23 210**	–
– Other non-cash flow items	**–**	(855)
Changes in working capital	**(604 123)**	218 884
Cash generated from operating activities	**275 076**	1 049 100
Net finance costs	**(133 049)**	(121 257)
Finance income received	**52 059**	39 909
Finance costs paid	**(185 108)**	(161 166)
Tax paid	**(172 331)**	(186 364)
	(30 304)	741 479
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(64 964)**	(47 394)
Proceeds on disposals of property, plant and equipment	**3 012**	5 059
Acquisition of intangible assets	**(17 134)**	(26 447)
Proceeds on disposals of intangible assets	**3 540**	–
Proceeds on disposal of subsidiary	**14 988**	–
Advances of loans to equity-accounted investees	**(49 252)**	(62 077)
Acquisition of subsidiaries	**(159 550)**	(243 069)
Net investment in finance lease receivables	**(165 726)**	(34 111)
	(435 086)	(408 039)
Cash flows from financing activities		
Interest-bearing liabilities raised	**96 464**	235 619
Interest-bearing liabilities repaid	**(8 331)**	–
Non-interest-bearing liabilities repaid	**(68 679)**	–
Repurchase of shares	**(186 810)**	(254 084)
Transactions with non-controlling interests	**(58 794)**	–
Dividends paid to shareholders	**(40 694)**	(39 662)
	(266 844)	(58 127)
(Decrease)/increase in net cash, cash equivalents and overdrafts	**(732 234)**	275 313
Net cash acquired from business combinations	**6 076**	24 701
Net cash, cash equivalents at beginning of reporting period	**691 458**	389 760
Effects of exchange rate changes on the balance of cash held in foreign currencies	**447**	1 684
Net cash, cash equivalents and overdrafts at end of reporting period	**(34 253)**	691 458

CONDENSED CONSOLIDATED

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2019

	2019 Reviewed R'000	2018 Audited R'000
Opening balance	**2 227 404**	2 020 223
Ordinary shares repurchased and cancelled	**(150 791)**	(223 486)
Treasury shares purchased *	**(36 019)**	(30 598)
Profit for the period	**390 858**	417 324
Other comprehensive income	**447**	1 136
Net movements in non-controlling interest **	**(66 121)**	71 245
Equity-accounted share-based payment reserve movements	**9 943**	11 222
Dividend paid to shareholders	**(40 694)**	(39 662)
Closing balance	**2 335 027**	2 227 404
Attributable to:		
Owners of the Company	**2 264 844**	2 138 091
Non-controlling interests	**70 183**	89 313

** These transactions include ordinary shares purchased and not cancelled to service the forfeitable share plan.*

*** Excluding net profit attributable to non-controlling interests.*

SEGMENT ANALYSIS

for the year ended 30 June 2019

	2019 Reviewed R'000 Segment revenue	2019 Reviewed R'000 Inter-segment revenue	2019 Reviewed R'000 External revenue	2018 Audited R'000
Revenue				
ICT Distribution	**11 802 282**	**(679 127)**	**11 123 155**	10 440 627
Services and Solutions	**4 657 418**	**(50 291)**	**4 607 127**	3 685 842
Financial Services	**192 359**	**–**	**192 359**	175 315
	16 652 059	**(729 418)**	**15 922 641**	14 301 784
			Less: Inter-segment revenue	(672 868)
				13 628 916

	2019 Reviewed R'000	2018 Audited R'000
EBITDA *		
ICT Distribution	**463 046**	458 509
Services and Solutions	**254 423**	235 673
Financial Services	**111 791**	115 926
Group Central Services	**30 524**	10 375
	859 784	820 483
Reconciliation of profit		
Segment EBITDA	**859 784**	820 483
Depreciation and amortisation	**(190 011)**	(130 354)
Net finance costs	**(133 049)**	(121 257)
Profit before tax	**536 724**	568 872
Net operating assets		
ICT Distribution	**1 254 375**	1 144 079
Services and Solutions	**640 405**	611 195
Financial Services	**209 963**	193 429
Group Central Services	**230 284**	278 701
	2 335 027	2 227 404

** Earnings before interest, tax, depreciation and amortisation.*

The segments of the entity are based on the information reported to the chief decision maker (CEO) and has not changed from the prior reporting period.

1. SALIENT FEATURES OF THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The preliminary reviewed condensed consolidated financial statements comprise the condensed consolidated statement of financial position at 30 June 2019, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows and selected notes for the year then ended.

