alviva
HOLDINGS

Technology. Delivered.

UNREVIEWED CONDENSED CONSOLIDATED INTERIM RESULTS

for the six months ended

31 December 2019

ALVIVA HOLDINGS LIMITED

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

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:

The Summit, 269 16th Road, Randjespark, Midrand, 1685

Preparer of results: RD Lyon CA

Company Secretary: Ms SL Grobler CA(SA)

Transfer Secretaries:

Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

Auditors:

SizweNtsalubaGobodo Grant Thornton Incorporated, Registered Auditors, Summit Place Office Park, Building 4, 221 Garsfontein Road, Menlyn, 0081

Sponsor:

Deloitte & Touche Sponsor Services (Pty) Ltd, Building 8, Deloitte Place, The Woodlands, 20 Woodlands Drive, Woodmead, 2196

COMMENTARY

Introduction

The Board of Directors presents Alviva's unreviewed condensed consolidated interim financial results for the six months ended 31 December 2019.

Overview

The Group has produced below par results for the period, impacted mainly by the ICT Distribution segment.

Revenue decreased by 4% in an environment where business remained difficult. We were able to slightly improve our gross profit margins although not sufficiently to offset the lost revenue. Expenses have been reasonably controlled throughout the period. It should be noted that expenses generally lag revenue and there remains an absolute focus in each entity within the Group to manage expenditure where possible so as to be aligned with expected revenues.

The Group adopted IFRS 16 on 1 July 2019. The impact of the transition on the interim results is set out in note 1 of this report. The overall impact on the earnings before tax of the Group amounted to a total decrease of R11 million as a result of a decrease of R10 million in relation to property leases and R1 million in relation to sale-and-leaseback transactions. This impact takes into account the effect of the operating lease expenses had the Group still applied IAS 17: *Leases*.

The decrease in the weighted average number of shares at the end of December has largely been due to Alviva's share repurchase programme where 6 205 391 shares were repurchased at a cost of R99 million. Headline earnings per share was down 36% to 94,0 cents per share (cps) (H1 2018: 146,2 cps).

Financial results

In order to fully appreciate the different types of businesses within the Alviva stable, the reader is guided to our website, www.alvivaholdings.com, and to review the Corporate Profile under "About Us". The Corporate Profile sets out the segments and the main businesses that operate in each segment.

Segment performance

The **ICT Distribution segment:** is made up of Axiz, Axiz Services, Obscure, Pinnacle and VH Fibre. **Axiz** is the most significant of the businesses in this segment.

During the last 18 months, **Axiz** has been implementing Gartner's Bimodal IT model, being the practice of managing two separate coherent models of IT delivery, one focused on stability and the other on agility.

This strategy has entailed a focus on the traditional ICT vendor portfolio, such as edge and datacentre compute, software and storage, whilst at the same time investing in and transforming with vendors who focus on new formats of delivering IT, like cloud, subscription and consumption models.

In order to achieve this, Axiz had to modernise its IT systems and processes to be digitally ready and to ensure delivery of cloud products and services to the channel in a more digital manner. New demands on, and opportunities for, distributors globally are calling for services to be provided with many of these new and existing product offerings. To this end, Axiz has implemented the following during the reporting period:

- The installation of a modern modular ERP system, SAGE X3, migrating from a legacy and high-risk ERP system, which was 13 years old and unsupported. This eliminated the single biggest risk and inhibitor facing the business. The new ERP system, whilst dealing with some anticipated operational disruptions, was deemed a success. Enhancement phases 1 and 2 have been rolled out, providing modern business intelligence and data management tools. This project was within budget and required no emergency interventions or roll-backs;
- A successful integration of its Digital Cloud platform onto the new ERP system, which now provides true digital integration to vendors and partners as well as unlocking new digital features to resellers and a vendor marketplace that was not previously possible. Phases rolled out during early 2020 allow for e-commerce of high run-rate physical goods for Axiz' traditional channel;.
- The absorption of the Tricon Services business unit (renamed Axiz Services), that was purchased in September 2018, into the accounting and operations set-up of Axiz. This division gives Axiz, partners and vendors access to over 150 technical resources in 30 countries in Africa with a solid annuity and long-term order book, implementing datacentre services for the likes of IBM. Axiz will be aggressively adding new vendor and customer partnerships to this portfolio during 2020. This unit is operationally profitable and it is anticipated that the unit will enhance and diversify Axiz' offering to its customers and vendors; and
- The set up and implementation of an offshore distribution company based in Mauritius, Alviva International, trading as Axiz. This will further enhance expansion for both distribution and services efforts in more countries in Africa and will be more efficient than operating from the existing base in South Africa.

These key strategies were implemented over and above the challenges that were faced, operating in a declining market, coping with some major once-off events faced by a number of key customers, primarily in the consumer retail and public sector segments.

Obscure was unable to repeat some of the large deals concluded in the comparable reporting period and challenges were experienced with one vendor since its takeover internationally. Revenue was down by 12% and the margin reduced, leading to a decline in profit before tax of approximately R6 million from the R9 million in the prior comparable period. Their cyber security product portfolio is market leading and we remain confident that this business will continue to yield good returns.

Pinnacle performed reasonably in a lacklustre market, although similarly did not enjoy any sizeable deals during the period. The restructuring referred to in the Axiz commentary is underway and their move onto the same ERP system will hopefully be concluded towards the end of this financial year.

VH Fibre ("VHF"): Since January 2019, the South African fibre market has seen a sharp contraction. One of the principle players, and a driver of the fibre growth over the last three years, reduced their capital expenditure considerably due to the lower than expected uptake by end customers on the fibre that was "laid down." VHF has also seen a marked slowdown in the demand for their higher-end products and services as the major metropolitan areas reached saturation points and, as fibre network owners expand into the less dense areas, their choice has been for a lower-end product than that offered by VHF. VHF is making progress in diversifying into the wireless backhaul market, as the lack of investment in fixed-line metro links is reducing and this presents an opportunity. Cross-border activity on products and services continues to grow at a faster rate than in South Africa. VHF's results for the six months under review are significantly lower at R2 million profit before tax compared to R17 million in the prior period.

In summary, the main components of the downturn in profitability for this segment are as follows:

- The lacklustre economic environment and uncertainty in general has had a significant impact on the results, although to what extent is difficult to quantify;
- The introduction of the new ERP system as mentioned above. This has been bedded down and the team is adapting to the new disciplines inherent in the system;
- The change in the go-to-market strategy adopted by a large vendor has eliminated business from distribution which is being mitigated by adopting our own go-to-market strategy;
- The segment incurred foreign exchange losses where in the prior period there were profits. Although the amounts involved are not significant in themselves, the swing from profit to loss had a material impact of approximately R19 million; and
- The performance of VHF referred to above.

In summary, there are some market-related challenges in the segment, but management is focussing all its efforts on aligning its go-to-market, cost base and capital allocation to deliver the right returns out of each element of the business.

The **Services and Solutions segment** is made up of three sub-segments:

- Solutions and Integrators, incorporating Datacentrix, DG, and Centravoice / Int Dev
- Renewable Energy: Solareff and GridCars
- Applications and IP: Merlynn, Sintrex and Synerg

Solutions and Integrators:

Datacentrix grew its revenue by 7% in a tough market and delivered nearly the same profit before tax as in the prior comparable reporting period. Their digital strategy implementation has continued throughout the period and new business has been generated with a global mining company, the Ministry of Transport and Communications in Qatar, a leading automotive manufacturer and a leading telecommunications company, in different areas of digital transformation. The company has an enviable depth in skills in these exciting growth areas.

DG had a stellar six months with revenue increasing by 15% and profit before tax up by 51%. The unit was able to take advantage of some meaningful one-off deals with their corporate customer base during the period. Effective November 2019, Alviva purchased a further 10% of the equity of DG, bringing its holding to 80%.

Centravoice / Int Dev, the connectivity and managed solutions unit, treaded water by maintaining its profitability in a tough market.

Renewable Energy:

Solareff has increased its order book to its highest levels, thanks in part to the constant load shedding by Eskom. However, this has not yet translated into profitability due to logistic and execution delays.

GridCars has completed its roll-out of charging stations on the major highways between Johannesburg, Cape Town and Durban. It remains loss making but the losses are insignificant from a Group perspective.

Applications and IP:

Sintrex has had a difficult six months with certain maintenance and service contracts not renewed in the government sector. This has resulted in its turnover being 17% down on last year and a decline of 50% in profitability. Much effort is being expended to renew these contracts, sign up new annuity business and to find alternate sources of income.

Merlynn has encountered frustrating delays in getting their TOM technology and solutions implemented in first world countries. Proof of concept trials have largely been successful and well accepted but the process of execution into commercial contracts has been delayed through the procurement departments of these large corporates. Merlynn is consequently changing its route to market and signing up some large multi-national system integrators to take the technology to their customer base.

Synerg, Alviva's new acquisition into the ERP solutions and implementation arena, has proven its mettle with the successful implementation of Axiz onto Sage X3. During the period, they have made much progress on their Robotic Process Automation solutions and this should add value to their future offering to clients. Profitability is in line with expectations.

The Financial Services segment has had a good six months with revenue growing by 10% and EBITDA by 26%. Profitability was enhanced by the collection on certain outstanding amounts in relation to the finance lease receivables that were assessed as having an increased credit risk at the June 2019 reporting period. The business remains well controlled and provides the Group with consistent earnings. The existing securitisation structure continues to provide sufficient funding for its needs.

Investment activities and financial position

Property, plant and equipment has increased substantially, mainly due to the adoption of IFRS 16, with a corresponding increase in interest-bearing liabilities.

There was an additional drawdown of R60 million on the preference share facility to finance the acquisition of Synerg SA.

Cash generated by operating activities in the six months to 31 December 2019 was a healthy R595 million, compared to R130 million for the comparable reporting period. This improvement was mainly due to better working capital management.

There has been an increase in the finance receivables book of R64 million due to the positive growth in Centrafin.

The share repurchase programme continued with funds of R100 million being applied and R41 million has been returned to shareholders in the form of dividends paid.

Corporate actions

Acquisition of the Synerg Group

As detailed in the annual results announcement on SENS, dated 16 September 2019, and in note 6 of this report, Alviva has acquired 70% of the issued share capital of SynergERP Proprietary Limited ("Synerg SA") through its subsidiary DCT Holdings Proprietary Limited ("DCT") for an estimated purchase consideration of R77 million.

In addition, the Company has acquired 51% of the issued share capital of Synergy DWC-LLC ("Synerg UAE") and SynergERP Limited ("Synerg UK") through its subsidiary Alviva International Investments Proprietary Limited ("Alviva International") for a maximum purchase consideration of AED13 million and GBP3 million, respectively.

The acquisition of Synerg SA was effective from 1 July 2019 and the acquisitions of Synerg UAE and Synerg UK were effective from 1 November 2019.

All three transactions meet the definition of a business combination as set out in IFRS 3: Business Combinations (note 6) and still fall within the allowable measurement period, as permitted.

Early settlement of contingent consideration

Obscure Enterprises Proprietary Limited ("Obscure")

As detailed in the annual results announcement on SENS, dated 16 September 2019, Alviva, through its subsidiary DCT, reached an agreement with the sellers of Obscure to amend the calculation of the purchase consideration. Consequently, during September 2019, 53% of the vendors were paid R28 million in full for their shares and the balance of the sellers were paid R6 million for the component that relates to the June 2019 financial year. There remains a contingent consideration for the amounts due in respect of June 2020 and June 2021.

Acquisition of additional 10% in DG Store SA Proprietary Limited ("DG")

Effective 1 November 2019, Alviva, through its subsidiary company Datacentrix Holdings Proprietary Limited, acquired an additional 10% of the issued share capital of DG for an amount of R15 million, thereby increasing its shareholding in DG to 80%.

Review of new acquisitions

Over the last few years, Alviva has paid approximately R616 million to acquire businesses to add to the Group's offering, to improve its growth prospects and to diversify its revenue streams from ICT Distribution.