Responsibility for annual results

The Board takes full responsibility for the preparation of this preliminary report. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the preliminary reviewed condensed consolidated financial statements that are free from material misstatement, whether owing to fraud or error.

Basis of preparation and statement of compliance

The preliminary reviewed condensed consolidated financial statements for the year ended 30 June 2019 have been prepared in accordance with the Group's accounting policies under the supervision of the Group Financial Director, Mr RD Lyon CA, and comply with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements for preliminary reports of the JSE Limited, the requirements of the Companies Act of South Africa (Act 71 of 2008), as amended and, as a minimum, contain all of the information required by IAS 34: Interim Financial Reporting.

The preliminary reviewed condensed consolidated financial statements of the Group are prepared as a going concern on a historical basis, except for contingent consideration, which is stated at fair value as applicable.

Accounting policies, estimates and judgements

The accounting policies, inclusive of reasonable judgements and assessments, applied in the preliminary reviewed condensed consolidated financial statements, are consistent with those applied in the preparation of the audited consolidated annual financial statements as at and for the period ended 30 June 2018 except for new standards adopted as of 1 July 2018. The accounting policies applied comply with IFRS.

The Group has initially applied IFRS 15 and IFRS 9 from 1 July 2018.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, except for separately presenting impairment losses on trade and finance lease receivables as well as the impairment loss in relation to the loan to equity-accounted investee.

Other new standards have also been effectively applied from 1 July 2018 but they do not have a material effect on the preliminary reviewed condensed consolidated results.

IFRS 9: *Financial Instruments* ("IFRS 9")

The Group has applied the exemption in IFRS 9 from restating prior periods in respect of the classification and measurement (including impairment) requirements of IFRS 9. Accordingly, the information presented for 2018 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39. As a result of the adoption of IFRS 9, the Group has adopted sequential amendments to IAS 1: Presentation of Financial Statements, which require the impairment of financial assets to be presented in a separate line item in profit or loss. Previously, the Group's approach was to include the impairment of trade and finance lease receivables in selling expenses. The reclassification presented in profit or loss is for comparability purposes only and not regarded as a restatement.

The Group's accounting policies, resulting from the adoption of IFRS 9, have been updated but have not changed, except for the effects of the new impairment model as disclosed in the accounting policies.

1. SALIENT FEATURES OF THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

IFRS 15: *Revenue from Contracts with Customers* ("IFRS 15")

The Group has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard at the date of initial application, i.e., 1 July 2018. Accordingly, information presented, as previously reported, has not been restated.

The adoption of IFRS 15 did not have a material impact on the Group's accounting policies with respect to the various revenue streams.

No other standard, interpretation or amendment that has been issued but is not yet effective, has been early adopted by the Group.

Estimates and judgements

The preparation of the consolidated annual financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

New Standards and Interpretations issued but not yet effective

IFRS 16: *Leases* ("IFRS 16")

A new standard for leases, IFRS 16, has been issued by the International Accounting Standards Board prior to the publication of these preliminary reviewed condensed consolidated financial statements, but is only effective in future accounting periods. The most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of premises. At 30 June 2019, the Group's discounted future minimum lease payments under non-cancellable operating leases will result in recognition of a right of use asset of R280 million with a corresponding lease liability of R280 million in the statement of financial position.

Other standards and interpretations issued but not yet effective

Management assessed all of the standards and interpretations and is of the opinion that none of these standards and interpretations will have a material impact on the results of the Group in future periods.

Presentation currency

The preliminary reviewed condensed consolidated financial statements are presented in South African Rands, the functional currency of the Group. All amounts are rounded to the nearest thousand, except where another rounding measure has been indicated in the preliminary reviewed condensed consolidated financial statements.

Comparative figures

Unless otherwise indicated, comparative figures refer to the year ended 30 June 2018.

Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited consolidated annual financial statements as at and for the year ended 30 June 2018.

1. SALIENT FEATURES OF THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Review conclusion

The condensed consolidated financial statements has been reviewed by the Company's auditors, SizweNtsalubaGobodo Grant Thornton Incorporated. The review has been conducted in terms of International Standards on Review Engagements ISRE 2410: Review of Interim Financial Information performed by the Independent Auditor of the Entity. A copy of the unmodified review report is available for inspection at the Company's registered office.