In terms of evaluating the success of the businesses acquired over the last two years, it should be noted that they have, in total, contributed an attributable annualised profit to the Group of R89 million. The total annualised amortisation of intangible assets related to the same acquisitions amounted to R78 million. Furthermore, the annualised finance costs, mainly attributable to the preference share finance mechanism, amounted to R46 million. This resulted in a negative annual contribution of R35 million to the Group. All these numbers have been annualised using the audited results of these acquisitions for the reporting period ended 30 June 2019.

Within the next two years, once the intangible assets have been fully amortised, it is expected that these new acquisitions will contribute meaningfully to the Group's profitability.

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 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

Events after the reporting period

There were no events material to the understanding of the report that occurred in the period between the reporting date and the publication date of this report.

Dividends

In line with previous years, no interim dividend is proposed for the period under review.

Prospects and strategic initiatives

The outlook for the year to 30 June 2020 is looking uncertain. The first six months' results will make it hard for the Group to match last year's earnings and the Board does not see any change to the economic conditions that will create an environment of growth. In addition, the Group nervously awaits the resolution of the coronavirus which, if not speedily resolved, could have an impact on Alviva's ability to source products quickly and efficiently. Consequently, the Board expects a reduction in earnings for the Group compared to the previous year.

For and on behalf of the Board

A Tugendhaft
Chairperson

P Spies
Chief Executive Officer

Midrand
2 March 2020

Condensed consolidated

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Twelve months ended 30 Jun 2019 Audited R'000
Revenue (note 2)	7 381 484	7 721 683	15 922 641
Cost of sales	(6 089 938)	(6 398 562)	(13 314 503)
Gross profit	1 291 546	1 323 121	2 608 138
Operating expenses	(866 877)	(863 276)	(1 748 354)
Selling expenses	(35 423)	(33 197)	(66 165)
Impairment reversal/(loss) on trade and lease receivables	2 558	(11 929)	(37 361)
Impairment loss on loan to equity-accounted investee	(7 329)	–	(23 210)
Employee benefit expenses	(683 042)	(671 807)	(1 338 582)
Administration expenses	(132 813)	(155 290)	(307 683)
Profit on disposal of property, plant and equipment	264	243	609
Loss on disposal of subsidiary	–	–	(32 141)
Gain on remeasurement of contingent consideration	–	–	45 270
Gain on discounting of finance lease receivable arrangements	975	1 917	2 841
(Loss)/gain on foreign exchange differences	(12 067)	6 787	8 068
EBITDA *	424 669	459 845	859 784
Depreciation and amortisation	(150 838)	(89 058)	(190 011)
Operating profit before interest	273 831	370 787	669 773
Net finance costs	(94 844)	(64 108)	(133 049)
Finance income	11 607	22 152	52 059
Finance costs	(106 451)	(86 260)	(185 108)
Profit before tax	178 987	306 679	536 724
Income tax expense	(57 060)	(89 484)	(145 866)
Profit for the period	121 927	217 195	390 858
– Owners of the Company	125 277	213 729	394 500
– Non-controlling interests	(3 350)	3 466	(3 642)
Other comprehensive income			
– **Items that may be reclassified to profit or loss net of tax:**	4 478	1 636	447
Exchange differences from translating foreign operations	4 478	1 636	447
Total comprehensive income for the period	126 405	218 831	391 305
– Owners of the Company	129 755	215 365	394 947
– Non-controlling interests	(3 350)	3 466	(3 642)
Earnings per ordinary share (cents)			
– Basic earnings per ordinary share (note 3)	94,1	146,3	275,3
– Diluted earnings per ordinary share (note 3)	92,6	143,0	268,1

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

Condensed consolidated
STATEMENT OF FINANCIAL POSITION

	As at 31 Dec 2019 R'000	As at 31 Dec 2018 R'000	As at 30 Jun 2019 Audited R'000
ASSETS			
Non-current assets	**2 282 567**	1 816 923	1 784 247
Property, plant and equipment	**472 132**	124 766	122 312
Intangible assets and goodwill	**1 051 124**	1 016 559	919 421
Investment in equity-accounted investees	**79 878**	64 678	88 119
Finance lease receivables	**609 066**	546 971	576 189
Deferred tax	**70 367**	63 949	78 206
Current assets	**4 549 336**	4 471 064	4 710 221
Inventory (note 8)	**1 032 692**	1 093 337	1 036 748
Trade and other receivables	**3 015 572**	2 905 477	3 264 856
Finance lease receivables	**301 525**	261 008	269 975
Current tax receivable	**17 256**	19 319	14 096
Cash and cash equivalents	**182 291**	191 923	124 546
Total assets	**6 831 903**	6 287 987	6 494 468
EQUITY AND LIABILITIES			
Capital and reserves	**2 364 810**	2 314 480	2 335 027
Stated capital	**1 383**	1 507	1 434
Treasury shares	**(105 892)**	(89 808)	(125 819)
Other equity reserves	**35 302**	59 164	33 568
Retained earnings	**2 325 547**	2 258 826	2 355 661
Non-controlling interests	**108 470**	84 791	70 183
Non-current liabilities	**1 388 967**	1 020 256	915 171
Interest-bearing liabilities	**1 174 832**	805 103	778 342
Non-interest-bearing liabilities	**94 542**	89 267	46 205
Contract liabilities	**24 199**	31 818	11 528
Deferred tax	**95 394**	94 068	79 096
Current liabilities	**3 078 126**	2 953 251	3 244 270
Trade and other payables	**2 641 868**	2 754 034	2 806 046
Interest-bearing liabilities	**163 384**	9 292	106 285
Non-interest-bearing liabilities	**24 406**	62 642	44 130
Contract liabilities	**178 707**	107 137	114 847
Bank overdrafts	**53 657**	–	158 799
Current tax payable	**16 104**	20 146	14 163
Total equity and liabilities	**6 831 903**	6 287 987	6 494 468

ADDITIONAL INFORMATION *

Capital management			
Net asset value per share (cents)	**1 717,4**	1 536,0	1 658,2
Net tangible asset value per share (cents)	**917,3**	835,7	985,0
Working capital management			
Investment in working capital (R'000)	**1 227 689**	1 137 643	1 380 711

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

STATEMENT OF CHANGES IN EQUITY

	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Twelve months ended 30 Jun 2019 Audited R'000
Opening balance	**2 335 027**	2 227 404	2 227 404
Ordinary shares repurchased and cancelled	**(98 675)**	(35 701)	(150 791)
Treasury shares purchased *	**(931)**	–	(36 019)
Total comprehensive income	**129 755**	218 831	391 305
Profit for the period	**125 277**	217 195	390 858
Other comprehensive income	**4 478**	1 636	447
Settlement of equity-settled share-based payment plan (FSP 1) **	**–**	–	–
Treasury shares	**20 869**	–	–
Retained earnings	**(8 523)**	–	–
Equity-settled share-based payment reserve	**(12 346)**	–	–
Net movements in non-controlling interest ***	**31 524**	(58 620)	(66 121)
Equity-settled share-based payment reserve ****	**9 602**	3 260	9 943
Dividend paid to shareholders	**(41 492)**	(40 694)	(40 694)
Closing balance	**2 364 810**	2 314 480	2 335 027
Attributable to:			
Owners of the Company	**2 256 340**	2 229 689	2 264 844
Non-controlling interests	**108 470**	84 791	70 183

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

*** During the interim period, the equity-settled share-based payment plan "FSP 1" was settled and shares were transferred to the respective participants. All shares transferred were held as treasury shares by the Group. The related equity-settled share-based payment reserve was transferred to retained earnings.*

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

***** During the interim period, two additional forfeitable share plans ("FSPs") became active. These FSPs are classified as equity-settled share-based payment plans and the vesting conditions are similar to those of the FSPs that were active at the reporting date 30 June 2019.*

Condensed consolidated
STATEMENT OF CASH FLOWS

	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Twelve months ended 30 Jun 2019 Audited R'000
Profit before tax	**178 987**	306 679	536 724
Adjusted for:			
Finance income	**(11 607)**	(22 152)	(52 059)
Finance cost	**106 451**	86 260	185 108
Non-cash items	**167 505**	92 075	209 426
– Depreciation and amortisation	**150 838**	89 058	190 011
– Profit on disposal of property, plant and equipment	**(264)**	(243)	(609)
– Loss on disposal of subsidiary	**–**	–	32 141
– Gain on remeasurement of contingent consideration	**–**	–	(45 270)
– Equity-settled share-based payment expense	**9 602**	3 260	9 943
– Impairment loss on loan to equity-accounted investee	**7 329**	–	23 210
Changes in working capital	**153 354**	(333 163)	(604 123)
Cash generated from operating activities	**594 690**	129 699	275 076
Net finance costs	**(94 844)**	(64 108)	(133 049)
Finance income received	**11 607**	22 152	52 059
Finance costs paid	**(106 451)**	(86 260)	(185 108)
Tax paid	**(66 702)**	(89 301)	(172 331)
	433 144	(23 710)	(30 304)
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(60 987)**	(26 699)	(64 964)
Proceeds on disposals of property, plant and equipment	**2 568**	1 297	3 012
Acquisition of intangible assets	**(10 018)**	(6 079)	(17 134)
Proceeds on disposal of intangible assets	**–**	–	3 540
Proceeds on disposal of subsidiary	**–**	–	14 988
Receipts from/(advances) of loans to equity-accounted investees	**912**	(2 601)	(49 252)
Acquisition of subsidiaries	**(55 419)**	(159 550)	(159 550)
Net Investment in finance lease receivables	**(64 427)**	(127 541)	(165 726)
	(187 371)	(321 173)	(435 086)
Cash flows from financing activities			
Interest-bearing liabilities raised	**135 367**	24 000	96 464
Interest-bearing liabilities repaid	**(33 452)**	(6 099)	(8 331)
Non-interest-bearing liabilities raised	**12 824**	–	–
Non-interest-bearing liabilities repaid	**(44 251)**	(52 576)	(68 679)
Repurchase of shares	**(99 606)**	(35 701)	(186 810)
Transactions with non-controlling interests	**(23 554)**	(51 294)	(58 794)
Dividends paid to shareholders	**(41 492)**	(40 694)	(40 694)
	(94 164)	(162 364)	(266 844)
Increase/(decrease) in net cash, cash equivalents and overdrafts	**151 609**	(507 247)	(732 234)
Net cash acquired from business combinations	**6 800**	6 076	6 076
Net cash, cash equivalents at beginning of reporting period	**(34 253)**	691 458	691 458
Effects of exchange rate changes on the balance of cash held in foreign currencies	**4 478**	1 636	447
Net cash, cash equivalents and overdrafts at reporting date	**128 634**	191 923	(34 253)

SEGMENT ANALYSIS

	Segment revenue		Inter-segment revenue		External revenue	
	Six months ended 31 Dec 2019 R'000	Twelve months ended 30 Jun 2019 Audited R'000	**Six months ended 31 Dec 2019 R'000**	Twelve months ended 30 Jun 2019 Audited R'000	**Six months ended 31 Dec 2019 R'000**	Twelve months ended 30 Jun 2019 Audited R'000
Business unit						
ICT Distribution	**5 273 706**	11 802 282	**(381 953)**	(679 127)	**4 891 753**	11 123 155
Services and Solutions	**2 419 344**	4 657 418	**(31 089)**	(50 291)	**2 388 255**	4 607 127
Financial Services	**102 286**	192 359	**(810)**	–	**101 476**	192 359
	7 795 336	16 652 059	**(413 852)**	(729 418)	**7 381 484**	15 922 641

	Revenue *	
	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000
Business unit		
ICT Distribution	**5 273 706**	5 800 811
Services and Solutions	**2 419 344**	2 195 894
Financial Services	**102 286**	92 381
Less: Inter-segment revenue	**(413 852)**	(367 403)
External revenue	**7 381 484**	7 721 683

	Segment EBITDA **		
	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Twelve months ended 30 Jun 2019 Audited R'000
Business unit			
ICT Distribution	**193 203**	260 888	463 046
Services and Solutions	**157 090**	126 635	254 423
Financial Services	**74 121**	58 711	111 791
Group Central Services	**255**	13 611	30 524
	424 669	459 845	859 784
Depreciation and amortisation	**(150 838)**	(89 058)	(190 011)
Net finance costs	**(94 844)**	(64 108)	(133 049)
Net profit before tax	**178 987**	306 679	536 724