This auditor's review report does not necessarily report on all the information contained in this announcement. 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 this auditor's review report together with the accompanying financial information from the Company's registered office.

Any reference to future financial performance included in this announcement has not been reviewed nor reported on by the Company's auditors.

2. REVENUE

Revenue

The effect of initially applying IFRS 15 on the Company's revenue from contracts with customers is described in note 1. Due to the transition method chosen in applying IFRS 15, comparative information has not been restated to reflect the new requirements.

Disaggregation of revenue

In the following tables, revenue from contracts with customers is disaggregated by timing of revenue recognition, major service offering and contributing industry. The tables include a reconciliation of the disaggregated revenue with the Group's reportable segments. Further to the above, the Group dissaggregates total revenue into the geographical regions.

Timing of recognition	Reportable segments			
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	2019 Total R'000
Timing of revenue recognition				
At a point in time	10 865 248	2 708 818	–	**13 574 066**
Over a period of time	257 907	1 879 256	–	**2 137 163**
Revenue from contracts with customers	11 123 155	4 588 074	–	**15 711 229**
Revenue related to leases	–	19 053	192 359	**211 412**
Total revenue	11 123 155	4 607 127	192 359	**15 922 641**

2. REVENUE (continued)

Major service offering

	Reportable segments			
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	2019 Total R'000
Service offerings				
IT-related products	10 692 956	2 689 224	–	**13 382 180**
Fibre-related products	196 661	–	–	**196 661**
Solar-related products	–	19 594	–	**19 594**
Electric charge-point sales	–	8 602	–	**8 602**
Installation services	61 692	226 373	–	**288 065**
Infrastructure management	–	123 268	–	**123 268**
Maintenance services	–	195 347	–	**195 347**
Consulting services – usage	82 152	518 518	–	**600 670**
Consulting services – labour hours	89 694	807 148	–	**896 842**
Revenue from contracts with customers	11 123 155	4 588 074	-	**15 711 229**
Revenue related to leases	–	19 053	192 359	**211 412**
Total revenue	11 123 155	4 607 127	192 359	**15 922 641**

Contributing industry

	Reportable segments			
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	2019 Total R'000
Industries				
ICT industry	10 864 801	4 209 933	–	**15 074 734**
Fibre solution industry	258 354	–	–	**258 354**
Renewable energy industry	–	252 201	–	**252 201**
Infrastructure management industry	–	125 940	–	**125 940**
Revenue from contracts with customers	11 123 155	4 588 074	–	**15 711 229**
Revenue related to leases	–	19 053	192 359	**211 412**
Total revenue	11 123 155	4 607 127	192 359	**15 922 641**

Geographic regions

	Reportable segments			
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	2019 Total R'000
Regions				
South Africa	9 867 704	4 494 949	–	**14 362 653**
Africa (excluding South Africa)	1 255 451	89 316	–	**1 344 767**
Other	–	3 809	–	**3 809**
Revenue from contracts with customers	11 123 155	4 588 074	–	**15 711 229**
Revenue related to leases	–	19 053	192 359	**211 412**
Total revenue	11 123 155	4 607 127	192 359	**15 922 641**

3. FINANCIAL REVIEW

	2019 Reviewed	2018 Audited
Performance per ordinary share (cents)		
Basic and diluted earnings per ordinary share		
– Basic earnings per ordinary share	**275,3**	273,5
– Diluted basic earnings per ordinary share	**268,1**	269,4
Headline basic and headline diluted earnings per ordinary share		
– Headline earnings per ordinary share	**297,1**	273,2
– Diluted headline earnings per ordinary share	**289,3**	269,1
Core and diluted core earnings per ordinary share		
– Core earnings per ordinary share	**352,9**	302,2
– Diluted core earnings per ordinary share	**343,6**	297,7
Dividend cover	**9,7**	10,6
Returns (%)		
Gross profit	**16,4**	17,7
Operating expenses	**(11,0)**	(11,7)
EBITDA *	**5,4**	6,0
Operating profit before interest and tax	**4,2**	5,1
Effective tax rate	**27,2**	26,6
Net profit	**2,5**	3,1
Return on equity	**17,8**	20,4