* *Based on the finalised disaggregation of revenue, management changed the layout of the segment note in the published financial statements for the reporting period ended 30 June 2019. This table is presented to enable the users to compare the information between the interim periods.*

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

	Net operating assets		
	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Twelve months ended 30 Jun 2019 Audited R'000
Business unit			
ICT Distribution	**1 196 063**	1 142 669	1 254 375
Services and Solutions	**693 815**	635 343	640 405
Financial Services	**239 341**	216 407	209 963
Group Central Services	**235 591**	320 061	230 284
	2 364 810	2 314 480	2 335 027

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

1. SALIENT FEATURES OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

The condensed consolidated interim financial results comprise the condensed consolidated statement of financial position at 31 December 2019, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows and notes for the period then ended. When reference is made to the "Group" in the accounting policies, it should be interpreted as referring to the Company, where the context requires, unless otherwise noted.

Responsibility for interim results

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

Basis of preparation and statement of compliance

The condensed consolidated interim financial results for the six months ended 31 December 2019 have been prepared in accordance with the Group's accounting policies under the supervision of the Group Financial Director, Richard 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 interim 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 condensed consolidated interim financial results of the Group are prepared as a going concern on a historical basis except for certain financial instruments, which are stated at fair value as applicable.

The condensed consolidated interim financial results do not include all the information and disclosures required in the consolidated annual financial statements, and should be read in conjunction with the Group's audited consolidated annual financial statements as at and for the period ended 30 June 2019.

Neither the condensed consolidated interim financial results as at and for the six months period ended 31 December 2018, nor this set of condensed consolidated interim financial results information and disclosure, have been reviewed or audited by the Company's auditors, SizweNtsalubaGobodo Grant Thornton Incorporated. Any forward-looking statement has not been reviewed nor reported on by the Company's external auditors.

Accounting policies, estimates and judgements

The accounting policies, inclusive of reasonable judgements and assessments, applied in the unreviewed condensed consolidated interim results, are consistent with those applied in the preparation of the audited consolidated annual financial statements as at and for the period ended 30 June 2019 except for the following new standard and new interpretation adopted as of 1 July 2019. The accounting policies applied comply with IFRS.

IFRS 16: Leases

IFRS 16 Leases was effective from 1 January 2019 and was adopted by the Group on 1 July 2019. Due to the transition method chosen by the Group in applying this standard, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standard.

IFRS 16 supersedes the previous standards relating to the accounting treatment of leases (IAS 17: *Leases* and IFRIC 4: *Determining whether an Arrangement contains a Lease*). Under IAS 17, lessees were required to classify a lease as either a finance lease or an operating lease. Assets held under finance leases as classified in terms of IAS 17 were capitalised as property, plant and equipment and finance lease liabilities were included in interest-bearing liabilities. Leases classified as operating under IAS 17, did not result in the recognition of the underlying assets as property, plant and equipment or lease liabilities. The operating lease rentals were expensed in profit or loss on a straight-line basis over the period of the lease.

For lessees, IFRS 16 does not distinguish between finance leases and operating leases; instead a right-of-use asset and corresponding lease liability must now be recognised in respect of each lease, except where recognition exemptions are applied as permitted under IFRS 16.

As prescribed by IFRS 16, lease liabilities are measured at the present value of remaining lease payments discounted at the incremental borrowing rate at the date of initial application. The Group recognises right-of-use assets at the commencement of the lease. The right-of-use assets include the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term. Right-of-use assets are subject to impairment considerations. The lease liabilities are measured at amortised cost using the effective interest method.

As lessee, the Group enters into leases in respect of properties utilised for administrative and storage purposes.

As lessor, the Group enters into leases in respect of equipment. The leases are entered into with customers subsequent to sale-and-leaseback transaction considerations.

The accounting treatment of a sale-and-leaseback transaction depends on whether or not the transfer of the underlying asset is a sale by referring to the requirements of IFRS 15. If the transfer of the asset is not a sale, the seller will continue to recognise the transferred asset and will recognise a financial liability under IFRS 9 equal to the transfer proceeds.

1. SALIENT FEATURES OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS (continued)

For the Group, the transfer of the equipment under sale-and-leaseback transactions did not meet the definition of a sale under IFRS 15 and therefore the Group continues to recognise the underlying asset as property, plant and equipment. A financial liability has been recognised at an amount equal to the proceeds received. The Group transfers the underlying asset to the seller at the fair value of the underlying asset.

The Group has adopted IFRS 16 using the modified retrospective approach and therefore, the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

For contracts in place on 1 July 2019, the Group elected not to reassess whether a contract is, or contains a lease. The Group applied the following practical expedients on adoption of IFRS 16, as permitted by the standard:

- the application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- leases with remaining lease terms of less than 12 months at 1 July 2019 were accounted for as short-term leases;
- the exclusion of initial direct costs from the measurement of right-of-use assets on 1 July 2019; and
- the use of hindsight in determining the lease term for contracts that contained options to extend or terminate the lease.

There was no impact from adopting IFRS 16 on equity in the condensed consolidated interim financial statements.

On adoption of IFRS 16 at transition date, the Group recognised a right-of-use asset to the value of R284 million (included in property, plant and equipment) and a lease liability of R284 million (included in interest-bearing liabilities) in relation to property leases. No operating lease liability existed at transition date.

The Group recognised property, plant and equipment to the value of R32 million and a financial liability of R32 million (included in interest-bearing liabilities) in relation to sale-and-leaseback transactions over equipment that existed at transition date.

As a result of adopting IFRS 16, the operating profit before tax for the six months ended 31 December 2019 has decreased by R11 million due to the replacement of operating lease expenses with depreciation on the underlying assets (R36 million) and finance costs on lease liabilities (R14 million), totalling an amount of R50 million. The operating lease expenses in terms of IAS 17 would have amounted to R39 million for the period.

Sub-leasing under IFRS 16 distinguishes between two types of leases: operating and finance leases. The Group enters into sub-leases over equipment, subject to sale-and-leaseback transactions, with customers.

The effects of the adoption of IFRS 16 are as follows:

Statement of financial position	As at 1 Jul 2019 R'000	Movements during the interim period ended 31 Dec 2019 R'000	As at 31 Dec 2019 R'000
ASSETS			
Increase in property, plant and equipment	315 967	(1 133)	314 833
At transition – initial recognition	315 967	–	315 967
Right-of-use asset – property leases at transition date	284 268	–	284 268
Equipment (previously derecognised under sale-and-leaseback transactions) *	31 699	–	31 699
Movements for the six-month period	–	(1 133)	(1 133)
Right-of-use asset – property leases entered into	–	22 089	22 089
Equipment reclassified from inventories *	–	12 365	12 365
Accumulated depreciation for the period	–	(35 587)	(35 587)
Increase in deferred tax asset (net position for the Group)	–	3 136	3 136
Movements for the six-month period	–	3 136	3 136
Deferred tax recognised in profit or loss	–	3 136	3 136
Total assets	315 967	2 003	317 970

** The Group previously entered into sale-and-leaseback transactions which were classified as operating leases under IAS 17. In terms of the requirements of IFRS 16, these transactions do not meet the IFRS 15 requirement, as a sale, as control of the underlying asset remains within the Group. For this reason the Group continues to recognise the underlying asset and recognises a financial liability equal to the transfer proceeds. For previously recognised operating leases, the Group has recognised the equipment (subject to leases with customers) under IFRS 16.*

1. SALIENT FEATURES OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS (continued)

Statement of financial position (continued)	As at 1 Jul 2019 R'000	Movements during the interim period ended 31 Dec 2019 R'000	As at 31 Dec 2019 R'000
LIABILITIES			
Increase in lease liability (included in interest-bearing liabilites)	284 268	3 316	**287 584**
At transition – initial recognition	284 268	–	**284 268**
Right-of-use asset – property leases at transition date	284 268	–	**284 268**
Movements for the six-month period	–	3 316	**3 316**
Right-of-use asset - property leases entered into	–	22 088	**22 088**
Repayments during the period	–	(18 772)	**(18 772)**
Increase in financial liabilities (included in interest-bearing liabilities)*	31 699	10 873	**42 572**
At transition – initial recognition	31 699	–	**31 699**
Financial liability *	31 699	–	**31 699**
Movements for the six-month period	–	10 873	**10 873**
Financial liability *	–	16 373	**16 373**
Repayments during the period	–	(5 500)	**(5 500)**
Total liabilities	315 967	14 189	**330 156**

* *The Group previously entered into sale-and-leaseback transactions which were classified as operating leases under IAS 17. In terms of the requirements of IFRS 16, these transactions do not meet the IFRS 15 requirement, as a sale, as control of the underlying asset remains within the Group. For this reason the Group continues to recognise the underlying asset and recognises a financial liability equal to the transfer proceeds. For previously recognised operating leases, the Group has recognised the equipment (subject to leases with customers) under IFRS 16.*

Statement of profit or loss and other comprehensive income	For the six months ended 31 Dec R'000
Increase in depreciation (included in depreciation and amortisation)	**(35 587)**
Decrease in operating profit before interest	**(35 587)**
Increase in finance costs	**(14 391)**
Decrease in profit before tax	**(49 978)**
Decrease in income tax expense	**3 136**
Decrease in profit for the period	**(46 842)**
Effect on basic earnings per ordinary share (cents)**	**(6,1)**
Effect on diluted earnings per ordinary share (cents)**	**(6,0)**
Reconciliation of impact on earnings for the period	
Increase in depreciation	**(35 587)**
Increase in finance costs	**(14 391)**
Decrease in operating lease expense (as per IAS 17)	**38 663**
Decrease on earnings before considering tax impact	**(11 315)**
Decrease in income tax expense	**3 136**
Total impact including adjustment for decrease in operating lease expense	**(8 179)**

** *The impact of the adoption of IFRS 16 includes the adjustment for the decrease in operating lease expenses that would have been recognised as an operating expense in the calculation of the impact on earnings per ordinary share for the period.*

1. SALIENT FEATURES OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS (continued)

IFRIC 23: Uncertainty over Income Tax Treatments

When there is uncertainty associated with income tax treatments within the Group, management will assess and disclose how judgements were made when determining taxable profit/(loss), tax bases, unused tax losses, unused tax credits and tax rates. The interpretation did not have an impact on the interim results of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

2. REVENUE

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.

In addition, the Group dissaggregates total revenue into the geographical regions.

Six months ended 31 December 2019

TIMING OF RECOGNITION	Reportable segments			Six months ended 31 Dec 2019 Total R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	
Timing of revenue recognition				
At a point in time	4 784 876	1 674 070	–	**6 458 946**
Over a period of time	106 877	705 169	–	**812 046**
Revenue from contracts with customers	4 891 753	2 379 239	–	**7 270 992**
Revenue related to leases	–	9 016	101 476	**110 492**
Total revenue	4 891 753	2 388 255	101 476	**7 381 484**

MAJOR SERVICE OFFERING	Reportable segments			Six months ended 31 Dec 2019 Total R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	
Service offerings				
IT-related products	4 711 766	1 609 973	–	**6 321 739**
Fibre-related products	75 914	–	–	**75 914**
Solar-related products	–	25 243	–	**78 175**
Electric charge-point sales	–	979	–	**979**
Installation services	9 886	112 617	–	**112 503**
Infrastructure management	–	47 402	–	**47 402**
Maintenance services	–	78 175	–	**78 175**
Consulting services – consumption	52 981	78 752	–	**131 733**
Consulting services – labour hours	41 206	426 098	–	**467 304**
Revenue from contracts with customers	4 891 753	2 379 239	–	**7 270 992**
Revenue related to leases	–	9 016	101 476	**110 492**
Total revenue	4 891 753	2 388 255	101 476	**7 381 484**

2. REVENUE (continued)

CONTRIBUTING INDUSTRY

	Reportable segments			Six months ended 31 Dec 2019 Total R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	
Industries				
ICT industry	4 805 953	2 224 553	–	7 030 506
Fibre solution industry	85 800	–	–	85 800
Renewable energy industry	–	104 440	–	104 440
Infrastructure management industry	–	50 246	–	50 246
Revenue from contracts with customers	4 891 753	2 379 239	–	7 270 992
Revenue related to leases	–	9 016	101 476	110 492
Total revenue	4 891 753	2 388 255	101 476	7 381 484