** Earnings before interest, taxation, depreciation and amortisation.*

4. RECONCILIATION OF HEADLINE AND CORE EARNINGS

	2019 Reviewed R'000	2018 Audited R'000
Earnings attributable to ordinary shareholders	**394 500**	421 707
Profit on sale of property, plant and equipment net of tax	**(438)**	(456)
Profit on sale of property, plant and equipment	**(609)**	(634)
Less: Tax thereon	**171**	178
Loss on disposal of subsidiary net of tax	**31 561**	–
Loss on disposal of subsidiary	**32 141**	–
Less: Tax thereon	**(580)**	–
Headline earnings	**425 623**	421 251
Acquisition costs net of tax	**1 770**	2 869
Amortisation of intangible assets net of tax	**78 244**	41 910
Core earnings **	**505 637**	466 030
Number of ordinary shares in issue ('000)		
– Total number of shares in issue *	**136 587**	147 087
– Weighted average number of shares in issue *	**143 281**	154 192
– Weighted average number of shares in issue for purpose of dilution*	**147 141**	156 536

** Adjusted for treasury shares.*

*** Core earnings per ordinary share is considered a meaningful additional measure of evaluating the performance of the Group's operations. It is based on the headline earnings measure and adjusted to exclude the amortisation cost of intangible assets recognised in terms of business combinations and related business combination acquisition costs. This is not an IFRS measure.*

5. ANALYSIS OF GOODWILL

	2019 Reviewed R'000	2018 Audited R'000
Opening balance	**564 235**	347 846
Business combinations during the year	**93 871**	216 389
– Sintrex Integration Services Proprietary Limited	**–**	61 426
– VH Fibre Optics Proprietary Limited	**–**	48 841
– Obscure Enterprises Proprietary Limited	**–**	39 696
– DG Store (SA) Proprietary Limited	**–**	66 426
– Tricon Services	**38 265**	–
– Merlynn Intelligence Technologies Proprietary Limited	**55 606**	–
Derecognition of subsidiary (Modrac)	**(26 580)**	–
Closing balance	**631 526**	564 235

6. BUSINESS COMBINATIONS

Tricon Services ("Tricon")

On 3 September 2018, Alviva, through its subsidiary Axiz Proprietary Limited, purchased the services and service desk cash-generating unit of Tri-Continental Limited ("Tri Continental") for a cash consideration of approximately R75 million.

Tri Continental is an IT-based company in London and has operated in the African market for over 30 years. Alviva has been granted the right to use the naming rights to Tricon Services and it operates as a division within the Group.

Tricon has developed operations in Central, East and West Africa (CEWA) as well as in southern Africa and continues to service an extensive channel of IT partners and customers through its long-term relationship with IBM and Lenovo. In terms of the strategy adopted by the Group, the Board of Directors identified the solutions offering of Tricon as a complementary service line offering to current and future customers as well as synergistic end-to-end solutions within the current spectrum of services of the Group.

In the ten months to the reporting date, Tricon contributed revenue of R149 million and profit of R10 million to the Group's results. If the acquisition had occurred at the beginning of the reporting period, the contributions would have remained unchanged.

The total consideration was settled in cash by way of electronic transfer during September 2018.

The transaction meets the definition of a business combination as set out in IFRS3: *Business Combinations*.

The fair value of the identifiable assets and liabilities included in the consolidated results of Alviva Holdings Limited on the date of acquisition, compared to the carrying amounts of the identifiable assets and liabilities recognised in the accounting records of the acquiree immediately before the acquisition, were as follows:

	Fair value recognised at acquisition date R'000	Previously recognised carrying amounts by acquiree R'000
Intangible assets	**50 395**	–
Total assets	**50 395**	–
Deferred tax	**(14 110)**	–
Total liabilities	**(14 110)**	–
Acquirer's interest in identifiable net assets	**36 285**	
Purchase consideration	**74 550**	
Goodwill on acquisition	**38 265**	

The fair values have been determined on a provisional basis. If any new information obtained within a year from the acquisition date about the facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date then the acquisition accounting will be revised.

The goodwill of this business combination will have no impact on the tax asset or liability of the acquirer or acquiree.

During the reporting period, Axiz sold the newly acquired cash-generating unit, to Alviva International Co Limited, as a going concern. The company is situated in Mauritius. The transaction was classified as a disposal under common control and the intergroup transactions eliminated aligned to the Group's accounting policy.

6. BUSINESS COMBINATIONS (continued)

Merlynn Intelligence Technologies Proprietary Limited ("Merlynn")

On 13 November 2018, the Group obtained control of Merlynn by acquiring a 65% interest in the issued stated capital and voting rights of the company.