GEOGRAPHIC REGIONS

	Reportable segments			Six months ended 31 Dec 2019 Total R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	
Regions				
South Africa	4 229 862	2 254 571	–	6 484 433
Africa (excluding South Africa)	661 891	88 231	–	750 122
Other	–	36 437	–	36 437
Revenue from contracts with customers	4 891 753	2 379 239	–	7 270 992
Revenue related to leases	–	9 016	101 476	110 492
Total revenue	4 891 753	2 388 255	101 476	7 381 484

Twelve months ended 30 June 2019

TIMING OF RECOGNITION

	Reportable segments			Twelve months ended 30 June 2019 Audited Total R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services 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			Twelve months ended 30 June 2019 Audited Total R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services 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			Twelve months ended 30 June 2019 Audited Total R'000
	ICT Distribution R'000	Services and Solutions R'000	Financial Services 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

2. REVENUE (continued)

GEOGRAPHIC REGIONS

	Reportable segments			Twelve months ended 30 June 2019 Audited
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	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

Six months ended 31 December 2018

TIMING OF RECOGNITION *

	Reportable segments			Six months ended 31 Dec 2018
	ICT Distribution R'000	Services and Solutions R'000	Financial Services R'000	Total R'000
Timing of revenue recognition				
At a point in time	5 705 206	1 394 585	–	7 099 791
Over a period of time	95 605	801 309	92 381	989 295
	5 800 811	2 195 894	92 381	8 089 086
			Less: Intra-segment revenue	(367 403)
				7 721 683

**At the date of the publication of these interim results, management was still assessing the appropriateness of the various categories of the disaggregation of revenue, other than the timing of revenue. The categories were finalised subsequently and included in the results for the reporting period ended 30 June 2019.*

3. FINANCIAL REVIEW

	Six months ended 31 Dec 2019	Six months ended 31 Dec 2018	Twelve months ended 30 Jun 2019 Audited
Performance per ordinary share (cents)			
Basic and diluted earnings per ordinary share			
– Basic earnings per ordinary share	**94,1**	146,3	275,3
– Diluted earnings per ordinary share	**92,6**	143,0	268,1
Headline and headline diluted earnings per ordinary share			
– Headline earnings per ordinary share	**94,0**	146,2	297,1
– Diluted headline earnings per ordinary share	**92,5**	142,8	289,3
Core and diluted core earnings per ordinary share			
– Core earnings per ordinary share	**130,2**	172,4	352,9
– Diluted core earnings per ordinary share	**128,2**	168,5	343,6
Dividend cover	**3,0**	5,3	9,7
Returns (%)			
Gross profit	**17,5**	17,1	16,4
Operating expenses	**(11,8)**	(11,3)	(11,0)
EBITDA *	**5,7**	6,0	5,4
Operating profit before interest and tax	**3,7**	4,8	4,2
Effective tax rate	**31,9**	29,2	27,2
Net profit	**1,7**	2,8	2,5
Return on equity	**11,2**	19,9	17,8

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

4. RECONCILIATION OF HEADLINE AND CORE EARNINGS

	Six months ended 31 Dec 2019 R'000	Six months ended 31 Dec 2018 R'000	Twelve months ended 30 Jun 2019 Audited R'000
Earnings attributable to ordinary shareholders	**125 277**	213 729	394 500
Profit on disposal of property, plant and equipment net of tax	**(190)**	(175)	(438)
Profit on disposal of property, plant and equipment	**(264)**	(243)	(609)
Less: Tax thereon	**74**	68	171
Loss on disposal of subsidiary net of tax	**–**	–	31 561
Loss on disposal of subsidiary	**–**	–	32 141
Less: Tax thereon	**–**	–	(580)
Headline earnings	**125 087**	213 554	425 623
Acquisition costs net of tax	**363**	1 437	1 770
Amortisation of intangible assets net of tax	**47 838**	36 900	78 244
Core earnings **	**173 288**	251 891	505 637
Number of ordinary shares in issue ('000)			
– Total number of shares in issue *	**131 381**	145 160	136 587
– Weighted average number of shares in issue *	**133 115**	146 106	143 281
– Weighted average number of shares in issue for purpose of dilution*	**135 219**	149 507	147 141

* *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

	As at 31 Dec 2019 R'000	As at 31 Dec 2018 R'000	As at 30 Jun 2019 Audited R'000
Opening balance	**631 526**	564 235	564 235
Business combinations during the period	**39 691**	93 871	93 871
– SynergERP Proprietary Limited	**26 128**	–	–
– SynergERP Limited – UK	**11 062**	–	–
– SynergERP Limited – DWC LLC	**2 501**	–	–
– Tricon Services	–	38 265	38 265
– Merlynn Intelligence Technologies Proprietary Limited	–	55 606	55 606
Derecognition of subsidiary (Modrac)	–	–	(26 580)
Closing balance	**671 217**	658 106	631 526

6. BUSINESS COMBINATIONS

6.1 SynergERP Proprietary Limited ("Synerg SA")

Effective 1 July 2019, Alviva, through its subsidiary DCT Holdings Proprietary Limited, acquired 70% of the issued share capital and voting rights of Synerg SA for a maximum purchase consideration of R109 million.

Synerg SA 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. Synerg SA 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 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 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.

Synerg SA contributed revenue of R40,9 million and profit of R5,2 million to the Group's interim results.

The acquisition contributed to the Group's revenue and profit for a full reporting period.

An amount of R55 million was paid in cash by way of electronic transfer during July 2019. The remainder of the consideration will be calculated based on the audited results of the company for its year ended 31 December 2019. A further R21 million has been recognised as contingent consideration included in non-interest-bearing liabilities, based on preliminary calculations.