Merlynn is in the business of replicating and scaling human expertise through the technology of artificial intelligence. In terms of the strategy adopted by the Group, the Board of Directors identified the solutions offering of Merlynn as a complementary service line offering to current and future customers as well as synergistic end-to-end solutions within the current spectrum of services of the Group.

In the eight months to the reporting date, Merlynn contributed revenue of R8 million to the Group's results and made a loss of R1 million. If the acquisition had occurred at the beginning of the reporting period, Merlynn would have contributed revenue of R13 million to the Group's results and would have made a loss of R500 000.

R85 million of the total consideration was settled in cash by way of electronic transfer during November 2018.

Contingent consideration amounting to R9 million, based on the audited results of the 2020 reporting period, has been recognised as a loan payable. The total consideration recognised in terms of this business combination amounted to R94 million.

The transaction meets the definition of a business combination as set out in IFRS 3: *Business Combinations*.

The fair value of the identifiable assets and liabilities included in the consolidated results of Alviva Holdings Limited on the date of acquisition, compared to the carrying amounts of the identifiable assets and liabilities recognised in the accounting records of the acquiree immediately before the acquisition, were as follows:

	Fair value recognised at acquisition date R'000	Previously recognised carrying amounts by acquiree R'000
Intangible assets	**86 542**	2 750
Investments	**1**	1
Deferred tax	**531**	531
Trade and other receivables	**1 402**	1 402
Cash and cash equivalents	**6 076**	6 076
Total assets	**94 552**	10 760
Other financial liabilities	**(4 839)**	(4 839)
Deferred tax on intangible asset: customer relationship	**(23 462)**	–
Trade and other payables	**(435)**	(435)
Contract liabilities	**(6 200)**	(6 200)
Current tax	**(548)**	(548)
Total liabilities	**(35 484)**	(12 022)
Identifiable net assets	**59 068**	(1 262)
Non-controlling interest	**(20 674)**	
Acquirer's interest	**38 394**	
Purchase consideration	**94 000**	
Goodwill on acquisition	**55 606**	

6. BUSINESS COMBINATIONS (continued)

The impact on the statement of cash flows of the acquisition were as follow:

	2019 R'000
Cash flow information	
Cash and cash equivalents acquired	**6 076**

The total intangible assets acquired are classified as customer relationships due to the fact that the TOM software, although being separately identifiable, has no reliable determinable fair value. The customised software is continuously updated to meet the requirements of specific customers which is indicative of a close relationship between the customer relationship intangible asset and the software.

Due to the fact that no active market exists for the customised internally developed software, no reliable basis for the separate measurement of the components could be determined by management.

The fair values have been determined on a provisional basis. If any new information obtained within a year from the acquisition date about the facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date then the acquisition accounting will be revised.

The fair value of the trade and other receivables acquired represents the future contractual amounts receivable due to the fact that none of the trade and other receivables extends beyond the contract term. Management is of the opinion that all outstanding trade and other receivables are recoverable.

The non-controlling interest related to the business combination was measured at the proportionate share of the recognised amounts of the acquiree's net identifiable assets.

The goodwill of this business combination will have no impact on the tax asset or liability of the acquirer or acquiree.

7. CHANGES TO NON-CONTROLLING INTERESTS

Sintrex Integration Services Proprietary Limited ("Sintrex")

Effective 31 October 2017, Alviva, through its subsidiary company DCT Holdings Proprietary Limited ("DCT"), entered into an agreement to acquire 51% of the shareholding in Sintrex for R102 million with an option to acquire a further 24% within a two-year period following the effective date of the transaction.

The option was exercised during the current financial period and on 22 October 2018, DCT acquired the remaining 24% for a cash consideration of R49 million.

Obscure Enterprises Proprietary Limited ("Obscure")

With effect from 1 February 2018, Alviva, through its subsidiary company DCT, acquired 72% of the equity of Obscure for a maximum purchase consideration of R72 million based on future earnings.

On 27 October 2018, the Group acquired the remaining 28% of Obscure for a maximum contingent consideration of R28 million on the same terms and conditions.

8. INVENTORY

	2019 Reviewed R'000	2018 Audited R'000
Inventory on hand	**892 522**	635 285
Inventory in transit	**116 504**	112 729
Work in progress	**27 722**	26 097
	1 036 748	774 111

9. FAIR VALUE HIERARCHY

A summary of the financial instruments measured at fair value is set out below.