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

6. BUSINESS COMBINATIONS (continued)

6.1 SynergERP Proprietary Limited ("Synerg SA") (continued)

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 amount by acquiree R'000
Property plant and equipment	810	810
Intangible assets: customer relationship	85 360	–
Investments	–	2 258
Deferred tax	1 803	1 803
Trade and other receivables	16 417	16 417
Cash and cash equivalents	5 944	5 944
Total assets	110 334	27 232
Trade and other payables	(12 546)	(12 546)
Contract liabilities	(42)	(42)
Interest-bearing liabilities	(482)	(482)
Current tax liabilities	(2 117)	(2 117)
Deferred tax on intangible assets: customer relationship	(23 901)	–
Total liabilities	(39 088)	(15 187)
Identifiable net assets	71 246	12 045
Non-controlling interest	(21 374)	
Acquirer's interest	49 872	
Purchase consideration	76 000	
Goodwill on acquisition	26 128	
The impact on the statement of cash flows of the acquisition were as follows:		
Consideration to be settled in cash	55 419	
Cash and cash equivalents acquired	(5 944)	
Net cash outflow of acquisition	49 475	

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, 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 to the extent of the recognition of a loss allowance, based on the expected credit loss model applied.

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

6. BUSINESS COMBINATIONS (continued)

6.2 SynergERP Limited – DWC LLC ("Synerg UAE")

Effective 1 November 2019, Alviva, through its subsidiary Alviva International Investments Proprietary Limited, acquired 51% of the issued share capital and voting rights of Synerg UAE for a maximum purchase consideration of R52,5 million.

Synerg UAE enables businesses to leverage software in order to achieve operational efficiency in all areas of a business, from operations to human capital.

The business is dedicated to the Enterprise Management Software suite (also known as Sage X3 and Sage X3 People) and is invested in the Sage Enterprise product stack. Synerg UAE was incorporated to take the SynergERP South Africa service compliment to the UAE and international. 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.

In the two months to the reporting date, Synerg UAE contributed revenue of R0,1 million to the Group's results and incurred an attributable loss of R0,1 million.

If the acquisition had occurred at the beginning of the reporting period, the company would have contributed revenue of R1,6 million to the Group's results and would have made an attributable loss of R0,4 million.

The full consideration will be calculated based on Synerg UAE's audited results for its year ending 30 June 2022. An amount of R24,3 million has been recognised as contingent consideration included in non-interest-bearing liabilities, based on preliminary calculations.

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 amount by acquiree R'000
Intangible assets: customer relationship	42 672	–
Trade and other receivables	999	999
Cash and cash equivalents	545	545
Total assets	44 216	1 544
Interest-bearing liabilities	(1 387)	(1 387)
Trade and other payables	(106)	(106)
Total liabilities	(1 493)	(1 493)
Identifiable net assets	42 723	51
Non-controlling interest	(20 934)	
Acquirer's interest	21 789	
Purchase consideration	24 290	
Goodwill on acquisition	2 501	
The impact on the statement of cash flows of the acquisition were as follows:		
Consideration to be settled by cash	–	
Cash and equivalents at acquisition date	545	
Net cash inflow of acquisition	545	

6. BUSINESS COMBINATIONS (continued)

6.2 SynergERP Limited – DWC LLC ("Synerg UAE") (continued)

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, 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.

6.3 SynergERP Limited – UK ("Synerg UK")

Effective 1 November 2019, Alviva, through its subsidiary Alviva International Investments Proprietary Limited, acquired 51% of the issued share capital and voting rights of Synerg UK for a maximum purchase consideration of R52,7 million.

Synerg UK enables businesses to leverage software in order to achieve operational efficiency in all areas of a business, from operations to human capital.

The business is dedicated to the Enterprise Management Software suite (also known as Sage X3 and Sage X3 People) and is invested in the Sage Enterprise product stack. Synerg UK was incorporated to take the SynergERP South Africa service compliment to the UK and international. 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.

In the two months to the reporting date, Synerg UK contributed no revenue to the Group's results and incurred an attributable loss of R0,7 million.

If the acquisition had occurred at the beginning of the reporting period, the company would have contributed revenue of R0,2 million to the Group's results and would have made an attributable loss of R1 million.

The full consideration will be calculated based on Synerg UK's audited results for its year ending 30 June 2022. An amount of R27,8 million has been recognised as contingent consideration included in non-interest-bearing liabilities, based on preliminary calculations.

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

6. BUSINESS COMBINATIONS (continued)

6.3 SynergERP Limited – UK ("Synerg UK") (continued)

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 amount by acquiree R'000
Intangible assets: customer relationship	43 982	–
Trade and other receivables	32	248
Cash and cash equivalents	311	6 095
Total assets	44 325	6 343
Interest-bearing liabilities	(2 647)	(2 647)
Deferred tax on intangible assets: customer relationship	(8 357)	
Trade and other payables	(423)	(423)
Total liabilities	(11 427)	(3 070)
Identifiable net assets	32 898	3 273
Non-controlling interest	(16 120)	
Acquirer's interest	16 778	
Purchase consideration	27 840	
Goodwill on acquisition	11 062	
The impact on the statement of cash flows of the acquisition were as follows:		
Consideration to be settled by cash	–	
Cash and equivalents at acquisition date	311	
Net cash inflow of acquisition	311	

The fair values have been determined on a provisional basis. If any new information obtained within a year from the acquisition date about the 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, 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

DG Store SA Proprietary Limited ("DG")

Effective 1 November 2019, Alviva, through its subsidiary company Datacentrix Holdings Proprietary Limited, acquired an additional 10% of the issued share capital and voting rights of DG for an amount of R15 million, thereby increasing its shareholding in DG to 80%.

8. INVENTORY ANALYSIS

	As at 31 Dec 2019 R'000	As at 31 Dec 2018 R'000	As at 30 Jun 2019 Audited R'000
Inventory on hand	**914 182**	900 369	892 522
Inventory in transit	**101 201**	145 754	116 504
Work in progress	**17 309**	47 214	27 722
	1 032 692	1 093 337	1 036 748

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	As at 31 Dec 2019 R'000	As at 31 Dec 2018 R'000	As at 30 Jun 2019 Audited R'000
Fair value through profit or loss				
Contingent consideration *	3	**118 948**	135 168	89 898

** The contingent consideration is included in 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 contingent consideration is mandatorily classified at fair value through profit or loss. 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.