Fair value hierarchy:

Level 1 – fair value is determined from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – fair value is determined through the use of valuation techniques based on observable inputs, either directly or indirectly.

Level 3 – fair value is determined through the unobservable inputs for the asset or liability.

The following table presents the Group's material financial instrument that is measured at fair value:

	Level	2019 Reviewed R'000	2018 Audited R'000
Contingent consideration *	3	**89 898**	150 761

** The contingent consideration is classified as part of the non-interest-bearing liabilities in the statement of financial position.*

The fair value of financial instruments traded in active markets is based on quoted market prices, which represent actual and regularly occurring market transactions between market participants at the reporting date.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

The fair value of contingent consideration was determined at the reporting date using the discounted cash flow method. The inputs into the model included the expected cash flows in terms of the performance conditions of the acquirees, based on internally prepared budget and forecasted estimates, discounted at an intrinsic borrowing rate of the treasury function of the Group.

For all other financial assets and liabilities, the carrying value is considered to approximate the fair value.

10. EVENTS AFTER THE REPORTING DATE

General repurchase of shares

After the reporting date, the Company repurchased and cancelled an additional 1 479 541 shares under the authority granted by shareholders at the AGM held on 21 November 2018.

Forfeitable Share Plan Fourth allocation ("FSP 4")

FSP 4, along with its participants and share allocation, was approved by the Board of Directors on 12 June 2019. A total of 2 190 000 shares were allocated to FSP 4 and all participants accepted the shares granted to them and became effective after the reporting date.

Acquisition of the Synerg Group

Alviva, through its subsidiary DCT, has recently acquired 70% of the issued share capital of SynergERP Proprietary Limited ("Synerg SA") and, through its subsidiary Alviva International Investments Proprietary Limited ("Alviva International"), it has also acquired 51% of the issued share capital of Synergy DWC-LLC ("Synerg UAE") and SynergERP Ltd ("Synerg UK"), respectively. Synerg SA, Synerg UK and Synerg UAE are collectively referred to hereinafter as "the Synerg Group". The acquisition of Synerg SA was effective from 1 July 2019 and the acquisitions of Synerg UAE and Synerg UK effective from 1 September 2019.

The purchase price for the 70% shareholding in Synerg SA, is payable in cash in two instalments. Payment 1 was settled on 18 July 2019 for R55 million and Payment 2 will be calculated with reference to a price formula linked to the actual after-tax profits achieved by Synerg SA for their reporting period ending 31 December 2019. The maximum purchase price payable by DCT in respect of the 70% acquisition of Synerg SA is R108 million.

The purchase price payable by Alviva International in respect of the 51% acquisition of Synerg UK and Synerg UAE will only be calculated in terms of a pricing formula linked to actual after-tax profits achieved by Synerg UK and Synerg UAE for their reporting period ending 31 December 2022. The maximum purchase price payable by Alviva International in respect of the 51% acquisition of Synerg UK and Synerg UAE is GBP3 million and AED13 million respectively.

The Synerg Group enables businesses to leverage software in order to achieve operational efficiency in all areas of a business, from operations to human capital. The business was established in 1993 and has been a Sage Reseller for over 25 years. The Synerg Group has earned Platinum reseller status and has been recognised as a top performing partner for three consecutive years – 2016, 2017 and 2018.

The business is currently dedicated to the Enterprise Management Software suite (also known as Sage X3 and Sage X3 People) and supports global organisations through its offices in South Africa, the United Kingdom and the Middle East. The business is invested in the Sage Enterprise product stack and has one of the largest complements of certified consultants in Africa. As a business, they are closely aligned with Sage and Sage's strategic growth areas, enabling them to stay up to date with the latest initiatives and focus areas.

The transaction meets the definition of a business combination as set out in IFRS 3: *Business Combinations*. Management is in the process of finalising the acquisition method of recognition in terms of the business combination as the transaction still falls within the allowable measurement period as permitted by IFRS 3: *Business Combinations*.

ALVIVA HOLDINGS LIMITED

(incorporated in the Republic of South Africa)
Registration number: 1986/000334/06
ISIN: ZAE000227484
Share code: AVV
"Alviva" or "the Group" or "the Company"

Directors:

A Tugendhaft * (Chairperson), P Spies (Chief Executive Officer), SH Chaba *^, RD Lyon (Chief Financial Officer), PN Masemola *^, MG Mokoka *^, P Natesan *^ (Lead Independent Director)

** Non-Executive ^ Independent*

Registered Office:

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